

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

Dear Shareholders

Your Directors present the 20th Annual Report together with Profit and Loss Account for financial year ended on 31st March 2009 and Balance Sheet as on that date.

Financial Performance of your Company for financial year ended on 31st March 2009 on stand-alone and consolidated basis have been as follows :

(Rs. in Millions)

	Stand-alone		Consolidated	
Sales (Net of Excise Duty)	1,667.85		3,981.71	
Other Income	7.21	1,675.06	23.82	4,005.53
Less : Total Expenses	1,406.47		3,489.05	
Interest	51.14	1,457.61	95.48	3,584.53
Gross Profit after Interest but before Depreciation, Exceptional Items and Taxation		217.45		421.00
Less : Depreciation	42.17		74.22	
Exceptional Items :				
Foreign Exchange (Gain)/Loss	(24.90)		83.30	
Restatement of Foreign Currency Receivables/Payables	-		95.80	
Non-recoverable assets of an Employees Pension Fund	-	17.27	39.90	293.22
Profit before Tax		200.18		127.78
Less : Provision for Current Tax		68.00		67.29
Profit after Current Tax and before Deferred Tax and Fringe Benefit Tax		132.18		60.49
Less : Provision for Deferred Tax	1.78		(3.76)	
Less : Provision for Fringe Benefit Tax	3.52	5.30	3.52	(0.24)
Profit after Tax		126.88		60.73
Add : Minority Interest		-		0.38
Profit after Tax and Minority Interest		126.88		61.11
Add : Profit brought forward from previous year		343.69		589.32
Profit available for appropriation		470.57		650.43

The world economy has been affected by a downturn not seen in recent times and the world domestic product which was on a very healthy growth path till June 2008, suddenly plummeted, primarily due to the financial crisis originating in the US and spreading throughout the developed world in a record time. The impact on the steel industry was also instantaneous and in just 4 months the world production dropped by 30%. Economies like India and China were primarily hit due to the contraction in their respective export trade. As your Company's business is, to a great extent export oriented, this unprecedented slow down impacted stand alone as well as consolidated results.

However, because of very timely and pro-active steps taken by your Company, the extent of damage both short and long term was largely contained. Steps included very tight inventory and debtors management and curtailment of expenses all round including reduction in remuneration of the top managerial personnel. Due to the above, your Company has been able to achieve the aforesaid results despite very adverse conditions.

During the year and just before the global melt down set in, your Company acquired Hofmann Group of Companies based in Germany, with a manufacturing in Czech Republic also. With this IFGL as a Group took its first step to diversify in to the foundry industry. The all round economic situation has impacted the auto industry and consequentially foundries also. Your Directors feel that in the long term this diversification will be strategic.

Nevertheless, after a very sharp fall in the last quarter of 2008, it seems the worst is behind us, as the world steel production has reached a plateau and also the contraction of the US economy slowed down. The projection is of a very slow revival of the world economy, starting from second half of 2009 and taking most of 2010. Keeping the above in mind and exercising extreme caution, your Directors, with great regret, decided not to declare any Dividend for the year under review.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Manufacturing facilities of your Company are its primary locations and the **Segment Revenue, Segment Results and Capital Employed, on consolidated basis, in terms of Accounting Standard 17** of the Institute of Chartered Accountants of India (ICAI) are as follows :

(Rs. in Millions)

	For financial year ended 31st March 2009	For previous year ended 31st March 2008
Segment Revenue		
India	1,668	1,713
Outside India		
Asia (excluding India)	462	376
Europe	1,435	1,263
Americas	646	632
Total	4,211	3,984
Less : Inter Segment Adjustment	229	204
Total Segment Revenue	3,982	3,780
Segment Results (Profit before tax)		
India	251	316
Outside India		
Asia (excluding India)	52	47
Europe	(83)	91
Americas	23	52
Total (Profit before interest)	243	506
Add/(Less) : Inter Segment Adjustment	1	(5)
Less : Interest Expenses (Net)	96	82
Less : Unallocable Items	20	10
Profit before tax	128	409

(Rs. in Millions)

	As at 31st March 2009	As at 31st March 2008
Segment Capital Employed (Assets - Liabilities)		
India	888	1,008
Outside India		
Asia (excluding India)	154	114
Europe	418	399
Americas	196	177
Total	1,656	1,698
Less : Inter Segment Adjustment	12	13
Less : Liabilities	500	715
Total Capital Employed	1,144	970

CAPEXIL's Special Export Award for Refractories was also received for sixth consecutive year for financial year 2007-2008. During financial year 2008-2009 your Company effected exports (including indirect) aggregating to Rs 880.95 millions.

Subsidiary Companies

Because of global economic slowdown discussed earlier in this report, operations of your Company's operating subsidiaries particularly in Czech Republic, Germany, UK and USA were substantially affected during financial year 2008-2009. However, extent of damage was substantially contained by taking various steps for business model restructuring including deferment of capital expenditures.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Industry Structure, Developments, Opportunities, Threats, Risks and Concerns and Future Outlook

As reported earlier, the world economy after experiencing an unprecedented contraction in the second half of 2008 is expected to slowly recover during 2009-2010. The same holds good for the Steel Industry. During the course of recovery there is all likely hood of a substantial shift in regional output of steel. Based on indications available there will be an increase in production in China, India, Russia and Brazil and a reduction in the European Union and North America. Till such time these signals become clearer, your Company will tread on a cautious path. The setting up of the new CCR Plant at Kandla Special Economic Zone in Gujarat through our associate IFGL Exports Ltd has been postponed. Your Directors will review this on a regular basis so that the project work could be revived as soon as clearer positive signs are available.

Bio Ceramics

Your Company's facilities for manufacture of Bio Ceramic Products particularly Synthetic Hydroxyapatite Orbital Implant, Alumina based Femoral Head for Hip Joint and Bone substitute materials has started functioning. These Products are being manufactured as per know how developed by the Central Glass and Ceramic Research Institute, a National Laboratory of Council of Scientific and Industrial Research of India. Clinical performance of these Products have been found to be satisfactory and they are already being used by/at leading Doctors and Hospitals. Your Directors are of the view that use of Bio Ceramic Products will increase substantially because of their inherent advantages and benefits and hence, increased attention is being given to this business.

Corporate Governance/Internal Control System and their adequacy

During financial year 2008-2009 your Company continued to practice principles of good Corporate Governance to maximise value of its stakeholders. Terms of Reference of Audit Committee are commensurate with those provided in Clause 49 of the Listing Agreement. Internal Control Systems and frame work thereof are reviewed and strengthened from time to time and are adequate to identify risks, assess and or evaluate impact thereof and take steps for control and mitigation thereof. Risk Management Manual and Risks Register and Global Transfer Pricing Policy for transactions with Associated Enterprises have been adopted and are reviewed and updated periodically. A detailed Report on Corporate Governance Compliance duly certified by the Company's Statutory Auditors form part of this Report as **Annexure 'A'**.

Accounts of Subsidiary Companies

Your Company's application for approval under Section 212(8) of the Companies Act, 1956 (the Act), for exemption from the provisions of Section 212(1) of the Act for financial year 2008-2009 for attachment of statements of accounts of the subsidiaries to its accounts for said financial year, is pending before the Ministry of Corporate Affairs and your directors are confident to receive said approval within next few days*. Accordingly, as followed in past, a statement having requisite financial information of Subsidiary Companies is being attached as part of the Annual Report. Shareholders of the Company, who are desirous of having complete statement of accounts and related detailed information of subsidiary companies, may send their request therefor either to the Company's registered office or to head and corporate office. The same are being kept for inspection at Head Offices of your Company and subsidiary companies and also available on your Company's website i.e. www.ifglref.com.

* Received on 25th May 2009.

Directors' Responsibility Statement

Your Directors, in terms of Section 217(2AA) of the Companies Act, 1956 (the Act), state that :

- a) in preparation of statement of accounts for the financial year under review, the applicable Accounting Standards have been followed and in case of departures therefrom, proper explanations relating thereto have been given in the Notes forming part thereof.
- b) Accounting Policies selected have been applied consistently and judgments and estimates made are reasonable and prudent as they give true and fair state of affairs of the Company at the end of the financial year under review and of the profit and loss of the Company for that period.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) Annual Accounts have been prepared on a going concern basis.

Your Company's Statutory Auditors, Messrs Price Waterhouse, Chartered Accountants have audited the statement of accounts in accordance with generally accepted Accounting Standards and Practices as indicated in their Report.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Consolidated Financial Statements

In accordance with Accounting Standard 21, Consolidated Financial Statements form part of this Annual Report. Consolidated Financial Statements have been prepared based on Financial Statements (including Consolidated) of immediate two levels of Subsidiary Companies i.e. IFGL Worldwide Holdings Limited and IFGL Monocon Holdings Limited, as approved by their respective Boards.

Directors

Director due to retire by rotation are Mr D G Rajan and Mr K S B Sanyal who, being eligible, offer themselves for re-appointment for further period.

Mr Osamu Matsuura was appointed as an Additional Director of your Company on Friday, 31st October 2008. He ceases to hold his office at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment as Director, liable to retire by rotation and your Directors recommend his re-appointment.

Profile of these Directors form part of the Notice to the Shareholders of ensuing Annual General Meeting.

Human Resources and Industrial Relations

Your Company continue to provide most conducive working environment to its human resource and empower them by periodical trainings on latest techniques and practices. Compensation packages and benefits provided are most competitive and comparable to the best offered in the Refractory Industry in India. During financial year 2008-2009, Industrial Relations remained most cordial.

Particulars of remuneration paid in excess of limit specified for the purpose of Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, amended to date are given in **Annexure 'B'**.

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

Information in accordance with provision of Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in **Annexure 'C'**.

Auditors' Report

Report of the Auditors, including references made therein to the Notes forming part of the Statement of Accounts, are self explanatory and does not require to be elucidated further.

Auditors

Messrs Price Waterhouse, Auditors will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

Acknowledgement

Your Directors place on record sincere appreciation for continued support received from all concerned particularly from the shareholders, banks and employees.

On behalf of the Board of Directors

Kolkata
18th May 2009

S K Bajoria
Managing Director

P Bajoria
Director & Chief Executive