Striking Gold

Carborundum Universal Limited

Annual Report 2010 - 2011

murugappa

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STRIKING GOLD...

Record Sales. A growth graph climbing a new high. Production lines clocking optimum utilization. In 2010-11 CUMI struck gold. Abrasives, Electrominerals and Ceramics - each of the business divisions rode the wave of a buoyant market, turning in record sales and profits.

CUMI's plant at Volzhsky, Russia, also touched gold, ramping up growth volumes and reaching the milestone of 50 years of operations. Across geographies, CUMI expanded its footprint with exports out of India nearing the Rs 2 billion mark.

CUMI mined gold from a demand driven market, with innovative products and enhanced customer touch points. The company invested in new ventures, enhanced capacities, automated processes and explored new market segments. Across locations, people efficiencies kept pace and stayed connected to the golden run.

For CUMI, striking gold seemed effortless and part of a pioneer's prerogative.


ОЛЖСКИЙ АБРАЗИВНЫЙ ЗАВОД"
CUMI
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ВОЛЖСКИЙ

Golden Milestone

CUMI's plant at Volzhsky, Russia, celebrated its Golden Jubilee on 22nd April, 2011 marking a momentous milestone in its history. The fitting finale was the appreciation by the Governor of the Province on the company's employee friendly policies, robust business model and the strong commitment to environment and community. Investing in new expansions was another indication of CUMI's long term and sustained commitment to the business in Russia. Mr Sergey Kostrov, General Director, VAW, was honoured as the Best CEO in the province, a recognition of the outstanding all round performance of the company.

New Products, New Markets

Each of CUMI's businesses focused on developing application specific products to address different customer segments.

The electrominerals business continued to benefit from the growth in the photo voltaic sector, achieving a growth of 100% in this market segment. The Azures® brand of high performance, sintered alumina abrasive grains, with uniform submicron crystals and unique fracture characteristics expanded market space in bonded and coated abrasives used in high speed rail track grinding, roll grinding and precision grinding in bearing, crankshaft, turbine blade and gear manufacturing industries.

The Foskor zirconia plant at Phalaborwa, South Africa expanded into new geographies with its fused stabilized zirconia products. Manufactured from a uniform blend of monoclinic and cubic zirconia through co-fusion of selected grades of raw materials, these products found a ready demand in slide gate refractories for continuous casting of steel, refractory nozzles, engineered ceramics, ceramic filters and thermal spray powders.

The super refractory segment posted record growth with strong offtake from glass, ceramics, iron and steel and carbon black industries. The division bagged large project orders for refractory design and installation services for mineral and chemical process industries and expanded market share in iron and steel plants in Southern India, through specialised fired products, precast shapes and cost effective monolithic refractory products. In anti-corrosive products, polymer concrete cells registered volume growth in the export market.

The Abrasives division leveraged its application engineering expertise to offer a range of high technology products for major OEM's and user industries. The range of differentiated, customer specific product offerings contributed to a steep increase in sales volumes.

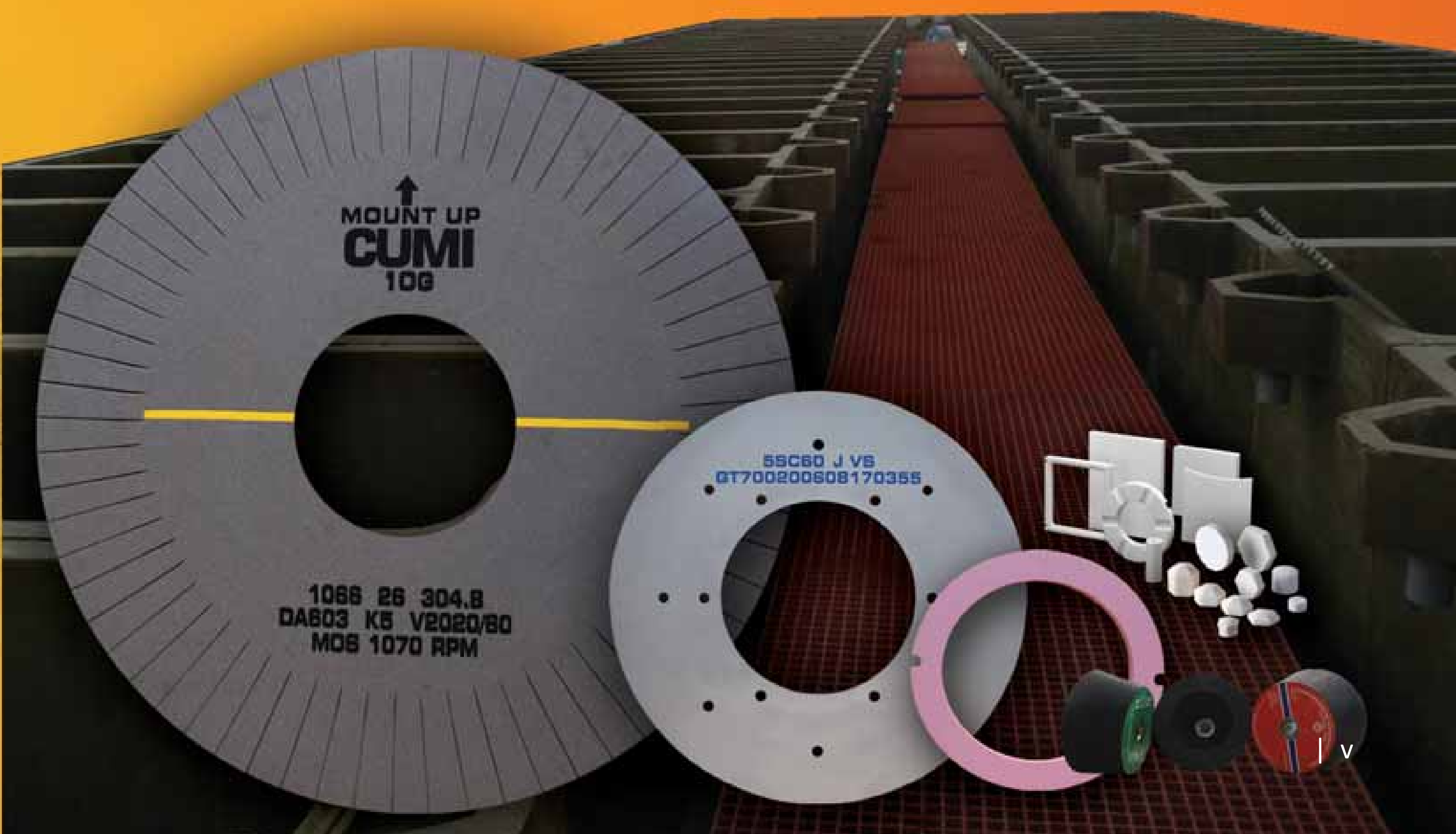
The new vitrified range of precision grinding products developed during the year included: single and multi rib gear grinding wheels using the VCA2 and V736 bond systems, plate mounted wheels, IR track grinding wheels, creep feed grinding wheels and high performance crank wheels.

In the resinoid category, the division expanded market space in high performance snagging wheels for chrome grinding applications, while roll grinding wheels, cup wheels and razor blade wheels made a mark in the export market. To cater to the requirements of user industries, the division established file grinding and synthetic wheels using green technology manufacturing methods.

In Coated Abrasives, the division developed high performance resin bond systems and established white and brown Aluminium Oxide buffing rolls for tanneries, Woodmaster Rolls for the sports industry and strengthened its Appu and Sakthi brands of coated products for polishing and finishing applications.

The metallised ceramics division came up with a breakthrough product for the non conventional energy sector. These ceramic insulating parts are manufactured using unique formulations and in special geometrical shapes for critical applications to generate 'Power on the Move'.

At CUMI, all business segments had a golden run, registering growth both in domestic as well as international revenues.



The New Non Woven facility at Chennai, India

New Expansion

In the super refractories segment, a high alumina binder plant was commissioned at Jabalpur, to strengthen the company's monolithic refractories business.

New Ventures

Commissioning of new manufacturing lines formed a vital part of CUMI's strategies to expand into new and growing market segments. A Non Woven abrasive plant with technology from USA was commissioned at Chennai, India, expanding the company's product portfolio in coated abrasives. This will address the fast growing industrial and domestic market for cleaning, polishing, de-burring, de-nibbing and de-fuzzing applications.

High alumina binder manufacturing line at Jabalpur

People Assets

Central to CUMI's product innovation, process capabilities and customer service are its people assets.

As part of the company's plans for globalisation and growth was the development of people synergies and honing of competencies. Training and Development was aligned to individual growth while knowledge enhancement and skill upgradation programmes were mapped to a Personal Development Plan.

To prepare and equip the Senior Management team for CUMI's 'Vision 2020', a leadership training program was conducted for mapping key observable behaviours of the core group. The session facilitated by a consultant of international repute, helped the team members draw up Individual Development Plans, by leveraging their strengths and working on their developmental needs.

Readying for greater heights, CUMI's core leadership team

The management team participating in a session on Emotional Intelligence

To train and transform middle management employees to be an internal resource of the company and to create a leadership talent pool, CUMI Leadership Programmes-'CLP' were conducted. During the year, the second batch of CLPians graduated from the programme, gearing to take their place in CUMI's 'Vision 2020' journey.

To hone the technical skills and application engineering capabilities of young aspirants, CUMI 'Ustaad' programmes were conducted while a Basic Training Centre was started to build a skilled workforce, through an apprenticeship model approved and recognized by the Government.

A company wide Employee Engagement survey was rolled out to measure and understand critical issues in creating a healthy, productive and customer-focused workplace and bring in a culture of participation and empowerment.

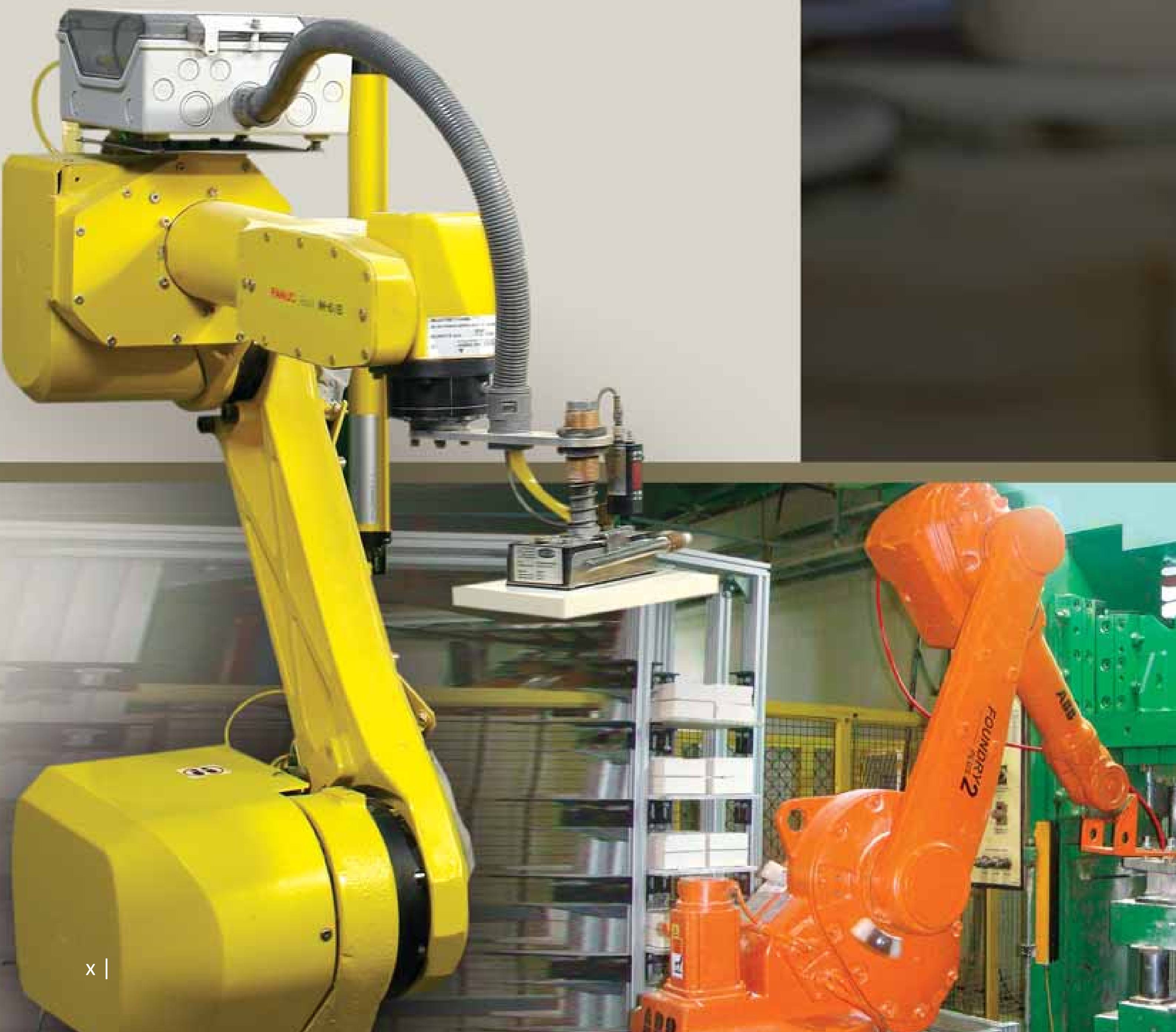
In golden yellow robes, the second batch of CLP graduates

Automation & Technology Upgradation

Automation of plant processes and modernisation of facilities has been an integral part of CUMI's strategic initiative to spread its global footprint and enhance its competitiveness.

The installation of the six axis robot at the high alumina ceramics plant at Hosur, India for the manufacture of wear resistant tiles and the reconstruction and technological upgradation of SiC black fusion cells at the Electrominerals facility at Russia were among the few such initiatives undertaken during the year.

Introduction of faster firing cycles,combustion efficiency in kilns, synchronization of critical equipment in tunnel dryers and installation of critical power saving components contributed to energy efficiencies and reduced environmental footprint.



Bonded Abrasives manufacturing plant, Russia

Operating Efficiencies

2010-11 was a touchstone year in operating efficiencies. A year, when long term investments in strategic acquisitions and capacity expansions executed in the recent past, culminated in high production levels and supply efficiencies.

In India, the company's state-of-the-art Coated Maker plant at Sriperumbudur, the silicon carbide microgrit plant at Cochin, the new ceramic tiles and metallised cylinder plants at Hosur, the plants at Ranipet and Jabalpur for super refractories, the Uttarkhand facility for standard abrasive products, all helped CUMI to service the demands of a burgeoning market.

The company also reaped the benefits of its overseas acquisitions with the huge capacities of VAW in Russia for silicon carbide, bonded abrasives and refractories and the zirconia supplies from the plant at South Africa, helping it to address the demands of the export market and earn a reputation of a global supplier of value-for-money products.

Each of the business divisions contributed to the golden run, keeping pace with the market resurgence. Across locations, manufacturing teams worked assiduously to increase throughput and contributed to growth in productivity. While the Bonded Abrasives and Electrominerals division topped the list in capacity utilisation, the Industrial Ceramics plant at Hosur, scaled up production levels significantly. The Maniyar Hydroelectric plant also touched a new high in power generation.

At CUMI, all the manufacturing plants registered higher capacity utilization, touching the gold standard in operating efficiencies.

Six axis robots at the metallised ceramic plant

Mr M M Murugappan, Chairman, CUMI with Mr Sergey Kostrov, CEO,VAW at the proposed site of the new silicon carbide facility at Russia.

Forward into the future

Large capacity expansions and major business acquisitions, both in India and overseas, have marked CUMI's growth and globalisation strategies in recent years. Pursuing its next phase of growth, the company rolled out capacity augmentation plans for specific product categories.

CUMI's plant at Volzhsky, Russia, is the 2nd largest producer of silicon carbide grains in the world. As a leader in this business. VAW is setting up the first group of modern big furnaces, with high energy efficiencies and lower environmental impact. In the first phase, the furnaces are designed to produce 12,000 tons of silicon carbide per year.

The company's plant at Phalaborwa in South Africa, is the third largest producer of fused zirconia grains in the world. To fortify its global position and to address the growing demand for fused zirconia, the plant has started preliminary work on doubling of capacities.

In India, the electrominerals division commenced its next phase of expansion of the silicon carbide micro grit plant at Cochin, to cater to the needs of the silicon wafer slicing, diesel particulate filters and friction applications.

Vision driven teams spearheading record growth, a customer base straddling new geographies, process capabilities touching a vertical high: the year 2010-11 marked a golden milestone in CUMI's quest of becoming a global corporation.

Chairman's Statement

"CUMI's development and progress over the years has been based on the relentless pursuit of a clear vision, strong ethical values, its commitment to customers, good governance, high standards of quality, application service, adherence to safety standards, environmental and regulatory compliance and above all committed leadership".

Dear Shareholders,

2010-11 was a year of excellent all round performance for Carborundum Universal Limited (CUMI) across the world. The company, its subsidiaries, joint ventures and associates turned in a record performance in the wake of improving economic conditions worldwide, more particularly in India, South East Asia, Russia and to an extent in Australia and South Africa. Customer demand for CUMI's range of products across all divisions and the increasing need for value added services have contributed substantially to this performance.

The year also witnessed many challenges relative to rising costs of input materials and utilities critical to CUMI's operations. Inflationary trends in India and fluctuating currencies across the world added to this challenge. Amidst this rather mixed environment CUMI continued to maintain *and enhance its growth trajectory in both, revenues and profits. Consolidated sales grew by 25 percent to Rs 16 billion and operating profits by 30 percent to Rs 2.6 billion, the best performance in the past decade.*

The Board is pleased to declare a final dividend of Re 1/- per share taken together with the interim dividend declared in February 2011 making it Rs. 2.5 per share overall. This reflects current performance and the confidence in maintaining and improving upon it in the future.

Strong performances were recorded by the Abrasives and Electro Minerals divisions both, in India and Russia. The Abrasives related subsidiary i.e. Sterling Abrasives India which manufactures specialist conventional abrasives, Volzhsky Abrasive Works, Russia manufacturing abrasives and electrominerals, and Wendt India, which manufactures super abrasives and precision components also had their best year ever. The year was marked by better consumer demand, greater focus on product distribution and reach and an emphasis on developing strong customer partnerships in India and across the world. This has enabled the company to address comprehensively, the entire range of grinding and finishing requirements of user industries with strong product and application support. The Chinese operations improved considerably but continued to incur losses. However this situation is set to improve with better capacity utilization and price realizations based on a detailed exercise of production rationalization between the manufacturing units in China, India and Russia. A new facility for making non-woven abrasives was commissioned towards the end of the year and this will serve to enhance the product range particularly in finishing applications across user industries.

Electrominerals had a very good year too. Despite a challenge of availability and costs of input materials, the operations in Russia and India worked to near full capacity. The focus on enhancing production of silicon carbide micro grits which find extensive use in solar cell manufacturing contributed to the business growth and value addition. Stabilized Zirconia production in South Africa improved substantially over the previous year but the operations were constrained by rising raw materials costs and a fluctuating rand.

Ceramics and Refractories built high quality partnerships with customers in India, Australia and Russia. New breakthroughs in design and development of products for the emerging energy sector in the United States and other parts of the world will progressively provide a unique positioning of the ceramics division to address opportunities in this sector. The expertise developed in the Australian operations to provide design and application services to the mining industry was extended to customers in South East Asia, South Africa and India. In the refractories business although the growth was lower than planned the emphasis on strong customer partnerships both in India and Russia have led to consistent customer recognition which will result in enhanced revenues going forward.

CUMI is well positioned to address opportunities in a variety of industry sectors and its efforts are gaining momentum in emerging sectors such as power and renewable energy, based on both, product development and research initiatives in- house and in collaboration with universities and research institutions. This, together with enhanced customer partnerships will be the basis on which CUMI's growth will be fashioned in the years ahead. The emphasis on technology excellence cannot stand alone. Therefore, CUMI continues its efforts in building world class facilities, enhancing capacities and improving its operations across the world both, in terms of ensuring consistently high product quality, manufacturing efficiency and strong application support. This quite naturally will mean greater investment in its people, their skills and leadership abilities.

CUMI's development and progress over the years has been based on the relentless pursuit of a clear vision, strong ethical values, its commitment to customers, good governance, high standards of quality, application service, adherence to safety standards, environmental and regulatory compliance and above all committed leadership. Mr K Srinivasan, our Managing Director has led his team which comprises of people from many nationalities across the world very ably in a year of record performances. Mr N Kishore, President of the Abrasives Division together with the Technology responsibility across the company, retired during the year. We wish him well in his retirement. CUMI teams across the world worked very well together addressing both opportunities and challenges with equal vigour. To the company leadership and to our colleagues worldwide my sincere gratitude and appreciation for the wonderful work that they do.

Our Board is a great source of strength to the company and to me personally. Our Directors have visited key operating sites, interacted with our various teams, encouraging and challenging them to set their sight on higher levels of achievement across all facets of the company's operations. I thank them for their interest, sharing their expertise and their wise counsel and look forward to their continued support.

As shareholders, your support to us has been invaluable. Many of you take a very keen interest in the development and progress of the company and have expressed kind words of appreciation. To everyone of us in CUMI this is indeed both, gratifying and inspiring.

Looking ahead we will continue our journey towards the larger vision of addressing opportunities in ceramics and related specialist materials worldwide. We strongly believe that we have the necessary ingredients to evolve into a global company which will focus on Making Materials Work For Man.

M.M.Murugappan
Chairman

April 30, 2011

The Spirit of the Murugappa Group

Integrity

Responsibility

Passion

The five lights

The values, principles and beliefs that have always guided us and continue to show the way forward.

Respect

Quality

Integrity

We value professional and personal integrity above all else. We achieve our goals by being honest and straightforward with all our stakeholders. We earn trust with every action, every minute of every day.

Passion

We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in everything that we do.

Quality

We take ownership of our work. We unfailingly meet high standards of quality in both what we do and the way we do it. We take pride in excellence.

Respect

We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

Responsibility

We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.

murugappa

Be the energy

CORPORATE INFORMATION

Board of Directors

M M Murugappan, *Chairman*

Subodh Kumar Bhargava

T L Palani Kumar

Sridhar Ganesh

Shobhan M Thakore

M Lakshminarayan

Sanjay Jayavarthanavelu

K Srinivasan, *Managing Director*

Management Committee

K Srinivasan, *Managing Director*

P R Ravi, *President - Industrial Ceramics*

V Ramesh, *President - Abrasives & Chief Financial Officer*

M Muthiah, *Senior Vice-President - Human Resources*

P L Deepak Dorairaj, *Senior Vice-President (Operations) - Abrasives*

N Ananthaseshan, *Senior Vice-President - Electro Minerals Division*

R Rajagopalan, *Senior Vice-President - Refractories & Prodorite*

Company Secretary

S Dhanvanth Kumar

Auditors

Deloitte Haskins & Sells, Chennai

Bankers

State Bank of India

Standard Chartered Bank

Bank of America N.A.

The Hongkong and Shanghai Banking Corporation Ltd.

The Royal Bank of Scotland N.V

BNP Paribas

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their 57th Annual Report together with the audited financial statements for the year ended 31st March 2011. The management discussion & analysis report, which is required to be furnished as per the requirements of stock exchanges, has been included in the Directors Report so as to avoid duplication and overlap.

ECONOMIC OVERVIEW

The year 2010 witnessed the reemergence of the world economy from the throes of recession caused by the global financial crisis of 2008-09. World economy recorded a growth of 5¼ percent during the first half of 2010 and decelerated to about 3¾ percent during the second half. As fears of a global depression receded in 2009, businesses at first slowed their rate of de-stocking, and then, as confidence improved, began to rebuild depleted inventories. This fostered a sharp rebound in industrial production and trade, which lasted through the first half of 2010. As this phase progressed, inventory rebuilding and, as a consequence, industrial production and trade moved into lower gear in the second half of last year. In the meantime, however, reduced excess capacity, accommodative policies and further improvements in confidence and financial conditions encouraged investment and sharply reduced the rate of unemployment. Consumption also regained strength. Consequently, the recovery become more self-sustaining, risks of a double-dip recession in advanced economies receded, and global activity has started accelerating again.

While growth was visible across geographies, the pace of economic growth was geographically uneven. The recovery broadly moved at two speeds in emerging and developing economies, with appreciable differences amongst each set of countries. In major advanced economies, economic growth was modest, especially considering the depth of the recession in earlier years, reaching just 3 percent. In contrast, many emerging and developing economies witnessed robust growth, reaching more than 7 percent in 2010.

In India, the economy has emerged with remarkable rapidity from the slowdown caused by the global financial crisis. Growth in 2010-11 as per the Advance Estimates released in January 2011 is estimated at 8.6%. Rebound in agriculture and continued momentum in manufacturing, despite the deceleration in services, helped to drive the economy. The slight slowdown in industrial production in the later part of the year was more in the nature of a road bump than any indication of a long term problem. On the demand side, a rise in savings and investment and pick-up in private consumption have resulted in strong growth of the GDP. Inflation however has remained a concern during a large part of the year, mainly driven by food prices.

COMPANY PERFORMANCE

Top Line Summary

Against the backdrop of a resurgent world economy, the Company's global revenues for 2010-11 registered a strong growth of 25 per cent over the previous year. The top line summary is as follows:

(Rs. million)

	31.3.2011	31.3.2010
Net Sales *		
- India	8540	7006
- Rest of the world	7467	5792
Total Net Sales	**16007**	**12798**
Other Income	474	345
Total Revenues+	**16481**	**13143**

* Includes income from contracts and processing charges.

+Excludes exceptional items of profit / loss i.e. profit on sale of land, building and investments / provision for dimunition in value of investments

The growth in global revenues was particularly driven by the strong performances of the Indian and Russian operations and also moderate improvement recorded in the operations in South Africa and North America. The Australian operations which experienced strong growth during the past few years appeared to lose some of its momentum. Share of international operations in the overall revenue pie increased from 45 per cent to 47 per cent during the year depicting an increasingly international character which the Company's businesses are assuming.

On a standalone basis, the growth was even more pronounced, aided by the strong acceleration in the Indian economy. Growth in revenues was driven not only by robust performance in the domestic business but also by sales to international markets.

While home sales grew by about 20 per cent, export growth was explosive with an increase of 43 per cent.

The top line summary on a standalone basis for 2010-11 was as follows registering an impressive growth of 25 per cent:

(Rs. million)

	31.3.2011	31.03.2010
Net Sales *		
- Domestic	7251	6022
- Exports	1946	1359
Total Net Sales	**9197**	**7381**
Other Income +	337	238
Total Revenues +	**9534**	**7619**

* Includes income from contracts

+ Excludes exceptional items of profit / loss

Driven by the upswing in demand in most served markets, all business segments performed creditably, particularly the Abrasives business which registered a sales growth of Rs.1483 million. It was a dream year for the Abrasives business with sales crossing the Rs.5 billion mark on a standalone basis. In percentage terms, the abrasives business topped the pack registering a growth of 27 per cent, electrominerals by 25 percent and Ceramics by 22 per cent.

Off take was strong from key customer segments particularly from automobiles, auto components, steel, construction and fabrication, glass and petro chemical and iron and steel industries. Inflow of project orders was also strong, barring the anti-corrosives product group. The growth in order flow from the direct customer segment, which is the barometer of the manufacturing sector of the economy, surpassed that of the trade segment.

A noteworthy feature of the current year performance was that the growth rate was sustained right through the year, with the Company consistently clocking a sales increase of around 25 per cent every quarter compared to the corresponding quarter of the previous year.

Manufacturing

The manufacturing teams performed creditably to service the enhanced demand requirements of the markets. The additional capacities built up over the last 3-4 years in various product lines helped the Company to capture the benefits of the surge in volume. Concerted effort was made during the year by various business units to leverage the strength of the other business units with respect to knowledge of local market or customer access or through advantages afforded by lower factor cost.

Cost of key inputs, including abrasive grains, glass fibre discs, cotton yarn, raw petroleum coke and zircon sand showed a spiraling trend. To the extent feasible, the businesses managed to offset these cost increases by passing them to the customers through price increases. Power cost increase, which was quite steep in certain geographies, further accentuated the cost push. Also, the bottleneck in availability of power from the state grid due to power-cuts during some parts of the year was managed to a very large extent with power availability from the Company's power generating subsidiary. This helped the business to deliver uninterrupted production which was very critical given the buoyancy in demand.

Employee cost registered an increase of nearly 14% due to conclusion of long term settlements with the workmen in two factories, increments in management staff compensation and increase in flexi staff strength. The growth in revenues helped the Company to absorb the resultant additional burden.

Capital expenditure of Rs.669 million was incurred during the year. The major investments were Phase II of the silicon carbide microgrit project in Kochi, India, setting up of a line for manufacture of non woven abrasives in the bonded abrasives plant in Chennai, India, installation of balancing equipment in the metallised cylinders and wear resistant tiles plant at Hosur, India, reconstruction and technological upgradation of SiC black and green fusion cells and installation of equipments for manufacture of new categories of refractories and abrasives in Volzhsky, Russia and expansion of facilities for manufacture of castable cement at Jabalpur, India. Some minor investments were also done in the operations in Australia, China and South Africa.

Barring brief spells, there was no volatile movement in the US dollar exchange rates versus the Indian Rupee, which helped the Indian operations to avoid uncertainties on export sales realization and cost of imported inputs. In South Africa, the appreciation in the South African currency against the US Dollar and the strong volatility posed a threat to overall earnings since a large part of the revenues were from international sales and US Dollar denominated. The Company benefited from the foreign currency hedges taken and protected earnings and profits. CUMI Australia benefited in terms of lower raw material cost as a result of the strengthening of the Australian currency against the US Dollar. The Russian Rouble strengthened appreciably against the US Dollar posing a significant challenge, as nearly all costs were in Roubles and a significant part of the revenue in Euro and US Dollar.

FINANCIAL REVIEW

Earnings

Gross operating margins on a consolidated basis remained at about last year's levels, though there was a mixed trend amongst product lines.

Aided by the 25 per cent growth in revenues, EBITDA from operations witnessed an increase of 27 per cent.

Depreciation was higher by Rs.60 million as a result of the continuing investments being made in various projects. Interest costs were lower by 12 per cent as a result of the soft interest rate regime that prevailed in the first half of the year, improved working capital management and decline in borrowings consequent to the healthy cash flows generated by operations. Earnings before interest and tax and exceptional items (EBIT) increased by 30 percent.

The Company continued to pursue its strategy of divesting non-core assets to fund investments into core operations, which resulted in an exceptional item of profit of Rs.235 million.

As a result of the upswing in operations and also the exceptional item of profit, consolidated profit before tax for the year recorded a significant increase of 51 per cent over last year. Consequently profit after tax was also higher by 68 per cent at Rs.1708 million (previous year Rs.1017 million)

On a standalone basis, earnings before interest and tax (excluding exceptional items) increased by 48%. Profit after tax more than doubled from Rs.580 million to Rs.1243 million.

The key earnings indicators (on a consolidated and standalone basis) were as follows:

(Rs. million)

	Consolidated		**Standalone**	
	31.3.2011	**31.3.2010**	**31.3.2011**	**31.3.2010**
Total net revenues*	16481	13143	9535	7619
Earnings before interest, depreciation & tax ('EBITDA') from operations*	3121	2460	2002	1439
Earnings before interest and tax from operations (EBIT)*	2616	2016	1602	1085
Finance cost	271	308	203	239
Exceptional items+	235	7	245	(5)
Profit before tax	2580	1714	1643	842
Profit after tax	1708	1017	1243	580
Earnings per share of Rs.2/- each	18.27	10.90	13.29	6.21
EBIT/ Net Sales ratio * #	16.3%	15.8%	17.4%	14.7%
Return on capital employed (%) *	21.9	18.0	20.6	14.2

* excluding exceptional items.

\+ Exceptional items represent one time profit arising on sale of land, buildings and investments and loss on provision for diminution in value of investments.

\# Net sales includes income from processing charges / contracts.

Financial Position

On a consolidated basis, shareholders fund as on 31st March 2011 was Rs.7455 million. Addition for the year (net of proposed dividend) was Rs.1527 million.

Year-end debt levels (Rs.4085 million) comprise of secured loans (including lease liability) of Rs.2201 million and unsecured borrowings of Rs.1884 million. Borrowings have reduced by

Rs.306 million during the year. As a result, the debt-to-equity ratio on a consolidated basis was 0.5 and on a standalone basis has improved to a comfortable 0.4 (from 0.7 last year).

Net fixed assets were at Rs. 5525 million (previous year Rs. 5316 million). The total capital expenditure for the year was Rs. 669 million, which exceeded the depreciation of Rs.505 million for the year. During the year, the investments in the subsidiaries in USA, Canada and Middle East were consolidated into CUMI International Limited, Cyprus which is also a 100% subsidiary. This is a step towards simplifying the holding structure of the international operations.

The sharp focus given on working capital management paid rich dividends. Though net current assets (excluding bank balances and dividend provisions) increased from Rs.4057 million to Rs.4911 million, this was primarily due to stepped up sales levels. Working capital ratios showed marginal improvement.

The summary financial snapshot (on a consolidated and standalone basis) were as follows:

(Rs. million)

	Consolidated		Standalone	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Assets Summary				
Fixed Assets	5525	5316	3885	3788
Goodwill on consolidation	832	849	–	–
Net Current Assets	5505	4315	2464	2036
Investments	749	779	1641	1718
Total	**12611**	**11259**	**7990**	**7542**
Funded by				
Shareholders funds	7455	5929	5282	4289
Minority Interest	594	490	–	–
Borrowings	4085	4391	2288	2838
Deferred Tax Liability	477	449	420	415
Total	**12611**	**11259**	**7990**	**7542**

(Rs. million)

	Consolidated		Standalone	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Debt Equity Ratio	0.5	0.7	0.4	0.7
Current Ratio	3.4	3.3	2.7	2.6

With stock markets turning buoyant during the year, the employee stock options turned attractive for employees as a result of which 114,761 options were exercised and an equivalent number of equity shares allotted. A total sum of Rs. 21 million was realized as exercise price.

Cash Flow

On a consolidated basis, cash generation from operations was Rs. 2055 million in 2010-11. Net Cash used for purchase of fixed assets and other investing activities was Rs.544 million. Net cash used for repayment / servicing of borrowings and other financing activities was Rs.1282 million. The net increase in cash and its equivalents was Rs.229 million.

Dividend and Appropriation of profits

The amounts available for appropriation and the recommended appropriations on a standalone basis are given below:

(Rs. million)

Available for appropriation	
Profit after tax	1242.58
Balance brought forward from previous year	1640.29
Total	**2882.87**
Recommended appropriation	
Transfer to debenture redemption reserve	31.25
Transfer to general reserve	750.00
Dividend	
- Interim - Final	140.05 93.47
Dividend tax	26.93
Balance carried forward	1841.17
Total	**2882.87**

Considering the increase in earnings for the year, the Board had in February 2011 declared and paid an interim dividend at the rate Rs.1.50 per equity share of Rs.2 each. The Board is now pleased to recommend a final dividend of Rs.1 per equity share of Rs.2 each for the financial year 2010-11. This would make a total dividend of Rs.2.50 per equity share for the year (as against Rs.2 paid for 2009-10).

PERFORMANCE OF BUSINESS SEGMENTS

(Including information required to be given in the Management Discussion and Analysis Report)

The market developments, current year performance and outlook for various business segments are elaborated below.

ABRASIVES

Business Profile

This business comprises of the following major product groups viz. bonded abrasives, coated abrasives (including non-wovens), super abrasives (through a joint venture), and power tools. The operations are carried out through eleven manufacturing facilities located in India, Russia and China. The subsidiaries/related entities located in North America, Middle East and Thailand support this business in getting an extended customer reach.

On a consolidated basis, the Company continues to maintain a leadership position in the Indian market. In the Russian market, the Company is the market leader in bonded abrasives. Customers located in over 50 countries are also serviced through the network of subsidiaries and related entities. Abrasives are used in a wide spectrum of industries the key among them being automobile, engineering, fabrication, wood working, home maintenance, construction and infrastructure.

Industry Overview

The global industry continues to be lead by few players who have a complete portfolio of abrasive products. There are also a large number of players specializing in specific categories of abrasives. During the year, there was some consolidation in the global industry by acquisition of a strong European bonded and super abrasives player by another global abrasives player.

The Indian abrasives industry continues to be catered largely by two leading players. There are a few smaller players specializing in select products. The market is also catered to by imports particularly from China. Many global abrasive manufacturers have entered the Indian market either through sales offices or manufacturing facilities.

There are three major players in the domestic Russian industry. Imports service a sizeable portion of the market. There was no major change in the industry structure in this market.

Market scenario

CUMI's Abrasives business started the year on a very robust note clocking a growth of 19 percent in the first quarter. With each oncoming quarter the sales tempo was enhanced, riding the wave of resurgence in the manufacturing sector in the Indian and Russian economies. While sales in the Indian market increased by 21 per cent, in the Russian market growth was more strident touching 79 per cent. All major product categories witnessed healthy growth rates.

Sale of custom-built abrasives, which is a key indicator of the health of the manufacturing industry, registered a steep increase of 37 per cent. The Company was able to leverage the strong ties established with various direct customers through several decades of partnership by delivering quality products and extending its strong application engineering skills and capture the benefits of the buoyancy in demand.

Sales into construction, fabrication, wood working and home maintenance segments which are largely addressed through the trade channel also improved through the product management approach. Efforts were taken to improve brand visibility through road shows, end user meets and participation in regional level exhibitions. To harness the business opportunities arising from infrastructure development in India, special focus was given on project sales, particularly in thin wheels.

During the year, the Company continued to pursue its strategy of addressing the complete market spectrum with an appropriate combination of brand and product. The product portfolio was continuously upgraded to suit the evolving demands and needs of customers. New product sales during the year was Rs. 605 million. The product basket was also critically reviewed periodically to promote a balance between healthy margins and product volumes. As a result, some low margin products were taken off the line. Traded products were used to address gaps in product portfolio and also where they offered a comparative advantage in terms of manufacturing cost.

Generic product development especially in the areas of speciality resinoid products has given the lead over competition in terms of performance price parity. Growth in super abrasives and thin wheels was encouraging with the supply and development of a slew of new products. Product differentiation continued to remain the cornerstone of the Company's competitive strategy.

Sales of super abrasive and other products by the joint venture viz. Wendt India Ltd. grew by about 47 per cent, with the Company focusing on supply of precision components along with the traditional super abrasive tooling business, for select customers. The effective change in the joint venture partner is being challenged by the Company as it is in breach of contractual arrangements and legal requirements.

In the power tools business the Company reinforced its position as a long term player. Sales increased by 55 per cent to Rs.110 million with several products getting continued patronage from end users. Relationships with several channel partners, who play a critical role in promoting these products were strengthened. Market presence was intensified in several states across India. The product portfolio was strengthened, both by addition of products hitherto not in the product basket and also by quality enhancement and value engineering of existing products. New sources for products were identified to offer value benefits and also to service the pipeline of new products planned for the next year.

Manufacturing

All abrasives plants functioned immaculately to cater to the volume requirements of the market. Given the strong off take from end users, the Indian facilities operated at near full capacity in industrial products.

Construction of a new line for manufacture of non-woven abrasives in the Tiruvottiyur, India plant was completed towards the end of the year. The facility was set up with know how from international sources. In the last two years, the Company has been offering these products in a small way by sourcing them from third party manufacturers. By acquiring the capability to manufacture this product in house the Company will be able to offer the complete spectrum of abrasive products.

In the bonded abrasives plant in Hosur, India manufacturing process for new varieties of castable wheels were developed and stabilized. Improved fast firing cycles were introduced in kilns for vitrified products which will yield benefits in terms of lower fuel consumption.

The abrasives plant at Roorkee, India graduated into a reliable source for bonded and coated abrasives addressing the mass market segment. Production levels were stepped up substantially over last year. The individual disc coating facility has been fully stabilized for certain sizes.

In Volzhsky, Russia re-layout of the manufacturing line was undertaken, in certain parts of the facility, to accommodate additional equipment designed to address the market requirements for specific categories of products. Automatic presses were put into operation for manufacture of small size vitrified wheels which has helped to widen the product portfolio. Further work has also been undertaken to increase capacity for manufacture of resinoid products.

The business witnessed steep cost increase in key raw materials like abrasive grains, glass fabric disc etc. To counter the negative impact of this, targets for cost savings were undertaken and achieved. In spite of a double digit growth in cost of inputs, the business improved operating margins from 9 per cent to 14 per cent. This was made possible by improvement in internal efficiencies (like power and fuel consumption rates, raw material input-output norms, identification of alternate sources for inputs, development of alternate raw materials and recycling of materials) and externally on the market side by rationalizing prices through a segmented approach and also through general price increases. Since the overall mood was positive, the business was able to give effect to price increases smoothly.

2010-11 was a good year in terms of working capital management. Collections were uniformly good and by virtue of tight sales administration, receivables rates were improved. However inventory of certain raw materials was consciously kept high to tide over supply constraints in the market and also hedge against volatilities in prices.

Key financial summary

(Rs. million)

	Consolidated Operations			Standalone Operations		
	2010 -11	2009-10	Growth	2010-11	2009-10	Growth
Net sales	6990	5507	27%	5155	4282	20%
Operating profits before interest & tax ('PBIT')	960	517	86%	776	466	67%
Capital employed	4460	4127	8%	2782	2633	6%
Contribution to total segment revenue of CUMI	44%	43%		56%	58%	
Contribution to total segment operating PBIT of CUMI	35%	24%		49%	40%	

CERAMICS

Business Profile

The ceramics business operates in three niche product groups viz. industrial ceramics, super refractories and anti corrosives. Industrial ceramics business offers alumina and zirconia products of technical ceramic grades addressing wear & corrosion protection, electrical insulation, thermal protection and ballistic protection requirements. The super refractories product group supplies fired and monolithic super refractories, refractory fibre and also refractory design and installation services addressing the insulation / thermal resistance requirements of industries. The refractory fibre and refractory design and installation businesses are addressed through joint ventures. The anti corrosives product group offers acid resistant cements, polymer concrete cells and various other products addressing the anticorrosion requirements of end users.

The key user industries for ceramics business are power generation and transmission, coal washeries, grain handling, sanitary tiles and ware, ballistic protection, cement, non ferrous metals, iron and steel industries, carbon black, cement, non-ferrous metals, iron and steel, insulators, furnace building, glass, petro-chemical and construction industries.

The operations are carried out through eight manufacturing facilities located in India and Russia. The subsidiaries in Australia, Canada, Middle East, China and South Africa also support this business in getting an extended customer reach. CUMI Australia also provides installation cum service facilities. The Company is mainly a regional player with leadership positions in India and Australia and also a key position in Russia. The Company also exports to over 30 countries.

Industry structure

There has been no material change in the industry structure in India, which is catered to by 4-5 major players. CUMI is a market leader in certain market segments. In Australia, CUMI Australia is one of the leading players in the lined equipment and industrial ceramic tiles industry. There are about a dozen players in the industry, most of whom market products imported from China and USA. There was no major change in the industry structure during the year.

Market scenario

The Ceramics business grew by 27 per cent on a consolidated basis during the year. In industrial ceramics, the Company continued to pursue its business model of designing and manufacturing ceramic tiles in India and marketing them through the subsidiaries in Australia, Canada, South Africa and lately CUMI China in their respective markets and with other markets being handled directly by the Indian operations. Driven by the strong recovery in the Indian market and also the revival in many parts of the international markets, the business registered a strong growth. The growth was to some extent dampened by the decline in turnover in the Australian markets during the third and fourth quarters of the year owing to floods in Australia and the resultant slowdown in mining and bulk material handling segments. Further supplies from Chinese suppliers who competed on price continued to be intense. The business increased its share in the lined equipment business. Sales of composite liners in rubber, ceramic and steel was promising. Sales effort was strengthened by upgrading the installation facility and also by increasing the sales force.

During the year, focused approach in servicing the Original Equipment Manufacturers (OEMs) in projects for coal and power and offering solutions to bulk material handling operators resulted in a 38 per cent growth in sales in India. Sales of wear protection products in international markets grew by 22 per cent owing to the improved performance of the North American and European markets. CUMI's overseas subsidiaries played a key role in stepping up sales in South Africa and China. Initial supplies to new markets like Russia and Middle East have prepared the ground for future growth.

Growth in engineered ceramics business was largely driven by exports which more than doubled on account of supply of structural ceramic parts for certain niche market segments where the Company has gained a strong foothold. Metallized ceramics business grew by 30 per cent and 50 per cent in domestic and exports markets respectively.

In super refractories, sales of fired and monolithic products grew by over 31 per cent during the year in the Indian operations. Growth was driven primarily by the strong offtake from user industries. Sales growth was in excesss of 30 per cent both in Indian and export markets. In respect of the Russian operations, sales grew by 14 per cent, with the growth in international sales being off set by a marginal decline in sales to the Russian markets. The refractory fibre business registered a growth of over 27 per cent in revenues. Refractory design and installation services business registered a steep growth of 64 per cent driven by strong offtake from project orders in the petrochemical and fertilizer industries.

In the Indian markets the uptrend in sales was largely driven by higher off take from iron & steel, glass, petro-chemical industries, power, chemical processing, steel and furnace building industries. The initiative to address turnkey orders paid rich dividends and helped to enhance revenues from project orders from these customer segments. Services of channel partners were engaged to supplement the sales effort. The company has enhanced its reach by widening its customer base in the domestic segment. Competition from imports affected few product categories. During the year, the Company was empanelled as an approved supplier by a leading international product licensor of refractories for petro-chemical industry. Market development initiatives were in the form of participation in international fairs.

Sales of anti-corrosive products were at last year levels. Sales of polymer concrete cells, particularly in the export market, was encouraging and helped to off set the lower order inflow on account of project sales

Manufacturing

The operating margins of the Ceramics business was maintained at last year's levels despite intense competition particularly in large fixed price project orders, steep increase in prices of fuel and some increase in price of silicon carbide. Raw material costs for the high alumina ceramics however remained generally stable. Raw material consumption efficiencies were maintained at standard norms. With sales volumes and revenues registering an increase, operating profits were higher as a result of control on fixed costs.

The wear resistant liner plant at Hosur, India operated at peak capacity and helped service the demand from domestic and overseas customers. Robust processes helped the business to deliver consistent products. With flexible manufacturing processes the business was able to deliver the required product mix. In order to meet increased demand for small tiles a state of the art high speed press was commissioned during the year. With this in place, the plant bolstered its capability to meet customer requirements for wear resistant tiles of varied geometries. In order to further enhance manufacturing capabilities, automation of additional processes were taken up. This coupled with six sigma quality initiatives helped the plant to deliver consistent and reliable products to customers. The plant also developed the capability to manufacture certain hi-tech products addressing climate control.

Addition of capacity balancing equipments and robust processes enabled the metallized ceramics plant in Hosur, India to deliver consistent and reliable metallized cylinders to suit the stringent requirements of customers as also meet the escalating demand for volumes.

At the engineered ceramics plant at Aurangabad, India, production processes were modified and stabilized and additional machines were put into operation for injection moulding and stabilized.

The fired refractories plants in Ranipet, India and the newly set up plant in Serkadu, India improved capacity utilisation. The Jabalpur, India plant, continued to play a pivotal role in augmenting sales of monolithic refractories. During the year additional investments in equipment were made in this plant to augment capacity to manufacture high alumina refractories cement production.

The anti-corrosives manufacturing facility at Serkadu, India which commenced operations last year functioned well. Work on establishing a line for manufacture of FRP composites has commenced and will be completed in 2011-12.

Cost pressures in the refractory fibre business increased stress on profitability which was to a certain extent addressed through cost savings initiatives and price action at the customer end.

In Russia, the nitride bonded silicon carbide refractories line which was set up with overseas technology functioned well. The products were tested at labs in Switzerland and was certified as comparable with in industry. First set of orders from a large aluminum producer was obtained.

Key financial summary

(Rs. million)

	Consolidated			Standalone		
	2010-11	**2009-10**	**Growth**	**2010-11**	**2009-10**	**Growth**
Net Sales	**3476**	**2857**	**22%**	**2469**	**1991**	**24%**
Operating profits before interest & tax ('PBIT')	612	557	10%	368	315	17%
Capital employed	3113	2845	9%	2265	2080	9%
Contribution to total segment revenue of CUMI	22%	22%		27%	27%	
Contribution to total segment operating PBIT of CUMI	22%	26%		23%	27%	

ELECTROMINERALS

Business Profile

The major product groups of this business segment are fused alumina (comprising brown and white alumina), silicon carbide and fused zirconia. The operations are carried out through 6 manufacturing facilities located in India, Russia and South Africa. Products are sold to customers located in over 40 countries. Key user industries for this business are abrasives, refractories and steel. The business also has captive mines and power plant.

Industry Overview

The market structure in the global electrominerals business remained largely unchanged with the Company continuing to be the second largest player in the silicon carbide segment of this business.

In fused alumina, the company is mainly a national player focused on India. The Indian market continues to be catered by two players. Apart from the domestic players, imported products have a visible share in the market. In fused zirconia, the Company is the third largest manufacturer globally. The global industry is largely catered to by top five players. There was no major change in the industry structure during the year.

Market scenario

The domestic and international markets for electro minerals, was very buoyant both on account of supply constraints and also demand growth. The business recorded a growth of 25 per cent in revenues with the Indian operations achieving a growth of 34 per cent and the Russian operations by 24 per cent over last year. The South African operations grew by 21 per cent. The increase in sales was both on account of volume increase and also escalation in prices.

The silicon carbide business in Russia benefited from the upturn in the local economy and also revival in the European markets. Exports increased by 22 per cent and domestic sales grew by 13 per cent. Sales volumes increased by 13 per cent. Prices for silicon carbide, which was firm in the early part of the year, stabilized later. Steps were taken to change the product mix to increase focus on value added products.

In India, slow down in supplies from China helped the business in terms of improved price realization across the entire product range. Buoyancy in the manufacturing sector in India drove up demand for abrasives which in turn resulted in brown fused alumina sales (including captive supplies) increasing by 11 per cent. The upturn in the abrasives industry and the continued escalating requirements of the photovoltaic industry helped silicon carbide sales to achieve a steep increase of over 50 per cent. White fused alumina sales increased by about 25 per cent helped by the strong off take from refractory manufacturers. The Indian operations continued its focus on specialty products addressing select industries and developing and adapting products to meet the emerging needs of this industry. This helped the Indian operations double its international revenues and continue the stellar performance of the past.

In South Africa, sales of fused zirconia and fumed silica witnessed a 11 per cent growth in volumes aided by the recovery in key user industries viz. refractories and steel. The appreciation of the South African currency diminished competitiveness. In the second half of the year the business witnessed a steep increase in input costs. To protect profitability, prices were increased which met with some resistance from key customers. As a result the growth in revenues was lower than expected. Efforts to widen the customer base have been initiated and the benefits of this would be seen in 2011-12. Initiatives have been undertaken to enter new markets.

Manufacturing

To meet the increased demand, volumes were increased at all locations by increasing throughputs from existing facilities.

Silicon carbide business was faced with steep increase in price of raw petroleum coke. The cost push could not be fully passed on to customers and as a result the business witnessed a drop in margins.

In the fused zirconia business, though off take increased, appreciation of the South African currency increased the stress on earnings and profitability. Steep escalation in sand prices hurt cost structure. Preliminary steps for capacity expansion has been taken.

Investments have been made during the year in the silicon carbide fusion facilities in Volzhsky, Russia to enhance efficiencies and upgrade fusion technology.

The first phase of the silicon carbide microgrit facility at Cochin Special Economic Zone, India commenced commercial production in April 2010. Subsequent phases are being implemented in a phased manner.

Key financial summary

(Rs. million)

	Consolidated			Standalone		
	2010-11	**2009-10**	**Growth**	**2010-11**	**2009-10**	**Growth**
Net Sales	5979	4789	25%	2102	1566	34%
Operating profits before interest & tax ('PBIT')	1102	1027	7%	442	372	19%
Capital employed	3439	2665	29%	1314	1105	19%
Contribution to total segment revenue of CUMI	37%	37%		23%	21%	
Contribution to total segment operating PBIT of CUMI	40%	47%		28%	32%	

PERFORMANCE OF SUBSIDIARIES

In Volzhsky Abrasive Works, turnover at RUB 2.8 billion for the year ended December 2010 constituted a growth of 34% over previous year. With the Russian and European economies emerging out from the recessionary trends and supply constraints continuing in commodities, the fortunes of the business became stronger. The uptrend in sales was both on account of volume growth and also improved price realization. Abrasives which witnessed steep growth benefited most from the turnaround of the economy. Electro minerals also grew well. The profitability of the business came under pressure because of higher input costs.

In CUMI Australia, turnover of AUD 12 million for the year 2010-11 was lower than that for the previous year (AUD 13.6 million). Increased competition from China and floods in the last quarter of the year which affected the mining industry were some of the factors responsible for the lower sales. Gross margins however recorded a marginal increase.

In South Africa, the operations of Foskor Zirconia saw a revival consequent to the upturn in the off take from various user industries. Sales at ZAR 160 million recorded a growth of 21 per cent for the year 2010-11.

CUMI Abrasives and Ceramics Co. Ltd., China, has progressed well since commencing full fledged operations in the first quarter of the current financial year. Though the Company came into existence in December 2009 upon the earlier de-merger of the Chinese joint venture, considerable time was taken to obtain various approvals and permission as a result of which full fledged business could be commenced only much later. During the year ended December 2010, the Company clocked a turnover of CNY 18 million for the year. Capacity utilization improved as the year progressed. A large part of the production was supplied to CUMI India and VAW, Russia. The Company also established relationships with customers in South America, Middle East and Europe including some for OEM supplies. At CUMI Canada, sales for the year 2010-11 was CAD 3.1 million recording a growth of 25 per cent. Increase in sale of industrial ceramics products as a result of the improved economic climate in Canada helped the Company to record higher turnover. CUMI America doubled sales during the year. Turnover increased from USD 0.7 million to USD 1.3 million helped by the rebound in the US economy. The Company enhanced its market reach and also its customer base. CUMI Middle East recorded a decline in sales from USD 2.9 million last year to USD 1.8 million in 2010-11. CUMI America, CUMI Canada and CUMI Middle East became subsidiaries of CUMI International Cyprus during the year.

Sterling Abrasives continued its strong run registering a 31 per cent growth in turnover. Sales of bonded abrasives was at Rs.418 million aided by the strong off take from user industries. Southern Energy Development Corporation Limited, the subsidiary engaged in power generation, operated at about 85 per cent capacity and supported the power requirements of the various manufacturing units of CUMI in Tamil Nadu as also other units belonging to the Murugappa Group. Turnover for the year was Rs.156 million, at last year levels. Net Access India Limited, which is in IT facilities management and managed services, increased revenues by 19 per cent. CUMI Fine Materials Limited is yet to commence commercial activities. During the year the authorised capital of the Company was enhanced in anticipation of new projects.

CUMI International Limited, Cyprus recorded a total income of USD 2 million representing mainly dividend and interest inflow.

A consolidated financial statement (incorporating the financial results of the company, its subsidiaries, joint ventures and associate) has been provided in the Annual Report. The key financial highlights of each subsidiary based on the financial statements for their respective financial years prepared by them under their applicable regulations is also attached. In view of this, the annual reports of the subsidiary companies have not been annexed pursuant to the exemption accorded by the Ministry of Corporate Affairs vide Circular No 51/12/2007-CL-III dated 8th February 2011. However, the annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of the Company and its subsidiary companies seeking such information at any point of time. These annual accounts will also be kept for inspection by any investor, in the head office of the Company and that of its respective subsidiary companies.

FINANCE AND HUMAN RESOURCES

Finance

With the world economy just entering the recovery phase, money markets were benign during the first two quarters of the year.

With inflation showing an upward trend, bank rates witnessed an uptrend in India as the year progressed. However interest rates in overseas locations continued to remain fairly supportive and stable.

Given the healthy cash flows, the Company did not contract any major long term borrowings during the year. Substitution of debt with more favourable terms has been done at CUMI International Cyprus. The relationships with the CUMI's bankers in India have been leveraged to get credit facilities for overseas subsidiaries. All debts have been serviced on time (including scheduled repayments).

All capital expenditure was funded from internal accruals. The Indian operations benefited from the benign interest regime in the first two quarters of the year. Taking advantage of this, the Company had contracted six month funding to finance its working capital needs which helped it to enjoy the benefit of lower interest rates even when the market rates increased during the latter part of the year.

With the Indian entity enjoying a significant natural hedge, a cautious approach was adopted to hedge the remaining exposures. Given the significant increase in business volumes and risks imposed in terms of higher receivables, considerable focus was given on keeping the receivables tidy.

The Company continued to retain its strong credit ratings - 'P1+' for short-term borrowings and 'AA+ Stable' for long-term borrowings - from CRISIL.

Human Resources

The year 2010-11 went beyond resilience and revival from a global slowdown, to one of growth exceeding expectations. HR initiatives were aligned to this pace set by the business to ensure such growth continues in the coming years.

The leadership team revisited 'Vision CUMI 2020' in a session facilitated by a consultant of international repute, setting the tone for the rest of the organization. They identified key observable behaviors that they are committed to uphold at all times. The team also followed through with their 360-degree feedback from the previous year, by taking up individual development plans focusing on leveraging their strengths and working on developmental needs.

The second-line leaders were also being geared up for their turn. The CUMI Leadership Program saw its second batch graduate successfully with the promise to be at the helm when CUMI 2020 happens. Young aspirants weren't far behind with CUMI 'Ustaad' programs conducted to hone their technical skills, especially the application engineering capabilities, which are at the heart of CUMI's business.

The engagement levels of employees was measured and found to be higher compared to similar companies in India. Based on a comparison of market compensation levels across locations, compensation package was selectively restructured during the year. An 'Online Performance Management System' was launched in order to align to the Group's performance management framework and also to make it user-friendly for employees spread across various locations. 'My Space', the enhanced employee portal, was unveiled to provide a single window of access to employees' information needs.

The Company continues its commitment to employment and empowerment of women through its 'Mitr' Forum and other initiatives. Women's Day Awards and participation in the MMA Women's Convention events were some of the additional activities of this year.

At the workmen level, successful long-term settlements were signed in major locations towards a healthy and productive work environment. A basic training centre was started to build a supply of skilled workforce to meet future needs, through an apprenticeship model approved and recognized by the State Government in Tamilnadu. It also proved to be a socially impactful program, turning school drop-outs and unemployed youth from the local communities into a pool of employable and skilled candidates.

Safety and Environment initiatives were undertaken in the form of awareness campaigns, competitions, continuously monitoring matrices and training programs.

Retaining critical talent and acquiring new talent to meet the business needs was the biggest challenge in the last year; going forward, initiatives like Graduate Engineer Training programs and recognising top talents are expected to help the Company counter this challenge in the coming years.

International Operations: Acquiring and retaining talent in CUMI China continues to be a challenge and efforts towards employee orientation and culture-building have been taken to address the same. In Foskor Zirconia, South Africa, employee orientation and efforts to build a positive culture have been initiated. Developing an e-learning platform on CUMI's culture and best practices to replicate them in our overseas ventures is being explored.

The total staff on rolls, of the Company (including subsidiaries and joint ventures) was 4481 with 2548 people in India as on 31st March 2011.

RISKS AND CONCERNS

The Company's dependence on petroleum products as fuel and as a raw material input is sizeable. With prices taking a steep upward curve and supply constraints becoming visible, profitability of various businesses could come under pressure. While the cost increase would be passed to customers, to the extent permitted by market situation, concerted efforts are also being made to optimize consumption through upgradation of firing equipment, improvement in technological processes and practices. Risks of dependence on one or two suppliers for critical raw materials are being addressed by initiating steps to widen the supplier base.

The pace of change in customers' requirements poses a constant challenge in certain product lines. The technical teams are continuously working to address these through improved manufacturing processes. The possibility of lifting of tariff barriers could intensify competition in certain geographies for some product lines. Proactive interactions with the regulatory authorities through trade associations are being done to address this.

Availability of workforce with the desired skills set and their retention is becoming challenging in certain markets. Effective HR intervention would be done to mitigate the effects of this trend.

Given the multiple countries in which the Company operates with each location having sizeable trade flows in the form of imports or exports, violent fluctuations could impair the profitability of the Company. These risks are sought to be mitigated by adopting a prudent forex policy whereby risks are hedged using financial products.

INTERNAL CONTROL

CUMI has put in place a framework of internal controls to mitigate operational risks. The internal audit team periodically evaluates the adequacy and effectiveness of these internal controls, recommends improvements and also reviews adherence to policies and corrective action taken to address any gaps.

Capital and revenue expenditure are monitored and controlled with reference to approved budgets.

Investment decisions are subject to formal detailed evaluation and approval according to schedule of authority in place. Review of capital expenditure undertaken with reference to benefits forecasted is done. Physical verification of assets is periodically undertaken.

The Audit Committee reviews the significant internal audit observations and overall functioning of the internal audit on a periodical basis.

BUSINESS OUTLOOK

World real GDP growth is forecasted at 4.5 percent in 2011 and 2012, down modestly from 5 percent in 2010. Real GDP in advanced economies and emerging and developing economies is expected to expand by about 2.5 percent and 6.5 percent, respectively. In advanced economies, the handoff from public to private demand is advancing well, reducing concerns that diminishing fiscal policy support might cause a "double-dip" recession. Financial conditions continue to improve, although they remain unusually fragile. In many emerging market economies, demand is robust and overheating is a growing policy concern. Unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. In advanced economies, weak sovereign balance sheets and still-moribund real estate markets continue to present major concerns, especially in certain euro area economies. New downside risks are building up on account of commodity prices, notably for oil, and, related, geopolitical uncertainty, as well as overheating and booming asset markets in emerging market economies. While the recovery is gaining strength, downside risks continue to outweigh upside risks.

In India, based on the performance of the economy over the last five years and analysis of the underlying trends of critical variables, India's real GDP is expected to grow by 9 per cent (+/- 0.25) in 2011-12 and revert to the pre-crisis growth levels. A sharp deterioration in weather conditions or a disproportionate spike in the price of crude petroleum can lead to slower growth. Equally a sudden movement of these variables in a favourable direction can give a boost to the growth rate. Given government's gradual exit from stimulus measures, the savings and investment rates are likely to rise and thereby support achievement of the GDP growth estimates. As stated earlier, certain amount of uncertainty continues to prevail over the economic conditions in advanced countries. However in view of the diminishing concerns of a second dip recession, the external risks to India achieving a 9 per cent growth rate appears low.

Given the estimates of growth, the Company is planning to cruise well on its growth trajectory with optimism with regard to buoyancy in revenues and profits. The main challenge will be spiraling raw material prices which will be addressed through price corrections and efficiencies. The Company will continue to make investments in capacity addition and modernisation and will also actively consider any investment opportunities for geographical expansion and technology acquisition.

GOVERNANCE

Board of Directors

Mr. Sridhar Ganesh and Mr. Shobhan M Thakore retire by rotation at the forthcoming Annual General Meeting and being eligible have been proposed for reappointment.

Auditors

M/s Deloitte, Haskins & Sells, Chartered Accountants, (FR No.008072S) Chennai retire as Auditors at the forthcoming Annual General Meeting and being eligible have expressed their willingness to be reappointed. As recommended by the Corporate Governance Guidelines of the Ministry of Corporate Affairs, the partner in charge for the audit has been rotated and Mr. B Ramaratnam has taken over from April 2010.

Corporate Governance

The report on corporate governance along with a certificate from the Auditors is annexed as required by the listing agreement with stock exchanges. The Managing Director and the Chief Financial Officer have submitted a certificate to the Board regarding the financial statements and other matters as required under clause 49 V of the listing agreement.

Corporate Social Responsibility

The Company contributed for various philanthropic purposes in the field of education and health-care and also for scientific research. Further the Company has been providing need-based support to the community around the Company's plant locations both in India and Russia, focusing on education, health, sports and also welfare of war veterans. Corporate Social Responsibility took a new shape by focusing on needs of the local community identified through a structured study. Accordingly, projects have been undertaken in the area of health, hygiene and education to members of the local community. A total sum of Rs.42 million has been spent on community development work in India and Russia.

Annexures to Directors' Report

The directors' responsibility statement, the particulars relating to energy conservation, technology, research and development, exports and employees' remuneration as required under the Companies Act, 1956 and the information relating to employee stock options as per the applicable regulations of the Securities and Exchange Board of India are annexed to and forms part of this report.

ACKNOWLEDGEMENT

The Board places on record, its appreciation for the cooperation and support received from investors, customers, dealers, suppliers, employees, government authorities, banks and other business associates.

On behalf of the Board

Chennai,
30th April 2011

M M Murugappan
Chairman

ANNEXURE TO THE REPORT OF THE DIRECTORS

Given as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, Companies (Particulars of Employees Rules), 1975 and the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines 1999 in respect of the operations of Carborundum Universal Limited, India.

Energy Conservation

Energy conservation measures during the year comprised of several initiatives including automation and renovation of kilns, introduction of fast firing cycle in batch kilns, improvement in ware to dead ware ratio and combustion efficiency in kilns, orientation and synchronization of critical equipment in tunnel dryer, installation of energy efficient blowers for dust collectors, timers for DC units, mancooler compressors and energy efficient lamps for lighting. Total amount expended during the year on these initiatives was Rs.8 million and the annualized value of benefits generated from these are estimated at Rs.10 million. During 2011-12 a sum of Rs.18 million is being planned for spending on energy conservation initiatives. These will include installation of energy efficient burners, new kiln furniture design, reducing the firing cycle time in tunnel kiln, installation of VFD in spray drier, improvement of recuperators and fuel system modification in certain kilns, installation of energy efficient compressors etc.

The energy consumption details for super refractories are as follows:

Power and fuel consumption

	Description	2010-11	2009-10
A. Power and fuel consumption			
a.	Electricity		
i.	Purchased		
	Units (Kwh)	2,176,653	2,000,473
	Total amount (Rs. Million)	11.45	9.58
	Rate per unit (Rs.)	5.26	4.79
ii.	Own (Through Diesel Generator)		
	Units (Kwh)	444525	399705
	Units per litre of diesel oil	3.03	2.92
	Cost per unit (Rs.)	13.27	7.86
b.	Furnace Oil (used for kiln)		
	Quantity (litres)	225,666	240,231
	Total cost (Rs. Million)	6.31	5.87
	Rate per unit (Rs.)	27.96	24.44
c.	Kerosene (used for kiln)		
	Quantity (litres)	2,991,655	2,335,040
	Total cost (Rs. Million)	100.81	65.60
	Rate per unit (Rs.)	33.70	28.09
d.	C 9 plus (used for kiln)		
	Quantity (litres)	64677	-
	Total cost (Rs. Million)	2.56	-
	Rate per unit (Rs.)	39.64	-
e.	Any other fuel used	-	-
B. Consumption per tonne of production			
i.	Electricity (in Units)		
	Fired Products	399	528
	Monolithics (including Refractory Cement)	20	20
ii	Fuel		
	Kerosene & C9 Plus (litres) used for fired products	551	600
	Furnace oil (Litres) used for high grade refractory cement	163	168
	Any other fuel used	-	-

RESEARCH AND DEVELOPMENT

Specific areas in which R&D was carried out

Research efforts were directed towards developing knowhow on surface modification of grains for bonded abrasives, development of special additives to modify the porosity and structure of grinding wheels, development of formulation/technology for addressing specific requirements of technical ceramics for medical electronics and ballistic protection and development of new varieties of customized monolithic refractories and fired products. The electro minerals business worked on developing shape controlled micro grits for abrasives, photovoltaic, brake linings and diesel particulate filters, applications for silicon carbide fines - ultra fines for engineered ceramics, composites, filters, processes for performance improvement of ceramic grains, establishing process and quality of high temperature treated specialty alumina grains and development of new fused and sintered grains

Benefits derived

The research efforts in abrasives helped to achieve good increase in wheel life of certain categories of brown fused alumina products. Based on field trials these would be converted to regular supplies for specific customers. Further wheels with different porosity were developed yielding significant improvement in material removal and life against the regular resin based product. The new formulations developed in the ceramics business helped it to address business opportunities in glass and iron & steel industries. In technical ceramics the know how developed has given the business the capability to supply to the medical electronics and ballistic protection industries. In electrominerals the development efforts helped in customer retention and increasing customer base in photovoltaic markets, developing capability to address high performance alumina abrasives and diesel particulate filters markets and developing new applications for silicon carbide fines addressing premium segments of the markets.

Future Plans

The research initiatives planned for 2011-12 include development of technical coated abrasive products, improved grain adhesion for all resin based products by use of high performance resins, extending learnings of the current year in grain treatment to other grain varieties and applying the knowhow on new additives to larger diameter wheels and for aggressive material removal applications. In ceramics, efforts would be undertaken to develop products addressing specific market segments and those having volume potential, use of ceramic composites in products for certain user industries and developing products to address the corrosion resistance requirements of certain market segments. In respect of the formulations developed for technical ceramics, efforts would be taken to stabilize and develop this technology to the next stage. In electrominerals focus will be on development of high performance abrasive grains and new grains for energy storage, flame retardants, surface engineering and filtration products

Expenditure on R & D

(Rs. million)

Capital	28
Recurring	45
Total	73
Total expenditure as a percentage to turnover	0.77%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts, in brief, made towards technology absorption, adaptation and innovation

Efforts were made towards value engineering of existing products to deliver better price to performance ratios, new process for the manufacture of certain products, improvements in products to match evolving requirements of customers and development of capability to manufacture products addressing specific market niches. In ceramics, efforts were taken to enhance the level of automation and sophistication in the manufacturing processes.

Benefits derived as a result of the above efforts

In electro minerals the benefits have been in terms of developing microgrits with modified shapes matching market requirements, establishment of a new process line for the production of shape specific silicon carbide macrogrits and development of a process to utilize high impurity bauxite for the manufacture of brown fused alumina. In abrasives, ceramic coating process for coated semi friable grains was developed and internally tested and were found to be on par with imported grains. This would help in import substitution. In ceramics, a robotic system designed to withstand extreme environment conditions has been installed for handling ceramic tiles in the tile press. This will help to accelerate stacking of pressed tiles.

Imported Technology

Technology imported	Year of import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons therefore & future plans of actions
Synthetics based coated abrasives	2005-06	Absorbed for certain products.	Technology for making latex water proof paper has been absorbed. Considering the change in market trends in respect of the remaining products, the implementation will not be pursued.
Coated abrasive discs	2006-07	Yes	-
Metallised cylinders	2006-07	Yes	-
Ceramic segments	2006-07	Yes	-
High performance Refactories	2008-09	Yes	-
Non woven abrasives	2010-11	Being absorbed	A dedicated line for manufacture of these products has been commissioned in March 2011.

EXPORTS

The Company continued to make rapid strides in international sales during the year achieving a growth of 43 per cent. Apart from the revival in economy in various parts of the globe which helped to step up exports, the focus on specific niche segments, commitment to quality, consistency and service levels in each product segment have helped it strengthen relationships with existing customers and establish new relationships and thereby rev up sales volume. The product capability built in recent years in silicon carbide microgrit, ceramic tiles, metallised cylinders, specific varieties of bonded abrasives and refractory products helped the Company to gain increasing respect in the international markets as a reliable supplier of industrial products. All business segments witnessed a growth in international revenues.The electrominerals business continued to benefit from the growth in the photovoltaic sector and nearly doubled export sales, whilst ceramics and abrasives achieved more than 20 and 25 per cent growth respectively.

As a result of the concerted efforts taken in the past few years, export earnings as a composition of total revenues on a standalone basis has increased from 11 per cent in 2005-06 to 21 per cent in 2010-11.

During the year a host of approaches was adopted as part of the export drive. Product specific approach for select geographies, lateral deployment of products in SAARC and South East Asian countries, getting enlisted as accredited supplier for large volume buyers of thin wheels, tool room wheels and flap discs, private labeling and participation in exhibitions and trade fairs. Efforts to enter new geographies yielded results. The network of subsidiaries and joint ventures were used to foster new customer contacts and relationships.

The various approaches adopted during the current year will continue to be pursued next year to maintain the momentum in export growth.

(Rs. million)

Foreign Exchange Earnings	2009
Foreign Exchange Expenditure	
- Raw materials & other payments	2066
- Capital Equipment	172

STATEMENT OF EMPLOYEES' REMUNERATION

The details of employees who were paid remuneration in excess of Rs.500,000 per month or Rs.6 million per annum during 2010-11 are as follows:

Name and Age	Designation / Nature of duties	Gross remuneration paid (Rs)	Qualification and Experience	Date of commencement of employment	Previous employment
1	2	3	4	5	6
Ramesh V (53)	President (Abrasives) & Chief Financial Officer	6,320,461	B.Com., Grad CWA, PGDM (IIM) (31)	15.11.2006	President – TVS Finance & Services Ltd.
Srinivasan K (53)	Managing Director	10,965,401	B.Tech (Mech) (31)	30.01.2002	Vice President Wendt (India) Ltd
Part of the year					
Kishore N (57)	President – Abrasives & Technology	9,993,225	M.Tech (Indl Engg) (32)	16.06.1995	Dy. General Manager, E I D Parry India Ltd

Notes

(a) Remuneration has been calculated in accordance with clarification given by the Department of Company Affairs in their circular No.23/76 (No.8/27)(217A/75-CLV) dated 6th August 1976. Accordingly, perquisites have been valued in terms of actual expenditure incurred by the Company in providing benefit to the employees except in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy. In such cases, a notional amount as per the applicable Income Tax Rules has been added.

(b) The above-mentioned employees are not relatives (in terms of the Companies Act, 1956) of any director of the Company.

(c) (i) The persons mentioned above are wholetime employees of the company.

(ii) Mr. K Srinivasan, who is also a wholetime employee, was reappointed as Managing Director by the shareholders from 1.2.2010 till 31.1.2015. He is subject to all service conditions as applicable to any other employee of the Company.

(iii) The nature of employment of all employees is contractual and terminable with 3 months notice.

(d) No employee of the Company is covered by the provisions of Sec.217(2A)(a)(iii) of the Companies Act, 1956

(e) The remuneration details are for the year 2010-11 and all other particulars are as on 31.3.2011.

(f) Actuarial valuation for gratuity liability and compensated absences is done for the Company as a whole. Hence the amount attributable to compensated absences is not included in the above. In case of contribution for gratuity liability, a notional sum has been reckoned.

(g) As Employee Stock Options granted to employees are accounted based on intrinsic value, as permitted by applicable SEBI Guidelines, the remuneration mentioned above does not reckon any amount towards the same.

(h) Remuneration in case of Mr. N Kishore, includes amounts paid towards compensated absences and gratuity on his superannuation.

EMPLOYEE STOCK OPTION SCHEME

Pursuant to the approval accorded by the shareholders at the fifty-third Annual General Meeting of the company held in July 2007, the Compensation and Nomination Committee had formulated the Carborundum Universal Limited Employee Stock Option Scheme 2007. As required under the SEBI Regulations, the following details pertaining to the scheme as on 31.3.2011 are being provided:-

Nature of Disclosure	Particulars
a. Details of Options granted	i) Since 29.09.2007 a total of 19,41,700 options have been granted ii) Each Option upon vesting gives the grantee a right to subscribe to one equity share of Rs. 2/- each of the company as per the pricing formula given in item (b). iii) The vesting of options granted is based on the annual performance rating for each financial year and as per the following schedule (a) for 1,774,500 options - 20%, 20%, 30% and 30% on expiry of one, two, three and four years from the date of grant. (b) for 167,200 options - 40%, 30% and 30% on expiry of one, two and three years from the date of grant.
b. The pricing formula	The Options carry a right to subscribe to equity shares at a price equivalent to the latest available closing price on the Stock Exchange which reports the highest trading volume, prior to the date of grant.
c. Options vested	529,438 (since inception of the Scheme)
d. Options exercised	116,993 (since inception of the Scheme)
e. The total no of shares arising as a result of exercise of options	1,317,958 equity shares assuming all outstanding options are exercised
f. No. of Options lapsed / cancelled (upon retirement / resignation/ based on performance rating)	506,749
g. Variation of terms of Option	Since inception of the scheme the performance based vesting criteria has been amended.
h. Money realised by exercise of Options	Rs.21.33 million (since inception of the Scheme)
i. No of Options in force	1,317,958 (as on 31.3.2011)

j. Employee wise details of options granted to:
(i) Senior Management Personnel

Name and Designation	No of Options granted
K. Srinivasan, Managing Director	221,900
P R Ravi, President-Industrial Ceramics, (Superannuated on 31.10.09 and subsequently retained on contract)	104,300
N. Kishore, President-Abrasives and Technology, (Superannuated on 31.10.10)	138,300
V. Ramesh, President - Abrasives & Chief Financial Officer	133,200
M. Muthiah, Sr. Vice President- HR	84,200
R. Rajagopalan, Sr. Vice President – Refractories and Prodorite	105,200
P. L. Deepak Dorairaj, Sr. Vice President – Operations (Abrasives)	100,200
N. Ananthaseshan, Sr. Vice President – Electro Minerals	100,200

(ii) Any other employee who received a grant in any one year of options amounting to 5 per cent or more of options granted during that year

Name of Employee	No. of Options granted	Grant Details
Alagappan P	37,400	493,800 options were granted during the year 2010-11
Ranjan Dey	46,700	
Satheesh A R	37,400	
Padmanabhan P	46,700	
D Vijayalakshmi	37,400	
Ramesh K	44,300	
Sivakumaran M V	44,300	

D V Badrinath	25,400	82,200 options were granted the year 2008-09
C Anil Kumar	20,300	
Shekar Venkat	20,300	
No options were granted during the year 2009-10		
(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1 per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant - Nil		

k. Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard AS-20.	Rs.13.29
l. (i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting. (ii) Impact of the difference mentioned in (i) above on the profits of the company (iii) Impact of the difference mentioned in (i) above on the EPS of the company	The employee compensation cost for 2010-11 would have been higher by Rs. 11.31 million had the company used the fair value of Options as the method of accounting instead of the intrinsic value. The profits before tax for 2010-11 would have been lower by Rs 11.31 million had the company used the fair value of Options as the method of accounting instead of the intrinsic value. The basic and diluted EPS would have been lower by Rs 0.08
m. (i) Weighted average exercise price of Options (ii) Weighted average fair value of Options	Rs 207.51 per equity share Rs 77.47 per equity share
n. (i) Method used to estimate the fair value of Options (ii) Significant assumptions used (weighted average information relating to all grants):-	Black-Scholes model
(a) Risk-free interest rate	7.71%
(b) Expected life of the Option	Varies from 2.5 years to 5.5 years depending on the respective date of vesting
(c) Expected volatility	42.39%
(e) Expected dividend yields	2.07%
(f) Price of the underlying share in market at the time of option grant	Rs 207.51 per equity share

The certificate from the Statutory Auditors under clause 14 of the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines 1999 regarding implementation of the Carborundum Universal Limited Employees Stock Option Scheme will be placed before the shareholders at the ensuing Annual General Meeting.

On behalf of the Board

Chennai,
30th April 2011

M M Murugappan
Chairman

FINANCIAL STATEMENTS 2010-11

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF CARBORUNDUM UNIVERSAL LIMITED

1. We have audited the attached Consolidated Balance Sheet of **CARBORUNDUM UNIVERSAL LIMITED** ("the Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute "the Group") as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and the jointly controlled entities accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets of Rs.6,490 million, as at 31st March, 2011, total revenues of Rs.7,904 million and net cash inflows amounting to Rs.200 million for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the reports of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and joint ventures and associates, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011;

   (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and

   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

B. RAMARATNAM
Partner
(Membership No. 21209)

Chennai,
April 30, 2011

Consolidated Balance Sheet as at March 31, 2011

(Rs. million)

	Schedule	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	186.94	186.71
Capital Reserve on Consolidation : Joint ventures		20.56	20.56
Reserves and Surplus	2	7247.91	5721.39
		7455.41	**5928.66**
Minority Interest		594.27	490.03
Loan Funds			
Secured Loans	3	2185.96	2688.74
Unsecured Loans	4	1883.51	1686.01
Long Term Lease Liability (Note no. 12)		15.15	16.00
		4084.62	**4390.75**
Deferred Tax Liability (Net) (Note no.14)		476.75	449.41
Total		**12611.05**	**11258.85**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		8984.40	8108.25
Less: Depreciation		3692.19	3231.99
Net Block	5	5292.21	4876.26
Capital work-in-progress (including capital advances)		232.30	439.38
		5524.51	**5315.64**
Goodwill on Consolidation			
Subsidiaries		832.35	848.50
Investments	6	749.02	778.98
Current Assets, Loans & Advances	7		
Inventories		3107.70	2351.82
Sundry Debtors		3290.44	2800.31
Cash & Bank Balances		697.92	469.27
Loans & Advances		683.75	608.92
		7779.81	**6230.32**
Less: **Current Liabilities & Provisions**	8		
Current Liabilities		2171.34	1703.92
Provisions		103.30	210.67
		2274.64	**1914.59**
Net Current Assets		**5505.17**	**4315.73**
Total		**12611.05**	**11258.85**
Significant Accounting Policies	13		
Notes on Accounts	14		

The schedules referred to above form an integral part of the Balance Sheet.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

B Ramaratnam
Partner

M M Murugappan
Chairman

K Srinivasan
Managing Director

Chennai,
30th April 2011

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Consolidated Profit and Loss Account

for the year ended March 31, 2011

(Rs. million)

	Schedule	For the year ended 31.03.2011	For the year ended 31.03.2010
INCOME			
Gross Sales		16282.89	13086.14
Less : Excise duty		(751.14)	(510.64)
Net Sales		15531.75	12575.50
Income from processing charges		397.13	150.94
Income from contracts		78.51	71.06
Other income	9	473.92	345.93
		16481.31	**13143.43**
EXPENDITURE			
Raw materials consumed		5302.10	4056.46
Decretion / (Accretion) to Stock	10	(365.65)	61.26
Employee cost	11	2401.44	2102.37
Other costs	12	6022.56	4462.85
Depreciation		505.36	445.72
Less: Transfer from fixed assets revaluation reserve		0.90	0.90
		504.46	444.82
Interest and finance charges (Note no. 8)		271.01	308.34
		14135.92	**11436.10**
PROFIT BEFORE TAX (before Exceptional Item and Taxes)		**2345.39**	**1707.33**
Exceptional Item - Profit on Sale of Land and Buildings		234.93	7.00
PROFIT BEFORE TAX		**2580.32**	**1714.33**
Less: Provision for income tax			
Current tax		714.31	509.99
Deferred tax		27.34	50.37
PROFIT AFTER TAX (before Share of profit from Associate & Minority Interest)		**1838.67**	**1153.97**
Add / (Less) : Share of Profit / (Loss) from Associate		(2.08)	2.94
Less: Minority Interest		128.64	139.61
PROFIT AFTER TAX		**1707.95**	**1017.30**
Add: Unapppropriated profits from previous year		3443.49	2968.11
Profit available for appropriation		5151.44	3985.41
APPROPRIATIONS			
Transfer to: General Reserve		750.00	300.00
Debenture Redemption Reserve		31.25	31.25
Dividend:			
Proposed Final Dividend @ Re.1 per share (Previous year Rs.2 per share)		93.47	186.71
Dividend tax (Note no. 15)		26.93	23.96
Interim Dividend @ Rs.1.50 per share (Previous year Rs.Nil per share)		140.05	–
Balance carried over to Balance Sheet	2	4109.74	3443.49
		5151.44	3985.41
E P S - Basic and Diluted (Rs.) - Face value Rs.2		**18.27**	**10.90**
Significant Accounting Policies	13		
Notes on Accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

B Ramaratnam
Partner

M M Murugappan
Chairman

K Srinivasan
Managing Director

Chennai,
30th April 2011

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2011

(Rs. million)

	For the Year ended 31.03.2011		For the Year ended 31.03.2010	
A. Cash flow from operating activities				
Net profit before tax		**2580.32**		**1714.33**
Depreciation	504.46		444.82	
Interest and finance charges	271.01		308.34	
(Profit)/loss on sale of fixed assets (net)	(231.99)		(4.63)	
Provision for doubtful debts and advances	47.79		29.19	
(Profit) / loss on sale of investments (net)	(1.44)		(0.41)	
Interest and dividend income	(31.29)		(31.41)	
Excess provisions made in the earlier years released	(171.92)		(103.67)	
Voluntary retirement scheme payments	0.20		2.20	
Bad debts	1.55		5.05	
(Profit) / loss on exchange fluctuation	10.15		15.93	
		398.52		665.41
Operating profit before working capital changes		2978.84		2379.74
Adjustments for :				
Increase in Trade and other receivables	(312.41)		(37.90)	
Increase in Trade payables	561.89		28.69	
Increase in Inventories	(758.94)	(509.46)	119.95	110.74
Cash generated from operations		2469.38		2490.48
Direct taxes paid	(414.49)		(479.31)	
Voluntary retirement scheme payments	-	(414.49)	(2.20)	(481.51)
Net cash flow from operating activities		**2054.89**		**2008.97**
B. Cash flow from investing activities				
Purchase of fixed assets	(771.47)		(630.32)	
Purchase of intangible assets	(26.90)		(7.47)	
Sale of fixed assets	247.16		18.42	
Purchase of investments	(479.37)		(432.52)	
Sale of investments	497.42		221.66	
Loans given to third parties	(0.62)		(0.06)	
Receipt of Loans given to third parties	0.46		0.02	
Dividend received	18.41		16.60	
Interest received	12.88	(502.03)	14.11	(799.56)
Direct taxes paid on capital gains		(42.38)		(1.60)
Net cash used in investing activities		**(544.41)**		**(801.16)**
C. Cash flow from financing activities				
Proceeds from Long term borrowings	55.85		-	
Repayments of borrowings	(355.31)		(424.02)	
Proceeds from other borrowings	(203.19)		(215.91)	
Proceeds from issue of shares	21.07		0.26	
Capital Subsidy received	-		3.00	
Interest paid	(271.18)		(244.10)	
Dividend paid (inclusive of dividend tax)	(529.07)		(461.84)	
Net cash used in financing activities		**(1281.83)**		**(1342.61)**
Net increase/(decrease) in cash and cash equivalents		**228.65**		**(134.80)**
Cash and cash equivalents opening balance		469.27		604.07
Cash and cash equivalents closing balance		697.92		469.27
		228.65		**(134.80)**

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai,
30th April 2011

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Schedules to Consolidated Accounts

1. SHARE CAPITAL

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
Authorised		
125,000,000 equity shares of Rs.2 each	250.00	250.00
Issued, Subscribed and Paid-up		
107,195,232(Previous year - 107,193,000)equity shares of Rs. 2 each fully paid up*	214.394	214.39
Less : 13,839,000 shares of Rs. 2 each bought back from the shareholders pursuant to the offer for buy-back of shares made in 2000-01	27.68	27.68
Add : 114,761 (Previous year - 2,232) shares of Rs. 2 each allotted during the year under Employee Stock Option Scheme 2007 (Note No. 7)	0.23	0.004
93,470,993 (Previous year - 93,356,232) shares of Rs. 2 each fully paid	**186.94**	**186.71**

* Includes

- 893,565 shares of Rs. 2 each allotted as fully paid up for consideration other than cash pursuant to contracts
- 2,339,295 shares of Rs. 2 each allotted to shareholders of amalgamated companies
- 82,825,120 shares of Rs. 2 each allotted as fully paid up bonus shares by capitalisation of share premium and general reserve

2. RESERVES AND SURPLUS

(Rs. million)

	As at 31.03.2010	Additions	Deductions/ Adjustments	As at 31.03.2011
Capital Reserve				
Fixed assets revaluation reserve	27.14	-	0.68	26.46
Capital subsidy	3.00	-	-	3.00
Profit on forfeiture of shares / warrants	6.03	-	-	6.03
Capital redemption reserve	27.68	-	-	27.68
Share Premium	0.26	20.84*	-	21.10
Other Reserves				
General reserve	2313.84	750.00	-	3063.84
Hedging reserve	8.92	-	8.92	-
Debenture redemption reserve	62.50	31.25	-	93.75
	2449.37	**802.09**	**9.60**	**3241.86**
Surplus as shown in Profit and Loss Account	3443.49			4109.74
Less: Dividend Tax paid by Subsidiaries & Joint Ventures	(8.37)	8.37	20.63	(20.63)
Less: Adjustment arising on derecognition of Subsidiaries / Joint Ventures	(141.78)			(141.78)
Less: Adjustment arising on merger of a subsidiary	(30.81)			(30.81)
Foreign Currency translation reserve	30.91	110.95	30.91	110.95
Buyback of shares by a subsidiary	(21.42)			(21.42)
	5721.39			**7247.91**

* Premium of Rs. 181.60 per share received on allotment of 114,761 equity shares under Employee Stock Option Scheme 2007

Schedules to Consolidated Accounts

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
3. SECURED LOANS		
11.70% Secured Non-Convertible Redeemable Debentures @	500.00	500.00
500 debentures of Rs. 1 million each issued for cash at par redeemable in 2 equal annual installments commencing from 1st January 2013		
- Secured by a pari-passu first charge on movable fixed assets of the Company, both present and future, and also a pari-passu first charge on the immovable properties, both present and future, relating to various manufacturing locations		
Loan from Banks		
Cash Credit		
- Secured by a pari-passu first charge on the current assets of the Company, both present and future and a pari-passu second charge on immovable properties, both present and future, relating to various manufacturing locations	395.28	550.23
Other Loans		
- Includes External Commercial Borrowings aggregating to JPY 3766.15 million & USD 10.33 million. of which JPY 2883.35 million & USD 10 million are fullly covered by a cross currency swap arrangement for principal and interest, into Indian rupees at fixed rate of interest. The balance of JPY 472.51 million and USD 0.33 million are covered by a cross currency swap arrangement for principal and interest, into USD at fixed rate of interest.	1290.68	1638.51
- Secured by a pari-passu first charge on movable fixed assets, both present and future	**2185.96**	**2688.74**
Term loans include amounts repayable within one year	637.13	346.29
4. UNSECURED LOANS @ $		
Term loans from Banks	1883.51	1686.01
	1883.51	**1686.01**
@ includes amounts repayable within one year	259.98	951.00
$ includes loans of a subsidiary, which is covered by a Guarantee from Parent Company	1612.25	1413.62

Schedules to Consolidated Accounts

5. FIXED ASSETS

(Rs. million)

Particulars	Cost			Depreciation			Net Block	
	As at 01.04.2010	Additions (Deletions)	**As at 31.03.2011**	As at 01.04.2010	Additions (Deletions)	**As at 31.03.2011**	**As at 31.03.2011**	As at 31.03.2010
A. Intangible Assets								
Goodwill	5.10	-	5.10	5.10	-	5.10	-	
Trade Mark	1.61	-	1.61	1.61	-	1.61	-	
Technical Know-how fees & software	97.38	36.16 (0.00)	133.54	19.76	9.34	29.10	104.44	77.62
B. Tangible Assets								
Land								
- Freehold	100.69 (a)	7.92 (0.04)	108.57	-	-	-	108.57	100.69
- Leasehold	105.76	-	105.76	4.15	1.09	5.24	100.52	101.61
Buildings	1865.33 (a)	179.80 (3.69)	2041.44 (b)	495.93	63.14 (0.42)	558.65	1482.79	1369.40
Plant & Machinery	5647.88 (c)	686.71 (d) (64.10)	6270.49 (c)	2575.80	407.49 (29.79)	2953.50	3316.99	3072.08
Furniture & Fixtures	171.18	29.77 (7.39)	193.56	74.19	13.88 (2.38)	85.69	107.87	96.99
Vehicles	87.96	21.67 (5.41)	104.22	40.93	4.77 -	45.70	58.52	47.03
Vehicles taken on lease	25.36	7.80 (13.05)	20.11	14.52	5.65 (12.57)	7.60	12.51	10.84
Grand Total	**8108.25**	**969.83** **(93.68)**	**8984.40**	**3231.99**	**505.36** **(45.16)**	**3692.19**	**5292.21**	**4876.26**
Previous Year	7746.11	931.49 (569.35)	8108.25	2895.53	445.72 (109.26)	3231.99	4876.26	4850.58

(a) Land & Building includes those added upto 31st August 1984 which are stated at revalued amounts based on the valuation done in that year by an independent valuer. The value added on revaluation was Rs. 58.41 million.

(b) Includes Rs. 615.11 million (Previous year Rs. 528.73 million) being cost of building on lease hold land.

(c) Net of subsidy received Rs.0.77 million (Previous year Rs. 0.77 million).

(d) Includes R&D equipments Rs. 27.84 million (Previous year Rs. 12.67 million)

Schedules to Consolidated Accounts

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
6.INVESTMENTS		
Quoted		
- Equity	0.45	0.45
Invesments in Mutual funds - short term	272.73	288.29
Unquoted		
- Equity	15.23	18.76
Investment in Associate*	460.61	471.48
* Includes Goodwill of Rs.208.34 million (Previous year Rs.208.34 million)		
Total	**749.02**	**778.98**
Cost of Quoted Investments	273.18	288.74
Cost of Unquoted Investments	475.84	490.24
Total	**749.02**	**778.98**
Market value of Quoted Investments	**283.99**	**296.25**
7.CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
Raw materials	1139.92	814.93
Work-in-process	581.91	508.57
Finished stock	937.38	611.43
Traded stock	254.14	217.06
Goods-in-transit	103.85	110.09
Stores and spare parts	90.50	89.74
	3107.70	**2351.82**
Sundry Debtors (Unsecured)		
Over six months		
Considered good	51.19	133.35
Considered doubtful	64.90	60.18
	116.09	193.53
Other debts - Considered good	3239.25	2666.96
	3355.34	2860.49
Less: Provision for doubtful debts	64.90	60.18
	3290.44	**2800.31**
Sundry debtors include retentions against invoices	8.02	9.52

Schedules to Consolidated Accounts

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
7.CURRENT ASSETS, LOANS AND ADVANCES (Contd.)		
Cash and Bank balances		
Cash and cheques on hand and remittances in transit	63.90	54.24
Balances with Banks :		
- Current Account	615.25	360.37
- Unclaimed Dividend Account	9.92	7.42
- Deposit Account	8.85	47.24
	697.92	**469.27**
Loans and Advances		
(Unsecured and considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	442.94	308.71
Considered doubtful	0.22	0.76
	443.16	309.47
Less: Provision for doubtful advances	0.22	0.76
	442.94	308.71
Deposits @	82.67	84.77
Balances with Customs and Central Excise Authorities	54.86	40.23
Taxation (net)	103.28	175.21
	683.75	**608.92**
Total Current Assets, Loans and Advances	**7779.81**	**6230.32**
@ Includes :		
- fixed deposit receipt lodged with Commercial Tax Department.	0.07	0.07
- refundable long term deposit for leasehold land	10.10	10.10
8. CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry creditors		
- Total oustanding dues to micro enterprises and small enterprises	18.48	30.47
- Total oustanding dues to Creditors other than micro enterprises and small enterprises	1387.87	1308.12
Advance from Customers	28.55	17.42
Interest accrued but not due on loans	41.24	9.91
Investor Education and Protection Fund shall be credited by the following amounts namely:- (#)		
a) Unpaid dividend	9.92	6.69
b) Unpaid matured deposits	-	0.02
c) Interest accrued on matured deposits	-	0.01
Liabilities relating to employee benefits	484.44	174.85
Other Liabilities	200.84	156.43
	2171.34	**1703.92**
Provisions		
Proposed Dividend	93.47	186.71
Dividend Tax (Note No.15)	9.83	23.96
	103.30	**210.67**
Current Liabilities & Provisions	**2274.64**	**1914.59**

These represents warrants / cheques issued and remaining un-encashed as at 31st March 2011. There is no amount which has fallen due as at Balance sheet date to be credited to Investor Education and Protection Fund

Schedules to Consolidated Accounts

(Rs. million)

	For the year ended 31.03.2011	For the year ended 31.03.2010
9. OTHER INCOME		
From Investments (Trade)		
Dividend	9.50	11.24
From Investments (Non-trade)		
Dividend	8.91	5.20
Interest from Banks	7.88	8.38
Interest from Others	5.00	6.59
Commission income	3.20	1.53
Service income	28.41	24.12
Profit on sale of fixed asset	3.41	2.60
Profit on sale of investments	1.44	0.41
Profit on exchange fluctuation	103.56	44.82
Rent	2.65	1.55
Scrap sales	60.42	73.13
Provisions for expenses no longer required written back	128.31	42.69
Provisions for doubtful debts/advances no longer required written back	43.61	61.53
Miscellaneous income	67.62	62.14
	473.92	**345.93**
Tax deducted at source on interest	0.25	0.40
Dividend from Long term Investment	9.59	2.62
Dividend from Current Investment	8.82	13.82
10. DECRETION / (ACCRETION) TO STOCK		
a) Opening stock		
Work-in-process	508.57	420.46
Finished stock	611.43	754.39
	1120.00	1174.85
b) Add: Stock Transfer from Trial production/on acquisition & amalgamation		
Work-in-process	18.32	-
Finished stock	15.32	6.41
	33.64	6.41
Total of (a) & (b)	1153.64	1181.26
Closing stock		
Work-in-process	581.91	508.57
Finished stock	937.38	611.43
	1519.29	1120.00
Decretion / (Accretion) to stock	**(365.65)**	**61.26**

Schedules to Consolidated Accounts

(Rs. million)

	For the year ended 31.03.2011	For the year ended 31.03.2010
11. EMPLOYEE COST		
Salaries, wages and bonus	1858.23	1676.41
Contribution to provident and other funds	120.87	89.06
Voluntary Retirement Scheme	0.20	3.77
Remuneration to Managing Director	10.07	8.37
Welfare expenses	412.07	324.76
	2401.44	**2102.37**
12. OTHER COSTS		
Consumption of stores and spares	651.19	473.60
Power and fuel #	2231.24	1647.60
Rent	51.90	45.99
Excise duty on stock differential $	5.97	7.17
Rates and taxes	93.60	65.67
Insurance	31.02	34.94
Repairs to: Buildings	99.57	91.55
Machinery *	507.69	397.39
Others	62.99	13.86
	670.25	502.80
Data processing charges	19.28	11.77
Technical fee / Royalty	65.62	8.18
Directors' sitting fees	0.95	1.08
Commission to non-wholetime directors	3.50	2.10
Auditors' remuneration	10.27	7.34
Travel and conveyance	179.55	167.61
Freight, delivery and shipping charges	655.51	439.69
Selling commission	62.78	40.28
Discounts	96.60	56.67
Rebates and allowances	55.78	67.55
Advertisement and publicity	51.58	34.78
Printing, stationery and communication	61.79	56.08
Loss on sale of fixed assets	6.35	4.97
Loss of Exchange fluctuation	63.46	35.93
Contribution to research institution	7.08	2.30
Bad debts and advances written off	33.45	22.05
Less: Provision adjusted	14.10	13.12
	19.35	8.93
Professional fee	118.02	49.00
Management fee	45.80	31.65
Provision for doubtful debts , advances and deposits	61.89	60.41
General services	479.26	383.57
Miscellaneous expenses	222.97	215.19
	6022.56	**4462.85**
# Net of own power generation, which includes energy banked with KSEB - Rs.Nil (previous year Rs. 5.69 million)	129.03	102.58
* Includes stores and spare parts	150.32	115.20

$ Represents excise duty relating to difference between the opening and closing stock of finished goods. The excise duty shown as deduction from sales in the profit and loss account represents excise duty on sales made during the year.

13. ACCOUNTING POLICIES TO CONSOLIDATED ACCOUNTS OF THE COMPANY WITH ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE

i. Basis of preparation

The consolidated financial statement of Carborundum Universal Limited (the Company) with its Subsidiaries, interest in Joint ventures and Associate have been prepared under historical cost convention with the exception of Land and Buildings (which were revalued) on accrual basis and in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The said financial statements comply with the relevant provisions of the Companies Act, 1956 (the Act) and the mandatory Accounting Standards notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006.

ii. Basis of Consolidation

(a) The financial statements of the Company and its Subsidiaries have been consolidated in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard – 21, on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealized profits/losses on intra-group transactions, and are presented to the extent possible, in the same manner as the Company's independent financial statements.

(b) Investments in Associate Company have been accounted for as per Accounting Standard – 23, by using equity method whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post - acquisition change in the Company's share of net assets of the associate.

(c) The Company's interest in Jointly Controlled Entities are consolidated as per Accounting Standard – 27, on a line-by-line basis by adding together the book values of assets, liabilities, income and expenses, after eliminating the unrealized profits/losses on intra group transactions. Joint venture interests accounted as above are included in the segments to which they relate.

(d) Consolidated financial statements are prepared using uniform accounting policies except as stated in (iv) (f), (vii)(b) & (c) and (xii)(b) & (d) of this Schedule, the adjustments arising out of the same are not considered material.

(e) The overseas subsidiaries viz., CUMI Australia Pty Ltd, CUMI Abrasives & Ceramics Company Limited, CUMI International Limited and its subsidiaries Volzhsky Abrasives Works, Foskor Zirconia Pty Ltd, CUMI America Inc, CUMI Middle East FZE and CUMI Canada Inc, are classified as Non-Integral foreign operation. The financials were translated into Indian Currency as per the Accounting Standard - 11 (Revised) and the exchange gains / (losses) arising on conversion are accumulated under "Foreign Currency Translation Reserve".

iii. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Differences, if any, between the actual results and estimates are recognised in the period in which the result are known / materialised.

iv. Fixed assets and depreciation/ amortisation

(a) Fixed assets are stated at historical cost less accumulated depreciation except land and buildings added up to 31st August 1984 which are shown as per the revaluation done in that year; and land and buildings of Sterling Abrasives Limited which are shown as per the revaluation done on 31st December 1993.

(b) Cost comprises of direct cost, related taxes, duties, freight and attributable finance costs (Refer (vi) below) till such assets are ready for its intended use and net of CENVAT/ VAT wherever applicable. Subsidy received from State Government towards specific assets is reduced from the cost of fixed assets. Fixed Assets taken on finance lease are capitalised.

(c) Capital work in progress is stated at the amount expended up to the Balance sheet date.

(d) Machinery spares used in connection with a particular item of fixed asset and the use of which is irregular, are capitalized at cost net of CENVAT / VAT, as applicable.

(e) Expenditure directly relating to new projects prior to commencement of commercial production is capitalised. Indirect expenditure (net of income) attributable to the new projects or which are incidental thereto are also capitalised.

(f) Depreciation on fixed assets has been provided on straight-line method at rates specified in Schedule XIV of the Companies Act 1956, except that :

i. Leased vehicles which are depreciated over four years and Lease hold improvements are depreciated over six years, are higher than Schedule XIV rates.

ii. In respect of Assets held by Indian Subsidiaries & Overseas Subsidiaries, Joint Ventures and Associate, depreciation is provided based on the estimated useful life of those assets as estimated by the respective Companies.

iii. Assets held by Ciria India Ltd (Joint Venture) are depreciated at Schedule XIV rates on Written Down Value basis.

iv. The difference between the depreciation for the year on the revalued assets and depreciation calculated on the original cost is recouped from the fixed assets revaluation reserve.

(g) Intangible assets are amortised over the estimated useful life of the assets on straight line basis.

v. Impairment of assets

At each balance sheet date, the carrying values of the tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where there is an indication that there is a likely impairment loss for a group of assets, the company estimates the recoverable amount of the group of assets as a whole and the impairment loss is recognised.

vi. Borrowing costs

Borrowing costs are capitalised as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

vii. Inventories

(a) Inventories are valued at lower of cost and net realisable value. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition. Excise duty on the finished goods is added to the cost.

(b) In respect of Raw materials, accessories and stores and spares, cost is determined on weighted average basis which includes freight, taxes and duties net of CENVAT credit wherever applicable, except Ciria India Ltd (joint venture) where cost is determined on First in First out method. Customs duty payable on material in bond is added to cost.

(c) In respect of Parent company, Trading stocks are valued at weighted average basis and in respect of others, Trading stocks are valued in First in First out method.

(d) Work-in-process relating to construction contracts are valued at cost. Direct expenses identifiable to a specific job are debited to that job. Indirect expenses are not allocated but charged as period cost in the year it is incurred.

viii. Investments

Long term investments are stated at cost/valuation and provision for diminution is made if such diminution is other than temporary in nature.

Short term investments are stated at lower of cost and market value.

ix. Revenue recognition

(i) Domestic sales are accounted on despatch of products to customers and export sales are accounted on the basis of Bill of Lading. Sales are accounted net of Sales Tax / VAT, Discounts and Returns as applicable.

(ii) Service income is recognised on the basis of percentage of completion. Revenue for divisible contracts is recognised in respect of supplies as and when the supplies are completed and in respect of construction on the percentage completion method.

Revenue from indivisible contracts is recognised on a percentage completion method based on the billing schedules agreed with customers. The relevant cost is recognised in Accounts in the year of recognition of revenue. Profit so recognised is adjusted to ensure that it does not exceed the estimated overall contract margin. The total costs of the contracts are estimated based on technical and other estimates. Foreseeable loss, if any, is recognized when it becomes probable and could be estimated.

(iii) Benefits on account of entitlement to import goods free of duty under Duty Entitlement Pass Book Scheme, are accounted in the year of export.

(iv) Dividend income on investments is accounted for when the right to receive the payment is established.

x. Research and Development

All revenue expenditure related to research and development are charged to the respective heads on the Profit and Loss Account. Capital expenditure incurred on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

xi. Voluntary Retirement Compensation

In the parent company compensation to employees who have retired under voluntary retirement scheme is written off to revenue.

xii. Employee Benefits

(a) Defined Contribution Plan

Fixed contributions to the Superannuation Fund and recognized Provident Fund are absorbed in the accounts.

(b) Defined Benefit Plan

The liability for Gratuity to employees of the Parent and its domestic subsidiaries and domestic joint ventures, as at Balance Sheet date is determined on the basis of actuarial valuation using Projected Unit Credit Method and is funded to a Gratuity fund administered by the trustees and managed by Life Insurance Corporation of India & SBI Life Insurance Ltd and the contribution there of paid / payable is absorbed in the accounts. The actuarial gains / losses are recognised in the Profit and Loss account.

The Parent Company and its employees make monthly fixed contributions to Carborundum Universal Limited Employee's Provident Fund Trust, equal to a specified percentage of the covered employee's salary. In respect of domestic subsidiaries, the contribution is made to the Recognised Provident Fund. The interest rate payable by the Trust to the beneficiaries is being notified by the Government every year. The Parent Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

(c) Long term Compensated absences

In respect of long term portion of compensated absences [Leave benefits], the liability is determined on the basis of actuarial valuation and is provided for.

(d) Short term employee benefits

Short term employee benefits determined as per company's policy/scheme are recognised as expense based on expected obligation on undiscounted basis in the case of parent company and other Indian subsidiaries and joint ventures except in the case of Southern Energy Development Corporation Limited, an Indian subsidiary, where leave encashment benefit on retirement to eligible employees is ascertained on actual basis and provided for.

With respect to overseas Subsidiaries & Joint Ventures the Company has provided for employee benefits as per the local regulations.

(e) Employee Stock Option Scheme

Stock options granted to the employees under the stock option scheme by Parent company are evaluated as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities Exchange Board of India. The Parent Company follows the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options as on date of grant, if any, over the exercise price of the options is recognized as deferred employee compensation and is charged to the Profit and Loss Account on graded vesting basis over the vesting period of the options.

xiii. Foreign Currency Transaction

(a) Foreign currency transactions are recorded at the rates of exchange prevailing on the date of transactions. Monetary assets & liabilities outstanding at the year-end are translated at the rate of exchange prevailing at the year-end and profit or loss is recognised in the profit and loss account.

(b) Exchange differences arising on actual payments / realisations and year end restatements are dealt with in the Profit & Loss Account.

(c) The premium or discount arising at the inception of forward exchange contracts (other than those relating to a firm commitment or a highly probable forecast) are amortized as expense or income over the life of the contract.

xiv. Government Grants

Lump sum capital subsidies, not relating to any specific fixed asset, received from State Governments for setting up new projects are accounted as capital reserve.

xv. Excise Duty / Service Tax

CENVAT credit on materials purchased/ services availed for production/input services are taken into account at the time of purchase and CENVAT credit on purchase of capital items wherever applicable are taken into account as and when the assets are acquired. The CENVAT credits so taken are utilised for payment of excise duty on goods manufactured / service tax on output services. The unutilised CENVAT credit is carried forward in the books.

xvi. Segment reporting

(a) The accounting policies adopted for Segment reporting are in line with the accounting policies of the Group with the following additional policies.

(b) Inter-segment revenues have been accounted on the basis of prices charged to external customers.

(c) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the Segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to Segments on a reasonable basis have been included under "Un-allocated Corporate expenses".

xvii. Income Tax

(i) Current Tax is determined on income for the year chargeable to tax in accordance with the Tax laws in force in the country of incorporation of the respective companies into consolidation.

(ii) Deferred tax is recognised for all the timing differences. Deferred Tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements.

14 NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

1 **Information on Consolidated financials as per Accounting Standard 21, Accounting Standard 23 and Accounting Standard 27**

A SUBSIDIARIES

a. List of Subsidiaries included in the Consolidated financials

Name of the Subsidiary	Country of Incorporation	31.03.2011 Share in ownership and voting power	31.03.2010 Share in ownership and voting power
Direct Holdings :			
Net Access (India) Ltd	India	100%	100%
Southern Energy Development Corporation Ltd	India	84.76%	84.76%
Sterling Abrasives Ltd	India	60%	60%
CUMI Australia Pty Ltd	Australia	51.22%	51.22%
CUMI Fine Materials Ltd	India	100%	100%
CUMI Abrasives & Ceramics Company Ltd	China	100% *	100% *
CUMI International Ltd	Cyprus	100%	100%
Holdings through Subsidiary :			
Volzhsky Abrasive Works	Volgograd, Russia	97.44%	97.44%
Foskor Zirconia (Pty) Ltd	South Africa	51%	51%
CUMI America Inc.,	USA	100%	100%
CUMI Canada Inc	Canada	100%	100% *
CUMI Middle East FZE	Ras Al Khaimah,UAE	100%	100%

(* including holdings through subsidiary)

b. Consolidation is done based on the audited financials of the subsidiaries as on 31.03.2011. In respect of subsidiaries incorporated outside India, the audited financials were translated into Indian currency as per Accounting Standard 11 (revised) - 'Accounting for the effects of changes in Foreign exchange rates'.

c. The consolidated financials for the current year include the financials of CUMI Abrasives & Ceramics Company Ltd, China for the period of fifteen months from 01.01.2010 to 31.03.2011.

B ASSOCIATE :

a. Associate included in the Consolidated financials

Name of the Associate	Country of Incorporation	31.03.2011 Share in ownership and voting power	31.03.2010 Share in ownership and voting power
Laserwords Pvt Ltd	India	44.53%	44.53%

b. Equity method of accounting in consolidation is done based on audited financials of the Associate as on 31.03.2011. In respect of Laserwords, the consolidated financials of the company include that of its subsidiaries : Laserwords US Inc., Samvit Education Services Pvt Ltd and Laserwords Learning Pte Ltd.

C JOINT VENTURES :

a. List of Joint ventures included in the Consolidated financials

Name of the Joint Venture	Country of Incorporation	31.03.2011 Share in ownership and voting power	31.03.2010 Share in ownership and voting power
Murugappa Morgan Thermal Ceramics Ltd	India	49.00%	49.00%
Wendt (India) Ltd	India	39.87%	39.87%
Ciria India Ltd	India	30.00%	30.00%

b. Proportionate consolidation is done based on audited financials of the Joint ventures as on 31.03.2011 and as approved by the Board of Directors of that company.

In respect of Wendt, the consolidated financials of the company with its subsidiary Wendt Grinding Technoligies Ltd, Thailand and Wendt Middle East FZE, Sharjah were considered for consolidation.

c. During the year, the shareholdings of the Parent company in three overseas entities, namely, CUMI America Inc., CUMI Middle East FZE and CUMI Canada Inc., were sold to the overseas subsidiary CUMI International Limited, Cyprus based on the valuation done by approved Investment Bankers. The Profit / Loss arising out of the sale does not have any bearing on the consolidated financials since the sale is within the Group.

NOTES TO BALANCE SHEET

2 Pending approval of the proposed dividends in the annual general meetings of the respective subsidiaries and joint ventures, the same are not considered in the consolidated accounts as proposed dividends and are included under surplus carried to balance sheet under Reserves and Surplus.

(Rs. million)

			31.03.2011	31.03.2010
3		Estimated amount of contracts remaining to be executed on capital account and not provided for	174.81	105.12
4		Contingent Liabilities:		
	a)	Bills discounted outstanding	6.07	24.27
	b)	Outstanding letters of credit	111.53	146.98
5	a)	No provision is considered necessary for disputed income tax, sales tax, excise duty, service tax and customs duty demands which are under various stages of appeal proceedings, based on legal advice that these demands are not sustainable in law. However, out of these, the income tax demands of the Parent company have been adjusted by the department against refunds due for other assessment years.	159.51	179.41
		In respect of Income tax, Sales tax, Central Excise and Service tax demands of the Parent company, amounts deposited in protest aggregate to :	113.79	120.78
	b)	Claims against the company not acknowledged as debts		
		i. Disputed demands by Kerala State Electricity Board / TamilNadu Electricity Board	47.64	47.64
		ii. Contested Provident fund and ESI demands	0.60	0.60
		iii. Others	7.50	6.30
			55.74	**54.54**
	c)	Employees demands pending before Labour Courts - quantum not ascertainable at present.		

6 a) The Parent Company has adopted the Accounting Standard - 15 (Revised) on Employee Benefits effective from 1st April 2006. The domestic subsidiaries and domestic joint ventures has adopted the standard from the date it became mandatory.

b) The details of actuarial valuation in respect of Gratuity liability in respect of Parent Company and its domestic subsidiaries and joint ventures are given below :

(Rs. million)

		31.03.2011	31.03.2010
i.	**Projected benefit obligation as at beginning of the year**	**124.77**	**110.20**
	Service cost	8.77	6.99
	Interest cost	9.99	8.84
	Actuarial (Gains) / Losses	28.09	6.73
	Benefits paid	(13.40)	(7.99)
	Projected benefit obligation as at end of the year	**158.22**	**124.77**
ii.	**Fair value of plan assets as at beginning of the year**	**120.38**	**107.79**
	Expected return on plan assets	10.82	9.72
	Contributions	7.30	10.93
	Benefits paid	(13.40)	(7.99)
	Actuarial (loss)/Gain on plan assets	(0.15)	(0.07)
	Fair value of plan assets as at end of the year	**124.95**	**120.38**
iii.	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	158.22	124.77
	Fair value of the plan assets at the end of the year	124.95	120.38
	(Liability) / Asset recognised in the Balance sheet	**(33.27)**	**(4.39)**
iv.	**Cost of the defined plan for the year :**		
	Current service cost	8.77	6.99
	Interest on obligation	9.99	8.84
	Expected return on plan assets	(10.81)	(9.72)
	Net actuarial (gains) / losses recognised in the year	28.24	6.80
	Net cost recognised in the Profit and Loss account	**36.19**	**12.91**
v.	**Assumptions :**		
	Discount rate	8%	8%
	Expected rate of return	8%	8%

Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

In the absence of the relevant information from the actuary, the above details do not include the composition of plan assets.

c) During the year, the Parent Company and certain domestic subsidiaries and joint ventures had made provision for Longterm accumulated compensated absences on actuarial basis, consistent with previous year.

d) The details of the actuarial valuation in respect of Long term portion of compensated absences are given below :

(Rs. million)

		31.03.2011	31.03.2010
i.	**Projected benefit obligation as at the beginning of the year**	**41.97**	**48.08**
	Service cost	4.58	3.21
	Interest cost	2.72	3.40
	Actuarial Losses/(Gains)	(0.09)	(8.88)
	Benefits paid	(5.21)	(3.84)
	Projected benefit obligation as at the end of the year	**43.97**	**41.97**
ii.	**Fair value of the plan assets at the beginning of the year**	**1.37**	**1.17**
	Expected return on plan assets	–	0.12
	Contributions	–	0.16
	Benefits paid	–	(0.09)
	Actuarial Losses / (Gains) on plan assets	–	0.01
	Fair value of the plan assets at the end of the year	**1.37**	**1.37**
iii.	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	43.97	41.97
	Fair value of the plan assets at the end of the year	1.37	1.37
	(Liability) / Asset recognised in the Balance sheet	**(42.60)**	**(40.60)**
iv.	**Cost of the defined plan for the year :**		
	Current service cost	4.58	3.21
	Interest on obligation	2.72	3.40
	Expected return on plan assets	(0.12)	(0.12)
	Net actuarial (gains) / losses recognised in the year	0.09	(8.87)
	Net cost recognised in the Profit and Loss account	**7.27**	**(2.38)**
v.	**Assumptions :**		
	Discount rate	8%	8%

Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

e) With respect to the Provident Fund Trust administered by the Parent Company, the Parent Company shall make good the deficiency, if any, in the interest rate declared by Trust below statutory limit. Having regard to the assets of the Fund and the return on the investments, the Parent Company does not expect any deficiency in the foreseeable future.

7 a) Pursuant to the approval accorded by shareholders at their Annual General Meeting held on 27th July 2007, the Compensation and Nomination Committee of the Company formulated 'Carborundum Universal Limited Employee Stock Option Scheme 2007' (ESOP 2007 or the Scheme).

b) Under the Scheme, options not exceeding 46,67,700 have been reserved to be issued to the eligible employees, with each option conferring a right upon the employee to apply for one equity share. The options granted under the Scheme would vest as per the following schedule (except Grant V B):

20% on expiry of one year from the date of grant;
20% on expiry of two years from the date of grant;
30% on expiry of three years from the date of grant; and
30% on expiry of four years from the date of grant.

The options granted to the employees would be capable of being exercised within a period of three years from the date of vesting.

In respect of Grant V B, the above percentages should be read as : 40%, 30% and 30%.

c) The exercise price of the option is equal to the latest available closing market price of the shares on the stock exchange where there is highest trading volume as on the date prior to the date of the Compensation and Nomination Committee resolution approving the grant.

d) The vesting of options is linked to continued association with the Company and the employee achieving performance rating parameters. The details of the grants under the aforesaid scheme are as follows :

Grant	I	II	III	IV	V A	V B
Date of Grant	29.09.2007	28.01.2008	30.04.2008	24.07.2008	27.01.2011	27.01.2011
Exercise Price [Rs.]	183.60	150.45	118.05	122.80	250.15	250.15
Vesting commences on	29.09.2008	28.01.2009	30.04.2009	24.07.2009	27.01.2012	27.01.2012
Options granted	1335700	30000	12400	69800	326600	167200
Options outstanding as on 1.4.2010	1076748	-	-	43456	-	-
Options granted during the year	-	-	-	-	326,600	167,200
Options cancelled during the year	160077	-	-	21208	-	-
Total options vested during the year	225663	-	-	3932	-	-
Options exercised during the year	114761	-	-	-	-	-
Options outstanding as on 31.03.2011	801910	-	-	22248	326600	167200
Options vested but not exercised	110902	-	-	3932	-	-

Contractual Life	The ESOP 2007 is established with effect from 29th September 2007 and shall continue to be in force until (i) its termination by the Board/Compensation and Nomination Committee or (ii) the date on which all of the options available for issuance under the ESOP 2007 have been issued and exercised.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant are given below.

Grant	Fair value as per Black Scholes options pricing formula [Rs.]	Exercise Price [Rs.]
I	67.11	183.60
II	55.52	150.45
III	45.55	118.05
IV	49.21	122.80
V A	99.18	250.15
V B	88.54	250.15

Had the Company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 142.50 million and the impact on the financial statements would be :

	For the year ended 31.03.2011	For the year ended 31.03.2010
Increase in employee costs	Rs.11.31 million	Rs.12.43 million
Decrease in Profit after Tax	Rs.7.55 million	Rs.8.21 million
Decrease in Basic & Diluted Earnings per share	Rs.0.08	Rs.0.09

Fair value has been calculated using the Black Scholes Options Pricing Formula and the significant assumptions in this regard are as follows : (weighted average basis)

	Grant I & II	Grant III & IV	Grant V A	Grant V B
Risk free Interest rate	7.50%	8.87%	7.98%	7.93%
Expected Life (years)	2.5 to 5.5	2.5 to 5.5	2.5 to 5.5	2.5 to 4.5
Expected volatality	43.23%	44.84%	41.22%	40.37%
Expected dividend yield	2.53%	2.27%	1.31%	1.31%

NOTES TO PROFIT AND LOSS ACCOUNT

(Rs. million)

		31.03.2011	31.03.2010
8	**Interest and finance charges :**		
	- On debentures and fixed loans	215.16	275.31
	- On Others	55.85	42.42
		271.01	317.73
	Less : Interest capitalised	-	9.39
	Total	**271.01**	**308.34**
9	Donation given to Political parties during the year :		
	Bharatiya Janata Party	–	5.00

10 **Related Party Disclosures**

a) (i) List of related parties where control exists - None

(ii) List of related parties with whom transactions have taken place during the year

Associate :

Laserwords Pvt Ltd	(Laserwords)

Joint ventures :

Murugappa Morgan Thermal Ceramics Ltd	(MMTCL)
Ciria India Ltd	(Ciria)
Wendt India Ltd	(Wendt)

Key management personnel :

Mr. K Srinivasan, Managing Director

10 b) **Transactions with Related party**

(Rs. million)

	Particulars	Associate		Joint Ventures		Key Management Personnel		Total	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1	Income from sales and services	-	-	105.97	84.48	–	–	105.97	84.48
2	Purchase of goods/services	-	-	26.47	92.16	–	–	26.47	92.16
3	Lease/rental income	-	-	0.08	0.12	–	–	0.08	0.12
4	Dividend income	8.80	13.19	44.74	29.78	–	–	53.54	42.97
5	Reimbursement of employee cost	-	-	0.12	0.13	–	–	0.12	0.13
6	Purchase of fixed assets	-	-	1.07	-	–	–	1.07	-
7	Debtors	-	-	12.82	3.15	–	–	12.82	3.15
8	Creditors	-	-	3.35	2.72	–	–	3.35	2.72
9	Managerial remuneration					11.49	9.52	11.49	9.52

10 c) **Details of Transactions with Related Parties during the year ended 31.03.2011**

(Rs. million)

Particulars	Associate	Joint Ventures				Key Management Personnel
	Laserwords	Wendt	MMTCL	Ciria	Total	
Income from sales and services	-	17.35	21.27	67.34	105.97	-
Purchase of goods / services	-	25.22	1.25	-	26.47	-
Lease / rental income	-	0.08	-	-	0.08	-
Dividend income	8.80	19.93	14.31	10.50	44.74	-
Income from deputation of employees	-	0.12	-	-	0.12	-
Purchase of fixed assets	-	-	1.07	-	1.07	-
Debtors	-	1.17	1.24	10.41	12.82	-
Creditors	-	2.97	0.38	-	3.35	-
Managerial remuneration	-	-	-	-	-	11.49

10 c) **Details of Transactions with Related Parties during the year ended 31.03.2010**

(Rs. million)

Particulars	Associate	Joint Ventures					Key Management Personnel
	Laserwords	Wendt	MMTCL	Ciria	Jingri	Total	
Income from sales and services	-	15.50	25.94	21.60	21.44	84.48	-
Purchase of goods / services	-	6.90	2.90	-	82.36	92.16	-
Lease / rental income	-	0.12	-	-	-	0.12	-
Dividend income	13.19	7.97	14.31	7.50	-	29.78	-
Income from deputation of employees	-	0.13	-	-	-	0.13	-
Debtors	-	0.92	0.69	1.54	-	3.15	-
Creditors	-	1.75	0.97	-	-	2.72	-
Managerial remuneration	-	-	-	-		-	9.52

11 **(A) Notes to Segmental Reporting**

a. Business Segments

The Company has considered business segment as the primary segment for disclosure. The business segments are : Abrasives, Ceramics, Electro-minerals, IT services and Power. Abrasive segment comprise of Bonded, Coated, Processed cloth, Polymers, Power tools and Coolants.

Ceramics comprise of Super Refractories, Industrial Ceramics, Bio ceramics, Ceramic Fibre products, Anti-corrosives and Calcia Stabilised Zirconia.

Electrominerals include abrasive / refractory grains, micro grits for the photovoltaic industry and captive power generation from hydel power plant.

IT services include web enabling services and digitised data capture.

Power denote the generation of power from Natural Gas.

The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

b. Geographical Segments

The geographical segments considered for disclosure are : India and Rest of the world. All the manufacturing facilities and Sales offices are located in India, USA, Australia, Canada, Middle East (RAK), Russia, South Africa and China.

Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised

c. Segmental assets includes all operating assets used by respective segment and consists principally of operating cash, debtors, inventories and fixed assets net of allowances and provisions. Segmental liabilities include all operating liabilities and consist primarily of creditors and accrued liabilities. Segment assets and liabilities do not include income tax assets and liabilities

11 (B) Segment Disclosure

a. Primary Segment Information

(Rs. million)

Particulars	Abrasives		Ceramics		Electrominerals		IT Services		Power		Eliminations		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1. REVENUE														
Gross Sales	7445.85	5818.57	3520.68	2853.12	5267.69	4351.47	10.43	5.76	38.24	57.22			16282.89	13086.14
Less : Excise Duty	473.38	324.18	197.17	127.58	80.59	58.88							751.14	510.64
Net External Sales	**6972.47**	**5494.39**	**3323.51**	**2725.54**	**5187.10**	**4292.59**	**10.43**	**5.76**	**38.24**	**57.22**			**15531.75**	**12575.50**
Income from Processing Charges	16.70	11.53	62.94	47.38	221.52	10.88	95.97	81.15					397.13	150.94
Income from Contracts			71.49	71.06	7.02								78.51	71.06
Inter segment Revenue	0.98	1.37	18.17	13.13	563.17	485.67	15.27	14.47	106.43	82.54	(704.02)	(597.18)		
Total Revenue	**6990.15**	**5507.29**	**3476.11**	**2857.12**	**5978.81**	**4789.14**	**121.67**	**101.38**	**144.67**	**139.76**	**(704.02)**	**(597.18)**	**16007.39**	**12797.50**
2. RESULT														
Segment result	960.36	517.29	612.26	557.38	1101.55	1027.48	16.98	14.62	34.86	51.45			2726.01	2168.22
Proportionate share of Result in Associate													(2.08)	2.94
Unallocated corporate expenses													(139.03)	(180.98)
Interest expense													(271.01)	(308.34)
Interest and dividend income													31.29	31.41
Profit on sale of Fixed Assets (Net)	(2.52)	(1.02)	(0.83)	(2.10)	0.04	0.08							(3.31)	(3.04)
Profit on sale of Land and Building		7.00											234.93	7.00
Profit / (Loss) on sale of investments													1.44	0.06
Income taxes													(741.65)	(560.36)
Minority interest													(128.64)	(139.61)
Net profit after tax	**957.84**	**523.27**	**611.43**	**555.28**	**1101.59**	**1027.56**	**16.98**	**14.62**	**34.86**	**51.45**			**1707.95**	**1017.30**
3. OTHER INFORMATION														
Segment assets	5235.89	4736.14	3551.48	3182.06	4126.04	3233.82	56.39	45.73	16.03	24.36			12985.83	11222.11
Unallocated corporate assets *													1899.86	1951.33
Total assets	**5235.89**	**4736.14**	**3551.48**	**3182.06**	**4126.04**	**3233.82**	**56.39**	**45.73**	**16.03**	**24.36**			**14885.69**	**13173.44**
Segment liabilities	775.53	608.91	438.01	337.39	687.30	568.73	18.14	19.34	5.26	4.17			1924.24	1538.54
Unallocated corporate liabilities@													5506.04	5706.24
Total liabilities	**775.53**	**608.91**	**438.01**	**337.39**	**687.30**	**568.73**	**18.14**	**19.34**	**5.26**	**4.17**			**7430.28**	**7244.78**
Capital expenditure	255.69	431.49	322.04	172.72	159.63	384.02	15.63	2.61	0.47	0.39				
Depreciation & Amortization	186.65	150.11	189.13	156.47	116.77	77.27	2.85	1.70	0.03	17.80				
Non-Cash expenses other than Depreciation	20.01	31.19	18.93	8.81	25.67	1.39	0.07	1.02						

b. Secondary Segment Information

	31.03.2011	31.03.2010
1. Revenue by Geographical market		
India	8539.52	7006.10
Rest of the world	7467.87	5791.40
Total	**16007.39**	**12797.50**
2. Carrying amount of Segment Assets		
India	8006.79	7273.08
Rest of the world	4979.04	3949.03
Total	**12985.83**	**11222.11**
3. Additions to Fixed Assets and Intangible Assets		
India	585.24	442.46
Rest of the world	168.21	548.77
Total	**753.45**	**991.23**

* Includes Goodwill of Rs 832.35 million (Previous Year Rs 848.50 million)

@ Includes Minority Interest of Rs 594.27 million (Previous Year Rs 490.03 million)

(Rs. million)

		31.03.2011	31.03.2010
12	**Notes relating to Leases**		
a)	Cost of Leased Assets		
	Vehicles / Data processing Equipments	24.34	30.09
b)	Net Carrying amount	14.73	13.72
c)	Reconciliation between Total Minimum Lease payments and their Present value :		
	Total Minimum Lease Payments	18.97	19.25
	Less : Future Liability on Interest account	(3.82)	(3.25)
	Present value of Lease payments	15.15	16.00
d)	Yearwise Future Minimum lease rental payments :		

	Total Minimum Lease Payments as on 31.03.2011	Present value of Lease payments as on 31.03.2011	Total Minimum Lease Payments as on 31.03.2010	Present value of Lease payments as on 31.03.2010
(i) Not later than one year	6.54	4.73	8.88	7.20
(ii) Later than one year and not later than five years	12.43	10.42	10.37	8.80
(iii) Later than five years	Nil	Nil	Nil	Nil

		31.03.2011	31.03.2010
13	**Information relevant for Accounting Standard 20 - Earnings per share**		
a)	The calculation of the Basic and Diluted Earning per share is based on the following data:		
	Net Profit for the year	1707.95	1017.30
	Weighted average number of equity shares outstanding during the year	93379390	93354226
	Basic and Diluted Earning per share (Face value of Rs.2 each)	Rs. 18.27	Rs. 10.90
b)	The unit price of stock options granted to the Employees of Parent Company are anti-dilutive and hence the Basic and Diluted Earnings per share remain the same.		
14	**Information relating to Deferred tax :**		
a)	Deferred Tax Assets arising out of timing difference relating to :		
	Provision for Bad and Doubtful debts and advances	21.03	16.05
	Provision for Leave encashment	14.92	12.96
	Other disallowances under section 43 B	29.23	18.65
	Voluntary Retirement Scheme payments	3.13	5.27
	Restatement losses on Foreign currency borrowings	2.33	4.43
	Leased Assets	0.68	1.16
	Others	8.72	11.05
		80.06	69.57
b)	Deferred Tax Liability arising out of timing difference relating to :		
	Depreciation	556.78	507.48
	Inventories	–	11.50
		556.78	518.98
	Deferred Tax Liability (Net)	**(476.75)**	**(449.41)**

15 Provision for Dividend Tax has been made considering the credit amounting to Rs.5.34 million (Previous year Rs.7.05 million) available for set off in respect of dividend tax payable on dividends to be distributed by three subsidiary companies, based on the provision under subsection (1A) of Section 115 O of the Income Tax Act.

Dividend Tax on the Interim Dividend has been paid after availing the credit amounting to Rs.6.15 million (Previous year - Nil) in respect of the Dividend Tax paid on the interim dividends received from a subsidiary.

16 Previous year figures have been regrouped wherever necessary to conform to current year's grouping.

Disclosure of Information Relating to Subsidiaries

(a) Summary financial information of Subsidiary Companies

(Rs. million)

	CUMI America Inc.		Net Access (India) Limited		Southern Energy Development Corporation Limited		CUMI Fine Materials Limited	
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
1. Share capital	2.23	2.23	16.00	16.00	4.60	4.60	0.50	0.50
2. Reserves & Surplus	8.57	8.11	17.88	10.07	117.97	157.16	(0.68)	–
3. Total Liabilities[a]	22.87	18.66	36.90	24.18	29.32	44.40	1.76	0.01
4. Total Assets[b]	33.67	29.01	70.78	50.25	151.89	206.16	1.59	0.51
5. Turnover	60.48	30.14	122.39	102.67	156.13	156.86	–	–
6. Profit before Tax	1.32	(8.11)	17.12	14.44	46.02	59.95	(0.68)	–
7. Provision for Taxation	0.87	(2.81)	5.59	4.75	10.20	8.90	–	–
8. Profit after Tax	0.45	(5.30)	11.53	9.69	35.82	51.05	(0.68)	–
9. Proposed dividend[c]	-	-	3.72	2.80	75.02	40.23	–	–

	Sterling Abrasives Limited		CUMI Australia Pty. Limited		CUMI Middle East FZE.		CUMI Canada Inc.	
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
1. Share capital	9.00	9.00	23.45	23.45	1.21	1.21	158.81	158.81
2. Reserves & Surplus	203.85	163.39	336.92	288.91	7.47	7.29	(155.20)	(126.51)
3. Total Liabilities[a]	87.81	71.89	128.31	144.41	47.33	58.58	199.70	194.85
4. Total Assets[b]	300.66	244.28	488.68	456.77	56.03	67.11	203.31	227.15
5. Turnover	417.91	319.04	559.66	634.32	78.63	130.38	144.22	115.58
6. Profit before Tax	96.83	83.77	137.34	182.47	0.18	3.98	(28.69)	(37.75)
7. Provision for Taxation	32.62	28.30	41.33	54.63	–	–	–	–
8. Profit after Tax	64.21	55.47	96.01	127.84	0.18	3.98	(28.69)	(37.75)
9. Proposed dividend[c]	23.54	20.99	47.98	63.90	–	1.82	–	–

	CUMI International Limited		Volzhsky Abrasive Works		Foskor Zirconia Pty. Limited		CUMI Abrasives & Ceramics Co. Limited	
	2010	**2009**	**2010**	**2009**	**2010-11**	**2009-10**	**2010**	**2009**
1. Share capital	1075.43	1075.43	5.37	5.37	0.01	0.01	353.34	353.34
2. Reserves & Surplus	78.80	21.02	2014.04	1628.12	454.96	395.74	(173.05)	(61.92)
3. Total Liabilities[a]	1249.19	1243.88	292.30	224.18	215.40	246.69	252.53	163.46
4. Total Assets[b]	2403.42	2340.33	2311.71	1857.67	670.37	642.74	432.82	454.88
5. Turnover	100.76	100.59	4184.28	3126.37	1040.47	858.75	126.10	–
6. Profit before Tax	63.04	45.62	636.33	601.96	82.40	(6.81)	(81.91)	–
7. Provision for Taxation	5.26	5.30	139.60	162.89	23.18	(2.69)	0.00	–
8. Profit after Tax	57.78	40.33	496.73	439.07	59.22	(4.12)	(81.91)	–
9. Proposed dividend[c]	–	–	243.51	103.28	–	–	-	–

a. Total Liabilities include : Secured loan, Unsecured loan, Current Liabilities & Provisions and Deferred Tax liability
b. Total Assets include : Net Fixed assets, Investments, Current Assets, Deferred Tax asset and Deferred Revenue Expenditure
c. Including interim dividend and dividend tax. For Volzhsky Abrasive Works, Russia, Dividend for 2010 is due for declaration by shareholders.
d. In respect of CUMI International, Cyprus and Volzhsky Abrasive Works, Russia and CUMI Abrasives & Ceramics Co. Ltd, China the figures are in respect of their financial years ending
31st December. For all other subsidiaries the figures are for the year
e. The above information has been furnished in accordance with the Circular No. 2/2011 dated 08.02.2011 issued by the Ministry of Corporate Affairs whilst granting exemption under Section 212 of the Companies Act, 1956. As stipulated therein, in case of equivalent of the figures given in foreign currency as on 31.3.2011 / 31,12.2010 has been used.

(b) Details of Investments held (other than in subsidiaries)

(Rs. million)

	Nature	Amount 31.03.2011	Amount 31.03.2010
a. Southern Energy Development Corporation Limited			
Carborundum Universal Limited	Long term - quoted equity shares	18.49	18.49
Sundaram Fixed Term Plan	Short term - quoted units	5.00	0.00
Birla Mutual Fund - FMP	Short term - quoted units	0.00	10.50
HDFC Mutual fund - Liquid fund	Short term - quoted units	0.00	12.10
UTI Mutual fund	Short term - quoted units	98.62	132.73
Laserwords Pvt. Ltd.	Long term -Unquoted equity shares	3.39	3.39
Total		**125.50**	**177.22**
b. Volzhsky Abrasives Works		**31.12.2010**	**31.12.2009**
OGK	Long term -Unquoted equity shares	0.30	0.22
Ross Stanco Instruments	Long term -Unquoted equity shares	0.01	0.01
RusGidro	Long term - quoted equity shares	0.02	0.01
TGK	Long term - quoted equity shares	0.01	0.00
FSK UEC	Long term - quoted equity shares	0.01	0.01
MDM Bank	Long term - quoted equity shares	0.00	2.98
Urals Bank	Long term - quoted equity shares	0.00	0.75
Others		0.01	0.01
Total		**0.35**	**3.99**
c. Net Access (India) Limited		**31.03.2011**	**31.03.2010**
Ciria India Ltd	Long term -Unquoted equity shares	0.00	0.00
HDFC Mutual fund - Liquid fund	Short term - quoted units	0.00	2.00
UTI Mutual fund	Short term - quoted units	0.19	2.52
Total		**0.19**	**4.52**
d. Sterling Abrasives Limited		**31.03.2011**	**31.03.2010**
Reliance Interval Series	Short term - quoted units	0.00	10.00
HDFC Mutual fund - Liquid fund	Short term - quoted units	10.15	5.07
SBI - Mutual Fund	Short term - quoted units	10.05	0.00
Birla Sun Life Cash Manager	Short term - quoted units	2.01	0.00
LIC Nomura MF Income Plan Fund	Short term - quoted units	2.01	0.00
Total		**24.22**	**15.07**
e. CUMI International Limited		**31.12.2010**	**31.12.2009**
Cumi Abrasives and Ceramics Co. Ltd	Long term - Equity Shares	79.94	79.94
Cumi Canada Inc.	Long term - Unquoted class A shares	22.47	22.47
Cumi Canada Inc.	Long term - Unquoted class B shares	21.19	21.19
Total		**123.61**	**123.61**

For and on behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Chennai
30th April 2011

V Ramesh
Chief Financial Officer

S Dhanvanth kumar
Company Secretary

DIRECTORS' RESPONSIBILITY STATEMENT

(Annexure to the Directors' Report pursuant to Section 217(2AA) of the Companies Act, 1956)

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that :

- in the preparation of the Profit & Loss Account for the financial year ended 31st March 2011 and the Balance Sheet as at that date ("financial statements") applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the financial statements have been prepared on a going concern basis.

On behalf of the Board

Chennai
30th April 2011

M M MURUGAPPAN
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF CARBORUNDUM UNIVERSAL LIMITED

1. We have audited the attached Balance Sheet of **CARBORUNDUM UNIVERSAL LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
   (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

B. Ramaratnam
Partner
(Membership No. 21209)

Chennai,
April 30, 2011

Annexure Referred to in paragraph 3 of the auditor's report to the members of Carborundum Universal Limited on the accounts for the year ended March 31, 2011.

(i) Having regard to the nature of the Company's business / activities / results, clauses (x), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of CARO are not applicable to the Company in the current year.

(ii) In respect of its fixed assets:

a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of its inventory:

a. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.

b. In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanations that purchases include specialised engineering and / or proprietary items, for which suitable alternate sources are not readily available for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.

(viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(ix) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for generation and captive consumption of power and production of polymer resin and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other products of the Company.

(x) According to the information and explanations given to us in respect of statutory dues:

a. The Company has been generally regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

b. There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

c. Details of dues of Income-tax, Sales Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of disputes are given below:

Statute	Nature of the dues	Amount (Rs. million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax & Interest	2.76	2007-10	Commissioner of Income Tax (Appeals)
Central Sales Tax Act, 1956 & Local Sales Tax laws of various States	Sales Tax	12.70	1996-1997, 1999-2000 2001-2004	Commissioner of Sales Tax (Appeals)
		2.64	1995-2004	Sales Tax Appellate Tribunal
		0.47	1989-1990	High Court
Central Excise Act, 1944	Excise Duty	1.32	1998-2003, 2006-2009	Commissioner of Central Excise (Appeals)
		0.90	1991-1993, 1995-1996, 1998-2001, 2005-2006	The Customs, Excise & Service Tax Appellate Tribunal
		0.95	1986-1987	High Court
Service Tax, 1994	Service Tax	2.31	2004-2009	The Customs, Excise & Service Tax Appellate Tribunal
Customs Act, 1962	Customs Duty	1.66	2010-2011	Commissioner of Customs (Appeals)
Total		**25.71**		

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and debenture holders.

(xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks are not prima facie prejudicial to the interests of the Company.

(xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

(xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long term investment.

(xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)

B Ramaratnam
Partner
(Membership No. 21209)

Chennai,
April 30, 2011

Balance Sheet as at March 31, 2011

(Rs. million)

	Schedule	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	186.94	186.71
Reserves and Surplus	2	5095.30	4101.93
		5282.24	**4288.64**
Loan Funds			
Secured Loans	3	2184.56	2648.06
Unsecured Loans	4	88.84	176.35
Long Term Lease Liability (Note no. 18)		14.25	13.94
		2287.65	**2838.35**
Deferred Tax Liability (Net) (Note no.21(b))		420.58	415.30
Total		**7990.47**	**7542.29**
APPLICATION OF FUNDS			
Fixed Assets (Note no. 6)			
Gross Block		6275.09	5676.54
Less: Depreciation		2542.97	2219.32
Net Block	5	3732.12	3457.22
Capital work-in-progress (including capital advances)		153.24	330.64
		3885.36	**3787.86**
Investments	6	1640.56	1718.36
Current Assets, Loans & Advances			
Inventories	7	1548.04	1191.54
Sundry Debtors	8	1772.18	1600.22
Cash & Bank Balances	9	78.16	61.32
Loans & Advances	10	508.93	429.50
		3907.31	**3282.58**
Less: Current Liabilities & Provisions	11		
Current Liabilities		1339.46	1035.84
Provisions		103.30	210.67
		1442.76	**1246.51**
Net Current Assets		**2464.55**	**2036.07**
Total		**7990.47**	**7542.29**
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of the Balance Sheet.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai,
30th April 2011

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Profit and Loss Account for the year ended March 31, 2011

(Rs. million)

	Schedule	For the year ended 31.03.2011	For the year ended 31.03.2010
INCOME			
Gross Sales		9774.93	7760.09
Less : Excise duty		649.27	449.99
Net Sales		**9125.66**	**7310.10**
Income from Contracts		71.49	71.06
Other income	12	337.36	238.16
		9534.51	**7619.32**
EXPENDITURE			
Raw materials consumed		3999.05	3141.37
Accretion to Stock	13	(219.43)	(47.89)
Employee cost	14	946.59	807.69
Other costs	15	2806.34	2279.34
Depreciation		400.56	354.10
Less: Transfer from fixed assets revaluation reserve		0.68	0.68
		399.88	353.42
Interest and finance charges (Note no. 13)		203.38	238.69
		8135.81	**6772.62**
PROFIT BEFORE TAX (before Exceptional Items and Taxes)		**1398.70**	**846.70**
Exceptional Items - Profit on Sale of Land and Buildings		234.93	7.00
- Profit on Sale/(provision for diminition in value) of Investments		9.73	(12.00)
PROFIT BEFORE TAX		**1643.36**	**841.70**
Less: Provision for tax			
Current (Refer Note no. 21a)		395.50	214.50
Deferred		5.28	47.07
PROFIT AFTER TAX		**1242.58**	**580.13**
Add:Unappropriated profits from previous year		1640.29	1602.08
Profit available for appropriation		2882.87	2182.21
APPROPRIATIONS			
Transfer to General Reserve		750.00	300.00
Transfer to Debenture Redemption Reserve		31.25	31.25
		781.25	331.25
Dividend			
Interim Dividend @ Rs.1.50 per share (Previous year Rs.Nil per share)		140.05	-
Proposed Final Dividend @ Re.1 per share (Previous year Rs.2 per share)		93.47	186.71
Dividend tax (Note no. 20)		26.93	23.96
		260.45	210.67
Balance carried to Balance Sheet	2	1841.17	1640.29
E P S - Basic and Diluted (Rs.) - Face value Rs.2		**13.29**	**6.21**
Significant Accounting Policies	17		
Notes on Accounts	16 & 18		

The schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai,
30th April 2011

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Cash Flow Statement for the year ended March 31, 2011

(Rs. million)

	For the year ended 31.03.2011		For the year ended 31.03.2010	
A. Cash flow from operating activities				
Net profit before tax		**1643.36**		**841.70**
Depreciation	399.88		353.42	
Interest and finance charges	203.38		238.69	
(Profit) on sale of fixed assets (net)	(231.63)		(5.25)	
Provision for doubtful debts and advances (net)	14.33		22.98	
Provision for diminition in value of investment	(12.00)		12.00	
(Profit) on sale of investments (net)	(9.73)		(0.05)	
Interest and dividend income	(166.17)		(107.14)	
Excess provisions made in the previous year reversed	(3.91)		(10.29)	
Voluntary retirement scheme payments	-		2.10	
Unrealised exchange (gain)/loss (net)	(2.05)		(20.06)	
		192.10		486.40
Operating profit before working capital changes		1835.46		1328.10
Adjustments for :				
Increase in Trade and other receivables	(323.37)		(93.18)	
Increase in Trade payables	294.61		158.47	
Increase in Inventories	(356.50)		(26.07)	
		(385.26)		39.22
Cash generated from operations		1450.20		1367.32
Direct taxes paid	(292.00)		(246.54)	
Voluntary retirement scheme payments	-		(2.10)	
		(292.00)		(248.64)
Net cash flow from operating activities		**1158.20**		**1118.68**
B. Cash flow from investing activities				
Purchase of tangible fixed assets	(481.65)		(431.57)	
Purchase of intangible assets	(26.90)		(10.01)	
Proceeds from sale of fixed assets	242.12		14.39	
Purchase of investments	-		(8.77)	
Sale of investments	99.53		0.17	
Dividends received	165.16		104.70	
Interest received	0.86		2.18	
		(0.88)		(328.91)
Direct tax paid on capital gains		(42.38)		(1.60)
Net cash from / (used in) investing activities		**(43.26)**		**(330.51)**
C. Cash flow from financing activities				
Repayment of Long term borrowings	(346.20)		(363.88)	
Proceeds from other borrowings (net)	(203.18)		(250.42)	
Proceeds from issue of shares	21.07		0.26	
Capital Subsidy received	-		3.00	
Interest paid	(204.34)		(246.28)	
Dividend paid (inclusive of dividend tax)	(365.45)		(212.74)	
Net cash from / (used in) financing activities		**(1098.10)**		**(1,070.06)**
Net increase/(decrease) in cash and cash equivalents		**16.84**		**(281.89)**
Cash and cash equivalents opening balance		61.32		343.21
Cash and cash equivalents closing balance		78.16		61.32
		16.84		**(281.89)**

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai,
30th April 2011

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Schedules to Accounts

1. SHARE CAPITAL

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
Authorised		
125,000,000 equity shares of Rs.2 each	250.00	250.00
Issued, Subscribed and Paid-up		
107,195,232 (Previous year - 107,193,000) equity shares of Rs. 2 each fully paid up *	214.394	214.39
Less : 13,839,000 shares of Rs. 2 each bought back from the shareholders pursuant to the offer for buy-back of shares made in 2000-01	(27.68)	(27.68)
Add : 114,761 (Previous year - 2,232) shares of Rs. 2 each allotted during the year under Employee Stock Option Scheme 2007 (Note No. 9)	0.23	0.004
93,470,993 (Previous year - 93,356,232) shares of Rs. 2 each fully paid	**186.94**	**186.71**

* Includes

- 893,565 shares of Rs. 2 each allotted as fully paid up for consideration other than cash pursuant to contracts
- 2,339,295 shares of Rs. 2 each allotted to shareholders of amalgamated companies
- 82,825,120 shares of Rs. 2 each allotted as fully paid up bonus shares by capitalisation of share premium and general reserve

2. RESERVES AND SURPLUS

(Rs. million)

	As at 31.03.2010	Additions	Deductions/ Adjustments	As at 31.03.2011
Capital Reserve				
Fixed assets revaluation reserve	27.14	-	0.68	26.46
Capital subsidy	3.00	-	-	3.00
Profit on forfeiture of shares / warrants	6.03	-	-	6.03
Capital redemption reserve	27.68	-	-	27.68
Share Premium	0.26	20.84*	-	21.10
Other Reserves				
General reserve	2326.11	750.00	-	3076.11
Debenture redemption reserve	62.50	31.25	-	93.75
Hedging reserve (Note no. 22)	8.92	-	8.92	-
	2461.64	802.09	9.60	3254.13
Profit and loss account balance	1640.29			1841.17
	4101.93			**5095.30**

* Premium of Rs. 181.60 per share received on allotment of 114,761 equity shares under Employee Stock Option Scheme 2007

Schedules to Accounts

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
3. SECURED LOANS		
11.70% Secured Non-Convertible Redeemable debentures	500.00	500.00
500 debentures of Rs. 1 million each issued for cash at par redeemable in 2 equal annual installments commencing from 1st January 2013		
- Secured by a pari-passu first charge on movable fixed assets of the Company, both present and future, and also a pari-passu first charge on the immovable properties, both present and future, relating to various manufacturing locations		
Loan from banks		
Cash Credit and Other Borrowings		
- Secured by a pari-passu first charge on the current assets of the Company, both present and future and a pari-passu second charge on immovable properties, both present and future, relating to various manufacturing locations	393.88	509.55
External commercial borrowings (Note no. 4) #		
- Secured by a pari-passu first charge on movable fixed assets, both present and future	1290.68	1638.51
	2184.56	**2648.06**
# includes amounts repayable within one year	637.13	346.29
4. UNSECURED LOANS		
Short term loans from banks	88.84	176.35
	88.84	**176.35**

Schedules to Accounts

5. FIXED ASSETS

(Rs. million)

Particulars	Cost				Depreciation				Net Block	
	As at 01.04.2010	Additions	Deletions	As at 31.03.2011	As at 01.04.2010	For the year	Deletions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Intangible Assets										
Goodwill	0.20	-	-	0.20	0.20	-	-	0.20	-	-
Trade Mark	1.61	-	-	1.61	1.61	-	-	1.61	-	-
Technical Knowhow	35.76	26.90	-	62.66	16.07	6.58	-	22.65	40.01	19.69
Software	2.32	-	-	2.32	0.19	0.46	-	0.65	1.67	2.13
Tangible Assets										
Land										
- Freehold	37.85 (a)	-	0.04	37.81	-	-	-	-	37.81	37.85
- Leasehold	103.37	-	-	103.37	2.80	1.02	-	3.82	99.55	100.57
Buildings	1042.11 (a)	140.24	3.69	1178.66 (b)	233.76	39.22	1.67	271.31	907.35	808.35
Plant & Machinery	4307.54 (c)	505.96 (d)	62.07	4751.43	1899.51	338.33	56.00	2181.84	2569.59	2408.03
Furniture & Fixtures	105.82	3.39	6.41	102.80	40.33	8.59	5.35	43.57	59.23	65.49
Vehicles	15.11	1.66	2.14	14.63	10.45	0.76	1.33	9.88	4.75	4.66
Vehicles taken on lease	24.85	7.80	13.05	19.60	14.40	5.60	12.56	7.44	12.16	10.45
Total	***5676.54***	***685.95***	***87.40***	***6275.09***	***2219.32***	***400.56***	***76.91***	***2542.97***	***3732.12***	***3457.22***
Previous Year	5418.73	319.60	61.79	5676.54	1917.86	354.10	52.64	2219.32	3457.22	3500.87

(a) Land & Building includes those added upto 31st August 1984 which are stated at revalued amounts based on the valuation done in that year by an independent valuer. The value added on revaluation was Rs. 58.41 million.

(b) Includes Rs. 615.11 million (Previous year Rs. 528.73 million) being cost of building on lease hold land.

(c) Net of subsidy received Rs.0.77 million (Previous year Rs.0.77 million).

(d) Includes R&D equipments Rs. 27.84 million (Previous year Rs. 12.67 million)

Schedules to Accounts

6. INVESTMENTS

(Rs. million)

Sl. No.	Description	Quantity in Nos. As at 31.03.2011	Quantity in Nos. As at 31.03.2010	Nominal Value Rs.	Value As at 31.03.2011	Value As at 31.03.2010
LONG TERM :						
I	**Quoted (Trade)**					
	Equity Shares (fully paid)					
	Wendt (India) Ltd.	797352	797352	10	10.36	10.36
	Coromandel Engineering Co. Ltd.	42900	42900	10	0.43	0.43
II	**Quoted (Non-Trade)**					
	Equity Shares (fully paid)					
	Grindwell Norton Ltd.	400	400	5	0.01	0.01
	Orient Abrasives Ltd.	10000	10000	1	0.00	0.00
	EID Parry (India) Ltd.	1000	500	1 (a)	0.01	0.01
	Cholamandalam Investment and Finance Co. Ltd.	100	100	10	0.00	0.00
	Tube Investments of India Ltd.	1000	1000	2	0.01	0.01
	Coromandel International Ltd.	330	165	1 (a)	0.00	0.00
III	**Unquoted (Trade)**					
	a. Equity Shares (fully paid)					
	Murugappa Morgan Thermal Ceramics Ltd.	1430793	1430793	10	44.04	44.04
	Murugappa Management Services Ltd.	44704	44704	100	11.30	11.30
	Ciria India Ltd.	59998	59998	10	1.68	1.68
	CUMI Employees Co-operative Society/Stores				0.03	0.03
	Kerala Enviro Infrastructure Ltd.	10000	10000	10	0.10	0.10
	b. Equity Shares (fully paid) - Subsidiaries					
	CUMI Canada Inc., Canada (Note No. 23)	0	1250000	CAD 1	-	48.01
	Sterling Abrasives Ltd.	54000	54000	100	37.10	37.10
	Net Access (India) Ltd.	1600000	1600000	10	16.00	16.00
	CUMI Australia Pty Ltd., Australia	1050	1050	AUD 1	14.79	14.79
	Southern Energy Development Corpn. Ltd.	389908	389908	10	54.65	54.65
	CUMI America Inc., USA		500	USD 100	-	2.13
	CUMI- Middle East FZE, UAE		1	AED 100000	-	1.26
	CUMI International Ltd., Cyprus	13999787	13999787	USD 1	575.72	575.72
	CUMI Fine Materials Ltd.	50000	50000	10	0.50	0.50
	CUMI Abrasives and Ceramics Co Ltd., China			(b)	231.39	231.39
	c. Redeemable Preference Shares (fully paid) - Subsidiaries					
	CUMI Canada Inc., Canada		1000000	CAD1	-	38.40
	CUMI International Ltd., Cyprus	10000000	10000000	USD 1	409.90	409.90
IV	**Unquoted (Non-Trade)**					
	a. Equity Shares (fully paid)					
	Laserwords Pvt. Ltd.	1759080	1759080	1	232.49	232.49
	Chennai Willingdon Corporate Foundation	5	5	10 (c)	0.00	0.00
	John Oakey Mohan Ltd.	1900	1900	10	0.05	0.05
	b. Others					
	7 Years National Savings Certificate			(d)	0.00	0.00
					1640.56	**1730.36**
	Less: Provision for diminution in value of investment				-	(12.00)
	Total				**1640.56**	**1718.36**

Schedules to Accounts

6. INVESTMENTS (Contd.)

(Rs. million)

	31.03.2011	31.03.2010
a. Quoted Investments		
- Cost	10.82	10.82
- Market Value	846.43	583.53
b. Unquoted Investments - Cost	1,629.74	1,719.54

Statement of addition / deletion of investments

Sl. No.	Description	Nos	Nominal Value Rs.	Value Rs.million
a.	**Additions during the year**			
i.	UTI Mutual Fund	85752601	10	870.00
ii.	LIC Mutual Fund	142985947	10	1,570.00
iii	HDFC Mutual Fund	7431850	10	80.00
b.	**Deletions during the year**			
i.	CUMI America Inc., USA	500	USD 100	2.13
ii.	CUMI- Middle East FZE, UAE	1	AED 100000	1.26
iii.	CUMI Canada Inc., Canada - Redeemable Preference shares	1000000	CAD 1	38.40
iv.	CUMI Canada Inc., Canada - Equity shares	1250000	CAD 1	48.01
v.	UTI Mutual Fund	85752601	10	870.00
vi	LIC Mutual Fund	142985947	10	1,570.00
vii	HDFC Mutual Fund	7431850	10	80.00
	Net decrease in investments			**(89.80)**

Notes

(a) Stock split during the year 2010-11

(b) Investment in common stock of the company

(c) Shares allotted against earlier year's corporate membership contribution

(d) Deposit with the Government

7. INVENTORIES

(Rs. million)

	As at 31.03.2011	As at 31.03.2010
Raw materials	510.85	386.07
Work-in-process	342.43	313.50
Finished stock	525.18	334.68
Goods-in-transit	103.03	100.65
Stores and spare parts	66.55	56.64
	1548.04	**1191.54**

Schedules to Accounts

(Rs. million)

	As at 31.03.2011		As at 31.03.2010	
8. SUNDRY DEBTORS				
(Unsecured and considered good, unless otherwise stated)				
Over six months				
Considered good	69.25		129.45	
Considered doubtful	51.32		39.81	
		120.57		169.26
Other debts		1702.93		1470.77
		1823.50		1640.03
Less: Provision for doubtful debts		51.32		39.81
		1772.18		**1600.22**
Sundry debtors include retentions against invoices (Also refer note 5)		8.02		9.52
9. CASH AND BANK BALANCES				
Cash and cheques on hand and remittances in transit		61.68		46.53
Balances with scheduled banks :				
- Current account		7.41		8.10
- Unclaimed dividend account		9.07		6.69
		78.16		**61.32**
10. LOANS AND ADVANCES				
(Unsecured and considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received				
Considered good	284.67		156.56	
Considered doubtful	0.15		0.37	
	284.82		156.93	
Less: Provision for doubtful advances	0.15		0.37	
		284.67		156.56
Deposits @		70.68		73.46
Balances with customs and central excise authorities		48.47		33.24
Taxation (net)		105.11		166.24
		508.93		**429.50**
Total Current Assets, Loans and Advances		**3907.31**		**3282.58**
@ Includes :				
i) fixed deposit receipt lodged with Commercial Tax Department		0.07		0.07
ii) refundable long term deposit for leasehold land		10.10		10.10

Schedules to Accounts

11. CURRENT LIABILITIES AND PROVISIONS

(Rs. million)

	As at 31.03.2011		As at 31.03.2010	
Current Liabilities				
Sundry creditors				
- Total oustanding dues to micro enterprises and small enterprises (Note no. 7)		17.01		30.49
- Total oustanding dues to Creditors other than micro enterprises and small enterprises (a)		917.39		690.20
Advance from Customers		17.58		17.42
Interest accrued but not due on loans		3.63		4.59
Investor Education and Protection Fund shall be credited by the following amounts namely:- (b)				
a) Unpaid dividend	9.07		6.69	
b) Unpaid matured deposits	-		0.02	
c) Interest accrued on matured deposits	-		0.01	
		9.07		6.72
Liabilities relating to employee benefits		201.37		129.98
Other Liabilities		173.41		156.44
		1339.46		**1035.84**
Provisions				
Proposed final dividend		93.47		186.71
Dividend tax (Note no. 20)		9.83		23.96
		103.30		**210.67**
Current Liabilities & Provisions		**1442.76**		**1246.51**

(a) Includes amount due to subsidiaries Rs. 88.94 million (Previous year Rs. 33.02 million)

(b) These represents warrants / cheques issued and remaining un-encashed as at 31st March 2011. There is no amount which has fallen due as at Balance sheet date to be credited to Investor Education and Protection Fund.

Schedules to Accounts

(Rs. million)

	For the year ended 31.03.2011	For the year ended 31.03.2010
12. OTHER INCOME		
From investments (Trade)		
Dividend from subsidiaries	109.57	59.32
Dividend from others	44.74	29.91
From investments (Non-trade)		
Dividend from others	10.85	15.48
Interest from banks	-	1.14
Interest from others	1.01	1.29
Service income	64.96	50.55
Profit on sale of fixed assets	2.49	2.16
Profit on sale of investments (net)	-	0.05
Scrap sales	45.22	35.54
Profit/(loss) on exchange fluctuation (Net)	16.49	8.40
Provisions for expenses no longer required written back	0.87	2.22
Provisions for doubtful debts/advances no longer required written back	3.04	8.07
Miscellaneous income	38.12	24.03
	337.36	**238.16**
Tax deducted at source from interest	0.15	0.26
Dividend from long term investment	163.19	102.44
Dividend from current investment	1.97	2.27
13. ACCRETION TO STOCK		
Opening stock		
Work-in-process	313.50	284.66
Finished stock	334.68	315.63
	648.18	600.29
Less: Closing stock		
Work-in-process	342.43	313.50
Finished stock	525.18	334.68
	867.61	648.18
Accretion to stock	**(219.43)**	**(47.89)**
14. EMPLOYEE COST		
Salaries, wages and bonus	713.50	629.82
Contribution to provident and other funds	83.13	54.71
Voluntary retirement compensation	–	2.10
Remuneration to Managing Director (Note no. 14)	10.07	8.37
Welfare expenses	139.89	112.69
	946.59	**807.69**

Schedules to Accounts

15. OTHER COSTS

(Rs. million)

		For the year ended 31.03.2011		For the year ended 31.03.2010
Consumption of stores and spares		372.84		279.33
Power and fuel (a)		856.96		658.20
Rent		20.27		18.39
Excise duty on stock differential *		5.60		6.94
Rates and taxes		55.84		48.87
Insurance		12.70		12.85
Repairs to: (b)				
- Buildings		12.84		12.66
- Machinery		228.88		176.99
Directors' sitting fees		0.75		0.83
Commission to non-wholetime directors		3.50		2.10
Auditors' remuneration (Note no. 15)		3.93		3.48
Travel and conveyance		110.36		98.71
Freight, delivery and shipping charges		280.45		206.02
Selling commission		46.57		25.37
Discounts		91.76		53.33
Rebates and allowances		55.74		67.22
Advertisement and publicity		36.50		28.67
Printing, stationery and communication		40.59		36.67
Contribution to research institution		7.00		2.10
Bad debts and advances written off	11.53		8.25	
Less : Provision adjusted	11.53		8.04	
		-		0.21
Provision for doubtful debts,advances and deposits		25.86		31.02
Professional fees		29.22		23.62
Services outsourced		424.26		383.31
Loss on sale of fixed assets		5.79		3.91
Miscellaneous expenses		78.13		98.54
		2806.34		**2279.34**
(a) Net of own power generation, which includes energy banked with KSEB - Rs.NIL (Previous year Rs. 5.69 million)		129.03		102.58
(b) Includes stores and spare parts		150.32		115.20

* Represents excise duty relating to difference between the opening and closing stock of finished goods. The excise duty shown as deduction from sales in the profit and loss account represents excise duty on sales during the year.

Schedules to Accounts

16. QUANTITATIVE PARTICULARS

1. CAPACITIES, PRODUCTION, TURNOVER AND STOCK

Class of goods	Unit	Installed Capacity (d)	Actual Production (d)	Commencing Stock	Closing Stock	Turnover (b) Quantity	Turnover (b) Value (Rs.million)
Abrasives (c)							
Bonded	Tonne	**19640**	**17345**	**6327**	**6900**	**16772**	**3798.13**
		(19640)	(15328)	(5340)	(6327)	(14341)	(3040.13)
Coated	In Million Sqm	**17.89**	**9.26**	**0.55**	**0.67**	**9.14**	**1650.22**
		(17.86)	(9.04)	(0.42)	(0.55)	(8.91)	(1453.78)
Industrial Cloth	Metre	**4500000**	**3100907**	–	–	–	–
		(4500000)	(2451886)	–	–	–	–
Ceramics							
Industrial Ceramics	Tonne	**5870**	**4823**	**127**	**96**	**4854**	**1173.59**
		(5870)	(3598)	(139)	(127)	(3610)	(905.69)
Refractories (e)	Tonne	**39150**	**30727**	**242**	**246**	**28830**	**1356.96**
		(36450)	(26057)	(190)	(242)	(24411)	(1097.84)
Electrominerals							
Grains	Tonne	**30600**	**27658**	**1276**	**2563**	**15191**	**1669.98**
		(25340)	(22706)	(1210)	(1276)	(13222)	(1180.23)
Others							**126.05**
							(82.42)
Total							**9774.93**
							(7760.09)

NOTES:
(a) Figures in brackets are for previous year. Previous year's figures are regrouped to make it comparable.
(b) Turnover is exclusive of captive consumption amounting to Rs.1232.35 million (Previous year - Rs.1018.96 million). It includes bought-outs amounting to Rs. 595.33 million. (Previous year Rs. 476.70 million).
(c) Includes products purchased and sold.
(d) Capacities as certified by Management.
(e) Includes Anti-corrosives.

2. RAW MATERIALS CONSUMED (inclusive of captive consumption)

	Unit	2010-11 Quantity	2010-11 Value (Rs.million)	2009-10 Quantity	2009-10 Value (Rs.million)
Abrasive Grains	Tonne	40610	1722.60	36409	1472.53
Bonds and Resins	Tonne	5868	357.62	5243	266.95
Calcined Alumina	Tonne	14765	437.88	12378	346.52
Others			2746.02		2074.33
	Total		**5264.12**		**4160.33**
Less: Captive Consumption			1265.07		1018.96
Net			**3999.05**		**3141.37**
Of the above :					
Imported		36%	1919.87	32%	1343.45
Indigenous		64%	3344.25	68%	2816.88
	Total	**100%**	**5264.12**	**100%**	**4160.33**

3. CONSUMPTION OF STORES AND SPARE PARTS (inclusive of captive consumption)

		2010-11 Quantity	2010-11 Value	2009-10 Quantity	2009-10 Value
Imported		1%	3.40	1%	2.92
Indigenous		99%	539.47	99%	412.83
	Total	**100%**	**542.87**	**100%**	**415.75**
Less: Captive Consumption			19.71		21.22
Net			**523.16**		**394.53**
Less: Issued for maintenance			150.32		115.20
Consumption of Stores & Spares			**372.84**		**279.33**

17. SIGNIFICANT ACCOUNTING POLICIES

(i) Accounting Convention

The financial statements have been prepared under the historical cost convention, with the exception of Land and Buildings (which were revalued), on accrual basis and in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The said financial statements comply with the relevant provisions of the Companies Act, 1956 (the Act) and the Accounting Standards notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006, as applicable.

(ii) Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Differences, if any, between the actual results and estimates are recognized in the period in which the results are known / materialized.

(iii) Fixed assets and depreciation / amortisation

Fixed assets are stated at historical cost except land and buildings added up to 31st August 1984 which are shown as per the revaluation done in that year, less accumulated depreciation / amortisation.

Cost comprises of direct cost, related taxes, duties, freight and attributable finance costs (Refer (v) below) till such assets are ready for its intended use and net of CENVAT/VAT wherever applicable. Subsidy received from State Government towards specific assets is reduced from the cost of fixed assets. Fixed assets taken on finance lease are capitalised.

Capital work in progress is stated at the amount expended up to the Balance sheet date.

Machinery spares used in connection with a particular item of fixed asset and the use of which is irregular, are capitalized at cost net of CENVAT / VAT, as applicable.

Expenditure directly relating to new projects prior to commencement of commercial production is capitalised. Indirect expenditure (net of income) attributable to the new projects or which are incidental thereto are also capitalised.

Depreciation on fixed assets has been provided on straight-line method at rates and in the manner specified in Schedule XIV to the Companies Act 1956, except for:

- leased vehicles which are depreciated over four years
- lease hold improvements are depreciated over six years,

The difference between the depreciation for the year on the revalued assets and depreciation calculated on the original cost is recouped from the fixed assets revaluation reserve.

Depreciation on additions to fixed assets is provided on a pro-rata basis from the date of commissioning of the individual asset.

Premium on Lease hold Land is amortised over the tenure of the lease.

Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Intangible assets are amortised over their estimated useful life of 5 years on straight line basis.

(iv) Impairment of assets

At each balance sheet date, the carrying values of the tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where there is an indication that there is a likely impairment loss for a group of assets, the Company estimates the recoverable amount of the group of assets as a whole, and the impairment loss is recognized.

(v) Borrowing costs

Borrowing costs, if any, are capitalised as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

(vi) Investments

Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provision for diminution is made in the value of investments if such diminution is other than of temporary in nature. Current investments are stated at lower of cost and fair value.

(vii) **Inventories**

Inventories are valued at lower of cost and net realizable value. Cost includes freight, taxes and duties net of CENVAT / VAT credit wherever applicable. Customs duty payable on material in bond is added to the cost.

In respect of raw materials, stores and spare parts, cost is determined on weighted average basis. In respect of Work in Process and Finished goods, cost includes all direct costs and applicable production overheads, to bring the goods to the present location and condition.

(viii) **Revenue recognition**

Domestic sales are accounted on despatch of products to customers and export sales are accounted on the basis of Bill of Lading. Sales are accounted net of Sales Tax / VAT, Discounts and Returns as applicable.

The revenues from divisible contracts are recognized on the percentage completion method in respect of works contracts and from supplies on despatch. In respect of indivisible contracts, the revenues are recognized on a percentage completion method based on the billing schedules agreed by the customers.

Benefits on account of entitlement to import goods free of duty under Duty Entitlement Pass Book Scheme and Status Holders Incentive Scrip, are accounted in the year of export.

Dividend income on investments is accounted for, when the right to receive the payment is established.

(ix) **Research and Development**

All revenue expenditure related to research and development are charged to the respective heads in the profit and loss account. Capital expenditure incurred on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

(x) **Employee Benefits**

a. Defined contribution plan

Fixed contributions to the Superannuation Fund which is administered by Company nominated trustees and managed by Life Insurance Corporation of India and to Employee State Insurance Corporation [ESI] are charged to the profit and loss account.

Company also contributes to a government administered Pension fund on behalf of its employees, which are charged to the profit and loss account.

b. Defined benefit plan

The liability for Gratuity to employees as at Balance Sheet date is determined on the basis of actuarial valuation using Projected Unit Credit method and is funded to a Gratuity fund administered by the trustees and managed by Life Insurance Corporation of India and SBI Life Insurance Company Limited. The liability there of paid / payable is absorbed in the accounts. The actuarial gains / losses are recognised in the Profit and Loss account.

The employees and the Company make monthly fixed contributions to the Carborundum Universal Limited Employee's Provident Fund Trust, equal to a specified percentage of the covered employee's salary. The interest rate payable by the Trust to the beneficiaries is being notified by the Government every year. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

c. Long term Compensated absences

In respect of long term portion of compensated absences [Leave benefits], the liability is determined on the basis of actuarial valuation and is provided for.

d. Short term employee benefits

Short term employee benefits including accumulated compensated absences determined as per Company's policy/scheme are recognized as expense based on expected obligation on undiscounted basis.

(xi) **Voluntary Retirement Compensation**

Compensation to employees who have retired under voluntary retirement scheme is charged off to revenue.

(xii) **Employee Stock Option Scheme**

Stock options granted to the employees under the stock option scheme are evaluated as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities Exchange Board of India. The Company follows the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options as on date of grant, if any, over the exercise price of the options is recognized as deferred employee compensation and is charged to the Profit and Loss Account on graded vesting basis over the vesting period of the options.

(xiii) **Foreign Currency Transaction**

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transactions. Monetary assets & liabilities outstanding at the year-end are translated at the rate of exchange prevailing at the year-end and the gain or loss, is recognised in the profit and loss account.

Exchange differences arising on actual payments/ realisations and year-end restatements are dealt with in the Profit & Loss Account.

The premium or discount arising at the inception of forward exchange contracts (other than those relating to a firm commitment or a highly probable forecast) are amortized as expense or income over the life of the contract.

(xiv) **Government Grants**

Lump-sum capital subsidies, not relating to any specific fixed asset, received from State Governments for setting up new projects are accounted as capital reserve.

(xv) **CENVAT/Service Tax / VAT**

CENVAT/VAT credit on materials purchased / services availed for production / Input services are taken into account at the time of purchase. CENVAT/VAT credit on purchase of capital items wherever applicable are taken into account as and when the assets are acquired. The CENVAT credits so taken are utilised for payment of excise duty on goods manufactured / Service tax on Output services. The unutilised CENVAT/VAT credit is carried forward in the books.

(xvi) **Segment reporting**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies :

a. Inter-segment revenues have been accounted on the basis of prices charged to external customers.

b. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "Unallocated Corporate Expenses"

(xvii) **Income Tax**

Current tax is determined on income for the year chargeable to tax in accordance with the Income Tax Act, 1961.

Deferred tax is recognised for all the timing differences. Deferred Tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

(xviii) **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements.

18. NOTES ON ACCOUNTS

(Rs. million)

	31.03.2011	31.03.2010
Notes to Balance Sheet		
1 Estimated amount of contracts remaining to be executed on capital account and not provided for.	109.02	87.29
2 Contingent Liabilities:		
a) Outstanding bills discounted	2.45	23.41
b) Outstanding letters of comfort / guarantees	1549.80	1662.47
c) Outstanding letters of credit	111.53	146.98
3 a) No provision is considered necessary for disputed income tax, sales tax, service tax, excise duty and customs duty demands which are under various stages of appeal proceedings as given below, based on legal advice that these demands are not sustainable in law.		

Name of Statute	Forum where pending	Years	31.03.2011	31.03.2010
Income Tax Act, 1961	Commissioner of Income Tax (Appeals)	2002-03, 04-05, 06-07, 08-09, 09-10, 10-11	17.50	34.02
	Income Tax Appellate Tribunal	1990-91,91-92,93-94, 2000-01, 01-02, 03-04	21.50	15.92
	High Court	1987-88,92-93,95-96, 97-98 to 2000-01,02-03	69.96	61.33
			108.96	111.27
Central Sales Tax Act,1956 & Local Sales Tax laws of various states	Commissioner of Sales Tax (Appeals)	1996 to 2004	21.22	32.76
	Sales Tax Appellate Tribunal	1995 to 2004	8.05	8.78
	High Court	1989 to 1990	0.47	0.47
			29.74	42.01
Central Excise Act,1944	Commissioner of Central Excise (Appeals)	1998 to 2003 2006-09	2.07	0.90
	The Customs, Excise & Service Tax Appellate Tribunal	1991-92,93-94, 95-96, 98 to 2001, 2005-06	1.89	2.44
	High Court	1986-87	0.95	1.80
			4.91	5.14
Service Tax, 1994	Commissioner of Central Excise (Appeals)	2007 to 2010	-	3.88
	The Customs, Excise & Service Tax Appellate Tribunal	2004 to 2009	2.86	1.87
			2.86	5.75
Customs Act, 1962	Commissioner of Customs (Appeals)	2010	1.66	-
			1.66	-
	Total		**148.13**	**164.17**
Disputed Income tax, Sales tax, Central Excise and Service Tax amounts deposited under protest aggregate to :			**113.79**	**120.78**

b) Employees demands pending before Labour Courts - quantum not ascertainable at present.

(Rs. million)

		31.03.2011	31.03.2010
c)	Claims against the Company not acknowledged as debt :		
	i. Contested Urban Land Tax demand	3.20	3.00
	ii. Contested Stamp duty demand	1.90	1.90
	iii. Contested Electricity charges demand	12.60	12.60
	iv. Claim filed by ship liner towards claim for damages	14.00	14.00
	v. Claim filed before Consumer Dispute Redressal Forum	1.00	-
		32.70	**31.50**
4	Out of External Commercial Borrowings (ECB) of JPY 2410.84 million (Previous year JPY 3293.64 million) and USD 10 million (Previous year USD 10 million) which were outstanding at the beginning of the year, an amount of JPY 671.20 million (Previous year JPY 882.80 million) were repaid during the year.	1150.03	1425.22
	In respect of the above ECB, the Company has hedged it by cross currency swap arrangement whereby the principal and interest amount thereon have been swapped and firmed up into Indian Rupees at a fixed rate of interest.		
	These arrangements have been recognized and the amount of borrowings has been stated in the books in Rupee values as per the said arrangement.		
	In addition, out of ECB of JPY 472.51 million (Previous year - JPY 472.51 million) and USD 0.33 million (Previous year USD 0.33 million) which were outstanding at the beginning of the year, an amount of JPY 157.50 million and USD 0.11 million were repaid during the year.	140.65	213.29
	In respect of the above ECB, the Company has entered into a cross currency swap arrangement whereby the principal and interest amount thereon have been swapped and firmed up into USD at a fixed rate of interest. These arrangements have been recognised and the borrowings have been restated at the exchange rate prevailing as on the balance sheet date.		
5	Debtors include due by subsidiaries of the company :		
	(i) CUMI America Inc.,	20.60	14.20
	Maximum amount due at any time during the year	22.93	20.23
	(ii) Sterling Abrasives Ltd	0.40	5.73
	Maximum amount due at any time during the year	1.63	6.25
	(iii) CUMI Australia Pty Ltd	24.19	27.00
	Maximum amount due at any time during the year	36.16	70.60
	(iv) CUMI Canada Inc.,	25.44	26.49
	Maximum amount due at any time during the year	54.64	28.48
	(v) CUMI Middle East FZE	22.83	31.60
	Maximum amount due at any time during the year	40.41	55.27
	(vi) CUMI Abrasives & Ceramics Company Ltd	3.84	16.89
	Maximum amount due at any time during the year	12.45	17.76
	(vii) Volzhsky Abrasives Works,	-	-
	Maximum amount due at any time during the year	2.10	-
	(viii) Foskor Zirconia Pty Ltd	9.94	19.08
	Maximum amount due at any time during the year	25.09	27.85

(Rs. million)

			31.03.2011	31.03.2010
6	The following pre-commissioning expenses incurred during the year on various projects have been included in Fixed Assets/Capital Work in Progress:			
	Account Head :			
	Raw material Consumption		0.06	0.96
	Consumption of Stores & Spares		0.78	-
	Salary, Wages & Bonus		3.22	4.43
	Contribution to Provident & other funds		0.04	0.13
	Welfare Expenses		0.15	0.20
	Power & Fuel		2.08	4.36
	Rent		–	0.58
	Insurance		0.44	0.15
	Travel & Conveyance		3.06	1.00
	Freight		0.26	0.35
	General Services		1.28	0.93
	Repairs to Building		0.01	–
	Repairs to Machinery		0.62	–
	Printing, Stationery & communication		–	0.02
	Rates & Taxes		0.31	0.36
	Professional Fees		0.03	–
	Miscellaneous Expenses		0.08	0.01
	Interest		–	9.39
	Less : Other Income		(0.20)	–
	Total		**12.21**	**22.87**
7	There are no overdue amounts / interest payable to Micro and Small Enterprises as per Micro, Small and Medium Enterprises Development Act, 2006 at the Balance Sheet date. This is on the basis of such parties identified by the management and relied upon by the auditors.			
8	a	The details of actuarial valuation in respect of Gratuity liability are given below :		
		i. Projected benefit obligation as at beginning of the year	**108.84**	**96.65**
		Service cost	6.10	5.56
		Interest cost	8.71	7.73
		Actuarial Losses / (Gains)	27.40	5.86
		Benefits paid	(12.30)	(6.96)
		Projected benefit obligation as at end of the year	**138.75**	**108.84**
		ii. Fair value of plan assets as at beginning of the year	**104.70**	**93.76**
		Expected return on plan assets	9.31	8.44
		Contributions	4.99	9.46
		Benefits paid	(12.30)	(6.96)
		Actuarial loss on plan assets	-	-
		Fair value of plan assets as at end of the year	**106.70**	**104.70**
		iii. Amount recognised in the balance sheet :		
		Projected benefit obligation at the end of the year	138.75	108.84
		Fair value of the plan assets at the end of the year	106.70	104.70
		(Liability) / Asset recognised in the Balance sheet	**(32.05)**	**(4.14)**

(Rs. million)

	31.03.2011	31.03.2010
iv. Cost of the defined benefit plan for the year :		
Current service cost	6.10	5.56
Interest on obligation	8.71	7.73
Expected return on plan assets	(9.31)	(8.44)
Net actuarial losses recognised in the year	27.40	5.86
Net cost recognised in the Profit and Loss account	**32.90**	**10.71**
v. Assumptions :		
Discount rate	8.00%	8.00%
Expected rate of return	8.00%	8.00%

Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

In the absence of the relevant information from the actuary, the above details do not include the composition of plan assets / experience adjustment in respect of actuarial losses / gains.

The Actuarial Loss of Rs. 27.40 million includes Rs.11.74 million attributable to the revision in the ceiling of the gratuity amount from Rs.0.35 million to Rs.2.50 million by the Management.

b During the year, the Company has made provision for Long term accumulated compensated absences on actuarial basis, consistent with previous year. Details of the key actuarial assumptions used in the determination of Long term compensated absences are as under :

	31.03.2011	31.03.2010
i. Projected benefit obligation as at the beginning of the year	**35.09**	**40.93**
Service cost	3.20	2.43
Interest cost	2.60	3.15
Actuarial (Gains) / Losses	(0.26)	(8.42)
Benefits paid	(5.05)	(3.00)
Projected benefit obligation as at the end of the year	**35.58**	**35.09**
ii. Amount recognised in the balance sheet :		
Projected benefit obligation at the end of the year	35.58	35.09
Fair value of the plan assets at the end of the year	-	-
(Liability) / Asset recognised in the Balance sheet	**(35.58)**	**(35.09)**
iii. Cost of the defined plan for the year :		
Current service cost	3.20	2.43
Interest on obligation	2.60	3.15
Expected return on plan assets	-	-
Net actuarial (gains) / losses recognised in the year	(0.26)	(8.42)
Net (benefit) / cost recognised in the Profit and Loss account	**5.54**	**(2.84)**
iv. Assumptions :		
Discount rate	8.00%	8.00%

Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

c With respect to the Provident Fund Trust administered by the Company, theCompany shall make good the deficiency, if any, in the interest rate declared by Trust below statutory limit. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

9 a. Pursuant to the approval accorded by shareholders at their Annual General Meeting held on 27th July 2007, the Compensation and Nomination Committee of the Company formulated 'Carborundum Universal Limited Employee Stock Option Scheme 2007' (ESOP 2007 or the Scheme).

b. Under the Scheme, options not exceeding 4667700 have been reserved to be issued to the eligible employees, with each option conferring a right upon the employee to apply for one equity share. The options granted under the Scheme would vest as per the following schedule (except Grant V B):

20% on expiry of one year from the date of grant;

20% on expiry of two years from the date of grant;

30% on expiry of three years from the date of grant; and

30% on expiry of four years from the date of grant.

The options granted to the employees would be capable of being exercised within a period of three years from the date of vesting.

In respect of Grant V B, the above percentages should be read as : 40%, 30% and 30%.

c. The exercise price of the option is equal to the latest available closing market price of the shares on the stock exchange where there is highest trading volume as on the date prior to the date of the Compensation and Nomination Committee resolution approving the grant.

d The vesting of options is linked to continued association with the Company and the employee achieving performance rating parameters. The details of the grants under the aforesaid scheme are as follows :

Grant	I	II	III	IV	V A	V B
Date of Grant	29.09.2007	28.01.2008	30.04.2008	24.07.2008	27.01.2011	27.01.2011
Exercise Price [Rs.]	183.60	150.45	118.05	122.80	250.15	250.15
Vesting commences on	29.09.2008	28.01.2009	30.04.2009	24.07.2009	27.01.2012	27.01.2012
Options granted	1335700	30000	12400	69800	326600	167200
Options outstanding as on 1.4.2010	1076748	–	–	43456	–	–
Options granted during the year	–	–	–	–	326600	167200
Options cancelled during the year	160077	–	–	21208	–	–
Total options vested during the year	225663	–	–	3932	–	–
Options exercised during the year	114761	–	–	–	–	–
Options outstanding as on 31.03.2011	801910	–	–	22248	326600	167200
Options vested but not exercised	110902	–	–	3932	–	–

Contractual Life	The ESOP 2007 is established with effect from 29th September 2007 and shall continue to be in force until (i) its termination by the Board/Compensation and Nomination Committee or (ii) the date on which all of the options available for issuance under the ESOP 2007 have been issued and exercised.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant are given below.

Grant	Fair value as per Black Scholes options pricing formula [Rs.]	Exercise Price [Rs.]
I	67.11	183.60
II	55.52	150.45
III	45.55	118.05
IV	49.21	122.80
V A	99.18	250.15
V B	88.54	250.15

Had the Company adopted the fair value method in respect of options granted, the total amount that wouldhave been amortised over the vesting period is Rs. 142.50 million and the impact on the financial statements would be :

	For the Year ended 31.03.11	For the Year ended 31.03.10
Increase in employee costs	Rs.11.31 million	Rs.12.43 million
Decrease in Profit after Tax	Rs.7.55 million	Rs.8.21 million
Decrease in Basic & Diluted Earnings per share	Rs.0.08	Rs.0.09

Fair value has been calculated using the Black Scholes Options Pricing Formula and the significant assumptions in this regard are as follows : (weighted average basis)

	Grant I & II	Grant III & IV	Grant VA	Grant VB
Risk free Interest rate	7.50%	8.87%	7.98%	7.93%
Expected Life (years)	2.5 to 5.5	2.5 to 5.5	2.5 to 5.5	2.5 to 4.5
Expected volatality	43.23%	44.84%	41.22%	40.37%
Expected dividend yield	2.53%	2.27%	1.31%	1.31%

Notes to Profit Loss Account

(Rs. million)

			31.03.2011	31.03.2010
10	Donation given to Political parties during the year :			
	Bharatiya Janata Party		–	5.00
11	**a.**	**Value of Imports on CIF basis**		
		Raw materials	1869.92	1362.11
		Components & Spare parts	19.22	21.84
		Capital goods	171.98	130.98
	b.	**Expenditure in foreign currencies on account of (on cash basis)**		
		Professional / Consultancy fees	19.97	9.55
		Commission	18.21	13.98
		Interest	118.56	121.13
		Travel and other matters	19.96	22.92

(Rs. million)

		31.03.2011	31.03.2010
12	**Earnings in foreign exchange on account of**		
	Value of exports on FOB basis	1941.80	1338.12
	Royalty	2.51	2.37
	Dividend	30.08	30.52
	Management fees	29.78	22.47
13	**Interest and finance charges**		
	- On debentures and fixed loans	183.22	224.92
	- On Others	20.16	23.16
		203.38	248.08
	Less : Interest capitalised	-	9.39
	Total	**203.38**	**238.69**
14	**(a) Managing Director Remuneration**		
	Salaries & Allowances	7.18	6.05
	Incentive	2.20	1.66
	Contribution to provident and other funds	0.69	0.66
	(excludes Gratuity and Compensated absences since employee-wise valuation is not available)	**10.07**	**8.37**
	(b) Value of perquisites (included under appropriate heads of account)	1.42	1.15
	(c) Computation of commission to directors		
	Profit before tax as per Profit and Loss Account	1643.36	841.70
	Add: Directors' sitting fees	0.75	0.83
	Remuneration to managing director	10.07	8.37
	Money value of perquisites to managing director	1.42	1.15
	Commission to non-wholetime directors	3.50	2.10
		1659.10	854.15
	Less: Excess provision of incentive to managing director in the previous year reversed	(0.10)	-
	Profit on sale of Fixed assets	(231.63)	(5.24)
	Profit on sale of investments	(9.73)	(0.05)
	Net profit as per Section 349 of the Companies Act,1956	1417.64	848.86
	1% thereon	14.18	8.49
	Commission to directors:		
	Non wholetime directors restricted to	3.50	2.10
15	**Auditors' Remuneration**		
	Statutory audit	1.50	1.50
	Tax Audit	0.35	0.25
	Other services	1.92	1.65
	Out of pocket expenses	0.16	0.08
		3.93	**3.48**

16 Related Party Disclosures

a List of Related Parties

Related party relationships are as identified by the management and relied upon by the auditors.

I) <u>Parties where control exists - Subsidiaries</u>

Direct Holding :

Net Access (India) Ltd	[Net Access]
Southern Energy Development Corporation Ltd	[Sedco]
Sterling Abrasives Ltd	[Sterling]
CUMI (Australia) Pty Ltd	[CAPL]
CUMI Fine Materials Limited	[CFML]
CUMI Abrasives & Ceramics Company Limited	[CACCL]
CUMI International Limited	[CIL]

Holding through Subsidiary:

Volzhsky Abrasives Works	[VAW]
Foskor Zirconia (Pty) Ltd	[Foskor]
CUMI America Inc	[CAI]
CUMI Middle East FZE	[CME]
CUMI Canada Inc	[CCI]

II) <u>Other related parties with whom transactions have taken place during the year</u>

Joint Ventures

Murugappa Morgan Thermal Ceramics Ltd	[MMTCL]
Ciria India Ltd	[Ciria]
Wendt (India) Ltd	[Wendt]

Associate

Laserwords Pvt Ltd	[Laserwords]

Key Management Personnel

Mr. K Srinivasan, Managing Director

16 b) Transactions with Related party

(Rs. million)

	Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Total	
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
1 Income from sales and services	513.93	473.88	–	–	105.97	84.48			619.89	558.36
2 Purchase of goods/services	523.74	239.67	–	–	26.47	92.16			550.21	331.83
3 Lease/rental/royalty income	2.51	2.37	–	–	0.08	0.12			2.59	2.49
4 Purchase of power	106.43	82.54	–	–	–	–			106.43	82.54
5 Expenditure on other services	15.27	14.47	–	–	–	–			15.27	14.47
6 Dividend income	109.57	59.32	8.80	13.19	44.74	29.78			163.11	102.29
7 Interest received	–	–	–	–	–	–			–	–
8 Reimbursement of employee cost	0.88	1.78	–	–	0.12	0.13			1.01	1.91
9 Purchase of fixed assets	1.05	–	–	–	1.07	–			2.12	–
10 Debtors	134.88	140.99	–	–	12.82	3.15			147.69	144.14
11 Creditors	88.94	33.02	–	–	3.35	2.72			92.29	35.74
12 Managerial remuneration							11.49	9.52	11.49	9.52
13 Letters of Comfort/ Guarantee issued	1549.80	1662.47							1549.80	1662.47

16 (c) Details of Transactions with Related Parties during the year ended 31.03.2011

(Rs million)

	Subsidiaries													Associate	Joint Ventures				Key *Management* Personnel	Total
Particulars	CAI	Net Access	Sterling	Sedco	CAPL	CME	CCI	Foskor	CFML	CIL	CACCL	VAW	Total	Laser Words	Wendt	MMTCL	Ciria	Total		
Income from Sales and Services	50.04	-	64.19	2.40	205.23	56.69	60.68	58.29	-	-	3.32	13.08	513.93	-	17.35	21.27	67.34	105.97	-	619.89
Purchase of Goods / Services	-	-	0.06	-	-	-	13.66	1.12	-	-	-	508.89	523.74	-	25.22	1.25	-	26.47	-	550.21
Lease/Rental/Royalty Income	-	-	-	-	2.51	-	-	-	-	-	-	-	2.51	-	0.08	-	-	0.08	-	2.59
Purchase of Power	-	-	-	106.43	-	-	-	-	-	-	-	-	106.43	-	-	-	-	-	-	106.43
IT Services Paid	-	15.27	-	-	-	-	-	-	-	-	-	-	15.27	-	-	-	-	-	-	15.27
Dividend Income	-	2.40	10.80	66.28	28.20	1.88	-	-	-	-	-	-	109.57	8.80	19.93	14.31	10.50	44.74	-	163.11
Interest Received	-	-	-	0.00	-	-	-	-	-	-	-	-	0.00	-	-	-	-	-	-	0.00
Income from Deputation of Employees	-	0.58	0.30	-	-	-	-	-	-	-	-	-	0.88	-	0.12	-	-	0.12	-	1.01
Purchase of Fixed Assets	-	-	-	1.05	-	-	-	-	-	-	-	-	1.05	-	-	1.07	-	1.07	-	2.12
Debtors	20.60	-	0.40	-	26.70	22.83	25.44	28.74	1.75	4.58	3.84	-	134.88	-	1.17	1.24	10.41	12.82	-	147.69
Creditors	-	0.81	0.10	10.18	-	-	13.65	-	-	-	-	64.20	88.94	-	2.97	0.38	-	3.35	-	92.29
Managerial Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.49	11.49

16 (c) Details of Transactions with Related Parties during the year ended 31.03.2010

(Rs million)

	Subsidiaries											Associate	Joint Ventures					Key *Management* Personnel	Total
Particulars	CAI	Net Access	Sterling	Sedco	CAPL	CME	CCI	Foskor	CACCL	VAW	Total	Laser Words	Wendt	MMTCL	Ciria	Jingri CHINA	Total		
Income from Sales and Services	26.59	–	51.08	2.40	197.38	83.52	55.74	48.19	–	8.98	473.88	–	15,50	25.94	21.60	21.44	84.48	–	558.36
Purchase of Goods / Services	–	–	0.58	–	–	–	–	–	–	239.09	239.67	–	6.90	2.90	–	82.36	92.16	–	331.83
Lease/Rental/Royalty Income	–	–	–	–	2.37	–	–	–	–	–	2.37	–	0.12	–	–	–	0.12	–	2.49
Purchase of Power	–	–	–	82.54	–	–	–	–	–	–	82.54		–	–	–	–	–	–	82.54
IT Services paid	–	14.47	–	–	–	–	–	–	–	–	14.47	–	–	–	–	–	–	–	14.47
Dividend Income	–	1.20	8.10	19.50	28.83	1.69	–	–	–	–	59.32	13.19	7.97	14.31	7.50	–	29.78	–	102.29
Income from Deputation of Employees	–	0.15	1.63	–	–	–	–	–	–	–	1.78	–	0.13	–	–	–	0.13	–	1.91
Debtors	14.20	–	5.73	–	27.00	31.60	26.49	19.08	16.89	–	140.99	–	0.92	0.69	1.54	–	3.15	–	144.14
Creditors	0.10	–	0.03	4.58	–	–	–	–	–	28.31	33.02	–	1.75	0.97	–	–	2.72	–	35.74
Managerial Remuneration	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	9.52	9.52

17 (a) SEGMENT DISCLOSURE

A. PRIMARY SEGMENT INFORMATION

(Rs. million)

Particulars	Abrasives		Ceramics		Electrominerals		Eliminations		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1. REVENUE										
Gross Sales	**5569.22**	**4571.18**	**2535.73**	**2008.68**	**1669.98**	**1180.23**	–	–	**9774.93**	**7760.09**
Less : Excise Duty	413.96	289.18	154.72	101.93	80.59	58.88	–	–	649.27	449.99
Net External Sales	**5155.26**	**4282.00**	**2381.01**	**1906.75**	**1589.39**	**1121.35**	–	–	**9125.66**	**7310.10**
Income from contracts	–	–	71.49	71.06	–	–	–		71.49	71.06
Inter segment Sales	–	–	16.57	12.69	512.24	444.29	(528.81)	(456.98)	–	–
Total Revenue	**5155.26**	**4282.00**	**2469.07**	**1990.50**	**2101.63**	**1565.64**	**(528.81)**	**(456.98)**	**9197.15**	**7381.16**
2. RESULT										
Segment result	775.55	466.17	368.04	314.87	442.77	371.56	–	–	1586.36	1152.60
Unallocated corporate expenses									(146.22)	(183.96)
Interest expense									(203.38)	(238.69)
Interest and dividend income									166.17	107.14
Profit on sale of fixed assets (Net)	(2.76)	(0.99)	(0.83)	(1.53)	(0.64)	0.08			(4.23)	(2.44)
Profit on sale of Land & Building		7.00							234.93	7.00
Profit on sale of investments									9.73	0.05
Income taxes									(400.78)	(261.57)
Net profit	**772.79**	**472.18**	**367.21**	**313.34**	**442.13**	**371.64**	**–**	**–**	**1242.58**	**580.13**
3. OTHER INFORMATION										
Segment assets	3341.02	3065.69	2563.09	2294.26	1621.10	1352.61	–	–	7525.21	6712.56
Unallocated corporate assets									1908.02	2076.24
Total assets	**3341.02**	**3065.69**	**2563.09**	**2294.26**	**1621.10**	**1352.61**	**–**	**–**	**9433.23**	**8788.80**
Segment liabilities	558.53	432.26	298.31	214.73	307.47	247.26	–	–	1164.31	894.25
Unallocated corporate liabilities									2986.68	3605.91
Total liabilities	**558.53**	**432.26**	**298.31**	**214.73**	**307.47**	**247.26**	**–**	**–**	**4150.99**	**4500.16**
Capital expenditure	184.55	37.30	261.20	103.99	53.48	281.30				
Depreciation & Amortization	137.96	136.02	164.46	151.58	87.83	56.25				
Non cash Item other than Depreciation & amortization	5.14	24.07	16.68	6.11	4.02	0.84				
B. SECONDARY SEGMENT INFORMATION										
1. Revenue by Geographical market										
India									7250.77	6022.03
Rest of the world									1946.38	1359.13
Total									**9197.15**	**7381.16**
2. Carrying amount of Segment Assets										
India									7049.87	6387.32
Rest of the world									475.34	325.24
Total									**7525.21**	**6712.56**
3. Additions to Fixed Assets and Intangible Assets										
India									499.24	422.59
Rest of the world									–	–
Total									**499.24**	**422.59**

17 (b) Notes to Segmental Reporting

i) Business Segments

The Company has considered business segment as the primary segment for disclosure. The business segments are : abrasives, ceramics and electrominerals.

Abrasive segment comprise of bonded, coated, processed cloth, polymers.powertools and coolants.

Ceramics comprise of super refractories, industrial ceramics, anti-corrosives and bioceramics.

Electrominerals include abrasive / refractory grains, micro grits for the photovoltaic industry and captive power generation from hydel power plant.

The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

ii) Geographical Segments

The geographical segments considered for disclosure are : India and Rest of the world. All the manufacturing facilities and sales offices are located in India. Sales to the rest of the world are also serviced by Indian sales offices.

Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised.

iii) Segmental assets includes all operating assets used by respective segment and consists principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions. Segmental liabilities include all operating liabilities and consist primarily of creditors and accrued liabilities. Segment assets and liabilities do not include income tax assets and liabilities.

(Rs. million)

	31.03.2011	31.03.2010
18 Notes relating to Leases		
The Company has acquired vehicles under finance lease with respective asset as security :		
a. Cost of Leased Assets	19.60	24.85
b. Net carrying amount	12.16	10.45
c. Reconciliation between Total minimum lease payments and their Present value :		
Total minimum lease payments	17.99	16.90
Less: Future liability on interest account	(3.74)	(2.96)
Present value of lease payments	14.25	13.94

d. Yearwise Future Minimum lease rental payments :

	Total Minimum Lease Payments as on 31.03.2011	Present value of Lease payments as on 31.03.2011	Total Minimum Lease Payments as on 31.03.2010	Present value of Lease payments as on 31.03.2010
(i) Not later than one year	5.75	4.01	7.51	6.04
(ii) Later than one year and not later than five years	12.24	10.24	9.39	7.90
(iii) Later than five years	Nil	Nil	Nil	Nil

19 Notes to Earnings Per Share (EPS)

a. The calculation of the Basic and Diluted Earning per share is based on the following data:

	31.03.2011	31.03.2010
Net Profit for the year	1242.58	580.13
Weighted average number of equity shares outstanding during the year	93379390	93354226
Basic and Diluted Earning per share (Face value of Rs.2 each)	Rs. 13.29	Rs. 6.21

b. The unit price of stock options granted to the Employees are anti-dilutive and hence the Basic and Diluted Earnings per share remain the same.

20 Provision for Dividend Tax has been made considering the credit amounting to Rs.5.34 million (Previous year - Rs.7.05 million) available for set off in respect of dividend tax payable on dividends to be distributed by three subsidiary companies, based on the provision under subsection (1A) of Section 115 O of the Income Tax Act. Dividend Tax on the Interim Dividend has been paid after availing the credit amounting to Rs.6.15 million (Previous year - Nil) in respect of the dividend tax paid on the interim dividends received from a subsidiary.

21 Tax provision : (Rs. million)

		31.03.2011	31.03.2010
a	Current Tax : Provision for Tax is made up of :		
	Provision for tax for the current year	395.50	237.00
	Less : Provision relating to earlier years no longer required written back	-	(22.50)
	Total	**395.50**	**214.50**
b	Components of Deferred tax liability (Net) :		
	Deferred tax asset arising out of Timing difference relating to :		
	Provision for bad and doubtful debts and advances	16.70	13.27
	Voluntary retirement scheme payments	3.13	5.27
	Leave encashment provision	13.18	11.66
	Restatement losses on Foreign currency borrowings	1.88	4.43
	Leased assets	0.68	1.16
	Provision for diminution in the value of Investments	-	2.66
	Other disallowances under section 43 B	27.31	17.15
		62.88	55.60
	Deferred tax liability arising out of Timing difference relating to :		
	Depreciation	483.46	470.90
	Net Deferred tax liability	**420.58**	**415.30**

22. Disclosures in respect of Derivatives

a. The Company has entered into forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The company designates them as effective cash flow hedges. The company does not use derivative financial instruments for speculative purposes.

The Institute of Chartered Accountants of India (ICAI) has issued AS 30 - Financial instruments : Recognition and Measurement, which contains accounting for derivatives, recommendatory from 1.4.2009.

Further ICAI has issued an announcement on 29th March 2008 dealing with the accounting for derivatives with emphasis on prudence. The company has adopted the measurement principles as laid down in the above standard with respect to above mentioned effective cash flow hedges.

Pursuant to the application of the said measurement principles, the exchange differences arising on these transactions when marked to market as on 31st March 2011 aggregating to Rs.Nil million [Previous year Rs.8.92 million] has been credited to Hedging Reserve which is in accordance with AS - 30.

(Rs. million)

			31.03.2011	31.03.2010
b.	i)	Quantum of derivatives (all of which identified as hedges) outstanding as at the end of the year (notional principal amount) on :		
		Forward exchange contracts	538.76	757.11
		Simple currency options	Nil	Nil
	ii)	Foreign currency exposure not hedged by a derivative instrument or otherwise	140.65	213.29

23. Note on Profit on sale of Investments

During the year, the Company sold the investments in Equity shares of CUMI Canada Inc., amounting to Rs.48.01 million and in Preference shares of that Company amounting to Rs.38.40 million.

The loss amounting to Rs.11.38 million, net of the provision for diminution in the value of investments amounting to Rs.12 million has been debited to Profit & Loss account under exceptional items.

The equity shares held by the Company in CUMI Middle East and CUMI America Inc were also sold during the year. The profit on sale of investments amounting to Rs.21.11 million has been credited to Profit and Loss account under exceptional items.

24 Information on Joint Ventures as per AS - 27

a List of Joint Ventures as on 31st March, 2011 :

Name of the Joint Venture	Country of Incorporation	Share in ownership and voting power
Murugappa Morgan Thermal Ceramics Ltd (MMTCL)	India	49.00%
Wendt (India) Ltd (Wendt)	India	39.87%
Ciria India Ltd (Ciria)	India	30.00%

b Contingent Liabilities in respect of Joint Ventures : (Rs. million)

	MMTCL	Wendt	Ciria	Jingri	Total
i) Directly incurred by the company	Nil	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil	Nil
ii) Share of the company in contingent liabilities which have been incurred jointly with other venturers	Nil	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil	Nil
iii) Share of the company in contingent liabilities incurred by Jointly controlled entity	29.84	13.37	0.65	0.00	43.86
(Previous year)	18.09	5.67	0.65	0.00	24.41
iv) Share of Other venturers in contingent liabilities incurred by Jointly controlled entity	31.06	20.17	1.53	0.00	52.76
(Previous year)	18.82	8.56	1.53	0.00	28.91

c Capital commitments in respect of Joint Ventures : (Rs. million)

	MMTCL	Wendt	Ciria	Jingri	Total
i) Direct capital commitments by the company	Nil	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil	Nil
ii) Share of the company in capital commitments which have been incurred jointly with other venturers	Nil	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil	Nil
iii) Share of the company in capital commitments of the Jointly controlled entity	23.65	31.48	Nil	Nil	55.13
(Previous year)	1.83	11.78	Nil	Nil	13.61

d Disclosure of Financial data as per AS - 27 is based on the audited financials of the Jointly Controlled Entities.

e. Share of the Company in the income and expenses of the Jointly controlled entities are given below:

(Rs. million)

	MMTCL		CIRIA		WENDT		JINGRI		TOTAL	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
i. Proportionate share of Income in Joint Ventures										
Gross Sales	506.51	417.82	122.23	61.77	373.99	252.92	-	58.01	1002.73	790.52
Less : Excise duty	(42.44)	(25.65)	-	-	(26.74)	(14.50)	-	-	(69.18)	(40.15)
Net Sales	464.07	392.17	122.23	61.77	347.25	238.42	-	58.01	933.55	750.37
Income from processing charges	23.17	9.13	39.77	38.26	16.71	11.52	-	-	79.65	58.91
Other income	8.47	2.99	15.90	10.97	7.84	7.68	-	2.91	32.21	24.55
Total	**495.71**	**404.29**	**177.90**	**111.00**	**371.80**	**257.62**	**-**	**60.92**	**1045.41**	**833.83**
ii. Proportionate share of Expense in Joint Ventures										
Raw materials consumed	115.14	101.10	100.11	50.81	116.06	81.58	-	-	331.31	233.49
(Accretion) / Decretion to stock	7.46	(10.80)	(0.67)	(0.28)	(3.01)	(6.27)	-	-	3.78	(17.35)
Employee cost	49.24	40.88	11.13	9.71	49.61	43.02	-	-	109.98	93.61
Other costs	213.53	180.40	26.60	25.54	93.17	66.41	-	124.36	333.30	396.71
Depreciation	19.61	18.88	0.95	0.98	14.24	12.27	-	-	34.80	32.13
Interest and finance charges	0.86	0.79	-	-	0.03	0.01	-	-	0.89	0.80
Total	**405.84**	**331.25**	**138.12**	**86.76**	**270.10**	**197.02**	**-**	**124.36**	**814.06**	**739.39**

f. Share of Company in the assets and liabilities of the Jointly controlled entities are given below::

(Rs. million)

	MMTCL		CIRIA		WENDT		JINGRI		TOTAL	
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
i. Proportionate share of Assets in Joint Ventures										
FIXED ASSETS										
Gross block	322.10	297.37	9.34	8.17	220.02	196.45			551.46	501.99
Less: Depreciation	160.61	141.42	4.35	3.43	84.43	71.54			249.40	216.39
Net Block	161.49	155.95	4.99	4.74	135.59	124.91			302.07	285.60
Capital work-in-progress (including capital advances)	15.14	12.10	-	-	7.21	6.85			22.35	18.95
	176.63	168.05	4.99	4.74	142.80	131.76			324.42	304.55
INVESTMENTS	43.46	41.68	25.80	19.12	76.49	54.38			145.75	115.18
CURRENT ASSETS, LOANS & ADVANCES										
Inventories	51.30	42.82	0.97	0.30	43.64	32.00			95.91	75.12
Sundry Debtors	90.76	81.08	47.71	25.25	63.11	48.60			201.58	154.93
Cash & Bank Balances	3.36	2.71	27.28	8.29	22.93	10.87			53.57	21.87
Loans & Advances	13.83	9.84	1.38	0.25	5.70	9.78			20.91	19.87
	159.25	136.45	77.34	34.09	135.38	101.25			371.97	271.79
Total	**379.34**	**346.18**	**108.13**	**57.95**	**354.67**	**287.39**	**-**	**-**	**842.14**	**691.52**
ii. Proportionate share of Liabilities in Joint Ventures										
LOAN FUNDS										
Secured Loans	1.40	9.80	-	-	-	-			1.40	9.80
Unsecured Loans	8.61	10.04	-	-	2.67	-			11.28	10.04
	10.01	19.84	-	-	2.67	-			12.68	19.84
Deferred Tax Liability (Net)	9.90	10.36	(0.68)	(0.43)	9.51	9.28			18.73	19.21
CURRENT LIABILITIES & PROVISIONS										
Current Liabilities	65.75	66.11	46.67	10.57	75.86	56.28			188.28	132.96
Total	**85.66**	**96.31**	**45.99**	**10.14**	**88.04**	**65.56**	**-**	**-**	**219.69**	**172.01**

25. Research and Development expenditure incurred during the year aggregates to - Rs.73.21 million (Previous year - Rs.49.67 million) as detailed below :

(Rs. million)

	2010-11	2009-10
- Revenue expenditure	45.37	37.00
- Capital expenditure	27.84	12.67
Total	**73.21**	**49.67**

26. Previous year's figures have been regrouped wherever necessary to conform to current year's grouping.

Balance Sheet Abstract and Company's General Business Profile

(Pursuant to Schedule VI Part IV of the Companies Act, 1956)

I	*Registration details*			
	Registration No:	L29224TN1954PLC000318	State Code:	18
	Balance Sheet Date :	31.03.2011		
II	*Capital raised during the year (Amount in Rs. 000's)*			
	Public Issue	Nil	Rights Issue	Nil
	Bonus Issue	Nil	Private Placement (ESOP)	230
III	*Position on mobilisation and development of funds (Amount in Rs. 000's)*			
	Total Liabilities	7990470	Total Assets	7990470
	Sources of funds			
	Paid up Capital	186942	Secured Loans	2184564
	Reserves & Surplus	5095292	Unsecured Loans	88839
	Long term lease liability	14254	Deferred Tax Liability	420579
	Application of funds			
	Net Fixed Assets	3885357	Investments	1640562
	Net Current Assets	2464551		
IV	*Performance of Company (Amount in Rs. 000's)*			
	Turnover *	9779164	Total Expenditure	8135803
	Profit before tax	1643361	Profit after tax	1242579
	Earnings per share (Rs.)	13.29	Dividend (%)	125%
			Dividend per share (Rs.)	2.50
	[* includes exceptional income of Rs. 244654 thousands]			
V	Generic names of three principal products/services of Company (as per monetary terms)			
	Item Code No. (ITC Code)		680422.01 & 68.05	
	Product Description		Abrasives- Bonded and Coated	
	Item Code No. (ITC Code)		28.18 & 28.49	
	Product Description		Electrominerals	
	Item Code No. (ITC Code)		69.06 & 690600	
	Product Description		Industrial Ceramics	

M M Murugappan
Chairman

K Srinivasan
Managing Director

Chennai,
30th April 2011

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

FINANCIAL TRACK RECORD

(Rs. million)

Summary information	Consolidated performance					Standalone performance				
31st March	**2007**	**2008**	**2009**	**2010**	**2011**	**2007**	**2008**	**2009**	**2010**	**2011**
a Net Sales	6198	9072	11871	12797	**16007**	4646	5868	6578	7381	**9197**
b EBITDA *	1375	1587	2043	2460	**3121**	1023	1121	1143	1439	**2002**
c PBIT *	1130	1261	1662	2016	**2616**	855	869	845	1085	**1602**
[* excluding exceptional income / (expense) (Net)]										
d PBT	1119	1740	1601	1714	**2580**	853	1372	861	842	**1643**
e PAT	751	1189	1037	1017	**1708**	587	972	597	580	**1243**
f Net Fixed Assets	3063	4349	5173	5316	**5525**	2492	3246	3710	3788	**3885**
g Net Working Capital	1953	3262	4267	4315	**5505**	1371	1868	2325	2036	**2464**
h Investments	636	564	610	779	**749**	897	1698	1722	1718	**1641**
i Shareholders Networth	3420	4468	5039	5929	**7455**	2740	3519	3909	4289	**5282**
j Loan Funds	1954	3822	5150	4391	**4085**	1815	3010	3480	2838	**2288**
Ratio Analysis										
A **Performance Ratios**										
1 EBITDA / Net Sales %	22%	17%	17%	19%	**19%**	22%	19%	17%	19%	**22%**
2 PBIT / Net Sales %	18%	14%	14%	16%	**16%**	18%	15%	13%	15%	**17%**
3 Asset Turnover times	1.4	1.3	1.2	1.2	**1.4**	1.4	1.3	1.2	1.2	**1.5**
4 Return on Capital Employed %	23%	17%	17%	18%	**22%**	21%	15%	12%	14%	**21%**
5 Return on Equity	24%	30%	22%	19%	**26%**	23%	31%	16%	14%	**26%**
6 International Revenue share %	15%	33%	47%	45%	**47%**	15%	15%	21%	18%	**21%**
B **Leverage Ratios**										
1 Interest Cover times	17.2	8.2	5.9	8.0	**11.5**	14.4	6.6	4.2	6.0	**9.8**
2 Debt Equity Ratio	0.6	0.9	1.0	0.7	**0.5**	0.7	0.9	0.9	0.7	**0.4**
3 Debt / Total Assets	0.3	0.4	0.5	0.4	**0.3**	0.4	0.4	0.4	0.4	**0.3**
C **Liquidity Ratio**										
1 Current Ratio	2.6	2.9	3.1	3.3	**3.4**	2.6	2.8	3.1	2.6	**2.7**
D **Activity Ratio**										
1 Inventory Turnover days	50	55	64	68	**62**	49	52	59	58	**54**
2 Receivable Turnover days	71	72	76	78	**69**	69	70	79	77	**67**
3 Payables No of days	51	52	52	51	**44**	45	47	47	48	**47**
4 Cash Cycle days	70	76	89	96	**88**	74	76	90	88	**74**
E **Investor related Ratios**										
1 Earning Per Share (Rs.)	8.0	12.7	11.1	10.9	**18.3**	6.3	10.4	6.4	6.2	**13.3**
2 Dividend Per Share (Rs.)	–	–	–	–	**–**	1.5	2.0	2.0	2.0	**2.5**
3 Dividend Payout	–	–	–	–	**–**	27.9%	22.1%	35.8%	36.3%	**21.0%**
4 Price to Earnings Ratio	19.9	12.7	9.3	13.2	**12.3**	–	–	–	–	–
5 Enterprise Value / EBITDA	12.0	11.8	7.2	7.2	**8.0**	–	–	–	–	–
6 Enterprise Value / Net Sales	2.7	2.1	1.2	1.4	**1.6**	–	–	–	–	–

GLOSSARY

A	Performance Ratios	
1	EBITDA/Net Sales %	EBITDA/Net Sales
2	PBIT/Net Sales %	PBIT/Net Sales
3	Asset Turnover times (excluding Investments)	Net sales/ Average Capital Employed excluding Investments
4	Return on Capital Employed %	PBIT/Average Capital Employed
5	Return on Equity	PAT/Average of Shareholder's Funds
B	Leverage Ratios	
1	Interest Cover times	EBITDA/Interest cost
2	Debt Equity Ratio	Total Debt/Shareholders Funds
3	Debt/Total Assets	Total Debt/Total Assets
C	Liquidity Ratio	
1	Current Ratio	Average of Current Assets/Current Liabilities
D	Activity Ratio *	
1	Inventory Turnover days	Average Inventory / (Turnover/365)
2	Receivable Turnover days	Average Receivables / (Turnover/365)
3	Payables No of days	Average Payables / (Turnover/365)
4	Cash Cycle days	Inventory Turnover + Receivables Turnover - Creditors No of days
*	based on Turnover and average of opening/closing parameters	
E	Investor related Ratios	
1	Earning Per Share (Rs.)	
2	Dividend Per Share (Rs.)	
3	Price to Earnings Ratio	Average share price of monthly high low / EPS
4	Enterprise Value/EBITDA	Total Enterprise Value ^ / EBITDA
5	Enterprise Value/Net Sales	Total Enterprise Value ^ / Net Sales
^	Enterprise Value	Market capitalisation + Loan Funds + Minority Interest - Cash & Cash equivalents.

CORPORATE GOVERNANCE REPORT

Auditors' Certificate on Corporate Governance

To
The Members of Carborundum Universal Limited

We have examined the compliance of conditions of Corporate Governance by **Carborundum Universal Limited** ("the Company") for the year ended 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company, for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.008072S)
B Ramaratnam
Partner
Membership No.21209

Place: Chennai
Date: 30th April 2011

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

The Directors have pleasure in presenting the Corporate Governance Report for the year ended 31st March 2011.

1. The Company's Corporate Governance Philosophy

Carborundum Universal Limited ("CUMI"), as a constituent of the Murugappa Group, is committed to high standards of corporate governance in all its activities and processes. CUMI looks at corporate governance as the cornerstone for sustained superior financial performance and for serving all its stakeholders. Apart from drawing from the various legal provisions, the group practices are continuously benchmarked with industry practices. The entire process begins with the functioning of the Board of Directors, with leading professionals and experts serving as independent directors and represented in various Board Committees. Systematic attempt is made to ensure symmetry of information.

Key elements in corporate governance are transparency, internal controls, risk management, internal/external communications and good standards of safety and health. The Board has empowered responsible persons to its broad policies and guidelines and has set up adequate review processes.

2. Board of Directors

a) Composition

The Board comprises of 8 members as on 31st March 2011. The Board has been constituted in a manner, which will result in an appropriate mix of executive and independent directors. This has been done to preserve the independence of the Board and to separate the Board functions of governance and management.

b) Board Meetings

The Board has a formal schedule of matters reserved for its consideration and decision. These include setting performance targets, reviewing performance, approving investments, ensuring adequate availability of financial resources overseeing risk management and reporting to the shareholders.

The board periodically reviews the compliance of all applicable laws and gives appropriate directions wherever necessary.

The board has laid-down a "Code of Conduct" for all the board members and the senior management of the company. Annual declaration is obtained from every person covered by the Code of Conduct. A declaration to this effect signed by the Managing Director is attached to this report.

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Board reviews the significant business risks identified by the management and the mitigation process being taken up.

The Board also reviews the board meeting minutes and financial statements of subsidiary companies, and also their significant transactions.

Six Board Meetings were held during the year on 3rd May 2010, 30th July 2010, 27th October 2010, 27th January 2011, 3rd February 2011 and 25th March 2011.

c) Details of the Board members as on 31st March 2011

Name	*Category*	*No. of Directorships/ (Chairmanships) in companies excluding CUMI[a]*	*No. of Committee memberships/ (Chairmanships) in companies excluding CUMI[b]*	*No. of board meetings attended*	*Attendance at last AGM*	*Shares held in CUMI*
Mr. M M Murugappan *Chairman*	Promoter & Non Executive Director	8 (of which 5 as Chairman)	4 (of which 3 as Chairman)	5	Yes	348170
Mr. Subodh Kumar Bhargava	Non-Executive & Independent Director	10 (of which 2 as Chairman)	7 (of which 2 as Chairman)	5	Yes	Nil
Mr. T L Palani Kumar	Non-Executive & Independent Director	Nil	Nil	4	Yes	Nil
Mr. Sridhar Ganesh	Non Executive Director	4	Nil	4	Yes	6768
Mr. Shobhan M Thakore	Non-Executive & Independent Director	5	5 (of which 2 as Chairman)	3	No	Nil
Mr. M Lakshminarayan	Non-Executive & Independent Director	4 (of which 1 as Chairman)	1	5	Yes	Nil
Mr. Sanjay Jayavarthanavelu	Non-Executive & Independent Director	10 (of which 1 as Chairman)	3	2	No	Nil
Mr. K Srinivasan *Managing Director*	Executive Director	5	1	6	Yes	29150

a Excluding alternate directorships and directorships in foreign companies, private companies (which are not subsidiary or holding company of a public company) and Section 25 companies

b Only Audit & Investor's Grievance committee.

3. Board Committees

The Board has set up the following Committees as per the requirements of the stock exchanges:

a. Audit Committee

This committee has been formed to monitor and provide effective supervision of the financial control and reporting process. The terms of reference of the committee are in line with the requirements of the Companies Act, 1956 and the Listing Agreement. This inter alia includes review of the financial reporting process (including related party transactions), internal audit process, adequacy of internal control systems and also to recommend the appointment of the statutory / internal auditors and their remuneration. This committee is entirely composed of independent directors and all members of the committee are financially literate.

The committee met on five occasions during the year. The Chairman of the Board, the statutory auditor, internal auditor and members of the senior management are permanent invitees to the committee meetings. The names and attendance of the committee members are given below:

Name of member	*Meetings attended*
Mr. Subodh Kumar Bhargava (*Chairman*)	5
Mr. T L Palani Kumar	4
Mr. M Lakshminarayan	4

b. Compensation & Nomination Committee

The main functions of this committee are to (a) recommend to the Board the appointment/reappointment of the executive and non-executive director and the induction of Board members into various committees (b) approve the remuneration package of the executive director(s), annual incentive and periodic increments in salary (c) to formulate, implement, administer and superintend the Employee Stock Option Scheme(s). This committee comprises entirely of independent directors.

The committee met three times during the year. The names and attendance of committee members are given below:

Name of member	*Meetings attended*
Mr. Subodh Kumar Bhargava (*Chairman*)	3
Mr. T L Palani Kumar	3
Mr. Shobhan M Thakore	1

c. Share Transfer, Finance and Investors' Grievance Committee

The terms of reference of this committee encompasses formulation of investors' servicing policies, looking into redressal of investors complaints and approval / overseeing of transfers, transmissions, transpositions, splitting, consolidation of shares and debentures, demat/remat requests, allotment of debentures and authorizing terms of various borrowings and creating security in respect thereof, allotment of shares on exercise of options by employees under the Employees Stock Option Scheme and performing other functions as delegated to it by the Board from time to time.

The committee also monitors investor servicing on a continuous basis by receiving monthly reports from the Company Secretary on investor services. The Committee met on 3 occasions during the year. The names and attendance of Committee members are given below:

Name of member	*Meetings attended*
Mr. M M Murugappan (*Chairman*)	3
Mr. Sridhar Ganesh	3
Mr. K Srinivasan	3

16 Investor Service complaints mainly non-receipt of annual report / dividend have been received from shareholders during the year. All of them have been resolved to the satisfaction of the shareholders. There were no Investor Service complaints pending as on 31.3.2011.

The Board has appointed Mr. S Dhanvanth Kumar, Company Secretary as the Compliance Officer for the purpose of compliance with the requirements of the Listing Agreement.

4. Directors' Remuneration

a. Policy

The compensation of the managing director comprises of a fixed component and a performance incentive based on certain pre-agreed parameters. The compensation is determined based on level of responsibility and scales prevailing in the industry. The managing director is not paid sitting fees for any Board / Committee meetings attended by him.

The compensation of the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission upto 1% of net profits of the Company for each year calculated as per the provisions of the Companies Act, 1956, the actual commission paid to the directors is restricted to a fixed sum. This sum is reviewed periodically taking into consideration various factors such as performance of the Company, time spent by the directors for attending to the affairs and business of the company and extent of responsibilities cast on directors under general law and other relevant factors. Further the aggregate commission paid to all non-executive directors is within the limit of 1% of the net profits as approved by the shareholders. The non-executive directors are also paid sitting fees within the limits set by government regulations for every Board / Committee meeting attended by them.

b. Remuneration for 2010-11

Non-Executive Directors (Rs. in 000's)

Name	*Sitting fees*	*Commission(@)*
Mr. M M Murugappan	105	500
Mr. Subodh Kumar Bhargava	180	500
Mr. T L Palani Kumar	150	500
Mr. Sridhar Ganesh	90	500
Mr. Shobhan M Thakore	55	500
Mr. M Lakshminarayan	135	500
Mr. Sanjay Jayavarthanavelu	30	500
Total	**745**	**3500**

@ Will be paid after adoption of accounts by shareholders at the fifty seventh Annual General Meeting

Managing Director

(Rs.in 000's)

Name	Fixed Component			Variable Component
	Salary & Allowances	Retirement benefits	Other benefits	Incentive [b]
Mr K Srinivasan[a]	7182	813	1417	1554

(a) Mr. K Srinivasan was re-appointed as Managing Director by the Shareholders from 1.2.2010 till 31.01.2015. He is subject to all other service conditions as applicable to any other employee of the Company including termination with 3 months notice.

(b) Represents incentive paid in 2010-11 in respect of the financial year 2009-10.

(c) As per the terms of his remuneration, he is eligible for an annual incentive based on a balanced scorecard which comprises of company financials, company scorecard and personal objectives. For 2010-11 a sum of Rs.2.20 million has been provided in the accounts for this purpose. The actual amount will be decided by the Compensation and Nomination Committee in July 2011.

(d) During the year Mr K Srinivasan has exercised 12,000 options under the Company's ESOP Scheme 2007. As Employee Stock Options granted to employees are accounted based on intrinscic value as permitted by applicable SEBI Guidelines, the remuneration mentioned above does not reckon any amount towards the same.

The details of options granted to Mr. K Srinivasan under the "Carborundum Universal Limited Employees Stock Option Scheme 2007" are as follows:

No. of options granted	2,21,900 options were granted on 29th September 2007. (Each option exercisable into one equity share of Rs. 2/- each)
Exercise Price	Rs. 183.60/- being the market price prior to date of grant.
Vesting Schedule	The number of options that would vest is based on the annual performance rating for each financial year and as per the following schedule:- 20%, 20%, 30%, 30% on expiry of 1,2,3 and 4 years respectively from the date of grant
Exercise period	Within 3 years from the date of vesting of the respective option

5. General Body Meetings

a. Last 3 Annual General Meetings

Financial Year	Date	Time	Venue
2007-2008	24.7.2008	3.00 PM	Tamil Isai Sangham, Rajah Annamalai Mandram, 5 Esplanade Road, Chennai 600 108
2008-2009	31.7.2009	3.00 PM	T T K Auditorium, Music Academy, 168 (Old No.306) T T K Road, Royapettah, Chennai 600 014
2009-2010	30.7.2010	2.30 PM	T T K Auditorium, Music Academy, 168 (Old No.306) T T K Road, Royapettah, Chennai 600 014

b. Special Resolutions passed during the last three Annual General Meetings

Sl.No.	Item of business	Passed on
1	Payment of commission to Non-Wholetime Directors	24.7.2008
2	Amendment of Articles of Association	31.7.2009

c. Special Resolution passed by Postal Ballot during the previous financial year

Sl.No.	Item of business	Passed on
1	Amendment of Object clause of Memorandum of Association and commencement of business	22.3.2011

42,631,168 votes were polled in favor of the resolution, 13,035 votes against and 4,145 votes were declared invalid.

6. Disclosures

(a) There were no materially significant related party transactions during the year having conflict with the interests of the Company.

(b) There have been no non-compliance by the Company or penalty or stricture imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last 3 years.

(c) The Company has established a whistle blower mechanism to provide an avenue to raise concerns, in line with the Company's commitment to the high standards of ethical, moral and legal conduct of business. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also for appointment of an Ombudsperson who will deal with the complaints received. The policy also lays down the process to be followed for dealing with complaints and in exceptional cases, also provides for direct appeal to the Chairperson of the Audit Committee. It is affirmed that during the year, no employee has been denied access to the audit committee.

7. Means of Communication

The quarterly unaudited financial results and the annual audited financial results are normally published in Business Standard and Makkal Kural. Press releases are given to all important dailies. The financial results, press releases and presentations made to institutional investors/ analysts are posted on the Company's website i.e. www.cumi.murugappa.com.

8. Management's Discussion & Analysis Report

In order to avoid duplication and overlap between the Directors Report and a separate Management Discussion & Analysis Report, the information required to be provided has been given in the Directors Report itself as permitted by the listing agreement.

9. Non Mandatory Requirements

(i) The Board has constituted a Compensation & Nomination Committee. The terms of reference of this Committee is given in para 3 (b) above.

(ii) Financial results for the six months ended 30th September 2010 were sent to the individual households of shareholders. In cases where email addresses were available, the same was sent by electronic mail.

(iii) The Company has put in place a Whistle Blower mechanism.

(iv) The Company's financial statements do not carry any qualifications by the Auditors.

(v) The expenses incurred by the Chairman in performance of his duties are reimbursed.

Other non-mandatory requirements have not been adopted at present.

10. General Shareholder Information

This is annexed.

11. Corporate governance voluntary guidelines

The Ministry of Corporate Affairs announced a set of voluntary guidelines on Corporate Governance in December 2009. The Company, in line with its stated policy of being committed to the principles and practices of good corporate governance, is in compliance with a number of these guidelines, as reported in the earlier paragraphs. As regards the remaining guidelines, the Company is in the process of implementing the same progressively.

On behalf of the Board

Chennai,
30th April 2011

M M Murugappan
Chairman

Declaration on Code of Conduct

To

The Members of Carborundum Universal Limited

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management of the company.

It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the company as at 31st March 2011, as envisaged in clause 49 of the listing Agreement with stock exchanges.

Chennai,
30th April 2011

K Srinivasan
Managing Director

General Shareholder Information

1. Registered Office of the Company

"Parry House", 43 Moore Street, Chennai 600 001

2. Forthcoming Annual General Meeting

Friday, the 5th August 2011 at 2.30 p.m. at T T K Auditorium, Music Academy, T T K Road, 168 (Old No.306) Royapettah, Chennai 600 014. Last date for receipt of proxy forms: 3rd August 2011.

3. Financial Year

1st April to 31st March

4. Book Closure Dates

Tuesday, the 26th July 2011 to Friday, the 5th August 2011 (both days inclusive).

5. Share Capital

The paid up capital of the Company was Rs. 186,941,986 comprising 93,470,993 equity shares of Rs.2/- each.

6. Dividend

The Board of Directors have recommended a final dividend of Rs.1/- (per equity share of Rs.2/- each) and the same will be paid after approval at the Annual General Meeting. The warrants will be posted by 10th August 2011. In case of shareholders opting for NECS / ECS, the dividend would in the normal course be credited to their accounts by 10th August 2011.

An interim dividend of Rs.1.50/- per equity share was paid in February 2011

Instructions to shareholders

a) Change of address

Shareholders holding shares in physical form are requested to submit change of address requests to the Company's registrar M/s Karvy Computershare Private Limited (Karvy), not later than 20th July 2011. In case of shares held in demat form, shareholders are requested to ensure that their Depository Participant updates the change of address in the NSDL / CDSL system latest by 25th July 2011.

b) Electronic Remittance of Dividend

i) National Electronic Clearance System (NECS)

In case of shareholders having accounts with banks using Core Banking Solutions, full details of their bank accounts including their bank account number (having not less than 10 digit) allotted by banks post implementation of the Core Banking Solutions (CBS) and the 9 digit MICR Code, may be registered with Karvy for physical shares and with the Depository Participants by 25th July 2011 for electronic shares.

In case of such shareholders, dividend will be directly credited to their bank account through NECS, if their branch participates through NECS clearing.

ii) Electronic Clearing Service (ECS) / Dividend Warrants

In case of those shareholders who do not have a NECS compliant bank account, full details of their bank account (including the 9 digit MICR Code) may be registered either with Karvy (in case physical shares) on or before 20th July 2011 or with their depository participants (in case of demat shares) on or before 25th July 2011.

The bank account details will be used to remit the dividend by ECS in case of shareholders residing in those designated ECS centers as finalized in consultation with the Company's bankers. In case of shareholders not residing in designated ECS centers, the bank account particulars will be incorporated in the dividend warrant to avoid fraudulent encasement of warrants.

7. Listing on stock exchanges and stock code

Stock Exchange	*Stock Code*
National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex Bandra (E) Mumbai 400 051	CARBORUNIV
Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	513375

Annual listing fees has been paid to the above stock exchanges.

The Board of Directors had in March 2010 decided to delist the Company's equity shares from the Madras Stock Exchange as there was virtually no trading for several years. The application was made in October 2010 in accordance with the SEBI (Delisting of Equity Shares) Regulations 2009, after complying with the formalities. As per SEBI, regulations, the stock exchange it is required to delist the shares within a period of 30 days. However, the delisting application is still kept pending by the Stock Exchange. In view of this the listing fee for 2011-12 has not been paid to the exchange.

8. Depositories Connectivity

National Securities Depository Ltd. (NSDL)

Central Depository Services (India) Ltd. (CDSL)

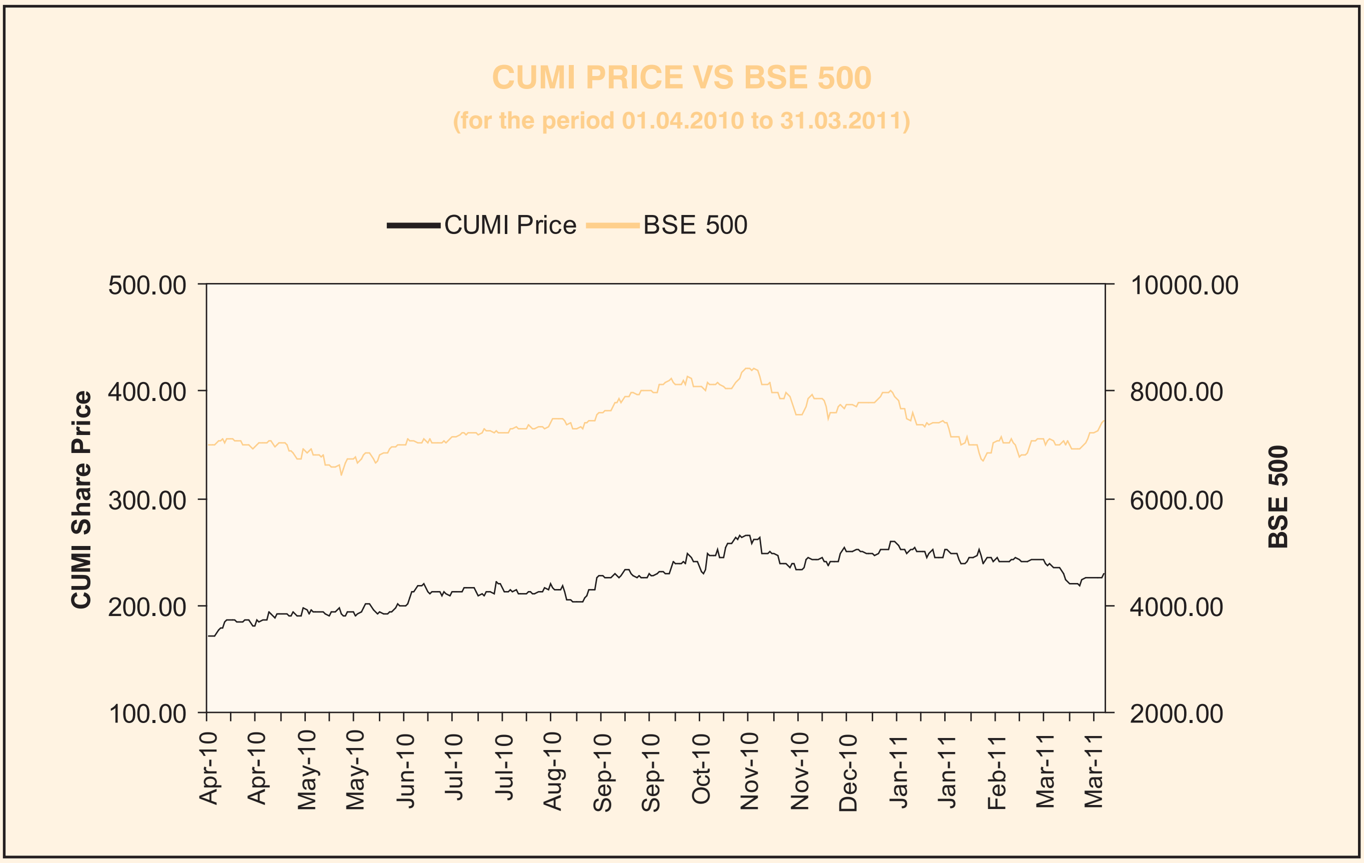
ISIN: INE120A01026

9. Market price data & performance in comparison with BSE 500

a. Market price data

Month	*Bombay Stock Exchange*			*National Stock Exchange*		
	High Rs.	Low Rs.	Traded Volume (No. of shares)	High Rs.	Low Rs.	Traded Volume (No. of shares)
April 2010	198.00	170.55	728,712	197.00	169.00	915,847
May 2010	204.70	186.50	734,001	204.70	183.10	1,114,733
June 2010	226.95	190.00	646,539	226.90	188.30	815,413
July 2010	230.95	206.00	744,789	230.80	201.95	1,258,657
August 2010	222.00	202.00	562,399	222.80	198.00	621,357
September 2010	238.00	203.55	241,768	259.60	186.05	750,393
October 2010	261.00	225.10	547,109	260.60	225.00	998,534
November 2010	279.50	224.15	108,608	269.00	225.00	942,867
December 2010	266.00	228.00	171,635	266.15	217.55	346,856
January 2011	261.80	235.05	73,405	264.00	232.30	899,420
February 2011	262.45	234.00	174,397	264.00	225.65	997,831
March 2011	243.40	217.00	223,221	264.00	215.00	338,190

b. Performance in comparison with BSE 500



10. Share Transfer Process

The applications for transfer of shares and other requests from shareholders holding shares in physical form are processed by Karvy Computershare Private Ltd.

The Board has delegated the power to approve transfers to the Share Transfer, Finance & Investors' Grievance Committee and also to the members of the Committee and the Company Secretary. The transfers are approved atleast twice a month.

11. Shareholding Pattern/ Distribution

a) Shareholding Pattern as on 31.3.2011

Category	% to total paid up Capital
Promoter Group	42.20
Financial Institutions	6.97
Non-resident (NRI's / OCBs / FIIs)	13.84
Banks	0.01
Mutual Funds	9.24
Others	27.74
Total	**100.00**

b) Distribution of Shareholding as on 31.3.2011

Category	No. of Holders	% to total	No. of Shares	% to total
1-100	5811	35.81	270058	0.29
101-200	2019	12.44	361646	0.39
201-500	3003	18.51	1114360	1.19
501-1000	1966	12.12	1637344	1.75
1001-5000	2812	17.33	6126903	6.55
5001-10000	263	1.62	1965651	2.10
Above 10000	353	2.18	81995031	87.72
Total	**16227**	**100.00**	**93470993**	**100.00**

12. Dematerialisation of shares

The Company has signed agreements with both National Securities Depository Limited (NSDL) and with Central Depository Services (India) Ltd. (CDSL) to provide the facility of holding equity shares in dematerialised form.

As per SEBI's instructions, the Company's shares can be sold through stock exchanges only in dematerialised form.

As on 31st March 2011, 89,660,523 equity shares constituting 95.92% of the total paid up capital of the company have been dematerialised.

13. Outstanding GDRs / ADRs / Warrants etc.

The outstanding position of Employee Stock options as on 31st March 2011 and their likely impact on the equity share capital is as under:

Sl. No.	Grant Date	Exercise Price (In Rs.)	Net Outstanding Options[a]	Likely impact on full exercise	
				Share Capital Rs.million	***Share Premium Rs.million***
1	29-Sep-07	183.60	801,910	1.60	145.63
2	24-Jul-08	122.80	22,248	0.05	2.69
3	27-Jan-11	250.15	326,600	0.65	81.06
4	27-Jan-11	250.15	167,200	0.34	41.49
	Total		**1,317,958**	**2.64**	**270.87**

Notes:

a Net of Options cancelled on resignation / retirement of employees and conditional resting.

b Each Option gives the holder a right to subscribe to one equity share of Rs.2/-

Other than the above, there are no outstanding GDRs/ADRs/ Warrants or any other Convertible instruments.

14. Unclaimed Shares

As per the amendment to Clause 5A of the Equity listing agreement in December 2010 by Securities and Exchange Board of India, all physical shares, which remains unclaimed by shareholders, need to be demated by the company and kept in an "Unclaimed Suspense Account" to be opened by the Company for this purpose. As per the amended clause, the Company is required to send three reminders to the respective shareholders before transferring the physical shares to the "Unclaimed Suspense Account". The Company has in this regard already sent two reminders to such shareholders to claim their respective shares. A third reminder would be sent in due course. After the third reminder, the Company would transfer the remaining unclaimed shares into the "Unclaimed Suspense Account".

Shareholders are entitled to claim these shares after complying with laid down procedures.

15. Address for correspondence

a. Compliance Officer
S. Dhanvanth Kumar
Company Secretary
Carborundum Universal Limited
Parry House, 43 Moore Street, Chennai 600 001.
Tel: +91-44-30006141 Fax: +91-44-30006149
Email: DhanvanthkumarS@cumi.murugappa.com

b. Investors Services Officer
M C Gokul
Asst Company Secretary
Carborundum Universal Limited
Parry House, 43 Moore Street, Chennai 600 001.
Tel: +91-44-30006142 Fax: +91-44-30006149
Email : gokulmc@cumi.murugappa.com;
investorservices@cumi.murugappa.com

c. Registrars and Share Transfer Agents
Karvy Computershare Private Limited
Plot Nos. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad - 500 081.
Tel: (040) 23420815 to 23420824
Toll Free No. 1-800-3454001
Fax: (040) 23420814
email: mailmanager@karvy.com
website: www.karvy.com

16. Plant Locations of Carborundum Universal Limited, India

a. 655, Thiruvottiyur High Road, P B No.2272, Tiruvottiyur, Chennai 600 019 Tamil Nadu Tel : +91-44-3924 9000 / 9001, Fax : +91-44- 2573 0717

b. Plot No.48, SIPCOT Industrial Complex, Hosur 635 126, Dharmapuri District, Tamil Nadu, Tel: +91-4344-304000/304067/304068, Fax: +91-4344-277060

c. Gopalpur Chandigarh, P.O. Ganga Nagar, Kolkata 700 132, West Bengal. Tel : +91-33-32023243, Fax : +91-33-25386331

d. C-4 & C-5, Kamarajar Salai, MMDA Industrial Complex, Maraimalai Nagar 603209 Kancheepuram District, Tamil Nadu Tel : +91-30006301 / 6302 Fax : +91-27453097

e. F-1/2, F2 - F5, SIPCOT Industrial Park, Pondur "A" Village, Sriperumbudur - 602105. Kanchipuram District, Tamil Nadu Tel: +91-30006400/6401, Fax : +91-30006410

f. K3, ASAHI Industrial Estate, Latherdeva Hoon, Mangalore Jhabrera Road, PO Jhabrera Tehsil Roorkee, Hardwar District, Uttranchal – 247667. Tel: +91-01332 398335, Fax +91-1332 398325

g. Plot No.77, Bommasandra, Jigani Link Road, Jigani Industrial Area, Jigani, Bengaluru 526 106, Karnataka Tel : 080 27839041/42/43/44, Fax : +91-80 27839040

h. PB No.1 Kalamassery, Development Plot P.O, Kalamassery 683 109, Ernakulam District, Kerala Tel : +91-484-3023600, Fax : +91-484-2532019

i. PB No. 3 Nalukettu, Koratty 680 308, Trichur District, Kerala. Tel : +91-480-3023017, Fax : +91-480-2732821

j. Bhatia Mines, Bhatia Western Railway, Jamnagar District, Gujarat 361 315. Tel : +91-2891-233464

k. P.B No.2 Okha Port P.O., Jamnagar District, Gujarat 361 350. Tel : +91-2892-262063, Fax : +91-2892-262928

l. Plot No.7 & 18, Cochin Special Economic Zone (CSEZ), Kakkanad 682037, Kochi, Kerala. Tel : +91-484 – 3023735, Fax +91-484 – 2413376

m. Plot No.47, SIPCOT Industrial Complex, Hosur 635 126 Dharmapuri District, Tamil Nadu, Tel : +91-4344-304200/ 304286, Fax : +91-4344-276028

n. Plot No A-7/2 MIDC Area, Chikalthana, Aurangabad – 431210, MaharashtraTel : +91-240-3243101 to 103, Fax : +91-240 2482003

o. Super Refractories Division , Plot No.102 & 103, SIPCOT Industrial Complex (Phase II), Ranipet 632 403, Tamil Nadu, Tel : +91-4172-306700, Fax : +91-4172-244982

p. Super Refractories Division – Plant 2, Serkaddu Village, Vinnampalli Post, Katpadi Taluk, Vellore District – 632 516, Tamil Nadu, Tel : +91- 4172 – 306800/6802, Fax :+91- 4172 – 306830

q. Plot Nos. 35,37, 48-51, Adhartal Industrial Estate, Jabalpur - 482 004, Madhya Pradesh, Tel : +91-761-3265004 / 5005, Fax: +91-761-2680678

r. Maniyar Hydroelectric Works, Maniyar P.O., Vadasserikara, Pathanamthitta District, Kerala 689 662, Tel : +91-4735-274223, Fax : +91-4735-274223

s. 29- Jigani Ind Area, Jigani – Anekal Taluk, Bengaluru 560 105 Karnataka. Tel : +91-080 27825805

On behalf of the Board

Chennai,
30th April 2011

M M Murugappan
Chairman

List of promoters of Carborundum Universal Limited belonging to the Murugappa Group pursuant to regulation 3(e)(i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997

1. EID Parry (India) Ltd. & its subsidiaries
2. Silkroad Sugar Private Ltd
3. New Ambadi Estates Pvt. Ltd. & its subsidiaries
4. Ambadi Enterprises Ltd.& its subsidiaries
5. Tube Investments of India Ltd. & its subsidiaries
6. Laserwords Private Limited & its subsidiaries
7. Cholamandalam MS Risk Services Limited
8. Presmet Pvt Ltd
9. The Coromandel Engineering Company Limited
10. Murugappa Educational & Medical Foundation
11. AMM Arunachalam & Sons P Ltd.
12. AMM Vellayan Sons P Ltd.
13. MM Muthiah Sons P Ltd.
14. Kadamane Estates Company
15. Yelnoorkhan Group Estates
16. Murugappa & Sons
17. MM Muthiah Research Foundation
18. A R Lakshmi Achi Trust
19. AMM Foundation
20. M V Murugappan & family
21. M V Subbiah & family
22. S Vellayan & family
23. A Vellayan & family
24. V Arunachalam & family
25. A Venkatachalam & family
26. M M Murugappan & family
27. M M Muthiah & family
28. M M Venkatachalam & family
29. M A Alagappan & family
30. Arun Alagappan & family
31. M A M Arunachalam & family
32. Any other company, firm or trust promoted or controlled by the above

'Family' for the above purpose includes the spouse, dependent children and parents.

For Carborundum Universal Limited

Chennai
30th April 2011

S Dhanvanth Kumar
Company Secretary

Cautionary Statement

This communication contains statements relating to future business developments and economic performance that could constitute 'forward looking statements'. While these forward looking statements represent the company's judgments and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. Further investors are requested to exercise their own judgment in assessing various risks associated with the Company and also the effectiveness of the measures being taken by the Company in tackling them as those enumerated in this report are only as perceived by the management.

Concept & Design
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hastra@airtelmail.in

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website : www.cumi.murugappa.com