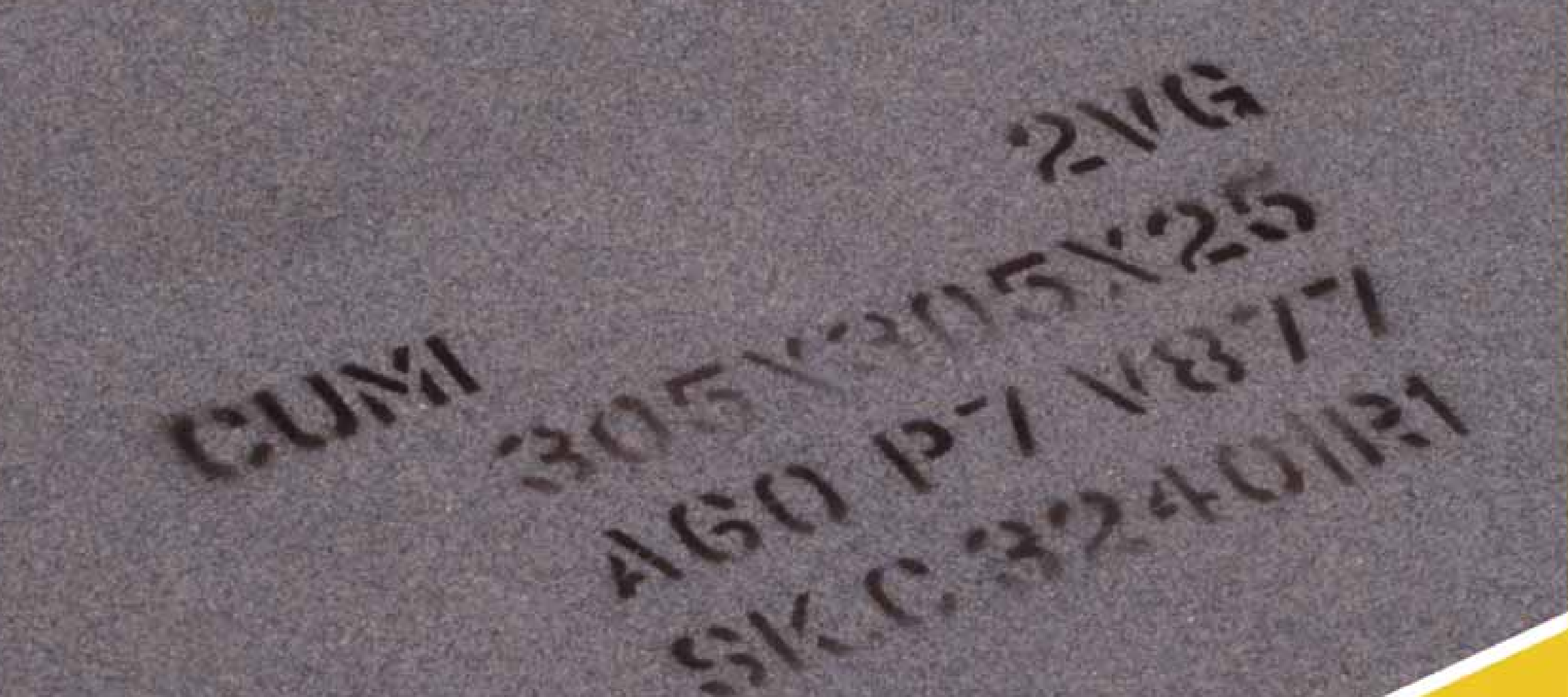
UPSIDE OF A DOWNTURN

CARBORUNDUM UNIVERSAL LIMITED

Annual Report 2012 - 2013



Contents

UPSIDE OF A DOWNTURN

2012-13. A challenging year, following seven long years of bountiful growth. At CUMI, the down slide in our growth trajectory appeared magnified. Meltdown in the global photo-voltaic sector. Sluggish market trends. Slow offtake from user industries. Inflationary pressures. Recessionary backlash. The reasons for the dip in our growth were many. Yet, we were unable to reconcile. To anything less than a great performance.

At CUMI, as we countered each challenge, mapped out different strategies, re-invented with new learnings, we were driven by one resolve. To re-claim our pole position, re-climb our growth graph.

The downturn was a clarion call to upgrade technologies, upscale capacities, upheave work methods, hone capabilities and uplift morale. Transiting through the turbulence, CUMI emerged stronger, wiser and more resilient. The upside of the downturn.

Tungdish for super alloy casting

Exchange of Agreement between Mr. M M Murugappan, Chairman,CUMI and Mr. Trevor Staton, MD, Sheffield Refractories,UK.

UPGRADING TECHNOLOGICAL CAPABILITIES

A downturn mandates the need to take stock. Of products, capabilities, technologies. Leveraging technology as a strategic differentiator, CUMI moved up the value chain with new breakthrough products. To accelerate the process, the Company upgraded its technological capabilities with synergistic partnering with global manufacturers.

In the Super Refractories business, a Technology Transfer Agreement was signed with Sheffield Refractories, UK, for the manufacture of specialised monolithics for critical applications in the iron and steel industry. An import substitute, the products manufactured at the newly commissioned facility at Ranipet would position CUMI as a premium player in this niche space.

A Technology Transfer Agreement was signed with Anderman Ceramics, UK, for the manufacture and supply of tungdish for special alloy castings for the export market.

Cellaris Refractories India Ltd., a joint venture project between CUMI and Cellaris-Israel, is under construction at the newly established Special Economic Zone at Edapally, India. 'Litecell', a pioneering product in ultralight high temperature insulation material to be manufactured at the plant, would address critical applications in the aerospace and semi conductor industries.

Demonstrating its pioneering spirit, CUMI ventured into new technologies and new product streams, realigning its growth plans to the changing market dynamics. The upside of the downturn.

VALUE PARTNERING WITH CUSTOMERS

At CUMI, value partnering and customer engagement proved a key differentiator in a challenging year. Leveraging on its technical and application engineering expertise, CUMI collaborated with customers in each of its businesses to emerge as a total solution provider.

The Bonded Abrasives division signed a charter of agreement with its key customers on productivity improvement, cost reduction and superior product performance. 'Tatkal Order' servicing, with just-in-time deliveries reduced customer inventories. During the year, the division bagged the 'Best Supplier Award' from major auto manufacturers for its quality and value added services.

The Anti-Corrosives business of the Refractories division focused on project partnering with customers and large turnkey contractors, offering technical guidance and total product application and installation support. Creating a value difference with its product quality and technical expertise, the division added several new customers, both in the domestic and the international markets.

The Ceramics business maintained its strong market leadership in Engineered Ceramics with products customised for critical applications. The division consolidated its position as a preferred supplier to a major international Solid Oxide Fuel Cell manufacturer.

Electrominerals bore the brunt of the sectoral downturn in the global photovoltaic industry. The business focused on value partnering with CUMI's abrasives and refractory divisions to cater for speciality minerals.

At CUMI, value partnering fostered a customer-centric focus to in-line processes and work practices and became embedded in the eco system, contributing to long term bonding with customers as a trusted total solution provider.


MOUNT UP
CUMI
Krystal
5DG
1280
81A1001 M7 VC500/60
MOS 1880 RPM
GS100200502
SUPER BALANCED

INNOVATION & CUTTING EDGE TECHNOLOGIES

At CUMI, the downturn spurred innovation and the need to foray into white spaces. Niche positioning with value-added products and services was the strategic intent to disengage from a cluttered market.

The Abrasives division focused on creating high performance products that offered significant value addition to the customer.

- Premium range of 91A Crankshaft and Precision grinding wheels offering significant cost-per-component reduction to customer.
- The range of 55A and 71HA high performance wheels for the Bearing Industry.
- Rice Whitening wheels, using the new range of ‘VP’ bond system guaranteeing longer life.
- The BA12 and B10CS high performance wheels for Snagging and Face grinding applications.
- The expanded ‘SLEEK’ portfolio with a new range of lighter, easy-to-use, high durability wheels.

At Abrasives division the research focus is trained on newgen binders in ceramic and polymer materials which will help in leap-frogging into the next level of performance with enhanced adhesion and toughness.

The Electro-minerals division re-aligned its growth strategies, de-risking its product portfolio to counter the sectoral meltdown in the photovoltaic industry. The division deftly steered into the non-solar space, with product variants addressing industry requirements for speciality minerals. Alumina Zirconia grains for high performance abrasives was a new addition to the division’s product offerings.

Technology incubation for 'Litecell', the ultra-light insulation material in collaboration with Cellaris, Israel, is in progress at the Edappally plant. On completion, this would position CUMI among the select few manufacturers worldwide with this cutting edge technology.

The Electrominerals division won the 'Technology Innovation Award' from the Kerala Management Association for the process design and implementation resulting in significant cost saving and energy efficiencies in manufacturing.

Coated abrasives grew in volumes with a range of innovative products.

- The 'Zing' and 'Krypton' range of fiber discs, with excellent cutting rate and long life, launched for Metal applications found ready market acceptance.
- Ajax Sukha paper, a special paper for Dry sanding was developed with anti-loading properties for the wood working and construction industries.
- Double sided discs and Semi-friable Aluminum Oxide Belts were developed to cover the full range of products supplied for parquet floor sanding for the international market.

The Industrial Ceramics division was conferred the 'Corporate Excellence Award in Technology Innovation' from Government of Karnataka for developing a unique process in high temperature glazing.

The Metallised Ceramics division further expanded its expertise in manufacturing critical components for the international market.

At CUMI, innovation and technology breakthroughs resulted in moving up the value chain with market defining products. The upside of the downturn was a way forward in innovation and future bound technologies.

HONING PEOPLE CAPABILITIES

At CUMI, the downturn led teams to break patterns, explore beyond their operating zones, de-construct working methods. Aligning with its vision and strategic direction, CUMI consolidated its people capabilities to surmount changing trends in business. The downturn challenged teams to excel and ushered in innovative work practices.

At CUMI, training and skill development workshops focused on building the leadership pipeline and enhancing people competencies. Cross functional teams worked on various projects to refine processes, improve efficiencies and reduce cost. Empowerment and accountability resulted in greater employee engagement levels.

The abrasives division created a competitive edge cascading TPM across its five manufacturing locations. The system mandated workers to maintain their own machines and fostered a ownership of processes. 'Lean' production system with benchmarked best practices, became an integral part of the work culture.

A Technical Training Centre was opened at the abrasives plant at Thiruvottiyur to train operatives on technical skills and improve work-station efficiencies. At Hosur, a Centre for Skill Development for trainees was started to serve as a skill-bank for the Company.

Challenging a tough year, teams across locations won awards for best practices and managerial excellence.Strategic re-deployment of people resource, breaking down silos, cross functional collaboration and an inspired team invested with the undeterred determination to surmount odds. At CUMI the downturn uplifted morale and people capabilities.

Training to excel: at the TPM training centre at Thiruvottiyur.

Mr. Sergey Kostrov, General Director VAW - Russia, receiving the 'Best CEO Award' from Bozhenov Sergey Anatolyevich, Governor of the Volgograd Region.

Chairman and the Senior Management team at a workshop on strategies to compete in a China-centric market.

Tilt Furnace, Foskor Zirconia - South Africa

UPSCALING & CREATING NEW FACILITIES

CUMI continued to invest in capability building to consolidate its manufacturing strength and to cater to emerging markets and new user segments.

- Completed the acquisition of Thukela Refractories, Isithebe, South Africa, a fused minerals and refractory manufacturing facility.
- Expanded capability for Nitride Bonded Silicon Carbide refractories at Volzhsky Abrasive Works, Russia.
- Commissioned a new facility for the manufacture of monoclinic and bubble zirconia at Foskor Zirconia, South Africa.
- Added a new Alumina Zirconia fusion facility at Edappally, India.
- Completed the first phase of expansion of the Thin Wheels facility at Uttarkhand, India.
- Modernised the Line balancing at the Metallised Ceramics Plant at Hosur-India, for optimising capacities for the manufacture of metallised cylinders.
- Doubled capacity at the Wear Resistant Liner plant at Hosur for the manufacture of rubber backed ceramic products for the Australian market in Power and Metal handling.
- CUMI continued its commitment to the Safety, Health and Environment of the neighbouring communities in which it operates. A new scrubber system was installed at Volzshky Abrasive Works, Russia to ensure that emissions are reduced to significantly lower levels. This has set new benchmarks in the industry in Volgograd, Russia. The effort has been greatly lauded by the Government and has also enabled VAW to qualify for State permission to further expand capacities.

Despite the downturn, the upscaling of manufacturing facilities was driven with a future focus of building a strategic capability to cater to new markets. The learning from lean times.

(L-R) The scrubber facility at VAW & General Director, Mr. Kostrov Sergey, explaining about the products to the Governor Mr. Sergei Bozhenov & Ms. Afanaseva Marina, Mayor of Volzhsky town and the environment team.


Thukela Refractories, Isithebe, South Africa.


New Alumina Zirconia fusion facility at Edappaly, India.

UPWARD BOUND, FUTURE DRIVEN

CUMI used the downturn to re-align its growth plans with the most strategically promising projects. Acquisitions, expansions, future driven products, cutting edge technologies. At the threshold of its sixty years in business, CUMI is leveraging on its core strengths to consolidate its position as a globally admired Material Science Company.

To equip itself to the challenging dynamics of a global economic environment, CUMI is building strong in-line people and process systems that would lend it the speed, scope and strategic flexibility to emerge as a dynamic transnational corporation and accelerate its growth-leap into the future.

CHAIRMAN'S MESSAGE

" For CUMI, the field of Material Sciences provides a great opportunity to create and progress a vision towards being amongst the most admired companies in the world. "

Dear Shareholders,

The year 2012-13 has been amongst the most challenging years for CUMI, its subsidiaries and associate companies. The downtrend in macroeconomic indicators which began towards the second half of the previous year, not only continued but declined even further. While the United States showed signs of revival, India, Russia, China and South Africa, where majority of CUMI's operations are located, had a significant drop in growth. Europe, a major market for CUMI went into further recession. Overall, the world economic scenario continues to cause both uncertainty and concern.

In this rather subdued environment, CUMI's consolidated revenues dropped marginally by one per cent over the previous year. The emphasis was on retaining share of business with existing customers and seeking new opportunities with both existing and newly developed product and service offerings. This has been a very difficult task with increased input material and power costs, fluctuating currencies, rising inflation and consequent higher finance costs. This caused an EBITDA margin drop of seven per cent over 2011-12, thus calling for even greater consolidation and prudence.

Despite these difficulties CUMI remains steadfast in its focus on a longer term vision, quality leadership, cost management, applications and service oriented customer engagements to ensure stable revenues and sustainable profitability. CUMI's approach towards building strategic partnerships with customers and across the supply chain in all its product lines continued with a view towards ensuring reliability, improving efficiency and enhancing capability. With this long term approach in view and confidence in its implementation effectiveness, the dividend, though lower than the previous year, is at Rs.1.25 per share.

The sluggish demand in user industries impacted the sales and profitability of conventional and super abrasives in India. While market share was retained in Bonded Abrasives, good improvements were made in Coated Abrasives through greater market penetration and emphasis on after market applications. Non woven abrasives sales grew on the strength of customer alliances. A range of Power Tools, a useful adjunct to the sales of Abrasive products, were introduced into the market thus providing a total grinding solutions package to end users. The distribution arrangement for India with Metabowerke, Germany for their high end Power Tools was further strengthened by opening new locations for sales and service. Manufacturing capacity for an enhanced range of thin wheels is being completed in a phased manner at the Uttarkhand facility in Northern India. Abrasives sales in Russia declined in line with industry demand trends while in China a complete strategic reorientation of the business has been done with a new management team. This should improve the operations in the coming years. Sterling Abrasives, a subsidiary manufacturing Bonded Abrasives and Wendt India, a joint venture company providing Super Abrasive grinding tools and solutions had a difficult year too but remain on a clear improvement course as part of a longer term strategy.

The Ceramics business grew by nine per cent over the previous year due to sales of wear resistant ceramic products and application support in India and Australia. Anticorrosives turned in an excellent performance on the strength of an enhanced product range and a broad based service and application offering to customers. CUMI's joint venture companies, Murugappa Morgan Thermal Ceramics which manufactures Ceramic Fibre and Ciria India, a provider of Refractory Engineering Services, together with CUMI's range of dense and castable refractories, continued to extend their Total Heat and Energy Management Solutions expertise to customers amidst difficult market conditions. A recent acquisition, Thukela Refractories, Isithebe, South Africa has integrated well with other CUMI operations to derive better synergies. Though not currently profitable the signs of improvement and sustained business performance in the coming year are strong.

Electrominerals operations across Russia, South Africa and India were the worst affected during the year. The movement of the photovoltaic wafer industry from European locations and their plants in Asia, to China caused a considerable decline in sales of Silicon carbide macro and micro powders from Russia and India. This necessitated a reorientation in product mix at lower levels of profitability while making every effort to retain the residual high value business with European customers and their respective locations across the world. The Fused Zirconia operations at the subsidiary Foskor Zirconia in South Africa suffered heavy losses owing to volatility in input material price and lower customer offtake due to recessionary trends. These set backs we believe are temporary in nature and it has not deterred CUMI from investing in a new Zirconia Bubble plant at Foskor Zirconia in South Africa and an Alumina-Zirconia fusion facility in Kochi, India. These investments are all based on the latest technologies and will stand CUMI well in the future.

In line with its core theme of providing technology solutions in ceramics material science to its customers, CUMI continues its pioneering investments. The latest is a joint venture with Cellaris, Israel to manufacture Ultralight Ceramics which has applications in the aerospace and semi conductor industries. The plant is in the process of being commissioned in Kochi India. Also a down stream processing centre and an applications laboratory are being added to help customers evaluate the product and work with CUMI towards jointly finding design solutions for lightweight high temperature duty ceramics.

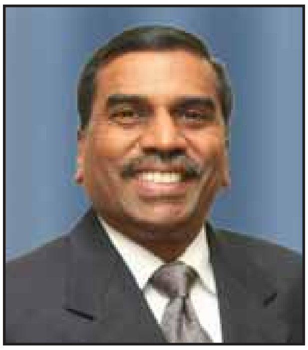
Difficult business and trading conditions bring out the best in people. The CUMI team across the world ably led by Mr. K.Srinivasan, Managing Director and members of the leadership and teams across the operations in Russia, South Africa, Australia, China, Thailand, Middle East, North America and in India, across divisions, subsidiaries and joint ventures, show a great sincerity of purpose and strong commitment towards a relentless pursuit of excellence in all that they do. They are the strength of CUMI and are very focused on their roles and goals in both operations and financial parameters. In terms of financial performance the year has not been the best but in terms of fiscal prudence the entire team has done well to manage cash flows well and reduce levels of debt thus increasing CUMI's financial strength and capability to address future opportunites with confidence and conviction.

CUMI's Board of Directors are a source of great inspiration, wise counsel and always exercise sound judgement while advising the team and me personally on the business and challenging us to greater levels of achievement. A person who epitomizes all this in his thought, action and contribution to CUMI's well being and progress, Mr. Subodh Kumar Bhargava retires at the forthcoming Annual General Meeting. Mr. Bhargava has served on the Board for 13 years and is the Chairman of the Audit, Compensation and Nomination Committees. We will miss him dearly as his knowledge, understanding, insight across all facets of the business operations has been truly outstanding. While acknowledging his invaluable contribution to CUMI, we wish him well in his retirement.

A dynamic fast changing world always provides many opportunities for a company, its development and progress. For CUMI, the field of Material Sciences provides a great opportunity to create and progress a vision towards being amongst the most admired companies in the world. Towards this the encouragement and support that we receive from all of you is indeed wonderful, and for which, my colleagues and I are most grateful. We look forward to your continued support in the future as we continue on our journey of "Making Materials Work For Man".

M M Murugappan
Chairman

BOARD OF DIRECTORS



M M MURUGAPPAN (57)
CHAIRMAN

Masters in Chemical Engineering
Past positions – Managing Director, CUMI
Currently – Chairman of Tube Investments of India Ltd.
Director of Mahindra & Mahindra Ltd.,
Infotech Enterprises Ltd., etc.

SUBODH KUMAR BHARGAVA (71)
NON-EXECUTIVE DIRECTOR

Graduate in Mechanical Engineering
Masters in Chemical Engineering
Past positions - Chairman and Chief Executive of the Eicher Group
Currently - Chairman of Tata Communications Ltd.
Director - Tata Steel Ltd, Larsen & Toubro Ltd.,
GlaxoSmithKline Consumer Healthcare Ltd. etc.

T L PALANI KUMAR (63)
NON-EXECUTIVE DIRECTOR

Graduate in Chemical Engineering, Post graduate in
Business Administration
Past positions – CEO of New Holland Tractors (India) Pvt. Ltd.,
Escorts Tractors Ltd., BALCO Ltd., TI Cycles of India
Currently - Director, SBI Mutal Fund Trustee Co.Pvt. Ltd. etc.

SRIDHAR GANESH (62)
NON-EXECUTIVE DIRECTOR

Alumni of the Indian Institute of Management, Calcutta
Past positions - Learning and Devt. Director,
Cadbury Schweppes, etc.
Currently - Director (HR), Murugappa Group

M LAKSHMINARAYAN (66)
NON-EXECUTIVE DIRECTOR

Masters in Mechanical Engineering
Past positions - Joint Managing Director of Bosch Ltd.
Currently -Chairman of WABCO India Ltd., Director - Rane (Madras) Ltd. etc.

SHOBHAN M THAKORE (65)
NON-EXECUTIVE DIRECTOR

Bachelor of Arts (Politics) and Bachelor of Law from Bombay University,
Currently- Partner, Talwar, Thakore & Associates
Director of Alkyl Amines Chemicals Ltd, Bharat Forge Ltd and Morarjee Textiles Ltd. etc.

SANJAY JAYAVARTHANAVELU (44)
NON-EXECUTIVE DIRECTOR

Masters in Business Admin.
Currently - Chairman & Managing Director, Lakshmi Machine Works Ltd, Coimbatore
Director - Fortis Malar Hospitals Ltd, Lakshmi Mills Co. Ltd. etc.

K SRINIVASAN (55)
MANAGING DIRECTOR

Graduate in Mechanical Engineering
Past positions – Vice President, Wendt India Ltd.

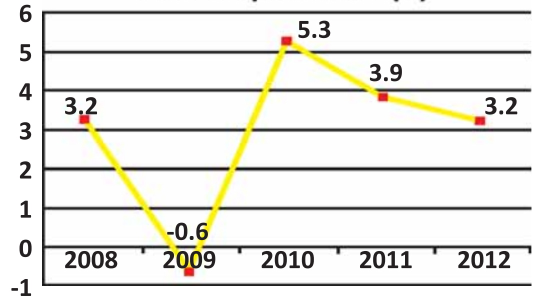
REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their 59th Annual Report together with the audited financial statements for the year ended 31st March 2013. 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.

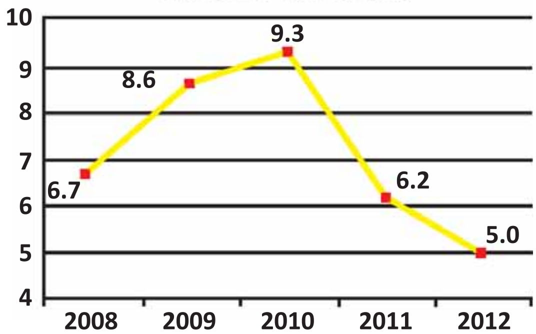
ECONOMIC OVERVIEW & COMPANY PERFORMANCE

MACRO ECONOMIC INDICATORS

World Output Growth (%)

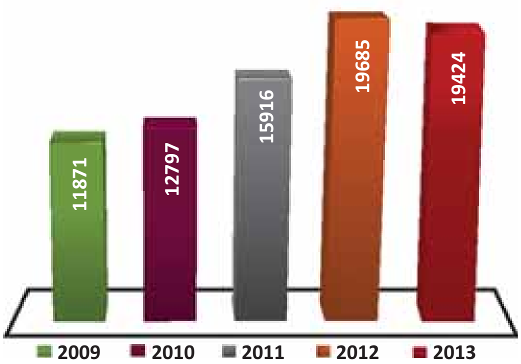


India GDP Growth (%)

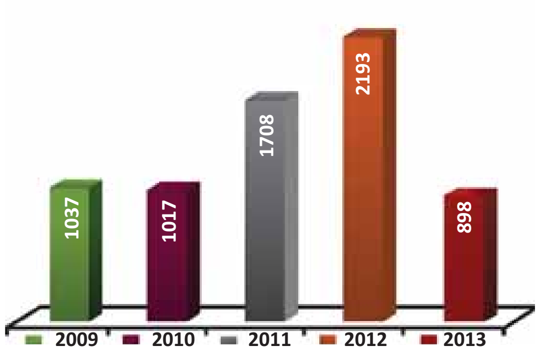


COMPANY PERFORMANCE INDICATORS

Consolidated Sales (Rs. Million)



Consolidated PAT (Rs. Million)



ECONOMIC OVERVIEW

As per the reports of the International Monetary Fund, global economic growth decelerated to 3.2 per cent from 3.9 per cent in the previous year. While US economy and Japan showed improvement, the economic slowdown in the Euro area, emerging market and developing economies including China, India, Russia and Latin America in aggregate was significant enough to adversely impact world output. A multiplicity of developments have lead to this, some of them being the rising uncertainty about the viability of the European Economic and Monetary Union, policies in the major advanced economies not resulting in rebound in confidence, pre-crisis legacy issues, including high household debt constraining private consumption and escalation of financial stress in the euro area periphery which started reaching other economies in the region given the trade and financial linkages.

A significant part of the lower growth in emerging market and developing economies was related to domestic factors, notably constraints on the sustainability of the high pace of growth in these economies and building financial imbalances. Diminishing space for further policy easing, supply bottlenecks and policy uncertainty have also hampered growth in certain economies.

As per the Economic Survey of India published by the Government of India in February 2013, the Indian Economy slowed during 2012-13. The growth rate is estimated at 5 per cent as against the 6.2 per cent of the previous year. The moderation in growth is primarily attributable to weakness in industry (comprising the mining, quarrying, manufacturing, electricity and construction sectors).

The rate of growth of the manufacturing sector was even lower at 1.9 per cent. Growth in agriculture has also been weak in 2012-13 following lower-than-normal rainfall, especially in the initial phases of the south west monsoon. The growth rate of the services sector also declined to 6.6 per cent in 2012-13 from 8.2 per cent in 2011-12.

COMPANY PERFORMANCE

REVENUES

Despite the overall moderation in the economic activity across the globe including India, the Company's worldwide revenues recorded only a marginal decline from last year's levels. While revenue from India declined by 6 per cent, that from rest of the world increased by 4 per cent.

The Ceramics business registered a growth of about 9 per cent. This helped to substantially offset the decline in performance of the Abrasives and Electrominerals businesses.

Sluggish infrastructure investments, capex deferrals by industries, lower customer demand for user industries, competition from low price products, power crisis and tight credit position in trade resulted in weakened demand.

The consolidated top line summary was as follows:

(Rs. Million)

	31.3.2013	31.3.2012
Net Sales / Income from Contracts & Services		
- India	9461	10060
- Rest of the World	9963	9625
	19424	19685
Other Operating Revenue	290	265
Total Operating Revenue	19714	19950

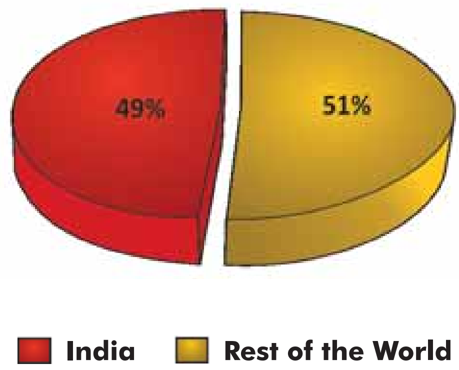
On a standalone basis, the operations which started on a subdued note during the first quarter, turned sharply negative during the third quarter. In the 4th quarter, there was a marginal pick up on a sequential basis. The year's performance must also be viewed in the light of the fact, that in the previous two years, the Company's sales recorded a cumulative increase of 50 per cent (from Rs.7381 million to Rs.11052 million) which is one of the highest growth rates witnessed in recent times.

The standalone top line summary is as follows:

(Rs. Million)

	31.3.2013	31.3.2012
Net Sales / Income from Contracts & Services		
- India	8556	8617
- Rest of the World	2244	2435
	10800	11052
Other Operating Revenue	209	202
Total Operating Revenue	11009	11254

Share of Consolidated Revenue 2012 -13



MANUFACTURING

Production volumes were moderated to meet the requirements of customers. Cost reduction initiatives were initiated by use of alternate cost effective raw materials, improvement in raw material consumption and process improvements.

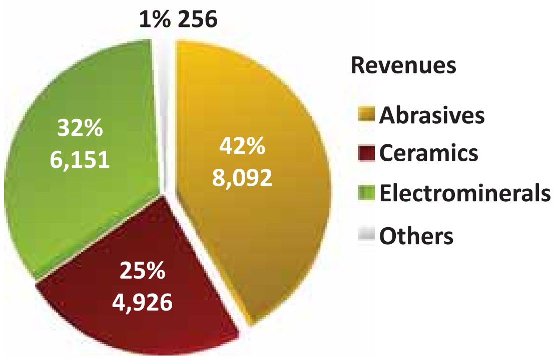
Capital expenditure during the year across all geographies was in the nature of capacity additions for certain product segments, automation, quality enhancement, line balancing and general infrastructure.

During the year, the Company's wholly owned subsidiary, CUMI International Limited, Cyprus acquired a fused minerals and refractory manufacturing Company in Isithebe, South Africa. The Company has been rechristened as Thukela Refractories Isithebe Proprietory Limited, post acquisition. This acquisition has helped to widen the Company's product portfolio in the refractory and minerals businesses and also enhanced manufacturing capacity.

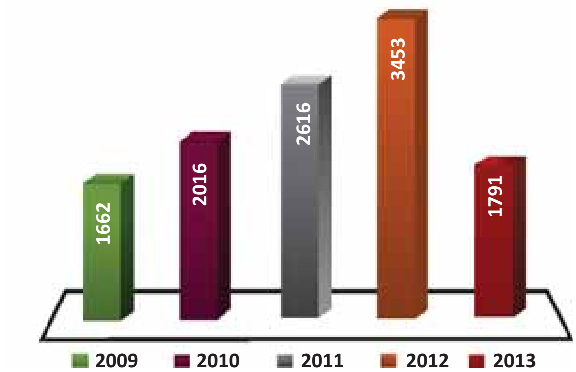
Information required to be provided in the Management Discussion and Analysis Report as per the Listing Agreement is detailed in the following sections.

FINANCIAL REVIEW

EARNINGS INDICATORS

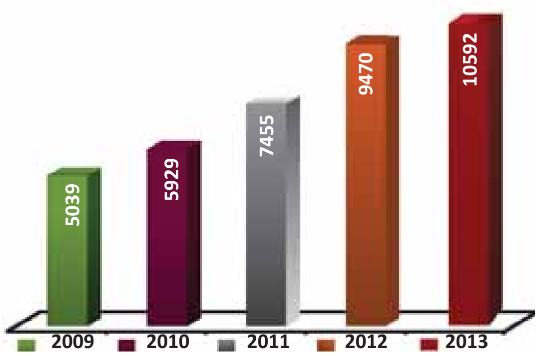


PBIT Before Exceptional Items (Rs. Million)

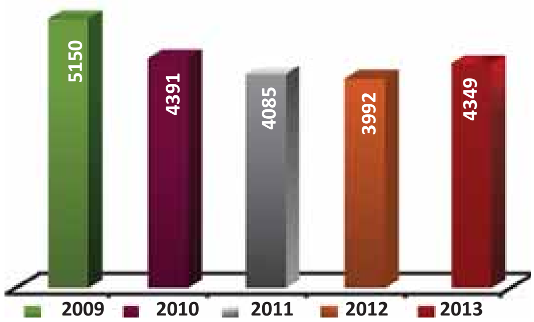


FINANCIAL POSITION

Shareholders Networth (Rs. Million)



Loan Funds (Rs. Million)



EARNINGS & PROFITABILITY

Downturn in the general market fortunes lead to decline in sales volumes and consequently lower capacity utilization across locations and product lines. Operating cost increased as a result of escalation in cost of certain key raw materials in certain geographies which was further compounded by the adverse currency movement in some cases. Though there was a favourable movement in prices of certain raw materials, the overall impact was negative on raw material cost. The operating cost was further impacted by the steep increase in power cost resulting from hike in power tariff, lower generation from captive generating capacities and use of diesel generated power to fill the gaps in grid power. As a result of these adverse developments, earnings from operations before exceptional items, interest, depreciation and tax on a consolidated basis declined to Rs. 2372 million (previous year Rs. 3907 million)

Depreciation was higher at Rs. 711 million as a result of the continuing investments being made in various projects. Finance costs increased to Rs. 272 million because of the higher interest rates in the economy.

Consolidated profit before tax declined to Rs. 1519 million (previous year Rs. 3227 million). Profit after tax, minority interest and share of profit from associate was Rs. 898 million (previous year Rs. 2193 million)

On a standalone basis, profit before tax was Rs.1080 million (previous year Rs.1894 million). Profit after tax decreased to Rs.745 million. (previous year Rs.1467 million)

FINANCIAL POSITION

On a consolidated basis, shareholders fund as on 31st March 2013 was Rs.10592 million. Addition for the year (net of dividends) was Rs. 1121 million. Minority interest was Rs. 738 million.

Non-current liabilities was Rs. 2556 million. Current liabilities increased from Rs. 4802 million to Rs. 5224 million.

Non-current assets (including fixed assets, capital work-in-progress, etc.) increased from Rs. 7790 million to Rs. 9602 million primarily on account of capital expenditure incurred during the year. Current assets was lower at Rs. 9508 million.

CASH FLOW

On a consolidated basis, Net cash generation from operations was Rs. 1952 million in 2012-13. Net cash outflow on account of investing activities (mainly purchase of fixed assets) was Rs. 2046 million. Net cash outflow on account of financing activities was Rs. 293 million which is attributable primarily to borrowings and dividends paid. The net decrease in cash and cash equivalents was Rs. 387 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	745.33
Balance brought forward from previous year	1850.26
Total	**2595.59**
Recommended appropriation	
Transfer to general reserve	250.00
Dividend	
- Interim	93.73
- Final (Proposed)	140.60
Dividend Tax	
- Interim	15.21
- Final (Proposed)	20.09
Final Dividend (previous year)*	0.02
Balance carried forward	2075.94
Total	**2595.59**

* Final Dividend pertaining to financial year 2011-12 (including dividend tax) paid on shares allotted subsequent to the date of approval of the annual accounts by the Board and before the book closure date pursuant to exercise of employee stock options.

Considering the lower profits and the muted outlook for the economy in the medium term, the Board has considered it appropriate to recommend a final dividend of Re.0.75 per equity share of Re.1 each. It may be recalled that in February 2013, an interim dividend at the rate of Re.0.50 per equity share of Re. 1 each was declared and paid. This aggregates to a total dividend of Rs.1.25 per equity share of Re.1 each for the year (as against Rs.2 for 2011-12).

SHARE CAPITAL

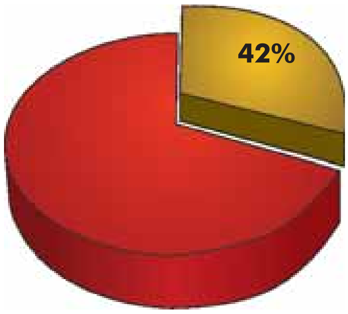
The paid up equity share capital increased during the year by Rs. 0.07 million, consequent to exercise of stock options by employees. At the last Annual General Meeting, the shareholders had approved constitution of a new ESOP scheme namely "CUMI Employee Stock Option Plan 2012" which envisaged providing ESOP benefits to employees by purchasing shares from the secondary market. SEBI had during the course of the year modified the regulations governing ESOP as a result of which the Company will be unable to proceed with the new ESOP scheme.

PERFORMANCE OF BUSINESS SEGMENTS

The business profile, market developments and current year performance are elaborated in the following sections.

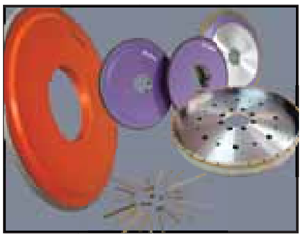
ABRASIVES

Share of Abrasives segment in the total revenue



PRODUCTS



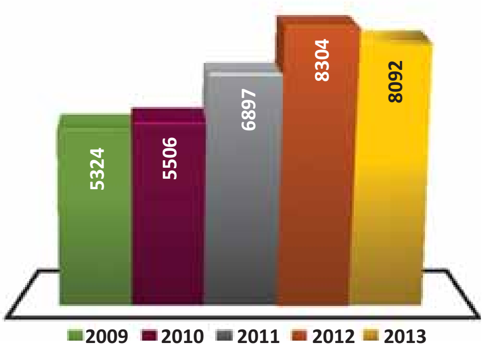
PEOPLE

V Ramesh
President - Abrasives

P L Deepak Dorairaj
Sr. Vice President, International Business & Exports - Abrasives

PERFORMANCE

Consolidated Revenue (Rs. Million)



BUSINESS PROFILE

On a consolidated basis, this business comprises the following major product groups viz. bonded abrasives, coated abrasives (including non-wovens), super abrasives and power tools. The operations are carried out through thirteen manufacturing facilities located in India, Russia, China, Canada and Thailand. The marketing entities located in North America and Middle East support this business in getting an extended customer reach. Abrasives are used in a wide spectrum of industries, the key among them being automobile, engineering, fabrication, wood working, construction, home maintenance and infrastructure.

The Company caters to customers located in over fifty countries through its network of manufacturing facilities and marketing establishments. It is one of the major players in India and Russia.

INDUSTRY SCENARIO

The global industry continues to be led 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.

The Indian abrasives industry is catered to by a few large players and also numerous smaller players specializing in select products. Imports, particularly from China, enjoy a sizeable portion of the market. Due to the soft market conditions in many advanced economies, India is becoming a focus market for major global players resulting in intense competition.

In the domestic Russian market there are three major players. The Company is a major player in vitrified bonded abrasives. Imports service a sizeable portion of the market.

There was no major change in the industry structure during the year.

SALES OVERVIEW

Due to the subdued sentiments in the user industries and segments, the Abrasives business recorded a marginal decline in revenues on a consolidated basis but maintained turnover at about last year's levels on a standalone basis. Revenues for the year were Rs.8092 million on a consolidated basis and Rs. 6073 million on a standalone basis.

In India, the recessionary trends which commenced during the first quarter of the year, turned more acute as the year progressed resulting in dampened market sentiment. Consequently off-take from end user segments and trade channels was weak. The products addressing the channel segment was impacted further by the tight credit position. This was further exacerbated by the slow progress of various infrastructure and industrial expansion projects. However the initiatives in the market place for creating brand visibility, market segmentation and enlarged customer reach, helped the business to ensure that there was no major adverse impact on revenues.

In bonded abrasives, sales of both standard products and custom built products remained flat. However off take of coated abrasives and super abrasives recorded good growth as a result of the retail initiatives and a slew of new products. Sale of non woven abrasives products to large institutional customers was firmly established. The facility has reached peak utilization as a result of the strong order inflow. Sales of super abrasive and other products by Wendt India Limited (the Company's joint venture) declined.

During the year, sales of power tools continued to grow well despite the weak market momentum and the precarious power situation in Tamil Nadu. The product basket has been widened. It may be recalled that the Company had towards the end of last year entered into an arrangement with Metabowerke GmbH, Germany, for distribution of premium powertool products. The business focused efforts to put in place the required infrastructure in terms of warehousing, logistics, feet-on-street, building brand visibility and establishing customer connect for this new product category.

In Russia, performance of the abrasives business declined due to the decrease in off-take from the domestic market. The steady decline in mass manufacturing activity has lead to a gradual shrinkage in the abrasives requirement which has lead to tougher competition amongst various market players. Consequently there was a decline in sales volume. The business has however done well to shore up its market share in a shrinking market.

The operations in China, backed by a new management team recorded a growth of 33 per cent. The sales team has been rebuilt and focused efforts have been taken to address the requirements of original equipment suppliers, distributors and supplies to CUMI India.

MANUFACTURING

In India, one of the key initiatives of the year was on exhaustive implementation of the Total Productive Maintenance (TPM) program. Several abrasives facilities in India were brought under the TPM umbrella and the extent of coverage in each plant made good progress. The initiatives undertaken have helped to enhance overall equipment effectiveness yielding benefits in terms of enhanced on-time delivery. In the Chinese operations, manpower was rationalized and productivity has been increased.

The business witnessed erosion in margins across all geographies in which it operates. Prices of key input materials increased significantly. Efforts were taken to renegotiate prices of inputs with various suppliers. The steep appreciation in US Dollar, which took the industry by surprise since the first quarter, further compounded the underlying raw material cost increases in respect of the Indian operations. The precarious power situation in Tamil Nadu, India impacted the operations of this business as a significant part of its manufacturing for India is being done in this State. Consequently operating profits was severely dented as a result of the overall cost push.

During the year, investments were done to increase capacity in certain mass market products and also certain categories of standard industrial products. This will help the business to address the increased market requirements for these products.

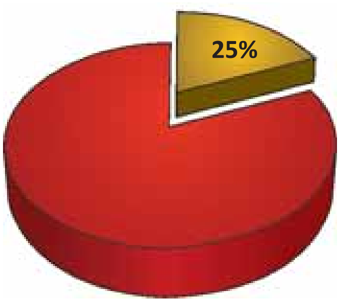
As a result of the lower revenues coupled with cost increases, the abrasives business recorded a decline in profit before interest and tax on a consolidated basis and on a standalone basis.

(Rs. Million)

Key financial summary	Consolidated			Standalone		
	2012-13	2011-12	Change	2012-13	2011-12	Change
External revenue	8,092	8,304	(3%)	6,073	6,092	(0.3%)
Operating profits before interest & tax (PBIT)	836	1,241	(33%)	794	1,034	(23%)
Capital employed	5,393	4,606	17%	3,283	2,963	11%
Contribution to total net external revenue of CUMI	42%	42%		56%	55%	
Contribution to total segment operating PBIT of CUMI	43%	34%		61%	51%	

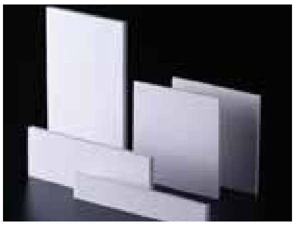
CERAMICS

Share of Ceramics segment in the total revenue



PRODUCTS





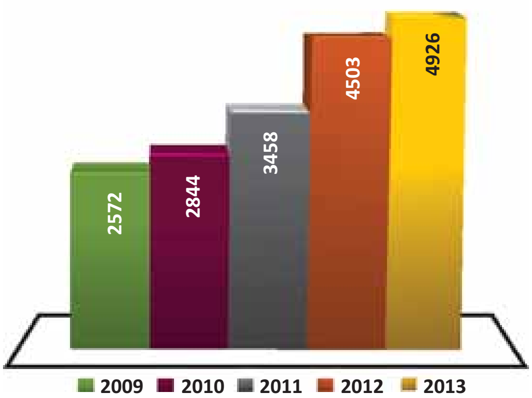

PEOPLE

Rajesh Khanna
Sr. Vice President, Ceramics

R Rajagopalan
Sr. Vice President, Refractories & Prodorite.

PERFORMANCE

Consolidated Revenue (Rs. Million)



BUSINESS PROFILE

As a consolidated entity, the ceramics business has three product groups viz. industrial ceramics, super refractories and anti corrosives. Industrial ceramics business offers alumina and zirconia products of technical ceramic grades addressing wear and corrosion protection, electrical insulation, thermal protection and ballistic protection applications. 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 Murugappa Morgan Thermal Ceramics Limited and Ciria India Limited. The anti-corrosives product group offers acid resistant cements, polymer concrete cells and various other products addressing the anticorrosion requirements of industries.

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

The operations are carried out through eleven manufacturing facilities located in India, Australia, South Africa and Russia. The subsidiaries in North America, 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 one of the major players in India, Australia and Russia in specific product groups. The Company caters to customers located in over thirty countries.

INDUSTRY SCENARIO

There has been no material change in the ceramics industry structure in India, which is catered to by a few major players. CUMI is a highly respected player in certain market segments.

In Australia, CUMI Australia is one of the major players in the lined equipment and industrial ceramic tiles industry. There are about a dozen players in the industry, most of whom market products that are imported from China and USA.

The refractory industry in Russia is a highly fragmented market with several players. The Company is a small player in the industry.

There was no major change in the industry structure during the year.

SALES OVERVIEW

Revenues of the ceramics business grew by 9 per cent, on a consolidated basis primarily driven by the growth in industrial ceramics. Revenues (excluding captive sales) for the year were Rs. 4926 million on a consolidated basis and Rs. 3224 million on a standalone basis.

In the Indian operations, industrial ceramics recorded good growth primarily driven by the increased sales of ceramic lined equipment and grinding media. Sales of metallised products and engineered ceramics was maintained at about last year's levels despite the lower off take from customers in the Indian and overseas markets. To counter the effects of the slowdown and as a de-risking approach, the business has started work on developing new customers. Over capacity and squeeze in margins aggravated the weak market trend. In Australia, sale of ceramic products increased by 12 per cent despite stiff competition.

Turnover of the refractories business in India declined due to lower off-take of fired products. The order inflow from the projects segment, particularly glass and ceramics industry, dropped sharply. Sales of anticorrosives registered good growth. This helped to partly offset the lower sales in the fired segment. Sales through channel partners helped to supplement the overall selling effort. Sales of refractory fibre by the Company's joint venture, grew marginally despite the soft market conditions and the cost increases which hurt price competitiveness. The refractory design and installation services business, which is also addressed through a joint venture, recorded lower sales.

In Russia, nitride bonded silicon carbide refractories continued to perform well registering a good growth over the previous year. Given the encouraging response in the market, the manufacturing capacity has been expanded. Sales of refractories of the newly acquired South African subsidiary was lower than plan as the expected order inflow from a key customer did not materialize. However diligent marketing efforts have been undertaken to widen the customer portfolio and also increase the geographical spread of the customer base.

Sales of anti corrosion products also registered strong growth, particularly in the export markets. The efforts to establish new customer relationships and enter into new geographies, which were commenced last year, yielded good results.

MANUFACTURING

The Company has concluded a technology tie up with reputed refractory makers in Europe for manufacture of high end refractory solutions. The tie-up has helped the Company to widen its spectrum of product offerings and also address new end user segments which were hitherto untapped. Investment in capital equipment have been commenced to manufacture these new categories of refractories.

The new line for manufacture of fibre reinforced plastic (FRP) composites which was completed last year performed well and sales of these products has been very encouraging.

Additional investments in various machinery and equipment were made during the year addressing the needs for added capacity, enhancement in product configuration to meet customer expectation, line balancing, improvement in productivity and new products.

The industrial ceramics plant at Hosur, India and the super refractories plant at Ranipet, India have received the integrated management system certification during the year. TPM initiatives have been commenced in certain plants and would be taken forward during 2013.

Last year, the Company had entered into a joint venture with an international partner for manufacture of ceramic foam based refractory products. Construction of the pilot plant in Kerala, India is progressing and is expected to be completed in 2013-14.

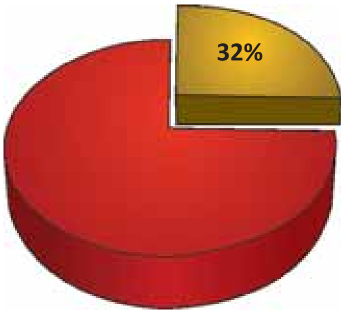
As a result of the operating cost increases, the ceramics business recorded a decline in operating profit before interest and tax on a consolidated basis and on a standalone basis.

(Rs. Million)

Key financial summary	Consolidated			Standalone		
	2012-13	2011-12	Change	2012-13	2011-12	Change
External revenue	4,926	4,503	9%	3,224	3,170	2 %
Operating profits before interest & tax (PBIT)	793	899	(12%)	425	547	(22 %)
Capital employed	3,738	3,589	4%	2592	2,495	4 %
Contribution to total net external revenue of CUMI	25%	23%		30%	29%	
Contribution to total segment operating PBIT of CUMI	41%	25%		33%	27%	

ELECTROMINERALS

Share of Electrominerals segment in the total revenue



PRODUCTS

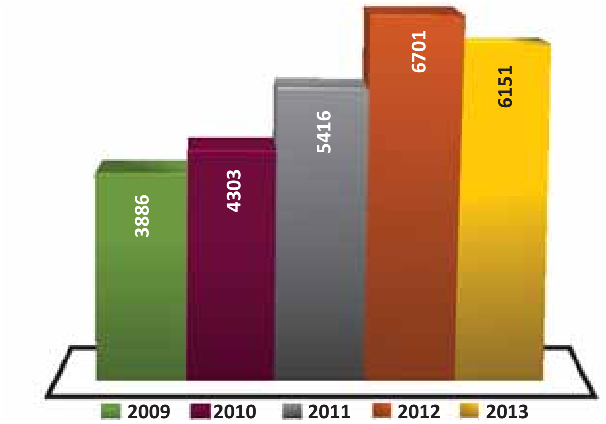
PEOPLE

N Ananthaseshan
Sr.Vice President, Electrominerals

Sergey Kostrov
General Director, VAW

PERFORMANCE

Consolidated Revenue (Rs. Million)



BUSINESS PROFILE

As a consolidated entity, the major product groups of this business segment are fused alumina (comprising brown and white alumina), silicon carbide, fused zirconia, alumina zirconia and zirconia mullite. The company also manufactures a range of 'specialities' like semifriable, Azure-S and plasma powders for niche markets. The operations are carried out through seven 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 a captive power plant.

INDUSTRY SCENARIO

In fused alumina, the company is largely a national player with customers based in 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 the global electrominerals business, the Company continues to retain its position as one of the reputed manufacturers of silicon carbide and fused zirconia. The silicon carbide industry has been impacted by the adverse developments in the solar power industry in Europe which was emerging as a lucrative segment for this business. This could see some of the smaller players making an exit. Barring the changes that are happening from the above developments, there was no major change in the industry structure.

SALES OVERVIEW

The electrominerals business recorded revenues (excluding captive supplies) of Rs.6151 million on a consolidated basis and Rs. 1503 million on a standalone basis. The decline in revenues was a result of the difficult market conditions and also the setback in the solar wafering industry. Sluggishness in off-take was witnessed across all product segments.

Sales of silicon carbide by the Russian operations declined. While off-take from the domestic Russian markets improved, exports to the European and other markets declined. Revenues were also impacted by a shift in the product mix to low value products due to market conditions.

The Indian operations witnessed a marked drop in sales primarily on account of lower exports of silicon carbide products to the solar wafering industry and also the slowdown in the key user industries which impacted sales of brown fused alumina and silicon carbide. The business managed to retain its major customers who still continued wafering operations, on the back of highly consistent quality, supported by aggressive pricing. Efforts to identify alternative end uses for speciality silicon carbide products as a longer term initiative are being continued. Sales of ceramic grains has shown good growth. Price realization across product lines was stable during the year under review, except for the silicon carbide products.

Sales of fused zirconia from the South African operations was adversely impacted. Off-take from European customers was sluggish as a result of the financial crisis in the European Union. Increase in production costs leading to higher prices diminished sales opportunities. The initiatives commenced last year to widen customer base and make an entry into new geographies started yielding results. New customer accounts were opened during the year as a result of these efforts.

In the fused minerals operation in South Africa, which was acquired during the second quarter of the year, the process of integrating the operations with the overall Company was taken up. The business has started receiving schedule orders from a key customer. Trial supplies have been made to a few new customers and these have shown promise of maturing into regular orders. Price realization for minerals was low in the served markets.

MANUFACTURING

In Russia, the silicon carbide fusion facilities and the crushing and grading operations were operated to meet the product mix requirements of the market. The Company was able to take advantage of its inherent flexibility in its manufacturing process, to tune production to generate more metallurgical products instead of crystalline products which helped it to mitigate the impact of the market downturn.

The profitability of the Indian operations were significantly impacted by the lower power generation at the captive hydel power plant at Maniyar (Kerala, India). Lower rainfall in Kerala adversely impacted power generation and consequently the profitability of this operation. The silicon carbide plant at Koratty received OHSAS certification. Work has been done on increasing operating efficiencies in logistics and procurement.

In South Africa, production levels of the plant at Foskor Zirconia were moderated to adjust to the sluggish off-take from customers and also to reduce inventory levels. Construction of the new tilt furnace for manufacture of bubble zirconia, which was commenced last year, has taken longer than originally planned. The plant has been commissioned towards the end of the year. In the newly acquired fused minerals unit, the production is being streamlined and as such production volume was low.

Operating margins of the business were impacted on account of increase in prices of key inputs like power and calcined alumina. The difficult market situation did not allow price increases to be passed on to customers.

As a result of lower price realization, steep increase in cost of power and also the adverse product mix in the silicon carbide business, the electrominerals business recorded a steep drop in operating profit before interest and tax on a consolidated basis and on a standalone basis.

(Rs. Million)

Key financial summary	Consolidated			Standalone		
	2012-13	2011-12	Change	2012-13	2011-12	Change
External revenue	6,151	6,701	(8%)	1503	1,790	(16%)
Operating profits before interest & tax (PBIT)	234	1,398	(83%)	73	440	(83%)
Capital employed	5,335	4,945	8%	1507	1,603	(6%)
Contribution to total net external revenue of CUMI	32%	34%		14 %	16 %	
Contribution to total segment operating PBIT of CUMI	12%	39%		6 %	22 %	

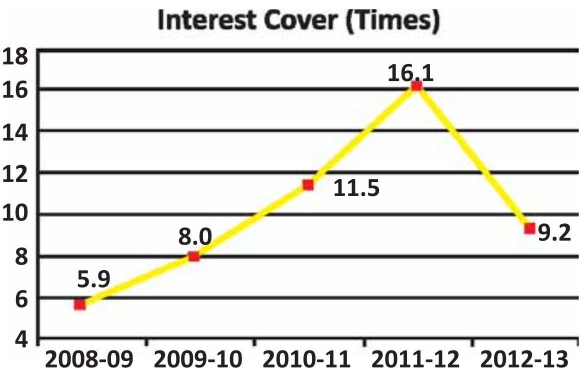
FINANCE AND HUMAN RESOURCES

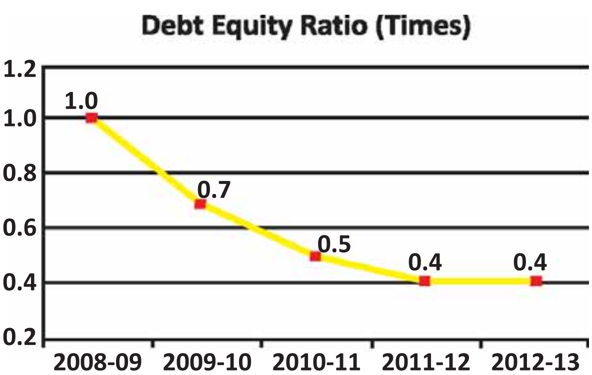
PEOPLE

Sridharan Rangarajan
Chief Financial Officer

M Muthiah
Sr. Vice President, HR

PERFORMANCE





PROCESSES

Training & Skill building initiative

FINANCE

During the year, the Company generated Rs. 1952 million of cash surplus from its operations on a consolidated basis.

All debts have been serviced in time including repayment of long term external commercial borrowings. The acquisition of Thukela Refractories, South Africa was financed, by way of a fresh long term foreign currency loan. The capital expenditure program was financed largely from internal accruals.

The Company continued to retain its strong credit ratings - 'P1+' for short-term borrowings and 'AA+ Stable' for long-term borrowings - from CRISIL. Over the years, the Company has been resorting to a prudent mix of rupee and foreign currency borrowings to finance its operations and achieve reduction in financing cost.

With the Indian entity enjoying a significant natural hedge, a cautious approach was adopted to hedge the remaining exposures. The company engages healthy tax management practices. During the year, the Government renewed the recognition for the in-house Research and Development facility which enables the Company to get weighted tax deduction benefits for research and development expenses. Steps have been taken to get a similar recognition for one more R&D facility.

The Company's long term debt equity ratio continues to be healthy at 0.19 on a standalone basis and 0.41 on a consolidated basis.

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.

HUMAN RESOURCES

In a year which witnessed challenging business conditions, CUMI's human capital was a strong pillar of support in keeping the organization on an even keel. The company's commitment to people development continued as before. HR activities during the year addressed six key imperatives – capability development, talent management, employee engagement, productivity & cost, safety & health and community initiatives.

CAPABILITY DEVELOPMENT

In order to increase the Company's impact on a China centric world, an orientation programme on opportunities and challenges in a global scenario was completed for the senior management team using external experts from China. Our association with reputed Indian and International Universities / Institutes continued this year also. A few handpicked employees were trained in these universities/institutes to enhance global exposure. A core research & development team has also been set up to work on various focus projects.

TALENT MANAGEMENT

Based on the competency assessment findings, programmes were undertaken across the organization. A career development programme was launched with this objective, covering employees in the top two tiers focusing on customer centricity and action focus.

Processes to identify and nurture high potential employees for future leadership positions were initiated during the year. Based on a rigorous evaluation process, candidates identified will be undergoing focused and personalised development plans to equip them to take on leadership roles.

EMPLOYEE ENGAGEMENT

In order to foster employee engagement and create an exciting work place, several initiatives were carried out across all divisions. The focus was primarily on involvement, team work and motivation with elements of fun, knowledge and appreciation. From celebrating significant occasions, to communication meetings with senior leaders every quarter – employees and their families participated in a host of activities. The second round of the Employee Engagement Survey – 'Voice of CUMI' is in progress and the results will help evaluate the effectiveness of employee engagement and welfare measures taken during the year.

PRODUCTIVITY & COST

Total Productive Maintenance activities led to a series of initiatives at the shop-floor level for the skill enhancement of operatives and team members across all business units of the company. The CUMI Centre for Skill Development, set up to improve the employability of unskilled youth has started functioning at Hosur. This institute will constitute a source of trained manpower to meet the company's needs for a skilled workforce in future. Many useful suggestions received through Total Employee Involvement activities at the shop floor level for increasing operational efficiency and cost cutting were implemented. Relationship with the work force across all manufacturing units was generally harmonious.

HEALTH & SAFETY

In order to maintain a safe working environment, awareness sessions, training on usage of personal protective equipment and initiatives to identify and eliminate unsafe working conditions were a focus area at the unit level. These dedicated efforts have resulted in reduced occurrence of accidents. All locations strive constantly towards a Zero Accidents scenario. Initiatives on preventive health care for all employees backed by the online health monitoring system have been continued.

COMMUNITY INITIATIVES

Structured and need based community initiatives took place across the Company. The Company's efforts to bring about a positive change in communities around its manufacturing units have started showing results especially at Hosur and Edapally in India, leading to enhanced goodwill with the neighboring community.

The total staff on rolls, of the Company (including joint ventures and subsidiaries) was 4849 with 2825 people in India.

AWARDS & ACCOLADES

CUMI's employees excelled in different functions and have won awards and recognitions from different forums. "Managerial Excellence 2012" award of Madras Management Association under manufacturing category was won by Super Refractories team. Electro Minerals Division has won the 'Best Technology Innovation Award' from Kerala Management Association. Maniyar Hydro-power project has won productivity award from Kerala Productivity Council. The Government of Kerala bestowed the Safety Award to the Edapally Plant-1. Sergey Kostrov, General Director, Volzhsky Abrasive Works, Russia was conferred the 'Best CEO' Award.

SUBSIDIARIES' PERFORMANCE AND BUSINESS OUTLOOK

PEOPLE

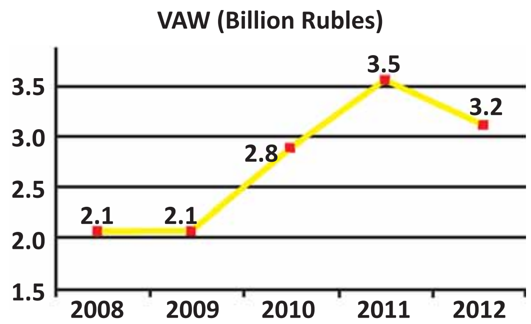
Trevor Allen
MD, CUMI - Australia

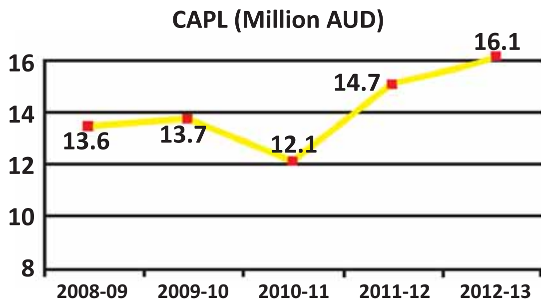
Nachi Meyyappan
CEO, Foskor Zirconia

Daryll Wu Feng
President - CUMI China

Nirav N Parikh
MD, Sterling Abrasives

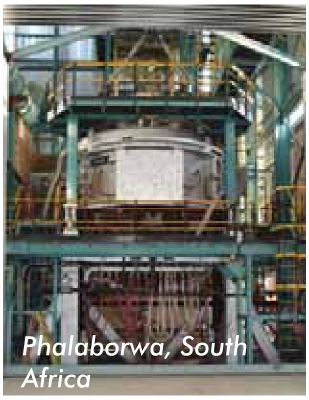
PERFORMANCE





EXPANSIONS

Edappally, India



Phalaborwa, South Africa

PERFORMANCE OF SUBSIDIARIES

Turnover of Volzhsky Abrasive Works, Russia recorded a decline over the previous year due to difficult market conditions. While sales of electrominerals and abrasives declined during the year, that of nitride bonded silicon carbide products gained good acceptance driving up the sales of the refractories business. Turnover for the year ended 31st December 2012 was RUB 3.2 billion.

In South Africa, revenue of Foskor Zirconia at ZAR 163 million witnessed a marked decrease as a result of the volatility in the price of Zirconia products coupled with lower off take from customers in Europe. Because of the impact of the fixed costs on lower revenues, the operation incurred a loss for the year.

CUMI Australia performed well recording double digit growth in sales. Turnover of AUD 16 million for the year was made possible by strong growth in sales of lined equipment and wear resistant liners. There was intense competition for standard products. Investments in additional sales people helped to increase customer contact and off-set the drop in sales from certain customer segments.

With a turnover of Rs.527 million, Sterling Abrasives recorded a growth of 9 per cent aided by good growth in export sales. The additional capacities built up in recent years helped the Company to cater to the increased requirements of the market.

CUMI Abrasives and Ceramics Co. Ltd., the Chinese subsidiary closed its third full year of operations clocking a turnover of CNY 34 million for the year ended December 2012, a growth of 33 per cent over previous year.

During the year it was decided to consolidate the operations of CUMI Canada into CUMI America. Consequently the revenues of CUMI America recorded a steep growth (USD 2.3 million), driven mainly by increase in sales of industrial ceramics. Sales of bonded abrasives grew moderately over the previous year. CUMI Canada recorded lower revenues at CAD 1.7 million. The consolidation exercise is planned to be completed during 2013-14.

CUMI Middle East has recorded a dramatic increase in turnover from USD 1.4 million to USD 3.3 million. The initiative to diversify the operations to focus on sales of new products helped the business to achieve this sales increase. This performance was achieved amidst tough competition and difficult market conditions through strong marketing efforts.

In Cellaris Refractories India Limited, construction of the pilot plant for manufacture of ceramic foam is progressing. The plant is expected to go into regular production during 2013-14.

Southern Energy Development Corporation Limited, the power generation subsidiary, recorded a turnover of Rs.212 million, an increase of 23 per cent over previous year. The Company undertook a major capital expenditure programme for replacement of its gensets.

Net Access India Limited, which provides IT facilities management and managed services, increased revenues by 23 per cent and achieved a turnover of Rs.198 million. The Company received ISO 9001:2008 certification. The Company received its first overseas assignment and successfully completed it during the year.

Thukela Refractories Isithebe Pty. Ltd., recorded a turnover of Rand 45 million largely driven by the refractories business during its 8 months of operation post acquisition.

CUMI International Limited, Cyprus recorded a total income of USD 5.3 million representing mainly dividend income for the year ended December 2012. In March 2013, the Cyprus Government had imposed restrictions in respect of cash out flows due to the crisis in the banking industry. The situation is expected to ease out during 2013-14.

Consolidated financial statements (incorporating the financial results of the company, its subsidiaries, joint ventures and associate) have been provided in the Annual Report. A statement containing the key financial highlights of each subsidiary, based on the financial statements prepared by them under applicable local regulations for their respective financial years, is also attached.

RISKS, CONCERNS AND THREATS

Price volatility and availability of raw material are challenges which have increased in magnitude in recent times. Similarly rising energy (power and fuel) cost is one of the key challenges which need to be continuously addressed. Apart from pricing, in some locations availability of power becomes a constraint, compelling the Company to generate power through more expensive options. To the extent permitted by market dynamics, input cost increases are passed on to customers. Further, longer term supply contracts, which provide some stability, are also concluded. Efforts are also continuously being taken to improve the consumption norms for input materials by close monitoring and efficiency improvement steps. Technology alternatives to address shortage of such items are also pursued to address the situation. Firing processes are also periodically upgraded by improving loading density and by kiln / oven modifications.

Since the Company operates in multiple geographies with cash inflows and outflows to different regions, risks arising from adverse currency movement is an ongoing challenge. This risk is sought to be mitigated by adopting a policy based approach, periodic monitoring and use of hedging instruments.

The Company also seeks to address possibilities of technology gaps through the technical teams continuously benchmarking existing manufacturing processes with developments in the industry and arrangements with technical research institutions and technology consultants. The in-house research and development teams are also being strengthened further with infusion of fresh talent with international exposure.

The Company's operations are spread across several countries. This exposes the Company to diversity in the policy approaches of governments in various countries. Threats to business can also emerge from unexpected changes in policies, like the significant scale-back in incentives to the photovoltaic industry in Europe last year. The Company would be continuously scanning the environment to spot such trends early enough, so that steps to mitigate the adverse effects can be initiated in time.

BUSINESS OUTLOOK AND OPPORTUNITIES

According to the World Economic Outlook – April 2013 of the International Monetary Fund (IMF), global economy is expected to continue mending gradually. The report forecasts a real global GDP growth of 3.3 percent on an annual average basis in 2013, about the same as the 3.2 percent growth seen in 2012.

As per the Economic Survey of India published by the Government of India in February 2013, the economy is expected to grow in the range of 6.1 to 6.7 per cent in 2013-14. These projections assume a normal monsoon, further moderation in inflation as expected (to induce further relaxation of the tight monetary stance) and mild recovery of global growth as anticipated.

Though India has been seeing a marked slowdown since last year, the long term growth opportunities for the country continue to appear positive, considering various factors particularly demographics. But India continuing on a rapid growth path is not pre ordained. Besides several circumstances, it requires deft policymaking and a broad vision of the future. A revival in growth would see large investments coming into infrastructure which would stimulate various sectors such as steel, power, glass, general engineering, etc. Since the Company's businesses directly or indirectly serve these sectors, when the upswing does return, the Company would benefit from the buoyancy. Further, most of the Company's operations are located in countries belonging to the emerging economies block, which gives it the necessary positioning to leverage the benefits of any uptrend in these economies.

However, given the medium term outlook of a slower pace in the global economy, the Company will pursue growth with cautious optimism. Efforts will continue to be taken to improve operating efficiencies, address new market segments, explore new geographies, enhance customer intimacy and thereby pursue fuller utilization of available capacities. Investment opportunities in capex and technology will be evaluated judiciously and pursued. With this approach, it is expected that the Company would be able to deliver improved results in the coming year.

GOVERNANCE

BOARD OF DIRECTORS

Mr. Subodh Kumar Bhargava and Mr. T L Palani Kumar retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment. Mr. Subodh Kumar Bhargava has expressed his desire not to seek re-election in line with past convention. The Board wishes to place on record its sincere appreciation for the contributions made by him to the Company during his tenure.

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.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

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 annual accounts for the financial year ended 31st March 2013 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 annual accounts have been prepared on a going concern basis.

CORPORATE SOCIAL RESPONSIBILITY

Apart from the initiatives undertaken by the Company on its own (which is outlined in the human resources section), support to institutions engaged in philanthropic purposes in the field of education and health-care and also for scientific research was continued as in the past.

ENERGY CONSERVATION, TECHNOLOGY, ETC.

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, channel partners, suppliers, employees, government authorities, banks and other business associates.

On behalf of the Board
M M Murugappan
Chairman

Chennai
29th April 2013

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. All information furnished relates to Carborundum Universal Limited, India as a standalone entity.

ENERGY CONSERVATION

Initiatives

Energy conservation initiatives during the year were inter alia in the form of improvements in driers, optimizing plating operations and installation of energy efficient blowers. Savings in fuel cost for kilns was achieved by modification in kilns and reduction in firing cycle time. Total amount expended during the year on these initiatives was Rs.4 million and these are estimated to yield an annualized cost saving of Rs.5 million.

During 2013-14, a sum of Rs. 7 million is planned to be spent on energy conservation initiatives and these are expected to give annualized benefits of Rs. 9 million. These will include replacement / improvement of recuperators, improvements in agitators tanks and air compressors, power and transformer modifications, temperature optimization in certain kilns, installation of energy efficient compressors, various total productive management initiatives and optimizing the use of diesel gensets.

The energy consumption details for super refractories are as follows:

Power and fuel consumption

Description		2012-13	2011-12
A. Power and fuel consumption			
a.	Electricity		
i.	Purchased		
	Units (Kwh)	2,069,430	2,855,331
	Total amount (Rs. million)	18.37	17.93
	Rate per unit (Rs.)	8.88	6.28
ii.	Own (Through Diesel Generator)		
	Units (Kwh)	928,646	629,899
	Units per litre of diesel oil	3.13	3.26
	Cost per unit (Rs.)	15.11	13.29
b.	Furnace Oil		
	Quantity (litres)	249,327	362,751
	Total cost (Rs. million)	10.33	13.56
	Rate per unit (Rs.)	41.43	37.39
c.	Others (kiln fuels)		
	Quantity (litres)	2,119,698	2,863,368
	Total cost (Rs. Million)	94.18	114.67
	Rate per unit (Rs.)	44.43	40.05

Description		2012-13	2011-12
B. Consumption per tone of production			
i.	Electricity (in Units)		
	Fired Products	447	387
	Monolithics (including Refractory Cement)	44	41
ii	Fuel (Litres)		
	Kiln fuels for fired products	443	420
	Furnace oil used for high grade refractory cement	165	191

RESEARCH AND DEVELOPMENT

Specific areas in which R&D was carried out

Research and developments efforts during the year focused on new product development, new formulations for specific product markets and developing customized products.

Benefits derived

These initiatives helped the Company to develop high performance grains for abrasive products, new range of fine grit products for specific applications, custom-made monolithic refractories and fired products for iron, steel and glass industries, new varieties of industrial ceramics addressing the die-casting industry, chemical/wear applications, parabola reflector segment and high end medical applications and also new variety of electrominerals which are less energy intensive. The research initiatives have also helped the Company to take certain initial steps in the bio ceramics segment and also develop products for high impact applications.

Future Plans

Plans for 2013-14 include developing capability to manufacture certain key raw materials, sintered silicon carbide, development of ultra fine powders using various input materials for use in ceramic products, new varieties of kiln furniture refractories. Techno manufacturing and techno commercial projects would also be addressed to achieve quality improvement and cost savings.

Expenditure on R & D

(Rs. million)

Capital	18
Recurring	51
Total	69
Total expenditure as a percentage to turnover	0.6%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

During the year technical teams addressed their efforts to absorb the technologies procured recently. The teams also worked on adapting the technical Knowhow which are already available within the company for new applications, new products, manufacturing process improvement and product improvements to meet the specific requirements of customers.

Benefits derived as a result of the above efforts

The efforts put in by the technical teams resulted in development of new varieties of grains, bonds and backing material and also concepts for manufacture of vitrified and resinoid bonded abrasives and coated abrasives for various applications including thread grinding, rice polishing, bore grinding, piston grinding etc. Work was also carried out in low temperature firing and special treatment of grains and resins. All businesses worked also on absorbing the technology procured from third part sources.

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
High performance refractories	2008-09	Yes	–
Non woven abrasives	2010-11	Yes	–
Armor Plates	2011-12	Yes	–
Metallized Devices	2011-12	Yes	–
Ultrafine SiC powder	2011-12	Yes	–
Rubber cork bonded wheels	2011-12	Being absorbed	Shipment of equipments for manufacturing these products are in progress and trial production is planned to be taken up during 2013-14.
Special fired refractories for high end applications	2012-13	Being absorbed	The technology is being absorbed in a phased manner .
Special monolithic refractories for specific industries	2012-13	Being absorbed	The technology is being absorbed in a phased manner.

EXPORTS

As a result of the market downturn in the served international markets, export revenues was Rs.2244 million as against Rs.2435 million in the previous year. Exports of refractories and anti-corrosives registered strong growth. Overseas revenues from sales of abrasives and industrial ceramics were maintained at about last year's levels. Increase in exports to the Australian subsidiary helped the industrial ceramics business to off-set the lower off-take from other customers. Exports of electrominerals recorded a sharp fall due to drop in off-take from the photovoltaic segment.

Efforts to open new customer accounts and to enter into new export markets yielded encouraging results. Relationship with existing customers was strengthened with repeat orders from several customers. Product approvals have also been received from a few prospective customers which is expected to translate into order inflow in future. The overseas subsidiaries played a critical role in garnering orders for several key product segments and supplemented the Company's efforts in its foray into new markets.

The Company continued to adopt country specific strategies for market entry and development, nurture strategic relationships with large volume buyers and foster customer intimacy by customizing products to meet their specific requirements.

The various approaches adopted during the current year will continue to be pursued next year to increase export sales.

(Rs. million)

Foreign Exchange Earnings	2,322
Foreign Exchange Expenditure	
- Raw materials & other payments	2,028
- Capital Equipment	151

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 2012-13 are as follows:

Name and Age	Designation / Nature of duties	Gross remuneration paid (Rs)	Qualification and Experience (years)	Date of commencement of employment	Previous employment
1	2	3	4	5	6
Muthiah M (53)	Senior Vice President, Human Resources	6,001,656	M.A (SW) and PG Dip. In Management (29)	15.10.2003	Plant HR Head, Hyundai Motor India Ltd.
Rajagopalan R (54)	Senior Vice President, Refractories & Prodorite	6,123,167	B.E. (Mech), MBA (OUBS) (33)	01.04.1982	-
Ramesh V (56)	President - Abrasives	9,549,397	B.Com., Grad CWA, PGDM (IIM) (33)	15.11.2006	President – TVS Finance & Services Ltd.
Srinivasan K (55)	Managing Director	16,984,957	B.Tech (Mech) (33)	30.01.2002	Vice President Wendt (India) Ltd

Notes

(a) Remuneration as shown above includes salary, allowances, company's contribution to provident, superannuation and gratuity funds, medical facilities and perquisites valued as per income-tax rules. Employee Stock Options granted to employees are accounted based on intrinsic value, as permitted by applicable SEBI Guidelines. Since options are granted at the closing market price prior to date of grant, the intrinsic value is nil.

(b) (i) The persons mentioned above are wholetime employees of the company and the nature of their employment is contractual and terminable with 3 months notice.

(ii) Mr. K Srinivasan 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.

(c) The above mentioned employees are not relatives (in terms of the Companies Act, 1956) of any director of the Company. Further no employee of the Company is covered by the provisions of Sec.217(2A)(a)(iii) of the Companies Act, 1956

(d) The remuneration details are for the year 2012-13 and all other particulars are as on 31.3.2013.

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 of this scheme as on 31.3.2013 are being provided:

Nature of Disclosure	Particulars
a. Details of Options granted	
(i) Total number of options granted	4,528,600 options have been granted till 31.3.2013
(ii) Vesting Schedule	The vesting of options granted, is based on the annual performance rating for each financial year and as per the following schedule:- (a) In respect of 4,194,200 options, 20% each on expiry of 1 and 2 years from the date of grant and 30% each on expiry of 3 and 4 years from the date of grant. (b) In respect of 334,400 options, 40% on expiry of one year from the date of grant and 30% each on expiry of 2 and 3 years from the date of grant.
(iii) Entitlement to equity shares	Each Option, upon vesting gives the grantee a right to subscribe to one equity share of Re.1/- each of the company as per the pricing formula given in item (b). The Options carry a right to subscribe to equity shares at the latest available closing price on the Stock Exchange which reports the highest trading volume, prior to the date of grant of the Options.
(iv) Exercise Period	(a) In respect of 4,194,200 options, the grantee has a right to subscribe within 3 years from the date of vesting for the first tranche and 6 years from the date of vesting for the subsequent tranches (b) In respect of 334,400 options, the grantee has a right to subscribe within 3 years from the date of vesting, for 50 per cent of the first tranche, and 6 years from the date of vesting for the remaining 50 per cent of the first tranche and all subsequent tranches.
b. The pricing formula	The Options carry a right to subscribe to equity shares at the latest available closing price on the Stock Exchange which reports the highest trading volume, prior to the date of grant of the Options
c. Options vested	1,523,552 (as on 31.3.2013)
d. Options exercised	760,344 (since inception of the scheme)
e. The total number of shares arising as a result of exercise of options	2,531,952 equity shares assuming all outstanding options are exercised
f. Number of Options lapsed / cancelled (upon retirement / resignation/ based on performance rating)	1,236,304 (since inception of the scheme)
g. Variation of terms of options	Since inception of the scheme, the performance based vesting criteria has been amended. Further the exercise period for the options have been extended from 3 years to 6 years for the 2nd, 3rd and 4th vests. In respect of the 1st vest, the exercise period continues to be 3 years except in respect of the 334,400 option mentioned above for which 50 per cent is exercisable within 3 years and balance 50 percent within 6 years.
h. Money realised by exercise of options	Rs.69.84 million (since inception of the scheme)
i. Number of options in force	2,531,952 (as on 31.3.2013)

Nature of Disclosure	Particulars
j. Senior Employee wise details of options granted to: (i) Senior Management Personnel	Numbers in brackets represent number of options granted K Srinivasan, Managing Director (443,800), V Ramesh, President - (Abrasives) (266,400), M Muthiah, Senior Vice President- HR (168,400), R Rajagopalan, Senior Vice President – Refractories and Prodorite (201,400), P L Deepak Dorairaj, Senior Vice President – International Business & Exports – Abrasives (200,400), N Ananthaseshan, Senior Vice President – Electrominerals (200,400), Sridharan Rangarajan, Chief Financial Officer (264,000), S Dhanvanth Kumar, Vice President & Company Secretary (97,600)
(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:	Shekar Venkat (40,600), G Anil Kumar (40,600), D V Badrinath (50,800), Satheesh A R (74,800), Alagappan P (74,800), D Vijayalakshmi (74,800), Ramesh K (88,600), Sivakumaran M V (88,600), Ranjan Dey (93,400), Padmanabhan P (93,400), Rajiv Pruthi (73,600), N A S Balasubramaniam (156,000), P Nandakumar Nair (33,500), Rajeev Singhal (33,500), Vipin Malik (33,500), Shastry J H (33,500)
(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 options calculated in accordance with Accounting Standard AS-20.	Rs. 3.97*
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.	The employee compensation cost for 2012-13 would have been higher by Rs. 36.64 million had the company used the fair value of options as the method of accounting instead of the intrinsic value.*
(ii) Impact of the difference mentioned in (i) above on the profits of the company	The profits before tax for 2012-13 would have been lower by Rs. 36.64 million had the Company used the fair value of options as the method of accounting instead of the intrinsic value.*
(iii) Impact of the difference mentioned in (i) above on the EPS of the company	The basic and diluted EPS would have been lower by Rs.0.13.*

*On a standalone basis

Nature of Disclosure	Particulars					
m. Weighted-average exercise prices and Weighted-average fair values of options separately for the options whose exercise price is either equal to or exceeds or is less than the market price.						
	Above Market Price*		At Market Price*		Less than Market Price*	
	No. of Options	Price	No. of Options	Price	No. of Options	Price
(i) Weighted Average Exercise Price	988,508	90.80	-	-	1,543,444	133.35
(ii) Weighted Average Fair Value	988,508	39.25	-	-	1,543,444	60.83
*Market Price as on 31.03.2013 - Rs.118.45 i.e. closing price on the National Stock Exchange of India Ltd.						
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	7.87%					
(b) Expected life of the Option	Varies from 2.5 years to 7 years depending on the respective date of vesting					
(c) Expected volatility	39.34%					
(d) Expected dividend yields	1.77%					
(e) Price of the underlying share in market at the time of option grant	Rs. 116.74 per equity share					

The certificate from the Statutory Auditors under the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines 1999 (“Guidelines”) confirming that Carborundum Universal Limited Employees Stock Option Scheme has been implemented in accordance with the Guidelines and shareholders resolution will be placed before the shareholders at the ensuing Annual General Meeting.

On behalf of the Board

Chennai
29th April, 2013

M M Murugappan
Chairman

FINANCIAL STATEMENTS 2012-13

Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF CARBORUNDUM UNIVERSAL LIMITED.

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **CARBORUNDUM UNIVERSAL LIMITED** (the "Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st March 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and jointly controlled entities referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2013;

   (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

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

Other Matter

7. We did not audit the financial statements of 13 subsidiaries and 2 jointly controlled entities, whose financial statements reflect total assets (net) of Rs.9,508 million as at 31st March 2013, total revenues of Rs.9,855 million and net cash flows amounting to Rs.245 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 by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entities, is based solely on the reports of the other auditors.

   Our opinion is not qualified in respect of this matter.

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

B. Ramaratnam
Partner
(Membership No. 21209)

Chennai
April 29, 2013

Consolidated Balance Sheet as at March 31, 2013

(Rs. million)

	Notes	As at 31.03.2013	As at 31.03.2012
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	187.47	187.40
Reserves and Surplus	4	10404.05	9282.81
		10591.52	**9470.21**
Minority Interest		738.03	774.65
Non-current liabilities			
Long-term Borrowings	5	1975.00	2063.19
Deferred tax liabilities (Net)	6	580.85	505.46
		2555.85	**2568.65**
Current liabilities			
Short-term Borrowings	7	1602.77	1300.31
Trade payables	8	1760.03	1670.42
Other current liabilities	9	1555.64	1541.21
Short-term provisions	10	305.17	290.38
		5223.61	**4802.32**
Total		**19109.01**	**17615.83**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	7390.19	5631.26
Intangible assets	11	44.86	43.56
Capital work-in-progress		837.88	825.54
Goodwill on Consolidation		1001.61	943.51
Non-current investments	12	12.15	12.30
Deferred tax assets (net)	6	78.09	15.45
Long-term loans and advances	13	236.73	318.53
		9601.51	**7790.15**
Current assets			
Current investments	14	243.45	387.72
Inventories	15	4025.92	4086.11
Trade receivables	16	3601.26	3612.32
Cash and Bank balances	17	855.47	1104.70
Short-term loans and advances	18	781.40	634.83
		9507.50	**9825.68**
Total		**19109.01**	**17615.83**

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai
29th April, 2013

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Consolidated Statement of Profit and Loss
for the year ended March 31, 2013

(Rs. million)

	Notes	2012-13	2011-12
Revenue from operations (gross)	19	20714.34	20838.69
Less : Excise duty		1000.29	888.71
Revenue from operations (net)		**19714.05**	**19949.98**
Expenses:			
Cost of materials consumed		6069.15	6328.67
Purchases of stock-in-trade		839.47	766.55
Changes in inventories of finished goods, work-in-process and stock-in-trade	20	218.56	(644.91)
Employee benefits expense	21	2627.32	2343.62
Other expenses	22	7587.60	7248.68
Total		**17342.10**	**16042.61**
Earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA)		**2371.95**	**3907.37**
Finance costs	23	272.07	250.03
Depreciation and amortisation expense	11	711.84	570.18
Less: Transfer from Fixed assets revaluation reserve		0.90	0.90
		710.94	**569.28**
Other Income	24	130.41	114.62
Profit before exceptional items and tax		**1519.35**	**3202.68**
Exceptional Items :			
– Profit on sale of land & buildings		–	10.57
– Profit on sale of long term investments		–	13.74
Profit before tax		**1519.35**	**3226.99**
Tax expense:			
– Current tax		606.51	894.64
– Deferred tax		12.75	13.26
Profit for the year		**900.09**	**2319.09**
Add: Share of Profit from Associate		–	11.16
Less: Minority Interest		2.33	137.29
Profit for the year after taxes, minority interest and share of profit from Associate		**897.76**	**2192.96**
Earnings per equity share:	31		
– Basic		4.79	11.71
– Diluted		4.78	11.67

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai
29th April 2013

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2013

(Rs. million)

	2012–13		2011–12	
A. Cash flow from operating activities				
Net profit before tax		**1519.35**		**3226.99**
Depreciation	710.94		569.28	
Interest and finance charges	272.07		250.03	
(Profit)/Loss on sale of fixed assets (net)	3.35		(5.52)	
Provision for doubtful debts and advances (net)	32.25		34.43	
(Profit)/Loss on sale of investments (net)	(6.34)		(21.94)	
Interest and dividend income	(42.85)		(50.76)	
Excess provision made in the previous years released	(22.10)		(31.29)	
Voluntary retirement scheme payments	1.19		–	
Bad debts	5.13		11.99	
(Profit)/Loss on exchange fluctuation	35.98	989.62	(3.05)	753.17
Operating profit before working capital changes		2508.97		3980.16
Adjustments for				
– Inventories	60.19		(978.41)	
– Long term loans & advances	18.50		9.98	
– Trade receivable	(4.23)		(311.01)	
– Short term loans & advances	(141.17)		(272.15)	
– Trade payables	89.61		82.57	
– Other current liabilities & Provision	25.95	48.85	747.99	(721.03)
Cash generated from operations		2557.82		3259.13
Direct taxes paid		(605.93)		(899.18)
Net cash flow from operating activities (A)		**1951.89**		**2359.95**
B. Cash flow from investing activities				
Purchase of tangible fixed assets	(2069.53)		(1682.00)	
Purchase of intangible assets	(73.33)		(13.11)	
Sale of Fixed assets	48.22		176.99	
Sale of Investments	6.49		485.92	
Dividend received	21.16		19.72	
Interest received	21.49		30.95	
Net cash flow from investing activities (B)		**(2045.50)**		**(981.53)**
C. Cash flow from financing activities				
Repayments of Long term borrowings (net)	54.77		(426.52)	
Proceeds from other borrowings (net)	302.45		333.98	
Proceeds from issue of equity shares	6.87		41.64	
Interest paid	(271.20)		(289.22)	
Paid to Investor Education and Protection Fund	(0.47)		(0.40)	
Dividend paid	(385.91)		(524.15)	
Net cash from / (used in) financing activities (C)		**(293.49)**		**(864.67)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(387.10)**		**513.75**
Cash and cash equivalents opening balance		1474.48		960.73
Cash and cash equivalents closing balance		1087.38		1474.48
Net increase/(decrease) in cash and cash equivalents		**(387.10)**		**513.75**
Reconciliation of cash and cash equivalents with the Balance sheet				
Cash and Bank balances as per balance sheet		855.47		1104.70
Add : Cash and bank balances of TRIL at the time of acquisition		0.20		–
Less : Bank balances not considered as Cash and Cash equivalents - earmarked account		(11.74)		(17.94)
Add : Current Investments considered as part of Cash and Cash equivalents				
Investments in units of Mutual funds		243.45		387.72
		1087.38		**1474.48**

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai
29th April 2013

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Notes forming part of the Consolidated financial statements

1) a. Corporate information

Carborundum Universal Limited ('CUMI') was incorporated as a Public Limited Company in 1954 and is listed in National and Mumbai Stock Exchanges in India. CUMI manufactures and sells mainly Abrasives, Ceramics (Industrial Ceramics & Refractories) and Electrominerals.

b. Information on Consolidated financials as per Accounting Standard 21, Accounting Standard 23 and Accounting Standard 27

A SUBSIDIARIES:

i) List of Subsidiaries included in the Consolidated financials statements

Name of the Subsidiary	Country of Incorporation	31.03.2013 Share in ownership and voting power	31.03.2012 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%
Cellaris Refractories India Limited	India	51.00%	62.92%
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%
CUMI Abrasives & Ceramics Company Ltd	China	100%	100%
Thukela Refractories Isithebe Pty Limited	South Africa	100%	NIL

ii) Consolidated financial statements are prepared based on the audited financials of the subsidiaries as on 31.03.2013.

iii) During the year the Company acquired 100% stake in Thukela Refractories Isithebe Pty Limited, South Africa through its subsidiary CUMI International Limited, Cyprus

B ASSOCIATE:

During the previous year 2011-12, the Company sold its stake in its Associate M/s.Laserwords Pvt Ltd.

C JOINT VENTURES:

i) List of Joint ventures included in the Consolidated financials statements

Name of the Joint Venture	Country of Incorporation	31.03.2013 Share in ownership and voting power	31.03.2012 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%

ii) Proportionate consolidation is done based on audited financials of the Joint ventures as on 31.03.2013 and as approved by the Board of Directors of that company. In respect of Wendt, the consolidated financials of the company with its subsidiaries Wendt Grinding Technoligies Ltd, Thailand and Wendt Middle East FZE, Sharjah are considered for consolidation.

Notes forming part of the Consolidated financial statements

2) Significant accounting policies:

i. Basis of preparation

The consolidated financial statements of Carborundum Universal Limited (the 'Company') with its subsidiaries, interest in jointly controlled entities 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. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

ii. Principles 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 Consolidated Financial Statements, on a line-by-line basis by adding together the like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra group transactions and resulting unrealized profits/losses, unless cost cannot be recovered.

(b) Investments in associate companies have been accounted for as per Accounting standard 23 Accounting for Investments in Associates in Consolidated Financial Statments, 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 Joint ventures are consolidated as per Accounting standard 27 Financial Reporting of Interests in Joint Ventures, on a line-by-line basis by adding together the book values of assets, liabilities, income and expenses on a proportionate basis to the extent of the groups interest in such entity, after eliminating the group's share of unrealized profits/losses on intra group transactions. Interests of Jointly controlled entities 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 excess of cost to the Group of its investments in the subsidiary companies / jointly controlled entities over its share of equity of the subsidiary companies / jointly controlled entities, at the dates on which the investments in the subsidiary companies / jointly controlled entities were made, is recognised as 'Goodwill' being an asset in the consolidated financial statements and is tested for impairment on annual basis. Alternatively, where the share of equity in the subsidiary companies / jointly controlled entities as on the date of investment is in excess of cost of investments of the Group, it is recognised as 'Capital Reserve' and shown under the head 'Reserves & Surplus', in the consolidated financial statements.

(f) Minority Interest in the net assets of the consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary companies were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiaries attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to shareholders of the Company.

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 (Tangible/Intangible) 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

Notes forming part of the Consolidated financial statements

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, Jointly controlled entities, and Associate depreciation is provided based on the 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 a 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 include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

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 the Company, Trading stocks are valued at weighted average cost and in respect of others, Trading stocks are valued using First in First out method.

viii. Investments

Long term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried individually at lower of cost and fair value.

ix. Revenue recognition

i. Domestic sales are accounted on transfer of significant risks and rewards of ownership to the buyer which generally coincides with despatch of products to customers in the case of domestic sales and on the date of bill of lading in the case of export sales. 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 from 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. Interest income is accounted on accrual basis.

v. 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 Statement of profit and loss. Capital expenditure

Notes forming part of the Consolidated financial statements

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 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 obtains an independent actuarial valuation of the Interest Guarantees as at the Balance sheet date and provides for the shortfall, if any, in the present value of obligation of interest over the fair value of the surplus in the Fund.

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 Statement of profit and loss.

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 jointly controlled entities 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 & jointly controlled entities the Company has provided for employee benefits as per the local regulations.

e. Voluntary Retirement Compensation

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

f. 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 Statement of profit and loss on graded vesting basis over the vesting period of the options.

xiii. Foreign Currency Transaction and Translation

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 Statement of profit and loss.

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

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.

d. All overseas subsidiaries are classified as Non-Integral foreign operations. Transactions are translated at average exchange rates and assets and liabilities are translated at closing exchange rates. The resultant exchange difference are accounted in Foreign Currency Translation Reserve.

xiv. Government grants, subsidies and export incentives

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.

Export Benefits on account of entitlement to import goods free of duty under Duty Entitlement Pass Book Scheme and Status Holders Incentive Scrip are accounted based on eligibility and when there is no uncertainty in receiving the same.

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 and is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. 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.

xix. Hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in “Accounting Standard 30 Financial Instruments: Recognition and Measurement”. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

Notes forming part of the Consolidated financial statements

3) Share Capital (Rs. million)

	As at 31.03.2013	As at 31.03.2012
Authorised		
250,000,000 equity shares of Re.1 each	250.00	250.00
Issued, Subscribed and Paid-up		
187,468,344 shares of Re.1 each fully paid (Previous year 187,395,562 of Re.1 each fully paid)	**187.47**	**187.40**

3. a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31.03.2013		As at 31.03.2012	
Equity shares with voting rights	No. of Shares	Value of Shares	No. of Shares	Value of Shares
Number of shares at the beginning of the year	187395562	187.40	93470993	186.94
Add: Shares issued against ESOP scheme during the year before “Share-split”	–	–	156022	0.32
Total number of shares before “Share-split”	**187395562**	**187.40**	**93627015**	**187.26**
Number of shares consequent to “Share-split” (Refer Note 3 (b))	–	–	187254030	187.26
Add: Shares issued against ESOP scheme during the year after “Share-split”	72782	0.07	141532	0.14
Total number of shares outstanding at the end of the year	**187468344**	**187.47**	**187395562**	**187.40**

b) Terms / Rights attached to Equity Shares

The Company has only one class of Equity shares having a par value of Re.1/- per share. (The Company subdivided one equity share of Rs.2/- each into two equity shares of Re.1/- each on 20th September 2011 after obtaining shareholders' approval).

Each holder of equity shares is entitled to one vote per share.

For the year ended March 31, 2013, Final dividend of Re.0.75 per share has been proposed by the Board of Directors (previous year Re.1 per share). An interim dividend of Re.0.50 per share was declared at the meeting of the Board of Directors held on February 5, 2013 and the same has been paid (previous year Re.1 per share).

The dividends proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting.

Repayment of capital will be in proportion to the number of equity shares held.

c) Details of shares held by shareholders holding more than 5% of the aggregate share in the Company

Name of Shareholder	As at 31.03.2013		As at 31.03.2012	
	No.of Shares held	% of holding	No. of Shares held	% of holding
Murugappa Holdings Limited	55432284	29.57%	55432284	29.58%
Nalanda India Fund Limited	16793362	8.96%	16793362	8.96%
Face value per share	Re.1		Re.1	

Notes forming part of the Consolidated financial statements

4) Reserves and Surplus

(Rs. million)

	As at 31.03.2012	Additions	Deductions / Adjustments	As at 31.03.2013
Capital Reserve				
Fixed assets revaluation reserve	25.78	-	0.68	25.10
Capital subsidy	3.00	-	-	3.00
Profit on Forfeiture of Shares / Warrants	6.03	-	-	6.03
Capital redemption reserve	27.68	-	-	27.68
Securities premium	62.28	6.80*	-	69.08
On Consolidation	20.56	573.71		594.27
Other Reserves				
General reserve	4063.84	250.00	-	4313.84
Debenture redemption reserve	125.00	-	-	125.00
Hedging reserve	2.40	0.72	2.40	0.72
Foreign currency translation reserve	283.44	196.66$	283.44	196.66
	4620.01	**1027.89**	**286.52**	**5361.38**
Less: Adjustment arising on merger of a Subsidiary	(30.81)	-	-	(30.81)
Less: Buyback of shares by a Subsidiary	(21.42)	-	-	(21.42)
Less: Adjustment arising on derecognition of Subsidiaries / Joint ventures / Associate	(111.67)	-	-	(111.67)
Total	**4456.11**	**1027.89**	**286.52**	**5197.48**
Surplus in Statement of Profit and Loss				
Opening Balance	4089.11			4826.70
Add: Profits for the current year	2192.96			897.76
Less: Transfer to General reserve	(1000.00)			(250.00)
Less: Transfer to Debenture redemption reserve	(31.25)			-
Less: Final dividend including tax on dividend #	(0.11)			(0.02)
Less: Interim dividend	(187.37)			(93.73)
Less: Dividend tax on interim dividend	(27.25)			(15.21)
Less: Proposed final dividend	(187.40)			(140.60)
Less: Dividend tax on proposed final dividend	(24.24)			(20.09)
Less: Dividend tax paid by Subsidiaries & Joint ventures during previous year	20.63			18.38
Less: Dividend tax paid by Subsidiaries & Joint ventures during current year	(18.38)			(16.62)
Total	**4826.70**			**5206.57**
Grand Total	**9282.81**			**10404.05**

* Premium of Rs.6.80 million received on allotment of 72,782 equity shares under Employee Stock Option Scheme 2007.

$ Represents Foreign currency translation reserve adjustment arising on account of Translation in accordance with AS 11.

\# Represents dividend and dividend tax of Rs.17,936 on 15,432 equity shares allotted under the ESOP Scheme 2007 to the employees, subsequent to the date of approval of the annual accounts by the Board and before the book closure date.

Notes forming part of the Consolidated financial statements

(Rs. million)

	As at 31.03.2013	As at 31.03.2012
5) Long-term Borrowings		
Secured		
Debentures		
11.70% Secured Non-Convertible Redeemable debentures 500 debentures of Rs.1 million each issued for cash at par redeemable in 2 equal annual installments, second installment payable on 1st January 2014	-	250.00
- 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		
Term Loan from banks		
External commercial borrowings	-	291.61
Others	1142.19	-
- Secured by a pari-passu first charge on movable fixed assets, both present and future		
Long term maturities of Finance lease obligation	12.66	16.90
- Secured against the assets purchased under the arrangement		
Unsecured		
Loan from Banks	820.15	1504.68
- Includes loan of a subsidiary covered by a guarantee from Parent Company		
	1975.00	**2063.19**
Refer Note.9 for short term maturities of the above Long term borrowings		
6) Information relating to Deferred tax:		
A. Deferred Tax Liability (Net)		
a. Deferred Tax Assets arising out of timing difference relating to:		
Provision for doubtful receivables and advances	23.94	22.31
Expenses allowed on payment basis	42.11	30.61
Voluntary retirement scheme payments	0.47	0.68
Restatement losses on foreign currency borrowings relating to acquisition of fixed assets	-	6.28
Leased assets	1.51	0.56
Others	3.53	13.54
	71.56	73.98
b. Deferred Tax Liability arising out of timing difference relating to:		
Depreciation	620.91	579.44
Others	31.50	-
	652.41	579.44
Deferred Tax Liability (Net)	**(580.85)**	**(505.46)**
B. Deferred Tax Asset (Net)		
a. Deferred Tax Assets arising out of timing difference relating to:		
Provision for doubtful receivables and advances	0.41	-
Provision for compensated absences	0.50	0.44
Expenses allowed on payment basis	0.28	0.22
Others	77.01	14.91
	78.20	15.57
b. Deferred Tax Liability arising out of timing difference relating to:		
Depreciation	0.11	0.12
Deferred Tax Asset (Net)	**78.09**	**15.45**

Notes forming part of the Consolidated financial statements

(Rs. million)

	As at 31.03.2013	As at 31.03.2012
7) Short-term borrowings		
Secured loans from Banks		
Cash Credit (repayable on demand)	248.29	268.52
Other Borrowings	565.31	311.17
- the above borrowings are secured by a pari-passu first charge on the current assets, both present and future and a pari-passu second charge on immovable properties, both present and future, relating to various manufacturing locations		
Unsecured loans from Banks	789.17	720.62
	1602.77	**1300.31**
8) Trade payables		
- Acceptances	48.41	42.30
- Other than Acceptances	1711.62	1628.12
	1760.03	**1670.42**
9) Other Current liabilities		
Secured:		
Current Maturities of Debentures and term loans	472.89	250.00
Current Maturities of External commerical borrowing	291.61	372.19
Current Maturities of Finance lease obligations	7.01	6.39
(Refer Note 5 for the terms and securities given in respect of the above borrowings)		
Interest accrued but not due on loans	2.93	2.05
Unsecured:		
Unclaimed dividend	32.81	25.60
Remuneration payable to Directors	13.50	16.20
Other Liabilities		
- Statutory Liabilities	126.34	99.41
- Advance from Customers	140.02	77.75
- Deposits	35.05	30.79
- Payables for purchase of Fixed Assets	73.16	126.84
- Other Payables	360.32	533.99
	1555.64	**1541.21**
10) Short-term provisions		
Provision for Employee benefits	144.48	78.74
Proposed dividend	140.60	187.40
Dividend tax	20.09	24.24
	305.17	**290.38**

Notes forming part of the Consolidated financial statements

11) Fixed Assets

(Rs. million)

Particulars	Gross Block						Depreciation / Amortisation						Net Block	
	As at 01.04.2012	Added on acquisition	Additions	Deletion	Translation Adjustment	**As at 31.03.2013**	As at 01.04.2012	Added on acquisition	For the year	Deletion	Translation Adjustment	**As at 31.03.2013**	**As at 31.03.2013**	As at 31.03.2012
Tangible Assets														
Land														
Freehold	117.35 (a)	-	-	-	3.59	120.94	-	-	-	-	-	-	120.94	117.35
Leasehold	171.24	-	65.03	15.39	4.58	225.46	9.01	-	3.21	0.74	0.29	11.77	213.69	162.23
Buildings	2240.74 (a)	15.18	419.92	7.70	(6.13)	2662.01 (b)	647.79	6.12	66.06	0.24	1.32	721.05	1940.96	1592.95
Plant & Machinery	6969.26 (c)	681.65	1637.02 (d)	124.54	(130.32)	9033.07	3414.13	299.41	580.88	104.59	(41.99)	4147.84	4885.23	3555.13
Plant & Machinery taken on lease	4.23	-	-	0.19	-	4.04	2.69	-	0.66	0.11	-	3.24	0.80	1.54
Furniture & Fixtures	212.59	2.31	32.02	4.61	(11.69)	230.62	102.25	1.42	18.69	3.81	(4.43)	114.12	116.50	110.34
Vehicles	135.22	12.61	51.74	16.09	(1.16)	182.32	63.53	10.77	20.56	8.80	(0.39)	85.67	96.65	71.69
Vehicles taken on lease	31.87	-	4.41	5.45	-	30.83	11.84	-	7.69	4.12	-	15.41	15.42	20.03
Total	**9882.50**	**711.75**	**2210.14**	**173.97**	**(141.13)**	**12489.29**	**4251.24**	**317.72**	**697.75**	**122.41**	**(45.20)**	**5099.10**	**7390.19**	**5631.26**
Intangible Assets														
Goodwill	5.10	-	-	-	-	5.10	5.10	-	-	-	-	5.10	0.00	0.00
Trade Mark	1.61	-	-	-	-	1.61	1.61	-	-	-	-	1.61	0.00	0.00
Technical know-how fee	90.80	-	15.23	-	(0.27)	105.76	47.24	-	14.09	-	(0.43)	60.90	44.86	43.56
Total	**97.51**	**-**	**15.23**	**-**	**(0.27)**	**112.47**	**53.95**	**-**	**14.09**	**-**	**(0.43)**	**67.61**	**44.86**	**43.56**
GRAND TOTAL	**9980.01**	**711.75**	**2225.37**	**173.97**	**(141.40)**	**12601.76**	**4305.19**	**317.72**	**711.84**	**122.41**	**(45.63)**	**5166.71**	**7435.05**	**5674.82**

(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.760.98 million (Previous year Rs. 701.05 million) being cost of building on leasehold land.

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

(d) Includes Equipments acquired for Research & Development 16.65 million (Previous Year Rs. 2.00 million)

Notes forming part of the Consolidated financial statements

11) Fixed Assets - Previous year

(Rs. million)

Particulars	Gross Block					Depreciation					Net Block	
	As at 01.04.2011	Additions	Deletions	Translation Adjustment	As at 31.03.2012	As at 01.04.2011	For the year	Deletion	Translation Adjustment	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets												
Land												
Freehold	108.57	0.39	-	8.39	117.35	-	-	-	-	-	117.35	108.57
Leasehold	161.82	2.37	-	7.05	171.24	6.37	2.33	-	0.31	9.01	162.23	155.45
Buildings	2041.44	125.69	5.29	78.90	2240.74	558.65	62.29	0.87	27.72	647.79	1592.95	1482.79
Plant & Equipments	6266.26	673.93	60.45	89.52	6969.26	2944.51	454.81	29.25	44.06	3414.13	3555.13	3321.75
Plant & Machinery taken on lease	4.23	-	-	-	4.23	2.00	0.69	-	-	2.69	1.54	2.23
Furniture & Fixtures	193.56	16.58	2.30	4.75	212.59	85.69	15.62	1.60	2.54	102.25	110.34	107.87
Vehicles	104.22	23.44	1.98	9.54	135.22	51.91	9.59	1.99	4.02	63.53	71.69	52.31
Vehicles taken on lease	20.11	14.34	2.58	-	31.87	7.60	6.76	2.52	-	11.84	20.03	12.51
Total	**8900.21**	**856.74**	**72.60**	**198.15**	**9882.50**	**3656.73**	**552.09**	**36.23**	**78.65**	**4251.24**	**5631.26**	**5243.48**
Intangible Assets												
Goodwill	5.10	-	-	-	5.10	5.10	-	-	-	5.10	0.00	0.00
Trade Mark	1.61	-	-	-	1.61	1.61	-	-	-	1.61	0.00	0.00
Technical know-how	77.48	12.40	-	0.92	90.80	28.75	18.09	-	0.40	47.24	43.56	48.73
Total	**84.19**	**12.40**	**-**	**0.92**	**97.51**	**35.46**	**18.09**	**-**	**0.40**	**53.95**	**43.56**	**48.73**
GRAND TOTAL	**8984.40**	**869.14**	**72.60**	**199.07**	**9980.01**	**3692.19**	**570.18**	**36.23**	**79.05**	**4305.19**	**5674.82**	**5292.21**

Notes forming part of the Consolidated financial statements

(Rs. million)

	As at 31.03.2013	As at 31.03.2012
12) Non-Current Investments (at cost)		
Quoted		
- Equity shares - fully paid	0.45	0.45
Unquoted		
- Equity shares - fully paid	11.70	11.85
Total	**12.15**	**12.30**
Cost of Quoted Investments	0.45	0.45
Cost of Unquoted Investments	11.70	11.85
Total	**12.15**	**12.30**
Market value of Quoted investments	**10.17**	**8.92**
13) Long term loans & advances - Unsecured and considered good		
Advance towards investment in Equity shares	–	56.05
Capital advances	84.31	111.05
Disputed Sales tax, Central excise and Service tax amounts deposited under protest	12.90	10.80
Taxation (net of provisions)	72.33	72.92
Security Deposits	67.19	67.71
	236.73	**318.53**
14) Current Investments (at lower of cost and fair value)		
Investments in Mutual funds - short term	**243.45**	**387.72**
15) Inventories (at lower of cost and net realisable value)		
Raw materials (In Transit - Rs.22.72 million; Previous year - Rs.6.26 million)	1288.98	1473.23
Work-in-process	790.35	1011.48
Stock in Trade	519.88	344.63
Finished stock	1044.73	1062.23
Stores and spare parts	381.98	194.54
	4025.92	**4086.11**
16) Trade receivables (Unsecured)		
Outstanding over a period exceeding six months from the date they were due for payment		
Considered good	65.53	74.42
Considered doubtful	74.42	69.17
	139.95	143.59
Other Receivables		
Considered good	3535.73	3537.90
	3675.68	3681.49
Less: Provision for doubtful receivables	74.42	69.17
	3601.26	**3612.32**

Notes forming part of the Consolidated financial statements

(Rs. million)

	As at 31.03.2013	As at 31.03.2012
17) Cash and Bank balances		
Cash on hand	6.15	4.23
Balances with banks :		
- Current account	717.61	875.80
- Deposit account with original maturity within three months	119.97	206.73
- In earmarked accounts : Unclaimed dividend account	11.74	17.94
	855.47	**1104.70**
18) Short-term loans & advances (Unsecured and considered good, unless otherwise stated)		
Deposits	110.82	1.73
Loans and Advance to Employees	13.38	11.44
Prepaid Expenses	99.73	19.45
Trade Advances	225.30	170.52
Claims recoverable	2.36	5.93
Other Loans & Advances		
Considered good	139.98	268.94
Considered doubtful	0.42	0.33
	140.40	269.27
Less: Provision for doubtful advances	0.42	0.33
	139.98	268.94
Balances with statutory authorities	189.83	156.82
	781.40	**634.83**

Notes forming part of the Consolidated financial statements

(Rs. million)

	2012-13	2011-12
19) Revenue from Operations:		
Sale of Products (Refer Segment Disclosure for Breakup of Sales)	20074.86	20285.24
Sale of Services / Income from Contracts	349.17	288.78
Other Operating Revenue		
Service Income	100.51	71.43
Commission Income	1.02	1.88
Scrap Sales	105.51	144.37
Miscellaneous Income	83.27	46.99
	20714.34	20838.69
Less : Excise duty	1000.29	888.71
	19714.05	**19949.98**
20) Changes in inventories of finished goods, work-in-process and stock-in-trade		
a) Opening stock		
Work-in-process	1011.48	581.91
Stock-in-Trade	344.63	313.63
Finished stock	1062.23	877.89
	2418.34	**1773.43**
b) Add: Stock transfer on acquisition		
Work-in-process	11.60	-
Finished stock	143.58	-
	155.18	**-**
Total of (a) & (b)	**2573.52**	**1773.43**
Less: Closing stock		
Work-in-process	790.35	1011.48
Stock in Trade	519.88	344.63
Finished stock	1044.73	1062.23
	2354.96	**2418.34**
(Accretion) / Decretion to stock	**218.56**	**(644.91)**
21) Employee benefits expense		
Salaries, wages and bonus	2124.78	1753.17
Contribution to provident and other funds	121.68	151.62
Voluntary retirement compensation	1.19	-
Remuneration to Managing director	14.13	12.49
Welfare expenses	365.54	426.34
	2627.32	**2343.62**

Notes forming part of the Consolidated financial statements

(Rs. million)

	2012-13	2011-12
22) Other expenses		
Consumption of stores and spares	686.09	673.07
Power and fuel (a)	2849.89	2604.79
Rent	129.47	82.32
Excise duty on stock differential (c)	(12.99)	20.08
Rates and taxes	145.01	144.75
Insurance	60.97	70.88
Repairs to: (b)		
- Buildings	169.80	185.21
- Machinery	738.20	792.85
- Others	19.16	17.36
Data Processing Charges	18.96	20.61
Technical Fee / Royalty	81.20	87.47
Directors' sitting fees	1.05	1.06
Commission to non-wholetime directors	10.50	13.00
Auditors' remuneration	14.51	10.30
Travel and conveyance	239.40	218.39
Freight, delivery and shipping charges	689.30	691.93
Selling commission	70.25	62.33
Rebates and allowances	52.30	67.13
Advertisement and publicity	91.49	104.71
Printing, stationery and communication	71.22	64.09
Contribution to research institution	3.00	8.55
Bad receivables and advances written off	14.63	16.57
Less : Provision adjusted	(9.50)	(4.58)
	5.13	11.99
Provision for doubtful receivables, advances and deposits	32.25	34.43
Professional fees	199.59	219.62
Other Services	899.26	771.67
Loss on sale of fixed Assets	14.91	8.27
Loss on Exchange fluctuation (net)	35.98	-
Miscellaneous expenses	271.70	261.82
	7587.60	**7248.68**
(a) Net of own power generation, which includes energy banked with KSEB - Rs.29.5 million (Previous year Rs.17.5 million)	93.35	117.60
(b) Includes stores and spare parts	199.05	207.77
(c) 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.		
23) Finance Cost		
Interest		
- On Debentures and fixed loans	155.80	171.24
- On others	110.54	77.31
Other borrowing costs	5.73	1.48
	272.07	**250.03**

Notes forming part of the Consolidated financial statements

(Rs. million)

	2012-13	2011-12
24) Other Income		
Dividend Income from Long term Investments		
Trade		
Dividend from others	0.00	0.11
Non-Trade		
Dividend from others	11.50	9.73
Dividend Income from Current Investments		
Dividend from others	9.66	9.88
Interest Income		
From banks	9.25	1.96
From others	12.44	29.08
Other Income		
Profit on sale of Fixed Assets	11.56	3.22
Profit on sale of investments (net)	6.34	8.20
Profit on exchange fluctuation (net)	-	3.05
Provision for expenses no longer required writtenback	4.69	5.82
Provision for doubtful receivables/advances no longer required written back	17.41	25.47
Rental Income	3.59	4.11
Miscellaneous income	43.97	13.99
	130.41	**114.62**
Tax deducted at source from interest	0.20	0.09

25) 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.

	31.03.2013	31.03.2012
26) Contingent Liabilities and Commitments in respect of which no provision is considered necessary :		
Contingent Liabilities:		
a) Outstanding Bills discounted	1.72	4.02
b) Outstanding letters of credit	170.19	175.28
c) 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.	151.89	153.62
d) Claims against the company not acknowledged as debts		
i. Disputed demands by Kerala State Electricity Board / Tamil Nadu Electricity Board	35.04	47.64
ii. Contested Provident fund and ESI demands	0.49	0.60
iii. Others	66.77	63.20
	102.30	**111.44**
e) Employees demands pending before Labour Courts - quantum not ascertainable at present		
In respect of the above demands disputed by the Company, appeals filed are pending before respective appellate authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the Company's rights for future appeals. No reimbursements are expected.		
Commitments :		
Estimated amount of contracts remaining to be executed and not provided for :		
– Towards Capital Account	325.28	209.87

Notes forming part of the Consolidated financial statements

27) a. The Company has adopted the revised 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 the Company and its domestic subsidiaries and joint ventures as at 31st March 2013 are given below:

(Rs. million)

		31.03.2013	31.03.2012
i	**Projected benefit obligation as at beginning of the year**	**188.15**	**158.22**
	Service cost	20.66	10.47
	Interest cost	15.98	12.66
	Actuarial (Gains) / Losses	(9.96)	23.03
	Benefits paid	(15.40)	(16.23)
	Projected benefit obligation as at end of the year	**199.43**	**188.15**
ii	**Fair value of plan assets as at beginning of the year**	**160.48**	**124.95**
	Expected return on plan assets	15.80	12.60
	Contributions	31.17	39.21
	Benefits paid	(15.52)	(16.23)
	Actuarial (loss)/Gain on plan assets	1.06	(0.05)
	Fair value of plan assets as at end of the year	**192.99**	**160.48**
iii	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	199.43	188.15
	Fair value of the plan assets at the end of the year	192.99	160.48
	(Liability) / Asset recognised in the Balance sheet	**6.44**	**(27.67)**
iv	**Cost of the defined plan for the year :**		
	Current service cost	20.66	10.47
	Interest on obligation	15.98	12.66
	Expected return on plan assets	(15.80)	(12.60)
	Net actuarial (gains) / losses recognised in the year	(11.12)	23.08
	Net cost recognised in the Profit and Loss account	**9.72**	**33.61**
v	**Assumptions :**		
	Discount rate	8 - 9%	8 - 9%
	Expected rate of return	8 - 9%	8 - 9%
	Mortality table used	*Indian assured lives mortality (2006-08) Ultimate*	

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, expected return on each category of plan assets and experience adjustment in respect of actuarial losses / gains.

c. With respect to the Provident Fund Trust administered by the Company, the 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 Company does not expect any deficiency in the foreseeable future.

Notes forming part of the Consolidated financial statements

28) Related Party Disclosures

a) List of related parties

Associate :

Laserwords Pvt Ltd (Ceased since November 2011) [Laserwords]

Jointly controlled entities :

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

Key management personnel :

Mr. K Srinivasan, Managing Director

b) Transactions with Related parties

(Rs. million)

	Particulars	Associates		Jointly Controlled Entities		Key Management Personnel		Total	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1	Income from sales and services	-	-	67.00	72.57			67.00	72.57
2	Purchase of goods	-	-	24.77	28.86			24.77	28.86
3	Dividend income	-	5.28	64.47	60.89			64.47	66.17
4	Reimbursement of employee costs	-	-	1.04	0.12			1.04	0.12
5	Purchase of fixed assets	-	-	6.34	4.38			6.34	4.38
6	Trade and Other Receivables	-	-	5.36	27.64			5.36	27.64
7	Payables	-	-	1.71	4.34			1.71	4.34
8	Managerial remuneration					16.23	14.63	16.23	14.63

Notes forming part of the Consolidated financial statements

28 c) Details of Transactions with Related Parties during the year ended 31.03.2013

(Rs. million)

Particulars		Joint Ventures				Key Management Personnel
		Wendt	MMTCL	Ciria	Total	
1	Income from sales and services	18.82	18.04	30.14	67.00	-
2	Purchase of Goods/Services	18.95	5.82	-	24.77	-
3	Dividend income	19.93	25.04	19.50	64.47	-
4	Reimbursement of employee cost	1.04	-	-	1.04	-
5	Purchase of fixed assets	6.34	-	-	6.34	-
6	Trade and Other Receivables	1.49	0.48	3.39	5.36	-
7	Payables	1.50	0.21	-	1.71	-
8	Managerial remuneration	-	-	-	-	16.23

28 d) Details of Transactions with Related Parties during the year ended 31.03.2012

(Rs. million)

Particulars		Associate	Joint Ventures				Key Management Personnel
		Laserwords	Wendt	MMTCL	Ciria	Total	
1	Income from sales and services	-	21.51	20.47	30.59	72.57	-
2	Purchase of goods	-	17.45	11.41	-	28.86	-
3	Dividend income	5.28	19.93	21.46	19.50	60.89	-
4	Reimbursement of employee cost	-	0.12	-	-	0.12	-
5	Purchase of fixed assets	-	4.38	-	-	4.38	-
6	Trade and Other Receivables	-	12.37	9.86	5.41	27.64	-
7	Payables	-	4.19	0.15	-	4.34	-
8	Managerial remuneration	-	-	-	-	-	14.63

Notes forming part of the Consolidated financial statements

29 (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 denotes 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 : of the Group and Rest of the world. 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.

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.

Notes forming part of the Consolidated financial statements

29 (B) Segment Disclosure

A. Primary Segment Information (Rs. million)

Particulars	Abrasives		Ceramics		Electrominerals		IT Services		Power		Eliminations		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1. REVENUE														
Revenue from Operations	8709.02	8843.39	4999.52	4589.05	6272.72	6806.10	17.98	12.14	75.62	34.56			20074.86	20285.24
Less : Excise Duty	630.71	551.83	247.52	231.48	122.06	105.40	-	-	-	-			1000.29	888.71
Net External Sales	**8078.31**	**8291.56**	**4752.00**	**4357.57**	**6150.66**	**6700.70**	**17.98**	**12.14**	**75.62**	**34.56**	**-**	**-**	**19074.57**	**19396.53**
Sale of Services / Income from Contracts	13.21	12.16	173.67	145.48			162.29	131.14					349.17	288.78
Inter segment Revenue	1.34	0.48	65.62	61.68	537.25	572.11	16.38	16.06	116.36	122.16	(736.95)	(772.49)	-	-
Total Revenue	**8092.86**	**8304.20**	**4991.29**	**4564.73**	**6687.91**	**7272.81**	**196.65**	**159.34**	**191.98**	**156.72**	**(736.95)**	**(772.49)**	**19423.74**	**19685.31**
2. RESULT														
Segment result	835.83	1241.21	792.79	899.38	234.08	1398.01	21.93	18.00	71.78	52.20			1956.41	3608.80
Proportionate share of Result in Associate														11.16
Unallocated corporate expenses													(210.82)	(210.74)
Interest expense													(272.07)	(250.03)
Interest and dividend income													42.85	50.76
Profit on sale of Fixed Assets (Net)	(6.29)	(3.37)	(3.67)	(1.56)	2.97	0.62	(0.34)		3.97				(3.36)	(4.31)
Profit on sale of Immovable Property		10.57												10.57
Profit / (Loss) on sale of investments													6.34	21.94
Income taxes													(619.26)	(907.90)
Minority interest													(2.33)	(137.29)
Net profit after tax	**829.54**	**1248.41**	**789.12**	**897.82**	**237.05**	**1398.63**	**21.59**	**18.00**	**75.75**	**52.20**			**897.76**	**2192.96**
3. OTHER INFORMATION														
Segment assets	6346.39	5605.79	4337.69	4096.66	6349.44	5976.09	83.69	68.35	277.34	21.86			17394.55	15768.75
Unallocated corporate assets *													1714.46	1847.08
Total assets	**6346.39**	**5605.79**	**4337.69**	**4096.66**	**6349.44**	**5976.09**	**83.69**	**68.35**	**277.34**	**21.86**			**19109.01**	**17615.83**
Segment liabilities	952.95	999.69	599.54	508.10	1014.43	1030.74	22.57	25.00	31.33	9.35			2620.82	2572.88
Unallocated corporate liabilities @													5896.67	5572.74
Total liabilities	**952.95**	**999.69**	**599.54**	**508.10**	**1014.43**	**1030.74**	**22.57**	**25.00**	**31.33**	**9.35**			**8517.49**	**8145.62**
Capital expenditure	571.70	448.66	389.44	578.17	1679.19	841.09	15.11	4.34	255.74	0.43				
Depreciation & Amortisation	231.60	207.00	266.08	215.77	191.63	131.60	5.31	3.96	3.98	0.08				
Non-Cash expenses other than Depreciation & Amortisation	3.21	15.95	26.59	12.31	0.78	38.81	0.31	0.46	-	-				
B. Secondary Segment Information														
													31.03.2013	**31.03.2012**
1. Revenue by Geographical market														
India													9460.89	10060.14
Rest of the world													9962.85	9625.17
Total													**19423.74**	**19685.31**
2. Carrying amount of Segment Assets														
India													9955.03	9201.55
Rest of the world													7439.52	6567.20
Total													**17394.55**	**15768.75**
3. Additions to Fixed Assets and Intangible Assets														
India													464.55	773.07
Rest of the world													1690.79	1099.62
Total													**2155.34**	**1872.69**

* Includes Goodwill of Rs 1001.61 million (Previous Year Rs 943.51 million)

@ Includes Minority Interest of Rs 738.03 million (Previous Year Rs 774.65 million)

Notes forming part of the Consolidated financial statements

(Rs. million)

		31.03.2013	31.03.2012
30	**Notes relating to Leases**		
a)	Cost of Leased Assets as on 31.03.2013		
	Vehicles / Data processing Equipments	34.87	36.10
b)	Net Carrying amount as on 31.03.2013	16.22	21.57
c)	Reconciliation between Total Minimum Lease payments and their Present value :		
	Total Minimum Lease Payments as on 31.03.2013	24.01	29.46
	Less : Future Liability on Interest account	(4.34)	(6.17)
	Present value of Lease payments as on 31.03.2013	19.67	23.29
d)	Yearwise Future Minimum lease rental payments :		

		Total Minimum Lease payments as on 31.03.2013	Present value of Lease payments as on 31.03.2013	Total Minimum Lease payments as on 31.03.2012	Present value of Lease payments as on 31.03.2012
(i)	Not later than one year	9.39	7.01	9.29	6.39
(ii)	Later than one year and not later than five years	14.62	12.66	20.17	16.90
(iii)	Later than five years	Nil	Nil	Nil	Nil

e) The Company has taken certain premises under operating leases cancellable at mutual option. Hence no disclosure in this regard has been made.

		31.03.2013	31.03.2012
31	**Information relevant for Accounting Standard 20 - Earnings per share**		
	The calculation of the Basic and Diluted Earning per share is based on the following data:		
	Net Profit for the year	897.76	2192.96
	Weighted average number of equity shares outstanding during the year		
	- Basic	187429563	187232091
	- Dilutive	187934374	187869492
	Earnings per Share - Basic	4.79	11.71
	Earnings per Share - Diluted	4.78	11.67

32 Provision for Dividend Tax has been made considering the credit amounting to Rs.3.81 million (Previous year - Rs.6.16 million) available for set off in respect of dividend tax payable on dividends to be distributed by three subsidiary companies, based on provisions 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 NIL million (Previous year - Rs.3.16 million) in respect of the dividend tax paid on the interim dividends received from a subsidiary.

(Rs. million)

		31.03.2013	31.03.2012
33	**Goodwill on consolidation**		
	Opening Balance	943.51	832.35
	Add : Exchange difference during the year on translation of Goodwill of foreign subsidiaries	58.10	111.16
	Total	**1001.61**	**943.51**

34 The effect of acquisition and disposal of subsidiaries

The effect of acquisition and disposal of subsidiaries on the financial position and results as included in the Consolidated Financials is given below:

Particulars	31.03.2013		31.03.2012	
	Acquisition	Disposal	Acquisition	Disposal
Liabilities as at (date of acquisition / disposal)				
Non-current liabilities	6.29	-	-	-
Current liabilities	65.31	-	-	-
Assets as at (date of acquisition / disposal)				
Non-current assets	398.86	-	-	-
Current assets	425.57	-	-	-
Revenue (including non-operating) for the period ended	282.89	-	-	-
Expenses (including depreciation and finance costs) for the period ended	461.51	-	-	-
Profit / (Loss) before tax for the period ended	(178.62)	-	-	-
Profit / (Loss) after tax for the period ended	(178.62)	-	-	-

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

$ $ $ $ $

Subsidiaries' Key Financial information

(a) Summary financial information of Subsidiary Companies

(Rs. million)

Particulars	Volzhsky Abrasive Works		Foskor Zirconia Pty Ltd		CUMI Australia Pty. Ltd.		Sterling Abrasives Ltd.		CUMI International Ltd.	
Financial year ended	**2012**	**2011**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012**	**2011**
1. Share capital	6.48	6.48	0.01	0.01	28.54	28.54	9.00	9.00	1,314.71	1,314.71
2. Reserves & Surplus	3,178.84	2,942.80	272.87	410.30	509.14	447.27	284.92	246.82	565.91	345.32
3. Total Liabilities [a]	370.44	315.74	1,124.16	346.62	180.03	250.04	119.71	95.15	1,680.89	1.526.02
4. Total Assets [b]	3,555.76	3,265.02	1,397.04	756.93	717.71	725.85	413.63	350.97	3,561.51	3,186.05
5. Turnover	5,712.09	6,355.51	960.77	938.33	919.38	836.27	527.03	481.61	290.42	304.27
6. Profit before Tax	748.84	1,077.97	(265.89)	74.31	221.61	213.18	94.12	102.03	235.26	264.66
7. Provision for Taxation	180.11	263.22	(73.64)	20.90	66.65	64.32	30.41	32.69	14.67	15.67
8. Profit after Tax	568.73	814.75	(192.25)	53.41	154.96	148.86	63.71	69.34	220.59	248.99
9. Proposed dividend [c]	-	321.48	-	-	92.86	111.73	26.32	26.15	-	-

Particulars	CUMI Abrasives & Ceramics Co Ltd		CUMI Canada Inc		Southern Energy Development Corporation Limited		Net Access India Limited		CUMI Middle East FZE	
Financial year ended	**2012**	**2011**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
1. Share capital	498.75	443.85	184.33	184.33	4.60	4.60	16.00	16.00	1.47	1.47
2. Reserves & Surplus	(421.68)	(331.12)	(247.92)	(209.68)	169.89	113.58	33.22	24.01	21.32	1.26
3. Total Liabilities [a]	447.56	433.84	230.82	235.30	187.94	36.08	41.11	30.98	76.53	57.16
4. Total Assets [b]	524.63	546.57	167.23	209.95	362.43	154.26	90.33	70.99	99.32	59.89
5. Turnover	291.88	219.27	88.48	186.43	212.49	172.36	198.00	160.79	180.92	78.44
6. Profit before Tax	(91.49)	(113.74)	(38.42)	(29.53)	87.16	63.38	22.20	19.12	20.07	(7.85)
7. Provision for Taxation	-	-	-	-	25.47	14.30	7.15	6.13	-	-
8. Profit after Tax	(91.49)	(113.74)	(38.42)	(29.53)	61.69	49.08	15.05	12.99	20.07	(7.85)
9. Proposed dividend [c]	-	-	-	-	5.38	53.46	5.85	5.81	-	-

Particulars	CUMI America Inc		Cellaris Refractories India Limited		Thukela Refractories Isithebe Pty. Ltd.	
Financial year ended	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
1. Share capital	2.72	2.72	137.25	110.45	0.01	0.01
2. Reserves & Surplus	(14.09)	7.24	(1.34)	(1.19)	545.94	153.33
3. Total Liabilities [a]	200.78	49.07	22.96	1.78	64.70	665.11
4. Total Assets [b]	189.41	59.03	158.87	111.04	610.65	818.45
5. Turnover	124.34	72.28	0.01	0.00	584.06	889.26
6. Profit before Tax	(30.45)	(4.27)	(0.15)	(0.52)	(215.21)	(40.27)
7. Provision for Taxation	(9.07)	(1.08)	-	-	-	-
8. Profit after Tax	(21.38)	(3.19)	(0.15)	(0.52)	(215.21)	(40.27)
9. Proposed dividend [c]	-	-	-	-	-	-

a. Total Liabilities include : Current Liabilities, Non Current Liabilities

b. Total Assets include : Current Assets, Non Current Assets

c. Including interim dividend and dividend tax as applicable. For Volshky Abrasive Works, Russia, dividend for 2012 is due for consideration by the board in May 2013.

d. Thukela Refractories Isithebe Pty Ltd, South Africa(TRI) was acquired by CUMI International Ltd. in August 2012. The current year financials of TRI. pertains to fifteen months i.e from 1.1.2012 upto 31.03.2013 and the previous year is for twelve months i.e from 1.1.2011upto 31.12.2011.

e. The above information has been furnished in accordance with the Circular No. 2/2011 dated 8.2.2011 issued by the Ministry of Corporate Affairs under Section 212 of the Companies Act, 1956. The above statement has been prepared based on the financial statements of the respective subsidiary company prepared in accordance with regulatory requirements as applicable in the country of incorporation. In case of foreign subsidiaries, the figures given in foreign currency have been translated into Indian Rupees based on the exchange rate as on 31.3.2013 / 31.12.2012, as applicable.

f. 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.

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

(Rs. million)

	Nature	31.03.2013	31.03.2012
a. Southern Energy Development Corporation Limited			
Carborundum Universal Limited	Long term - quoted equity shares	18.49	18.49
Sundaram Money Fund	Short term - liquid units	3.11	5.31
UTI Mutual fund	Short term - quoted units	54.36	102.37
CIRIA India Ltd	Long term - unquoted	0.00	0.00
Total		**75.96**	**126.18**
		31.12.2012	**31.12.2011**
b. Volzhsky Abrasive Works			
OGK	Long term - quoted equity shares	0.21	0.24
Ross Stanco Instruments	Long term - Unquoted equity shares	0.01	0.01
Rus Hydro	Long term - quoted equity shares	0.01	0.01
TGK	Long term - quoted equity shares	0.00	0.00
FSK UEC	Long term - quoted equity shares	0.01	0.01
Others	Long term - quoted equity shares	0.01	0.02
Total		**0.25**	**0.29**
		31.03.2013	**31.03.2012**
c. Net Access India Limited			
Ciria India Ltd	Long term -Unquoted equity shares	0.00	0.00
UTI Mutual fund	Short term - quoted units	2.80	2.61
HDFC Mutual fund	Short term - quoted units	2.59	0.00
Total		**5.39**	**2.61**
		31.03.2013	**31.03.2012**
d. Sterling Abrasives Limited			
HDFC Mutual funds	Short term - quoted units	-	10.06
SBI - Mutual Funds	Short term - quoted units	-	8.79
Birla Sun Life Cash Manager units	Short term - quoted units	-	11.13
LIC Nomura MF Income Plan Fund	Short term - quoted units	-	7.50
Reliance Money Manager Funds	Short term - quoted units	-	9.58
UTI Treasury Advantage funds	Short term - quoted units	-	5.50
Total		-	**52.56**

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Chennai
29th April, 2013

Standalone Financial Statements

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CARBORUNDUM UNIVERSAL LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of CARBORUNDUM UNIVERSAL LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;

   (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date;and

   (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by Section 227(3) of the Act, we report that:

   (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 Statement of Profit and Loss, 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 Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.

   (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

B. Ramaratnam
Partner
(Membership No. 21209)

Chennai
April 29, 2013

Annexure to the Independent Auditors' Report

(Referred to in paragraph 7 under 'Report on Other Legal and Regulatory Requirements' of the Independent auditor's report to the members of Carborundum Universal Limited on the accounts for the year ended 31st March, 2013)

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

(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 Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations 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 explanations 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 covered 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 some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases 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 Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

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

a. The Company has been 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, 2013 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, 2013 on account of disputes are given below:

Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount (₹ in millions)
Central Sales Tax Act, 1956 & Local Sales Tax laws of various States	Sales Tax	Commissioner of Sales Tax (Appeals)	2000-2001 2002-2004 2005-2009	5.58
		Sales Tax Appellate Tribunal	1995-1996 2001-2003	1.70
		High Court	1989-1990	0.47
Central Excise Act, 1944	Excise Duty	Commissioner of Central Excise (Appeals)	1998-2003 2006-08 2010-11	1.56
		The Customs, Excise & Service Tax Appellate Tribunal	1991-1993 1995-1996	0.15
		High Court	1986-1987	0.95
Service Tax, 1994	Service Tax	The Customs, Excise & Service Tax Appellate Tribunal	2004-2009	2.31
Total				12.72

(x) 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.

(xi) 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.

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

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

(xiv) 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
(Firm Registration No.008072S)

B Ramaratnam
Partner
(Membership No. 21209)

Chennai
April 29, 2013

Balance Sheet as at March 31, 2013

(Rs. million)

	Note	As at 31.03.2013	As at 31.03.2012
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	187.47	187.40
Reserves and Surplus	4	6657.94	6178.54
		6845.41	**6365.94**
Non current liabilities			
Long-term Borrowings	5	11.82	558.48
Deferred tax liabilities (Net)	6	490.32	425.30
		502.14	**983.78**
Current liabilities			
Short-term Borrowings	7	761.79	409.34
Trade payables	8	913.89	791.30
Other current liabilities	9	955.11	1171.66
Short-term provisions	10	209.81	246.62
		2840.60	**2618.92**
Total		**10188.15**	**9968.64**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	11	4102.90	3822.35
Intangible assets	11	38.43	30.94
Capital work-in-progress		144.34	272.54
Non-current investments	12	1246.18	1245.68
Long-term loans and advances	13	188.95	223.04
		5720.80	**5594.55**
Current assets			
Current investments	14	–	100.00
Inventories	15	1799.57	1876.88
Trade receivables	16	2023.65	1847.16
Cash and Bank balances	17	88.72	104.23
Short-term loans and advances	18	555.41	445.82
		4467.35	**4374.09**
Total		**10188.15**	**9968.64**

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai
29th April, 2013

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Statement of Profit and Loss
for the year ended March 31, 2013

(Rs. million)

	Note	2012-13	2011-12
Revenue from operations (gross)	19	11881.67	12032.20
Less : Excise duty		872.75	778.47
Revenue from operations (net)		**11008.92**	**11253.73**
Expenses:			
Cost of materials consumed		4171.12	4283.01
Purchases of stock-in-trade		651.82	462.54
Changes in inventories of finished goods, work-in-process and stock-in-trade	20	(9.90)	(165.38)
Employee benefits expense	21	1121.99	1076.00
Other expenses	22	3545.53	3398.66
Total		**9480.56**	**9054.83**
Earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA)		**1528.36**	**2198.90**
Finance costs	23	163.75	174.20
Depreciation and amortisation expense	11	468.09	436.21
Less: Transfer from Fixed assets revaluation reserve		0.68	0.68
		467.41	**435.53**
Other Income	24	183.15	154.88
Profit before exceptional items and tax		**1080.35**	**1744.05**
Exceptional Items :	40		
– Profit on sale of Land & Buildings		–	10.57
– Profit on sale of Long term Investments (net)		–	139.31
Profit before tax		**1080.35**	**1893.93**
Tax expense:			
– Current tax		270.00	422.50
– Deferred tax		65.02	4.72
Profit for the year		**745.33**	**1466.71**
Earnings per equity share: (of Re.1 each)	37		
– Basic		3.98	7.83
– Diluted		3.97	7.81

See accompanying notes forming part of the financial statements

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
29th April, 2013

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Cash Flow Statement for the year ended March 31, 2013

(Rs. million)

	2012–13		2011–12	
A. Cash flow from operating activities				
Net profit before tax		**1080.35**		**1893.93**
Depreciation	467.41		435.53	
Finance Costs	163.75		174.20	
(Profit) / Loss on sale of fixed assets (net)	5.07		(4.97)	
Provision for doubtful receivables and advances (net)	22.13		14.81	
(Profit) on sale of investments (net)	-		(139.31)	
Interest and dividend income	(163.76)		(147.72)	
Excess provisions of earlier years reversed	(16.64)		(3.39)	
Unrealised exchange (gain) / loss - net	7.61		3.17	
		485.57		332.32
Operating profit before working capital changes		1565.92		2226.25
Changes in working capital:				
Adjustments for (increase)/decrease in operating assets:				
- Inventories	77.30		(328.83)	
- Long term loans & advances	1.94		21.10	
- Trade receivables	(192.19)		(75.81)	
- Short term loans & advances	(86.38)		(141.79)	
- Trade payables	125.23		(46.65)	
- Other Current liabilities & Provision	(51.68)		75.56	
		(125.78)		(496.42)
Cash generated from operations		1440.14		1729.83
Direct taxes paid		(261.28)		(401.30)
Net cash flow from operating activities (A)		**1178.86**		**1328.53**
B. Cash flow from investing activities				
Purchase of tangible fixed assets	(678.60)		(762.36)	
Purchase of intangible assets	(18.48)		(1.02)	
Proceeds from sale of fixed assets	20.76		17.15	
Intercorporate deposit	(16.25)		-	
Purchase of long term investments				
- Subsidiaries	(0.50)		(69.00)	
Proceeds from sale of long term investments				
- Subsidiaries	-		117.68	
- Associates	-		485.51	
Dividends received				
- Subsidiaries	95.60		77.29	
- Joint ventures	64.47		60.89	
- Associates	-		5.28	
- Others	1.65		2.04	
Interest received	1.33		2.13	
Net cash from / (used in) investing activities (B)		**(530.02)**		**(64.41)**
C. Cash flow from financing activities				
Repayment of Long term borrowings	(626.69)		(628.32)	
Proceeds from other borrowings (net)	352.45		(73.38)	
Proceeds from issue of equity shares	6.87		41.64	
Interest paid	(163.86)		(175.78)	
Paid to Investor Education and Protection Fund	(0.47)		(0.40)	
Dividend paid (inclusive of dividend tax)	(326.39)		(309.71)	
Net cash from / (used in) financing activities (C)		**(758.09)**		**(1145.95)**
Net increase/(decrease) in cash and cash equivalents(A+B+C)		**(109.25)**		**118.17**
Cash and cash equivalents opening balance		187.26		69.09
Cash and cash equivalents closing balance		78.01		187.26
Net increase/(decrease) in cash and cash equivalents		**(109.25)**		**118.17**
Reconciliation of cash and cash equivalents with the Balance Sheet				
Cash and Bank balances as per balance sheet		88.72		104.23
Less : Bank balances not considered as Cash and Cash equivalents - earmarked accounts		(10.71)		(16.97)
Add : Current Investments considered as part of Cash and Cash equivalents Investments in units of Mutual funds		-		100.00
		78.01		**187.26**

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

B Ramaratnam
Partner

Chennai
29th April 2013

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Notes forming part of the Standalone financial statements

1 CORPORATE INFORMATION

Carborundum Universal Limited (CUMI) was incorporated as a Public Limited Company in 1954 and the shares of the Company are listed in National and Bombay Stock Exchanges in India. CUMI manufactures and sells mainly Abrasives, Ceramics (Industrial Ceramics, Refractories) and Electrominerals.

2 SIGNIFICANT ACCOUNTING POLICIES :

2.1 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. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities (including contingent liabilities) on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

2.3 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.

2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.6 Depreciation and amortisation

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 the following assets which are depreciated at higher rates :

- leased vehicles are depreciated over four years,
- lease hold improvements are depreciated over six years,
- Building and other assets on lease hold land are depreciated over the lease period,
- Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

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.

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

2.7 Revenue recognition

Sale of goods

Domestic sales are accounted on transfer of significant risks and rewards of ownership to the buyer which generally coincides with despatch of products to customers in case of domestic sales and on the basis of bill of lading in the case of export sales . Sales are accounted net of Sales Tax / VAT, Discounts and Returns as applicable.

Income from Contracts

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, synchronized to the billing schedules agreed by the customers.

2.8 Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive is established.

Notes forming part of the Standalone financial statements

2.9 Tangible fixed assets

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 2.16 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.

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.

Capital work-in-progress:

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

2.10 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

Refer note 2.21 for accounting for Research and Development Expenses.

2.11 Foreign currency transactions and translations

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 statement of profit and loss.

Exchange differences arising on actual payments/ realisations and year-end restatements are dealt with in the statement of profit and loss.

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.

2.12 Government grants, subsidies and export incentives

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.

Export Benefits on account of entitlement to import goods free of duty under Duty Entitlement Pass Book Scheme and Status Holders Incentive Scrip are accounted based on eligibility and when there is no uncertainty in receiving the same.

2.13 Investments

Long term investments are carried individually at cost less provision for dimunition, other than temporary, in the value of such investments.

Current investments are carried individually at the lower of cost and fair value.

2.14 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 Statement of profit and loss.

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

b. Defined benefit plan

The liability for Gratuity to employees as at the 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 Statement of Profit and Loss.

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 obtains an independent actuarial valuation of the Interest Guarantees as at the Balance sheet date and provides for the shortfall, if any, in the present

Notes forming part of the Standalone financial statements

value of obligation of interest over the fair value of the surplus in the Fund.

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.

e. Voluntary retirement compensation

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

2.15 Employee share based payments

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 Statement of Profit and Loss on graded vesting basis over the vesting period of the options.

2.16 Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

2.17 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"

2.18 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.19 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. Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainity in availing/ utilising the credits. 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.

2.20 Taxes on income

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

Notes forming part of the Standalone financial statements

Deferred tax is recognised for all the timing differences and is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. 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.

2.21 Research and development expenses

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

2.22 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.

2.23 Provisions and contingencies

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.

2.24 Hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement". These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

2.25 Derivative contracts

The Company enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting.

Notes forming part of the Standalone financial statements

3. Share Capital (Rs. million)

	As at 31.03.2013	As at 31.03.2012
Authorised		
250,000,000 equity shares of Re.1 each	250.00	250.00
Issued, Subscribed and Paid-up		
187,468,344 shares of Re.1 each fully paid (Previous year 187,395,562 of Re.1 each fully paid)	**187.47**	**187.40**

3. a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31.03.2013		As at 31.03.2012	
Equity shares with voting rights	No. of Shares	Value of Shares	No. of Shares	Value of Shares
Number of shares at the beginning of the year	187395562	187.40	93470993	186.94
Add : Shares issued against ESOP scheme during the year before "Share-split"	–	–	156022	0.32
Total number of shares before "Share-split"	187395562	187.40	93627015	187.26
Number of shares consequent to "Share-split"	–	–	187254030	187.26
Add : Shares issued against ESOP scheme during the year after "Share-split"	72782	0.07	141532	0.14
Total number of shares outstanding at the end of the year	**187468344**	**187.47**	**187395562**	**187.40**

b) Terms / Rights attached to Equity Shares

The Company has only one class of Equity shares having a par value of Re.1/- per share (The Company subdivided one equity share of Rs.2/- each into two equity shares of Re.1/- each on 20th September 2011 after obtaining shareholder's approval).

Each holder of equity shares is entitled to one vote per share.

For the year ended March 31,2013, Final dividend of Re.0.75 per share has been proposed by the Board of Directors (previous year Re.1 per share). An interim dividend of Re.0.5 per share was declared at the meeting of the Board of Directors held on February 5, 2013 and the same has been paid (previous year Re.1 per share).

The dividends proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting.

Repayment of capital will be in proportion to the number of equity shares held.

c) Details of shares held by shareholders holding more than 5% of the aggregate share in the Company

Name of Shareholder	As at 31.03.2013		As at 31.03.2012	
	No.of Shares held	% of holding	No.of Shares held	% of holding
Murugappa Holdings Limited	55432284	29.57%	55432284	29.58%
Nalanda India Fund Limited	16793362	8.96%	16793362	8.96%
Face value per share	Re.1		Re.1	

Notes forming part of the Standalone financial statements

4. Reserves and Surplus

(Rs. million)

	As at 31.03.2012	Additions	Deductions/ Adjustments	As at 31.03.2013
Capital Reserve				
Fixed assets revaluation reserve	25.78	-	0.68	25.10
Capital subsidy	3.00	-	-	3.00
Profit on forfeiture of shares / warrants	6.03	-	-	6.03
Capital redemption reserve	27.68	-	-	27.68
Securities Premium	62.28	6.80*	-	69.08
Other Reserves				
General reserve	4076.11	250.00	-	4326.11
Debenture redemption reserve	125.00	-	-	125.00
Hedging reserve	2.40	(2.40)	-	-
Total	**4328.28**	**254.40**	**0.68**	**4582.00**
Surplus in Statement of Profit and Loss				
Opening balance	1841.17			1850.26
Add : Profit for the current year	1466.71			745.33
Less : Transfer to General Reserve	(1000.00)			(250.00)
Less : Transfer to Debenture Redemption Reserve	(31.25)			–
Less : Final dividend including tax on dividend **	(0.11)			(0.02)
Less : Interim Dividend	(187.37)			(93.73)
Less : Dividend Tax on Interim Dividend	(27.25)			(15.21)
Less : Proposed Final Dividend	(187.40)			(140.60)
Less : Dividend Tax on Proposed Final Dividend	(24.24)			(20.09)
Total	**1850.26**			**2075.94**
Grand Total	**6178.54**			**6657.94**

* Premium of Rs.6.80 million received on allotment of 72,782 equity shares under Employee Stock Option Scheme 2007

** Represent dividend and dividend tax of Rs.17,936 on 15,432 equity shares allotted under the ESOP Scheme 2007 to the employees, subsequent to the date of approval of the annual accounts by the Board and before the book closure date.

(Rs. million)

	As at 31.03.2013	As at 31.03.2012
5. Long-Term Borrowings - Secured		
(a) Debentures		
11.70% Secured Non-Convertible Redeemable debentures		
500 debentures of Rs.1 million each issued for cash at par redeemable in 2 equal annual installments, second installment payable on 1st January 2014.	-	250.00
– 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		
(b) Term Loan from banks		
External commercial borrowings (ECB)	-	291.61
– Secured by a pari-passu first charge on movable fixed assets, both present and future		
(c) Long term maturities of Finance lease obligations	11.82	16.87
– Secured against assets purchased under the arrangement		
	11.82	**558.48**

Notes forming part of the Standalone financial statements

5 **(i)** Refer Note 9 for short term maturities of the above long term borrowings

(ii) Details of External Commercial borrowings (Rs. million)

Sl.No	Currency	As at March 31, 2013	Interest rate	Repayment terms	As at March 31, 2012
1	USD	136.63	6 months LIBOR plus 0.65%	Third and Final instalment repayable in August 2013.	273.27
2	JPY	154.98	6 months LIBOR plus 1.8%	Third and Final instalment repayable in September 2013	309.96
3	JPY	–	6 months LIBOR plus 0.57%	Repaid in 2012-13	80.57
		291.61	Total ECBs		**663.80**
		–	Classified as Long term		291.61
		291.61	Classified as Short term and grouped under Note no:9		372.19

6. Components of Deferred tax liability (Net) : (Rs. million)

	As at 31.03.2013	As at 31.03.2012
Deferred tax asset arising out of Timing difference relating to:		
Provision for doubtful receivables and advances	19.76	20.12
Voluntary retirement scheme payments	0.47	0.68
Expenses allowed on payment basis	32.75	26.67
Restatement losses on Foreign currency borrowings relating to acquisition of fixed assets	–	6.28
Leased assets	1.51	1.10
	54.49	54.85
Deferred tax liability arising out of Timing difference relating to :		
Depreciation	544.81	480.15
	544.81	**480.15**
Deferred tax liability (Net)	**490.32**	**425.30**
7. Short-term Borrowings		
From Banks		
Secured		
Cash Credit (repayable on demand)	22.11	0.67
Other Borrowings	565.31	311.17
(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)		
Unsecured		
Other loans	174.37	97.50
	761.79	**409.34**
8. Trade payables		
– Acceptances	48.41	42.30
– Other than Acceptances	865.48	749.00
	913.89	**791.30**

Notes forming part of the Standalone financial statements

9. Other Current Liabilities

(Rs. million)

	As at 31.03.2013	As at 31.03.2012
Secured :		
Current maturities of Debentures	250.00	250.00
Current maturities of External commercial borrowings	291.61	372.19
Current maturities of Finance lease obligations	6.80	6.25
(Refer Note no:5 for the terms and securities given in respect of the above borrowings)		
Interest accrued but not due on loans	1.94	2.05
Unsecured :		
Unclaimed Dividend	10.71	16.97
Remuneration payable to Directors	13.50	16.20
Other Liabilities		
- Statutory Liabilities	59.68	83.38
- Advance from Customers	18.38	32.46
- Deposits	30.43	27.40
- Payables for purchase of fixed assets	58.16	124.90
- Other payables	213.90	239.86
	955.11	**1171.66**
10. Short-term provisions		
Provision for Employee benefits - Compensated absences	49.12	34.98
Proposed dividends	140.60	187.40
Tax on Proposed dividends	20.09	24.24
	209.81	**246.62**

Notes forming part of the Standalone financial statements

11. Fixed Assets

(Rs. million)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	As at 01.04.2012	For the year	Deletions	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets										
Land										
- Freehold	37.81 (a)	-	-	37.81	-	-	-	-	37.81	37.81
- Leasehold	103.37	-	15.39	87.98	4.84	0.98	0.74	5.08	82.90	98.53
Buildings	1258.43 (a)	129.36	1.23	1386.56 (b)	311.58	43.93	0.24	355.27	1031.29	946.85
Plant & Equipment	5160.54 (c)	619.54 (d)	58.85	5721.23	2509.03	395.22	50.62	2853.63	2867.60	2651.51
Furniture & Fixtures	108.86	10.54	3.37	116.03	49.60	7.91	3.02	54.49	61.54	59.26
Vehicles	17.56	0.77	1.31	17.02	8.91	1.42	0.77	9.56	7.46	8.65
Vehicles taken on lease	31.37	3.28	4.96	29.69	11.63	7.64	3.88	15.39	14.30	19.74
Total	**6717.94**	**763.49**	**85.11**	**7396.32**	**2895.59**	**457.10**	**59.27**	**3293.42**	**4102.90**	**3822.35**
Intangible Assets										
Goodwill	0.20	-	-	0.20	0.20	-	-	0.20	-	-
Trade Marks	1.61	-	-	1.61	1.61	-	-	1.61	-	-
Technical Knowhow	63.68	13.47	-	77.15	33.94	10.14	-	44.08	33.07	29.74
Software	2.32	5.01	-	7.33	1.12	0.85	-	1.97	5.36	1.20
Total	**67.81**	**18.48**	**-**	**86.29**	**36.87**	**10.99**	**-**	**47.86**	**38.43**	**30.94**
Grand total	**6785.75**	**781.97**	**85.11**	**7482.61**	**2932.46**	**468.09**	**59.27**	**3341.28**	**4141.33**	**3853.29**

(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.760.98 million (Previous year Rs. 701.05 million) being cost of building on leasehold land.

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

(d) Includes Equipments acquired for Research & Development Rs.16.65 million (Previous Year Rs. 2.00 million)

Notes forming part of the Standalone financial statements

11. Fixed assets - Previous year

(Rs. million)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.04.2011	Additions	Deletions	As at 31.03.2012	As at 01.04.2011	For the year	Deletions	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets										
Land										
- Freehold	37.81	–	–	37.81	–	–	–	–	37.81	37.81
- Leasehold	103.37	–	–	103.37	3.82	1.02	–	4.84	98.53	99.55
Buildings	1178.66	82.32	2.55	1258.43	271.31	41.11	0.84	311.58	946.85	907.35
Plant & Equipment	4751.43	459.03	49.92	5160.54	2181.84	367.36	40.17	2509.03	2651.51	2569.59
Furniture & Fixtures	102.80	7.36	1.30	108.86	43.57	7.25	1.22	49.60	59.26	59.23
Vehicles	14.63	5.51	2.58	17.56	9.88	0.99	1.96	8.91	8.65	4.75
Vehicles taken on lease	19.60	14.34	2.57	31.37	7.44	6.72	2.53	11.63	19.74	12.16
Total	**6208.30**	**568.56**	**58.92**	**6717.94**	**2517.86**	**424.45**	**46.72**	**2895.59**	**3822.35**	**3690.44**
Intangible Assets										
Goodwill	0.20	–	–	0.20	0.20	–	–	0.20	–	–
Trade Marks	1.61	–	–	1.61	1.61	–	–	1.61	–	–
Technical Knowhow	62.66	1.02	–	63.68	22.65	11.29	–	33.94	29.74	40.01
Software	2.32	–	–	2.32	0.65	0.47	–	1.12	1.20	1.67
Total	**66.79**	**1.02**	**–**	**67.81**	**25.11**	**11.76**	**–**	**36.87**	**30.94**	**41.68**
Grand total	**6275.09**	**569.58**	**58.92**	**6785.75**	**2542.97**	**436.21**	**46.72**	**2932.46**	**3853.29**	**3732.12**

Notes forming part of the Standalone financial statements

12. Non Current Investments (at cost)

(Rs. million)

Sl. No.		Description	Quantity in Nos. As at 31.03.2013	Quantity in Nos. As at 31.03.2012	Nominal Value Rs.	Value As at 31.03.2013	Value As at 31.03.2012
I		**Quoted (Trade)**					
	a	Equity Shares (fully paid) : Joint Ventures					
		Wendt (India) Ltd.	797352	797352	10	10.36	10.36
	b	Equity Shares (fully paid) : Others					
		Coromandel Engineering Co. Ltd.	42900	42900	10	0.43	0.43
II		**Quoted (Non-Trade)**					
	a	Equity Shares (fully paid) : Others					
		Grindwell Norton Ltd.	400	400	5	0.01	0.01
		Orient Abrasives Ltd. (Rs. 1533 only)	10000	10000	1	0.00	0.00
		Orient Refractories Ltd. (Rs. 713 only)	10000	10000	1	0.00	0.00
		EID Parry (India) Ltd.	1000	1000	1	0.01	0.01
		Cholamandalam Investment and Finance Co. Ltd. (Rs. 2700 only)	100	100	10	0.00	0.00
		Tube Investments of India Ltd.	1000	1000	2	0.01	0.01
		Coromandel International Ltd. (Rs.330 only)	330	330	1	0.00	0.00
III		**Unquoted (Trade)**					
	a	Equity Shares (fully paid): Subsidiaries					
		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 International Ltd., Cyprus	13999787	13999787	USD 1	575.72	575.72
		Cellaris Refractories India Limited	7000000	6950000	10 (d)	70.00	69.50
	b	Equity Shares (fully paid) : Joint ventures					
		Murugappa Morgan Thermal Ceramics Ltd.	1430793	1430793	10	44.04	44.04
		Ciria India Ltd.	59998	59998	10	1.68	1.68
	c	Equity Shares (fully paid) : Others					
		Murugappa Management Services Ltd.	44704	44704	100	11.30	11.30
	d	Redeemable Preference Shares (fully paid) - Subsidiaries					
		CUMI International Ltd., Cyprus	10000000	10000000	USD 1 (a)	409.90	409.90
IV		**Unquoted (Non-Trade)**					
	a	Equity Shares (fully paid) – Others					
		Chennai Willingdon Corporate Foundation (Rs.50 only)	5	5	10 (b)	0.00	0.00
		John Oakey Mohan Ltd.	1900	1900	10	0.05	0.05
		CUMI Employees Co-operative Society/Stores				0.03	0.03
		Kerala Enviro Infrastructure Ltd.	10000	10000	10	0.10	0.10
	b	Others					
		7 Years National Savings Certificate (Rs.2000 only)			(c)	0.00	0.00
		Total				**1246.18**	**1245.68**

		As at 31.03.2013	As at 31.03.2012
I & II	Quoted Investments		
	- Cost	10.82	10.82
	- Market Value	884.51	1318.93
III & IV	Unquoted Investments - Cost	1235.36	1234.86

(a) These Preference shares carry 7.25% non cumulative dividends and are redeemable at any time before year 2015.
(b) Shares allotted against earlier year's corporate membership contribution.
(c) Deposit with the Government.
(d) Purchased during the year - 50000 equity shares of Rs.10 each.

Notes forming part of the Standalone financial statements

13. Long-term loans & advances - Unsecured and considered good

(Rs. million)

Particulars	As at 31.03.2013	As at 31.03.2012
Capital advances	79.86	103.29
Disputed Sales tax, Central excise and Service tax amounts deposited under protest	12.90	10.81
Taxation (net of provisions)	40.28	48.99
Security Deposits	55.91	59.95
	188.95	**223.04**

14. Current investments (at lower of cost and fair value)

(Rs. million)

Description	Quantity in Nos.	Nominal Value (in Rs.)	Value As at 31.03.2013	Value As at 31.03.2012
Quoted (Non-Trade)				
Mutual Funds				
LIC Nomura Mutual Fund - Liquid Fund - Dividend plan	4553693	11	-	50.00
UTI Mutual Fund - Liquid Fund Cash Plan	49046	1019	-	50.00
			-	**100.00**

14. a) Statement of additions / deletions to current investments

Sl. No.	Description	Nos	Nominal Value (Rs.)	Value (Rs. million)
	Additions during the year			
i	LIC Nomura MF Income Plus Fund	11355200	10.04	114.00
ii	LIC Nomura MF Liquid Fund	13570004	10.98	149.00
iii	UTI Mutual Fund - Liquid Fund Cash Plan	282016	1019.45	287.50
iv	UTI - Money Market Fund	19933	1003.39	20.00
v	UTI - Treasury Advantage Fund	397461	1000.10	397.50
vi	ICICI Prudential Flexible Income	472880	105.74	50.00
	Deletions during the year			
i	LIC Nomura MF Income Plus Fund	11355200	10.04	114.00
ii	LIC Nomura MF Liquid Fund	18123697	10.98	199.00
iii	UTI Mutual Fund - Liquid Fund Cash Plan	331062	1019.45	337.50
iv	UTI - Money Market Fund	19933	1003.39	20.00
v	UTI - Treasury Advantage Fund	397461	1000.10	397.50
vi	ICICI Prudential Flexible Income	472880	105.74	50.00
	Net increase/(Decrease) in investments			**(100.00)**

Notes forming part of the Standalone financial statements

(Rs. million)

		As at 31.03.2013		As at 31.03.2012
15. Inventories (at lower of cost and net realisable value)				
Raw materials (Goods in Transit - Rs.39.74 million ; Previous year - Rs.Nil)		652.62		747.08
Work-in-process		420.92		380.26
Stock in Trade		151.60		85.57
Finished stock		470.37		567.16
Stores and spare parts		104.06		96.81
		1799.57		**1876.88**
Details of Inventory of Work-in-process per Business Segment :				
- Abrasives		195.21		160.50
- Ceramics		127.21		156.24
- Electrominerals		98.50		63.52
		420.92		**380.26**
16. Trade receivables (Unsecured)				
Outstanding over a period exceeding six months from the date they were due for payment				
- Considered good		24.95		27.99
- Considered doubtful		57.79		61.76
		82.74		**89.75**
Other receivables				
- Considered good		1998.70		1819.17
		2081.44		1908.92
Less: Provision for doubtful receivables		57.79		61.76
		2023.65		**1847.16**
17. Cash and Bank balances :				
Cash on Hand		0.82		0.96
Balances with banks :				
- Current account		77.19		86.30
- In earmarked accounts : Unclaimed dividend account		10.71		16.97
		88.72		**104.23**
18 Short-term loans & advances				
(Unsecured and considered good, unless otherwise stated)				
Loans and advances to employees		11.49		10.11
Prepaid expenses		16.48		13.45
Trade advances		214.39		162.54
Receivable from related parties		49.15		46.37
Intercorporate deposit from related party		16.25		–
Claims recoverable		1.76		5.93
Other Loans & Advances				
Considered good	92.05		64.96	
Considered doubtful	0.35		0.26	
Less: Provision for doubtful advances	0.35		0.26	
		92.05		64.96
Balances with statutory authorities				
- CENVAT credit receivable	40.37		46.06	
- VAT input credit receivable	22.81		16.03	
- Customs duty refunds receivable	82.00		66.28	
- Service tax input credit receivable	8.66		14.09	
		153.84		142.46
		555.41		**445.82**

Notes forming part of the Standalone financial statements

(Rs. million)

		2012-13		2011-12
19. Revenue from Operations:				
Sale of Products (Refer Segment Disclosure for Breakup of Sales)		11565.93		11764.69
Income from Contracts		107.06		65.89
Other Operating Revenue				
Service Income	56.60		80.26	
Scrap Sales	82.74		76.62	
Miscellaneous Income				
- Export benefits	61.68		31.16	
- Others	7.66		13.58	
		208.68		201.62
		11881.67		**12032.20**
Less : Excise duty		872.75		778.47
		11008.92		**11253.73**
Sale of product comprises :				
- Bonded		4279.72		4516.15
- Coated		2073.41		1861.27
- Industrial Ceramics		1711.56		1609.16
- Refractories		1596.15		1680.04
- Grains		1625.30		1895.67
- Others		279.79		202.40
		11565.93		**11764.69**
20. Changes in inventories of finished goods, work-in-process and stock-in-trade				
Opening stock				
Work-in-process		380.26		342.43
Stock in trade		85.57		56.92
Finished stock		567.16		468.26
		1032.99		**867.61**
Less: Closing stock				
Work-in-process		420.92		380.26
Stock in trade		151.60		85.57
Finished stock		470.37		567.16
		1042.89		**1032.99**
Accretion to stock		**(9.90)**		**(165.38)**

Notes forming part of the Standalone financial statements

(Rs. million)

		2012-13		2011-12
21. Employee benefits expense				
Salaries, wages and bonus		813.60		778.71
Contribution to provident and other funds		74.94		103.23
Voluntary retirement compensation		1.19		–
Remuneration to Managing Director		14.13		12.49
Welfare expenses		218.13		181.57
		1121.99		**1076.00**
Remuneration to Managing Director includes :				
Salaries & Allowances		9.90		8.00
Incentive		3.00		3.54
Contribution to provident and other funds		1.23		0.95
(excludes Gratuity and Compensated absences since employee-wise valuation is not available)		**14.13**		**12.49**
Value of perquisites (included under appropriate heads of accounts)		2.10		2.14
22. Other Expenses				
Consumption of stores and spares		446.44		449.18
Power and fuel [(a)]		1168.74		1049.38
Rent		34.62		25.81
Excise duty on stock differential [(c)]		(13.03)		18.68
Rates and taxes		51.89		68.91
Insurance		18.74		14.48
Repairs to: [(b)]				
- Buildings		13.19		12.05
- Machinery		326.32		318.36
Directors' sitting fees		0.92		0.87
Commission to non-wholetime directors		10.50		13.00
Auditors' remuneration (Note 33)		4.06		4.22
Travel and conveyance		146.66		129.90
Freight, delivery and shipping charges		298.23		290.86
Selling commission		30.72		38.79
Rebates and allowances		47.29		61.57
Advertisement and publicity		46.40		60.80
Printing, stationery and communication		41.49		42.04
Contribution to research institution		2.50		7.20
Bad receivables and advances written off	9.37		2.39	
Less : Provision adjusted	9.37		2.39	
		-		-
Provision for doubtful receivables, advances and deposits		22.13		14.81
Professional fees		44.44		51.38
Loss on exchange fluctuation (Net)		8.27		24.36
Services outsourced		690.32		600.59
Loss on sale of Fixed Assets		6.79		7.88
Miscellaneous expenses		97.90		93.54
		3545.53		**3398.66**
(a) Net of own power generation, which includes energy banked with KSEB - Rs.29.5 Million (Previous year Rs.17.5 Million)		93.35		117.60
(b) Includes stores and spare parts		199.05		207.77

(c) Represents excise duty relating to difference between the opening and closing stock of finished goods. The excise duty shown as deduction from sales in Revenue from operations - Note 19 represents excise duty on sales during the year.

Notes forming part of the Standalone financial statements

(Rs. million)

	2012-13	2011-12
23. Finance Costs		
Interest		
- On Debentures and fixed loans	155.71	168.23
- Others	2.31	4.49
Other borrowing costs	5.73	1.48
	163.75	**174.20**
24. Other Income		
Dividend Income from Long term Investments		
Trade		
Dividend from Subsidiaries	95.60	77.29
Dividend from Joint ventures	64.47	60.89
Dividend from Others	–	0.11
Non-trade		
Dividend from Associate	–	5.28
Dividend from others	0.03	0.02
Dividend Income from Current Investments		
Dividend from others	1.62	1.92
Interest Income		
- from inter corporate deposits	0.56	0.22
- from others	1.48	1.99
Other Income		
Profit on sale of fixed assets	1.72	2.28
Provision for expenses no longer required written back	–	1.53
Provision for doubtful receivables / advances no longer required written back	16.64	1.86
Rental Income	1.03	1.49
	183.15	**154.88**
Tax deducted at source from interest	0.20	0.09

Notes forming part of the Standalone financial statements

Additional information to the financial statements

(Rs. million)

	31.03.2013	31.03.2012
25. Contingent Liabilities and commitments:		
Contingent Liabilities		
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 :		
i. Income Tax Act, 1961	108.80	119.02
ii. Central Sales Tax Act,1956 & Local Sales Tax laws of various states	18.47	12.99
iii. Central Excise Act,1944	4.29	4.39
iv. Service Tax, 1994	2.86	2.86
v. Customs Act, 1962	–	1.66
b. Outstanding letters of comfort / guarantee given on behalf of subsidiaries	2640.13	2046.61
c. Outstanding letters of credit	170.19	175.28
d. Outstanding bills discounted	1.72	2.15
e. Claims against the Company not acknowledged as debts :		
i. Urban Land Tax	3.09	3.50
ii. Stamp duty	1.90	1.90
iii. Electricity charges	–	12.60
iv. Claim filed by ship liner towards damages	14.00	14.00
v. Claim filed before Consumer Dispute Redressal Forum	1.00	1.00
vi. Mining Royalty	42.80	42.80
	62.79	**75.80**
f. Employees demands pending before Labour Courts - quantum not ascertainable at present		
In respect of the above demands disputed by the company, appeals filed are pending before respective appellate authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the company's rights for future appeals. No reimbursements are expected.		
Commitments:		
Estimated amount of contracts remaining to be executed and not provided for:		
- Towards capital account	283.71	175.54

Notes forming part of the Standalone financial statements

(Rs. million)

	31.03.2013	31.03.2012
26. The following pre-commissioning expenses incurred during the year on various projects have been included in Fixed Assets/Capital Work-in-Process:		
Account Head :		
Raw material Consumption	1.37	3.30
Consumption of Stores & Spares	0.87	0.43
Power & Fuel	-	1.40
Insurance	0.03	0.02
Travel & Conveyance	9.51	1.70
Freight	3.35	0.61
General Services	0.53	0.29
Rates & Taxes	0.15	0.19
Professional Fees	6.21	3.19
Miscellaneous Expenses	1.14	1.31
	23.16	**12.44**
27. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		
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.		
Total outstanding dues to Micro enterprises and small enterprises	17.68	12.74
28. The details of actuarial valuation in respect of Gratuity liability are given below :		
i. **Projected benefit obligation as at beginning of the year**	**163.52**	**138.75**
Service cost	15.65	8.20
Interest cost	12.53	11.10
Actuarial Losses / (Gains)	(9.15)	21.06
Benefits paid	(13.67)	(15.59)
Projected benefit obligation as at end of the year	**168.88**	**163.52**
ii. Fair value of plan assets as at beginning of the year	**136.95**	**106.70**
Expected return on plan assets	12.02	10.76
Contributions	27.00	35.00
Benefits paid	(13.67)	(15.59)
Actuarial Gain /(losses) on plan assets	1.22	0.08
Fair value of plan assets as at end of the year	**163.52**	**136.95**
iii. Amount recognised in the balance sheet :		
Projected benefit obligation at the end of the year	168.88	163.52
Fair value of the plan assets at the end of the year	163.52	136.95
(Liability) / Asset recognised in the Balance sheet	**5.36**	**(26.57)**

Notes forming part of the Standalone financial statements

(Rs. million)

	31.03.2013	31.03.2012
iv. Cost of the defined benefit plan for the year :		
Current service cost	15.65	8.20
Interest on obligation	12.53	11.10
Expected return on plan assets	(12.02)	(10.76)
Net actuarial losses recognised in the year	(10.36)	20.98
Net cost recognised in the Profit and Loss account	**5.80**	**29.52**
v. Assumptions :		
Discount rate	8.00%	8.00%
Expected rate of return	8.00%	8.00%
Mortality table used	*Indian Assured Lives Mortality (2006-08) Ultimate*	

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, expected return on each category of plan assets and experience adjustment in respect of actuarial losses / gains.

29. 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 the first vesting and six years from the date of the second, third and fourth 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.

Notes forming part of the Standalone financial statements

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	VI	VII	VIII
Date of Grant		29.09.2007	28.01.2008	30.04.2008	24.07.2008	27.01.2011	27.01.2011	30.04.2011	05.08.2011	04.02.2012
Exercise Price [Rs.]		91.80	75.225	59.025	61.40	125.08	125.08	124.15	146.00	155.00
Vesting commences on		29.09.2008	28.01.2009	30.04.2009	24.07.2009	27.01.2012	27.01.2012	30.04.2012	05.08.2012	04.02.2013
(i)	Options granted	2,671,400	60,000	24,800	139,600	653,200	334,400	73,600	420,000	151,600
(ii)	Options outstanding as on 1.4.2012	1,021,028	–	–	42,822	636,868	317,880	73,600	420,000	151,600
(iii)	Options granted during the year	-	–	–	–	–	–	–	–	–
(iv)	Options cancelled during the year	–	–	–	2,664	16,056	9,732	2,944	16,800	4,372
(v)	Total options vested during the year	–	–	–	5,300	114,584	90,588	11,776	67,200	25,948
(vi)	Options exercised during the year	64,966	–	–	1,216	–	6,600	–	–	–
(vii)	Options lapsed during the year	–	–	–	6,496	–	–	–	–	–
(viii)	Options outstanding as on 31.03.2013	956,062	–	–	32,446	620,812	301,548	70,656	403,200	147,228

(viii) = (ii) + (iii) - (iv) - (vi) - (vii)
Grant II & III fully cancelled

		I	II	III	IV	V A	V B	VI	VII	VIII
(ix)	Options vested but not exercised as at 01.04.2012	1,021,028	–	–	28,362	114,308	117,240	–	–	–
(x)	Options vested but not exercised as at 31.03.2013	956,062	–	–	25,950	228,892	201,228	11,776	67,200	25,948

(x) = (ix) + (v) - (vi) - (vii)

e. 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.

f. 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	39.65	91.80
II	27.76	75.23
III	22.78	59.03
IV	27.61	61.40
V A	59.79	125.08
V B	56.02	125.08
VI	55.89	124.15
VII	65.20	146.00
VIII	65.48	155.00

Notes forming part of the Standalone financial statements

g. 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. 211.20 million and the impact on the financial statements would be :

	For the Year ended 31.03.2013	For the Year ended 31.03.2012
Increase in employee costs - (Rs. million)	36.64	32.65
Decrease in Profit after Tax - (Rs. million)	24.75	22.06
Decrease in Basic & Diluted Earnings per share - Rs.	0.13	0.12

h. 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 & IV	Grant II & III	Grant VA & VB	Grant VI, VII & VIII
Risk free Interest rate	7.41%	–	8.04%	8.36%
Expected Life (years)	2.5 to 7.0	–	2.5 to 7.0	2.5 to 7.0
Expected volatality	40%	–	39.80%	37.62%
Expected dividend yield	2.32%	–	1.29%	1.60%

(Rs. million)

	31.03.2013	31.03.2012
30 Donation given to Political parties during the year :		
Bharatiya Janata Party	–	4.01
Communist Party of India (Marxist)	–	0.13
Indian National Congress	–	0.05
	–	**4.19**
31 a. Value of Imports on CIF basis		
Raw materials	1838.32	2156.37
Components & Spare parts	55.13	49.95
Capital goods	150.59	128.15
b. Expenditure in foreign currency (on cash basis):		
Professional / Consultancy fees	33.18	43.66
Commission	14.61	13.93
Interest	24.30	30.20
Travel and other matters	62.08	40.82
32 Earnings in foreign exchange on account of :		
Value of exports on FOB basis	2201.43	2414.03
Royalty	4.54	3.89
Dividend	57.61	24.89
Management fees	16.29	40.87
33 Auditors' Remuneration		
Statutory audit	2.00	1.80
Tax Audit	0.40	0.35
Other services	1.58	2.03
Out of pocket expenses	0.08	0.04
	4.06	**4.22**

Notes forming part of the Standalone financial statements

34 Related Party Disclosures

a) List of Related Parties

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

I) **Parties where control exists - Subsidiaries**

Direct Holding :

Net Access India Ltd	[Net Access]
Southern Energy Development Corporation Ltd	[Sedco]
Sterling Abrasives Ltd	[Sterling]
CUMI (Australia) Pty Ltd	[CAPL]
Cellaris Refractories India Limited	[CRIL]
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]
CUMI Abrasives & Ceramics Company Limited	[CACCL]
Thukela Refractories Isithebe Pty Limited	[TRIL]

II) **Other related parties with whom transactions have taken place during the year**

Joint Ventures

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

Associate

Laserwords Pvt Ltd [Ceased to be an associate w.e.f November 2011] [Laserwords]

Key Management Personnel

Mr. K Srinivasan, Managing Director

34 b) Transactions with Related party (Rs. million)

		Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Total	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1	Income from sales and services	743.72	660.30	-	-	67.00	72.57	-	-	810.72	732.87
2	Purchase of goods	551.64	727.22	-	-	24.77	28.86	-	-	576.41	756.08
3	Lease/Rental/Royalty income	4.75	3.89	-	-	-	-	-	-	4.75	3.89
4	Purchase of power	116.36	122.16	-	-	-	-	-	-	116.36	122.16
5	Expenditure on other services	16.38	16.06	-	-	-	-	-	-	16.38	16.06
6	Dividend income	95.60	77.29	-	5.28	64.47	60.89	-	-	160.07	143.46
7	Interest received	0.56	0.22	-	-	-	-	-	-	0.56	0.22
8	Reimbursement of employee cost	2.23	1.34	-	-	1.04	0.12	-	-	3.27	1.46
9	Purchase of fixed assets	-	-	-	-	6.34	4.38	-	-	6.34	4.38
10	Investments made	0.50	-	-	-	-	-	-	-	0.50	-
11	Inter-corporate deposits placed	16.25	-	-	-	-	-	-	-	16.25	-
12	Trade and Other Receivables	266.55	186.80	-	-	5.36	27.64	-	-	271.91	214.44
13	Payables	18.66	(36.82)	-	-	1.71	4.34	-	-	20.37	(32.48)
14	Inter-corporate deposits outstanding	16.25	-	-	-	-	-	-	-	16.25	-
15	Managerial remuneration	-	-	-	-	-	-	16.23	14.63	16.23	14.63
16	Letters of Comfort/ Guarantee issued	2640.13	2046.61	-	-	-	-	-	-	2640.13	2046.61

Notes forming part of the Standalone financial statements

34 (c) Details of Transactions with Related Parties during the year ended 31.03.2013

(Rs. million)

Particulars	Subsidiaries															Joint Ventures				Key Management Personnel
	CAI	Net Access	Sterling	Sedco	CAPL	CME	CCI	Foskor	CRIL		CIL	CACCL	VAW	TRIL	TOTAL	Wendt	MMTCL	Ciria	TOTAL	
Income from sales and services	155.42	-	84.75	2.40	291.54	130.78	18.30	10.21	0.57		-	25.27	19.08	5.40	743.72	18.82	18.04	30.14	67.00	-
Reimbursement of employee cost	-	1.54	-	0.29	-	-	-	-	0.40		-	-	-	-	2.23	1.04	-	-	1.04	-
Purchase of goods	-	-	0.38	-	-	-	-	19.95	-		-	268.47	251.15	11.69	551.64	18.95	5.82	-	24.77	-
Lease/Rental/ Royalty income	-	-	-	-	4.54	-	-	-	0.22		-	-	-	-	4.76	-	-	-	-	-
Purchase of Power	-	-	-	116.36	-	-	-	-	-		-	-	-	-	116.36	-	-	-	-	-
Expenditure on other services	-	16.38	-	-	-	-	-	-	-		-	-	-	-	16.38	-	-	-	-	-
Dividend Income	-	5.00	13.50	19.50	57.61	-	-	-	-		-	-	-	-	95.61	19.93	25.04	19.50	64.47	-
Interest received	-	-	-	-	-	-	-	-	0.56		-	-	-	-	0.56	-	-	-	-	-
Purchase of Fixed Assets	-	-	-	-	-	-	-	-	-		-	-	-	-	-	6.34	-	-	6.34	-
Trade and other receivables	71.00	-	4.24	-	23.33	25.57	4.04	109.04	3.30		-	20.34	-	5.69	266.55	1.49	0.48	3.39	5.36	-
Payables	-	1.25	0.01	9.12	-	-	0.61	2.72	-		-	-	3.97	0.98	18.66	1.50	0.21	-	1.71	-
ICD Given	-	-	-	-	-	-	-	-	16.25	* ^	-	-	-	-	16.25	-	-	-	-	-
Investments made	-	-	-	--	-	-	-	-	0.50		-	-	-	-	0.50	-	-	-	-	-
ICD Outstanding	-	-	-	-	-	-	-	-	16.25	^	-	-	-	-	16.25	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	16.23

*Maximum balance outstanding during the year Rs. 16.25 million.
^ a director is also interested.

Notes forming part of the Standalone financial statements

34 (d) Details of Transactions with Related Parties during the year ended 31.03.2012

(Rs. million)

Particulars	Subsidiaries													Joint Ventures				Key Management Personnel
	CAI	Net Access	Sterling	Sedco	CAPL	CME	CCI	Foskor	CRIL	CIL	CACCL	VAW	Total	Wendt	MMTCL	Ciria	Total	
Income from sales and services	85.95	-	73.48	2.40	274.77	51.12	84.34	50.42	-	-	22.77	15.05	660.30	21.51	20.47	30.59	72.57	-
Reimbursement of employee cost	-	1.34	-	-	-	-	-	-	-	-	-	-	1.34	0.12	-	-	0.12	-
Purchase of goods	-	-	-	-	-	-	-	0.59	-	-	87.93	638.70	727.22	17.45	11.41	-	28.86	-
Lease/Rental/ Royalty income	-	-	-	-	3.89	-	-	-	-	-	-	-	3.89	-	-	-	-	-
Purchase of Power	-	-	-	122.16	-	-	-	-	-	-	-	-	122.16	-	-	-	-	-
Expenditure on other services	-	16.06	-	-	-	-	-	-	-	-	-	-	16.06	-	-	-	-	-
Dividend Income	-	3.20	12.15	37.04	24.90	-	-	-	-	-	-	-	77.29	19.93	21.46	19.50	60.89	-
Interest received	-	-	-	-	-	-	-	-	0.22	-	-	-	0.22	-	-	-	-	-
Purchase of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	4.38	-	-	4.38	-
Trade and Other Receivables	62.62	-	14.27	-	34.88	20.52	25.56	9.59	-	-	19.36	-	186.80	12.37	9.86	5.41	27.64	-
Payables	-	0.04	-	6.23	-	-	-	3.00	-	-	(46.09)	-	(36.82)	4.19	0.15	-	4.34	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14.63

Notes forming part of the Standalone financial statements

35 (a) 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.

Notes forming part of the Standalone financial statements

35 (b) SEGMENT DISCLOSURE

A. PRIMARY SEGMENT INFORMATION

(Rs. million)

Particulars	Abrasives		Ceramics		Electrominerals		Eliminations		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1. REVENUE										
Gross Sales	**6624.63**	**6575.28**	**3316.00**	**3293.74**	**1625.30**	**1895.67**			**11565.93**	**11764.69**
Less : Excise Duty	552.12	483.04	198.57	190.03	122.06	105.40			872.75	778.47
Net External Sales	**6072.51**	**6092.24**	**3117.43**	**3103.71**	**1503.24**	**1790.27**	-	-	**10693.18**	**10986.22**
Income from work bills and services			107.06	65.89					107.06	65.89
Inter segment Sales			40.56	31.00	462.72	509.39	(503.28)	(540.39)	-	-
Total Revenue	**6072.51**	**6092.24**	**3265.05**	**3200.60**	**1965.96**	**2299.66**	**(503.28)**	**(540.39)**	**10800.24**	**11052.11**
2. RESULT										
Segment result	793.76	1033.70	425.14	546.96	73.09	440.19			1291.99	2020.85
Unallocated corporate expenses									(206.57)	(245.11)
Finance costs									(163.75)	(174.20)
Interest and dividend income									163.76	147.72
Profit on sale of fixed assets (Net)	(0.76)	(3.40)	(3.85)	(1.56)	(0.47)	(0.25)			(5.08)	(5.21)
Profit on sale of immovable property	–	10.57							–	10.57
Profit on sale of investments									–	139.31
Income taxes									(335.02)	(427.22)
Net profit	**793.00**	**1040.87**	**421.29**	**545.40**	**72.62**	**439.94**	-	-	**745.33**	**1466.71**
3. OTHER INFORMATION										
Segment assets	3987.19	3552.84	2916.67	2829.39	1764.88	1882.12			8668.74	8264.35
Unallocated corporate assets									1519.41	1704.29
Total assets	**3987.19**	**3552.84**	**2916.67**	**2829.39**	**1764.88**	**1882.12**	-	-	**10188.15**	**9968.64**
Segment liabilities	704.25	589.62	325.15	334.68	257.60	278.81			1287.00	1203.11
Unallocated corporate liabilities									2055.74	2399.59
Total liabilities	**704.25**	**589.62**	**325.15**	**334.68**	**257.60**	**278.81**	-	-	**3342.74**	**3602.70**
Capital expenditure	291.27	222.29	212.67	337.47	114.69	213.31				
Depreciation & Amortization	161.17	148.33	199.62	184.39	94.27	91.94				
Non cash Item other than Depreciation & amortization	1.57	3.49	19.68	10.80	0.78	0.36				
B. SECONDARY SEGMENT INFORMATION									**31.03.2013**	**31.03.2012**
1. Revenue by Geographical market										
India									8556.35	8616.95
Rest of the world									2243.89	2435.16
Total									**10800.24**	**11052.11**
2. Carrying amount of Segment Assets										
India									8258.23	7789.48
Rest of the world									410.51	474.87
Total									**8668.74**	**8264.35**
3. Additions to Fixed Assets and Intangible Assets										
India									770.25	550.15
Rest of the world									-	-
Total									**770.25**	**550.15**

Notes forming part of the Standalone financial statements

36 Notes relating to Leases

(Rs. million)

		31.03.2013	31.03.2012
	The Company has acquired vehicles under finance lease with respective asset as security:		
a.	Cost of Leased Assets	29.69	31.37
b.	Net carrying amount	14.30	19.74
c.	Reconciliation between Total minimum lease payments and their present value :		
	Total minimum lease payments	22.58	29.27
	Less: Future liability on interest account	(3.96)	(6.15)
	Present value of lease payments	18.62	23.12

d. Yearwise Future Minimum lease rental payments :

	Total Minimum Lease payments as on 31.03.2013	Present value of Lease payments as on 31.03.2013	Total Minimum Lease payments as on 31.03.2012	Present value of Lease payments as on 31.03.2012
(i) Not later than one year	9.04	6.80	9.14	6.25
(ii) Later than one year and not later than five years	13.54	11.82	20.13	16.87
(iii) Later than five years	Nil	Nil	Nil	Nil

e. The Company has taken certain premises under operating leases cancellable at mutual option. Hence no disclosure in this regard has been made.

37 Notes to Earnings Per Share (EPS)

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

	31.03.2013	31.03.2012
Net Profit for the year (Rs. million)	745.33	1466.71
Weighted average number of equity shares outstanding during the year		
– Basic	187429563	187232091
– Dilutive	187934374	187869492
Earnings per Share - Basic (Rs.)	3.98	7.83
Earnings per Share - Diluted (Rs.)	3.97	7.81

38 Provision for Dividend Tax has been made considering the credit amounting to Rs.3.81 million (Previous year - Rs.6.16 million) available for set off in respect of dividend tax payable on dividends to be distributed by three subsidiary companies, based on provisions 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 NIL million (Previous year - Rs.3.16 million) in respect of the dividend tax paid on the interim dividends received from a subsidiary.

39 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 Company has adopted the measurement principles as laid down in the AS - 30 - Financial Instruments - Recognition and Measurement 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 2013 aggregating to Rs NIL has been credited to Hedging Reserve.

(Rs. million)

		31.03.2013	31.03.2012
B.	a) Quantum of derivatives (all of which identified as hedges) outstanding as at the end of the year (notional principal amount) on :		
	Forward exchange contracts	584.05	486.01
	b) Unhedged foreign currency exposure on account of		
	Loan outstanding	–	80.57
	Receivables	370.97	372.93
	Payables	88.50	118.46

Notes forming part of the Standalone financial statements

40 Exceptional Items

a) During the previous year, the Company sold its investments in the Equity shares of CUMI Abrasives & Ceramics Company Limited amounting to Rs.231.39 million. The loss amounted to Rs.113.71 Million had been charged to revenue under Exceptional items

The equity shares held by the Company in Laserwords Pvt. Ltd were also sold during the previous year. The profit on sale amounting to Rs. 253.02 Million had been credited to Statement of Profit and Loss under Exceptional items

b) Profit on Sale of Land and Buildings

During the previous year, a portion of land and Building was acquired by the Government under compulsory acquisition for infrastructure development and the profit on sale had been credited to Statement of Profit and Loss under Exceptional items.

c) There are no exceptional items to be reported during the current year.

41 Information on Joint Ventures as per AS 27

a. List of Joint Ventures as on 31st March, 2013 :

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	Total
i) Directly incurred by the company	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil
ii) Share of the company in contingent liabilities which have been incurred jointly with other venturers	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil
iii) Share of the company in contingent liabilities incurred by Jointly controlled entity	Nil	2.91	0.65	3.56
(Previous year)	1.15	4.24	0.65	6.04
iv) Share of Other venturers in contingent liabilities incurred by Jointly controlled entity	Nil	3.03	1.53	4.56
(Previous year)	1.19	6.39	1.53	9.11
c Capital commitments in respect of Joint Ventures :				
i) Direct capital commitments by the company	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil
ii) Share of the company in capital commitments which have been incurred jointly with other venturers	Nil	Nil	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil
iii) Share of the company in capital commitments of the Jointly controlled entity	3.71	22.53	Nil	26.24
(Previous year)	0.88	10.08	Nil	10.96

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

Notes forming part of the Standalone financial statements

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

	MMTCL		Ciria		Wendt		Total	
	2012-13	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
i. Proportionate share of Income in Joint Ventures								
I. Revenue from operations	626.29	600.62	155.71	206.57	435.48	475.21	1217.48	1282.40
Less: Excise Duty	(48.95)	(41.45)	-	-	(32.16)	(31.32)	(81.11)	(72.77)
	577.34	559.17	155.71	206.57	403.32	443.89	1136.37	1209.63
II. Other Income	12.31	5.97	2.57	2.63	7.11	4.75	21.99	13.35
III. Total Revenue (I +II)	**589.65**	**565.14**	**158.28**	**209.20**	**410.43**	**448.64**	**1158.36**	**1222.98**
ii. Proportionate share of Expense in Joint Ventures								
Cost of materials consumed	118.98	108.10	64.74	102.71	117.64	124.57	301.36	335.38
Purchase of stock in Trade	15.56	25.65	-	-	26.73	25.68	42.29	51.33
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	(5.86)	(6.98)	-	0.97	(1.00)	(7.27)	(6.86)	(13.28)
Employee benefits expense	61.14	59.18	14.95	13.81	63.29	63.85	139.38	136.84
Finance cost	0.08	0.84	-	-	0.13	0.57	0.21	1.41
Depreciation and amortization expense	29.18	22.80	1.17	1.13	18.89	15.91	49.24	39.84
Other expenses	238.94	227.25	40.48	45.69	110.06	111.74	389.48	384.68
Total Expenses	**458.02**	**436.84**	**121.34**	**164.31**	**335.74**	**335.05**	**915.10**	**936.20**

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

	MMTCL		Ciria		Wendt		Total	
	2012-13	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
iii. Proportionate share of Liabilities in Joint Ventures								
Non current liabilities								
Long term Borrowings	-	4.18	-	-	-	-	-	4.18
Deferred tax liabilities (Net)	10.30	12.32	-	-	15.30	12.08	25.60	24.40
Total Non Current Liabilities	**10.30**	**16.50**	**-**	**-**	**15.30**	**12.08**	**25.60**	**28.58**
Current liabilities								
Short term Borrowings	---	11.87	–	–	0.97	–	0.97	11.87
Trade payables	60.79	57.99	24.50	34.44	61.68	74.31	146.97	166.74
Other current liabilities	42.24	25.49	4.47	8.98	24.95	13.72	71.66	48.19
Short- term provisions	6.04	1.16	2.09	1.71	2.83	3.66	10.96	6.53
Total Current Liabilities	**109.07**	**96.51**	**31.06**	**45.13**	**90.43**	**91.69**	**230.56**	**233.33**
Total Liabilities	**119.37**	**113.01**	**31.06**	**45.13**	**105.73**	**103.77**	**256.16**	**261.91**

Notes forming part of the Standalone financial statements

(Rs. million)

	MMTCL		Ciria		Wendt		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
iv. Proportionate share of Assets in Joint Ventures								
Non current assets								
Fixed assets	226.61	221.30	6.32	6.55	211.32	186.02	444.25	413.87
Goodwill on Consolidation	-	-	-	-	-	-	-	-
Deferred Tax Assets (net)	-	-	1.53	1.25	-	-	1.53	1.25
Non current investments	-	-	-	-	-	-	-	-
Long-term loans and advances	5.96	4.17	-	0.47	5.71	6.29	11.67	10.93
Total Non current assets	**232.57**	**225.47**	**7.85**	**8.27**	**217.03**	**192.31**	**457.45**	**426.05**
Current assets								
Current Investments	91.91	63.28	27.00	13.50	61.67	48.09	180.58	124.87
Inventories	59.63	62.53	-	-	59.00	58.38	118.63	120.91
Trade receivables	117.43	96.91	23.07	57.97	80.90	81.25	221.40	236.13
Cash and cash equivalents	16.81	2.08	42.85	30.50	32.79	36.07	92.45	68.65
Short- term loans and advances	18.34	18.43	1.95	4.55	12.79	12.62	33.08	35.60
Total Current assets	**304.12**	**243.23**	**94.87**	**106.52**	**247.15**	**236.41**	**646.14**	**586.16**
Total Assets	**536.69**	**468.70**	**102.72**	**114.79**	**464.18**	**428.72**	**1103.59**	**1012.21**

42. Research and Development expenditure incurred during the year is given below:

(Rs. million)

	2012-13	2011-12
- Revenue expenditure	50.83	39.99
- Capital expenditure (including capital work-in-process)	17.71	23.87
Total	**68.54**	**63.86**

43. Based on the nature of the products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non - current.

44. Previous years figures have been regrouped whereever necessary to conform to current year's grouping.

$ $ $ $ $

FINANCIAL TRACK RECORD

(Rs. million)

	Consolidated performance					Standalone performance				
31st March	**2009**	**2010**	**2011#**	**2012#**	**2013#**	**2009**	**2010**	**2011#**	**2012#**	**2013#**
Summary information										
a Net Sales	11871	12797	15916	19685	**19424**	6578	7381	9105	11052	**10800**
b EBITDA (incl. Other Income) *	2043	2460	3121	4022	**2502**	1143	1439	2002	2354	**1712**
c PBIT *	1662	2016	2616	3453	**1791**	845	1085	1602	1918	**1244**
[* excluding exceptional income/(expense) (net)]										
d PBT	1601	1714	2580	3227	**1519**	861	842	1643	1894	**1080**
e PAT	1037	1017	1708	2193	**898**	597	580	1243	1467	**745**
f Net Fixed Assets	5173	5316	5525	6500	**8273**	3710	3788	3874	4126	**4286**
g Net Working Capital	4267	4315	3911	5023	**4284**	2325	2036	1165	1755	**1627**
h Non Current Investments	610	779	476	12	**12**	1722	1718	1641	1246	**1246**
i Shareholders Networth	5039	5929	7455	9470	**10592**	3909	4289	5282	6366	**6845**
j Loan Funds	5150	4391	4085	3992	**4349**	3480	2838	2288	1596	**1322**
Ratio Analysis										
A Performance Ratios										
1 EBITDA / Net Sales %	17%	19%	20%	20%	**13%**	17%	19%	22%	21%	**16%**
2 PBIT / Net Sales %	14%	16%	16%	18%	**9%**	13%	15%	18%	17%	**12%**
3 Asset Turnover times	1.0	1.0	1.2	1.3	**1.1**	1.0	1.0	1.2	1.3	**1.2**
4 Return on Capital Employed %	17%	18%	22%	25%	**12%**	12%	14%	21%	23%	**15%**
5 Return on Equity	22%	19%	26%	26%	**9%**	16%	14%	26%	25%	**11%**
6 International Revenue share %	47%	45%	47%	49%	**51%**	21%	18%	21%	22%	**21%**
B Leverage Ratios										
1 Interest Cover times	5.9	8.0	11.5	16.1	**9.2**	4.2	6.0	9.8	13.5	**10.4**
2 Debt Equity Ratio	1.0	0.7	0.5	0.4	**0.4**	0.9	0.7	0.4	0.3	**0.2**
3 Debt / Total Assets	0.4	0.3	0.3	0.2	**0.2**	0.4	0.3	0.2	0.2	**0.1**
C Liquidity Ratio										
1 Current Ratio	3.1	3.3	2.0	2.0	**1.8**	3.1	2.6	1.5	1.7	**1.6**
D Activity Ratio										
1 Inventory Turnover days	64	68	63	67	**76**	59	58	55	57	**62**
2 Receivable Turnover days	76	78	70	64	**68**	79	77	68	60	**65**
3 Creditors No of days	52	51	44	44	**48**	47	48	47	44	**45**
4 Cash Cycle days	89	96	88	86	**96**	90	88	76	73	**82**
E Investor related Ratios $										
1 Earning Per Share (Rs.)	11.1	10.9	9.1	11.7	**4.8**	6.4	6.2	6.7	7.8	**4.0**
2 Dividend Per Share (Rs.)	NA	NA	NA	NA	**NA**	2.0	2.0	1.2	2.0	**1.3**
3 Dividend Payout	NA	NA	NA	NA	**NA**	35.8%	36.3%	21.0%	29.1%	**36.2%**
4 Price to Earnings Ratio	9.3	13.2	12.3	12.8	**31.0**	-	-	-	-	**-**
5 Enterprise Value / EBITDA	7.2	7.2	8.0	7.9	**12.8**	NA	NA	NA	NA	**NA**
6 Enterprise Value / Net Sales	1.2	1.4	1.6	1.6	**1.7**	NA	NA	NA	NA	**NA**

Glossary

A	Performance Ratios	
	EBITDA/Net Sales %	EBITDA = PBT + Interest + Depreciation - Exceptional Items
	PBIT/Net Sales %	PBIT = PBT + Interest - Exceptional Items
	Asset Turnover times (excluding Investments)	Net Sales/Average total Assets excluding Investments
	Return on Capital Employed %	PBIT/Average Capital Employed
	Return on Equity	PAT/Average of Shareholder's Funds
B	Leverage Ratios	
	Interest Cover times	EBITDA/Interest Cost
	Debt Equity Ratio	Total Debt/Shareholders Funds
	Debt/Total Assets	Total Debt/Total Assets
C	Liquidity Ratio	
	Current Ratio	Current Assets/Current Liabilities
D	Activity Ratio *	
	Inventory Turnover days	Average Inventory/(Turnover/365)
	Receivable Turnover days	Average Receivables/(Turnover/365)
	Creditors No of days	Average Payables/(Turnover/365)
	Cash Cycle days	Inventory Turnover + Receivables Turnover - Creditors No of Days

* - based on Turnover and average of opening/closing parameters

E	Investor related Ratios	
	Price to Earnings Ratio	Average share price of monthly high low/EPS
	Enterprise Value/EBITDA	Total Enterprise Value ^ /EBITDA
	Enterprise Value/Net Sales	Total Enterprise Value ^ /Net Sales

^ Enterprise Value — Market Capitalisation + Loan Funds + Minority Interest - Cash & Cash Equivalents

Based on Revised Schedule VI Format

$ Investor related ratios for the earlier years were made comparable with the current year consequent to sub-division of the face value of equity share from Rs.2 per equity share to Re.1 per equity share.

CORPORATE GOVERNANCE

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 on 31st March 2013, 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 of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

B. Ramaratnam
Partner
Membership No. 21209

Place: Chennai
Date : April 29, 2013

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 2013.

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 2013. 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 considers the report on 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.

Five Board Meetings were held during the year on 2nd May 2012, 7th August 2012, 31st October 2012, 5th February 2013 and 21st March 2013.

c) Details of the Board members as on 31st March 2013

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	11 (of which 8 as Chairman)	5 (of which 3 as Chairman)	5	Yes	696340
Mr. Subodh Kumar Bhargava	Non-Executive & Independent Director	7 (of which 2 as Chairman)	4 (of which 1 as Chairman)	5	Yes	Nil
Mr. T L Palani Kumar	Non-Executive & Independent Director	1	1	5	Yes	Nil
Mr. Sridhar Ganesh	Non Executive Director	6	Nil	4	Yes	13536
Mr. Shobhan M Thakore	Non-Executive & Independent Director	5	4 (of which 2 as Chairman)	4	Yes	Nil
Mr. M Lakshminarayan	Non-Executive & Independent Director	5 (of which 1 as Chairman)	1	5	Yes	Nil
Mr. Sanjay Jayavarthanavelu	Non-Executive & Independent Director	10 (of which 1 as Chairman)	2	5	Yes	Nil
Mr. K Srinivasan Managing Director	Executive Director	5	1	5	Yes	154558

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 & investors' grievance committee.

3. Board Committees

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, the cost auditor, internal auditor and members of the management committee 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	5
Mr. M Lakshminarayan	5

b. Compensation & Nomination Committee

The main functions of this committee are to (a) recommend to the Board the induction of Directors into the board (b) Recommend re-election of Directors (c) Recommend the remuneration package of the Managing / Wholetime Director(s) to the Board at the time of initial appointment (d) Determine the increments in salary of the Managing / Wholetime Director(s) (e) Determine the annual incentive of the Managing / Wholetime Director(s) (f) recommend to the Board, the Commission payable annually to each of the non wholetime Directors, within the limits fixed by the shareholders (g) formulate, implement, administer and superintend the Employee Stock Option Scheme(s)

The committee met on four occasions during the year. The names and attendance of committee members are given below:

Name of member	Meetings attended
Mr. Subodh Kumar Bhargava (Chairman)	4
Mr. T L Palani Kumar	4
Mr. Shobhan M Thakore	3

c. Risk Management Committee

The Board had constituted a Risk Management Committee which will under the overall supervision of the Board monitor the risk management process.

The main functions of this committee are to periodically review the Risk Management Policy and ensure that they are comprehensive and well developed, to periodically review the process for systematic identification and assessment of the business risks, to assess the critical risk exposures by specialised analysis and quality reviews and report to the Board the details of any significant developments relating to these and the action taken to manage the exposures, identify and make recommendations to the Board, to the extent necessary on resources and staffing required for effective Risk Management.

The committee comprises of one independent Director and the Managing Director and the management committee members are permanent invitees to the committee meetings.

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

Name of member	Meetings attended
Mr. M Lakshminarayan (Chairman)	3
Mr. K Srinivasan	3

d. Share Transfer, Finance and Investors' Grievance Committee

The terms of reference of this committee includes 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, administering the unclaimed shares suspense account 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 met on three 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

4 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 31.3.2013.

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 managing director is also granted stock options as per the Company's Employee Stock Option Scheme. The compensation is determined based on levels 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. 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 the aggregate of which is within the aforementioned limit of 1%. 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. In keeping with evolving trends in industry, the practice of paying differential commission to Directors based on time spent by them has also been adopted. 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 2012-13

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

Name	Sitting fees	Commission@
Mr. M M Murugappan	105	7,500
Mr. Subodh Kumar Bhargava	190	500
Mr. T L Palani Kumar	190	500
Mr. Sridhar Ganesh	90	500
Mr. Shobhan M Thakore	90	500
Mr. M Lakshminarayan	180	500
Mr. Sanjay Jayavarthanavelu	75	500
Total	**920**	**10,500**

@ Will be paid after adoption of accounts by shareholders at the fifty ninth 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]	9900	1454	2095	3536

(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 2012-13 in respect of the financial year 2011-12.

(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 2012-13 a sum of Rs.3 million has been provided in the accounts for this purpose. The actual amount will be decided by the Compensation and Nomination Committee in July 2013.

(d) Employee Stock Options granted to the employees are accounted based on the intrinsic value, as permitted by applicable SEBI Guidelines. Since options are granted at the closing market price prior to the date of the grant, the intrinsic value is Nil.

(e) 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	4,43,800 options were granted on 29th September 2007 (Each option is exercisable into one equity share of Re. 1/- each)
Exercise Price	Rs. 91.80/- 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 options in respect of the first tranche and 6 years from the date of vesting for the second, third and fourth tranches.

5. General Body Meetings

a. Last 3 Annual General Meetings

Financial Year	Date	Time	Venue
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
2010-2011	05.08.2011	2.30 PM	T T K Auditorium, Music Academy, 168 (Old No.306) T T K Road, Royapettah, Chennai 600 014
2011-2012	07.08.2012	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	Amendment in the Carborundum Universal Limited Employee Stock Option scheme 2007	07.08.2012
2	Constitution of CUMI Employee Stock Option Plan 2012	07.08.2012

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 usually published in Business Line or 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 and 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 2012 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.

(vi) The Board has constituted a Risk Management Committee. The terms of reference of the committee is given in para 3 (c) above.

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. Given the government's proposal to re enact the Companies Act, a view on implementation of the remaining guidelines will be taken once the new legislation is passed.

On behalf of the Board

Chennai
29th April 2013

M M Murugappan
Chairman

GENERAL SHAREHOLDER INFORMATION
(INCLUDING CORPORATE INFORMATION)

A. CORPORATE INFORMATION

1. Registered Office

"Parry House", 43 Moore Street, Chennai 600 001
Tel No.:+91-44-30006199
Fax.:+91-44-30006149
Email : cumigeneral@cumi.murugappa.com
Web site : www.cumi.murugappa.com

2. Corporate Identity Number

L29224TN1954PLC000318

3. 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

4. Management Committee

K Srinivasan, Managing Director
V Ramesh, President - Abrasives
P L Deepak Dorairaj, Senior Vice President-International Business & Exports-Abrasives
Rajesh Khanna, Senior Vice President - Ceramics
N Ananthaseshan, Senior Vice President - Electro Minerals Division
R Rajagopalan, Senior Vice President - Refractories & Prodorite
M Muthiah, Senior Vice President - Human Resources
Sridharan Rangarajan, Chief Financial Officer
S Dhanvanth Kumar, Company Secretary

5. Auditors

Statutory Auditors	Cost Auditors
Deloitte Haskins & Sells, Chennai No:52, ASV N Ramana Towers Venkatanarayana Road, T Nagar Chennai-600 017	S Mahadevan & Co., Chennai No.1 'Lakshmi Nivas' K.V. Colony, Third Street West Mambalam Chennai 600 033

6. Address for correspondence

Compliance Officer	Investors Services 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	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: investorservices@cumi.murugappa.com	

7. 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: einward.ris@karvy.com
website: www.karvy.com

8. Consortium Bankers

State Bank of India
Standard Chartered Bank
Bank of America
The Hongkong and Shanghai Banking Corporation Ltd
Royal Bank of Scotland
BNP Paribas

9. Financial Year

1st April to 31st March

10. Cost Audit Report

Cost Audit became applicable for the Company only from financial year ended 31.03.2013. As per relevant regulations, the report is due for submission by 30th September 2013.

11. Plant Locations

a. Plant locations of Carborundum Universal Limited

a) 655, Thiruvottiyur High Road, P B No.2272, Tiruvottiyur, Chennai 600 019 Tamil Nadu.

b) Plot No.48, SIPCOT Industrial Complex, Hosur 635 126, Dharmapuri District, Tamil Nadu.

c) Gopalpur Chandigarh, P.O. Ganga Nagar, Kolkata 700 132, West Bengal

d) C-4 & C-5, Kamarajar Salai, MMDA Industrial Complex, Maraimalai Nagar 603209 Kancheepuram District, Tamil Nadu

e) F-1/2, F2 - F5, SIPCOT Industrial Park, Pondur "A" Village, Sriperumbudur - 602105. Kanchipuram District, Tamil Nadu.

f) K3, ASAHI Industrial Estate, Latherdeva Hoon, Mangalore Jhabrera Road, PO Jhabrera Tehsil Roorkee, Hardwar District, Uttarkhand – 247667.

g) Plot No.77, Bommasandra, Jigani Link Road, Jigani Industrial Area, Jigani, Bengaluru 526 106, Karnataka.

h) PB No.1 Kalamassery, Development Plot P.O, Kalamassery 683 109, Ernakulam District, Kerala.

i) PB No. 3 Nalukettu, Koratty 680 308, Trichur District, Kerala.

j) Bhatia Mines, Bhatia Western Railway, Jamnagar District, Gujarat 361 315.

k) P.B No.2 Okha Port P.O., Jamnagar District, Gujarat 361 350.

l) Plot No.7 & 18, Cochin Special Economic Zone (CSEZ), Kakkanad 682037, Kochi, Kerala.

m) Maniyar Hydroelectric Works, Maniyar P.O. Vadasserikara, Pathanamthitta District, Kerala 689 662.

n) Plot No.47, SIPCOT Industrial Complex, Hosur 635 126 Dharmapuri District, Tamil Nadu.

o) Super Refractories Division , Plot No.102 & 103, SIPCOT Industrial Complex (Phase II), Ranipet 632 403, Tamil Nadu.

p) Super Refractories Division – Plant 2, Serkaddu Village, Vinnampalli Post, Katpadi Taluk, Vellore District – 632 516, Tamil Nadu.

q) Plot Nos. 35,37, 48-51, Adhartal Industrial Estate, Jabalpur - 482 004, Madhya Pradesh.

b. Plant locations of Subsidiaries / Joint Ventures

a) Sterling Abrasives Ltd., Plot No.45/46 G I D C Estate, Oadhav Road, Ahmedabad - 382 415, Gujarat, India.

b) Southern Energy Development Corporation Ltd., 29, Nallur PO, Aadichapuram, (Via) Mannargudi Taluk, Tiruvarur District - 614 717, Tamilnadu, India.

c) Murugappa Morgan Thermal Ceramics Ltd., Plot No.26 & 27, SIPCOT Industrial Complex, Ranipet - 632 403, Tamilnadu, India.

d) Murugappa Morgan Thermal Ceramics Ltd., Plot No.681, Moti Bhoyan Village, Sanand-Kalol Highway, Kalol Taluk, Gandhinagar, Dist., Gujarat - 382 721, India.

e) Wendt (India) Ltd., 69/70, SIPCOT Industrial Complex, Hosur - 635 126, Dharmapuri District, Tamil Nadu, India.

f) Volzhsky Abrasive Works, 404130 Volzhsky, Volgograd Region, Autodoroge 6, 18, Russia.

g) Foskor Zirconia (Pty.) Ltd., PO Box.1, Phalaborwa, South Africa, 1390.

h) CUMI Abrasives & Ceramics East Ring Road, No.9, Yanjiao, Sanhe, Hebei, P.R., China, 065201.

i) CUMI Australia Pty Ltd., 29 Gipps St, Carrington, NSW, 2294, Postal Address: PO Box 142, Carrington, NSW, 2294.

j) CUMI Australia Pty Ltd. 1/253 Beringarra Ave, Malaga, WA 6944, Postal Address: PO Box 2538, Malaga, WA 6944.

k) CUMI Australia Pty Ltd. 20, Waurn St, North Rockhampton, QLD 4701, Postal Address: PO Box 6494, Central QLD Mail Centre, Rockhampton, QLD 4702.

l) CUMI Canada Inc., 149, Industrial Crescent Summerside, PE C1N 5P8, Canada.

m) Wendt Grinding Technologies Ltd. 109/21 Moo 4, Eastern Seaboard Industrial Estate (Rayong), Tambol Pluakdaeng, Amphur Pluakdaeng, Rayong 21140, Thailand.

n) Thukela Refractories Isithebe Pty Ltd., No.1 Yellow Street, Isithebe, South Africa.

B. STOCK MARKET INFORMATION

1. 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.

2. Depositories Connectivity

The Company has signed agreements with the following depositories to provide the facility of holding equity shares in dematerialised form: -

National Securities Depository Ltd. (NSDL)	www.nsdl.co.in
Central Depository Services (India) Ltd. (CDSL)	www.cdslindia.com

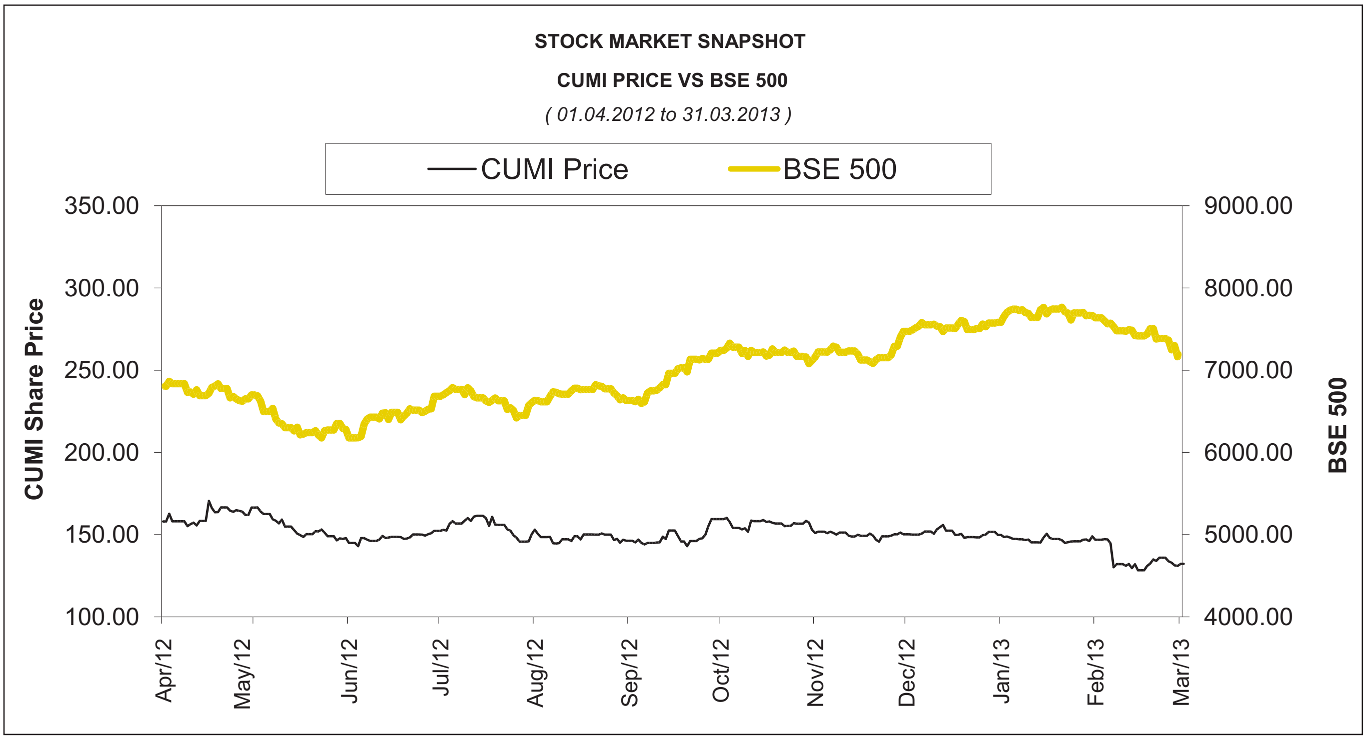
International Securities Identification Number (ISIN) : INE120A01034

3. 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 2012	175.00	154.45	151,997	174.70	153.10	327,486
May 2012	169.45	146.00	237,224	169.70	141.00	467,690
June 2012	155.00	141.50	146,281	157.00	139.00	1,413,897
July 2012	163.95	145.15	965,546	164.70	143.65	289,226
August 2012	155.00	142.00	330,279	156.20	131.10	954,399
September 2012	161.00	142.00	83,612	162.25	140.40	954,758
October 2012	161.55	150.30	565,551	162.25	144.00	347,798
November 2012	160.85	144.90	3,745,069	161.35	140.00	3,801,878
December 2012	160.00	146.25	90,126	159.90	146.65	305,547
January 2013	152.95	143.15	237,477	153.00	143.50	648,451
February 2013	150.75	127.00	232,991	149.90	127.05	5,140,791
March 2013	139.95	115.10	1,059,156	136.00	115.00	1,157,917

b. Performance in comparison with BSE 500



C. SHARE CAPITAL DETAILS

1. Outstanding shares

The total number of outstanding shares as on 31st March 2013	187,468,344

All the shares have been fully paid up. As on 31st March 2013, 182,718,066 equity shares constituting 97.47% of the total paid up capital of the company have been dematerialised.

2. Shareholding Pattern/ Distribution as on 31.03.2013

a) Shareholding Pattern

Category	% to total paid up Capital
Promoter Group	42.23
Financial Institutions	4.93
Non-resident (NRI's / OCBs / FIIs))	21.30
Mutual Funds	6.94
Banks	0.01
Others	24.59
Total	**100.00**

b) Distribution of Shareholding

Category	No. of Holders	% to total	No. of Shares	% to total
1-100	5005	30.35	210630	0.11
101-200	1987	12.05	360020	0.19
201-500	2619	15.88	998919	0.53
501-1000	2093	12.69	1708606	0.91
1001-5000	3622	21.96	9446874	5.04
5001-10000	612	3.71	4470512	2.38
Above 10000	552	3.35	170272783	90.83
Total	**16490**	**100.00**	**187468344**	**100.00**

3. Outstanding GDRs / ADRs / Warrants etc.

Under the CUMI Employees Stock Option Scheme, 2007, the following stock options are outstanding as on 31.03.2013

Sl. No.	Grant Date	Exercise Price (Rs.)	Net Outstanding Options [a]	Likely impact on full exercise	
				Share Capital Rs. million	Share Premium Rs. million
1	29-Sep-07	91.80	956,062	0.96	86.81
2	24-Jul-08	61.40	32,446	0.03	1.96
3	27-Jan-11	125.08	620,812	0.62	77.03
4	27-Jan-11	125.08	301,548	0.30	37.42
5	30-Apr-11	124.15	70,656	0.07	8.70
6	05-Aug-11	146.00	403,200	0.40	58.46
7	04-Feb-12	155.00	147,228	0.15	22.67
	Total		**2,531,952**	**2.53**	**293.05**

Notes:

a. In respect of the options referred in serial number 4 above, each option gives a right to the holder to subscribe to one equity share of Re.1/- each, within 3 years from the date of vesting, in respect of 50 per cent of the first tranche, and 6 years from the date of vesting in respect of the remaining 50 percent of the first tranche and all subsequent tranches. The vesting of options granted, is based on the annual performance rating and as per the following schedule - 40% on expiry of the first year from the date of grant and 30% each on expiry of the second and third years from the date of grant.

b. In respect of all other options, each option gives a right to the holder to subscribe to one equity share of Re.1/- each, within 3 years from the date of vesting in respect of the first tranche and 6 years from the date of vesting in respect of subsequent tranches. The vesting of options, is based on the annual performance rating and as per the following schedule - 20% each on expiry of the first and second year from the date of grant and 30% each on expiry of third and fourth year from the date of grant.

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

4. 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.

5. Unclaimed Shares

	Particulars	No. of Shareholders	No. of shares
(i)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year	600	974,230
(ii)	Number of Shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	19*	30,620
(iii)	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	17	29,500
(iv)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	583	944,730

* Out of a total of 19 requests, two requests were received towards the end of the year and were processed in April 2013.

Shareholders are entitled to claim these shares after complying with laid down procedures. On receipt of a claim, the Company will after verification, either credit the shares to the Shareholder's Demat account or deliver the physical certificates after re-materialising the same, as opted by the shareholder.

All corporate benefits in terms of securities accruing on these shares like bonus shares, subdivision etc. will also be credited to the Unclaimed Suspense Account and the voting rights on these shares will remain frozen until the claim is made by the rightful owner.

D. AGM & DIVIDEND DETAILS

1. Forthcoming Annual General Meeting

Tuesday, the 30th July 2013 at 2.30 p.m. at T T K Auditorium, Music Academy, T T K Road, 168 (Old No.306) Royapettah, Chennai 600 014. Proxies, to be valid, must be lodged at the registered office of the company not later than 48 hours before commencement of the meeting.

2. Book Closure Dates

Friday, the 19th July 2013 to Tuesday, the 30th July 2013 (both days inclusive).

3. Dividend

An interim dividend of Re.0.50 per equity share was paid in February 2013.

The Board of Directors have recommended a final dividend of Re.0.75 (per equity share of Re.1/- each) and the same will be paid after approval at the Annual General Meeting. The warrants will be posted by 3rd August 2013. In case of shareholders opting for NECS/ECS, the dividend would in the normal course be credited to their accounts by 3rd August 2013.

On behalf of the Board

Chennai
29th April 2013

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 2013, as envisaged in clause 49 of the listing Agreement with stock exchanges.

Chennai
29th April 2013

K Srinivasan
Managing Director

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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