PEOPLE PRINCIPLE

CARBORUNDUM UNIVERSAL LIMITED
Annual Report 2013 - 2014

murugappa

CONTENTS

PEOPLE PRINCIPLE

People are an organisation's greatest asset. A core strength. A destiny defining principle. It is this People Power that has been integral to CUMI's business philosophy. A driving force that has determined six decades of market leadership, resilience and growth.

Embedded in the CUMI culture is the philosophy of the Five Lights of the Murugappa Group: of integrity, quality, passion, respect and responsibility towards all stakeholders and the communities that the Company operates in and serves. A legacy of the founding fathers carried forward by leadership that is fair, focused, vision driven.

Straddling continents and geographical boundaries and encompassing the rich diversity of different cultures, Team CUMI is united by one universal feeling of empowerment. The power and vibrancy of a people mandated organization. The power that is the People Principle.

People Principle
Leadership & Strategy

A vision driven, aspirational workforce. A team forging ahead towards seamless boundaries. CUMI's employee base of nearly 5,000 people spread across the world represent an eco-system of diversity and inclusive synergy.

Balancing strategic and operational challenges of changing demographics, diverse geographies and a dynamically evolving workforce, CUMI's people-centric policy of empowerment and employee engagement have enabled seamless business integration aligned with a long term vision. A vision, that is reflected in the commitment of the Company's senior leadership to succession planning and building a talent pipeline for the future.

The senior leadership team

People Principle
Driving Innovation

Pioneering is part of our DNA. Be it venturing into pathbreaking business lines or incubating new technologies, CUMI has always spearheaded innovation driven growth.

The Company's R&D and product development teams are continuously focused on integrating marketing insights into the development process and exploring the potential of new experimentation technologies.

Innovative product offerings during the year 2013-2014:

Abrasives:

- High performance zirconia grains with unique B1214 bond system for grinding sensitive Hi chrome alloys.
- Special fine grit rubber bonded wheels for centerless applications
- Ball Lapping wheels with enhanced life and cycle time
- Vitrified Thread grinding wheels and superfinishing stones with specially graded Micro-crystalline grits offering a step-jump in performance.
- 'TEZZ' Ultra thin cutting wheels with superior life.
- Ajax Sukha paper for Dry sanding applications
- 'SPEED' Chopsaw cutting wheels with faster cycle time
- New generation bonding systems for Coated Abrasives.

Ceramics

- Reactive bonded silicon carbide (RBSiC) seals for thrust bearing application
- CUMI Therm- Aluminum Titanate for non ferrous casting applications
- Metallised devices for night vision rings
- Brace products and assemblies

Refractories

- Top Pour Boxes made from special alloys for the aerospace industry

Electrominerals

- Specialty Alumina Zirconia grains for critical applications in abrasives and refractory industries.
- Variants in Alumina semi-friables
- Solgel- Azuras II
- Ultra Fine SiC Powders for applications in Engineered Ceramics, Diesel Particulate Filters and the toner industry.

Leveraging and managing disruptive technologies in product and processes and striking a balance between incremental development and radical innovation, CUMI's research teams are geared to address both customer needs and technology shifts. A strength that provides the Company its pioneering advantage.

People Principle
Knowledege & Expertise

Six decades of market leadership. Application engineering expertise and industry knowledge gained from working with a wide and varied customer base. CUMI's reputation of providing value for the customer has proven a major competitive advantage. An advantage, that has provided the Company its resilience and sustainability.

Across businesses, a core team of technical specialists and application engineers provide the customer total solutions in product and process efficiencies.

New breakthrough products and application engineering provided during the year :

Abrasives
- Specialty Coated Abrasive products for ship building industry.
- High performance super sized zirconia flap discs and rolls for metal applications
- The new generation of Ball grinding and Centreless grinding wheels
- Rubber bonded wheels for the shock absorber industry

Refractories
- Shotcrete application in cement plants
- Tap Hole Clay product and application in Iron & Steel plants
- Monolithic lances for Iron & Steel
- Anchor brakes for pellet plants for Iron & Steel

Electrominerals
- SiC Fine powders for the semi conductor and wafer slicing applications

Ceramics
- Partnered with Global manufacturer of vacuum interrupters in Japan
- Established mini media in US market with a strong order pipeline
- Enlarged market presence in mosaic mats and small tiles in Europe
- Forayed into Devices

People Principle
Providing customer value

A customer-centric focus. A work culture that is centred around value creation. CUMI attributes its sustained competitive advantage to the efficiencies of its people and its manufacturing processes. At each of the plants, cross functional teams work in tandem to provide customers with the best in class products and services.

Partnering with customers has proven to be a key value differentiator, earning the Company the preferred vendor rating from global manufacturers and large OEM's across a diverse spectrum of industries.

People Principle
Shared Learning

Cross cultural learnings. Accessing the collective expertise and engaging with peers across the world - CUMI fosters a dynamic work environment enabling teams to acquire a broader vision and industry knowledge and adding to the Company's competitive advantage.

The Company's people policy of diversity and positive inclusion have ensured that talent management and employee engagement are integral to its long term vision. Upscaling capabilities with structured competency development programs, establishing merit matrices to create a culture of competitiveness and accountability and enhancing people productivity through empowerment and greater participation, CUMI has outlined a People Principle framework with a long term strategic intent.

People Principle
Community Care

CUMI engages in a meaningful manner with the communities in which it operates. Across the Company, committed teams anchor various CSR initiatives that are focused on social amelioration.

The Centre for Skill Development at Hosur was started as part of a socio-economic model with the goal of providing free education and skill-training to deserving students from the underprivileged section of society. The Centre works closely with NGOs, Rotary and Lions Clubs and various institutions like Gandhigram Rural University, to reach out to deserving candidates.

The objectives of the Skill Development Centre include
- Uplifting the economically downtrodden students by enhancing their employability.
- Build people capability for the future through a customized training model.
- To address skilled manpower shortage of CUMI and its group companies.

The comprehensive training model includes classroom sessions conducted by certified trainers and experienced faculty on basic skills and on the latest technologies in the various trades. To enhance their effectiveness and employability, the students are provided hands-on training in a well equipped lab with aids and tools.

The three year training module comes with a stipendiary payment with free boarding facilities, thus enabling the student 'to earn while they learn'. The job oriented skill training, ensures the employability of the students and enables them to chart their career path and to uplift their socio-economic status.

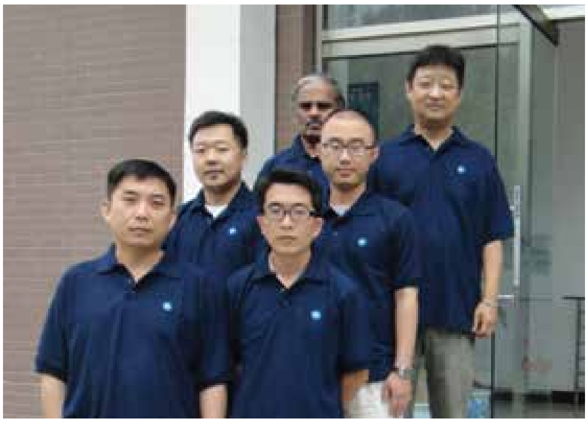
The Skill development program has earned CUMI the award for the "Best Programme for the Cause of Learning" at the World HRD Congress held in June 2013.

People Principle
Diverse, Dynamic

Central to CUMI's long term strategies for expansion and growth are its people - diverse, inspired and forward-bound. As Team CUMI works and plays hard to win, it demonstrates the power of its dynamism and diversity. The power that lies in the People Principle.









CHAIRMAN's MESSAGE

CUMI, its subsidiaries, associates and joint ventures in India and in countries such as Russia, South Africa, Australia and China had a very difficult year 2013-14. The challenges posed by the low economic growth in developed countries and slowdown in emerging markets continued through the year. High inflation, fluctuating currencies and a subdued overall business confidence impacted the first half of the year. Although the second half showed marginal improvement in economic indicators, many industries that CUMI serves in India and across the world such as Automotive, Infrastructure, Utilities and Mining showed a declining trend.

In this uncertain scenario, CUMI's consolidated revenues grew by 8% over the previous year. The main focus was to retain business share with all customers and enhance it wherever possible by an increased engagement through new products, applications and service support. New projects, a very important source of revenue declined sharply causing a conscious shift towards repairs and maintenance opportunities. This brought about a positive impact on overall customer engagement. Cost pressures continued across all businesses, in all geographic regions, owing to higher input materials and utilities costs. Pricing challenges were met to an extent by a strong focus on value delivery and ensuring a consistent cash cycle. These efforts cost management, consolidation and a relentless pursuit of customer engagement led to a marginal improvement in the consolidated profit before tax.

The dividend has been maintained at Rupees 1.25 per share based on our confidence in our longer term strategy of customer focus, operational excellence and financial prudence.

Margins in the abrasives business, in India, declined owing to a revenue drop in bonded abrasives. However, a better performance in coated, non woven and super abrasive products helped to off-set the downtrend in the margins to an extent. Product mix in India was unfavourably skewed towards the economy range of products. A comprehensive dealer motivation programme based on full service support has helped to improve performance and this will continue in the future as well. A new facility for making Sanding discs will come on stream in the first half of financial year 2014-15.This will further increase the range of product offering in coated abrasives. Super abrasive product sales were good because of timely product introductions and effective channel management. In Russia, the abrasives business remained stable. China and America are showing good growth in the wake of management changes but profitability was impacted by higher costs. Sterling Abrasives, a subsidiary that manufactures customized bonded abrasives and Wendt India, an associate company which does so similarly in super abrasives, maintained performance levels as in the previous year in difficult market conditions.

The ceramics business declined owing to lower sales of wear resistance products in India and reduced off-take from Australia on lack of customer demand. Refractories in India and South Africa, as also anti corrosives in India were severely impacted by postponements in project orders in the Iron and Steel and Chemical Processing Industries. The joint venture plant to manufacture ultralight ceramics has been commissioned and the products are undergoing customer evaluation. Murugappa Morgan Thermal Ceramics, an associate company had a very good year. Although

Over the six decades of its existence, the core strength of CUMI has been its people. Apart from strengthening customer relationships, the team is focused on core values of integrity, quality, passion, respect and responsibility towards all stakeholders and the communities that the company operates in and serves.

the slowdown in projects affected sales of refractory ceramic fibres, value added products gained good acceptance in India and across the world.

The electrominerals business in Russia and India had a good year. Changes in silicon carbide product mix in Russia had to be effected to respond quickly to market conditions. Thukela Refractories Isithebe, South Africa and Foskor Zirconia had increase in production and sales volumes with greatly acknowledged good standards of quality. First shipment of Zirconia bubbles was made to customers and gained good acceptance in India. The increasing trend towards higher performance minerals and a wider customer footprint across the world, contributed to an overall growth of 21% in electrominerals for the Company.

Research and Development, Product Design, Application Engineering and business partnerships with customers, academic and research institutions and companies that enhance scope of offerings jointly, provide an unique character to CUMI's business strategy. Accordingly, investments are directed towards these initiatives, thus enhancing the overall capability to serve customers in existing and new markets. During the year, there was a planned creation and use of additional intellectual property to create new business opportunities or improve existing operating processes. A dedicated team of technologists and application specialists work across the company seamlessly sharing ideas and thoughts to serve customers better.

Continuous training and development of people is very vital for any organization. During the year, the company set up a dedicated Skill Development centre in Hosur to address the skill gaps identified across its manufacturing locations though a structured training and development programme based on the National Council Vocational Training syllabus. Besides focusing on technical aspects, the programme provides qualitative training on behavioral skills, in addition to enhancement of language speaking abilities. The company plans to set up similar centres across locations to ensure availability of trained technicians. Further, this initiative aids the company in its contribution to the society by training youngsters and creating job opportunities .

The quest for technological excellence needs to be well supported by strong all round leadership. CUMI's management team is very ably led by Managing Director Mr.K Srinivasan and his colleagues across business divisions and geographies. It is a matter of great pride that Mr.V Ramesh who headed the abrasives division has moved to lead another Murugappa Group company as its Managing Director. This is yet another example of leadership development within the company and Mr.Ramesh has been succeeded by Mr.Ananthaseshan who headed electrominerals. During the year 2014-15, Mr.Deepak Durairaj, a member of the management committee will retire, after having served the Company for over 35 years. We wish him well in his retirement.

Our board of directors has always been very supportive of the Company, its strategic direction and continuously challenges the team to greater levels of achievement and encourages the management team to keep a balance between aggression and caution. We welcome Mr.Aroon Raman to the Board. Mr.Raman has a wide and very successful experience as an entrepreneur in the area of Fibre Sciences having created and managed companies in the forefront of materials science and technology. Personally, I am grateful to all my colleagues on the Board for their support and counsel to me. To our customers, bankers, suppliers, well wishers and to all of you our cherished shareholders, my sincere thanks and grateful appreciation for your unstinted support.

Over the six decades of its existence, the core strength of CUMI has been its people. Apart from strengthening customer relationships, the team is focused on core values of integrity, quality, passion, respect and responsibility towards all stakeholders and the communities that the company operates in and serves. In a difficult year, the team has also exercised great financial prudence by reducing debt further making it well poised to invest and grow as and when opportunities arise.

The CUMI team comprising of people from several nationalities, though may be divided by geographical boundaries, are all committed to enhancing overall stakeholder value and stand united in their quest of not just making scarce materials go further but to a common vision of Making Materials Work For Man....

M M Murugappan

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BOARD OF DIRECTORS

M M Murugappan

T L Palani Kumar

Shobhan M Thakore

M Lakshminarayan

Sanjay Jayavarthanavelu

Aroon Raman

K Srinivasan

PROFILE OF DIRECTORS

M M Murugappan (58)
Chairman

Holds a Masters degree in Chemical Engineering from University of Michigan, USA.
Was the Managing Director of CUMI.
Is currently the Chairman of Tube Investments of India Limited.
Also on the Boards of various companies viz., Mahindra & Mahindra Limited, Infotech Enterprises Limited, Shanti Gears Limited etc.
Is the Chairman of the Stakeholders Relationship Committee of the Board.

T L Palani Kumar (64)
Non-Executive Independent Director

Is a Graduate in Chemical Engineering from IIT, Madras and holds a Post Graduate Diploma in Business Administration from IIM, Ahmedabad. Was the Chief Executive Officer of Escorts Tractors Limited, New Holland Tractors Private Limited, Managing Director of Bharat Aluminium Company Limited and Senior Vice President of TI Cycles of India Limited. Is currently on the Boards of SBI Mutual Fund Trustee Company Private Limited and Fostiima Integrated Learning Resources Private Limited.
Is the Chairman of the Audit Committee and member of the Nomination and Remuneration Committee of the Board.

M Lakshminarayan (67)
Non-Executive Independent Director

Holds a Masters degree in Mechanical Engineering from IIT, Mumbai. Was formerly the Joint Managing Director of Bosch Limited, Chairman of Confederation of Indian Industry, Southern Region and Karnataka State Council and member of Karnataka State Industrial Policy Board and an Executive Council Member of Indian Machine Tool Manufacturer's Association. Is currently the Chairman of WABCO India Limited and Managing Director of Harman International (India) Private Limited besides being on the Boards of various companies including Rane (Madras) Limited, Pricol Limited, Kirloskar Oil Engines India Limited.
Is the Chairman of the Risk Management Committee and Nomination and Remuneration Committee and a member of the Audit Committee of the Board.

Aroon Raman (54)
Non-Executive Independent Director

Holds a Masters degree in Economics from JNU, New Delhi and Masters degree in Business Administration from Wharton School, USA. Was the Managing Director of Raman Boards and Chairman of Confederation of Indian Industry Karnataka State Council. Is currently on the Boards of various companies including Sundaram Finance Limited, Raman FibreScience Private Limited, Wheels India Limited and TVS Automobile Solutions Limited. Besides being a regular columnist in leading newspapers and magazines, Mr. Aroon Raman also authors novels.
Is a member of the Corporate Social Responsibility Committee of the Board.

Shobhan M Thakore (66)
Non-Executive Independent Director

Holds a Bachelors degree in Arts (Politics) and Law from Mumbai University. Is a Solicitor of High Court, Mumbai and Supreme Court of England and Wales. Has been a partner of AZB & Partners, Advocates & Solicitors and is co-founder of Talwar Thakore & Associates. Is currently on the Boards of various companies including Alkyl Amines Chemicals Limited, Bharat Forge Limited and Morarjee Textiles Limited.
Is the Chairman of Corporate Social Responsibility Committee and member of Nomination and Remuneration Committee of the Board.

Sanjay Jayavarthanavelu (45)
Non-Executive Independent Director

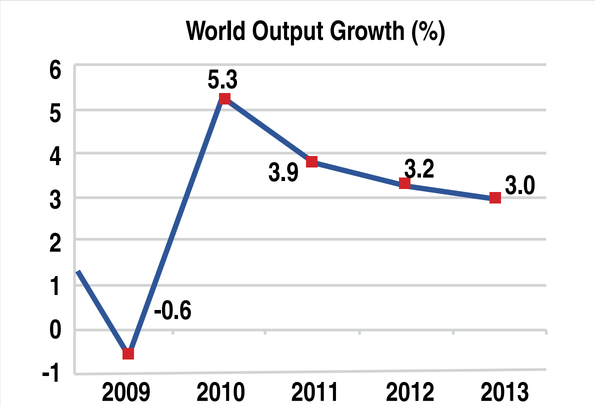
Holds a Masters degree in Business Administration from Philadelphia University, USA. Is the Chairman and Managing Director of Lakshmi Machine Works Limited and Chairman of Super Sales Limited, Lakshmi Life Sciences Limited and Quattro Engineering India Limited. Is also on the Boards of various companies including Fortis Malar Hospitals Limited, The Lakshmi Mills Company Limited and Lakshmi Technology and Engineering Industries Limited. Is also a member of the Southern Regional Council of the Confederation of Indian Industry.
Is a member of the Audit Committee of the Board.

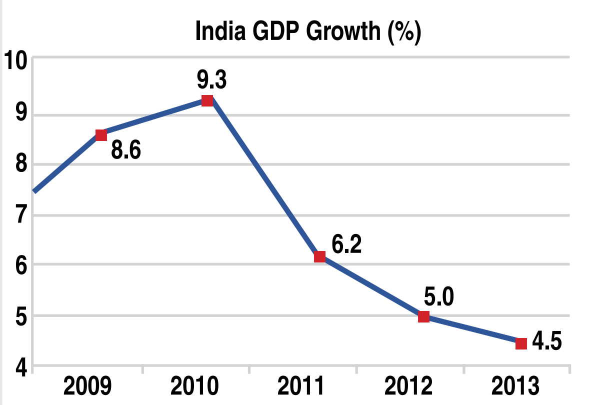
K Srinivasan (56)
Managing Director

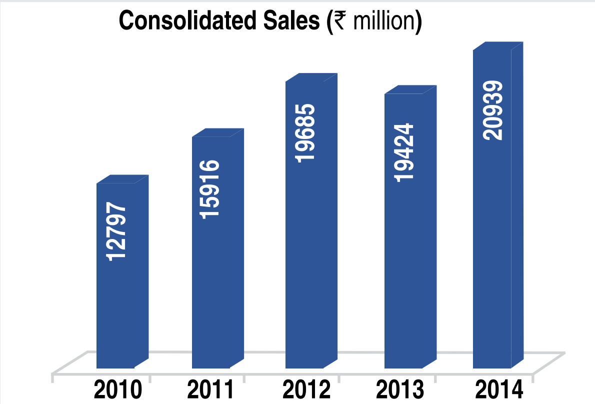
Holds a Graduate degree in Mechanical Engineering. Was the Vice President of Wendt India Limited. Is currently on the Boards of Wendt India Limited, Southern Energy Development Corporation Limited, Murugappa Morgan Thermal Ceramics Limited, Sterling Abrasives Limited etc.
Is a member of the Risk Management Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee of the Board.

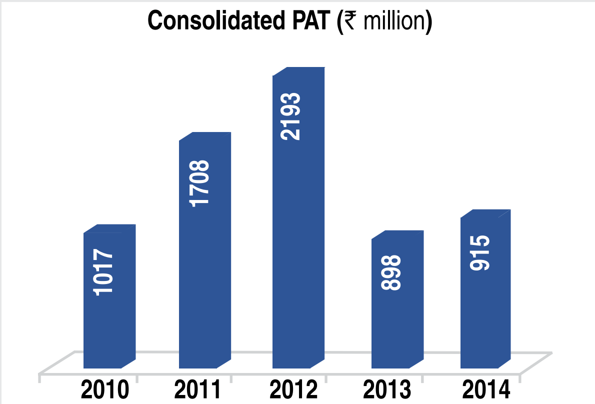
REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their 60th Annual Report together with the audited financial statements for the year ended 31st March 2014. 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

Economic Overview

The year 2013-14 was marked by many challenges in the global and domestic business environments. Cyprus bail out, strengthening of US economy, flash floods in Himalayas, Ukraine crisis coupled with weak rupee and higher interest rate levels were some of the key events which unfolded during the year.

As per the data from International Monetary Fund (IMF), the global economic growth decelerated to 3.0 per cent from 3.2 per cent in the previous year. However, the growth picked up in the second half of 2013, majorly due to sharp increase in performance from advanced economies. The strengthening in activity was mirrored in global trade and industrial production. Major impulse to global growth has come from the United States of America, whose economy grew at 3.25 per cent in the second half of 2013, as per IMF data. In the Euro area also, growth turned positive on the back of supportive monetary conditions and robust labor market conditions. In emerging market economies, an export rebound was the main driver behind better performance, while domestic demand within those emerging economies generally remained subdued, except in China.

As per the interim Union Budget announced in February 2014, Indian economy for 2013-14 is expected to grow at 4.9 per cent marginally higher than 4.5 per cent clocked last year. The marginal growth is attributable to the expected 4.6 per cent growth in Agriculture sector, higher than 1.4 per cent growth registered last year. The expansion during the current fiscal year was hurt by contraction in the key sectors- Mining and Manufacturing. While the Mining sector is expected to dip by 1.9 per cent due to delayed approvals and environmental issue, that of Manufacturing sector is likely to drop by 0.2 per cent. This is the first time since 1991-92 that the Manufacturing sector is expected to contract. It is impacted by slowing investments and delayed policy decisions.

The service sector, which accounts for nearly 60 per cent of the economy, is expected to grow 6.9 per cent, slightly slower than the previous year's expansion of 7 per cent.

On the financial side, the interest rate for most parts of the year continued to be on the higher side, despite the inflation cooling off during the later parts of the year. The rupee weakened during the first half of the year; however it recovered over the second half. On the fiscal stability front, the country's fiscal deficit (current account deficit) is expected to improve significantly at 4.6 per cent Gross Domestic Product (GDP) in 2013-14, on the back of lower gold imports, a moderate pick-up in exports and drop in capital goods import.

Company Performance

Revenues

The Company's worldwide revenues grew from last year levels. While revenue from India increased by 11.5 per cent, that from rest of the world increased by 4.3 per cent. Sales of Abrasives and Electrominerals business grew by 6.2 percent and 21.1 per cent respectively and that of Ceramics segment dropped by 5.7 per cent.

Capex postponement, moderate customer demand from user industries, competition from low price products, power rate hike and tight liquidity in trade resulted in weak demand.

The consolidated top line summary was as follows:

(₹ million)

	31.03.2014	31.03.2013
Net Sales / Income from Contracts & Services		
- India	10548	9461
- Rest of the World	10391	9963
Total Sales	20939	19424
Other operating revenue	314	290
Total operating revenue	**21253**	**19714**

On a standalone basis, the Company registered growth on quarter on quarter basis for all the four quarters during the year. Electrominerals led the growth on the back of higher Aluminas business and Abrasives segment had a moderate increase in sales in line with the GDP growth. Ceramics segment de grew on account of a weak Wear Ceramics and Refractories market.

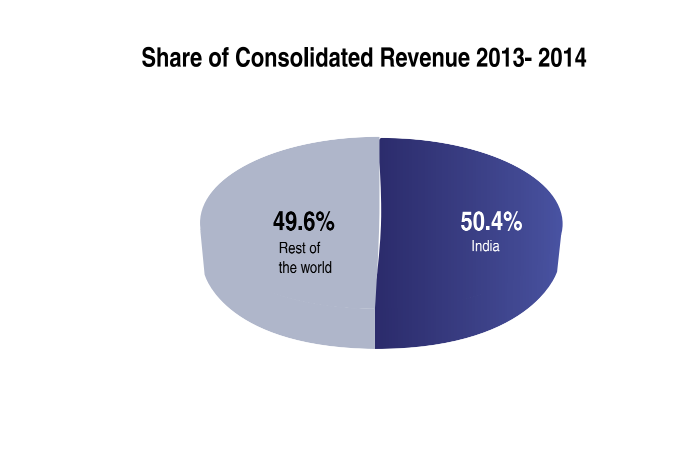
The standalone top line summary was as follows:

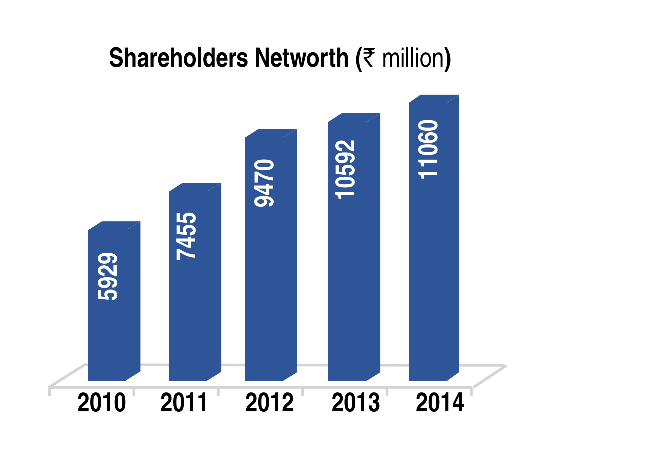
(₹ million)

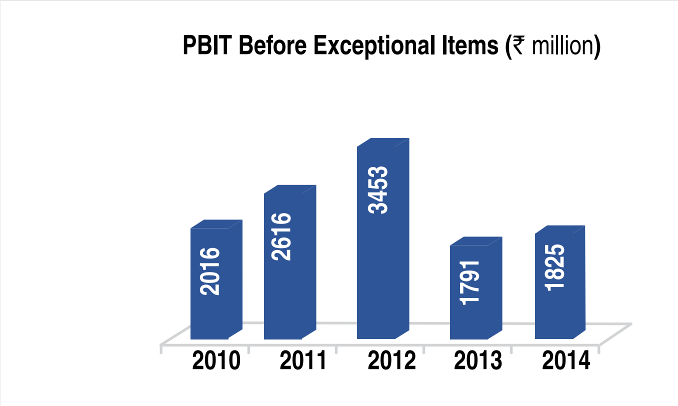
	31.03.2014	31.03.2013
Net Sales / Income from Contracts & Services		
- India	9185	8556
- Rest of the World	2091	2244
Total Sales	11276	10800
Other operating revenue	210	209
Total operating revenue	**11486**	**11009**

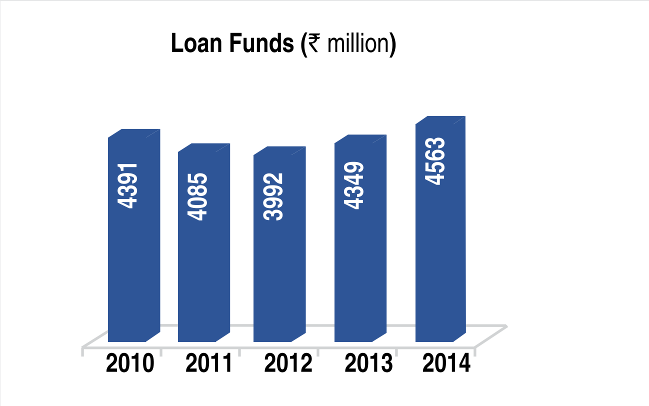
Manufacturing

Most of the plants in India, Russia and South Africa ran at about 70 per cent capacity utilisation levels. The manufacturing team used the opportunity to implement Total Productive Maintenanance (TPM) at shop floors leading to maximising efficiency in machines and the entire production process.









This year, the Company also had to face input cost pressure in the form of hike in power cost, fuel cost and select raw material inputs in Indian, Russian and South African operations. The cost pressures were contained by way of using 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 maintenance, automation, quality enhancement, line balancing and general infrastructure.

Financial Review

Earnings & Profitability

Aided by the growth in revenues, earnings from operations before exceptional items, interest, depreciation and tax improved to ₹ 2515 million (previous year ₹ 2372 million).

Depreciation was higher at ₹ 911 million as a result of the continuing investments being made in various projects. Finance costs increased because of the increase in borrowings.

Consolidated profit before tax increased to ₹1543 million (previous year ₹1519 million). Profit after tax and minority interest was ₹ 915 million (previous year ₹ 898 million).

On a standalone basis, profit before tax was ₹1024 million (previous year ₹ 1080 million). Profit after tax decreased to ₹ 728 million (previous year ₹ 745 million).

Information required to be provided in the Management Discussion and Analysis report as per the listing agreement is detailed below:-

Financial Position

On a consolidated basis, shareholders fund as on 31st March 2014 was ₹ 11060 million. Addition for the year (net of dividends) was ₹ 468 million. Minority interest was ₹ 699 million.

Non-current liabilities were ₹ 2516 million. Current liabilities increased from ₹ 5184 million to ₹ 5672 million.

Non-current assets (including fixed assets, capital work-in-progress etc.) increased from ₹ 9602 million to ₹ 9784 million primarily on account of capital expenditure incurred during the year. Current assets were at ₹ 10163 million.

Cash Flow

On a consolidated basis, Net cash generation from operations was

₹ 1261 million in 2013-14. Net cash outflow on account of investing activities (mainly purchase of fixed assets) was ₹ 946 million. Net cash outflow on account of financing activities was ₹ 372 million which is attributable primarily to borrowings and dividends paid. The net decrease in cash and cash equivalents was ₹ 57 million against decrease of ₹ 387 million in 2012-13.

SHARE CAPITAL

The paid up equity share capital increased during the year by ₹ 0.29 million, consequent to exercise of stock options by employees under the Company's ESOP scheme. There was no issue of capital during the year.

DIVIDEND

Considering the past dividend payout ratio and the current year's profit, the Board has considered it appropriate to recommend a final dividend of ₹ 0.50 per equity share of ₹ 1 each. It may be recalled that an interim dividend at the rate of ₹ 0.75 per equity share of ₹ 1 each was paid in February 2014. This aggregates to a total dividend of ₹ 1.25 per equity share of ₹ 1 each for the year, which is same as last year.

APPROPRIATIONS

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

(₹ million)

Available for appropriation	
Profit after tax	727.84
Balance brought forward from previous year	2075.94
Total	**2803.76**
Recommended appropriation	
Transfer to general reserve	250.00
Dividend	
- Interim	140.69
- Final (Proposed)	93.88
Dividend Tax	
- Interim	23.03
- Final (Proposed)	5.99
Final Dividend (previous year)*	0.02
Balance carried forward	2290.17
Total	**2803.76**

* Represents dividend and dividend tax of ₹ 0.02 million on equity shares allotted under Company's ESOP scheme 2007 to the employees, subsequent to the date of approval of annual accounts by the Board and before the book closure date.

FIXED DEPOSITS

The Company has not accepted any fixed deposit and as such no amount of principal and interest were outstanding as on the balance sheet date.

PERFORMANCE OF BUSINESS SEGMENTS

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

ABRASIVES

Business Profile

On a consolidated basis, this business comprises the following major product groups viz. Bonded Abrasives, Coated Abrasives (including non-wovens), Super Abrasives, Metal Working Fluids and Power Tools. The operations are carried out through thirteen manufacturing facilities located in India, Russia, China 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 specialising in specific categories of Abrasives.

The Indian Abrasives industry continues to be catered to by a few large players, numerous smaller players specialising in select products and imports from China catering to low end 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

Abrasives business recorded a consolidated growth in revenue from ₹ 8093 million to ₹ 8599 million, a growth of 6.2 per cent. The growth largely came from better performance from India operations along with improvement in China and America operations. At a standalone level, the revenue grew from ₹ 6073 million to ₹ 6399 million largely on account of significant growth in exports by way of projects supply and targeting newer markets in SAARC and Europe regions.

In India, the domestic market continued to be moderate with no appreciable signs of improvement. Consequently, off-take from end user segments and trade channels were moderate. The mass market products

which are mostly sold through channels were impacted due to liquidity issues. Most of the project orders were either shelved or postponed leading to longer shutdowns by user industries. The sales were also skewed towards an unfavorable product mix comprising higher share of economy products. However, the initiatives in the market place for building distribution through secondary sales initiatives and Elite Dealer program helped the business to perform better than last year. CUMI Retail initiatives along with other incentive schemes also helped in garnering higher sales.

In Bonded Abrasives, sales of standard 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 product offerings. Sales of Non Woven Abrasives products to large institutional customers also mirrored the overall division's growth. Sales of Super Abrasive and other products by Wendt India Limited (the Company's joint venture) improved. Non standard business registered good volume growth despite a moderate business environment. Sales of Power Tools grew on the back of continued widening of product offering in the economy and premium ranges and entering into newer territories.

In Russia, sales in Abrasives business marginally dropped during the year. Russia mass manufacturing activity has shrunk over the years leading to continued reduction in size of the Abrasives market.

The operations in China, recorded a moderate growth. The new team has settled and efforts are getting channelised to ensure that significant share of market is built in China itself, apart from supplying to the requirement of other CUMI group companies.

Manufacturing

The creation of new capacities over the last couple of years and moderate growth in volume in this year resulted in the plants running at moderate levels of utilisation. The implementation of the TPM program, started in 2012-13, was extended to other facilities. The initiatives undertaken have helped to enhance overall equipment effectiveness yielding benefits in terms of enhanced on-time delivery. After embracing TPM in majority of the facilities, the Company is in the process of successful completion of audit by TPM club.

Value projects were successfully carried out to ensure comprehensive customer engagement. To ensure continuity to the new growth momentum found in coated products, select projects were executed through cross functional team, resulting in loss reduction and improvement in recovery.

The profitability came under pressure on account of exchange rate movement leading to costlier imports, adverse mix change and a tight user market not allowing any price increase to offset cost push.

As a result of the moderate revenue growth coupled with higher cost increases, the Abrasives business recorded a decline in profit before interest and tax on a consolidated basis and on a standalone basis.

Key Financial Summary

(₹ million)

	Consolidated			Standalone		
	2013-14	2012-13	Change	2013-14	2012-13	Change
Total revenue	8599	8093	6.2%	6399	6073	5.4%
Segment results (PBIT)	596	836	(28.7%)	594	794	(25.2%)
Capital employed	6059	5393	12.3%	3624	3283	10.4%
Share to total revenue of CUMI	41%	42%	-	57%	56%	-
Share to Segment results (PBIT) of CUMI	30%	43%	-	48%	61%	-

CERAMICS

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 protection, electrical insulation, thermal protection and ballistic protection applications.

The Super Refractories product group supplies fired, monolithic and fibre as also Refractory design and installation services addressing the insulation and 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 anti-corrosion 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, petrochemicals and construction industries.

The operations are carried out through twelve manufacturing / service facilities located in India, Australia, South Africa and Russia. The subsidiaries in North America, Middle East and China also support this business in getting an extended customer reach.

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.

Sales Overview

Revenues of the Ceramics business dropped by 5.7 per cent, on a consolidated basis, mainly due to India and Australia

business. Revenues for the year were ₹ 4707 million on a consolidated basis and ₹ 3057 million on a standalone basis.

In the Indian operations, weak economic activities in domestic market (more so in power generation) and deferment of projects impacted sales of wear resistant liners. Sales of metallised products and engineered ceramics were higher than last year's levels. The efforts to establish new customer relationships and enter into new geographies, which were commenced last year, yielded good results. In Australia, sale of Ceramic products dropped by 19 per cent due to cut back of maintenance activities by key customers and postponement of new lining activities on the back of falling coal prices.

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, dropped sharply. Sales of Anti-Corrosives registered a sharp drop due to delay in execution of project order. Sales of Refractory fibre by the Company's joint venture, registered a good growth amidst a tight market. The Refractory design and installation services business, which is also addressed through a joint venture, recorded sharp drop in sales owing to project environment in Petrochemicals industries.

In Russia, Nitride Bonded Silicon Carbide Refractories registered a marginal growth. This business is largely tender driven and is dependent on the Non ferrous industry.

Sales of Refractories in South African subsidiary were lower than plan as the expected order inflow from a key customer did not materialise. The capacity utilisation continues to be below optimum and efforts are on to improve the operations.

Manufacturing

The Ceramics manufacturing team launched a series of economy grade tiles for price sensitive market. These tiles were used to compete against low cost competition. Due to sluggish demand in Wear Ceramics, kilns ran at very low levels of utilisation, which led to relatively higher levels of fuel consumption impacting profitability. Refractories plants which consumes significant amount of fuel for continuous running of kiln operations, explored alternate technology to accommodate low cost fuel.

The establishment of new technology products from Sheffield Refractories, Refractory makers in Europe, was on way, but slower than planned. It is expected that business will increase in the coming year.

As a result of the lower sales, the Ceramics business recorded a decline in operating profit before interest and tax on a consolidated basis and on a standalone basis.

Key Financial Summary

(₹ million)

	Consolidated			Standalone		
	2013-14	2012-13	Change	2013-14	2012-13	Change
Total revenue	4707	4991	(5.7%)	3057	3265	(6.4%)
Segment results (PBIT)	592	793	(25.3%)	346	425	(18.6%)
Capital employed	3936	3738	5.3%	2542	2592	(1.9%)
Share to total revenue of CUMI	22%	26%	-	27%	30%	-
Share to Segment results (PBIT) of CUMI	30%	41%	-	28%	33%	-

ELECTROMINERALS

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

The market structure in the global Electrominerals business remained largely unchanged with the Company continuing as one of the leading players in Silicon Carbide and Fused Zirconia.

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.

Sales Overview

The Electrominerals business recorded revenues of ₹ 8099 million on a consolidated basis and ₹ 2408 million on a standalone basis. The increase in revenue was a result of improvement in volumes in both Russia, India and South African operations.

Last year, Electrominerals division registered lowest sales ever owing to collapse of photovoltaic market impacting Silicon Carbide sale and weak Refractory market coupled with higher input price impacting Zirconia sales. Things have improved this year from thereon. Russian operations delivered a good growth with repositioning operations from crystalline to metallurgic and capacity optimisation, leading to higher volumes. Zirconia volumes also came back from last year lows due to the normalising of input material prices and some recovery in Steel Refractory markets. The stabilisation of the new team, creation of new customer accounts and acquisition of lost customers facilitated the recovery.

The Indian operations which witnessed a marked drop in sales last year owing to slowdown in the photovoltaic industry, came back strongly this year. Sales of value added Alumina products and Ceramic grains have shown good growth. Price realisation across major product lines was higher than last year.

In the Fused Minerals operation in South Africa, which was acquired during the second quarter of 2012-13, the process of ramping up the operation continues. The capacity utilisation continues to be lower and efforts are on to improve the operations.

Manufacturing

In Russia, the Silicon Carbide fusion facility registered highest fusion volumes ever. The Russian entity continued to flex its manufacturing process to generate more metallurgical products instead of crystalline products to serve the Russia domestic market.

The profitability of the Indian operations improved significantly owing to an above average rainfall which led to higher power generation at the captive hydel power plant at Maniyar (Kerala, India). Lower capacity utilization of Silicon Carbide micro plant continued due to slowdown in the photovoltaic industry. The Company is taking every effort to de risk dependence on photovoltaic industry and increase the capacity utilisation of micro plant.

In South Africa, last year we commissioned new tilt furnace for the manufacture of bubble Zirconia. This year majority of the time was spent in stabilisation of the manufacturing process and product establishment. The facility which has been created to serve alternate user industries is expected to run at higher levels of utilization in the next year.

As a result of higher volumes, the Electrominerals business recorded an increase in operating profit before interest and tax on a consolidated basis and on a standalone basis.

Key Financial Summary

(₹ million)

	Consolidated			Standalone		
	2013-14	2012-13	Change	2013-14	2012-13	Change
Total revenue	8099	6688	21.1%	2408	1966	22.5%
Segment results (PBIT)	784	234	235.0%	286	73	291.2%
Capital employed	5046	5335	(5.4%)	1518	1507	0.7%
Share to total revenue of CUMI	39%	34%	-	21%	18%	-
Share to Segment results (PBIT) of CUMI	39%	12%	-	23%	6%	-

FINANCE AND HUMAN RESOURCES

Finance

During the year, the Company generated ₹ 1261 million cash surplus from its operations on a consolidated basis.

All debts were serviced in time including repayment of long term external commercial borrowings and the redemption of its debentures issued to LIC. At a consolidated level, the Company's total debt position excluding current maturities of loans, increased from ₹ 3578 million to ₹ 3924 million. The capital expenditure program was financed largely from internal accruals.

CUMI International Limited, which holds majority stake in overseas subsidiaries, infused fresh funds to support operations in China, America, Canada and South Africa.

The Company's credit ratings, 'P1+' for short-term borrowings and 'AA+ Stable' for long-term borrowings was reaffirmed by CRISIL in 2014. 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. The finance cost at a standalone level has come down from ₹ 163.8 million to ₹ 129.4 million. The finance cost at a consolidated level has increased from ₹ 272.1 million to ₹ 281.8 million.

With the Indian entity enjoying a significant natural hedge, a cautious approach was adopted to hedge the remaining exposures. The Company adopts prudent tax management policies. In the last year, the Company received in-house recognition for Research and Development facility which enabled the Company to get weighted tax deduction benefits for research and development expenses. This year we have added one more R&D facility.

The Company's debt equity ratio continues to be healthy at 0.16 and is the lowest ever 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

Notwithstanding a challenging environment, the HR strategy and initiatives were designed to effectively partner the business in the achievement of its long term growth visions and ensure sustainability. HR activities during the year addressed six key imperatives - Building leadership pipeline, Scaling up capability across the organisation, Propelling performance, Enhancing people productivity, Improving safety, health and environment and Performing community initiatives.

Building Leadership Pipeline

The exercise of identifying high potential employees which begun last year was completed in 2013-14. The identified set of employees are now undergoing a structured development plan for a three year time frame, involving leadership and functional role changes to provide adequate developmental experiences and ensure a steady talent pipeline. A succession planning exercise was also completed for all key roles-both domestic and international, inclusive of retrials due in the next 2 years. Innovation capabilities across the organisation are being built up through structured developmental interventions. Scientific and process oriented talent acquisition processes have been deployed.

Scaling up capability across the organisation

A strategy exercise with all the leaders across the organisation was held in October 2013 which was facilitated by eminent researchers and academicians from Israel and America. The session focused on understanding cutting-edge technology and new mega trends in the Material Sciences business.

A series of competency development programs on the themes of Customer Centricity and Action Focus have been held across the organisation. The CUMI Centre for Skill Development in Hosur has gone from strength to strength and there are plans to replicate the same in Cochin and Chennai. Steps are on at present to develop a separate career path for specialists (technical and R&D professionals) to enhance the contributions of these roles. Another area of intervention is in building project management skills.

Propelling Performance

The performance management process is being strengthened to improve accountability of managers in completing performance planning and review process. In the coming year, compensation practices will be improved further by establishing merit matrices to create a culture of competitiveness, pay-for-performance and a measurable linkage between pay and job. A series of interventions on structural optimization of workforce has been carried out across business units to rationalise job grades and anomalies to increase efficiencies. This has led to greater clarity in roles and responsibilities resulting in stronger action focus.

Enhancing People Productivity

The recent Long Term Settlements (LTS) in our plants were designed to develop a productive work culture linking workers pay to desirable behaviors, improvements and enhanced productivity. Flexibility and cost-effectiveness were major features of all the recently signed LTS. Strong adherence to a communication framework in every SBU and unit-specific Union Management approaches have facilitated a climate of peaceful industrial relations with zero disruption to business. A shift to technology investment has also precluded the need to hire more workmen while embarking on new projects.

Improving Safety, Health and Environment

Safety & Health initiatives were a major thrust area with all business units implementing a behavior-based safety management system that has significantly reduced risk of accidents. This data based management system studies accident investigation reports, hazard identification documents and reports of unsafe acts and conditions. Continuous training and constant supervision are the other ways in which occupational health and safety is constantly monitored. This was recently recognised by Confederation of Indian Industry (CII) which conferred an EHS award to our Refractories Unit in the south.

Performing Community Initiatives

Social Responsibility practices across business units have proceeded with full employee involvement as always. In the coming year a broad framework on social audit is planned across all units to better leverage our community initiatives.

The total staff on rolls of the Company (including joint ventures and subsidiaries) was 4888 with 2883 employees in India. Industrial relations remained cordial during the year under review.

Awards & Accolades

CUMI's employment practices received recognition in international forums were awarded the 'Best Organizational Staff Development Initiative' by World HRD Congress in June 2013 for work on the Career Development Programs in Abrasives. The "Best Programme for the Cause of Learning" award was also conferred on the Company for the development of CUMI Centre for Skill Development in Hosur. CUMI also swept the award contributions at the Murugappa Group's 10th Best Practice Sharing session winning many quality and process awards. A team from Maniyar unit, had their contributions in the area of quality recognised by awards from CII, QCFI and participated in the International Quality Circle Convention held at Taipei.

PERFORMANCE OF SUBSIDIARIES

Volzhsky Abrasive Works, Russia recorded sales growth over the previous year from RUB 2950 million to RUB 3127 million due to improvement in volumes of Silicon Carbide sold. The entity recorded the highest fusion ever. The sales of Abrasives and Refractories however dropped owing to weak user market conditions and postponement of project orders. On the profitability front, despite hike in power rate, the entity registered increase in profitability from Profit After Tax (PAT) of RUB 291 million to RUB 317 million.

Foskor Zirconia Limited, South Africa delivered a loss at a PAT level. However the losses were significantly lower than the last years' level, despite higher depreciation and interest cost arising out of doubling of capacity. At an EBITDA level, the entity delivered a profit.

CUMI Australia Pty. Limited's (CAPL) performances though have improved with every passing quarter, however on an annual basis, the sales and profits were lower than last year. The turnover of CAPL fell from AUD 16 million to AUD 13 million. Ceramic business has been adversely impacted in light of falling coal prices which seems to have bottomed out, but far lower from the peak levels. This led to reduction in most of the maintenance activities, leading to fall in spends in terms of setting up new lining for customers.

With a sales of ₹ 545 million, Sterling Abrasives Limited registered a marginal growth. The user industry comprising majorly of Agro polishing and Manufacturing industry had a moderate run over the year with no significant growth.

CUMI Abrasives and Ceramics Co. Limited, the Chinese subsidiary closed its fourth full year of operations clocking a turnover of CNY 36 million for the year ended 31st March 2014, a growth of 14 per cent over previous year. The loss continues to be in the levels of CNY 11 million. The capacity utilisation in the Chinese subsidiary has improved over the year. During the year, the Company shifted the focus to address the domestic market.

Consequent to the decision to consolidate the operations of CUMI Canada into CUMI America, the revenues of CUMI America recorded a steep growth (USD 3.6 million from USD 2.3 million), driven mainly by increase in sales of Industrial Ceramics. Sales of Bonded Abrasives also grew over the previous year. CUMI Canada sales to external customers dropped from last year levels. The consolidation exercise is planned to be completed during 2014-15.

For CUMI Middle East, the sales normalised in 2013-14 at USD 2.4 million from the significant highs it had registered in 2012-13 at USD 3.1 million on the back of project orders. The initiative to diversify the operations to focus on sales of new products is paying off since a sizable chunk of the sales has started coming from non Abrasives products.

In Cellaris Refractories India Limited, the plant for manufacture of Ceramic foam was commissioned during the last quarter of the year. The plant is expected to stabilise production and ramp up in 2014-15.

Southern Energy Development Corporation Limited, the gas based power generation subsidiary, recorded a turnover of ₹ 147 million, a drop of 24 per cent over previous year. The profitability was impacted due to lower gas supply from ONGC coupled with higher depreciation and interest cost arising out of capital expenditure undertaken in 2012-13 towards replacement of old gensets.

Net Access India Limited, which provides IT facilities management and managed services, increased revenues by 11 per cent and achieved a turnover of ₹ 218 million. The Company became a member of NASSCOM during the year.

Thukela Refractories Isithebe Pty. Limited recorded a turnover of Rand 87.3 million with loss levels of Rand 35.6 million. The entity was acquired during second quarter of 2012-13. The process of ramping up the operations and adding newer customers is on and expected to continue in 2014-15.

CUMI International Limited, Cyprus recorded a total income of USD 5.1 million representing mainly from the dividend income. The financial crisis which came about in March 2013 was mitigated by way of an international bailout in return for Cyprus Government agreeing to close the country's second-largest bank, the Cyprus Popular Bank imposing a one-time bank deposit levy on all uninsured deposits. CUMI International Limited was not impacted because of the crisis. The situation now has normalised.

Consolidated financial statements incorporating the financial results of the Company, its subsidiaries, joint ventures and associate has 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

Amongst the risks, the power cost is one of the key challenges. Our manufacturing facilities are located in diverse geographies with differing power rates adopted and driven by the local laws and policies. The Company at a consolidated level consumes more than 850 million units of electrical energy across its various manufacturing location. Any volatility or steep appreciation in this cost impacts profitability considerably. Apart from pricing, in some locations, availability of power becomes a constraint. This compels the Company to generate power through more expensive options. In order to mitigate this threat, the Company continues to liaise with the local regulatory bodies and local government. The Company also constantly strives to bring about technological changes in manufacturing process which leads to lower power consumption.

Fuel cost increase is another area of concern. Petroleum based products are used, either as direct raw material or as fuel for the firing process. Any increase in the cost of fuel impacts the profitability adversely. Improvements in firing technologies are avenues which the Company continues to pursue for dealing with the challenges.

The Company deals with multiple currencies and is thus exposed to foreign currency risk which may adversely affect income statement as also result in translation impact. This risk is mitigated by adopting a country based Forex policy, periodic monitoring and use of hedging instruments. Price volatility and availability of raw material continues to be other challenges. Apart from the underlying price fluctuation, in case of import dependent businesses, the currency fluctuation also impacts the total cost. Efforts are being taken to manage both exports and imports to ensure that at a Company level there is a natural hedging mechanism.

To the extent permitted by market dynamics, input cost viz. power, fuel and raw material increases are passed on to customers. Efforts are also continuously being taken to improve the consumption norms for input materials by continuous monitoring and efficiency improvement steps. Technology alternatives to address shortage of such items are also pursued to address the situation.

The Company's operations are spread across several countries. This exposes the Company to diversity in the policy approaches of governments in various countries and Geo political Risk. In the last two years, the Company was exposed to three major country risks. First one, which impacted us significantly, was the scaleback in subsidy to the photovoltaic industry in Europe in 2012-13. The other two viz. financial crisis in Cyprus in March 2013 and the 2014 Ukraine crisis have not impacted us. 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.

Any new technology with reference to subtractive process and additive process may impact the performance of the Company in the long run. Such new technology in the related space as also in adjacencies is continuously tracked and monitored. The Company seeks to address these technology gaps through 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 which have been strengthened in the earlier years are working on various state of the art projects.

BUSINESS OUTLOOK AND OPPORTUNITIES

According to the World Economic Outlook - April 2014 of the IMF, global economy is expected to improve in 2014-15, with much of the impetus for growth coming from advanced economies. The report forecasts global growth projected to strengthen from 3 per cent in 2013 to 3.6 per cent in 2014 to 3.9 per cent in 2015. In advanced economies, growth is expected to increase to about 2¼ per cent in 2014-15, an improvement of about 1 percentage point compared with 2013. Growth in emerging market and developing economies is expected to increase to 5.1 per cent in 2014 and to 5.4 per cent in 2015.

As per the Asian Development Outlook 2014, released on 1st April 2014, GDP of India is forecasted to rise to 5.5 per cent in 2014-15. The reports mention that GDP will improve due to performance of the Industry and Services. However, it will take some time for the Indian economy to reach its potential growth rate of 6%. The report mentions that the Cabinet Committee on Investment's progress in resolving delays in several large infrastructure projects is likely to provide traction in raising investment. Though India has been seeing a muted growth over the last two years, the long term growth opportunities for the country continue to appear positive. India's economic outlook for 2014-15 looks better than the last fiscal year due to resurgence in exports, global economic revival and moderation in inflation. Currency depreciation is also expected to increase competitiveness and bolster external demand. However, the economy will not reach its potential until structural bottlenecks, that have impeded industry and investment are overcome. The new government's economic program after elections, including its first budget due in July 2014, will be largely determined by the party that wins the elections.

A revival in domestic growth would result in kick starting several postponed projects in Steel, Power, Glass, Cement, Insulation and General Engineering industry which would help the Company to register a good growth. Considering the country's facilities are majorly confined to RICSA (Russia, India, China, South Africa) countries, it gives the Company necessary positioning to leverage the benefits of any uptrend in these economies.

However, given the uncertain outlook, the Company will pursue growth with caution. Efforts will be taken to control costs. Considering that the plants are running at lower utilisation levels and the fact that facilities have been expanded over the last years, the Company would invest majorly in maintenance capex. With this approach, it is expected that the Company would deliver better results in the next year.

GOVERNANCE

Board of Directors

Mr. Shobhan M Thakore and Mr. Sanjay Jayavarthanavelu, Independent Directors under clause 49 of the listing agreement with stock exchanges, retire by rotation at the forthcoming Annual General Meeting under the provisions of the erstwhile Companies Act, 1956 and being eligible have offered themselves for appointment as Independent Directors under section 149 of the Companies Act, 2013 (the Act). Accordingly, approval of the members is being sought at the ensuing Annual General Meeting for their appointment as Independent Directors for a term of 3 years and 5 years respectively.

Mr. M Lakshminarayan and Mr. T L Palani Kumar, Independent Directors under Clause 49 of the listing agreement and whose office is liable to determination by retirement by rotation under the provisions of erstwhile Companies Act, 1956 are also proposed to be appointed at the forthcoming Annual General Meeting as Independent Directors under section 149 of the Act, for a term of 3 years and 5 years respectively.

Mr. Aroon Raman, who was appointed as an Additional Director on 30th October 2013, holds office till the forthcoming Annual General Meeting. Approval of the members is being sought for his appointment as an Independent Director under section 149 of the Act, for a term of 5 years.

Notices under section 160 of the Act, proposing the appointment of the above Directors along with the requisite deposit has been received by the Company from members.

During the year, Mr. Subodh Kumar Bhargava retired as Director and Mr. Sridhar Ganesh stepped down as Director. The Board places on record its appreciation for the contribution made by them during their tenure of office.

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. The Board, on the recommendation of the Audit Committee has proposed their appointment as Statutory Auditors to audit the standalone as well as consolidated financial statements of the Company for a period of 2 years. The Auditors have confirmed their eligibility for reappointment under Section 139 of the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules 2014.

Corporate Governance

The report on Corporate Governance along with certificate on compliance with the Corporate Governance norms from the Statutory Auditors is annexed as required under the listing agreement with stock exchanges and forms part of this report. The Managing Director and the Chief Financial Officer have submitted a certificate to the Board on 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 2014 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 support to institutions engaged in philanthropic purposes in the field of education, health-care and for scientific research was continued as in the past.

Information under Companies Act 1956

The particulars relating to energy conservation, technology, research and development, exports and employees' remuneration as required under the Companies Act, 1956 are annexed to and forms part of this report.

Employee Stock Option Scheme

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.

Acknowledgment

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

Chennai
30th April 2014

M M Murugappan
Chairman

ANNEXURE TO THE REPORT OF THE DIRECTORS

Given as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, Companies (Particulars of Employees Rules), 1975 and the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines 1999. 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, optimising plating operations and installation of energy efficient blowers, energy efficient lights etc. Savings in fuel cost and energy for kilns was achieved by modification in kilns, reduction in firing cycle time, improved cooling systems, fast firing cycle for vitrified and also by usage of alternate fuels like E-Oils. Savings in energy was also achieved through introducing sigma energy manager in air compressor management and online hydraulic filters for presses. A 10 kwp Solar Power Plant was established at Maniyar. Total amount expended during the year on these initiatives was ₹ 4.1 million and these are estimated to yield an annualized cost saving of ₹ 6.7 million.

During 2014-15, a sum of ₹ 22 million is planned to be spent on energy conservation initiatives and these are expected to give annualised benefits of ₹ 40 million. These will include replacement / improvement of recuperators, power and transformer modifications, power factor improvements, temperature optimisation in certain kilns, installation of energy efficient compressors, hot air recovery systems and various total productive management initiatives and optimising the use of diesel gensets, energy efficient lighting, air conditioning optimisation etc.

The energy consumption details for Super Refractories are as follows:

Description		2013-14	2012-13
A.	**Power and Fuel Consumption**		
a	Electricity		
i)	Purchased		
	Units (Kwh)	2,473,241	2,069,430
	Total amount (₹ million)	20.16	18.37
	Rate per unit (₹)	8.15	8.88
ii)	Own (Through Diesel Generator)		
	Units (Kwh)	465,506	928,646
	Units per litre of diesel oil	3.20	3.13
	Cost per unit (₹)	17.36	15.11
b	Furnace Oil		
	Quantity (litres)	226,852	249,327
	Total cost (₹ million)	9.84	10.33
	Rate per litres (₹)	43.38	41.43
c	Others (kiln fuels)		
	Quantity (litres)	1,772,689	2,119,698
	Total cost (₹ million)	90.13	94.18
	Rate per litres (₹)	50.84	44.43

Description		2013-14	2012-13
B.	**Consumption per tone of production**		
i	Electricity (units)		
	Fired Products	514	447
	Monolithics (including Refractory Cement)	36	44
ii	Fuel (litres)		
	Kiln fuels for fired products	399	443
	Furnace oil used for high grade refractory cement	151	165

Research and Development

Specific areas in which R&D was carried out

Research and development efforts during the year focused on new product development, new formulations for specific product markets and developing customised products. The Electrominerals business worked on developing new Ceramic grains, Synthetic graphite used in battery materials, polishing materials, ceramic treated grains and establishing processes and product characteristics for Alumina Zirconia grains. The Ceramics and Refractories businesses focused its efforts on developing tailor-made monolithic Refractories, fired Refractory products, tough Alumina Ceramics and high-strength fine grained Alumina formulations.

Benefits derived

These initiatives helped the Company to develop high performance grains for Abrasive products, custom-made monolithic Refractories and fired products for Iron, Steel and Glass industries and also new variety of Electrominerals which are less energy intensive and can simultaneously achieve growth through value added products. The initiatives at the Ceramics division have helped the business to improve competitiveness, address adjacencies, enhance the product basket and import substitution.

Future Plans

Plans for 2014-15 includes completing the development of synthetic graphite, polished materials, plasma / thermal spray powders and developing capability to manufacture certain key raw materials by customisation of ceramic treated grains, development of non-oxides ceramics, Nano-powder Synthesis & Nano-Ceramics, Composites, Dense Si-Nitrates etc.

Expenditure on R&D

(₹ million)

Capital	1.36
Recurring	65.36
Total	66.72
Total expenditure as a percentage to turnover	0.53%

Technology absorption, adaptation and innovation

Efforts

During the year technical teams addressed their efforts to absorb the technologies procured recently and during the year. 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. In Abrasives, efforts were taken to enhance sophistication in the manufacturing and conversion processes. The efforts towards development of synthetic graphite and Alumina Zirconia grains for certain applications progressed well.

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, process improvement and cost reduction. All businesses worked on absorbing the technology procured from third party sources which enhanced the range and reach of products.

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	Yes	-
Special fired Refractories for high end applications	2012-13	Yes	-
Special monolithic Refractories for specific industries	2012-13	Yes	-
Rubber Fine Grits	2012-13	Yes	-
Fabrication technology for certain range of Coated Abrasives	2013-14	Yes	-

Exports

As a result of the market downturn in the served international markets, export revenues were ₹ 2091 million as against ₹ 2244 million in the previous year.

Overseas revenues of Abrasives business grew by 20% compared to the previous year. Visits from major distributors and customers of Abrasives to the manufacturing facilities added confidence on our supply and quality capabilities. The business continues to focus on servicing of project orders from key global players, product specific approach for select geographies and lateral deployment of products in SAARC and South East Asian countries.

The Electrominerals business focused its efforts to obtain customer acceptance for alternative applications for Silicon Carbide micro grits other than photovoltaic application like semi conductor applications, which resulted in commercial sales and also getting customer approvals / evaluations. Setting up of a distribution point and channel partners for the European and US markets are expected to promote applications of specialty products offered by the Electrominerals business.

Strategic partnerships for promoting the Ceramics products for the Glass Industry and specialised alloys market are expected to yield more orders in future.

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.

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 marketing structure and distribution process of the Chinese subsidiary has been restructured and is expected to yield significant growth opportunities, going forward.

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 customising 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.

(₹ million)

Foreign Exchange Earnings	2177
Foreign Exchange Expenditure	
- Raw materials & other payments	2453
- Capital Equipment	137

STATEMENT OF EMPLOYEES' REMUNERATION

In accordance with section 217(2A) of Companies Act 1956, the details of employees who were paid remuneration in excess of ₹ 500,000 per month or ₹ 6 million per annum during 2013-14 are as follows:

Name and Age	Designation / Nature of duties	Gross remuneration paid (₹)	Qualification and Experience (years)	Date of commencement of employment	Previous employment
1	2	3	4	5	6
Ananthaseshan N (51)	President, Abrasives	6,683,415	M.Sc (Applied Science), M.Tech Material Science (28)	19.02.1986 [e]	-
Deepak Dorairaj P L (57)	Senior Vice President, International Business & Exports, Abrasives	5,516,888	B.Tech, Chemical (34)	22.08.1979 [e]	-
Muthiah M (54)	Senior Vice President, Human Resources	6,269,770	M.A (SW) and PG Dip. in Management (30)	15.10.2003	Plant HR Head, Hyundai Motor India Ltd.
Rajagopalan R (55)	Senior Vice President, Refractories & Prodorite	6,877,920	B.E. (Mech), MBA (Oubs), (34)	01.10.1980 [e]	-
Ramesh V (57)[b][i]	President, Abrasives	8,485,420	B.Com., Grad CWA, PGDM (IIM) (34)	15.11.2006	President - TVS Finance & Services Ltd.
Sridharan Rangarajan(48)	Chief Financial Officer	6,114,673	B.Com, ACA, Grad CWA (28)	22.06.2011	CFO, Indian Operations - TIMKEN
Srinivasan K (56)[b][ii]	Managing Director	16,412,164	B.Tech (Mech) (34)	30.01.2002	Vice President Wendt (India) Ltd

Note

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) The persons mentioned above are wholetime employees of the Company and the nature of their employment is contractual and terminable with 3 months notice; except for
(i) Mr. V Ramesh who has resigned from the Company w.e.f 30th January 2014
(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 2013-14 and all other particulars are as on 31.3.2014.

e) Date of joining as graduate engineer trainee.

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 Nomination and Remuneration Committee (earlier designated as 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 31.3.2014 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 31.3.2014
(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 ₹ 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	1,528,536 (as on 31.3.2014)
d. Options exercised	1,048,218 (since inception of the scheme)
e. The total number of shares arising as a result of exercise of Options	2,066,736 equity shares assuming all outstanding Options are exercised
f. Number of Options lapsed / cancelled (upon retirement / resignation/ based on performance rating)	1,413,646 (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 per cent within 6 years.
h. Money realised by exercise of Options	₹ 96.26 million (since inception of the scheme)

Nature of Disclosure	Particulars
i. Number of Options in force	2,066,736 (as on 31.3.2014)
j. Senior Employee-wise details of Option granted to:	Numbers in brackets represent number of Options granted
(i) Senior Management Personnel	K Srinivasan, Managing Director (443,800), V Ramesh, President - Abrasives (266,400)*, N Ananthaseshan, President - Abrasives (200,400) 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), Sridharan Rangarajan, Chief Financial Officer (264,000), S Dhanvanth Kumar, Vice President & Company Secretary (97,600)** * Resigned effective 30th January, 2014 ** Resigned effective 14th August, 2013
(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), A R Satheesh (74,800), P Alagappan (74,800), D Vijayalakshmi (74,800), K Ramesh (88,600), M V Sivakumaran (88,600), Ranjan Dey (93,400), P Padmanabhan (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), J H Shastry (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.	₹ 3.88#
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 recognised in the accounts if the fair value of Options had been used as the method of accounting.	The employee compensation cost for 2013-14 would have been higher by ₹ 17.22 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 2013-14 would have been lower by ₹ 17.22 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 ₹ 0.06*

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	111,014	155.00	-	-	1,955,722	116.81
(ii) Weighted Average Fair Value	111,014	65.48	-	-	1,955,722	52.77
*Market Price as on 31.03.2014 - ₹ 146.60 i.e. closing price on the National Stock Exchange of India Ltd.						
n. (i) Method used to estimate the fair value of Options	Black-Scholes model					
(ii) Significant assumptions used (weighted average information relating to all grants) :						
(a) Risk-free interest rate	7.92%					
(b) Expected life of the Option	Varies from 2.5 years to 7 years depending on the respective date of vesting					
(c) Expected volatility	39.29%					
(d) Expected dividend yields	1.72%					
(e) Price of the underlying share in market at the time of Option grant	₹ 118.86 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
30th April 2014

M M Murugappan
Chairman

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 2014, as stipulated in Clause 49 of the Listing Agreement of the said 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's Registration No. 008072S)

B.Ramaratnam
Partner
Membership No. 21209

Place: Chennai
Date: April 30, 2014

CORPORATE GOVERNANCE REPORT
(PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

Corporate Governance refers to the system of rules, practices and processes by which a company is directed and controlled. It provides the structure through which a company sets its objectives and the framework within which these objectives are pursued in the context of the social, regulatory and market environment. Governance essentially involves aligning the interests of the various stakeholders in a company and encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosures.

1. CUMI's Corporate Governance Philosophy

Carborundum Universal Limited ("CUMI"), a constituent of the Murugappa Group, is committed to highest standards of Corporate Governance in all its activities and processes. Key elements in Corporate Governance are transparency, internal controls, risk management, internal/external communications and good standards of safety and health. The Board recognises that governance expectations are constantly evolving and is committed to keeping its governance standards under review to meet both letter and spirit of the law and its own demanding levels of business ethics. CUMI considers Corporate Governance as the cornerstone for sustained superior performance and for serving all its stakeholders. 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.

The Corporate Governance philosophy of the Company is driven by the fundamental principles of:

- Adhering to the governance standards beyond the letter of law;
- Maintaining transparency and high degree of disclosure levels;
- Maintaining clear distinction between personal and corporate interest;
- Having a transparent corporate structure driven by business needs and
- Ensuring compliance with applicable laws.

2. Board of Directors

The Board being aware of its fiduciary responsibilities, recognises its responsibilities towards all stakeholders to uphold highest standards in all matters concerning the Company and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

The Board provides strategic guidance on affairs of the Company. The Independent Directors provide independent and objective judgment on matters placed before them.

The Company's day to day affairs are managed by the Managing Director, assisted by a competent management team under the overall supervision of the Board. The Company's commitment to ethical and lawful business conduct is a fundamental shared value of the Board, senior management and all its employees.

Consistent with its Values and Beliefs represented by the Five Lights - spirit of the Murugappa Group, the Company has formulated a Code of Conduct applicable to the Board and senior management. Annual declaration is obtained from every person covered by the Code of Conduct. A declaration to this effect signed by the Managing Director is annexed to this report.

Further, the Company has in place a Code for prevention of insider trading and a whistle blower policy for reporting any concerns or grievances by any person dealing with the Company.
The Company has set up a risk management system covering various risks the Company is exposed to which are discussed and reviewed by the Risk Management Committee and the Board periodically.

The Board is committed to representing the long terms interests of the stakeholders and in providing effective governance over the Company's affairs and exercise reasonable business judgment on the affairs of the Company.

2.1 Composition

The Board has been constituted in an appropriate manner, to preserve its independence and to separate the Board functions of governance and management. The Board members are eminent persons and have collective experience in diverse fields of technology, engineering, management, legal and compliance. The Directors are elected based on their qualification and experience in varied fields. At the time of induction of a Director, a formal invitation to join the Board is sent out and a Directors' handbook comprising a compendium of the role, powers and duties to be performed is given to the new Director. The Independent Directors annually provide a certificate of independence in accordance with the applicable laws which is taken on record by the Board. All Board members have the opportunity and access to interact with the management.

As at 31st March 2014, the Board comprises of 7 members with a majority of them being Independent Directors.

2.2 Board Meetings

The Board has a formal schedule of matters reserved for its consideration and decision to ensure that it exercises full control over significant, strategic, financial, operational and compliance matters. These include setting performance targets, reviewing operational and financial performance against set targets, evolving strategy, approving investments, ensuring adequate availability of financial resources, overseeing risk management and reporting to the shareholders.

Besides, information on statutory compliance of applicable laws, minutes of meetings of the sub-committees of the Board, summary of decisions taken at the Board meetings of the subsidiary companies and information required under the listing agreement are provided to the Board on a quarterly basis. The Board periodically reviews the compliance of applicable laws and gives appropriate directions wherever necessary.

Timely and relevant information is provided by the Company to the Director to facilitate effective participation and contribution during the meeting(s).

During the year ended 31st March 2014, there was no Indian subsidiary company which could be classified as material non-listed Indian subsidiary as per the terms of the listing agreement. The Board reviews the significant transactions and arrangements of the unlisted subsidiary companies besides being apprised of their business plan and performance.

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

The dates of the Board meetings are fixed in advance for the full calendar year and during the year ended 31st March 2014, five Board Meetings were held on 29th April 2013, 30th July 2013, 30th October 2013, 31st January 2014 and 24th March 2014.

2.3 Details of the Board Members as on 31st March 2014

Name	Category	No. of Directorships / (Chairmanships) in companies including CUMI[a]	No. of Committee Memberships / (Chairmanships) in companies including CUMI[b]	No. of Board meetings attended	Attendance at last AGM	Shares held in CUMI
M M Murugappan DIN - 00170478	Promoter & Non Executive Director	13(8)	6(4)	5	Yes	696340
T L Palani Kumar DIN - 00177014	Non-Executive & Independent Director	2	2(1)	5	Yes	Nil
Shobhan M Thakore DIN - 00031788	Non-Executive & Independent Director	7	5(2)	5	Yes	Nil
M Lakshminarayan DIN - 00064750	Non-Executive & Independent Director	6	3(1)	4	Yes	Nil
Sanjay Jayavarthanavelu DIN - 00004505	Non-Executive & Independent Director	11(4)	3	4	Yes	Nil
Aroon Raman # DIN - 00201205	Non-Executive & Independent Director	5	1	2	NA	Nil
K Srinivasan DIN - 00088424	Executive Director	6	2	5	Yes	200704

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.

Appointed as an Additional Director w.e.f. 30th October 2013

2.4 Changes in Board composition during the financial year 2013-14

Name	Category	Nature of change	No. of Board meetings attended	Attendance at the last AGM
Subodh Kumar Bhargava	Non-Executive & Independent Director	Retired at the 59th AGM held on 30th July 2013	2	Yes
Sridhar Ganesh	Non-Executive Director	Resigned on 31st January 2014	4	Yes

3. Board Committees

The Board has constituted various committees to support the Board in discharging its responsibilities. There are five committees constituted by the Board - Audit Committee, Compensation and Nomination Committee, Risk Management Committee, Share Transfer, Finance and Investors Grievance Committee and Corporate Social Responsibility Committee.

The Board at the time of constitution of each committee determines the terms of reference and also delegates further powers from time to time. Various recommendations of the committees are submitted to the Board for approval and the minutes of meetings of all committees are circulated to the Board for information.

After the closure of the financial year, the following committees of the Board have been re-designated with suitable revisions in their terms of reference in accordance with the requirements laid down in the Companies Act, 2013 and amendments proposed in clause 49 of the listing agreement with the Stock Exchanges :

- Share transfer, Finance and Investors Grievance Committee has been re-designated as the Stakeholders Relationship Committee;
- Compensation and Nomination Committee has been re-designated as the Nomination and Remuneration Committee.

3.1 Audit Committee

Terms of Reference

The role of the Audit Committee includes overseeing the financial reporting process and disclosure of financial information, review of financial statements before submission to the Board, review of adequacy of internal control system, findings of internal audit, related party transactions besides recommending the appointment of statutory auditors and their remuneration to the Board and approval of payments to statutory auditors for non-audit services. The Audit Committee also reviews the financial statements of unlisted subsidiary companies, in particular, the investments made by them. In line with the Companies Act, 2013, the Audit Committee's terms of reference has been revised effective 30th April 2014 to include scrutiny of inter-corporate loans & investments, approval of related party transactions, valuation of assets/undertakings of the Company, appointment of registered valuers etc.

Composition & Meetings

The Audit Committee comprises entirely Independent directors and all members of the Committee are financially literate. The Chairman of the Board, the statutory auditor, the cost auditor, internal auditor and members of the management committee are invited to attend all meetings of the Committee. Further, as a good corporate governance practice, a separate discussion of the Committee with the statutory auditors without the presence of the management team is held periodically.

During the year, the Committee had five scheduled meetings for reviewing the financial statements and considering the internal audit reports and audit plan. Further, consequent to the retirement of Mr. Subodh Bhargava, Chairman of the Committee the Committee had been reconstituted with the induction of Mr. Sanjay Jayavarthanavelu as a member. Composition and attendance of the Committee members at the meetings held during the year are given below:

Name of member	No. of meetings attended (No. of meetings held)
T L Palani Kumar (Chairman from 30th October2013)	5 (5)
M Lakshminarayan	4 (5)
Subodh Kumar Bhargava (Chairman till 30th July 2013)	2 (2)
Sanjay Jayavarthanavelu (member from 30th July 2013)	2 (3)

3.2 Nomination & Remuneration Committee (earlier designated as the Compensation & Nomination Committee)

Terms of Reference

The Role of the Committee is to (a) recommend to the Board the appointment of Directors (b) recommend re-election of Directors retiring by rotation (c) recommend the remuneration including pension rights and periodic increments of the Managing / Whole-time Director(s) (d) determine the annual incentive of the Managing / Whole-time Director(s) (e) recommend to the Board, the Commission payable annually to each of the non Whole-time Directors, within the limits fixed by the shareholders (f) formulate, implement, administer and superintend the Employee Stock Option plan/Scheme(s) of the Company. Effective 30th April 2014, this Committee has been re-designated as Nomination & Remuneration Committee and its terms of reference in addition to the above includes formulating criteria for appointment of Directors and senior management and identification of persons who may be qualified to be appointed in these positions, devise policy on Board diversity, formulate criteria for evaluation of Independent Directors/ Board, evaluation of the Directors' performance, recommend remuneration policy to the Board etc.

Composition & Meetings

The Committee comprises of three members with all of them being Independent Directors. During the year, due to retirement of Mr. Subodh Bhargava, the Committee had been reconstituted with the induction of Mr. M Lakshminarayan as a member.

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

Name of Member	No. of meetings attended (No. of meetings held)
M Lakshminarayan (member from 30th July 2013 and Chairman from 30th October 2013)	1(1)
T L Palani Kumar	3(3)

Name of Member	No. of meetings attended (No. of meetings held)
Shobhan M Thakore	3(3)
Subodh Kumar Bhargava (Chairman till 30th July 2013)	2(2)

3.3 Risk Management Committee

Terms of Reference

The Board has constituted a Risk Management Committee for monitoring the risk management process in the Company.

The role of this Committee is 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.

Composition & meetings

The Committee comprises of an Independent Director who is the Chairman of the Committee and the Managing Director. The management committee members are invited to the Committee meetings.

The Committee met on two occasions during the year. The composition and attendance of Committee members are given below:

Name of Member	No. of meetings attended (No. of meetings held)
M Lakshminarayan (Chairman)	2 (2)
K Srinivasan	2 (2)

3.4. Stakeholders Relationship Committee (earlier designated as Share Transfer, Finance and Investors' Grievance Committee)

Terms of Reference

The terms of reference of this Committee includes formulation of investors' servicing policies, review the redressal of investors complaints and approval / overseeing of transfers, transmissions, transpositions, splitting, consolidation of securities, demat /remat requests, finalise terms of issue of debt instruments including debentures and approve their allotment, administering the unclaimed shares suspense account and authorising the 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.

Composition & Meetings

The Committee met on three occasions during the year. During the year, Mr. Sridhar Ganesh stepped down from the Committee. The composition and attendance of Committee members are given below:

Name of Member	No of meetings attended (No. of meetings held)
M M Murugappan (Chairman)	3(3)
Sridhar Ganesh (till 31st January 2014)	2(2)
K Srinivasan	3(3)

During the year, there were two investor service complaints pertaining to non-receipt of annual report. Both have been resolved to the satisfaction of the shareholders. There were no investor service complaints pending as at 31st March 2014.

The Board has appointed Ms. Rekha Surendhiran, Company Secretary as the Compliance Officer for the purpose of compliance with the requirements of the Listing Agreement.

Karvy Computershare Private Limited, Hyderabad, is the Company's Registrar and Share Transfer Agents (RTA). The contact details are available in the General Shareholders Information section of the Report.

3.5 Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee has been recently constituted on 24th March 2014 to assist the Board in discharging the corporate social responsibility as envisaged in the Companies Act, 2013. The Committee comprises of three members with majority of them being Independent Directors. Mr. Shobhan M Thakore is the Chairman, Mr. Aroon Raman and Mr. K Srinivasan are the other members. There were no meetings of the Committee held during the year ended 31st March 2014.

4. Directors' Remuneration

4.1 Policy

The compensation of the Managing Director comprises 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 to the Non-Executive Directors takes the form of commission on profits. Though the shareholders have approved payment of commission upto 1% of net profits of the Company for each year, the actual commission paid to the Directors is restricted to a fixed sum. This sum is reviewed periodically taking into consideration various factors such as performance of the Company, time spent by the Directors for attending to the affairs and business of the Company and extent of responsibilities cast on Directors under general law and other relevant factors. 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.

4.2 Remuneration for 2013-14

Non-Executive Directors

(₹ in 000's)

Name	Sitting fees	Commission (@)
M M Murugappan	105	7,500
T L Palani Kumar	180	500
Shobhan M Thakore	105	500
M Lakshminarayan	150	500
Sanjay Jayavarthanavelu	90	500
Aroon Raman *	30	210
Subodh Kumar Bhargava **	80	166
Sridhar Ganesh ***	80	419
Total	**820**	**10,295**

(@) Will be paid after adoption of accounts by shareholders at the sixtieth Annual General Meeting

* Appointed as Additional Director w.e.f. 30th October 2013

** Retired w.e.f. 30th July 2013

*** Resigned w.e.f. 31.01.2014

Managing Director

(₹ in 000's)

Name	K Srinivasan (a)	
Fixed Component	Salary & Allowances	10,335
	Retirement benefits	1,532
	Other benefits	2,059
Variable Component	Incentive (b)	2,486

(a) Mr. K Srinivasan was reappointed 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 2013-14 in respect of the financial year 2012-13.

(c) As per the terms of his remuneration, the Managing Director is eligible for an annual incentive based on a balanced scorecard which comprises of company financials, company scorecard and personal objectives. For 2013-14 a sum of ₹3.40 million has been provided in the accounts for this purpose. The actual amount will be decided by the Nomination and Remuneration Committee in August 2014.

(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 of the options is Nil.

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 ₹ 1/- each)
Exercise Price	₹ 91.80/- being the market price prior to the 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

5.1 Last three Annual General Meetings

Financial Year	Date & Time	Venue
2010-11	05.08.2011 2.30 p.m	T T K Auditorium, Music Academy, 168 (Old No.306) T T K Road, Royapettah, Chennai 600 014
2011-12	07.08.2012 2.30 p.m	
2012-13	30.07.2013 2.30 p.m	

5.2 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
3	Payment of Commission to non-executive Directors not exceeding 1% of the Net Profit	30.07.2013

Postal Ballot: During the year, there were no resolutions passed through postal ballot and as at the year end there are no proposals to pass special resolutions through postal ballots except those requiring to be passed pursuant to the Companies Act, 2013 which will be done after providing adequate notice to the shareholders.

6. Disclosures

6.1 The transactions with related parties are disclosed in note 33 of the standalone financial statements in the annual report. There were no materially significant transactions with related parties during the year that may have potential conflict with the interests of the Company at large.

6.2 There have been no instances of 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.

6.3 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 victimisation 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

Your Company recognises the significance of dissemination of timely and relevant information to shareholders. In order to enable the stakeholders to understand the financial results in a meaningful manner, the Company gives a press release along with the publication of quarterly / annual financial results.

The quarterly unaudited financial results and the annual audited financial results are normally published in Business Line or Business Standard (in English) and Makkal Kural (in Tamil). 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 (MD&A) Report, the information required to be provided in the MD&A has been given in the Directors Report itself as permitted by the listing agreement.

9. Non Mandatory Requirements

- The Board has constituted a Nomination and Remuneration Committee (earlier called Compensation and Nomination Committee) and the terms of reference of this Committee is given in para 3.2 above.
- Financial results for the six months ended 30th September 2013 were sent to the shareholders individually. In cases where email addresses were available, the same was sent by electronic mail.
- The Company has put in place a whistle blower mechanism.
- The Company's financial statements do not carry any qualifications by the Auditors.
- The expenses incurred by the Chairman in performance of his duties are reimbursed.
- The Board has constituted a Risk Management Committee the terms of reference of the committee is given in para 3.3 above.

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

10. CEO/CFO Certification

Mr. K Srinivasan, Managing Director and Mr. Sridharan Rangarajan, Chief Financial Officer have given a certificate to the Board on matters relating to financial reporting, compliance with relevant statutes and adequacy of internal control systems as contemplated in clause 49 of the listing agreement.

11. Auditor's Certificate on Corporate Governance

The Auditor's certificate on Corporate Governance is annexed.

12. General Shareholder Information

A separate section in this regard is annexed and forms part of this report.

13. Instructions to Shareholders

Shareholders holding shares in physical form are requested to address their communications regarding change in address / contact details by quoting their folio number to the Company's RTA or to the Company by emailing to investorservices@cumi.murugappa.com. Shareholders holding shares in electronic form may send their communications regarding above to their respective Depository Participants.

Shareholders are encouraged to avail nomination facility and approach RTA or their Depository Participants in this regard.

Shareholders are requested to register their e-mail ID with the RTA/Depository Participants to enable the Company to send communications electronically.

14. Corporate Governance Voluntary Guidelines

The Ministry of Corporate Affairs announced a set of voluntary guidelines on Corporate Governance in December 2009. These guidelines provide corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business. The Company has adopted the guidelines in the manner detailed in the earlier paragraphs.

On behalf of the Board

Chennai

M M Murugappan

30th April 2014

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
Website: www.cumi.murugappa.com

2. Corporate Identity Number

L29224TN1954PLC000318

3. Board of Directors

M M Murugappan, Chairman

T L Palani Kumar

Shobhan M Thakore

M Lakshminarayan

Sanjay Jayavarthanavelu

Aroon Raman

K Srinivasan, Managing Director

4. Management Committee

K Srinivasan,
Managing Director

N Ananthaseshan,
President - Abrasives

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

Rajesh Khanna,
Senior Vice President - Ceramics

R Rajagopalan,
Senior Vice President - Refractories & Prodorite

M Muthiah,
Senior Vice President - Human Resources

Sridharan Rangarajan,
Chief Financial Officer

5. Auditors

Statutory Auditor

Deloitte Haskins & Sells, Chennai
No:52, ASV N Ramana Towers
Venkatanarayana Road,
T Nagar
Chennai-600 017

Cost Auditor (for the FY 2013-14)

S Mahadevan & Co., Chennai
No.1 'Lakshmi Nivas'
K.V. Colony, Third Street
West Mambalam
Chennai 600 033

Internal Auditor

Ernst & Young Private Ltd
6th & 7th Floor, A Block, Tidel Park,
4, Rajiv Gandhi Salai, Taramani,
Chennai 600 113

6.Address for correspondence

Compliance Officer

Rekha Surendhiran
Company Secretary
Carborundum Universal Limited
Parry House, 43, Moore Street,
Chennai 600 001
Tel: +91-44-30006141
Fax: +91-44-30006149
Email: rekhas@cumi.murugappa.com

Investors Services Officer

M C Gokul
Asst Company Secretary
Carborundum Universal Limited
Parry House, 43, Moore Street,
Chennai 600 001
Tel: +91-44-30006142
Fax: +91-44-30006149
Email: 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

The Cost Audit report and Cost Audit Compliance Report for the financial year 2012-13 had been duly filed on 27th September 2013 through XBRL mode as mandated by the Ministry of Corporate Affairs within the due date. The due date for filing the Cost Audit Reports for the financial year ended 31st March, 2014 is 30th September, 2014.

11. Plant Locations

i. Plant locations of Carborundum Universal Limited

a) 655, Thiruvottiyur High Road, P B No.2272, Tiruvottiyur, Chennai 600019 Tamil Nadu.

b) Plot No.48, SIPCOT Industrial Complex, Hosur 635126, Krishnagiri District, Tamil Nadu.

c) Gopalpur Chandigarh, P.O. Ganga Nagar, Kolkata 700132, 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 526106, Karnataka.
h) PB No.1 Kalamassery, Development Plot P.O, Kalamassery 683109, Ernakulam District, Kerala.
i) PB No. 3 Nalukettu, Koratty 680308, Trichur District, Kerala.
j) Bhatia Mines, Bhatia Western Railway, Jamnagar District, Gujarat 361315.
k) P.B No.2 Okha Port P.O., Jamnagar District, Gujarat 361350
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 689662.
n) Plot No.47, SIPCOT Industrial Complex, Hosur 635126 Krishnagiri District, Tamil Nadu.
o) Super Refractories Division, Plot No.102 & 103, SIPCOT Industrial Complex (Phase II), Ranipet 632403, Tamil Nadu.
p) Super Refractories Division - Plant 2, Serkaddu Village, Vinnampalli Post, Katpadi Taluk, Vellore District - 632516, Tamil Nadu.
q) Plot Nos. 35,37, 48-51, Adhartal Industrial Estate, Jabalpur 482004, Madhya Pradesh.

ii. Plant locations of Subsidiaries / Joint Ventures

a) Sterling Abrasives Ltd., Plot No.45/46 G I D C Estate, Oadhav Road, Ahmedabad - 382415, Gujarat, India.
b) Southern Energy Development Corporation Ltd., 29, Nallur PO, Aadichapuram, (Via) Mannargudi Taluk, Tiruvarur District - 614717, Tamilnadu, India.
c) Murugappa Morgan Thermal Ceramics Ltd., Plot No.26 & 27, SIPCOT Industrial Complex, Ranipet - 632403, Tamilnadu, India.
d) Murugappa Morgan Thermal Ceramics Ltd., Plot No.681, Moti Bhoyan Village, Sanand-Kalol Highway, Kalol Taluk, Gandhinagar, Dist., Gujarat - 382721, India.
e) Wendt (India) Ltd., 69/70, SIPCOT Industrial Complex, Hosur - 635126, Krishnagiri 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. Dematerialisation

Equity Shares of the Company are compulsorily traded in demat form.

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

The International Securities Identification Number (ISIN): INE120A01034

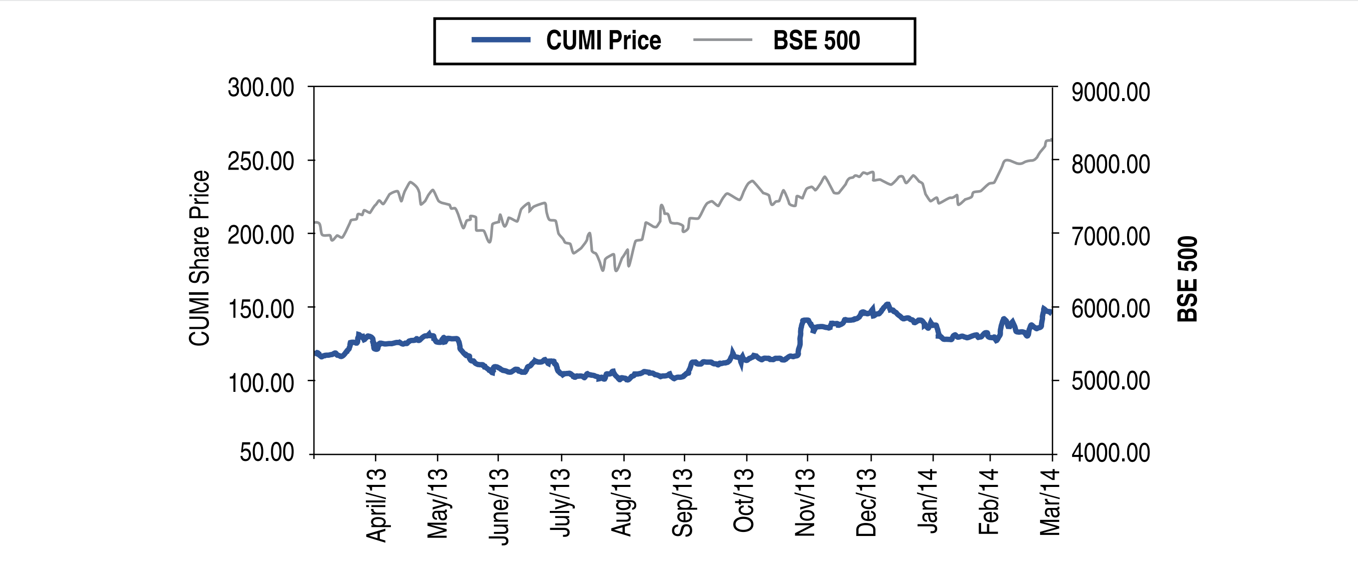
3. Market price data & performance in comparison with BSE 500

a) Market price data

Month	Bombay Stock Exchange			National Stock Exchange		
	High ₹	Low ₹	Traded Volume (No. of shares)	High ₹	Low ₹	Traded Volume (No. of shares)
April 2013	133.00	114.00	1,001,605	133.40	114.30	518,584
May 2013	135.00	120.05	1,122,545	133.05	111.70	1,439,239
June 2013	131.55	101.60	57,307	132.25	102.00	294,799
July 2013	116.35	104.05	42,025	116.95	101.65	132,680
August 2013	110.00	97.00	46,980	108.95	98.10	178,626
September 2013	108.55	100.10	94,408	109.80	100.00	230,213
October 2013	121.60	103.00	84,703	120.00	104.00	179,891
November 2013	150.00	112.00	169,544	150.00	111.00	463,880
December 2013	151.00	132.00	785,149	151.75	131.00	1,302,889
January 2014	155.75	132.00	130,006	156.00	131.00	539,302
February 2014	137.95	125.00	71,038	138.65	125.00	246,162
March 2014	151.00	123.25	276,044	152.95	123.25	501,143

b) Performance in comparison with BSE 500

Stock Market snapshot
CUMI Price V/s BSE 500
01.04.2013 to 31.03.2014



C. Share Capital Details

1. Outstanding shares

The total number of outstanding shares as on 31st March 2014	187,756,218

All the shares have been fully paid up. As on 31st March 2014, 183,222,086 equity shares constituting 97.59% of the total paid up capital of the company have been dematerialised.

2. Shareholding Pattern/ Distribution as on 31.03.2014

a) Shareholding Pattern

Category	% to total paid up capital
Promoter/Promoter Group	42.17
Financial Institutions including insurance companies	4.00
Non-resident (NRI's / OCBs / FIIs)	23.04
Mutual Funds	7.24
Banks	0.01
Others	23.54
Total	**100.00**

b) Distribution of Shareholding

Category	No. of Holders	% to total	No. of Shares	% to total
1-100	4,970	31.44	194,942	0.10
101-200	1,794	11.35	326,644	0.17
201-500	2,446	15.48	936,219	0.50
501-1000	2,019	12.77	1,652,809	0.88
1001-5000	3,454	21.85	8,993,059	4.79
5001-10000	591	3.74	4,305,082	2.29
10001 & above	532	3.37	171,347,463	91.26
Total	**15,806**	**100.00**	**187,756,218**	**100.00**

3. Outstanding GDRs / ADRs / Warrants etc.

Under the CUMI Employees Stock Option Scheme, 2007, the following stock Options are outstanding as on 31.03.2014:

Sl. No.	Grant Date	Exercise Price (₹)	Net Outstanding Options [a]	Likely impact on full exercise	
				Share Capital ₹ million	Share Premium ₹ million
1	29-Sep-07	91.80	668,188	0.67	60.67
2	24-Jul-08	61.40	32,446	0.03	1.96
3	27-Jan-11	125.08	510,082	0.51	63.29
4	27-Jan-11	125.08	284,142	0.28	35.26
5	30-Apr-11	124.15	69,184	0.07	8.52
6	05-Aug-11	146.00	391,680	0.39	56.79
7	04-Feb-12	155.00	111,014	0.11	17.10
	Total		**2,066,736**	**2.06**	**243.59**

Note

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 ₹ 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 ₹ 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 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 Company's Registrar and Sharetransfer Agents.

The Board has delegated the power to approve transfers to the Stakeholders Relationship Committee and also to the members of the Committee and the Company Secretary. The transfers, if any, are approved at least twice a month.

5. Unclaimed Shares

Particulars	No. of Shareholders	No. of shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year	583	944,730
Number of Shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year in response to the Company's reminders	11	80,640
Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	13*	81,760
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	570	862,970

* Out of a total of 13 transfers, two transfer requests were received towards the end of the previous financial 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, sub-division, 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

Friday, the 1st August 2014 at 3.00 p.m. IST at Tamil Isai Sangam, Rajah Annamalai Mandram, 5 Esplanade Road, Chennai 600 108. 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

Monday, 21st July 2014 to Friday, 1st August 2014 (both days inclusive).

3. Dividend

An interim dividend of ₹.0.75 per equity share was paid in February 2014.

The Board of Directors have recommended a final dividend of ₹ 0.50 (per equity share of ₹ 1/- each) and the same will be paid after approval at the Annual General Meeting. The warrants will be posted by 5th August 2014. In case of shareholders opting for NECS/ ECS, the dividend would in the normal course be credited to their accounts by 5th August 2014.

4. Unclaimed Dividend

Dividends remaining unclaimed / unpaid for a period of 7 years shall be transfered to the Investor Education Protection Fund. The Company has transferred unclaimed / unencashed dividend upto FY 2005-06 to the Investor Education Protection Fund during the year ended 31st March 2014. The Company has uploaded the details relating to unclaimed dividends on its website for the benefit of its shareholders.

On behalf of the Board

Chennai
30th April 2014

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 2014, as envisaged in clause 49 of the listing Agreement with stock exchanges.

Chennai
30th April 2014

K Srinivasan
Managing Director

Financial Statements 2013-14

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report
to the Board of Directors of Carborundum Universal Limited

Report on the Consolidated Financial Statements

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, 2014, 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

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

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.

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 judgment, 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.

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

Opinion

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, 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, 2014;

(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 Matters

We did not audit the financial statements of 13 subsidiaries and 2 jointly controlled entities, whose financial statements reflect total assets (net) of ₹ 10,506 million as at 31st March, 2014, total revenues of ₹ 10,169 million and net cash outflows amounting to ₹ 76 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's Registration No. 008072S)

B. Ramaratnam
Partner
(Membership No.21209)

Chennai
April 30, 2014

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

(₹ million)

	Note	As at 31.03.2014	As at 31.03.2013
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	187.76	187.47
Reserves & Surplus	4	10872.05	10404.05
		11059.81	**10591.52**
Minority Interest		699.26	738.03
Non-current liabilities			
Long-term Borrowings	5	1872.69	1975.00
Deferred tax liabilities (net)	6	590.63	580.85
Long-term Provisions	7	52.74	39.94
		2516.06	**2595.79**
Current liabilities			
Short term Borrowings	8	2051.42	1602.77
Trade payables	9	2005.90	1760.03
Other current liabilities	10	1418.96	1555.64
Short- term provisions	11	195.92	265.23
		5672.20	**5183.67**
Total		**19947.33**	**19109.01**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	7722.90	7390.19
Intangible assets	12	139.96	44.86
Capital work-in-progress		396.99	837.88
Goodwill on Consolidation		1104.69	1001.61
Non current investments	13	81.07	12.15
Deferred tax assets (net)	6	91.12	78.09
Long-term loans and advances	14	247.47	236.73
		9784.20	**9601.51**
Current assets			
Current investments	15	292.15	243.45
Inventories	16	4340.02	4025.92
Trade receivables	17	4166.50	3601.26
Cash and Bank balances	18	754.09	855.47
Short-term loans and advances	19	610.37	781.40
		10163.13	**9507.50**
Total		**19947.33**	**19109.01**

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, 30th April, 2014

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED MARCH 31, 2014

(₹ million)

Particulars	Note	2013-14	2012-13
Revenue from operations (gross)	20	22371.64	20714.34
Less: Excise Duty		1118.21	1000.29
Revenue from operations (net)		**21253.43**	**19714.05**
Expenses:			
Cost of materials consumed		6777.42	6069.15
Purchases of stock-in-trade		884.86	839.47
Changes in inventories of finished goods, work-in-process and stock-in-trade	21	(211.55)	218.56
Employee benefits expense	22	2899.64	2627.32
Other expenses	23	8387.77	7587.60
Total		**18738.14**	**17342.10**
Earnings before interest, tax, depreciation and amortisation [EBITDA]		**2515.29**	**2371.95**
Finance costs	24	281.75	272.07
Depreciation and amortization expense	12	911.64	711.84
Less: Transfer from Fixed assets revaluation reserve		0.90	0.90
		910.74	710.94
Other Income	25	220.17	130.41
Profit before tax		**1542.97**	**1519.35**
Tax expense:			
Current tax		595.16	606.51
Deferred tax		(3.26)	12.75
Profit for the year		**951.07**	**900.09**
Less: Minority Interest		36.04	2.33
Profit for the year after taxes and minority interest		**915.03**	**897.76**
Earnings per equity share:	32		
Basic		4.88	4.79
Diluted		4.87	4.78

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, 30th April, 2014

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2014

(₹ million)

	2013-14		2012-13	
A. Cash flow from operating activities				
Net Profit before Tax		1542.97		1519.35
Depreciation	910.74		710.94	
Interest and finance charges	281.75		272.07	
(Profit)/Loss on sale of fixed assets (net)	(18.28)		3.35	
Provision for doubtful debts and advances (net)	41.86		32.25	
(Profit)/Loss on sale of investments (net)	(2.91)		(6.34)	
Interest and dividend income	(45.75)		(42.85)	
Excess provision made in the previous years released	(23.60)		(22.10)	
Voluntary retirement scheme payments	10.56		1.19	
Bad debts	3.42		5.13	
(Profit) / Loss on exchange fluctuation	(53.66)	1104.13	35.98	989.62
		2647.10		2508.97
Operating profit before working capital changes				
Adjustments for :				
- Inventories	(314.10)		60.19	
- Long term loans & advances	18.11		18.50	
- Trade receivable	(586.91)		(4.23)	
- Short term loans & advances	158.30		(141.17)	
- Trade payables	245.66		89.61	
- Other current liabilities & Provision	(294.99)	(773.93)	25.95	48.85
Cash generated from operations		1873.17		2557.82
Direct taxes paid		(612.01)		(605.93)
Net Cash Flow from operating activities [A]		**1261.16**		**1951.89**
B. Cash Flow from investing activities				
Purchase of tangible fixed assets	(774.99)		(2069.53)	
Purchase of intangible assets	(210.04)		(73.33)	
Proceeds from sale of Fixed assets	60.94		48.22	
Sale of Investments	(66.02)		6.49	
Dividends received	17.12		21.16	
Interest received	27.04		21.49	
Net cash (used in) investing activities [B]		**(945.95)**		**(2045.50)**
C. Cash Flow from financing activities				
Proceeds from issue of equity shares including premium	26.43		6.87	
Proceeds from Long term borrowings	539.20		685.40	
Repayments of Long term borrowings	(774.44)		(630.63)	
Proceeds from other borrowings	666.10		302.45	
Repayments of other borrowings	(217.44)		-	
Interest paid	(283.85)		(271.20)	
Paid to Investor Education and Protection Fund	(1.72)		(0.47)	
Dividends paid	(326.12)		(385.91)	
Net cash (used in) financing activities [C]		**(371.84)**		**(293.49)**
Net increase/(decrease) in cash and cash equivalents [A + B + C]		**(56.63)**		**(387.10)**
Cash and cash equivalents opening balance		1087.38		1474.48
Cash and cash equivalents closing balance		1030.75		1087.38
Net increase/(decrease) in cash and cash equivalents		**(56.63)**		**(387.10)**
Reconciliation of cash and cash equivalents with the Balance sheet				
Cash and Bank balances as per Balance sheet		754.09		855.47
Add : Cash and bank balances of Thukela at the time of acquisition		-		0.20
Less : Bank balances not considered as Cash and Cash equivalents - earmarked account		(15.49)		(11.74)
Add : Current Investments considered as Cash and Cash equivalents				
- Investments in units of Mutual funds		292.15		243.45
		1030.75		1087.38

See accompanying notes forming part of the financial statements

In terms of our report attached

On behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

M M Murugappan
Chairman

K Srinivasan
Managing Director

B Ramaratnam
Partner
Chennai, 30th April, 2014

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
Company Secretary

NOTES FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

1a 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 financial Statements

Name of the Subsidiary	Country of Incorporation	31.03.2014 Share in ownership and voting power	31.03.2013 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%	51.00%
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%	100%

(ii) Consolidated financial statements are prepared based on the audited financials of the subsidiaries as on 31.03.2014.

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

B Joint Ventures:

i) List of Joint Ventures included in the Consolidated Financial Statements:

Name of the Joint Venture	Country of Incorporation	31.03.2014 Share in ownership and voting power	31.03.2013 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 31.03.2014 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 Technologies Ltd, Thailand and Wendt Middle East FZE, Sharjah are considered for consolidation.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets acquired before 1 April, 1983, that are carried at revalued amounts. The accounting policies adopted in the preparation of 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) 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.

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

(d)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.

(e) 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

ii. In respect of Assets held by Indian Subsidiaries & Overseas Subsidiaries, Jointly controlled entities, depreciation is provided based on the useful life of those assets as estimated by the respective Companies.

iii. Assets held by CUMI Australia Pty Limited are depreciated using diminishing value method and that of 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 assets are 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, except in the case of CUMI Australia Pty Limited where revenue is recognised on delivery of goods. Sales are accounted net of Sales Tax / VAT, Discounts and Returns as applicable

ii. Revenue from contracts priced on a time and material basis are recognised when services are rendered and related expenses incurred/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 various 'Exports Benefits Schemes', are accounted based on eligibility and when there is no uncertainty in receiving the same.

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 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

The 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 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, based on the amount of contribution required to be made. Company also contributes to a government administered Pension fund on behalf of its employees, which are charged to the Statement of profit and loss, and when services are rendered by the employees.

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.

b. Defined Benefit Plan :

The employees and the Company make monthly fixed contributions to the Carborundum Universal Limited Employee's Provident Fund Trust, equal

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 transactions and translations

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 & 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 (CONTINUED)

3. Share Capital

(₹ million)

	As at 31.03.2014	As at 31.03.2013
Authorised 250,000,000 equity shares of ₹ 1 each	250.00	250.00
Issued, Subscribed and Paid-up		
187,756,218 shares of ₹ 1 each fully paid (Previous year 187,468,344 shares of ₹ 1 each fully paid)	187.76	187.47

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

Particulars	As at 31.03.2014		As at 31.03.2013	
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	187468344	187.47	187395562	187.40
Add : Shares issued against ESOP scheme	287874	0.29	72782	0.07
Total number of shares outstanding at the end of the year	**187756218**	**187.76**	**187468344**	**187.47**

3. b) Terms / Rights attached to Equity Shares

The Company has only one class of Equity shares having a par value of ₹ 1/- per share.

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

For the year ended March 31,2014, Final dividend of ₹ 0.50 per share has been proposed by the Board of Directors (previous year ₹ 0.75 per share). An interim dividend of ₹ 0.75 per share was declared at the meeting of the Board of Directors held on January 31, 2014 and the same has been paid (previous year ₹ 0.50 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.

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

Name of Shareholder	As at 31.03.2014		As at 31.03.2013	
	No.of Shares held	% of holding	No.of Shares held	% of holding
Murugappa Holdings Limited	55432284	29.52%	55432284	29.57%
Nalanda India Fund Limited	16793362	8.94%	16793362	8.96%
Face value per share	₹ 1		₹ 1	

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Reserves and Surplus

(₹ million)

	As at 31.03.2013	Additions	Deductions / Adjustments	As at 31.03.2014
Capital Reserve				
Fixed assets revaluation reserve	25.10	-	0.90	24.20
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	69.08	26.13*	-	95.21
On Consolidation	594.27	60.23 #	-	654.50
Other Reserves				
General reserve	4313.84	375.00***	-	4688.84
Debenture redemption reserve	125.00	-	125.00***	-
Hedging reserve	0.72	2.86	0.72	2.86
Foreign currency translation reserve	196.66	-	272.09 $	(75.43)
	5361.38	**464.22**	**398.71**	**5426.89**
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 de-recognition of subsidiaries / joint venture / associate	(111.67)	-	-	(111.67)
Total	**5197.48**	**464.22**	**398.71**	**5262.99**
Surplus in Statement of Profit and Loss				
Opening Balance	4826.70			5206.57
Add : Profits for the current year	897.76			915.03
Less : Transfer to General reserve	(250.00)			(250.00)
Less : Final dividend including tax on dividend **	(0.02)			(0.02)
Less : Interim dividend	(93.73)			(140.69)
Less : Dividend tax on interim dividend	(15.21)			(23.03)
Less : Proposed final dividend	(140.60)			(93.88)
Less : Dividend tax on proposed final dividend	(20.09)			(5.99)@
Less : Dividend tax paid by subsidiaries & JV during previous year	18.38			16.62
Less : Dividend tax paid by subsidiaries & JV during current year	(16.62)			(15.55)
Total	**5206.57**			**5609.06**
Grand Total	**10404.05**			**10872.05**

* Premium of ₹ 26.13 million received on allotment of 287,874 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 ₹ 18,556 on 21,146 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.

*** Represents ₹ 125 million transfer from Debenture redemption reserve consequent to redemption of debentures and ₹ 250 million transfer from current year profit.

@ Includes ₹ 7.74 million in respect of credit availed on the dividend received from an overseas subsidiary.

Exchange difference during the year on translation of capital reserve on consolidation of foreign subsidiary.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
5. Long-term Borrowings		
Secured		
Term Loan from banks		
Others	642.22	1142.19
- Secured by a *pari-passu* first charge on movable fixed assets, both present and future		
Long term maturities of Finance lease obligation	9.27	12.66
-Secured against the assets purchased under the arrangement		
Unsecured		
Loan from Banks	1221.20	820.15
- Includes loan of a subsidiary covered by a guarantee from Parent Company		
	1872.69	**1975.00**
Refer Note 10 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	30.21	23.94
Expenses allowed on payment basis	46.21	42.11
Voluntary retirement scheme payments	1.05	0.47
Leased assets	1.33	1.51
Others	3.12	3.53
	81.92	**71.56**
b. Deferred Tax Liability arising out of timing difference relating to :		
Depreciation	641.98	620.91
Others	30.57	31.50
	672.55	652.41
Deferred Tax Liability (Net)	**(590.63)**	**(580.85)**
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	5.30	0.50
Expenses allowed on payment basis	1.71	0.28
Others	84.53	77.01
	91.54	**78.20**
b. Deferred Tax Liability arising out of timing difference relating to :		
Depreciation	0.42	0.11
Deferred Tax Asset (Net)	**91.12**	**78.09**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
7. Long-term provisions		
Provision for Employee benefits - Compensated absences	52.74	39.94
	52.74	**39.94**
8. Short-term borrowings		
Secured loans from Banks		
Cash Credit (repayable on demand)	346.57	248.29
Other Borrowings	481.53	565.31
- 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 borrowings from Banks	1223.32	789.17
	2051.42	**1602.77**
9. Trade payables		
- Acceptances	35.30	48.41
- Other than Acceptances	1970.60	1711.62
	2005.90	**1760.03**
10. Other Current Liabilities		
Secured :		
Current Maturities of Debentures and term loans	73.32	472.89
Current Maturities of External commercial borrowing	-	291.61
Current Maturities of Finance lease obligations	6.72	7.01
-Secured against the assets purchased under the arrangement		
Interest accrued but not due on loans	0.84	2.93
Unsecured :		
Current maturities of term loans from banks	558.54	-
Unclaimed dividend	20.60	32.81
Remuneration payable to Directors	13.69	13.50
Other Liabilities		
- Statutory Liabilities	150.70	126.34
- Advance from Customers	81.35	140.02
- Deposits	36.23	35.05
- Payables for purchase of Fixed Assets	60.45	73.16
- Other Payables	416.52	360.32
	1418.96	**1555.64**
11. Short-term provisions		
Provision for Employee benefits	88.31	104.54
Proposed dividend	93.88	140.60
Dividend tax	13.73	20.09
	195.92	**265.23**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets

(₹ million)

	Gross Block				Depreciation / Amortisation					Net Block
	As on 01.04.2013	Additions	Deletion	Translation Adjustment	As on 31.03.2014	As on 01.04.2013	for the year	Deletion	Translation Adjustment	As on 31.03.2014	As on 31.03.2014
Tangible Assets											
Land											
Freehold	120.94 [a]	-	-	(1.68)	119.26	-	-	-	-	-	119.26
Leasehold	225.46	-	-	8.86	234.32	11.77	3.35	-	0.53	15.65	218.67
Buildings	2662.01 [a]	278.99	2.77	(14.19)	2924.04 [b]	721.05	87.34	1.01	(8.54)	798.84	2125.20
Plant & Machinery	9033.07 [c]	986.86 [d]	74.33	(90.73) [e]	9854.87	4147.84	752.42	40.67	(40.36) [e]	4819.23	5035.64
Plant & Machinery taken on lease	4.04	-	-	-	4.04	3.24	0.51	-	-	3.75	0.29
Furniture & Fixtures	230.62	28.02	5.94	(0.80)	251.90	114.12	17.97	4.39	(0.48)	127.22	124.68
Vehicles	182.32	19.93	12.04	(4.32)	185.89	85.67	22.03	7.15	(2.49)	98.06	87.83
Vehicles taken on lease	30.83	3.97	15.15	0.15	19.80	15.41	7.26	14.35	0.15	8.47	11.33
Total	**12489.29**	**1317.77**	**110.23**	**(102.71)**	**13594.12**	**5099.10**	**890.88**	**67.57**	**(51.19)**	**5871.22**	**7722.90**
Intangible Assets											
Goodwill	5.10	-	-	-	5.10	5.10	-	-	-	5.10	-
Trade Mark	1.61	30.79	-	-	32.40	1.61	1.01	-	-	2.62	29.78
Software	-	12.67	-	14.70 [e]	27.37	-	4.41	-	6.62 [e]	11.03	16.34
Technical know-how fee	105.76	63.51	-	1.06	170.33	60.90	15.34	-	0.25	76.49	93.84
Total	**112.47**	**106.97**	**-**	**15.76**	**235.20**	**67.61**	**20.76**	**-**	**6.87**	**95.24**	**139.96**
Grand Total	**12601.76**	**1424.74**	**110.23**	**(86.95)**	**13829.32**	**5166.71**	**911.64**	**67.57**	**(44.32)**	**5966.46**	**7862.86**

(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 ₹ 58.41 million

(b) Includes ₹ 779.22 million (Previous year ₹ 760.98 million) being cost of building on leasehold land.

(c) Net of subsidy received ₹ 0.77 million.

(d) Includes Equipments acquired for Research & Development 0.74 million (Previous Year ₹ 16.65 million)

(e) Includes re-classification of software amounting to ₹14.92 million and corresponding depreciation amounting to ₹ 6.8 million

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets - Previous year

(₹ million)

	Gross Block						Depreciation / Amortisation						Net Block
	As on 01.04.2012	Added on acquisition	Additions	Deletion	Translation Adjustment	As on 31.03.2013	As on 01.04.2012	Added on acquisition	for the year	Deletion	Translation Adjustment	As on 31.03.2013	As on 31.03.2013
Tangible Assets													
Land													
Freehold	117.35	-	-	-	3.59	120.94	-	-	-	-	-	-	120.94
Leasehold	171.24	-	65.03	15.39	4.58	225.46	9.01	-	3.21	0.74	0.29	11.77	213.69
Buildings	2240.74	15.18	419.92	7.70	(6.13)	2662.01	647.79	6.12	66.06	0.24	1.32	721.05	1940.96
Plant & Machinery	6969.26	681.65	1637.02	124.54	(130.32)	9033.07	3414.13	299.41	580.88	104.59	(41.99)	4147.84	4885.23
Plant & Machinery taken on lease	4.23	-	-	0.19	-	4.04	2.69	-	0.66	0.11	-	3.24	0.80
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
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
Vehicles taken on lease	31.87	-	4.41	5.45	-	30.83	11.84	-	7.69	4.12	-	15.41	15.42
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**
Intangible Assets													
Goodwill	5.10	-	-	-	-	5.10	5.10	-	-	-	-	5.10	-
Trade Mark	1.61	-	-	-	-	1.61	1.61	-	-	-	-	1.61	-
Technical know-how fee	90.80	-	15.23	-	(0.27)	105.76	47.24	-	14.09	-	(0.43)	60.90	44.86
Total	**97.51**	**-**	**15.23**	**-**	**(0.27)**	**112.47**	**53.95**	**-**	**14.09**	**-**	**(0.43)**	**67.61**	**44.86**
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**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
13. Non-Current Investments (at cost)		
Quoted		
-Equity shares - fully paid	60.45	0.45
-Others	9.00	-
Unquoted		
-Equity shares - fully paid	11.62	11.70
	81.07	**12.15**
14. Long term loans & advances - Unsecured and considered good		
Capital advances	42.68	84.31
Disputed Sales tax , Central excise and Service tax amounts deposited under protest	16.16	12.90
Taxation (net of provisions)	89.18	72.33
Security Deposits	99.45	67.19
	247.47	**236.73**
15. Current Investments (at lower of cost and fair value)		
Investments in Mutual funds - short term	**292.15**	**243.45**
16. Inventories (at lower of cost and net realisable value)		
Raw materials (In Transit - ₹ 47.29 million ; Previous year - ₹ 22.72 million)	1369.21	1288.98
Work-in-process	866.50	790.35
Stock in Trade	569.25	519.88
Finished stock (In Transit - ₹ 32.80 million ; Previous year - Nil)	1130.77	1044.73
Stores and spare parts	404.29	381.98
	4340.02	**4025.92**
17. Trade receivables (Unsecured)		
Outstanding over a period exceeding six months from the date they were due for payment		
Considered good	323.32	65.53
Considered doubtful	94.34	74.42
	417.66	139.95
Other Receivables		
Considered good	3843.18	3535.73
	4260.84	3675.68
Less: Provision for doubtful receivables	94.34	74.42
	4166.50	**3601.26**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
18. Cash and Bank balances		
Cash on hand	3.64	6.15
Balances with banks :		
- Current account	691.62	717.61
- Deposit account with original maturity within three months	43.34	119.97
- In earmarked accounts : Unclaimed dividend account	15.49	11.74
	754.09	**855.47**
19. Short-term loans & advances		
(Unsecured and considered good, unless otherwise stated)		
Deposits	1.52	110.82
Loans and Advance to Employees	14.53	13.38
Prepaid Expenses	99.25	99.73
Trade Advances	186.11	225.30
Claims recoverable	1.23	2.36
Other Loans & Advances		
Considered good	94.32	139.98
Considered doubtful	0.46	0.42
	94.78	140.40
Less: Provision for doubtful advances	0.46	0.42
	94.32	139.98
Balances with statutory authorities	213.41	189.83
	610.37	**781.40**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	2013-14	2012-13
20. Revenue from Operations:		
Sale of Products (Refer Segment Disclosure for Breakup of Sales)	21696.29	20074.86
Sale of Services / Income from Contracts	360.71	349.17
Other Operating Revenue		
Service Income	78.64	100.51
Commission Income	1.59	1.02
Scrap Sales	116.44	105.51
Miscellaneous Income	117.97	83.27
	22371.64	20714.34
Less : Excise duty	1118.21	1000.29
	21253.43	**19714.05**
21. Changes in inventories of finished goods, work-in-process and stock-in-trade		
a) Opening 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**
b) Add : Stock transfer on acquisition		
Work-in-process	-	11.60
Finished stock	-	143.58
	-	155.18
Total of (a) & (b)	**2354.96**	**2573.52**
Less: Closing stock		
Work-in-process	866.49	790.35
Stock in Trade	569.25	519.88
Finished stock	1130.77	1044.73
	2566.51	**2354.96**
(Accretion) / Decretion to stock	**(211.55)**	**218.56**
22. Employee benefits expense		
Salaries, wages and bonus	2306.09	2124.78
Contribution to provident and other funds	175.14	121.68
Voluntary retirement compensation	10.56	1.19
Remuneration to Managing director	15.04	14.13
Welfare expenses	392.81	365.54
	2899.64	**2627.32**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	2013-14	2012-13
23. Other expenses		
Consumption of stores and spares	728.69	686.09
Power and fuel [(a)]	3362.20	2849.89
Rent	100.14	129.47
Excise duty on stock differential [(c)]	4.43	(12.99)
Rates and taxes	187.43	145.01
Insurance	62.89	60.97
Repairs to: [(b)]		
- Buildings	85.12	169.80
- Machinery	829.90	738.20
- Others	23.58	19.16
Data Processing Charges	75.86	18.96
Technical Fee / Royalty	49.94	81.20
Directors' sitting fees	0.96	1.05
Commission to non-wholetime Directors	10.29	10.50
Auditors' remuneration	19.04	14.51
Travel and conveyance	250.24	239.40
Freight, delivery and shipping charges	710.02	689.30
Selling commission	72.99	70.25
Rebates and allowances	75.05	52.30
Advertisement and publicity	95.05	91.49
Printing, stationery and communication	63.03	71.22
Contribution to research institution	3.16	3.00
Bad receivables and advances written off	4.92	14.63
Less : Provision adjusted	(1.50)	(9.50)
	3.42	5.13
Provision for doubtful receivables, advances and deposits	41.86	32.25
Professional fees	209.67	199.59
Services outsourced	984.36	899.26
Loss on sale of fixed Assets	44.64	14.91
Loss on Exchange fluctuation (net)	-	35.98
Miscellaneous expenses	293.81	271.70
	8387.77	**7587.60**
(a) Net of own power generation, which includes energy banked with KSEB - ₹ 14.8 million (previous year ₹ 29.5 million)	176.57	93.35
(b) Includes stores and spare parts	209.83	199.05

(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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	2013-14	2012-13
24. Finance Costs		
Interest		
-On Debentures and fixed loans	104.44	155.80
-On others	172.90	110.54
Other borrowing costs	4.41	5.73
	281.75	**272.07**
25. Other Income		
Dividend Income from Long term Investments	3.67	11.50
Dividend Income from Current Investments	13.44	9.66
Interest Income		
from banks	22.38	9.25
from others	6.26	12.44
Other Income		
Profit on sale of Fixed Assets	62.92	11.56
Profit on sale of investments (net)	2.91	6.34
Profit on exchange fluctuation (net)	53.66	-
Provision for expenses no longer required written back	3.21	4.69
Provision for doubtful receivables/advances no longer required written back	20.39	17.41
Rental Income	2.54	3.59
Miscellaneous income	28.79	43.97
	220.17	**130.41**
Tax deducted at source from interest	1.60	0.20

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Pending approval of the proposed final 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.

(₹ million)

	31.03.2014	31.03.2013
27. Contingent Liabilities and Commitments in respect of which no provision is considered necessary :		
Contingent Liabilities:		
a) Outstanding Bills discounted	0.88	1.72
b) Outstanding letters of credit	100.83	170.19
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.	165.69	151.89
d) Claims against the company not acknowledged as debts		
i. Disputed demands by Electricity Board	59.95	35.04
ii. Contested Provident fund and ESI demands	0.21	0.49
iii. Others	66.12	66.77
	126.28	**102.30**
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 :		
a. Towards capital account	**181.63**	**325.28**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. 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 2014 are given below :

(₹ million)

		31.03.2014	31.03.2013
i	**Projected benefit obligation as at beginning of the year**	199.43	188.15
	Service cost	21.24	20.66
	Interest cost	15.05	15.98
	Actuarial (Gains) / Losses	27.03	(9.96)
	Benefits paid	(19.77)	(15.40)
	Projected benefit obligation as at end of the year	**242.98**	**199.43**
ii	**Fair value of plan assets as at beginning of the year**	192.99	160.48
	Expected return on plan assets	15.49	15.80
	Contributions	8.16	31.17
	Benefits paid	(19.77)	(15.52)
	Actuarial (loss)/Gain on plan assets	(0.42)	1.06
	Fair value of plan assets as at end of the year	**196.45**	**192.99**
iii	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	242.98	199.43
	Fair value of the plan assets at the end of the year	196.45	192.99
	(Liability) / Asset recognised in the Balance sheet	**(46.53)**	**(6.44)**
iv	**Cost of the defined plan for the year :**		
	Current service cost	21.24	20.66
	Interest on obligation	15.05	15.98
	Expected return on plan assets	(15.49)	(15.80)
	Net actuarial (gains) / losses recognised in the year	25.08	(11.12)
	Net cost recognised in the Profit and Loss account	**45.88**	**9.72**
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 and expected return on each category of plan assets.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

vi	Experience Adjustment	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
	Present value of defined benefit obligation	242.98	199.43	188.15	158.22	124.77
	Fair value of plan assets	196.45	192.99	160.48	124.95	120.38
	Balance sheet (Liability)/ Asset	(46.53)	(6.44)	(27.67)	(33.27)	(4.39)
	P & L (Income) / expenses	45.88	9.72	33.61	36.19	12.91
	Experience adjustment on plan liabilities (gain) / loss *	27.03	(9.96)	23.03	28.09	6.73
	Experience adjustment on plan assets gain / (loss) *	(0.42)	1.06	(0.05)	(0.15)	(0.07)

* Parent only

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.

29. Related Party Disclosures

a. List of related parties

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. Details of transactions with related parties during the period ended March 31, 2014

(₹ million)

	Particulars	Jointly Controlled Entities		Key Management Personnel		Total	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1	Income from sales and services	61.38	67.00	-	-	61.38	67.00
2	Purchase of goods	24.31	24.77	-	-	24.31	24.77
3	Dividend income	68.05	64.47	-	-	68.05	64.47
4	Reimbursement of employee costs	0.55	1.04	-	-	0.55	1.04
5	Purchase of fixed assets	-	6.34	-	-	-	6.34
6	Trade and Other Receivables	43.99	5.36	-	-	43.99	5.36
7	Payables	1.82	1.71	-	-	1.82	1.71
8	Deposit made	1.00	-	-	-	1.00	-
9	Managerial remuneration	-	-	17.10	16.23	17.10	16.23

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

c. Details of transactions with related parties during the period ended March 31, 2014

(₹ million)

	Particulars	Joint Ventures Wendt	MMTCL	Ciria	Total	Key Management Personnel	Total
1	Income from sales and services	19.27	20.44	21.67	61.38	-	61.38
2	Purchase of goods /services	16.23	6.91	1.17	24.31	-	24.31
3	Dividend income	19.93	28.62	19.50	68.05	-	68.05
4	Reimbursement of employee cost	0.55	-	-	0.55	-	0.55
5	Purchase of fixed assets	-	-	-	-	-	-
6	Trade and Other Receivables	19.84	14.58	9.57	43.99	-	43.99
7	Payables	0.63	1.19	-	1.82	-	1.82
8	Deposit made	1.00	-	-	1.00	-	1.00
9	Managerial remuneration	-	-	-	-	17.10	17.10

d. Details of transactions with related parties during the period ended March 31, 2013

(₹ million)

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 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, Electrominerals, IT services and Power. Abrasives 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 (CONTINUED)

30 B. Segment Disclosure

(₹ million)

Particulars	Abrasives		Ceramics		Electrominerals		IT Services		Power		Eliminations		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
A. Primary Segment Information														
1. REVENUE														
Revenue from Operations	9302.46	8709.02	4761.23	4999.52	7592.17	6272.72	21.04	17.98	19.39	75.62	-	-	21696.29	20074.86
Less : Excise Duty	723.90	630.71	250.00	247.52	144.31	122.06	-	-	-	-	-	-	1118.21	1000.29
Net External Sales	**8578.56**	**8078.31**	**4511.23**	**4752.00**	**7447.86**	**6150.66**	**21.04**	**17.98**	**19.39**	**75.62**	-	-	**20578.08**	**19074.57**
Sale of Services / Income from Contracts	15.48	13.21	166.01	173.67	-	-	179.22	162.29	-	-	-	-	360.71	349.17
Inter segment Revenue	4.59	1.34	29.65	65.62	650.71	537.25	17.73	16.38	126.99	116.36	(829.67)	(736.95)	-	-
Total Revenue	**8598.63**	**8092.86**	**4706.89**	**4991.29**	**8098.57**	**6687.91**	**217.99**	**196.65**	**146.38**	**191.98**	**(829.67)**	**(736.95)**	**20938.79**	**19423.74**
2. RESULT														
Segment result	596.26	835.83	591.89	792.79	784.21	234.08	19.36	21.93	9.79	71.78			2001.51	1956.41
Unallocated corporate exp													(249.35)	(210.82)
Interest expense													(281.75)	(272.07)
Interest & dividend income													45.75	42.85
Profit on sale of Fixed Assets (Net)	4.80	(6.29)	(3.35)	(3.67)	22.45	2.97	-	(0.34)	-	3.97			23.90	(3.36)
Profit /(Loss) on sale of investments													2.91	6.34
Income taxes													(591.90)	(619.26)
Minority interest													(36.04)	(2.33)
Net profit after tax	**601.06**	**829.54**	**588.54**	**789.12**	**806.66**	**237.05**	**19.36**	**21.59**	**9.79**	**75.75**			**915.03**	**897.76**
3. OTHER INFORMATION														
Segment assets	7074.54	6346.39	4481.37	4337.69	6211.95	6349.44	84.75	83.69	235.65	277.34			18088.26	17394.55
Unallocated corporate assets *													1859.07	1714.46
Total Assets	**7074.54**	**6346.39**	**4481.37**	**4337.69**	**6211.95**	**6349.44**	**84.75**	**83.69**	**235.65**	**277.34**			**19947.33**	**19109.01**
Segment liabilities	1015.35	952.95	545.35	599.54	1166.45	1014.43	45.71	22.57	12.92	31.33			2785.78	2620.82
Unallocated corporate liabilities @													6101.74	5896.67
Total liabilities	**1015.35**	**952.95**	**545.35**	**599.54**	**1166.45**	**1014.43**	**45.71**	**22.57**	**12.92**	**31.33**			**8887.52**	**8517.49**
Capital expenditure	386.75	571.70	238.82	389.44	279.04	1679.19	7.19	15.11	9.18	255.74				
Depreciation & Amortization	258.71	231.60	266.65	266.08	274.52	191.63	8.13	5.31	37.65	3.98				
Non-Cash Expenses other than Depreciation & Amortization	9.02	3.21	29.51	26.59	2.00	0.78	0.05	0.31	-	-				
B. Secondary Segment Information													**31.03.2014**	**31.03.2013**
1. Revenue by Geographical Market														
India													10548.30	9460.89
Rest of the World													10390.49	9962.85
Total													**20938.79**	**19423.74**
2.Carrying Amount of Segment Assets														
India													10254.19	9955.03
Rest of the World													7834.07	7439.52
Total													**18088.26**	**17394.55**
3. Additions to Fixed Assets and Intangible Assets														
India													786.33	464.55
Rest of the World													618.83	1690.79
Total													**1405.16**	**2155.34**

* Includes Goodwill of ₹ 1104.69million (Previous Year ₹ 1001.61 million) @ Includes Minority Interest of ₹ 699.26 million (Previous Year ₹ 738.03 million)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Notes relating to Leases

(₹ million)

	Particulars			31.03.2014	31.03.2013
a	Cost of Leased Assets as on 31.03.2014 Vehicles / Data processing Equipments			23.84	34.87
b	Net Carrying amount as on 31.03.2014			11.62	16.22
c	Reconciliation between Total Minimum Lease payments and their Present value :				
	Total Minimum Lease Payments as on 31.03.2014			19.22	24.01
	Less : Future Liability on Interest account			(3.23)	(4.34)
	Present value of Lease payments as on 31.03.2014			**15.99**	**19.67**
d	Yearwise Future Minimum lease rental payments :	Total Minimum Lease Payments as on 31.03.2014	Present value of Lease payments as on 31.03.2014	Total Minimum Lease Payments as on 31.03.2013	Present value of Lease payments as on 31.03.2013
	(I)Not later than one year	8.60	6.72	9.39	7.01
	(ii)Later than one year and not later than five years	10.62	9.27	14.62	12.66
	(iii)Later than five years	Nil	Nil	Nil	Nil
	Present values :				
	(i)Not later than one year				
	(ii)Later than one year and not later than five years				
	(iii)Later than five years				
e	The Company has taken certain premises under operating leases cancellable at mutual option. Hence no disclosure in this regard has been made.				

32.	Information relevant for Accounting Standard 20 - Earnings per share	31.03.2014	31.03.2013
	The calculation of the Basic and Diluted Earning per share is based on the following data:		
	Net Profit for the year	915.03	897.76
	Weighted average number of equity shares outstanding during the year		
	- Basic	187556483	187429563
	- Dilutive	187808494	187934374
	Earnings per Share - Basic	4.88	4.79
	Earnings per Share - Diluted	4.87	4.78

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Provision for Dividend Tax has been made considering the credit amounting to ₹ 2.23 million (Previous year - ₹ 3.81 million) available for set off in respect of dividend tax payable on dividends to be distributed by two 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 ₹ 2.30 million (Previous year - ₹ Nil) in respect of the dividend tax paid on the interim dividends received from a subsidiary. Dividend tax paid on the final dividend approved during last AGM amounting to ₹ 12.35 million is after considering an amount of ₹ 7.74 million relating to the dividends received from an overseas subsidiary and ₹ 3.81 million relating to dividends received from three domestic subsidiaries.

(₹ million)

	Particulars	31.03.2014	31.03.2013
34.	**Goodwill on consolidation**		
	Opening Balance	1001.61	943.51
	Add : Exchange difference during the year on translation of Goodwill of foreign subsidiaries	103.08	58.10
	Total	**1104.69**	**1001.61**

35. 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:

(₹ million)

Particulars	31.03.2014	31.03.2014	31.03.2013	31.03.2013
	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)	-

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

SUBSIDIARIES' KEY FINANCIAL INFORMATION

(a) Summary financial information of Subsidiary Companies

(₹ million)

Particulars	Volzhsky Abrasive Works		Foskor Zirconia Pty Ltd		CUMI Australia Pty. Ltd.		Sterling Abrasives Ltd.		CUMI International Ltd.	
Financial year ended	2013	2012	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013	2012
1. Share capital	6.81	6.81	0.01	0.01	27.67	27.67	9.00	9.00	1,485.59	1,485.59
2. Reserves & Surplus	3,624.87	3,337.79	205.99	252.63	511.98	493.88	320.85	284.92	885.23	639.47
3. Total Liabilities [a]	389.49	388.53	1,356.56	1,099.28	158.14	174.68	160.41	119.72	1,759.48	1,899.36
4. Total Assets [b]	4,021.17	3,733.12	1,562.55	1,351.91	697.80	696.24	490.26	413.63	4,130.29	4,024.41
5. Turnover	6,138.91	5,997.70	1,088.61	916.15	729.09	891.80	555.60	527.03	316.85	328.17
6. Profit before Tax	787.46	786.28	(67.29)	(252.26)	103.88	214.80	90.31	94.12	260.72	265.83
7. Provision for Taxation	181.18	189.11	(17.08)	(69.85)	31.50	64.74	29.44	30.41	14.96	16.57
8. Profit after Tax	606.28	597.17	(50.20)	(182.41)	72.38	150.06	60.87	63.70	245.76	249.26
9. Proposed dividend [c]	-	337.55	-	-	54.28	90.04	26.32	26.32	-	-

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	2013	2012	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1. Share capital	822.04	582.07	320.23	187.51	4.60	4.60	16.00	16.00	1.64	1.64
2. Reserves & Surplus	(593.74)	(492.20)	(280.32)	(252.39)	174.38	169.89	39.93	33.22	17.79	23.57
3. Total Liabilities [a]	422.99	522.33	3.51	234.92	165.31	187.94	62.56	41.11	46.61	84.57
4. Total Assets [b]	651.29	612.30	43.42	170.04	344.29	362.43	118.49	90.33	66.04	109.78
5. Turnover	415.35	340.65	146.05	90.00	154.17	212.49	219.69	198.00	152.75	199.92
6. Profit before Tax	(101.36)	(106.77)	(27.92)	(39.10)	4.52	87.16	18.75	22.20	12.26	22.17
7. Provision for Taxation	-	-	-	-	0.03	25.47	6.23	7.15	-	-
8. Profit after Tax	(101.36)	(106.77)	(27.88)	(39.10)	4.49	61.69	12.52	15.05	12.25	22.17
9. Proposed dividend [c]	-	-	-	-	-	5.38	5.81	5.85	18.03	-

Particulars	CUMI America Inc		Cellaris Refractories India Ltd		Thukela Refractories Isithebe Pty. Ltd.	
Financial year ended	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1. Share capital	111.19	3.01	137.25	137.25	0.01	0.01
2. Reserves & Surplus	(45.42)	(15.63)	(5.39)	(1.34)	381.73	528.31
3. Total Liabilities [a]	283.37	221.86	49.02	22.96	266.37	62.61
4. Total Assets [b]	349.12	209.21	180.88	158.87	648.12	590.92
5. Turnover	210.76	137.39	0.21	0.01	496.99	566.30
6. Profit before Tax	(42.05)	(33.64)	(4.05)	(0.15)	(202.80)	(208.26)
7. Provision for Taxation	(12.26)	(10.02)	-	-	-	-
8. Profit after Tax	(29.79)	(23.63)	(4.05)	(0.15)	(202.79)	(208.26)
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 distribution tax as applicable. For Volshky Abrasive Works, Russia, dividend for 2013 is due for consideration by the board in May 2014.
d. 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 is based on the financial statements of the respective subsidiary company which have been 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 31.3.2014 / 31.12.2013, as applicable.
e. 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)

(₹ million)

Particulars	Nature	31.03.2014	31.03.2013
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
UTI Mutual fund	Short term - quoted units	67.54	57.47
CIRIA India Ltd	Long term - unquoted	0.00	0.00
Total		**86.03**	**79.07**

b. Volzhsky Abrasive Works			
OGK	Long term -quoted equity shares	0.16	0.21
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	0.00	0.01
Others	Long term - quoted equity shares	0.01	0.01
Total		**0.19**	**0.25**

c. Net Access India Limited			
Ciria India Ltd	Long term - unquoted equity shares	0.00	0.00
UTI Mutual fund - Advantage fund	Short term - quoted units	2.98	2.80
HDFC Mutual fund - Cash Management fund	Short term - quoted units	2.76	2.59
SBI Magnum Insta Cash fund		2.57	0.00
Total		**8.31**	**5.39**

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Chennai
30th April 2014

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
Company Secretary

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the members of Carborundum Universal Limited

Report on the Financial Statements

We have audited the accompanying financial statements of CARBORUNDUM UNIVERSAL LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, 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

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 notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) 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

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.

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.

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

Opinion

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, 2014;
(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

1. 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.

2. 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 notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
(e) On the basis of the written representations received from the directors as on 31st March, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1(g) of the Act.

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

B. Ramaratnam
Partner
(Membership No.21209)

Chennai, April 30, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) Having regard to the nature of the Company's business / activities / results during the year, clauses (vi), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of the Order 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 held by the Company have been 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) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.

(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, 2014 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, 2014 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	6.07
		Sales Tax Appellate Tribunal	1995 - 1996 2001 - 2003	0.14
		High Court	1989 - 1990	0.47
Central Excise Act 1944	Excise Duty	Commissioner of Central Excise (Appeals)	2006 - 2013	1.26
		The Customs, Excise & Service Tax Appellate Tribunal	1991 - 1993 1998 - 2003	1.16
		High Court	1986 - 1987	0.95
Service Tax, 1994	Service Tax	The Customs, Excise & Service Tax Appellate Tribunal	2004 - 2009	2.31
		Commissioner of Central Excise (Appeals)	2007 - 2011	0.19
Total				**12.55**

(x) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

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

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

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

(xiv) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet 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.

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

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

B.Ramaratnam
Partner
(Membership No. 21209)
Chennai, April 30, 2014

BALANCE SHEET AS AT MARCH 31, 2014

(₹ million)

	Note	As at 31.03.2014	As at 31.03.2013
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	187.76	187.47
Reserves & Surplus	4	7147.94	6657.94
		7335.70	**6845.41**
Non-current liabilities			
Long-term Borrowings	5	508.64	11.82
Deferred tax liabilities (net)	6	473.12	490.32
Long-term Provisions	7	39.40	35.08
		1021.16	**537.22**
Current liabilities			
Short term Borrowings	8	672.60	761.79
Trade payables	9	845.92	913.89
Other current liabilities	10	469.39	955.11
Short- term provisions	11	126.26	174.73
		2114.17	**2805.52**
Total		**10471.03**	**10188.15**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	4055.20	4102.90
Intangible assets	12	91.34	38.43
Capital work-in-progress		136.60	144.34
Non current investments	13	1306.18	1246.18
Long-term loans and advances	14	174.75	188.95
		5764.07	**5720.80**
Current assets			
Inventories	15	1861.35	1799.57
Trade receivables	16	2266.20	2023.65
Cash and Bank balances	17	116.28	88.72
Short-term loans and advances	18	463.13	555.41
		4706.96	**4467.35**
Total		**10471.03**	**10188.15**

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, 30th April, 2014

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
Company Secretary

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED MARCH 31, 2014

(₹ million)

Particulars	Note	2013-14	2012-13
Revenue from operations (gross)	19	12477.33	11881.67
Less: Excise Duty		991.35	872.75
Revenue from operations (net)		**11485.98**	**11008.92**
Expenses:			
Cost of materials consumed		4590.85	4171.12
Purchases of stock-in-trade		625.12	651.82
Changes in inventories of finished goods, work-in-process and stock-in-trade	20	(84.97)	(9.90)
Employee benefits expense	21	1258.48	1121.99
Other expenses	22	3646.09	3545.53
Total		**10035.57**	**9480.56**
Earnings before interest, tax, depreciation and amortisation [EBITDA]		**1450.41**	**1528.36**
Finance costs	23	129.38	163.75
Depreciation and amortization expense	12	492.07	468.09
Less: Transfer from Fixed assets revaluation reserve		0.68	0.68
		491.39	467.41
Other Income	24	194.50	183.15
Profit before tax		**1024.14**	**1080.35**
Tax expense:			
Current tax		313.50	270.00
Deferred tax		(17.20)	65.02
Profit for the year		**727.84**	**745.33**
Earnings per equity share (of ₹ 1 each)			
Basic	36	3.88	3.98
Diluted		3.88	3.97

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, 30th April, 2014

On behalf of the Board

M M Murugappan
Chairman

K Srinivasan
Managing Director

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ million)

	2013-14		2012-13	
A. Cash flow from operating activities				
Net Profit before Tax		**1024.14**		**1080.35**
Depreciation and amortization expenses	491.39		467.41	
Finance Cost	129.38		163.75	
Loss on sale of fixed assets (net)	0.75		5.07	
Provision for doubtful receivables and advances (net)	31.40		22.13	
Interest and dividend income	(152.09)		(163.76)	
Excess provision of earlier years reversed	(15.30)		(16.64)	
Unrealised exchange (gain)/loss - net	7.79		7.61	
		493.32		485.57
Operating profit before working capital changes		1517.46		1565.92
Changes in working capital				
Adjustments for (increase)/decrease in operating assets/liabilities:				
- Inventories	(61.79)		77.30	
- Long term loans & advances	(30.43)		1.94	
- Trade receivable	(268.66)		(192.19)	
- Short term loans & advances	113.69		(86.38)	
- Trade payables	(65.70)		125.23	
- Other current liabilities & Provision	86.95		(51.68)	
		(225.94)		(125.78)
Cash generated from operations		1291.52		1440.14
Direct taxes paid		(310.70)		(261.28)
Net Cash Flow from operating activities [A]		**980.82**		**1178.86**
B. Cash Flow from investing activities				
Purchase of tangible fixed assets	(404.15)		(678.60)	
Purchase of intangible assets	(68.54)		(18.48)	
Proceeds from sale of fixed assets	4.80		20.76	
Inter-corporate deposit	(19.45)		(16.25)	
Purchase of Long Term Investments				
- Subsidiaries	-		(0.50)	
- Others	(60.00)		-	
Dividends received				
- Subsidiaries	73.34		95.60	
- Joint ventures	68.05		64.47	
- Others	0.29		1.65	
Interest received	8.80		1.33	
Net cash (used in) investing activities (B)		**(396.86)**		**(530.02)**
C. Cash Flow from financing activities				
Proceeds from issue of equity shares including premium	26.43		6.87	
Repayments of Long term borrowings	(545.07)		(626.69)	
Proceeds from Long term borrowings	500.00		-	
Proceeds/(Repayment) from other borrowings (net)	(89.20)		352.45	
Interest paid	(131.14)		(163.86)	
Paid to Investor Education and Protection Fund	(1.72)		(0.47)	
Dividend paid	(279.96)		(286.94)	
Tax on Dividend	(35.38)		(39.45)	
Net cash (used in) financing activities (C)		**(556.04)**		**(758.09)**
Net increase/(decrease) in cash and cash equivalents [A + B + C]		**27.92**		**(109.25)**
Cash and cash equivalents opening balance		78.01		187.26
Cash and cash equivalents closing balance		105.93		78.01
Net increase/(decrease) in cash and cash equivalents		**27.92**		**(109.25)**
Reconciliation of cash and cash equivalents with the Balance sheet				
Cash and Bank balances as per Balance sheet		116.28		88.72
Less : Bank balances not considered as Cash and Cash equivalents - earmarked accounts		(10.35)		(10.71)
		105.93		**78.01**

See accompanying notes forming part of the financial statements

In terms of our report attached

On behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

M M Murugappan
Chairman

K Srinivasan
Managing Director

B Ramaratnam
Partner
Chennai, 30th April, 2014

Sridharan Rangarajan
Chief Financial Officer

Rekha Surendhiran
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 of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets acquired before 1st April, 1983, that are carried at revalued amounts. The accounting policies adopted in the preparation of standalone 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 ₹ 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 upto a maximum 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

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

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.

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 ‘ Exports Benefits Scheme’ 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, based on the amount of contribution required to be made and when services are rendered by the employees.

Company also contributes to a government administered Pension fund on behalf of its employees, which are charged to 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

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

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.

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 (CONTINUED)

3. Share Capital

(₹ million)

	As at 31.03.2014	As at 31.03.2013
Authorised 250,000,000 equity shares of ₹ 1 each	250.00	250.00
Issued, Subscribed and Paid-up 187,756,218 shares of ₹ 1 each fully paid (Previous year 187,468,344 shares of ₹ 1 each fully paid)	**187.76**	**187.47**

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

Particulars	As at 31.03.2014		As at 31.03.2013	
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	187468344	187.47	187395562	187.40
Add : Shares issued against ESOP scheme	287874	0.29	72782	0.07
Total number of shares outstanding at the end of the year	**187756218**	**187.76**	**187468344**	**187.47**

3. b) Terms / Rights attached to Equity Shares

The Company has only one class of Equity shares having a par value of ₹ 1/- per share.

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

For the year ended March 31,2014, Final dividend of ₹ 0.50 per share has been proposed by the Board of Directors (previous year ₹ 0.75 per share). An interim dividend of ₹ 0.75 per share was declared at the meeting of the Board of Directors held on January 31, 2014 and the same has been paid (previous year ₹ 0.50 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.

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

Name of Shareholder	As at 31.03.2014		As at 31.03.2013	
	No. of Shares held	% of holding	No. of Shares held	% of holding
Murugappa Holdings Limited	55432284	29.52%	55432284	29.57%
Nalanda India Fund Limited	16793362	8.94%	16793362	8.96%
Face value per share	₹ 1		₹ 1	

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

4. Reserves and Surplus

(₹ million)

Particular	As at 31.03.2013	Additions	Deductions / Adjustments	As at 31.03.2014
Capital Reserve				
Fixed assets revaluation reserve	25.10	-	0.68	24.42
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	69.08	26.13 *	-	95.21
Other Reserves				
General reserve**	4326.11	375.00	-	4701.11
Debenture redemption reserve	125.00	-	125.00	
Hedging reserve	-	0.32	-	0.32
Total	**4582.00**	**401.45**	**125.68**	**4857.77**
Surplus in Statement of Profit and Loss				
Opening Balance	1850.26			2075.94
Add : Profits for the current year	745.33			727.84
Less : Transfer to General reserve	(250.00)			(250.00)
Less : Final dividend including tax on dividend ***	(0.02)			(0.02)
Less : Interim dividend	(93.73)			(140.69)
Less : Dividend tax on interim dividend	(15.21)			(23.03)
Less : Proposed final dividend	(140.60)			(93.88)
Less : Dividend tax on proposed final dividend	(20.09)			(5.99) #
Total	**2075.94**			**2290.17**
Grand Total	**6657.94**			**7147.94**

* Premium of ₹ 26.13 million received on allotment of 287,874 equity shares under Employee Stock Option Scheme 2007

** Represents ₹ 125 million transfer from Debenture redemption reserve consequent to redemption of debentures and ₹ 250 million transfer from current year profit.

*** Represents dividend and dividend tax of ₹ 18,556 on 21,146 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.

includes ₹ 7.74 million in respect of credit availed on the dividend received from an overseas subsidiary

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
5. Long-term Borrowings		
Secured :		
Long term maturities of Finance lease obligation	8.64	11.82
-Secured against the assets purchased under the arrangement		
Unsecured :		
Term Loan from Bank (@ 9.8% per annum, repayable in October 2016)	500.00	-
	508.64	**11.82**
6. Components of Deferred tax liability (Net) :		
Deferred Tax Assets arising out of timing difference relating to :		
Provision for doubtful receivables and advances	25.13	19.76
Voluntary retirement scheme payments	0.67	0.47
Expenses allowed on payment basis	36.83	32.75
Leased assets	1.49	1.51
	64.12	**54.49**
Deferred Tax Liability arising out of timing difference relating to :		
Depreciation	537.24	544.81
	537.24	**544.81**
Deferred Tax Liability (Net)	**473.12**	**490.32**
7. Long-term provisions		
Provision for Employee benefits - Compensated absences	39.40	35.08
	39.40	**35.08**
8. Short-term borrowings		
From Banks		
Secured		
Cash Credit (repayable on demand)	132.63	22.11
Other Borrowings	481.53	565.31
(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	58.44	174.37
	672.60	**761.79**
9. Trade payables		
- Acceptances	35.29	48.41
- Other than Acceptances	810.63	865.48
	845.92	**913.89**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
10. Other Current liabilities		
Current maturities of Debentures	-	250.00
11.70% Secured Non-Convertible Redeemable debentures		
500 debentures of ₹ 1 million each issued for cash at par redeemable in 2 equal annual installments, second installment payable on 1st January 2014		
- 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		
(The Debentures were redeemed during the year)		
Current maturities of External commercial borrowings	-	291.61
- Secured by a *pari-passu* first charge on movable fixed assets, both present and future		
Current maturities of Finance lease obligations	6.53	6.80
- Secured against assets purchased under the arrangement		
Interest accrued but not due on loans	0.18	1.94
Unclaimed dividend	10.35	10.71
Remuneration payable to Directors	13.69	13.50
Other Liabilities		
- Statutory Liabilities	67.57	59.68
- Advance from Customers	37.52	18.38
- Deposits	28.60	30.43
- Payables for purchase of fixed assets	38.72	58.16
- Other payables	266.23	213.90
	469.39	**955.11**
11. Short-term provisions		
Provision for Employee benefits - Compensated absences	18.65	14.04
Proposed dividends	93.88	140.60
Tax on Proposed dividends	13.73	20.09
	126.26	**174.73**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets

(₹ million)

	Gross Block				Depreciation / Amortisation				Net Block
	As on 01.04.2013	Additions	Deletion	As on 31.03.2014	As on 01.04.2013	For the year	Deletion	As on 31.03.2014	As on 31.03.2014
Tangible Assets									
Land									
- Freehold	37.81 [a]	-	-	37.81	-	-	-	-	37.81
- Leasehold	87.98	-	-	87.98	5.08	0.86	-	5.94	82.04
Buildings	1386.56 [a]	46.46	0.46	1432.56 [b]	355.27	47.99	0.46	402.80	1029.76
Plant & Equipment	5721.23 [c]	375.53 [d]	20.12	6076.64	2853.63	411.94	15.47	3250.10	2826.54
Furniture & Fixtures	116.03	3.35	0.67	118.71	54.49	7.19	0.55	61.13	57.58
Vehicles	17.02	4.97	0.99	21.00	9.56	1.25	0.52	10.29	10.71
Vehicles taken on lease	29.69	3.97	5.89	27.77	15.39	7.21	5.59	17.01	10.76
Total	**7396.32**	**434.28**	**28.13**	**7802.47**	**3293.42**	**476.44**	**22.59**	**3747.27**	**4055.20**
Intangible Assets									
Goodwill	0.20	-	-	0.20	0.20	-	-	0.20	-
Trade Mark	1.61	-	-	1.61	1.61	-	-	1.61	-
Software	7.33	8.80	-	16.13	1.97	3.42	-	5.39	10.74
Technical Knowhow	77.15	59.74	-	136.89	44.08	12.21	-	56.29	80.60
Total	**86.29**	**68.54**	**-**	**154.83**	**47.86**	**15.63**	**-**	**63.49**	**91.34**
GRAND TOTAL	**7482.61**	**502.82**	**28.13**	**7957.30**	**3341.28**	**492.07**	**22.59**	**3810.76**	**4146.54**

(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 ₹ 58.41 million

(b) Includes ₹ 779.22 million (Previous year ₹ 760.98 million) being cost of building on leasehold land.

(c) Net of subsidy received ₹ 0.77 million.

(d) Includes equipments acquired for Research & Development ₹ 0.74 million (Previous Year ₹ 16.65 million)

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets - Previous year

(₹ million)

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

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

13. Non-Current Investments (at cost)

(₹ million)

S. No	Description	Quantity in Nos. As at 31.03.2014	Quantity in Nos. As at 31.03.2013	Nominal Value (₹)	Value As at 31.03.2014	Value As at 31.03.2013
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.	3042900	42900	10 (d)	60.43	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. (₹ 1533 only)	10000	10000	1	0.00	0.00
	Orient Refractories Ltd. (₹ 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 (₹ 2700 only)	100	100	10	0.00	0.00
	Tube Investments of India Ltd.	1000	1000	2	0.01	0.01
	Coromandel International Ltd.(₹ 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	7000000	10	70.00	70.00
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 (₹ 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 (₹ 2000 only)			(c)	0.00	0.00
					1,306.18	**1,246.18**

I & II	Quoted Investments		
	- Cost	70.82	10.82
	- Market Value	1023.96	884.51
III & IV	Unquoted Investments - Cost	1235.36	1235.56

(a) These Preference shares carry 7.25% non cumulative dividends and are redeemable at any time before September 2015.
(b) Shares allotted against corporate membership contribution
(c) Deposit with the Government
(d) Purchased during the year - Rights offer of 3,000,000 equity shares of ₹ 10 each at premium of ₹ 10 per share

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014	As at 31.03.2013
14. Long-term loans & advances - Unsecured and considered good		
Capital advances	38.02	79.86
Disputed Sales tax , Central excise and Service tax amounts deposited under protest	15.75	12.90
Taxation (net of provisions)	37.48	40.28
Security Deposits	83.50	55.91
	174.75	**188.95**
15. Inventories (at lower of cost and net realisable value)		
Raw materials (Goods in Transit - ₹ 47.07 millions ; Previous year - ₹ 39.74 millions)	618.60	652.62
Work-in-process	409.78	420.92
Stock in Trade	165.94	151.60
Finished stock	552.14	470.37
Stores and spare parts	114.89	104.06
	1861.35	**1799.57**
Details of Inventory of Work-in-process per Business Segment :		
- Abrasives	179.32	195.21
- Ceramics	95.00	127.21
- Electrominerals	135.46	98.50
	409.78	**420.92**
16. Trade receivables (Unsecured)		
Outstanding over a period exceeding six months from the date they were due for payment		
Considered good	55.65	24.95
Considered doubtful	73.74	57.79
	129.39	**82.74**
Other receivables		
Considered good	2210.55	1998.70
	2339.94	2081.44
Less: Provision for doubtful receivables	73.74	57.79
	2266.20	**2023.65**
17. Cash and Bank balances :		
Cash on Hand	1.39	0.82
Balances with banks :		
- Current account	104.54	77.19
- In earmarked accounts : Unclaimed dividend account	10.35	10.71
	116.28	**88.72**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	As at 31.03.2014		As at 31.03.2013	
18. Short-term loans & advances				
(Unsecured and considered good, unless otherwise stated)				
Loans and advances to employees		11.78		11.49
Prepaid expenses		18.68		16.48
Trade advances		145.31		218.65
Receivable from related parties		33.05		49.15
Intercorporate deposit to related party		35.70		16.25
Claims recoverable		1.23		1.76
Other Loans & Advances				
Considered good	47.54		87.79	
Considered doubtful	0.19		0.35	
Less: Provision for doubtful advances	0.19		0.35	
		47.54		87.79
Balances with statutory authorities				
- CENVAT credit receivable	29.40		40.37	
- VAT input credit receivable	19.46		22.81	
- Customs duty refunds receivable	109.14		82.00	
- Service tax input credit receivable	11.84		8.66	
		169.84		153.84
		463.13		**555.41**

(₹ million)

	2013-14		2012-13	
19. Revenue from Operations:				
Sale of Products (Refer Segment Disclosure for break-up of sales)		12194.30		11565.93
Income from Contracts		73.39		107.06
Other Operating Revenue				
Service Income	58.50		56.60	
Scrap Sales	81.92		82.74	
Miscellaneous Income				
- Export benefits	57.38		61.68	
- Others	11.84		7.66	
		209.64		208.68
		12477.33		**11881.67**
Less : Excise duty		991.35		872.75
		11485.98		**11008.92**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	2013-14	2012-13
20. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening stock		
Work-in-process	420.92	380.26
Stock in trade	151.60	85.57
Finished stock	470.37	567.16
	1,042.89	**1,032.99**
Less: Closing stock		
Work-in-process	409.78	420.92
Stock in trade	165.94	151.60
Finished stock	552.14	470.37
	1,127.86	**1,042.89**
Accretion to stock	**(84.97)**	**(9.90)**
21. Employee benefits expense		
Salaries, wages and bonus	893.09	813.60
Contribution to provident and other funds	119.93	74.94
Voluntary retirement compensation	0.76	1.19
Remuneration to Managing Director	15.04	14.13
Welfare expenses	229.66	218.13
	1,258.48	**1,121.99**
Remuneration to Managing Director includes :		
Salaries & Allowances	10.34	9.90
Incentive *	3.40	3.00
Contribution to provident and other funds	1.30	1.23
(excludes Gratuity and Compensated absences since		
employee-wise valuation is not available)	**15.04**	**14.13**
Value of perquisites (included under appropriate heads of accounts)	2.06	2.10
* Incentive to Managing Director is provisional and subject to determination by the Nomination and Remuneration Committee and will be paid during 2014-15		

	For FY 2012-13	For FY 2011-12
Incentive payments against the provision is detailed below :		
Incentive - Provided for the year	3.00	3.54
Incentive - Paid against the provision in subsequent year	2.49	3.53

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

		2013-14		2012-13
22. Other expenses				
Consumption of stores and spares		454.75		446.44
Power and fuel [a]		1,181.46		1,168.74
Rent		34.06		34.62
Excise duty on stock differential [c]		3.82		(13.03)
Rates and taxes		81.07		51.89
Insurance		21.74		18.74
Repairs to: [b]				
- Buildings		14.26		13.19
- Machinery		332.62		326.32
Directors' sitting fees		0.82		0.92
Commission to non-wholetime Directors		10.29		10.50
Auditors' remuneration (Note 32)		6.27		4.06
Travel and conveyance		160.54		146.66
Freight, delivery and shipping charges		307.53		298.23
Selling commission		37.94		30.72
Rebates and allowances		69.12		47.29
Advertisement and publicity		53.04		46.40
Printing, stationery and communication		40.71		41.49
Contribution to research institution		2.00		2.50
Bad receivables and advances written off	0.84		9.37	
Less : Provision adjusted	0.84		9.37	
		-		-
Provision for doubtful receivables, advances and deposits		31.40		22.13
Professional fees		44.94		44.44
Loss on exchange fluctuation (Net)		-		8.27
Services outsourced		650.29		690.32
Loss on sale of fixed Assets		3.59		6.79
Miscellaneous expenses		103.83		97.90
		3,646.09		**3,545.53**
[a] Net of own power generation, which includes energy banked with KSEB - ₹ 14.8 million (previous year ₹ 29.5 million)		176.57		93.35
[b] Includes stores and spare parts		203.76		199.05

[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 (CONTINUED)

(₹ million)

	2013-14	2012-13
23. Finance Costs		
Interest		
-On Debentures and fixed loans	104.32	155.71
-Others	20.65	2.19
Other borrowing costs	4.41	5.85
	129.38	**163.75**
24. Other Income		
Dividend Income from Long term Investments		
Trade		
Dividend from Subsidiaries	73.34	95.60
Dividend from Joint ventures	68.05	64.47
Non-trade		
Dividend from others	0.03	0.03
Dividend Income from Current Investments		
Dividend from others	0.26	1.62
Interest Income		
- from banks	2.31	-
- from inter corporate deposits	3.23	0.56
- from others	4.86	1.48
Other Income		
Profit on sale of fixed assets	2.84	1.72
Gain on exchange fluctuation (Net)	21.88	-
Provision for expenses no longer required written back	0.54	-
Provision for doubtful receivables / advances no longer required written back	14.76	16.64
Rental Income	2.40	1.03
	194.50	**183.15**
Tax deducted at source from interest	1.60	0.20

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

Additional information to the financial statements

(₹ million)

	As at 31.03.2014	As at 31.03.2013
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	127.15	108.80
ii. Central Sales Tax Act,1956 & Local Sales Tax laws of various states	9.30	18.47
iii. Central Excise Act,1944	6.20	4.29
iv. Service Tax, 1994	3.00	2.86
v. Customs Act, 1962	0.00	0.00
b. Outstanding letters of comfort / guarantee given on behalf of subsidiaries	4431.81	2640.13
c. Outstanding letters of credit	100.83	170.19
d. Outstanding bills discounted	0.88	1.72
e. Claims against the company not acknowledged as debts		
i. Urban Land Tax	3.09	3.09
ii. Stamp duty	1.90	1.90
iii. Claim filed by ship liner towards damages	14.00	14.00
iv. Claim filed before Consumer Dispute Redressal Forum	1.00	1.00
v. Mining Royalty	42.80	42.80
	62.79	62.79
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	90.20	283.71

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

26. The following pre-commissioning expenses incurred during the year on various projects have been included in Fixed Assets/Capital Work in Progress:

(₹ million)

	31.03.2014	31.03.2013
Account Head :		
Raw material Consumption	-	1.37
Consumption of Stores & Spares	-	0.87
Insurance	-	0.03
Travel & Conveyance	-	9.51
Freight	-	3.35
General Services	-	0.53
Rates & Taxes	-	0.15
Professional Fees	-	6.21
Miscellaneous Expenses	-	1.14
	-	23.16

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.

	31.03.2014	31.03.2013
Total outstanding dues to Micro enterprises and small enterprises (included under Trade payables in Note 9)	12.17	17.68

28. The details of actuarial valuation in respect of Gratuity liability are given below :

		31.03.2014	31.03.2013
i.	Projected benefit obligation as at beginning of the year	168.88	163.52
	Service cost	17.91	15.65
	Interest cost	12.82	12.53
	Actuarial Losses / (Gains)	24.90	(9.15)
	Benefits paid	(17.34)	(13.67)
	Projected benefit obligation as at end of the year	**207.17**	**168.88**
ii.	Fair value of plan assets as at beginning of the year	163.52	136.95
	Expected return on plan assets	13.14	12.02
	Contributions	6.00	27.00
	Benefits paid	(17.34)	(13.67)
	Actuarial Gain /(losses) on plan assets	(0.27)	1.22
	Fair value of plan assets as at end of the year	**165.05**	**163.52**
iii.	Amount recognised in the balance sheet :		
	Projected benefit obligation at the end of the year	207.17	168.88
	Fair value of the plan assets at the end of the year	165.05	163.52
	(Liability) / Asset recognised in the Balance sheet	**(42.12)**	**(5.36)**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

		31.03.2014	31.03.2013
iv.	Cost of the defined benefit plan for the year :		
	Current service cost	17.91	15.65
	Interest on obligation	12.82	12.53
	Expected return on plan assets	(13.14)	(12.02)
	Net actuarial losses recognised in the year	25.17	(10.36)
	Net cost recognised in the Profit and Loss account	**42.76**	**5.80**
	(included in Note 21 : Contribution to Provident and other funds)		
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 and expected return on each category of plan assets.

vi	Experience Adjustment	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
	Present value of defined benefit obligation	207.17	168.88	163.52	138.75	108.84
	Fair value of plan assets	165.05	163.52	136.95	106.70	104.70
	Balance sheet (Liability)/ Asset	(42.12)	(5.36)	(26.57)	(32.05)	(4.14)
	P & L (Income) / expenses)	42.76	5.80	29.52	32.90	10.71
	Experience adjustment on plan liabilities (gain) / loss	24.90	(9.15)	21.06	27.40	5.86
	Experience adjustment on plan assets gain / (loss)	(0.27)	1.22	0.08	0.00	0.00

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 (CONTINUED)

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 [₹]		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 1.4.2013	956,062	-	-	32,446	620,812	301,548	70,656	403,200	147,228
(iii)	Options granted during the year	-	-	-	-	-	-	-	-	-
(iv)	Options cancelled during the year	-	-	-	-	110,730	17,406	1,472	11,520	36,214
(v)	Total options vested during the year	-	-	-	-	110,010	82,914	13,248	72,480	14,206
(vi)	Options exercised during the year	287,874	-	-	-	-	-	-	-	-
(vii)	Options lapsed during the year	-	-	-	-	-	-	-	-	-
(viii)	Options outstanding as on 31.03.2014	668,188	-	-	32,446	510,082	284,142	69,184	391,680	111,014
	(viii) = (ii) + (iii) - (iv) - (vi) - (vii)									
	Grant II & III fully cancelled									
(ix)	Options vested but not exercised as at 01.04.2013	956,062	-	-	25,950	228,892	201,228	11,776	67,200	25,948
(x)	Options vested but not exercised as at 31.03.2014	668,188	-	-	25,950	338,902	284,142	25,024	139,680	40,154
	(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 / modification are given below.

Grant	Fair value as per Black scholes options pricing formula [₹]	Incremental Fair Value due to the modification of Exercise Period	Exercise Price [₹]
I	33.56	6.09	91.80
II	27.76	-	75.23
III	22.78	-	59.03
IV	24.61	3.00	61.40
V A	49.59	10.20	125.08
V B	44.27	11.75	125.08
VI	45.80	10.09	124.15
VII	54.13	11.07	146.00
VIII	55.62	9.86	155.00

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

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 ₹ 211.20 million and the impact on the financial statements would be :

	Year ended 31.03.2014	Year ended 31.03.2013
Increase in employee costs - (₹ million)	17.22	36.64
Decrease in Profit after Tax - (₹ million)	11.37	24.75
Decrease in Basic & Diluted Earnings per share -₹	0.06	0.13

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 V (A&B)	Grant VI, VII & VIII
Risk free Interest rate	7.43%	-	8.04%	8.36%
Expected Life (years)	2.5 to 7.0	-	2.5 to 7.0	2.5 to 7.0
Expected volatality	40.04%	-	39.76%	37.71%
Expected dividend yield	2.32%	-	1.29%	1.60%

(₹ million)

			31.03.2014	31.03.2013
30.	**a)**	Value of Imports on CIF basis:		
		Raw materials	2287.04	1838.32
		Components & Spare parts	68.05	55.13
		Capital goods	136.96	150.59
	b).	Expenditure in foreign currency (on cash basis):		
		Professional / Consultancy fees	38.50	33.18
		Commission	6.53	14.61
		Interest	12.43	24.30
		Travel and other matters	40.85	62.08
31.		Earnings in foreign exchange on account of :		
		Value of exports on FOB basis	2049.28	2201.43
		Royalty	3.62	4.54
		Dividend	45.54	57.61
		Management fees	37.09	16.29
32.		Auditors' Remuneration		
		Statutory audit	2.25	2.00
		Tax Audit	0.60	0.40
		Other services	3.38	1.58
		Out of pocket expenses	0.04	0.08
			6.27	**4.06**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

33. 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 Middleeast 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]

Key Management Personnel

Mr. K Srinivasan, Managing Director

b) Transactions with Related parties

(₹ million)

		Subsidiaries		Joint Ventures		Key Management Personnel		Total	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1	Income from sales and services	673.08	743.72	61.38	67.00	-	-	734.46	810.72
2	Purchase of goods	476.51	551.64	24.31	24.77	-	-	500.82	576.41
3	Lease/Rental/Royalty income	4.49	4.75	-	-	-	-	4.49	4.75
4	Purchase of power	126.99	116.36	-	-	-	-	126.99	116.36
5	Expenditure on other services	17.73	16.38	-	-	-	-	17.73	16.38
6	Dividend income	73.34	95.60	68.05	64.47	-	-	141.39	160.07
7	Interest received	3.23	0.56	-	-	-	-	3.23	0.56
8	Reimbursement of employee cost	2.11	2.23	0.55	1.04	-	-	2.66	3.27
9	Purchase of fixed assets	-	-	-	6.34	-	-	-	6.34
10	Investments made	-	0.50	-	-	-	-	-	0.50
11	Inter-corporate deposits placed	19.45	16.25	-	-	-	-	19.45	16.25
12	Deposits made	-	-	1.00	-	-	-	1.00	-
13	Trade and Other Receivables	223.38	266.55	43.99	5.36	-	-	267.37	271.91
14	Payables	63.15	18.66	1.82	1.71	-	-	64.97	20.37
15	Inter-corporate deposits outstanding	35.70	16.25	-	-	-	-	35.70	16.25
16	Managerial remuneration	-	-	-	-	17.10	16.23	17.10	16.23
17	Letters of Comfort/Guarantee issued	4431.81	2640.13	-	-	-	-	4431.81	2640.13

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

c) Details of transactions with related parties during the period ended 31.03.2014

(₹ million)

Particulars	Subsidiaries														Joint Ventures				Key Management Personnel	Total
	CAI	Net Access	Sterling	SEDCO	CAPL	CME	CCI	Foskor	CRIL	CIL	CACCL	VAW	TRIL	Total	Wendt	MMTCL	Ciria	Total		
Income from Sales and services	163.41	1.46	101.49	2.40	243.22	60.81	5.74	8.14	-	-	47.94	22.06	16.41	673.08	19.27	20.44	21.67	61.38	-	734.46
Reimbursement of employee cost	-	1.15	0.43	0.53	-	-	-	-	-	-	-	-	-	2.11	0.55	-	-	0.55	-	2.66
Purchase of goods	-	-	0.82	-	-	-	-	90.68	-	-	217.48	130.08	37.45	476.51	16.23	6.91	1.17	24.31	-	500.82
Lease rental / royalty income	-	-	-	-	3.62	-	-	-	0.87	-	-	-	-	4.49	-	-	-	-	-	4.49
Expenditure on other services	-	17.73	-	-	-	-	-	-	-	-	-	-	-	17.73	-	-	-	-	-	17.73
ICD Given	-	-	-	-	-	-	-	-	19.45 *^	-	-	-	-	19.45	-	-	-	-	-	19.45
Interest received	-	-	-	-	-	-	-	-	3.23	-	-	-	-	3.23	-	-	-	-	-	3.23
Purchase of power	-	-	-	126.99	-	-	-	-	-	-	-	-	-	126.99	-	-	-	-	-	126.99
Trade and other receivables	79.58	0.94	19.25	0.49	38.29	7.58	0.00	28.29	11.93	-	35.91	0.00	1.12	223.38	19.84	14.58	9.57	43.99	-	267.37
Payables	-	1.90	0.14	10.15	-	-	0.67	3.01	-	-	0.74	45.16	1.38	63.15	0.63	1.19	-	1.82	-	64.97
Dividend Income	-	5.00	18.90	3.90	45.54	-	-	-	-	-	-	-	-	73.34	19.93	28.62	19.50	68.05	-	141.39
Deposit made	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00	-	-	1.00	-	1.00
ICD Outstanding	-	-	-	-	-	-	-	-	35.70 ^	-	-	-	-	35.70	-	-	-	-	-	35.70
Managerial Remuneration														-					17.10	17.10

* Maximum balance outstanding during the year ₹ 35.70 million

^ a director is also interested

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

d) Details of transactions with related parties during the period ended 31.03.2013

(₹ million)

Particulars	Subsidiaries														Joint Ventures				Key Management Personnel	Total
	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	-	810.72
Reimbursement of employee cost	-	1.54	-	0.29	-	-	-	-	0.40	-	-	-	-	2.23	1.04	-	-	1.04	-	3.27
Purchase of goods	-	-	0.38	-	-	-	-	19.95	-	-	268.47	251.15	11.69	551.64	18.95	5.82	-	24.77	-	576.41
Lease/rental/royalty income	-	-	-	-	4.53	-	-	-	0.22	-	-	-	-	4.75	-	-	-	-	-	4.75
Purchase of power	-	-	-	116.36	-	-	-	-	-	-	-	-	-	116.36	-	-	-	-	-	116.36
Expenditure on other services	-	16.38	-	-	-	-	-	-	-	-	-	-	-	16.38	-	-	-	-	-	16.38
Dividend income	-	5.00	13.50	19.50	57.60	-	-	-	-	-	-	-	-	95.60	19.93	25.04	19.50	64.47	-	160.07
Interest received	-	-	-	-	-	-	-	-	0.56	-	-	-	-	0.56	-	-	-	-	-	0.56
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.34	-	-	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	-	271.91
Payables	-	1.25	0.01	9.12	-	-	0.61	2.72	-	-	-	3.97	0.98	18.66	1.50	0.21	-	1.71	-	20.37
ICD given	-	-	-	-	-	-	-	-	16.25 *^	-	-	-	-	16.25	-	-	-	-	-	16.25
Investments made	-	-	-	-	-	-	-	-	0.50	-	-	-	-	0.50	-	-	-	-	-	0.50
ICD outstanding	-	-	-	-	-	-	-	-	16.25 ^	-	-	-	-	16.25	-	-	-	-	-	16.25
Managerial remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16.23	16.23

* Maximum balance outstanding during the year ₹ 16.25 million

^ a director is also interested

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

34 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 (CONTINUED)

34. b) Segment Disclosure

A. Primary Segment Information

(₹ million)

Particulars	Abrasives		Ceramics		Electrominerals		Eliminations		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1. Revenue										
Gross Sales	**7045.05**	**6624.63**	**3167.34**	**3316.00**	**1981.91**	**1625.30**			**12194.30**	**11565.93**
Less : Excise Duty	645.79	552.12	201.25	198.57	144.31	122.06			991.35	872.75
Net External Sales	**6399.26**	**6072.51**	**2966.09**	**3117.43**	**1837.60**	**1503.24**	**-**	**-**	**11202.95**	**10693.18**
Income from Contracts			73.39	107.06					73.39	107.06
Inter segment Sales			17.94	40.56	570.09	462.72	(588.03)	(540.39)	-	-
Total Revenue	**6399.26**	**6072.51**	**3057.42**	**3265.05**	**2407.69**	**1965.96**	**(588.03)**	**(540.39)**	**11276.34**	**10800.24**
2. Result										
Segment result	594.01	793.76	346.14	425.14	285.95	73.09			1226.10	1291.99
Unallocated corporate expenses									(223.24)	(206.57)
Finance costs									(129.38)	(163.75)
Interest and dividend income									152.09	163.76
Profit on sale of fixed assets (Net)	1.35	(0.76)	(3.37)	(3.85)	0.59	(0.47)			(1.43)	(5.08)
Income taxes									(296.30)	(335.02)
Net profit	**595.36**	**793.00**	**342.77**	**421.29**	**286.54**	**72.62**	**-**	**-**	**727.84**	**745.33**
3. Other information										
Segment assets	4202.40	3987.19	2861.27	2916.67	1861.09	1764.88			8924.76	8668.74
Unallocated corporate assets									1546.27	1519.41
Total assets	**4202.40**	**3987.19**	**2861.27**	**2916.67**	**1861.09**	**1764.88**	**-**	**-**	**10471.03**	**10188.15**
Segment liabilities	577.98	704.25	319.72	325.15	343.24	257.60			1240.94	1287.00
Unallocated corporate liabilities									1894.39	2055.74
Total liabilities	**577.98**	**704.25**	**319.72**	**325.15**	**343.24**	**257.60**	**-**	**-**	**3135.33**	**3342.74**
Capital expenditure	230.56	291.27	150.97	212.67	59.89	114.69				
Depreciation & Amortization	181.48	161.17	201.53	199.62	96.47	94.27				
Non cash Item other than Depreciation & amortization	5.27	1.57	24.57	19.68	1.55	0.78				

B. Secondary Segment Information

Particulars	31.03.2014	31.03.2013
1. Revenue by Geographical market		
India	9185.31	8556.35
Rest of the world	2091.03	2243.89
Total	**11276.34**	**10800.24**
2. Carrying amount of Segment Assets		
India	8404.78	8258.23
Rest of the world	519.98	410.51
Total	**8924.76**	**8668.74**
3. Additions to Fixed Assets and Intangible Assets		
India	492.60	770.25
Rest of the world	-	-
Total	**492.60**	**770.25**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

35 . Notes relating to Leases

(₹ million)

		31.03.2014	31.03.2013
	The Company has acquired vehicles under finance lease with respective asset as security :		
a.	Cost of Leased Assets	27.77	29.69
b.	Net carrying amount	10.76	14.30
c.	Reconciliation between Total minimum lease payments and their present value :		
	Total minimum lease payments	18.16	22.58
	Less: Future liability on interest account	(2.99)	(3.96)
	Present value of lease payments	**15.17**	**18.62**
d.	Yearwise Future Minimum lease rental payments :		

	Total Minimum Lease Payments as on 31.03.2014	Present value of Lease payments as on 31.03.2014	Total Minimum Lease Payments as on 31.03.2013	Present value of Lease payments as on 31.03.2013
(i) Not later than one year	8.30	6.53	9.04	6.80
(ii) Later than one year and not later than five years	9.86	8.64	13.54	11.82
(iii) Later than five years	-	-	-	-

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

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

36 Notes to Earnings Per Share (EPS)

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

(₹ million)

	31.03.2014	31.03.2013
Net Profit for the year	727.84	745.33
Weighted average number of equity shares outstanding during the year		
- Basic	187556483	187429563
- Dilutive	187808494	187934374
Earnings per Share - Basic	3.88	3.98
Earnings per Share - Diluted	3.88	3.97

37 Provision for Dividend Tax has been made considering the credit amounting to ₹ 2.23 million (Previous year - ₹ 3.81 million) available for set off in respect of dividend tax payable on dividends to be distributed by two 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 ₹ 2.30 million (Previous year - Rs NIL) in respect of the dividend tax paid on the interim dividends received from a subsidiary. Dividend tax paid on the final dividend approved during last AGM amounting to ₹ 12.35 million is after considering an amount of ₹ 7.74 million relating to the dividends received from an overseas subsidiary and ₹ 3.81 million relating to dividends received from three domestic subsidiaries.

38 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 2014 aggregating to ₹ 0.32 million has been credited to Hedging Reserve.

(₹ million)

			31.03.2014	31.03.2013
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 in respect of		
		- Foreign currency loans	175.23	578.90
		- Capital contracts	-	5.15
		- Export receivables	12.39	-
		- Import payables	3.00	-
	b.	Unhedged foreign currency exposure on account of		
		- Export receivables	483.64	370.97
		- Import payables	79.05	88.50

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

39 Information on Joint Ventures as per AS 27

a List of Joint Ventures as on 31st March, 2014 :

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 : (₹ 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	1.37	2.37	0.65	4.39
	(Previous year)	Nil	2.91	0.65	3.56
iv)	Share of Other venturers in contingent liabilities incurred by Jointly controlled entity	1.43	3.57	1.53	6.53
	(Previous year)	Nil	3.03	1.53	4.56

c. Capital commitments in respect of Joint Ventures

(₹ million)

		MMTCL	Wendt	Ciria	Total
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	13.39	17.44	Nil	30.83
	(Previous year)	3.71	22.53	Nil	26.24

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

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

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

(₹ million)

	MMTCL		Ciria		Wendt		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
i. Proportionate share of Income in Joint Ventures								
I. Revenue from operations	660.43	626.29	85.16	155.71	470.59	435.48	1,216.18	1,217.48
Less: Excise Duty	(48.75)	(48.95)	-	-	(31.66)	(32.16)	(80.41)	(81.11)
	611.68	577.34	85.16	155.71	438.93	403.32	1,135.77	1,136.37
II. Other Income	8.36	12.31	3.48	2.57	7.37	7.11	19.21	21.99
III. Total Revenue (I+II)	**620.04**	**589.65**	**88.64**	**158.28**	**446.30**	**410.43**	**1,154.98**	**1,158.36**
ii. Proportionate share of Expense in Joint Ventures								
Cost of materials consumed	93.15	118.98	36.22	64.74	129.30	117.64	258.67	301.36
Purchase of stock in Trade	26.82	15.56	-	-	37.92	26.73	64.74	42.29
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	9.19	(5.86)	(0.03)	-	(2.24)	(1.00)	6.92	(6.86)
Employee benefits expense	68.48	61.14	13.37	14.95	77.36	63.29	159.21	139.38
Finance cost	0.05	0.08	-	-	0.13	0.13	0.18	0.21
Depreciation and amortization expense	28.70	29.18	1.11	1.17	20.67	18.89	50.48	49.24
Other expenses	259.11	238.94	23.87	40.48	116.38	110.06	399.36	389.48
Total Expenses	**485.50**	**458.02**	**74.54**	**121.34**	**379.52**	**335.74**	**939.56**	**915.10**

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

(₹ million)

	MMTCL		Ciria		Wendt		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
iii. Proportionate share of Liabilities in Joint Ventures								
Non current liabilities								
Deferred tax liabilities (Net)	7.89	10.30	-	-	19.41	15.30	27.30	25.60
Total Non current Liabilities	**7.89**	**10.30**	**-**	**-**	**19.41**	**15.30**	**27.30**	**25.60**
Current liabilities								
Short term Borrowings	-	-	-	-	-	0.97	-	0.97
Trade payables	64.94	60.79	16.36	24.50	75.22	61.68	156.52	146.97
Other current liabilities	34.10	42.24	9.67	4.47	21.63	24.95	65.40	71.66
Short- term provisions	1.41	6.04	0.23	2.09	7.93	2.83	9.57	10.96
Total Current Liabilities	**100.45**	**109.07**	**26.26**	**31.06**	**104.78**	**90.43**	**231.49**	**230.56**
Total Liabilities	**108.34**	**119.37**	**26.26**	**31.06**	**124.19**	**105.73**	**258.79**	**256.16**

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)

(₹ million)

	MMTCL		Ciria		Wendt		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
iv. Proportionate share of Assets in Joint Ventures								
Non current assets								
Fixed Assets	232.80	226.61	6.07	6.32	230.04	211.32	468.91	444.25
Deferred Tax Assets (net)	-	-	2.02	1.53	-	-	2.02	1.53
Non current investments	-	-	9.00	-	-	-	9.00	-
Long -term loans and advances	9.00	5.96	1.45	-	6.72	5.71	17.17	11.67
Total Non current assets	**241.80**	**232.57**	**18.54**	**7.85**	**236.76**	**217.03**	**497.10**	**457.45**
Current assets								
Current Investments	125.28	91.91	16.36	27.00	74.66	61.67	216.30	180.58
Inventories	54.22	59.63	0.03	-	70.29	59.00	124.54	118.63
Trade receivables	132.62	117.43	26.76	23.07	86.43	80.90	245.81	221.40
Cash and cash equivalents.	3.31	16.81	23.09	42.85	23.99	32.79	50.39	92.45
Short- term loans and advances	25.23	18.34	1.60	1.95	13.34	12.79	40.17	33.08
Total Current assets	**340.66**	**304.12**	**67.84**	**94.87**	**268.71**	**247.15**	**677.21**	**646.14**
Total Assets	**582.46**	**536.69**	**86.38**	**102.72**	**505.47**	**464.18**	**1174.31**	**1103.59**

40. Research and Development expenditure incurred during the year is given below: (₹ million)

	2013-14	2012-13
- Revenue expenditure	65.36	50.83
- Capital expenditure (including capital work in progress)	1.36	17.71
Total	**66.72**	**68.54**

41. 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.

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

FINANCIAL TRACK RECORD

(₹ million)

		Consolidated performance					Standalone performance				
		2010	2011 #	2012 #	2013#	2014#	2010	2011 #	2012 #	2013 #	2014 #
Summary information											
a	Net Sales	12797	15916	19685	19424	20939	7381	9105	11052	10800	11276
b	EBITDA *	2460	3121	4022	2502	2735	1439	2002	2354	1712	1645
c	PBIT *	2016	2616	3453	1791	1825	1085	1602	1918	1244	1154
[* excluding exceptional income / (expense) (Net)]											
d	PBT	1714	2580	3227	1519	1543	842	1643	1894	1080	1024
e	PAT	1017	1708	2193	898	915	580	1243	1467	745	728
f	Net Fixed Assets	5316	5525	6500	8273	8260	3788	3874	4126	4286	4283
g	Net Working Capital	4315	3911	5023	4324	4491	2036	1165	1755	1662	2593
h	Non Current Investments	779	476	12	12	81	1718	1641	1246	1246	1306
i	Shareholders Networth	5929	7455	9470	10592	11060	4289	5282	6366	6845	7336
j	Loan Funds	4391	4085	3992	4349	4563	2838	2288	1596	1322	1188
Ratio Analysis											
A	Performance Ratios										
1	EBITDA / Net Sales %	19%	20%	20%	13%	13%	19%	22%	21%	16%	15%
2	PBIT / Net Sales %	16%	16%	18%	9%	9%	15%	18%	17%	12%	10%
3	Asset Turnover times	1.0	1.2	1.3	1.1	1.1	1.0	1.2	1.3	1.2	1.2
4	Return on Capital Employed %	19%	23%	26%	12%	11%	15%	22%	23%	15%	14%
5	Return on Equity	19%	26%	26%	9%	8%	14%	26%	25%	11%	10%
6	International Revenue share %	45%	47%	49%	51%	50%	18%	21%	22%	21%	19%
B	Leverage Ratios										
1	Interest Cover times	8.0	11.5	16.1	9.2	9.7	6.0	9.8	13.5	10.4	12.7
2	Debt Equity Ratio	0.7	0.5	0.4	0.4	0.4	0.7	0.4	0.3	0.2	0.2
3	Debt / Total Assets	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.1
C	Liquidity Ratio										
1	Current Ratio	3.3	2.0	2.0	1.8	1.8	2.6	1.5	1.7	1.6	2.2
D	Activity Ratio										
1	Inventory Turnover days	68	63	67	76	73	58	55	57	62	59
2	Receivable Turnover days	78	70	64	68	68	77	68	60	65	69
3	Creditors No of days	51	44	44	48	46	48	47	44	45	43
4	Cash Cycle days	95	89	87	96	95	87	76	73	82	85
E	Investor related Ratios : $										
1	Earning Per Share (₹)	10.9	9.1	11.7	4.8	4.9	6.2	6.7	7.8	4.0	3.9
2	Dividend Per Share (₹)	NA	NA	NA	NA	NA	2.0	1.2	2.0	1.3	1.2
3	Dividend Payout	NA	NA	NA	NA	NA	36.3%	21.0%	29.1%	36.2%	36.2%
4	Price to Earnings Ratio	13.2	12.3	12.8	31.0	25.3	-	-	-	-	-
5	Enterprise Value / EBITDA	7.2	8.0	7.9	12.8	10.1	NA	NA	NA	NA	NA
6	Enterprise Value / Net Sales	1.4	1.6	1.6	1.7	1.3	NA	NA	NA	NA	NA

FINANCIAL TRACK RECORD (CONTINUED)

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 Capital Employed 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 Trade Creditors / (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 ₹ 2 per equity share to ₹ 1 per equity share.

Notes

Cautionary Statement

This Report 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 judgements 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 judgement 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.

The Spirit of the Murugappa Group

The five lights

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

Integrity

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

Passion

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

Quality

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

Respect

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

Responsibility

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

murugappa

Be the energy

Concept & Design
Hastra
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