



Committed to Safety

The cover page of this annual report has been dedicated to emphasise our focus and commitment towards Safety.

Health, Safety and Environment has been our priority through the years and we have now brought even sharper focus in our responsibility to all our stakeholders and society at large. Our newly drafted HSE Policy launched in 2008 is a reflection of our commitment.

Health & Safety Policy

Health & Safety Policy

We will operate all work and business activities in a manner which ensures the health and safety of employees, contractors, visitors, customers and any other persons affected by these activities.

We will comply with the legal health and safety obligations.

We will be pro-active in preventing injuries and ill-health, and continuously improve our H&S systems and performance.

Organization and Responsibilities

We regard health and safety matters as a mainstream management responsibility. Executives and line managers are directly responsible for health and safety matters in operations under their control. Management is accountable for H&S performance against objectives.

All employees have a responsibility to take care of themselves and others whilst at work. We expect everyone to participate positively in the task of preserving workplace health and safety.

Our Beliefs

- Good Health and Safety is Good Business.
- Safety is everybody's responsibility.
- Working safely is a condition of employment.
- All work-related injuries and work-related ill-health are preventable.

Our Aims

- No Accidents
- **No Repeat Injuries**
- No Harm to People

Our Commitments

- Every business facility will follow the agreed H&S plans.
- Risk assessments will be undertaken to identify hazards, prioritize any deficiencies and correct them in an appropriate way.
- We will abide with simple and non negotiable standards.
- We will provide Training for all employees to ensure that they understand their responsibilities and are able to act accordingly.
- Every business facility will have an appointed H&S Manager or Coordinator

This policy has been approved by the Vesuvius Executive Committee and will be displayed and implemented at all facilities.

Francois Wanecq, CEO

10 October 2008



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Message from Chairman



Dear Shareholders

By focusing attention on new business arenas for monolithics and benefiting from the improvement in steel production, your Company has surpassed Rs. 400 crores in turnover and Rs. 200 cores in Reserves & Surplus this year while retaining the “debt-free” status. Being confident of the future, your Company is expected to complete the Kolkata plant expansion for doubling its capacity by end May 2011 and is looking forward to further expansion opportunities.

The Vesuvius Group continues to support your Company with latest technology, management inputs and export opportunities and has recently laid down a strategy for sustainable profitable growth worldwide. Your Company is aware of the enormous business prospects in the steel as well as non-steel markets in which your Company operates and will derive benefits from implementation of the Group’s strategy.

I thank you for your continued support to your Company.

With my best wishes to all of you.

A handwritten signature in black ink, appearing to be 'S. K. Gupta'.

Dr S. K. Gupta

Message from President & CEO, Vesuvius Group



Vesuvius India was successful in 2010 and confirmed its excellent performance shown through the crisis. While the Indian economy progressed steadily, your Company managed to grow even faster and reach a new step in its development.

In 2010, Vesuvius established its new strategic plan for the next five years. Growth in India was evidenced as a key objective, given the potential of the market and the quality of the VIL people and assets.

The perspectives of the Indian Steel Industry seem extremely favourable if all stakeholders find a well balanced agreement for a sustainable development of the local resources. Vesuvius is willing to contribute to this future with its technology that allows a better energy conservation and a more respectful use of mineral resources.

Vesuvius encourages the expansion of VIL. It has provided its latest technical developments for the new plants built in Kolkata and Visakhapatnam and will continue to support your Company accordingly so that it remains at the forefront of the challenge for a cleaner and safer industry.

With my best wishes to all of you.

A handwritten signature in blue ink, appearing to be 'F. Wanecq'.

Francis Wanecq

Board of Directors



Dr SAIBAL KANTI GUPTA

Chairman

Dr S K Gupta is a metallurgical engineer with Ph.D. and D.Sc. in ferrous process metallurgy and has over 50 years experience. He has been Professor of IIT Bombay, Founder Director of SAIL's R&D Centre, Chief Executive of MECON and SAIL's Rourkela Steel Plant and the Executive Vice Chairman of Jindal Vijayanagar Steel Ltd (now known as JSW Steel Ltd). Government of India has conferred upon him the title "National Metallurgist". He is a Director of the Company since October 1999 and Chairman since April 2002.

TANMAY KUMAR GANGULY

Managing Director



Mr Tanmay Kumar Ganguly is a B.Com graduate and a Chartered Accountant and has over 23 years experience in Chemicals, Refractory and FMCG industry. He started his career with Union Carbide India Ltd and has worked in ICI (India) Ltd, Hindustan Lever Limited, as Chief Financial Officer of Pillsbury India, as Finance Director-Asia Pacific Region of General Mills (Pillsbury), as CEO of General Mills India and then as COO of Radhakrishna Foodland Pvt Ltd. He previously worked in the Company as Controller between 1996 to 1999 and rejoined in 2006 as COO. He became Managing Director in April 2007.



FRANCOIS CLEMENT WANECQ

Mr Francois Clement Wanecq is Executive Director of Cookson Group plc. and President & CEO of Vesuvius Group and is based at Brussels, Belgium. After his education at Polytechnique College, Paris, and thereafter at Mining College, Paris, he has been with the French Ministry for Industry and was Head of Research and Production Department at the Oil and Gas Directorate, Managing Director of Technical Ceramics Division of Saint Gobain, Director of Arjo Wiggins Appleton plc. and Chairman of the Management Board of Arjo Wiggins. He has over 33 years experience including in ceramics business. He is a director of Foseco India Limited and 11 companies abroad. He became a Director of the Company in March 2007.

Dr CLAUDE DUMAZEAU

Dr Claude Dumazeau holds a Ph.D. in Material Science from France. He is the Vice President-Research & Development of Vesuvius Group and has over 30 years experience in Vesuvius Group in areas of marketing, sourcing, patents and Research & Development. He is presently the head of Research & Development for Vesuvius Group worldwide. He is based at Brussels, Belgium. He is a director of 5 companies abroad. He is a Director of the Company since December 1994.



BOARD OF DIRECTORS

Dr Saibal Kanti Gupta

Chairman

Tanmay Kumar Ganguly

Managing Director

Shekhar Datta

Dr Claude Dumazeau

Biswadip Gupta

Yves M.C.M.G. Nokerman

Sudipto Sarkar

Francois Clement Wanecq

BOARD COMMITTEES

Audit Committee

Dr Saibal Kanti Gupta

Chairman

Shekhar Datta

Biswadip Gupta

Yves M.C.M.G. Nokerman

Sudipto Sarkar

Share Transfer & Investor Grievance Committee

Dr Saibal Kanti Gupta

Shekhar Datta

Tanmay Kumar Ganguly

Biswadip Gupta

Sudipto Sarkar

COMPANY SECRETARY

Taposh Roy

Email : Taposh.Roy@vesuvius.com

EXECUTIVE COUNCIL

(as on 31.12.2010)

Tanmay Kumar Ganguly

Managing Director

Sudarshan Das

Chief Executive - Sales

Sanjoy Dutta

Chief Financial Officer

Subrata Roy

Chief Executive - Operations

**SHEKHAR DATTA**

Mr Shekhar Datta is a Mechanical Engineer (London) and Fellow of All India Management Association. He was the Chairman of Bombay Stock Exchange and the past President of Confederation of Indian Industry (CII), Bombay Chamber of Commerce & Industry and Indo-Italian Chamber of Commerce & Industry. He was the Managing Director & President of Greaves Limited (formerly Greaves Cotton & Co. Limited), Mumbai. He is a Director of the Company since January 2003.

BISWADIP GUPTA

Mr Biswadip Gupta is a BE(Metallurgy) and MBA and has about 40 years experience in the steel and refractory industry. He is association with the Vesuvius Group since 1979. He had been instrumental in setting up of the Indian operations. He was formerly President of Bengal Chamber of Commerce and Industry, Deputy Chairman of the Indian Refractory Makers Association and Chairman of CII (Eastern Region). He is presently Jt. Managing Director & CEO of JSW Bengal Steel Ltd. He became a Director of the Company in September 1991 and Managing Director from February 1992 to April 2007. He is a non-executive Director of the Company from April 2007.

**YVES M.C.M.G. NOKERMAN**

Mr Yves M.C.M.G. Nokerman is the Vice President-Finance & Information Technology i.e Chief Financial Officer of Vesuvius Group and is based at Brussels, Belgium. He is a Director on 33 companies abroad belonging to the Vesuvius Group. He is well conversant with the refractory industry having over 26 years of experience. He became a Director of the Company in July 2008.

**SUDIPTO SARKAR**

Mr Sudipto Sarkar is a renowned Barrister and holds B.Sc. (Maths-Hons) from Presidency College, Kolkata; BA (Law Tripos) from Jesus College, Cambridge, UK; LL.M. (International Law) from Jesus College, Cambridge, UK; M.A. (Law) from Jesus College, Cambridge, UK. He is also Barrister, Gray's Inn, London. He is presently practising as a Senior Advocate. He was formerly President of The Bengal Club and presently a Director of Bombay Stock Exchange Limited. He became a Director of the Company in July 2005.

**AUDITORS**

Messrs B S R & Co.
Chartered Accountants
Building No 10, 8th floor, Tower-B,
DLF Cyber City, Phase-II,
Gurgaon 122 002, Haryana

BANKERS

Axis Bank Limited
Hongkong Bank
State Bank of India
United Bank of India

**REGISTRARS & SHARE
TRANSFER AGENTS**

CB Management Services (P) Ltd
P-22 Bondel Road, Kolkata 700 019
Tel : (033) 4011 6700/ 6711/ 6718/ 6723
Fax : (033) 2287 0263 Email : rta@cbmsl.com
Website : www.cbmsl.com

REGISTERED OFFICE

P-104 Taratolla Road
Kolkata 700 088
Tel : (033) 30410600; 2401 2842/ 3898/ 0215
Fax : (033) 2401 3976/ 1235
Email : vesuviusindia@vesuvius.com

Kolkata Factory :

P-104 Taratolla Road, Kolkata 700 088
Tel : (033) 30410600; 2401 2842/ 3898/ 0215
Fax : (033) 2401 1235
Email : Saibal.Bandyopadhyay@vesuvius.com

Visakhapatnam Factories :

- (a) First factory :
Plot No. 13, 14 & 15, Block "E"
IDA Autonagar, Visakhapatnam 530 012
- (b) Second factory :
Survey No. 90 & 98, Part, Block G,
Industrial Park, Fakirtakya Village
Autonagar, Visakhapatnam 530 046
Tel : (0891) 2749120; 2755419; 2755408
Fax : (0891) 2587511
Email : Tumma.Antony@vesuvius.com

Mehsana Factory :

212/B, G.I.D.C. Estate
Mehsana 384 002, Gujarat
Tel : (02762) 252948/ 949
Fax : (02762) 252909
Email : Chakrapani.Devburman@vesuvius.com



Notice of Annual General Meeting

Notice is hereby given that the twentieth Annual General Meeting of the Members of Vesuvius India Limited will be held at G D Birla Sabhaghar, 29, Ashutosh Chowdhury Avenue, Kolkata 700019 on Tuesday, April 19, 2011 at 10.30 a.m. to transact the following business :

1. To receive and adopt the Audited Accounts for the year ended on December 31, 2010, and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr Shekhar Datta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr Claude Dumazeau, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and to fix their remuneration and, in this connection to pass, with or without modification, the following resolution which will be passed as an Ordinary Resolution :

“RESOLVED that, pursuant to Section 224 of the Companies Act, 1956, Messrs B S R & Co., Chartered Accountants, of Building No 10, 8th floor, Tower-B, DLF Cyber City, Phase-II, Gurgaon 122 002, Haryana (Firm's Registration no 101248W) be and are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration and on terms plus out-of-pocket expenses as may be determined by the Board of Directors of the Company.”

By Order of the Board of Directors
Vesuvius India Ltd.

Registered Office :

P-104 Taratolla Road
Kolkata 700 088
February 25, 2011

Taposh Roy
Company Secretary

Notes :

1. **PROXY** : A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of self and such proxies need not be a member of the Company. Proxies, in order to be effective, must be received by the Company at the Registered Office not later than 48 hours before the Meeting.
2. **BOOK CLOSURE** : The Register of Members of the Company will remain closed from **April 12, 2011 to April 19, 2011**, both days inclusive.
3. **DIVIDEND** : The dividend to be declared at this meeting, will, subject to the provisions of Section 206A of the Companies Act, 1956, be deposited with the Bank within April 23, 2011 and dividend warrants will be despatched on or after April 28, 2011 to those members whose names appear on the Register of Members on April 19, 2011 or to their mandatees. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Securities Depositories Ltd. and Central Depository Services (India) Ltd., for this purpose. Payment of dividend will be rounded off pursuant to the provisions of Section 288B of the Income Tax Act, 1961 and Rule 23 of the Companies (Central Government's) General Rules & Forms, 1956. Dividend Tax will be paid by the Company pursuant to section 115O of the Income Tax Act, 1961.
4. **UNCLAIMED DIVIDEND** : Notices pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 have been sent to all members concerned on January 28, 2011.
5. **TRANSFER TO IEPF** : The 10th Anniversary Special Dividend which was declared by the Board of Directors on February 17, 2004, for which the Record Date was March 5, 2004, and remaining unclaimed will be transferred

to the Investor Education and Protection Fund of the Central Government in March 2011 pursuant to the provisions of section 205A of the Companies Act, 1956. Also, Dividend for the year ended December 31, 2003 which was declared at the Annual General Meeting held on April 20, 2004 and remaining unclaimed will be transferred to the Investor Education and Protection Fund of the Central Government in May 2011 pursuant to the provisions of section 205A of the Companies Act, 1956. Thereafter no claim shall lie on these dividend from the Members. Members are requested to lodge their claims with the Registrars & Share Transfer Agents immediately. Reminder letters have been sent to the shareholders concerned on February 12, 2011.

6. **ISIN No :** The shares of the Company are tradable compulsorily in electronic form. **The ISIN number allotted is INE386A01015.** In view of the numerous advantages offered by the depository system, Members are requested to avail of the facility of dematerialization of the Company's shares.
7. **REGISTRARS :** Members are requested to contact **M/s C B Management Services (P) Ltd, Registrars and Share Transfer Agents of the Company at P-22, Bondel Road, Kolkata 700 019 (Phone No 033-40116700; Email : rta@cbmsl.com)** for recording any change of address, bank mandate, ECS or nominations and for redressal of complaints or contact the Company Secretary at the Registered Office or by email at Taposh.Roy@vesuvius.com.
8. **REAPPOINTMENT OF DIRECTORS :** Pursuant to Clause 49 of the Listing Agreements with the stock exchanges, it is informed that Mr Shekhar Datta and Dr Claude Dumazeau retire by rotation in accordance with the Articles of Association of the Company at the forthcoming Annual General Meeting, and being eligible, have offered themselves for reappointment. The particulars of the Directors are given below :

Item No. 3 :

Mr Shekhar Datta is a Mechanical Engineer (London) and Fellow of All India Management Association. He is presently a Director of Triveni Engineering & Industries Ltd and Wockhardt Ltd. He was the Chairman of Bombay Stock Exchange Ltd., and the past President of Confederation of Indian Industry (CII), Bombay Chamber of Commerce & Industry and Indo-Italian Chamber of Commerce & Industry. He was the Managing Director & President of Greaves Limited (formerly, Greaves Cotton & Co. Limited) and was Chairman of Morganite Crucibles Ltd. (formerly, Greaves Morganite Crucibles Ltd.), Mumbai. Mr Datta is well conversant with the engineering industry as well as the refractory and crucibles industry. He is a Director of the Company since January 31, 2003. He does not hold any shares in the Company. He is a member of the following Committees :

Name of Company	Name of Committee	Nature of Membership
Vesuvius India Ltd	Audit Committee	Member
	Share Transfer & Investor Grievance Committee	Member
Wockhardt Limited	Audit Committee	Chairman
	Investor Grievance Committee	Chairman
	Remuneration Committee	Member

Item No. 4 :

Dr Claude Dumazeau who holds a Ph.D. in Material Science from France, is the Vice President-Research & Development of the parent company with over 30 years experience in Vesuvius Group in areas of marketing, sourcing, patents and Research & Development. He is presently the head of Research & Development for Vesuvius Group worldwide and is based at Brussels, Belgium. He is also a Director of Vesuvius Group SA, Vesuvius France SA, Vesuvius Belgium N.V., Cookson France and Side Dams S.p.A. He is a Director of the Company since December 8, 1994. He does not hold any shares in the Company. He is not a Director of any other company in India nor is a member of any Committee in India.

Members are requested to bring their copies of the Annual Report and Admission Slip to the Meeting.

Vesuvius Diary

Vesuvius Group

Vesuvius Group is world leader in supply of consumable high performance specialty ceramic refractories used to handle molten metal in the production of steel, foundry castings and photovoltaic (solar) cell. It has 58 major manufacturing locations with over 11700 employees. In the steel market, the

top 15 customers represent 30% of total Vesuvius Group's sales. New refractory technology e.g. tube changers for flat steel, nozzle changers for billet casting, turbostop, etc. which have opened new markets with higher market share are constantly made available to Vesuvius India.

Business activities

New technology received from the Group which were introduced to the customers have received great success. These include tube changers, new generation slide gate system LG22, liner ladle shroud, carbon-free liner sub-entry nozzles, monoblock stoppers with calibrated pipes etc. The technology of tundish gas diffuser, though introduced earlier, found tremendous application success by our customer. Apart from products, application technologies such as Pumpcast for installation in the troughs and runners, use of shutter vibration system for casting of thin section lining, etc., were introduced for the first time into the Indian market.

Taphole clay production increased with more acceptability by customers. For the first time an order for complete supply and installation of aluminium melting furnace was received which was successfully completed. The largest single SURGUN lining was done in a cement plant. Two new casters were commissioned successfully with Vesuvius refractories.

The New Product Development Centre at Visakhapatnam (previously called "Centre of Excellence") continued to provide new products and

formulations aided by the laboratories of our Group in USA and UK. Apart from product development, the Centre is also working on replacement of imported raw materials with local raw materials.

A Technical newsletter named VESUNET was launched during the year and was appreciated by some of our key customers.



Technical Newsletter "VESUNET"



Awards and achievements

Vesuvius India received the Safety Breakthrough Award 2010 from the Vesuvius Group and was placed third after NAFTA and Asia Pacific Foundry. We were the only one from the Steel Division (which has a much higher risk exposure) to receive the award. The award was handed over by Mr Francois Wanecq, President & CEO, Vesuvius Group to Mr Tanmay Ganguly, Managing Director.

Safety Breakthrough Award May 2010



Received the
"Best Eco-
friendly Industry"
award

The "Best Eco-friendly Industry" award was given by the Directorate of Andhra Pradesh Industrial Infrastructure Corporation to our factory at Visakhapatnam which completed its 10th year of operation under the Vesuvius banner.

Dr Claude Dumazeau, Director of the Company and Vice President-Research & Development of Vesuvius Group gave a presentation at the 8th India International

Refractories Congress held at Kolkata in February 2010 which was organized by the Indian Refractory Makers Association.

Dr Claude Dumazeau at IREFCON 2010 ▼



Safety

Safety week was observed at all the factories in March 2010 reminding all to have safer work practices. Employees and their family participated in Safety Poster and Slogan competitions.

Safety and ergonomics training and awareness programs were conducted during the year. Training programs were also held to create awareness on risk identification and mitigation, emergency preparedness etc. Employees were also deputed abroad to attend safety workshops. Road safety training and awareness have also been provided. Safety Breakthrough workshops and Safety Audits

were conducted by several HSE specialists from the Vesuvius Group.

Personal Protective Equipments (PPE) are issued to employees at factory and sites.

Personal Protective Equipments (PPE)
are issued to employees ▼



▼ Safety workshop being conducted



Vesuvius Diary *(Contd.)*

Dividend

The Board of Directors have recommended dividend of Rs. 4/- per share of face value Rs. 10/- i.e. 40%. The dividend together with dividend tax will entail a cash outflow of Rs. 95 million (previous year Rs. 89 million). The Board of Directors have recorded their sincere thanks to the Shareholders and other stakeholders for their continuous support to the Company.

Shareholders at AGM ▼



Kolkata Plant expansion

A major part of the expansion of the Kolkata plant for doubling of capacity will be completed by May 2011. The balancing capabilities for this will be in place by June 2011. All safety procedures and processes would be in place and no hazardous chemicals will be in use post expansion. Mr Francois Wanecq, President & CEO of Vesuvius Group and Mr Yves Nokerman, Vice President-Finance & Information Technology of Vesuvius Group reviewed the progress of the expansion during their visit to Kolkata in April 2010.

Inauguration by Mr Francois Wanecq ▼



▼ Reviewing of Kolkata plant expansion



Corporate Social Responsibility

The Company believes that good CSR practices spread goodwill, thereby boosting the Company's reputation and facilitating a stable social environment, conducive to investment and trade. Several CSR activities were conducted during the year.

An Eye Check-up Camp was organized in association with Shanker Foundation at Visakhapatnam, a one-day program on Quality of Work & Life was conducted for the spouse of the employees, a primary school in the locality of the Kolkata factory received educational and financial support and the classrooms and washrooms of another primary school near our Visakhapatnam factory were completely renovated.

Employees contribute from their monthly salary to organizations like Child Rights and You (CRY). Educational Scholarships were given to meritorious children to facilitate higher education.

Other activities included voluntary blood donation camps, celebrating Safety Week, health check-ups for employees and contractual labour etc.

Master Nirmal Bhadra son of Mr Kamal Kumar Bhadra, a contractual employee of our service providers, received the highest honour for Scouts and Guides: the "Rashtrapati Puroshkar for Scouts and Guides" from the President of India.

President of India handing over award to Nirmal Bhadra ▼



Training

In-house training was conducted during the year on operations and maintenance, fire safety, safe operation of fork lift trucks, MSDS training on storage and handling of hazardous chemicals and also on welding imparted by L&T experts.

Other training programs included training on Time and Performance Manager, Self Development training programs, Corporate Training on Practical Problem Solving and Corporate Training on Negotiating Skills.

Fire fighting training ▼



Report of the Directors and Management Discussion & Analysis Report

FOR THE YEAR ENDED ON DECEMBER 31, 2010

The Directors have pleasure in submitting their Annual Report together with the Audited Statements of Account for the year ended on December 31, 2010.

The Year in Retrospect

Financial Results

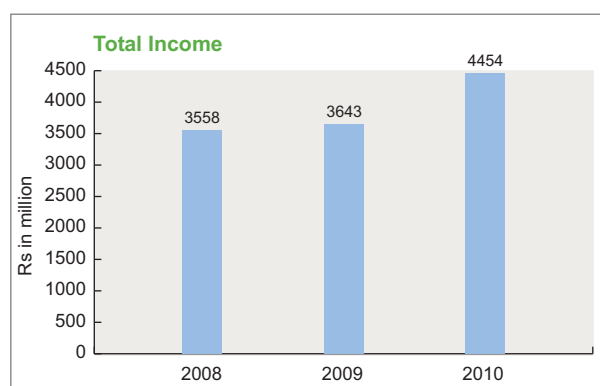
(Rs. '000)

	Year ended 31.12.2010	Year ended 31.12.2009
Sale of Goods (excluding Excise Duty)	4,203,211	3,422,796
Sale of Services	197,947	192,146
Other Income	53,255	28,042
Total Income	<u>4,454,413</u>	<u>3,642,984</u>
Profit before Depreciation, Interest & Tax (PBDIT) & Exceptional Item	866,414	686,470
Exceptional Item - income	10,917	–
Depreciation	129,113	126,697
Interest	204	226
Profit before Tax	<u>748,014</u>	<u>559,547</u>
Provision for Income Tax	<u>259,510</u>	<u>185,765</u>
Profit after Tax	<u>488,504</u>	<u>373,782</u>
Balance as per last Balance Sheet brought forward	<u>1,522,596</u>	<u>1,275,237</u>
Available for appropriation	<u>2,011,100</u>	<u>1,649,019</u>
Appropriations made :		
Proposed Dividend @ Rs 4/- per share i.e 40%	81,184	76,110
Dividend Tax	13,484	12,935
Transfer to General Reserves	48,850	37,378
	<u>143,518</u>	<u>126,423</u>
Profit & Loss Account Balance	<u>1,867,582</u>	<u>1,522,596</u>
	<u>2,011,100</u>	<u>1,649,019</u>
Basic & Diluted Earnings Per Share	Rs. 24.07	Rs. 18.42

Operating & Financial Performance, Internal Control

Your Company has had another very steady performance in 2010 generating enough cash to pay for the increased activities and capacity expansion. While the “Debt Free” status has been maintained, our cash balance has improved to Rs 561 million by the end of the year.

This year's annual results has shown a revenue growth of over 22% driven by a strong domestic growth at around 18% and export growth at over 54% over last year, compared to the modest growth of about 8% in domestic steel output. The strong



growth in domestic revenue was achieved due to improvement in market share and penetration into new product and market segments.

" Our new strategy for growth gives our Group a clear perspective for its future. It is based on organic growth, depending on our own abilities to deliver and we have many great projects ahead. Mid size acquisitions can also be considered where attractive targets are offered for sale. We will need to deploy all our efforts to achieve this plan but I am confident we can succeed provided we maintain our successful business model and act in accordance with our shared values. "

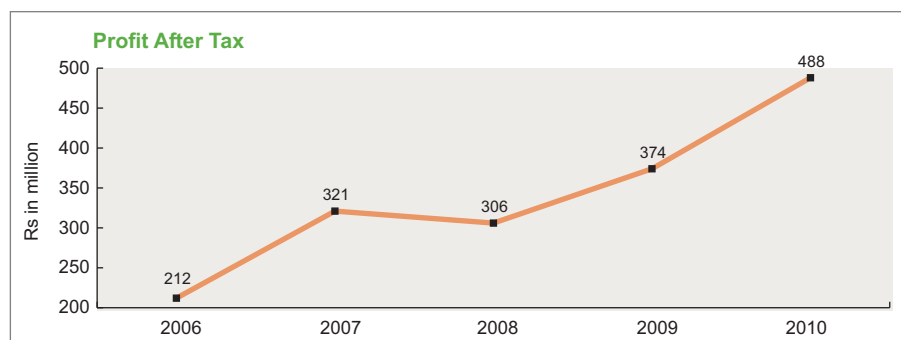
Francois Wanecq

President & CEO, Vesuvius Group

The operating profit (PBDIT) at Rs. 866 million for the year is higher by 26% over last year and profit after tax (PAT) at Rs. 488 million is higher by over 30%.

With the withdrawal of the post-retirement medical benefit scheme for employees under directions of IRDA, the provision created earlier in compliance with Accounting Standard 15 was written back and has been treated as an Exceptional Item income.

The Company has received grants totaling Rs. 1.8 million from the Andhra Pradesh Government for setting up of the Company's second plant at Visakhapatnam. This grant has been treated as Capital Reserve.



40 %

Dividend of Rs. 4/- per share on Equity Shares of Rs 10/- each

Dividend will be deposited with the bank within April 23, 2011 and dividend warrants will be despatched on or after April 28, 2011 to those who are members of the Company as on April 19, 2011

All four factories had been working at near full capacity during the year. In-plant rejection for all manufactured items have reduced due to improved processes. The Company has also instituted a new process to deal with customer complaints on products and services. The emphasis is on speed and quality of problem resolution while making sure that the learnings from such incidents are incorporated in the process improvement immediately. The Kolkata plant expansion for doubling capacity is expected to be completed by May, 2011.

The Company has in place an established internal control system designed to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances. Internal Audit on pan India basis was conducted by M/s Deloitte Haskins & Sells, Chartered Accountants. In addition Cookson Group internal audit function carried out several audits during the year.

The Company has complied with the provision of the Code on Internal Control which require that the Directors review the effectiveness of internal controls including financial, operational and compliance control and risk management systems. Self certification exercises are also conducted by which senior management certify effectiveness of the internal control system for which they are responsible together with the Company's policies.

Dividend

The Board of Directors are pleased to recommend dividend of Rs. 4/- per share i.e. 40 % on Equity Shares of Rs. 10/- each. The dividend together with dividend tax will entail a cash outflow of Rs. 95 million (previous year Rs. 89 million). If this is approved at the forthcoming Annual General Meeting, dividend will be deposited with the bank within April 23, 2011 and dividend warrants will be despatched on or after April 28, 2011 to those who are members of the Company as on April 19, 2011. In respect of shares held electronically, dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories.

Turnover crosses

Rs 400 crores

Reserves & Surplus exceeds

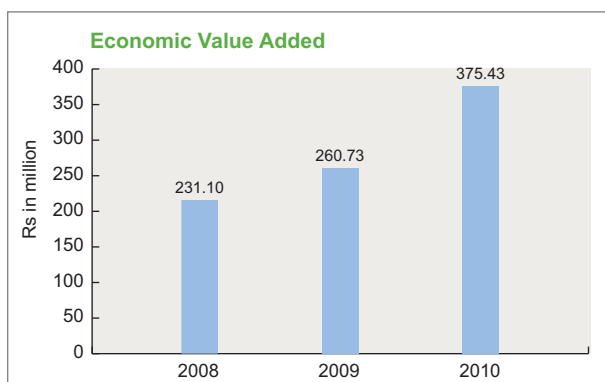
Rs 200 crores

ISO Certification

The Company's factories at Kolkata, Mehsana and Visakhapatnam and two of its sites at Surat in Gujarat and Dolvi in Maharashtra have been certified ISO 9001:2008 for Quality Management Systems Standards.

Segmentwise performance

The Company is primarily a manufacturer and trader of refractory and is managed organizationally as a single unit. Accordingly, the Company is a single business segment company. Geographical (secondary) segment has been identified as domestic sales and exports.



Industry Structure & Developments, Opportunities & Threats, Outlook, Risks & Concerns

Indian economy in general is on a steady growth mode and has shown more resilience than some of the other developed economies around the world. Steel production in India has been steady. Steel prices which had been under pressure in the domestic market improved during the latter part of the year. Most domestic steel makers are under margin pressure due to rise in input cost and are concerned with the availability of raw materials.

Your Company trades in refractory based solutions

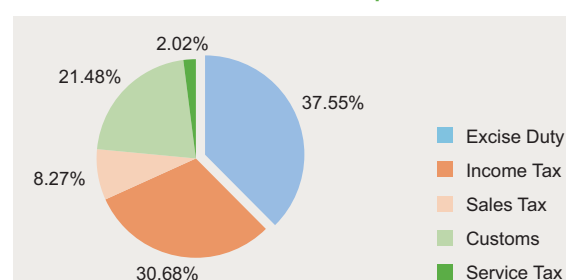
and steel industry comprises the biggest group of its customers. Hence anything that affects the steel industry will have its one off effect on our business. India is set to emerge as the second largest producer and consumer of steel in the next 5 years and refractory being an essential requirement in steel industry will see increased demand. With this in mind, your Company is completing the expansion of its Kolkata factory to double its capacity to meet the increased demand of the steel industry.

The linings product offers opportunities for significant growth as it addresses diversified market segments beyond the steel industry. To keep pace with this increased demand the Company has already made some capacity expansion at its precast plant in 2010 and is evaluating further expansion in its monolithic manufacturing capacity at Vishakhapatnam.

All business operations have risks and threats attached to them most of which may be outside the control of the Company. Apart from the concerns over raw material prices and availability, fluctuations in exchange rates, adverse political or regulatory developments, aggressive competition and chances of a reduction in customer output leading to lower demands are some perceived threats.

During the year a risk analysis and assessment was conducted in line with the Group requirements and no major risks were noticed.

Contribution to Government Exchequer



22%

Growth in Turnover

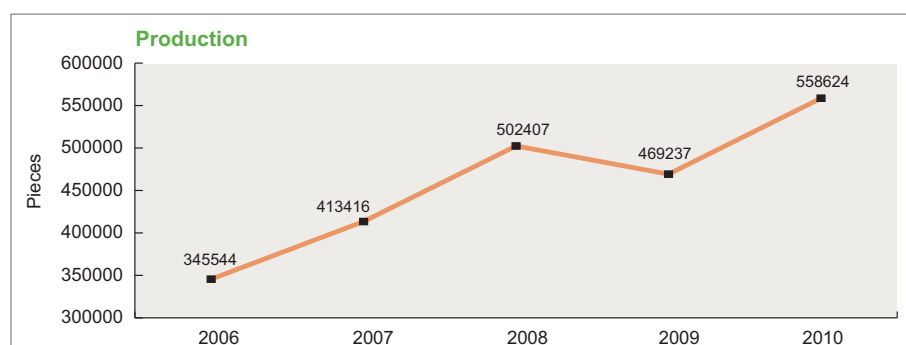
30%

Increase in Profit after Tax

Directors

Mr Shekhar Datta and Dr Claude Dumazeau retire by rotation in accordance with the Articles of Association of the Company at the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment.

Mr Shekhar Datta is a Mechanical Engineer (London) and Fellow of All India Management Association. He is presently a Director of Triveni Engineering & Industries Ltd and Wockhardt Ltd. He was the Chairman of Bombay Stock Exchange Ltd., and the past President of Confederation of Indian Industry (CII), Bombay Chamber of Commerce & Industry and Indo-Italian Chamber of



98 %

Capacity utilisation for shaped refractories

Kolkata Plant expansion to double its capacity will be completed in May 2011 to cater to increased domestic demands

Commerce & Industry. He was the Managing Director & President of Greaves Limited (formerly, Greaves Cotton & Co. Limited) and was Chairman of Morganite Crucibles Ltd. (formerly, Greaves Morganite Crucibles Ltd.), Mumbai. Mr Datta is well conversant with the engineering industry as well as the refractory and crucibles industry. He is a Director of the Company since January 31, 2003. He does not hold any shares in the Company. He is a member of the the Audit Committee and member of the Share Transfer and Investor Grievance Committee.

Dr Claude Dumazeau who holds a Ph.D. in Material Science from France, is the Vice President-Research & Development of the parent company with over 30 years experience in Vesuvius Group in areas of marketing, sourcing, patents and Research & Development. He is presently the head of Research & Development for Vesuvius Group worldwide and is based at Brussels, Belgium. He is also a Director of Vesuvius Group SA, Vesuvius France SA, Vesuvius Belgium N.V., Cookson France and Side Dams S.p.A. He is a Director of the Company since December 8, 1994. He does not hold any shares in the Company. He is not a Director of any other company in India nor is a member of any Committee in India.

The Group's Code of Conduct applicable to the Directors and employees of the Company has been adopted by the Board and all Directors and senior management of the Company have confirmed compliance with the Code of Conduct and the declaration in this regard made by the Managing Director is annexed to this Report. All Directors have confirmed compliance with provisions of section 274(1)(g) of the Companies Act, 1956.

Earning Per Share as on 31.12.2010

Rs 24.07

Closing Share Price as on 31.12.2010

Rs 332.50

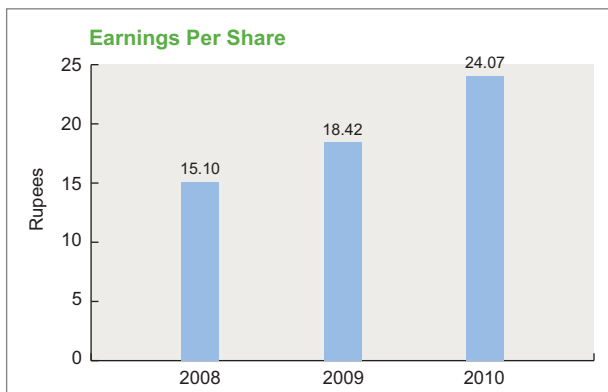
Listing and ISIN No

The shares of the Company are listed on the Bombay and National Stock Exchange.

The Company's shares are compulsorily traded in the dematerialized form. The ISIN number allotted is **INE 386A01015**. The details of shareholding pattern, distribution of shareholding and share prices are mentioned separately in the Corporate Governance Report.

Group Activities

The Vesuvius Group, which holds about 56 % of the share capital of the Company, is a world leader in



the design, engineering, manufacture and delivery of refractory products, systems and services for high-technology industrial applications. The Group has recently completed the process of defining its Group Strategy which is also being implemented in India. The business model is to create value for customers by improving their performance in safety, quality, productivity and the environment. The Group continues to focus on safety, technology, investing into growing markets, substantially reducing customer's CO₂ emissions and people development through knowledge transmission. The Group has a sincere commitment to and has been extremely supportive of their Indian operations and continues to provide constant support in terms of technology, systems, manufacturing etc.

Corporate Governance

The Company has already put in place the SEBI guidelines pertaining to Corporate Governance. The Board of Directors consist of 3 non-executive independent directors, 1 non-executive "not-independent" director, 3 non-executive non-resident directors representing the parent company and the Managing Director. Since Mr Biswadip Gupta was an executive of the Company in the immediately preceding three financial years, i.e. he was Managing Director upto April 17, 2007, he is treated as a "not independent" director. The non-resident Directors have waived their commission on profits for the year and have agreed not to receive sitting fees for attending the Board meetings from June, 2010. The Managing Director does not receive sitting fees for attending the meetings of the Board or any Committee thereof. The sitting fees paid to the directors are within the limits prescribed under the Companies Act, 1956. The Audit Committee was constituted on October 24, 2000 and the Investor Grievance Committee on February 12, 2001. The details of the composition and attendance of the Board and Committees thereof and remuneration paid to the Directors have been given separately in the Corporate Governance Report.

The Corporate Governance Certificate for the year ended December 31, 2010 issued by the Statutory Auditors and the Corporate Governance Report giving the details as required under clause 49 of the listing agreement with the stock exchanges is given separately and forms part of our Report to Shareholders.

Mr Tanmay Ganguly, Managing Director and Mr Sanjoy Dutta, Chief Financial Officer have given their certificate under clause 49(V) of the listing agreement with stock exchanges for compliance with the Code of Conduct of the Company regarding the annual accounts for the year ended on December 31, 2010.

54%

Increase in Exports

21%

Increase in Production of unshaped Refractory

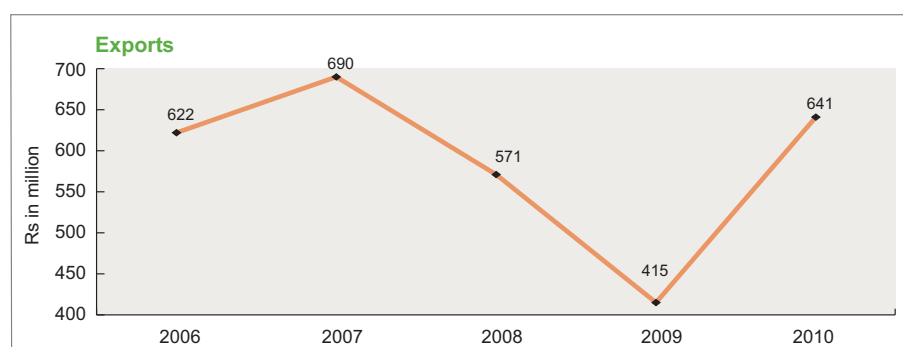
Investor Education and Protection Fund

In compliance with the provisions of section 205A of the Companies Act, 1956, a sum of Rs. 152,886/- being the dividend lying unclaimed out of the sixth dividend declared by the Company for the year ended on December 31, 2002 at the Annual General Meeting held on April 3, 2003 was transferred to the Investor Education and Protection Fund of the Central Government in May, 2010 after giving several notices and reminders to the concerned shareholders.

The dividend which remains unclaimed out of the 10th Anniversary Special Dividend declared by the Board of Directors on February 17, 2004 and the

Rs. 338.35

Highest share price
recorded during the
year 2010



There have been
sharp upward
movement in both
share prices and
volumes of the
Company's shares in
the stock market

seventh dividend declared by the Company for the year ended December 31, 2003 at the Annual General Meeting held on April 20, 2004 will be transferred to the Investor Education and Protection Fund of the Central Government in March, 2011 and May, 2011 respectively pursuant to the provisions of section 205A of the Companies Act, 1956. Thereafter no claim shall lie on these dividend from the shareholders. Individual notices have already been sent to the shareholders concerned on February 12, 2011.

Notices pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 have been sent to all members concerned on January 28, 2011 reminding them to encash their unclaimed dividend.

Auditors

M/s B S R & Co., Chartered Accountants, who were appointed Auditors of the Company at the Annual General Meeting held on June 3, 2010, hold office till the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

Fixed Deposits

The Company has not accepted any deposits from the public, and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 1975.

Net Worth exceeds

Rs 250 crores

Market Capitalisation crosses

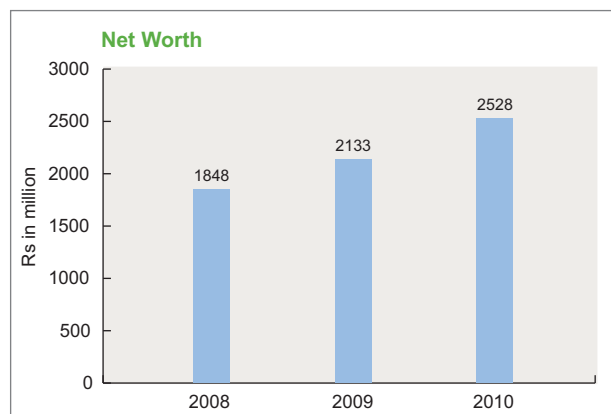
Rs 670 crores

Information pursuant to section 217 of the Companies Act, 1956

The prescribed particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under section 217(1)(e) and Particulars of Employees required under section 217(2A) of the Companies Act, 1956 read with the Rules made thereunder are given in the Annexure to this Report.

Directors' Responsibility Statement

The Board of Directors acknowledges the responsibility for ensuring compliance with the provisions of section 217(2AA) of the Companies Act, 1956 in the preparation of the annual accounts



for the year ended on December 31, 2010 and state that :

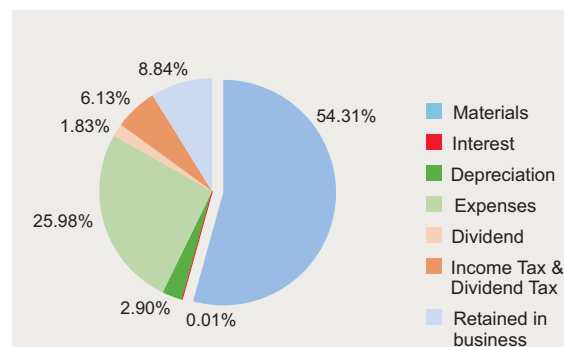
- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the Directors have prepared the annual accounts on a going concern basis.

Corporate Social Responsibility

The Company recognizes that its operations impact a wide community of stakeholders, including investors, employees, customers, business associates and local communities and that appropriate attention to the fulfillment of its corporate responsibilities can enhance overall performance. In structuring its approach to the various aspects of Corporate Social Responsibility, the Company takes account of guidelines and statements issued by stakeholder representatives and other regulatory bodies.

The Company continues to support local initiatives to improve infrastructure and increase business opportunities as well as support in other corporate social responsibility initiatives.

How the Rupee was spent



20%

CAGR (10 years) of Total Income

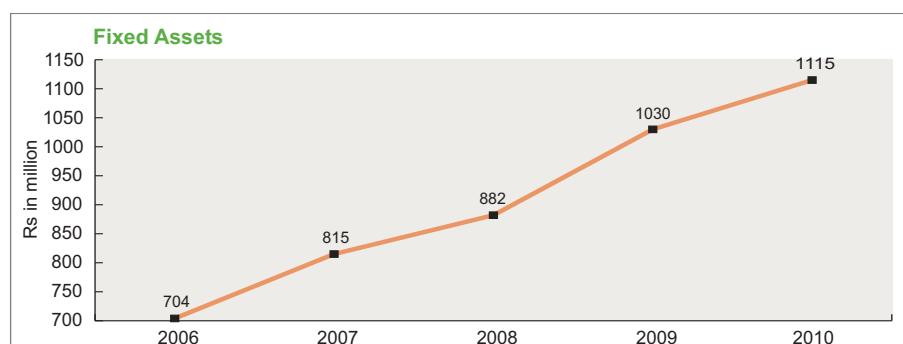
15%

CAGR (10 years) of Net Worth

Human Resources Management & Health, Safety and Environment

People are considered to be one of the most valuable resources by the Company. Expanding in technology, investing in capacity and developing presence at project sites will require people who will have to be trained in the specific expertise that makes Vesuvius different. The continuous leadership and technical training courses give employees the opportunity to improve their skills leading to consistent improvements in systems and practices while adhering to Vesuvius values.

Health and safety of all employees and our associates we work with remains our paramount importance. Much work has gone into making our operations



38 %

of net fixed assets
constitute additions
during the year and
Capital WIP

The Kolkata plant
expansion and
upgradations at
Visakhapatnam plants
require huge capital
expenditure

safer by implementation of standards for vehicle and machine safety, ergonomics initiatives, wearing protective equipments, regular safety audits etc. Also managing environment impact is a matter of priority and therefore we continuously care for the environment, responsibly dispose wastes and continue development of local co-operatives.

Risk assessment at all our manufacturing facilities, major steel customer sites and linings project sites continue to receive special focus.

Appreciation

Your Directors record their sincere appreciation of the dedication and commitment of all employees in achieving and sustaining excellence in all areas of the business. Your Directors thank the Shareholders, customers, suppliers and bankers and other stakeholders for their continuous support to the Company.

For and on behalf of the
Board of Directors

Dr Saibal Kanti Gupta
CHAIRMAN

Kolkata
February 25, 2011

Annexure to the Report of the Directors

FOR THE YEAR ENDED ON DECEMBER 31, 2010

PARTICULARS OF EMPLOYEES FORMING PART OF THE REPORT OF THE DIRECTORS PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

Name	Age	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualification	Experience (years)	Date of commencement of employment	Previous Employment & position held
Employed during the year and in receipt of remuneration aggregating Rs. 24,00,000/- per annum or more							
Thumma Antony	46	General Manager- Linings Operations	2,653,337	AMIIC, MBA	25	01.07.2000	Carborundum Universal Ltd Asst Manager - Production
Saibal Bandyopadhyay	41	General Manager - Flow Control Operations	2,709,175	M.Tech (Plastic & Rubber Technology)	15	12.12.1995	Nil
Tarun Kanti Basu ^{Note 4}	60	Chief Executive - Marketing & Business Development	5,508,850	BE (Metallurgy), MBA	37	02.11.1992	IVP Ltd, Sales Manager
Sudarshan Das	45	Chief Executive - Sales	4,227,092	BE (Metallurgy)	21	09.04.2007	Pyrotek Inc (Canada), Sales Manager (India & Other Asia)
Sanjoy Dutta	49	Chief Financial Officer	5,618,151	B. Com (Hons), ACA	24	24.06.1998	ICI India Ltd, Financial Controller
Tanmay Kumar Ganguly	47	Managing Director	10,334,158	B. Com (Hons), ACA	23	03.05.2006	Radhakrishna Foodland Pvt Ltd, Chief Operating Officer
Raman Krishnamoorthy	47	IT Project Manager	3,231,119	B. Com (Hons), AICWAI	22	04.05.2006	Bata India Limited, General Manager - Systems
U K Shashi Kumar	40	General Manager - Flow Control Sales	2,978,091	B.Tech (Metallurgy)	18	06.09.1994	Murugappa Morgan Thermal Ceramics Ltd, Sales Officer
Arunava Maitra	41	General Manager - HRD	2,602,290	B.Sc (Math), MBM	14	23.05.1998	Titagarh Paper Mills, Personnel Executive
Bikash Nandi	42	General Manager - Linings Sales	2,993,388	B.Tech (Ceramic)	20	01.07.2000	Carborundum Universal Ltd, Asst Manager
Subrata Roy	45	Chief Executive - Operations	4,506,287	BE (Mechanical)	23	06.09.1993	BHEL, Sr. Engineer
Taposh Roy	49	Company Secretary	3,217,780	B. Com (Hons), FCS, ACA, AMIMA	25	01.02.2001	BOC India Limited, Company Secretary

- Notes:**
1. Nature of Employment and duties: Contractual and in accordance with terms and conditions as per Company's rules.
 2. Remuneration received includes salary, allowances, leave encashed, Company's contribution to retiral funds etc. and monetary value of other perquisites computed on the basis of the Income Tax Act and Rules.
 3. No employee is a relative of any Director of the Company. Section 217(2A)(a)(iii) is not applicable to any employee.
 4. Employed Part of the year. Retired effective 26.9.2010 and his remuneration includes leave encashment.

For and on behalf of the Board of Directors


Dr Saibal Kanti Gupta
 CHAIRMAN

Kolkata
 February 25, 2011

Annexure to the Report of the Directors

FOR THE YEAR ENDED ON DECEMBER 31, 2010

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

A. Conservation of energy :

Given the continued upward rise in energy cost and expansion of capacities at all our manufacturing plants, energy management continued to be a focus area in operations throughout 2010. While the total energy cost for the Company rose as a whole due to rise in fuel (LPG, town gas) as well as electricity prices, efficient use of existing plant/equipment and use of the latest energy-efficient technologies for the expanded production facilities resulted in the specific energy consumption in all major areas of manufacturing remaining almost at the 2009 levels.

Total energy consumption and energy consumption per unit of production as per Form A of the captioned Rules are given below :-

FORM A (See rule 2)

Form for disclosure of particulars with respect to conservation of energy

	Year ended 31.12.2010	Year ended 31.12.2009
A. Power and fuel consumption*		
1. <i>Electricity</i>		
a) Purchased		
i) Unit (KWH)	7138896	5504418
ii) Total Amount (Rs.)	37305879	27314874
iii) Rate/Unit (Rs.)	5.23	4.96
b) Own generation		
i) Through Diesel Generator		
1) Unit (KWH)	163114	79755
2) Unit per litre of Diesel oil	2.46	2.04
3) Cost/unit (Rs. per litre of Diesel oil)	37.69	33.82
ii) Through steam turbine/generator	N.A.	N.A.
2. <i>Coal (specify quality and where used)</i>	N.A.	N.A.
3. <i>Furnace Oil</i>		
i) Quantity (litre)	57367	30950
ii) Total Amount (Rs.)	2186307	1096153
iii) Average Rate (Rs./litre)	38.11	35.42
4. <i>Others/internal generation</i>		
Gas & LPG		
i) Quantity (Therms)	1392754	835602
ii) Total cost (Rs.)	80007902	49947567
iii) Rate/unit	57.45	59.77

B. Consumption per unit of production #	Standards	Year ended	Year ended
<i>Product</i> : Refractories	(if any)	31.12.2010	31.12.2009
Electricity	–	14.84	14.91
Gas & LPG	–	4.12	2.38
Furnace Oil	–	1.82	1.13

* Represents total power & fuel consumption at the four factories of the Company

Represents average of the consumption per unit of production at each of the four factories of the Company

Annexure to the Report of the Directors (Contd.)

FOR THE YEAR ENDED ON DECEMBER 31, 2010

B. Technology absorption : Efforts made in technology absorption as per Form B of the captioned Rules are given below :-

FORM B (See rule 2)

Form for disclosure of particulars with respect to absorption

Research and Development : The Company does not have a Research and Development unit or any activity related to R&D in India. The Company does not incur any revenue or capital expenditure on R&D.

Technology absorption, adaptation and innovation :

1. Efforts in brief, made towards technology absorption, adaptation and innovation :

There has been a sustained transfer of new and relevant technologies from the Vesuvius Group into the Indian operations throughout the year, both in case of shaped and unshaped refractories.

The Liner Ladle Shroud technology, which was introduced in 2009, was commercialized with great success primarily based on customer value creation. In the Liner Monoblock Stopper technology, the Kolkata plant became the world's leading manufacturing base for such products for Vesuvius Group, exporting to European customers. Monoblock stoppers with calibrated pipes for controlled argon shielding of the casting channel, a technology new to India, was also introduced to our customers this year.

Based on water-modeling and steel flow simulations at our overseas laboratories, sub-entry nozzles with specially designed outlet ports, called semi-terrace ports, were manufactured at Kolkata for our customers. The aim of solving steel-flow and metallurgy-related problems at our customer's plants was achieved with great success and have since been commercialized. Carbon-free liner sub-entry nozzles were also manufactured at Kolkata. The technology of Tundish Gas Diffusers, though introduced earlier, has now found tremendous application success.

A large number of new products and formulations for the unshaped refractory business came from the Visakhapatnam New Product Development (NPD) Centre, [earlier called Centre of Excellence], aided by the Group's development laboratories in the USA & UK. A few significant examples being the abrasion resistant low cement gun grade monolithic mainly used in cement plants and CFBC boilers; abrasion resistant castable with resistance to accretion sticking specifically for DRI industry; special self flow castable with high abrasion resistance and low thermal conductivity for blow pipe in high capacity furnaces, etc. Apart from product development, the NPD Centre is also working on replacement of imported raw materials in recipes transferred from overseas laboratories with local raw materials.

Another success with product and technology development was manufacturing of critical precast shapes for coke oven dampers, specifically designed for a customer with much better performance than current products.

Apart from products, application technologies such as Pumpcast for installation in the troughs and runners, use of shutter vibration system for casting of thin section lining, etc., were introduced for the first time into the Indian market.

2. Benefits derived as a result of the above efforts :

There have been import substitution and consistent quality of our products which conform to accepted international standards. These technology have also assisted in indigenising the components and raw material inputs and increased productivity. Customers have benefited immensely by improved performance, lower shutdown time and savings on energy.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished :

Technology Imported	Year of Import	Has the technology been fully absorbed? If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action
Liner Ladle Shroud, Liner Monoblock Stopper and Liner Sub-entry Nozzle	2009	Yes, fully absorbed and products being manufactured
Sub-entry nozzle with carbon-free liner	2009	Yes, fully absorbed and products being manufactured
Surgun	2009	Yes, fully integrated into commercial scale operation
Stopper with calibrated pipe	2010	Yes, manufactured for European markets.
Semi-terrace port Sub-entry Nozzle	2010	Yes, fully absorbed and products being manufactured
Pumpcast application technology	2010	Yes, fully commercialized

C. Foreign Exchange Earnings and Outgo :

The Company does not take any initiatives to increase exports or develop new export markets as these exports are mostly initiated by associate companies. The Foreign Exchange earnings of the Company was Rs. 641 million and Foreign Exchange outgo was Rs. 1246 million (including dividend remittance).

Other disclosures required under the captioned rules are not applicable to the Company and hence are not commented upon.

**Annual Certificate under clause 49(I)(D)
of Listing Agreements with Stock Exchanges**

DECLARATION

As required under Clause 49(I)(D) of the Listing Agreements with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have complied with the Code of Conduct of the Company for the year ended December 31, 2010.

Place : Kolkata
Date : February 14, 2011

Tanmay Ganguly
Managing Director

Corporate Governance Report - 2010

I. *Our Company's philosophy on Code of Governance*

Our Company's philosophy is to add value to customers' businesses providing materials, equipment, processes and services that allow them to increase efficiency, quality and profitability of their operations while upholding the core values of transparency, integrity, honesty, accountability and compliance with laws. Our Company has complied with Group's Code of Conduct which serves as a guide to each employee on the standards and values, ethics and business principles which should govern their conduct and the Group's policy on internal control which require a review of all controls including financial, operational, compliance and risk management.

VESUVIUS MISSION STATEMENT

Vesuvius is a global provider of customized products, services and technologies that make demanding high temperature industrial applications possible.

Our mission is : -

- to develop innovative solutions that enable our customers to improve the performance of their manufacturing process
- to provide each employee a safe workplace where he or she is recognized, developed and properly rewarded
- to deliver our shareholders a return on their investment that allows the company to grow and prosper

II. *Board of Directors*

The eight member Board of Directors consist of a non-executive independent Chairman, two non-executive independent Directors, one non-executive "not independent" Director, three non-executive non-resident Directors representing the holding company and the Managing Director. Since Mr Biswadip Gupta was an executive of the Company in the immediately preceding three financial years, i.e. he was Managing Director upto April 17, 2007, he is treated as a "not independent" director (as specified in Clause 49(I)(A)(iii)(c) of the Listing Agreement with the Stock Exchanges). The details of the composition and attendance of the Board and Committees thereof and the shares of the Company held by them have been given separately in this Report.

Mr Shekhar Datta and Dr Claude Dumazeau will retire by rotation at the next Annual General Meeting and being eligible have offered themselves for reappointment as Directors. The personal information about directors being reappointed is already mentioned in the Directors' Report and in the Notice convening the Annual General Meeting and therefore is not separately mentioned in this Report.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49(I)(C) of the Listing Agreement with the Stock Exchanges) across all companies in India of which he is a Director. All Directors have certified that the disqualifications mentioned under section 274(1)(g) of the Companies Act, 1956 do not apply to them.

The non-executive Directors are entitled to sitting fees for every meeting of the Board or Committee thereof attended by them. They are also entitled to commission not exceeding 1% of the net profits of the Company. The non-resident Directors have waived their commission on profits for the year. The non-resident Directors have also decided to waive their sitting fees for all meetings attended by them from June, 2010 onwards. The remuneration received by the non-executive Directors during the year has been given separately in this Report. The Managing Director does not receive sitting fees for attending the meetings of the Board or any Committee thereof and details of his remuneration have been given in Schedule (14)(3) to the Annual Accounts.

Code of Conduct

The Code of Conduct laid down by Cookson Group plc, U.K, the ultimate holding company, is applicable to the Board of Directors and all employees of the Company. This Code of Conduct emphasizes the Company's commitment to compliance with the highest standards of legal and ethical behaviour. The Code of Conduct is posted on the website of ultimate holding company : www.cooksongroup.co.uk . All Directors and senior management have adhered to the Code of Conduct of the Company during the year and have signed declarations of compliance to the Code of Conduct. The declaration signed by Mr Tanmay Ganguly, Managing Director, is given separately in the Annual Report.

Directorships held by existing Directors and shares of Vesuvius India Ltd. held by them as on December 31, 2010 are given below :

Name of Director	Companies in India		Companies abroad	No. of Shares of Vesuvius India Ltd. held as on 31.12.2010
	No. of Directorships held	No. of Committees of which Member *	No. of Directorships held	
Dr Saibal Kanti Gupta <i>Chairman</i>	7	9	—	—
Mr Shekhar Datta	3	4	—	—
Dr Claude Dumazeau	1	—	5	—
Mr Tanmay Kumar Ganguly <i>Managing Director</i>	1	1	—	54,471
Mr Biswadip Gupta	10	2	—	78,749
Mr Yves M.C.M.G. Nokerman	1	1	33	—
Mr Sudipto Sarkar	7	4	—	—
Mr François Clement Wanecq	2	—	11	—

* Only Audit Committee and Share Transfer & Investor Grievance Committee considered as per Clause 49(I)(C) of Listing Agreement with Stock Exchanges.

Audit Committee

The Audit Committee was constituted on October 24, 2000. The Audit Committee consists of five non-executive Directors of which three are independent Directors.

The three independent Directors and members of Audit Committee during the year were Dr S K Gupta, Mr Shekhar Datta and Mr Sudipto Sarkar. The other members of the Audit Committee are Mr Biswadip Gupta and Mr Yves Nokerman.

Dr S K Gupta, Chairman of the Board of Directors and an Independent non-executive Director, is the Chairman of the Audit Committee. The Managing Director and Chief Financial Officer are permanent invitees in all meetings. The Company Secretary is the Secretary of the Committee. All Directors are financially literate and Dr S K Gupta, Mr Shekhar Datta, Mr Biswadip Gupta and Mr Yves Nokerman have accounting or related financial management expertise. The Statutory Auditors and Internal Auditors are invited to the meetings to discuss with the Directors the scope of audit, their comments and recommendation on the accounts, records, risks, internal procedures and internal controls of the Company and to discuss the Internal Audit Reports. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

The terms of reference of the Audit Committee cover all the areas mentioned under Clause 49(II) of the Listing Agreement with the Stock Exchanges and section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The broad terms of reference of the Audit Committee are to review financial reporting process and all financial results, statements and disclosures and recommend the same to the Board, review the internal audit reports and internal control systems and procedures and discuss the same with the internal auditors, to meet the statutory auditors and discuss their findings, the scope of audit, post audit discussion, adequacy of internal audit functions, audit qualifications, if any, appointment/removal of auditors, changes in accounting policies, reviewing related party transactions, reviewing with the management the performance of the statutory and internal auditors and their remuneration, compliance with listing agreements and other legal requirements and the Company's financial and risk management policies, disaster recovery policies and compliance with statutory requirements.

M/s Deloitte Haskins & Sells, Chartered Accountants, are the Internal Auditors of the Company. They conduct internal audit on a pan

Corporate Governance Report - 2010 (Contd.)

India basis and report directly to the Audit Committee of the Board.

Share Transfer and Investor Grievance Committee

The Share Transfer Committee was constituted on January 1, 1993 and renamed The Share Transfer and Investor Grievance Committee on February 12, 2001 to specifically look into the redressal of investors' complaints. A non-executive member director Chairs the meetings of the Committee. Four non-executive Directors, namely, Dr S K Gupta, Mr Shekhar Datta, Mr Biswadip

Gupta and Mr Sudipto Sarkar and the Managing Director, Mr Tanmay Ganguly, are members of this Committee. Mr Taposh Roy, Company Secretary, is the Secretary of this Committee and the Compliance Officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Remuneration Committee

The Company does not have a Remuneration Committee. The remuneration of the Managing Director and those of the non-executive Directors are decided by the Board of Directors.

III. Meetings and Attendance of Directors

Attendance and Remuneration of Directors at the meetings of the Board or Committee thereof during the year ended December 31, 2010 :

Name of Director	Attendance By Directors				Remuneration to Directors	
	Board Meetings	Audit Committee	Share Transfer & Investor Grievance Committee	Last AGM held on June 3, 2010	Directors sitting fees	Commission to Non-executive Directors
Total number of Meetings held during the year:	5	4	2	1	Rs.	Rs.
Chairman : Dr Saibal Kanti Gupta #@*	5	4	1	1	145,000	525,000
Managing Director : Mr Tanmay Kumar Ganguly @ Note 1	5	4	2	1	Nil	Nil
Non-executive non-resident Directors : Dr Claude Dumazeau	Nil	N.A.	N.A.	Nil	Nil	Nil
Mr Yves M.C.M.G. Nokerman #	2	1	N.A.	1	30,000	Nil
Mr Francois Clement Wanecq	1	N.A.	N.A.	1	Nil	Nil
Other non-executive Directors : Mr Shekhar Datta #@*	3	3	2	Nil	100,000	325,000
Mr Biswadip Gupta #@	4	3	2	1	120,000	350,000
Mr Sudipto Sarkar #@*	5	4	2	1	150,000	375,000

Member of Audit Committee @ Member of Share Transfer and Investor Grievance Committee * Independent Director

NOTE :

- Mr Tanmay Kumar Ganguly, Managing Director, does not receive any sitting fees for attending meeting of Board of Directors or any Committee thereof. Details of his remuneration as Managing Director have been given in Schedule (14)(3) to the Annual Accounts. His Contract for appointment is for a period of 5 years from April 18, 2007. His notice period is six months or such shorter notice as the Board of Directors may agree. There is no separate provision for payment of severance fees in the Contract. The Company does not have any Stock Option Scheme. Mr Ganguly is not a member of the Audit Committee but he attends all their meetings.
- The non-resident Directors have waived their commission for the year ended December 31, 2010. The non-resident Directors have waived their sitting fees for meetings attended by them from June, 2010 onwards.
- "NA" means that the Director is not a member of the respective Committee.
- Five Board meetings were held during the year on 23.02.2010, 30.04.2010, 3.06.2010, 28.07.2010 and 3.11.2010.
- Four Audit Committee meetings were held during the year on 23.02.2010, 30.04.2010, 28.07.2010 and 3.11.2010.
- Share Transfer & Investor Grievance Committee meetings were held on 30.04.2010 and 31.12.2010. The last Annual General Meeting was held on 3.06.2010.

IV. GENERAL SHAREHOLDER INFORMATION

A. Date, time & venue of the Annual General Meeting :

The 20th Annual General Meeting of the Company will be held on Tuesday, April 19, 2011 at 10.30 a.m. at G D Birla Sabhaghar, 29, Ashutosh Chowdhury Avenue, Kolkata 700019.

The previous three Annual General Meetings were held on 29.04.2008 at 4.00 p.m., on 28.04.2009 at 10.30 a.m. and on 3.06.2010 at 10.30 a.m. at G D Birla Sabhaghar, 29, Ashutosh Chowdhury Avenue, Kolkata 700019. No resolution was required to be put through postal ballot last year. No special resolutions were passed at the previous three Annual General Meetings.

At the ensuing 20th Annual General Meeting to be held on April 19, 2011 no resolution is proposed to be passed by postal ballot.

B. Book Closure Period :

The Book Closure period is April 12, 2011 to April 19, 2011 (both days inclusive).

C. Financial Calendar for year 2011 :

Financial Year	:	The next Financial year of the Company will end on December 31, 2011
Board meetings to be held in year 2011	:	On 25.02.2011; 19.04.2011*; July 2011* and October 2011*
Annual General Meeting	:	AGM will be held on 19.04.2011. AGM is normally held in April of each year
Publication of Quarterly Results	:	26.02.2011 (Audited Annual results); 20.04.2011*; July 2011* and October 2011*
Approval of Annual Results for year ending 31.12.2011 and publication in newspapers	:	February 2012*
Notice to shareholders regarding unclaimed dividend	:	January of each year and two months before transfer to Investors Education & Protection Fund to all concerned shareholders
Despatch of Annual Accounts	:	March* of each year
Book Closure dates for payment of dividend	:	In April* each year ending with the date of the Annual General Meeting

* tentative

D. Dividend payment :

Dividend at the rate of Rs. 4/- per share of face value Rs. 10/- each i.e 40%, has been recommended by the Board of Directors for the year ended December 31, 2010 subject to the approval from the Shareholders at the ensuing Annual General Meeting. If dividend is declared at the Annual General Meeting, the dividend will be deposited with the Bank within April 23, 2011 and dividend warrants will be despatched on or after April 28, 2011.

E. Listing on Stock Exchanges :

Annual Listing Fees have been paid and all requirements, including submission of quarterly reports and certificates, of the stock exchanges, where the shares of the Company are listed, were complied with. The shares of the Company are listed with the following stock exchanges :

- Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai 400 001 (Stock Code : 520113)
- National Stock Exchange of India Limited
Exchange Plaza, 5th floor
Plot No. C/1, G Block,
Bandra-Kurla Complex
Bandra (E),
Mumbai 400 051 (Stock Code : VESUVIUS)

Delisting from Calcutta Stock Exchange :

The Company is delisted from the official list of The Calcutta Stock Exchange Limited from December 2009.

For Dematerialisation of Equity Shares of the Company of face value Rs 10/- each, the ISIN No. allotted to the Company is **INE 386A01015**.

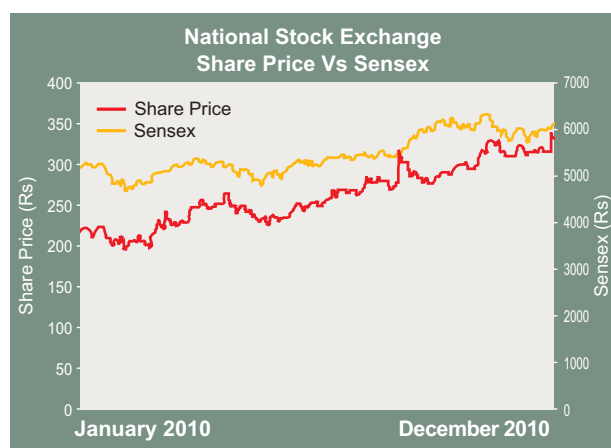
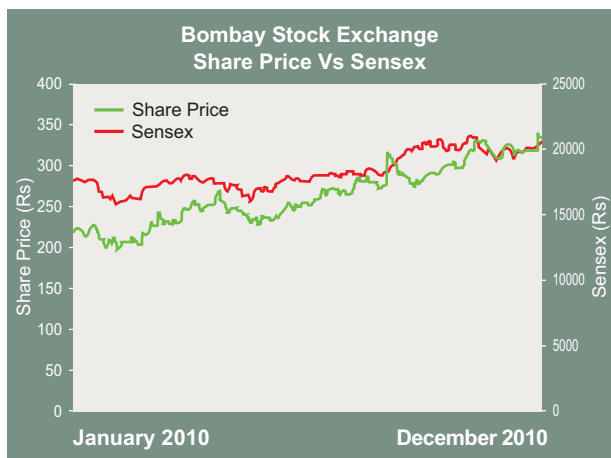
F. Market Price (NSE) and Volume (NSE+BSE) during the period January 1, 2010 to December 31, 2010 :

Month	High Rs.	Low Rs.	NSE+BSE Volume*
January	226.65	201.50	1,163,676
February	213.75	198.00	1,188,325
March	243.40	212.55	2,170,647
April	265.65	245.20	460,478
May	257.60	230.05	140,323
June	254.25	228.10	232,295
July	270.20	250.20	296,846
August	285.35	263.90	257,373
September	310.65	218.30	1,711,488
October	303.10	283.50	255,549
November	329.75	299.20	500,090
December	338.35	311.30	257,752

* Total number of shares transacted on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)

Corporate Governance Report 2010 (Contd.)

A Graph showing comparison of Share Prices Vs Sensex is given below :



G. Registrars & Share Transfer Agents :

The share management work, both physical and demat, is being handled by the Registrars and Share Transfer Agents of the Company whose name and address is given below :

CB Management Services (P) Limited

P-22 Bondel Road, Kolkata 700 019

Phone : (033) 40116700; 40116718; 40116720; 40116725 and 40116729

Fax : (033) 2287 0263 Email : rta@cbmsl.com web site : www.cbmsl.com

Contact persons : Shankar Ghosh and Chandrasekhar Deb

H. Shareholder Information :

a) Share Transfer System :

Share Transfer requests valid and complete in all respects are normally processed within 15 days. Power has been delegated to the Company Secretary and the Registrars & Share Transfer Agents for expediting share transfers. Valid requests for demat of shares are completed within 10 days. The Company's shares are compulsorily traded in the dematerialized form. The ISIN No. allotted to the Company is **INE 386A01015**.

b) Pledge of shares

No pledge has been created over the Equity Shares held by the Promoters as on December 31, 2010.

c) Details of share transfers during the year :

No. of valid share transfer applications received	66
No. of share transfer applications processed & registered	66
No. of shares transferred	5713
No. of pending share transfers as on 31.12.2010	Nil
No. of shares dematted to NSDL	17,521
No. of shares dematted to CDSL	7,817
No. of shares rematted	100
No. of complaints remaining unresolved as on 01.01.2010	Nil
No. of complaints received during the year	15
No. of complaints resolved during the year	15
No. of complaints unresolved as on 31.12.2010	Nil

d) Address for communication :

All communication regarding share transactions, change of address, bank mandates, nominations etc. should be addressed to the Registrars and Share Transfer Agents of the Company at the following address :

CB Management Services (P) Limited

Unit : Vesuvius India Limited

P-22 Bondel Road, Kolkata 700 019

Phone : (033) 40116700; 40116718;

40116720; 40116725 and 40116729

Fax : (033) 2287 0263 Email : rta@cbmsl.com

web site : www.cbmsl.com

Complaints, if any, may also be addressed to the Company Secretary at the Registered Office at P-104 Taratolla Road, Kolkata 700 088 or sent by email at **Taposh.Roy@vesuvius.com**. Mr Taposh Roy, Company Secretary, is the designated Compliance Officer.

Shareholders are encouraged to correspond with the Registrars & Share Transfer Agents and the Company via email to speed up response, reduce paperwork and also to help us redress complaints faster. **Shareholders are requested to mention their folio nos., DP-ID and Client ID in case of demat shares, phone and mobile nos. and their Email ID** so that we can contact them and redress their complaints immediately. However, for instructions like change of bank mandate, change of address, transfers & transmission

of shares etc. letters duly signed by the shareholder(s) concerned should be sent otherwise such requests cannot be processed by the Registrars.

e) Transfers during the year to the Investor Education and Protection Fund under section 205A of the Companies Act, 1956 :

During the year the balance lying unclaimed in the Dividend Account amounting to Rs. 152,886/-, relating to the sixth dividend declared by the Company in April 3, 2003 for the year ended December 31, 2002, was transferred on May 5, 2010 to the Investor Education and Protection Fund of the Central Government after giving final reminder notices on February 12, 2010 to concerned shareholders.

Individual notices have been sent on February 12, 2011 to concerned shareholders whose 10th Anniversary Special Dividend and dividend for the year ended December 31, 2003 remains unclaimed. These unclaimed dividends will be transferred to the Investor Education and Protection Fund of the Central Government in March, 2011 and May, 2011 respectively.

f) Unclaimed Dividend :

Notices pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 regarding dividend lying unclaimed, have been sent to all members concerned on January 28, 2011.

g) ECS/NECS facility

The Company uses National Electronic Clearing Service (NECS) which has replaced "Electronic Clearing Service" (ECS) for remitting dividend to shareholders wherever available. The advantages of NECS over ECS include faster credit of remittance to the beneficiary's account, coverage of more bank branches and ease of operations. NECS operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS). Members are requested to provide their new account number allotted to them by their respective banks after implementation of CBS to the Company in case shares are held physically and to the Depository Participants

in respect of shares held by them in dematerialised form.

h) Unclaimed Shares

SEBI by circular no CIR/CFD/DIL/10/2010 dated December 16, 2010 has amended Clause 5A of the Listing Agreement to provide that shares held physically which may have remained unclaimed by shareholders due to insufficient/incorrect information or for any other reason should be transferred in demat mode to one folio in the name of "Unclaimed Suspense Account" with one of the Depository Participants. The Company has taken steps to issue notices to the concerned shareholders before transferring the unclaimed shares to the Unclaimed Suspense Account.

I. Means of Communication :

Quarterly results were published in The Economic Times and the Bengali version thereof in Sanbad Pratidin the day after the Board Meeting where the results are approved. These financial results and shareholding pattern are electronically transmitted to the stock exchanges.

The Company does not have a website of its own. The Vesuvius Group website www.vesuvius.com gives information about the Vesuvius Group worldwide.

In compliance with Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 the Company sends intimation to all members concerned in January of each year by ordinary post that their dividend for past years have remained unclaimed. Reminder letters are also given to concerned shareholders two months before the due date of transfer of unclaimed dividend to the Investor Education and Protection Fund of the Central Government. Annual Accounts are despatched to members at least 25 days before the date of Annual General Meeting. The quarterly results are not sent to each household of the shareholders.

J. Distribution of shareholding as on December 31, 2010:

Shares held	Number of Shareholders	%	Number of Shares held	%
1 - 500	11,815	94.04	1,298,786	6.40
501 - 1000	354	2.82	283,310	1.40
1001 - 5000	312	2.48	685,364	3.38
5001 - 10000	40	0.32	297,675	1.46
10001 and above	43	0.34	17,730,945	87.36
Total	12,564	100.00	20,296,080	100.00

Corporate Governance Report 2010 (Contd.)

Shares held	Number of Shareholders	%	Number of Shares held	%
In Physical mode	3,674	29.24	11,802,503	58.15
Demat with NSDL	6,873	54.71	7,979,656	39.32
Demat with CDSL	2,017	16.05	513,921	2.53
Total	12,564	100.00	20,296,080	100.00

Dematerialisation of shares : ISIN No. INE 386A01015

K. Shareholding pattern as on December 31, 2010 :

Particulars	Number of Shares held	%
Vesuvius Group Limited, U.K.	11,277,650	55.57
Foreign Institutional Investors	2,018,882	9.94
Non Resident Indians	186,819	0.92
Indian Financial Institutions	220,816	1.09
Nationalised Banks & Mutual Funds	2,341,408	11.54
Other Bodies Corporate	574,581	2.83
Individuals & Others	3,666,988	18.07
Clearing member with NSDL	8,936	0.04
Total	20,296,080	100.00

L. Top 10 Shareholders by Folio/Demat A/c as on December 31, 2010 :

Particulars	Number of Shares held	%
Vesuvius Group Limited, U.K.	11,277,650	55.57
HDFC Trustee Company Ltd – Mid Cap Opportunities Fund	1,011,500	4.98
ACACIA Partners, LP	1,005,000	4.95
HDFC Trustee Company Ltd – HDFC Long Term Equity Fund	774,950	3.82
ACACIA Institutional Partners, LP	673,350	3.32
UTI Master Value Fund	491,658	2.42
Bhavook Tripathi	441,666	2.18
ACACIA Conservative Fund, LP	240,745	1.19
Life Insurance Corporation of India	220,616	1.09
Urjita J Master	110,000	0.54
Total	16,247,135	80.06

M. Disclosures :

- Details of transactions with any of the related parties as specified in Accounting Standard 18 have been reported in the Notes to the Accounts. There is no transaction of a material nature with any of the related party, which was in conflict with the interests of the Company.
- There was no non-compliance, penalties or strictures imposed on the Company by any stock exchanges, SEBI, or any other statutory authority on any matters relating to capital market during the last three years. The Company has been voluntarily delisted from the Calcutta Stock Exchange.
- The Management Discussion and Analysis Report forms a part of the Directors' Report.
- The Company follows the Whistle Blower policy of Cookson Group plc, U.K., the ultimate holding company and no personnel has been denied access to the Audit Committee.
- No presentations were made to institutional investors and analysts during the year.
- The Company does not have any subsidiary.
- There have been no public issues, rights issues or other public offerings during the past five years. The Company has not issued any GDRs/ADRs or any convertible instruments.
- Plant locations of the Company are given separately in the Annual Accounts of the Company.

Five Years at a Glance

(Amount in Rupees thousands)

	For the years ended on				
	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
PROFIT & LOSS ACCOUNT					
Sales	4,401,158	3,614,942	3,525,508	3,194,297	2,713,324
Other Income	53,255	28,042	32,588	36,786	45,112
Total Income	4,454,413	3,642,984	3,558,096	3,231,083	2,758,436
Expenditure	3,717,316	3,083,437	3,081,126	2,728,790	2,336,376
PBIDT	877,331	686,470	579,363	604,253	501,560
Depreciation	129,113	126,697	86,643	82,870	66,452
Interest	204	226	15,750	19,090	13,048
PBT	748,014	559,547	476,970	502,293	422,060
PAT	488,504	373,782	306,424	320,777	211,868
BALANCE SHEET					
Assets Employed					
Fixed Assets	1,115,423	1,030,246	882,397	814,784	703,503
Working Capital:					
Current Assets	3,734,945	1,925,259	1,724,800	1,580,607	1,387,795
Less : Current Liabilities	2,263,729	774,727	706,748	736,285	604,518
Working Capital Employed	1,471,216	1,150,532	1,018,052	844,322	783,277
Miscellaneous expenditure to the extent not written off	—	—	—	409	2,863
Total Assets Employed	2,586,639	2,180,778	1,900,449	1,659,515	1,489,643
Financed By :					
Own Funds :					
Share Capital	202,961	202,961	202,961	202,961	202,961
Reserves & Surplus	2,325,717	1,930,045	1,645,308	1,386,375	1,168,445
Total of Own Funds	2,528,678	2,133,006	1,848,269	1,589,336	1,371,406
Loan Funds & Deferred Tax					
Borrowings	—	—	—	—	42,112
Deferred Taxation	57,961	47,772	52,180	70,179	76,125
Total Funds Employed	2,586,639	2,180,778	1,900,449	1,659,515	1,489,643
OTHER INFORMATION					
Dividend (Rs.'000)	81,184	76,110	40,592	76,110	71,036
Rate of Dividend	40.00%	37.50%	20%	37.50%	35%
No. of Shareholders	12,564	13,752	13,823	12,992	13,732
No. of Employees	387	369	372	327	308
Earnings per share (EPS) (Rs.)	24.07	18.42	15.10	15.80	10.44
Return on Capital Employed (ROCE) (%)	18.89	17.15	16.95	20.48	15.13
Economic Value Added (EVA) (Rs. million)	375.45	260.73	231.10	179.46	137.68

Auditors' Certificate

REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of Vesuvius India Limited

We have examined the compliance of conditions of Corporate Governance by Vesuvius India Limited ('the Company') for the year ended on 31 December 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner

Membership No. 091765

Place : Kolkata
Date : 25 February 2011

Auditors' Report

TO THE MEMBERS OF VESUVIUS INDIA LIMITED

1. We have audited the attached Balance Sheet of Vesuvius India Limited ('the Company') as at 31 December 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from directors as on 31 December 2010, and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31 December 2010 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 December 2010;
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner

Place : Kolkata
Date : 25 February 2011

Membership No.: 091765

Annexure to the Auditors' Report

(REFERRED TO IN OUR REPORT OF EVEN DATE)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on verification carried out during the year.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for purchases of certain items of inventories and fixed assets that are for the Company's specialised requirements and similarly for sale of certain goods for specialised requirements of buyers for which suitable sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act 1956 for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with appropriate authorities.

There were no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid Section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, 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, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2010, for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Customs duty, Wealth tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.

According to the information and explanations given to us, dues of Income tax, Sales tax, Service tax, Excise duty which have not been deposited on account of any dispute are listed below:

Name of the statute	Nature of the dues	Amount (Rs. '000)	Period to which dispute relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowances arising in income tax proceedings (Net of deposit of Rs. 905,819 thousands)	63,306	Assessment years 1997-98 to 2008-09	High Court at Calcutta, Commissioner of Income Tax (Appeals)
Central Excise Act, 1944	Disallowance of Cenvat Credit	6,277	2001, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010 (Upto Jan 2010)	Commissioner (Appeals), Deputy Commissioner
Central Excise Act, 1944	For non payment of Excise Duty on Service Charges and Machine hire charges	14,148	2000	Central Excise and Service Tax Appellate Tribunal, Commissioner Service tax
Central Excise Act, 1944	Penalty for delayed payment of differential excise duty for supply of goods under Advance Intermediate licence.	1,949	June 1999 to April 2000	Central Excise and Service Tax Appellate Tribunal
The Finance Act, 1994 (Service Tax)	Disallowance of Service tax on intellectual property services	26,610	July 2006 to December 2007, February 2009 to August 2009, September 2009 to August 2010	Commissioner (Appeals), Central Excise and Service Tax Appellate Tribunal
The Finance Act, 1994 (Service Tax)	Cenvat Credit availed against Service tax paid on Goods Transport Agency	2,311	January 2006 to March 2007	Commissioner (Appeals)
The Finance Act, 1994 (Service Tax)	Service tax with penalty on tax deducted at source part of royalty	1,559	2008 - 09	Commissioner (Appeals)
Central Sales Tax Act	Due to non-submission of declaration form. (Net of deposit of Rs. 16,041 thousands)	39,059	2006-07, 2007-08, 2008-2009, 2009-10	Commissioner (Appeals), Revisional Board, Sales Tax Appellate Tribunal
West Bengal Value Added Tax Act, 2003	Disallowance of Input credit	4,104	2005-06, 2006-07, 2007-08	Commissioner (Appeals)
Karnataka Value Added Tax Act, 2003	Classification of Monolithics (Net of deposit of Rs. 9,950 thousands)	9,950	2005 to 2007	Karnataka Sales Tax Appellate Tribunal

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year 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 repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis and repaid during the year have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner

Place : Kolkata
Date : 25 February 2011

Membership No.: 091765

Balance Sheet

AS AT DECEMBER 31, 2010

(Amount in Rupees thousands)

	Schedule No.	As at December 31, 2010		As at December 31, 2009	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	202,961		202,961	
Reserves & Surplus	2	<u>2,325,717</u>	<u>2,528,678</u>	<u>1,930,045</u>	2,133,006
Deferred Tax Liability (Note 11 in Schedule 14)			57,961		47,772
TOTAL			<u>2,586,639</u>		<u>2,180,778</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	3	1,814,882		1,609,773	
Less : Depreciation		<u>895,126</u>		<u>786,600</u>	
Net Block		919,756		823,173	
Capital Work-in-Progress		<u>195,667</u>	<u>1,115,423</u>	<u>207,073</u>	1,030,246
Current Assets, Loans & Advances					
Inventories	4	379,184		293,061	
Sundry Debtors	5	1,155,165		977,913	
Cash and Bank Balances	6	561,086		547,190	
Loans and Advances	7	1,638,505		107,095	
Other Current Assets	8	1,005		—	
		<u>3,734,945</u>		<u>1,925,259</u>	
Less : Current Liabilities & Provisions					
Current Liabilities	9	677,448		625,476	
Provisions	10	1,586,281		149,251	
		<u>2,263,729</u>		<u>774,727</u>	
Net Current Assets			1,471,216		1,150,532
TOTAL			<u>2,586,639</u>		<u>2,180,778</u>

Significant Accounting Policies and Notes on Accounts

14

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

As per our report attached of even date

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner
Membership No.: 091765

Place : Kolkata
Date : February 25, 2011

Tanmay Ganguly
MANAGING DIRECTOR

Taposh Roy
COMPANY SECRETARY

Place : Kolkata
Date : February 25, 2011

Dr Saibal Kanti Gupta
CHAIRMAN

Sanjoy Dutta
CHIEF FINANCIAL OFFICER

Profit & Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2010

(Amount in Rupees thousands)

	Schedule No.	For the year ended December 31, 2010	For the year ended December 31, 2009
INCOME			
Sale of Goods (Gross)		4,535,755	3,644,923
Less: Excise Duty		332,544	222,127
Net Sales		4,203,211	3,422,796
Sale of Services		197,947	192,146
Other Income	11	53,255	28,042
		<u>4,454,413</u>	<u>3,642,984</u>
EXPENDITURE			
Materials	12	2,419,680	1,983,219
Expenses	13	1,168,319	973,295
Depreciation	3	129,113	126,697
Interest		204	226
		<u>3,717,316</u>	<u>3,083,437</u>
PROFIT BEFORE TAX & EXCEPTIONAL ITEM		737,097	559,547
Exceptional Item (Refer Note 16 on Schedule 14)		10,917	—
PROFIT BEFORE TAX		<u>748,014</u>	<u>559,547</u>
Provision for Taxation			
– Current Tax		249,321	189,035
– Deferred Tax Charge/(Release) (Refer Note 11 on Schedule 14)		10,189	(4,408)
– Fringe Benefit Tax (Refer Note 4 on Schedule 14)		—	1,138
		<u>259,510</u>	<u>185,765</u>
PROFIT AFTER TAX		488,504	373,782
Balance brought forward		1,522,596	1,275,237
Available for appropriation		2,011,100	1,649,019
Transfer to General Reserve		48,850	37,378
Proposed Dividend		81,184	76,110
Taxes on Dividend		13,484	12,935
BALANCE CARRIED FORWARD TO BALANCE SHEET		<u>1,867,582</u>	<u>1,522,596</u>
Basic & Diluted Earnings per Share (Note 12 on Schedule 14)		24.07	18.42

Significant Accounting Policies and Notes on Accounts 14

The Schedules referred to above form an integral part of the Profit & Loss Account.
As per our report attached of even date

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner
Membership No.: 091765

Place : Kolkata
Date : February 25, 2011

Tanmay Ganguly
MANAGING DIRECTOR

Taposh Roy
COMPANY SECRETARY

Place : Kolkata
Date : February 25, 2011

Dr Saibal Kanti Gupta
CHAIRMAN

Sanjoy Dutta
CHIEF FINANCIAL OFFICER

Schedules to the Accounts

(Amount in Rupees thousands)

	As at December 31, 2010	As at December 31, 2009
1. SHARE CAPITAL		
Authorised		
25,000,000 (Previous Year 25,000,000)		
Equity Shares of Rs. 10/- each	<u>250,000</u>	<u>250,000</u>
Issued		
20,300,000 (Previous Year 20,300,000)		
Equity Shares of Rs. 10/- each	<u>203,000</u>	<u>203,000</u>
Of the above :		
3,920 (Previous Year 3,920)		
Equity Shares are held in abeyance.		
Subscribed and Paid up		
20,296,080 (Previous Year 20,296,080)		
Equity Shares of Rs. 10/- each	<u>202,961</u>	<u>202,961</u>
Of the above :		
11,277,650 (Previous Year 11,277,650)		
Equity Shares are held by the Vesuvius Group Limited, U.K., the holding company, which is a subsidiary of Cookson Group plc, the ultimate holding company.		
2. RESERVES & SURPLUS		
Capital Reserve*	1,836	—
Securities Premium	169,514	169,514
General Reserve		
At the commencement of the year	237,935	200,557
Add: Transfer from Profit & Loss Account	<u>48,850</u>	<u>37,378</u>
	286,785	237,935
Profit & Loss Account	<u>1,867,582</u>	<u>1,522,596</u>
	<u>2,325,717</u>	<u>1,930,045</u>

* Represents Grants received during the year against reimbursement of stamp duty and cost of freehold land at Visakhapatnam.

3. FIXED ASSETS

(Amount in Rupees thousands)

Nature of Assets	GROSS BLOCK				Cost as at 31.12.2010	DEPRECIATION				NET BLOCK		
	Cost as at 01.01.2010	Adjustments	Additions	Withdrawals		As at 01.01.2010	Adjustments	For the year	Withdrawals	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
TANGIBLE												
Freehold Land	27,434	—	—	—	27,434	—	—	—	—	—	27,434	27,434
Leasehold Land	63,957	—	—	—	63,957	25,289	—	3,267	—	28,556	35,401	38,668
Buildings (Refer Note below)	314,547	—	63,436	—	377,983	64,073	—	11,461	—	75,534	302,449	250,474
Plant & Machinery	906,359	—	111,560	24,145	993,774	502,698	—	78,129	17,009	563,818	429,956	403,661
Toolings	158,566	—	34,791	—	193,357	120,548	—	26,799	—	147,347	46,010	38,018
Electrical Installations	34,965	—	13,497	117	48,345	13,880	—	2,082	81	15,881	32,464	21,085
Furniture & Fittings	21,199	—	1,470	—	22,669	7,257	—	1,324	—	8,581	14,088	13,942
Office Equipments including Computers	71,689	—	9,244	2,746	78,187	45,674	—	5,141	2,599	48,216	29,971	26,015
Motor Vehicles	3,986	—	—	2,306	1,680	1,351	—	243	898	696	984	2,635
Sub Total - A	1,602,702	—	233,998	29,314	1,807,386	780,770	—	128,446	20,587	888,629	918,757	821,932
INTANGIBLE												
Computer Software	7,071	—	425	—	7,496	5,830	—	667	—	6,497	999	1,241
Sub Total - B	7,071	—	425	—	7,496	5,830	—	667	—	6,497	999	1,241
Total (A+B)	1,609,773	—	234,423	29,314	1,814,882	786,600	—	129,113	20,587	895,126	919,756	823,173
Previous Year	1,347,652	140,561	124,231	2,671	1,609,773	568,389	92,644	126,697	1,130	786,600	823,173	—
Capital Work in Progress [Including capital goods in transit of Rs. 81 (Previous Year Rs. NIL)]												
											195,667	207,073
											1,115,423	1,030,246

Note:

Building includes **Rs. 268,665** (Previous Year Rs. 205,229) and **Rs. 19,795** (Previous Year Rs. 19,795) situated at leasehold lands at Kolkata and Mehsana respectively.

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

	As at December 31, 2010	As at December 31, 2009
4. INVENTORIES		
(Valued at lower of Cost and Net Realisable Value)		
Raw Materials [including in transit Rs. 17,346 (Previous Year Rs. 20,435)]	187,820	146,860
Work-in-Progress	67,301	57,769
Finished Goods [including in transit Rs. 15,167 (Previous Year Rs. 4,835)]	100,776	61,746
Stores and Spare Parts	23,287	26,686
	379,184	293,061
5. SUNDRY DEBTORS		
Unsecured:		
Debts outstanding for more than six months		
Considered good	80,140	55,649
Considered doubtful	16,118	17,863
	96,258	73,512
Less: Provision for doubtful debts	16,118	17,863
	80,140	55,649
Other Debts - Considered good [including retention debts Rs. 24,672 (Previous Year Rs. 16,381)]	1,075,025	922,264
	1,155,165	977,913
Debts outstanding from bodies corporate under the same management as defined under Section 370(1B) of the Companies Act, 1956 are detailed in Note 15 on Schedule 14)		
6. CASH AND BANK BALANCES		
Cash in hand	66	161
Balances with Scheduled Banks		
- On Current accounts	79,363	124,378
- On Deposit accounts	478,822	420,000
- On Unclaimed dividend accounts	2,835	2,651
	561,086	547,190

(Amount in Rupees thousands)

	As at December 31, 2010	As at December 31, 2009
7. LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received*	163,668	93,343
Balances with Customs & Port Trust		
Considered good	5,011	5,018
Considered doubtful	—	3,056
	<u>5,011</u>	<u>8,074</u>
Less: Provision for doubtful advances	—	3,056
Deposits with Others	8,973	8,734
Advance Income Tax including advance fringe benefit tax [#]	1,460,853	—
	<u>1,638,505</u>	<u>107,095</u>
* Includes:		
i) Capital advance Rs. 25,380 (Previous Year Rs. 11,073)		
ii) Balance with excise authorities Rs. 25,170 (Previous year Rs. 14,440) and VAT input tax credit Rs. 3,035 (Previous year Rs. 2,264)		
[#] Previous year provision for income tax was disclosed net of advance tax including advance fringe benefit tax in Schedule 10		
8. OTHER CURRENT ASSETS		
Interest accrued but not due on fixed deposits	1,005	—
9. CURRENT LIABILITIES		
Acceptances	5,729	5,676
Sundry Creditors		
— Micro and Small Enterprises (Refer Note 6 on Schedule 14)	18,050	10,319
— Others	574,598	550,236
Other liabilities	76,236	56,594
Unclaimed Dividend*	2,835	2,651
	<u>677,448</u>	<u>625,476</u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund as on December 31, 2010.		
10. PROVISIONS		
Proposed Dividend	81,184	76,110
Tax on Proposed Dividend	13,484	12,935
Provision for Income Tax [@] [Net of advance tax Rs. NIL (Previous year Rs. 1,177,849)]	1,443,753	16,583
Provision for Retirement Benefits (Refer Note 9 on Schedule 14)	47,860	43,623
	<u>1,586,281</u>	<u>149,251</u>
[@] Advance income tax for the current year is disclosed in Schedule 7		

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

	For the year ended December 31, 2010		For the year ended December 31, 2009	
11. OTHER INCOME				
Interest [Gross - tax deducted at source Rs. 1,011 (Previous Year Rs. Rs. 645)]	16,453		5,262	
Export Benefits	27,463		7,650	
Gain on Foreign Exchange Fluctuation [Net of Foreign Exchange Loss of Rs. NIL (Previous Year Rs. 27,266)]	—		2,655	
Miscellaneous Income (Refer Note below)	9,339		12,475	
	53,255		28,042	
Note:				
Miscellaneous Income includes provision for doubtful debts no longer required written back Rs. 3,017 (Previous year Rs. 3,236) and other provision / liability no longer required written back Rs. NIL (Previous year Rs. 512)				
12. MATERIALS				
(a) Raw Materials Consumed				
Opening Stock	146,860		257,022	
Purchases	1,815,807		1,329,017	
	1,962,667		1,586,039	
Less: Closing Stock	187,820	1,774,847	146,860	1,439,179
(b) Purchase of Finished Goods		689,631		525,982
(c) (Increase)/Decrease in Finished Goods and Work-in-Progress				
Opening Stock :				
Finished Goods	61,746		99,125	
Work-in-Progress	57,769		44,130	
	119,515		143,255	
Closing Stock :				
Finished Goods	100,776		61,746	
Work-in-Progress	67,301		57,769	
	168,077	(48,562)	119,515	23,740
(d) Excise Duty on Increase/(Decrease) in Finished Goods		3,764		(5,682)
	2,419,680		1,983,219	

(Amount in Rupees thousands)

	For the Year ended December 31, 2010		For the Year ended December 31, 2009	
13. EXPENSES				
Salary, Wages & Bonus		209,904		169,425
Directors' Commission [Refer Note 3 in Schedule 14]		1,575		1,500
Contribution to Provident & Other Funds		33,391		25,850
Workmen & Staff Welfare		25,248		27,062
Compensation under Voluntary Retirement Scheme		—		1,000
Consumption of Stores and Spare Parts*		29,223		21,249
Site Expenses		179,903		187,531
Power & Fuel		123,968		80,255
Rent		11,230		9,625
Repairs				
— Machinery	63,874		44,014	
— Buildings	6,297		5,782	
— Others	13,409	83,580	15,578	65,374
Insurance		3,765		4,435
Freight		211,699		149,096
Rates & Taxes		14,872		17,049
Legal & Professional fees		14,353		13,788
Royalty		57,652		50,450
Management Fees		27,771		30,367
Loss on Foreign Exchange Fluctuation		4,488		—
[Net of Foreign Exchange gain of Rs. 23,976				
(Previous Year Rs. NIL)]				
Loss on Sale/Discard of Fixed Assets (net)		7,275		390
[Net of profit on sale of assets of Rs. 300				
(Previous Year Rs. 555)]				
Travelling & Conveyance		80,150		66,029
Advertisement & Sales Promotion		5,849		6,380
Postage, Telephone, etc.		10,657		11,143
Printing & Stationery		3,577		2,444
Bank Charges		8,448		8,196
Commission to Sales Agent		4,460		5,179
Payment to Auditors**				
— Audit Fees	1,055		950	
— Limited Review	320		320	
— Other	525		490	
— Reimbursement of Expenses	190	2,090	153	1,913
Bad Debts written off	3,628		15,942	
Less : Adjusted with the provision	3,628	—	15,942	—
Provision for Doubtful Debts		4,900		10,745
Doubtful advances written off	3,056			
Less : Adjusted with the provision	3,056	—		—
Miscellaneous		8,291		6,820
		1,168,319		973,295

* Excludes stores and spare parts consumed and included under heads Repairs-Machinery **Rs. 23,289** (Previous Year Rs. 11,906) and Site Expenses **Rs. 20,226** (Previous Year Rs. 12,980).

** Includes Limited Review Fees and Reimbursement of Expenses amounting to **Rs. 80** (Previous Year Rs. NIL) and **Rs. 139** (Previous Year Rs. NIL) respectively to erstwhile Auditors.

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

14. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting following generally accepted accounting principles in India (GAAP) and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956, to the extent applicable.

ii) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

iii) Fixed Assets

a) Cost

Fixed assets are stated at cost of acquisition (net of CENVAT) less accumulated depreciation/amortisation. Cost of acquisition includes taxes, duties, freight and other costs that are directly attributable to bringing assets to their working condition for their intended use. Spares that can be used only with particular items of plant and machinery and such usage is expected to be irregular are capitalised.

b) Depreciation/Amortisation

Tangible Assets

Depreciation is provided under straight line method over useful lives of fixed assets, as estimated by management. Useful lives so estimated are in line with the useful lives derived from depreciation rates prescribed in Schedule XIV to the Companies Act, 1956, except for:

- Toolings and certain items of plant and machinery at customers' site are depreciated over a period of three years.
- Leasehold lands are being amortised over the period of leases.
- Spares capitalized are being depreciated over the useful lives of plant and machinery with which such spares can be used.

Immoveable assets constructed on leasehold land are being depreciated over their useful lives that are higher than period of leases. Based on extension granted to land possession of other companies under similar circumstances, management believes that, in case of the Company, the existing period of leases will be extended beyond the useful lives of immoveable assets constructed thereon.

Assets individually costing Rs.5,000 or less are fully depreciated in the year of acquisition.

Intangible Assets

Computer software are being amortised over their useful lives of 3 years as estimated by management.

c) Impairment of fixed assets

The carrying amounts of fixed assets and capital work in progress are reviewed at each balance sheet date in accordance with Accounting Standard 28 on 'Impairment of Assets' to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amounts are estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit of which it is a part exceeds the corresponding recoverable amount. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

(Amount in Rupees thousands)

iv) Inventories

Raw materials and stores and spare parts are carried at cost. Cost includes purchase price, duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, weighted average cost method is used. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Work-in-progress and manufactured finished goods are valued at the lower of cost and net realisable value. The comparison of cost and net realisable value is made on an item by item basis. Cost of work-in-progress and manufactured finished goods comprises direct material and labour expenses and an appropriate portion of production overheads incurred in bringing the inventory to their present location and condition. Fixed production overheads are allocated on the basis of normal capacity of the production facilities.

Traded finished goods are valued at the lower of cost of procurement and net realisable value.

Excise duty liability is included in the valuation of closing inventory of finished goods.

v) Foreign Currency Transactions

Foreign exchange transactions are recorded at monthly rates that closely approximates the actual rates during that month. Year-end monetary assets and liabilities denominated in foreign currencies are translated at the year-end foreign exchange rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting such monetary items of the Company at rates different from those at which they were initially recorded during the year or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

vi) Taxation

Income tax expense comprises current tax, fringe benefit tax for the relevant period (i.e. amount of taxes for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

vii) Revenue

Sale of Goods

Revenue from sale of goods (excluding sales tax and value added tax) is recognised when significant risks and rewards of ownership in the goods is transferred to customers and it is not unreasonable to expect ultimate collection of the sale consideration that has been recognised as revenue.

Sale of Services

Revenue from sale of services (excluding service tax) is recognised on completion of service in accordance with terms of the agreement.

viii) Other Income

Export incentives are recognised on accrual basis against goods exported.

ix) Government Grant

Grants from the government are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant relates to a depreciable asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset. Grants related to non depreciable assets are credited to Capital Reserve.

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

x) Employee Benefits

The Company's obligations towards various employee benefits have been recognised as follows:

I) Short term benefits

Cost of accumulating compensated absences that are expected to be availed within a period of 12 months from the year end are recognised when the employees render the service that increases their entitlement to future compensated absences. Cost is computed based on past trends and is not discounted.

Cost of non-accumulating compensated absences is recognised when absences occur. Costs of other short term employee benefits are recognised on accrual basis based in accordance with the terms of employment contract and other relevant compensation policies followed by the Company.

II) Post Employment Benefits

a) Provident Fund

Monthly contributions to Provident Funds which are defined contribution schemes are charged to Profit and Loss Account and deposited with the Provident Fund authorities on a monthly basis.

b) Pension

The Company has a defined contribution employee retirement scheme in the form of pension. The Trustees of the scheme have entrusted the administration of the related fund to the Life Insurance Corporation of India (LIC). Contributions are deposited with the LIC and charged off on a monthly basis.

c) Gratuity

The Company has a defined benefit employee retirement scheme in the form of gratuity. The Trustees of the scheme have entrusted the administration of the related fund to the Life Insurance Corporation of India (LIC) upto September 30, 2010 and thereafter both to the LIC and SBI Life Insurance Company Limited (SBI Life). Charge for the year is determined on the basis of actuarial valuation made as at the balance sheet date on projected unit credit method of the Company's year-end obligation in this regard and the value of year-end assets of the scheme. Actuarial gains and losses for the year are recognised in the profit and loss account as income or expense. Contributions were deposited with the LIC upto September 30, 2010 and thereafter deposited with the SBI Life based on intimations received by the Company.

III) Other Long Term Benefits

Cost of long term benefit by way of accumulating compensated absences that are expected to be availed after a period of 12 months from the period-end are recognised when the employees render the service that increases their entitlement to future compensated absences. Such costs are recognised based on actuarial valuation of related obligation on the reporting date. Actuarial gains and losses for the period are recognised in the Profit and Loss Account as income or expense.

IV) Termination Benefits

Costs of termination benefits have been recognised only when the Company has a present obligation as a result of a past event and the amount of the obligation can be reliably estimated.

xi) Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive potential equity shares outstanding during the year, except where the results would be anti dilutive.

(Amount in Rupees thousands)

xii) Provisions and contingent liabilities

A provision is recognised in the financial statements where there exists a present obligation as a result of a past event, the amount of which is reliably estimated, and it is probable that an outflow of resources will be necessary to settle the obligation. Contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company and / or is a present obligation that arises from past events but is not recognised because either it is not probable that an outflow of resources embodying economic benefits will be necessary to settle the obligation, or the amount of the obligation cannot be reliably estimated.

NOTES TO ACCOUNTS**2. Capital Commitment and Contingencies**

- (i) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for

	As at December 31, 2010	As at December 31, 2009
	68,517	36,442

- (ii) Claims against the Company (including excise duty, income tax, customs duty, etc.) not acknowledged as debts:

Description	Estimated Financial Impact		Uncertainties
	As at December 31 2010	As at December 31 2009	
a) Sales Tax	79,104	217,895	Demand raised by appropriate authorities in relation to sales tax assessment and non submission of statutory forms
b) Income Tax matters			Refer note below
c) Other Income Tax matters	97,813	24,736	Demands received from appropriate authorities in relation to Income Tax assessments.
d) Excise Duty and Service Tax matters	52,854	38,124	Demands received from appropriate authorities in relation to Excise Duty and Service Tax matters.

Note: Cost of tooling purchased during the year were fully expensed for the purpose of ascertaining income tax liability for that year in earlier years. Vide order dated December 16, 2003, the Income Tax Appellate Tribunal (ITAT) directed the department to allow expenses based on quantity consumed. The Company has disputed such decision on the contention that the entire purchase is issued to the production process and hence should be treated as consumption. Relevant order from authorities giving effect of ITAT order is yet to be received. The Company has made an application to the Hon'ble High Court at Calcutta seeking further clarifications of the ITAT order. The Company has again claimed full deduction in respect of tooling received during the year for determining the taxable income for the assesment year 2009-2010 and thereafter.

- (iii) A counter claim has been filed against the Company before the Hon'ble High Court at Calcutta by a customer for claims aggregating Rs. 74,921 (Previous Year 74,921) regarding certain disputes relating to goods supplied by the Company in prior years.

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

3. (I) Directors' Remuneration

	For the year ended December 31, 2010	For the year ended December 31, 2009
Managing Director:		
Salary	2,484	2,228
Contribution to Provident Fund and other funds*	671	824
Other Allowances & Benefits [#]	10,947	6,899
Total	14,102	9,951
Non-executive Directors :		
Sitting fees	543	575
Commission	1,575	1,500
Total	2,118	2,075
Grand Total	16,220	12,026

(II) Calculation of Net Profit and Directors' Remuneration

	For the year ended December 31, 2010	For the year ended December 31, 2009
Profit before tax as per the Profit & Loss Account	748,014	559,547
Add :		
Director's Remuneration	16,220	12,026
Depreciation as per Accounts	129,113	126,697
Wealth Tax	—	10
Voluntary Retirement Scheme	—	1,000
	893,347	699,280
Less :		
Depreciation under Section 350 of the Companies Act, 1956	129,113	126,697
Net profit for the year under Section 349 of the Companies Act, 1956	764,234	572,583
Commission to Directors :		
Non-executive Directors - 1% of Net Profit: restricted to	1,575	1,500
	1,575	1,500

* Does not include liability for gratuity and leave encashment which are provided on actuarial basis for the Company as a whole

[#] Includes Performance Incentive of **Rs. 5,157** payable during 2011 (Previous year Rs. 1,141 payable during 2010)

4. In terms of Finance Act, 2009 Fringe Benefit Tax ('FBT') has been withdrawn with effect from April 1, 2009. As a result fringe benefit tax expense for the previous year represents fringe benefit tax expenses for the period from January 1, 2009 to March 31, 2009.

(Amount in Rupees thousands)

5. Additional Information pursuant to the provisions of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956

		For the year ended December 31, 2010		For the year ended December 31, 2009	
	Units	Quantity	Amount	Quantity	Amount
a) The Company manufactures and trades in Refractories and the relevant particulars thereof are as under :					
i) Licensed Capacity					
There is no licensed capacity					
ii) Installed Capacity					
(as certified by the management)					
Refractories (Shaped)	Pieces	526,000	—	526,000	—
Refractories (Unshaped)	Tons	96,500	—	96,500	—
iii) Opening Stock of Finished Goods					
Refractories (Shaped)	Pieces	16,173	24,502	10,738	55,167
Refractories (Unshaped)	Tons	301	8,336	—	—
Other Goods - Trading	Various*	—	28,908	—	43,958
			61,746		99,125
iv) Actual Production					
Refractories (Shaped)	Pieces	517,569	—	435,521	—
Refractories (Unshaped)**	Tons	41,055	—	33,716	—
v) Purchases					
Other Goods - Trading@	Various*		689,631		525,982
vi) Closing Stock of Finished Goods					
Refractories (Shaped)	Pieces	16,535	45,650	16,173	24,502
Refractories (Unshaped)	Tons	606	15,005	301	8,336
Other Goods - Trading	Various*	—	40,121	—	28,908
			100,776		61,746
vii) Sale of Goods					
Refractories (Shaped)	Pieces	517,207	2,175,575	430,086	1,400,100
Refractories (Unshaped)	Tons	34,826	1,441,799	29,563	1,344,050
Other Goods - Trading	Various*	—	918,381	—	900,773
			4,535,755		3,644,923
* Comprising of a large number of items having different measurement units.					
** Including own consumption of 5,924 tons (Previous year 3,852 tons)					
@ Does not include any individual item whose value is more than 10% of the total value of purchases during the year.					
b) Details of Raw Materials Consumed [#]					
Alumina	Kgs	7,317,680	313,079	5,346,692	231,264
Bauxite	Kgs	10,819,535	248,866	8,300,945	189,824
Silicon Carbide	Kgs	3,306,877	223,838	3,068,838	183,355
Cement	Kgs	3,074,046	100,355	2,463,924	81,196
Graphite	Kgs	1,759,830	81,372	1,246,221	53,461
Slide gate plates	Pcs	41,823	55,449	52,984	81,151
Imported Mix	Kgs	329,928	46,920	170,634	25,800
Others ^{##}			704,968		593,128
			1,774,847		1,439,179

Relates to the Company's main products and the principal raw materials.

Consists of items whose value is less than 10% of the total value of the raw material consumed during the year.

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

	For the year ended December 31, 2010		For the year ended December 31, 2009	
	Amount	%	Amount	%
c) Value of Imported and Indigenous Raw Materials, Stores & Spares consumed				
Raw Materials				
Imported	961,213	54.16	807,212	56.09
Indigenous	813,634	45.84	631,967	43.91
	<u>1,774,847</u>	<u>100.00</u>	<u>1,439,179</u>	<u>100.00</u>
Stores and Spares				
Imported	16,436	22.60	11,852	25.69
Indigenous	56,302	77.40	34,283	74.31
	<u>72,738</u>	<u>100.00</u>	<u>46,135</u>	<u>100.00</u>
d) CIF Value of Imports				
Raw Materials	860,215		570,660	
Stores and Spares	15,461		55,798	
Other goods - Trading	72,710		9,795	
Capital Goods	63,776		14,592	
Toolings	25,920		12,135	
	<u>1,038,082</u>		<u>662,980</u>	
e) Expenditure in Foreign Currency (On accrual basis)				
Travelling	9,093		7,491	
Royalty	57,652		50,450	
Freight	69,308		46,285	
Technical Service Charges	991		2,260	
Management Fees	27,771		30,367	
Product Development	904		4,604	
	<u>165,719</u>		<u>141,457</u>	
f) Earnings in Foreign Exchange (On accrual basis)				
F.O.B. value of Exports	235,449		122,906	
F.O.B. value of Deemed Exports	389,684		286,455	
Others (Reimbursement of freight) (Previous Year Rs. 6,027)	16,090		—	
	<u>641,223</u>		<u>409,361</u>	
g) Dividend remitted in Foreign Currency				
Dividend	42,291		22,555	
Number of Non-Resident Shareholders	1		1	
Number of Shares held by them	11,277,650		11,277,650	
Year to which the Dividends were related	2009		2008	

(Amount in Rupees thousands)

6. The Company has identified certain Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owed dues that are outstanding for more than 45 days as at December 31, 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of confirmations received from vendors, suppliers, etc in response to intimation in this regard sent by the Company to such parties.

The Principal amount remaining due and unpaid to supplier as at the end of the accounting year **Rs. 7,363** (Previous Year Rs 2,613).

Interest paid / payable by the Company on the aforesaid principal has been waived by the concerned suppliers.

7. Segment Reporting

- I) Segments have been identified in line with the Accounting Standards on Segment Reporting (AS 17) prescribed by Companies (Accounting Standards) Rules, 2006 (as amended), taking into account the nature of products and services, the different risks and returns, the organisational structure and the internal financial reporting system. The Company is engaged in the business of manufacturing, trading and sale of refractories. It has manufacturing location in India only. Based on the dominant source and nature of risk and returns of the Company, its internal organisation and management structure and its system of internal financial reporting, business segment has been identified as the primary segment. The Company has only one business segment.

- II) **Secondary Segment** - In accordance with AS - 17, geographic segments have been considered as secondary reportable segment.

	For the year ended December 31, 2010	For the year ended December 31, 2009
Sales Revenue by Geographical Market*		
India	3,759,935	3,199,555
Outside India		
Direct Exports	250,783	128,932
Deemed Exports	390,440	286,455
	<u>4,401,158</u>	<u>3,614,942</u>
* Net of excise duty		
	As at December 31, 2010	As at December 31, 2009
Carrying Amount of Segment Assets		
India (includes fixed assets located in India)	4,715,846	2,816,289
Outside India		
Direct Exports	42,792	69,168
Deemed Exports	91,730	70,048
	<u>4,850,368</u>	<u>2,955,505</u>
	For the year ended December 31, 2010	For the year ended December 31, 2009
Purchase of Tangible & Intangible Fixed Assets		
India	223,017	228,170
Outside India	—	—
	<u>223,017</u>	<u>228,170</u>

Schedules to the Accounts (Contd.)

8. Information in accordance with the requirements of Accounting Standard 18 on Related Party Disclosures prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended).

A) List of Related parties and relationship

i) Enterprises having control over the Company

Cookson Group plc., United Kingdom, ultimate Holding Company
Cookson Financial Limited, United Kingdom, Holding Company of Vesuvius Group Limited, U.K.
Vesuvius Group Limited, United Kingdom - holding Company

ii) Fellow Subsidiaries (with whom transactions have taken place during the year and the previous year)

Vesuvius Group S. A.
Vesuvius Deutschland GmbH
Vesuvius South Africa (Pty) Limited
Vesuvius UK Limited
Vesuvius Crucible Company
Vesuvius USA
Vesuvius Italia SPA
Vesuvius Advanced Ceramics (Suzhou) Co. Ltd.
Wuhan Wugang Vesuvius Advanced Ceramics Co. Ltd.
Advent Processing Engineering Inc.
Vesuvius Mexico S.A. de C.V.
Vesuvius Becker & Piscantor Grobalmeroder Schmelztiegelwerke GmbH
Vesuvius Malaysia SDN BHD
Vesuvius Corporation S. A.
Vesuvius France S. A.
Vesuvius Poland Sp., z.o.o. (Formerly Vesuvius Skawina Materialy Ogniotrwale Sp., z.o.o.)
Vesuvius USA Corporation FCAD
Vesuvius Ceska Republica, a.s
Cookson Plibrico Pty Limited
Yingkou Bayuquan Refractories Co., Ltd.
Vesuvius Japan Inc.
Vesuvius UK Limited, Korea Branch
Vesuvius Zyarock Ceramics (Suzhou) Co. Ltd.
Vesuvius (Thailand) Co., Ltd
Vesuvius Corporation S. A. Taiwan Branch
Vesuvius Foundry Products (Suzhou) Co. Ltd.
Foseco (Thailand) Limited
Foseco India Limited
Vesuvius TK Refrakter Sanayi Ve Ticaret AS
Vesuvius Mid-East Limited
Vesuvius Belgium N.V.
Vesuvius Refratarios Ltda
Vesuvius Administration Pty Limited
PT. Foseco Indonesia
Foseco Pty Limited
Vesuvius Research, Pittsburgh
Foseco Industrial e Commercial Ltda
Foseco Döküm Sanayi ve Ticaret Limited
Foseco International Ltd. (Middle East Office)
Vesuvius Iberica Refratarios S.A.
Vesuvius Slavia, a.s.
Vesuvius Canada Inc
Foseco International Limited

iii) Names of Principal Group Companies / fellow subsidiaries

(with which the Company neither have any transactions nor outstanding balances)

Cookson Overseas Limited
Cookson India Private Limited

iv) Key Management Personnel

Mr Tanmay Kumar Ganguly – Managing Director

(Amount in Rupees thousands)

B) (a) Related parties with whom there have been transactions during the year

Name of the party	Nature of relationship	Sales of goods and services	Purchase of goods and services	Receivable/ (Payable) at the year end	Dividend paid/ payable	Other (Income)/ expenses	Managing Director's Remuneration
Vesuvius Group Limited	Holding Company	-	-	-	42,291	-	-
Vesuvius Group S. A.	Fellow subsidiary	-	42,274	(10,845)	-	52,896	-
Vesuvius Deutschland GmbH	Fellow subsidiary	78,014	1,108	21,311	-	-	-
Vesuvius South Africa (Pty) Limited	Fellow subsidiary	20,125	-	3,190	-	-	-
Vesuvius UK Limited	Fellow subsidiary	801	59,249	(4,265)	-	697	-
Vesuvius Crucible Company	Fellow subsidiary	-	39	(7,608)	-	34,716	-
Vesuvius USA	Fellow subsidiary	13,602	23,469	(4,022)	-	487	-
Vesuvius Advanced Ceramics (Suzhou) Co. Ltd.	Fellow subsidiary	31,080	7,379	(3,195)	-	-	-
Wuhan Wugang Vesuvius Advanced Ceramics Co. Ltd.	Fellow subsidiary	-	153,962	(31,034)	-	-	-
Advent Processing Engineering Inc.	Fellow subsidiary	-	784	(485)	-	-	-
Vesuvius Mexico S. A. de C. V.	Fellow subsidiary	-	27,135	(12,121)	-	-	-
Vesuvius Malayasia SDN BHD	Fellow subsidiary	9,036	5,701	2,952	-	(16)	-
Vesuvius Corporation S. A.	Fellow subsidiary	9,269	-	86	-	-	-
Vesuvius (Thailand) Co., Ltd	Fellow subsidiary	16,594	-	91	-	(93)	-
Vesuvius [VEAR] S.A.	Fellow subsidiary	3,256	-	-	-	-	-
Vesuvius Belgium N.V.	Fellow subsidiary	6,173	16,045	(315)	-	-	-
Vesuvius Poland Sp., z.o.o (Formerly Vesuvius Skawina Materialy Ogniotrwale Sp.,z.o.o)	Fellow subsidiary	-	15,937	(5,148)	-	-	-
Foseco International Ltd. (Middle East Office)	Fellow subsidiary	15,207	-	2,711	-	-	-
Foseco India Limited	Fellow subsidiary	3,679	865	431	-	200	-
Foseco Industrial e Commercial Ltda	Fellow subsidiary	10,376	-	1,517	-	-	-
Foseco (Thailand) Limited	Fellow subsidiary	4,596	-	307	-	-	-
Foseco Döküm Sanayi ve Ticaret Limited	Fellow subsidiary	13,795	-	-	-	-	-
Foseco Pty Limited	Fellow subsidiary	2,750	-	670	-	-	-
PT. Foseco Indonesia	Fellow subsidiary	3,009	-	1,152	-	-	-
Tanmay Kumar Ganguly	Key Management Personnel	-	-	(5,157)	204	-	14,102
Others		6,075	5,021	23	-	(1,777)	-
Total		247,437	358,968	(49,754)	42,495	87,110	14,102

(b) Related parties with whom there had been transactions during the previous year

Name of the party	Nature of relationship	Sales of goods and services	Purchase of goods and services	Receivable/ (Payable) at the year end	Dividend paid/ payable	Other (Income)/ expenses	Managing Director's Remuneration
Vesuvius Group Limited	Holding Company	-	-	-	22,555	-	-
Vesuvius Group S. A.	Fellow subsidiary	783	16,577	(8,663)	-	52,073	-
Vesuvius Deutschland GmbH	Fellow subsidiary	11,161	-	10,668	-	-	-
Vesuvius South Africa (Pty) Limited	Fellow subsidiary	42,923	-	14,006	-	-	-
Vesuvius UK Limited	Fellow subsidiary	866	25,159	(4,016)	-	2,260	-
Vesuvius Crucible Company	Fellow subsidiary	-	-	(7,953)	-	30,341	-
Vesuvius USA	Fellow subsidiary	6,130	21,211	(5,496)	-	-	-
Vesuvius Italia SPA	Fellow subsidiary	-	572	(147)	-	-	-
Vesuvius Advanced Ceramics (Suzhou) Co. Ltd.	Fellow subsidiary	1,296	71,351	(2,050)	-	-	-
Wuhan Wugang Vesuvius Advanced Ceramics Co. Ltd.	Fellow subsidiary	-	137,753	-	-	-	-
Advent Processing Engineering Inc.	Fellow subsidiary	-	-	(1,224)	-	4,604	-
Vesuvius Mexico S. A. de C. V.	Fellow subsidiary	-	25,080	-	-	-	-
Vesuvius Becker & Piscantor	Fellow subsidiary	-	98	(5)	-	-	-
Grobalmeroder Schmelztiegelwerke GmbH							
Vesuvius Malayasia SDN BHD	Fellow subsidiary	5,872	13,152	2,754	-	-	-
Vesuvius Corporation S. A.	Fellow subsidiary	11,856	-	2,833	-	-	-
Yingkou Bayuquan Refractories Co., Ltd.	Fellow subsidiary	138	23,486	(19,372)	-	-	-
Foseco International Limited (Middle East Office)	Fellow subsidiary	14,612	-	4,954	-	-	-
Others	Fellow subsidiary	19,724	5,256	6,906	-	200	-
Tanmay Kumar Ganguly	Key Management Personnel	-	-	(1,141)	22	-	9,932
Total		115,361	339,695	(7,946)	22,577	89,478	9,932

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

9. Employee Benefits

The details of employee benefits for the year on account of gratuity which is in the nature of funded defined benefit plan and leave (other long term benefit) and post medical retirement scheme which are in the nature of unfunded defined benefit plan are:

	Gratuity Funded		Other long term benefits Unfunded		Post Retirement Medical Benefits Unfunded	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
(i) Net Asset/(liability) recognised in Balance Sheet						
Present value of defined obligation at year end	40,821	28,520	27,512	20,701	-	10,917
Fair value of Plan Assets at year end	20,391	16,514	-	-	-	-
Status [Surplus/(Deficit)]	(20,430)	(12,006)	(27,512)	(20,701)	-	(10,917)
Unrecognised past service costs	-	-	-	-	-	-
Net Assets/(liability) recognised in the balance sheet	(20,430)	(12,006)	(27,512)	(20,701)	-	(10,917)
(ii) Components of employer expense						
Current service costs	3,671	2,844	2,507	456	-	-
Interest costs	2,023	1,533	1,422	1,043	-	-
Expected return on plan assets	(1,378)	(1,131)	-	-	-	-
Actuarial (gain)/loss recognised in the year	9,742	5,583	6,638	6,177	-	596
Expense recognised in the statement of profit and loss account*	14,058	8,829	10,567	7,676	-	596
* The Gratuity expenses have been recognised in "Contribution to Provident & Other Funds" and other long term benefits has been recognised in "Salary, Wages & Bonus" in Schedule 13 to the Profit and Loss Account						
(iii) Change in defined benefit obligations:						
Obligation at beginning of the year	28,520	20,237	20,701	13,768	10,917	9,591
Current service cost	3,671	2,844	2,507	456	-	-
Interest cost	2,023	1,533	1,422	1,043	-	905
Actuarial (gain)/loss	9,698	4,830	6,634	6,177	-	596
Benefits paid	(3,091)	(924)	(3,752)	(743)	-	(175)
Curtailments	-	-	-	-	(10,917) **	-
Obligation at end of the year (A)	40,821	28,520	27,512	20,701	-	10,917
(iv) Change in plan assets:						
Fair value of plan assets, beginning of the year	16,514	13,048	-	-	-	-
Expected return on plan assets	1,378	1,131	-	-	-	-
Actual Company contribution	5,634	4,012	3,752	743	-	175
Benefits paid	(3,091)	(924)	(3,752)	(743)	-	(175)
Actuarial gain/(loss)	(44)	(753)	-	-	-	-
Fair value of plan assets at the end of the year (B)	20,391	16,514	-	-	-	-
Surplus / (Deficit) (A) - (B)	(20,430)	(12,006)	(27,512)	(20,701)	-	(10,917)
(v) Actual return on plan assets:	1,334	378	-	-	-	-
(vi) Category of assets as at December 31, 2010:						
Insurer managed funds	20,391	16,514	-	-	-	-
(vii) Assumptions:						
Discount rate	8.40%	7.50%	8.40%	7.50%	-	7.50%
Expected rate of salary increase	6.50%	5.00%	6.50%	5.00%	-	5.0%
Expected rate of return on plan assets	8.00%	7.75%	-	-	-	-

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors such as supply and demand factors in the employment market.

** Refer Note 16 in Schedule 14

(viii) Major category of Plan Assets as a % of the Total Plan assets as at December 31, 2010:

Invested with Life Insurance Corporation of India	73%	-	-	-	-
Invested with SBI Life Insurance Company	27%	-	-	-	-

(ix) Basis used to determine the Expected Rate of return on Plan Assets:

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

(Amount in Rupees thousands)

(x) Net Assets / (Liability) recognised in Balance Sheet	Gratuity Funded	Other long term benefits Unfunded	Post retirement medical benefits Unfunded
For the year ended December 31, 2010:			
Present Value of defined benefit obligation	40,821	27,512	- **
Fair Value of Plan Assets	20,391	-	-
Surplus / (Deficit)	(20,430)	(27,512)	-
For the year ended December 31, 2009:			
Present Value of defined benefit obligation	28,520	20,701	10,917
Fair Value of Plan Assets	16,514	-	-
Surplus / (Deficit)	(12,006)	(20,701)	(10,917)
For the year ended December 31, 2008:			
Present Value of defined benefit obligation	20,237	13,768	9,591
Fair Value of Plan Assets	13,048	-	-
Surplus / (Deficit)	(7,189)	(13,768)	(9,591)
For the year ended December 31, 2007:			
Present Value of defined benefit obligation	14,275	9,534	9,925
Fair Value of Plan Assets	5,743	-	-
Surplus / (Deficit)	(8,532)	(9,534)	(9,925)

** Refer Note 16 in Schedule 14

10. Foreign Currency exposure not hedged

The Company has not hedged the following foreign currency exposure as at December 31, 2010 :

	Euro	GBP	USD
Creditors (Amount in thousand)	304 (373)	66 (89)	483 (2,470)
Debtors (Amount in thousand)	543 (622)	5 -	219 (1,948)

Figures in brackets indicate previous year's figures.

11. Deferred Tax Liability

The major components of the Deferred tax assets/(liabilities) based on the tax effect on the timing differences as at December 31, 2010 are as under :

	For the year ended December 31, 2010	For the year ended December 31, 2009
Deferred Tax Liability :		
Difference between written down value of depreciable assets as per books and written down value as per Income Tax Act.	(81,950)	(75,484)
Deferred Tax Asset :		
Misc. Exp. To the extent not written off	748	1,020
Expenditure allowable on payments basis	17,361	19,081
Provision for doubtful debts, advances, etc	5,354	6,072
Others*	526	1,539
	23,989	27,712
Net Deferred Tax Liability	(57,961)	(47,772)

* Represents voluntary retirement expenses unamortised for tax purpose.

12. Earnings per Share (EPS) (Basic & Diluted)

	For the year ended December 31, 2010	For the year ended December 31, 2009
Profit after tax- profit attributable to Equity Shareholders (Rs.'000)	488,504	373,782
Weighted Average No. of Equity Shares (Nos.)	20,296,080	20,296,080
Nominal Value of Equity Shares (Rs.)	10.00	10.00
Basic & Diluted Earning per Equity Share (Rs.)	24.07	18.42

Schedules to the Accounts (Contd.)

(Amount in Rupees thousands)

- 13.** Provision for taxation has been recognised with reference to profit for the year ended December 31, 2010 in accordance with the provision of the Income Tax Act, 1961 and rules framed thereunder. The ultimate tax liability for the Assessment Year 2011-2012 will be determined on the basis of total taxable income for the year ending on March 31, 2011.
- 14.** The management is of the opinion that its international transactions are at arm's length under the provisions of Section 92-92F of the Income Tax Act, 1961.
- 15. Debts outstanding from body corporate under the same management**
Details of amounts due from bodies corporate under the same management as defined in Section 370(1B) of the Companies Act 1956, as referred to in Schedule 5 are given below:

Name of Parties	As at December 31, 2010	As at December 31, 2009
Vesuvius Corporation S. A.	86	2,833
Vesuvius France S. A.	3	3
Vesuvius Deutschland GmbH	22,284	10,668
Vesuvius Malaysia SDN BHD	3,055	3,101
Cookson Plibrico Pty Limited	—	11
Vesuvius Advanced Ceramics (Suzhou) Co. Ltd.	1,285	—
Vesuvius Group S. A.	3,406	10,085
Vesuvius UK Limited	315	836
Vesuvius Zyarock Ceramics (Suzhou) Co. Ltd.	371	479
Vesuvius (Thailand) Co., Ltd.	91	1,787
Vesuvius South Africa (Pty) Limited	3,190	14,006
Vesuvius Belgium N.V.	1,321	108
Vesuvius Poland Sp.,z.o.o (Formerly Vesuvius Skawina Materialy Ogniotrwale Sp.,z.o.o.)	95	—
Vesuvius TK Refrakter Sansyi Ve Ticaret AS	359	—
Vesuvius USA	64	2,028
Vesuvius Corporation S.A. Taiwan Branch	341	88
Vesuvius Foundry Products (Suzhou) Co., Ltd.	50	550
Foseco (Thailand) Limited	307	407
Foseco India Limited	611	3,079
Foseco Industrial e Commercial Ltda	1,517	1,924
Foseco Döküm Sanayi ve Ticaret Limited	—	1,987
Foseco International Ltd. (Middle East Office)	2,711	4,954
Foseco Pty Limited	670	—
PT. Foseco Indonesia	1,152	—
	43,284	58,934

- 16.** The Company had a post retirement medical benefit scheme (PRMS) for certain categories of employees with an insurance company. Insurance Regulatory Development Authority had directed the Company that no new members would be added to this scheme for whom payment of insurance premium has not been due. As a result, the Company has written back amount provided there against in earlier years aggregating to **Rs. 10,917** (Previous Year Rs. Nil). The future liability of insurance premium to such employees will be reimbursed on attainment of their respective age.
- 17.** Previous year's figures have been regrouped and/or rearranged wherever considered necessary to confirm to current year's presentation.
- Signatures to Schedules 1 to 14

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner
Membership No.: 091765

Place : Kolkata
Date : February 25, 2011

Tanmay Ganguly
MANAGING DIRECTOR

Taposh Roy
COMPANY SECRETARY

Place : Kolkata
Date : February 25, 2011

Dr Saibal Kanti Gupta
CHAIRMAN

Sanjoy Dutta
CHIEF FINANCIAL OFFICER

Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2010

(Amount in Rupees thousands)

	For the year ended December 31, 2010	For the year ended December 31, 2009
Cash Flow from Operating Activities		
Profit Before Tax	748,014	559,547
Adjustments for :		
Depreciation	129,113	126,697
Provision for doubtful debts	4,900	10,745
Liability/provision (Debtors) no longer required written back including post medical retirement scheme Rs. 10,197 (Previous Year Rs. Nil)	(17,562)	(19,178)
Loss on sale/discard of fixed assets	7,275	390
Loss/(Gain) on exchange - unrealised (net)	1,235	(88)
Interest (net)	(16,249)	(5,036)
Operating profit before working capital changes	856,726	673,077
Adjustments For:		
(Increase)/Decrease in Trade and Other Receivables	(249,100)	71,833
(Increase)/Decrease in Inventories	(86,123)	143,629
(Increase)/Decrease in Trade and Other Payables	68,741	41,793
Cash generated from Operations	590,244	930,332
Direct Taxes paid	(283,003)	(203,668)
Net Cash flow from Operating Activities (A)	307,241	726,664
Cash flows from Investing Activities		
Purchase of fixed assets	(223,016)	(231,392)
Proceeds from sale of fixed assets	1,452	1,150
Interest received	15,448	—
Government Grants Received	1,836	—
Fixed deposits (with maturity more than three months)	(3,822)	—
Net Cash used in Investing Activities (B)	(208,102)	(230,242)
Cash flows from Financing Activities		
Interest paid	(204)	5,036
Dividends paid	(75,926)	(40,734)
Dividend tax paid	(12,935)	(6,899)
Net cash used in Financing Activities (C)	(89,065)	(42,597)
Net increase in cash and cash equivalents (A+B+C)	10,074	453,825
Opening cash and cash equivalents (Opening Balance, Refer Schedule - 6)	547,190	93,365
Closing cash and cash equivalents (Closing Balance)	557,264	547,190
Components of cash and cash equivalents		
Cash in hand	66	
Balance with schedule banks:		
On Current accounts	79,363	
On Deposit accounts	478,822	
On Unclaimed dividend accounts*	2,835	
Cash and Balances as per Schedule 6	561,086	
Less: Fixed Deposits not considered as cash and cash equivalents	3,822	
Cash and cash equivalent in Cash Flow Statement	557,264	

* Bank balances in unclaimed dividend accounts of **Rs. 2,835** (Previous Year Rs. 2,651) are not available for use by the Company.

Notes :

- The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard on Cash Flow Statement (AS 3) issued by Companies (Accounting Standards) Rules, 2006 (as amended).
- Previous year's figures have been rearranged and/or regrouped wherever necessary.

As per our report of even date

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Vikram Advani
Partner
Membership No.: 091765

Place : Kolkata
Date : February 25, 2011

Tanmay Ganguly
MANAGING DIRECTOR

Taposh Roy
COMPANY SECRETARY

Place : Kolkata
Date : February 25, 2011

Dr Saibal Kanti Gupta
CHAIRMAN

Sanjoy Dutta
CHIEF FINANCIAL OFFICER

Balance Sheet Abstract

AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	21 – 52968	State Code	21
Balance Sheet Date	31.12.2010	CIN Number :	L26933WB1991PLC052968

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities:	2,586,639	Total Assets:	2,586,639
Sources of Funds:			
Paid up Capital	202,961	Reserves and Surplus	2,325,717
Secured Loans	Nil	Unsecured Loans	Nil
		Deferred Taxation	57,961
Application of Funds:			
Net Fixed Assets	1,115,423	Investments	Nil
Net Current Assets	1,471,216	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other Income)	4,454,413	Total Expenditure	3,717,316
Profit Before Tax	748,014	Profit After Tax	488,504
Earning per Share in Rs.	24.07	Final Dividend Rate	40.00%

V. Generic names of the Principal Products/Services of Company

Item Code No. (ITC Code)	69.03
Product Description : Industrial Ceramics for Continuous Casting & Pouring of Molten Metals Slide Gate Plates & Nozzles	
Item Code No. (ITC Code)	38.16 and 69.03
Product Description : Refractory Ceramics for Industrial use	
Item Code No. (ITC Code)	69.03
Product Description : Carbon & Graphite Products	

Tanmay Ganguly
MANAGING DIRECTOR

Dr Saibal Kanti Gupta
CHAIRMAN

Place : Kolkata
Date : February 25, 2011

Taposh Roy
COMPANY SECRETARY

Sanjoy Dutta
CHIEF FINANCIAL OFFICER

