

**ANNUAL REPORT  
AND  
ACCOUNTS 2012-2013**

**MORGANITE CRUCIBLE (INDIA) LTD.**



**MORGANITE CRUCIBLE (INDIA) LIMITED**
**28<sup>TH</sup> ANNUAL REPORT 2012 - 13**

<b>BOARD OF DIRECTORS</b>	: Mr. Stuart Alan Cox	Director
	Mr. Hitesh Saiwal	Managing Director
	Mr. Didier Finck	Director (Up to 31 <sup>st</sup> Oct, 2012)
	Mr. Sadanand V. Shabde	Independent Director
	Mr. H. S. Shirsat	Independent Director (Up to 6 <sup>th</sup> June 2013)
	Mr. Subhash B. Kolapkar	Independent Director (from 14 <sup>th</sup> August, 2013)
<b>COMPANY SECRETARY</b>	: Mr. Anurag Geete	
<b>AUDITORS' OF THE COMPANY</b>	: B S R & Co., Chartered Accountants, Mumbai.	
<b>BANKERS</b>	: Axis Bank Ltd. The Hongkong and Shanghai Banking Corporation Ltd. State Bank of India UCO Bank	
<b>REGISTERED OFFICE AND FACTORY</b>	: B-11, MIDC Industrial Area, Waluj Dist - Aurangabad - 431 136 Maharashtra India.	
<b>INTERNAL AUDITOR</b>	: Price Waterhouse & Co. Chartered Accountants, Mumbai	

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Sharepro Services (India) Pvt. Ltd. Samhita Warehousing Complex, 13 AB, Gala No. 52, 2 <sup>nd</sup> Floor, Near Sakinaka Telephone Exchange, Off Kurla, Andheri Road, Sakinaka, Mumbai - 400 072 T - +91 22 67720300 Dir. +91 22 67720309	Notice	1-3
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## NOTICE

**NOTICE** is hereby given that the 28<sup>TH</sup> ANNUAL GENERAL MEETING of the Members of MORGANITE CRUCIBLE (INDIA) LIMITED will be held on Wednesday, September 25, 2013 at 11:00 am at the Registered Office of the Company at B-11, MIDC Industrial Area, Waluj, Aurangabad – 431 136, Maharashtra, India, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2013, the Profit and Loss Account for the year ended on that date and Report of the Board of Directors and Auditors thereon.
2. To declare a Dividend for the year ended March 31, 2013.
3. To appoint a Director in place of Mr. S. V. Shabde, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Stuart Cox, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration and reimbursement of out-of-pocket expenses as the Board may decide, based on the recommendation of the Audit Committee.

### SPECIAL BUSINESS:

6. To consider and, if thought fit to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION**:

“**RESOLVED THAT** Mr. Subhash B. Kolapkar, who was appointed as an Additional Director of the Company w.e.f. 14<sup>th</sup> August, 2013 and who holds office till the date of the ensuing Annual General Meeting in terms of Section 260 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. To consider and, if thought fit to pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**:

“**RESOLVED THAT** pursuant to provisions of Sections 198, 269, 309, 310, 311 and 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, (including any statutory modifications or re-enactment(s) thereof, for the time being in force), subject to approval of the members in the General Meeting, approval of the Central Government and such other consents and permission as may be necessary and such modifications, variations as may be approved and acceptable to the appointee, the consent of the members be and is hereby accorded for the appointment of Mr. Hitesh Saiwal as a Managing Director of the Company for a period of 3 (three) years from 1<sup>st</sup> February, 2013 to 31<sup>st</sup> January, 2016, on terms and conditions as mutually agreed and on payment of remuneration as set out in the Explanatory Statement annexed to this notice.

**RESOLVED FURTHER THAT** Board of Directors or Company Secretary, be and is hereby severally authorized to sign and file applications, forms etc. as may be prescribed to Registrar of Companies and to do all such acts, deeds and things to give effect to this Resolution.”

Registered Office:  
B-11 MIDC Industrial Area Waluj,  
Dist - Aurangabad – 431 136,  
Maharashtra, India  
Date: August 14, 2013

By Order of the Board,

Hitesh Saiwal  
(Managing Director)

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint proxy to attend and vote instead of such member, on a poll only and a proxy need not be a member of the Company. The proxy in order to be effective should be deposited at the registered office of the company not less than 48 hours before commencement of the Annual General Meeting.
2. The register of members and the share transfer books of the Company will remain closed from September 20, 2013 to September 25, 2013 (both days inclusive)
3. In term of section 205C of the Companies Act 1956, all sums transferred to unpaid dividend account towards dividend for the financial year 2005-2006 and which remain unpaid or unclaimed will be transferred to the Investor Education & Protection fund of the Central Government on of after 21 July 2013 respectively. As such, the Members who have not encashed dividend warrant(s) for the aforesaid financial year are requested to make their claim with the Company's Registrars and Transfer Agent or with the Company. The members may note that no claim shall lie in respect of such dividend, once the amount is transferred by the Company to the Investors Education and Protection Fund.

Registered Office:  
B-11 MIDC Industrial Area Waluj,  
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Maharashtra India  
Date: August 14, 2013

By Order of the Board,  
  
Hitesh Saiwal  
(Managing Director)

**ANNEXURE TO THE NOTICE**

**Explanatory Statement pursuant to Section 173 (2) of The Companies Act, 1956**

**Item No.6:-**

Mr. Subhash B. Kolapkar was appointed as an Additional Director of the Company w.e.f. 14<sup>th</sup> August, 2013 consequent upon resignation of Mr. H.S. Shirsat. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 116 of Articles of Association of the Company, he holds office upto the date of this Annual General Meeting.

The Board recommends the appointment of Mr. Subhash B. Kolapkar as a Director of the Company for the approval of the members.

None of the Directors except Mr. Subhash B. Kolapkar is concerned or interested in this resolution.

**Item No.7:-**

Mr. Hitesh Saiwal aged 39 is a Fellow Chartered accountant and Qualified Company Secretary having rich experience of more than 14 years in various areas such as Indian GAAP reporting, Direct and Indirect Taxation, Treasury, Business valuation, Internal control process implementation, Company Secretarial work. During his career, he has acquired expertise in diverse fields such as ERP implementation, Process Automation, Advance Financial Reporting, developing financial strategies, Internal Control Strategies, Project Planning and implementation etc. Further, he has gained thorough knowledge on various Indian Laws and also his contribution was remarkable towards the consistent growth of MMS Indian business.

Mr. Hitesh Saiwal is proposed to be appointed as Managing Director of the company with effect from 1<sup>st</sup> February, 2013 on the following remuneration:

(Amt. in Rupees)

Particulars	Details	Per Month	Per Annum
<b>(A) Monthly Payout</b>			
Basic Salary	30% of CTC	1 33,595	1,603,140
HRA	40% of Basic	53,438	6 41,256
Conveyance		800	9,600
Educational Allowance		200	2,400
Special Allowance		116,268	1,395,216
<b>Total (A)</b>		<b>304,301</b>	<b>3,651,612</b>
<b>(B) Monthly Reimbursement</b>			
Car / Petrol Reimbursement		10,000	1 20,000
Driver Salary		8,000	96,000
Meal Coupon		2,200	26,400
Medical Reimbursement		1,250	15,000
<b>Total (B)</b>		<b>21,450</b>	<b>2 57,400</b>
<b>(C) Retirement Benefits</b>			
PF	12% of Basic	16,031	1 92,372
Superannuation	15% of Basic	20,039	2 40,468
<b>Total (C)</b>		<b>36,070</b>	<b>4 32,840</b>
<b>(D) Annual Payouts</b>			
LTA		16,699	2 00,388
Morgan Bonus	50% of Basic	66,797	8 01,570
<b>Total (D)</b>		<b>83,496</b>	<b>1,001,958</b>
<b>Total (A+B+C+D)</b>		<b>445,317</b>	<b>5,343,810</b>

**Life Insurance :-** In addition to the above Mr. Saiwal is eligible for group health insurance policy for the management as renewed from time to time.

The Remuneration Committee and Board of Directors recommends to appoint Mr. Hitesh Saiwal as Managing Director of the Company for a period of 3 (three) years w.e.f. 1<sup>st</sup> February, 2013 for the approval of members by way of a Special Resolution.

None of the directors except Mr. Hitesh Saiwal is concerned or interested in this resolution.

Registered Office:  
B-11 MIDC Industrial Area Waluj,  
Dist - Aurangabad – 431 136,  
Maharashtra India

By Order of the Board,

Hitesh Saiwal  
(Managing Director)

Date: August 14, 2013

## DIRECTORS' REPORT

To,  
The Members,

Your Directors have pleasure in presenting the 28<sup>th</sup> Annual Report, together with the Audited Financial Statements of the Company for the year ended on March 31, 2013.

### 1. FINANCIAL RESULTS:

Particulars	(Rs. in lacs)	
	2012-13	2011-12
Profit before Interest, Depreciation and Taxation	1838.71	1805.46
Less: Interest	4.03	34.82
Less: Depreciation	410.21	347.52
Profit for the year before taxation	1424.47	1423.12
Less: Provision for Taxation	569.26	514.54
Profit After Tax	855.21	908.58
Profit brought forward from the Previous Year	2822.79	1914.21
Profit carried to Balance Sheet	3612.70	2822.79

### 2. DIVIDEND:

Your Directors are pleased to recommend final dividend on Equity shares of the Company at the rate of Re. 1/- per share.

### 3. OPERATIONS AND FUTURE OUTLOOK:

During the year under review, the net turnover of the Company was Rs. 7897.92 lacs as compared to Rs. 7908.35 lacs in last year. During the current year the Company has completed and capitalized in its books the expansion/modernisation of its plant to Rs. 388.48 lacs. The Profit after Tax was slightly down to Rs. 855.22 lacs as compared to Rs. 908.58 lacs from the last year. The Company has made export of Rs. 529.88 Lacs as compared to Rs. 549.65 Lacs from the last year.

The Indian economy has witnessed downward trend especially in the automotive and other sectors which largely affects the business of the Company. Further, financial deficit, continuous diminishing value of rupee, increase in cost of raw material, overheads and interest rates leads to become market uncertain which may impact the business in the year 2013-14.

However, despite of above backdrop, the Company is looking forward secular growth trend for coming years and ready to deliver best quality of product with competitive price which will help to grow the demand of the product in a near future. The Company has refined its business strategy and looking forward to enhance its customer base in domestic and overseas markets.

### 4. PUBLIC DEPOSIT:

The Company has not invited deposit from the public during the year under report.

**5. CAPITAL:**

Company's paid up capital stood at Rs. 2.80 Crores as on March 31, 2013. There is no change took place during the year under review.

**6. STATUTORY DISCLOSURES:**

None of the Directors of your Company is disqualified as per the provision of Section 274(1) (g) of the Companies Act 1956. Your Directors have made necessary disclosures, as required under various provisions of the Act.

The information given under Section 217(1) (e) of the Companies Act 1956 read with The Companies (Disclosures of Particulars in the report of the Board of Directors) Rules 1988 as amended is annexed with this report.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, None of the employees are getting salary above the specified limits hence not discloses here. However, any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

**7. AUDITORS:**

The Company's Auditors M/s B S R & Co. to retire at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment as statutory auditor. The notes of the Auditors and other notes on accounts are also self-explanatory.

**8. DIRECTORS:**

Mr. Didier Finck ceased to be Director on the Board w.e.f. 31<sup>st</sup> October 2012, the Board places on record its appreciation of the valuable services rendered by him during his tenure. In accordance with provisions of The Companies Act, 1956 and the Articles of Association of the Company, Mr. Sadanand V. Shabde and Mr. Stuart A. Cox, Directors retires by rotation at the ensuing Annual General Meeting of the Company and being eligible, have offered themselves for re-appointment.

**9. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that 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 31<sup>st</sup> March, 2013 being end of the financial year 2012-13 and of the profit of the Company for the year;
- (iii) that the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a 'going concern' basis.

**10. RISK MANAGEMENT:**

The Company's properties continued to be adequately insured against risks such as fires, riots etc.

**11. CORPORATE GOVERNANCE:**

The Corporate Governance Report and the Management Discussion and Analysis Report are attached and forming part of this Annual Report.

**12. SUBSIDIARY COMPANY ACCOUNTS:**

The Ministry of Corporate Affairs vide their General Circular no. 2/2011 dated 08.02.2011 given general exemption to companies under Section 212 from attaching subsidiaries accounts with holding company's balance sheet however consolidated accounts are provided with this report and annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time and also it will be available at the head office of the company and will be open for inspection on demand during office hours.

**13. ACKNOWLEDGMENT:**

Your directors take this opportunity to offer their sincere thanks to various Departments of the Central and State Governments, our Bankers, Share holders, Customers, employees & consultants for their unstinted support and assistance.

For and on behalf of the Board,

Sadanand V. Shabde  
(Chairman)

Hitesh Saiwal  
(Managing Director)

Place: Aurangabad

Date: August 14, 2013



ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2013 INFORMATION RELATING TO THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956. READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

#### A. CONSERVATION OF ENERGY :

a. Measures Taken

**Electrical Energy**

Your Board is committed for clean and healthy environment. In the process to achieve the same the implementation of energy saving methods done in the past continues to give benefits. Monitoring & Control of loading process of Kiln has reduced the number of firing which ultimately help in lower consumption of energy.

**Fuel: FUEL Consumption**

Installation of Flow meter at various points has helped in monitoring in LPG consumption which in return has resulted in lower consumption and control of wastage. Also during the year under review the production process concerning heating cycles was under review and improvements were done in the process which resulted in low LPG consumption.

b. Additional Investments and proposals if any, for reduction of consumption of energy.

No major investment has been made. Proposals are there for more quality and process check to maintain wastage to NIL and increase in capacity utilization maintaining optimum consumption of energy in terms of per tone. Special emphasis is being provided on process control and quality check to eliminate leakage of energy if any.

c. Impact of (a) & (b)

Reduction is reflected in consumption of electricity energy and LPG considering the increase in cost of Electricity and LPG products over past year.

d. Total Energy Consumption

As per Form A in respect of industries specified in schedule.

**FORM A** : Form for disclosure of particulars with respect to Conservation of Energy.

<b><u>A. Power and Fuel Consumption</u></b>			<b><u>B. Consumption per unit of Production</u></b>		
	2012-13	2011-12		2012-13	2011-12
1. Electricity			Product		
a. Purchased			Silicon Carbide Crucibles & Accessories (MT)		
Units	1525480	1653890		2620	3281.15
Total Amount Rs.	9527221	9807580	Clay Graphite Crucibles & Accessories (MT)	279.4	447.80
Rate/Unit Rs	6.24	5.93	Total (MT)	2899.40	3728.95
b. Own Generation :			Electricity consumed units (including in house generation)		
Units	3748	14532	Units	1529228	1667007
Diesel Consumption (Ltrs.)	940	3680	Ele (Kwh)/MT Prod	527.43	447.04
Diesel rate/Lit Rs	49.17	60.33	a. Silicon Carbide	476.60	393.36
Cost of Unit generation Rs.	12.33	15.27	b. Clay Graphite	50.83	53.68
2. LPG Consumed					
Quantity (MT)	968.65	1181.21	LPG (KGS) prod (KG/MT)	299.32	316.77
Total Cost Rs.	63323546	59757515	a. Silicon Carbide	270.48	278.73
Rate/KG Rs.	65.37	50.59	b. Clay Graphite	28.84	38.04

**FORM B****B. RESEARCH AND DEVELOPMENT:**

1. Specific Areas High Quality Laboratory Equipments.  
Equipments for process control viz. data loggers Up gradation activity
2. Benefits derived The above steps has resulted in reduction of wastage during process, control on raw material procurement, better quality and meeting international standards. The upgrading of two major machines through development activity has resulted in quality control and reduction of rejections.
3. Benefits to be derived While the procurement of additional equipments at the laboratory will result in better quality check and further reduction in production cost.
4. Expenditure on R & D

(Rs in lacs)

Capital	0
Recurring	16.70
Total	16.70
Total R&D expenditure as a percentage of Turnover	0.21

**B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:**

- Efforts made New equipment were installed at different levels and machine were upgraded.
- Benefits derived Improved quality & consistency products, better controlled production process, reduction in time waste and raw material absorption improved.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

(Rs. in lacs)

Foreign Exchange Earnings	5298.80
Foreign Exchange Outgo	1701.80

For and on behalf of the Board,

Sadanand V. Shabde  
(Chairman)Hitesh Saiwal  
(Managing Director)Place: Aurangabad  
Date: August 14, 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Overview and Business Environment:**

Morganite Crucible (India) Limited (MCIL) is a subsidiary Company of Morgan Advanced Material Company Plc previous known as Morgan Crucible Company Plc, a United Kingdom based group with its headquarters in London. MCIL has business of Crucible, Crucible accessories, foundry consumables and allied products. Below is an important discussion on the Crucible and foundry Industries which although a very niche market of Company, there is not too much detail available in public domain.

Despite of several efforts of the Government and RBI, the industrial growth has been witnessed weaken, volatile and trended downwards for several quarters and continued for next few quarters. Meanwhile, high fiscal and current account deficits, high inflation and depreciating Rupee are major concerns for the economy which don't look to recover in the near future. However, the Company looks forward secular growth trend in the industry and is positive in develop the market condition.

### **1. INDUSTRY STRUCTURE AND DEVELOPMENTS:**

#### **Product & Plant**

Silicon Carbide and Clay Graphite Crucibles are used primarily as Consumables in the manufacture of Non ferrow alloys Industries. Crucible is manufactured at Aurangabad in Maharashtra. The Aurangabad Plant is certified under ISO 9001:2008. Crucible is also manufactured by your Company's subsidiary, Diamond Crucible Co. Ltd., at its Mehsana (Gujarat) plant. Looking ahead, while overall economic growth is expected to be uncertain, we may witness a slowdown in the year of 2013-14. The main concern is inflation and global liquidity concern, in general, and the continuous rise in input prices, in particular. The key requirements for success in the industry are quality and cost competitiveness. Entry barriers are high by way of capital investment and technology.

#### **Development & Outlook**

The Crucible business had witnessed favorable growth in spite of economic slowdown, Govt. policies and competition during the previous years. However, the margins were squeezed on account of a significant increase in the prices of raw material, LPG, electricity and other overheads.

The Indian economy is experiencing continuous slowdown due to diminishing value of rupees in the market, rising interest rates, liquidity etc. which hampering growth of the industry specially in auto and allied industry which may cause impact on the business of the company as well. The Company's export business in South Africa & USA were also affected due to economy slowdown. The Company look forward for positive growth trend in coming years.

However, the Company is committed to deliver the best quality of product, continuous improvement, along with competitive pricing which surely help the Company to enhance its customer base in domestic and overseas markets.

### **2. RISKS AND CONCERNS:**

(i) Industry & Market: Crucible products cater mainly to Aluminum, copper, zink, gold and silver foundries segments. Each of these segments contains several different customers. In Aluminum segment, Automobile industries are also major consumers. With the growth in the Automobile sector, the requirements of Crucibles are expected to grow and this will be a good opportunity to accelerate Company's growth. We have also ventured into supply and manufacturing of different accessories related to ferrous industry and also foraying into supply of lubrications for the foundries. Hence, the overall sectorial portfolio is very balanced. In addition, many smaller customers are serviced through distribution channels.

(ii) Technology: The technology of manufacturing Crucible has had very little change worldwide, since the present process was started. As for the increased use of Silicon Carbide and clay Graphite Crucibles in India, the technological changes needed at some of the user industry segments is still coming in, but gradually. MCIL has full access to information on the global developments in these areas through Morgan's global presence and also has access to all the research and technology

developments undertaken by MCIL in this regard. This helps MCIL to be better prepared to influence these changes in India than any of its competitors.

### **3. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

An Apex Committee of Senior Management has been formed to discuss the various issues that directly influence the business and to take strategic decisions. The steering committee has been empowered to take decisions to ensure financial health and protect shareholders' interest. The company's systems and internal controls address:

- Protection and conservation of resources
- Operational efficiency
- Accuracy in financial reporting
- Compliance with laws and regulations

The Internal Audit Department carries out the Audit in the above areas and also Post Audit checks and ensures the adequacy of internal controls through reviews.

### **4. FINANCIAL PERFORMANCE:**

MCIL's financial management has always been governed by prudent policies, based on conservative principles. Currently, MCIL is a debt-free Company. MCIL's foreign currency exposure on account of imports and exports has been appropriately hedged. MCIL has well defined and structured treasury operations, with the emphasis on security.

#### **i. Revenues**

The PBIDT for the year 2012-13 was Rs. 1838.71 lacs compared to Rs. 1805.46 lacs in the previous year.

#### **ii. Costs**

During the year, the overall raw material cost as percentage of sales reduced by 1.83%. Power and Fuel expenses have gone up by 1.61%.

#### **iii. Resources**

During the year the Company incurred capital expenditure of Rs. 388.48 lacs as compared to Rs. 173.28 lacs in the previous year.

#### **iv. Outlook**

Company's niche market which is Crucibles and allied accessories for the non-ferrous industries has facing some challenges due to global economic slowdown. This slowdown has affected automobile sector where company has huge customer base. The trend may continue this year but to subside this Company has taken care of exploring new markets, also developing new products for the existing market to enhance the overall revenues of the Company.

### **5. HUMAN RESOURCE:**

In 2012-13, MCIL's focus continued to be on building the organisation through the induction and development of talent to meet current and future needs. The attrition level in the company is balanced as per industrial standards. This will be continuing in 2013-14 and efforts to retain talent and skills will be a priority. MCIL will continue to invest in training people in Environment, Health and Safety and World Class Manufacturing to provide an environment in which employees can give their best and realize their full potential. Company has started different employee engagement schemes and also focused largely on training and development of each employees in the current year. The Company has started program on recognition and acquisition of talent and future leaders for their development and providing them proper atmosphere for further growth.

**To the Members of  
Morganite Crucible (India) Limited**

We have examined the compliance of conditions of corporate governance by Morganite Crucible (India) Limited (“the Company”) for the year ended on 31<sup>st</sup> March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion, and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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.

Date: August 13, 2013

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

Bhavesh Dhupelia  
*Partner*  
Membership No.: **042070**

## CORPORATE GOVERNANCE REPORT

The Securities and Exchange Board of India (SEBI) ushered in a formal code of corporate governance (hereinafter “the Code”) through Clause 49 in the Listing Agreement executed by the Company with stock exchange. Clause 49 lays down several corporate governance practices which listed companies are required to adopt. The Code has been periodically upgraded to ensure the adoption of best corporate governance practices by the corporates. This report sets out the compliance status of the Company in line with the requirements of Clause 49 of the Listing Agreement, for the financial year 2012-13 as below:

### A. MANDATORY REQUIREMENTS

#### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company believes that the Code prescribes only a minimum framework for governance of a business in corporate framework. The Company's philosophy is to develop this desired minimum framework and institutionalize the spirit it entails. This will lay the foundation for further development of superior governance practices which are vital for growing a successful business. The Company is committed to implement the good corporate governance practice which helps to lay a foundation for further development in governance practice. The Company recognizes that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance. It is the Company's endeavor to attain highest level of governance to enhance the stakeholder's value.

#### 2. BOARD OF DIRECTORS:

The Board comprises of 4 directors of which 3 are Non-Executive Directors (75% of the total Board strength) and among these 3 Non-executive directors 2 are Independent Directors (50% of the total Board strength). The composition of the Board complies with the requirements of the Code. The Board of Directors of the Company met 6 (Six) times during the year on 17/04/2012, 29/05/2012, 17/07/2012, 14/08/2012, 09/11/2012 and 13/02/2013.

The details of composition and category of the Directors on the Board, their attendance at the Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships/Chairmanships held by them in other companies are as follows:-

Name & Designation of the Director	Category	No. of other Directorships held	No. of Committee position held in other Companies	Board meetings attended	% of total Meetings attended during the tenure as a Director	Attendance at the last AGM
Mr. Sadanand V. Shabde	INED /CM	1	None	6	100	Yes
Mr. Hitesh Saiwal	MD	2	None	6	100	Yes
Mr. Stuart Cox	NED	1	None	4	66	Yes
Mr. H. S. Shirsat	INED	NIL	None	6	100	Yes
Mr. Didier Finck (Upto 31 -10 -2012)	NED	NIL	None	0	0	No
Mr. Shubhash B. Kolapkar (Appointed on 14 -08 -2013)	INED	-	-	-	-	-

CM – Chairman; NED – Non-Executive Director; INED – Independent Non-Executive Director; MD- Managing Director;

- Mr. Hitesh Saiwal was appointed as Managing Director of the Company w.e.f. 1<sup>st</sup> February, 2013, subject to approval of the members of the Company in the Annual General Meeting to be held on 27<sup>th</sup> September, 2013.
- Mr. Didier Finck has resigned w.e.f 31<sup>st</sup> October, 2012 and Mr. H. S. Shirsat has resigned as an Independent Director of the Company w.e.f. 6<sup>th</sup> June, 2013, the Company has appointed Mr. Shubhash B. Kolapkar as Independent Director to replace Mr. H. S. Shirsat.

3. None of the Directors on the Board is a member in more than 10 committees or acts as chairman of more than 5 committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee memberships/chairmanships have been made by the Directors.
4. This number excludes the Directorships / Committee memberships held in foreign companies, companies registered under Section 25 of the Companies Act, 1956, private limited companies and that of the Company. Also it includes the Chairmanship / Membership only in the Audit Committee and Shareholders' Grievance Committee, Remuneration Committee and Share transfer Committee. The details in respect of directors, who ceased to be as such, are as on the date of cessation.
5. None of the executive and Independent Non-Executive Directors hold any shares in the Company.
6. None of the Directors have any inter se relationship.

Mr. Sadanand V. Shabde and Mr. Stuart Cox are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for reappointment. Relevant details pertaining to them are provided below:

#### **Mr. Sadanand V. Shabde**

He is post graduate in Mechanical & Chemical Engineering from UDCT Mumbai having over 36 years of experience in the field of Manufacturing and technology. He has worked with various reputed companies at senior management level and then out of his entrepreneurship urge he started a manufacturing company with friends in the field of thermo plastic Compounds which has made its mark already.

He is associated with company since 2007-08 as Independent director and since then he has been instrumental in various technical and non-technical initiatives in the company. The Company proposes to reappoint him as an Independent Director who is retiring by rotation in this AGM.

#### **Mr. Stuart Cox**

He is a Chartered Accountant by Profession having vast experience of working with manufacturing company and expertise in the matters of Financial Control, Treasury, Business accounting, Taxation and Internal Control.

He is associated with the Morgan group since long and he has worked on various position within the MORGAN group.

Sr. no.	Name of Director	Chairman/Member of the Committee of the Board of Directors of other Public Company
1	Mr. Sadanand V. Shabde	<b>Chairman and Director:</b> Diamond Crucible Company Limited <b>Member:</b> None
2	Mr. Stuart Cox	<b>Director:</b> Diamond Crucible Company Limited <b>Member:</b> Morgan Advanced Materials Plc

#### **CODE OF CONDUCT:**

The Company has established code of conduct for its Board Members and Senior Management personnel. The code of conduct for the Board Members and Senior Management personnel is posted on the Company's website, [www.morganmms.com](http://www.morganmms.com). All the Board members and senior management personnel have complied with the code of conduct.

#### **3. SUBSIDIARY COMPANY:**

1. Mr. Sadanand Shabde, Independent Director of the Company is a Director in the subsidiary company i.e. Diamond Crucible Company Limited (DCCL).
2. The Audit Committee of the Company has reviewed the financial statements of the DCCL during the year under review.



3. The minutes of the DCCL was placed in the every Board meeting of the Company and the Board has reviewed and approved the same. The Board has also reviewed all significant transactions and arrangements entered between the Company and the DCCL.

#### 4. AUDIT COMMITTEE:

During the year under review, 4 meetings of the Committee were held on, 29/05/2012, 17/07/2012, 09/11/2012 and 13/02/2013. The composition of the Committee as on 31<sup>st</sup> March, 2013 as well as the particulars of attendance at the Committee during the year are given in the table below:

Name & Designation	Category of Directorship	Qualification/ Competence	No. of meetings attended	% of total Meetings attended during the tenure as a Director
Mr. Sadanand V. Shabde	Independent Non - Executive Director /Chairman	M. Tech	4	100
Mr. H. S. Shirsat	Independent Non - Executive Director	B.A.	4	100
Mr. Hitesh Saiwal	Executive Director	Chartered Accountant and Company Secretary	4	100

The composition of the Committee complied with the requirements of Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

The Chairman of the Audit Committee will be available at the ensuing Annual General Meeting of the Company. The Company Secretary acts as the Secretary to the Audit Committee. In addition to the above, the Committee meetings were also attended by the Finance Manager and other executives of the Company also attended the meeting as and when required.

The broad terms of reference of the Committee are to review and recommend the financial statements and to review the adequacy of internal control systems and internal audit function. The detailed terms of reference of the Committee as approved by the Board are given below:

1. Reviewing internal controls and internal audit function and their adequacy with the management and internal auditors.
2. Reviewing with the management, performance of statutory and internal auditors.
3. Oversight of the financial reporting process and disclosures and review of interim & annual financial statements.
4. Appointment / reappointment / replacement / removal of statutory auditors & fixation of their audit fees & fees for other services.
5. Periodic discussions with the statutory auditors of the Company (whether before, during or after the audit) on internal control systems, nature & scope of audit, audit observations and areas of concern, if any.
6. Review the outcome of internal investigations of material fraud, irregularity & failure of internal control system.
7. To look into substantial defaults, if any, in payments to depositors, debenture-holders, creditors & shareholders.
8. Discussion with the internal auditors on any significant findings and follow up there on.
9. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - A. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
  - B. Changes, if any, in accounting policies and practices and reasons for the same;
  - C. Major accounting entries involving estimates based on the exercise of judgment by management;

- D. Significant adjustments made in the financial statements arising out of audit findings;
- E. Compliance with listing and other legal requirements relating to financial statements;
- F. Disclosure of any related party transactions;
- G. Qualifications in audit report, if any.

10. To review the following information:

- A. Management Discussion and Analysis of financial conditions and results of operations;
- B. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- C. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- D. Internal audit reports relating to internal control weaknesses; and
- E. The appointment, removal and terms of remuneration of the chief internal auditor. In addition to the above, the Committee also reviews the financial statements of all Subsidiaries of the Company and shall have such functions / role / powers as may be specified in the Companies Act, Listing Agreement with stock exchanges or any other applicable laws.

#### 5. SHAREHOLDERS COMMITTEE:

The Securities Transfer & Investors' Grievance Committee, as a sub-committee of the Board, inter alia, reviews shareholder / investor grievances. The Committee met 4 (four) times during the year. The constitution and functioning of the Committee is as given below:

Name & Designation	Category of Directorship	No. of meetings attended
Mr. Sadanand V. Shabde	Independent Non - Executive Director / Chairman	4
Mr. H. S. Shirsat	Independent Non - Executive Director	4
Mr. Hitesh Saiwal	Executive Director	None

Mr. Anurag Geete, Company Secretary, provided secretarial support to the Committee and was also the designated Compliance Officer for such matters. No transfer of equity shares is pending as at 31<sup>st</sup> March, 2013.

During the year under review, the Company has not received any complaint from the shareholders of the Company. However, the Company has resolved 1 (one) complaint which was received in earlier year. No complaint was pending as on 31<sup>st</sup> March, 2013.

#### 6. MANAGERIAL REMUNERATION:

Remuneration Committee

This is a non-mandatory requirement of Clause 49 of the Listing Agreement. The Board in its meeting has constituted a 'Remuneration Committee' of Directors for the purpose of recommending remuneration of Executive Directors and senior management of the Company.

The Composition of the Committee is as follow:

Sr. No.	Name of Member	Category
1	Mr. Sadanand V. Shabde	Independent Non- Executive Director
2	Mr. Stuart Cox	Non - Executive Director and Chairman
3	Mr. H. S. Shirsat	Independent Non- Executive Director

The Company does not have not any Remuneration Policy, however, the remuneration paid to Executive Director of the Company is based on performance and annual appraisal. During the year under review, no Remuneration Committee meeting has been held.

#### Details of Remuneration paid to Executive Director is as follows:

The Board has appointed Mr. Hitesh Saiwal as Managing Director of the Company w.e.f. 1<sup>st</sup> February, 2013 subject to approval of the shareholders in the Annual General Meeting to be held on 25<sup>th</sup> September, 2013.

The details of remuneration paid to Mr. Hitesh Saiwal during the year as follows:

(Amt. in Rupees)			
All elements of remuneration package i.e. salary, benefits bonuses, pension, etc.	Fixed component & performance Linked incentives along with the performance criteria	Service Contracts notice period, Severance fees	Stock option with details, if any and Whether issued at a discount as well as the period over which accrued and over which exercisable
3,850,802	367,200	Ref. note (a)	Ref. note (b)

Notes:

- (a) The agreement with Mr. Hitesh Saiwal, Managing Director is for a period of 3 years. Further, either party is entitled to terminate the contract by giving not less than three months notice in writing to the other party.  
(b) The Company does not have a Stock Options scheme as of now.

Sitting fees paid to Non-executive Directors during the financial year 2012-13 are given below:

(Amt. in Rupees)	
Independent Director	Sitting Fees
Mr. Sadanand V. Shabde	80,000
Mr. H. S. Shirsat	60,000

Apart from the above Non-Executive Independent Director, the Company do not pay any sitting fees or commission to other Non-executive Director of the Company and they have waived their right of getting sitting fees for attending the Board and Committee meeting.

#### 7. GENERAL BODY MEETINGS:

The details of the General Body meetings held in the last three years are given below:

Financial Year	Venue	Type of Meeting	Date	Time
2009 - 10	Registered Office of the Company: B- 11,MIDC Industrial Area, Waluj, Aurangabad – 431136, Maharashtra, India	AGM	22 <sup>nd</sup> September, 2010	11.00 AM
2010 - 11		AGM	28 <sup>th</sup> September, 2011	11.00 AM
2011 - 12		AGM	17 <sup>th</sup> August, 2012	11.00 AM

A) Whether any Special Resolution passed in the previous 3 AGMs	:	Yes
B) Whether any Special Resolution passed through Postal Ballot during last year	:	No
C) Details of Voting Pattern	:	Not Applicable
D) Person who conducted the Postal Ballot exercise	:	Not Applicable
E) Whether any Special Resolution proposed to be conducted through Postal Ballot	:	No
F) Procedure for Postal Ballot	:	Not Applicable

### 8. CEO/CFO CERTIFICATION:

A certificate from the Chief Executive Officer (Managing Director) or the Chief Financial Officer, on the financial statements and other matters of the Company for the financial year ended 31<sup>st</sup> March, 2013, was placed before the Board at its meeting held on 14<sup>th</sup> August, 2013.

### 9. DISCLOSURES:

- Transactions with related parties are disclosed in detail in Note 36 annexed to the financial statements for the year. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the Company at large.
- There has been no instance of non-compliance by the Company on any matter related to capital markets during last three years and no penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority.
- The Company has Whistle Blower Policy which has been displayed in various location of the factory as well as the same has posted on the Company's intranet. No personnel of the Company has been denied access to the Audit Committee.
- The Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework.
- The Company has complied with all mandatory requirements laid down by the Clause 49.

### 10. COMMUNICATION TO SHAREHOLDERS:

During the year under review, un-audited quarterly & half-yearly and audited annually financial results on the standalone basis and consolidated basis of the Company were submitted to the stock exchanges soon after the Board meeting approved these financial results and were published in two leading newspapers - The Financial Express (English) & Loksatta (Marathi). These were also promptly put on the Company's website www.morganmms.com. All official news release of relevance to the investors are also made available on the website for a reasonable period of time. No presentations have been made to institutional investors or analysts.

*The Company plans to send the soft copies of Annual Report 2012-13 to those members whose email ids are registered with the Depository Participants (DPs) after informing them suitably to support the "Green Initiative in the Corporate Governance", an initiative taken by the Ministry of Corporate Affairs (MCA).*

### 11. GENERAL SHAREHOLDER INFORMATION:

#### a. Date, Time and Venue of 28<sup>th</sup> Annual General Meeting:

Date & Time	:	Wednesday, 25 <sup>th</sup> September, 2013 at 11:00 AM
Venue	:	B-11, MIDC Area, Waluj, Aurangabad – 431 136 (MH)

#### b. Tentative Financial Calendar for the year 2013-14:

Financial year	:	1 <sup>st</sup> April, 13 to 31 <sup>st</sup> March, 14
First Quarter results	:	First week of August, 2013
Half Yearly results	:	First week of November, 2013
Third Quarter results	:	First week of February, 2014
Results for year-end	:	Second week of May, 2014

#### c. Date of Book Closure :

20<sup>st</sup> September, 2013, Friday to 25<sup>th</sup> September, 2013, Wednesday(both days inclusive)

**d. Dividend payment date** : On or after 2<sup>nd</sup> October, 2013

**e. Unclaimed Dividend Account:**

In light of SEBI's notification No. CIR/CFD/DIL/10/2010 dated 16<sup>th</sup> December, 2010, the Company is in process of taking the requisite actions and shall transfer the unclaimed shares to “Unclaimed Suspense Account” in due course. All corporate benefits in terms of securities accruing on such shares shall be credited to such suspense account and voting rights on such shares shall remain frozen till the rightful owner claims such shares.

**f. Listing on Stock Exchanges and Security Codes:**

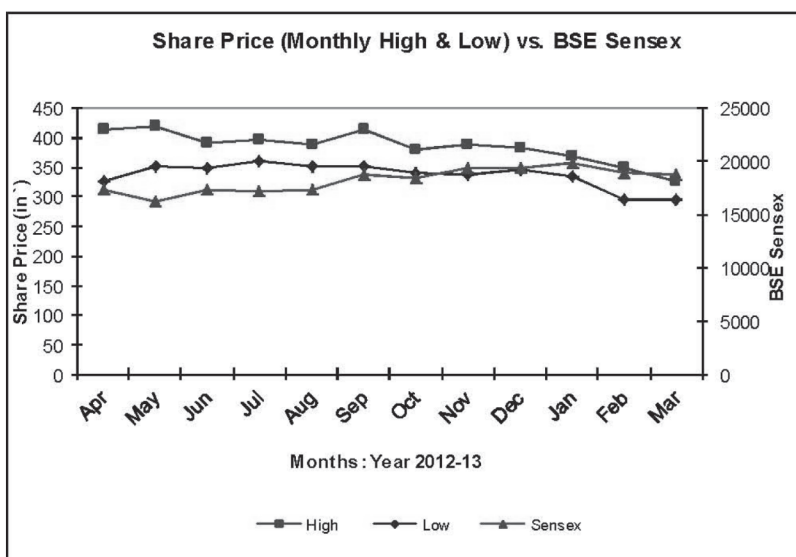
Name of Stock Exchange Security Code:  
Bombay Stock Exchange Ltd., Mumbai (BSE) 523160

ISIN Number: INE599F01012

The Company has paid the annual listing fees for the year 2012-13 to the above stock exchange.

**g. Market Price Data:**

Month	Open	High	Low	Close
April, 2012	397.95	414.5	326.25	390.25
May, 2012	399.9	419.4	351.1	375.1
June, 2012	373	392	350.05	372.75
July, 2012	372	398	360	371.25
August, 2012	377.5	388	352.1	370.7
September, 2012	371	413.9	351.15	365.5
October, 2012	367	379.8	340.1	352.1
November, 2012	352.2	389.9	338	358
December, 2012	362.25	384.3	347	362
January, 2013	354.9	368	336.1	337.1
February, 2013	337.1	348.9	295	300
March, 2013	298.8	327.9	295	306



#### h. Distribution of Shareholding as at 31<sup>st</sup> March, 2013:

Sr. No.	Particular	No. of Shares	No. of Share Holders	% of Share Capital
1	Promoter			
	a – Morganite Crucible Limited	10,78,000		
	b – Morgan Te rreassen BV	10,22,000		
	Total	21,00,000	2	75
2	Institutions	600	2	0.02
3	Public			
	a – Body Corporates	1,81,213	67	
	b – Individual	5,11,070	2,093	
	c – Others	117	15	
	Total	6,99,400	2,175	24.98
	<b>Grand Total</b>	<b>28,00,000</b>	<b>2,180</b>	<b>100</b>

#### i. Dematerialisation of securities:

The Equity shares of the Company are traded compulsorily in the dematerialized segment of all the stock exchanges and are under rolling settlement. Presently, 12,80,840 Equity Shares representing 45.74% of the total Equity Capital of the Company were held in dematerialized as on 31<sup>st</sup> March, 2013.

#### j. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

#### k. Share transfer system:

To expedite the transfer of shares held in physical mode the powers to authorise transfers have been delegated to Registrar and Transfer Agent. The transfers which are complete in all respects are taken up for approval generally every ten days and the transferred securities dispatched to the transferor within 21 days. The details of transfers / transmission approved by the delegates are noted by the Securities Transfer & Investors' Grievance Committee at its next meeting.

The Company has signed necessary agreements with the depositories currently functional in India. The transfer of shares in depository mode need not be approved by the Company.

**l. Registered Office** : B-11, MIDC Waluj, Aurangabad – 431 136 (MS)

**m. Plant Locations** : 1. B-11, MIDC Waluj, Aurangabad – 431 136 (MS)  
2. K-256, MIDC Waluj, Aurangabad – 431 136 (MS)

#### n. Compliance Officer / Contact Person & Address for Correspondence:

Mr. Anurag Geete  
Company Secretary & Compliance officer  
E-mail: [anurag.geete@morganplc.com](mailto:anurag.geete@morganplc.com)  
Regd. Office: B-11, MIDC Waluj, Aurangabad – 431 136 (MS)

**o. Investor services** : E-mail: [anurag.geete@morganplc.com](mailto:anurag.geete@morganplc.com)

**p. Registrars & Transfer Agents**  
**SHAREPRO SERVICES INDIA PVT LTD**  
Samhita Warehousing Complex  
13 AB, Gala No. 52, 2<sup>nd</sup> Floor, Near Sakinaka Telephone Exchange,  
Off Kurla, Andheri Road, Sakinaka, Mumbai – 400072 Phone (022) 67720300

**B. NON-MANDATORY REQUIREMENTS**

**1. (a) Chairman of the Board**

Whether Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties:

The Chairman of the Board is not entitled to maintain a Chairman's office.

**(b) Independent Directors**

Independent Directors may have a time not exceeding in the aggregate a period of nine years on the Board of the Company:

Mr. Sadanand Shabde, who is the Chairman of the Company does not have a term of office exceeding nine years as Directors of the Company.

**2. Remuneration Committee** : Please refer to Sr. No. 6 (Part A) of this Report.

**3. Shareholder Rights**

The half-yearly declaration of financial performance including summary of the significant events in last six months may be sent to each household of Shareholders:

As the Company's half yearly results are published in English newspapers having a circulation all over India and in a Marathi newspaper (having a circulation in Aurangabad), the same are not sent to the shareholders of the Company. Normally, there is no second half-yearly results as the audited results are taken on record by the Board and then communicated to the shareholders through the Annual Report.

**4. Audit Qualification** : There are no qualifications contained in the Annual Report.

**5. Training of Board Members**

The Company may train its Board Members in the business model of the Company as well as the risk profile of the business parameters of the Company, their responsibilities as directors, and the best ways to discharge them:

The Independent Directors of the Company are individuals having long years of experience, knowledge and skill as well as being leaders in their respective fields. Similarly, the Managing Director & other Director's of the Board have long years of experience in their respective fields. The Managing Director undergo training from time to time, both internal and external *interalia*, in the business model of the Company, the risk profile of the business of the Company and responsibilities as Directors of the Company.

**6. Mechanism for evaluating Non-Executive Board Members**

The performance evaluation of Non-Executive Directors may be done by a Peer Group comprising the entire Board of Directors, excluding the Director being evaluated; and Peer Group evaluation should be the mechanism to determine whether to extend/continue the terms of appointment of Non-Executive Directors:

There is no formal mechanism for evaluation of the performance of the Non-Executive Directors, more so for the reasons mentioned in para 5.

**7. Whistle Blower Policy** : Please refer to Sr. No. 8 (c) (Part A) of this Report.

For and on behalf of board

Aurangabad  
August 14, 2013

Hitesh Saiwal  
(Managing Director)

**CEO/CFO CERTIFICATION TO THE BOARD  
(Under Clause 49(V) of Listing Agreement)**

**August 14, 2013**

**I Certify that -**

**a.** I have reviewed the financial statements and the cash flow statement for the year 2012-13 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

**b.** There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2012-13 which are fraudulent, illegal or violative of the Company's code of conduct.

**c.** We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

**d.** We have indicated to the Auditors and the Audit Committee -

- Significant changes in internal control over the financial reporting during the year 2012-13.
- Significant changes in accounting policies during the year 2012-13 and that the same have been disclosed in the notes to the financial statements.

and

- Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

**Hitesh Saiwal  
(Managing Director)**

**Place: Aurangabad**



## Independent Auditors' Report To the Members of Morganite Crucible (India) Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Morganite Crucible (India) Limited ("the Company") which comprise the balance sheet as at 31 March 2013, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2013;
- (ii) in the case of the statement of profit and loss, 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.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far it appears from our examination of those books;
  - c. the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion the balance sheet, the statement of profit and loss and the cash flow statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Act; and
  - e. on the basis of written representations received from the Directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors of the Company is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

Mumbai  
6 June 2013

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

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

**Annexure to the Independent Auditors' Report – 31 March 2013  
(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 the fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, all fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (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 good-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 inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register required to be maintained under Section 301 of the Act. Consequently, clauses 4(iii)(a) to 4(iii)(d) of the Order are not applicable to the Company.
- (b) The Company has taken a loan from a company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs 49,374,556 and the year-end balance of such loan is Rs Nil.
- (c) In our opinion, the rate of interest and other terms and conditions on which the loan has been taken from the company listed in the register maintained under Section 301 of the Act, is not, prima facie, prejudicial to the interests of the Company.
- (d) In the case of loan taken from a company listed in the register maintained under Section 301 of the Act, the Company has been regular in repaying the principal amount as stipulated and in the payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialized requirements and, similarly, sale of certain goods, are for the buyers' specialized requirements, and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to sale of goods. The Company does not render any 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 explanation given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act 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 or arrangements referred to in (a) above and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (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, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales tax/ Value added tax, Service tax, Customs duty, Excise duty and material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales tax/ Value added tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2013 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 Income-tax, Sales tax, Value added tax, Wealth tax, Service tax, Customs duty, and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current 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 did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) According to the information and explanations given to us, the Company has not granted 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 in 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) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (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 have not been used for long-term investment.
- (xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under Section 301 of the Act during the year.
- (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.

Mumbai  
6 June 2013

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

**Bhavesh Dhupelia**  
*Partner*  
Membership No: 042070

**Morganite Crucible (India) Limited**

**Balance Sheet**

as at 31 March 2013

(Currency : Indian rupees)

	<i>Notes</i>	<b>31 March 2013</b>	31 March 2012
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	<b>28,000,000</b>	28,000,000
Reserves and surplus	4	<b>447,261,708</b>	365,016,946
		<b>475,261,708</b>	393,016,946
<b>Non-current liabilities</b>			
Deferred tax liability (net)	5	<b>17,537,518</b>	12,635,040
		<b>17,537,518</b>	12,635,040
<b>Current liabilities</b>			
Trade payables	6	<b>218,354,495</b>	198,881,001
Other current liabilities	7	<b>37,928,567</b>	102,729,155
Short-term provisions	8	<b>6,294,138</b>	20,525,472
		<b>262,577,200</b>	322,135,628
		<b>755,376,426</b>	727,787,614
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	9	<b>222,418,993</b>	230,611,760
Intangible assets	9	<b>27,955,326</b>	19,488,235
Capital work-in-progress		-	13,369,032
Non-current investments	10	<b>49,698,740</b>	49,698,740
Long-term loans and advances	11	<b>48,101,942</b>	32,210,241
Other non-current assets	12	-	7,595,701
		<b>348,175,001</b>	352,973,709
<b>Current assets</b>			
Inventories	13	<b>131,535,430</b>	145,360,069
Trade receivables	14	<b>139,822,873</b>	144,074,177
Cash and bank balances	15	<b>93,598,461</b>	46,261,632
Short-term loans and advances	16	<b>38,515,156</b>	36,882,692
Other current assets	17	<b>3,729,505</b>	2,235,335
		<b>407,201,425</b>	374,813,905
		<b>755,376,426</b>	727,787,614
<b>Significant accounting policies</b>	2		

The accompanying notes to financial statements 2 - 44 form an integral part of the financial statements.

As per our report of even date attached.

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

For and on behalf of the Board of Directors of  
**Morganite Crucible (India) Limited**

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

**Hitesh Saiwal**  
Managing Director

**Stuart Cox**  
Director

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

**Anurag Geete**  
Company Secretary

**Morganite Crucible (India) Limited**

**Statement of Profit and Loss**

for the year ended 31 March 2013

(Currency : Indian rupees)

	<i>Notes</i>	<b>31 March 2013</b>	31 March 2012
<b>Income</b>			
Revenue from operations			
- Sale of Products (Gross)		<b>837,300,502</b>	817,618,624
Less: Excise duty		<b>47,508,546</b>	26,783,192
Sale of Products (Net)	20	<b>789,791,956</b>	790,835,432
- Other operating revenues	21	<b>9,345,725</b>	6,499,377
		<b>799,137,681</b>	797,334,809
Other income	22	<b>7,399,023</b>	8,603,549
		<b>806,536,704</b>	805,938,358
<b>Expenses</b>			
Cost of materials consumed	23	<b>327,244,101</b>	342,109,330
Changes in stocks of finished goods and work in progress	24	<b>23,557,336</b>	(1,365,067)
Employee benefits expense	25	<b>85,101,364</b>	77,549,234
Finance costs	26	<b>403,226</b>	3,482,173
Depreciation and amortisation expense	9	<b>41,021,715</b>	34,751,576
Other expenses	27	<b>186,762,306</b>	207,099,109
		<b>664,090,048</b>	663,626,355
<b>Profit before tax</b>		<b>142,446,656</b>	142,312,003
<b>Tax expense:</b>			
Current tax		<b>46,523,556</b>	52,000,000
Deferred tax charge / (credit)		<b>4,902,478</b>	(1,487,570)
Short provision of earlier years		<b>5,500,000</b>	941,830
<b>Profit for the year</b>		<b>85,520,622</b>	90,857,743
Basic and Diluted Earnings Per Share (face value of Rs 10 per share) Rs.	38	<b>30.54</b>	32.45

**Significant accounting policies**

The accompanying notes to the financial statements 2 - 44 form an integral part of the financial statements.

As per our report of even date attached.

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

For and on behalf of the Board of Directors of  
**Morganite Crucible (India) Limited**

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

**Hitesh Saiwal**  
Managing Director

**Stuart Cox**  
Director

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

**Anurag Geete**  
Company Secretary

**Cash Flow Statement**

for the year ended 31 March 2013

(Currency: Indian rupees)

	31 March 2013	31 March 2012
<b>Cash flow from operating activities</b>		
<b>Net Profit before tax</b>	<b>142,446,656</b>	142,312,003
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortisation expense	41,021,715	34,751,576
Loss on sale / write off of fixed assets	582,207	12,241
Excess provisions written back	(502,742)	(6,074,191)
Unrealised foreign exchange loss / (gain)	1,152,111	12,425,323
Finance costs	403,226	3,482,173
Interest income	(1,624,759)	(1,470,864)
	<u>41,031,758</u>	<u>43,126,258</u>
<b>Operating cash flow before changes in working capital</b>	<u>183,478,414</u>	<u>185,438,261</u>
<b>Changes in working capital</b>		
Decrease / (Increase) in inventories	13,824,639	(14,568,848)
Decrease / (Increase) in trade receivables	3,208,920	(48,187,312)
(Increase) / Decrease in short-term loans & advances	(1,632,464)	(14,309,689)
(Increase) / Decrease in long-term loans & advances	(6,413,877)	(6,057,324)
(Increase) / Decrease in other current assets	(1,619,939)	(1,354,595)
(Decrease) / Increase in other current liabilities	(15,123,356)	14,199,086
Increase / (Decrease) trade payable	19,363,767	10,354,694
Increase / (Decrease) short term provision	747,036	(1,494,995)
	<u>12,354,726</u>	<u>(61,418,983)</u>
<b>Cash generated from operations</b>	<u>195,833,140</u>	124,019,278
Taxes paid	(74,140,367)	(49,177,120)
<b>Net cash from operating activities (A)</b>	<u>121,692,773</u>	<u>74,842,158</u>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets, including expenditure on capital work in progress	(28,248,415)	(30,697,061)
Movement in capital advances	(2,361,013)	-
Proceeds from sale of fixed assets	34,034	473,214
Movement in fixed deposits	(10,730,457)	5,394,101
Interest received	1,750,528	887,688
<b>Net cash (used in) investing activities (B)</b>	<u>(39,555,323)</u>	<u>(23,942,058)</u>
<b>Cash flow from financing activities</b>		
Finance costs	(547,782)	(3,770,451)
Dividend paid	(2,800,000)	-
Dividend tax paid	(454,230)	-
Repayment of External Commercial Borrowings	(49,230,000)	(62,836,641)
<b>Net cash (used in) financing activities (C)</b>	<u>(53,032,012)</u>	<u>(66,607,092)</u>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<u>29,105,438</u>	<u>(15,706,992)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>46,025,372</u>	61,732,364
<b>Cash and cash equivalents at the end of the year (refer schedule 15)</b>	<u>75,130,810</u>	<u>46,025,372</u>

**Notes**

1 The Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard-3 ('AS 3') on Cash Flow Statement prescribed in Companies (Accounting Standard) Rules, 2006.

	31 March 2013	31 March 2012
<b>2 Components of Cash and Cash Equivalents</b>		
Cash on hand	3,356	56,921
<b>Bank balances</b>		
- In current accounts	43,819,445	6,377,902
- Fixed deposits (upto 3 months maturity from deposit date)	-	7,841,378
- Export Earner's Foreign Currency account (EEFC)	31,308,009	31,749,171
<b>Total Cash and Cash Equivalent</b>	<u>75,130,810</u>	<u>46,025,372</u>

The accompanying notes to the financial statements 2 - 44 form an integral part of the financial statements.

As per our report of even date attached.

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

**For and on behalf of the Board of Directors  
of Morganite Crucible (India) Limited**

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

**Hitesh Saiwal**  
Managing Director

**Stuart Cox**  
Director

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

**Anurag Geete**  
Company Secretary

## Notes to the financial statements

for the year ended 31 March 2013

(Currency: Indian Rupees)

### 1. Background

Morganite Crucible (India) Limited ('the Company') was incorporated on 13 January 1986 under the Companies Act, 1956 and its shares are listed on the Bombay Stock Exchange (BSE). The Company is engaged in the business of manufacturing and selling of silicon carbide and clay graphite crucibles, its accessories and die lubes.

### 2. Significant accounting policies

#### 2.1 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 and in accordance with the provisions of the Companies Act, 1956 ('the Act') and the accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

During the financial year ended 31 March 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI.

#### 2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 2.3 Current–non-current classification

All assets and liabilities are classified into current and non-current

**Assets :** An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities :** A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the company's normal operating cycle;
  - it is held primarily for the purpose of being traded;
  - it is due to be settled within 12 months after the reporting date; or
  - the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

#### Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of operations and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

#### 2.4 Revenue recognition

Revenue is recognised when the property and all significant risks and rewards of ownership are transferred to the buyer and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods. Sales are accounted net of sales tax and trade discounts, if any. Interest income is recognized using the time proportion method, based on the underlying interest rates. Dividend income is recognized when the right to receive dividend is established. Export entitlements are recognised in the Profit and loss account in the year of exports provided that there is no significant uncertainty regarding the entitlement to the credit and the amount thereof and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

#### 2.5 Fixed assets and depreciation/amortisation

##### (a) Tangible assets

Tangible assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. Cost includes inward freight, duties, taxes (to the extent not recoverable from tax authorities) and expenses incidental to acquisition and installation of the fixed assets up to the time the assets are ready for intended use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

Depreciation on tangible fixed assets, except leasehold land, is provided under the straight-line method at the rates prescribed in Schedule XIV to the Act, which in the opinion of management reflects the economic useful lives of assets. Depreciation on sale of assets is provided up to the date of sale of the asset.

Assets costing up to Rupees five thousand are fully depreciated in the year of purchase. Leasehold land is amortised over the primary period of lease.

##### (b) Intangible assets

Intangible assets comprise of Non-competition agreement, Distribution Rights and Software cost are carried at cost of acquisition less accumulated amortisation and impairment loss, if any. Non-competition agreement is amortised over its contractual period of 5 years. Distribution Rights are amortised on a straight-line basis over a period of ten years and Software cost is amortised on a straight line basis over a period of 5 years, which in management's opinion represents the period during which economic benefits will be derived from their use.

#### 2.6 Impairment of assets

In accordance with AS 28 on 'Impairment of assets', the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the greater of the net selling price and value in use. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

#### 2.7 Investments

Long term investments are stated at cost. Provision for diminution in value is made only when in the opinion of the management there is a decline other than temporary in the carrying value of such investments. Current investments are valued at lower of cost and fair value.

#### 2.8 Employee benefits

##### (a) Short term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include salary, wages and bonus, compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period of rendering of service by the employee.



(b) *Long term employee benefits:*

(i) *Defined contribution plans*

The Company has defined contribution plans for post employment benefits namely Provident Fund and Superannuation Scheme which are recognised by the income tax authorities. The Company contributes to a Government administered provident fund and superannuation fund on behalf of its employees and has no further obligation beyond making its contribution.

The Company makes contributions to state plans namely Employee's State Insurance Fund and Employee's Pension Scheme 1995 and has no further obligation beyond making the payment to them. The Company's contributions to the above funds are charged to the statement of profit and loss every year.

(ii) *Defined benefit plans*

*Post-employment benefits:*

The Company's gratuity scheme with Life Insurance Corporation of India is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on independent actuarial valuation at the balance sheet date using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the statement of profit and loss.

*Other long-term employment benefits:*

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date.

## 2.9 *Borrowing costs*

Borrowing costs that are attributable to acquisition, construction or production of qualifying assets are capitalised as part of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

## 2.10 *Inventories*

Inventories which comprises of raw materials, work-in-progress, finished goods, stores and spares are valued at lower of cost and net realisable value. Cost is determined under the moving average price method and includes all costs incurred in bringing the inventories to their present location and condition. Finished goods and Work-in-progress include appropriate proportion of costs of conversion. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Valuation of work-in-progress is based on stage of completion as certified by the management. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2.11 *Foreign currency transactions*

Foreign currency transactions are recorded at the exchange rates prevailing on the dates of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the statement profit and loss of that year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rates. The resultant exchange differences are recognized in the statement of profit and loss. Forward exchange contracts relating to firm commitments or highly probable forecast transactions are marked to market and the resultant net exchange loss is recorded in accordance with the concept of prudence.

**2.12 Operating leases**

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vests with the lessor, are recognised as operating leases. Lease payments under operating lease are recognised as an expense in the statement of profit and loss on a straight line basis.

**2.13 Taxes on Income****Income-tax**

Income tax expense comprises current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions, in accordance with the Income tax Act, 1961.

**Deferred tax**

Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income taxes and profits/ losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at 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 carry forward of losses, 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.

**2.14 Earnings per share ('EPS')**

Basic EPS is computed by dividing the net profit attributable to shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti dilutive.

**2.15 Provisions and contingencies**

Provision is recognised in the balance sheet when the Company has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimation can be made of the amount required to settle the obligation. Contingent liabilities arising from claims, litigation, assessment, fines, penalties etc. are disclosed when there is a possible obligation or a present obligation as a result of a past event where it is not probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reasonably estimated. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosures is made.

**Notes to the financial statements (Continued)**

as at 31 March 2013

(Currency : Indian rupees)

<b>3 Share capital</b>	<b>31 March 2013</b>	<b>31 March 2012</b>
<b>Authorised capital :</b> 5,000,000 (2012 : 5,000,000) equity shares of Rs. 10 each	<u><b>50,000,000</b></u>	<u>50,000,000</u>
<b>Issued</b> 2,800,000 (2012: 2,800,000) equity shares of Rs 10 each, fully paid-up	<u><b>28,000,000</b></u>	<u>28,000,000</u>
<b>Subscribed and paid-up</b> 2,800,000 (2012: 2,800,000) equity shares of Rs 10 each, fully paid-up	<u><b>28,000,000</b></u>	<u>28,000,000</u>

**Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting year:**

	2013		2012	
	Number	Amount	Number	Amount
Number of shares outstanding at the beginning of the year	2,800,000	28,000,000	2,800,000	28,000,000
Number of shares outstanding at the end of the year	<u>2,800,000</u>	<u>28,000,000</u>	2,800,000	28,000,000

**Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

The Company has proposed dividend per share of Re. 1 (2012: Re.1) for distribution to equity shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**Shares held by holding company and subsidiary of holding company**

	31 March 2013		31 March 2012	
	Number of shares	% holding in the class	Number of shares	% holding in the class
<b>Shares of the Company held by -</b>				
Morganite Crucible Limited, subsidiary of the ultimate Holding Company.	1,078,000	38.50%	1,078,000	38.50%
Morgan Terreassen BV, subsidiary of the ultimate Holding Company.	1,022,000	36.50%	1,022,000	36.50%

**Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

The only shareholders holding more than 5 percent shares as on the date of the balance sheet are Morganite Crucible Limited and Morgan Terreassen BV (as disclosed above), both of which are subsidiaries of the ultimate holding company, The Morgan Crucible Company Plc.

**4 Reserves and surplus**
**Capital reserve**

At the commencement and at the end of the year		
Central government investment subsidy under '1993 package scheme of incentives'	1,500,000	1,500,000
State government investment subsidy under '1983 package scheme of incentives'	500,000	500,000

**Securities premium account**

At the commencement and at the end of the year	35,000,000	35,000,000
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**Forfeited shares**

At the commencement and at the end of the year		
Capital profit on re-issue of forfeited shares	4,000	4,000

**Investment allowance reserve under**

At the commencement and at the end of the year	405,000	405,000
--	---------	---------

**General reserve**

At the commencement and at the end of the year	48,583,000	48,583,000
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**Surplus in the statement of profit**

At the commencement of the year	279,024,946	191,421,433
Add: Profit after tax for the year	<u>85,520,622</u>	<u>90,857,743</u>
Amount available for appropriation	364,545,568	282,279,176
Less : Appropriations		
Proposed equity dividend	(2,800,000)	(2,800,000)
Corporate dividend tax	<u>(475,860)</u>	<u>(454,230)</u>
Net surplus in statement of profit and loss	<u>361,269,708</u>	<u>279,024,946</u>
<b>Total reserves and surplus</b>	<u><b>447,261,708</b></u>	<u><b>365,016,946</b></u>

(Currency : Indian rupees)

<b>5</b>	<b>Deferred tax liability - net</b>	<b>31 March 2013</b>	<b>31 March 2012</b>
	The components of deferred tax balances are as follows :		
	<i>Deferred tax liability</i>		
	Difference between book depreciation and depreciation under the Income-tax Act, 1961	17,809,448	17,037,630
	<i>Deferred tax assets</i>		
	Employee benefits	(271,930)	(371,194)
	Unrealised foreign exchange loss in ECB and forward contracts	-	(4,031,396)
	<b>Net deferred tax liability</b>	<b>17,537,518</b>	<b>12,635,040</b>
<b>6</b>	<b>Trade payables</b>		
	Trade payables towards goods purchased and services received (refer note 39 for details of dues to micro and small enterprises)	218,354,495	198,881,001
		<b>218,354,495</b>	<b>198,881,001</b>
<b>7</b>	<b>Other current liabilities</b>		
	Current maturity of External commercial borrowings from Morgan Crucible Limited [GBP - Nil (2012: GBP 6,00,000)]	-	49,230,000
	Interest accrued but not due on External commercial borrowings from Morgan Crucible Limited	-	144,556
	Unclaimed dividend	2,029	96,796
	Other payables		
	Advances received from customers	3,731,647	8,314,747
	Deposits	442,000	442,000
	Derivative liability on forward contracts	-	4,976,182
	Employee benefits payable	8,437,383	10,473,009
	Statutory dues to:		
	- Provident and other funds	619,038	568,626
	- Others:		
	Professional tax	28,775	23,450
	Excise duty on closing stock of finished goods	5,012,672	7,335,180
	Tax deducted at source	830,014	766,386
	Creditors For Capital Goods	294,833	-
	Expenses payable*	18,530,176	20,358,223
		<b>37,928,567</b>	<b>102,729,155</b>
	*includes operating, administrative and marketing expenses.		
<b>8</b>	<b>Short-term provisions</b>		
	Provision for employee benefits:		
	- Leave encashment	1,891,108	1,144,072
	Provision for proposed dividend and tax thereon	3,275,860	3,254,230
	Provision for taxation:		
	- Income-tax and fringe benefits tax (Net of advance tax and tax deducted at source of Rs. 26,372,830 (2012: Rs. 63,372,830) )	1,127,170	16,127,170
		<b>6,294,138</b>	<b>20,525,472</b>

## Morganite Crucible (India) Limited

## Notes to the financial statements (Continued)

as at 31 March 2013

(Currency : Indian rupees)

## 9 Fixed assets

	Tangible Assets				Intangible Assets				Total Fixed Assets			
	Land - Leasehold	Building	Plant and machinery	Vehicles	Office equipments	Furniture and fixtures	Total tangible assets	Software		Non-competition agreement	Distribution Rights	Total Intangible assets
<b>Gross Block</b>												
Balance as at 1 April 2011	1,684,375	51,896,204	346,454,060	591,072	841,077	5,791,826	407,258,614	-	2,924,924	48,720,587	51,645,511	458,904,125
Additions	-	2,663,534	14,465,781	-	49,661	149,053	17,328,029	-	-	-	-	17,328,029
Deletions / adjustments	-	-	2,555,893	10,000	304,709	2,545,468	5,416,070	-	-	-	-	5,416,070
<b>Balance as at 31st Mar 2012</b>	<b>1,684,375</b>	<b>54,559,738</b>	<b>358,363,948</b>	<b>581,072</b>	<b>586,029</b>	<b>3,395,411</b>	<b>419,170,573</b>	<b>-</b>	<b>2,924,924</b>	<b>48,720,587</b>	<b>51,645,511</b>	<b>470,816,084</b>
Additions	-	4,726,052	19,723,386	-	990,917	126,893	25,567,248	16,345,032	-	-	-	41,912,280
Deletions / adjustments	-	-	3,064,631	-	-	-	3,064,631	-	-	-	-	3,064,631
<b>Balance as at 31st Mar 2013</b>	<b>1,684,375</b>	<b>59,285,790</b>	<b>375,022,703</b>	<b>581,072</b>	<b>1,576,946</b>	<b>3,522,304</b>	<b>441,673,190</b>	<b>16,345,032</b>	<b>2,924,924</b>	<b>48,720,587</b>	<b>67,990,543</b>	<b>509,663,733</b>
<b>Depreciation</b>												
Balance as at 1 April 2011	443,255	13,802,490	145,845,334	52,680	341,754	3,216,612	163,702,125	-	2,924,924	24,360,293	27,285,217	190,987,342
Depreciation for the year	17,730	1,701,734	27,810,128	55,202	39,268	255,455	29,879,517	-	-	4,872,059	4,872,059	34,751,576
Accumulated depreciation on disposals	-	-	2,486,660	10,000	217,572	2,308,597	5,022,829	-	-	-	-	5,022,829
<b>Balance as at 31st Mar 2012</b>	<b>460,985</b>	<b>15,504,224</b>	<b>171,168,802</b>	<b>97,882</b>	<b>1,63,450</b>	<b>1,163,470</b>	<b>188,558,813</b>	<b>-</b>	<b>2,924,924</b>	<b>29,232,352</b>	<b>32,157,276</b>	<b>220,716,089</b>
Depreciation for the year	17,054	1,822,977	30,951,431	55,265	78,656	218,391	33,143,774	3,000,321	-	4,877,620	7,877,941	41,021,715
Accumulated depreciation on disposals	-	-	2,448,390	-	-	-	2,448,390	-	-	-	-	2,448,390
<b>Balance as at 31st Mar 2013</b>	<b>478,039</b>	<b>17,327,201</b>	<b>199,671,843</b>	<b>153,147</b>	<b>242,106</b>	<b>1,381,861</b>	<b>219,254,197</b>	<b>3,000,321</b>	<b>2,924,924</b>	<b>34,109,972</b>	<b>40,035,217</b>	<b>259,289,414</b>
<b>Net Block</b>												
As at 31 March 2012	1,223,390	39,055,514	187,195,146	483,190	422,579	2,231,941	230,611,760	-	-	19,488,235	19,488,235	250,099,995
As at 31 March 2013	1,206,336	41,958,589	175,350,860	427,925	1,334,840	2,140,443	222,418,993	13,344,711	-	14,610,615	27,955,326	250,374,319

(Currency : Indian rupees)

	31 March 2013	31 March 2012
<b>10 Non-current investments</b>		
<i>Non-trade, Long-term (Unquoted), at cost</i>		
<b>Investment in Subsidiary Company:</b>	<b>49,698,740</b>	49,698,740
17,850 (2012 : 17,850) fully paid equity Shares of Diamond Crucible Company Limited of Rs.100 each.	<u>49,698,740</u>	<u>49,698,740</u>
Aggregate amount of unquoted investments	<b>49,698,740</b>	49,698,740
<b>11 Long-term loans and advances</b>		
<i>(Unsecured, considered good)</i>		
Capital advances	<b>2,361,013</b>	-
Security deposits	<b>1,925,400</b>	1,464,657
Value Added Tax receivables	<b>34,941,880</b>	28,988,746
Advance tax and tax deducted at source (including fringe benefits tax) (Net of provision of tax of Rs. 150,782,740 (2012: Rs. 46,759,183) )	<b>8,873,649</b>	1,756,838
	<u>48,101,942</u>	<u>32,210,241</u>
<b>12 Other non-current assets</b>		
<i>(Unsecured, considered good)</i>		
<b>Other bank balances</b>	-	7,595,701
Long term fixed deposits with banks with more than 12 months maturity	<u>-</u>	<u>7,595,701</u>
<b>13 Inventories</b>		
<i>(At lower of cost and net realisable value - also Refer Note 2.10)</i>		
Raw materials and packing materials (Refer note 33) [Including goods-in-transit Rs.6,488,090 (2012 : Rs.7,635,118)]	<b>61,555,910</b>	50,997,817
Work-in-progress (Refer note 22)	<b>19,337,570</b>	24,466,713
Finished goods (Refer note 22) [Including goods-in-transit Rs. 6,191,357 (2012 : Rs.14,643,778)]	<b>43,403,391</b>	61,831,584
Stores and spares [Including goods-in-transit Rs. Nil (2012 : Rs.1,102,086)]	<b>7,238,559</b>	8,063,955
	<u>131,535,430</u>	<u>145,360,069</u>
<b>14 Trade receivables</b>		
<i>(Unsecured, considered good)</i>		
Outstanding for a period exceeding 6 months from the date they are due for payment	<b>1,290,111</b>	515,957
Others	<b>138,532,762</b>	143,558,220
	<u>139,822,873</u>	<u>144,074,177</u>
<b>15 Cash and bank balances</b>		
Cash and cash equivalents		
Cash on hand	<b>3,356</b>	56,921
Bank balances		
- In current accounts	<b>43,819,445</b>	6,377,902
- Fixed deposits (upto 3 months maturity from deposit date)	-	7,841,378
- Export Earner's Foreign Currency account (EEFC)	<b>31,308,009</b>	31,749,171
Other bank balances		
Unpaid dividend accounts	<b>2,029</b>	96,796
Fixed deposits with maturity more than 3 months but less than 12 months from the deposit date.	<b>18,465,622</b>	139,464
	<u>93,598,461</u>	<u>46,261,632</u>
Long term fixed deposits with banks with more than 12 months maturity has been classified under other non-current assets. (Refer note 12)		
<b>Details of bank balances / deposits</b>	<b>'2013</b>	<b>'2012</b>
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents	<b>75,127,454</b>	45,968,451
Bank deposits due to mature within 12 months of reporting date included under 'Other bank balances	<b>18,467,651</b>	236,260
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 12)	-	7,595,701
	<u>93,595,105</u>	<u>53,800,412</u>

(Currency : Indian rupees)

	31 March 2013	31 March 2012
<b>16 Short-term loans and advances</b> <i>(Unsecured, considered good)</i>		
<i>To parties other than related parties</i>		
Advance to suppliers	3,847,903	6,480,121
Prepaid expenses	3,058,780	3,310,528
Balances with excise authorities	29,699,003	26,704,600
Gratuity Fund with Life Insurance Corporation of India	1,052,981	145,443
Loans to employees	704,610	160,000
Other advances	151,879	82,000
	<u>38,515,156</u>	<u>36,882,692</u>
<b>17 Other current assets</b>		
Interest receivable on fixed deposits with banks	754,971	880,740
Duty drawback receivable	2,698,480	959,118
Insurance claim receivable	276,054	395,477
	<u>3,729,505</u>	<u>2,235,335</u>
<b>18 Sale of products (net)</b>		
Crucibles	782,356,196	788,914,754
Die-Lube	7,435,760	1,920,678
	<u>789,791,956</u>	<u>790,835,432</u>
<b>19 Other operating revenues</b>		
Sale of scrap	1,687,841	877,899
Duty drawback on exports	7,657,884	5,621,478
	<u>9,345,725</u>	<u>6,499,377</u>
<b>20 Other income</b>		
Interest income on:		
- Fixed deposits	1,624,759	1,470,864
- Delayed payment by customers	906,643	442,260
Excess provisions written back	502,742	6,074,191
Gain from exchange rate fluctuation	3,661,041	-
Commission on sales	703,838	616,234
	<u>7,399,023</u>	<u>8,603,549</u>
<b>21 Cost of materials consumed</b>		
<b>Raw and packing materials consumed</b>		
Raw material Consumed	296,884,456	308,100,788
Packing materials consumed	30,359,645	34,008,542
( refer Note 33)	<u>327,244,101</u>	<u>342,109,330</u>
<b>22 Changes in stocks of finished goods and work in progress</b>		
Inventory at the end of the year		
Closing stock - Finished goods	43,403,391	61,831,584
Closing stock - Work in progress	19,337,570	24,466,713
Inventory at the beginning of the year		
Opening stock - Finished goods	61,831,584	58,183,561
Opening stock - Work in progress	24,466,713	26,749,669
<b>Note:</b>		
<b>Break-up of Inventory of finished goods and work in progress</b>		
<b>a.Finished goods-</b>		
Crucible	43,270,578	61,831,584
Die Lube	132,813	-
<b>Total</b>	<u>43,403,391</u>	<u>61,831,584</u>
<b>b.Work in progress-</b>		
Crucible	18,734,247	24,437,580
Die Lube	603,323	29,133
<b>Total</b>	<u>19,337,570</u>	<u>24,466,713</u>
<b>23 Employee benefits expense</b>		
Salaries, wages and bonus	72,518,538	69,002,174
Contribution to provident and other funds	4,775,021	4,922,963
Gratuity	2,563,359	67,084
Staff welfare expenses	5,244,446	3,557,013
	<u>85,101,364</u>	<u>77,549,234</u>
<b>24 Finance costs</b>		
Interest expense on External commercial borrowings	403,226	3,482,173
	<u>403,226</u>	<u>3,482,173</u>

(Currency : Indian rupees)

**31 March 2013**
**31 March 2012**
**25 Other expenses**

Consumption of stores and spares	6,169,355	6,594,974
(Decrease) / increase in excise duty on inventory of finished goods	(2,322,508)	1,225,669
Power and fuel	72,787,121	71,633,090
Repairs to buildings	221,579	325,245
Repairs to machinery	13,372,347	10,219,795
Repairs others	3,508,562	2,883,959
Rent, rates and taxes	5,248,982	3,496,379
Travelling and motor car expenses	8,354,724	10,173,104
Legal and Professional Fees	3,659,647	3,547,899
Insurance	2,144,038	1,148,830
Payment to Auditor (refer note 27)	1,546,551	1,541,331
Sales commission	2,946,406	4,559,913
Directors' sitting fees	140,000	160,000
Net loss on foreign exchange currency	-	7,876,189
Royalty	7,235,990	6,597,408
Management charges*	30,273,888	44,331,023
No claim compensation	1,643,998	2,440,791
Promotional expenses	3,027,000	2,515,095
SAP implementation expenses	3,271,373	-
Loss on sale / retirement of fixed assets	582,207	12,241
Freight, insurance and other charges	12,556,592	14,472,219
Bank charges	929,782	1,473,688
Watch and ward	2,185,760	1,715,944
Miscellaneous expenses	7,278,912	8,154,323
	<b>186,762,306</b>	<b>207,099,109</b>

\*Management charges for the financial year 2011-12 includes charges pertaining to previous year amounting to Rs. 15,185,332

**26. Contingent liabilities and commitments**
*(to the extent not provided for)*

Contingent Liabilities:

a. Bonds in favour of the President of India endorsed through Deputy Commissioner of Customs for import of goods.	<b>10,000,000</b>	10,000,000
b. Claims by employees towards unfair labour practices under Section 28 read with items 1(a), (b), (c), 2 (b), 3, 4(a), (e) and (f) of Schedule II and items 5, 6, 9 and 10 of Schedule IV of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 for which amounts are not ascertainable.		
c. Disputed employees' state insurance demand aggregating Rs.52,498 (2012: Rs.52,498) against which the Company has preferred appeals.	<b>52,498</b>	52,498

Commitments:

a. Estimated amount of contracts remaining to be executed on capital account and not provided for	<b>3,791,851</b>	9,712,297
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**27. Payment to auditors (excluding service tax)**
**Particulars**
**As auditor**

Statutory Audit	425,000	425,000
Tax Audit	100,000	100,000
Limited review of quarterly results	600,000	600,000
Certification fees	50,000	50,000

**In other capacity**

Group Reporting	<b>300,000</b>	300,000
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**Reimbursement of expenses**

	<b>71,551</b>	66,331
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**1,546,551**
**1,541,331**



**28. C.I.F. value of imports**

Particulars	2013	2012
Capital goods	-	176,808
Raw Materials	129,926,529	124,316,587
	<u>129,926,529</u>	<u>124,493,395</u>

**29. Expenditure in foreign currency (on accrual basis)**

Particulars	2013	2012
Royalty	7,235,990	6,597,408
Professional and consultation fees	190,740	157,578
Interest on External commercial borrowings	403,226	3,482,173
<b>Others:</b>		
Management Charges	30,273,888	44,331,023
Commission	1,519,937	4,559,913
Travelling	629,618	306,209
	<u>40,253,399</u>	<u>59,434,304</u>

**30. Earnings in foreign currency**

Particulars	2013	2012
Export of goods	529,879,838	549,654,792
	<u>529,879,838</u>	<u>549,654,792</u>

Exports are made on F.O.B & C.I.F basis. Information regarding the F.O.B value of C.I.F sales is not ascertainable from the records of the Company.

**31. Imported and indigenous raw material and packing material consumed**

Particulars	2013		2012	
	Value	% of total consumption	Value	% of total consumption
Imported	129,346,662	40%	129,639,220	38%
Indigenous	197,897,439	60%	212,470,110	62%
<b>Total</b>	<u>327,244,101</u>	<u>100%</u>	<u>342,109,330</u>	<u>100%</u>

**32. Imported and indigenous stores and spares consumed**

Particulars	2013		2012	
	Value	% of total consumption	Value	% of total consumption
Imported	-	-	-	-
Indigenous	6,169,355	100%	6,594,974	100%
<b>Total</b>	<u>6,169,355</u>	<u>100%</u>	<u>6,594,974</u>	<u>100%</u>

### 33. Break up of cost of materials consumed\*\*

Particulars	2013	2012
Silicon carbide	90,345,634	107,178,789
Graphite	89,858,891	64,733,622
Resin	38,931,572	41,892,632
Others	108,108,004	128,304,287
<b>Total</b>	<b>327,244,101</b>	<b>342,109,330</b>

\*\* The consumption includes adjustments for raw materials write -off, shortage / excess, etc.

### Break up of inventory materials

Particulars	2013	2012
Silicon carbide	3,027,334	2,143,737
Graphite	21,501,106	18,266,373
Resin	3,531,957	6,832,709
Others	33,495,513	23,754,998
<b>Total</b>	<b>61,555,910</b>	<b>50,997,817</b>

### 34. Employee benefits – Post employment benefit plans

I. Effective 1 January 2007, the Company adopted Accounting Standard 15 (revised 2005) on “Employee Benefits”.

II. Defined contributions plans

The Company makes contributions, determined as specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Superannuation Scheme, which is a defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount as an expense towards contribution to Provident Fund and Superannuation Scheme for the year aggregated to Rs. 4,775,021 (2012: Rs. 4,922,963).

#### Leave Encashment

Amount of Rs.2,766,334 (2012: Rs. 2,237,647) is recognised as an expense and included in “Employee costs” in the statement of profit and loss.

#### Gratuity

The Company operates post employment defined benefit plans that provide gratuity benefit. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive 15 days salary for each year of completed service at the time of retirement / exit. The scheme is funded by plan assets.

The following table summarises the position of assets and obligations relating to the plan.

Particulars	2013	2012
Fair value of plan assets	11,970,033	8,133,635
Present value of obligation	(10,917,052)	(7,988,192)
Net asset recognised in balance sheet	10,52,981	145,443

#### Classification into current / non-current

The asset / (liability) in respect of the gratuity plan comprises of the following non -current and current portions

	Non-Current		Current	
	2013	2012	2013	2012
Gratuity	-	-	10,52,981	145,443
	-	-	1,052,981	145,443

### Composition of plan assets

Particulars	2013	2012
Insurer Managed Funds	11,970,033	8,133,635

### Movement in present values of defined benefit obligations

Particulars	2013	2012
Defined benefit obligation at 1 April	7,988,192	7,852,135
Interest Cost	698,967	647,801
Current Service Cost	780,241	793,027
Benefits paid	(478,186)	(588,631)
Actuarial (gain)/loss on obligations	1,927,838	(716,140)
Present value of obligation as at 31 March	10,917,052	7,988,192

### Movement in fair value of plan assets

Particulars	2013	2012
Fair value of plan assets at 1 April 2012	8,133,635	7,154,408
Expected return on plan assets	699,493	572,353
Actuarial gain on plan assets	144,194	85,251
Contributions	3,470,897	910,254
Benefits paid	(478,186)	(588,631)
Fair value of plan assets as at 31 March 2013	11,970,033	8,133,635

### Expense recognized in the statement of Profit and Loss

Particulars	2013	2012
Current service cost	780,241	793,027
Interest cost	698,967	647,801
Expected return on plan assets	(699,493)	(572,353)
Net actuarial (gain)/loss recognised in the year	1,783,644	(801,391)
Total included in 'employee benefits'	2,563,359	67,084

### Actual return on plan assets

Particulars	2013	2012
Expected return on plan assets	699,493	572,353
Actuarial gains / (losses) on plan assets	144,194	85,251
Actual return on plan assets	843,687	657,604

### Principal actuarial assumptions

The following are the principal actuarial assumptions for leave encashment and gratuity at the reporting date (expressed as weighted averages):

Actuarial assumptions	2013	2012
Discount rate as at 31 March 2013	8.25%	8.75%
Salary escalation	7.00%	7.00%
Rate of return on plan assets	8.70%	8.60%
Attrition rate	2.00%	2.00%

- a) Gratuity is payable to all eligible employees of the Company on superannuation, death, and permanent disablement, in terms of the provisions of the Payment of Gratuity Act, 1972.
- b) The discount rate is based on the prevailing market yields Indian Government securities as at the balance sheet date for the estimated term of the obligations.
- c) Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- d) The Company's gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are invested under approved securities.

### Five year information

The amounts for the current and the previous four periods are as follows

Particulars	2013	2012	2011	2010	2009
Defined benefit obligation	<b>10,917,052</b>	7,988,192	7,852,135	5,731,795	4,649,065
Fair value of plan assets	<b>11,970,033</b>	8,133,635	7,154,408	5,939,630	4,307,917
(Surplus)/deficit in the plan	<b>(10,52,981)</b>	(145,443)	697,727	(207,835)	341,148
Experience Adjustment no plan liabilities	<b>1,337,063</b>	(237,462)	(1,588,480)	(400,046)	(197,585)
Experience adjustment on plan assets	<b>(144,194)</b>	(85,251)	(34,584)	(3,784)	(29,041)

### 35. Segment reporting

The Company recognizes its sale of crucibles activity as its only primary business segment since its operations predominantly consist of manufacture and sale of crucibles to its customers. Accordingly, income from sale of crucibles comprises the primary basis of segmental information set out in these financial statements. Geographical segment will be the secondary segment for the purpose of AS-17 (Segment reporting). All the assets of the Company are located in India except for Trade receivables and advance to suppliers aggregating Rs.87,145,522 (2012: Rs. 104,807,237). The Company caters to the needs of the domestic and foreign market.

the domestic and foreign market.

Geographical segments	2013			2012		
	India	Outside India	Total	India	Outside India	Total
Revenue from external customers	<b>259,912,118</b>	<b>529,879,838</b>	<b>789,791,956</b>	241,180,640	549,654,792	790,835,432
Carrying amount of Segment Assets	<b>668,230,904</b>	<b>87,145,522</b>	<b>755,376,426</b>	622,980,377	104,807,237	727,787,614
Addition to Fixed Assets during the Year	<b>28,543,248</b>	-	<b>28,543,248</b>	30,697,061	-	30,697,061

**36. Related party disclosures**

A. Names of related parties

a. Parties (where controls exists)

The Morgan Crucible Company Plc, U.K – Ultimate Holding Company

b. Investing Associates

● Morganite Crucible Limited (holds 38.50% of issues, subscribed and paid up capital)

● Morgan Terreassen BV (holds 36.50% of issues, subscribed and paid up capital)

c. Other related parties with whom transactions have taken place during the year

● Subsidiary company Limited

Diamond Crucible Company

● Fellow subsidiary companies

Morganite Crucible Inc., USA

Morgan Molten Metal System GMBH Germany

Morgan Molten Metal System (Suzhou) Co Ltd., China

Morgan Karbon Grafit Sanayi Turkey

Thermal Ceramics UK

Murugappa Morganite Thermal Ceramics Ltd.

Thermal Ceramics South Africa

d. Key Management Person

Mr. Hitesh Saiwal – Managing Director

Morganite Crucible (India) Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2013

(Currency : Indian rupees)

36 Related party transactions (Continued)

Related party transactions for the year ended 31 March 2013

PARTICULARS	Ultimate Holding Company	Investing Associates	Subsidiary	Fellow Subsidiaries	Key Management Personnel						
	The Morgan Crucible Company Plc	Morganite Crucible Limited	Morgan Terrassen BV	Diamond Crucible Company Limited	Morganite Crucible Inc., USA	Morgan Metal Sys GmbH Germany	Molten Metal Sys China	Morgan Metal Sys Turkey	Morgan Thermal Ceramics UK	Murugappa Morgan Thermal Ceramics Ltd. India	Thermal Ceramics South Africa
<b>Income</b>											
Sale of finished goods	-	-	2,605,100	53,069,531	68,549,975	1,701,012	1,810,367	-	-	-	57,414,742
<b>Expenditure</b>											
Purchase of raw materials (including goods in transit)	-	-	3,658,512	-	-	-	-	763,458	-	-	-
Purchased of spares / consumables	-	-	56,250	-	189,232	-	-	-	-	119,200	-
Capital Goods purchase	-	-	-	-	-	-	-	-	-	5,380,000	-
Reimbursement of various expenses	-	-	-	-	-	-	-	-	-	-	-
Management charges	30,273,888	-	-	-	-	-	-	-	-	-	-
Royalty	7,235,990	-	-	-	-	-	-	-	-	-	-
Interest on External Borrowings	-	403,226	-	-	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-	-	3,850,802
<b>Others</b>											
Proposed dividend	-	1,078,000	-	-	-	-	-	-	-	-	-
Repayment of External Commercial Borrowings	-	49,230,000	-	-	-	-	-	-	-	-	-
<b>Outstanding Balances as at 31 March 2013:</b>											
Receivables	-	-	219,519	3,482,993	14,513,727	262,941	-	-	-	-	12,298,239
Payables	128,502,230	28,122,726	212,640	-	-	-	-	-	-	-	-

Morganite Crucible (India) Limited

Notes to the financial statements (Continued)  
for the year ended 31 March 2013

(Currency : Indian rupees)

36 Related party transactions (Continued)

Related party transactions for the year ended 31 March 2012

PARTICULARS	Ultimate Holding Company	Investing associates						Subsidiary	Fellow Subsidiaries					Key Management Personnel	
		Morganite Crucible Limited	Morgan Terrassen BV	Diamond Crucible Company Limited	Morganite Crucible Inc., USA	Morgan Molten Metal Sys GMBH Germany	Morgan Molten Metal Sys China		Mkgs. Morgan Carbon Grafit Turkey	Thermal Ceramics UK	Murugappa Morganite Thermal Ceramics Ltd. India	Thermal Ceramics South Africa			
<b>Income</b>															
Sale of finished goods & raw materials	-	-	-	2,115,300	53,430,552	82,087,632	456,636	684,569	-	-	-	-	-	-	-
Reimbursement of various expenses	-	-	-	-	-	10,797	-	-	-	-	-	-	-	-	-
<b>Expenditure</b>															
Purchase of raw materials (including goods in transit)	-	-	-	1,192,614	-	120,272	-	-	783,710	-	-	-	-	-	-
Purchased of spares / consumables	-	-	-	11,992	-	48,750	-	-	-	-	424,292	-	-	-	-
Capital Goods purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management charges	44,331,023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty	6,597,408	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on External Commercial Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,727,500
<b>Others</b>															
Proposed dividend	-	-	-	-	1,022,000	-	-	-	-	-	-	-	-	-	-
Repayment of External Commercial Borrowings	-	-	-	-	62,836,641	-	-	-	-	-	-	-	-	-	-
<b>Outstanding Balances as at 31 March 2012:</b>															
Receivables	-	-	-	240,987	3,322,889	10,690,880	-	-	-	-	-	-	-	-	-
Payables	90,859,168	-	-	-	-	-	-	-	-	-	-	-	73,354	-	-
External Commercial Borrowings (including interest)	-	-	-	-	49,374,556	-	-	-	-	-	-	-	-	-	-

(Currency: Indian Rupees)

**37. Operating leases as lessee**

The Company has entered into operating leases for cars for a period of 3 years. Total lease payments for non - cancellable leases recognised in books for the year is Rs.1,299,650, (2012 : Rs.1,447,836).

Non-cancellable operating lease rentals payable (minimum lease payments) under the lease are as follows:

Particulars	2013	2012
Payable within one year	645,708	1,471,148
Payable between one and five years	Nil	818,003
Payable after five years	Nil	Nil

**38. Earnings per share**

Particulars	2013	2012
Net profit after tax attributable to equity shareholders	85,709,520	90,857,743
Weighted average number of shares outstanding during the year (Nos.)	2,800,000	2,800,000
Earnings Per Share (Basic and Diluted)	30.61	32.45
Nominal value of an equity share	10	10

**39. Dues to Micro and Small Enterprises**

Under Micro, Small, and medium Enterprises Development Act, 2006 (MSMED) which came in to force from 2 October, 2006, certain disclosures are required to be made relating to micro and small enterprises. On the basis of the information and records available with the management, the following disclosures are made for the amounts due to the Micro, small and medium enterprises:

Particulars	2013	2012
Amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	212,640	-
- Interest	31,803	-
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprise Development Act, 2006 (MSMED Act, 2006)	-	-
The amounts of payments made to micro and small suppliers beyond the appointed day during each accounting year	2,072,063	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	31,803	-
The amounts of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	31,803	-



**39. Dues to Micro and Small Enterprises (Continued)**

On the basis of information and records available with the Company, the above disclosures are made in respect of amounts due to the micro, small and medium enterprises, who have registered with the relevant competent authorities. This has been relied upon by the auditors.

**40. Unhedged foreign currency exposures**

The Company has entered into derivative contracts to hedge its risk associated with foreign currency fluctuations. However, none of these contracts can be co-related on one to one basis against the underlying exposure. As at the year end, the Company has outstanding foreign exchange forward contracts of GBP Nil, EURO 900,000 and USD 900,000 (2012: GBP 725,000), (2012: EURO 825,000), (2012: USD 639,073) equivalent to Rs.111,501,000 (2012: Rs. 148,226,427). The Company has revalued these forward contracts as at the year end by marking the same to market and recognised a loss of Rs.NIL (2012: Rs.4,976,182) by debiting the statement of profit and loss in compliance with the announcement dated 29 March 2008 made by the Institute of Chartered Accountants of India ('ICAI') regarding accounting for derivatives.

Particulars of unhedged foreign currency exposures as at 31 March 2013 are as under:

Particulars	Foreign Currency Denomination	Foreign Currency Amount	Rupees
Assets (Trade Receivables)	EURO	<b>380,486</b> (425,173)	<b>27,052,314</b> (29,039,297)
	GBP	<b>452,504</b> (612,151)	<b>37,938,098</b> (50,031,136)
	USD	<b>402,264</b> (591,341)	<b>21,623,086</b> (30,187,973)
Short term loans and advances	GBP	<b>1,575</b>	<b>133,050</b>
	USD	<b>7,364</b>	<b>398,975</b>
Liabilities (Trade Payables)	EURO	<b>180,280</b> (88,555)	<b>12,952,132</b> (6,072,224)
	GBP	<b>371,911</b> (807,508)	<b>30,337,372</b> (66,256,074)
	USD	<b>180,697</b> (37,093)	<b>9,849,873</b> (1,907,341)
External Commercial Borrowings	GBP	<b>Nil</b> (600,000)	<b>Nil</b> (49,230,000)
Other current liabilities	EURO	<b>30,114</b>	<b>2,117,976</b>
	GBP	<b>1,798</b>	<b>152,846</b>
	USD	<b>37,502</b>	<b>2,854,515</b>

Figures in brackets represent figures for the previous year

**41. Details of Dividend remitted during the year, to ( 2012 -NIL ) non- resident shareholders are as follows:**

Dividend in respect of year ended	No. of shares	31 March 2013	31 March 2012
31 March 2012	2,100,000	<b>2,100,000</b>	-

**42. Transfer Pricing**

The Company's management is of the opinion that its international transactions are at arm's length as per the independent accountants report for the year ended 31 March 2012. Further, the Indian Finance Bill, 2012 had sought to bring in certain class of domestic transactions in the ambit of the transfer pricing regulations with effect from 1st April 2012. The management is yet to carry out a detailed domestic / international transfer pricing study/ analysis for the year ending 31 March 2013 in accordance with these regulations and expects to commission and complete the same by the specified due date. Management continues to believe that its international transactions post March 2012 and the specified domestic transactions covered by the new regulations are at arm's length and that the transfer pricing legislation will not have any impact on these financial statements, particularly on amount of tax expense and that of provision of taxation.

**43. Change in Accounting Policy**

With effect from 1 April 2012 the Company has changed its accounting policy for valuation of inventories from First in First Out (FIFO) method to Weighted Average Cost (WAC) method. This has resulted in figures for the year ended 31 March 2013, for 'Cost of materials consumed' being lower by Rs. 1,256,485, 'Changes in inventories of finished goods, work in progress and stock-in-trade being lower by Rs. 1,157,275 and 'Net Profit for the year' being higher by Rs.1,630,614. If the FIFO method of valuation of inventories would have been followed, the figures for the year ended 31 March 2013 for 'Cost of materials consumed' would have been Rs.328,500,586, 'Changes in inventories of finished goods, work-in-progress and stock-in-trade' would have been Rs.24,714,611 and 'Net Profit for the year' would have been Rs.83,890,007.

**44. Previous year figures**

Previous year's figure have been regrouped / reclassified as follows:

- Provision for tax aggregating to Rs. 1,753,847 has been reclassified from "Long-term provisions" to "Short-term provision (net of advance tax and tax deducted at source)".
- Provision for tax aggregating to Rs. 1,553,663 has been reclassified from "Short-term provisions" to "Long-term loans and advances (net of provisions)".

As per our report of even date attached.

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

**For and on behalf of the Board of Directors  
of Morganite Crucible (India) Limited**

**Bhavesh Dhupelia**  
*Partner*  
Membership No: 042070

**Hitesh Saiwal**  
*Managing Director*

**Stuart Cox**  
*Director*

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

**Anurag Geete**  
*Company Secretary*

**Independent Auditors' Report****To the Board of Directors of  
Morganite Crucible (India) Limited****Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Morganite Crucible (India) Limited ('the Company') and its subsidiary (refer note 1 to consolidated financial statements annexed hereto) (collectively referred to as the 'Group'), which comprise of the consolidated balance sheet as at 31 March 2013, the consolidated statement of profit and loss and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

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

The consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standard (AS 21) on Consolidated Financial Statements as prescribed by the Companies (Accounting Standard's) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2013;
- (ii) in the case of consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

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

Mumbai  
6 June 2013

**Bhavesh Dhupelia**  
*Partner*  
Membership No: 042070

**Consolidated Balance Sheet**
*as at 31 March 2013*

(Currency : Indian rupees)

<b>Equity and liabilities</b>	<i>Notes</i>	<b>31 March 2013</b>	31 March 2012
<b>Shareholders' funds</b>			
Share capital	3	<b>28,000,000</b>	28,000,000
Reserves and surplus	4	<b>483,511,508</b>	390,552,233
		<b>511,511,508</b>	418,552,233
<b>Minority interest</b>		<b>61,393,251</b>	48,450,824
<b>Non-current liabilities</b>			
Deferred tax liability (net)	5	<b>16,700,799</b>	11,831,316
Long term provisions	6	<b>951,153</b>	925,758
		<b>17,651,952</b>	12,757,074
<b>Current liabilities</b>			
Trade payables	7	<b>266,816,541</b>	230,517,837
Other current liabilities	8	<b>49,454,606</b>	112,312,314
Short-term provisions	9	<b>7,988,753</b>	20,021,030
		<b>324,259,900</b>	362,851,181
		<b>914,816,611</b>	842,611,312
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	10	<b>244,177,241</b>	253,767,610
Intangible assets	10	<b>50,004,760</b>	44,293,848
Capital work-in-progress	10	-	13,369,032
Non-current investments	11	<b>60,200</b>	60,200
Long term loans and advances	12	<b>63,455,315</b>	39,475,249
Other non-current assets	13	<b>14,909,361</b>	21,095,587
		<b>372,606,877</b>	372,061,526
<b>Current assets</b>			
Inventories	14	<b>183,234,261</b>	177,260,997
Trade receivables	15	<b>169,289,505</b>	173,657,077
Cash and bank balances	16	<b>142,349,121</b>	77,214,452
Short-term loans and advances	17	<b>42,092,097</b>	40,452,526
Other current assets	18	<b>5,244,750</b>	1,964,734
		<b>542,209,734</b>	470,549,786
		<b>914,816,611</b>	842,611,312
<b>Significant accounting policies</b>	2		

The accompanying notes 2 - 39 form an integral part of this consolidated balance sheet.

As per our report of even date attached.

For **B S R & Co.**

*Chartered Accountants*

Firm's Registration No: 101248W

**Bhavesh Dhupelia**

*Partner*

Membership No: 042070

Mumbai

6 June 2013

**Hitesh Saiwal**

*Managing Director*

Aurangabad

6 June 2013

**For and on behalf of the Board of Directors  
of Morganite Crucible (India) Limited**

**Stuart Cox**

*Director*

**Anurag Geete**

*Company Secretary*

**Consolidated Statement of Profit and Loss**

for the year ended 31 March 2013

(Currency : Indian rupees)

<b>Income</b>	<i>Notes</i>	<b>31 March 2013</b>	31 March 2012
Revenue from operations			
- Sale of products (Gross)		<b>1,058,924,530</b>	1,031,153,524
Less: Excise duty		<b>68,203,213</b>	42,959,901
Sale of products (Net)	19	<b>990,721,317</b>	988,193,623
- Other operating revenues	20	<b>9,624,144</b>	6,581,410
		<b>1,000,345,461</b>	994,775,033
Other income	21	<b>13,306,044</b>	12,082,329
		<b>1,013,651,505</b>	1,006,857,362
<b>Expenses</b>			
Cost of materials consumed	22	<b>435,067,603</b>	437,270,746
Purchase of traded goods		-	1,615,900
Change in stocks of finished goods and work in progress	23	<b>4,856,475</b>	(8,623,795)
Employee benefits expense	24	<b>107,233,633</b>	96,569,782
Finance costs	25	<b>403,226</b>	3,482,173
Depreciation and amortization expense	10	<b>46,932,868</b>	40,236,943
Other expenses	26	<b>236,995,197</b>	254,460,556
		<b>831,489,002</b>	825,012,305
<b>Profit before tax</b>		<b>182,162,503</b>	181,845,057
<b>Tax expense:</b>			
Current tax		<b>61,023,557</b>	66,451,000
Deferred tax charge / (credit)		<b>4,869,483</b>	(1,514,389)
Short provision of earlier years		<b>7,091,900</b>	941,830
<b>Profit for the year before minority interest</b>		<b>109,177,563</b>	115,966,616
Less: Minority interest for the year		<b>12,942,428</b>	13,653,875
		<b>96,235,135</b>	102,312,741
<b>Profit for the year</b>		<b>96,235,135</b>	102,312,741
Basic and Diluted Earnings Per Share (face value of Rs 10 per share) Rs.	34	<b>34.37</b>	36.54
<b>Significant accounting policies</b>	2		

The accompanying notes 2 - 39 form an integral part of this consolidated statement of profit and loss.

As per our report of even date attached.

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

For and on behalf of the Board of Directors  
of Morganite Crucible (India) Limited

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

**Hitesh Saiwal**  
Managing Director

**Stuart Cox**  
Director

**Anurag Geete**  
Company Secretary

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

**Consolidated cash flow statement**

for the year ended 31 March 2013

(Currency : Indian rupees)

	31 March 2013	31 March 2012
<b>A Cash flow from operating activities</b>		
Profit before tax	182,162,503	181,845,057
<b>Adjustments for:</b>		
Depreciation and amortisation expense	46,932,868	40,236,943
Loss / (profit) on sale / write off of fixed assets - net	486,807	(52,472)
Excess provisions written back	(502,742)	(6,074,191)
Interest income	(7,219,148)	(4,758,784)
Finance costs	403,226	3,482,173
Provision for doubtful debts	-	41,331
Unrealised foreign exchange loss	1,133,138	12,425,323
<b>Operating profit before working capital changes</b>	<b>223,396,652</b>	<b>227,145,380</b>
<b>Changes in working capital</b>		
(Increase) in inventories	(5,973,264)	(26,350,574)
(Increase) in trade receivables, loans and advances, other current and non-current assets	(6,522,125)	(86,390,405)
Increase in Current liabilities and provisions	23,785,271	30,349,844
<b>Net changes in working capital</b>	<b>11,289,882</b>	<b>(82,391,135)</b>
<b>Cash generated from operations</b>	<b>234,686,534</b>	<b>144,754,245</b>
Income taxes paid	(89,465,168)	(63,645,554)
<b>Net cash flows from operating activities</b>	<b>145,221,366</b>	<b>81,108,691</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets, including expenditure on capital work in progress	(30,045,797)	(34,988,729)
Movement in capital advances	(8,788,851)	-
Proceeds from sale of fixed assets	129,432	569,943
Movement in fixed deposits	(17,437,481)	(11,663,839)
Interest received	5,475,701	4,175,608
<b>Net cash (used in) investing activities</b>	<b>(50,666,996)</b>	<b>(41,907,017)</b>
<b>C Cash flow from financing activities</b>		
Finance costs	(547,782)	(3,770,451)
Repayment of external commercial borrowings	(49,230,000)	(62,836,641)
Dividend paid (inclusive of corporate dividend tax thereon)	(3,254,230)	-
<b>Net cash (used in) financing activities</b>	<b>(53,032,012)</b>	<b>(66,607,092)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>41,522,358</b>	<b>(27,405,418)</b>
Cash and cash equivalents at the beginning of the year	50,390,416	77,795,834
Cash and cash equivalents at the end of the year	<b>91,912,774</b>	<b>50,390,416</b>

**Notes :**

1 The Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 ('AS 3') on Cash Flow Statement prescribed in Companies (Accounting Standard) Rules, 2006.

**2 Components of cash and cash equivalents**

Cash and cash equivalents comprises of:

Cash on hand	52,120	98,001
Bank balances		
- In current accounts	52,729,136	10,620,343
- Fixed deposits (upto 3 months maturity from deposit date)	7,823,509	7,841,378
- Export Earning's Foreign Currency account (EEFC)	31,308,009	31,830,694
<b>Total</b>	<b>91,912,774</b>	<b>50,390,416</b>

As per our report of even date attached.

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

For and on behalf of the Board of Directors  
of Morganite Crucible (India) Limited

**Bhavesh Dhupelia**  
Partner

**Hitesh Saiwal**  
Managing Director

**Stuart Cox**  
Director

**Anurag Geete**  
Company Secretary

Membership No: 042070

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

## Notes to the consolidated financial statements

for the year ended 31 March 2013

(Currency: Indian rupees)

### 1. Background

Morganite Crucible (India) Limited ('the Company' or 'the Parent Company') was incorporated on 13 January 1986. The Group is engaged in the business of manufacturing and selling of silicon carbide and clay graphite crucibles, its accessories and die lubes.

The subsidiary considered in the consolidated financial statements is:

Name of the Company	Country of incorporation	% of holding
Diamond Crucible Company Limited	India	51

### 2. Significant accounting policies

#### 2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of the Company and its subsidiary (as listed in note 1 above), collectively referred to as the 'MCIL Group' or 'Group' have been prepared and presented under the historical cost convention, on the accrual basis of accounting and the accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

During the financial year ended 31 March 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act became applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements but impacts the disclosure and presentation of various items in the financial statements. All assets /liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in revised Schedule VI.

#### 2.2 Basis of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS 21- 'Consolidated Financial Statements', prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards. The financial statements of the Parent Company and the subsidiary have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. Minority interest's share of profits or losses of the subsidiary is adjusted against income of the Group to arrive at the net income attributable to the owners of the parent company. Minority interest's share in the net assets of the subsidiary is disclosed separately in the balance sheet. The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group.

#### 2.3 Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 2.4 Current–non-current classification

All assets and liabilities are classified into current and non-current

##### Assets

An asset is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;

- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within 12 months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

### ***Liabilities***

A liability is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the Group's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within 12 months after the reporting date; or
- (d) the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

### **2.4 *Current–non-current classification (Continued)***

#### ***Operating cycle***

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of operations and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

### **2.5 *Revenue recognition***

Revenue is recognised when the property and all significant risks and rewards of ownership are transferred to the buyer and no significant uncertainty exists regarding the amount of consideration that is derived from the sale of goods. Sales are accounted net of sales tax and trade discounts, if any. Interest income is recognized using the time proportion method, based on the underlying interest rates. Dividend income is recognized when the right to receive dividend is established. Export entitlements are recognised in the statement of profit and loss in the year of exports provided that there is no significant uncertainty regarding the entitlement to the credit and the amount thereof and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

### **2.6 *Fixed assets and depreciation/amortisation***

#### **(a) *Tangible assets***

Tangible assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. Cost includes inward freight, duties, taxes (to the extent not recoverable from tax authorities) and expenses incidental to acquisition and installation of the fixed assets up to the time the assets are ready for intended use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Depreciation on fixed assets, other than leasehold land, is provided under the straight-line method at the rates prescribed in Schedule XIV to the Act, which in the opinion of management reflects the economic useful lives of assets. Depreciation on sale of assets is provided up to the date of sale of the asset. Assets costing up to Rupees five thousand are fully depreciated in the year of purchase. Leasehold land is amortised over the period of lease.

#### **(b) *Intangible assets***

Intangible assets comprise of Non-competition agreement, Distribution Rights and Software cost are carried at cost of acquisition less accumulated amortisation and impairment loss, if any. Non-competition agreement is amortised over its contractual period of 5 years. Distribution Rights are amortised on a straight-line basis over a period of ten years and Software cost is amortised on a straight line basis over a period of 5 years, which in management's opinion represents the period during which economic benefits will be derived from their use.

### **2.7 *Goodwill on consolidation***

The excess of cost to the Parent Company of its investment in the subsidiary over its portion of equity of the subsidiary, as at the date on which the investment was made, is recognized as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiary is determined on the basis of the book value of assets and liabilities as per the consolidated financial statements of the subsidiary as on the date of investment. Goodwill on consolidation is amortised on a straight line basis over a period of 15 years.



## 2.8 *Impairment of assets*

In accordance with AS 28 on 'Impairment of assets', the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the greater of the net selling price and value in use. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the consolidated statement of profit and loss.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

## 2.9 *Investments*

Long term investments are stated at cost. Provision for diminution in value is made only when in the opinion of the management there is a decline other than temporary in the carrying value of such investments. Current investments are valued at lower of cost and market value.

## 2.10 *Employee benefits*

### (a) *Short term employee benefits:*

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include salary, wages and bonus, compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period of rendering of service by the employee.

### (b) *Long term employee benefits:*

#### (i) *Defined contribution plans*

The Company has defined contribution plans for post employment benefits namely Provident Fund and Superannuation Scheme which are recognised by the income tax authorities. The Company contributes to a Government administered provident fund and superannuation fund on behalf of its employees and has no further obligation beyond making its contribution. The Company makes contributions to state plans namely Employee's State Insurance Fund and Employee's Pension Scheme 1995 and has no further obligation beyond making the payment to them. The Company's contributions to the above funds are charged to the statement of profit and loss every year.

#### (ii) *Defined Benefit Plans*

##### *Post-employment benefits:*

The Company's gratuity scheme with Life Insurance Corporation of India is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on independent actuarial valuation at the balance sheet date using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognized immediately in the consolidated statement of profit and loss.

##### *Other long-term employment benefits:*

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date.

## 2.11 *Borrowing costs*

Borrowing costs that are attributable to acquisition, construction or production of qualifying assets are capitalised as part of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

**2.12 Inventories**

Inventories which comprises of raw materials, work-in-progress, finished goods, stores and spares are valued at lower of cost and net realisable value. Cost is determined under the moving average price method and includes all costs incurred in bringing the inventories to their present location and condition. Finished goods and Work-in-progress include appropriate proportion of costs of conversion. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Valuation of work-in-progress is based on stage of completion as certified by the management. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.13 Foreign currency transactions**

Foreign currency transactions are recorded at the exchange rates prevailing on the dates of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the statement of profit and loss of that year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rates. The resultant exchange differences are recognized in the consolidated statement of profit and loss.

Forward exchange contracts relating to firm commitments or highly probable forecast transactions are marked to market and the resultant net exchange loss is recorded in accordance with the concept of prudence.

**2.14 Operating leases**

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vests with the lessor, are recognised as operating leases. Lease payments under operating lease are recognised as an expense in the consolidated statement of profit and loss on a straight line basis.

**2.15 Taxes on Income****Income tax**

Income tax expense comprises current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions, in accordance with the Income tax Act, 1961.

**Deferred tax**

Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income taxes and profits/ losses as per the consolidated financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at 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 carry forward of losses, 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.

**2.16 Earnings per share ('EPS')**

Basic EPS is computed by dividing the net profit attributable to shareholders by the weighted average number of equity shares outstanding during the year.

Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year-end, except where the results would be anti dilutive.

**2.17 Provisions and contingencies**

Provision is recognised in the balance sheet when the Company has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimation can be made of the amount required to settle the obligation. Contingent liabilities arising from claims, litigation, assessment, fines, penalties etc. are disclosed when there is a possible obligation or a present obligation as a result of a past event where it is not probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reasonably estimated. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosures is made.

(Currency : Indian rupees)

	2013	2012
<b>3 Share capital</b>		
<b>Authorised capital :</b>		
5,000,000 (2012 : 5,000,000) equity shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued</b>		
2,800,000 (Previous year: 2,800,000) equity shares of Rs 10 each, fully paid-up	<u>28,000,000</u>	<u>28,000,000</u>
<b>Subscribed and paid-up</b>		
2,800,000 (Previous year: 2,800,000) equity shares of Rs 10 each, fully paid-up	<u>28,000,000</u>	<u>28,000,000</u>

**Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting year:**

	2013		2012	
	Number	Amount	Number	Amount
Number of shares outstanding at the beginning of the year	2,800,000	28,000,000	2,800,000	28,000,000
Number of shares outstanding at the end of the year	<u>2,800,000</u>	<u>28,000,000</u>	2,800,000	28,000,000

**Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

The Company has proposed dividend per share of Re. 1 (2012: Re.1) for distribution to equity shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**Shares held by holding company and subsidiary of holding company**

	2013		2012	
	Number of shares	% holding in the class	Number of shares	% holding in the class
<b>Shares of the Company held by -</b>				
Morganite Crucible Limited, subsidiary of the ultimate Holding Company.	1,078,000	38.50%	1,078,000	38.50%
Morgan Terreassen BV, subsidiary of the ultimate Holding Company.	1,022,000	36.50%	1,022,000	36.50%

**Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

The only shareholders holding more than 5 percent shares as on the date of the consolidated balance sheet are Morganite Crucible Limited and Morgan Terreassen BV (as disclosed above), both of which are subsidiaries of the ultimate holding company, The Morgan Crucible Company Plc.

**4 Reserves and surplus**

<b>Capital reserve</b>		
At the commencement and at the end of the year		
Central government investment subsidy under '1993 package scheme of incentives'	1,500,000	1,500,000
State government investment subsidy under '1983 package scheme of incentives'	500,000	500,000
<b>Securities premium account</b>		
At the commencement and at the end of the year	35,000,000	35,000,000
<b>Forfeited shares</b>		
At the commencement and at the end of the year		
Capital profit on re-issue of forfeited shares	4,000	4,000
<b>Investment allowance reserve under the Income tax Act, 1961</b>		
At the commencement and at the end of the year	405,000	405,000
<b>General reserve</b>		
At the commencement and at the end of the year	48,583,000	48,583,000
<b>Surplus in the consolidated statement of profit and loss</b>		
At the commencement of the year	304,560,233	205,501,722
Add: Profit after tax for the year	96,235,135	102,312,741
Amount available for appropriation	<u>400,795,368</u>	<u>307,814,463</u>
Less : Appropriations		
Proposed equity dividend	(2,800,000)	(2,800,000)
Corporate dividend tax	<u>(475,860)</u>	<u>(454,230)</u>
Net surplus in consolidated statement of profit and loss	<u>397,519,508</u>	<u>304,560,233</u>
<b>Total reserves and surplus</b>	<u>483,511,508</u>	<u>390,552,233</u>

(Currency : Indian rupees)

	2013	2012
<b>5 Deferred tax liability - net</b>		
The components of deferred tax balances are as follows :		
<i>Deferred tax liability</i>		
Difference between book depreciation and depreciation under the Income-tax Act, 1961	19,783,481	18,989,800
<i>Deferred tax assets</i>		
Provision for doubtful debts	(1,811,375)	(1,811,375)
Employee benefits	(294,554)	(692,651)
Unrealised foreign exchange loss in ECB and forward contracts	-	(4,031,396)
Expenses disallowed under Section 43B & 40(a) of Income-tax Act, 1961	(976,753)	(623,062)
<b>Net deferred tax liability</b>	<u>16,700,799</u>	<u>11,831,316</u>
<b>6 Long term provisions</b>		
Provision for employee benefits:		
- Leave encashment	951,153	925,758
	<u>951,153</u>	<u>925,758</u>
<b>7 Trade payables (current)</b>		
Trade payables towards goods purchased and services received (refer note 35 for details of dues to micro and small enterprises)	266,816,541	230,517,837
	<u>266,816,541</u>	<u>230,517,837</u>
<b>8 Other current liabilities</b>		
Current maturity of External commercial borrowings from Morgan Crucible Limited [GBP Nil (2012: GBP 600,000)]	-	49,230,000
Interest accrued but not due on External commercial borrowings from Morgan Crucible Limited	-	144,556
Unclaimed dividend	2,029	96,796
Other payables		
- Advances received from customers	6,154,785	10,347,973
- Deposits	442,000	442,000
- Derivative liability on forward contracts	-	4,976,182
- Employee benefits payable	10,812,052	12,425,852
Statutory dues to:		
- Provident and other funds	810,235	749,261
- Others:		
Professional tax	38,145	32,730
Excise duty on closing stock of finished goods	5,852,912	8,829,012
Tax deducted at source	987,694	898,224
Sales tax	289,387	168,465
Service tax	60,155	1,348
Creditors for capital goods	294,833	40,010
Expenses payable*	23,710,379	23,929,905
	<u>49,454,606</u>	<u>112,312,314</u>
*includes operating, administrative and marketing expenses.		
<b>9 Short-term provisions</b>		
Provision for employee benefits:		
- Leave encashment	2,001,453	1,209,089
Provision for proposed dividend and tax thereon	3,275,860	3,254,230
Provision for taxation:		
- Income-tax and fringe benefits tax	2,711,440	15,557,711
(Net of advance tax and tax deducted at source of Rs.64,477,379 (2012: Rs.83,485,545))	<u>7,988,753</u>	<u>20,021,030</u>

Morganite Crucible (India) Limited

Notes to the consolidated accounts (Continued)  
as at 31 March 2013

(Currency : Indian rupees)

10 Fixed assets

Sr. No.	Particulars	Gross block			Accumulated depreciation/amortisation			Net block			
		As at 1 April 2012	Additions during the year	Deletions/adjustments during the year	As at 31 March 2013	Upto 1 April 2012	Charge for the year	On deletions/adjustments	As at 31 March 2013	As at 31 March 2012	
<b>TANGIBLE ASSETS</b>											
1	Land - Leasehold	1,919,450	-	-	1,919,450	529,449	19,438	-	548,887	1,370,563	1,390,001
2	Building	65,016,013	4,726,052	-	69,742,065	20,795,695	2,057,198	-	22,852,893	46,889,172	44,220,318
3	Plant and machinery	398,358,679	20,422,596	3,977,073	414,804,202	195,838,249	33,375,248	3,360,832	225,852,665	188,951,537	202,520,430
4	Vehicles	1,648,993	-	-	1,648,993	290,645	152,559	-	443,204	1,205,789	1,358,348
5	Office equipments	972,053	1,107,717	-	2,079,770	300,017	108,938	-	408,955	1,670,815	672,036
5	Furniture and fixtures	6,462,092	1,068,255	-	7,530,347	2,855,615	585,367	-	3,440,982	4,089,365	3,606,477
	<b>Total</b>	474,377,280	27,324,620	3,977,073	497,724,827	220,609,670	36,298,748	3,360,832	253,547,586	244,177,241	253,767,610
<b>INTANGIBLE ASSETS</b>											
1	Goodwill on consolidation	41,342,683	-	-	41,342,683	16,537,070	2,756,179	-	19,293,249	22,049,434	24,805,613
2	Non-competition agreement	2,924,924	-	-	2,924,924	2,924,924	-	-	2,924,924	-	-
3	Distribution Rights	48,720,587	-	-	48,720,587	29,232,352	4,877,620	-	34,109,972	14,610,615	19,488,235
4	Technical Know-how	1,500,000	-	-	1,500,000	1,500,000	-	-	1,500,000	-	-
5	Software	-	16,345,032	-	16,345,032	-	3,000,321	-	3,000,321	13,344,711	-
	<b>Total</b>	94,488,194	16,345,032	-	110,833,226	50,194,346	10,634,119	-	60,828,466	50,004,760	44,293,848
	<b>Grand total</b>	<b>568,865,474</b>	<b>43,669,652</b>	<b>3,977,073</b>	<b>608,558,053</b>	<b>270,804,016</b>	<b>46,932,868</b>	<b>3,360,832</b>	<b>314,376,052</b>	<b>294,182,001</b>	<b>298,061,458</b>
31 March 2012											
<b>TANGIBLE ASSETS</b>											
		458,574,989	21,619,697	5,817,406	474,377,280	193,393,113	32,608,705	5,392,148	220,609,670	253,767,610	
<b>INTANGIBLE ASSETS</b>											
		94,488,194	-	-	94,488,194	42,566,108	7,628,238	-	50,194,346	44,293,848	
	<b>Total</b>	553,063,183	21,619,697	5,817,406	568,865,474	235,959,221	40,236,943	5,392,148	270,804,016	298,061,458	

(Currency : Indian rupees)

	2013	2012
<b>11 Non-current investments</b>		
<i>Non-Trade, Long Term (Unquoted), at cost</i>		
<b>Investments in equity shares</b>		
2,408 (2012 : 2,408) shares of Shrinath Co-operative Bank of Rs.25 each	60,200	60,200
	<u>60,200</u>	<u>60,200</u>
Aggregate amount of unquoted investments	60,200	60,200
<b>12 Long term loans and advances</b>		
<i>(Unsecured, considered good)</i>		
Capital advances	16,596,763	7,807,912
Security deposits	2,734,092	1,999,452
VAT receivables	34,941,880	28,988,746
Advance tax and tax deducted at source (including fringe benefits tax)	9,182,580	679,139
(Net of provision of tax of Rs.174,060,641 (2012: Rs.72,537,084))		
	<u>63,455,315</u>	<u>39,475,249</u>
<b>13 Other non-current assets</b>		
<i>(Unsecured, considered good)</i>		
<b>Other bank balances</b>		
Long term fixed deposits with banks with more than 12 months maturity*	14,555,389	20,824,986
Interest accrued on fixed deposits with banks	353,972	270,601
	<u>14,909,361</u>	<u>21,095,587</u>
*Includes fixed deposits aggregating Rs.3,412,030 (2012: Rs.3,180,414) which are under lien with bank towards guarantees issued by the bank on behalf of the		
<b>14 Inventories</b>		
<i>(At lower of cost and net realisable value - also Refer Note 2.11 and Note 38)</i>		
Raw materials and packing materials	74,581,668	63,409,403
[Including goods-in-transit Rs.64,88,090 (2012 : Rs.7,635,118)]		
Work-in-progress	48,304,884	32,515,917
Finished goods	51,539,652	71,900,746
[Including goods-in-transit Rs. 6,191,357 (2012 : Rs.14,643,778)]		
Stock-in-trade (Traded goods)	-	284,348
Stores and spares	8,808,057	9,150,583
[Including goods-in-transit Rs.Nil (2012 : Rs.1,102,086)]		
	<u>183,234,261</u>	<u>177,260,997</u>
<b>15 Trade receivables</b>		
<i>(Unsecured)</i>		
<b>Considered good</b>		
Outstanding for a period exceeding 6 months from the date they are due for payment	1,290,111	515,958
Others	167,999,394	173,141,119
	<u>169,289,505</u>	<u>173,657,077</u>
<b>Considered doubtful</b>		
Outstanding for a period exceeding 6 months from the date they are due for payment	5,582,911	5,582,911
Others	-	-
	<u>5,582,911</u>	<u>5,582,911</u>
Less: Provision for doubtful debts	(5,582,911)	(5,582,911)
	<u>-</u>	<u>-</u>
	<u>169,289,505</u>	<u>173,657,077</u>
<b>16 Cash and bank balances</b>		
Cash and cash equivalents		
Cash on hand	52,120	98,001
Bank balances		
- In current accounts	52,729,136	10,620,343
- Fixed deposits (upto 3 months maturity from deposit date)	7,823,509	7,841,378
- Export Earner's Foreign Currency account (EEFC)	31,308,009	31,830,694
Other bank balances		
Unpaid dividend accounts	2,029	96,796
Fixed deposits with maturity more than 3 months but less than 12 months	50,434,318	26,727,240
	<u>142,349,121</u>	<u>77,214,452</u>
Long term fixed deposits with banks with more than 12 months maturity has been classified under other non-current assets. (Refer note 13)		
<b>Details of bank balances / deposits</b>		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents	91,860,654	50,292,415
Bank deposits due to mature within 12 months of reporting date included under 'Other bank balances	50,436,347	26,824,036
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 13)	14,555,389	20,824,986
	<u>156,852,390</u>	<u>97,941,437</u>

(Currency : Indian rupees)

	2013	2012
<b>17 Short-term loans and advances</b>		
<i>(Unsecured, considered good)</i>		
<i>To parties other than related parties</i>		
Advance to suppliers	5,347,192	7,510,954
Prepaid expenses	3,376,565	4,077,833
Balances with excise authorities	30,326,081	27,218,719
Gratuity Fund with Life Insurance Corporation of India	2,044,299	1,172,318
Loans to employees	846,081	390,702
Other advances	151,879	82,000
	<u>42,092,097</u>	<u>40,452,526</u>
<b>18 Other current assets</b>		
Interest receivable on fixed deposits with banks	2,270,215	610,139
Duty drawback receivable	2,698,481	959,118
Insurance claim receivable	276,054	395,477
	<u>5,244,750</u>	<u>1,964,734</u>
<b>19 Sale of products (net)</b>		
Crucibles	983,939,149	985,352,988
Die-Lube	7,435,760	1,920,678
	<u>991,374,909</u>	<u>987,273,666</u>
<b>20 Other operating revenues</b>		
Sale of scrap	1,966,260	959,932
Duty drawback on exports	7,657,884	5,621,478
	<u>9,624,144</u>	<u>6,581,410</u>
<b>21 Other income</b>		
Interest income on:		
- Fixed deposits	5,987,021	4,138,347
- Delayed payment by customers	1,232,127	620,437
Excess provisions written back	502,742	6,074,191
Profit on sale of fixed assets (net)	-	52,472
Gain from exchange rate fluctuation	3,886,723	-
Commission on sales	703,838	616,234
Miscellaneous income	993,593	580,648
	<u>13,306,044</u>	<u>12,082,329</u>
<b>22 Cost of materials consumed</b>		
<b>Raw and packing materials consumed</b>		
Raw material Consumed	395,402,128	393,165,934
Packing materials consumed	39,665,475	44,104,812
	<u>435,067,603</u>	<u>437,270,746</u>
<b>23 Changes in stocks of finished goods and work in progress</b>		
Inventory at the end of the year		
Closing stock - Finished goods (including trading stock)	51,539,652	72,185,094
Closing stock - Work in progress	48,304,884	32,515,917
Inventory at the beginning of the year		
Opening stock - Finished goods	72,185,094	64,538,995
Opening stock - Work in progress	32,515,917	31,538,221
	<u>4,856,475</u>	<u>(8,623,795)</u>
<b>Note:</b>		
<b>Break-up of Inventory of finished goods and work in progress</b>		
<b>(a) Finished goods</b>		
Crucible	51,406,839	72,185,094
Die Lube	132,813	-
<b>Total</b>	<u>51,539,652</u>	<u>72,185,094</u>
<b>(b) Work in progress-</b>		
Crucible	47,701,561	32,515,917
Die Lube	603,323	-
<b>Total</b>	<u>48,304,884</u>	<u>32,515,917</u>
<b>24 Employee benefits expense</b>		
Salaries, wages and bonus	92,409,660	86,193,111
Contribution to provident and other funds	5,440,138	4,622,925
Gratuity	3,117,882	136,108
Staff welfare expenses	6,265,953	5,617,638
	<u>107,233,633</u>	<u>96,569,782</u>
<b>25 Finance costs</b>		
Interest expense on External commercial borrowings	403,226	3,482,173
	<u>403,226</u>	<u>3,482,173</u>

(Currency : Indian rupees)

	2013	2012
<b>26 Other expenses</b>		
Consumption of stores and spares	10,725,236	10,874,982
(Decrease) / increase in Excise Duty On Inventory of Finished Goods	(2,976,100)	2,153,462
Power and fuel	91,025,320	83,839,556
Repairs to buildings	323,854	717,990
Repairs to machinery	14,479,969	11,811,759
Repairs others	3,617,655	2,937,296
Rent, rates and taxes (refer note 33)	5,325,455	5,026,613
Travelling and motor car expenses	8,858,784	11,010,071
Legal and Professional Fees	4,502,997	4,442,565
Insurance	2,443,335	1,384,237
Auditors' Remuneration (refer note 29)	1,946,415	1,974,595
Sales Commission	5,130,194	6,769,232
Transportation	817,766	3,751,799
Directors' sitting fees	140,000	160,000
Loss from exchange rate fluctuation (net)	-	6,872,624
Royalty	9,522,960	8,283,885
Management charges*	43,135,452	56,399,854
No claim compensation	3,265,447	3,857,379
Promotional expenses	3,217,664	2,835,543
SAP implementation expenses	3,450,600	-
Loss on sale / write off of fixed assets (net)	486,807	-
Freight, insurance and Other Charges	14,336,942	16,014,884
Bank charges	1,166,969	1,800,479
Watch and ward	2,705,826	2,199,948
Provision for doubtful debts	-	41,331
Miscellaneous expenses	9,345,650	9,300,472
	<b>236,995,197</b>	<b>254,460,556</b>

\*Management charges for the financial year 2011-12 includes charges pertaining to previous year amounting to Rs.19,152,464.

**27. Capital commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.25,255,771 (2012: Rs.38,092,242).

**28. Contingent liabilities**

- i) Bonds aggregating Rs.10,000,000 (2012: Rs.10,000,000) in favour of the President of India endorsed through Deputy Commissioner of Customs for import of goods.
- ii) Claims by employees towards unfair labour practices under Section 28 read with items 1(a), (b), (c), 2 (b), 3, 4(a), (e) and (f) of Schedule II and items 5, 6, 9 and 10 of Schedule IV of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 for which amounts are not ascertainable.
- iii) Disputed employees' state insurance demand aggregating Rs. 52,498 (2012: Rs.52,498) against which the Group has preferred appeals.
- iv) A suit has been filed by Mr. N. K. Oza, past employee of the Company, on account of his suspension from the Company in 1984 for negligence in duties. The Honourable Gujarat High Court has ordered to pay Rs 540 per month till the final disposal of appeal pending for reinstatement with back wages. The Company is presently paying the above mentioned Rs 540 per month to the said employee. The amount of liability that may arise in future on account of reinstatement with back wages is not ascertainable.
- v) The Company has received a notice of demand under section 156 of the Income-tax Act, 1961 demanding an amount of Rs 1,591,900 pertaining to the Assessment Year 2009-2010. Against which the Company has paid an amount of Rs 700,000 under protest and filed an appeal with the Commissioner of Income Tax (Appeals). The Income-tax department further adjusted refund claim amount of Rs 727,856 for A.Y. 2011-12 against the demand notice.

**29. Auditors' remuneration (excluding service tax)**

Particulars	2012	2011
<b>As auditor</b>		
Statutory audit	775,000	775,000
Tax audit	100,000	100,000
Limited review of quarterly results	600,000	600,000
<b>In other capacity</b>		
Certification fees	50,000	50,000
Group Reporting	300,000	370,000
<b>Reimbursement of expenses</b>	121,415	79,595
	<b>1,946,415</b>	<b>1,974,595</b>



### 30. Employee benefits

- I. Effective 1 January 2007, the Company adopted Accounting Standard 15 (revised 2005) on “Employee Benefits”.
- II. Defined contributions plans  
The Company makes contributions, determined as specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Superannuation Scheme, which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount as an expense towards contribution to Provident Fund and Superannuation Scheme for the year aggregated to Rs.5,440,138 (2012: Rs.4,622,925).

#### III. Defined benefit plans

##### Leave encashment

Amount of Rs.3,055,327 (2012: Rs. 2,523,431) is recognised as an expense and included in “Employee costs” in the statement of profit and loss.

##### Gratuity

The Company operates post employment defined benefit plans that provide gratuity benefit. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive 15 days salary for each year of completed service at the time of retirement / exit. The scheme is funded by plan assets.

The following are the principal actuarial assumptions for leave encashment and gratuity at the reporting date (expressed as weighted averages) :

Actuarial assumptions	2013		2012	
	Morganite	Diamond	Morganite	Diamond
Discount rate (per annum)	8.25%	8.00%	8.75%	9.00%
Rate of increase in compensation levels	7.00%	6.50%	7.00%	6.50%
Rate of return on plan assets	8.70%	9.15%	8.60%	8.50%

- a) Gratuity is payable to all eligible employees of the Company on superannuation, death, and permanent disablement, in terms of the provisions of the Payment of Gratuity Act, 1972.
- b) The discount rate is based on the prevailing market yields Indian Government securities as at the balance sheet date for the estimated term of the obligations.
- c) Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- d) The Company's gratuity fund is managed by Life Insurance Corporation of India. The plan assets under the fund are invested under approved securities.
- e) Percentage of each category of Plan Assets to total Fair Value of Plan Assets as at 31 March 2013.

The Plan Assets are administered by Life Insurance Corporation of India (“LIC”) as per Investment Pattern stipulated for Pension and Group Schemes Fund by Insurance and Regulatory Development Authority regulations.

#### A. Changes in the present value of obligation

Particulars	2013	2012
Present value of obligation at the beginning of the year	12,524,961	11,880,231
Interest Cost	1,071,114	970,049
Current Service Cost	1,092,002	1,089,211
Benefits paid	(795,317)	(588,631)
Actuarial loss on obligations	2,305,672	(825,899)
Present value of obligation as at year end	16,198,882	12,524,961

#### B. Changes in the fair value of plan assets

Particulars	2013	2012
Fair value of plan assets at the beginning of the year	13,697,279	11,800,394
Adjustment to the fund	(7,237)	-
Expected return on plan assets	1,217,821	1,012,002
Actuarial gain on plan assets	133,085	85,251
Contributions	3,997,550	1,388,263
Benefits paid	(795,317)	(588,631)
Fair value of plan assets at year end	18,243,181	13,697,279

## C. Reconciliation of present value of defined benefit obligation and the fair value of assets

Particulars	2013	2012
Present value of obligation as at the year end	(16,198,882)	(12,524,961)
Fair value of plan assets as at the end of the year	18,243,181	13,697,279
Funded status	2,044,299	1,172,318
Present value of unfunded obligation as at the year end	-	-
Net (liability) / asset recognised in balance sheet	2,044,299	1,172,318

## D. Amount recognised in the consolidated balance sheet

Particulars	2013	2012
Present value of obligation at the end of the year	(16,198,882)	(12,524,961)
Fair value of plan assets as at the end of the year	18,243,181	13,697,279
Net (liability) / asset recognised in balance sheet	2,044,299	1,172,318

## E. Amount recognised in the consolidated statement of profit and loss

Particulars	2013	2012
Current service cost	1,092,002	1,089,211
Interest cost	1,071,114	970,049
Expected return on plan assets	(1,217,821)	(1,012,002)
Net actuarial loss recognised in the year	2,172,587	(911,149)
Total expense recognised	3,117,882	136,108

## F. Experience adjustment

Particulars	2013	2012	2011	2010	2009
Defined benefit obligation	16,198,882	12,524,961	11,880,231	9,115,445	7,543,997
Plan assets	18,243,181	13,697,279	11,800,394	9,946,890	6,962,055
(Surplus) / deficit	(2,044,299)	(1,172,318)	1,315,617	(831,445)	581,942
Experience adjustment on plan liabilities (gain)/loss	1,714,897	(347,220)	(1,251,615)	(370,881)	29,666
Experience adjustment on plan assets (gain)/loss	(133,085)	(85,251)	(46,749)	9,081	(11,469)

## 31. Segment reporting

The Group recognizes its sale of crucibles activity as its only primary business segment since its operations predominantly consist of manufacture and sale of crucibles to its customers. Accordingly, income from sale of crucibles comprises the primary basis of segmental information set out in these financial statements. Geographical segment will be the secondary segment for the purpose of AS-17 (Segment reporting). All the assets of the Group are located in India except for Trade receivables and advance to suppliers aggregating Rs.102,873,322 (2012: Rs.113,370,292). The Company caters to the needs of the domestic and foreign market.

Geographical segments	2013			2012		
	India	Outside India	Total	India	Outside India	Total
Revenue from external customers	420,163,212	570,558,105	990,721,317	393,175,033	595,018,590	988,193,623
Carrying amount of Segment Assets	811,943,289	102,873,322	914,816,611	729,241,020	113,370,292	842,611,312
Addition to Fixed Assets during the Year	30,300,620	-	30,300,620	21,619,697	-	32,812,161

## 32. Related party disclosure

## List of related parties

- I. Parties (where control exists)
  - The Morgan Crucible Company Plc, U.K. – Ultimate holding company
- ii. Investing associates
  - Morganite Crucible Limited (holds 38.50% of issued, subscribed and paid up capital)
  - Morgan Terreassen BV (holds 36.50% of issued, subscribed and paid up capital)

iii. Other related Parties where transactions have taken place during the year  
 Fellow subsidiary Companies

- Morganite Crucible Inc., USA
- Morgan Molten Metal Systems GMBG Germany
- Morgan Molten Metal System (Suzhou) Co. Ltd., China
- Morgan Karbon Grafit Sanayi AS Turkey
- Thermal Ceramics UK
- Murugappa Morganite Thermal Ceramics Limited
- Thermal Ceramics South Africa
- Morganite Brazil Ltda. Brazil

## iv. Key Management Personnel

- Mr. Hitesh Saiwal – Managing Director
- Mr. Pradeep Singh – Plant manager

**Details of remuneration paid to above mentioned Key Managerial Personnel**

Name of Person	2013	2012
Mr. Hitesh Saiwal	3,850,802	3,727,500
Mr. Pradeep Singh	1,113,360	1,005,623

**V. Transactions with related parties.**

PARTICULARS	2013										
	Investing associate					Fellow Subsidiaries					Ultimate holding company (H)
	(i)		Morganite Crucible Inc., USA	Morgan Molten Metal Systems GMBH Germany	Morgan Molten Metal System (Suzhou) Co. Limited, China	Morganite Brazil Ltda. Brazil	Morgan Karbon Grafit Sanayi AS Turkey	Thermal Ceramics UK	Murugappa Morganite Thermal Ceramics Limited	Thermal Ceramics South Africa	
<b>Income</b>											
Sale of finished goods	-	-	54,863,020	69,132,214	1,701,012	1,083,326	3,207,378	-	-	57,414,742	-
<b>Expenditure</b>											
Purchase of raw materials (including goods in transit)	-	-	-	-	-	-	-	763,458	-	-	-
Purchased of spares / consumables	-	-	-	237,366	-	-	-	-	119,200	-	-
Purchase of capital goods	-	-	-	-	-	-	-	-	5,380,000	-	-
Management charges	-	-	-	-	-	-	-	-	-	-	43,135,452
Royalty	-	-	-	-	-	-	-	-	-	-	9,522,960
Interest on External Commercial Borrowings	403,226	-	-	-	-	-	-	-	-	-	-
<b>Other</b>											
Purchase of capital goods	-	-	-	-	-	-	-	-	-	-	-
External Commercial Borrowings repaid	49,230,000	-	-	-	-	-	-	-	-	-	-
Proposed dividend	1,078,000	1,022,000	-	-	-	-	-	-	-	-	-
<b>Outstanding Balances:</b>											
Receivables	-	-	3,482,993	14,715,425	262,941	-	-	-	-	12,298,239	-
Payables	28,122,726	-	-	48,134	-	-	-	-	-	-	164,024,441

**V. Transactions with related parties. (Continued)**

PARTICULARS	2012										
	Investing associate				Fellow Subsidiaries						Ultimate holding company
	(i)		Morganite Crucible Inc., USA	Morgan Molten Metal Systems GMBH Germany	Morgan Molten Metal System (Suzhou) Co. Limited, China	Morganite Brazil Ltda. Brazil	Morgan Karbon Grafit Sanayi AS Turkey	Thermal Ceramics UK	Murugappa Morganite Thermal Ceramics Limited	Thermal Ceramics South Africa	(ii)
Morganite Crucible Limited	Morgan Terreassen BV	The Morgan Crucible Company Plc.									
<b>Income</b>											
Sale of finished goods	-	-	53,490,975	82,335,964	456,636	-	3,610,028	-	-	-	-
Reimbursement of various expenses	-	-	-	10,797	-	-	-	-	-	-	-
<b>Expenditure</b>											
Purchase of raw materials (including goods in transit)	-	-	-	120,272	-	-	-	783,710	-	-	-
Purchased of spares / consumables	-	-	-	48,750	-	-	-	-	424,292	-	-
Management charges	-	-	-	-	-	-	-	-	-	-	56,399,854
Royalty	-	-	-	-	-	-	-	-	-	-	8,283,885
Interest on External Commercial Borrowings	3,482,173	-	-	-	-	-	-	-	-	-	-
<b>Other</b>											
External Commercial Borrowings repaid	62,836,641	-	-	-	-	-	-	-	-	-	-
Proposed dividend	1,078,000	1,022,000	-	-	-	-	-	-	-	-	-
<b>Outstanding Balances:</b>											
Receivables	-	-	3,322,889	10,690,880	-	-	227,172	-	-	-	-
Payables	64,663,184	-	-	-	-	-	-	-	73,354	-	113,026,138
External Commercial Borrowings payable (including interest)	49,374,556	-	-	-	-	-	-	-	-	-	-

(Currency: Indian rupees)

**33. Operating leases as lessee**

The Company has entered into operating leases for cars for a period of 3 years. Total lease payments for non-cancellable leases recognised in Rent, rates and taxes for the year is Rs. 1,299,650 (2012: Rs.1,447,836).

Total future minimum lease payments in respect for the above are as under:

Particulars	2013	2012
Not later than one year	645,708	1,471,148
Later than one year and not later than five years	Nil	818,003
Later than five years	Nil	Nil

**34. Earnings Per Share**

Particulars	2012	2011
Net profit after tax attributable to equity shareholders	96,235,135	102,312,741
Weighted average number of shares outstanding during the year (Nos.)	2,800,000	2,800,000
Earnings Per Share (Basic and Diluted)	34.37	36.54
Nominal value of an equity share	10	10

**35. Dues to Micro, Small and Medium Enterprises**

Under Micro, Small, and Medium Enterprises Development Act, 2006 (MSMED) which came in to force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

On the basis of the information and records available with the management, the following disclosures are made for the amounts due to the Micro, small and medium enterprises:

Particulars	2013	2012
Amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	212,640	-
- Interest	31,803	-
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprise Development Act, 2006 (MSMED Act, 2006)	-	-
The amounts of payments made to micro and small suppliers beyond the appointed day during each accounting year	2,072,063	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	31,803	-
The amounts of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	31,803	-

**36. Receivables and payables denominated in foreign currency**

The Company has entered into derivative contracts to hedge its risk associated with foreign currency fluctuations. However, none of these contracts can be co-related on one to one basis against the underlying exposure. As at the year end, the Company has outstanding foreign exchange forward contracts of GBP Nil, EURO 900,000 and USD 900,000 (2012: GBP 725,000), (2012: EURO 825,000), (2012: USD 639,073) equivalent to Rs.111,501,000 (2012: Rs. 148,226,427). The Company has revalued these forward contracts as at the year end by marking the same to market and recognised a loss of Rs.NIL (2012: Rs.4,976,182) by debiting the statement of profit and loss in compliance with the announcement dated 29 March 2008 made by the Institute of Chartered Accountants of India ('ICAI') regarding accounting for derivatives.

**Particulars of unhedged foreign currency exposures as at 31 March 2013 are as under:**

Particulars	Foreign Currency Denomination	Foreign Currency Amount	Rupees
Assets (Trade Receivables)	EURO	383,349	27,252,381
		(425,173)	(29,039,297)
	GBP	452,504	37,938,098
		(612,151)	(50,031,136)
	USD	426,018	22,915,068
		(622,224)	(31,763,968)
Assets (Loans and Advances)	USD	7,364	398,975
		(-)	(-)
	GBP	1,575	133,050
		(-)	(-)
	EURO	205,200	14,235,750
		(102,600)	(6,987,060)
Liabilities (Trade Payables)	EURO	180,934	13,000,266
		(88,555)	(6,072,224)
	GBP	380,241	31,020,603
		(813,996)	(66,788,441)
	USD	187,553	10,219,295
		(51,307)	(2,638,246)
Other current liabilities	EURO	30,114	2,117,976
		(-)	(-)
	GBP	1,798	152,846
		(-)	(-)
	USD	37,502	2,854,515
		(-)	(-)
External Commercial Borrowings	GBP	-	-
		(600,000)	(49,230,000)

Figures in brackets represent figures for the previous year.

**37. Transfer Pricing**

The Company's management is of the opinion that its international transactions are at arm's length as per the independent accountants report for the year ended 31 March 2012. Further, the Indian Finance Bill, 2012 had sought to bring in certain class of domestic transactions in the ambit of the transfer pricing regulations with effect from 1 April 2012. The management is yet to carry out a detailed domestic / international transfer pricing study/ analysis for the year ending 31 March 2013 in accordance with these regulations and expects to commission and complete the same by the specified due date. Management continues to believe that its international transactions post March 2012 and the specified domestic transactions covered by the new regulations are at arm's length and that the transfer pricing legislation will not have any impact on the consolidated financial statements, particularly on amount of tax expense and that of provision of taxation.

**38. Change in Accounting Policy**

With effect from 1 April 2012 the Company has changed its accounting policy for valuation of inventories from First in First Out (FIFO) method to Weighted Average Cost (WAC) method. This has resulted in figures for the year ended 31 March 2013, for 'Cost of materials consumed' being lower by Rs. 1,256,485, 'Changes in inventories of finished goods, work in progress and stock-in-trade being lower by Rs. 1,157,275 and 'Net Profit for the year' being higher by Rs.1,630,614. If the FIFO method of valuation of inventories would have been followed, the figures for the year ended 31 March 2013 for 'Cost of materials consumed' would have been Rs.436,324,088, 'Changes in inventories of finished goods, work-in-progress and stock-in-trade' would have been Rs.6,013,750 and 'Net Profit for the year' would have been Rs.97,865,749.

**39. Previous year figures**

Previous year's figures have been regrouped / reclassified as follows:

- Provision for tax aggregating to Rs. 1,753,847 has been reclassified from “Long-term provisions” to “Short-term provision (net of advance tax and tax deducted at source)”.
- Provision for tax aggregating to Rs. 1,553,663 has been reclassified from “Short-term provisions” to “Long-term loans and advances (net of provisions)”.
- Accrued interest amounting to Rs 447,807 has been reclassified from “Cash and bank balances” to “Short-term loans and advances”.

As per our report of e ven date attached

For **B S R & Co.**

*Chartered Accountants*

Firm's Registration No: 101248W

**For and on behalf of the Board of Directors  
of Morganite Crucible (India) Limited**

**Bhavesh Dhupelia**

*Partner*

Membership No: 042070

**Hitesh Saiwal**

*Managing Director*

**Stuart Cox**

*Director*

Mumbai  
6 June 2013

Aurangabad  
6 June 2013

**Anurag Geete**  
*Company Secretary*

STATEMENT PURSUANT TO REQUIREMENT OF DEPARTMENT OF CORPORATE AFFAIRS FOR GRANTING APPROVAL UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATED TO SUBSIDIARY COMPANIES:

Name of the Subsidiary	Diamond Crucible Co. Ltd.
Financial Year ended	31 <sup>st</sup> March, 2013
Country of Incorporation	India
Equity holding percentage of Morganite Crucible (India) Ltd. (Parent Company)	100%
Issued, Subscribed and Paid - up Capital	3,500,000
Reserves and Surplus	121,792,353
Total Assets	188,358,366
Total Liabilities	63,066,013
Investment	60,200
Turnover	214,183,654
Profit Before Taxation	42,472,023
Provision for Taxation Current	14,500,000
Deferred	(32,994)
Profit after tax	26,413,118
Proposed Dividend	Nil
Retained Earnings	100%

**MORGANITE CRUCIBLE (INDIA) LIMITED**

*Registered Office* : B-11, MIDC Industrial Area, Waluj - 431 136 Dist. - Aurangabad.

**ATTENDANCE SLIP**

**Twenty Eighth Annual General Meeting**

Regd. Folio No. / DPID / CLIENT ID

Name of Shareholder:

I Certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the **TWENTY EIGHT ANNUAL GENERAL MEETING** of the Company held on Wednesday, September 25, 2013 at 11.00 am at B-11, MIDC, Industrial Area, Waluj- 431 136, Dist. - Aurangabad.

Proxy's name in Block Letters

Member's / Proxy's Signature

Notes :

1. Shareholders/Proxy holders are requested to bring the attendance slips with them when they come to the Meeting and hand them over at the entrance after affixing their signatures on them.
2. Shareholders are requested to bring their copy of the Annual Report along with them to the Annual General Meeting, as copies of the Report will NOT be distributed again at the Meeting in view of the high cost of the Annual Report.

- Tear here -

**MORGANITE CRUCIBLE (INDIA) LIMITED**

*Registered Office* : B-11, MIDC, Industrial Area, Waluj - 431 136 Dist. - Aurangabad.

**PROXY**

Reg. Folio No./DPID /CLIENT ID .....

No. of Shares

I/We ..... of .....in the district of ..... being a member / members of the above named Company hereby appoint

..... of ..... in the district of ..... or failing him .....of

.....in the district of ..... as my/our proxy to vote for me/us on my /our behalf at the **TWENTY EIGHT ANNUAL GENERAL MEETING** of the Company to be held on Wednesday, September 25, 2013 at 11.00 am at B-11, MIDC, Industrial Area, Waluj - 431 136, Dist. - Aurangabad and at any adjournment thereof.

Signed this ..... 2013

Please affix  
30 p.  
Revenue  
Stamp Here

Signature .....

Note :

The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Company's Registered Office, not less than 48 hours before the time for holding the meeting. The proxy need not be a Member of the Company.





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E-mail : sales.india@morganplc.com  
Web : www.morganmms.com  
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Diamond Crucible Co. Ltd.  
212-C, GIDC Estate,  
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