CORPORATE INFORMATION

Board of Directors

M M Murugappan, *Chairman*

Subodh Kumar Bhargava

T L Palani Kumar

Sridhar Ganesh

Shobhan M Thakore

M Lakshminarayan

Sanjay Jayavarthanavelu

K Srinivasan, *Managing Director*

Management Committee

K Srinivasan, *Managing Director*

N Kishore, *President - Abrasives &Technology*

P R Ravi, *President - Industrial Ceramics*

V Ramesh, *Chief Financial Officer*

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

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

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

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

Company Secretary

S Dhanvanth Kumar

Auditors

Deloitte Haskins & Sells, Chennai

Bankers

State Bank of India

Standard Chartered Bank

Bank of America N.A.

The Hongkong and Shanghai Banking Corporation Ltd.

The Royal Bank of Scotland N.V

BNP Paribas

REPORT OF THE DIRECTORS

(including Management Discussion & Analysis)

Your Directors have pleasure in presenting their 56th Annual Report together with the audited financial statements for the year ended 31st March 2010. The Management Discussion & Analysis Report, which is required to be furnished as per the requirements of stock exchanges, has been included in the Directors Report so as to avoid duplication and overlap.

ECONOMIC OVERVIEW

The year 2009-10 began on a difficult note. There was a significant slowdown in the economic growth rate in the second half of 2008-09, following the financial crisis that began in the advanced economies in 2007-08 which spread to the real economy across the world. The world witnessed the deepest global downturn in recent history and there was apprehension that the deceleration in the economy would persist for some time, as the full impact of the economic slowdown worked through the system of the developing economies.

It was also a year of reckoning for the policymakers across the globe, who had taken a calculated risk in providing substantial fiscal stimulus to counter the negative fallout of the global slowdown.

As a result of the fiscal measures taken, global production and trade started recovering in the second half of 2009. Confidence rebounded on both the financial and real fronts, as extraordinary policy support forestalled another Great Depression. In advanced economies, the beginning of a turn in the inventory cycle contributed to positive developments. Finally domestic demand was strong in key emerging and developing economies, although the turn in the inventory cycle and the normalization of global trade also played an important role. World output registered a drop of 0.6% with all major regions showing a decline - US at (2.4%), Euro zone at (4.1%) and Russia at (7.9%).

The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export recovery and a slowdown in financial flows into the domestic economy. Yet, over the span of the year, the Indian economy posted a remarkable recovery. The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9%. As per the advance estimates of GDP for 2009-10, released by the Central Statistical Organisation (CSO), the economy is estimated to have grown at 7.2% in 2009-10, with the industrial and the service sectors growing at 8.2% and 8.7% respectively. One of the highlights of the recovery was the renewed momentum in the manufacturing sector, which had seen continuous decline in the growth rate for almost eight quarters since 2007-08. Manufacturing sector growth had more than doubled from 3.2% in 2008-09 to 8.9% in 2009-10. Further the recovery in GDP growth for 2009-10, was broad based. Seven out of eight sectors/ sub-sectors showed a growth rate of 6.5% or higher.

COMPANY PERFORMANCE OVERVIEW

Rs. million

	31.03.2010	31.03.2009
Net Sales – Domestic *	6022	5215
Exports	1359	1363
Total	**7381**	**6578**

* Includes income from work bills and services

Net Sales grew by 12% with domestic sales registering an increase of 15%. Exports were at last year's levels.

The recessionary trends that engulfed the world in 2008 had its debilitating impact on the Company's sales growth during the first two quarters of the year both in the domestic and international markets. Despite the weak sentiment, the Company managed to register a growth of 3% in its turnover for the first six months compared to prior year levels. The Company, however, registered quarter on quarter growth commencing from the fourth quarter of 2008-09.

From October onwards, the mood became upbeat and confidence returned steadily to the markets. Growth was primarily driven by the domestic markets with the buoyancy in the Indian economy resulting in stepped up consumption in several sectors of the economy. There was good off-take from several user industry segments including auto, auto components, bearing, steel and general engineering. However project orders were not so encouraging as several major projects got postponed, particularly for Super Refractories. As a result, sales for the second half of the year registered a growth of 21% compared to the corresponding period of 2008-09.

Export sales however continued to be subdued due to the sluggish demand from European and North American markets which continued to be impacted by the recession. The export competitiveness was also gradually being eroded by the steady appreciation of the Indian rupee during the year. However a few of the Asian markets offered some relief. Further some of the export product lines, catering to select industry sectors, remained relatively less impacted by the downturn. Despite the weak markets overseas and the appreciating rupee, exports sales were maintained at last year levels of Rs.1359 million.

Aided by the buoyancy in the second half of the year, all business segments registered double digit growth rates for the full year.

There were largely no steep upward movements in the prices and availability of inputs. However since the economy was just returning to normalcy, pricing was under pressure, with all players trying to capture the shrinking pie.

Capital expenditure during the year was about Rs.442 million, with investment primarily in establishment of the facility for manufacture of Silicon Carbide microgrits, which was at an advanced stage of completion in the Cochin Special Economic Zone, as of the year end. The Anti corrosives project in Katpadi Taluk, Tamil Nadu, which was executed in a phased manner, has been fully completed. Apart from the new investments, the Company made considerable progress in getting the desired benefits from the various capital expenditure projects commissioned in the past few years.

Operating Earnings before interest, depreciation and tax (EBITDA) margins increased by 25% primarily due to 12% top line growth coupled with control on fixed costs and prudent foreign exchange hedging policy. Depreciation was higher by Rs.56 million as a result of the full year effect of capital expenditure projects completed in 2008-09. Interest costs were lower by 12% (i.e. Rs.239 million versus Rs.272 million) as a result of the soft interest rate regime and efficient working capital management. Profit on sale of fixed assets was lower at Rs.5 million during the year as compared to the previous year (Rs.291 million). Consequently, profit before tax was lower at Rs.842 million, as compared to Rs.861 million during the previous year.

FINANCIAL REVIEW

Earnings

The key financial indicators are as follows:

Rs. million

	31.03.2010	31.03.2009
Total Net revenues*	7617	6640
Operating earnings before interest, depreciation & tax ('EBITDA')*	1429	1139
Operating Profit before interest and tax (EBIT)*	1076	841
Finance cost	239	272
Profit on sale of fixed assets	5	291
Profit before tax	842	861
Profit after tax	580	597
Earnings per share of Rs.2/- each	6.21	6.40

*excluding profit on sale of fixed assets

Financial Position

Shareholders funds as on 31st March 2010 was Rs.4289 million. Addition for the year (excluding proposed dividend) was Rs.380 million.

Year end debt levels (Rs.2838 million) comprises long term borrowings of Rs.2152 million and short term borrowings of Rs.686 million. Borrowings have reduced by Rs.641 million during the year. As a result the debt-to-equity ratio has improved to a comfortable 0.66 (from 0.89 last year).

Net fixed assets were at Rs.3788 million (previous year Rs.3710 million). The total capital expenditure for the year was Rs.442 million which exceeded the depreciation of Rs.353 million for the year. Investments (which are mainly into the Company's subsidiaries and joint ventures) were at Rs.1718 million (at about last year levels). The focus on working capital management paid rich dividends with net current assets (excluding bank balances and dividend provisions) marginally declining from Rs.2196 million to Rs.2185 million despite a Rs.803 million increase in sales.

Cash Flow

Following the liquidity and financial crisis of 2007-08, concerted efforts were taken to step up operating cash generation. Cash generation from operations was Rs.1119 million in 2009-10. This helped to finance the capital expenditure of Rs.442 million and also reduce debt levels by Rs.641 million.

DIVIDEND AND APPROPRIATION OF PROFITS

The amount available for appropriation and the recommended appropriations are given below:

Rs. million

Available for appropriation	
Profit after tax	580.13
Add: Balance brought forward from previous year	1602.08
Total	**2182.21**

Recommended appropriations	
Transfer to Debenture Redemption Reserve	31.25
Transfer to General Reserve	300.00
Dividend	186.71
Dividend Tax	23.96
Balance carried forward	1640.29
Total	**2182.21**

The Board is pleased to recommend a dividend of Rs.2 per equity share of Rs.2 each for the year 2009-10. Last year a dividend of Rs.2 per equity share was paid.

CUMI CONSOLIDATED PERFORMANCE OVERVIEW

The key financial indicators for the consolidated operations are given below:

Rs. million

	31.03.2010	31.03.2009
Net sales (Inclusive of Joint Ventures)	12822	11930
Total net revenues*	13141	12258
Operating earnings before interest, depreciation & tax ('EBITDA')*	2429	1988
Operating Profit before interest and tax*	2017	1637
Finance cost	308	329
Profit on sale of fixed assets	5	293
Profit before tax	1714	1601
Profit after tax	1017	1037
Earnings per share of Rs.2 each	10.90	11.11

*excluding profit on sale of fixed assets

Consolidated sales recorded a growth of 7.5% aided by the strong performance of the Indian operations.

In Volzhsky Abrasive Works (VAW), sales at RUB 2.1 billion, was at last year levels for the twelve months period ended March 2010. Silicon carbide sales increased by 5% over the previous year, which helped to offset the drop in sales of abrasives and refractory products. The abrasives business showed a decline in sales primarily due to a steep downturn in the Russian economy. The favorable currency movements, lower prices of key inputs, focus on process efficiencies and continued high capacity utilization of the silicon carbide facilities helped the Company to increase profits by 31% from RUB 212 million to RUB 279 million.

In CUMI Australia, sales of AUD 13.44 million were marginally higher by 2% over last year levels of AUD 13.14 million. This was achieved against intense competition from imports into Australia from overseas suppliers which resulted in stiff pricing pressures. While business from coal washeries continued to be the mainstay of the business, the Company expanded customer base by adding clients from other mining sectors. The overall performance was aided by regular supplies of ceramic tiles and value added products from Indian operations. While the operating performance continued to be very strong, there was a 5% drop in profits for the year due to higher employee cost.

In South Africa, Foskor Zirconia started the year on a very weak note. The plant was shut down for a period of three months in the first quarter due to high inventories in the plant coupled with downturn in the steel industry resulting in low off take for refractories. The strengthening of the South African currency (Rand) further eroded the competitiveness of the business. These resulted in the Company declaring an after tax loss of Rand 7 million in the first quarter. However concerted efforts were taken by the marketing teams to increase customer base, explore new geographies and diversify into other industry segments. Sales picked up from August 2009. The new initiatives helped the Company end the year with a turnover of Rand 133 million constituting a 7% increase over the previous year. As a result of the overall improvement in operating levels in the last three quarters, the Company ended the year with a marginal loss of Rand 0.6 million (compared to the first quarter loss of Rand 7 million).

The demerger of the Chinese joint venture into two separate entities, one for abrasives and the other for diamond / diamond tools business was completed in December 2009. Consequently the assets and liabilities of the Abrasives division were transferred to a wholly owned subsidiary viz. CUMI Abrasives and Ceramics Company Limited. However, the statutory approvals mainly covering VAT, Customs and Capital verification were not received till March 2010. Consequently, the consolidated results reflect the financials for the nine months period ending December 2009 only of the erstwhile Chinese joint venture. The consolidated results for the year includes a loss of Rs.63 million, arising out of the Chinese operations in the first nine months ending December 2009. Performance of the joint venture was impacted due to lower capacity utilization of the abrasives facilities and high overhead costs of the joint venture. With CUMI getting full control over the abrasives business, a concrete plan has been worked out for stepping up operating levels and leveraging the presence in China.

In the Middle East, CUMI Middle East did well and the CUMI branded products continued to gain wide acceptance. The Company has been building a good network of dealers and customers and revenues grew by 22% despite the difficult market conditions. CUMI America registered significantly lower sales during the current year at USD 0.6 million as compared to last year sales of USD 1.2 million due to tepid market conditions in the USA. Due to the lower turnover, the Company ended the year with an after tax loss of USD 0.12 million. At CUMI Canada, sales were lower at CAD 2.4 million compared to CAD 3.2 million last year. The Company's efforts to refocus on Ceramics product lines helped it to offset to some extent the lower sales resulting from the downturn in the housing market. The Company ended the year with a loss of CAD 0.8 million, compared to the previous year loss of CAD 1.1 million.

In India, Murugappa Morgan Thermal Ceramics Limited, the joint venture with the Morgan Crucible plc. (which is in fibre refractory business) improved sales by 13% over previous year. Ciria India Limited, which is also a joint venture with the Morgan Crucible Group, engaged in designing and installation of refractory systems, registered sales of Rs.333 million, about 3% lower than last year. Wendt India Limited's consolidated performance grew by about 11%, with the Company focusing on supply of precision components along with the traditional superabrasive tooling business, for select customers. Sterling Abrasives continued to register good performance with a growth of 11% in sales by focusing on niche product lines. With tight control on costs and focus on high margin products, the Company registered a 47% increase in net profits. Southern Energy Development Corporation Limited, the natural gas based power generation Company operated at near full capacity. The power generated by the Company helped the various manufacturing facilities of CUMI located in Tamil Nadu to mitigate the difficulties arising out of power cuts. Net Access India Private Limited which is in IT facilities management, increased revenues marginally by 4%. Net profits increased by 28% through cost reduction efforts. CUMI Fine Materials Limited, which was incorporated last year is yet to commence commercial activities.

A consolidated financial statement (incorporating the operations of the company, its subsidiaries, joint ventures and associate) has been provided in the Annual Report. The key financial highlights of each subsidiary for their respective financial years have also been given. In view of this, the annual reports of the subsidiary companies have not been annexed pursuant to the exemption accorded by the Ministry of Corporate Affairs vide letter no.47/184/2010-CL-III dated 26th March 2010. However, the annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of the Company and its subsidiary companies seeking such information at any point of time. These annual accounts will also be kept for inspection by any investor, in the head office of the Company and that of its respective subsidiary companies.

PERFORMANCE OF BUSINESS SEGMENTS

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

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

ABRASIVES

Key financial summary Rs. million

	Standalone			Consolidated		
	2009-10	2008-09	% growth	2009-10	2008-09	% growth
Domestic sales (net)	4017	3515	14%			
Exports	265	343	-23%			
Total	4282	3858	11%	5518	5325	4%
Operating Profits before interest & tax ('PBIT')	466	507	-8%	517	520	-1%
Capital employed	2633	2943	-11%	4127	4175	-1%
Contribution to total segment revenue of CUMI	58%	59%		43%	45%	
Contribution to total segment operating PBIT of CUMI	40%	46%		24%	28%	

Market scenario

Abrasives business started the year on a challenging note with a negative growth of 2% in sales during the first half of the year. The global slowdown in major user segments adversely impacted export sales. Despite a moderate and patchy recovery in second half of the year, the Company with its complete range of products has been able to service a wider clientele and was able to enhance domestic market share in industries like construction, fabrication, bearing, wood working, agriculture, surgical instruments etc., with niche products and enlarging product offerings in the mass markets. The division ended the year with a sales growth of 11% over last year. However export sales were lower than last year because of the subdued European and North American markets.

The channel dynamics changed during the year, with tighter supply-replenish flow and also flattening of margins as most of the global players have been entering into high growth economies like India. Consequently pricing pressures were quite intense affecting realisations and profitability margins. The revival in the industry during the last quarter saw better and higher realisation of prices from the market, a trend likely to continue for next year also.

The Company continued to pursue a “Grow our Market” strategy by addressing all tiers of the market at their respective price points by an appropriate combination of brand and product. Long term market power was enhanced by strengthening the core segments and near adjacencies.

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

The Indian abrasives industry continues to be largely catered by the two leading players but many global abrasive manufactures have entered the Indian market, due to slowdown in the USA and Europe. The Company continues to maintain leadership position in spite of the heavy competition in the changing domestic market scenario.

Manufacturing

Manufacturing capability was established for a new range of products viz. rice polishing wheels, ultra thin sleek wheels and cup wheels to meet the emerging market requirements for these products.

The Thiruvottiyur bonded abrasives facility functioned well to cater to the volume requirements of the market, from the second quarter onwards. With the pace of industrial activity picking up in the latter part of the year, the plant rendered good support to service the orders for non standard bonded abrasive products from various user industries. The plant won the first place at the TPM competition conducted by ABK-AOTS. The plant also has been recertified as per the revised ISO standard i.e. ISO 9001:2008 version.

The Hosur bonded abrasives plant achieved “self certification status” from a major customer. The plant received the certification under the revised standard ISO 9001:2008. One man and one machine was implemented in a module to improve productivity.

The Uttarkhand abrasives facility is progressing well to become a full fledged manufacturing hub by increasing its product spread. A facility for manufacture of individual coated discs has been commissioned and the coated conversion facilities set up in the previous year have stabilized operations.

The Sriperumbudur coated abrasives facility optimised operations and improved plant efficiency by 4%. Coated abrasives Jumbo Production was increased by 10% and conversion by 14%. Reduction in specific energy consumption and fuel consumption was achieved. The plant was re-certified for new ISO 9001:2008 quality system.

Cost increases for certain inputs were witnessed for brief periods as a result of strengthening of the Euro currency and demand-supply mismatch. Barring this there were no major increases in cost of inputs during the year. However there was difficulty in implementing the price increases which were initiated to cover the cost push which had taken place during the end of the previous financial year. With competitors competing on price and consequently the product mix tilting more towards the lower margin economy range products, operating margins showed a decline.

Due to supply constraints, power cut was imposed on industries in Tamil Nadu during the year. The adverse impact was minimized to some extent, using the captive power procured from the power plant operated by the Company’s subsidiary. The restrictions imposed for a few months, resulted in the division having to resort to higher cost alternatives.

To sustain market growth in the face of stiff challenges in the market place and cost push of input materials the business strived to reduce the impact on operating profits by tight working capital management apart from focused cash management and operational excellence.

Power Tools

In Power tools division, it was a year of internal consolidation and realigning the business strategy based on an understanding of the market gained during the first 18 months of operations. Product lines were critically reviewed and rationalized both based on the market response and also an assessment of CUMI’s strengths in various segments. Marketing efforts were also focused on specific areas and markets rather than dispersing efforts over a wider area. As a result of this approach, sales for the year (at Rs.71 million), registered 14% increase over the previous year (Rs.62 million).

As a result of the product and customer rationalization, inventory and receivable levels declined and consequently cash generation was healthy.

CUMI Consolidated

Wendt India and Sterling Abrasives continued their strong performance of the previous years by focusing on supply of precision components and niche products for the agriculture sector respectively. However, all the overseas companies were impacted by the general downturn, particularly in North America and Russia. The Russian operations witnessed a marked drop in turnover due to the economic downturn in Russia in the first three quarters of the financial year. The Company however managed to keep the Abrasives operation at above breakeven level. The Chinese operations incurred a loss of Rs.63 Million as mentioned earlier. CUMI Canada and CUMI America also registered losses, pulling down the overall profitability.

CERAMICS

Rs. million

	Standalone			Consolidated		
	2009-10	2008-09	% growth	2009-10	2008-09	% growth
Domestic Sales (net)	1305	1167	12%			
Exports	673	562	20%			
Captive	13	9				
Total	1991	1738	15%	2871	2581	11%
Operating Profits before interest & tax ('PBIT')*	315	270	17%	557	525	6%
Capital employed	2080	2056	1%	2845	2675	6%
Contribution to total segment revenue of CUMI	27%	26%		22%	22%	
Contribution to total segment operating PBIT of CUMI	27%	25%		26%	28%	

* Exceptional items are profit on sale of immovable properties

The Ceramic Division operates in three niche segments i.e. high alumina ceramics, super refractories (fired & monolithics) and anti corrosive products.

HIGH ALUMINA CERAMICS

Market scenario

Industrial Ceramics offers Alumina and Zirconia products of technical ceramic grades addressing wear protection, electrical resistance, thermal protection and ballistic protection requirements.

Despite experiencing the global downturn from the third quarter of 2008-09, high alumina Ceramics business achieved an overall growth of 23%. The domestic business grew by 13% and 31% growth was achieved in exports.

In domestic business, all major projects in targeted segments were deferred owing to economic slow down. However the focused approach to servicing repair and maintenance requirements of customers helped growth of domestic business. The repair and maintenance segment saw a growth of 51%. Also focus on coal washery segment in offering end to end wear protection solutions for coal washing saw a 200% growth in this segment.

Growth in exports business was mainly in metallised cylinders. The process of seeking product approvals which began in 2008-09 paid rich dividends and orders were secured from major global manufacturers of vacuum interrupters. Focused approach on timely delivery coupled with reliable products helped the division to win best new supplier award from a global leader in vacuum interrupters.

The wear protection business to Europe and North America was severely impacted due to slow down in these geographies. Focus on new markets like South America, South Africa, and China helped minimize the impact. CUMI's overseas subsidiaries made a good contribution in promoting sales in South Africa and China. The Company's marketing team worked closely with distributors and OEMs in these geographies to complement the sales efforts of the subsidiaries. These new markets contributed to 33% of the export sales of wear protection application during 2009-10.

Manufacturing

The automated wear resistant liner plant in Hosur (near Bangalore) helped meet the demand from domestic and overseas markets for industrial ceramics products.

Robust processes helped deliver consistent products to customers. New products in varying geometries were manufactured to meet customers' requirement. The flexible manufacturing process helped in addressing various dimensional requirements in different markets (imperial scale for North America and metric scale for rest of the world).

Six sigma quality initiatives introduced in 2008-09 were stabilized during the year and these helped to deliver Six sigma compliant wear resistant liners to customers.

The state-of-the-art metallised ceramics plant that was commissioned in September 2008 to address the requirements of the power transmission industry has fully stabilized and is operating to its capacity. Processes have been put in place to ensure delivery of consistent and reliable metallised cylinders to customers.

The division received ISO 14000 certification during the year. Its environmental management system has been certified by TUV NORD.

During the year new products were developed to address corrosion and wear protection applications in mining and high thermal shock applications in casting operations.

SUPER REFRACTORIES & ANTI-CORROSIVE PRODUCTS

Market scenario

The Super Refractory segment grew by 4%. The growth was largely driven by off-take from iron and steel, cement, carbon black and non ferrous segments. Demand from ceramics, glass and chemical process Industry continued to be subdued. HT insulator industry continued to be affected by lower capacity utilization because of recessionary conditions. The glass industry projects were shelved or postponed in view of the sluggish off-take from their customers, particularly in the early part of the year. Competition from imports intensified in a few product categories.

Anti Corrosives registered a 9% growth. The growth mainly came from increase in sales of acid resistant cement products and polymer concrete cells.

Manufacturing

The new Super Refractories plant in Katpadi Taluk, Tamil Nadu which was commissioned last year has gone into full fledged operation. The plant incorporates advanced production processes and equipments which are designed to deliver cost advantage and high quality products. The plant, with its capability to fire products at 1800^{0}C, would supplement the operations of the existing Fired Refractories plant in Ranipet

In order to combat the competitive price pressures, the division worked on reducing cost through in-process improvements and alternate sourcing of raw material and supplies.

The Jabalpur location continued to ride on the strength of its position as a low cost location for manufacture and supply of superior High

Alumina Monolithic Refractories. New and customized products were developed and supplied on regular basis to the customers of various user industries including iron and steel, cement, chemical and process industries, carbon black and furnace building. The plant obtained the ISO 9001-2008 certification and received approved vendor status from EIL for supply of products to fertiliser and petrochemical industries during the year.

The new facility in Katpadi Taluk, Tamil Nadu for manufacture of 10,000 tonnes of anti-corrosive products viz. acid resistant products, construction chemicals and polymer concrete cells has become fully operational. The plant obtained EIL's approved vendor status for all anti corrosive products and played a pivotal role in bolstering the revenues of the business. A new acid resistant product was developed and established to international standards during the year. TPM initiatives were intensively implemented. ISO 9001-2008 certification was received by both the new facility and Ranipet plant.

There has been no material change in the ceramics industry structure in India which is catered to by 4-5 major players in each product line. CUMI is the market leader in certain market segments.

CUMI Consolidated

The Company continued to work on its business model of design and manufacture of ceramic tiles in India, installation / servicing by the three subsidiaries i.e. CUMI Australia, CUMI Canada Inc. and Foskor Zirconia in their respective markets and with other markets being handled directly by CUMI. The focus during the year was in consolidation of the strong market position in supply of products to coal washeries in Australia, diversify customer base in Canada and make an entry into South Africa. The Company succeeded on all the three fronts and was able to register an overall growth of 11% and sustain operating margins at 20%.

ELECTROMINERALS

Key financial summary Rs. million

	Standalone			Consolidated		
	2009-10	2008-09	% growth	2009-10	2008-09	% growth
Domestic sales (net)	700	534	31%			
Exports	421	457	(8%)			
Captive	444	325	37%			
Total	1566	1316	19%	4789	4245	13%
Operating Profits before interest & tax ('PBIT')	372	314	18%	1027	758	35%
Capital employed	1105	861	28%	2665	2089	28%
Contribution to total segment revenue of CUMI	15%	15%		34%	32%	
Contribution to total segment operating PBIT of CUMI	32%	29%		47%	41%	

Market scenario

The domestic business environment was very positive with good demand for the regular products like fused alumina and silicon carbide for abrasives, refractories and blasting applications. The momentum was driven by the strong off-take from end user industries like engineering, auto, fabrication and steel, particularly from the third quarter.

In the export markets, the division made an entry into new markets in North America, Middle East, Far East and South East Asia. New distributors were identified in select markets for developing new business. The market for silicon carbide powders for the photovoltaic industry softened because of the financial crisis. The drop in module prices in certain European markets due to changes in the subsidy regime also had its impact on demand. Further some photovoltaic markets shifted quite quickly to using green silicon carbide and shape specific powders for the production of silicon wafers. The business aligned itself with this requirement by the development of green silicon carbide microgrits and by developing processes to yield shape specific powders for meeting market requirements.

All product segments registered growth with the exception of the silicon carbide microgrits for the photovoltaic industry which was sluggish in the last two quarters of the year.

The market structure remained largely unchanged in India with the market continuing to be catered to by three players of whom, CUMI is one. Apart from the domestic players, imported products have a visible share of the market.

Manufacturing

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

There was some increase in raw material costs, though not very major. To counter this, cost reduction efforts in the form of alternative sourcing of raw materials and services and reduction in freight charges were undertaken yielding substantial savings. Inventory levels of raw materials increased due to higher feedstock of Silicon Carbide arising from delay in commissioning of the new Silicon Carbide Mircogrit facility.

The Koratty plant of the division received ISO 14000 certification during the year. The plant was placed in First Place in Engineering Category under Industrial Safety Award constituted by Department of Factories and Boilers, Government of Kerala. The Maniyar Hydro Electric power plant was awarded Runners-up position in Kaizen Competition organized by CII Southern Region.

The first phase of the Silicon Carbide Microgrit facility at Cochin Special Economic Zone has been completed and has commenced commercial production in April 2010. Subsequent phases would be implemented based on market conditions.

CUMI Consolidated

The Electrominerals SBU had an excellent year registering a growth of 13% in sales and 35% in operating PBIT. Sales growth was partly due to the full year impact of the South African Zirconia operations (as against 8 months of the previous year), a 5% growth in Silicon Carbide sales in VAW in challenging times in addition to the growth registered by the CUMI standalone operations. The profitability increase of over 35% was largely driven by VAW, thanks to continued high capacity utilization through the year, effective renegotiations for lower input costs, improvement in efficiencies and a favourable foreign exchange scenario. The profitability would have been higher but for the marginal losses incurred by the South African operations during the year. Foskor Zirconia had to suspend operations during the first quarter of the year due to downturn in the steel industry and high inventories in the plant. Thanks to diversification of customer base and broad basing of user industries, the Zirconia operations were able to almost completely recoup the losses of the first quarter during the balance 9 months of the year.

FINANCE AND HUMAN RESOURCES

Finance

The crisis in the global financial sector which erupted in the second half of 2008-09 with impact spread across both the developed and emerging markets eased considerably in 2009-10. The interest rates which shot up in the second half of 2008-09, started steadily declining from second quarter of current year. The demand for credit was subdued in the developed countries, while in India, the demand for both short-term working capital loans and long term loans for capital expenditure and acquisitions showed growth particularly from the latter part of the year. Interest rates were significantly lower than previous year, especially foreign currency loans.

The Company's focus on cash generation along with lower capital expenditure resulted in a strong liquidity position throughout the year. One tranche of the external commercial borrowing repayment of Rs.364 million was made as per schedule. During the year, the Company relied on short term foreign currency loans which were, on an average, about 1.5% cheaper compared to rupee loans. Overall, the borrowings reduced by Rs.641 million during the year.

All foreign currency borrowings, except an amount of USD 5 million, have been fully hedged against exchange fluctuation and interest rate risks.

Due to lower borrowing levels, soft interest rate regime and optimal sourcing of funds, interest costs showed a declining trend, quarter on quarter.

The appreciating rupee during the year impacted export realisations. The Company followed a disciplined and conservative approach to foreign exchange hedging which resulted in a net gain of Rs.8 million.

The Company continued to retain its strong credit ratings viz. 'P1+' for short term borrowings and 'AA+ Stable' for long term borrowings, both from CRISIL. All debt obligations were serviced on time.

Human Resources

The year under review was a challenging one due to the global economic recession. The capabilities, flexibility and commitment of the employees enabled the Company to face the challenges posed by the difficult market environment. During the year, HR initiatives continued to focus on building people capabilities and embedding people management competencies through a robust people process. Key people development processes such as building leadership pipeline through CUMI Leadership programme, beginning the Innovation Journey, HR Excellence assessment, Coaching and 'Lead to Grow' initiatives to develop people excellence and engagement to cater to the changing needs of the business were continued. "Turning feedback into action"- a programme initiated to sharpen the leadership qualities of the senior management through a process of 360 degree feedback, provided an opportunity to introspect and develop the leadership team to meet the challenges ahead. Business specific development programmes such as building expertise on six-sigma, total productive maintenance, driving execution excellence and supervisory development were also undertaken. In Electrominerals Division, a management development programme was rolled out for the second line managers, in association with a local business school, to enable them take up additional responsibility.

In order to reinforce ethical behavior at work, 'Right Path', an ethics initiative, was launched across the organisation and all new employees were oriented while on-boarding. The Company's recruitment policy advocates equal opportunity in employment. A voluntary survey of all management staff was done to understand the inclusive nature of the workforce. CUMI also encourages women employment at all levels in order to support and empower women employees. To facilitate this, 'Mitr', a forum for women, is active over the year largely focusing on women's overall professional development.

Relationship with non management staff was generally healthy. Long term settlements which are designed to bring productivity increase and flexibility have been signed in two units. To bring in an actively engaged workforce, 'Family Connect' programmes were organised across the organisation.

The Company is committed to promoting health and safety of employees and also the well being of the community. All major plants are ISO -14000 certified.

The head count at the end of the year was 1782 (1788 last year).

RISKS AND CONCERNS

In the electrominerals business, the new mineral policy of the Government of Gujarat is posing concerns with reference to the raw material security of the business. The process of identifying and developing alternate additional sources of calcined bauxite within and outside Gujarat is being undertaken to address this concern.

Similarly in the silicon carbide microgrit business, the rapidly shifting quality and product demand of the photovoltaic customers remains a challenge. The Company's technical teams continuously work on modifying product parameters to meet customer specifications.

Fuel cost is one of the key cost components in the overall cost structure of the business. Any significant cost escalation would dent profit margins. The Company continuously works on initiatives like altering the firing cycle, installation of fuel efficient burners and modification of loading patterns to reduce fuel consumption.

The Indian Rupee has already witnessed an appreciation of 11.4% during 2009-10. The trend appears to be continuing with a further appreciation since the close of the year till date. With over 18% of the Company's earnings coming from exports, this would impact profitability and also competitiveness of export sales. Further competition for electromineral products would increase as a result of imports becoming cheaper. The weakening of the US Dollar would also impact the operations of CUMI Australia by increasing competition from imports.

INTERNAL CONTROL

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

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

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

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

BUSINESS OUTLOOK

In 2010, world output is expected to rise by about 4.25%, following a 0.6% contraction in 2009. The global recovery has evolved better than expected, with activity recovering at varying speeds - tepidly in many advanced economies but solidly in most emerging and developing economies. Economies that are off to a strong start are likely to remain in the lead, as growth in others is held back by lasting damage to financial sectors and household balance sheets. Money markets have stabilized. Corporate bond and equity markets have rebounded. In advanced economies, the tightening of bank lending standards is ending, and the credit crisis appears to be bottoming out.

Activity remains dependent on highly accommodative macroeconomic policies and is subject to downside risks, as fiscal fragilities have come to the fore. Many emerging economies are again growing rapidly and a number have begun to moderate their accommodative macroeconomic policies in the face of high capital inflows. Given prospects for relatively weak growth in the advanced economies, the challenge for emerging economies is to absorb rising inflows and nurture domestic demand without triggering a new boom-bust cycle.

The Company would strive to ride the wave of growth in the domestic market by leveraging its existing well oiled manufacturing infrastructure. The continuing appreciation of the Indian Rupee would increase the competitive pressure and profitability on export sales. Concerted action to improve profit margins are underway by reorienting product mix, acquiring capability for manufacturing value added products, increasing market penetration and getting efficiencies up and driving down costs. With Asia leading the global economic recovery and India in particular being one of the main drivers of this, the competition from overseas players entering the country would increase. The Company would leverage its brand strength and knowledge bank built over the last five decades of operations to counter the threat posed by any such developments.

With these efforts the Company is confident of continuing to ride the growth trajectory.

GOVERNANCE

Board of Directors

Mr. Subodh Kumar Bhargava and Mr. T L Palani Kumar retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

Mr. A Vellayan stepped down from the Board in January 2010 consequent to his assuming wider responsibilities in the Murugappa Group.

Mr. Sanjay Jayavarthanavelu, Wholetime Director of Lakshmi Machine Works Ltd., Coimbatore has been inducted as an Additional Director. Mr. Sanjay Jayavarthanavelu brings with him two decades of rich experience in the engineering industry. He will vacate office as additional director at the forthcoming annual general meeting and his appointment by shareholders will be taken up at that meeting.

Auditors

M/s Deloitte, Haskins & Sells, Chartered Accountants, (FR No.008072S) Chennai retire as Auditors at the forthcoming Annual General Meeting and being eligible have expressed their willingness to be reappointed.

Corporate Governance

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

Corporate Social Responsibility

The Company contributed a sum of Rs.35 million for various philanthropic purposes in the field of education and health-care and also for scientific research.

As part of its commitment to society, the Company has been providing need based support to the community around the Company's plant locations, focusing on education and health.

Annexures

The directors' responsibility statement under Section 217(2AA), the particulars relating to energy conservation, technology, research and development and exports as required under the Section 217(1)(e), the particulars of employees' remuneration as required under Section 217(2A) of the Companies Act, 1956 and the information relating to employee stock options to be provided as per the applicable SEBI regulations are annexed to and forms part of this report.

ACKNOWLEDGEMENT

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

On behalf of the Board

M M Murugappan
Chairman

Chennai, 3rd May 2010

ANNEXURE TO THE REPORT OF THE DIRECTORS

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

ENERGY CONSERVATION

During 2009-10 a sum of Rs.16 million was spent on energy conservation initiatives. A host of initiatives were undertaken. The major ones were the installation of centrifugal compressor at the Koratty plant, modification of kiln furniture material to reduce fuel consumption in kilns, modifications to dust collectors, installation of capacitor banks, installation of thermic fluid heater and process improvements in spray drying etc. The estimated savings from these investments is Rs.21 million per annum.

Measures planned for 2010-11 include modification and revamping of kilns, overhauling of generators, modifications to dust collectors, installation of new drive system in backing stabilization plant, power factor improvement, power savers for compressors. A total investment of Rs.22 million is planned which is estimated to yield savings of Rs.21 million annually.

The energy consumption details for super refractories are as follows:

A. Power and fuel consumption

		2009-10	2008-09
a.	Electricity		
i.	Purchased		
	Units (Kwh)	2,000,473	1,658,060
	Total amount (Rs. Million)	9.58	9.25
	Rate per unit (Rs.)	4.79	5.58
ii.	Own (Through Diesel Generator)		
	Units (Kwh)	399,705	495,285
	Units per litre of diesel oil (Rs. Million)	2.92	3.08
	Cost per unit (Rs.)	7.86	11.84
b.	Furnace Oil (used for kiln)		
	Quantity (litres)	240,231	164,535
	Total cost (Rs. Million)	5.87	4.18
	Rate per unit (Rs.)	24.44	25.42
c.	Kerosene (used for kiln)		
	Quantity (litres)	2,335,040	1,653,181
	Total cost (Rs. Million)	65.60	56.48
	Rate per unit (Rs.)	28.09	34.16
d.	Diesel (used for kiln)		
	Quantity (litres)	-	688,364
	Total cost (Rs. Million)	-	25.98
	Rate per unit (Rs.)	-	37.74
e.	Special fuels (used for kiln)		
	Quantity (kg)	-	133,205
	Total cost (Rs. Million)	-	4.88
	Rate per unit (Rs.)	-	36.65
f.	Coal		
	Quantity (kg)	-	94,185
	Total cost (Rs. Million)	-	0.52
	Rate per unit (Rs.)	-	5.57

B. Consumption per tonne of production

		2009-10	2008-09
a	Electricity (Units)		
	Fired Products	528	386
	Monolithics (including refractory cement)	20	29
b	Fuel		
	Kerosene, diesel and special fuels (litres) used for fired products	600	538
	Coal (kg) used for Low grade refractory cement	-	817
	Furnace oil (litres) used for high grade refractory cement	168	160

RESEARCH & DEVELOPMENT

Specific areas in which R&D was carried out

In abrasives, research was focussed primarily on surface modification of grains for grinding wheel application and indigenization of premium grains for specific applications. Efforts were also focussed on application of frontier material science technology in manufacture of abrasive products.

In electrominerals R&D initiatives were directed towards developing processes for controlling shape of microgrits, applications for silicon carbide fines, performance improvement of ceramic grains, establishing process and quality of high temperature treated specialty alumina grains, developing alternate methods for producing grains for premium abrasive applications and hypodermic needle grinding applications, development of new reduction processes for the manufacture of brown fused alumina grains from low grade calcined bauxite and green silicon carbide for PV applications.

In Ceramics division, research was carried out for development of new formulations to address specific applications like corrosion and wear in mining and thermal shock applications in non ferrous metal casting application and development of tailor-made castable refractories and new product fired products for glass and ceramic industries.

Benefits derived

As a result of the initiatives taken, surface modified grains were developed for use in next generation vitrified products. The import substitute grains developed will be used to replace the imported premium grains in certain coated abrasive products and hypodermic grinding wheels. The project for use of technologically advanced materials has been completed at a lab scale and design for pilot has been finalized.

In the electrominerals division, the research efforts helped in meeting shape specifications of a section of the photovoltaic customers. Silicon carbide pellets for metallurgical applications and synthesized version of brown fused alumina for premium applications were developed. The improved ceramic grains have gained acceptance in a few advanced overseas markets. Bulk supply of high temperature treated specialty alumina grains was commenced. Further performance of green silicon carbide for photovoltaic and hypodermic needle grinding applications were established.

The new formulations developed in the Ceramics business helped to address business opportunities in copper mines and non ferrous die casting applications.

Future Plans

During 2010-11 efforts would be directed towards developing abrasive products with advanced speciality materials and a pilot facility established to produce these grinding wheels. The other initiatives would be designing processes to obtain desired shape modified silicon carbide powders at improved yield and throughputs for photovoltaic customers, development of ultrafine powders, alumina zirconia grains and other fine powders for energy storage, flame retardants, surface engineering and filtration products. Efforts to establish high value application for silicon carbide fines would also be taken. In ceramics, research would be directed to develop new formulations/technology for addressing requirement of technical ceramics for medical applications and ballistic protection.

Expenditure on R & D

Rs. million

Capital	13
Recurring	37
Total	50
Total expenditure as a percentage to turnover	0.7%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

In abrasives, several new product development initiatives were put through. In electrominerals, efforts to commercialise the process of manufacture of high temperature processing of specialty alumina grains was undertaken. In the Ceramics business, focus was on full absorption of the modified technology for manufacturing metallized cylinders.

Benefits derived as a result of the above efforts, e.g. product / process improvements, cost reduction, product development, import substitution, etc.

The technology absorption efforts in abrasives, helped the business to develop grinding wheels for the surgical needle industry and agri business; New range of cup wheels, upgraded sol-gel grinding wheels for precision application, new range of hi-performance reinforced cutting wheels; new rubber bond systems for centerless grinding were developed. In electrominerals, process for the manufacture of high temperature treated grains using oscillating kiln has been established and products across grit range been commercialized. This range of specialty grains will address the performance requirement of European customers. In ceramics, the process knowhow for manufacture of metallized cylinders using upgraded methods has been fully absorbed and the products manufactured have been approved for quality and performance by leading international customers. Product development and customization helped the Company to grow in monolithic refractory business.

Imported Technology

Technology imported	**Floor Polishing Wheels**	**Synthetics based backing and products thereafter**	**Coated abrasive discs**	**Metallised cylinders**	**Ceramic segments**	**High Performance Refractories**
Year of Import	2004-05	2005-06	2006-07	2006-07	2006-07	2008-09
Has technology been fully absorbed	Yes	Being absorbed	Yes	Yes	Yes	Being absorbed
If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	N.A.	Technology for making latex water proof paper has been implemented on a commercial scale after market trials. The technology for the remaining products covered by the agreement will be taken up for implementation in future.				Out of the total package of products covered by the agreement, 3 products have been launched in the market. The remaining products are planned to be launched in 2010-11 after completing lab tests, wherever necessary.

EXPORTS

Despite the steep downturn in global trade, the Company managed to maintain exports at the same level as last year. The niche product lines which are addressed by some of the Company's business segments helped it to tide over the crisis and lessen the impact of the global downturn. Though export of abrasives, electrominerals and super refractories were lower than last year, the 37% increase in exports of industrial ceramics products helped the Company to maintain export sales levels.

Exports of industrial ceramics benefited from the strong off take from CUMI Australia. Abrasives sales were affected primarily by the low off take from European and North American customers. However the Company managed to enter into a few new markets, particularly in Asia. In electrominerals, process parameters had to be modified to adapt to changing product specifications of customers, which impacted volumes. Further the economic down dampened investments in the photovoltaic sector which further dented volumes.

Export development initiatives were in the form of appointing local representatives in various countries for faster order conversions, country specific focus, growth through existing key accounts, appointing distributors for mass market products, participation in International exhibitions and fairs to increase visibility, overseas dealer meets, plant visits by potential customers /distributors to establish capability and internet marketing.

The initiatives taken helped the Company to enter several new markets including Turkey, Japan, Korea, China, South America and South Africa. Several new customer relationships were established which helped to increase customer base.

The growth plan for 2010-11 is based on a foundation of higher customer base in the export markets. The experience gained in handling global slow down has strengthened focus on adding value to customers and expanding geographies. The company would continue to build on new product development and application engineering strength. With the revival in the global economy becoming a virtual certainty, the Company would leverage the opportunities that emerge using its strong manufacturing infrastructure in India, China, Russia and South Africa.

Rs. million

Foreign Exchange Earnings	1414
Foreign Exchange Outgo	
— Raw materials and other payments	1552
— Capital Equipment	131

STATEMENT OF EMPLOYEES' REMUNERATION

The details of employees who were paid remuneration in excess of Rs.2,00,000/- per month or Rs.24,00,000 per annum during 2009-10 are as follows:

Name and Age	Designation/Nature of duties	Gross remuneration paid in 2008-09 (Rs.)	Qualification and experience (years)	Date of commencement of employment	Previous employment
1	2	3	4	5	6
Ananthaseshan N (47)	Senior Vice President - EMD	3,697,474	M.Sc (Applied Science), M Tech Material Science (24)	19.02.1986 h	–
Antony Joseph A (48)	Vice President (Production) - Abrasives	2,473,213	BE, PGDBM (24)	24.06.1985 h	–
Dhanvanth Kumar S (45)	Vice President – Finance & Company Secretary	2,963,177	B.Com, B.L., A.C.S, M.B.A (21)	01.07.1997	Manager – Secretarial, Tube Investments of India Ltd.
Deepak Dorairaj P L (53)	Senior Vice President (Operations) - Abrasives	3,288,110	B.Tech Chemical (30)	22.08.1979 h	–
Ganesh H (54)	Vice President - Marketing	2,608,648	M.Com, LLB and Dip in Admn Mgmt (29)	01.08.1999	Dy. General Manager, Arvind Mills Ltd
Kishore N (56)	President – Abrasives & Technology	7,913,924	M.Tech (Indl. Engg) (31)	16.06.1995	Dy. General Manager, E I D Parry India Ltd.
Muthiah M (50)	Senior Vice President – HR	3,547,456	M.A (SW) and PG Dip. in management (26)	15.10.2003	Madura Coats Ltd.
Rajagopalan R (51)	Senior Vice President– Refractories & Prodorite	3,670,244	B.E. (Mech), M.B.A., (29)	01.10.1980 h	–
Ravi P R (58) (*f*)	President – Industrial Ceramics	8,422,782	B.Sc. AICWA, MBA (36)	07.02.1990	Dy. Finance Manager, Madras Fertilisers Ltd.
Ramesh V (52)	Chief Financial Officer	5,783,240	B.Com., Grad CWA, PGDM (IIM) (30)	15.11.2006	President - TVS Finance & Services Ltd.
Shyam S Rao (47)	Vice President (Projects) - Ceramics	2,971,054	B.Tech, M.S., PhD (18)	07.05.1999	Manager – Widia India (I) Ltd
Srinivasan K (52)	Managing Director	8,990,295	B.Tech (Mech) (30)	30.01.2002	Vice President Wendt (India) Ltd.

Note

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

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

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

(ii) Mr. K Srinivasan, who is also a wholetime employee, was appointed as Managing Director by the shareholders from 1.02.2006 till 31.01.2010. The Board has reappointed him as Managing Director for a further period of 5 years commencing from 1.02.2010. He is subject to all service conditions as applicable to any other employee of the Company.

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

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

e) The remuneration details are for the year 2009-10 and all other particulars are as on 31.03.2010.

f) Mr. P R Ravi superannuated during the year and has been subsequently retained as President – Industrial Ceramics on a contractual basis for a further period of one year. His remuneration includes the amounts paid to him for the subsequent period also.

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

h) Date of joining as graduate engineer trainee.

EMPLOYEE STOCK OPTION SCHEME

Pursuant to the approval accorded by the shareholders at the Fifty-Third Annual General Meeting of the Company held in July 2007, the Compensation and Nomination Committee has formulated the Carborundum Universal Limited Employee Stock Option Scheme 2007. As required under the SEBI Regulations, the following details of this scheme as on 31.03.2010 are being provided:-

Nature of Disclosure	Particulars	
a. Details of Options granted	No. of Options granted since 29.09.2007 which is the date of the first grant	14,47,900
	Each Option upon vesting gives the grantee a right to subscribe to one equity share of Rs. 2/- each of the company as per the pricing formula given in item (b). The vesting of options granted is based on the annual performance rating for each financial year and as per the following schedule:- 20% on expiry of one year from the date of grant, 20% on expiry of two years from the date of grant, 30% on expiry on three years from the date of grant and 30% on expiry of four years from the date of grant.	
b. The pricing formula	The Options carry a right to subscribe to equity shares at the latest available closing price on the Stock Exchange in which there was highest trading volume, prior to the date of grant of the Options.	
c. Options vested	416,836 (inlcuding those vested and exercised)	
d. Options exercised	2,232	
e. The total no of shares arising as a result of exercise of option	1,120,204 equity shares assuming all outstanding options are exercised	
f. No. of Options lapsed / cancelled (upon retirement / resignation/ based on performance rating)	325,464	
g. Variation of terms of Option	No variation has been done	
h. Money realised by exercise of Options	Rs.263,487.60	
i. No of Options in force	1,120,204	

j. Employee wise details of options granted to:

(i) Senior Management Personnel

Name and Designation	*No of Options granted*
K. Srinivasan, *Managing Director*	221,900
N. Kishore, *President-Abrasives and Technology*	138,300

Name and Designation	*No of Options granted*
P. R. Ravi, *President-Industrial Ceramics*	104,300
V. Ramesh, *Chief Financial Officer*	91,900
M. Muthiah, *Sr. Vice President- HR*	48,800
R. Rajagopalan, *Sr. Vice President – Refractories and Prodorite*	60,900
P. L. Deepak Dorairaj, *Sr. Vice President (Operations) - Abrasives*	60,900
N. Ananthaseshan, *Sr. Vice President – Electro Minerals Division*	60,900

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

Name of Employee	**No. of Options granted during 2008-09**	**No options were granted to any employee during the year 2009-10**
P.R. Ravi	12,400	
D.V. Badrinath	25,400	
C. Anil Kumar	20,300	
Shekar Venkat	20,300	

(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1 per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant - Nil

k. Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard AS-20.	Rs. 6.21
l. (i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting.	The employee compensation cost for 2009-10 would have been higher by Rs.12.43 million had the company used the fair value of Options as the method of accounting instead of the intrinsic value.
(ii) Impact of the difference mentioned in (i) above on the profits of the company	The profits after tax for 2009-10 would have been lower by Rs.8.21 million had the company used the fair value of Options as the method of accounting instead of the intrinsic value.
(iii) Impact of the difference mentioned in (i) above on the EPS of the company	The basic and diluted EPS would have been lower by Re.0.09
m. (i) Weighted average exercise price of Options	Rs.181.24 per equity share
(ii) Weighted average fair value of Options	Rs.66.42 per equity share
n. (i) Method used to estimate the fair value of Options	Black-Scholes model
(ii) Significant assumptions used (weighted average information relating to all grants):-	
(a) Risk-free interest rate	7.57%
(b) Expected life of the Option	Varies from 2.5 years to 5.5 years depending on the respective date of vesting
(c) Expected volatility	43.28%
(d) Expected dividend yields	2.52%
(e) Price of the underlying share in market at the time of option grant	Rs.181.24 per equity share

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

On behalf of the Board

M M Murugappan
Chairman

Chennai, 3rd May 2010

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

The Directors have pleasure in presenting the Corporate Governance Report for the year ended 31st March 2010.

1. The Company's Corporate Governance Philosophy

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

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

2. Board of Directors

a) Composition

The Board comprises of 8 members as on 31st March 2010. The Board has been constituted in a manner, which will result in an appropriate mix of executive and independent directors. This has been done to preserve the independence of the Board and to separate the Board functions of governance and management.

b) Board Meetings

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

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

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

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

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

Five Board Meetings were held during the year on 29th April 2009, 31st July 2009, 30th October 2009, 27th January 2010 and 19th March 2010.

c) Details of the Board members as on 31st March 2010

Name	Category	No. of Directorships / (Chairmanships) (excluding CUMI) [a] in companies	No. of Committee memberships/ (Chairmanships) (excluding CUMI)[b] in companies	No. of board meetings attended	Attendance at last AGM	Shares held in CUMI
Mr. M M Murugappan *Chairman*	Promoter & Non Executive Director	8 (of which 5 as Chairman)	4 (of which 3 as Chairman)	5	Yes	348170
Mr. Subodh Kumar Bhargava	Non-Executive & Independent Director	11 (of which 3 as Chairman)	8 (of which 3 as Chairman)	5	Yes	Nil
Mr. T L Palani Kumar	Non-Executive & Independent Director	1	Nil	5	Yes	Nil
Mr. Sridhar Ganesh	Non Executive Director	4	Nil	4	Yes	Nil
Mr. Shobhan M Thakore	Non-Executive & Independent Director	5	5 (of which 2 as Chairman)	2	No	Nil
Mr. M Lakshminarayan	Non-Executive & Independent Director	3	1	5	Yes	Nil
Mr. Sanjay Jayavarthanavelu (Joined the Board on 27.01.2010)	Non-Executive & Independent Director	8	3	2	Not applicable	Nil
Mr. K Srinivasan *Managing Director*	Executive Director	5	1	5	Yes	17150

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

b Only Audit & Investors Grievance committee.

d) Directors who retired / resigned during the year 2009-10

Name	Category	No. of board meetings attended	Attendance at last AGM
Mr. A. Vellayan (a) (Resigned on 27.1.2010)	Promoter & Non-Executive Director	3	Yes

(a) None of the Directors are related inter-se as per provisions of the Companies Act, 1956. Mr. M M Murugappan and Mr. A Vellayan are partners in certain partnership firms and also form part of the promoter group.

The resume, nature of expertise and directorships and committee memberships of the directors proposed for reappointment at the forthcoming Annual General Meeting are given in the Notice of the meeting.

3. Board Committees

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

a. Audit Committee

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

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

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

b. Compensation & Nomination Committee

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

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

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

c. Share Transfer, Finance and Investors' Grievance Committee

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

The committee also monitors investor servicing on a continuous basis by receiving monthly reports from the Company Secretary on investor services. The Committee met on 4 occasions during the year. The names and attendance of Committee members are given below:

Name of member	Meetings attended
Mr. M M Murugappan *(Chairman)*	4
Mr. A Vellayan (till 27.01.2010)	2
Mr. K Srinivasan	4
Mr. Sridhar Ganesh (from 27.01.2010)	2

6 complaints mainly non receipt of annual report / dividend have been received from shareholders during the year. All of them have been resolved to the satisfaction of the shareholders. There were no complaints pending as on 31.03.2010.

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

4. Directors' Remuneration

a. Policy

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

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

b. Remuneration for 2009-10

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

Name	Sitting fees	Commission[(a)]
Mr. M M Murugappan	115	300
Mr. Subodh Kumar Bhargava	180	300
Mr. T L Palani Kumar	180	300
Mr. A Vellayan[(b)]	65	248
Mr. Sridhar Ganesh	80	300
Mr. Shobhan M Thakore	30	300
Mr. M Lakshminarayan	150	300
Mr. Sanjay Jayavarthanavelu[(b)]	30	53
Total	**830**	**2101**

(a) Will be paid after adoption of accounts by shareholders at the fifty sixth Annual General Meeting

(b) Director for part of the year

Managing Director (Rs.in 000's)

Name	Fixed Component			Variable Component
	Salary & Allowances	Retirement benefits	Other benefits	Incentive [(c)]
Mr K Srinivasan [(a)]	5844	660	1187	1299

(a) Mr. K Srinivasan was appointed as Managing Director by the Shareholders from 1.2.2006 till 31.1.2010. Board of Directors at their meeting held on 27.1.2010, re-appointed Mr. K Srinivasan for a further period of 5 years commencing from 1st February 2010. He is subject to all other service conditions as applicable to any other employee of the Company including termination with 3 months notice.

(b) As per the terms of his remuneration, he is eligible for an annual incentive based on a balanced scorecard which comprises of company financials, company scorecard and personal objectives. For 2009-10 a sum of Rs.1.66 million has been provided in the accounts for this purpose. The actual amount will be decided by the Compensation and Nomination Committee in July 2010.

(c) Represents incentive paid in 2009-10 in respect of the financial year 2008-09.

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

No. of options granted	2,21,900 options (each option being exercisable into one equity share of Rs.2 each) were granted on 29th September 2007	
Exercise Price	Rs.183.60/- being the market price	
Vesting Schedule	The number of options that would vest is based on the annual performance rating for each financial year and as per the following schedule:-	
	% of the total number of options	Date of vesting
	20%	One year from the date of grant
	20%	Two years from the date of grant
	30%	Three years from the date of grant
	30%	Four years from the date of grant
Exercise period	Within 3 years from the date of vesting of the respective option, in one or more installments	

5. General Body Meetings

a. Last 3 Annual General Meetings

Financial Year	Date	Time	Venue
2006-2007	27.07.2007	3.30 PM	T T K Auditorium, Music Academy, 168 (Old No. 306) T T K Road, Royapettah, Chennai 600 014
2007-2008	24.07.2008	3.00 PM	Tamil Isai Sangham, Rajah Annamalai Mandram, 5 Esplanade Road, Chennai 600 108
2008-2009	31.07.2009	3.00 PM	T T K Auditorium, Music Academy, 168 (Old No. 306) T T K Road, Royapettah, Chennai 600 014

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

Sl.No.	Item of business	Passed on
1	Issue of Employee Stock Options	27.07.2007
2	Payment of commission to Non-Wholetime Directors	24.07.2008
3	Amendment of Articles of Association	31.07.2009

c. **Special Resolution passed by Postal Ballot since 1st April 2009**

No special resolutions were passed by postal ballot since 1st April 2009.

6. Disclosures

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

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

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

7. Means of Communication

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

8. Management's Discussion & Analysis Report

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

9. Non Mandatory Requirements

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

(ii) Financial results for the six months ended 30th September 2009 were sent to the individual households of shareholders.

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

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

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

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

10. General Shareholder Information

This is annexed.

11. Corporate Governance Voluntary Guidelines

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

On behalf of the Board

M M Murugappan
Chennai, 3rd May 2010 Chairman

Declaration on Code of Conduct

To

The Members of Carborundum Universal Limited

This is to confirm that the Board has laid down a Code of Conduct for all Board members and senior management of the Company.

It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the Company as at 31st March 2010, as envisaged in clause 49 of the listing Agreement with stock exchanges.

K Srinivasan
Chennai, 3rd May 2010 Managing Director

General Shareholder Information

1. Registered Office of the Company

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

2. Forthcoming Annual General Meeting

Friday, the 30th July 2010 at 2.30 p.m. at T T K Auditorium, Music Academy, T T K Road, 168 (Old No.306) Royapettah, Chennai 600 014. Last date for receipt of proxy forms: 28th July 2010.

3. Financial Year

1st April to 31st March

4. Book Closure Dates

Friday, the 16th July 2010 to Friday, the 30th July 2010 (both days inclusive).

5. Share Capital

The paid up capital of the Company was Rs. 186,712,464 comprising 93,356,232 equity shares of Rs.2/- each.

6. Dividend

The Board of Directors have recommended a dividend of Rs.2/- (per equity share of Rs.2/- each) and the same will be paid after approval at the Annual General Meeting. The warrants will be posted by 6th August 2010. In case of shareholders opting for ECS, the dividend would in the normal course be credited to their accounts by 6th August 2010.

Instructions to shareholders

a) Change of address

Shareholders holding shares in physical form are requested to submit change of address requests to the Company's registrar M/s. Karvy Computershare Pvt. Ltd. (Karvy) not later than 15th July 2010. In case of shares held in demat form, shareholders are requested to ensure that their Depository Participant updates the change of address in the NSDL / CDSL system latest by 15th July 2010.

b) Electronic Remittance of Dividend

i) National Electronic Clearance System (NECS)

In case of shareholders having accounts with banks using Core Banking Solutions, full details of their bank account including their bank account number (having not less than 10 digits) allotted by banks post implementation of the Core Banking Solutions (CBS) and the 9 digit MICR Code, may be registered with Karvy or their Depository Participant by 15th July 2010, depending on whether such shareholder holds shares in physical or demat form.

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

ii) Electronic Clearing Services (ECS) / Dividend Warrants

In case of those shareholders who do not have a NECS compliant bank account, full details of their bank account (including the 9 Digit MICR Code) may be registered either with Karvy (in case shares are in physical form) or with their depository participants (in case shares are in demat form) on or before 15th July 2010.

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

7. Listing on stock exchanges and stock code

Stock Exchange	Stock Code
National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex Bandra (E) Mumbai 400 051	CARBORUNIV
Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	513375
Madras Stock Exchange Ltd. Exchange Building, Post Box N0 183, 11 Second Line Beach, Chennai 600 001	CRB

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

The Board of Directors have in March 2010 decided to delist the Company's shares from the Madras Stock Exchange since the trading volume is negligible.

8. Depositories Connectivity

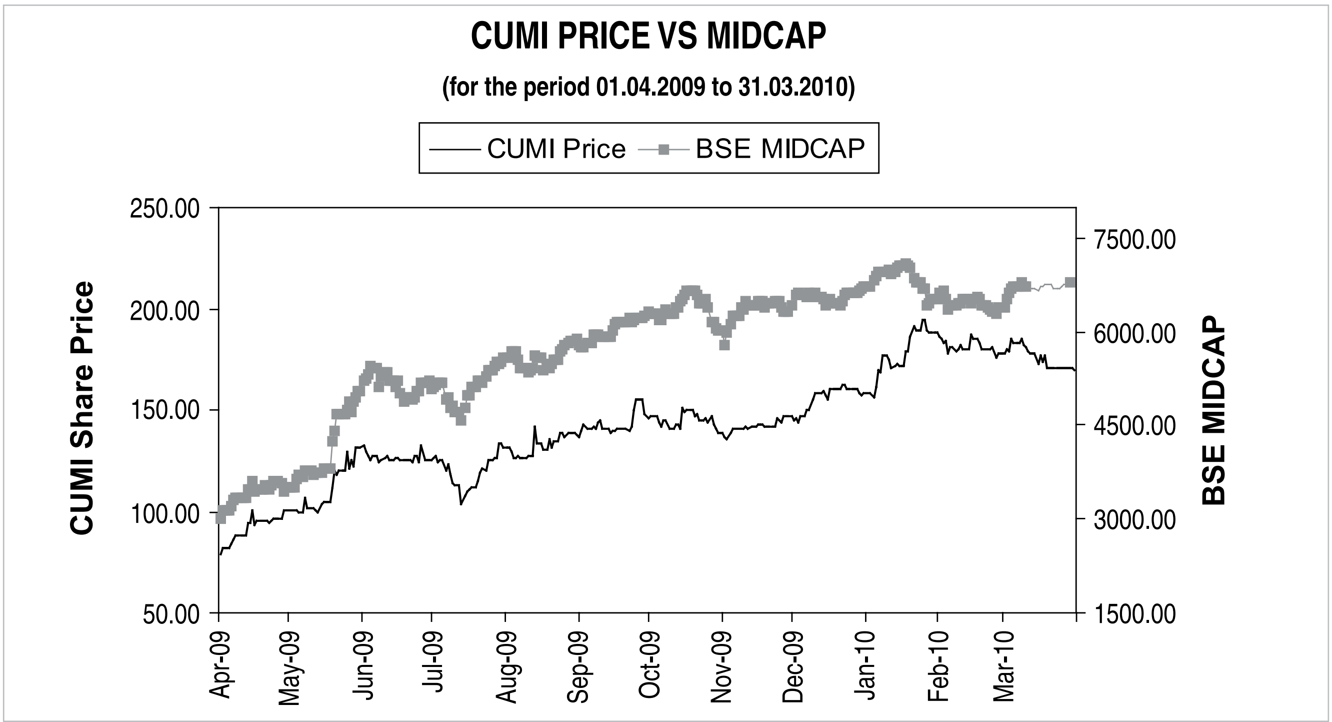
National Securities Depository Ltd. (NSDL)
Central Depository Services (India) Ltd. (CDSL)
ISIN: INE120A01026

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

a. Market price data

Month	*Bombay Stock Exchange*			*National Stock Exchange*		
	High Rs.	Low Rs.	Traded Volume (No.of shares)	High Rs.	Low Rs.	Traded Volume (No.of shares)
April 2009	105.00	79.00	64,572	105.00	74.40	84872
May 2009	133.85	97.10	322,936	132.80	95.95	672,766
June 2009	139.70	120.20	162,719	140.00	110.10	347,344
July 2009	138.95	101.10	98,697	138.80	102.00	175,239
August 2009	145.00	124.10	199,104	145.00	115.00	384,338
September 2009	164.00	134.00	543,129	167.95	128.00	863,766
October 2009	159.00	136.05	563,516	158.75	136.25	831,467
November 2009	149.00	135.10	102,346	149.20	132.00	305,596
December 2009	189.00	143.05	381,499	188.00	132.70	424,737
January 2010	204.30	154.60	2,370,182	204.65	154.35	2,627,567
February 2010	200.70	173.00	801,361	200.80	171.95	1,215,205
March 2010	196.50	165.00	684,595	196.80	165.00	986,117

b. Performance in comparison with BSE MIDCAP



10. Share Transfer Process

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

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

11. Shareholding Pattern/ Distribution

(a) Shareholding Pattern as on 31.03.2010

Category	% to total paid up Capital
Promoter Group	43.11
Financial Institutions	7.73
Non-resident (NRI's / OCBs / FIIs)	11.27
Banks	0.03
Mutual Funds	7.51
Others	30.35
Total	**100.00**

(b) Distribution of Shareholding as on 31.03.2010

Category	No. of Holders	% to total	No. of Shares	% to total
1-100	6,569	36.47	3,29,184	0.35
101-200	2,367	13.14	4,23,865	0.45
201-500	3,313	18.40	12,33,383	1.32
501-1000	2,097	11.64	17,52,617	1.88
1001-5000	3,017	16.75	66,05,069	7.08
5001-10000	285	1.58	21,07,321	2.26
Above 10000	362	2.01	8,09,04,793	86.66
Total	**18,010**	**100.00**	**9,33,56,232**	**100.00**

12. Dematerialisation of shares

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

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

As on 31st March 2010, 89,282,602 equity shares constituting 95.64% of the total paid up capital of the company have been dematerialised.

13. Outstanding GDRs / ADRs / Warrants etc.

The outstanding position of Employee Stock options as on 31st March 2010 and their likely impact on the equity share capital is as under:

Sl. No.	Grant Date	Exercise Price (In Rs.)	Net Outstanding Options [a]	Likely impact on full conversion	
				Share Capital Rs.million	Share Premium Rs.million
1	29-Sep-07	183.60	1,076,748	2.15	195.54
2	24-Jul-08	122.80	43,456	0.09	5.25
Total			1,120,204	2.24	200.79

Notes:

a Net of Options cancelled on resignation / retirement of employees

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

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

14. Address for correspondence

a. Compliance Officer

S. Dhanvanth Kumar
Company Secretary
Carborundum Universal Limited
Parry House, 43 Moore Street, Chennai 600 001.
Tel : +91-44-42216141 Fax: +91-44-42216149
Email : DhanvanthkumarS@cumi.murugappa.com

b. Investors Services Officer

M C Gokul
Asst Company Secretary
Carborundum Universal Limited
Parry House, 43 Moore Street, Chennai 600 001.
Tel : +91-44-42216142 Fax: +91-44-42216149
Email : gokulmc@cumi.murugappa.com
: investorservices@cumi.murugappa.com

c. Registrars and Share Transfer Agents

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

15. Plant Locations

Abrasives

a. 655, Thiruvottiyur High Road, P B No.2272, Tiruvottiyur, Chennai 600 019 Tamil Nadu. Tel : +91-44-25733322 / 42211000, Fax : +91-44-25733499 / 25733280 / 25731027

b. Plot No.48, SIPCOT Industrial Complex, Hosur 635 126, Dharmapuri District, Tamil Nadu. Tel: +91-4344-276864 / 277059 / 276630 / 279855/279844, Fax: +91-4344-277060

c. Gopalpur Chandigarh, P.O. Ganga Nagar, Kolkata 700 132, West Bengal. Tel : +91-33-25384418, Fax : +91-33-25386331

d. C-4 & C-5, Kamarajar Salai, MMDA Industrial Complex, Maraimalai Nagar 603 209 Kancheepuram District, Tamil Nadu. Tel : +91-4114-253093 / 253195 Fax : +91-4114-253097

e. F-1/2, F2 - F5, SIPCOT Industrial Park, Pondur “A” Village, Sriperumbudur - 602 105. Kanchipuram District, Tamil Nadu. Tel: +91-44-37100204, Fax : +91-4114-253097

f. K3, ASAHI Industrial Estate, Latherdeva Hoon, Mangalore Jhabrera Road, PO Jhabrera Tehsil Roorkee, Hardwar District, Uttranchal - 247667. Tel: +91-01332, 275846/224064, Fax +91-1332 224062

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

Ceramics

a. Plot No.47, SIPCOT Industrial Complex, Hosur 635 126 Dharmapuri District, Tamil Nadu, Tel : +91-4344-276027 / 276418, Fax : +91-4344-276028

b. Plot No A-7/2 MIDC Area, Chikalthana, Aurangabad – 431210, Maharashtra. Tel : +91-240-2482568, Fax : +91-240 2482003

c. Super Refractories Division , Plot No.102 & 103, SIPCOT Industrial Complex (Phase II) Ranipet 632 403, Tamil Nadu. Tel : +91-4172-244582 / 244197, Fax : +91-4172-244982

d. Super Refractories Division – Plant 2, Serkaddu Village, Vinnampalli Post, Katpadi Taluk, Vellore District – 632 516, Tamil Nadu. Tel : +91- 4172 – 255397/ 646030, Fax :+91- 4172 – 255395

e. Plot Nos. 35,37, 48-51, Adhartal Industrial Estate, Jabalpur - 482 004, Madhya Pradesh, Tel : +91-761-2680398 / 6539996, Fax: +91-761-2680678

Electrominerals

a. PB No.1 Kalamassery, Development Plot P.O, Kalamassery 683 109, Ernakulam District, Kerala Tel : +91-484-2541058/ 2540309/2540525, Fax : +91-484-2532019

b. PB No. 3 Nalukettu,, Koratty 680 308, Trichur District, Kerala. Tel : +91-480-2732313 /2732061, Fax : +91-480-2732821

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

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

e. P.B No.2 Okha Port P.O., Jamnagar District, Gujarat 361 350. Tel : +91-2892-262063 / 262065, Fax : +91-2892-262061

On behalf of the Board

M M Murugappan
Chairman

Chennai, 3rd May 2010

Auditors' Certificate on Corporate Governance

To

The Members of Carborundum Universal Limited

We have examined the compliance of conditions of Corporate Governance by CARBORUNDUM UNIVERSAL LIMITED, for the year ended 31st March 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementaion thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

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

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

M.K. Ananthanarayanan
Partner
Membership No. 19521

Chennai, 3rd May 2010

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

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

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

For Carborundum Universal Limited

S. Dhanvanth Kumar
Company Secretary

Chennai, 3rd May 2010

INDEPENDENT
FINANCIAL STATEMENTS 2009-10

DIRECTORS' RESPONSIBILITY STATEMENT

(Annexure to the Directors' Report)

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

- in the preparation of the Profit & Loss Account for the financial year ended 31st March 2010 and the Balance Sheet as at that date ("financial statements") applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the financial statements have been prepared on a going concern basis.

On behalf of the Board

M M Murugappan
Chairman

Chennai, 3rd May 2010

AUDITORS' REPORT

TO THE MEMBERS OF CARBORUNDUM UNIVERSAL LIMITED

1. We have audited the attached Balance Sheet of CARBORUNDUM UNIVERSAL LIMITED ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

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

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

5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

M.K.Ananthanarayanan
Partner
(Membership No. 19521)

Chennai, 3rd May 2010

ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph 3 of our report of even date)

(i) In respect of its fixed assets:

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

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

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

(ii) In respect of its inventory:

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

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

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

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

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

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

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

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

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

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2010 on account of disputes are given below:

Statute	Nature of the dues	Amount (Rs. in millions)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax & Interest	8.62	1990-91, to 1993-94, 2000-01 & 2003-04	Income Tax Appellate Tribunal
Central Sales Tax Act, 1956 & Local Sales Tax laws of various States	Sales Tax	22.33	1996-97 to 2005-06	Commissioner of Sales Tax (Appeals)
		2.81	1995-96 to 2002-03	Sales Tax Appellate Tribunal
		0.47	1989-90	High Court
Central Excise Act, 1944	Excise Duty	0.06	2003-04 to 2005-06	Commissioner of Central Excise (Appeals)
		1.55	1996-97 to 2005-06	The Customs, Excise & Service Tax Appellate Tribunal
		1.80	1987-88 to 1990-91	High Court
Service Tax, 1994	Service tax	1.87	2002-2003	The Customs, Excise & Service Tax Appellate Tribunal
		3.88	2006-07 to 2009-10	Commissioner of Central Excise (Appeals)

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

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

(xii) According to the information and explanations given to us and based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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

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

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

(xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, the Company has created security in respect of the debentures issued in the previous year.

(xx) The company has not raised any money by public issues during the year.

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

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

M.K.Ananthanarayanan
Partner
(Membership No. 19521)

Chennai, 3rd May 2010

Balance Sheet as at 31st March 2010

(Rs. million)

	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	186.71	186.71
Reserves and Surplus	2	4101.93	3721.85
		4288.64	**3908.56**
Loan Funds			
Secured Loans	3	2648.06	2872.76
Unsecured Loans	4	176.35	593.41
Long Term Lease Liability (Note no. 18)		13.94	13.55
		2838.35	**3479.72**
Deferred Tax Liability (Net) (Note no.21)		415.30	368.23
Total		**7542.29**	**7756.51**
APPLICATION OF FUNDS			
Fixed Assets (Note no. 6)			
Gross Block		5676.54	5418.73
Less: Depreciation		2219.32	1917.86
Net Block	5	3457.22	3500.87
Capital work-in-progress (including capital advances)		330.64	208.66
		3787.86	**3709.53**
Investments	6	1718.36	1721.71
Current Assets, Loans & Advances			
Inventories	7	1191.54	1165.47
Sundry Debtors	8	1600.22	1529.64
Cash & Bank Balances	9	61.32	343.21
Loans & Advances	10	429.50	393.13
		3282.58	**3431.45**
Less: Current Liabilities & Provisions	11		
Current Liabilities		1035.84	892.63
Provisions		210.67	213.55
		1246.51	**1106.18**
Net Current Assets		**2036.07**	**2325.27**
Total		**7542.29**	**7756.51**
Significant Accounting Policies	17		
Notes on Accounts	18		

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

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

M K Ananthanarayanan
Partner

Chennai, 3rd May 2010

M M Murugappan
Chairman

V Ramesh
Chief Financial Officer

K Srinivasan
Managing Director

S Dhanvanth Kumar
Company Secretary

Profit and Loss Account for the year ended 31st March 2010

(Rs. million)

	Schedule	For the year ended 31.03.2010	For the year ended 31.03.2009
INCOME			
Gross Sales		7760.09	7091.69
Less : Excise duty		449.99	572.69
Net Sales		**7310.10**	**6519.00**
Income from work bills and services		71.06	59.14
Profit on sale of fixed assets(Net)		5.24	291.40
Other income	12	236.00	62.11
		7622.40	**6931.65**
EXPENDITURE			
Raw materials consumed		3141.37	2699.71
Accretion to Stock	13	(47.89)	(94.14)
Employee cost	14	807.69	764.84
Other costs	15	2287.42	2130.78
Depreciation		354.10	298.46
Less: Transfer from fixed assets revaluation reserve		0.68	0.68
		353.42	297.78
Interest and finance charges (Note no. 13)		238.69	271.88
		6780.70	**6070.85**
PROFIT BEFORE TAX		**841.70**	**860.80**
Less: Provision for tax			
Current tax-Net (Refer Note no. 21a)		214.50	167.00
Deferred tax		47.07	85.63
Fringe Benefit Tax		-	11.00
PROFIT AFTER TAX		**580.13**	**597.17**
Add:Unappropriated profits from previous year		1602.08	1309.43
Profit available for appropriation		2182.21	1906.60
APPROPRIATIONS			
Transfer to General Reserve		300.00	59.72
Transfer to Debenture Redemption Reserve		31.25	31.25
		331.25	90.97
Dividend			
Proposed @ Rs.2 per share (Previous year @ Rs.2 per share)		186.71	186.71
Dividend tax (Note no. 20)		23.96	26.84
		210.67	213.55
Balance carried over to Balance Sheet	2	1640.29	1602.08
E P S - Basic and Diluted (Rs.) - Face value Rs.2		**6.21**	**6.40**
Significant Accounting Policies	17		
Notes on Accounts	16 & 18		

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

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

M K Ananthanarayanan
Partner

Chennai, 3rd May 2010

M M Murugappan
Chairman

V Ramesh
Chief Financial Officer

K Srinivasan
Managing Director

S Dhanvanth Kumar
Company Secretary

Cash Flow Statement for the year ended 31st March 2010

(Rs. million)

	For the year ended 31.03.2010		For the year ended 31.03.2009	
A. Cash flow from operating activities				
Net profit before tax and extraordinary items		**841.70**		**860.80**
Depreciation	353.42		297.78	
Interest and finance charges	238.69		271.88	
(Profit) on sale of fixed assets (net)	(5.24)		(291.40)	
Provision for doubtful debts and advances (net)	22.98		8.42	
Provision for dimunition in value of investment	12.00		-	
(Profit) on sale of investments (net)	(0.05)		-	
Interest and dividend income	(107.14)		(103.17)	
Excess provision made in the previous year reversed	(10.29)		(4.74)	
Voluntary retirement scheme payments	2.10		6.30	
(Profit) / Loss on exchange fluctuation	(20.07)		33.22	
		486.40		218.29
Operating profit before working capital changes		1328.10		1079.09
Adjustments for :				
Increase in Trade and other receivables	(93.18)		(180.76)	
Increase in Trade payables	158.47		80.94	
Increase in Inventories	(26.07)	39.22	(219.90)	(319.72)
Cash generated from operations		1367.32		759.37
Direct taxes paid	(246.54)		(114.50)	
Voluntary retirement scheme payments	(2.10)	(248.64)	(6.30)	(120.80)
Net cash flow from operating activities		**1118.68**		**638.57**
B. Cash flow from investing activities				
Purchase of tangible fixed assets	(431.57)		(763.37)	
Purchase of intangible assets	(10.01)		(10.80)	
Sale of fixed assets	14.39		303.88	
Investment in a Joint venture/Subsidiary	-		(44.03)	
Purchase of investment	(8.77)		-	
Sale of investment	0.17		-	
Receipt of loans given to third parties	-		3.20	
Dividend received	104.70		91.66	
Interest received	2.18	(328.91)	10.59	(408.87)
Direct tax paid on capital gains		(1.60)		(66.40)
Net cash used in investing activities		**(330.51)**		**(475.27)**
C. Cash flow from financing activities				
Proceeds from Long term borrowings	-		1099.03	
Repayment of Long term borrowings	(363.88)		(650.00)	
Proceeds from other borrowings (net)	(250.42)		22.94	
Proceeds from issue of shares	0.26		-	
Capital Subsidy received	3.00		-	
Interest paid	(246.28)		(267.48)	
Dividend paid (inclusive of dividend tax)	(212.74)		(214.29)	
Net cash used in financing activities		**(1070.06)**		**(9.80)**
Net increase/(decrease) in cash and cash equivalents		**(281.89)**		**153.50**
Cash and cash equivalents opening balance		343.21		169.71
Opening balance of liquid investment		-		20.00
Cash and cash equivalents closing balance		61.32		343.21
		(281.89)		**153.50**

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

M K Ananthanarayanan
Partner

Chennai, 3rd May 2010

M M Murugappan
Chairman

V Ramesh
Chief Financial Officer

K Srinivasan
Managing Director

S Dhanvanth Kumar
Company Secretary

(Rs. million)

1. SHARE CAPITAL	As at 31.03.2010	As at 31.03.2009
Authorised		
125,000,000 equity shares of Rs.2 each	250.00	250.00
Issued, Subscribed and Paid-up		
107,193,000 equity shares of Rs. 2 each fully paid up *	214.39	214.39
Less : 13,839,000 shares of Rs. 2 each bought back from the shareholders pursuant to the offer for buy-back of shares made in 2000-01	(27.68)	(27.68)
Add : 2232 shares of Rs. 2 each allotted during the year under Employee Stock Option Scheme 2007 (Note No. 9)	0.004	-
93,356,232 shares (previous year 93,354,000) of Rs. 2 each fully paid	**186.71**	**186.71**

* Includes

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

(Rs. million)

2. RESERVES AND SURPLUS	As at 31.03.2009	Additions	Deductions / Adjustments	As at 31.03.2010
Capital Reserve				
Fixed assets revaluation reserve	27.82	-	0.68	27.14
Capital subsidy	-	3.00 #	-	3.00
Profit on forfeiture of shares / warrants	6.03	-	-	6.03
Capital redemption reserve	27.68	-	-	27.68
Share Premium	-	0.26 *	-	0.26
Other Reserves				
General reserve	2026.11	300.00	-	2326.11
Debenture redemption reserve	31.25	31.25	-	62.50
Hedging reserve (Note no. 22)	0.88	8.92	0.88	8.92
	2119.77	343.43	1.56	2461.64
Profit and loss account balance	1602.08			1640.29
	3721.85			**4101.93**

\# – Capital subsidy received under the central investment subsidy scheme of Government of India for setting up manufacturing facility in Uttarkhand

* – Premium of Rs. 116.05 per share received on allotment of 2232 equity shares under Employee Stock Option Scheme 2007

Schedules to Accounts

(Rs. million)

3. SECURED LOANS	As at 31.03. 2010	As at 31.03.2009
11.70% Secured Non-Convertible Redeemable debentures 500 debentures of Rs. 1 million each issued for cash at par redeemable in 2 equal annual installments commencing from 1st January 2013	500.00	500.00
- Secured by a pari-passu first charge on movable fixed assets of the Company, both present and future, and also a pari-passu first charge on the immovable properties, both present and future, relating to various manufacturing locations		
Loan from banks		
Cash Credit and Other Borrowings		
- Secured by a pari-passu first charge on the current assets of the Company, both present and future and a pari-passu second charge on immovable properties, both present and future, relating to various manufacturing locations	509.55	242.91
External commercial borrowings (Note no. 4) #		
- Secured by a pari-passu first charge on movable fixed assets, both present and future	1638.51	2029.85
Loan from Others		
Short term loan from Financial Institution		
- Secured by a subservient charge on the current assets of the Company, both present and future, and a negative lien on an immovable property.	-	100.00
	2648.06	**2872.76**
# - includes amounts repayable within one year	346.29	363.88

4. UNSECURED LOANS		
Medium term/ short term loans from banks @	176.35	593.41
	176.35	**593.41**
@ includes amount repayable within one year	–	293.41

Schedules to Accounts

5. FIXED ASSETS

(Rs. million)

Particulars	COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Intangible Assets										
Goodwill	0.20	-	-	0.20	0.20	-	-	0.20	-	-
Trade Mark	1.61	-	-	1.61	0.75	0.86	-	1.61	-	0.86
Technical Knowhow	28.07	7.69	-	35.76	10.28	5.79	-	16.07	19.69	17.79
Software	-	2.32	-	2.32	-	0.19	-	0.19	2.13	-
Tangible Assets										
Land										
- Freehold	36.75 *(a)*	1.23	0.13	37.85	-	-	-	-	37.85	36.75
- Leasehold	103.37	-	-	103.37	1.77	1.03	-	2.80	100.57	101.60
Buildings	985.35 *(a)*	57.57	0.81	1042.11 *(b)*	202.27	31.81	0.32	233.76	808.35	783.08
Plant & Machinery	4126.12 *(c)*	234.89 *(d)*	53.47	4307.54 *(c)*	1645.31	300.15	45.95	1899.51	2408.03	2480.81
Furniture & Fixtures	98.84	7.33	0.35	105.82	32.92	7.68	0.27	40.33	65.49	65.92
Vehicles	14.65	2.03	1.57	15.11	10.24	0.85	0.64	10.45	4.66	4.41
Vehicles taken on lease	23.77	6.54	5.46	24.85	14.12	5.74	5.46	14.40	10.45	9.65
Total	**5418.73**	**319.60**	**61.79**	**5676.54**	**1917.86**	**354.10**	**52.64**	**2219.32**	**3457.22**	**3500.87**
Previous Year	4282.04	1171.40	34.71	5418.73	1641.63	298.46	22.23	1917.86	3500.87	2640.41

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

(b) Includes Rs. 528.73 million (Previous year Rs. 478.58 million) being cost of building on lease hold land.

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

(d) Includes R&D equipments Rs.12.67 million (Previous Year Rs. 9.47 million).

Schedules to Accounts

6. INVESTMENTS

(Rs. million)

Sl. No.	Description	Quantity in Nos.		Nominal Value		Value	
		As at 31.03.2010	As at 31.03.2009	(Rs.)		As at 31.03.2010	As at 31.03.2009
	LONG TERM :						
I	**Quoted (Trade)**						
	Equity Shares (fully paid)						
	Wendt (India) Ltd.	797352	797352	10		10.36	10.36
	Coromandel Engineering Co. Ltd.	42900	42900	10		0.43	0.43
II	**Quoted (Non-Trade)**						
	Equity Shares (fully paid)						
	Grindwell Norton Ltd.	400	400	5		0.01	0.01
	Orient Abrasives Ltd.	10000	5000	1	*(d)*	0.00	0.00
	EID Parry (India) Ltd.	500	500	2		0.01	0.01
	Cholamandalam DBS Finance Ltd.	100	100	10		0.00	0.00
	Tube Investments of India Ltd.	1000	1000	2		0.01	0.01
	Coromandel International Ltd	165	165	2		0.00	0.00
III	**Unquoted (Trade)**						
a.	Equity Shares (fully paid)						
	Murugappa Morgan Thermal Ceramics Ltd.	1430793	1430793	10		44.04	44.04
	Murugappa Management Services Ltd.	44704	25205	100		11.30	2.53
	Ciria India Ltd.	59998	59998	10		1.68	1.68
	CUMI Employees Co-operative Society/Stores					0.03	0.03
	JingRi CUMI Super Hard Materials Co., Ltd, China (Note No. 24)				*(a)*	-	231.39
	Kerala Enviro Infrastructure Ltd.	10000	10000	10		0.10	0.10
b.	Equity Shares (fully paid) - Subsidiaries						
	CUMI Canada Inc., Canada (Note No. 23)	1250000	1250000	CAD 1		48.01	48.01
	Sterling Abrasives Ltd.	54000	54000	100		37.10	37.10
	Net Access (India) Pvt. Ltd.	1600000	1600000	10		16.00	16.00
	CUMI Australia Pty Ltd., Australia	1050	1050	AUD 1		14.79	14.79
	Southern Energy Development Corpn. Ltd.	389908	389908	10		54.65	54.65
	CUMI America Inc., USA	500	500	USD 100		2.13	2.13
	CUMI- Middle East FZE, UAE	1	1	AED 100000		1.26	1.26
	CUMI International Ltd., Cyprus	13999787	13999787	USD 1		575.72	575.72
	CUMI Fine Materials Ltd.	50000	50000	10		0.50	0.50
	CUMI Abrasives and Ceramics Co Ltd., China (Note No. 24)				*(a)*	231.39	
c.	Redeemable Preference Shares (fully paid) - Subsidiaries						
	CUMI Canada Inc., Canada	1000000	1000000	CAD1		38.40	38.40
	CUMI International Ltd., Cyprus	10000000	10000000	USD 1		409.90	409.90

Schedules to Accounts

6. INVESTMENTS (Contd.)

(Rs. million)

Sl. No.	Description	Quantity in Nos. As at 31.03.2010	Quantity in Nos. As at 31.03.2009	Nominal Value (Rs.)		Value As at 31.03.2010	Value As at 31.03.2009
IV	**Unquoted (Non-Trade)**						
a.	Equity Shares (fully paid)						
	Laserwords Pvt. Ltd.	1759080	1759080	1		232.49	232.49
	Cholamandalam Factoring Ltd.		6500	10		-	0.12
	Chennai Willingdon Corporate Foundation	5	5	10	*(b)*	0.00	0.00
	John Oakey Mohan Ltd.	1900	1900	10		0.05	0.05
b.	Others						
	7 Years National Savings Certificate				*(c)*	0.00	0.00
						1730.36	**1721.71**
	Less: Provision for diminuition in value of investment (Refer Note no: 23)					(12.00)	
	Total					**1718.36**	**1721.71**
a.	Quoted Investments						
	- Cost					10.82	10.82
	- Market Value					583.53	326.50
b.	Unquoted Investments - Cost					1719.54	1710.89

Statement of addition / deletion of investments

Sl. No.	Description	Nos	Nominal Value Rs.	Value Rs. million
a.	**Additions during the year**			
i.	CUMI Abrasives and Ceramics Co., Ltd, China (Note No.24)			231.39
ii.	Murugappa Management Services Ltd	19499	100	8.77
iii.	DBS Chola Mutual Fund	42496413	10	429.39
iv.	HDFC Mutual Fund	8739054	10	107.14
v.	LIC Mutual Fund	61272502	10	662.07
vi.	UTI Mutual Fund	1810519	1000	1830.40
b.	**Deletions during the year**			
i.	JingRi CUMI Super Hard Materials Co., Ltd, China (Note No.24)			231.39
ii.	Cholamandalam Factoring Ltd.	6500	10	0.12
iii.	DBS Chola Mutual Fund	42496413	10	429.39
iv.	HDFC Mutual Fund	8739054	10	107.14
v.	LIC Mutual Fund	61272502	10	662.07
vi.	UTI Mutual Fund	1810519	1000	1830.40
	Net increase in investments			**8.65**

Notes
(a) Investment in common stock of the company
(b) Shares allotted against earlier year's corporate membership contribution
(c) Deposited with the Government
(d) Bonus Shares received during the year 5000 Nos

Schedules to Accounts

(Rs. million)

	As at 31.03.2010		As at 31.03.2009	
7. INVENTORIES				
Raw materials		386.07		472.74
Work-in-process		313.50		284.66
Finished stock		334.68		315.63
Goods-in-transit		100.65		29.76
Stores and spare parts		56.64		62.68
		1191.54		**1165.47**
8. SUNDRY DEBTORS (UNSECURED)				
Over six months				
Considered good	129.45		178.81	
Considered doubtful	39.81		22.38	
		169.26		201.19
Other debts				
Considered good		1470.77		1350.83
Considered doubtful		–		–
		1640.03		1552.02
Less: Provision for doubtful debts		39.81		22.38
		1600.22		**1529.64**
Sundry debtors include retentions against invoices (Also refer Note 5)		9.52		22.15
9. CASH AND BANK BALANCES				
Cash and cheques on hand and remittances in transit		46.53		95.37
Balances with scheduled banks :				
- Current account		8.10		91.95
- Unclaimed dividend account		6.69		5.89
- Deposit account		-		150.00
		61.32		**343.21**
10. LOANS AND ADVANCES				
(Unsecured and considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received				
Considered good	156.56		125.15	
Considered doubtful	0.37		2.89	
	156.93		128.04	
Less: Provision for doubtful advances	0.37	156.56	2.89	125.15
Deposits @		73.46		79.04
Balances with customs and central excise authorities		33.24		56.34
Advance payments of Income Tax & Fringe Benefit Tax	2182.54		1934.40	
Less : Provision for taxation & Fringe Benefit Tax	2016.30	166.24	1801.80	132.60
		429.50		**393.13**
Total Current Assets, Loans and Advances		**3282.58**		**3431.45**
@ Includes :				
i) fixed deposit receipt lodged with commercial tax department		0.07		0.07
ii) refundable long term deposit for leasehold land		10.10		10.10

Schedules to Accounts

(Rs. million)

11. CURRENT LIABILITIES AND PROVISIONS	As at 31.03.2010		As at 31.03.2009	
Current Liabilities				
Sundry creditors				
- Total outstanding dues to micro enterprises and small enterprises (Note no.7)		30.49		9.28
- Total outstanding dues to Creditors other than micro enterprises and small enterprises (a)		690.20		578.32
Advance from Customers		17.42		23.63
Due to directors		4.03		3.08
Interest accrued but not due on loans		4.59		12.20
Investor Education and Protection Fund shall be credited by the following amounts namely:- (b)				
a) Unpaid dividend	6.69		5.89	
b) Unpaid matured deposits	0.02		0.02	
c) Interest accrued on matured deposits	0.01		0.03	
		6.72		5.94
Liabilities relating to employee benefits		129.98		122.18
Other Liabilities		152.41		138.00
		1035.84		**892.63**
Provisions				
Proposed dividend		186.71		186.71
Dividend tax (Note no. 20)		23.96		26.84
		210.67		**213.55**
Current Liabilities & Provisions		**1246.51**		**1106.18**

(a) Includes amount due to subsidiaries Rs. 33.02 million (Previous year Rs. 3.11 million)

(b) These represent warrants / cheques issued and remaining un-encashed as at 31st March 2010.
There is no amount which has fallen due as at Balance sheet date to be credited to Investor Education and Protection Fund

12. OTHER INCOME	For the year ended 31.03.2010	For the year ended 31.03.2009
From investments (trade)		
Dividend from subsidiaries	59.32	35.61
Dividend from others	29.91	45.90
From investments (non-trade)		
Dividend from others	15.48	10.16
Interest from banks	1.14	7.20
Interest from inter corporate deposits	-	2.56
Interest from others	1.29	1.74
Service income	50.55	42.09
Profit on sale of investments (net)	0.05	-
Scrap sales	35.54	42.33
Profit/(loss) on exchange fluctuation (Net)	8.40	(161.22)
Provisions for expenses no longer required written back	2.22	4.28
Provisions for doubtful debts/advances no longer required written back	8.07	0.46
Miscellaneous income	24.03	31.00
	236.00	**62.11**
Tax deducted at source from interest	0.26	1.25
Dividend from long term investment	102.44	90.32
Dividend from current investment	2.27	1.35

Schedules to Accounts

(Rs. million)

	For the year ended	
13. ACCRETION TO STOCK	**31.03.2010**	**31.03.2009**
a) Opening stock		
Work-in-process	284.66	233.85
Finished stock	315.63	272.30
	600.29	506.15
Less: Closing stock		
Work-in-process	313.50	284.66
Finished stock	334.68	315.63
	648.18	600.29
Accretion to stock	**(47.89)**	**(94.14)**
14. EMPLOYEE COST		
Salaries, wages and bonus	629.82	565.69
Contribution to provident and other funds	54.71	62.55
Voluntary retirement compensation	2.10	6.30
Remuneration to Managing director (Note no 14)	8.37	6.18
Welfare expenses	112.69	124.12
	807.69	**764.84**

Schedules to Accounts

(Rs. million)

15. OTHER COSTS	For the year ended 31.03.2010		For the year ended 31.03.2009	
Consumption of stores and spares		279.33		245.22
Power and fuel (a)		658.20		694.95
Rent		18.39		20.24
Excise duty on stock differential *		6.94		(10.79)
Rates and taxes		48.87		73.07
Insurance		12.85		13.71
Repairs to: (b)				
- Buildings		12.66		9.98
- Machinery		176.99		139.27
Technical fee		0.62		0.36
Directors' sitting fees		0.83		0.81
Commission to non-wholetime directors		2.10		1.95
Auditors' remuneration (Note no. 15)		3.48		2.72
Travel and conveyance		98.71		95.40
Freight, delivery and shipping charges		206.02		191.36
Selling commission		25.37		20.25
Turnover discounts		53.33		41.49
Rebates and allowances		67.22		57.00
Advertisement and publicity		28.67		25.21
Printing, stationery and communication		36.67		34.61
Contribution to research institution		2.10		6.50
Provision for dimunition in value of investment		12.00		-
Bad debts and advances written off	8.25		9.78	
Less : Provision adjusted	8.04		9.78	
		0.21		-
Provision for doubtful debts,advances and deposits		31.02		8.42
Professional fees		23.62		25.05
Services outsourced		383.31		339.54
Miscellaneous expenses		97.91		94.46
		2287.42		**2130.78**
(a) *Net of own power generation, which includes* Rs. 5.69 million (previous year Rs. Nil) banked with KSEB		102.58		92.38
(b) *Includes stores and spare parts*		115.20		86.70

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

Schedules to Accounts

16. QUANTITATIVE PARTICULARS

1. CAPACITIES, PRODUCTION, TURNOVER AND STOCK

Class of goods	Unit	Installed Capacity (d)	Actual Production (d)	Commencing Stock	Closing Stock	Turnover (b)	
						Quantity	Value (Rs. million)
Abrasives (c)							
Bonded	Tonne	**19640**	**15328**	**5340**	**6327**	**14341**	**3040.13**
		(19640)	(14652)	(3739)	(5340)	(13051)	(2794.77)
Coated	In Million Sqm	**17.86**	**9.04**	**0.42**	**0.55**	**8.91**	**1453.78**
		(17.83)	(8.43)	(1.56)	(0.42)	(9.57)	(1373.56)
Industrial Cloth	Metre	**4500000**	**2451886**	**0**	**0**	**0**	**0**
		(4500000)	(2457850)	0	0	(90210)	(6.96)
Ceramics							
Industrial Ceramics	Tonne	**5870**	**3598**	**139**	**127**	**3610**	**905.69**
		(5870)	(3976)	(4)	(139)	(3841)	(755.73)
Refractories (e)	Tonne	**36450**	**26057**	**190**	**242**	**24411**	**1097.84**
		(30600)	(21060)	(672)	(190)	(19990)	(1030.21)
Electrominerals							
Grains	Tonne	**25340**	**22706**	**1210**	**1276**	**13222**	**1180.23**
		(25340)	(17977)	(811)	(1210)	(11423)	(1056.56)
Others							**82.42**
							(73.90)
Total							**7760.09**
							(7091.69)

Notes:

(a) Figures in brackets are for previous year. Previous year's figures are regrouped to make it comparable.

(b) Turnover is exclusive of captive consumption. It includes bought-outs amounting to Rs. 476.70 million (Previous year Rs. 340.87 million)

(c) Includes products purchased and sold.

(d) Capacities as certified by Management

(e) Includes Anti-corrosives

2. RAW MATERIALS CONSUMED (inclusive of captive consumption)

	Unit	2009-10		2008-09	
		Quantity	Value (Rs. million)	Quantity	Value (Rs. million)
Abrasive Grains	Tonne	36409	1472.53	30413	1222.18
Bonds and Resins	Tonne	5243	266.95	8326	315.28
Calcined Alumina	Tonne	12378	346.52	10585	300.26
Others			2074.33		1648.89
	Total		**4160.33**		**3486.61**
(inclusive of Captive Consumption)			1018.96		786.90
Of the above :					
Imported		32%	1343.45	34%	1182.39
Indigenous		68%	2816.88	66%	2304.22
	Total	**100%**	**4160.33**	**100%**	**3486.61**

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

Imported		1%	2.92	1%	3.81
Indigenous		99%	412.83	99%	342.52
	Total	**100%**	**415.75**	**100%**	**346.33**
(inclusive of Captive Consumption)			21.22		14.41

17. SIGNIFICANT ACCOUNTING POLICIES

(i) **Accounting Convention**

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

(ii) **Use of Estimates**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results may vary from these estimates.

(iii) **Fixed assets and depreciation / amortisation**

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

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

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

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

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

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

leased vehicles which are depreciated over four years

lease hold improvements are depreciated over six years,

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

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

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

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

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

(iv) **Impairment of assets**

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

(v) **Borrowing costs**

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

(vi) **Investments**

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

(vii) **Inventories**

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

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

(viii) **Revenue recognition**

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

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

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

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

(ix) **Research and Development**

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

(x) **Employee Benefits**

a. Defined contribution plan

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

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

b. Defined benefit plan

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

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

c. Long term Compensated absences

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

d. Short term employee benefits

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

(xi) **Voluntary Retirement Compensation**

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

(xii) **Employee Stock Option Scheme**

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

(xiii) **Foreign Currency Transaction**

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

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

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

(xiv) **Government Grants**

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

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

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

(xvi) **Segment reporting**

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

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

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

(xvii) **Income Tax**

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

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

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

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

(Rs. million)

18. NOTES ON ACCOUNTS

	31.03.2010	31.03.2009
Notes to Balance Sheet		
1 Estimated amount of contracts remaining to be executed on capital account and not provided for.	87.29	132.68
2 Contingent Liabilities:		
a) Outstanding bills discounted	23.41	16.66
b) Outstanding guarantees	114.15	104.46
c) Outstanding letters of comfort / guarantee	1662.47	1608.30
d) Outstanding letters of credit	146.98	59.74
3 a) No provision is considered necessary for disputed income tax, sales tax,service tax,property tax and excise duty demands which are under various stages of appeal proceedings as given below, based on legal opinions that these demands are not sustainable in law.		

Name of Statute	Forum where pending	Years	31.03.2010	31.03.2009
Income Tax Act 1961	Commissioner of Income Tax (Appeals)	2000-01 to 02-03, 04-05,06-07	34.02	26.70
	Income Tax Appellate Tribunal	1990-91,91-92,93-94,2000-01, 03-04	15.92	7.29
	High Court	1987-88,92-93,95-96,97-98 to 2000-01,02-03	61.33	63.16
			111.27	97.15
Sales Tax	Commissioner of Sales Tax (Appeals)	1996 to 2006	32.76	17.59
	Sales Tax Appellate Tribunal	1995 to 2003	8.78	7.80
	High Court	1989 to 1990	0.47	0.47
			42.01	25.86
Central Excise	Commissioner of Central Excise (Appeals)	2003 to 2006	0.90	0.90
	The Customs, Excise & Service Tax Appellate Tribunal	1996 to 2006	2.44	2.41
	High Court	1987 to 1991	1.80	1.80
			5.14	5.11
Service Tax	The Customs, Excise & Service Tax Appellate Tribunal	2002 to 2003	1.87	6.68
	Commissioner of Central Excise (Appeals)	2007 to 2010	3.88	2.72
			5.75	9.40
Property tax	High Court	1994 to 2008	0.00	8.20
	Total		**164.17**	**145.72**
Disputed Income tax, Sales tax, Central Excise and Service Tax amounts deposited under protest aggregate to:			**120.78**	**116.81**

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

(Rs. million)

		31.03.2010	31.03.2009
c)	Claims against the Company not acknowledged as debt :		
	i. Contested Provident fund and ESI demands	-	0.54
	ii. Contested Panchayat Licence fee demand	3.00	0.80
	iii. Contested Stamp duty demand	1.90	1.90
	iv. Contested Electricity charges demand	12.60	-
	v. Claim filed by ship liner towards claim for damages	1.40	-
		18.90	**3.24**
4	External Commercial Borrowings (ECB) of JPY 3293.64 million and USD 10 million were raised during earlier years, out of which an amount of JPY 882.80 million was repaid during the year. In respect of the above ECB, the Company has entered into a cross currency swap arrangement whereby the principal and interest amount thereon have been swapped and firmed up into Indian Rupees at a fixed rate of interest. These arrangements have been recognized and the amount of borrowings has been stated in the books in Rupee values as per the said arrangement.	1425.22	1789.10
	In addition, ECB of JPY 472.51 and USD 0.33 million made during earlier years and outstanding as at the balance sheet date, the Company has entered into a cross currency swap arrangement whereby the principal and interest amount thereon have been swapped and firmed up into USD at a fixed rate of interest. These arrangements have been recognised and the borrowings have been restated at the exchange rate prevailing as on the balance sheet date.	213.29	240.75
5	Debtors include due by subsidiaries of the company :		
	(i) CUMI America Inc.,	14.20	19.26
	Maximum amount due at any time during the year	20.23	19.26
	(ii) Sterling Abrasives Ltd	5.73	2.23
	Maximum amount due at any time during the year	6.25	4.77
	(iii) CUMI Australia Pty Ltd	27.00	36.44
	Maximum amount due at any time during the year	70.60	55.90
	(iv) CUMI Canada Inc.,	26.49	84.19
	Maximum amount due at any time during the year	28.48	137.95
	(v) CUMI Middle East FZE	31.60	45.47
	Maximum amount due at any time during the year	55.27	53.52
	(vi) CUMI Abrasives & Ceramics Company Ltd	16.89	-
	Maximum amount due at any time during the year	17.76	-
	(vii) Volzhsky Abrasives Works,	-	0.19
	Maximum amount due at any time during the year	-	4.12
	(viii) Foskor Zirconia Pty Ltd	19.08	5.52
	Maximum amount due at any time during the year	27.85	5.52
6	The following pre-commissioning expenses incurred during the year on various projects have been included in Fixed Assets/Capital Work in Progress:		
	Account Head :		
	Raw material Consumption	0.96	5.13
	Consumption of Stores & Spares	-	6.01
	Salary ,Wages & Bonus	4.43	9.37
	Contribution to Provident & other funds	0.13	0.36
	Welfare Expenses	0.20	0.96
	Power & Fuel	4.36	13.80
	Rent	0.58	0.07
	Insurance	0.15	0.64
	Travel & Conveyance	1.00	3.30
	Freight	0.35	0.28
	General Services	0.93	1.24
	Repairs to Building	-	0.30
	Repairs to Machinery	0.00	0.41
	Printing, Stationery & communication	0.02	0.09
	Rates & Taxes	0.36	0.18
	Professional Fees	-	0.42
	Miscellaneous Expenses	0.01	0.24
	Interest	9.39	35.43
	Less : Sales	-	(4.11)
	Total	**22.87**	**74.12**

7 There are no dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprises Development Act, 2006 which are outstanding for more than 45 days at the Balance Sheet date, which is on the basis of such parties having been identified by the management and relied upon by the auditors.

8 a. The details of actuarial valuation in respect of Gratuity liability are given below: (Rs. million)

		31.03.2010	31.03.2009
i.	**Projected benefit obligation as at beginning of the year**	**96.65**	**81.10**
	Service cost	5.56	4.72
	Interest cost	7.73	6.09
	Actuarial Losses	5.86	14.79
	Benefits paid	(6.96)	(10.05)
	Projected benefit obligation as at end of the year	**108.84**	**96.65**
ii.	**Fair value of plan assets as at beginning of the year**	**93.76**	**58.13**
	Expected return on plan assets	8.44	5.87
	Contributions	9.46	40.53
	Benefits paid	(6.96)	(10.05)
	Actuarial loss on plan assets	0.00	(0.72)
	Fair value of plan assets as at end of the year	**104.70**	**93.76**
iii.	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	108.84	96.65
	Fair value of the plan assets at the end of the year	104.70	93.76
	(Liability) / Asset recognised in the Balance sheet	**(4.14)**	**(2.89)**
iv.	**Cost of the defined plan for the year :**		
	Current service cost	5.56	4.72
	Interest on obligation	7.73	6.09
	Expected return on plan assets	(8.44)	(5.87)
	Net actuarial losses recognised in the year	5.86	15.51
	Net cost recognised in the Profit and Loss account	**10.71**	**20.45**
v.	**Assumptions :**		
	Discount rate	8.00%	8.00%
	Expected rate of return	8.00%	8.00%

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

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

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

		31.03.2010	31.03.2009
i.	**Projected benefit obligation as at the beginning of the year**	**40.93**	**32.98**
	Service cost	2.43	4.21
	Interest cost	3.15	2.45
	Actuarial (Gains) / Losses	(8.42)	5.98
	Benefits paid	(3.00)	(4.69)
	Projected benefit obligation as at the end of the year	**35.09**	**40.93**

(Rs. million)

	31.03.2010	31.03.2009
ii. **Amount recognised in the balance sheet :**		
Projected benefit obligation at the end of the year	35.09	40.93
Fair value of the plan assets at the end of the year	0.00	0.00
(Liability) / Asset recognised in the Balance sheet	**(35.09)**	**(40.93)**
iii. **Cost of the defined plan for the year :**		
Current service cost	2.43	4.21
Interest on obligation	3.15	2.45
Expected return on plan assets	0.00	0.00
Net actuarial (gains) / losses recognised in the year	(8.42)	5.98
Net (benefit) / cost recognised in the Profit and Loss account	**(2.84)**	**12.64**
iv. **Assumptions :**		
Discount rate	8.00%	8.00%
Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		

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

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

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

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

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

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

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

	Grant - I	Grant - II	Grant - III	Grant - IV
Date of Grant	29.09.2007	28.01.2008	30.04.2008	24.07.2008
Exercise Price (Rs.)	183.60	150.45	118.05	122.80
Vesting commences on	29.09.2008	28.01.2009	30.04.2009	24.07.2009
Options granted	13,35,700	30,000	12,400	69,800
Options vested and exercisable as on 31.03.2010	4,10,748	-	-	3,856
Options outstanding (Not vested) as on 31.03.2010	6,66,000	-	-	39,600
Options exercised during the year	-	-	2,232	-
Options cancelled during the year	2,58,952	30,000	10,168	26,344
Total Options outstanding and not exercised as on 31.03.2010	10,76,748	-	-	43,456

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

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

	Grant - I	Grant - II	Grant - III	Grant - IV
Fair value as per Black scholes options pricing formula (Rs.)	67.11	55.52	45.55	49.21
Exercise Price (Rs.)	183.60	150.45	118.05	122.80

Had the Company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 74.57 million and the impact on the financial statements would be :

	31.03.2010	31.03.2009
Increase in employee costs	Rs.12.43 million	Rs.31.31 million
Decrease in Profit after Tax	Rs.8.21 million	Rs.20.67 million
Decrease in Basic & Diluted Earnings per share	Rs.0.09	Rs.0.22

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

	Grant I & II	Grant III & IV
Risk free Interest rate	7.50%	8.87%
Expected Life	2.5 to 5.5 years	2.5 to 5.5 years
Expected volatility	43.23%	44.84%
Expected dividend yield	2.53%	2.27%

Notes to Profit and Loss Account

(Rs. million)

			31.03.2010	31.03.2009
10		Donation given to Political parties during the year : Bharatiya Janata Party	5.00	0.00
11	a.	**Value of Imports on CIF basis**		
		Raw materials	1362.11	1286.85
		Components & Spare parts	21.84	13.39
		Capital goods	130.98	153.12
	b.	**Expenditure in foreign currencies on account of (on cash basis)**		
		Professional / Consultancy fees	9.55	26.15
		Commission	13.98	17.38
		Interest	121.13	128.65
		Travel and other matters	22.92	30.77
12		**Earnings in foreign exchange on account of**		
		Value of exports on FOB basis	1338.12	1345.75
		Royalty	2.37	1.83
		Dividend	30.52	20.67
		Management fees	22.47	17.37
13		**Interest and finance charges**		
		- On debentures and fixed loans	224.92	247.92
		- On Others	23.16	59.39
			248.08	307.31
		Less : Interest capitalised	9.39	35.43
		Total	**238.69**	**271.88**

(Rs. million)

			31.03.2010	31.03.2009
14	(a)	**Managing Director Remuneration**		
		Salaries & Allowances	6.05	4.46
		Incentive (current year amount includes Rs.0.17 million for 2008-09)	1.66	1.25
		Contribution to provident and other funds	0.66	0.47
		(excludes Gratuity and Compensated absences since employee-wise valuation is not available) (Remuneration for February - March 2010 is subject to shareholders' approval)		
	(b)	Money value of perquisites (included under appropriate heads of account)	1.15	0.91
	(c)	**Computation of commission to directors :**		
		Profit before tax as per Profit and Loss account	841.70	860.80
		Add : Directors' sitting fees	0.83	0.81
		Remuneration to managing director	8.37	6.18
		Money value of perquisites to managing director	1.15	0.91
		Commission to non-wholetime directors	2.10	1.95
			854.15	870.65
		Less:		
		Profit on sale of Fixed assets	(5.24)	(291.40)
		Profit on sale of investments	(0.05)	0.00
		Net profit as per Section 349 of the Companies Act,1956	848.86	579.25
		1% thereon	8.49	5.79
		Commission to directors:		
		Non wholetime directors restricted to	2.10	1.95
15		**Auditors' Remuneration**		
		Statutory audit	1.50	1.30
		Tax Audit	0.25	0.25
		Other services	1.65	0.98
		Out of pocket expenses	0.08	0.19
			3.48	**2.72**

16 **Related Party Disclosures**

a **List of Related Parties**

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

I) Parties where control exists - Subsidiaries

CUMI America Inc [CAI]

Net Access (India) Pvt Ltd [Net Access]

Southern Energy Development Corporation Ltd [SEDCO]

Sterling Abrasives Ltd [Sterling]

CUMI (Australia) Pty Ltd [CAPL]

CUMI Middleeast FZE [CME]

CUMI Canada Inc [CCI]

CUMI Fine Materials Limited [CFML]

CUMI Abrasives & Ceramics Company Limited [CACCL] (since 30.12.2009)

CUMI International Limited [CIL]

Volzhsky Abrasives Works [VAW] (subsidiary's subsidiary)

Foskor Zirconia (Pty) Ltd [Foskor] (subsidiary's subsidiary)

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

Joint Ventures

Murugappa Morgan Thermal Ceramics Ltd [MMTCL]

Ciria India Ltd [Ciria]

Wendt India Ltd [Wendt]

JingRi-CUMI Super-Hard Materials Co., Ltd [Jingri] (ceased to be a joint venture from 30.12.2009)

Associate

Laserwords Pvt Ltd [Laserwords]

Key Management Personnel

Mr. K Srinivasan

b **Transactions with Related party**

(Rs. million)

	Subsidiaries		Associate		Joint Ventures		Key Management Personnel		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Income from sales and services	473.88	559.09	-	-	84.48	77.77			558.36	636.86
Purchase of goods	239.67	234.20	-	-	92.16	305.15			331.83	539.35
Lease/rental income	-	-	-	-	0.12	0.40			0.12	0.40
Purchase of power	82.54	45.09	-	-	-	-			82.54	45.09
Expenditure on other services	14.47	11.82	-	-	-	-			14.47	11.82
Dividend income	59.32	35.61	13.19	8.80	29.78	45.73			102.29	90.14
Interest received	-	0.11	-	-	-	-			-	0.11
Reimbursement of employee cost	1.78	1.60	-	-	0.13	2.28			1.91	3.88
Investments made	-	44.05	-	-	-	-			-	44.05
Debtors	140.99	193.30	-	-	3.15	24.81			144.14	218.11
Creditors	33.02	3.11	-	-	2.72	1.23			35.74	4.34
Managerial remuneration							9.52	7.09	9.52	7.09
Letters of Comfort/ Guarantee issued	1662.47	1512.80				95.50			1662.47	1608.30

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

(Rs. million)

	Subsidiaries											Associate	Joint Ventures					Key Management Personnel	Total
Particulars	CAI	Net Access	Sterling	SEDCO	CAPL	CME	CCI	Foskor	CACCL	VAW	Total	Laserwords	Wendt	MMTCL	Ciria	Jingri	Total		
Income from Sales and Services	26.59	-	51.08	2.40	197.38	83.52	55.74	48.19	-	8.98	473.88	-	15.50	25.94	21.60	21.44	84.48	-	558.36
Income from Deputation of Employees	-	0.15	1.63	-	-	-	-	-	-	-	1.78	-	0.13	-	-	-	0.13	-	1.91
Purchase of Goods / Services	-	-	0.58	-	-	-	-	-	-	239.09	239.67	-	6.90	2.90	-	82.36	92.16	-	331.83
Lease/Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	0.12	-	-	-	0.12	-	0.12
IT Services Paid	-	14.47	-	-	-	-	-	-	-	-	14.47	-	-	-	-	-	-	-	14.47
Purchase of Power	-	-	-	82.54	-	-	-	-	-	-	82.54		-	-	-	-	-	-	82.54
Debtors	14.20	-	5.73	-	27.00	31.60	26.49	19.08	16.89	-	140.99		0.92	0.69	1.54	-	3.15	-	144.14
Creditors	0.10	-	0.03	4.58	-	-	-	-	-	28.31	33.02	-	1.75	0.97	-	-	2.72	-	35.74
Dividend Income	-	1.20	8.10	19.50	28.83	1.69	-	-	-	-	59.32	13.19	7.97	14.31	7.50	-	29.78	-	102.29
Managerial Remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.52	-

17 (a) SEGMENT DISCLOSURE

A. PRIMARY SEGMENT INFORMATION

(Rs. million)

Particulars	Abrasives		Ceramics		Electrominerals		Eliminations		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1. REVENUE										
Gross Sales	**4571.18**	**4248.49**	**2008.68**	**1786.64**	**1180.23**	**1056.56**			**7760.09**	**7091.69**
Less : Excise Duty	289.18	390.23	101.93	116.39	58.88	66.07			449.99	572.69
Net External Sales	**4282.00**	**3858.26**	**1906.75**	**1670.25**	**1121.35**	**990.49**			**7310.10**	**6519.00**
Income from work bills and services			71.06	59.14					71.06	59.14
Inter segment Sales			12.69	8.76	444.29	325.50	(456.98)	(334.26)		
Total Revenue	**4282.00**	**3858.26**	**1990.50**	**1738.15**	**1565.64**	**1315.99**	**(456.98)**	**(334.26)**	**7381.16**	**6578.14**
2. RESULT										
Segment result	466.17	506.51	314.87	270.19	371.56	313.87			1152.60	1090.57
Unallocated corporate expenses									(183.96)	(352.01)
Interest expense									(238.69)	(271.88)
Interest and dividend income									107.14	103.17
Profit on sale of fixed assets (Net)	6.01	0.72	(1.53)	289.11	0.08	1.12			4.56	290.95
Profit on sale of investments									0.05	0.00
Income taxes									(261.57)	(263.63)
Net profit	**472.18**	**507.23**	**313.34**	**559.30**	**371.64**	**314.99**			**580.13**	**597.17**
3. OTHER INFORMATION										
Segment assets	3065.69	3332.95	2294.26	2268.14	1352.61	999.30			6712.56	6600.39
Unallocated corporate assets									2076.24	2262.30
Total assets	**3065.69**	**3332.95**	**2294.26**	**2268.14**	**1352.61**	**999.30**			**8788.80**	**8862.69**
Segment liabilities	432.26	389.89	214.73	212.57	247.26	138.19			894.25	740.65
Unallocated corporate liabilities									3605.91	4213.48
Total liabilities	**432.26**	**389.89**	**214.73**	**212.57**	**247.26**	**138.19**			**4500.16**	**4954.13**
Capital expenditure	37.30	86.52	103.99	561.98	281.30	114.68				
Depreciation & Amortization	136.02	133.78	151.58	105.16	56.25	49.82				
Non cash Item other than Depreciation & amortization	24.07	0.46	6.11	5.53	0.84	2.43				
B. SECONDARY SEGMENT INFORMATION										
1. Revenue by Geographical market										
India									6022.03	5215.57
Rest of the world									1359.13	1362.57
Total									**7381.16**	**6578.14**
2. Carrying amount of Segment Assets										
India									6387.32	6183.08
Rest of the world									325.24	417.31
Total									**6712.56**	**6600.39**
3. Additions to Fixed Assets and Intangible Assets										
India									422.59	763.18
Rest of the world										
Total									**422.59**	**763.18**

17. (b) Notes to Segmental Reporting

i) Business Segments

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

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

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

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

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

ii) Geographical Segments

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

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

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

(Rs. million)

18 Notes relating to Leases	**31.03.2010**	**31.03.2009**
The Company has acquired vehicles under finance lease with respective asset as security :		
a. Cost of Leased Assets	24.85	23.77
b. Net carrying amount	10.45	9.65
c. Reconciliation between Total minimum lease payments and their Present value :		
Total minimum lease payments	16.90	15.87
Less: Future liability on interest account	(2.96)	(2.32)
Present value of lease payments	13.94	13.55

d. Yearwise Future Minimum lease rental payments :

	Total Minimum Lease Payments as on 31.03.2010	**Present value of Lease payments as on 31.03.2010**	**Total Minimum Lease Payments as on 31.03.2009**	**Present value of Lease payments as on 31.03.2009**
(i) Not later than one year	7.51	6.04	6.76	5.42
(ii) Later than one year and not later than five years	9.39	7.90	9.11	8.13
(iii) Later than five years	Nil	Nil	Nil	Nil

19 Notes to Earnings Per Share (EPS)

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

(Rs. million)

	31.03.2010	31.03.2009
Net Profit for the year	580.13	597.17
Weighted average number of equity shares outstanding during the year	93,354,226	93,354,000
Basic and Diluted Earning per share (Face value of Rs.2 each)	INR 6.21	INR 6.40

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

20 Provision for Dividend Tax has been made considering the credit amounting to Rs.7.05 million (Previous year Rs.4.89 million) available for set off in respect of dividend tax payable on dividends to be distributed by three subsidiary companies, based on the provision under subsection (1A) of Section 115O of the Income Tax Act, 1961.

21 Tax provision :	31.03.2010	31.03.2009
a. Current Tax : Provision for Tax is made up of :		
Provision for tax for the current year	237.00	167.00
Less : Provision relating to earlier years no longer required written back	(22.50)	-
Total	214.50	167.00
b. Components of Deferred tax liability (Net) :		
Deferred tax asset arising out of timing difference relating to :		
Provision for bad and doubtful debts and advances	13.27	8.59
Voluntary retirement scheme payments	5.27	9.82
Leave encashment provision	11.66	13.91
Restatement losses on foreign currency borrowings	4.43	13.87
Leased assets	1.16	1.32
Provision for diminution in the value of Investments	2.66	0.00
Other disallowances under section 43 B	17.15	15.77
	55.60	63.28
Deferred tax liability arising out of timing difference relating to :		
Depreciation	470.90	431.51
Net Deferred tax liability	**415.30**	**368.23**

22 Disclosures in respect of Derivatives

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

The Institute of Chartered Accountants of India (ICAI) has issued AS 30 Financial instruments : Recognition and Measurement, which contains accounting for derivatives, recommendatory from 1.4.2009 and mandatory from 1.4.2011.

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

Pursuant to the application of the said measurement principles, the exchange differences arising on these transactions when marked to market as on 31st March 2010 aggregating to Rs.8.92 million [Previous year Rs.0.88 million] has been credited to Hedging Reserve which is in accordance with AS - 30.

(Rs. million)

			31.03.2010	31.03.2009
b.	i)	Quantum of derivatives (all of which identified as hedges) outstanding as at the end of the year (notional principal amount) on:		
		Forward exchange contracts	757.11	524.99
		Simple currency options	Nil	Nil
	ii)	Foreign currency exposure not hedged by a derivative instrument or otherwise	213.29	222.90

23 Note on Investment made in Subsidiary - CUMI Canada Inc.,

The Company has investments in Equity shares of CUMI Canada Inc., amounting to Rs.48.01 million and in Preference shares of that Company amounting to Rs.38.40 million. Though there is a significant erosion in the networth of this subsidiary company, the diminution in value of investments is considered temporary in nature in view of the steps that are being taken by that Company for its turnaround and also based on its future business plans. However, on grounds of prudence, a provision of Rs.12 million has been made during the current year towards diminution in value of equity shares.

24 Information on Joint Ventures as per AS 27

a List of Joint Ventures as on 31st March, 2010 :

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

b During the year, the joint venture entity :JingRi-CUMI Super-Hard Materials Co., Ltd [Jingri], China was demerged into two separate divisions viz., Abrasives and Diamonds / Diamond tools. The Abrasives division was taken over by a wholly owned subsidiary viz., CUMI Abrasives & Ceramics Company Ltd [CACCL] on a going concern basis. Similarly the Diamonds / Diamond tools business was taken over by the Joint venture partner. The legal demerger was effected by a division agreement effective from 30.12.2009, on CACCL obtaining the Business licence on 30.12.2009. Consequently the assets and liabilities relating to the abrasives division including the share capital contributed by the Company in the erstwhile Joint venture entity got transferred and vested in CACCL with effect from 30.12.2009.

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

		MMTCL	Wendt	Ciria	Jingri	Total
i)	Directly incurred by the company	Nil	Nil	Nil	Nil	Nil
	(Previous year)	Nil	Nil	Nil	Nil	Nil
ii)	Share of the company in contingent liabilities which have been incurred jointly with other venturers	Nil	Nil	Nil	Nil	Nil
	(Previous year)	Nil	Nil	Nil	Nil	Nil
iii)	Share of the company in contingent liabilities incurred by jointly controlled entity	18.09	5.67	0.65	Nil	24.41
	(Previous year)	15.91	2.91	Nil	Nil	18.82
iv)	Share of other venturers in contingent liabilities incurred by jointly controlled entity	18.82	8.56	1.53	Nil	28.91
	(Previous year)	16.55	4.40	Nil	Nil	20.95

d Capital commitments in respect of Joint Ventures :

		MMTCL	Wendt	Ciria	Jingri	Total
i)	Direct capital commitments by the company	Nil	Nil	Nil	Nil	Nil
	(Previous year)	Nil	Nil	Nil	Nil	Nil
ii)	Share of the company in capital commitments which have been incurred jointly with other venturers	Nil	Nil	Nil	Nil	Nil
	(Previous year)	Nil	Nil	Nil	Nil	Nil
iii)	Share of the company in capital commitments of the Jointly controlled entity	1.83	11.78	Nil	Nil	13.61
	(Previous year)	4.76	4.81	Nil	Nil	9.57

e Disclosure of financial data as per AS 27 is based on the audited financials of the jointly controlled entities.

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

	MMTCL		CIRIA		WENDT		JINGRI		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
i. Proportionate share of Income in Joint Ventures										
Gross Sales	417.82	382.32	61.77	68.87	252.92	230.57	58.01	249.11	790.52	930.87
Less : Excise duty	(25.65)	(33.49)	-	-	(14.50)	(16.60)	-	-	(40.15)	(50.09)
Net Sales	392.17	348.83	61.77	68.87	238.42	213.97	58.01	249.11	750.37	880.78
Income from processing charges	9.13	7.34	38.26	34.34	11.52	9.31	-	-	58.91	50.99
Other income	2.99	13.11	10.97	10.04	7.68	11.05	2.91	24.42	24.55	58.62
Total	**404.29**	**369.28**	**111.00**	**113.25**	**257.62**	**234.33**	**60.92**	**273.53**	**833.83**	**990.39**
ii. Proportionate share of Expense in Joint Ventures										
Raw materials consumed	101.10	93.96	50.81	53.24	81.58	74.49	-	220.60	233.49	442.29
(Accretion) / Decretion to stock	(10.80)	0.66	(0.28)	0.22	(6.27)	(1.57)	-	-	(17.35)	(0.69)
Employee cost	40.88	37.81	9.71	8.91	43.02	36.54	-	-	93.61	83.26
Other costs	180.40	163.56	25.54	23.08	66.41	59.82	124.36	86.23	396.71	332.69
Depreciation	18.88	19.15	0.98	0.91	12.27	9.97	-	-	32.13	30.03
Interest and finance charges	0.79	2.35	-	0.26	0.01	0.02	-	17.27	0.80	19.90
Total	**331.25**	**317.49**	**86.76**	**86.62**	**197.02**	**179.27**	**124.36**	**324.10**	**739.39**	**907.48**
iii. Proportionate share of Assets in Joint Ventures										
FIXED ASSETS										
Gross block	297.37	293.16	8.17	7.72	196.45	159.75		490.96	501.99	951.59
Less: Depreciation	141.42	125.42	3.43	2.53	71.54	61.17		77.49	216.39	266.61
Net Block	155.95	167.74	4.74	5.19	124.91	98.58		413.47	285.60	684.98
Capital work-in-progress (including capital advances)	12.10	7.35	-	-	6.85	20.60		1.93	18.95	29.88
	168.05	175.09	4.74	5.19	131.76	119.18		415.40	304.55	714.86
INVESTMENTS	41.67	12.06	19.12	8.28	54.38	39.51		-	115.18	59.85
CURRENT ASSETS, LOANS & ADVANCES										
Inventories	42.82	29.30	0.30	0.02	32.00	22.49		72.82	75.12	124.63
Sundry Debtors	81.08	60.00	25.25	30.44	48.60	49.66		145.52	154.93	285.62
Cash & Bank Balances	2.71	5.97	8.29	10.39	10.87	10.30		26.27	21.87	52.93
Loans & Advances	9.84	16.14	0.25	0.18	9.78	8.02		6.98	19.87	31.32
Total	**346.18**	**298.56**	**57.95**	**54.50**	**287.39**	**249.16**	**-**	**666.99**	**691.52**	**1,269.21**
iv. Proportionate share of Liabilities in Joint Ventures										
LOAN FUNDS										
Secured Loans	9.80	-	-	-	-	1.14		93.02	9.80	94.16
Unsecured Loans	10.04	11.41	-	-	-	0.30		-	10.04	11.71
Long term Lease Liability	-	-	-	-	-	0.02		-	-	0.02
	19.84	11.41	-	-	-	1.46		93.02	19.84	105.89
DEFERRED TAX LIABILITY (Net)	10.36	10.94	(0.43)	(0.42)	9.28	9.12		-	19.21	19.64
CURRENT LIABILITIES & PROVISIONS										
Current Liabilities	66.11	57.08	10.57	14.36	56.28	44.65		281.75	132.96	397.84
Total	**96.31**	**79.43**	**10.14**	**13.94**	**65.56**	**55.23**	**-**	**374.77**	**172.01**	**523.37**

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

Balance Sheet Abstract and Company's General Business Profile

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

I *Registration details*

Registration No:	L29224TN1954PLC000318	State Code: 18	
Balance Sheet Date :	31.03.2010		

II *Capital raised during the year (Amount in Rs. 000's)*

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement (ESOP)	4

III *Position on mobilisation and development of funds (Amount in Rs. 000's)*

Total Liabilities	7542294	Total Assets	7542294
Sources of funds			
Paid up Capital	186712	Secured Loans	2648061
Reserves & Surplus	4101932	Unsecured Loans	176349
Long term lease liability	13943	Deferred Tax Liability	415297
Application of funds			
Net Fixed Assets	3787862	Investments	1718359
Net Current Assets	2036073		

IV *Performance of Company (Amount in Rs. 000's)*

Turnover	7622403	Total Expenditure	6780703
Profit before tax	841700	Profit after tax	580126
Earnings per share (Rs.)	6.21	Dividend (%)	100%
		Dividend per share	Rs.2

V Generic names of three principal products/services of Company

(as per monetary terms)

Item Code No. (ITC Code)	680422.01 & 68.05
Product Description	Abrasives- Bonded and Coated
Item Code No. (ITC Code)	28.18 & 28.49
Product Description	Electrominerals
Item Code No. (ITC Code)	69.06 & 690600
Product Description	Industrial Ceramics

M M Murugappan
Chairman

K Srinivasan
Managing Director

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Chennai, 3rd May 2010

CONSOLIDATED FINANCIAL STATEMENT 2009-10

AUDITORS' REPORT

Auditor's Report to The Board of Directors of Carborundum Universal Limited on the Consolidated Financial Statements of Carborundum Universal Limited and its Subsidiaries, Joint Ventures and Associate.

1. We have audited the attached Consolidated Balance Sheet of **CARBORUNDUM UNIVERSAL LIMITED** ("the Company"), its subsidiaries, jointly controlled entities and associate (the Company, its subsidiaries, jointly controlled entities and associate constitute "the Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and the jointly controlled entities accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

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

3. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets of Rs. 5,285 million as at 31st March, 2010, total revenues of Rs. 5,296 million and net cash flows amounting to Rs. 146 million for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the reports of the other auditors.

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

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

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010

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

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

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

M.K. Ananthanarayanan
Partner
(Membership No. 19521)

Chennai, 3rd May 2010

Consolidated Balance sheet as at 31st March 2010

(Rs. million)

	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	186.71	186.71
Capital Reserve on Consolidation : Joint ventures		20.56	20.56
Reserves and Surplus	2	5721.39	4831.41
		5928.66	**5038.68**
Minority Interest		490.03	485.60
Loan Funds			
Secured Loans	3	2688.74	3454.90
Unsecured Loans	4	1686.01	1678.53
Long term Lease Liability (Note No.12)		16.00	17.06
		4390.75	**5150.49**
Deferred Tax Liability (Net) (Note No.14)		449.41	411.42
Total		**11258.85**	**11086.19**
APPLICATION OF FUNDS			
Fixed Assets			
Gross block		8108.25	7746.11
Less: Depreciation		3231.99	2895.53
Net Block	5	4876.26	4850.58
Capital work-in-progress (including capital advances)		439.38	322.11
		5315.64	**5172.69**
Goodwill On Consolidation			
- Subsidiaries		848.50	924.59
- Jointventures		0.00	111.67
Investments	6	778.98	609.88
Current Assets, Loans & Advances	7		
Inventories		2351.82	2445.32
Sundry Debtors		2800.31	2684.13
Cash & Bank Balances		469.27	604.07
Loans & Advances		608.92	607.52
		6230.32	**6341.04**
Less : **Current Liabilities & Provisions**	8		
Current Liabilities		1703.92	1860.13
Provisions		210.67	213.55
		1914.59	**2073.68**
Net Current Assets		**4315.73**	**4267.36**
Total		**11258.85**	**11086.19**
Significant Accounting Policies	13		
Notes on Accounts	14		

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

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

M K Ananthanarayanan
Partner

Chennai, 3rd May 2010

M M Murugappan
Chairman

V Ramesh
Chief Financial Officer

K Srinivasan
Managing Director

S Dhanvanth Kumar
Company Secretary

Consolidated Profit and Loss Account for the year ended 31st March 2010

(Rs million)

	Schedule	For the year ended 31.03.2010	31.03.2009
INCOME			
Gross Sales		12295.61	11382.63
Less : Excise duty		(470.48)	(599.47)
Net Sales		11825.13	10783.16
Income from processing charges		92.03	97.12
Income from work bills & services		71.06	59.14
Profit on sale of Fixed Assets		5.41	292.99
Other income	9	319.06	328.10
Proportionate share of Income in Joint Ventures		833.83	990.39
		13146.52	**12550.90**
EXPENDITURE			
Raw materials consumed		3822.97	3432.19
Decretion / (Accretion) to stock	10	78.61	(226.74)
Employee cost	11	1714.24	1491.03
Other costs	12	4356.74	4665.88
Depreciation		413.60	352.13
Less: Transfer from fixed assets revaluation reserve		0.90	0.90
		412.70	351.23
Interest and finance charges (Note No.8)		307.54	329.00
Proportionate share of Expense in Joint Ventures		739.39	907.48
		11432.19	**10950.07**
PROFIT BEFORE TAX		**1714.33**	**1600.83**
Less: Provision for income tax			
Current tax		509.99	449.57
Deferred tax		50.37	87.94
Fringe Benefit tax		0.00	13.22
PROFIT AFTER TAX (before Share of profit from Associate & Minority Interest)		**1153.97**	**1050.10**
Add: Share of Profit from Associate		2.94	95.01
Less: Minority Interest		139.61	107.92
PROFIT AFTER TAX		**1017.30**	**1037.19**
Add:Unappropriated profits from previous year		2778.15	2045.48
Profit available for appropriation		3795.45	3082.67
APPROPRIATIONS			
Transfer to : General Reserve		300.00	59.72
Debenture Redemption Reserve		31.25	31.25
Dividend :			
Proposed @ Rs.2 per share (Previous year Rs.2 per share)		186.71	186.71
Dividend Tax (Note No.15)		23.96	26.84
Balance carried over to Balance Sheet	2	3253.53	2778.15
		3795.45	3082.67
E P S - Basic and Diluted (Rs.) Face value Rs.2		**10.90**	**11.11**
Significant Accounting Policies	13		
Notes on Accounts	14		

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

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

M K Ananthanarayanan
Partner

Chennai, 3rd May 2010

M M Murugappan
Chairman

V Ramesh
Chief Financial Officer

K Srinivasan
Managing Director

S Dhanvanth Kumar
Company Secretary

Consolidated Cash Flow Statement for the year ended 31st March 2010

(Rs. million)

		For the year ended 31.03.2010		For the year ended 31.03.2009	
A.	**Cash flow from operating activities**				
	Net profit before tax and extraordinary items:		**1714.33**		**1600.83**
	Depreciation	412.70		351.23	
	Interest and finance charges	307.54		323.78	
	(Profit)/Loss on sale of fixed assets (net)	(4.67)		(292.06)	
	Provision for doubtful debts and advances	28.94		15.57	
	(Profit)/Loss on sale of investments (net)	(0.06)		(0.01)	
	Interest and dividend income	(25.31)		(40.78)	
	Excess provision for expenses of earlier years released	(103.67)		(5.30)	
	Voluntary retirement scheme payments	2.20		6.76	
	Bad debts	3.87		2.20	
	(Profit) / Loss on exchange fluctuation	17.40		(73.63)	
			638.94		287.76
	Operating profit before working capital changes		2353.27		1888.59
	Adjustments for :				
	Increase in Trade and other receivables	(88.36)		(403.37)	
	Increase in Trade payables	10.24		56.83	
	Increase in Inventories	143.27	65.15	(525.60)	(872.14)
	Cash generated from operations		2418.42		1016.45
	Direct taxes paid	(429.18)		(271.99)	
	Voluntary retirement scheme payments	(2.20)	(431.38)	(6.05)	(278.04)
			1987.04		738.41
	Proportionate share of adjustments to cash flow from operating activities in JV's	21.93	21.93	(176.16)	(176.16)
	Net Cash Flow from operating activities		**2008.97**		**562.25**
B.	**Cash Flow from investing activities**				
	Purchase of fixed assets	(590.24)		(883.94)	
	Purchase of Intangible assets	(7.69)		(10.80)	
	Sale of fixed assets	15.69		310.03	
	Purchase of long term investments	(180.56)		(627.18)	
	Sale of long term investments	24.69		213.24	
	Loans given to third parties	(0.06)		(1.18)	
	Receipt of loans given to third parties	0.02		3.26	
	Dividend received	10.85		115.75	
	Interest received	13.76		22.08	
	Proportionate share of cash flow from investing activities in JV's	(86.03)	(799.57)	80.92	(777.82)
	Direct Taxes paid on capital gains		(1.60)		(66.40)
	Net cash used in investing activities		**(801.17)**		**(844.22)**

Consolidated Cash Flow Statement for the year ended 31st March 2010

(Rs. million)

	For the year ended 31.03.2010		For the year ended 31.03.2009	
C. Cash Flow from financing activities				
Proceeds / (Repayments) of borrowings	(432.28)		731.21	
Proceeds / (Repayments) from other borrowings	(215.91)		22.94	
Proceeds from issue of shares	0.26		0.00	
Capital Subsidy received	3.00		0.00	
Interest paid	(243.29)		(310.28)	
Dividend paid (inclusive of dividend tax)	(422.77)		(284.67)	
Proportionate share of cash flow from financing activities in JV's	(31.61)		(11.45)	
Net cash (used) / generated in financing activities		**(1342.60)**		**147.75**
Net increase / (decrease) in cash and cash equivalents		**(134.80)**		**(134.22)**
Cash and cash equivalents opening balance:				
Cash and bank balances	551.14		661.57	
Proportionate share of cash & Bank balances in Joint Ventures	52.93		76.72	
Cash and cash equivalents closing balance:		604.07		738.29
Cash and bank balances	447.40		551.14	
Proportionate share of cash & Bank balances in Joint Ventures	21.87		52.93	
		469.27		604.07
		(134.80)		**(134.22)**

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

M K Ananthanarayanan
Partner

Chennai, 3rd May 2010

M M Murugappan
Chairman

V Ramesh
Chief Financial Officer

K Srinivasan
Managing Director

S Dhanvanth Kumar
Company Secretary

Schedules to Consolidated Accounts

(Rs. million)

1. SHARE CAPITAL	As at 31.03.2010	As at 31.03.2009
Authorised		
125,000,000 equity shares of Rs.2 each	250.00	250.00
Issued, Subscribed and Paid-up		
107,193,000 equity shares of Rs. 2 each fully paid up *	214.39	214.39
Less : 13,839,000 shares of Rs. 2 each bought back from the shareholders pursuant to the offer for buy-back of shares made in 2000-01	27.68	27.68
Add : 2232 shares of Rs. 2 each allotted during the year under Employee Stock Option Scheme 2007 (Note No. 7)	0.004	-
93,356,232 shares (previous year 93,354,000) of Rs. 2 each fully paid	**186.71**	**186.71**

* Includes

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

(Rs. million)

2. RESERVES AND SURPLUS	As at 31.03.2009	Additions	Deductions / Adjustments	As at 31.03.2010
Capital Reserve				
Fixed assets revaluation reserve	27.82	-	0.68	27.14
Capital subsidy	0.00	3.00 *	-	3.00
Profit on forfeiture of shares / warrants	6.03	-	-	6.03
Capital redemption reserve	27.68	-	-	27.68
Share premium	0.00	0.26 #	-	0.26
Other Reserves				
General reserve	2013.84	300.00	-	2313.84
Hedging reserve	0.88	8.92 @	0.88	8.92
Debenture redemption reserve	31.25	31.25	-	62.50
	2107.50	**343.43**	**1.56**	**2449.37**
Surplus as shown in Profit and Loss Account	2778.15			3253.53
Less : Dividend tax paid by subsidiaries & joint ventures	(9.88)	9.88	8.37	(8.37)
Less : Adjustment arising on derecognition of subsidiaries / joint venture	(30.11)	-	111.67	(141.78)
Less : Adjustment arising on merger of a subsidiary	(30.81)	-	-	(30.81)
Foreign currency translation reserve	(151.98)	182.89	-	30.91
Buyback of shares by a subsidiary	(21.42)	-	-	(21.42)
Proportionate share in joint ventures	189.96	-	-	189.96
	4831.41			**5721.39**

* Capital Subsidy received under the central investment subsidy scheme of Government of India for setting up manufacturing facility in Uttarkhand

\# Premium of Rs.116.05 per share received on allotment of 2232 equity shares under Employee Stock Option Scheme 2007

@ Represents the parent company's adjustment towards effective cash flow hedges as per AS 30.

Schedules to Consolidated Accounts

(Rs. million)

3. SECURED LOANS	As at 31.03.2010	As at 31.03.2009
Debentures		
11.70% Secured Non convertible Redeemable Debentures @ 500 debenture of Rs.1 million each issued for cash at par redeemable in 2 equal annual instalments commencing from 1st January 2013	500.00	500.00
Loans from Banks		
Long Term Loans @	-	6.15
@ Debentures and long term loans were secured by a pari-passu first charge on movable fixed assets of the Company, both present and future, and also a *pari-passu* first charge on the immovable properties, both present and future, relating to various manufacturing locations		
Cash Credit and other borrowings		
- Secured by a *pari-passu* first charge on the current assets of the Company, both present and future and a *pari-passu* second charge on immovable properties, both present and future, relating to various manufacturing locations	540.43	387.96
Others		
- Includes external commercial borrowings aggregating to JPY 3766.15 million & USD 10.33 million, of which JPY 2883.35 million & USD 10 million are fully covered by a cross currency swap arrangement for principal and interest, into Indian rupees at fixed rate of interest. The balance of JPY 472.51 million and USD 0.33 million are covered by a cross currency swap arrangement for principal and interest into USD at fixed rate of interest.	1638.51	2366.63
- Secured by a pari-passu first charge on movable fixed assets, both present and future		
Loans from Others		
Short term loan from Financial Institution	-	100.00
- Secured by a subservient charge on the current assets of the Company, both present and future, and a negative lien on an immovable property.		
Proportionate share in Joint Ventures	9.80	94.16
	2688.74	**3454.90**
Term loans include amounts repayable within one year	346.29	363.88

4. UNSECURED LOANS @ $		
Medium term / Short term loans from Banks	1675.97	1666.82
Proportionate share in Joint Ventures	10.04	11.71
	1686.01	**1678.53**
@ includes amounts repayable within one year	951.00	293.41
$ includes loans of a subsidiary, which is covered by a guarantee from parent Company	1413.62	1073.41

Schedules to Consolidated Accounts

5. FIXED ASSETS

(Rs. million)

Particulars	Cost			Depreciation			Net Block	
	As at 01.04.2009	Additions (e)\ (Deletions)	**As at 31.03.2010**	As at 01.04.2009	Additions \ (Deletions)	**As at 31.03.2010**	**As at 31.03.2010**	As at 31.03.2009
Intangible Assets								
Goodwill	5.10	-	5.10	5.10	-	5.10	-	-
Trade Mark	1.61	-	1.61	0.75	0.86	1.61	-	0.86
Technical Know-how fee	28.10	63.34	91.44	10.27	5.79	16.06	75.38	17.83
Tangible Assets								
Land								
- Freehold	41.00 *(a)*	45.39 (0.13)	86.26	-	- -	-	86.26	41.00
- Leasehold	105.60	-	105.60	3.01	1.10	4.11	101.49	102.59
Buildings	1499.35 *(a)*	272.19 (0.81)	1770.73 *(b)*	429.00	47.78 (0.81)	475.97	1294.76	1070.35
Plant & Machinery	4888.74 *(c)*	471.47 (d) (56.80)	5303.41 *(c)*	2087.70	333.55 (18.62)	2402.63	2900.78	2801.04
Furniture & Fixtures	125.94	13.11 (3.75)	135.30	47.36	10.78 (1.36)	56.78	78.52	78.58
Vehicles	74.14	9.95 (2.64)	81.45	31.50	7.95 (0.62)	38.83	42.62	42.64
Vehicles taken on lease	24.94	6.54 (6.12)	25.36	14.23	5.79 (5.51)	14.51	10.85	10.71
Total	6794.52	881.99 (70.25)	7606.26	2628.92	413.60 (26.92)	3015.60	4590.66	4165.60
Proportionate share in Joint ventures	951.59	49.50 (499.10)	501.99	266.61	32.36 (82.58)	216.39	285.60	684.98
Grand Total	**7746.11**	**931.49 (569.35)**	**8108.25**	**2895.53**	**445.96 (109.50)**	**3231.99**	**4876.26**	**4850.58**
Previous Year	6132.72	1658.36 (44.97)	7746.11	2542.28	396.00 (42.75)	2895.53	4850.58	3590.44

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

(b) Includes Rs. 528.73 million (Previous year Rs.478.58 million) being cost of building on lease hold land.

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

(d) Includes R&D equipments Rs.12.67 million (Previous Year Rs.9.47 million)

(e) Current year additions include Rs.341 million relating to the subsidiary formed during the year on account of legal de-merger of a joint venture.

Schedules to Consolidated Accounts

(Rs. million)

6. INVESTMENTS	As at 31.03.2010	As at 31.03.2009
Quoted		
Equity	0.45	0.50
Investments in Mutual funds - short term	173.11	70.46
Unquoted		
Equity	18.76	10.53
Proportionate share in Joint Ventures	115.18	59.85
Investment in Associates *	471.48	468.54
* Includes Goodwill of Rs.208.34 million (Previous year Rs.208.34 million)		
Total	**778.98**	**609.88**
Cost of Quoted Investments	173.56	70.96
Cost of Unquoted Investments	605.42	538.92
Total	**778.98**	**609.88**
Market value of Quoted Investments	**184.40**	**120.14**

7. CURRENT ASSETS, LOANS AND ADVANCES	As at 31.03.2010	As at 31.03.2009
Inventories		
Raw Materials	795.38	860.05
Work-in-process	495.97	412.89
Finished Stock	583.73	739.03
Traded Stock	213.66	193.03
Goods-in-transit	110.09	40.24
Stores and spare parts	77.87	75.45
Proportionate share in Joint Ventures	75.12	124.63
	2351.82	**2445.32**
Sundry Debtors (Unsecured)		
Over six months		
Considered good	119.97	189.87
Considered doubtful	54.79	90.70
	174.76	280.57
Other debts - Considered good	2525.41	2208.64
	2700.17	2489.21
Less: Provision for doubtful debts	54.79	90.70
	2645.38	2398.51
Proportionate share in Joint Ventures	154.93	285.62
	2800.31	**2684.13**
Sundry debtors includes retentions against invoices	9.52	22.15
Cash and Bank balances		
Cash and cheques on hand and remittances in transit	53.17	96.13
Balances with Banks :		
- Current Account	340.42	289.19
- Unclaimed Dividend Account	6.69	5.89
- Deposit Account	47.12	159.93
Proportionate share in Joint Ventures	21.87	52.93
	469.27	**604.07**

Schedules to Consolidated Accounts

(Rs. million)

7. CURRENT ASSETS, LOANS AND ADVANCES (Contd.)	As at 31.03.2010	As at 31.03.2009
Loans and Advances (Unsecured & considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	296.57	189.61
Considered doubtful	0.37	2.89
	296.94	192.50
Less: Provision for doubtful advances	0.37	2.89
	296.57	189.61
Deposits @	77.02	223.34
Balances with Customs and Central Excise Authorities	33.39	56.34
Advance Payments of Income Tax & Fringe Benefit Tax	2330.77	2037.06
Less : Provision for Taxation & Fringe Benefit Tax	2148.70	1930.15
	182.07	106.91
Proportionate Share in Joint Ventures	19.87	31.32
	608.92	**607.52**
Total Current Assets, Loans and Advances	**6230.32**	**6341.04**
@ Includes :		
- fixed deposit receipt lodged with commercial tax department	0.07	0.07
- refundable long term deposit for leasehold land	10.10	10.10

8. CURRENT LIABILITIES AND PROVISIONS	As at 31.03.2010	As at 31.03.2009
Current Liabilities		
Sundry Creditors :		
- Total outstanding dues of micro enterprises and small enterprises	30.47	9.28
- Total outstanding dues of creditors other than micro enterprises and small enterprises	1180.18	1090.66
Advances from Customers	17.42	23.63
Due to Directors	4.03	3.08
Interest accrued but not due on Loans	9.91	12.20
Investor Education and Protection Fund		
shall be credited by the following amounts namely :-(#)		
a. Unpaid dividend	6.69	9.53
b Unpaid matured deposits	0.02	0.02
c. Interest accrued on matured deposits	0.01	0.03
Liabilities relating to employee benefit	169.82	175.86
Other Liabilities	152.41	138.00
Proportionate share of Joint Ventures	132.96	397.84
	1703.92	**1860.13**
Provisions		
Proposed Dividend	186.71	186.71
Provision for Tax on Dividend (Note No.15)	23.96	26.84
	210.67	**213.55**
Current Liabilities & Provisions	**1914.59**	**2073.68**

These represents warrants / cheques issued and remaining un-encashed as at 31st March 2010. There is no amount which has fallen due as at Balance sheet date to be credited to Investor Education and Protection Fund.

Schedules to Consolidated Accounts

(Rs million)

	For the year ended	
9. OTHER INCOME	**31.03.2010**	**31.03.2009**
From Investments (Trade)		
Dividend	8.37	0.25
From Investments (Non-trade)		
Dividend	2.31	10.16
Interest from Banks	8.37	21.41
Interest from Inter corporate deposits	-	2.45
Interest from Others	6.26	6.51
Commission income	0.84	1.09
Service income	23.15	16.14
Profit on sale of Investments	0.06	0.01
Profit on exchange fluctuation	44.47	121.65
Rent	1.55	0.00
Scrap sales	72.59	48.10
Provision for expenses no longer required written back	42.14	4.84
Provision for doubtful debts/ advances no longer required written back	61.53	0.46
Miscellaneous income	47.42	95.03
	319.06	**328.10**
Tax deducted at source on interest	0.40	1.70
Dividend from Long term Investment	2.62	0.19
Dividend from Current Investment	8.06	10.22
10. DECRETION / (ACCRETION) TO STOCK		
a) Opening Stock		
Work-in-process	412.89	292.00
Finished stock	739.03	454.21
	1151.92	746.21
b) Add : Stock Transfer from Trial Production / on acquisition & amalgamation		
Work-in-process	-	35.68
Finished stock	6.39	143.29
	6.39	178.97
Total of (a) & (b)	1158.31	925.18
Closing Stock		
Work-in-process	495.97	412.89
Finished stock	583.73	739.03
	1079.70	1151.92
Decretion / (Accretion) to Stock	**78.61**	**(226.74)**
11. EMPLOYEE COST		
Salaries, wages and bonus	1391.73	1160.93
Contribution to provident and other funds	82.83	73.77
Voluntary Retirement Scheme	3.21	6.76
Remuneration to Managing Director	8.37	6.18
Welfare expenses	228.10	243.39
	1714.24	**1491.03**

Schedules to Consolidated Accounts

(Rs. million)

12. OTHER COSTS		For the year ended	
		31.03.2010	31.03.2009
Consumption of stores and spares		410.19	302.34
Power and fuel #		1571.55	1714.85
Rent		42.88	42.69
Excise duty on stock differential $		7.17	(10.79)
Rates and taxes		61.62	86.63
Insurance		33.42	29.44
Repairs to :	Buildings	90.20	71.92
	Machinery *	382.34	384.07
	Others	12.00	3.15
		484.54	459.14
Technical fee / Royalty		0.62	3.46
Directors' sitting fees		0.90	1.07
Commission to non-wholetime directors		2.10	1.95
Auditors' remuneration		6.92	5.74
Travel and conveyance		151.89	137.93
Freight, delivery and shipping charges		436.41	438.13
Selling commission		38.33	27.49
Turnover discounts		56.67	43.59
Rebates and allowances		67.55	57.00
Advertisement and publicity		30.86	29.22
Printing, stationery and communication		53.27	48.01
Loss on sale of fixed assets		0.74	0.93
Loss on Exchange fluctuation		35.42	176.02
Contribution to research institution		2.10	7.41
Bad debts and advances written off		19.22	15.96
Less : Provision adjusted		12.81	10.89
		6.41	5.07
Professional fee		47.31	56.53
Management fee		26.77	7.07
Provision for doubtful debts,advances and deposits		58.16	13.62
General services		379.20	397.76
Miscellaneous expenses		343.74	583.58
		4356.74	**4665.88**
# Net of own power generation, which includes Rs.5.69 million (previous year Rs.Nil) banked with KSEB		102.58	92.38
* Includes stores and spare parts		115.20	86.70

$ Represents Excise Duty relating to difference between the opening and closing stock of finished goods. The excise duty shown as deduction from sales in the Profit and Loss Account represents excise duty on sales made during the year.

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

(i) Basis of preparation

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

(ii) Basis of Consolidation

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting standards – 21, 23 and 27. Consolidated financial statements are prepared using uniform accounting policies except as stated in (iv)(f), (vii)(b) & (c) and (xii)(b) & (d) of this Schedule, the adjustments arising out of the same are not considered material.

In respect of foreign subsidiaries viz., CUMI America Inc, CUMI Australia Pty ltd, CUMI Middle East FZE and CUMI Canada Inc which are classified as Integral foreign Operations, the financials were translated into Indian Currency as per Accounting Standard 11 (revised) and the exchange gains/ (losses) arising on conversion are recognised in the Profit & Loss Account. With respect to CUMI Abrasive & Ceramics Company Limited, CUMI International Limited and its subsidiaries Volzhsky Abrasives Works and Foskor Zirconia Pty Ltd which are classified as Non-Integral foreign Operation, the financials were translated into Indian Currency as per the aforesaid Accounting Standard and the exchange gains/ (losses) arising on conversion are accumulated under “Foreign Currency Translation Reserve”.

(iii) Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results may vary from these estimates.

(iv) Fixed assets and depreciation / amortisation

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

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

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

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

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

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

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

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

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

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

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

(v) Impairment of assets

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

(vi) Borrowing costs

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

(vii) Inventories

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

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

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

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

(viii) **Investments**

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

Short term investments are stated at lower of cost and market value. In the case of Ciria India Ltd (joint venture), cost is determined on weighted average basis.

(ix) **Revenue recognition**

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

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

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

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

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

(x) **Research and Development**

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

(xi) **Voluntary Retirement Compensation**

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

(xii) **Employee Benefits**

a. **Defined Contribution Plan :**

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

b. **Defined Benefit Plan :**

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

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

c. **Long term Compensated absences**

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

d. **Short term employee benefits**

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

With respect to overseas subsidiaries & joint ventures the Company has provided for employee benefits as per the local regulations.

e. **Employee Stock Option Scheme**

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

(xiii) **Foreign Currency Transaction**

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

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

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

(xiv) **Government Grants**

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

(xv) **Excise Duty / Service Tax**

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

(xvi) **Segment reporting**

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

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

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

(xvii) **Income Tax**

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

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

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

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

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

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

A **Subsidiaries**

a. List of Subsidiaries included in the Consolidated financials

Name of the Subsidiary	Country of Incorporation	31.03.2010 Share in ownership and voting power	31.03.2009 Share in ownership and voting power
Direct Holdings :			
CUMI America Inc.,	USA	100%	100%
Net Access (India) Pvt Ltd	India	100%	100%
Southern Energy Development Corporation Ltd	India	84.76%	84.76%
Sterling Abrasives Ltd	India	60%	60%
CUMI Australia Pty Ltd	Australia	51.22%	51.22%
CUMI Canada Inc	Canada	100% *	100%
CUMI Middle East FZE	Ras Al Khaimah, UAE	100%	100%
CUMI Fine Materials Ltd	India	100%	100%
CUMI Abrasives & Ceramics Company Ltd	China	100% *	-
(* including holdings through subsidary)			
CUMI International Ltd	Cyprus	100%	100%
Holdings through Subsidiary :			
Volzhsky Abrasive Works	Russia	97.44%	92.19%
Foskor Zirconia (Pty) Ltd	South Africa	51%	51%

b. Consolidation is done based on the audited financials of the subsidiaries as on 31.03.2010, except in the case of CUMI Abrasive & Ceramics Company Ltd for which the consolidation is done based on the audited financials as on 31.12.2009. In respect of CUMI America Inc., CUMI Australia Pty Ltd, CUMI Middle East FZE, CUMI Canada Inc., CUMI Abrasives & Ceramics Company Ltd, CUMI International Ltd, Volzhsky Abrasive Works and Foskor Zirconia (Pty) Ltd, the audited financials were translated into Indian currency as per Accounting Standard 11 (revised) - 'Accounting for the effects of changes in Foreign exchange rates'.

B **Associate :**

a. Associate included in the Consolidated financials

Name of the Associate	Country of Incorporation	31.03.2010 Share in ownership and voting power	31.03.2009 Share in ownership and voting power
Laserwords Pvt Ltd	India	44.53%	44.53%

b. Equity method of accounting in consolidation is done based on audited financials of the Associate as on 31.03.2010. In respect of Laserwords, the consolidated financials of the company include that of its subsidiaries : Laserwords US Inc., Samvit Education Services Pvt Ltd and Laserwords Learning Pte Ltd.

C **Joint Ventures :**

a. List of Joint ventures included in the Consolidated financials

Name of the Joint Ventures	Country of Incorporation	31.03.2010 Share in ownership and voting power	31.03.2009 Share in ownership and voting power
Murugappa Morgan Thermal Ceramics Ltd	India	49.00%	49.00%
Wendt (India) Ltd	India	39.87%	39.87%
Ciria India Ltd	India	30.00%	30.00%
JingRi-CUMI Super-Hard Materials Co., Ltd	China	0.00%	48.70%

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

b. Proportionate consolidation is done based on audited financials of the Joint ventures as on 31.03.2010 based on the financials as approved by the Board of Directors of that company. In respect of Wendt, the consolidated financials of the company with its subsidiaries Wendt Grinding Technoligies Ltd, Thailand and Wendt Middle East FZE, Sharjah were considered for consolidation. In respect of Jingri, the consolidated financials of the company with its subsidiary Jingcheng China were considered for consolidation, till the date of legal demerger.

c. During the year, the joint venture entity :JingRi-CUMI Super-Hard Materials Co., Ltd [Jingri], China was demerged into two separate divisions viz., Abrasives and Diamonds / Diamond tools. The Abrasives division was taken over by a wholly owned subsidiary viz., CUMI Abrasives & Ceramics Company Ltd [CACCL] on a going concern basis. Similarly the Diamonds / Diamond tools business was taken over by the Joint venture partner. The legal demerger was effected by a division agreement effective from 30.12.2009, on CACCL obtaining the Business Licence on 30.12.2009. Consequently the assets and liabilities relating to the abrasive division including the share capital contributed by the company in the erstwhile Joint venture entity got transferred and vested in CACCL with effect from 30.12.2009.

The consolidated financials include the results of joint venture entity Jingri till the date of legal demerger ie for the nine months ended 30.12.2009.

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

(Rs. million)

			31.03.2010	31.03.2009
3		Estimated amount of contracts remaining to be executed on capital account and not provided for	91.51	133.23
		Proportionate share of Capital commitments in Joint ventures	13.61	9.57
4		Contingent Liabilities:		
	a)	Bills discounted outstanding	24.27	16.87
	b)	Outstanding guarantees / Letters of Comfort	114.15	104.46
		Proportionate share of Outstanding guarantees from Joint ventures	19.81	15.51
	c)	Outstanding letters of credit	146.98	59.74
5	a)	No provision is considered necessary for disputed income tax, sales tax, excise duty, customs duty, service tax and property tax demands which are under various stages of appeal proceedings, based on legal opinions that these demands are not sustainable in law. However, out of these the income tax demands of the Parent company have been adjusted by the department against refunds due for other assessment years.	176.25	157.44
		In respect of Income tax, Sales tax, Central Excise and Service tax demands of the Parent company, amounts deposited in protest aggregate to :	120.78	116.81
		Proportionate share of disputed demands in Joint ventures	3.16	3.23
	b)	Claims against the company not acknowledged as debts		
		i. Disputed demands by Kerala State Electricity Board / Tamil Nadu Electricity Board	47.64	35.04
		ii. Contested Provident fund and ESI demands	0.60	1.14
		iii. Others	6.30	2.70
			54.54	**38.88**
	c)	Employees demands pending before Labour Courts - quantum not ascertinable at present.		
6	a.	The Parent Company has adopted the revised Accounting Standard 15 (Revised) on Employee Benefits effective from 1st April 2006. The domestic subsidiaries and domestic joint ventures has adopted the standard from the date it became mandatory.		
	b.	The details of actuarial valuation in respect of Gratuity liability in respect of Parent Company and its domestic subsidiaries and joint ventures as at 31st March 2010 are given below :		
		i. **Projected benefit obligation as at beginning of the year**	**110.20**	**94.71**
		Service cost	6.99	6.00
		Interest cost	8.84	7.17
		Actuarial (Gains) / Losses	6.73	15.01
		Benefits paid	(7.99)	(12.69)
		Projected benefit obligation as at end of the year	**124.77**	**110.20**

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. million)

		31.03.2010	31.03.2009
ii.	**Fair value of plan assets as at beginning of the year**	**107.79**	**70.88**
	Expected return on plan assets	9.72	7.00
	Contributions	10.93	43.37
	Benefits paid	(7.99)	(12.69)
	Actuarial loss on plan assets	(0.07)	(0.77)
	Fair value of plan assets as at end of the year	**120.38**	**107.79**
iii.	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	124.77	110.20
	Fair value of the plan assets at the end of the year	120.38	107.79
	(Liability) / Asset recognised in the Balance sheet	**(4.39)**	**(2.41)**
iv.	**Cost of the defined plan for the year :**		
	Current service cost	6.99	6.00
	Interest on obligation	8.84	7.17
	Expected return on plan assets	(9.72)	(7.00)
	Net actuarial (gains) / losses recognised in the year	6.80	15.78
	Net cost recognised in the Profit and Loss account	**12.91**	**21.95**
v.	**Assumptions :**		
	Estimates of future salary increase take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		
	In the absence of the relevant information from the actuary, the above details do not include the composition of plan assets.		

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

The details of the actuarial valuation in respect of Long term portion of compensated absences as at 31st March 2010 are given below :

		31.03.2010	31.03.2009
i.	**Projected benefit obligation as at the beginning of the year**	**48.08**	**37.87**
	Service cost	3.21	6.81
	Interest cost	3.40	2.59
	Actuarial Losses / (Gains)	(8.88)	7.28
	Benefits paid	(3.84)	(6.47)
	Projected benefit obligation as at the end of the year	**41.97**	**48.08**
ii.	**Fair value of the plan assets at the beginning of the year**	**1.17**	**1.17**
	Expected return on plan assets	0.12	-
	Contributions	0.16	-
	Benefits paid	(0.09)	-
	Actuarial Losses / (Gains) on plan assets	0.01	-
	Fair value of the plan assets at the end of the year	**1.37**	**1.17**
iii.	**Amount recognised in the balance sheet :**		
	Projected benefit obligation at the end of the year	41.97	48.08
	Fair value of the plan assets at the end of the year	1.37	-
	(Liability) / Asset recognised in the Balance sheet	**(40.60)**	**(48.08)**

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. million)

	31.03.2010	31.03.2009
iv. **Cost of the defined plan for the year :**		
Current service cost	3.21	6.81
Interest on obligation	3.40	2.59
Expected return on plan assets	(0.12)	-
Net actuarial (gains) / losses recognised in the year	(8.87)	7.28
Net cost recognised in the Profit and Loss account	**(2.38)**	**16.68**

v. **Assumptions :**

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

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

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

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

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

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

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

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

	Grant - I	Grant - II	Grant - III	Grant - IV
Date of Grant	29.09.2007	28.01.2008	30.04.2008	24.07.2008
Exercise Price [Rs.]	183.60	150.45	118.05	122.80
Vesting commences on	29.09.2008	28.01.2009	30.04.2009	24.07.2009
Options granted	13,35,700	30,000	12,400	69,800
Options vested and exercisable as on 31.03.2010	4,10,748	-	-	3,856
Options outstanding (Not vested) as on 31.03.2010	6,66,000	-	-	39,600
Options exercised during the year	-	-	2,232	-
Options cancelled during the year	2,58,952	30,000	10,168	26,344
Total Options outstanding and not exercised as on 31.03.2010	10,76,748	-	-	43,456

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

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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

	Grant - I	Grant - II	Grant - III	Grant - IV
Fair value as per Black scholes options pricing formula [Rs.]	67.11	55.52	45.55	49.21
Exercise Price [Rs.]	183.60	150.45	118.05	122.80

Had the Parent Company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 74.57 million and the impact on the financial statements would be :

	31.03.2010	31.03.2009
Increase in employee costs	Rs.12.43 million	Rs.31.31 million
Decrease in Profit after Tax	Rs.8.21 million	Rs.20.67 million
Decrease in Basic & Diluted Earnings per share	Rs.0.09	Rs.0.22

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

	Grant I & II	Grant III & IV
Risk free Interest rate	7.50%	8.87%
Expected Life	2.5 to 5.5 years	2.5 to 5.5 years
Expected volatility	43.23%	44.84%
Expected dividend yield	2.53%	2.27%

(Rs. million)

NOTES TO PROFIT AND LOSS ACCOUNT	31.03.2010	31.03.2009
8 **Interest and finance charges :**		
- On debentures and fixed loans	275.31	247.92
- On Others	41.62	116.51
	316.93	364.43
Less : Interest capitalised	9.39	35.43
Total	**307.54**	**329.00**
9 Donation given to Political parties during the year :		
Bharatiya Janata Party	5.00	-

10 **Related Party Disclosures**

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

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

Associate :

Laserwords Pvt Ltd (Laserwords)

Joint ventures :

Murugappa Morgan Thermal Ceramics Ltd (MMTCL)
Ciria India Ltd (Ciria)
Wendt India Ltd (Wendt)
JingRi-CUMI Super-Hard Materials Co., Ltd (Jingri) (till December 2009)

Key management personnel :

Mr. K Srinivasan

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

10 (b) Transactions with Related party

(Rs. million)

	Associate		Joint Ventures		Key Management Personnel		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Income from sales and services	-	-	84.48	77.77	-	-	84.48	77.77
Purchase of goods	-	-	92.16	305.15	-	-	92.16	305.15
Lease/rental income	-	-	0.12	0.40	-	-	0.12	0.40
Dividend income	13.19	8.80	29.78	45.73	-	-	42.97	54.53
Reimbursement of employee cost	-	-	0.13	2.28	-	-	0.13	2.28
Debtors	-	-	3.15	24.81	-	-	3.15	24.81
Creditors	-	-	2.72	1.23	-	-	2.72	1.23
Managerial remuneration	-	-	-	-	9.52	7.09	9.52	7.09
Letters of Comfort/Guarantee issued	-	-	-	95.50	-	-	-	95.50

10 (c) Details of Transactions with Related parties during the year ended 31.03.2010 :

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

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

a. **Business Segments**

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

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

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

IT services include web enabling services and digitised data capture.

Power denote the generation of power from Natural Gas.

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

Proportionate share from Joint venture is seperately disclosed.

b. **Geographical Segments**

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

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

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

11 (B) SEGMENT DISCLOSURE

a. Primary Segment Information

(Rs. million)

Particulars	Abrasives		Ceramics		Electrominerals		IT Services		Power		Eliminations		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1. REVENUE														
Gross Sales	5507.63	5232.97	2373.53	2147.05	4351.47	3933.83	5.76	5.70	57.22	63.08			12295.61	11382.63
Less : Excise Duty	309.67	417.01	101.93	116.39	58.88	66.07							470.48	599.47
Net External Sales	**5197.96**	**4815.96**	**2271.60**	**2030.66**	**4292.59**	**3867.76**	**5.76**	**5.70**	**57.22**	**63.08**			**11825.13**	**10783.16**
Income from Processing Charges					10.88	17.80	81.15	79.32					92.03	97.12
Income from work bills and services			71.06	59.14									71.06	59.14
Proportionate share of Income in Joint Ventures	318.54	507.86	515.29	482.53									833.83	990.39
Inter segment Revenue	1.37	1.49	13.13	9.17	485.67	359.56	14.47	12.58	82.54	59.28	(597.18)	(442.08)		
Total Revenue	**5517.87**	**5325.31**	**2871.08**	**2581.50**	**4789.14**	**4245.12**	**101.38**	**97.60**	**139.76**	**122.36**	**(597.18)**	**(442.08)**	**12822.05**	**11929.81**
2. RESULT														
Segment result	520.14	516.63	460.09	446.61	1027.48	758.24	14.62	11.02	51.45	35.71			2073.78	1768.21
Proportionate share of Results in Joint venture	(2.85)	4.49	97.29	78.42									94.44	82.91
Proportionate share of Result in Associate													2.94	95.01
Unallocated corporate exp.													(175.68)	(253.68)
Interest expense													(307.54)	(329.00)
Interest and dividend income													25.31	40.78
Profit on sale of Fixed Assets (Net)	5.98	0.04	(2.10)	288.87	0.08	2.69							3.96	291.60
Profit on sale of investments													0.06	0.01
Income taxes													(560.36)	(550.73)
Minority interest													(139.61)	(107.92)
Net profit after tax	**523.27**	**521.16**	**555.28**	**813.90**	**1027.56**	**760.93**	**14.62**	**11.02**	**51.45**	**35.71**			**1017.30**	**1037.19**
3. OTHER INFORMATION														
Segment assets	4448.75	4256.00	2777.94	2641.69	3233.82	2635.68	45.73	43.05	24.36	45.61			10530.60	9622.03
Proportionate share of Assets in Joint ventures	287.39	916.15	404.13	353.06									691.52	1269.21
Unallocated corporate assets *													1951.32	2268.63
Total assets	**4736.14**	**5172.15**	**3182.07**	**2994.75**	**3233.82**	**2635.68**	**45.73**	**43.05**	**24.36**	**45.61**			**13173.44**	**13159.87**
Segment liabilities	543.35	566.97	230.94	226.54	568.73	546.44	19.34	18.99	4.17	12.04			1366.53	1370.98
Proportionate share of Liabilites in Joint ventures	65.56	430.00	106.45	93.37									172.01	523.37
Unallocated corporate liabilities @													5706.24	6226.84
Total liabilities	**608.91**	**996.97**	**337.39**	**319.91**	**568.73**	**546.44**	**19.34**	**18.99**	**4.17**	**12.04**			**7244.78**	**8121.19**
Capital expenditure	431.49	116.19	172.72	564.95	384.02	401.59	2.61	3.65	0.39	1.71				
Depreciation & Amortization	150.11	143.02	156.47	110.61	77.27	70.32	1.70	1.36	17.80	16.91				
Non-Cash expenses other than Depreciation	31.19	3.98	8.81	5.59	1.39	4.15	1.02	0.27						

* Includes Goodwill of Rs. 848.50 million (Previous Year Rs. 1036.26 million)

@ Includes Minority Interest of Rs 490.03 million (Previous Year Rs 485.60 million)

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. million)

	31.03.2010	31.03.2009
b. Secondary Segment Information		
1. Revenue by Geographical market		
India	7165.71	6529.08
Rest of the World	5656.34	5400.73
Total	**12822.05**	**11929.81**
2. Carrying amount of Segment Assets		
India	6659.88	6448.87
Rest of the World	3870.72	3173.16
Total	**10530.60**	**9622.03**
3. Addition to Fixed Assets and Intangible Assets		
India	442.46	776.70
Rest of the World	548.77	311.40
Total	**991.23**	**1088.10**
12 **Notes relating to Leases**		
a. Cost of Leased Assets Vehicles / Data processing Equipments	30.09	29.01
b. Net Carrying amount	13.72	13.90
c. Reconciliation between Total Minimum Lease payments and their Present value :		
Total Minimum Lease Payments	19.25	20.05
Less : Future Liability on Interest account	(3.25)	(2.99)
Present value of Lease payments	16.00	17.06

d. Yearwise Future Minimum lease rental payments

	Total Minimum Lease Payments as on 31.03.2010	Present value of Lease payments as on 31.03.2010	Total Minimum Lease Payments as on 31.03.2009	Present value of Lease payments as on 31.03.2009
(I) Not later than one year	8.88	7.20	8.61	6.87
(ii) Later than one year and not later than five years	10.37	8.80	11.44	10.19
(iii) Later than five years	Nil	Nil	Nil	Nil

14. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. million)

			31.03.2010	31.03.2009
13	**Information relevant for Accounting Standard 20 - Earnings per share**			
	a.	The calculation of the Basic and Diluted Earning per share is based on the following data:		
		Net Profit for the year	1017.30	1037.19
		Weighted average number of equity shares outstanding during the year	93,354,226	93,354,000
		Basic and Diluted Earning per share (Face value of Rs.2 each)	Rs. 10.90	Rs. 11.11
	b.	The unit price of stock options granted to the Employees of Parent Company are anti-dilutive and hence the Basic and Diluted Earnings per share remain the same.		
14	**Information relating to Deferred tax :**			
	a.	Deferred Tax Assets arising out of timing difference relating to :		
		Provision for Bad and Doubtful debts and advances	14.13	10.21
		Provision for Leave encashment	11.66	15.14
		Other disallowances under Section 43 B	18.25	15.77
		Voluntary Retirement Scheme payments	5.27	9.82
		Restatement losses on Foreign currency borrowings	4.43	13.87
		Leased Assets	1.16	1.32
		Others	9.20	-
		Proportionate share of Deferred tax assets in Joint ventures	5.47	4.88
			69.57	71.01
	b.	Deferred Tax Liability arising out of timing difference relating to :		
		Depreciation	482.80	442.01
		Inventories	11.50	15.90
		Proportionate share of Deferred tax liabilities in Joint ventures	24.68	24.52
			518.98	482.43
		Deferred Tax Liability (Net)	**(449.41)**	**(411.42)**

15 Provision for Dividend Tax has been made considering the credit amounting to Rs.7.05 million (Previous year Rs.4.89 million) available for set off in respect of dividend tax payable on dividends to be distributed by three subsidiary companies, based on the provision under subsection (1A) of Section 115 O of the Income Tax Act, 1961.

16 Previous year figures have been regrouped wherever necessary.

DISCLOSURE OF INFORMATION RELATING TO SUBSIDIARIES

(a) Summary financial information of Subsidiary Companies

(Rs. million)

Particulars	CUMI America Inc		Net Access (India) Private Limited		Southern Energy Development Corporation Limited		CUMI Fine Materials Limited		Sterling Abrasives Limited		CUMI Australia (Pty) Limited		CUMI Middle East FZE		CUMI Canada Inc		CUMI International Limited		Volzhsky Abrasive Works		Foskor Zirconia (Pty) Limited		CUMI Abrasives & Ceramics Co. Limited
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009	2008	2009	2008	2009-10	2008-09	2009
1. Share capital	2.26	2.26	16.00	16.00	4.60	4.60	0.50	0.50	9.00	9.00	20.74	20.74	1.23	1.23	152.49	152.49	1083.35	1083.35	5.58	5.58	0.006	0.006	351.81
2. Reserves & Surplus	8.20	13.56	12.87	3.18	157.16	146.34	-	-	163.39	129.13	255.59	199.06	7.37	5.20	(121.48)	(85.23)	21.17	(19.45)	1693.68	1347.88	370.75	374.39	(61.66)
3. Total Liabilities [a]	18.87	18.84	21.38	23.87	44.40	38.95	0.01	-	71.89	53.56	127.76	138.53	59.26	73.18	187.10	162.23	1253.05	1266.41	233.22	351.61	232.90	325.84	162.75
4. Total Assets [b]	29.33	34.66	50.25	43.05	206.16	189.89	0.51	0.50	244.28	191.69	404.08	358.32	67.86	79.61	218.11	229.49	2357.57	2330.31	1932.48	1705.08	603.65	700.24	452.90
5. Turnover	30.47	55.79	102.67	98.24	156.86	133.17	-	-	321.52	290.16	568.28	561.73	131.81	107.86	118.64	140.26	101.33	63.20	3252.26	3282.81	813.13	800.30	-
6. Profit before Tax	(8.20)	0.14	14.44	10.72	59.95	46.40	-	-	83.77	58.02	161.42	170.82	4.02	4.52	(31.49)	(51.34)	45.96	10.21	626.20	366.48	(6.38)	101.95	-
7. Provision for Taxation																							-
- Current	(2.84)	-	4.75	3.13	8.90	4.41	-	-	26.00	21.32	48.36	51.27	-	-	-	-	5.33	3.39	167.10	115.31	(2.52)	29.53	-
- Deferred	-	-	-	-	-	-	-	-	2.30	(0.89)	-	-	-	-	-	-	-	-	2.34	(1.67)	-	-	-
8. Profit after Tax	(5.36)	0.14	9.69	7.59	51.05	41.99	-	-	55.47	37.59	113.06	119.55	4.02	4.52	(31.49)	(51.34)	40.62	6.82	456.76	252.83	(3.86)	72.42	-
9. Proposed dividend [c]	-	-	2.80	1.40	40.23	26.91	-	-	20.99	15.79	56.53	59.77	1.84	1.58	-	-	-	-	-	106.87	-	-	-

a Total Liabilities include : Secured loan, Unsecured loan, Current Liabilities & Provisions and Deferred Tax liability

b Total Assets include : Net Fixed assets, Investments, Current Assets, Deferred Tax asset and Deferred Revenue Expenditure

c Including dividend tax. For Volshky Abrasive Works, Russia, dividend for 2009 is due for consideration by the board in May 2010.

d In respect of CUMI International, Cyprus and Volzhsky Abrasive Works, Russia and CUMI Abrasives & Ceramics Co. Ltd, the figures are in respect of the financial years ended 31st December. For all other subsidiaries the figures are for the financial year ended 31st March. CUMI Abrasives & Ceramics Co.Ltd became operational only in December 2009 and hence details have been provided only for that period.

e The above information has been furnished as required by the Ministry of Corporate Affairs whilst granting exemption under Section 212 of the Companies Act, 1956. As stipulated therein, in case of overseas subsidiaries, the Indian Rupee equivalent of the figures given in foreign currency as on 31.03.2010 has been used.

(b) Details of Investments held by a Subsidiary :

(Rs. million)

a. Southern Energy Development Corporation Ltd.

	Nature	31.03.2010	31.03.2009
Carborundum Universal Limited	Long term - quoted equity shares	18.49	18.49
Chola Mutual fund - Liquid fund	Short term - quoted units	0.00	1.03
Birla Mutual Fund - FMP	Short term - quoted units	10.50	7.00
HDFC Mutual fund - Liquid fund	Short term - quoted units	12.10	5.35
UTI Mutual fund	Short term - quoted units	132.73	105.91
Laserwords Pvt Ltd.,	Long term - unquoted equity shares	3.39	3.39
Total		**177.22**	**141.17**

b. Volzhsky Abrasives Works

	Nature	31.12.2009	31.12.2008
OGK	Long term - unquoted equity shares	0.23	0.00
Ross Stanco Instruments	Long term - unquoted equity shares	0.01	0.01
Sochi TPP	Long term - quoted equity shares	0.00	0.01
RusGidro	Long term - quoted equity shares	0.01	0.01
MosEnergo	Long term - quoted equity shares	0.00	0.00
MSRK	Long term - quoted equity shares	0.01	0.00
FSK UEC	Long term - quoted equity shares	0.01	0.00
MDM Bank	Short term - unquoted securities	3.10	0.00
Urals Bank	Short term - unquoted securities	0.78	0.00
Others		0.01	0.49
Total		**4.16**	**0.52**

c. Net Access (India) Pvt Ltd

	Nature	31.03.2010	31.03.2009
Ciria India Ltd	Long term - unquoted equity shares	0.00	0.00
HDFC Mutual fund - Liquid fund	Short term - quoted units	2.00	0.00
UTI Mutual fund	Short term - quoted units	2.52	0.00
Total		4.52	0.00

d. Sterling Abrasives Limited

	Nature	31.03.2010	31.03.2009
Reliance Interval Series	Short term - quoted units	10.00	0.00
HDFC Mutual fund - Liquid fund	Short term - quoted units	5.07	0.00
Total		**15.07**	**-**

e. CUMI International Limited

	Nature	31.12.2009	31.12.2008
CUMI Canada Inc.	Long term - unquoted Class A shares	22.64	22.64
CUMI Canada Inc.	Long term - unquoted Class B shares	21.35	
Cumi Abrasives and Ceramics Ltd	Long term - equity shares	805.33	
Total		**849.31**	**22.64**

M M Murugappan
Chairman

K Srinivasan
Managing Director

V Ramesh
Chief Financial Officer

S Dhanvanth Kumar
Company Secretary

Chennai, 3rd May 2010

FINANCIAL TRACK RECORD

	STANDALONE PERFORMANCE					CONSOLIDATED PERFORMANCE				
31st March	**2006**	**2007**	**2008**	**2009**	**2010**	**2006**	**2007**	**2008**	**2009**	**2010**
a Net Sales	3721	4646	5868	6578	7381	4865	6210	9093	11930	12822
b EBITDA *	815	1022	1106	1139	1429	1045	1320	1542	1988	2429
c PBIT *	681	854	854	841	1076	888	1125	1242	1634	2017
(* excluding profit on sale of fixed assets/ investments)										
d PBT	1007	853	1372	861	842	1211	1119	1740	1601	1714
e PAT	766	587	972	597	580	865	751	1189	1037	1017
f Net Fixed Assets	1676	2492	3246	3710	3788	2021	3063	4349	5173	5316
g Net Working Capital	1087	1371	1867	2325	2036	1416	1953	3263	4267	4315
h Investments	511	897	1698	1722	1718	419	636	564	610	779
i Shareholders Networth	2374	2740	3519	3909	4289	2790	3420	4468	5039	5929
j Loan Funds	723	1815	3010	3480	2838	770	1954	3822	5150	4391
Ratio Analysis										
A **Performance Ratios**										
1 EBITDA / Net Sales %	22%	22%	19%	17%	19%	21%	21%	17%	17%	19%
2 PBIT / Net Sales %	18%	18%	15%	13%	15%	18%	18%	14%	14%	16%
3 Asset Turnover times	1.5	1.4	1.3	1.2	1.2	1.5	1.4	1.3	1.2	1.2
4 Return on Capital Employed %	23%	21%	15%	12%	14%	26%	23%	17%	16%	18%
5 Return on Equity %	35%	23%	31%	16%	14%	34%	24%	30%	22%	19%
6 International Revenue share %	12%	15%	15%	21%	18%	12%	13%	31%	45%	44%
B **Leverage Ratios**										
1 Interest Cover times	29.1	14.4	6.5	4.2	6.0	33.7	17.4	8.2	6.0	7.9
2 Debt Equity Ratio	0.3	0.7	0.9	0.9	0.7	0.3	0.6	0.9	1.0	0.7
3 Debt / Total Assets	0.2	0.4	0.4	0.4	0.4	0.2	0.3	0.4	0.5	0.4
C **Liquidity Ratio**										
1 Current Ratio	2.7	2.6	2.8	3.1	2.6	2.7	2.6	2.9	3.1	3.3
D **Activity Ratio**										
1 Inventory Turnover days	47	49	52	59	58	46	50	55	64	68
2 Receivable Turnover days	74	69	70	79	77	72	70	72	76	78
3 Creditors No. of days	40	45	47	47	48	43	50	51	51	51
4 Cash Cycle days	81	74	76	90	88	75	70	76	88	96
E **Investor related Ratios**										
1 Earning Per Share (Rs.)	8.2	6.3	10.4	6.4	6.2	9.3	8.0	12.7	11.1	10.9
2 Dividend Per Share (Rs.)	3.6	1.5	2.0	2.0	2.0					
3 Dividend Payout	50%	28%	22%	36%	36%					
4 Price to Earnings Ratio						13.7	19.9	12.7	9.3	13.2
5 Enterprise Value / EBITDA						11.7	11.9	12.1	7.4	7.3
6 Enterprise Value / Net Sales						2.6	2.7	2.1	1.2	1.4

GLOSSARY

A	Performance Ratios	
1	EBITDA/Net Sales %	EBITDA/Net Sales
2	PBIT/Net Sales %	PBIT/Net Sales
3	Asset Turnover times (excluding Investments)	Net sales/ Average Capital Employed excluding Investments
4	Return on Capital Employed %	PBIT/Average Capital Employed
5	Return on Equity	PAT/Average of Shareholders' Funds
B	Leverage Ratios	
1	Interest Cover times	EBITDA/Interest cost
2	Debt Equity Ratio	Total Debt/Shareholders' Funds
3	Debt/Total Assets	Total Debt/Total Assets
C	Liquidity Ratio	
1	Current Ratio	Average of Current Assets/Current Liabilities
D	Activity Ratio *	
1	Inventory Turnover days	Average Inventory / (Turnover/365)
2	Receivable Turnover days	Average Receivables / (Turnover/365)
3	Creditors No of days	Average Trade Creditors / (Turnover/365)
4	Cash Cycle days	Inventory Turnover + Receivables Turnover - Creditors No of days

* based on Turnover and average of opening/closing parameters

E	Investor related Ratios	
1	Earning Per Share (Rs.)	
2	Dividend Per Share (Rs.)	
3	Price to Earnings Ratio	Average share price of monthly high low / EPS
4	Enterprise Value/EBITDA	Total Enterprise Value^ / EBITDA
5	Enterprise Value/Net Sales	Total Enterprise Value^ / Net Sales
	^ Enterprise value	Market Capitalisation + Loan Funds + Minority Interest – Cash & Cash Equivalents

Cautionary Statement

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