



**Pokarna Limited**

Registered & Corporate Office: 105, Sardar Patel Road, Secunderabad 500 003, Andhra Pradesh, India. Phone: +91 40 6631 0111/222  
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**POKARNA LIMITED**

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Pokarna Limited will be held on **Tuesday, the 21st day of September, 2010 at Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad at 10.30 am** to transact the following business:

### ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in Place of Shri. Prakash Chand Jain, who retires by rotation and, being eligible, offers himself for reappointment.
- 3) To appoint a Director in Place of Shri. Vinayak Rao Juvvadi, who retires by rotation and, being eligible, offers himself for reappointment.
- 4) To re-appoint Messrs. S. Daga & Co., Chartered Accountants, Hyderabad (ICAI Registration No. 000669S) as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

By order of the Board

**Paras Kumar Jain**  
Company Secretary

7th August, 2010

### Registered Office:


First Floor, Surya Towers  
105, S P Road  
Secunderabad-3.

### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting and for easy identification of attendance at the Meeting.
3. Members are requested to address all correspondences, including dividend matters, to Karvy Computershare Private Limited, Registrar and Share Transfer Agents, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad 500 081.
4. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates of bank account details to their respective Depository Participants.
5. Your Company does not have any unclaimed dividend for any of the previous financial year pending transfer to the Investor Education and Protection Fund account of the Central Government.
6. Members holding shares in the same order of name or in the same order of names but in several folios, please let us know so that we may consolidate them into one folio.

7. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in Physical Form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2 B in duplicate (which will be made available on request) to Karvy Computershare Limited.
8. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the Meeting.
9. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members / Proxies should fill the Attendance slip for attending the Meeting.
10. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
11. The Register of Members and Share Transfer books of the Company will remain closed from 15th September, 2010 to 21st September, 2010 (both days inclusive).
12. Following is bio-graphical data about the Directors seeking re-election as required under clause 49 of the Listing Agreement entered with the Stock Exchanges:

Name of the Director	Shri. Prakash Chand Jain	Shri. Vinayak Rao Juvvadi
Date of Birth	27.07.1959	05.09.1959
Date of Appointment	09.10.1991	29.01.2003
Expertise in specific functional areas	General Management	General Management, Finance and Strategies
Qualifications	B.Com.,	Masters in Applied Chemistry Masters in Computer Science from IIT, Chicago MBA from Kellogg's School of Management, Northwestern University, Chicago
Directorship held in other companies as at 31st March, 2010 (excluding foreign companies and private limited companies)	Pokarna Fabrics Ltd. Pokarna Marketing Limited	—
Chairmanship / Membership of Committees (across all public limited Companies)	Member – Remuneration Committee, Pokarna Limited	Member – Audit Committee, Pokarna Limited
No. of shares held in the Company as on 31st March, 2010	5,00,000	Nil



*“The greatest risk of all  
is not to take a risk at all.”*

*– Anon*

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## **BOARD OF DIRECTORS**

Shri. Gautam Chand Jain, *Chairman & Managing Director*

Shri. Prakash Chand Jain, *Director*

Shri. M Yugandhar, *Director*

Shri. T V Chowdary, *Director*

Shri. Vinayak Rao Juvvadi, *Director*

Shri. Mahender Chand Chordia, *Director*

Shri. Dhanjibhai Sawla, *Director*

Shri. Rahul Jain, *Executive Director*

Shri. Siddharth Jain, *Executive Director*

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## **COMPANY SECRETARY**

Shri. Paras Kumar Jain

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## **AUDITORS**

M/s. S. Daga & Co., Chartered Accountants, Hyderabad.

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## **BANKERS**

Union Bank of India, Khairatabad, Hyderabad, Bank of India, Khairatabad, Hyderabad

Indian Overseas Bank, M.G. Road, Secunderabad

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## **REGISTERED & CORPORATE OFFICE**

First Floor, Surya Towers,

105, Sardar Patel Road, Secunderabad-500 003, Andhra Pradesh, India.

Tel: 91-40-27842182, 27844101, 27897722, 66310111/222, Fax: 91-40-27842121

Email: [contact@pokarna.com](mailto:contact@pokarna.com)

Website: [www.pokarna.com](http://www.pokarna.com), [www.stanzaworld.com](http://www.stanzaworld.com)

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## **FACTORIES**

Survey No.123, Toopranpet (Village),

Choutuppal (Mandal), Nalgonda (District), Andhra Pradesh.

Survey No. 563, 568 & 574,

Aliabad Village, Shameerpet (Mandal), R.R. District, Andhra Pradesh.

Survey No. 33, 39, 50, 51, 55, 68 & 69, Apparels Export Park,

Gundla Pochampally Village, Medchal Mandal, R. R. District, Andhra Pradesh.

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## **19th ANNUAL GENERAL MEETING**

Date: 21st September, 2010 • Time: 10:30 a.m.

Place: Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the 19th Annual Report together with the Audited Accounts of Your Company for the financial year ended 31st March, 2010. The summarised consolidated and standalone financial performance of Your Company is as under:

### FINANCIAL RESULTS

Rupees in Lakhs

Particulars	Standalone		Consolidated	
	2009-2010	2008-2009	2009-2010	2008-2009
Total Income	<b>13561.58</b>	14627.08	<b>14451.11</b>	14628.59
Less-Expenditure	<b>13941.39</b>	14511.86	<b>15822.19</b>	14512.69
Profit/(Loss) Before Tax	<b>(379.81)</b>	115.22	<b>(1371.08)</b>	115.90
Prior Period Items	–	–	–	–
Provision for Taxation	<b>2.35</b>	84.33	<b>0.31</b>	84.54
Net Balance of Profit/(Loss)	<b>(382.16)</b>	30.89	<b>(1371.39)</b>	31.36
Balance of Profit brought forward	<b>4723.77</b>	6181.37	<b>4727.50</b>	6184.64
Appropriation				
Dividend	–	–	–	–
Corporate Dividend Tax	–	–	–	–
Transfer to General Reserve	–	–	–	–
FCCB Redemption Reserve	<b>803.33</b>	1488.49	<b>803.33</b>	1488.49
Balance Carried to Balance Sheet	<b>3538.28</b>	4723.77	<b>2552.78</b>	4727.51

The decrease in granite business was primarily driven by continued weakness in the export markets and more particularly the U.S and Europe market and unfavorable price and product mix as customer's preference shifted to lower priced products. The current downturn in the U.S. and other economies, along with the housing markets in such economies, has negatively impacted the dimension stone industry and Your Company's granite business.

The bottom-line of the apparel division of Your Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business.

### SUBSIDIARY & CONSOLIDATED FINANCIAL STATEMENTS

In terms of the Section 212 of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of Pokarna Engineered Stone Limited have been attached to the Accounts of the Company for the year ended 31st March, 2010 and forms part of this annual report. The Statement as required under Section 212(3) also forms part of this Annual Report.

Consolidated Financial Statements in accordance with Accounting Standard-21 issued by The Institute of Chartered Accountants of India have been provided in the Annual Report. These Consolidated Financial Reports provide financial information about Your Company and its Subsidiary as a single economic entity. The Consolidated Financial Statements form part of this Annual Report.

### DIVIDEND

In view of the loss for the financial year 2009-10, the Board of Directors of Your Company has decided not to recommend payment of dividend for the year under review.



## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, the Directors confirm that :

In the preparation of the Annual Accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

They had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;

They had taken proper and sufficient care 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; and

They have prepared the Annual Accounts on a going concern basis.

## **AUDIT COMMITTEE**

In consonance with the requirement of Clause 49 of the Listing Agreement entered into with Bombay Stock Exchange Ltd., and Section 292A of the Companies Act, 1956, Your Company has constituted Audit Committee. The Composition of the Committee is given else where in the report.

## **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited, a separate section titled 'Corporate Governance', and the report on 'Management Discussion and Analysis' forms part of the Annual Report. A certificate from Auditors of the Company regarding compliance of the conditions of Corporate Governance' as stipulated under Clause 49 of the Listing Agreement is given in the Annual Report.

The Ministry of Corporate Affairs has issued Corporate Governance Guidelines in December, 2009. While these Guidelines are recommendatory in nature, the Company has already adopted most of the Guidelines. The Company will be reviewing its Corporate Governance parameters in the context of the other recommendations under the said Guidelines for appropriate adoption.

All Board Members and Senior Management Personnel have affirmed compliance with the Code of conduct for the year 2009-10. A declaration to this effect signed by the Chairman & Managing Director (CEO) of the company is annexed to this report.

The CEO and Chief Financial Officer (CFO) have certified to the Board with regard to the financial statements and other matters as required in clause 49 of the Listing Agreement.

## **AUDITOR**

M/s. S. Daga & Co., Chartered Accountants, who are the Statutory Auditors of the Company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the Financial Year 2010-11. As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s. S. Daga & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

The members are requested to appoint auditors for the period from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and authorize Board to fix their remuneration.

## **DIRECTORATE**

Shri. Prakash Chand Jain and Shri. Vinayak Rao Juvvadi retire by rotation and, being eligible, offer themselves for re-appointment.

## **PARTICULARS OF EMPLOYEES**

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) are annexed to the Directors Report. However as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholders interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## **PROMOTER GROUP**

Pursuant to intimation from Jain Family Promoters of Your Company, the names of Jain Family Promoters and Companies comprising the “group” as defined in the Monopolies and Restrictive Trade Practices Act, 1969, have been disclosed in the Annual Report of Your Company for the purpose of Regulation 3(1) (e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:

1. Gautam Chand Jain & Family
2. Ashok Chand Jain & Family
3. Prakash Chand Jain & Family
4. Dilip Kumar Jain & Family
5. Raaj Kumar Jain & Family
6. Rahul Jain & Family
7. Siddharth Jain
8. Neha Jain
9. Ekta Jain
10. Sneha Jain
11. Pokarna Fabrics Limited \*
12. Pokarna Marketing Limited\*
13. Pokarna Apparels Limited \*
14. Pokarna Fashions Limited \*

Family for this purpose includes spouse, dependent children and parents.

\* Company owned and controlled by the Jain Family. These companies are not Member(s)/Shareholders' of the Pokarna Limited or its Subsidiary.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Disclosure under “Form A” pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable to the Company.

Company's quarrying operations, granite processing plants and apparel manufacturing plant are designed to achieve high efficiency in the utilisation of energy. The key areas with regards to reduction of energy have been identified by us and necessary steps initiated. The Company has no specific Research & Development department.

## **FORM B**

(Disclosure of particulars with respect to Technology Absorption)

Research and development (R & D)

1. Specific areas in which R & D carried out by the company — Not applicable having regard to the nature of the industry.
2. Benefits derived as a result of the above R&D — Not applicable having regard to the nature of the industry.
3. Future plan of action — Not applicable having regard to the nature of the industry.
4. Expenditure on R & D:
  - a) Capital – Nil

- b) Recurring – Nil
- c) Total – Nil
- d) Total R&D expenditure as a percentage of total turnover – Nil

The Company maintains a high level of information flow with various companies. Through visits of Executives to developed countries, the Company keeps abreast with the advanced Technology Developments and through specific programmes introduces, adopts and absorbs these sophisticated technologies. This has resulted in higher production, accuracy and perfection in excavation of rough granite blocks, processing of random granite slabs and tiles, and, manufacturing of apparel.

Your Company is at present exporting granite to Australia, Bahrain, Belgium, Canada, China, Croatia, Colombia, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Jordan, Korea, Libya, Liechtenstein, Mauritius, Mexico, Netherlands, Norway, Panama, Poland, Puerto Rico, Qatar, Republic of Panama, Russia, Saudi Arabia, Slovenia, Spain, St. Lucia, South Africa, Switzerland, Taiwan, Turkey, Uganda, United Arab Emirates, United Kingdom, United States of America, Venezuela and Vietnam.

Your Company is at present exporting apparel to Canada, Germany, Italy, Netherlands, Romania, Switzerland, United Kingdom and United States of America.

Your Company is continuously exploring possibilities of exporting to different markets.

During the year under review, the total standalone foreign exchange earnings and expenditure of Your Company was Rs. 9073 Lakhs and Rs.1601 Lakhs respectively.

#### **ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for the excellent support and co-operation received from the Banks, Government Authorities, Customers, Suppliers, Shareholders and other Stakeholders during the year under review. The Board is also thankful to the holders of Foreign Currency Convertible Bonds for their support.

Your Directors acknowledge with gratitude the commitment and dedication of the employees at all levels, that has contributed to the growth and success of the Company.

For and on behalf of the Board

Place : Secunderabad  
Date : 7th August, 2010

**Gautam Chand Jain**  
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS



### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

#### **Granite**

The word “Granite” is derived from the Latin word “Granum” meaning “grain” because of its granular nature. Your Company’s granite segment activities can be broadly classified into the granite quarrying and processing of slabs and tiles, etc.

Your Company competes with other granite quarriers and manufacturers and processors in the sale of granite blocks and the finished goods on the basis of price, color, quality, geographic proximity, service, design availability, production capability, and delivery options. All of granite products are subject to competition from same and or similar color or type supplied by quarriers and manufacturers located in India and other parts of the World.

Your Company’s quarrying and manufacturing competitors include both domestic and international companies, some of which may have greater financial, technical, manufacturing, marketing and other resources. Foreign competitors may have access to lower cost labor and better commercial deposits of granite, and may be subject to less restrictive regulatory requirements.

In respect of Company’s granite processing business, for certain raw materials, the Company is dependent on one or a small number of suppliers. An adverse change in the Company’s relationship with such a supplier, the financial condition of such a supplier or such supplier’s ability to quarry or deliver such raw materials to the Company could lead to an interruption of supply. An extended interruption in the supply of these or other raw materials used in the Company’s business or in the supply of suitable substitute materials would disrupt the Company’s operations, which could have a material adverse effect on the Company’s business.

The Company believes that the U.S. dimension stone industry has experienced declining demand beginning in the fourth quarter of 2006 which worsened considerably during the later parts of 2008 and continued to decline through the considerable part FY 10. The global economy continues in the most significant downturn in recent history. Overall economic conditions and consumer sentiment have remained challenging, which has intensified the pressure on the demand for dimension stone products. Although the Company cannot determine with certainty as to when market conditions will stabilize and begin to improve, the Company believes it is well-positioned in the long-term as the industry improve.

#### **Apparel**

According to CRISIL Research, Readymade Garments industry (domestic and exports) is expected to grow at a compounded annual growth rate (CAGR) of 6.4% to touch INR 2,156 billion in 2014 from INR 1,582 billion in 2009. The domestic sales are expected to grow at a CAGR of 7.4% to touch INR 1,649 billion in 2014, from INR 1,155 billion in 2009, primarily due to increasing income levels.

Apparel industry has shown signs of recovery in the late second half of 2009-10. Like-to-like growth numbers may improve with better economic conditions and higher consumer discretionary spends. Industry is reassessing its position and looking for expansion, however, luxury brands are still cautious. Apparel players are focusing on exploring new opportunities in fast growing segments like casual wear, denim and value fashion. Growth in US and Europe has been near stagnant and the global brands are evaluating expansion outside their home markets into growing markets like India and China.

The bottom-line of this division of Your Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business.

## 2. OPPORTUNITIES AND THREATS

Your Company's business may be subject to many other significant Opportunities and Threats including the following:

### Granite – Opportunities

- Growing demand from other developing markets like India, Libya, etc.
- Increased usage in various applications.

### Apparel – Opportunities

- Rural India constitutes more than half of India's apparel market. The rural consumption is also growing significantly and is expected to provide much of the economic growth in coming years.
- Increasing Presence of International Players would drive efficiencies for domestic players.

### Granite – Threats

- Frequent power disruptions and high dependency on other means of power generation affects the cost of production.
- Under utilisation of Capacity.

### Apparel – Threats

- Under utilisation of Capacity.
- Competition from other low cost countries like Bangladesh, China, Turkey and Vietnam are posing serious threats to the industry.
- Rising rental and store management expenses.
- Inability to reorganize or rationalize the retail stores.
- Rising ecological and social awareness is likely to result in increased pressure on the industry to follow international labor and environmental laws.
- Cash flow from apparel business has been negative in the past due to lower capacity utilisation, huge inventory buildup, higher store rental and store management expenses and failure to manage the business in entirety could pose to be a serious conundrum going ahead.

## 3. SEGMENT WISE PERFORMANCE

At present, Company operates in two segments namely, Granite and Apparel. The financials for the said divisions of the Company are as under.

Rupees in Lakhs

Particulars	For the Year ended 31.03.2010	For the Year ended 31.03.2009
<b>Segment Revenue</b>		
a) Granite	10,277	10,816
b) Apparel	2,920	3,382
Total	13,197	14,198
Less: Inter Segment Revenue	–	–
Net Sales/Income from Operations	13,197	14,198
<b>Segment Results Profit (+)/Loss (-) before tax and interest from each segment.</b>		
a) Granite	1,050	1,663
b) Apparel	(480)	(547)
Total	570	1,116
Less: i) Interest	950	1,001
Total Segments Profit Before Tax	(380)	115
Capital Employed (Segment Assets - Segment Liabilities)		
a) Granite	8,885	9,827
b) Apparel	1,852	4,166
Unallocable assets less liabilities	1,434	554
Total	12,171	14,547

#### 4. OUTLOOK

##### **Granite**

The dimension stone industry is sensitive to changes in general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The current downturn in the U.S. and other economies, along with the residential and commercial markets in such economies, has negatively impacted the dimension stone industry and the Company's business. These difficult economic conditions may continue or deteriorate in the foreseeable future. Further, significant or prolonged declines in such economies or in spending for replacement dimension stone products or new construction activity could have a material adverse effect on the Company's business.

##### **Apparel**

Your Company is laying thrust on achieving cost efficiencies in apparel retailing (STANZA brand) front through, closing unviable stores, manpower rationalisation, improving inventory turns and reducing overheads. Besides this, new store openings will be re-aligned to match demand outlook. Your Company would also take steps to achieve higher capacity utilisation at the manufacturing (contract exports) and cost reduction to regain profitability.

In general, Outlook for all the segments in which Company operates is cautious. Vagaries of market in the form of fierce competition, demand, production and selling efficiencies, and pricing pressure would be the key drivers of success in days to come.

#### 5. RISKS AND CONCERNS

Your Company operates in a business environment characterized by increasing globalization and intensifying competition. As a result, risk is integral to its business and is managed by Your Company by regular monitoring and corrective actions. Investors are requested to exercise their own judgment in assessing various risks associated with the industry and the Company. The management cautions that the risks outlined below are not exhaustive and are for information purposes only:

- The Company faces intense competition in the dimension stone, which could decrease demand for the Company's products or force it to lower prices, which could have a material adverse effect on the Company's profitability.
- The Company may be unable to obtain raw materials on a timely basis, which could have a material adverse effect on the Company's business.
- Fluctuations in currency exchange rates may impact the Company's financial condition and results of operations and may affect the comparability of results between the Company's financial periods.
- Some countries may impose anti outsourcing restrictions should the growth of exports from any geography exceed certain acceptable limits. Such restrictions can adversely impact growth of Your Company.
- Skilled personnel in apparel industry are not available enough in numbers due to the buoyancy in the Indian textile industry with the opening up of global trade.
- Some of the machinery installed in the Apparel Division is financed under the TUF schemes which specify certain conditions. Inability to comply with these conditions shall make the Company ineligible for interest subsidy and render the loans uncompetitive thereby adversely impacting the financials of the Company.
- For STANZA retail shops Company has to compete with other branded apparel retailers to book locations on a continuous basis. If we are not able to book/find the locations at right rent, time and place that we desire, the same may have a material adverse impact on our results of operation.
- Manufacturing and sale of apparel requires forecasting of future demand and fashion trends. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. Also Apparel retailing in India is highly working capital intensive primarily because of high inventory levels.
- Staff attrition and non-availability of key personnel affect the Company's operations. Volatility in the prices of critical raw materials also impact profitability.

- Demand is dependent on general economic conditions. A downturn can adversely affect the Company's business and earnings.
- In general all businesses of the Company have significant indebtedness and a failure to generate significant cash flow could render it unable to service its obligations and may place it at a competitive disadvantage and limit its ability to pursue business.
- Uncertainty in the credit markets, downturns in the global economy and the Company's business could affect the overall availability and cost of credit.
- The Company's existing debt-equity ratio may constrain its ability to raise additional funds for future capex-oriented initiatives.
- An inability to manage operations in a cost-effective manner could blunt the Company's competitive edge.

## **6. INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilisation of resources, and effective monitoring thereof and compliance with all applicable laws.

## **7. FINANCIAL PERFORMANCE OF THE COMPANY/OPERATIONS**

- Net Sales decreased by 7% from Rs. 14198.16 Lakhs to 13197.19 Lakhs.
- Operating Profit (PBDIT) decreased by 48% from Rs. 896.38 Lakhs to Rs. 464.96 Lakhs
- Basic EPS for the year stood at Rs. (6.16) and diluted EPS stood at Rs.(6.16).

## **8. HUMAN RESOURCES**

Your Company believes that it is the employees' skills and capabilities which will provide the necessary cutting edge to face challenges and market competition. Your Company re-emphasizing philosophy that employee well-being is extremely important, welfare activities have been given a boost. The welfare focus includes recreational and sports activities.

## **9. CAUTIONARY STATEMENT**

Certain statements in this report may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, statutes and other incidental factors. The Company will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S GOVERNANCE PHILOSOPHY

Pokarna typically defines Corporate Governance as the system that allocates duties and authority among the company's Board of Directors. The end result of Good Corporate Governance is intended to be a well run, efficient company that identifies and deals with its problems in a timely manner, creates value for its Shareowners', and meets its legal and ethical responsibilities.

At Pokarna, our commitment to strong, responsible corporate governance begins with our Board of Directors. Each Board member is vitally concerned that we preserve the integrity that has characterized our company.

It's no surprise that we at Pokarna take the issue of corporate governance very seriously from the boardroom to the manufacturing floor. Integrity has always been one of our values; it is the foundation of our reputation and one of our most precious assets. We govern ourselves with a rigorous system of checks and balances to ensure utmost compliance to fair and honest business practices. This ensures that our integrity is never compromised.

At Pokarna it is believed that the integrity of any company must come from a leadership committed to behavior that is honest, decent and fair and from directors and employees who share that commitment and bring it to life at all levels of the organization. At Pokarna Limited, that's exactly what we do.

### 2. BOARD OF DIRECTORS

#### Composition & Category of Directors

Pursuant to Clause 49 of the listing agreement entered with the Bombay Stock Exchange Limited, the Board should have an optimum combination of Executive and Non Executive Directors and at least 50% of the Board should comprise of Non Executive Directors. Also a Director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director.

In conformity with the Clause 49 of the listing agreement entered with the Bombay Stock Exchange Limited, in which Company's Equity Shares are listed, Your Company's Board comprises of 9 Directors with considerable experience in their respective fields. Of these, 5 Directors are independent Non Executive Directors. None of the Director is a Member of more than Ten Board Level Committee of Public Companies, or is a Chairman of more than five such committees.

The names and categories of the Directors on the Board, as also the number of Directorships and Committee Memberships held by them in other Companies are given below:

Name of the Director	Category of Director	No. of Directorships	No. of Memberships/ Chairmanships of other Board Committees.
Gautam Chand Jain	Executive & Non Independent	5	–
Rahul Jain	Executive & Non Independent	2	–
Siddharth Jain	Executive & Non Independent	2	–
Prakash Chand Jain	Non Executive & Non Independent	2*	–
Meka Yugandhar	Non Executive & Independent	10**	–
TV Chowdary	Non Executive & Independent	3*	3
Vinayak Rao Juvvadi	Non Executive & Independent	Nil*	–
Mahender Chand Chordia	Non Executive & Independent	1*	–
Dhanjibhai Sawla	Non Executive & Independent	2	–

\* Excluding directorship of private limited companies

\*\* Excluding directorship of private limited companies & foreign companies.



### Meetings held and Attendance of Directors

There were six board meetings held during 2009-2010 on 15th May, 2009, 29th June 2009, 9th July, 2009, 31st July, 2009, 29th October, 2009 and 29th January, 2010. The intervening period between the board meetings was well within the maximum time gap of four months prescribed in Clause 49.

### Attendance of Directors at the Board Meetings and Annual General Meeting

Name of the Director	No. of Board Meetings attended	Attendance at Last Annual General Meeting
Gautam Chand Jain	6	Yes
Rahul Jain	6	Yes
Siddharth Jain	4	Yes
Prakash Chand Jain	4	Yes
Meka Yugandhar	5	No
TV Chowdary	4	Yes
Vinayak Rao Juvvadi	2	Yes
Mahender Chand Chordia	4	Yes
Dhanjibhai Sawla	4	Yes

### Board Procedure

The Company Secretary in consultation with the Chairman & Managing Director prepares detailed agenda for the Board Meetings. All the necessary papers along with the annexures, explanatory notes etc, if any, are circulated along with the agenda to all directors well in advance. The Board members are also free to recommend inclusion of any matter in the agenda for discussion.

The following information is generally provided to the Board of Directors:

- Annual operating plans and budgets and any update thereon.
- Capital Budgets and any update thereon.
- Quarterly unaudited financial results of the Company and its operating division's individual performances.
- Minutes of the Meetings.
- Show cause, demand notices and penalty notices which are materially important.

The Board of Directors is routinely provided with all the information under the above heads, in addition to above, the minimum information as required under clause 49 of the Listing Agreement, wherever applicable and materially significant is also provided to the Board. These are submitted either as part of Agenda papers or are tabled in the course of the Board meeting.

### Non Executive Directors' compensation and disclosure

Apart from receiving the sitting fees, none of the Non Executive Directors' have any material pecuniary relationship or transactions with the Company. The Company currently does not have a stock option programme.

### Review of legal compliance reports

The Board periodically reviews compliance reports in respect of the laws applicable to the company. Steps are taken to rectify instances of non compliances, if any.

### Code of Conduct

The Code of Conduct as adopted by the Board of Directors is applicable to Directors, Senior Management and Employees of the Company. The Code impresses upon Directors and Senior Management Executives to uphold the interest of the Company and its stakeholders and to endeavour to fulfill all the fiduciary obligations towards them. Another important principle on which the Code is based is that the Directors and Senior Management Executives shall act in accordance with the highest standard of honesty, integrity, fairness and ethical conduct and shall exercise utmost good faith, due care and integrity in performing their duties. The Code has been posted on the website of the Company [www.pokarna.com](http://www.pokarna.com).

All Board Members and Senior Management Personnel have affirmed compliance with the Code for 2009-10. A declaration to this effect signed by the Chairman & Managing Director is given below.

#### **DECLARATION**

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for year ended 31.03.2010.

Secunderabad  
7th August, 2010

**Gautam Chand Jain**  
Chairman & Managing Director

### **3. AUDIT COMMITTEE**

#### **Composition**

The Audit Committee comprises of four directors who are Non Executive & Independent. The Chairman of the Committee is Shri. Meka Yugandhar, who is Managing Director of Karvy Consultants Limited and Karvy Computershare Pvt. Ltd and is a Fellow Member of the Institute of Chartered Accountants of India. The other Members of the Committee are Shri. TV Chowdary, Retired Director, Department of Mines and Geology, Andhra Pradesh, Shri. Vinayak Rao Juvvadi and Shri. Mahender Chand Chordia.

The Chief Financial Officer and the Internal Auditor are invited to attend and participate at meetings of the Committee. In all the Audit Committee Meetings, Senior Executives of the Company were invited. The Company Secretary acts as the Secretary of the Audit Committee.

#### **Number of Meetings and Attendance**

During the year under review, four Audit Committee Meetings were held on 29th June, 2009, 31st July, 2009, 29th October, 2009 and 29th January, 2010. It is the prerogative of the Audit Committee to invite Senior Executives, whom it considers appropriate to be present at the Meeting.

Attendance of Members at the Audit Committee meetings is given hereunder.

<b>Name</b>	<b>Position</b>	<b>Category</b>	<b>Attendance</b>
Meka Yugandhar	Chairman	Independent & Non Executive Director	4
TV Chowdary	Member	Independent & Non Executive Director	3
Vinayak Rao Juvvadi	Member	Independent & Non Executive Director	3
Mahender Chand Chordia	Member	Independent & Non Executive Director	3

At the Annual General Meeting held on 23rd September, 2009, the Chairman of the Audit Committee was not present due to some prior urgent commitments. Other members of the Audit Committee were present to answer shareholders queries.

#### **Broad Terms of Reference**

The terms of reference of the Audit Committee are extensive and include all that is mandated in Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956. The Audit Committee of the Company, inter alia, provides reassurance to the Board on the existence of an effective Internal Control Environment that ensures:

- Efficiency and Effectiveness of operations.
- Safeguarding of assets and adequacy of provisions for all liabilities.
- Reliability of Financial and other management information and adequacy of disclosures.
- Compliance with all relevant statutes.

Apart from overseeing and monitoring the financial reporting system within the company and considering un-audited and audited financial results for the relevant quarter, half-year and the year before being adopted by the board, the audit committee focused its attention on several important topics. The audit committee continued to advise the management on areas where greater internal audit focus was needed and on new areas to be taken up for audit purposes.

#### 4. REMUNERATION COMMITTEE

The Company has complied with the non-mandatory requirement of Clause 49 regarding the Remuneration Committee. This Committee is also constituted for compliance of Schedule XIII of the Companies Act, 1956.

##### Composition, Number of Meetings and Attendance

The Remuneration Committee comprises of four Non Executive Directors of which three are Non Executive and Independent viz., Shri. T.V Chowdary, Chairman, Shri. Meka Yugandhar, Member and Shri. Mahender Chand Chordia, Member. Shri. Prakash Chand Jain, Member is Non Executive and Non Independent. The Remuneration Committee has met once on 29th June, 2009. The Remuneration Committee at this meeting ratified, confirmed and approved, subject to the approval of the Members and Central Government, the payment of excess remuneration of Rs. 28,55,240 to Shri. Gautam Chand Jain, Chairman and Managing Director. The Remuneration Committee at this meeting also approved reappointment of Shri. Rahul Jain and Shri. Siddharth Jain as Executive Director(s).

##### Terms of reference

- To appraise the performance of Chairman & Managing Director and Executive Director(s); and
- To determine and recommend to the Board, compensation payable to Managing Director and Executive Director.

##### Remuneration Policy

The Remuneration Committee recommends to the Board, the Compensation of the Chairman & Managing Director and Executive Director(s) of the Company keeping in view Company's financial status, past performance, past remuneration and future growth potential.

The remuneration of the Non Executive Directors of the Company is decided by the Board of Directors. The Non Executive Directors are paid remuneration by way of Commission and Sitting Fees. Non Executive Directors do not claim any fees for the Committee meetings

In terms of the Members' approval obtained at the Annual General Meetings held on 17th September, 2001 and 26th September, 2005, Commission not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956 can be paid to the Non Executive Directors. The distribution of the commission amongst the Non Executive Directors' is determined by the Board and is broadly based on attendance, contribution at the Board Meetings and various Committee Meetings as well as time spent on operational matters other than at the aforesaid meetings. The Company did not have any pecuniary relationship or transactions with the Non Executive Directors during the financial year 2009-2010. No commission is paid to the Non Executive Directors for the year under review. The Details of the remuneration paid/payable to all the directors during the year 2009-2010 is provided hereunder.

Rupees in Lakhs

Name	Salary	Contribution to Provident Fund	Perquisites & incentives	Sitting fees	Commission	Total 31.03.10	Total 31.03.09
Gautam Chand Jain	12.00	0.09	10.87	-	-	22.96	*52.55
Rahul Jain	12.00	0.09	-	-	-	12.09	12.06
Siddharth Jain	12.00	0.09	-	-	-	12.09	12.06
Prakash Chand Jain	-	-	-	0.08	-	0.08	0.08
Meka Yugandhar	-	-	-	0.10	-	0.10	0.08
TV Chowdary	-	-	-	0.08	-	0.08	0.10
Vinayak Rao Juvvadi	-	-	-	0.04	-	0.04	0.12
Mahender Chand Chordia	-	-	-	0.08	-	0.08	0.06
DhanjiBhai Sawla	-	-	-	0.08	-	0.08	-
<b>Total</b>	<b>36.00</b>	<b>0.27</b>	<b>10.87</b>	<b>0.46</b>	<b>-</b>	<b>47.60</b>	<b>77.11</b>
Previous Year	64.00	0.18	12.49	0.44	-	77.11	87.73

\*Pending approval of the Central Government, the remuneration paid during F.Y. 08-09, in excess of the limits prescribed under Schedule XIII of the Companies Act 1956, amounting to Rs.28.55 Lakhs is being held in trust by Chairman & Managing Director for the Company.

Salary and perquisites include all elements of remuneration i.e. Salary, Allowances, Perquisites. No bonus, pension is paid to any of the Directors. The company has not issued any stock options to any of the Directors. The Contribution to Gratuity Funds has been made on a group basis and separate figures applicable to an individual employee are not available and thereof, contribution to Gratuity Funds has not been considered in the above computation.

The Agreement/(Members approval) with the Chairman & Managing Director & Executive Director(s) is for a Period of Five Years and for Executive Director(s) it is for a Period of Three Years. Either party to the agreement is entitled to terminate the agreement by giving not less than Three Months Notice in writing to the Other Party.

There is no separate provision for payment of severance fees under the resolution governing the appointment of Chairman & Managing Director and Executive Director(s). The Statutory provisions however will apply.

#### **Shares held by Non Executive Directors**

Except for the following none of the Non Executive Directors hold any shares of the Company as on 31.03.2010.

<b>Name</b>	<b>No. of Equity Shares held</b>	<b>% of paid up capital</b>
Prakash Chand Jain	500000	8.063

### **5. SHAREHOLDERS' COMMITTEE**

#### **Composition**

The Shareholders Grievance Committee comprises three Directors. Shri. TV Chowdary is Chairman of the Committee and Shri. MYugandhar and Shri. Rahul Jain are the other Members. The Company Secretary acts as the Secretary of the Audit Committee.

#### **Terms of Reference**

Look into the redressal of Investors' complaints like transfer of shares, non-receipt of balance sheet and non-receipt of declared dividend, etc.

#### **Compliance Officer**

Mr. Paras Kumar Jain, Company Secretary is the Compliance Officer. His address and contact details are as given below:

Address : 105, First Floor, Surya Towers, S. P. Road, Secunderabad.

Phone : 040 -2789 7722/2789 6361

Fax : 040-2784 2121

E-mail : companysecretary@pokarna.com

#### **Status of Complaints**

During the year 12 complaints were received and all were resolved. There were no complaints outstanding as on 31.03.2010.

### **6. GENERAL BODY MEETINGS**

The Location and time of last three Annual General Meetings are as follows:

<b>Financial Year</b>	<b>Date</b>	<b>Location</b>	<b>Time</b>	<b>No. of Special Resolutions passed in the AGM</b>
2006-2007	29.09.2007	Hotel Grand Kakatiya Sheraton & Towers Begumpet, Hyderabad.	10:30 a.m.	One
2007-2008	24.09.2008	Hotel Grand Kakatiya Sheraton & Towers Begumpet, Hyderabad.	10:30 a.m.	None
2008-2009	23.09.2009	Hotel Fortune Select Manohar Old Airport Exit Road, Begumpet, Hyderabad	10:30 a.m.	Four

No special resolutions were passed in the last Annual General Meeting by postal ballot. No Special Resolution is proposed to be conducted through postal ballot at the 19th Annual General Meeting.

## 7. DISCLOSURES

### **Materially significant related party transactions**

Material transactions entered into with related parties have already been disclosed elsewhere in the report. None of these transactions have had any potential conflict with the interests of the Company.

### **Compliances by the Company**

During last three years, no penalties, strictures have been imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets.

### **Code of Conduct for Prevention of Insider Trading**

In compliance with the SEBI (Prevention of Insider Trading) Regulations, 1992, the Company has framed a code of conduct for prevention of Insider trading by Company Insiders. We further more affirm that no personnel were denied access to the Audit Committee.

### **Disclosure of Accounting Treatment**

In the preparation of the financial statements, the Company has followed the Accounting Standards referred to in Section 211 (3)(c) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the Annexure to Notes to the Accounts.

### **Risk Management**

Business risk evaluation and management is an ongoing process within the Company. The risks are identified and are discussed by the representatives from various functions. The Board and the Audit Committee provide oversight and review the risk management periodically.

### **Subsidiary**

For the year under review, the Company does not have any material unlisted Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

## 8. NON MANDATORY REQUIREMENTS

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. The status of compliance with Non-mandatory requirements is as under:

### **Non Executive Chairman Office**

The Company has an Executive Chairman and hence the requirement pertaining to reimbursement of expenses to a Non Executive Chairman does not arise.

### **Tenure of Independent Director**

The Company will adopt the guidelines for the composition of the Board of Directors, which provide for the tenure and retirement age for the Non Executive Directors as and when required.

### **Remuneration Committee**

The Company has setup a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing/Executive Directors, determine and recommend to the Board, compensation payable to Managing/Executive Director(s).

### **Shareholders Rights**

The Company posts its results on its website at [www.pokarna.com](http://www.pokarna.com). A half yearly declaration of financial performance including summary of significant events in the last six-months has not been sent to each household of shareholders, as the quarterly results are published in widely circulated English newspaper. The Complete Annual Report is sent to every Shareholder of the Company.

### **Audit Qualification**

The Company continues to adopt best practices to endeavor the regime of unqualified financial statements. There is no Audit Qualification for the financial year 2009-10.

### **Training of Board Members**

In order to fulfill the Governance ordained role, comprehension information is provided and presentations are made on working of various businesses of the Company. Directors are briefed about all the business related matters, risk, new business initiatives proposed by the Company. Directors are also briefed on changes/developments in the domestic/global corporate and industry scenario including those pertaining to statutes/legislations and economic environment. The necessary training will be provided to the Board Members as and when required.

### **Mechanism for evaluation of Non Executive Directors**

The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfills the stakeholders' aspiration. The Board does not feel the necessity of evaluating the performance of its Non Executive Board Members.

### **Whistle Blower Policy**

The Company encourages open door policy where employees have access to all the Heads of the Business/Function. Employees are free to report existing/probable violations of laws, rules, regulations or unethical conduct to Heads of the Business/Function.

## **9. MEANS OF COMMUNICATION**

Half-yearly/Quarterly Financial results – sent to each Shareholders residence	No
In which newspaper Annual/Half- yearly/Quarterly Financial results are published	Financial Express – English Andhra Prabha – Telugu
Any website, where results or official news are displayed	www.pokarna.com
Whether it also displays official news release	Yes, the official news releases, if any, are posted on the Company's website
The presentation made to the institutional investors or analysts	No presentation is made to analyst
Whether Management discussion & Analysis Report is part of the Annual Report or not	Yes

## **10. GENERAL SHAREHOLDER INFORMATION**

### **Annual General Meeting**

<b>Day, Date and Time</b>	Tuesday, 21st September, 2010 at 10.30 a.m.
<b>Venue</b>	Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad.
<b>Book Closure date</b>	15th September, 2010 to 21st September, 2010 (both days inclusive)
<b>Dividend Payment Date</b>	Not Applicable.
<b>Financial Calendar for the year 2010-2011</b>	Financial Reporting for the quarter ended June 2010 – by 15th August, 2010. Financial Reporting for the quarter ended September 2010- by November, 2010. Financial Reporting for the quarter ended December 2010- by end of February, 2011. Financial Reporting for the quarter ended March 2011- by 30th May, 2011.

**Listing:**

Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited	532486
– Foreign Currency Convertible Bonds (FCCBs) Aggregating to US\$ 12 million issued in March 2007 and due in March 2012 are listed at Singapore Exchange Securities Trading Limited	XS0292382354

**Stock Market Data**

The monthly high and low quotations and volume of shares traded on BSE during the financial year were as follows:

Month	Open Price	High Price	Low Price	Close Price	Amount in Rupees	
					No. of Shares	No. of Trades
April 2009	27.00	40.00	26.60	33.95	70,307	408
May 2009	36.90	57.95	32.40	54.00	1,22,984	814
June 2009	56.95	68.90	51.15	52.70	1,30,971	796
July 2009	55.45	62.50	46.20	62.00	1,58,686	412
August 2009	60.00	79.90	58.50	61.55	54,138	521
September 2009	60.10	66.90	54.55	58.35	1,56,746	884
October 2009	56.60	60.50	46.85	46.85	22,247	259
November 2009	49.00	53.00	41.50	47.65	80,317	277
December 2009	48.25	87.00	41.25	80.10	1,90,270	1,564
January 2010	80.00	94.70	73.00	75.00	53,809	397
February 2010	71.55	78.00	66.70	70.95	1,27,994	132
March 2010	71.00	85.00	65.30	83.30	78,235	283

**Source:** www.bseindia.com

**Share Transfer System**

Share Transfers in physical form can be lodged with Karvy Computershare Private Limited at the above mentioned address. The transfer requests are normally processed within 15 days of receipt of the documents, if documents are found in order. Shares under objection are returned within two weeks.

**Shareholding Pattern as at 31st March, 2010**

S.No.	Category of shareholder	Number of shareholders	Total number of shares
(A)	PROMOTER AND PROMOTER GROUP		
(1)	INDIAN		
(a)	Individual/HUF	29	35,31,330
(b)	Central Government/State Government(s)	–	–
(c)	Bodies Corporate	–	–
(d)	Financial Institutions/Banks	–	–
(e)	Others	–	–
	Sub-Total A(1)	29	35,31,330
(2)	FOREIGN		
(a)	Individuals (NRIs/Foreign Individuals)	–	–
(b)	Bodies Corporate	–	–
(c)	Institutions	–	–
(d)	Others	–	–
	Sub-Total A(2)	–	–
	Total A=A(1)+A(2)	29	35,31,330

(B)	PUBLIC SHAREHOLDING		
(1)	INSTITUTIONS		
(a)	Mutual Funds/UTI	–	–
(b)	Financial Institutions/Banks	–	–
(c)	Central Government/State Government(s)	–	–
(d)	Venture Capital Funds	–	–
(e)	Insurance Companies	–	–
(f)	Foreign Institutional Investors	–	–
(g)	Foreign Venture Capital Investors	–	–
(h)	Others	–	–
	Sub-Total B(1)	–	–
(2)	NON-INSTITUTIONS		
(a)	Bodies Corporate	101	7,49,450
(b)	Individuals		
	(i) Individuals holding nominal share capital upto Rs.1 lakh	2,132	8,58,510
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	21	10,44,793
(c)	Others		
	Non resident Indians	17	15,867
	Clearing members	5	850
	Sub-Total B(2)	2,276	26,69,470
	Total B=B(1)+B(2)	2,276	26,69,470
	Total (A+B)	2,305	62,00,800
(C)	Shares held by custodians, against which Depository Receipts have been issued	–	–
	GRAND TOTAL (A+B+C)	2,305	62,00,800

#### Distribution of Shareholding as on 31st March, 2010

Sl. No.	Category (Shares)	Number of Shareholders	Number of Shares	% to Total paid up capital
1.	1 - 5000	1,873	2,36,095	3.81
2.	5001 - 10000	159	1,29,349	2.09
3.	10001 - 20000	131	2,15,160	3.47
4.	20001 - 30000	29	75,950	1.22
5.	30001 - 40000	27	1,03,447	1.67
6.	40001 - 50000	10	47,719	0.77
7.	50001 - 100000	23	1,63,222	2.63
8.	100001 and above	53	52,29,858	84.34
	TOTAL	2,305	62,00,800	100.00

#### Dematerialization of shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems in India- NSDL and CDSL. As on 31st March 2010, a total of 60,14,754 equity shares of the Company, which forms 97% of the Share Capital of the Company stands dematerialized. Trading in shares of the Company is permitted only in dematerialized form.

#### Statutory Compliance

During the year the Company has complied with all the applicable provisions, filed all returns, forms and furnished all the relevant particulars as required under the Companies Act, 1956 and allied legislations, the Securities Exchange Board of India's (SEBI) Regulations and the Listing Agreements.



### Secretarial Audit for reconciliation of capital

As stipulated by SEBI, a qualified Practising Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Listed Stock Exchanges. The Audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

### Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, their conversion dates and likely impact on Equity

Name of the Instrument	Total Issued	Converted as on 31st March, 2010	Outstanding as on 31st March, 2010	Likely conversion date
Zero Coupon Foreign Currency Convertible Bonds (issued during FY 2006-2007)	*US\$12,000,000	Nil	*US\$12,000,000	On or before 14th March 2012

\* FCCBs are represented in value till the time they are converted into equity shares of the Company

### Plant Locations

#### a) Quarrying Operations

##### i) Ongole Sector:

- Survey Nos. 980/3 & 5, 980/2, 988/1, 16/4P/12/1, 14/1, 15/1, 16/1, 14/1c, 15/3, 16/3, 16/4, R L Puram, Chimakurthy, Prakasham Dist., Andhra Pradesh
- Survey No. 103, Ballikurva, Konidena Village, Prakasham Dist., Andhra Pradesh.

##### ii) Warangal Sector:

- Survey No. 906, Madikonda Village, Kazipet, Warangal Dist., Andhra Pradesh.

##### iii) Srikakulam Sector:

- Survey No. 53, Tekkali Village, Srikakulam Dist., Andhra Pradesh.
- Survey No. 284, Ponduru Village, Srikakulam Dist., Andhra Pradesh.
- Survey No. 270, Singupuram Village, Srikakulam Dist., Andhra Pradesh.

##### iv) Karimnagar Sector:

- Survey No. 116/1, Kamanpur Village, Karimnagar Dist., Andhra Pradesh.
- Survey No. 221, Sultanabad Village, Karimnagar Dist., Andhra Pradesh.

##### v) Madurai Sector:

Survey No. 5, 6 & 8, Subramanyapuram Village, Sivakasi Taluq, Virudhnagar Dist., Tamilnadu.

#### b) Manufacturing Plants

##### Granite Processing Plant:

- Survey No. 123, Toopranpet Village, Choutuppal Mandal, Nalgonda District., Andhra Pradesh.
- Survey No. 563, 568 & 574, Aliabad Village, Shameerpet Mandal, R. R. Dist., Andhra Pradesh.

**Apparel Manufacturing Plant:**

Survey No. 33, 39, 50, 51, 55, 68 & 69,  
Apparels Export Park, Gundlapochampally Village, Medchal Mandal, R. R. Dist., Andhra Pradesh.

**Engineered Quartz Surfaces Plant (Owned by the wholly owned subsidiary of the company):**

**Pokarna Engineered Stone Limited**

Plot No. 45, APSEZ, Achutapuram & Rambili Mandals, Visakapatnam District, Andhra Pradesh.

**Address for Investor Correspondence**

**Registrar & Share Transfer Agents:**

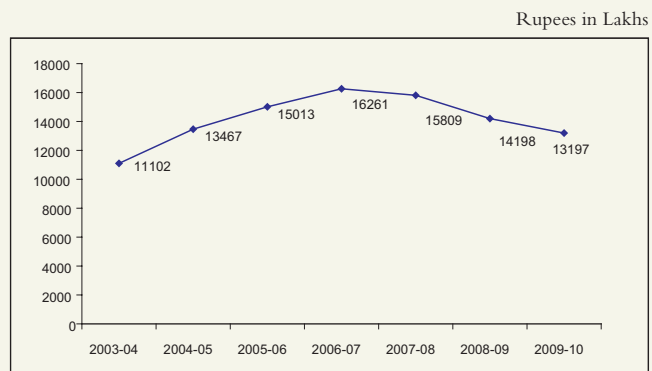
Karvy Computershare Private Limited,  
Plot No. 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad-500 081,  
Andhra Pradesh.  
Ph: 040-23420815-824 (10 lines)  
Fax: 040-23420814  
E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)  
Contact Person: Mr. V K Jayaraman/Mrs. Varalakshmi

**Registered Office:**

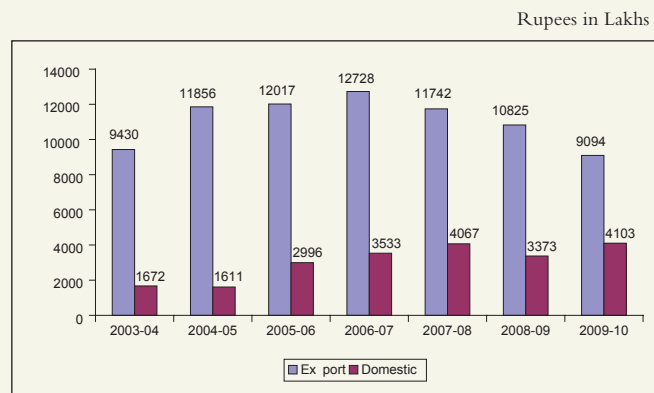
First Floor, Surya Towers,  
105, S. P. Road,  
Secunderbad-500 003,  
Andhra Pradesh.  
Ph: 040-2789 7722, 2789 6361, 6631  
Fax: 040-2784 2121  
E-mail: [igrc@pokarna.com](mailto:igrc@pokarna.com)  
Website: [www.pokarna.com](http://www.pokarna.com)

## YOUR COMPANY'S GROWTH

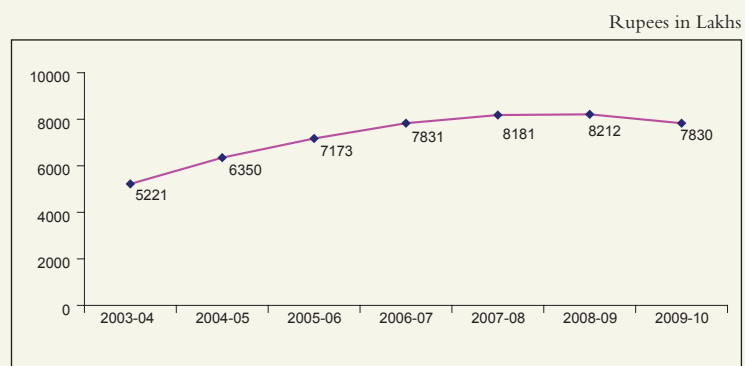
### Turnover



### Sales – Export vs Domestic

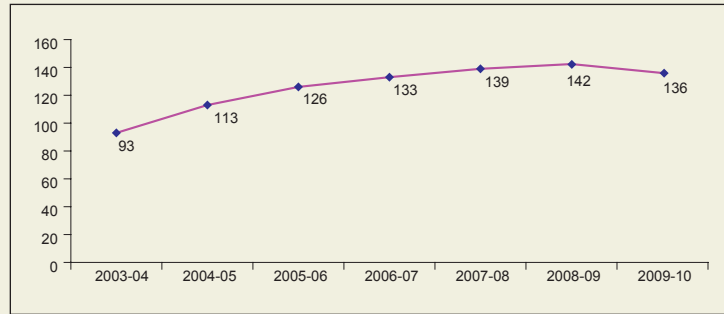


### Reserves & Surplus

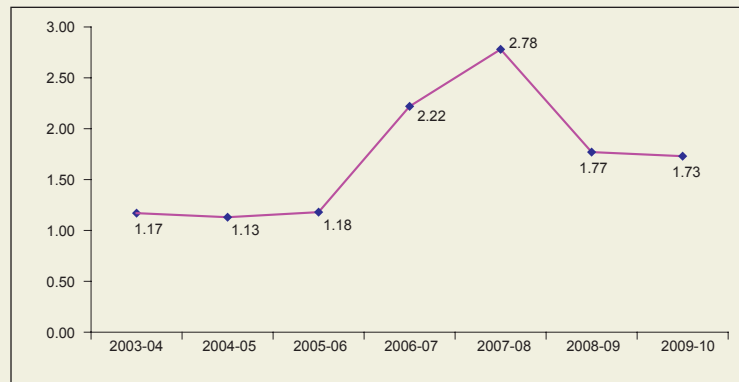


### Book Value

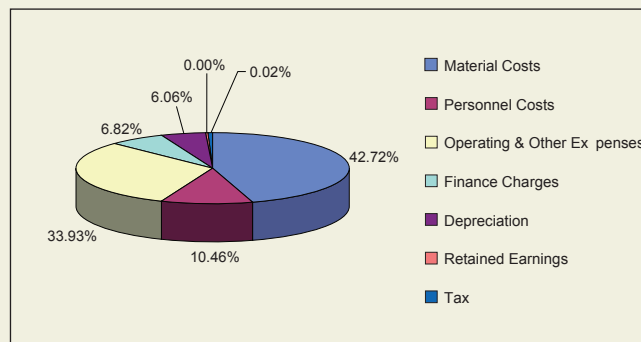
In Rupees



### Debt / Share Holders Fund



### Distribution of Revenue



**AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF THE  
CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF  
THE LISTING AGREEMENT**



To

The Members' of Pokarna Limited.

We have examined the compliance of conditions of corporate governance by **Pokarna Limited** ("the Company"), for the year ended on **31st March, 2010** as stipulated in clause 49 of the Listing Agreement entered by the Company with Bombay Stock Exchange Limited.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects 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 the management has conducted the affairs of the Company.

**For S. Daga & Co.**  
**Chartered Accountants**  
(F.No. 000669S)

**Shantilal Daga**  
Partner  
**Membership No. 11617**

Place : Hyderabad  
Date : 7th Aug, 2010

## AUDITORS' REPORT



To

The Members  
Pokarna Limited

1. We have audited the attached balance sheet of **POKARNA LIMITED**, as at 31st March 2010, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (and amended by The Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i) 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;
  - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31st March 2010;
    - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S. Daga & Co.**  
Chartered Accountants  
(E.No.000669S)

**Shantilal Daga**  
M.No. 11617  
Partner

Place : Hyderabad  
Date : 27th May, 2010

**ANNEXURE TO THE AUDITORS' REPORT**  
**Annexure referred to in Paragraph 3 of the Report of the Auditors**



1. a) The company has maintained generally proper records to show full particulars including quantitative details and situation of fixed assets.  
b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on physical verification have been properly dealt with in the books of account;  
c) In our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the company during the year.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.  
c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. a) The company had not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
b) In view of our comment in paragraph 3(a) above, reporting under clause 4(iii) (b), (c) & (d) of the aforesaid order are not applicable to the Company.  
c) During the period, the company had taken unsecured loans from 4 parties (Previous year parties) covered in the register maintained under section 301 of the companies Act, 1956 and the maximum amount involved during the period was Rs.1607.66 Lakhs (Pr.Year Rs 1404.94 Lakhs) and the period end balance is Rs.1532.66 Lakhs (Pr.Year Rs.1304.94 Lakhs).  
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made there under.
7. In our opinion, the company has internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of goods traded by the company.
9. a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, investor education and protection fund and any other material statutory dues applicable to it.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2010 for a period of more than six months from the date they became payable.

c) According to the information and explanations given to us, the following are the details of disputed statutory dues as at the year end:

Sl. No.	Name of the Statute	Nature of Dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending	Amount Deposited (Rs. in Lakhs)
1.	C.S.T.	C.S.T.	3.15	2004-05	Commercial Tax Officer	2.00
2.	Income Tax	Regular Tax	9.94	2005-06 & 2006-07	CIT Appeals	4.65
3.	Finance Act, 1994	Service Tax	42.69	2005-06 2007-10	Commissioner of Central Excise & Service Tax	–
4.	Central Excise Act, 1944	Excise Duty	36.63	2001-09	Commissioner of Central Excise & Service Tax	5.71
5.	Customs Act, 1962	Customs Duty	3.75	2005-06	Customs, Excise & Service Tax Appellate Tribunal	3.75
<b>Total</b>			<b>96.16</b>			<b>16.11</b>

10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and banks.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The company is not a chitfund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. According to the information and explanations to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
19. The company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
20. The company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For S. Daga & Co.**  
Chartered Accountants  
(ENo.000669S)

**Shantilal Daga**  
M.No. 11617  
Partner

Place : Hyderabad  
Date : 27th May, 2010



**POKARNA LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2010**

		Amount in Rupees			
	Schedule	As at 31.03.2010		As at 31.03.2009	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	62,008,000		62,008,000	
Reserves & Surplus	2	<u>782,999,516</u>	<u>845,007,516</u>	<u>821,215,188</u>	883,223,188
<b>Loan Funds</b>					
Secured Loans	3		762,204,185		818,393,420
Un-secured Loans	4		702,649,548		741,894,398
<b>Deferred Tax Liability (Net)</b>	5		<u>63,424,051</u>		<u>66,175,513</u>
<b>Total</b>			<u><b>2,373,285,300</b></u>		<u><b>2,509,686,519</b></u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	1,540,635,164		1,452,519,476	
Less: Accumulated Depreciation		<u>495,432,864</u>		<u>416,822,053</u>	
Net Block		1,045,202,300		1,035,697,423	
Capital Work-in-Progress		<u>29,655,710</u>	<u>1,074,858,010</u>	<u>65,975,689</u>	1,101,673,112
<b>Investments</b>	7		<u>611,587,640</u>		1,000,000
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	8	315,938,948		391,245,079	
Sundry Debtors	9	314,804,600		382,035,800	
Cash & Bank Balances	10	86,945,257		73,596,502	
Loans & Advances	11	<u>245,885,628</u>		<u>822,118,807</u>	
		<u>963,574,433</u>		<u>1,668,996,188</u>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	12	231,388,396		251,348,952	
Provisions	13	<u>45,346,387</u>		<u>10,633,829</u>	
		<u>276,734,783</u>		<u>261,982,781</u>	
<b>Net Current Assets</b>			<u>686,839,650</u>		1,407,013,407
<b>Total</b>			<u><b>2,373,285,300</b></u>		<u><b>2,509,686,519</b></u>

Significant Accounting Policies 21

Notes to the Accounts 22

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 27th May, 2010

**Gautam Chand Jain**  
**Meka Yugandhar**  
**Vinayak Rao Juvvadi**  
**T V Chowdary**  
**Dhanjibhai Sawla**  
**Prakash Chand Jain**  
**Rahul Jain**  
**Siddharth Jain**  
**M Vishwanatha Reddy**  
**Sanjay Daga**  
**Paras Kumar Jain**

Chairman & Managing Director  
Director  
Director  
Director  
Director  
Director  
Executive Director  
Executive Director  
Chief Financial Officer  
G. M. – Accounts  
Company Secretary

**POKARNA LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

		Amount in Rupees	
	Schedule	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
Sales & Operating Income	14		
Gross Sales		1,332,735,662	1,431,330,495
Less: Excise Duty on Sales		13,017,112	11,514,832
Net Sales		1,319,718,550	1,419,815,663
Operating Income		32,712,837	38,052,314
Other Income	15	3,726,784	4,840,322
<b>Total</b>		<b>1,356,158,171</b>	<b>1,462,708,299</b>
<b>EXPENDITURE</b>			
Material Costs	16	595,732,904	676,351,218
Personnel Costs	17	145,785,140	160,693,462
Operating & Other Expenses	18	473,089,865	435,928,063
Finance Charges	19	95,053,712	100,097,868
Depreciation	6	84,477,105	78,115,492
<b>Total</b>		<b>1,394,138,726</b>	<b>1,451,186,103</b>
Profit Before Tax		(37,980,555)	11,522,196
Less: Provision For Tax	20	(2,751,462)	5,512,328
Less: Prior Years Tax		2,986,579	2,920,956
Net Profit After Tax		(38,215,672)	3,088,912
Balance of Profit Brought Forward		472,377,694	618,137,374
Amount Available For Appropriation		434,162,022	621,226,286
<b>Appropriations:</b>			
Transfer to FCCB Redemption Reserve		80,333,392	148,848,592
Balance Carried to the Balance Sheet		353,828,630	472,377,694
<b>Total</b>		<b>434,162,022</b>	<b>621,226,286</b>
Earnings Per Share – Basic		(6.16)	0.50
Earnings Per Share – Diluted		(6.16)	0.37
(Par value of Rs. 10 each)			
Significant Accounting Policies	21		
Notes to the Accounts	22		

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date: 27th May, 2010

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Paras Kumar Jain</b>	Company Secretary

**POKARNA LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010**

	Schedule	Year Ended 31.03.2010	Amount in Rupees Year Ended 31.03.2009
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax (Net of prior period items)		(37,980,555)	11,522,196
Adjustment for –			
Add: Non cash item/items required to be disclosed separately:			
Depreciation		84,477,105	78,115,492
Interest Expense		95,053,712	100,097,868
Loss on Sale of Asset		10,114,847	320,056
Unrealised Foreign Exchange (gain)/loss		(67,547,488)	(12,871,367)
Interest Income		(3,726,784)	(4,840,322)
Provision for Doubtful Debts		4,618,272	12,875,790
Provision for Doubtful Debts written back		–	(34,569)
<b>Operating Profit before working capital changes</b>		<b>85,009,109</b>	<b>185,185,144</b>
Changes in working capital and other provisions:			
Sundry Debtors		59,362,141	119,717,971
Inventories		75,306,131	39,113,665
Loans & Advances		(37,575,137)	(10,493,151)
Current Liabilities & Provisions		21,370,042	(3,113,482)
<b>Cash Generated from operations</b>		<b>203,472,286</b>	<b>330,410,147</b>
Income Taxes paid during the year		(3,896,787)	(5,939,227)
<b>Net cash flow generated by operating Activities</b>		<b>199,575,499</b>	<b>324,470,920</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed Assets and changes in capital work-in-progress		(71,156,956)	(573,684,523)
Proceeds from Sale of assets		2,625,506	3,049,464
Investment in subsidiary		–	(1,000,000)
Interest Income		3,726,784	4,840,322
<b>Net Cash used in investing Activities</b>		<b>(64,804,666)</b>	<b>(566,794,737)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		–	–
Bank Borrowings		(56,189,235)	166,521,805
Other Borrowings		30,475,150	112,653,071
Dividends and Corporate dividend Tax		–	(10,881,939)
Interest paid		(95,053,712)	(100,097,868)
<b>Net Cash generated from financing Activities</b>		<b>(120,767,797)</b>	<b>168,195,069</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(654,281)	4,322,670
<b>Net increase (decrease) in cash and cash Equivalents</b>		<b>13,348,755</b>	<b>(69,806,078)</b>
Cash and Cash equivalents at the beginning of the year		73,596,502	145,609,631
Less: Cash & Bank Balances trd. As per Scheme of Arrangement		–	2,207,051
Cash and Cash equivalents as at the end of the year		<b>86,945,257</b>	<b>73,596,502</b>
		<b>13,348,755</b>	<b>(69,806,078)</b>
Significant Accounting Policies	21		
Notes on Accounts	22		

The Schedules referred to above form an integral part of the Cash Flow Statement.

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>TV Chowdary</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Paras Kumar Jain</b>	Company Secretary

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 27th May, 2010

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

	31.03.2010	31.03.2009
Amount in Rupees		
<hr/>		
<b>Schedule - 1</b>		
<b>Share Capital</b>		
Authorised:		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	200,000,000	200,000,000
<b>Issued, Subscribed and paid up:</b>		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	62,008,000	62,008,000
<b>Total</b>	<b>62,008,000</b>	<b>62,008,000</b>
<hr/>		
<b>Schedule - 2</b>		
<b>Reserves &amp; Surplus</b>		
<b>Capital Subsidy</b>	1,500,000	1,500,000
<b>Share Premium</b>	7,396,000	7,396,000
<b>General Reserve</b>		
Balance at the Beginning of the Year	94,376,453	94,376,453
Add: Transfer from Profit & Loss A/c	-	-
	<b>94,376,453</b>	<b>94,376,453</b>
<b>FCCB Redemption Reserve</b>		
Opening Balance	245,565,041	96,716,449
Add: Transferred from Profit & Loss A/c	80,333,392	148,848,592
	<b>325,898,433</b>	<b>245,565,041</b>
<b>Profit &amp; Loss Account</b>		
Opening Balance	472,377,694	618,137,374
Add: Profit for the year after Approp	(38,215,672)	3,088,912
	<b>434,162,022</b>	<b>621,226,286</b>
Less: Trd. To FCCB Redemption reserve	80,333,392	148,848,592
	<b>353,828,630</b>	<b>472,377,694</b>
<b>Total</b>	<b>782,999,516</b>	<b>821,215,188</b>
<hr/>		
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
<b>Term Loans</b>		
From Bank		
- Rupee Loan	385,264,106	385,131,200
<b>Working Capital Loans</b>		
From Bank		
- Rupee Loan	342,447,375	421,080,480
<b>Hire Purchase Loans</b>		
From Banks		
- Rupee Loan	1,308,972	11,800,291
From Others		
- Rupee Loan	33,183,732	381,449
<b>Total</b>	<b>762,204,185</b>	<b>818,393,420</b>

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

**Schedule - 6**

**Fixed Assets**

Description	Amount in Rupees								
	Gross Block			Depreciation		Net Block			
	As on 01.04.2009	Additions	Deletion & Adjustments	As on 31.03.2010	Upto 31.03.2009	For the Period	Deletion & Adjustments	As on 31.03.2010	As on 31.03.2009
Land - Freehold*	43,279,150	-	-	43,279,150	-	-	-	43,279,150	43,279,150
Buildings	5,581,034	-	-	5,581,034	422,564	90,971	-	513,535	5,067,499
Factory & Quarry Buildings	192,581,807	24,075,196	-	216,657,003	34,660,741	7,044,227	-	41,704,968	174,952,035
Plant & Machinery	1,027,448,962	64,645,844	5,085,598	1,087,009,208	325,738,741	60,232,864	1,449,457	384,522,151	702,487,057
Vehicles	54,934,046	957,641	1,784,385	54,107,302	20,477,676	5,455,050	988,244	24,944,482	29,162,820
Furniture & Fixtures and Office Equipment	90,414,590	17,043,655	11,736,665	95,721,580	20,210,331	7,825,993	3,428,596	24,607,728	71,113,852
<b>Intangible Assets:</b>									
Trade Marks & Brand Names	38,279,885	-	-	38,279,885	15,312,000	3,828,000	-	19,140,000	19,139,885
<b>Total</b>	<b>1,452,519,476</b>	<b>106,722,336</b>	<b>18,606,648</b>	<b>1,540,635,164</b>	<b>416,822,053</b>	<b>84,477,105</b>	<b>5,866,294</b>	<b>495,432,864</b>	<b>1,045,202,300</b>
Previous Year	1,427,244,307	161,523,705	136,248,536	1,452,519,476	346,202,920	82,222,109	11,602,976	416,822,053	1,035,697,423

\*Note: Land includes Acres 2.11 cents at R.L.Puram, Prakasam Dt., Andhra Pradesh which has been disputed by third parties pending disposal.

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

	31.03.2010	31.03.2009
Amount in Rupees		
<hr/>		
<b>Schedule - 4</b>		
<b>Unsecured Loans</b>		
Zero Coupon Foreign Currency Convertible Bonds	541,680,000	611,400,000
Other Loans and Advances		
From Banks	7,703,999	–
From Others		
– Inter Corporate	127,265,549	110,494,398
– From Directors	26,000,000	20,000,000
<b>Total</b>	<b>702,649,548</b>	<b>741,894,398</b>
<b>Schedule - 5</b>		
<b>Deferred Tax Liability (Net)</b>		
Deferred Tax Liabilities		
– Depreciation	74,033,586	71,450,904
	<b>74,033,586</b>	<b>71,450,904</b>
Deferred Tax Assets		
– Others	9,039,784	–
– Provision for Doubtful Debts	1,569,751	5,275,391
	<b>10,609,535</b>	<b>5,275,391</b>
<b>Total</b>	<b>63,424,051</b>	<b>66,175,513</b>
<b>Schedule - 7</b>		
<b>Investments</b>		
Fully Paid Up Long Term – At Cost		
In Subsidiary Companies:		
Unquoted		
1,00,000 Equity Shares of Rs. 10/- Each of Pokarna Engineered Stone Limited	1,000,000	1,000,000
Unquoted		
6,10,58,764, Optionally Convertible Debentures of Rs. 10/- each of Pokarna Engineered Stone Limited	610,587,640	–
<b>Total</b>	<b>611,587,640</b>	<b>1,000,000</b>
<b>Schedule - 8</b>		
<b>Inventories</b>		
Consumables, Stores & Spares	39,035,762	56,758,257
Raw Material	95,226,773	129,977,666
[Including Goods-in-Transit Rs. 30.16 Lakhs, (Rs. 149.27 Lakhs)]		
Raw Granite at Quarries	11,795,046	8,291,345
Work-In-Process	13,041,686	41,146,869
Finished Goods	145,512,869	151,604,450
Traded Goods	7,696,293	1,275,932
Packing Material	3,630,519	2,190,560
<b>Total</b>	<b>315,938,948</b>	<b>391,245,079</b>

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

.....●.....

	31.03.2010	31.03.2009
Amount in Rupees		
<hr/>		
<b>Schedule - 9</b>		
<b>Sundry Debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
– Considered Good	112,001,212	160,541,841
– Considered Doubtful	20,697,797	16,079,525
Other Debts – Considered Good	202,803,388	221,493,959
	<u>335,502,397</u>	<u>398,115,325</u>
Less: Provision for Doubtful Debts	20,697,797	16,079,525
<b>Total</b>	<u>314,804,600</u>	<u>382,035,800</u>

**Schedule - 10**

**Cash & Bank Balances**

Cash on Hand	677,743	866,404
Balances with Scheduled Banks		
– In Current Accounts	22,906,164	5,654,271
– In Current Accounts – Foreign currency	23,753,103	29,312,985
– In Deposit/Margin money	37,941,796	35,732,849
– In Unclaimed Dividend Accounts	1,202,914	1,498,642
Balances with Non-Scheduled Banks outside India		
– In Current Accounts	463,537	531,351
<b>Total</b>	<u>86,945,257</u>	<u>73,596,502</u>

Note: Current account balance with bank outside India represents balance of unutilised money out of FCCB issue; Standard Chartered Bank, Singapore

– (Maximum amount outstanding at any time during the year Rs. 5.31 Lakhs (Rs. 134.35 Lakhs))

**Schedule - 11**

**Loans & Advances**

(Unsecured, considered good unless otherwise stated)		
Advances & Loans to Subsidiary	73,473,214	666,752,011
Advances recoverable in cash or in kind or for value to be received:		
– Considered Good	91,922,551	50,973,339
Advance for Raw Material	13,622,755	22,960,755
Staff Advance	61,517	24,897
Prepaid Expenses	6,948,826	7,418,032
Advance Income Tax	5,037,202	8,257,879
Electricity and Other Deposits	45,068,088	52,201,604
Balances with Customs & Excise Authorities	334,788	143,877
Cenvat Credit Receivable	9,416,687	13,386,413
<b>Total</b>	<u>245,885,628</u>	<u>822,118,807</u>

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**



	31.03.2010	Amount in Rupees 31.03.2009
<b>Schedule - 12</b>		
<b>Current Liabilities</b>		
<b>Sundry Creditors</b>		
– For Goods	95,266,468	126,513,121
– For Other Liabilities	105,922,353	94,539,922
– For Capital Expenditure	7,024,121	9,972,671
Advances from Customers	21,712,705	18,824,596
Unclaimed Dividend	1,462,749	1,498,642
<b>Total</b>	<b>231,388,396</b>	<b>251,348,952</b>
<b>Schedule - 13</b>		
<b>Provisions</b>		
Provision for Taxation	–	4,130,885
Provision for		
– Gratuity	8,791,604	6,166,621
– Compensated Absences	806,423	336,323
Provision for contingencies	35,748,360	–
<b>Total</b>	<b>45,346,387</b>	<b>10,633,829</b>



**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	31.03.2010	31.03.2009
Amount in Rupees		
<b>Schedule - 14</b>		
<b>Sales &amp; Operating Income</b>		
<b>Gross Sales</b>		
Polished Granite	748,910,230	867,850,044
Raw Granite	284,053,261	214,927,006
Apparels	252,201,854	305,763,627
Fabric	45,129,243	36,416,517
Scrap	2,441,074	6,373,301
<b>Total</b>	<b><u>1,332,735,662</u></b>	<b><u>1,431,330,495</u></b>
<b>Operating Income</b>		
Operation & Maint. and Jobwork Receipts	27,365,740	26,057,148
Commission	132,382	250,776
Provision no Longer Required Written back	94,994	34,569
Export Incentives	5,119,721	11,709,821
<b>Total</b>	<b><u>32,712,837</u></b>	<b><u>38,052,314</u></b>
<b>Schedule - 15</b>		
<b>Other Income</b>		
Interest on deposits [Gross including tax deducted at source Rs. 11.99 Lakhs (Rs. 24.50 Lakhs)]	3,726,784	4,840,322
<b>Total</b>	<b><u>3,726,784</u></b>	<b><u>4,840,322</u></b>
<b>Schedule - 16</b>		
<b>Material Costs</b>		
<b>a) Opening Balance</b>		
Finished Goods	151,604,450	203,223,796
Work-in-Process	41,146,869	67,388,515
Raw Granite	8,291,345	9,313,174
	<b><u>201,042,664</u></b>	<b><u>279,925,485</u></b>
Less: Closing Stock		
Finished Goods	145,512,869	151,604,450
Work-in-Process	13,041,686	41,146,869
Raw Granite	11,795,046	8,291,345
	<b><u>170,349,601</u></b>	<b><u>201,042,664</u></b>
Net (Increase)/Decrease	<b><u>30,693,063</u></b>	<b><u>78,882,821</u></b>
<b>b) Raw Material Consumed</b>		
Opening Stock	129,977,666	135,014,311
Add: Purchases	276,227,592	361,929,921
	<b><u>406,205,258</u></b>	<b><u>496,944,232</u></b>
Less: Closing Stock	95,226,773	129,977,666
	<b><u>310,978,485</u></b>	<b><u>366,966,566</u></b>
<b>c) Consumption of Consumables, Stores &amp; Spares</b>	<b><u>169,273,163</u></b>	<b><u>166,316,394</u></b>
<b>d) Purchase of Traded Goods</b>	<b><u>84,788,193</u></b>	<b><u>64,185,437</u></b>
<b>Total</b>	<b><u>595,732,904</u></b>	<b><u>676,351,218</u></b>

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	31.03.2010	31.03.2009
Amount in Rupees		
<hr/>		
<b>Schedule - 17</b>		
<b>Personnel Costs</b>		
Salaries, Wages, Bonus, Allowances & benefits	122,817,081	135,115,928
Contribution to Provident and other Funds	8,842,470	9,898,945
Retirement Benefits	3,659,932	1,342,173
Workmen & Staff Welfare Expenses	10,465,657	14,336,416
<b>Total</b>	<b>145,785,140</b>	<b>160,693,462</b>
<b>Schedule - 18</b>		
<b>Operating &amp; Other Expenses</b>		
Other Mfg & Quarrying Expenses	21,033,940	27,277,336
Power and Fuel	100,198,966	104,968,058
Repairs and Maintenance:		
– Plant and Machinery	7,785,195	9,781,877
– Building	1,309,633	1,783,298
– Others	5,541,702	2,349,693
Cutter and Driller Charges	17,313,142	13,687,484
Royalty on Quarry Land	5,050,806	5,796,108
Rent	38,626,331	32,228,625
Rates and Taxes	2,063,321	2,422,555
Insurance	6,003,913	7,982,213
Communication Charges	3,557,123	4,413,117
Printing & Stationery	2,292,459	2,412,843
Travelling & Conveyance Expenses	14,204,628	17,250,636
Electricity Charges	4,818,924	3,588,792
Vehicle Maintenance	5,412,063	6,201,226
Auditors Remuneration	379,962	363,950
Advertisement	560,640	409,676
Legal and Professional Charges	3,698,951	3,830,418
Directors Sitting Fees	46,000	44,000
Donations	1,455,753	1,538,357
Fees & Subscriptions	1,458,764	1,054,927
Government Royalty and Dead Rent	30,280,556	35,209,102
Carriage Outwards	75,732,970	88,205,804
Sales Commission	4,805,161	2,848,028
Discounts and Claims	23,837,541	11,986,358
Business Promotion Expenses	11,533,836	27,125,749
Packing Material	24,437,588	30,233,975
Bad Debts Written off	2,324,419	789,399
Provision for Doubtful Debts	4,618,272	12,875,790
Impairment/Loss on sale of assets	10,114,847	320,056
Excise Duty – Others	3,424,787	(3,680,246)
Sales Tax	5,496,048	5,881,060
Miscellaneous Expenses	3,507,184	3,417,632
Exchange Loss (Net)	30,164,440	(28,669,833)
<b>Total</b>	<b>473,089,865</b>	<b>435,928,063</b>

**POKARNA LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**



		Amount in Rupees	
		31.03.2010	31.03.2009
<b>Schedule - 19</b>			
<b>Finance Charges</b>			
<b>To Banks:</b>			
– Interest on Term Loans		39,293,649	32,553,247
– Interest on Working Capital Loans		26,395,568	31,913,285
– Interest on Hire Purchase Loans		547,092	2,111,295
– Bill Discounting Charges		10,547,377	22,164,348
– Bank Charges		5,808,853	5,422,439
<b>To Others:</b>			
– Interest – Others		11,625,508	5,869,825
– Interest on Hire Purchase Loans		835,665	63,429
Charges/Gain on variable coupon and restatement of FCCB	(33,971,640)		
Interest on Debentures	(35,748,360)		
Recoveries/charges on Variable coupon and restatement of FCCB	69,720,000	–	–
<b>Total</b>		<b>95,053,712</b>	<b>100,097,868</b>
<b>Schedule - 20</b>			
<b>Provision for Tax</b>			
Current Tax		–	2,200,000
Fringe Benefit Tax		–	2,155,885
Deferred Tax		(2,751,462)	1,156,443
<b>Total</b>		<b>(2,751,462)</b>	<b>5,512,328</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### Schedule – 21

#### Significant Accounting Policies

##### A. Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention on the accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

##### B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, the useful lives of fixed assets and intangible assets.

##### C. Revenue Recognition

1. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership are transferred to the customers.
2. Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
3. Revenue from services is recognized as per the terms of the contracts with the customers when the services are performed.
4. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
5. Dividend income is recognized when the company's right to receive dividend is established.
6. Export entitlements under the Duty remission scheme are recognized as income when the right to receive the credit as per the terms of the scheme is established in respect of the exports made.

##### D. Recognition of Expenditure

Expenses are accounted for on an accrual basis and provision is made for all known losses and liabilities.

##### E. Fixed Assets

1. Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.
2. The cost of Fixed Asset comprises its purchase price, including non-refundable taxes & duties and directly attributable cost of bringing the asset (including leasehold improvements) to its working condition for its intended use.
3. All costs, including borrowing costs till commencement of commercial production, attributable to fixed assets are capitalized.

##### F. Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets are amortized on a straight line basis over their estimated useful life of 10 years.

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



### **G. Impairment of Assets**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

### **H. Capital Work-in-Progress**

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

### **I. Depreciation**

Depreciation on fixed assets is provided on straight line method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Capital expenditure and improvements on lease hold property is amortized over the lease period or useful life of the asset, whichever is less.

### **J. Inventories**

Inventories are valued at the lower of cost and net realizable value. Obsolete, slow moving and defective inventories are identified at the time of physical verification and where necessary provision is made for such inventories. The cost is determined using the first-in-first out method for all categories of inventories. Cost includes in case of Raw materials, Stores & spares and consumables the purchase price and attributable direct cost less discounts. In case of work-in-process and finished goods cost includes direct labour, material costs and production overheads.

### **K. Employee Benefits**

Short-term employee benefits are recognized as an expense in the profit and loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

### **L. Foreign Currency Transactions**

1. Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing on the date of transaction.
2. Monetary assets & liabilities denominated in foreign currencies are restated at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resultant gain or loss is accounted during the year.
3. In respect of Forward Exchange contracts entered into to hedge foreign currency risks, the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of the contract. Further, the exchange differences arising on such contracts are recognized as income or expense along with the exchange differences on the underlying assets/liabilities. Further, in case of other contracts with committed exchange rates, the underlying is accounted at the rate so committed. Profit or loss on cancellations/renewals of forward contracts is recognized during the year. In case of option contracts, the losses are accounted on mark to market basis.

### **M. Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating lease. Operating lease payments are recognized as expense in the Profit and Loss Account on a straight-line basis over the lease term.

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



### N. Borrowing Cost

Interest and other borrowing costs attributable to qualifying assets are capitalized. Other interest and borrowing costs are charged to revenue.

### O. Provisions, Contingent Liabilities and Contingent Assets

1. The company recognizes as Provisions, the liabilities being present obligations arising from past events, the settlement of which is expected to result in an outflow of resources and which can be measured only by using a substantial degree of estimation.
2. Contingent Liabilities are disclosed by way of a note to the financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.
3. Contingent Assets are neither recognized nor disclosed.

### P. Accounting for Taxes on Income

1. Provision for current tax is made in accordance with and at the rates specified under the Income-Tax Act, 1961, as amended.
2. Deferred tax is recognized on timing differences, keeping in view the matching concept and the principles of prudence. Deferred tax assets and liabilities are accounted for based on the difference between taxable income and accounting income that originates in one period and are expected to reverse in the subsequent periods.  
Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as of the Balance Sheet date.

### Q. Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

## Schedule – 22

### Notes on Financial Statements

#### 1. Contingent Liabilities not provided for

Particulars	Rupees in Lakhs	
	As on 31.03.2010	As on 31.03.2009
a) Bank Guarantees	57.66	57.66
b) Letter of Credits outstanding	314.08	84.56
c) Premium payable on FCCB's issued	960.23	1627.97
Claims against the company not acknowledged as debts:		
d) Direct & Indirect Taxes disputed (Amount Deposited Rs. 16.11 Lakhs (previous year Rs. 32.59 Lakhs))	96.16	95.28
e) Other Matters disputed	179.88	79.50

#### 2. Capital Commitments

Particulars	Rupees in Lakhs	
	As on 31.03.2010	As on 31.03.2009
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	602.00	1394.32

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### 3. Share Capital

Share capital includes:

- a) 4,24,500 Equity shares of Rs. 10/- each as fully paid up for consideration other than cash pursuant to a contract.
- b) 17,12,400 Equity shares of Rs. 10/- each were allotted as fully paid up Bonus shares by capitalization of reserves in the year 1994.
- c) 31,00,400 Equity shares of Rs. 10/- each were allotted as fully paid up Bonus shares by capitalization of reserves in the year 2001.

### 4. Secured Loans

- a) Term Loan & Working capital facilities for Granite & Apparel Division from Union Bank of India, Secunderabad, are secured by hypothecation by way of first charge on all immovable and movable properties including current assets such as inventories, book debts and other receivables of the company including machineries both present and future of these two divisions besides personal guarantee/security of some of the Directors and their relative.
- b) Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of some of the Directors.
- c) Secured Loans includes interest accrued and due amounting to Rs. 44.82 lakhs (Previous year Rs. 66.52 lakhs)
- d) Term Loans includes installments due and payable with in one year amounting to Rs.1251.50 lakhs (Previous year Rs. 215.44 lakhs)

### 5. Foreign Currency Convertible Bonds

- a) 12,000 Zero coupon Foreign Currency Convertible Bonds (FCCB) of USD 1000 each are:  
Convertible by the holders at any time on and after 12th April, 2007 and prior to 14th March, 2012.
  - i) Each bond will be converted into fully paid up Equity Share with par value of Rs.10/- per share at a reset conversion price of Rs.236.51 (initial conversion price was Rs.295.64) per share with a fixed rate of exchange on conversion at Rs.44.08 = US\$ 1.00.
  - ii) Redeemable on maturity date at 144.50 per cent of its principal amount (7.5% per annum calculated on a semi-annual basis), if not redeemed or converted earlier.
- b) Premium payable on redemption of FCCB is amortized proportionately.
- c) During the year there is no conversion of FCCB.

### 6. Investments in Debentures

In terms of order of the Hon'ble High Court of Andhra Pradesh sanctioning Scheme of Arrangement ("Scheme") between the Company and Pokarna Engineered Stone Limited, the net consideration as per Scheme of Rs.667.03 Lakhs has been discharged by Pokarna Engineered Stone Limited through an issue of 66,70,280 Optionally Convertible Debentures (OCDs) of face value of Rs.10/- each in favour of the Company, the terms of these debentures are as per the Scheme. For the period between appointed date i.e., 1st July,2007 and the effective date i.e., 15th May,2009, the Engineered Stone Division was part of the Company. Hence, an agency entry had been passed in the books of the Company to transfer assets, liabilities, expenses, income recorded in the books in favour of Pokarna Engineered Stone Limited. The net consideration of Rs.5438.84 Lakhs for transfer of assets, liabilities, income and expenses for the period from 1st July,2007 to 31st March,2009 has been discharged by Pokarna Engineered Stone Limited through an issue of 5,43,88,484 OCDs of face value of Rs.10/- each in favour of the Company. The terms of these debentures are same as that of OCDs as per the Scheme.

Terms and Conditions: Debentures are for tenor of 7 years from the date of allotment, during this period the option to convert/redeem shall vest solely with the Company.

Rate of interest is equivalent to the interest the Company be liable to pay on account of redemption of the FCCBs. Consequently, no interest shall be payable in respect of the OCDs after the date of redemption/conversion of the FCCBs.

If OCDs are opted for redemption anytime before they are due for redemption, interest shall be payable in respect of the OCDs at the rate of 8% per annum. The coupon/interest on the OCDs shall accrue and be payable at the time of redemption of the OCDs.

Conversion obligation: 15 (Fifteen) OCDs shall be convertible into 1 (One) equity share of Rs.10/- each of Pokarna Engineered Stone Limited.

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**7A. Managerial remuneration under section 198 of the Companies Act, 1956 paid or payable during the financial year, to the Directors as under:**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
Salary and Allowances	36.00	64.00
Contribution to Provident and other funds	0.28	0.18
Commission	0	0
Directors Sitting Fee	0.46	0.44
Perquisites and benefits	10.87	12.49
<b>Total</b>	<b>47.61</b>	<b>77.11</b>

Note: The contribution to Gratuity Funds has been made on a group basis and separate figures applicable to an individual employee are not available and thereof, contribution to Gratuity Funds has not been considered in the above computation.

Remuneration to managerial personnel provided in the accounts during the year is within the limits prescribed under schedule XIII of the companies Act, 1956. Company has made an application to the Central Government for approval of excess remuneration paid to the managerial personnel during the year 2008-09 amounting to Rs.28.55 Lakhs. Approval from the Central Government is pending as on date.

**B. Statement showing the computation of Net Profit in accordance with section 198(1) of the Companies Act, 1956;**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
Profit/(Loss) before Tax as per Profit & Loss Account	(-) 379.81	115.22
Add: Managerial Remuneration paid or provided	47.61	77.11
Provision for bad and doubtful debts	46.18	128.76
Impairment/Loss on sale of fixed assets	101.15	3.20
Donation to Political Party	-	-
Prior period adjustments	-	-
Net Profit/(Loss) in accordance with Section 198(1)/349	(-) 184.87	324.29
Commission payable to Non Executive Directors:		
Maximum allowed as per the Companies Act, 1956 at 1%	Nil	3.24
Actually allowed	Nil	Nil

**8. Auditors' Remuneration**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
For Statutory Audit	2.50	2.50
For Tax Audit	0.50	0.50
For Certification	0.50	0.50
Out of Pocket expenses	0.16	0.14



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



**9. Assets**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
a) The value of Fixed assets comprising of Land, Building & Plant & Machinery of Granite processing plants acquired from Financial Institutions are shown under the head Plant & Machinery in Schedule-6, in the absence of necessary details.	<b>1010.98</b>	1010.98
b) Interest on borrowings towards purchase of assets capitalised during the year	<b>22.63</b>	67.48
c) Additions to assets includes acquired under hire purchase scheme.	<b>398.54</b>	18.20

**10. Deferred Tax**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
Deferred Tax Liability		
Depreciation	25.82	61.73
Exchange Fluctuation on Monetary Items	-	(6.40)
<b>Total</b>	<b>25.82</b>	<b>55.33</b>
Deferred Tax Asset		
Provision for Debtors	(37.06)	43.76
Others	90.39	-
<b>Total</b>	<b>53.33</b>	<b>43.76</b>
Net Deferred Tax Liability	<b>(27.51)</b>	<b>11.57</b>

**11. Related Party Transactions**

- a) Enterprises where control exists:  
Pokarna Engineered Stone Limited – 100% subsidiary
- b) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Marketing Limited
- c) Names of the Associate Firms:  
Southend, Southend Extension, Gautam Granites
- d) Names of Key Management Personnel  
Shri. Gautam Chand Jain, Shri. Siddharth Jain, Shri. Rahul Jain
- e) Names of Relatives  
Prakash Chand Jain, Dilip Kumar Jain, Ashok Chand Jain, Raaj Kumar Jain

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

f) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year 2009-10 (2008-09)

Rupees in Lakhs					
<b>Nature of the Transaction</b>	<b>Subsidiary</b>	<b>Associates</b>	<b>Key Manage Personnel</b>	<b>Relatives</b>	<b>Total</b>
Purchase of Goods	-	44	-	-	44
	(81)	(81)	-	-	(81)
Sale of Goods	3	605	-	3	611
	(13)	(464)	-	(8)	(485)
Rents paid	-	20	-	-	20
	(21)	(21)	-	-	(21)
Remuneration paid to Directors	-	-	47	-	47
	(77)	(77)	(77)	-	(77)
Investments - Debentures	6106	-	-	-	6106
	(81)	(81)	(81)	(81)	(81)
Interest paid	-	64	-	-	64
	(50)	(50)	(50)	(50)	(50)
Interest on Debentures Recd	357	-	-	-	357
	(81)	(81)	(81)	(81)	(81)
Recoveries/Charges on variable coupon and restatement of FCCB	697	-	-	-	697
	(81)	(81)	(81)	(81)	(81)
Loans Received	-	110	160	-	270
	(255)	(255)	(200)	(81)	(455)
Loans Repaid	-	-	25	75	100
	(100)	(81)	(81)	(81)	(100)
Loans & Advances given	878	-	-	-	878
	(562)	(81)	(81)	(81)	(562)
Balances as at 31/03/10 – Receivable	1103	379	-	13	1495
	(6668)	(496)	(81)	(4)	(7168)
Balances as at 31/03/10 – Payables	-	1330	269	-	1599
	(81)	(1386)	(201)	(81)	(1587)
Investments as on 31/03/2010	6116	-	-	-	6116
	(10)	(81)	(81)	(81)	(10)

**12. Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006**

Rupees in Lakhs		
<b>Particulars</b>	<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>
a) Principal amount remaining unpaid and interest due thereon	Nil	Nil
b) Interest paid in term of Section 16	Nil	Nil
c) Interest due and payable for the period of delay in payment	Nil	Nil
d) Interest accrued and remaining unpaid	Nil	Nil
e) Interest due and payable even in succeeding years	Nil	Nil

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**13. Earnings Per Share (EPS)**

The numerators and denominators used to calculate Basic and Diluted Earnings per share. Amount in Rupees

	<b>Year ended 31.03.2010</b>	Year ended 31.03.2009
<b>Basic Earnings Per Share</b>		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	<b>(38215672)</b>	3,088,912
Denominator for Basic earnings per share:		
Basic/Weighted Average number of shares	<b>6,200,800</b>	6,200,800
Basic Earnings Per Share	<b>(6.16)</b>	0.50
<b>Diluted Earnings Per Share</b>		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	<b>(38215672)</b>	3,088,912
Denominator for Diluted earnings per share:		
Weighted Average number of shares	<b>6,200,800</b>	6,200,800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. of Shares)	<b>2,236,523</b>	1,789,204
Adjusted weighted average number of shares	<b>8,437,323</b>	7,990,004
Diluted Earnings Per Share	<b>(6.16)</b>	0.39

**14. Segment Reporting**

Disclosure of segment reporting for the year **2009-10** (2008-09):

a) Information about Primary Business Segments:

<b>Description</b>	Rupees in Lakhs		
	<b>Granite</b>	<b>Apparel</b>	<b>Total</b>
<b>Revenue</b>			
Sales to External Customers	<b>10277</b> (10816)	<b>2920</b> (3382)	<b>13197</b> (14198)
Inter Segment Sales	— (—)	— (—)	— (—)
<b>Total Revenue</b>	<b>10277</b> (10816)	<b>2920</b> (3382)	<b>13197</b> (14198)
<b>Segment Results</b>			
Profit/(Loss)	<b>1050</b> (1663)	<b>-480</b> (-547)	<b>570</b> (1116)
Interest Expenses	<b>330</b> (450)	<b>620</b> (551)	<b>950</b> (1001)
Income Tax			<b>2</b> (84)
<b>Profit After Tax</b>			<b>-382</b> (31)
<b>Other Segment Information</b>			
Capital Expenditure	<b>577</b> (1346)	<b>127</b> (392)	<b>704</b> (1738)
Depreciation	<b>574</b> (516)	<b>271</b> (265)	<b>845</b> (781)
<b>Particulars of Segment Assets and Liabilities</b>			
Segment Assets	<b>14104</b> (13579)	<b>6280</b> (7377)	20384 (20956)
Unallocated Assets	<b>6116</b> (6678)	— (—)	6116 (6678)
Segment Liabilities	<b>5206</b> (4609)	<b>6793</b> (7459)	<b>11999</b> (12068)
Unallocated Liabilities	<b>5417</b> (6114)	— (—)	<b>5417</b> (6114)

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

b) Information about Secondary Segments – Geographical  
Revenue attributable to location of customers is as follows:

Rupees in Lakhs

Country	2009-10			2008-09		
	Granite	Apparel	Total	Granite	Apparel	Total
U S A	3738	116	3854	5238	338	5576
Europe	1181	1154	2335	1447	1758	3205
Asia	1530	9	1539	1095	–	1095
India	2462	1641	4103	2087	1286	3373
Australia	17	–	17	23	–	23
Rest of the World	1349	–	1349	926	–	926
<b>Total</b>	<b>10277</b>	<b>2920</b>	<b>13197</b>	<b>10816</b>	<b>3382</b>	<b>14198</b>

The entire activity pertaining to sales outside India is carried out from India

Notes:

- The company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system. The company's operations predominantly relate to Granite and Apparel divisions.
- Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on reasonable basis.

**15. Debtors, Loans & Advances**

Debts due by firms or private companies respectively in which any director is a partner or a director or a member included under the head sundry debtors (Debts due from other companies under the same management within the meaning of sub-section (1-B) of section 370).

Rupees in Lakhs

	Maximum amount outstanding at any time during the year		Balance outstanding	
	Year ended 31.03.2010	Year ended 31.03.2009	As at 31.03.2010	As at 31.03.2009
Pokarna Fashions Limited	443.28	281.79	331.83	273.10
Pokarna Marketing Limited	211.09	233.16	28.09	139.56
Pokarna Fabrics Limited	103.81	57.53	–	57.53
Southend Extension	9.09	5.18	–	–
Southend	26.61	8.40	18.89	–
Pokarna Engineered Stone Limited – Subsidiary	734.73	6667.52	734.73	6667.52
			<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>

**16. Key Man Insurance**

Insurance includes premium paid towards Key Man Insurance for Directors **10.04** 10.04

**17. Central Excise Duty**

Central excise duty expenses, as disclosed in Schedule 18 of the Profit and Loss account, includes –

- Difference between excise duty on closing stock of Finished Goods Rs. 53.07 Lakhs and excise duty on opening stock of Finished Goods Rs. 11.78 Lakhs (previous year excise duty on closing stock of Finished Goods, Rs. 11.78 Lakhs and excise duty on opening stock of Finished Goods Rs. 61.25 Lakhs) **41.29** (49.47)
- Excise duty on stock transfer **(7.04)** 12.67

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### 18. Provision for contingencies

Provision for contingencies represents an amount of Rs.357.48 Lakhs premium payable on FCCBs on redemption.

### 19. Financial and Derivative Instruments

- i) Nominal amount of forward contracts entered into by the company for hedging currency related risks and outstanding as on 31st March, 2010 amounts to **Rs. Nil lakhs** (Previous year Rs. 540.27 lakhs)
- ii) Foreign currency exposure that are not hedged by derivative or forward contracts as on 31st March, 2010 amounts to **Rs. 9912.54 lakhs** (Previous year Rs. 10732.35 lakhs)

### 20. Leases

The company has operating leases for Office premises, guesthouse and retail outlets, that are (a) renewable on a periodic basis and are cancellable by giving a notice period ranging from 1 month to 6 months and (b) are non-cancellable for specified periods under arrangements. Rent escalation clauses vary from contract to contract.

	Rupees in Lakhs	
<b>Particulars</b>	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
Rent expenses included in Profit and Loss Account towards operating leases	<b>386.26</b>	322.29
<b>Minimum lease obligation under non cancelable lease contracts amounts to:</b>		
<b>Particulars</b>	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
Within 1 year	<b>291.79</b>	351.57
After 1 year but before 5 years	<b>582.38</b>	375.08
After 5 years	-	-
<b>Total</b>	<b>874.17</b>	726.65

### 21. General

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) Paise are rounded off to the nearest Rupee.
- c) Previous year's figures have been regrouped/recast wherever considered necessary to make these comparable with those of the current year.

### 22. Employee Benefits

	Rupees in Lakhs	
<b>Particulars</b>	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
<b>Defined Contribution Plan</b>		
Contribution to Defined Contribution Plan, recognized are charged off for the year is as under:		
Employer's contribution to Provident Fund	<b>71.06</b>	78.73

### Defined Benefit Plan

The employees' gratuity fund scheme managed by MetLife India Insurance company Limited and Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Compensated Absence is recognized in the same manner as gratuity.

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



Rupees in Lakhs

Particulars	Gratuity (Funded)		Compensated Absence (Unfunded)	
	Year Ended 31.03.2010	Year Ended 31.03.2009	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>a) Reconciliation of opening and closing balances of the present value of the Projected Benefit Obligation</b>				
Projected Benefit Obligation at Beginning of year	108.16	99.45	6.89	–
Current service cost	28.15	28.10	19.47	12.52
Interest cost	7.21	7.74	0.46	(0.03)
Actuarial (Gain)/Loss	(6.24)	(21.64)	(18.14)	(8.46)
Benefits paid	(10.21)	(5.49)	(0.62)	(0.67)
Projected Benefit Obligation at year end	127.06	108.16	8.06	3.36
<b>b) Reconciliation of opening and closing balances of Fair Value of plan assets</b>				
Fair value of Plan asset at beginning of year	46.49	28.14	–	–
Expected return on Plan Assets	2.90	2.95	–	–
Actuarial (Gain)/Loss	(0.03)	(2.18)	–	–
Employer Contribution	0.00	23.07	–	–
Benefits Paid	(10.22)	(5.49)	–	–
Fair value of Plan asset at year end	39.14	46.49	–	–
<b>c) Reconciliation of fair value of assets and Obligation</b>				
Fair value of Plan assets	39.14	46.49	–	–
Present value of Projected Benefit obligation	127.06	108.16	8.06	3.36
Amount recognized in Balance Sheet	(87.92)	(61.67)	(8.06)	(3.36)
<b>d) Expenses recognized during the year Under the head “Personnel Costs”</b>				
Current service cost	28.15	28.10	19.47	12.52
Interest cost	7.21	7.74	0.46	(0.03)
Expected return on Plan Assets	(2.90)	(2.95)	–	–
Actuarial (Gain)/Loss	(6.21)	(19.46)	(18.14)	(8.46)
Income(-)/Expenses(+) recognized in the statement of Profit & Loss	26.25	13.43	1.79	4.03
<b>e) Actuarial Assumptions</b>				
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	7.00%	8.00%	7.00%
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%
Attrition Rate	10.00%	5.00%	10.00%	5.00%
Expected return on Plan assets – LIC	7.00%	8.50%	–	–
Expected return on plan assets – Met Life	7.00%	8.50%	–	–

The company expects to contribute Rs. 25.00 Lakhs to its Gratuity plan for the next year.

**23. Provisions**

Rupees in Lakhs

Particulars	Carrying amount as at April 1, 2009	Additional provision made during the year	Amount written off during the year	Amount reversed during the year	Unused As At March 31, 2010
Provision for Doubtful Debts	160.80	46.18	–	–	206.98

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**24. Additional information required as per clause 4C and 4D and notes thereon of part II of Schedule VI to the Companies Act, 1956**

**a) Licenced Capacity and installed Capacity**

Class of Goods	Units	Licenced Capacity		Installed Capacity	
		2009-10	2008-09	2009-10	2008-09
Finished Granite	Sq.Mts	NA	NA	636000	636000
Apparels	Nos.	1500000	1500000	1200000	1200000

**b) Particulars of Production, Sales and Stock for the year 2009-10 (2008-09)**

Rupees in Lakhs

Class of Goods	Units	Opening Stock		Production		Purchases/transfers		Sales		Closing Stock	
		Qty.	Value	Qty.	Qty.	Value	Qty.	Value	Qty.	Value	
Manufactured Goods											
Finished Granite	Sq.Mts	114611	757	326316	-	-	339402	7349	101525	785	
		(125299)	(869)	(332409)	(-)	(-)	(343097)	(8673)	(114611)	(757)	
Raw Granite at quarries	Cbm	2055	83	16223	4490	-	11402	2077	2386	118	
		(2230)	(93)	(11144)	(2232)	(-)	(9087)	(1600)	(2055)	(83)	
Apparel incl. Job work	Nos.	79932	759	331949	814	14	328232	2433	84463	670	
		(109400)	(1163)	(386168)	(-)	(-)	(415636)	(3010)	(79932)	(759)	
Traded Goods:											
Raw Granite	Cbm	-	-	-	1682	454	1682	763	-	-	
		(26)	(6)	(-)	(1484)	(338)	(1510)	(464)	(-)	(-)	
Finished Granite	Sq.Mts	-	-	-	5162	47	5060	70	112	1	
		(-)	(-)	(-)	(3060)	(20)	(3060)	(26)	(-)	(-)	
Fabric	Mtrs.	-	-	-	131016	387	122556	447	8460	52	
		(-)	(-)	(-)	(109491)	(295)	(109491)	(356)	(-)	(-)	
Apparel	Nos.	1412	13	-	5792	31	2895	38	4309	24	
		(2432)	(20)	(-)	(-)	(-)	(1020)	(14)	(1412)	(13)	
Add: Sale of Scrap								20			
								(55)			
Net sale as per Profit & Loss Account								13197			
								(14198)			

**c) Raw Material Consumed during the year**

Rupees in Lakhs

Class of Goods	Units	2009-10		2008-09	
		Qty.	Value	Qty.	Value
Raw Granite*	Cbm	9298	2957	9625	3041
Fabric	Mtrs.	486000	1128	691228	1261

\*Including inter unit transfer of 4055 Cbm of Rs. 976 Lakhs (previous year 2923 Cbm of Rs. 632 Lakhs)

**d) Details of imported and indigenous raw materials, consumables, stores & spares consumed during the year**

Rupees in Lakhs

Class of Goods		2009-10		2008-09	
		Value	%	Value	%
Raw Material	Imported	692	17	728	17
	Indigenous	3393	83	3574	83
<b>Total</b>		<b>4085</b>	<b>100</b>	<b>4302</b>	<b>100</b>
Consumables, Stores & Spares	Imported	923	57	942	57
	Indigenous	770	43	721	43
<b>Total</b>		<b>1693</b>	<b>100</b>	<b>1663</b>	<b>100</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**e) CIF value of imports**

	Rupees in Lakhs	
	2009-10	2008-09
Raw Material	508	712
Consumables, Stores & Spares	777	1170
Capital items	124	778

**f) Earnings in foreign currency**

	Rupees in Lakhs	
	2009-10	2008-09
Income from sales/Job work (FOB)	9073	10523

**g) Expenditure in foreign currency**

	Rupees in Lakhs	
	2009-10	2008-09
Travel & Conveyance	91	75
Business Promotion	84	139
Professional & Constultancy	–	5
Interest	17	–

**h) Remittance of dividend in foreign currency**

The company has not remitted any amount in foreign currency on account of dividend during the year and does not have information as to the extent to which remittances, if any, in foreign currency have been made by/on behalf of Non Resident of Indian (NRI) shareholders. The particulars of dividends made are as under:

	Year Ended 31.03.2010	Year Ended 31.03.2009
No. of NRI shareholders	17	17
No. of Equity shares held	14866	14866
Gross Dividend Rs.	Nil	22301

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 27th May, 2010

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Paras Kumar Jain</b>	Company Secretary



**BALANCE SHEET ABSTRACT AND COMPANY'S  
GENERAL BUSINESS PROFILE**

**Information as required under Part IV of Schedule VI to the Companies Act, 1956**

.....●.....													
I. Registration Details													
Registration No.	0 1 - 1 3 2 9 9	State Code	0 1										
Balance Sheet Date	3 1 . 0 3 . 2 0 1 0												
II. Capital raised during Year (Amount Rs. in Thousands)													
Public Issue	-	Rights Issue	-										
Bonus Issue	-	Private Placement	-										
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)													
Total Liabilities	2 3 7 3 2 8 5	Total Assets	2 3 7 3 2 8 5										
SOURCES OF FUNDS													
Paid-up Capital	6 2 0 0 8	Reserves & Surplus	7 8 2 9 9 9										
Secured Loans	7 6 2 2 0 4	Unsecured Loans	7 0 2 6 5 0										
Deferred Tax Liabilities	6 3 4 2 4												
APPLICATION OF FUNDS													
Net Fixed Assets	1 0 7 4 8 5 8	Investments	6 1 1 5 8 7										
Net Current Assets	6 8 6 8 4 0	Misc. Expenditure	0										
Accumulated Losses	N I L												
IV. Performance of the Company (Amount in Rs. Thousands)													
Turnover* * including other income	1 3 5 6 1 5 8	Total Expenditure	1 3 9 4 1 3 8										
Profit/Loss Before Tax	- 3 7 9 8 0	Profit/Loss After Tax	- 3 8 2 1 6										
Earning Per Share in Rs.	- 6 . 1 6	Dividend Rate %	0 0 %										
V. Generic Names of Two Principal Products/Services of the Company (As per Monetary Terms)													
Item No. (ITC Code)	6 8 0 2 2 3 1 0												
Product Description	P O L I S H E D G R A N I T E S L A B S / T I L E S												
Item No. (ITC Code)	6 2 0 5												
Product Description	M E N S S H I R T												
Item No. (ITC Code)	6 2 0 3												
Product Description	M E N S T R O U S E R												

For and on behalf of Board of Directors

<p><b>Gautam Chand Jain</b> Chairman &amp; Managing Director  <b>Meka Yugandhar</b> Director  <b>Vinayak Rao Juvvadi</b> Director  <b>TV Chowdary</b> Director  <b>Dhanjibhai Sawla</b> Director  <b>Prakash Chand Jain</b> Director</p>	<p><b>Rahul Jain</b> Executive Director  <b>Siddharth Jain</b> Executive Director  <b>M Vishwanatha Reddy</b> Chief Financial Officer  <b>Sanjay Daga</b> G. M. – Accounts  <b>Paras Kumar Jain</b> Company Secretary</p>
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Place: Secunderabad  
Date : 27th May, 2010

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANIES**

Name of the Subsidiary Company	Pokarna Engineered Stone Limited
Accounting year of the Subsidiary	March 31, 2010
Shares of the Subsidiary Company a) Number and Face Value	1,00,000 Equity Shares of Rs. 10/- each fully paid up
b) Extent of holding	100%
Net Aggregate amount of Profit/(Loss) of the Subsidiary for the above financial year of the subsidiary so far as they concern members of the company	
a) Not dealt with in the Account of Pokarna Limited for the year ending March 31, 2010	
i) for the Subsidiary's financial year ended March 31, 2010	Rs. (-) 9,89,22,578/-
ii) for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Rs. 45,869/-
b) Dealt with in the Account of Pokarna Limited for the year ending March 31, 2010	
i) for the Subsidiary's financial year ended March 31, 2010	Rs. – Nil –
ii) for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Rs. – Nil –

As per our report attached

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date : 27th May, 2010

For and on behalf of Board of Directors

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Paras Kumar Jain</b>	Company Secretary

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**Consolidated Financial Statements**  
**AUDITORS' REPORT**



To

The Board of Directors,  
**Pokarna Limited**

1. We have audited the attached Consolidated Balance Sheet of Pokarna Limited, its subsidiary (collectively referred to as "the Group") as at 31st March, 2010, the Consolidated Profit and Loss account for the year ended on that date and the Consolidated Cash-Flow Statement for the year ended on that date annexed thereto, These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components, Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India, Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 report that the consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard 21 - Consolidated Financial Statements and Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements, notified by the Central Government under Companies (Accounting Standards) Rules, 2006.
4. Based on our audit as aforesaid and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
  - b) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date;  
and
  - c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year ended on that date.

For **S. Daga & Co.**  
Chartered Accountants  
(ENo.000669S)

**Shantilal Daga**  
M.No. 11617  
Partner

Place: Hyderabad  
Date : 27th May, 2010

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**BALANCE SHEET AS AT 31st MARCH, 2010**

Amount in Rupees

	Schedule	As at 31.03.2010	As at 31.03.2009		
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	62,008,000		62,008,000	
Reserves & Surplus	2	684,449,109	746,457,109	821,587,360	883,595,360
<b>Loan Funds</b>					
Secured Loans	3		2,046,613,223		1,958,655,056
Un-Secured Loans	4		938,267,671		894,662,614
<b>Deferred Tax Liability (Net)</b>	5		63,424,051		66,175,513
<b>Total</b>			<u>3,794,762,054</u>		<u>3,803,088,543</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	3,770,206,819		1,580,407,220	
Less: Accumulated Depreciation		553,023,992		423,433,757	
Net Block		3,217,182,827		1,156,973,463	
Capital Work-in-Progress		66,305,451	3,283,488,278	2,041,957,000	3,198,930,463
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	7	419,356,175		419,092,425	
Sundry Debtors	8	331,952,189		382,035,800	
Cash & Bank Balances	9	90,415,224		75,827,602	
Loans & Advances	10	186,223,878		164,864,892	
		<u>1,027,947,466</u>		<u>1,041,820,719</u>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	11	334,244,264		331,892,899	
Provisions	12	191,893,804		119,966,309	
		<u>526,138,068</u>		<u>451,859,208</u>	
<b>Net Current Assets</b>			501,809,398		589,961,511
<b>Miscellaneous Expenditure</b>	13		9,464,378		14,196,569
(To the extent not written off or adjusted)					
<b>Total</b>			<u>3,794,762,054</u>		<u>3,803,088,543</u>

Significant Accounting Policies 21

Notes to the Accounts 22

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date: 27th May, 2010

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Paras Kumar Jain</b>	Company Secretary

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

		Amount in Rupees	
	Schedule	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
Sales & Operating Income			
Gross Sales	14	1,429,391,588	1,431,330,495
Less: Excise Duty on Sales		20,994,757	11,514,832
Net Sales		1,408,396,831	1,419,815,663
Operating Income		32,712,837	38,052,314
Other Income	15	4,001,134	4,990,955
<b>Total</b>		<b>1,445,110,802</b>	<b>1,462,858,932</b>
<b>EXPENDITURE</b>			
Material Costs	16	629,472,779	676,351,218
Personnel Costs	17	155,039,770	160,693,462
Operating & Other Expenses	18	505,492,477	436,011,121
Finance Charges	19	159,061,430	100,097,922
Depreciation & Amortization	6	133,152,052	78,115,492
<b>Total</b>		<b>1,582,218,508</b>	<b>1,451,269,215</b>
Profit Before Tax		(137,107,706)	11,589,717
Less: Provision for Tax	20	(2,751,462)	5,533,188
Less: Prior Years Tax		2,782,007	2,921,748
Net Profit After Tax		(137,138,251)	3,134,781
Balance of Profit Brought Forward		472,749,866	618,463,677
Amount Available For Appropriation		335,611,615	621,598,458
<b>Appropriations:</b>			
Transfer to FCCB Redemption Reserve		80,333,392	148,848,592
Balance Carried to the Balance Sheet		255,278,223	472,749,866
<b>Total</b>		<b>335,611,615</b>	<b>621,598,458</b>
Earning Per Shares - Basic		(22.12)	0.51
Earning Per Shares - Diluted		(22.12)	0.37
(Par value of Rs. 10 each)			

Significant Accounting Policies

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Notes to the Accounts

22

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date: 27th May, 2010

**Gautam Chand Jain**  
**Meka Yugandhar**  
**Vinayak Rao Juvvadi**  
**T V Chowdary**  
**Dhanjibhai Sawla**  
**Prakash Chand Jain**  
**Rahul Jain**  
**Siddharth Jain**  
**M Vishwanatha Reddy**  
**Sanjay Daga**  
**Paras Kumar Jain**

Chairman & Managing Director  
Director  
Director  
Director  
Director  
Director  
Executive Director  
Executive Director  
Chief Financial Officer  
G. M. – Accounts  
Company Secretary

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010**

	Schedule	Year ended 31.03.2010	Year ended 31.03.209
Amount in Rupees			
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax (Net of Prior Period Items)		(137,107,706)	11,589,717
Adjustment for –			
Add: Non cash item/items required to be disclosed separately:			
Depreciation & Amortisation		135,518,147	78,115,492
Interest Expense		159,061,430	100,097,922
Loss on Sale of Asset		10,114,847	320,056
Unrealised Foreign Exchange (gain)/loss		(69,545,436)	(10,609,790)
Interest Income		(4,001,134)	(4,990,955)
Irrecoverable Advances written off		–	–
Provision for Doubtful Debts		4,618,272	12,875,790
Provision for Doubtful Debts written back		–	(34,569)
<b>Operating Profit before working capital changes</b>		<b>98,658,420</b>	<b>187,363,663</b>
Changes in working capital and other provisions:			
Sundry Debtors		42,166,790	119,893,477
Inventories		(263,751)	39,113,664
Loans & Advances		(24,548,221)	(10,578,821)
Current Liabilities & Provisions		82,955,133	103,781,685
<b>Cash Generated from operations</b>		<b>198,968,371</b>	<b>439,573,668</b>
Income Taxes paid during the year		(3,744,516)	(5,981,787)
<b>Net cash flow generated by operating Activities</b>		<b>195,223,855</b>	<b>433,591,881</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed Assets and changes in capital work in progress		(228,830,384)	(682,960,966)
Proceeds from Sale of assets		2,625,504	3,049,464
Investments		–	(1,000,000)
Interest Income		4,001,134	4,990,955
<b>Net Cash used in investing Activities</b>		<b>(222,203,746)</b>	<b>(675,920,547)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		–	–
Bank Borrowings		87,958,167	166,521,805
Other Borrowings		113,325,057	112,653,071
Dividends and Corporate dividend Tax		–	(10,881,939)
Interest paid		(159,061,430)	(100,097,922)
<b>Net Cash generated from financing Activities</b>		<b>42,221,794</b>	<b>168,195,015</b>
Effect of exchange differences on translation of foreign currency		(654,281)	4,322,670
<b>Net increase (decrease) in cash and cash Equivalents</b>		<b>14,587,622</b>	<b>(69,810,981)</b>
Cash and Cash equivalents at the beginning of the year		75,827,602	145,638,583
Cash and Cash equivalents as at the end of the year		90,415,224	75,827,602
		<b>14,587,622</b>	<b>(69,810,981)</b>

Significant Accounting Policies 21

Notes to the Accounts 22

The Schedules referred to above form an integral part of the Cash Flow Statement.

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**

**Gautam Chand Jain**

Chairman & Managing Director

Chartered Accountants

**Meka Yugandhar**

Director

**Vinayak Rao Juvvadi**

Director

**T V Chowdary**

Director

**Dhanjibhai Sawla**

Director

**Prakash Chand Jain**

Director

**Rahul Jain**

Executive Director

**Siddharth Jain**

Executive Director

**M Vishwanatha Reddy**

Chief Financial Officer

**Sanjay Daga**

G. M. – Accounts

**Paras Kumar Jain**

Company Secretary

Place: Secunderabad

Date: 27th May, 2010

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 1</b>		
<b>Share Capital</b>		
<b>Authorised:</b>		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	200,000,000	200,000,000
<b>Issued, Subscribed and paid up:</b>		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	62,008,000	62,008,000
<b>Total</b>	<b>62,008,000</b>	<b>62,008,000</b>
<b>Schedule - 2</b>		
<b>Reserves &amp; Surplus</b>		
<b>Capital Subsidy</b>	1,500,000	1,500,000
<b>Share Premium Account</b>	7,396,000	7,396,000
<b>General Reserve</b>		
Balance at the Beginning of the Year	94,376,453	94,376,453
Add: Transfer from Profit & Loss A/c	-	-
	<u>94,376,453</u>	<u>94,376,453</u>
<b>FCCB Redemption Reserve</b>		
Opening Balance	245,565,041	96,716,449
Add: Transferred from Profit & Loss A/c	80,333,392	148,848,592
	<u>325,898,433</u>	<u>245,565,041</u>
<b>Profit &amp; Loss Account</b>		
Opening Balance	472,749,866	618,463,677
Add: Profit for the year after Approp	(137,138,251)	3,134,781
	<u>335,611,615</u>	<u>621,598,458</u>
Less: Trd to FCCB Redemption reserve	80,333,392	148,848,592
	<u>255,278,223</u>	<u>472,749,866</u>
<b>Total</b>	<b>684,449,109</b>	<b>821,587,360</b>
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
<b>Term Loans</b>		
From Bank		
- Rupee Loan	1,620,017,041	1,513,469,537
<b>Working Capital Loans</b>		
From Bank		
- Rupee Loan	390,084,729	429,949,242
<b>Hire Purchase Loans</b>		
From Banks		
- Rupee Loan	3,327,721	14,854,828
From others		
- Rupee Loan	33,183,732	381,449
<b>Total</b>	<b>2,046,613,223</b>	<b>1,958,655,056</b>



**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

**Schedule - 6**

Description	Gross Block				Depreciation			Net Block	
	During the year		During the year		During the year		Net Block		
	As on 01.04.2009	Additions	Deletions/ Adjustments	As on 31.03.2010	Upto 31.03.2009	For the period	Deletions/ Adjustments	As on 31.03.2010	As on 31.03.2009
Land - Freehold*	43,279,150	-	-	43,279,150	-	-	-	-	43,279,150
Land - Leasehold*	118,655,425	-	-	118,655,425	6,030,152	3,595,619	-	9,625,771	109,029,654
Buildings	5,581,034	45,549,726	-	51,130,760	422,564	462,528	-	885,092	50,245,668
Factory & Quarry Buildings	192,581,807	389,010,819	-	581,592,626	34,660,741	13,110,857	-	47,771,598	533,821,028
Plant & Machinery	1,028,273,145	1,746,961,644	5,085,597	2,770,149,192	325,836,552	100,123,651	1,449,457	424,510,746	2,345,638,440
Vehicles	60,181,782	1,111,997	1,784,383	59,509,396	20,698,082	5,975,829	988,244	25,685,667	33,823,730
Furniture & Fixtures and Office Equipment	93,574,992	25,772,058	11,736,665	107,610,385	20,473,666	8,360,045	3,428,593	25,405,118	82,205,266
<b>Intangible Assets:</b>									
Trade Marks & Brand Names	38,279,885	-	-	38,279,885	15,312,000	3,828,000	-	19,140,000	19,139,885
<b>Total</b>	<b>1,580,407,220</b>	<b>2,208,406,244</b>	<b>18,606,645</b>	<b>3,770,206,819</b>	<b>423,433,757</b>	<b>135,456,529</b>	<b>5,866,294</b>	<b>553,023,992</b>	<b>3,217,182,827</b>
Previous Year	1,427,244,307	161,523,705	83,60,795	1,580,407,220	346,202,920	82,222,109	4,991,272	423,433,757	1,156,973,463

Notes: Depreciation for the period includes Rs.2,304,477/- (Rs.4,106,617/-) is capitalised.

\*Note: Land includes Acres 2.11 cents of R. L. Puram, Prakasam Dt., Andhra Pradesh which has been disputed by third parties pending disposal.

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 4</b>		
<b>Unsecured Loans</b>		
Zero Coupon Foreign Currency Convertible Bonds	541,680,000	611,400,000
Other Loans and Advances		
From Banks	7,703,999	–
From Others		
– Inter Corporate	264,369,344	223,948,286
– From Directors	124,514,328	59,314,328
<b>Total</b>	<b>938,267,671</b>	<b>894,662,614</b>
<b>Schedule - 5</b>		
<b>Deferred Tax Liability (Net)</b>		
Deferred Tax Liabilities		
– Depreciation	74,033,586	71,450,904
	<b>74,033,586</b>	<b>71,450,904</b>
Deferred Tax Assets		
– Provision for Doubtful Debts	1,569,751	5,275,391
– Others	9,039,784	–
	<b>10,609,535</b>	<b>5,275,391</b>
<b>Total</b>	<b>63,424,051</b>	<b>66,175,513</b>
<b>Schedule - 7</b>		
<b>Inventories</b>		
Consumables, Stores & Spares	43,944,265	57,386,907
Raw Material (Including Goods-in-Transit Rs. 30.16 Lakhs (Rs. 149.27 Lakhs))	123,279,329	157,196,362
Raw Granite at Quarries	11,795,046	8,291,345
Work-in-Process	22,845,013	41,146,869
Finished Goods	202,709,054	151,604,450
Traded Goods	7,696,293	1,275,932
Packing Material	7,087,175	2,190,560
<b>Total</b>	<b>419,356,175</b>	<b>419,092,425</b>
<b>Schedule - 8</b>		
<b>Sundry Debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
– Considered Good	112,001,212	160,541,841
– Considered Doubtful	20,697,797	16,079,525
Other Debts – Considered Good	219,950,977	221,493,959
	<b>352,649,986</b>	<b>398,115,325</b>
Less: Provision for Doubtful Debts	20,697,797	16,079,525
<b>Total</b>	<b>331,952,189</b>	<b>382,035,800</b>

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 9</b>		
<b>Cash &amp; Bank Balances</b>		
Cash on Hand	681,083	869,624
Balances with Scheduled Banks		
– In Current Accounts	23,302,791	6,932,151
– In Current Accounts – Foreign currency	23,753,103	29,312,985
– In Deposit/Margin money	41,011,796	36,682,849
– In Unclaimed Dividend Accounts	1,202,914	1,498,642
Balances with Non-Scheduled Banks outside India		
– In Current Accounts	463,537	531,351
<b>Total</b>	<b>90,415,224</b>	<b>75,827,602</b>

Note: Current account balance with bank outside India represents balance of unutilised money out of FCCB issue; Standard Chartered Bank, Singapore –  
(Maximum amount outstanding at any time during the year Rs. 5.31 Lakhs (Rs. 134.35 Lakhs))

**Schedule - 10**

**Loans & Advances**

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or

for value to be received:

– Considered Good	95,556,230	54,397,358
Advance for Raw Material	13,657,497	22,960,755
Staff Advance	61,517	24,897
Prepaid Expenses	11,656,375	9,598,680
Advance Income Tax	5,099,673	8,288,909
Electricity and Other Deposits	50,441,111	56,064,003
Balances with Customs & Excise Authorities	334,788	143,877
Cenvat Credit Receivable	9,416,687	13,386,413
<b>Total</b>	<b>186,223,878</b>	<b>164,864,892</b>

**Schedule - 11**

**Current Liabilities**

Sundry Creditors

– For Goods	128,489,129	127,722,586
– For Other Liabilities	122,249,477	113,094,176
– For Capital Expenditure	41,157,522	58,252,899
Advances from Customers	40,885,387	31,324,596
Unclaimed Dividend	1,462,749	1,498,642
<b>Total</b>	<b>334,244,264</b>	<b>331,892,899</b>

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 12</b>		
<b>Provisions</b>		
Provision for Taxation	-	4,151,745
Provision for		
- Gratuity	9,116,066	6,201,798
- Compensated absences	950,393	336,323
Provision for contingencies	181,827,345	109,276,443
<b>Total</b>	<b>191,893,804</b>	<b>119,966,309</b>
<b>Schedule - 13</b>		
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
Opening Balance	14,196,569	14,196,569
Add: Additions during the year	-	-
	14,196,569	14,196,569
Less: Amortised during the year	4,732,191	-
<b>Total</b>	<b>9,464,378</b>	<b>14,196,569</b>

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 14</b>		
<b>Sales &amp; Operating Income</b>		
Gross Sales		
Polished Granite	748,591,207	867,850,044
Raw Granite	284,053,261	214,927,006
Quartz Surfaces	96,974,949	-
Apparel	252,201,854	305,763,627
Fabric	45,129,243	36,416,517
Scrap	2,441,074	6,373,301
<b>Total</b>	<b>1,429,391,588</b>	<b>1,431,330,495</b>
Operating Income		
Operation & Maintain and Jobwork Receipts	27,365,740	26,057,148
Commission	132,382	250,776
Provision no Longer Required Written back	94,994	34,569
Export Incentives	5,119,721	11,709,821
<b>Total</b>	<b>32,712,837</b>	<b>38,052,314</b>
<b>Schedule - 15</b>		
<b>Other Income</b>		
Interest on deposits		
(Gross, including tax deducted at source Rs. 12.51 Lakhs (Rs. 24.81 Lakhs))	4,001,134	4,990,955
<b>Total</b>	<b>4,001,134</b>	<b>4,990,955</b>
<b>Schedule - 16</b>		
<b>Material Costs</b>		
<b>a) Opening Balance</b>		
Finished Goods	151,604,450	203,223,796
Work-in-Process	41,146,869	67,388,515
Raw Granite	8,291,345	9,313,174
	<b>201,042,664</b>	<b>279,925,485</b>
Less: Closing Stock		
Finished Goods	202,709,054	151,604,450
Work-in-Process	22,845,013	41,146,869
Raw Granite	11,795,046	8,291,345
Less: Stock during Trial Run	(38,118,394)	-
	<b>199,230,719</b>	<b>201,042,664</b>
Net (Increase)/Decreased	<b>1,811,945</b>	<b>78,882,821</b>
<b>b) Raw Material Consumed</b>		
Opening Stock	157,196,362	162,233,007
Add: Purchases	332,737,170	361,929,921
	<b>489,933,532</b>	<b>524,162,928</b>
Less: Closing Stock	123,279,329	157,196,362
	<b>366,654,203</b>	<b>366,966,566</b>

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	Amount in Rupees	
	31.03.2010	31.03.2009
c) Consumption of Consumables, Stores & Spares	176,218,438	166,316,394
d) Purchase of Traded Goods	84,788,193	64,185,437
	<u>629,472,779</u>	<u>676,351,218</u>
<b>Schedule - 17</b>		
<b>Personnel Costs</b>		
Salaries, Wages, Bonus, Allowances & benefits	131,193,923	135,115,928
Contribution to Provident and other Funds	9,163,024	9,898,945
Retirement Benefits	4,094,795	1,342,173
Workmen & Staff Welfare Expenses	10,588,028	14,336,416
<b>Total</b>	<u>155,039,770</u>	<u>160,693,462</u>
<b>Schedule - 18</b>		
<b>Operating &amp; Other Expenses</b>		
Other Mfg & Quarrying Expenses	24,103,069	27,277,336
Power and Fuel	108,169,472	104,968,058
Repairs and Maintenance:		
– Plant and Machinery	9,209,843	9,781,877
– Building	1,386,601	1,783,298
– Others	5,551,132	2,349,693
Cutter and Driller Charges	17,313,142	13,687,484
Royalty on Quarry Land	5,050,806	5,796,108
Rent	39,750,281	32,228,625
Rates and Taxes	2,827,188	2,432,253
Insurance	7,673,421	7,982,213
Communication Charges	3,872,187	4,413,117
Printing & Stationery	2,352,079	2,428,053
Travelling & Conveyance Expenses	15,061,729	17,250,636
Electricity Charges	4,923,273	3,588,792
Vehicle Maintenance	6,306,334	6,201,226
Auditors Remuneration	429,962	419,100
Advertisement	560,640	409,676
Legal and Professional Charges	4,201,895	3,833,418
Directors Sitting Fees	46,000	44,000
Donations	1,455,753	1,538,357
Fees & Subscriptions	1,458,764	1,054,927
Government Royalty and Dead Rent	30,280,556	35,209,102
Carriage Outwards	77,922,947	88,205,804
Sales Commission	4,805,161	2,848,028
Discounts and Claims	23,909,229	11,986,358
Business Promotion Expenses	16,273,307	27,125,749
Packing Material	25,937,410	30,233,975
Bad Debts Written off	2,324,419	789,399
Provision for Doubtful Debts	4,618,272	12,875,790
Impairnet Loss on sale of assets	10,114,847	320,056
Excise Duty – Others	3,424,787	(3,680,246)
Sales Tax	10,684,632	5,881,060
Exchange Loss (Net)	27,556,584	(28,669,833)
Miscellaneous Expenses	3,570,660	3,417,632
Amortisation of Misc. Expenses	2,366,095	–
<b>Total</b>	<u>505,492,477</u>	<u>436,011,121</u>

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 19</b>		
<b>Finance Charges</b>		
Banks:		
– Interest on Term Loans	110,720,950	32,553,247
– Interest on Working Capital Loans	27,889,087	31,913,285
– Interest on Hire Purchase Loans	682,423	2,111,295
– Bill Discounting Charges	10,834,103	22,164,348
– Bank Charges	5,952,563	5,422,493
From Others:		
– Interest – Others	20,680,618	5,869,825
– Interest on Hire Purchase Loans	835,665	63,429
Interest on Debentures	16,266,021	
Charges/Gain on variable coupon and restatement of FCCB	(34,800,000)	–
<b>Total</b>	<b>159,061,430</b>	<b>100,097,922</b>
<b>Schedule - 20</b>		
<b>Provision for Tax</b>		
Current Tax	–	2,220,860
Fringe Benefit Tax	–	2,155,885
Deferred Tax	(2,751,462)	1,156,443
<b>Total</b>	<b>(2,751,462)</b>	<b>5,533,188</b>

**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**Schedule – 21**

**Significant Accounting Policies**

**A. Basis of Preparation of Financial Statements**

The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Parent Company i.e, year ended 31st March.

The financial statements are prepared under the historical cost convention on the accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

**Principles of Consolidation**

The financial statements of the Parent Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and the unrealized profits.

The financial statements of the Parent Company and its subsidiaries have been consolidated using uniform accounting policies.

**B. Other Significant Accounting Policies**

These are set out under “Significant Accounting Policies” as given in the Company’s separate financial statements.

**Schedule – 22**

**Notes forming part of the Consolidated Financial Statements**

1. The Consolidated Financial Statements present the consolidated Accounts of Pokarna Limited with its wholly owned Indian subsidiary Pokarna Engineered Stone Limited.
2. Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.
3. **Contingent Liabilities not provided for**

Particulars	Rupees in Lakhs	
	As on 31.03.2010	As on 31.03.2009
a) Bank Guarantees	67.16	67.16
b) Letter of Credits outstanding	341.84	84.56
c) Premium payable on FCCB’s issued	960.23	1627.97
d) Bond-Cum-Legal Undertaking for Special Economic Zone Unit made in favour of President of India	6250.00	6250.00
Claims against the company not acknowledged as debts:		
e) Direct & Indirect Taxes disputed (Amount Deposited Rs. 16.11 Lakhs (previous year Rs.32.59 Lakhs))	96.16	95.28
f) Other Matters disputed	179.88	79.50



**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**4 . Capital Commitments**

<b>Particulars</b>	Rupees in Lakhs	
	<b>As on 31.03.2010</b>	As on 31.03.2009
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	932.00	2964.32

**5. Deferred Tax**

<b>Particulars</b>	Rupees in Lakhs	
	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
Deferred Tax Liability		
Depreciation	25.82	61.73
Exchange Fluctuation on Monetary Items	–	(6.40)
<b>Total</b>	<b>25.82</b>	<b>55.33</b>
Deferred Tax Asset		
Provision for Debtors	(37.06)	43.76
Others	90.39	–
<b>Total</b>	<b>53.33</b>	<b>43.76</b>
<b>Net Deferred Tax Liability</b>	<b>(27.51)</b>	<b>11.57</b>

**6. Related Party Transactions**

- a) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Apparels Limited, Pokarna Marketing Limited
- b) Names of the Associate Firms:  
Southend, Southend Extension, Gautam Granites
- c) Names of Key Management Personnel  
Shri. Gautam Chand Jain, Shri. Siddarth Jain, Shri. Rahul Jain
- d) Names of Relatives  
Prakash Chand Jain, Dilip Kumar Jain, Ashok Chand Jain, Raaj Kumar Jain
- e) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year **2009-10** (2008-09)

<b>Nature of the Transaction</b>	Rupees in Lakhs			
	<b>Associates</b>	<b>Key Management Personnel</b>	<b>Relatives</b>	<b>Total</b>
Purchase of Goods	44 (82)	– (–)	– (–)	44 (82)
Sale of Goods	633 (464)	– (–)	3 (8)	636 (472)
Rents paid	20 (21)	– (–)	10 (11)	30 (32)
Remuneration paid to Directors	– (–)	47 (77)	– (–)	47 (77)

**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

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Nature of the Transaction	Associates	Key Management Personnel	Relatives	Total
Interest Paid	128 (89)	– (–)	– (–)	128 (89)
Interest Received	1 (–)	– (–)	– (–)	1 (–)
Loans Received	188 (815)	742 (225)	– (25)	930 (1065)
Loans Repaid	– (–)	25 (–)	75 (–)	100 (–)
Balances as at 31/03/10 – Receivable	394 (496)	– (–)	13 (4)	407 (500)
Balances as at 31/03/10 – Payables	2599 (2551)	1069 (448)	9 (206)	3677 (3205)

**7. Earnings Per Share (EPS)**

The numerators and denominators used to calculate Basic and Diluted Earnings per share.

Amount in Rupees

	Year ended 31.03.2010	Year ended 31.03.2009
<b>Basic Earnings Per Share</b>		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	(137,138,251)	3,134,781
Denominator for Basic earnings per share:		
Basic/Weighted Average number of shares	6,200,800	6,200,800
Basic Earnings Per Share	(22.12)	0.51
<b>Diluted Earnings Per Share</b>		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	(137,138,251)	3,134,781
Denominator for Diluted earnings per share:		
Weighted Average number of shares	6,200,800	6,200,800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. of Shares)	2,236,523	2,236,523
Adjusted weighted average number of shares	8,437,323	8,437,323
Diluted Earnings Per Share	(22.12)	0.37

**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**8. Segment Reporting**

Disclosure of segment reporting for the year 2009-10 (2008-09)

a) Information about Primary Business Segments

Description	Granite	Apparel	Quartz Surfaces	Total
Rupees in Lakhs				
<b>Revenue:</b>				
Sales to External Customers	10277 (10816)	2920 (3382)	889 (0)	14086 (14198)
Inter Segment Sales	3 (0)	0 (0)	0 (0)	3 (0)
<b>Total Revenue</b>	<b>10274</b> (10816)	<b>2920</b> (3382)	<b>889</b> (0)	<b>14083</b> (14198)
<b>Segment Results:</b>				
Profit/(Loss)	1050 (1663)	(480) (-547)	(351) (0)	219 (1116)
Interest Expenses	330 (450)	620 (551)	640 (0)	1590 (1001)
Income Tax				0 (84)
<b>Profit After Tax</b>				<b>(1371)</b> (31)
<b>Other Segment Information:</b>				
Capital Expenditure	577 (1346)	127 (392)	1624 (6492)	2328 (8230)
Depreciation	574 (516)	271 (265)	510 (41)	1355 (822)
<b>Particulars of Segment Assets and Liabilities:</b>				
Segment Assets	14104 (13579)	6280 (7377)	23465 (21367)	43849 (42323)
Unallocated Assets	6116 (6678)	0 (0)	0 (0)	6116 (6678)
Segment Liabilities	5206 (4609)	6793 (7459)	24535 (14829)	36534 (26897)
Unallocated Liabilities	5417 (6114)	0 (0)	0 (0)	5417 (6114)

**Consolidated Financial Statements**  
**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

- b) Information about Secondary Segments – Geographical  
Revenue attributable to location of customers is as follows

Rupees in Lakhs

Country	2009-10				2008-09			
	Granite	Apparel	Quartz Surfaces	Total	Granite	Apparel	Quartz Surfaces	Total
U S A	3738	116	351	4205	5238	338	–	5576
Europe	1181	1154	35	2370	1447	1758	–	3205
Asia	1530	9	–	1539	1095	–	–	1095
India	2462	1641	503	4606	2087	1286	–	3373
Australia	17	–	–	17	23	–	–	23
Rest of the World	1349	–	–	1349	926	–	–	926
<b>Total</b>	<b>10277</b>	<b>2920</b>	<b>890</b>	<b>14086</b>	<b>10816</b>	<b>3382</b>	<b>–</b>	<b>14198</b>

The entire activity pertaining to sales outside India is carried out from India

Notes:

The company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system. The operations predominantly relate to Granite, Apparel and Quartz Surfaces segments.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on reasonable basis.

**9. General**

- In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- Paise are rounded off to the nearest Rupee.
- As the Pokarna Engineered Stone Limited – Subsidiary has started its commercial operations w.e.f. 1st October, 2009, hence, previous year's figures are not strictly comparable.

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date: 27th May, 2010

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Paras Kumar Jain</b>	Company Secretary

**DIRECTORS' REPORT OF  
POKARNA ENGINEERED STONE LIMITED**



Your Directors have pleasure in presenting the Ninth Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31st March 2010.

**FINANCIAL RESULTS**

<b>Particulars</b>	Rupees in Lakhs	
	<b>2009-2010</b>	<b>2008-2009</b>
Income	<b>918.80</b>	1.51
Expenditure	<b>1910.07</b>	0.83
Profit/(Loss) Before Tax	<b>(991.27)</b>	0.68
Provision for Tax	<b>(2.05)</b>	0.22
Net Balance of Profit	<b>(989.22)</b>	0.46
Balance of Profit brought forward	<b>3.72</b>	3.26
Balance Carried to Balance Sheet	<b>(985.50)</b>	3.72

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, the Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- They had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- They had taken proper and sufficient care 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; and
- They have prepared the annual accounts on a going concern basis.

**AUDITOR**

M/s. S. Daga & Co., Chartered Accountants, who are the Statutory Auditors of the Company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the Financial Year 2010-11. As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s. S. Daga & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

The members are requested to appoint auditors for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting and authorize Board to fix their remuneration.

**DIRECTORATE**

Since the Company is wholly owned subsidiary of Pokarna Limited, all the Directors are nominated on the Board of the Company by Pokarna Limited. Shri. Rahul Jain and Shri. Siddharth Jain, retire by rotation and, being eligible, offers themselves for re-appointment.

#### **SECRETARIAL COMPLIANCE CERTIFICATE**

In accordance with Section 383A of the Companies Act, 1956, the Secretarial Compliance Certificate is attached with this report.

#### **PARTICULARS OF EMPLOYEES**

None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

#### **DEPOSITS**

Your Company has not accepted any public deposit during the period under review.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Disclosure under "Form A" pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable to the Company.

#### **FORM B**

(Disclosure of particulars with respect to Technology Absorption)

Research and development (R & D)

1. Specific areas in which R & D carried out by the company — Not applicable.
2. Benefits derived as a result of the above R&D — Not applicable.
3. Future plan of action — Not applicable.
4. Expenditure on R & D:
  - a) Capital - Nil
  - b) Recurring – Nil
  - c) Total – Nil
  - d) Total R&D expenditure as a percentage of total turnover – Nil

During the year under review, the total foreign exchange earnings and expenditure of Your Company was Rs. 387 Lakhs and Rs.365 Lakhs respectively.

#### **ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for the excellent support and co-operation received from the Banks, Government Authorities, Shareholders and other Stakeholders during the year under review.

Your Directors acknowledge with gratitude the commitment and dedication of the employees at all levels, that has contributed to the growth and success of the Company.

For and on behalf of the Board

Place: Secunderabad  
Date : 7th Aug, 2010

**Gautam Chand Jain**  
Director

**Rahul Jain**  
Director

**COMPLIANCE CERTIFICATE**  
**(Pursuant to Section 383A of the Companies Act, 1956)**

**CIN: U17219AP2001PLC036015**  
**Authorized Share Capital: Rs 2,00,00,000**  
**Paid-up Capital: Rs. 10,00,000/-**

To  
The Members,  
**Pokarna Engineered Stone Limited**  
**Hyderabad.**

I have examined the registers, records, books and papers of 'POKARNA ENGINEERED STONE LIMITED' (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2010. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I hereby certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act, and the Rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in the Annexure 'B' to this certificate, with the Registrar of Companies, Andhra Pradesh, Hyderabad under the Act and the Rules made there under
3. The Company is a Public Limited Company and has the minimum prescribed paid up capital.
4. The Board of Directors duly met seven times respectively on 6th April 2009, 23rd May 2009, 29th June 2009, 31st July 2009, 27th August 2009, 29th October 2009 and 29th January 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed, in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the financial year.
6. The annual general meeting for the financial year ended on 31st March 2009 was held on 23rd September, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. One Extra Ordinary General Meetings were held on 6th May, 2009 during the Financial Year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act and as such the Company was not required to obtain any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. i) The Company has delivered certificates on transfer of shares within the prescribed time and there was no allotment/transmission of shares during the financial year.  
ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.  
iii) The Company was not required to post warrants to any member of the Company as no dividend was declared during the financial year.  
iv) The Company has no amount payable in respect of unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon.  
v) The Company has duly complied with the requirements of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted. There were no appointments of additional directors or alternate directors or directors to fill casual vacancies during the financial year.
15. The Company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any other approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
19. The Company has not issued any equity shares during the financial year. The Company has issued 6,10,58,764 Optionally Convertible Debentures of Rs. 10 each during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has no preference share capital and hence there was no redemption of preference share capital during the financial year. The Company has not redeemed any debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the financial year.
24. The amount borrowed by the Company during the financial year ending 31st March 2010 is within the borrowing limits of the Company.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. During the year under review, the Company was regular in depositing Provident fund with statutory authorities. It has no PF Trust on its own as envisaged under Section 418 of the Act.

Sd/-

**K V Chalama Reddy**  
Practising Company Secretary  
C. P. NO. 5451

Place: Hyderabad  
Date : 27th May, 2010



#### ANNEXURE 'A'

1. Register of Charges under Section 143 of the Act.
2. Register of Members under Section 150 of the Act.
3. Register of Debenture-holders under Section 152 of the Act.
4. Minutes Books of Board and General Meetings under Section 193(1) of the Act.
5. Books of Accounts under Section 209 of the Act.
6. Register of Contracts under Section 301 of the Act.
7. Register of Directors under Section 303 of the Act.
8. Register of Directors' Shareholdings under Section 307 of the Act.

#### ANNEXURE 'B'

The Company has filed the following forms/returns with the Registrar of Companies, Andhra Pradesh, Hyderabad during the financial year ended on 31st March, 2010.

S. No.	Return/ Form No	Filed under Section	Description	Date of Filing	Whether filed within prescribed time Yes / No	If delay, whether requisite additional fee paid Yes / No.
1.	Form 8	125	Creation of Charge	08.09.2009	Yes	No
2.	Form 8	125	Creation of Charge	08.09.2009	Yes	No
3.	Form 23	293(1)(d)	Increase in Borrowing Power	19.09.2009	No	Yes
4.	Form 23AC & Form 23ACA	215	Balance Sheet and Profit & Loss Account for the financial year ended 31st March 2009.	12.01.2010	No	Yes
5.	Form 20B	159	Annual Return made upto 23rd September, 2009 (Date of AGM).	12.01.2010	No	Yes
6.	Form 66	383A	Compliance Certificate for the financial year ended 31st March 2009.	12.01.2010	No	Yes

## AUDITORS' REPORT



To

The Members,

**Pokarna Engineered Stone Limited**

1. We have audited the attached balance sheet of POKARNA ENGINEERES STONE LIMITED, as at 31st March 2010, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (and amended by The Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i) 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;
  - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31st March 2010;
    - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
M.No. 11617  
Partner

Place: Hyderabad  
Date : 27th May, 2010

## ANNEXURE TO THE AUDITORS' REPORT

### Annexure referred to in Paragraph 3 of the Report of the Auditors



1. a) The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.  
b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on physical verification have been properly dealt with in the books of account;  
c) In our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the company during the year.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.  
c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. a) The company had not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
b) In view of our comment in paragraph 3(a) above, reporting under clause 4(iii) (b), (c) & (d) of the aforesaid order are not applicable to the Company.  
c) During the period, the company had taken unsecured loans from 6 parties (Previous year: 5 parties) covered in the register maintained under section 301 of the companies Act, 1956 and the maximum amount involved during the period was Rs.2254.63 Lakhs (Pr.Year Rs.1579.79 Lakhs) and the period end balance is Rs.2254.63 Lakhs (Pr.Year Rs.1527.68 Lakhs).  
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made there under.
7. In our opinion, the company has internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of goods traded by the company.

9. a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, investor education and protection fund and any other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2010 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no disputed statutory dues as at the year end.
10. The accumulated losses of the company at the end of the financial year are more than 50% of its networth and it has incurred cash losses in this financial year and not in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The company is not a chitfund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. According to the information and explanations to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment by the company.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
19. The company has issued unsecured debentures during the year and no security or charge has been created in respect thereof.
20. The company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For **S. Daga & Co.**  
Chartered Accountants  
(F.No. 000669S)

**Shantilal Daga**  
M.No. 11617  
Partner

Place: Hyderabad  
Date : 27th May, 2010

**POKARNA ENGINEERED STONE LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2010**



		Amount in Rupees			
	Schedule	As at 31.03.2010		As at 31.03.2009	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,000,000		1,000,000	
Reserves & Surplus		—	1,000,000	—	1,000,000
<b>Loan Funds</b>					
Secured Loans	2		1,284,409,038		1,140,261,636
Unsecured Loans	3		846,205,763		152,768,216
<b>Total</b>			<b>2,131,614,801</b>		<b>1,294,029,852</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	2,229,571,655		127,887,744	
Less: Accumulated Depreciation		57,591,128		6,611,704	
Net Block		2,171,980,527		121,276,040	
Capital Work-in-Progress		36,649,741	2,208,630,268	1,975,981,311	2,097,257,351
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	5	103,417,227		27,847,346	
Sundry Debtors	6	17,147,589		—	
Cash & Bank Balances	7	3,469,967		2,231,100	
Loans & Advances	8	13,811,464		9,498,096	
		137,846,247		39,576,542	
<b>Less:</b>					
<b>Current Liabilities &amp; Provisions</b>					
Current Liabilities	9	176,329,081		747,295,958	
Provisions	10	146,547,417		109,332,480	
		322,876,498		856,628,438	
<b>Net Current Assets</b>			<b>(185,030,251)</b>		<b>(817,051,896)</b>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	11		9,464,378		14,196,569
<b>Profit and Loss Account</b>	12		98,550,406		(372,172)
<b>Total</b>			<b>2,131,614,801</b>		<b>1,294,029,852</b>
Significant Accounting Policies	20				
Notes to the Accounts	21				

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Gautam Chand Jain** Director

**Shantilal Daga**  
Partner  
Membership No. 11617

**Rahul Jain** Director

**Siddharth Jain** Director

Place: Secunderabad  
Date : 27th May, 2010

**POKARNA ENGINEERED STONE LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

Amount in Rupees

	Schedule	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
Sales & Operating Income	13		
Gross Sales		96,974,949	–
Less: Customs Duty		7,977,645	–
Net Sales		88,997,304	–
Operating Income		2,607,856	–
Other Income	14	274,350	150,633
<b>Total</b>		<b>91,879,510</b>	<b>150,633</b>
<b>EXPENDITURE</b>			
Material Cost	15	34,058,898	–
Personnel Costs	16	9,254,630	–
Operating & Other Expenses	17	35,010,468	83,058
Finance Charges	18	64,007,717	54
Depreciation & Amortization	5	48,674,947	–
<b>Total</b>		<b>191,006,660</b>	<b>83,112</b>
Profit Before Tax		(99,127,150)	67,521
Less: Provision for Tax	19	–	20,860
Less: Prior Years Tax		(204,572)	792
Net Profit After Tax		(98,922,578)	45,869
Balance of Profit Brought Forward		372,172	326,303
Amount Available for Appropriation		(98,550,406)	372,172
<b>Appropriations</b>			
Balance Carried to the Balance Sheet		(98,550,406)	372,172
		(98,550,406)	372,172
Earnings Per Share – Basic & Diluted (Par value of Rs. 10 each)		(989.23)	0.46

Significant Accounting Policies

20

Notes to the Accounts

21

The Schedules referred to above form an integral parts of the Profit & Loss Account.

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Gautam Chand Jain** Director

**Rahul Jain** Director

**Shantilal Daga**  
Partner  
Membership No. 11617

**Siddharth Jain** Director

Place: Secunderabad

Date : 27th May, 2010

**POKARNA ENGINEERED STONE LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010**

	Schedule	Year Ended 31.03.2010	Year Ended 31.03.2009
Amount in Rupees			
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax (Net of Prior Period Items)		(99,127,150)	67,521
Adjustment for –			
Add: Non cash item/items required to be disclosed separately:			
Unrealised Foreign Exchange (gain)/loss		(1,997,948)	2,261,577
Depreciation & Amortisation		51,041,042	–
Interest Expense		64,007,717	–
Interest Income		(274,350)	(150,633)
<b>Operating Profit before working capital changes</b>		<b>13,649,311</b>	<b>2,178,465</b>
Changes in working capital and other provisions:			
Sundry Debtors		(17,195,351)	–
Inventories		(75,569,881)	(27,847,346)
Loans & Advances		(4,281,927)	(8,158,133)
Current Liabilities & Provisions		78,893,933	854,345,157
<b>Cash Generated from operations</b>		<b>(4,503,915)</b>	<b>820,518,143</b>
Income Taxes paid during the year		152,271	(42,560)
<b>Net cash flow generated by operating Activities</b>		<b>(4,351,644)</b>	<b>820,475,583</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets and changes in capital work in progress		(157,673,431)	(2,097,257,351)
Proceeds from Sale of assets		–	–
Interest Income		274,350	150,633
<b>Net Cash used in investing Activities</b>		<b>(157,399,081)</b>	<b>(2,097,106,718)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		–	–
Bank Borrowings		144,147,402	1,140,261,636
Other Borrowings		82,849,907	152,768,216
Payment for bond issue expenses		–	(14,196,569)
Interest paid		(64,007,717)	–
<b>Net Cash generated from financing Activities</b>		<b>162,989,592</b>	<b>1,278,833,283</b>
<b>Net increase (decrease) in cash and cash Equivalents</b>		<b>1,238,867</b>	<b>2,202,148</b>
Cash and Cash equivalents at the beginning of the year		2,231,100	28,952
Cash and Cash equivalents as at the end of the year		3,469,967	2,231,100
		<b>1,238,867</b>	<b>2,202,148</b>

Significant Accounting Policies 20

Notes to the Accounts 21

The Schedules referred to above form an integral part of the Cash Flow Statement.

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Gautam Chand Jain** Director

**Shantilal Daga**  
Partner  
Membership No. 11617

**Rahul Jain** Director

**Siddharth Jain** Director

Place: Secunderabad  
Date : 27th May, 2010

**POKARNA ENGINEERED STONE LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

.....●.....

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 1</b>		
<b>Share Capital</b>		
Authorised:		
2,00,00,00 (2,00,00,00) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	20,000,000	20,000,000
<b>Issued, Subscribed and paid up:</b>		
1,00,000 (1,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	1,000,000	1,000,000
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Schedule - 2</b>		
<b>Secured Loans</b>		
<b>Term Loans</b>		
From Bank		
– Rupee Loan	1,234,752,935	1,128,338,337
<b>Working Capital Loans</b>		
From Bank		
– Rupee Loan	47,637,354	8,868,762
<b>Hire Purchase Loans</b>		
From banks		
– Rupee Loan	2,018,749	3,054,537
<b>Total</b>	<b>1,284,409,038</b>	<b>1,140,261,636</b>
<b>Schedule - 3</b>		
<b>Unsecured Loans</b>		
<b>Debentures</b>		
Optionally Convertible Debentures	610,587,640	–
<b>Other Loans and Advances</b>		
Inter Corporate	137,103,795	113,453,888
From Directors	98,514,328	39,314,328
<b>Total</b>	<b>846,205,763</b>	<b>152,768,216</b>
<b>Schedule - 5</b>		
<b>Inventories</b>		
Consumables, Stores & Spares	4,908,503	628,650
Raw Material	28,052,556	27,218,696
Work-in-Progress	9,803,327	–
Finished Goods	57,196,185	–
Packing Material	3,456,656	–
<b>Total</b>	<b>103,417,227</b>	<b>27,847,346</b>



**POKARNA ENGINEERED STONE LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

**Schedule - 4**

Description	Amount in Rupees											
	Fixed Assets			Gross Block			Depreciation				Net Block	
	As on 01.04.2009	Additions	Deletions/ Adjustments	As on 31.03.2010	Upto 31.03.2009	For the Period	Deletions/ Adjustments	As on 31.03.2010	As on 31.03.2009	As on 31.03.2010	As on 31.03.2009	
Leasehold Land	118,655,425	-	-	118,655,425	6,030,152	3,595,619	-	9,625,771	109,029,654	112,625,273		
Building	-	45,549,726	-	45,549,726	-	371,557	-	371,557	45,178,169	-		
Factory Building	-	364,935,623	-	364,935,623	-	6,066,630	-	6,066,630	358,868,993	-		
Plant & Machinery	824,176	1,586,039,763	-	1,586,863,939	97,811	37,611,254	-	37,709,065	1,549,154,874	726,365		
Vehicles	5,247,740	154,356	-	5,402,096	220,405	520,778	-	741,183	4,660,913	5,027,335		
Electric Installation	-	96,276,040	-	96,276,040	-	2,279,535	-	2,279,535	93,996,505	-		
Computers	632,440	526,842	-	1,159,282	97,636	153,608	-	251,244	908,038	534,804		
Furniture & Fixtures	2,078,456	1,026,614	-	3,105,070	139,849	166,867	-	306,716	2,798,354	1,938,607		
Office Equipment	449,507	7,174,947	-	7,624,454	25,851	213,576	-	239,427	7,385,027	423,656		
<b>Total</b>	<b>127,887,744</b>	<b>2,101,683,911</b>	<b>-</b>	<b>2,229,571,655</b>	<b>6,611,704</b>	<b>50,979,424</b>	<b>-</b>	<b>57,591,128</b>	<b>2,171,980,527</b>	<b>121,276,040</b>		
<b>Previous Year</b>	<b>-</b>	<b>127,887,744</b>	<b>-</b>	<b>127,887,744</b>	<b>-</b>	<b>6,611,704</b>	<b>-</b>	<b>6,611,704</b>	<b>121,276,040</b>	<b>-</b>		

Note: Depreciation for the year period includes Rs.23,04,477/- (Rs.41,06,617/-) is capitalised.

**POKARNA ENGINEERED STONE LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

.....●.....

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 6</b>		
<b>Sundry Debtors (Usecured)</b>		
Debts outstanding for a period exceeding six months		
– Considered Good	–	–
– Considered Doubtful	–	–
Other debits - Considered Good	17,147,589	–
<b>Total</b>	<u>17,147,589</u>	<u>–</u>
<b>Schedule - 7</b>		
<b>Cash &amp; Bank Balances</b>		
Cash on Hand	3,340	3,220
Balances with Scheduled Banks		
– In Current Accounts	396,627	1,277,880
– Margin money	3,070,000	950,000
<b>Total</b>	<u>3,469,967</u>	<u>2,231,100</u>
<b>Schedule - 8</b>		
<b>Loans &amp; Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received:		
– Considered Good	3,633,679	3,424,019
Advance for Raw Material	34,742	–
Prepaid Expenses	4,707,549	2,180,648
Advance Income Tax	62,471	31,030
Electricity and Other Deposits	3,868,020	3,862,399
Inter Corporate Deposit	1,505,003	–
<b>Total</b>	<u>13,811,464</u>	<u>9,498,096</u>
<b>Schedule - 9</b>		
<b>Current Liabilities</b>		
Dues to Holding Company – Pokarna Limited	73,473,213	666,752,011
Sundry Creditors		
– For Goods	33,222,661	1,209,465
– For Other Liabilities	16,327,124	18,554,254
– For Capital Expenditure	34,133,401	48,280,228
Advances from Customers	19,172,682	12,500,000
<b>Total</b>	<u>176,329,081</u>	<u>747,295,958</u>
<b>Schedule - 10</b>		
<b>Provisions</b>		
Provision for Taxation	–	20,860
Provision for Gratuity	324,462	35,177
Compensated absences	143,970	–
Provision for contingencies	146,078,985	109,276,443
<b>Total</b>	<u>146,547,417</u>	<u>109,332,480</u>

**POKARNA ENGINEERED STONE LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT**

.....●.....

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 11</b>		
<b>Miscellaneous Expenditure</b>		
(to the extent not written off)		
Opening Balance	14,196,569	14,196,569
Less Amortized during the period	4,732,191	—
<b>Total</b>	<b>9,464,378</b>	<b>14,196,569</b>
<b>Schedule - 12</b>		
<b>Profit &amp; Loss Account</b>		
Opening Balance	372,172	—
Add: Profit/ (Loss) for the year	(98,922,578)	(98,550,406)
<b>Total</b>	<b>(98,550,406)</b>	<b>372,172</b>

**POKARNA ENGINEERED STONE LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED**

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 13</b>		
<b>Sales &amp; Operating Income</b>		
Gross Sales		
Quartz Surfaces	96,974,949	-
	<u>96,974,949</u>	<u>-</u>
<b>Operating Income</b>		
Exchange Gain (Net)	2,607,856	-
<b>Total</b>	<u>2,607,856</u>	<u>-</u>
<b>Schedule - 14</b>		
<b>Other Income</b>		
Interest on Deposits	274,350	150,633
(Gross, including tax deducted at source Rs.0.52 Lakhs (Rs.0.31 Lakhs))		
<b>Total</b>	<u>274,350</u>	<u>150,633</u>
<b>Schedule - 15</b>		
<b>Material Costs</b>		
a) <b>Opening Balance</b>	-	-
	<u>-</u>	<u>-</u>
Less: Closing Stock		
Finished Goods	57,196,185	-
Work-in-Process	9,803,327	-
Less: Stock during Trial Run	<u>(38,118,394)</u>	<u>-</u>
	<u>28,881,118</u>	<u>-</u>
Net (Increase)/Decrease	<u>(28,881,118)</u>	<u>-</u>
b) <b>Raw Material Consumed</b>		
Opening Stock	27,218,696	-
Add: Purchases	56,828,601	-
	<u>84,047,297</u>	<u>-</u>
Less: Closing Stock	<u>28,052,556</u>	<u>-</u>
	<u>55,994,741</u>	<u>-</u>
c) <b>Consumption of Consumables, Stores &amp; Spares</b>	6,945,275	-
<b>Total</b>	<u>34,058,898</u>	<u>-</u>
<b>Schedule - 16</b>		
<b>Personnel Costs</b>		
Salaries, Wages, Bonus, Allowances & benefits	8,376,842	-
Contribution to Provident and other Funds	320,554	-
Retirement Benefits	434,863	-
Workmen & Staff Welfare Expenses	122,371	-
<b>Total</b>	<u>9,254,630</u>	<u>-</u>

**POKARNA ENGINEERED STONE LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED**

.....●.....

	Amount in Rupees	
	31.03.2010	31.03.2009
<b>Schedule - 17</b>		
<b>Operating &amp; Other Expenses</b>		
Other Manufacturing & Processing Expenses	3,069,129	-
Lease Rent	592,950	-
Power and Fuel	7,970,506	-
Repairs and Maintenance:		
– Plant and Machinery	1,341,594	-
– Building	160,022	-
– Others	9,430	-
Rent	531,000	-
Rates and Taxes	763,867	9,698
Insurance	1,669,508	-
Communication Charges	315,064	-
Printing & Stationery	59,620	15,210
Travelling & Conveyance Expenses	857,101	-
Electricity Charges	104,349	-
Vehicle Maintenance	894,271	-
Sales Tax	5,188,584	-
Miscellaneous Expenses	63,476	-
Legal & Professional Charges	502,944	3,000
Statutory & Tax Audit Fee	50,000	55,150
Business Promotion Expenses	4,739,471	-
Discount & Claims	71,688	-
Packing Material	1,499,822	-
Carriage Outward	2,189,977	-
Amortisation of Misc. Expenses	2,366,095	-
<b>Total</b>	<b>35,010,468</b>	<b>83,058</b>
<b>Schedule - 18</b>		
<b>Finance Charges</b>		
To Banks:		
– Interest on Term Loans	71,427,301	-
– Interest on Working Capital Loans	1,493,519	-
– Interest on Hire Purchase Loans	135,331	-
– Bill Discounting Charges	286,726	-
– Bank Charges	143,709	54
To Others:		
– Interest – Others	9,055,110	-
– Interest on Debentures	16,266,021	-
Charges/Gain on variable coupon and restatement of FCCB	(34,800,000) (1 8,533,979)	-
<b>Total</b>	<b>64,007,717</b>	<b>54</b>
<b>Schedule - 19</b>		
<b>Provision for Tax</b>		
Current Tax	-	20,860
Deferred Tax	-	-
<b>Total</b>	<b>-</b>	<b>20,860</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### Schedule – 20

#### Significant Accounting Policies

##### A. Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention on the accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

##### B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, the useful lives of fixed assets and intangible assets.

##### C. Revenue Recognition

1. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership are transferred to the customers.
2. Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection.
3. Revenue from services is recognized as per the terms of the contracts with the customers when the services are performed.
4. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
5. Export entitlements under the Duty remission scheme are recognized as income when the right to receive the credit as per the terms of the scheme is established in respect of the exports made.

##### D. Recognition of Expenditure

Expenses are accounted for on an accrual basis and provision is made for all known losses and liabilities.

##### E. Fixed Assets

1. Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.
2. The cost of Fixed Asset comprises its purchase price, including non-refundable taxes & duties and directly attributable cost of bringing the asset (including leasehold improvements) to its working condition for its intended use.
3. All costs, including borrowing costs till commencement of commercial production, attributable to fixed assets are capitalized.

##### F. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

##### G. Capital Work-in-Progress

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



### **H. Depreciation**

Depreciation on fixed assets is provided on straight line method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act. 1956.

Leasehold land is amortized over the period of the lease on straight line basis.

### **I. Inventories**

Inventories are valued at the lower of cost and net realizable value. Obsolete, slow moving and defective inventories are identified at the time of physical verification and where necessary provision is made for such inventories. The cost is determined using the first-in-first out method for all categories of inventories. Cost includes in case of Raw materials, Stores & spares and consumables the purchase price and attributable direct cost less discounts. In case of work-in-process and finished goods cost includes direct labour, material costs and production overheads.

### **J. Employee Benefits**

Short-term employee benefits are recognized as an expense in the profit and loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

### **K. Foreign Currency Transactions**

1. Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing on the date of transaction.
2. Monetary assets & liabilities denominated in foreign currencies are restated at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resultant gain or loss is accounted during the year.
3. In respect of Forward Exchange contracts entered into to hedge foreign currency risks, the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of the contract.

### **L. Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating lease. Operating lease payments are recognized as expense in the Profit and Loss Account on a straight-line basis over the lease term.

### **M. Borrowing Cost**

Interest and other borrowing costs attributable to qualifying assets are capitalized. Other interest and borrowing costs are charged to revenue.

### **N. Provisions, Contingent Liabilities and Contingent Assets**

1. The company recognizes as Provisions, the liabilities being present obligations arising from past events, the settlement of which is expected to result in an outflow of resources and which can be measured only by using a substantial degree of estimation.
2. Contingent Liabilities are disclosed by way of a note to the financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.
3. Contingent Assets are neither recognized nor disclosed.

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



### O. Accounting for Taxes on Income

1. Provision for current tax is made in accordance with and at the rates specified under the Income-Tax Act, 1961, as amended.
2. Deferred tax is recognized on timing differences, keeping in view the matching concept and the principles of prudence.

Deferred tax assets and liabilities are accounted for based on the difference between taxable income and accounting income that originates in one period and are expected to reverse in the subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as of the Balance Sheet date.

### P. Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

### Q. Miscellaneous expenditure

Miscellaneous expense acquired under the Scheme of Arrangement relating to Issue expenses on borrowings are amortized over the period of 5 years.

## Schedule - 21

### Notes on Financial Statements

#### 1. Contingent Liabilities not provided for

	Rupees in Lakhs	
Particulars	As on 31.03.2010	As on 31.03.2009
a) Bank Guarantees	9.50	9.50
b) Letter of Credits outstanding	27.76	Nil
c) Bond-Cum-Legal Undertaking has been issued in favour of President of India acting through Development Commissioner of Visakhapatnam Special Economic Zone for setting up a SEZ unit for availing exemption from payment of duties, taxes or cess or drawback and concession etc.,	6250.00	6250.00
d) Claims against the company not acknowledged as debts	Nil	Nil

#### 2. Capital Commitments

	Rupees in Lakhs	
	As on 31.03.2010	As on 31.03.2009
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	330.00	1570.00

#### 3. Secured Loans

- a) Term Loan & Working capital facilities from Union Bank of India, Bank of India & Indian Overseas Bank under consortium are secured by a first charge ranking pari-passu mortgage over leasehold interests under the Land Lease Agreement and Equitable mortgage of Buildings along with the Plant & Machinery including current assets such as inventories, book debts and other receivables both present and future of the company besides personal guarantee of some of the Directors and their relative.
- b) Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of some of the Directors.



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

- c) Secured Loans includes interest accrued and due amounting to Rs.178.72 lakhs (Previous year Rs.291.10 lakhs)
- d) Term Loans includes installments due and payable with in one year amounting to Rs.2480.00 lakhs (Previous year Rs. NIL lakhs)

**4. Capital Work-in-Progress**

The following expenditure incurred during the construction period is classified as 'Project Development Expenditure' and are apportioned to the assets upon completion of the project.

Particulars	Rupees in Lakhs	
	Year Ending 31.03.2010	Year Ending 31.03.2009
Amount brought forward	4028.65	-
Payments to and Provisions for Employees		
– Salaries, wages and Allowances	-	116.98
– Contribution to Provident Fund and other funds	-	3.36
– Workmen and Staff welfare expenses	-	3.74
Lease charges	-	19.77
Insurance	-	17.41
Rent	5.40	28.55
Rates & Taxes	3.69	12.49
Repairs & Maintenance – Building	-	38.21
Professional Consultancy Charges	20.83	42.37
Interest and Finance Charges		
– On Term Loans	733.55	2091.35
– On Other Loans	20.67	308.21
– Bank Charges	-	11.78
– Working Capital Loan	-	4.33
– Hire Purchase Loan	1.49	1.02
Interest Received	(0.80)	(117.91)
Interest on Debentures	194.82	-
Charges/gain on variable coupon & restatement of FCCB	(349.20)	-
General and administrative expenses	165.47	168.65
Conveyance	-	0.80
Travelling expenses	7.67	17.56
Depreciation	23.04	66.12
Provision for Amortization of Premium on liability	13.06	1187.41
<b>Trial Run Expenses:</b>		
Raw Material Consumed	301.25	
Consumption of Consumables, Stores & Spares	17.89	
Direct Labour and overheads	225.21	
Inentory during trial run	(381.18)	
Less: Sales - Quartz Surfaces, Net of duties	10.18	-
<b>Total</b>	<b>5020.85</b>	<b>4022.20</b>
Add: Fringe Benefit Tax	-	6.45
<b>Total</b>	<b>5020.85</b>	<b>4028.65</b>
<b>Less: Capitalized during the year</b>	<b>5020.85</b>	<b>-</b>
<b>Balance to be carried forward</b>	<b>-</b>	<b>4028.65</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**5. Related Party Transactions**

- a) Enterprises where control exists:  
There are no subsidiary companies where control exists
- b) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited,  
Pokarna Marketing Limited
- c) Names of the Associate Firms:  
Southend, Southend Extension, Gautam Granites
- d) Names of Key Management Personnel  
Shri. Gautam Chand Jain, Shri. Siddharth Jain, Shri. Rahul Jain
- e) Names of Relatives  
Prakash Chand Jain, Dilip Kumar Jain, Ashok Chand Jain, Raaj Kumar Jain
- f) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year 2009-10 (2008-09)

Nature of the Transaction	Rupees in Lakhs			
	Associates	Key Manage Personnel	Relatives	Total
Purchase of Goods	-	-	-	-
	(1)	(-)	(-)	(1)
Sales of Goods	<b>28</b>	-	-	<b>28</b>
	(-)	(-)	(-)	(-)
Rents paid	-	-	<b>10</b>	<b>10</b>
	(-)	(-)	(11)	(11)
Interes paid	<b>64</b>	-	-	<b>64</b>
	(39)	(-)	(-)	(39)
Interest Received	<b>1</b>	-	-	<b>1</b>
	(0)	(-)	(-)	(-)
Loans Received	<b>78</b>	<b>582</b>	-	<b>660</b>
	(560)	(25)	(25)	(610)
Balances as at 31/03/10 – Receivable	<b>15</b>	-	-	<b>15</b>
	(-)	(-)	(-)	(-)
Balances as at 31/03/10 – Payables	<b>1269</b>	<b>800</b>	<b>9</b>	<b>2078</b>
	(1165)	(247)	(206)	(1618)

**6. Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006**

Sl. No.	Particulars	Rupees in Lakhs	
		As at 31.03.2010	As at 31.03.2009
a)	Principal amount remaining unpaid and interest due thereon	<b>Nil</b>	Nil
b)	Interest paid in term of Section 16	<b>Nil</b>	Nil
c)	Interest due and payable for the period of delay in payment	<b>Nil</b>	Nil
d)	Interest accrued and remaining unpaid	<b>Nil</b>	Nil
e)	Interest due and payable even in succeeding years	<b>Nil</b>	Nil
	The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.		

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**7. Earnings Per Share (EPS)**

The numerators and denominators used to calculate Basic and Diluted Earnings per share. Amount in Rupees

	<b>Year Ended 31.03.2010</b>	Year Ended 31.03.2009
<b>Basic and Diluted Earnings Per Share</b>		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	<b>(98,922,578)</b>	45,869
Denominator for Basic earnings per share:		
Basic/Weighted Average number of shares	<b>100,000</b>	100,000
Basic/Diluted Earnings Per Share	<b>(989.23)</b>	0.46

**8. Segment Reporting**

Company is having only one reportable segment i.e., Quart Surfaces,. Information about geographical wise sale is as follows:

	Rupees in Lakhs	
<b>Country</b>	<b>2009-10</b>	2008-09
U.S.A.	<b>351.48</b>	NIL
Europe	<b>35.45</b>	NIL
India	<b>503.04</b>	NIL
Rest of the World	-	-
<b>Total</b>	<b>889.97</b>	NIL

The entire activity pertaining to sales outside India is carried out from India

**9. Debtors, Loans & Advances**

Debts due by firms or private companies respectively in which any director is a partner or a director or a member included under the head sundry debtors (Debts due from other companies under the same management within the meaning of sub-section (1-B) of section 370).

<b>Particulars</b>	Rupees in Lakhs			
	<b>Maximum amount outstanding at any time during the year</b>		<b>Balance outstanding</b>	
	<b>Year ended 31.03.2010</b>	Year ended 31.03.2009	<b>As at 31.03.2010</b>	As at 31.03.2009
Pokarna Fashions Limited	<b>15.48</b>	0.00	<b>15.05</b>	0.00

10. The Company's undertaking at APSEZ, Achutapuram, Visakhapatnam is eligible for Income Tax exemption u/s.10AA of the Income Tax Act, 1961 and hence, the Company has not made provision for tax/deferred tax.

11. Foreign currency exposure that are not hedged by derivative or forward contracts as on 31st March 2010 amounts to Rs.227.49 Lakhs (Previous year Rs.203.92 Lakhs)

**12. Debentures:**

In terms of order of the Hon'ble High Court of Andhra Pradesh sanctioning Scheme of Arrangement ("Scheme") between the Pokarna Limited and the Company, the net consideration as per Scheme of Rs.667.03 Lakhs has been discharged by the Company through an issue of 66,70,280 Optionally Convertible Debentures (OCDs) of face value of Rs.10/- each in favour of Pokarna Limited, the terms of these debentures are as per the Scheme. For the period between appointed date i.e., 1st July,2007 and the effective date i.e., 15th May,2009, the Engineered Stone Division was part of Pokarna Limited. Hence, an agency entry had been passed in the books of Pokarna Limited to transfer assets, liabilities, expenses, income recorded in the books in favour of the Company. The net consideration of Rs.5438.84 Lakhs for transfer of assets, liabilities, income and expenses for the period from 1st July,2007 to 31st March,2009 has been discharged by the Company through an issue of 5,43,88,484 OCDs of face value of Rs.10/- each in favour of Pokarna Limited. The terms of these debentures are same as that of OCDs as per the Scheme.

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



Terms and Conditions: Debentures are for tenor of 7 years from the date of allotment, during this period the option to convert/redeem shall vest solely with debenture holder.

Rate of interest is equivalent to the interest the Pokarna Limited will be liable to pay on account of redemption of the FCCBs. Consequently, no interest shall be payable in respect of the OCD's after the date of redemption/conversion of the FCCBs.

If OCDs are opted for redemption anytime before they are due for redemption, interest shall be payable in respect of the OCDs at the rate of 8% per annum. The coupon/interest on the OCDs shall accrue and be payable at the time of redemption of the OCDs.

Redemption obligation: Redeemable at par in cash.

Conversion obligation: 15 (Fifteen) OCDs shall be convertible into 1 (One) equity share of Rs.10/- each of the Company.

### 13. Provision for contingencies

Provision for contingencies represents amount payable to Pokarna Limited (Holding company) towards premium on FCCB's (as per the Scheme of Arrangement) of Rs.1092.76 Lakhs (Previous year Rs.1092.76 Lakhs) and also interest on Debentures of Rs.368.03 Lakhs (Previous year Rs.Nil- Lakhs).

### 14. General

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) Paise are rounded off to the nearest Rupee.
- c) Company has commenced its commercial operations w.e.f. 1st October, 2009, hence, there are no corresponding previous year figures.
- d) Previous year's figures have been regrouped/recast wherever considered necessary to make these comparable with those of the current year.

### 15. Employee Benefits

#### Defined Contribution Plan

	Rupees in Lakhs	
Particulars	Year Ended 31.03.2010	Year Ended 31.03.2009
Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:		
Employer's contribution to Provident Fund	5.33	2.50

#### Defined Benefit Plan

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Compensated Absence is recognized in the same manner as gratuity.

	Rupees in Lakhs			
	Gratuity (Unfunded)		Compensated Absence (Unfunded)	
	Year Ended 31.03.2010	Year Ended 31.03.2009	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>a) Reconciliation of opening and closing balances of the present value of the Projected Benefit Obligation</b>				
Projected Benefit Obligation at Beginning of year	0.35	0.13	0.00	-
Current service cost	1.78	0.33	2.76	-
Interest cost	0.02	0.01	0.00	-
Actuarial(Gain)/Loss	1.09	(0.12)	(1.12)	-
Benefits paid	Nil	Nil	(0.20)	-
Projected Benefit Obligation at year end	3.24	0.35	1.44	-

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



Rupees in Lakhs

	<b>Gratuity (Unfunded)</b>		<b>Compensated Absence (Unfunded)</b>	
	<b>Year Ended</b>	Year Ended	<b>Year Ended</b>	Year Ended
	<b>31.03.2010</b>	31.03.2009	<b>31.03.2010</b>	31.03.2009
<b>b) Reconciliation of fair value of assets and Obligation</b>				
Fair value of Plan assets	<b>N.A.</b>	N.A.	–	–
Present value of Projected Benefit obligation	<b>3.24</b>	0.35	<b>1.44</b>	–
Amount recognized in Balance Sheet	<b>3.24</b>	0.35	<b>1.44</b>	–
<b>c) Expenses recognized during the year under the head “Personnel Costs”</b>				
Current service cost	<b>1.78</b>	0.33	<b>2.76</b>	–
Interest cost	<b>0.02</b>	0.01	–	–
Expected return on Plan Assets	<b>Nil</b>	Nil	–	–
Actuarial(Gain)/Loss	<b>1.09</b>	(0.12)	<b>(1.12)</b>	–
Income(-)/Expenses(+) recognized in the statement of Profit & Loss	<b>2.90</b>	0.22	<b>1.64</b>	–
<b>d) Actuarial Assumptions</b>				
Mortality Table (L.I.C)	<b>1994-96 (Ultimate)</b>	1994-96 (Ultimate)	<b>1994-96 (Ultimate)</b>	1994-96 (Ultimate)
Discount rate (per annum)	<b>8.00%</b>	7.00%	<b>8.00%</b>	–
Rate of escalation in salary (per annum)	<b>5.00%</b>	5.00%	<b>5.00%</b>	–
Attrition Rate	<b>5.00%</b>	9.00%	<b>5.00%</b>	–

**16. Additional information required as per clause 4C and 4D and notes thereon of part II of Schedule VI to the Companies Act,1956**

**a) Licenced Capacity and installed Capacity**

Class of Goods	Units	Licenced Capacity		Installed Capacity	
		2009-10	2008-09	2009-10	2008-09
Quartz Surfaces	Sq.Mts	<b>NA</b>	NA	<b>885000</b>	–

**b) Particulars of Production, Sales and Stock for the year 2009-10 (2008-09)**

Rupees in Lakhs

Class of Goods	Units	Opening Stock		Production	Sales		Closing Stock	
		Qty.	Value	Qty.	Qty.	Value	Qty.	Value
Manufactured Goods								
Slabs & Tiles –								
Quartz Surfaces	Sq.mts	–	–	<b>54818*</b>	<b>26911</b>	<b>890</b>	<b>27907</b>	<b>572</b>
(*including Trial Run production of 13353 sq mts)		(–)	(–)	(–)	(–)	(–)	(–)	(–)
Net sale as per Profit & Loss Account						<b>890</b>		
						(–)		

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**c) Raw Material Consumed during the year**

Class of Goods	Units	Rupees in Lakhs			
		2009-10		2008-09	
		Qty.	Value	Qty.	Value
Quartz Grit & Filter	Ton	2085	179	Nil	Nil
Resign	Ton	284	255	Nil	Nil
Others			125	Nil	Nil
<b>Total</b>			<b>559</b>	Nil	Nil

**d) Details of imported and indigenous raw materials, consumables, stores & spares consumed during the year**

Class of Goods		Rupees in Lakhs			
		2009-10		2008-09	
		Value	%	Value	%
Raw Material	Imported	105	19	Nil	Nil
	Indigenous	454	81	Nil	Nil
	<b>Total</b>	<b>559</b>	<b>100</b>	Nil	Nil
Consumables, Stores & Spares	Imported	10	15	Nil	Nil
	Indigenous	59	85	Nil	Nil
	<b>Total</b>	<b>69</b>	<b>100</b>	Nil	Nil

**e) CIF value of imports**

	Rupees in Lakhs	
	2009-10	2008-09
Raw Material	194	53
Consumables, Stores & Spares	43	0
Capital items	128	379

**f) Earnings in foreign currency**

	Rupees in Lakhs	
	2009-10	2008-09
Income from sales (FOB)	387	0

**g) Expenditure in foreign currency**

	Rupees in Lakhs	
	2009-10	2008-09
Travel & Conveyance	2	2
Business Promotion	46	19
Professional & Constultancy	0	3

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**  
Chartered Accountants

**Gautam Chand Jain** Director

**Shantilal Daga**  
Partner  
Membership No. 11617

**Rahul Jain** Director

**Siddharth Jain** Director

Place: Secunderabad  
Date : 27th May, 2010

**BALANCE SHEET ABSTRACT AND COMPANY'S  
GENERAL BUSINESS PROFILE**

**Information as required under Part IV of Schedule VI to the Companies Act, 1956**

.....●.....													
I. Registration Details													
Registration No.	0 1 - 3 6 0 1 5	State Code	0 1										
Balance Sheet Date	3 1 . 0 3 . 2 0 1 0												
II. Capital raised during Year (Amount Rs. in Thousands)													
Public Issue	-	Rights Issue	-										
Bonus Issue	-	Private Placement	-										
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)													
Total Liabilities	2 1 3 1 6 1 5	Total Assets	2 1 3 1 6 1 5										
SOURCES OF FUNDS													
Paid-up Capital	1 0 0 0	Reserves & Surplus											
Secured Loans	1 2 8 4 4 0 9	Unsecured Loans	8 4 6 2 0 6										
Deferred Tax Liabilities	N I L												
APPLICATION OF FUNDS													
Net Fixed Assets	2 2 0 8 6 3 0	Investments	N I L										
Net Current Assets	(-) 1 8 5 0 3 0	Misc. Expenditure	9 4 6 4										
Accumulated Losses	9 8 5 5 1												
IV. Performance of the Company (Amount in Rs. Thousands)													
Turnover* * including other income	9 1 8 8 0	Total Expenditure	1 9 1 0 0 7										
Profit/Loss Before Tax	(-) 9 9 1 2 7	Profit/Loss After Tax	(-) 9 8 9 2 3										
Earning Per Share in Rs.	(-) 9 8 9	Dividend Rate %	0 0 %										
V. Generic Names of Two Principal Products/Services of the Company (As per Monetary Terms)													
Item No. (ITC Code)	6 8 0 2 1 0 0 0												
Product Description	Q U A R T Z S U R F A C E S												
Item No. (ITC Code)													
Product Description													
Item No. (ITC Code)													
Product Description													

Place : Secunderabad  
Date : 27th May, 2010

For and on behalf of Board of Directors

**Gautam Chand Jain** Director

**Rahul Jain** Director

**Siddharth Jain** Director