



*“Be daring, be different, be impractical.*

*Be anything that will assert integrity of purpose  
and imaginative wisdom against the “play it safers”,  
the creatures of the commonplace,  
The slaves of the ordinary.”*

*—Sir Cecil Beaton*

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## **BOARD OF DIRECTORS**

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

Mr. Prakash Chand Jain, *Director*

Mr. M.Yugandhar, *Director*

Mr. T.V. Chowdary, *Director*

Mr. Vinayak Rao Juvvadi, *Director*

Mr. Mahender Chand Chordia, *Director*

Mr. Dhanjibhai Sawla, *Director*

Mr. Rahul Jain, *Executive Director*

Mr. Siddharth Jain, *Executive Director*

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## **COMPANY SECRETARY**

Mr. Paras Jain

.....●.....

## **AUDITORS**

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

.....●.....

## **BANKERS**

Union Bank of India, R.P. Road Branch, Secunderabad-500 003

.....●.....

## **REGISTERED & CORPORATE OFFICE**

First Floor, Surya Towers,

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

Tel: 91-40-27842182, 27844101, 27897722

Fax: 91-40-27842121

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

Website: [www.pokarna.com](http://www.pokarna.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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## **14th ANNUAL GENERAL MEETING**

Date: 26th September, 2005 • Time: 10:00 a.m.

Place: 105, First Floor, Surya Towers, S. P. Road, Secunderabad-500 003.

## DIRECTORS' REPORT TO THE SHAREHOLDERS



Your Director's have pleasure in placing before the Shareholders', the 14th Annual Report and Audited Accounts for the year ended March 31, 2005.

### 1. WORKING RESULTS

The Financial Highlights are summarized below:

Particulars	Amount in Rupees	
	2004-2005	2003-2004
Total Income	140,53,30,956	113,54,11,545
Less: Expenditure	124,58,25,448	96,03,94,431
Profit/(Loss) before Tax	15,95,05,508	17,50,17,114
Prior Period Expenses	65,65,914	—
Provision for Taxation	1,26,66,071	2,32,81,171
Net Balance of Profit	14,02,73,523	15,17,35,943
Balance of Profit brought over from previous year	45,32,16,288	34,12,13,816
<b>Appropriation</b>		
Proposed Dividend	2,17,02,800	2,17,02,800
Corporate Dividend Tax	30,43,818	27,80,671
Transfer to General Reserve	1,45,00,000	1,52,50,000
Net Profit carried to Balance Sheet	59,34,89,811	45,32,16,288

### 2. MANAGEMENT DISCUSSION AND ANALYSIS

#### a. INDUSTRY STRUCTURE AND DEVELOPMENT

##### Granites:

India is one of the leading countries in the production and export of granite and other stones. Granite is a very hard crystalline, igneous or metamorphic rock primarily composed of feldspar, quartz and lesser amounts of dark minerals. These varieties are used to produce monuments, building slabs, tiles, surface plates, etc. About 110 varieties of granites have been identified for processing as products for exports. The deposits are widely spread over the entire country. However, popular varieties are mainly found in South India.

Your Company is the largest exporters of Granite slabs from India dealing in over 60 premium colors and exporting more than 120 containers every month to the most reputed companies all over the world. We have our own quarries



apart from two state of the art units processing both slabs and tiles. Besides Indian stones, your Company also process rough granite from other countries.

**Apparels:**

Textiles and clothing sector is the largest employer after agriculture and its importance in India's economy is recognized for its contribution to industrial production and export earnings. With effect from January 1, 2005, quotas on textiles and clothing stand abolished and now, this industry is required to achieve a competitive strength for its survival in the global environment. The garment industry comprises manufacturers of ready-made garments for either the domestic or export markets or, in certain cases, both. The constituents of this segment are very diverse in terms of their size, production facility, the type of apparel manufactured, the quality of output, fabric requirement, price sensitivity etc. Structurally, clothing industry is one of the most fragmented sectors of the Indian Textile Industry, due to historical government policies, which favoured the small scale.

In the apparel industry, most modern technology, relatively well-paid workers and high-end designers and a high degree of flexibility characterize the niche segment fashion market. The competitive advantage of firms in this market segment is related to the ability to produce designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness.

*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.*

**b. OPPORUNITIES and THREATS**

**Granites:**

Opportunities

Andhra Pradesh is one of the largest producer of granites in the country, 17 out of 23 districts have several occurrences of different varieties of granites. Jet black, Black Galaxy, Blue and White coloured are exclusive varieties in the international market. There are a number of unexplored areas in the state, which contain workable and marketable deposits, Central and state Geological agencies have started exploration to identify new varieties and areas. Vast scope exists for development of granite industry in the state. The Govt. of Andhra Pradesh has the most progressive policy for granites in the country. World's rare and exclusive variety of black Galaxy Granite occurs in Chimakurthy – Prakasam district. Your Company has all its quarrying operations in the State of Andhra Pradesh with Black Galaxy being the premium of all.

There is still an irrepressible attraction to the beauty of natural stone, which is proven by the expansion of the world's market. It's important that stone be made accessible, both in terms of market and in terms of image. Stone must look natural in all respects, and it must also be easy and close to the end consumer. But all this needs to be done in keeping with its value and features, which have gone with it all through its history.









The market potential is abundant and there are excellent prospects for the Indian granite industry to get its due share in the world market. The professional and realistic approach towards solving the practical problems and careful planning of facilities by the Industry and Government can make India the leading exporter of the world market. We have challenging years ahead but the potential for growth is beyond any reasonable doubt.

#### Threats

There is also the continued marketing campaign being conducted against natural stone by the Ceramic Industry, which imitates the beauty of stone and boasts that they have the same attractiveness but none of their faults. This campaign contains all of the threats that an organized and cohesive industrial sector can pose to a small and objectively weaker one. But for the stone sector, this also acts as an indirect confirmation of the potentials that still exist in the tiling, flooring market and engineering stone.

#### **Apparels:**

##### Opportunities

It is expected that India will increase its world market share substantially in the clothing sector following the elimination of quotas. India seems poised to benefit the most after the dismantling of the quota because of the following factors:

- Strong entrepreneurial class.
- Flexibility in production of small order lots.
- Ability to handle value additions, embellishments etc.
- Adequate labour supply at relatively low wages.
- Good “cultural” comfort with US and Europe.
- Design Skills.

##### Threats

- Technological obsolescence.
- Non-proximity to markets.
- Emerging Competition.
- Pricing pressure, following opening up of quotas.
- Strengthening of the rupee may impact realisation.
- Highly fragmented, unit production capacities very low by international standards.

#### **c. SEGMENT WISE PERFORMANCE**

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	Year ended 31.03.2005	Year ended 31.03.2004
<b>1. Segment Revenue</b>		
a) Granite	13165.49	11178.38
b) Apparel	365.95	2.02
<b>Gross Sales / Income from operations</b>	<b>13531.44</b>	<b>11180.4</b>
Less: Inter-segment revenue	–	–
Less: Excise Duty recovered on sales	64.04	77.71
Gross sales / Income from operations	13467.40	1102.69
<b>2. Segment Results</b>		
a) Granite	2392.42	2148.65
b) Apparel	(233.22)	(1.09)
Total	2159.20	2147.56
Less: i) Interest	629.80	397.39
ii) Other un-allocable	–	–
Total Segment Profit Before Tax	1529.40	1750.17
Less: i) Provision for current tax	27.00	152.95
ii) Provision for deferred tax	121.99	79.86
iii) Tax of prior years	(22.33)	–
<b>Profit after tax</b>	<b>1402.74</b>	<b>1517.36</b>
<b>3. Capital Employed</b>		
(Segment Assets–Segment Liabilities)		
a) Granite	6248.72	5139.25
b) Apparel	1004.99	950.79
c) Other Unallocable	11.50	11.50
<b>Total Segment Capital Employed</b>	<b>7265.21</b>	<b>6101.54</b>

#### d. OUTLOOK

Outlook for both the segment in which Company operates is encouraging. Focus of the Company in both the segment has been to improve sales realization and to implement cost cutting measures to the maximum extent possible

Granite:

India, which is blessed with various types of unique colours and large deposits of granite, is certain to get its due share in the ever-growing world market. Many countries are worried about the strong entrance of China in the market but





the fact is that China landed up importing more rough blocks and finished products due to high domestic demand. It is widely expected that with the Olympics 2008 awarded to Beijing, China will import more of blocks, slabs and tiles and export less of them outside.

The world wide improvement of transportation system with more and more bulk vessels will also help many countries to import more thereby boosting our exports.

The market potential is abundant and there are excellent prospects for the Indian granite industry to get its due share in the world market. The professional and realistic approach towards solving the practical problems and careful planning of facilities by the Industry and Government can make India the leading exporter of the world market. We have challenging years ahead but the potential for growth is beyond any reasonable doubt.

Apparel:

It is an accepted fact world wide that branded apparel merchandising is gathering critical momentum in India. Brands have started shaping buying behaviour. A large young working population with a median age of 24 years; growing numbers of nuclear families in urban areas; increasing working-women population and emerging opportunities in the services sector have increased the average consumer spend on branded clothing.

As per the study conducted by a leading international consulting firm, the apparel industry is expected to grow 4-5 per cent a year in volume and 13 per cent in value. The branded apparel market is the largest source of growth with both men's and women's branded segment growing at over 22 per cent every year, it said. Branded apparel market is now worth nearly \$ 1 billion and inline with the emerging trend, your Company proposes to start chain of retail stores for selling its brand "STANZA". Currently "STANZA" is available at 100 Stores across the country including high-end malls and shopping centers apart from exclusive outlet at Liberty Circle, Himayat Nagar, Hyderabad.

Your Company proposes to set up a chain of 100 exclusive and franchise outlets over a period of five years. In line with this vision, the Company has acquired lease space at strategic locations in certain important cities including Hyderabad, Chandigarh, Bangalore, etc. Your Company proposes to set up 10 stores (both franchise and exclusive outlet) by the end of March 2006. Your Company proposes to set up about 25 franchise and exclusive outlet by the end of March 2007. Company eventually proposes to be a life style brand catering to the varied fashion taste of the society at large.

Taking a stride forward in becoming a life style brand, Your Company has started trial production for the manufacture of trousers at its state-of-the-art facility.

#### **e. RISKS AND CONCERNS**

##### **PRODUCTIVITY**

The main problem of Granite Mining Industry in India is the low productivity and high wastage. The granite mining industry in India is far behind in terms of productivity compared to countries like Italy, Brazil, Spain, Norway, South Africa etc. The low productivity is mainly due to conventional methods of mining adopted at present.

Mitigant: Your Company is fast in adopting the use of wire saws and slot drilling instead of conventional blasting burner. Mechanisation of Company's Quarries with modern machines and new techniques will increase the production of defect free blocks. This will result in high productivity and production of defect free blocks with less wastage.

##### **LABOUR MANAGEMENT**

The low productivity per worker and less man-hour utilisation is another problem. The lack of exposure to modern quarrying and training for the Indian workers is a major reason for the low productivity of the workers.

Mitigant: Company's field supervisors' train and educate the work force, which helps to a great extent.

##### **AVAILABILITY OF RAW GRANITE BLOCKS**

The major problem is the non-availability of best quality blocks for the processing. As exporting of blocks is more advantageous due to high value realization and tax benefit, the processing companies are finding it difficult to buy

certain colour granite blocks as per their requirement. The first quality blocks, which are free from defects and larger in size, are always given preference for exports

Mitigant: Company has its own captive quarries and hence is able to get best of the Blocks for Export. The Company has also tied up with the other quarry owners for supply of Blocks.

#### **EXPLORING NEW AREAS**

As per the geological survey, India has a vast area of abundant granite deposits of various colours that are still to be explored.

Mitigant: Every effort is made by the Company to improve the company's share in the world market by exploring new areas. Your Company has an exclusive team dedicated for survey and identification of commercially viable granite deposits.

#### **INFRASTRUCTURE DEVELOPMENT**

The existing infrastructure to meet the needs of the stone sector in India is extremely poor and inadequate for the growing demand.

Mitigant: Company has at its quarries and its own energy generation devices. With the existence of ICD facilities at Hyderabad, despatches of the containers are not effected much.

#### **CURRENCY FLUCTUATION**

Being predominantly engaged in Exports, your Company is exposed to the risk of foreign exchange fluctuation.

Mitigant: While all possible steps are taken to contain and minimize losses, the Company cannot completely avoid, the negative effect of currency volatility.

#### **COMPETITION**

There are many companies competing with each other which ultimately leads to price cutting and price war.

Mitigant: The Company has to be alert to the market requirements, pricing, credit period and discount etc.

#### **CREDIT RISK**

While the Company conducts business with selected credit worthy parties, in some situations, beyond the control of the Company certain irrecoverable receivables may arise.

Mitigant: The Company covers its entire exports through Export Credit Guarantee Scheme of Export Credit Guarantee Corporation Limited.

#### **FIRE, EXPLOSION AND THEFT RISK**

The Company is conscious of the risk inherent in these areas. Apart from hedging through underwriters, regular follow up and safety measures taken by the Company should also reduce the risk on this count.

#### **PROBABLE OPPOSITION TO SOURCING OF APPAREL FROM INDIA**

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.

Mitigant: We believe that India is in a competitive position when compared with China.

#### **NON AVAILABILITY OF SKILLED PERSONNEL IN APPAREL INDUSTRY**

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.

Mitigant: Your Company has set up an in house training facility for imparting training.

#### **f. INTERNAL CONTROL SYSTSEMS AND ADEQUACY**

The Company has a well-established internal control system in all functional areas, and this is reviewed periodically. This system is further reinforced by an independent audit. The Audit Committee of Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them.

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

- Net Sales for the full year were Rs. 13467 Lacs recording a growth of 21 % over the previous year (31.03.2004), which was at 11102 Lacs.
- Cash Profit (before depreciation, interest and Tax) stood at 2702 Lacs, recording a growth of 8.81 % over the previous year (31.03.2004), which stood at Rs. 2483 Lacs.
- Profit Before Interest and Tax (PBIT) stood at 2225 Lacs, recording a growth of 3.6 % over the previous year (31.03.2004), which stood at Rs. 2147 Lacs.
- Profit Before Tax (PBT) stood at 1595 Lacs, recording a decline of 8.85 % over the previous year (31.03.2004), which stood at Rs.1750 Lacs.
- Profit After tax (PAT) stood at 1403 Lacs, recording a decline of 7.51% over the previous year (31.03.2004), which stood at Rs.1517 Lacs.
- EPS for the year stood at Rs. 22.62, recording a decline of 7.51% over the previous year (31.03.2004), which stood at Rs. 24.47.
- The Stand alone EPS of Granite Division of the Company stood at Rs. 32.44 increasing by 32% as against Rs. 24.53 of the previous year.

#### **h. HUMAN RESOURCES**

The company has continued to strengthen its Human Resource practices and has maintained industrial harmony at all its facilities.

#### **3. DIVIDEND AND RESERVES**

Your directors are pleased to recommend a dividend of 35% (Rs. 3.5 per share) for the year 2004-2005, subject to approval of Members. The dividend tax on the proposed dividend will be Rs. 30,43,818.

#### **4. DIRECTORS / MANAGEMENT RESPONSIBILITY STATEMENT**

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

- i) 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;
- ii) That 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;
- iii) That 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;
- iv) That they had prepared the annual accounts on a going concern basis.

#### **5. AUDIT COMMITTEE**

In consonance with the requirement of Clause 49 of the Listing Agreement entered into with various Stock Exchanges 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.

#### **6. CORPORATE GOVERNANCE**

A separate report on Corporate Governance as prescribed by the Listing Agreement of the relevant Stock Exchanges forms part of the Annual Report 2004-2005 along with the Auditors' statement on its compliance. Management Discussion and Analysis provided herein form a part of this Annual Report.

## **7. AUDITORS**

Messrs. S. Daga & Co., Chartered Accountants, retire as auditors of the Company and have given their consent for re-appointment. The shareholders will be required to elect auditors for the current year and authorize Board to fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the above auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

## **8. DIRECTORATE**

Mr. Rahul Jain and Mr. Siddharth Jain were appointed as Executive Directors of the Company. The approval of the Members' for the said appointments were obtained at the 13th Annual General Meeting held on 30th September, 2004.

Mr. Meka Yugandhar, Mr. TV Chowdary, Mr. Mahender Chand Chordia and Mr. Dhanjibhai Sawla retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. G Krishna Rao, Mr. BVS Prakash and Mr. A Ramachandra Rao resigned from the Board of Directors of the Company w.e.f. 3rd May 2004, 30th July, 2004 and 30th July, 2004 respectively.

## **9. FIXED DEPOSIT**

During the history of the Company, it has not accepted any fixed deposits and as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

## **10. AWARDS AND ACCOLADES**

Your Company was conferred 1st & 2nd Prize for Export Performance in Granite Sector for the year 2003-2004 by the Visakhapatnam Special Economic Zone under the aegis of Ministry of Commerce, Govt. of India.

Your Company was conferred 'Special Export Award' by CAPEXIL for Export achievement in Granite Sector.

Your Company was conferred the First Prize for being the 'Fastest and Largest Growing Company in Granite Sector' by Construction World (a Largest Circulated Construction Business Magazine).

## **11. LISTING**

The Equity shares of the Company have been delisted from the Madras Stock Exchange w.e.f. 19th October, 2004. The Equity shares of the Company continue to be listed on the Stock Exchange, Mumbai and Hyderabad Stock Exchange.

## **12. PERSONNEL**

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 at the Registered Office of the Company.

## **13. 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 quarry operations and manufacturing plants 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 cutting, polishing, etc.

Your Company is at present exporting to the USA, Europe, Australia, New Zealand, Palestine and China. Your Company is continuously exploring possibilities of exporting to different markets.

During the period under review:

- a) the foreign exchange earnings by the Company was Rs. 11616 Lacs.
- b) the foreign exchange expenditure (which includes import of raw materials, spares, etc.) was Rs. 2441 Lacs.

### 14. CAUTIONARY STATEMENT

Statements in this Report, particularly those which relate to Outlook and Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations are mere assessments and this may constitute "forward looking statements" within the meaning of applicable laws and regulations, if any. Actual results might differ materially from those either expressed or implied.

### 15. ACKNOWLEDGEMENTS

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. The Directors would also like to thank other stakeholders including bankers, business associates who have continued to provide support and encouragement to the Management. The Directors take this opportunity to record their appreciation for all those who contributed to the success of your Company and look forward to their continued support in the years to come.

For and on behalf of the Board

Place : Secunderabad  
Date : 30th July, 2005

**Gautam Chand Jain**  
Chairman & Managing Director



## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2004-05



### A) MANDATORY REQUIREMENTS

#### COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

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.

#### BOARD OF DIRECTORS

##### Composition, Meetings of the Board and Attendance:

As on 31st March 2005, Pokarna Limited had 9 Directors on its Board, of whom 6 are Non Executive Directors. The Company has 5 Independent Non Executive Directors. Mr. Gautam Chand Jain, One of the promoters of the Company is an Executive Chairman & Managing Director of the Company. Pokarna therefore, meets the criterion of at least One half of the Board consisting of Independent Directors. It is believed that the Composition of the Board is balanced, consisting of Qualified Executive and Independent / Non Executive Directors. All the Directors of the Company have rich and varied experience in the areas of Finance, Law, Business, Industry, etc.

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:

<b>Director</b>	<b>Category of Director</b>	<b>No. of Directorships</b>	<b>No. of Memberships Chairmanships of other Board Committee</b>
Mr. Gautam Chand Jain	Executive & Non Independent	4	–
Mr. Rahul Jain	Executive & Non Independent	1	–
Mr. Siddharth Jain	Executive & Non Independent	1	–
Mr. Prakash Chand Jain	Non Executive & Non Independent	4	–
Mr. M Yugandhar	Non Executive & Independent	12	–
Mr. TV Chowdary	Non Executive & Independent	4	4
Mr. Vinayak Rao Juvvadi	Non Executive & Independent	2	–
Mr. Mahender Chand Chordia	Non Executive & Independent	2	–
Mr. Dhanjibhai Sawla	Non Executive Independent	2	–

Mr. G Krishna Rao, Mr. BVS Prakash and Mr. A Ramachandra Rao resigned from the Board of Directors of the Company on 3rd May, 2004, 30th July, 2004 and 30th July, 2004 respectively.

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 as required under the Clause 49 of the Listing Agreement. The same is also evidenced from the above table.

The Company Secretary in consultation with the Executive 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.

There were six board meetings held during 2004-2005 on 3rd May, 2004, 19th June, 2004, 30th July, 2004, 30th October, 2004, 28th January, 2005 and 17th March, 2005. 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**

<b>Directors</b>	<b>No. of Board Meetings attended</b>	<b>Attendance at last AGM</b>
Mr. Gautam Chand Jain	6	Yes
Mr. Rahul Jain	4	Yes
Mr. Siddharth Jain	3	Yes
Mr. Prakash Chand Jain	5	Yes
Mr. M Yugandhar	6	Yes
Mr. TV Chowdary	4	Yes
Mr. Vinayak Rao Juvvadi	4	Yes
Mr. Mahender Chand Chordia	6	Yes
Mr. Dhanjibhai Sawla	5	Yes
Mr. BVS Prakash*	3	No
Mr. A Ramachandra Rao*	3	No

Mr. G Krishna Rao, Mr. BVS Prakash and Mr. A Ramachandra Rao resigned from the Board of Directors of the Company on 3rd May, 2004, 30th July, 2004 and 30th July, 2004 respectively.

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.

None of the above referred Independent Directors have any material pecuniary relationship or transactions with the Company, its promoters or with the Management, which in the judgment of the Board would affect the independence or judgment of the Directors. The Company has also not entered into any materially significant transactions with the Promoters, Directors or their relatives or with the management etc. that may have potential conflict with the interest of the Company at large.

#### **Audit Committee**

Composition, Number of Meetings and Attendance:

The Audit Committee comprises of three directors who are non executive & independent. The Chairman of the Committee is Mr. 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 Mr. TV Chowdury, Retired Director, Department of Mines and Geology, Andhra Pradesh, and Mr. Vinayak Rao Juvvadi, a Kellogg School Graduate. Paras Jain, Company Secretary and Compliance Officer of the Company acts as the Secretary of the Audit Committee.

During the year under review, four Audit Committee Meetings were held on 19th June, 2004, 29th July, 2004, 30th October, 2004 and 28th January, 2005.

It is the prerogative of the Audit Committee to invite Senior Executives, whom it considers appropriate to be present at the Meeting. In all the Audit Committee Meetings, Senior Executives of the Company were invited. Statutory Auditors are also invited for the said Meetings as and when required.

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

<b>Name</b>	<b>Position</b>	<b>Category</b>	<b>Attendance</b>
Mr. M Yugandhar	Chairman	Non Executive Director & Independent	4
Mr. TV Chowdary	Member	Non Executive & Director & Independent	3
Mr. Vinayak Rao Juvvadi	Member	Non Executive & Director & Independent	3

At the Annual General Meeting held on 30th September, 2004, the Chairman of the Audit Committee, Mr. Meka Yugandhar was present.

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

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.

The role of the Committee includes the following:

- a) Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

- d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussion with internal auditors on any significant findings and follow up there on.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i) Reviewing the company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- k) Considering such topics as may be required by the Board.
- l) Reviewing any other areas which may be specified as role of the Audit Committee under specified as role of the Audit Committee under specific amendments, if any, from time to time, to the Listing Agreement, Companies Act and other Statutes.

### Remuneration Committee

Composition, Number of Meetings and Attendance:

The Remuneration Committee comprises of three Non Executive Directors viz., Mr. T V Chowdury, Chairman, Mr. Meka Yugandhar, Member and Mr. Prakash Chand Jain, Member. Mr. Rahul Jain on being appointed as Executive Director of the Company has relinquished the position of the member of this committee during the year under review.

The Remuneration Committee met once during the year on 29th July, 2004 wherein all Members of the Remuneration Committee were present.

At the Annual General Meeting held on 30th September, 2004, the Chairman of the Remuneration Committee, was present.

Brief description of terms of reference and remuneration policy:

The Remuneration committee is vested with all the necessary powers and authority to ensure appropriate disclosure on the remunerations of the Directors and to deal with all elements of the remuneration package of Directors. The Remuneration Committee recommends to the Board, the Compensation of the Directors of the Company keeping in view Company's financial status, past performance, past remuneration and future growth potential.

The Independent and Non Executive Directors are paid sitting fees for attending Board Meeting. In terms of the Shareholders' approval obtained at the Annual General Meeting on 17th September 2001, Commission not exceeding 1% per annum of the profits of the Company can be paid to the Non Executive Directors of the Company. For the year 2004-2005 Rs. 9,00,000 (Nine Lakhs) has been provided as Commission to Non Executive Directors.

The Details of the remuneration paid/payable to all the directors during the year 2004-2005.

Name	Salary	Provident Fund Contribution	Commission	Sitting fees	Perquisites Incentives	Rs. in Lakhs
						Total
Mr. Gautam Chand Jain	36.00	0.09	—	—	3.27	39.36
Mr. Rahul Jain	6.00	0.06	—	0.02	3.12	9.20
Mr. Siddharth Jain	6.80	0.09	—	—	—	6.89
Mr. Prakash Chand Jain	—	—	1.50	0.08	—	1.58
Mr. Meka Yugandhar	—	—	1.50	0.08	—	1.58
Mr. T V Chowdury	—	—	1.50	0.06	—	1.56
Mr. Vinayak Rao Juvvadi	—	—	1.50	0.06	—	1.56
Mr. Mahender Chand Chordia	—	—	1.50	0.08	—	1.58
Mr. Dhanjibhai Salwa	—	—	1.50	0.08	—	1.58
Mr. G Krishna Rao*	3.00	0.01	—	—	1.24	4.25
Mr. A Ramachandra Rao*	12.00	0.03	—	—	0.31	12.34
Mr. BVS Prakash*	12.00	0.03	—	—	0.33	12.36

\*Mr. G Krishna Rao , Mr. BVS Prakash and Mr. A Ramachandra Rao resigned from the Board of Directors of the Company on 3rd May, 2004, 30th July, 2004 and 30th July, 2004 respectively.

Presently, the Company does not have a scheme for grant of Stock Options either to the Executive Directors or Employees.

The Agreement (Members approval) with the Executive Chairman and Managing Director and Executive Directors is for a Period of Five 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 Executive Chairman Managing Director and Executive Directors. The Statutory provisions however will apply.

#### **Shareholders' Grievance Committee**

The investors Grievance Committee of the Company under the nomenclature 'Shareholders Grievance Committee' oversees redressal of Shareowners grievances, etc.

The Shareholders Grievance Committee comprises three directors. Mr. TV Chowdary is Chairman of the Committee and Mr. M Yugandhar and Mr. Rahul Jain are the other Members. Mr. Paras Jain is the Company Secretary and Compliance Officer.

During the year, 20 Complaints regarding non-receipt of shares sent for transfer, non-receipt of balance sheet and non-receipt of the dividend warrant were received from the shareowners' all which have been resolved. The Company had no transfer pending at the close of the financial year.

#### **General Body Meetings**

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

##### **1. Date of Meeting**

31.08.2002

Location, time and types of Resolutions

11th Annual General Meeting at Hotel Grand Kakatiya, Sheraton Towers, Begumpet, Hyderabad at 10: 30 am

There were Eleven resolutions (Six Special resolution)

Voting

All the resolutions were put to vote by show of hands and all the resolutions were carried unanimously.

##### **2. Date of Meeting**

27.09.2003

Location, time and types of Resolutions

12th Annual General Meeting at Hotel Grand Kakatiya, Sheraton Towers, Begumpet Road, Hyderabad at 10:00 am

There were Seventeen resolutions (Three Special resolution)

Voting

All the resolutions were put to vote by show of hands and all the resolutions were carried unanimously.

##### **3. Date of Meeting**

30.09.2004

Location, time and types of Resolutions

13th Annual General Meeting at Hotel Grand Kakatiya, Sheraton Towers, Begumpet Road, Hyderabad at 10:00 am

Voting

No special resolutions were passed in the last Annual General Meeting and neither by show of hands nor by postal ballot.

No Special Resolution is proposed to be conducted through postal ballot at the 14th Annual General Meeting.

#### **Disclosures**

Materially significant related party transactions:

During the year 2004-2005 under review, there were no materially significant related party transactions with its Promoters, Directors or the Management, their subsidiaries or relatives etc. that had a potential conflict with the interest of the company at large.

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, during the last three years. However please note that the Company has given its consent to the SEBI for payment of a penalty under Section 15A of the SEBI Act under Settlement by Consent Order scheme for alleged violation of SEBI (Substantial Acquisition of Shares and Takeovers Regulations, 1997). Further the SEBI has not passed any order on the said Settlement by Consent Order scheme as yet.

#### **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 was denied access to the Audit Committee.

### VIII. 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.	Business Standard, Financial Express – English Andhra Bhoomi, Andhra Jyothi – Telugu
Any website, where results or official news are displayed.	www.pokarna.com
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

### General Shareholder Information

Annual General Meeting	
Day, Date and Time	Monday, the 26th Day of September, 2005 at 10:00 AM.
Venue	105, First Floor, Surya Towers, S P Road, Secunderabad - 3.
Financial Year	1st April 2004-31st March, 2005.
Book Closure date	20th September, 2005 to 26th September, 2005.
Dividend Payment Date	After 26th September, 2005.
Financial Calendar for the year 2005-2006	Financial Reporting for the quarter ended June 2005- by end of July, 2005. Financial Reporting for the quarter ended September 2005-by end of October, 2005. Financial Reporting for the quarter ended December 2005-by end of January, 2006. Financial Reporting for the quarter ended March 2006-by end of June, 2006.

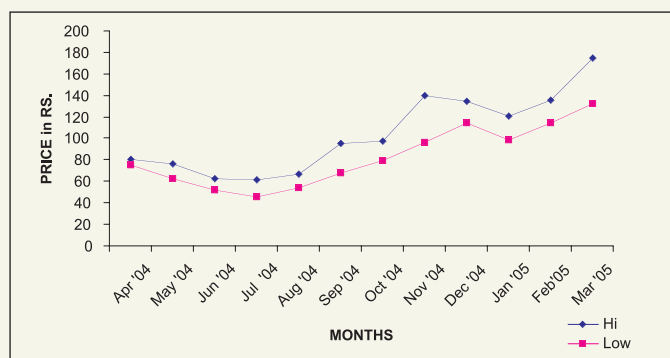
### Listing

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	532486
The Hyderabad Stock Exchange, Hyderabad	INE637C01017- ISIN
The Madras Stock Exchange, Chennai	Delisted w.e.f. 19th October, 2004

### Market Price Data:

Month	High	Low
April, 2004	80	75
May, 2004	76	62
June, 2004	62	52
July, 2004	61	45
August, 2004	67	54
September, 2004	95	68
October, 2004	97	79
November, 2004	140	96
December, 2004	134	114
January, 2005	121	98
February, 2005	135	114
March, 2005	175	132

Source: The Stock Exchange, Mumbai.



### Share Transfer System

Karvy Computershare Pvt. Ltd. is the Registrar & Share Transfer Agent of the Company and its office is located at 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad. Contact Person: Mr. Jayaraman / Mrs. Varalakshmi / Ms. Subha.

All Correspondence in regard to Share Transfer should be addressed to the Registrar and Share Transfer Agents. Any correspondence with regard to Dividend, etc., to be addressed to the Company.

Following is the procedure for transfer of physical share certificates:

- Entry of share certificates in the computer on receipt thereof in the office.
- Scrutiny of transfer deeds.
- Tallying of transfer's signature with the specimen signature available with the Registrar and Share Transfer Agent.
- Data entry of transfer deeds.
- Preparation of objection memos and notices in respect of un-transferred shares.
- Generation of check list for valid and invalid transfer deeds.
- Correction of data in the computer system on the basis of changes marked in the check list.
- Recording of transfer of shares in the computer system.
- Taking of approval from the Company by the Registrar and Share Transfer Agent.
- Endorsement and signatures on the reverse side of the share certificates.
- Generation of covering letters for the transferred share certificates and dispatch of transferred share certificates, objection memos and notices by registered post.

Following is the procedure for dematerialisation of shares –

- Entry of the share certificates and the dematerialisation request form in the computer.
- Scrutiny of the share certificates and the dematerialisation request form in the computer.
- Tallying of signature of the shareholder on the dematerialisation request form with the specimen signature available with the Registrar and Share Transfer Agent.
- Data entry of transfer deeds.
- Generation of check list.
- Change of shares from physical to demat mode.

Send confirmation to NSDL or CDSL, as the case may be.

Shareholding Pattern as at 31st March, 2005.

Category	No. of shares held	% of total shareholding
Promoters	37,36,255	60.25
Private Bodies Corporate	3,90,637	6.30
Resident Individuals , HUF and others	20,38,726	32.89
NRI's	16,426	0.26
Clearing Members	18,756	0.30
<b>Total</b>	<b>62,00,800</b>	<b>100%</b>

Distribution of Shareholding as on 31st March, 2005.

No. of Equity Shares held as at 31.03.2005	No. of shareholders as at 31.03.2005
Upto 5,000	1547
5,001 to 10,000	39
10,001 to 20,000	25
20,001 to 30,000	14
30,001 to 40,000	6
40,001 to 50,000	2
50,001 to 100,000	15
100,001 & above	6
<b>Total</b>	<b>1654</b>

### Dematerialisation 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 2005, a Total of 58, 35,061 Ordinary shares of the Company, which forms 94.10 % of the Share Capital of the Company stands dematerialized.

Trading in shares of Pokarna Limited 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.

**Outstanding GDR's / ADR's / Warrants or any convertible instruments, conversion date and likely impact on Equity.**

Not Applicable as the Company has not issued any of the above instruments.

**Location of the Quarries and Factories of the Company**

**Quarries**

Survey No. 980/3 & 5 R L Puram Chimakurthy-523226 Andhra Pradesh	Survey No. 980/2 R L Puram Chimakurthy-523226 Andhra Pradesh	Survey No. 988/1 R L Puram Chimakurthy-523226 Andhra Pradesh	
Survey No. 115/3 R L Puram Chimakurthy-523226 Andhra Pradesh	Survey No. 906 Madikonda Village Kazipet Andhra Pradesh	Survey No. 103 Konidena Village Ballikurva Andhra Pradesh	Survey No. 52 Tekkali Village Srikakulam Dist Andhra Pradesh

**Manufacturing Plants**

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	Survey No. 33,39,50,51,55,68&69 Apparels Export Park Gundlapochampally Village Medchal Mandal R R District, Andhra Pradesh
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**Address for Correspondence**

- Karvy Computershare Private Limited is the Registrar & Share Transfer Agent of the Company and its office is located at 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad. Contact Person: Mr. Jayaraman / Mrs. Varalakshmi / Ms. Subha.
- For any other information, the shareholders may contact: Paras Jain, Company Secretary & Compliance Officer at the Registered Office of the Company at: First Floor, 105, Surya Towers, Sardar Patel Road, Secunderbad-500 003 at the following numbers:

Phone Numbers : 040 2789 7722, 040 2789 6361, 040 5526 6777

Fax Number : 040 2789 2121

e-mail address : shares@pokarna.com

**B) NON MANDATORY REQUIREMENTS**

**Chairman of the Board**

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

**Remuneration Committee**

This is given elsewhere in the Annual Report. Kindly refer the appropriate section for information under this head.

**Shareholders Right**

As the Company's financial results are published in the English and Telugu Newspaper having a wide circulation all over India same are not sent to shareholders of the Company, individually. The Company's quarterly /half yearly and annual results are posted on the website of the Company and also onto SEBI's website under EDIFAR.

**Audit Qualifications**

None.

**Training of Board Members**

The necessary training will be provided to the Board members as and when required.

**Mechanism for evaluation Non-Executive Board Members**

The Board does not feel the necessity of evaluating the performance of its Non-Executive Board Members.



**AUDITOR'S REPORT ON COMPLIANCE OF CONDITIONS  
OF CORPORATE GOVERNANCE**



To

The Shareholders' of Pokarna Limited.

We have examined the compliance of conditions of corporate governance by Pokarna Limited, for the year ended on 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and 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 state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Grievance Committee.

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.

Place : Hyderabad  
Date : 30th July, 2005

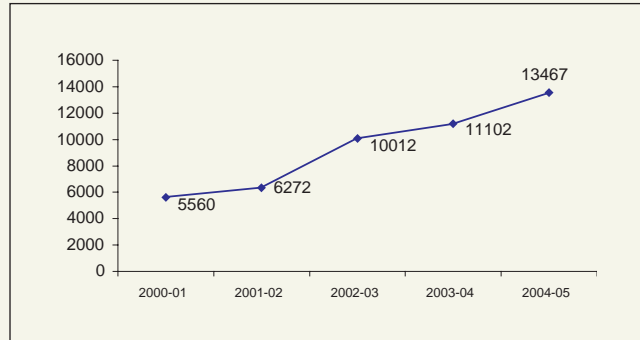
For **S. Daga & Co.**,  
Chartered Accountants

**(Shantilal Daga)**  
Partner

## YOUR COMPANY'S GROWTH

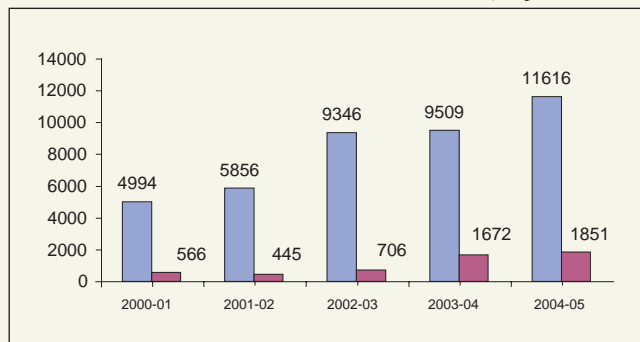
### Turnover

(Rupees in Lakhs)



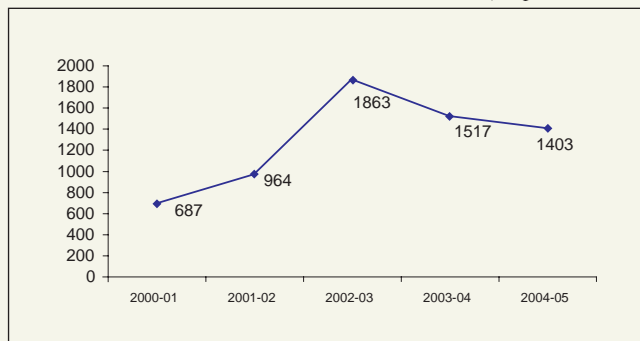
### Sales – Export vs Domestic

(Rupees in Lakhs)



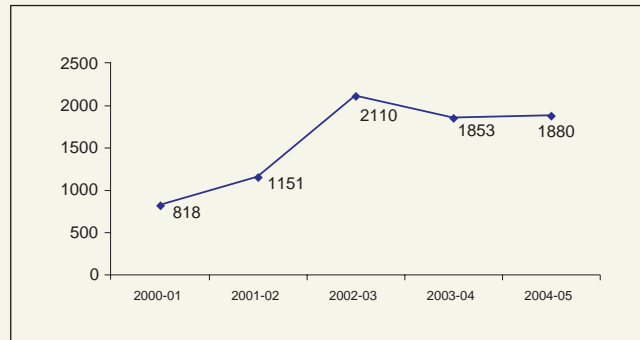
### Profit

(Rupees in Lakhs)



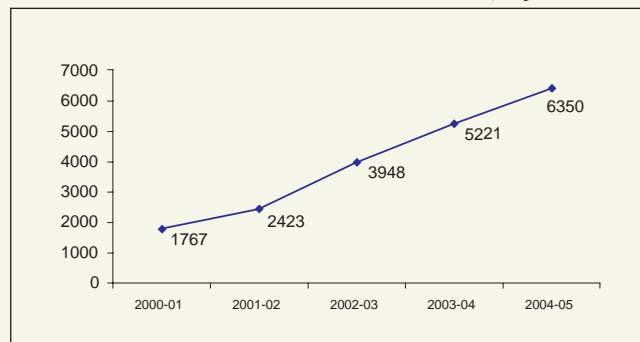
### Cash Profit

(Rupees in Lakhs)



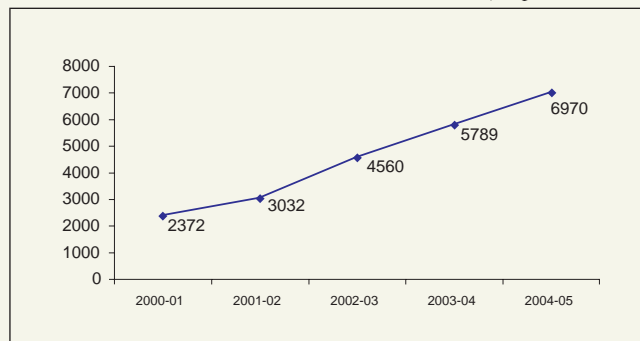
### Reserves/Surplus

(Rupees in Lakhs)

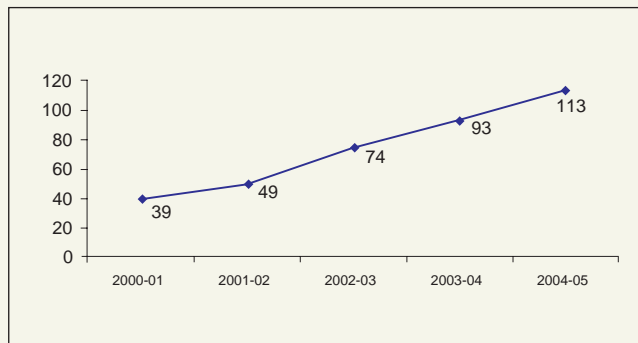


### Net Worth

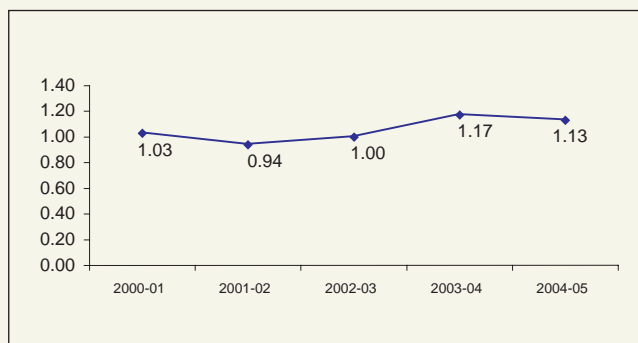
(Rupees in Lakhs)



### Book Value

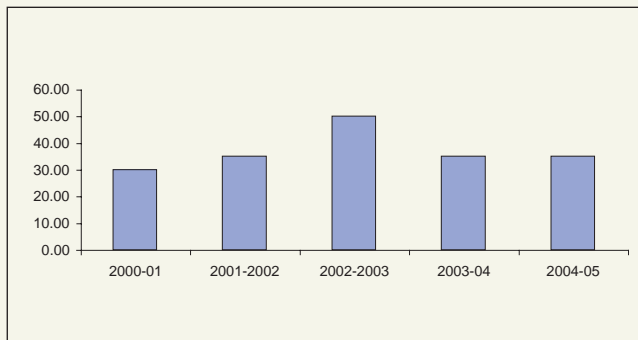


### Debt/Share Holders Fund



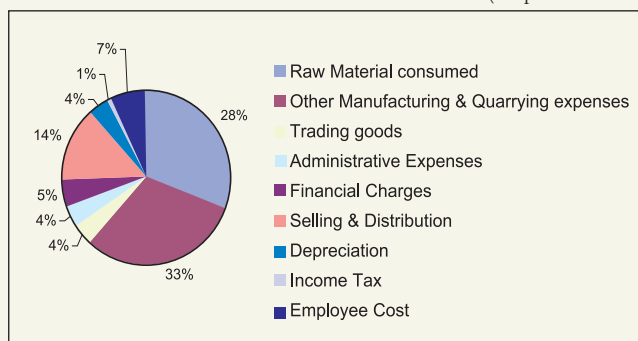
### Dividend Paid

(Rupees in Lakhs)



### Distribution of Revenue

(Rupees in Lakhs)



## AUDITORS' REPORT



To

The Members,  
Pokarna Limited.

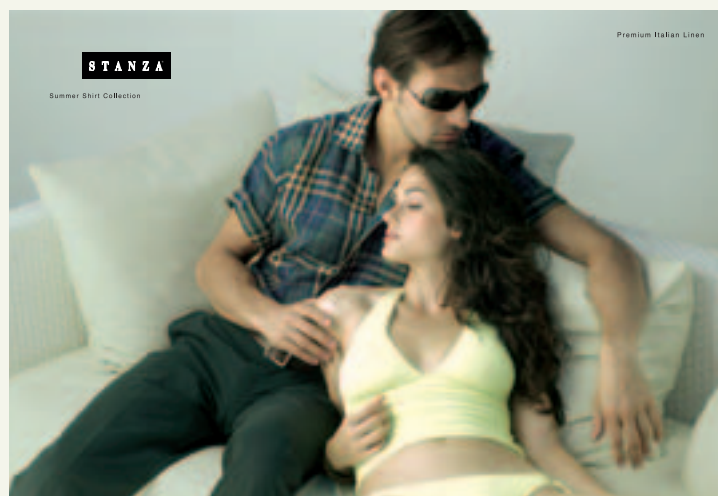
1. We have audited the attached balance sheet of POKARNA LIMITED, as at 31st March 2005, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to 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 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 and 5 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 for 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 2005 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March 2005 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 together with the notes thereon and attached thereto 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 2005;
    - b) in the case of the Profit and Loss Account, of the Profit 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

**(Shantilal Daga)**  
Partner

Place : Hyderabad  
Date : 30th June, 2005

*A glimpse of the launch campaign for Stanza shirts*





**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) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.  
(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. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraphs 4(iii)(b), (c), (d), (f) and (g) of the Order are not applicable.
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 to strengthen the internal audit system commensurate with its 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 2005 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 dispute is pending
1.	C.S.T.	C.S.T.	4.57	2001-02	Appellate Dy. Commissioner, Panjagutta Division, Nampally
2.	APMMC Rules 1966	Penalty	237.43	2004-05	Minister of Mines and Geology

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 any financial institution, bank. The company has not issued any debentures.
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

Place : Hyderabad  
Date : 30th June, 2005

**(Shantilal Daga)**  
Partner

**POKARNA LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2005**

.....

		Amount in Rupees		
	Schedule		As on 31-03-2005	As on 31-03-2004
<b>I. SOURCES OF FUNDS</b>				
<b>1. Share Holders' Funds</b>				
a. Share Capital	1	6,20,08,000	6,20,08,000	
b. Reserves & Surplus	2	<u>63,50,15,646</u>	<u>69,70,23,646</u>	58,41,01,911
<b>2. Loan Funds</b>				
a. Secured Loans	3		79,00,65,789	68,54,32,840
<b>Deferred Tax Liabilities (Net)</b>	4		2,94,97,874	1,72,98,506
<b>Total</b>			<u>1,51,65,87,309</u>	<u>1,28,68,33,257</u>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>				
a. Gross Block	5	98,68,92,798	83,95,35,670	
b. Less: Depreciation		<u>17,18,01,694</u>	<u>12,72,29,422</u>	
c. Net Block		81,50,91,104	71,23,06,248	
d. Capital Work-in-Progress		<u>5,51,16,190</u>	<u>87,02,07,294</u>	71,30,60,633
<b>2. Investments</b>	6		11,50,400	11,50,400
<b>3. Current Assets, Loans &amp; Advances</b>				
a. Inventories	7	18,47,83,551	8,66,88,746	
b. Sundry Debtors	8	46,85,63,231	50,07,81,923	
c. Cash & Bank Balances	9	5,74,69,912	4,51,66,221	
d. Loans & Advances	10	8,25,78,873	7,06,90,757	
		<u>79,33,95,567</u>	<u>70,33,27,647</u>	
<b>Less: Current Liabilities &amp; Provisions</b>				
a. Current Liabilities	11	11,71,64,160	10,72,66,325	
b. Provisions	12	3,10,01,792	2,86,75,297	
		<u>14,81,65,952</u>	<u>13,59,41,622</u>	
Net Current Assets			64,52,29,615	56,73,86,025
<b>4. Misc. Expenditure</b> (To the extent not written off or adjusted)	13		-	52,36,199
<b>Total</b>			<u>1,51,65,87,309</u>	<u>1,28,68,33,257</u>
Significant Accounting Policies	29			
Notes to Accounts	30			

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

As per our report of even date annexed

For and on behalf of Board of Directors

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

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>M Viswanatha Reddy</b>	CFO
<b>Sanjay Daga</b>	GM – Accounts
<b>Paras Jain</b>	Company Secretary

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

Place : Secunderabad  
Date : 30th June, 2005

**POKARNA LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005**



		Amount in Rupees	
	Schedule	Year Ended 31-03-2005	Year Ended 31-03-2004
<b>I. INCOME</b>			
a. Sales	14	1,34,67,40,294	1,11,02,69,496
b. Other Income	15	87,90,985	1,90,50,582
c. Increase in Stock	16	4,97,99,677	60,91,467
<b>Total</b>		<u>1,40,53,30,956</u>	<u>1,13,54,11,545</u>
<b>II. EXPENDITURE</b>			
a. Raw Material Consumed	17	38,88,10,461	22,99,22,498
b. Manufacturing & Quarrying Expenses	18	38,84,55,125	36,45,15,854
c. Purchase of Trading Goods		4,73,24,556	1,64,39,749
d. Payments to and Provision for Employees	19	8,61,34,421	6,57,77,243
e. Administrative Expenses	20	4,96,29,813	3,01,77,012
f. Selling & Distribution Expenses	21	17,48,34,875	18,02,03,720
g. Financial Charges	22	6,29,80,205	3,97,39,433
h. Depreciation	5	4,76,55,992	3,36,18,922
<b>Total</b>		<u>1,24,58,25,448</u>	<u>96,03,94,431</u>
Profit Before Tax		15,95,05,508	17,50,17,114
Prior Period Expenses		65,65,914	-
Less: Provision For Taxation	23	1,26,66,071	2,32,81,171
Net Profit After Tax		14,02,73,523	15,17,35,943
Balance of Profit Brought Forward		45,32,16,288	34,12,13,816
Amount Available For Appropriation		<u>59,34,89,811</u>	<u>49,29,49,759</u>
Proposed Dividend		2,17,02,800	2,17,02,800
Dividend Tax		30,43,818	27,80,671
Transfer to General Reserve		1,45,00,000	1,52,50,000
Balance Carried to Balance Sheet		<u>55,42,43,193</u>	<u>45,32,16,288</u>
		<u>59,34,89,811</u>	<u>49,29,49,759</u>
Earning Per Shares – Basic & Diluted (Face value of Rs. 10 each)		22.62	24.47
Significant Accounting Policies	29		
Notes to Accounts	30		

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

As per our report of even date annexed

For and on behalf of Board of Directors

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

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

Place : Secunderabad  
Date : 30th June, 2005

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>M Viswanatha Reddy</b>	CFO
<b>Sanjay Daga</b>	GM – Accounts
<b>Paras Jain</b>	Company Secretary

**POKARNA LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

		Amount in Rupees	
	Schedule	Year Ended 31.03.2005	Year Ended 31.03.2004
<b>A Cash Flow from Operating Activities</b>			
Net Profit Before Tax		15,29,39,594	17,50,17,114
Adjustment for –			
Add: Non cash item / items required to be disclosed separately:			
Depreciation		4,76,55,992	3,36,18,922
Interest Expense		6,29,80,205	3,97,39,433
Miscellaneous expenditure written off		52,36,199	3,59,428
Profit/Loss on Sale of Asset		12,44,608	6,56,988
Interest Income		(20,61,502)	(13,96,056)
Dividend Income		(2,51,650)	(2,94,790)
Provision for Doubtful Debts		(23,81,003)	60,94,740
Operating Profit before working capital changes		26,53,62,443	25,37,95,779
Changes in working capital and other provisions:			
Sundry Debtors		3,45,99,695	(7,26,50,599)
Inventories		(9,80,94,805)	31,42,932
Loans & Advances	24	(98,22,500)	(1,46,80,669)
Current Liabilities & Provisions	25	1,02,68,267	2,57,06,277
Cash Generated from operations		20,23,13,100	19,53,13,720
Income Taxes paid during the year	26	(1,13,32,319)	(1,72,20,829)
Net cash flow generated by operating Activities		19,09,80,781	17,80,92,891
<b>B. Cash Flow from Investing Activities</b>			
Fixed Assets and changes in capital work in progress			
Purchases	27	(16,09,00,414)	(37,66,72,570)
Capital work in progress		(5,43,61,805)	4,60,83,916
Sale		4,90,502	2,14,901
Interest Income		20,61,502	13,96,056
Dividend Income		2,51,650	2,94,790
Preoperative Expenses		–	(47,99,769)
Net Cash used in investing Activities		(21,24,58,565)	(33,34,82,676)
<b>C. Cash Flow from Financing Activities</b>			
Proceeds from issue of share capital		–	–
Bank Borrowings		10,46,32,949	22,89,10,877
Dividends and Corporate dividend Tax	28	(1,39,90,555)	(3,49,76,387)
Interest paid		(6,29,80,205)	(3,97,39,433)
Net Cash generated from financing Activities		2,76,62,189	15,41,95,057
Effect of exchange differences on translation of foreign currency cash and cash equivalents		61,19,286	–
Net increase (decrease) in cash and cash Equivalents		1,23,03,691	(11,94,728)
Cash and Cash equivalents at the beginning of the year		4,51,66,221	4,63,60,949
Cash and Cash equivalents as at the end of the year		5,74,69,912	4,51,66,221
Significant Accounting Policies	29		
Notes to Accounts	30		

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

As per our report of even date annexed

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

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

Place : Secunderabad  
Date : 30th June, 2005

For and on behalf of Board of Directors

**Gautam Chand Jain** Chairman & Managing Director  
**Rahul Jain** Executive Director  
**Siddharth Jain** Executive Director  
**M Yugandhar** Director  
**Vinayak Rao Juvvadi** Director  
**T V Chowdary** Director  
**Prakash Chand Jain** Director  
**Dhanjibhai Sawla** Director  
**Mahender Chand Chordia** Director  
**M Viswanatha Reddy** CFO  
**Sanjay Daga** GM – Accounts  
**Paras Jain** Company Secretary

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT**

.....●.....

	Amount in Rupees	
	As on 31-03-2005	As on 31-03-2004
<b>Schedule - 1</b>		
<b>Share Capital</b>		
<b>Authorised:</b>		
1,00,00,000 (1,00,00,000) Equity Shares of Rs. 10/- each of par value	<b>10,00,00,000</b>	10,00,00,000
<b>Issued, Subscribed and paid up:</b>		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each fully paid up	<b>6,20,08,000</b>	6,20,08,000
<b>Total</b>	<b>6,20,08,000</b>	6,20,08,000
<b>Schedule - 2</b>		
<b>Reserves &amp; Surplus</b>		
i. Capital Subsidy	15,00,000	15,00,000
ii. Share Premium Account	73,96,000	73,96,000
iii. General Reserve		
Balance at the Beginning of the Year	5,99,81,623	
Less: Transitional Impairment Loss as at March 31, 2004	26,05,170	
Add: Transfer – Profit and Loss Account	1,45,00,000	5,99,81,623
iv. Balance in Profit and Loss Account	55,42,43,193	45,32,16,288
<b>Total</b>	<b>63,50,15,646</b>	52,20,93,911
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
i. Term Loans from Bank		
Foreign Currency Loan	10,32,15,531	8,50,00,431
Rupee Loan	20,98,53,576	15,42,04,026
ii. Working Capital Loans from Bank		
Rupee Loan	46,83,98,104	43,47,36,720
iii. Hire Purchase Loans		
a. From Banks		
Rupee Loan	55,37,081	50,80,197
b. From Others		
Rupee Loan	30,61,497	64,11,466
<b>Total</b>	<b>79,00,65,789</b>	68,54,32,840
<b>Schedule - 4</b>		
<b>Deferred Tax Liabilities (Net)</b>		
Deferred Tax Liabilities		
– Depreciation	2,99,50,536	1,72,98,506
Deferred Tax Assets		
– Retirement Benefit	4,52,662	–
<b>Total</b>	<b>2,94,97,874</b>	1,72,98,506

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT**

**Schedule - 5**

**Fixed Assets**

Amount in Rupees

Description	Gross Block			Depreciation			Net Block		
	As on 01-04-2004	Additions During the year	Deduction* During the year	As on 31-03-2005	Upto 31-03-2004	For the year	Deduction During the year	As on 31-03-2005	As on 31-03-2004
Land - Freehold	1,18,33,691	21,91,235	-	1,40,24,926	-	-	-	1,40,24,926	1,18,33,691
Buildings	26,14,257	22,47,377	-	48,61,634	700	74,150	-	47,86,784	26,13,557
Factory & Quarry Buildings	13,35,10,407	1,17,08,664	1,35,000	14,50,84,071	71,67,835	46,58,800	27,202	13,32,84,638	12,63,42,572
Plant & Machinery	64,87,95,986	9,22,34,610	87,35,459	73,22,95,137	10,96,21,678	3,87,95,607	9,64,169	58,48,42,021	53,91,74,308
Vehicles	2,92,28,297	57,71,004	22,11,959	3,27,87,342	61,26,351	28,96,195	4,76,066	2,42,40,862	2,31,01,946
Furniture & Fixtures and Office Equipment	1,35,53,032	84,67,639	24,60,868	1,95,59,803	43,12,858	12,31,240	16,16,283	1,56,31,988	92,40,174
Trade Marks & Brand Names	-	3,82,79,885	-	3,82,79,885	-	-	-	3,82,79,885	-
<b>Total</b>	<b>83,95,35,670</b>	<b>16,09,00,414</b>	<b>1,35,43,286</b>	<b>98,68,92,798</b>	<b>12,72,29,422</b>	<b>4,76,55,992</b>	<b>30,83,720</b>	<b>81,50,91,104</b>	<b>71,23,06,249</b>
<b>Previous Year</b>	<b>46,43,55,355</b>	<b>37,66,72,570</b>	<b>14,92,255</b>	<b>83,95,35,670</b>	<b>9,42,30,767</b>	<b>3,36,18,922</b>	<b>6,20,267</b>	<b>71,23,06,248</b>	<b>37,01,24,588</b>

\* Includes assets impaired.

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT**

	Amount in Rupees	
	As on 31-03-2005	As on 31-03-2004
<b>Schedule - 6</b>		
<b>Investment</b>		
<b>Trade-Quoted fully paid-up at cost</b>		
71900 (Previous Year – 71900) Equity Shares in Union Bank of India of Rs.10/- each	11,50,400	11,50,400
<b>Total</b>	<b>11,50,400</b>	<b>11,50,400</b>
<b>Schedule - 7</b>		
<b>Inventories</b>		
i. Consumables, Stores & Spares	3,74,80,020	2,13,12,421
ii. Raw Material (Including Goods-in-Transit)	6,28,62,468	3,25,71,018
iii. Raw Granite at Quarries	1,62,84,137	45,22,318
iv. Work-In-Process	1,00,32,668	91,00,513
v. Finished Goods	5,61,83,378	1,91,47,536
vi. Packing Material	19,40,880	34,940
<b>Total</b>	<b>18,47,83,551</b>	<b>8,66,88,746</b>
<b>Schedule - 8</b>		
<b>Sundry Debtors (Unsecured)</b>		
i. Debts outstanding for a period exceeding six Months		
Considered Good	3,94,64,742	5,74,76,226
Considered Doubtful	57,84,290	81,65,293
ii. Other Debts		
Considered Good	42,90,98,489	44,33,05,697
	47,43,47,521	50,89,47,216
Less: Provision for Doubtful Debts	57,84,290	81,65,293
<b>Total</b>	<b>46,85,63,231</b>	<b>50,07,81,923</b>
<b>Schedule - 9</b>		
<b>Cash &amp; Bank Balances</b>		
i. Cash on Hand	18,16,187	6,65,560
ii. Balances with Scheduled Banks		
In Current Accounts	21,50,121	97,19,547
In Current Accounts in Foreign Currency	1,89,69,426	74,76,550
In Deposit Accounts	3,37,90,701	2,64,81,408
In Unclaimed Dividend Accounts	7,43,477	8,23,156
<b>Total</b>	<b>5,74,69,912</b>	<b>4,51,66,221</b>

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT**

	Amount in Rupees	
	As on 31-03-2005	As on 31-03-2004
<b>Schedule – 10</b>		
<b>Loans &amp; Advances</b>		
(Unsecured, considered good unless otherwise stated)		
i. Advances recoverable in cash or in kind or for value to be received	2,96,18,226	3,00,77,217
ii. Advance for Raw Material	2,62,34,235	2,08,30,135
iii. Prepaid Expenses	18,86,486	17,18,183
iv. Advance Income Tax	68,41,067	47,75,451
v. Electricity and Other Deposits	1,18,82,446	1,01,89,534
vi. Balances with Customs & Excise Authorities	2,48,313	15,78,357
vii. Cenvat Credit Receivable	58,68,100	15,21,880
<b>Total</b>	<b>8,25,78,873</b>	<b>7,06,90,757</b>
<b>Schedule – 11</b>		
<b>Current Liabilities</b>		
i. Sundry Creditors		
For Goods		
– Dues to Small Scale Industrial undertakings	25,44,666	12,56,203
– Dues to Others	4,36,32,742	4,66,49,094
ii. For Other Liabilities	4,29,57,139	4,61,98,303
iii. For Capital Expenditure	2,29,13,306	95,24,655
iv. Advances from Customers	43,72,830	28,14,914
v. Unclaimed Dividend	7,43,477	8,23,156
<b>Total</b>	<b>11,71,64,160</b>	<b>10,72,66,325</b>
<b>Schedule – 12</b>		
<b>Provisions</b>		
i. Proposed Dividend	2,17,02,800	1,24,01,600
ii. Dividend Tax	30,43,818	15,88,955
iii. Provision for Taxation	27,00,000	1,15,00,000
iv. Provision for Gratuity	35,55,174	31,84,742
<b>Total</b>	<b>3,10,01,792</b>	<b>2,86,75,297</b>
<b>Schedule – 13</b>		
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
i. Preliminary Expenses		
Balance at the Beginning of the Year	92,145	
Less: Written off During the Year	92,145	92,145
ii. Public Issue Expenses		
Balance at the Beginning of the Year	3,44,285	
Less: Written off During the Year	3,44,285	3,44,285
iii. Pre-operative Expenses		
Balance at the Beginning of the Year	47,99,769	
Less: Written off/Prior Period During the Year	47,99,769	47,99,769
<b>Total</b>	<b>–</b>	<b>52,36,199</b>



**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	Amount in Rupees	
	Year ending 31-03-2005	Year ending 31-03-2004
<b>Schedule - 14</b>		
<b>Sales</b>		
Polished Granite	1,12,64,29,315	87,79,76,985
Raw Granite	18,77,02,933	23,33,97,572
Apparel	2,28,06,942	-
Fabric	1,35,96,348	2,01,955
Scrap	22,22,917	7,31,928
	<u>1,35,27,58,455</u>	<u>1,11,23,08,440</u>
Less: Excise Duty	64,04,100	77,70,606
Add: Inter-division Transfer	3,85,939	57,31,662
<b>Total</b>	<u><b>1,34,67,40,294</b></u>	<u><b>1,11,02,69,496</b></u>
<b>Schedule - 15</b>		
<b>Other Income</b>		
Interest Received	20,61,502	13,96,056
Commission Received	8,96,921	10,94,749
Miscellaneous Receipts	31,99,909	1,19,24,998
Dividends	2,51,650	2,94,790
Provision no Longer Required Written back	23,81,003	43,39,989
<b>Total</b>	<u><b>87,90,985</b></u>	<u><b>19,050,582</b></u>
<b>Schedule - 16</b>		
<b>Increase In Stocks</b>		
Opening Balance		
Finished Goods	1,91,47,536	1,00,94,838
Work-in-Process	91,00,513	10,84,120
Raw Granite	45,22,318	1,54,99,942
	<u>3,27,70,367</u>	<u>2,66,78,900</u>
Less: Reversal of Excise Duty on Opening Stock	69,861	-
	<u>3,27,00,506</u>	<u>2,66,78,900</u>
Less: Closing Stock		
Finished Goods	5,61,83,378	1,91,47,536
Work-in-Process	1,00,32,668	91,00,513
Raw Granite	1,62,84,137	45,22,318
	<u>8,25,00,183</u>	<u>3,27,70,367</u>
<b>Total</b>	<u><b>4,97,99,677</b></u>	<u><b>60,91,467</b></u>
<b>Schedule - 17</b>		
<b>Raw Material Consumed</b>		
Opening Stock	3,25,71,018	4,61,48,871
Add: Purchases	41,91,01,911	21,63,44,645
	<u>45,16,72,929</u>	<u>26,24,93,516</u>
Less: Closing Stock	6,28,62,468	3,25,71,018
<b>Total</b>	<u><b>38,88,10,461</b></u>	<u><b>22,99,22,498</b></u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	Amount in Rupees	
	<b>Year ending 31-03-2005</b>	Year ending 31-03-2004
<b>Schedule - 18</b>		
<b>Manufacturing, Quarrying &amp; Trading Expenses</b>		
Consumption of Consumables, Stores & Spares	17,05,58,953	16,66,34,668
Carriage Inwards	9,12,52,750	7,04,37,612
Other Processing Expenses	43,63,099	41,02,380
Power & Fuel	8,55,15,798	7,35,74,850
Repairs & Maintenance	2,10,12,718	2,46,50,285
Cutter & Driller Charges	96,05,974	1,87,69,944
Royalty on Quarry Land	61,45,833	63,46,115
<b>Total</b>	<b>38,84,55,125</b>	<b>36,45,15,854</b>
<b>Schedule - 19</b>		
<b>Payments to and Provision for Employees</b>		
Salaries, Bonus & Other Allowances	7,01,19,561	5,44,36,144
Contribution to Provident and other Funds	52,11,886	26,52,648
Retirement Benefits	9,34,587	16,84,957
Workmen & Staff Welfare Expenses	98,68,387	70,03,494
<b>Total</b>	<b>8,61,34,421</b>	<b>6,57,77,243</b>
<b>Schedule - 20</b>		
<b>Administrative Expenses</b>		
Rent, Rates, Taxes & Insurance	72,13,842	41,68,730
Communication Charges	41,27,353	39,22,942
Printing & Stationery	25,35,772	17,49,452
Travelling Expenses	59,74,492	51,63,634
Electricity Charges	6,00,178	7,35,302
Vehicle Maintenance	63,77,049	56,07,406
Auditors Remuneration	3,30,600	1,68,500
Advertisement	56,82,826	39,04,747
Legal & Professional Charges	70,84,503	6,98,733
Commission to Non Executive Directors'	9,00,000	9,80,000
Directors' Sitting Fees	46,000	72,000
Donations & Subscriptions	24,91,032	7,93,218
Public Issue & Preliminary Expenses Written off	4,36,430	3,59,428
Loss on Sale of Assets/Written off	12,44,608	6,56,988
Advances Written off	19,25,554	-
Miscellaneous Expenses	26,59,574	11,95,932
<b>Total</b>	<b>4,96,29,813</b>	<b>3,01,77,012</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	Amount in Rupees	
	Year ending 31-03-2005	Year ending 31-03-2004
<b>Schedule - 21</b>		
<b>Selling &amp; Distribution Expenses</b>		
Government Royalty & Dead Rent	3,10,75,388	2,41,34,033
Carriage Outwards	7,68,86,959	7,20,82,698
Insurance & ECGC Premium	88,01,617	34,70,415
Commission, Discounts & Claims	92,12,519	77,31,520
Foreign Travel	88,53,703	1,67,25,855
Business Promotion Expenses	80,91,811	1,95,19,773
Foreign Exchange Fluctuation	37,69,802	1,15,14,046
Packing Material	2,15,58,180	1,53,28,625
Excise Duty-Others	10,90,352	69,861
Provision for Debtors	-	60,94,740
Sales Tax	54,94,544	35,32,154
<b>Total</b>	<b>17,48,34,875</b>	<b>18,02,03,720</b>
<b>Schedule - 22</b>		
<b>Finance Charges</b>		
Interest on Term Loans	2,31,63,521	1,15,03,787
Interest on Working Capital Loans	1,14,09,000	66,46,590
Interest on Hire Purchase Loans	11,44,327	4,22,768
Bill Discounting Charges	2,03,25,339	1,82,07,611
Bank Charges	69,38,018	29,58,677
<b>Total</b>	<b>6,29,80,205</b>	<b>3,97,39,433</b>
<b>Schedule - 23</b>		
<b>Provision for Tax</b>		
Current Tax	27,00,000	1,15,00,000
Deferred Tax	1,21,99,368	79,86,186
Prior Years Tax	(-)22,33,297	37,94,985
<b>Total</b>	<b>1,26,66,071</b>	<b>2,32,81,171</b>

**SCHEDULES FORMING PART OF CASH FLOW STATEMENT**

	Amount in Rupees	
	<b>Year Ended</b>	Year Ended
	<b>31-03-2005</b>	31-03-2004
<b>Schedule - 24</b>		
<b>Change In Loans And Advances</b>		
As per balance Sheet	8,25,78,873	7,06,90,757
Less: Advance income taxes separately considered	68,41,067	47,75,451
Less: Opening balance considered	6,59,15,306	5,12,34,637
<b>Total</b>	<b>(98,22,500)</b>	<b>(1,46,80,669)</b>
<b>Schedule - 25</b>		
<b>Change In Current Liabilities And Provisions</b>		
As per Balance Sheet	14,81,65,952	13,59,41,622
Less: provisions separately considered in the cash flow statement		
Income Tax	27,00,000	1,15,00,000
Dividends	2,17,02,800	1,24,01,600
Dividend Tax	30,43,818	15,88,955
Less: Opening balance considered	11,04,51,067	8,47,44,790
<b>Total</b>	<b>1,02,68,267</b>	<b>2,57,06,277</b>
<b>Schedule - 26</b>		
<b>Income Tax Paid</b>		
Charge as per the Profit and Loss account	1,26,66,071	2,32,81,171
Less: Provision for Deferred tax	1,21,99,368	79,86,186
Add: Increase in Advance Income Tax	20,65,616	(30,74,156)
Add: Decrease in Income Tax provision	88,00,000	50,00,000
<b>Total</b>	<b>1,13,32,319</b>	<b>1,72,20,829</b>
<b>Schedule - 27</b>		
<b>Purchase Of Fixed Assets And Changes In Capital Work In Progress</b>		
Purchases as per the Balance Sheet	16,09,00,414	37,66,72,570
Changes in Capital-work-in-progress		
Opening Capital-work-in-progress	7,54,385	4,68,38,301
Less: Closing Capital-work-in-progress	5,51,16,190	7,54,385
<b>Total</b>	<b>(5,43,61,805)</b>	<b>4,60,83,916</b>
<b>Schedule - 28</b>		
<b>Dividend Paid</b>		
Opening Dividend with Tax	1,39,90,555	2,44,83,471
Add: Provision during the year	2,47,46,618	2,44,83,471
Less: Provision including Corporate Dividend Tax	2,47,46,618	1,39,90,555
<b>Total</b>	<b>1,39,90,555</b>	<b>3,49,76,387</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



### Schedule – 29

#### Significant Accounting Policies

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

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the 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 and intangible assets.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

##### C. Revenue Recognition

1. Sales comprise value of sale of goods and are inclusive of sales returns, excise duty and sales tax, where applicable. Sales are recognized when the goods are appropriated either after inspection and selection by the customers or upon confirmation.
2. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
3. Dividend income is recognized when the company's right to receive dividend is established.

##### D. Recognition of Expenditure

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

##### E. Classification of Expenditure

All expenditure and Income are accounted for under natural heads of accounts. Necessary allocation of expenditure on functional basis has been given by way of notes/schedules in the published accounts.

##### F. Fixed Assets

Fixed Assets are recorded at cost, less accumulated depreciation. Cost comprises of purchase price, freight, duties and taxes (other than those subsequently recoverable by the company from taxing authorities) and any attributable cost of bringing the asset to its working condition for its intended use. These costs also include financial costs relating to specific borrowings attributable to fixed assets.

##### G. 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 ranging between 5 to 10 years.

##### 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.

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### **J. Investments**

Long-term investments are carried at cost. Provision for diminution, if any in the value of each long term investment is made to recognize a decline, other than that of a temporary nature.

Current investments intended to be held for less than one year are stated at the lower of cost or market value.

### **K. Inventories**

1. 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.
2. Cost of Finished goods and work-in-process includes costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### **L. Employee Benefits**

Contributions to defined schemes such as Provident Fund and Employees State Insurance Scheme are accounted for on accrual basis. Provision for Leave Encashment and Bonus is made on accrual basis.

Gratuity has been provided as per the valuations determined by independent actuaries as at the Balance Sheet date.

### **M. Foreign Currency Transactions**

Revenue from overseas clients and collections are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Foreign currency assets and liabilities are stated at the exchange rates prevailing at the date of Balance Sheet. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

### **N. Borrowing Cost**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets up to the date the asset is put to use. All other borrowing costs are charged to Profit & Loss Account in the year in which they are incurred.

### **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. Leases**

The company's significant leasing arrangements are in respect of operating leases for premises like operational units, offices and residences etc.,. These leases which are not non-cancelable are generally for more than 11 months, or for longer periods and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent to Profit and Loss Account.

### **Q. Earnings Per Share**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share comprises the weighted average number of shares outstanding during the period.

### **R. 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. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**Schedule – 30**

**Notes on Financial Statements**

**1. 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.

**2. Secured Loans**

- a. Term Loan and working capital facilities from Union Bank of India, Secunderabad, are secured by hypothecation by way of charge on all immovable and movable properties of the company including current assets such as inventories, book debts and other receivables of all the divisions of the company and first charge on all the immovable assets of the company including machineries present and future besides personal guarantee of Directors
- b. Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of Directors.
- c. Secured loans include interest accrued and due amounting to Rs.17.95 lakhs (Previous year Rs.18.13 lakhs)

**3. Contingent Liabilities**

	Rupees in Lakhs	
	As on 31.03.2005	As on 31.03.2004
a) Bank Guarantees	37.13	37.14
b) Letter of Credits	75.11	346.63
Claims against the company not acknowledged as debts:		
c) Direct & Indirect Taxes	4.57	16.37
d) Disputed Mineral Dues	237.43	–
<b>4. Capital Commitments</b>		
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	13.46	224.00

**5. a) Directors' Remuneration**

							Rupees in Lakhs	
Name	Salary	Contrib- ution to provident and other funds	Perquisites and Incentives	Director Sitting fees	Commission	Year Ended Total 31.03.05	Year Ended Total 31.03.04	
Chairman & MD:								
Gautam Chand Jain	36.00	0.09	3.27	–	–	39.36	29.35	
Executive Director:								
Rahul Jain	6.00	0.06	3.12	0.02	–	9.20	1.40	
Executive Director:								
Siddharth Jain	6.80	0.09	–	–	–	6.89	–	

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

Managing Director:							
G.Krishna Rao *	3.00	0.01	1.24	–	–	<b>4.25</b>	36.81
Executive Director:							
A.Ramachandra Rao*	12.00	0.03	0.31	–	–	<b>12.34</b>	36.54
Executive Director:							
B.V.S.Prakash*	12.00	0.03	0.33	–	–	<b>12.36</b>	36.76
Director:							
Prakash Chand Jain	–	–	–	0.08	1.50	<b>1.58</b>	1.40
<b>Non-wholetime Independent Directors:</b>							
M.Yugandhar				0.08	1.50	<b>1.58</b>	1.36
T.V. Chowdury				0.06	1.50	<b>1.56</b>	1.36
Vinayak Rao Juvvadi				0.06	1.50	<b>1.56</b>	1.40
Mahender Chand Chordia				0.08	1.50	<b>1.58</b>	1.40
DhanjiBhai Sawala				0.08	1.50	<b>1.58</b>	1.40
Dr. J.W.Aurangabadkar				–	–	–	0.76
<b>Total</b>	<b>75.80</b>	<b>0.31</b>	<b>8.27</b>	<b>0.46</b>	<b>9.00</b>	<b>93.84</b>	<b>149.94</b>
Previous Year	135.00	0.34	4.08	0.72	9.80	149.94	77.79

(\* Resigned from the Board of the Company)

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.

**(b) Computation of net profit in accordance with Section 198 / 349 of the Companies Act, 1956, and calculation of commission payable to non-executive directors:**

	Year Ended 31.03.2005	Year Ended 31.03.2004
	Rupees in Lakhs	
Profit after taxation	1402.74	1517.36
Add:		
Director's Remuneration	84.38	139.08
Directors' sitting fees	0.46	0.72
Commission to non-executive directors	9.00	9.80
Provision for bad and doubtful debts	0.00	60.95
Loss on sale of fixed assets including written off	12.45	6.57
Depreciation as per books of accounts	476.56	336.19
Provision for taxation	126.66	232.81
Total	2112.25	2303.48
Less:		
Depreciation as envisaged U/s 350 of the Companies Act, 1956	476.56	336.19
Profit on sale of assets	–	–
Total	476.56	336.19
Net Profit under Section 198 / 349 of the Companies Act, 1956 on which commission is payable	1635.69	1967.29
Commission payable to non-executive directors:		
Maximum allowed as per the Companies Act, 1956 at 1%	16.35	19.67
Sanctioned by Board	9.00	9.80



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**6. Auditors Remuneration – (including service tax)**

	Rupees in Lakhs	
	Year Ended	Year Ended
	31-03-2005	31-03-2004
Audit Fee	2.20	1.08
For Tax Audit	0.55	0.27
For Certification	0.55	0.27
For Out of Pocket Expenses	0.00	0.06

**7. Investments**

	Rupees in Lakhs	
	Year Ended	Year Ended
	31-03-2005	31-03-2004
Quoted	–	–
Book Value	11.50	11.50
Market value	81.28	37.89

**8. Assets**

	Rupees in Lakhs	
	Year Ended	Year Ended
	31-03-2005	31-03-2004
a. Land, Building & Plant & Machinery acquired from Financial Institutions has been shown under the head Plant & Machinery in Schedule-5, in the absence of necessary details.	–	–
b. Amount of foreign exchange rate fluctuation included in imported plant & machinery acquired and installed during the year, arisen on account of rate difference on the date of transaction and the date of payment.	0.99	2.47
c. Interest on term loan towards purchase of assets capitalised during the year.	11.97	10.49
d. Additions to assets includes acquired under hire purchase scheme.	163.94	31.73
e. Amount incurred on Brand “STANZA” is disclosed under the head ‘Intangible Assets’ in the schedule of fixed assets. Brand acquisition expenses included under this head.	382.79	–
f. Pursuant to Accounting Standard (AS-28) on “Impairment of Assets” issued by the Institute of Chartered Accountants of India having made mandatory, the company has assessed and determined the impairment loss of Rs. 26.05 Lakhs relating to its Granite Division and adjusted it against the opening balance of General Reserve being the accumulated impairment loss relating to periods prior to AS-28 becoming mandatory. There is no impairment loss determined during the year.	–	–

**9. Deferred Tax**

	Rupees in Lakhs	
	As on	As on
	31.03.2005	31.03.2004
Deferred Tax Liability		
Depreciation	126.52	79.87
Total		
Deferred Tax Asset		
Employees’ Retirement Benefits	4.53	–
Total		
Net Deferred Tax Liability	121.99	79.87

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### 10. Tax Deducted at source on Income

	Rupees in Lakhs	
	<b>As on 31.03.2005</b>	As on 31.03.2004
On Interest received	4.03	2.26
On Commission received	0.46	0.36
On other receipts	3.83	0.13

### 11. 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 Apparels Limited,  
Pokarna Marketing Private Limited
- C. Names of the Associate Firms:  
Southend, Southend Extension, Gautam Granites
- D. Names of Key Management Personnel  
Shri. Gautam Chand Jain, Shri. Siddarth Jain, Shri. Rahul Jain  
Shri. G.Krishna Rao\*, Shri. A.Rama Chandra Rao\*, Shri. B.V.S.Prakash\*
- \*resigned during the year.

Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year 2004-05 (2003-04)

	Rupees in Lakhs			
Nature of the Transaction	Associates	Key Management Personnel	Relatives Transaction	Total
Purchase of Goods	98 (45)	-	-	98 (45)
Purchase of Fixed Assets	383 (-)	-	-	383 (-)
Sale of Goods	172 (2)	-	-	172 (2)
Rents paid	4 (4)	-	-	4 (4)
Rents received	-	-	-	-
Remuneration paid to Directors	-	85 (139)	-	85 (139)
Balances as at 31/03/05 – Receivable	106 (-)	-	-	106 (-)
Balances as at 31/03/05 – Payables	225 (7)	-	-	225 (7)

Note: Dividend paid has not been considered as a transaction falling under the purview of Accounting Standard 18 “Related Party Disclosures”.

### 12. Liabilities

Information regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of the information available with the company. This has been relied upon by the Auditors.

The names of Small Scale Industrial Undertakings to whom the company owes a sum, which is outstanding for more than 30 days as at March, 31, 2005 are:

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

Andhra Expanded Polystyrene (P) Limited, Andhra Timber & Packing Industries, Grantools (P) Limited, Madras Hard Tools Limited, Maini Abrasives (P) Limited, Somani Ispat (P) Limited, Sun Archeon Abrasives.

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

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

	<b>Year Ended 31-03-2005</b>	Year Ended 31-03-2004
Profit attributable to the Equity Shareholders (Rs.) – (A)	<b>140273523</b>	151735943
Basic/Weighted average number of Equity Shares for the financial year – (B)	<b>6200800</b>	6200800
Nominal Value of Equity Shares (Rs.)	<b>10/-</b>	10/-
Basic/Diluted Earnings per Share (Rs.) – (A)/(B)	<b>22.62</b>	24.47

**14. Segmental Reporting**

Disclosure of segment reporting for the year 2004-05 (2003-04)

a) Information about Primary Business Segments.

<b>Primary Segment – Business Segment</b>	<b>Year Ended March 31, 2005</b>			Rupees in Lakhs
<b>Description</b>	<b>Granite</b>	<b>Apparels</b>	<b>Elimination</b>	<b>Total</b>
<b>Revenue:</b>				
Sales to External customers	<b>13120</b> (11043)	<b>343</b> (2)	– (–)	<b>13463</b> (11045)
Inter Segment sales	<b>4</b> (57)	– (–)	– –	<b>4</b> (57)
<b>Total Revenue</b>	<b>13124</b> (11100)	<b>343</b> (2)	(4) (57)	<b>13467</b> (11102)
Segment Results – Profit/Loss	<b>2392</b> (2148)	<b>(233)</b> (1)	– (–)	<b>2159</b> (2147)
Interest Expenses	<b>443</b> (–)	<b>187</b> (–)	–	<b>630</b> (397)
Income Tax	–	–	–	<b>127</b> (233)
<b>Profit after tax</b>	–	–	–	<b>1402</b> (1517)

**Other Segment Information**

Capital Expenditure	<b>835</b> (1857)	<b>774</b> (1909)	– (–)	<b>1609</b> (3766)
Depreciation	<b>389</b> (335)	<b>88</b> (1)	– (–)	<b>477</b> (336)

**Particulars of Segment Assets & Liabilities**

Segment Assets	<b>13031</b> (13076)	<b>3616</b> (2149)	– –	<b>16647</b> (15225)
Segments Liabilities	<b>6771</b> (6923)	<b>2612</b> (1150)	– –	<b>9383</b> (8073)

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### b) Information about Secondary Segments – Geographical

Revenue attributable to location of customers is as follows

Country	2004-05			2003-04		
	Granite	Apparel	Total	Granite	Apparel	Total
U S A	10009	1	10010	7867	–	7867
Europe	465	–	465	215	–	215
Asia	1135	–	1135	1377	–	1377
India	1273	342	1611	1592	2	1537
Rest of the World	242	–	242	49	–	49
<b>Total</b>	<b>13124</b>	<b>343</b>	<b>13467</b>	<b>11100</b>	<b>2</b>	<b>11102</b>

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

Note:

- 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.

Apparel division of the company has commenced its commercial production on 25.03.2004; hence the figures of previous year are for six days only as against the current full year operations. Hence, the current year segment figures of apparel division are not comparable with previous year figures.

### 15. Sundry debtors

	Rupees in Lakhs	
	As on 31.03.2005	As on 31.03.2004
Periodically, the company evaluates all customer dues to the company for collectibles. The need for provisions is assessed based on various factors including collectibles of specific dues, risk perceptions of the industry in which the customer operates, and general economical factors, which could affect the customer's ability to settle. Amount of provision for doubtful debts is:	57.84	81.65
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	96.09	–

### 16. Key Man Insurance

Insurance includes premium paid towards Key Man Insurance	21.49	–
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**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**17. Aggregate expenses**

The following are the aggregate amount incurred on specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956.

	Year Ended 31-03-2005	Rupees in Lakhs Year Ended 31-03-2004
Salaries & Bonus	7,01,19,561	5,44,36,144
Staff Welfare	98,68,387	70,03,494
Contribution to Provident Fund and Other Funds	61,46,473	43,37,605
Foreign Travel	88,53,703	1,67,25,855
Raw Material	38,88,10,461	22,99,22,498
Purchase of Trading Goods	4,73,24,556	1,64,39,749
Other Processing Expenses	43,63,099	41,02,380
Consumables, Stores & Spares	17,05,58,953	16,66,34,668
Communication Charges	41,27,353	39,22,942
Professional & Consultancy Charges	70,84,503	6,12,746
Traveling & Conveyance	59,74,492	51,63,634
Rent	7,57,000	5,04,200
Printing and Stationery	25,35,772	17,49,452
Advertisement	56,82,826	39,04,747
General Expenses	26,59,574	11,95,932
Repairs & Maintenance	2,10,12,718	2,46,50,285
Power & Fuel	8,55,15,798	7,35,74,850
Electricity Charges	6,00,178	7,35,302
Cutter Charges	96,05,974	1,87,69,944
Insurance Charges	1,24,37,774	34,70,415
Vehicle Maintenance	63,77,049	56,07,406
Rates & Taxes	28,20,684	37,34,391
Commission Charges	92,12,519	77,31,520
Lease Rent	61,45,833	63,46,115
Donations	23,09,678	6,22,863
Auditors Remuneration		
– audit fees	2,20,400	1,66,120
– tax audit fees/certification and other works	1,10,200	50,000
– out of pocket expenses	–	38,367
Provision for Bad and Doubtful Debts	–	60,94,740
Advances Written Off	19,25,554	–
Bank Charges	69,38,018	29,58,677
Commission to Non-whole Time Directors	9,00,000	9,80,000
Loss on Sale of Assets /Written off	12,44,608	6,56,988
Foreign Exchange Fluctuation	37,69,802	1,15,14,046
Directors Sitting Fee	46,000	72,000
Carriage Inward	9,12,52,750	7,04,37,612
C & F Charges	7,66,01,203	7,20,82,698
Royalty & Dead Rent	3,10,75,388	2,41,34,033
Subscription	1,81,354	1,70,355
Business Promotion	80,91,811	1,94,23,216
Preliminary Expenses	4,36,430	3,59,428
Other Selling Expenses	13,76,108	96,557
Packing Material	2,15,58,180	1,53,28,625
Sales Tax	54,94,544	35,32,154
Interest Charges	5,60,42,187	3,67,80,756
Depreciation	4,76,55,992	3,36,18,922
<b>Total</b>	<b>1,24,58,25,448</b>	<b>96,03,94,431</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

**18. 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. Apparel division of the company has commenced its commercial production on 25.03.2004; hence the figures of apparel division are for six days only in the previous year as against the current full year operations, hence, the figures are not comparable with previous year figures

**19. 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	
		2004-05	2003-04	2004-05	2003-04
Apparels	Nos.	525000	525000	450000	450000
Finished Granite	Sq.mts	NA	NA	636000	588000

**b. Particulars of Production, Sales and Stock for the year 2004-05 (2003-04):**

Class of Goods	Units	Rs. In Lakhs								
		Opening Stock		Production	Purchases /transfers		Sales		Closing Stock	
		Qty.	Value		Qty.	Qty.	Value	Qty.	Value	Qty.
<b>Manufactured Goods:</b>										
Finished Granite	Sq.mts	23243 (14998)	185 (112)	491977 (403632)	1180 (0)	44 (0)	453912 (395387)	11162 (8748)	62487 (23243)	355 (276)
Raw Granite	Cbm	655 (658)	45 (63)	9316 (8422)	2101 (2364)	0 (0)	6980 (6060)	1713 (2039)	890 (655)	78 (45)
Apparels incl. Job work	Nos.	1594 (0)	7 (0)	102709 (1594)	- (-)	- (-)	82303 (0)	215 (0)	22000 (1594)	206 (7)
<b>Traded Goods:</b>										
Raw Granite	Cbm	- (-)	- (-)	- (-)	1953 (1511)	337 (156)	949 (1511)	164 (296)	1004 (-)	85 (-)
Finished Granite	Sq.mts	- (-)	- (-)	- (-)	1717 (739)	53 (9)	1717 (739)	65 (11)	- (-)	- (-)
Fabric	Mtrs.	10127 (-)	7 (-)	- (-)	34109 (11321)	77 (9)	44236 (1194)	126 (2)	- (10127)	- (7)
Add: Sale of Scrap								22 (7)		
Net sale as per Profit & Loss Account								13467 (11103)		

**c. Raw Material Consumed during the year:**

Class of Goods	Units	Rs. In Lakhs			
		2004-05		2003-04	
		Qty.	Value	Qty.	Value
Raw Granite*	Cbm	12732	3755	9108	2295
Fabric	Mtrs.	91957	132	2537	4

\*Excluding inter unit transfer of 2101 CBM of Rs.561 Lakhs (previous year 2364 CBM of Rs.574 Lakhs)

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

Class of Goods		Rs. In Lakhs			
		2004-05		2003-04	
		Value	%	Value	%
Raw Material	– Imported	532	14	172	7
	– Indigenous	3356	86	2127	93
<b>Total</b>		<b>3888</b>	<b>100</b>	<b>2299</b>	<b>100</b>
Consumables, Stores & Spares	– Imported	997	58	1217	73
	– Indigenous	709	42	449	27
<b>Total</b>		<b>1706</b>	<b>100</b>	<b>1666</b>	<b>100</b>

**e. CIF value of imports:**

	Rupees in Lakhs	
	2004-05	2003-04
Raw Material	885	184
Consumables, Stores & Spares	1333	1258
Capital items	994	1816

**f. Earnings in foreign currency**

Income from sales (FOB)	11616	9274
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**g. Expenditure in foreign currency**

Travel expenses	56	184*
Advertisement	21	19
Exhibition	47	85
Professional & Consultancy	59	83*
Interest	40	23

Note: \* Includes -NIL- (previous year 64.24) lakhs capitalised

**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 India (NRI) shareholders. The particulars of dividends made are as under:

	Year Ended 31-03-2005	Year Ended 31-03-2004
No. of NRI	19	14
No. of Equity shares held	16426	19100
Gross Dividend Rs.	32850	28650

As per our report of even date annexed

For and on behalf of Board of Directors

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

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

Place : Secunderabad  
Date : 30th June, 2005

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Rahul Jain</b>	Executive Director
<b>Siddharth Jain</b>	Executive Director
<b>M Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>T V Chowdary</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Dhanjibhai Sawla</b>	Director
<b>Mahender Chand Chordia</b>	Director
<b>M Viswanatha Reddy</b>	CFO
<b>Sanjay Daga</b>	GM – Accounts
<b>Paras 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	0	5
---	---	---	---	---	---	---	---	---	---

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 

	1	5	1	6	5	8	7
--	---	---	---	---	---	---	---

 Total Assets 

	1	5	1	6	5	8	7
--	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital 

			6	2	0	0	8
--	--	--	---	---	---	---	---

 Reserves & Surplus 

		6	3	5	0	1	6
--	--	---	---	---	---	---	---

Secured Loans 

		7	9	0	0	6	6
--	--	---	---	---	---	---	---

 Unsecured Loans 

					N	I	L
--	--	--	--	--	---	---	---

Deferred Tax Liabilities 

			2	9	4	9	7
--	--	--	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets 

		8	7	0	2	0	7
--	--	---	---	---	---	---	---

 Investments 

				1	1	5	0
--	--	--	--	---	---	---	---

Net Current Assets 

		6	4	5	2	3	0
--	--	---	---	---	---	---	---

 Misc. Expenditure 

--	--	--	--	--	--	--	--

Accumulated Losses 

					N	I	L
--	--	--	--	--	---	---	---

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

Turnover\* 

	1	3	5	5	5	3	1
--	---	---	---	---	---	---	---

 Total Expenditure 

	1	2	0	2	5	9	1
--	---	---	---	---	---	---	---

\* including other income

Profit/Loss Before Tax 

	+	1	5	2	9	4	0
--	---	---	---	---	---	---	---

 Profit/Loss After Tax 

	+	1	4	0	2	7	3
--	---	---	---	---	---	---	---

(Please tick appropriate box + for profit, - for loss)

Earning Per Share in Rs. 

			2	2	.	6	2
--	--	--	---	---	---	---	---

 Dividend Rate % 

					3	5	%
--	--	--	--	--	---	---	---

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 2 0 0 0
Product Description	M E N S S H I R T 1 0 0 % C O T T O N

For and on behalf of Board of Directors

**Gautam Chand Jain**  
**Rahul Jain**  
**Siddharth Jain**  
**M Yugandhar**  
**Vinayak Rao Juvvadi**

Chairman & Managing  
Executive Director  
Executive Director  
Director  
Director

**T V Chowdary**  
**Prakash Chand Jain**  
**Dhanjibhai Sawla**  
**Mahender Chand Chordia**  
**M Viswanatha Reddy**  
**Sanjay Daga**  
**Paras Jain**

Director  
Director  
Director  
Director  
CFO  
GM – Accounts  
Company Secretary

Place : Secunderabad  
Date : 30th June, 2005