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**NOTICE OF MEETING**

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Shareholders of SOLID STONE COMPANY LIMITED will be held at Centrum, Centre-1, World Trade Centre, 1st Floor, Cuffe Parade, Mumbai - 400005 on Tuesday, 25th September, 2012 at 9.15 am to transact, as may be permissible the following Ordinary business :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and Statement of Profit and Loss for the year ended on that date, the Reports of the Auditors and Directors thereon.
2. To declare a Dividend
3. To appoint a Director in place of Ms.A.Y.Parekh who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Mr. K.Gopi Nair who retires by rotation and being eligible offers himself for re-appointment.
5. To re-appoint M/s. Ashar & Co., Chartered Accountants as Statutory Auditors of the company and to fix their remuneration.

**NOTES :**

- A) A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE FOR HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- B) The Register of Members and Share Transfer Books of the Company will be closed from 19th September, 2012 to 25th September, 2012 (both days inclusive)
- C) The form of proxy should be deposited at the *Registered Office* of the Company not less than 48 hours before the commencement of the meeting.
- D) Members intending to require information about accounts to be explained in the meeting are requested to inform the Company in writing at least seven days in advance of the Meeting.
- E) Members are requested to :
  - i) Bring their copies of the Annual Report alongwith duly filled in attendance slip to the Meeting.
  - ii) Notify immediately any change in their address, at the *Registered office* of the Company, quoting their Folio numbers.
  - iii) Send all their documents and communications pertaining to shares to Sharex (India) P.Ltd. (Share Transfer Agents of the company) at Unit no.1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri (East), Mumbai-400072,
- G) *The Company's shares are available for dematerialisation. Members opting for the same may contact their Depository Participants.*
- H) *Details regarding retiring Director , seeking re-appointment at the Annual General Meeting :*
  - a) Ms. A.Y.Parekh (41), is a Commerce and Law Graduate from University of Mumbai. She has rich experience of more than 14 years in legal and commercial matters. She was appointed as Director of the Company from 26th September, 1997. She is a member of committees appointed by the Board for effective Corporate Governance. She does not hold other Directorship. The relevant details about her attendance of meetings and other Directorships are given in the Report on Corporate Governance forming part of Annual Report. She holds 40847 Equity Shares of the Company.
  - b) Mr. K. Gopi Nair (53), is a Commerce Graduate from University of Mumbai. He has vast experience of more than 24 years in building materials and natural stone industry. He was appointed as Director of the Company from 1st January, 2003. He is a member of committees appointed by the Board for effective Corporate Governance. He does not hold other Directorship. The relevant details about his attendance of meetings and other Directorships are given in the Report on Corporate Governance forming part of Annual Report. He holds 840 Shares of the Company.

**REGISTERED OFFICE**

1501, Maker Chambers-V,  
Nariman Point,  
Mumbai - 400 021.

By Order of the Board of Directors

**Milan B. Khakhar**  
*Chairman & Managing Director*

Place : Mumbai

Date : 29th August, 2012

**DIRECTOR'S REPORT**

The Members,

Your Directors have pleasure in presenting their Twenty-second Annual Report of the Company for the year ended on 31st March, 2012.

**FINANCIAL RESULTS :**

|   | Year Ended<br>31st March, 2012<br>Rs.in '000s | Year Ended<br>31st March, 2011<br>Rs.in '000s |
|---|---|---|
| Gross Income from Operations                  | 4,49,997                                      | 4,44,891                                      |
| Profit before Depreciation and Tax            | 21,542  | 19,539  |
| Profit after Tax                              | 8,719   | 8,376   |
| Balance brought forward from<br>Previous year | 33,632  | 29,007  |
| Amount available for Appropriation            | 42,351  | 37,383  |
| Proposed Dividend                             | 3,228   | 3,228   |
| Tax on Dividend                               | 524   | 524   |
| Surplus carried to Balance Sheet              | 38,599  | 33,631  |

**DIVIDEND :**

Your Directors are pleased to recommend a Dividend of ₹.0.60 per share for the year ended 31st March, 2012 on the Equity Share Capital.(Previous Year . ₹ 0.60 per share)

**OPERATIONS :**

The Company continues to focus on the domestic market which is growing and is harnessing its domain knowledge to explore opportunities in India alongwith its regular export activities.

During the year under review the Company made overall improvement in performance, posting a higher net income in the era of depressed markets, increasing costs and interest.

**SUBSIDIARY COMPANIES :**

Information on Financials of Subsidiary Companies viz. Granitexx UK Ltd. and Stone Source GB Ltd. for the year 2011-12 are provided in Annexure hereto. In respect of Foreign Subsidiary Companies, figures in Rupees are converted from applicable respective currencies at appropriate rate at the year end.

**DIRECTORATE :**

Ms.A.Y.Parekh and Mr.K.Gopi Nair, Directors of the Company shall retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**CONSOLIDATED FINANCIAL STATEMENTS :**

In accordance with the Accounting Standard (AS 21) on consolidated Financial Statements read with Accounting Standard (AS 23) on Accounting for Investment in Subsidiaries, the Audited Consolidated Financial Statements are provided in the Annual Report. The Statement on Subsidiaries pursuant to section 212 (3) of the Act, is attached hereto as separate annexure.

**PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES MADE THEREUNDER :**

The Information Pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies particulars of Employees Rules 1975 is not applicable.

**Director's Responsibility Statement under Section 217 (2AA) is as follows :**

Your Directors make the following statement pursuant to section 217(2AA) of the Companies Act, 1956 ;

1. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That the Directors have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the Annual Accounts on a going concern basis.

**INSURANCE :**

All the assets of the Company are adequately insured.

**CORPORATE GOVERNANCE :**

Your company has always striven to incorporate appropriate standards for good corporate governance . A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, including the Management Discussion and Analysis, Shareholders' Information and Auditors' Certificate on its compliance, form part of this Annual Report.

**AUDITORS :**

M/s. Ashar & Co., Chartered Accountants are eligible for re-appointment and have indicated their willingness to act as such. In terms of section 224A of the Companies Act 1956, their appointment needs to be confirmed and their remuneration needs to be fixed.

**DISCLOSURES :**

Information as required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board Directors) Rules, 1988 is set out as under :

**i) Conservation of Energy :**

Energy conservation measures have already been implemented by the Company and there are no major areas where further conservation measures appear necessary. However, efforts to conserve and to optimize the use of energy through improved operational methods and other means will continue on an ongoing basis.

|   | Current Year | Previous Year |
|---|--------------|---------------|
| Power Consumption (Electricity)                       |              |               |
| Units   | 43,397       | 37,821        |
| Total Cost  | ₹ 3,47,350   | 2,51,130      |
| Rate per unit   | ₹ 8.00       | ₹ 6.64        |
| Consumption per unit of production (Units per sq.ft.) | 1.98         | 0.84          |

ii) Technology Absorption : Not Applicable

iii) Details of Foreign Exchange earning and Outgo during the year under review are furnished in the Notes to Accounts.

**APPRECIATION :**

Your Directors wish to place on record their sincere appreciation for their continued support and co-operation received from the Banks, Customers, Employees and Members of the company.

PLACE : MUMBAI  
DATED : 29th August 2012

For and behalf of the Board  
**Milan B Khakhar**  
Chairman.

## REPORT ON CORPORATE GOVERNANCE

### A. Philosophy:

The Company subscribes fully to the principle and spirit of sound corporate governance practices in all its activities to ensure the ultimate goal of making the company a value driven organization. The Company has taken a series of steps to implement all the measures of good corporate governance practice, laying emphasis on transparency, integrity, accountability and value creation in conducting its Corporate Affairs and enhance value for all its stakeholders.

### B. Board of Directors:

#### Composition, Meetings and Attendance:

The Board of Directors comprises of six Directors, four of them being Non Executive Directors. Fifty percent of the total strength of the Board comprises of Independent Directors.

During the financial year ended 31st March 2012, the Board met Nine times on 15th April, 2011, 2nd May, 2011, 12th August, 2011, 27th August, 2011, 29th August, 2011, 12th October, 2011, 12th November, 2011, 8th February, 2012, 7th March, 2012.

The gap between two Meetings did not exceed four months. The Company placed before the Board, the annual operating plans, budgets, performances and other information including those specified under Clause 49 of the Listing Agreement, from time to time.

The notice for the Board Meeting and the detailed agenda papers are circulated to all the Directors well in advance to enable them to attend and take an informed decision at the Meetings. The Directors of the company make necessary disclosures regarding the Committee positions held by them in all the Companies in which they are Directors. None of the Director of the Company is the member on more than Ten Committees and a Chairman on more than five Committees across all the Companies in which they are Directors.

The composition of the Board of Directors as on March 31, 2012 and other details are as under:

| Name of Director        | Category                  | No of Board Meetings attended during 2011-12 | Whether attended last AGM | No.of Directorships in other Public Limited Companies | No.of Committee positions held in other Companies |
|-------------------------|---------------------------|--|---------------------------|---|---|
| Mr.Milan B. Khakhar     | Executive Promoter        | 9  | Yes                       | 2   | -   |
| Mr. Prakash B.Khakhar   | Executive Promoter        | 8  | Yes                       | 2   | -   |
| Mrs.Vasumati B. Khakhar | Non-Executive Promoter    | 7  | Yes                       | 1   | -   |
| Mr.K.Natarajan          | Non-Executive Independent | 8  | Yes                       | -   | -   |
| Ms.Ashni Y. Parekh      | Non-Executive Independent | 8  | Yes                       | -   | -   |
| Mr. K. Gopi Nair        | Non-Executive Independent | 7  | Yes                       | -   | -   |

#### Code of Conduct :

The Board has formulated a code of conduct for the Board members and senior management of the company. All Board members and senior management personnel have affirmed the compliance with the code as on 31st March 2012 to the Company.

It is hereby affirmed that all Directors and senior management personnel have complied to the code of conduct framed by the Company and the confirmation to that effect has been received from the Directors and the Senior management members.

### C. Audit Committee:

The Audit Committee comprises of Mr.K. Natarajan, Mr.K.Gopi Nair and Ms.A.Y.Parekh. All the members of this Committee are independent Directors and Mr. K. Natarajan is the Chairman of the Audit Committee.

During the year under review, the Audit Committee of Directors held discussions with the Statutory Auditors of the Company concerning the Accounts of the Company, internal control systems, internal audit, compliance with Accounting Standards and Listing Agreement, reviewed the quarterly, half yearly, and annual financial statements before they were submitted to the Board of Directors. The Audit Committee of Directors also reviewed the matter prescribed under clause 49 II(D) of the Listing Agreement. At the Audit Committee Meetings, the Statutory Auditors of the Company were invited and their findings / observations were also discussed.

Minutes of the Audit Committee Meetings are circulated to the Members of the Board, discussed and taken note of.

The composition of the Audit Committee and the details of Meetings attended by the Directors are given below:

| Name of Members          | Category                  | No.of Committee Meetings attended during 2011-2012 |
|--------------------------|---------------------------|--|
| Mr.K.Natarajan, Chairman | Independent Non-Executive | 6  |
| Ms.A.Y.Parekh, Member    | Independent Non-Executive | 6  |
| Mr.K.Gopi Nair, Member   | Independent Non-Executive | 4  |

During the year 2011-12, Six Audit Committee Meetings were held on 2nd May, 2011, 12th August, 2011, 21st August, 2011, 27th August, 2011, 12th November, 2011, 8th February, 2012.

The Audit Committee has adequate powers and detailed terms of reference to play effective role as required under the Clause 49 of the Listing Agreement.

The Compliance Officer acts as the Secretary of the Committee.

#### **Whistle Blower Policy:**

The Board of Directors on the recommendations of the Audit Committee has approved and adopted a Whistle Blower Policy that provides a formal mechanism for all employees of the Company to approach the Chairman of the Audit Committee of the Company and make protective disclosures about the unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct.

#### **D. Remuneration Committee:**

Subject to the overall ceiling approved by the Board and the shareholders, the Remuneration Committee of the Directors recommend to the Board, the salary [including annual increments], perquisites and commission to be paid to the Company's Managing Director.

Meetings of this Committee are held only when required.

No Meetings of this Committee were held during the year 2011-12.

#### **Remuneration Policy**

The elements of the remuneration package of Non-Executive Directors consists only of Sitting Fees for attending Board & Committee meetings of the Company. All the Executive Directors of the company have been appointed on a contractual basis, based on the approval of the Shareholders. The elements of the remuneration package of Executive Directors comprises of Salary, Perquisites and Allowances as approved by the Shareholders at the Annual General Meeting.

Details of Remuneration paid to the Directors during the year ended 31st March 2012 are as follows:

| Name              | Salary    | Allowances | Perquisites | Sitting Fees | Total     |
|-------------------|-----------|------------|-------------|--------------|-----------|
| Mr. M. B. Khakhar | 24,00,000 | 30,000     | --          | --           | 24,30,000 |
| Mr. P. B. Khakhar | 24,00,000 | 30,000     | --          | --           | 24,30,000 |
| Mrs. V.B. Khakhar | --        | --         | --          | 18,000       | 18,000    |
| Mr. K. Natarajan  | --        | --         | --          | 21,000       | 21,000    |
| Ms. A. Y. Parekh  | --        | --         | --          | 21,000       | 21,000    |
| Mr. K. Gopi Nair  | --        | --         | --          | 18,000       | 18,000    |

**E. Shareholders / Investors Grievance Committee:**

The company has formed Shareholders/Investors Grievances Committee under the Chairmanship of Ms.A.Y.Parekh with Mr.Milan B.Khakhar and Mrs.Vasumati B.Khakhar as its members, to look into redressal of Shareholders and investors grievances with respect to transfer of Shares, Non Receipt of Declared Dividend or Annual Report etc. and other matters relating to shareholder relationship. The shareholders grievance committee met at six times during the year 21st April, 2011, 14th June, 2011, 29th August, 2011, 21st November, 2011, 22nd December, 2011, 8th February, 2012.

The Attendance and Composition of the Directors of the Committee is as follows :

| Name of Members              | Category                  | Meetings Attended<br>During the year 2011-2012 |
|------------------------------|---------------------------|--|
| Ms.A.Y.Parekh (Chair Person) | Independent Non-Executive | 5  |
| Mr.Milan B.Khakhar           | Promoter Executive        | 5  |
| Mrs.Vasumati B.Khakhar       | Promoter Non-Executive    | 4  |

All the valid Share Transfer requests received during the year were duly attended to and there were no valid request pending for Share Transfer as on 31st March, 2012.

No.of Investors' complaints received during financial year 2011-12 :Nil

No. of Complaints pending unresolved as on 31st March, 2012 : Nil

**F. Name and Designation of Compliance officer:**

Mr.Manoj D. Dewani - Vice President  
Solid Stone Company Limited, Maker Chambers V, Nariman Point,  
Mumbai - 400021.  
Tel: 66115800 Fax: 22826439 Email : solidgranites@gmail.com

**G. Annual General Meetings:**

The details of the location and time for last three Annual General Meetings are given below:

| AGM No | Accounting Year | Date        | Time      | Location   | No.of Special Resolutions passed |
|--------|-----------------|-------------|-----------|--|----------------------------------|
| 21st   | 2010-2011       | Sep 19 2011 | 9.15 a.m. | Sunflower II,<br>Centre 1, 30th Floor, World Trade Centre,<br>Cuffe Parade, Mumbai-400005. | -                                |
| 20th   | 2009-2010       | Sep 22 2010 | 9.15 a.m. | Seminar II, Centre 1, 31st Floor,<br>World Trade Centre, Cuffe Parade,<br>Mumbai-400005.   | -                                |
| 19th   | 2008-2009       | Sep 23 2009 | 9.15 a.m. | Sunflower II,<br>Centre 1, 30th Floor, World Trade Centre,<br>Cuffe Parade, Mumbai-400005. | 2                                |

No Special Resolution requiring postal ballot was placed before the last Annual General Meeting. No Special Resolution requiring postal ballot is being proposed at the ensuing Annual General Meeting.

**H. Disclosures:**

- None of the transactions with any of the related parties was in conflict with the interests of the Company at large. Attention of the Members is drawn to the transactions with the related parties set out in Notes on Accounts-Note No.27(E), forming part of the Annual Report.
- The Company's major related party transactions are generally with its Subsidiaries and Associates. The related party transactions are entered into based on considerations of various business exigencies. All related party transactions are negotiated on arms length basis and are only intended to further the interests of the Company. A statement in summary form of the transactions with related parties is periodically placed before the Audit Committee as required under Clause 49 IV (A) of the Listing Agreement with the Stock Exchanges.

- c) There has been no instance of non-compliance by the Company on any matter related to capital markets, during the last three years. No penalties or strictures have been imposed by SEBI, the Stock Exchange or any Statutory Authority on the Company.
- d) The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- e) The Company has laid down a process of assessing risk management. The scope of Audit Committee includes review of Company's financial and risk management policies.

**I. Means of Communication:**

The means of communication between the Company and the shareholders are transparent and investor friendly. The Company's quarterly unaudited results are published in leading newspapers in English and Marathi. As such the Company does not send unaudited results to shareholders individually. The company has not made any presentation to any Institutional Investors/ Analysts during the year.

**Management Discussion and Analysis Report forms part of this Annual Report:**

**J. General Shareholder Information:**

**a) Annual General Meeting**

The 22nd AGM of the members of the company is scheduled to be held on 25th September, 2012 at "Centrum", Centre 1, World Trade Centre, 1st Floor, Cuffe Parade, Mumbai-400005 at 9.15 a.m.

**b) Financial Calendar for the year 2011-2012 (Provisional)**

|   |   |                           |
|---|---|---------------------------|
| A | Unaudited Results for the first quarter ending on June 30, 2012       | Already Published         |
| B | Unaudited Results for the second quarter ending on September 30, 2012 | By 15th of November, 2012 |
| C | Unaudited Results for the third quarter ending on December 31, 2012   | By 15th of February, 2013 |
| D | Unaudited Results for the fourth quarter ending on March 31, 2013     | By 15th of May, 2013      |
| E | Results (Audited) for the financial Year ending March 31, 2013        | By end of August, 2013    |
| F | Annual General Meeting for the year ending March 31, 2013             | By end of September, 2013 |

**c) Details of book closures:**

From 19th September, 2012 to 25th September, 2012 (both days inclusive)

**d) Dividend Payment**

The Directors have proposed a Dividend of ₹ 0.60 per share subject to the approval of the shareholders at the ensuing Annual General Meeting, and the same will be paid on or after 25th September, 2012, to the shareholders whose names appear on Register of Members as on 19th September, 2012.

**e) Stock Exchange Listing:**

The Company's shares are listed on Bombay Stock Exchange (BSE), Mumbai. The Company has paid Annual Listing fees upto financial year 2012-2013 to the Bombay Stock Exchange (BSE)

Scrip code on the Bombay Stock Exchange (BSE) : 513699

ISIN : INE584G01012



**f) Market Price Data:**

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange, during financial year 2011-2012 are as under :-

| Month           | Quotation at Mumbai Stock Exchange |       |
|-----------------|------------------------------------|-------|
|                 | High                               | Low   |
| April, 2011     | 51.00                              | 42.25 |
| May, 2011       | 58.80                              | 42.20 |
| June, 2011      | 57.45                              | 47.70 |
| July, 2011      | 57.10                              | 48.30 |
| August, 2011    | 53.00                              | 45.65 |
| September, 2011 | 56.45                              | 51.50 |
| October, 2011   | 55.00                              | 46.70 |
| November, 2011  | 52.75                              | 46.00 |
| December, 2011  | 66.00                              | 55.00 |
| January, 2012   | 60.50                              | 56.00 |
| February, 2012  | 60.00                              | 48.50 |
| March, 2012     | 59.90                              | 47.00 |

(Source : [www.bseindia.com](http://www.bseindia.com))

**g) Registrars and Transfer Agents:**

The Company has appointed M/s.Sharex (India) Pvt.Ltd. at Unit no.1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri (East), Mumbai-400072, as Registrars and Share transfer Agents.

**h) Share Transfer System**

Share transfers are registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. Executives of the Company have been authorized to approve transfers.

**i) Statistics of Shareholders as on 31st March, 2012**

| Shares held     | No.of Shareholders | % of Shareholders | No.of Shares held | % of Shares held |
|-----------------|--------------------|-------------------|-------------------|------------------|
| 1-500           | 793                | 81.17             | 1,00,512          | 1.87             |
| 501 - 1000      | 54                 | 5.53              | 44,949            | 0.84             |
| 1001 - 2000     | 35                 | 3.58              | 51,934            | 0.97             |
| 2001 - 3000     | 6                  | 0.61              | 15,699            | 0.29             |
| 3001 - 4000     | 12                 | 1.23              | 44,537            | 0.83             |
| 4001 - 5000     | 10                 | 1.02              | 47,198            | 0.88             |
| 5001 - 10000    | 16                 | 1.64              | 1,30,311          | 2.42             |
| 10001 and above | 51                 | 5.22              | 49,44,860         | 91.91            |
| Total           | 977                | 100.00            | 53,80,000         | 100.00           |

**j) Shareholding Patterns as on March 31, 2012:**

| Categories    | No of Shares | % of shareholding |
|---------------|--------------|-------------------|
| Promoters     | 36,96,400    | 68.70             |
| Individuals   | 11,41,983    | 21.23             |
| Domestic Cos. | 5,41,617     | 10.07             |
| Total         | 53,80,000    | 100.00            |

**k) Dematerialization of Shares:**

The company has appointed M/s.Sharex (India) Pvt.Ltd., Unit no.1, Luthra Industrial Premises, Safed Pool, Andheri Kurla Road, Andheri (East), Mumbai-400072 as Share Transfer Agents of the Company for transfer of Shares in physical and demat form.

96.77 % of the Company's Share Capital is dematerialized as on 31st March, 2012.

l) The Company has not issued any GDRs/ADRs. No Bonds were Outstanding as on 31st March, 2012.

**m) Address for correspondence:**

1501, Maker Chambers V, Nariman Point, Mumbai-400021.  
Ph. 91 22 66115800

**n) Adoption of Non-Mandatory Requirements of Clause 49:**

The company complies with the following Non-mandatory requirements stipulated under Clause 49.

**Remuneration Committee:**

The company has constituted Remuneration Committee to recommend / review remuneration of the Managing Director and Whole-time Directors based on their performance and defined assessment criteria.

**Audit Qualification:**

The Company is in the regime of unqualified financial statements.

**Whistle Blower Policy:**

The company has a whistle blower mechanism wherein the employees are free to report violations of Laws, Rules, Regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management to the workgroups. The confidentiality of those reporting violations shall be maintained and they shall not be subjected to any discriminatory practices.

## MANAGEMENT DISCUSSION AND ANALYSIS FOR 2011-2012

### Industry Structure and development:

The Global and Domestic Economy have been witnessing Sectoral turnaround during the year, yet recessionary trends prevail which have impact on construction and building materials industries.

### Opportunities and threats

The World is indeed becoming a Global city. Your company believes that niche opportunities exist in the Global arena which, if exploited, would yield positive results. The company has accordingly built a business model to exploit these opportunities and also harnessing these opportunities in the domestic market.

Your company deals in very special types of Granite/Marble having unique colors for which the overseas and domestic market, both are very eager. Presently, it is one of the few companies which offers all natural stone products under one roof to the buyers. The demand for top quality natural stone products is also growing in the domestic market and the company has setup Retail outlets within the country so as to cater to the local demand for quality products.

However, the number of natural stone exporters from India as well as local dealers dealing in imported and other natural stones catering to domestic market are increasing, thus reducing the margins and making the business competitive. The present slowdown in economy and depressed markets is also likely to affect the performance of the company.

### Further Outlook

The company has expanded its product line and started dealing in various forms of products in all varieties of Natural stones and designer mosaics as well as semi precious stone products and concepts. The economic outlook for the year is still uncertain but viewed with cautious optimism. Our plans for the growth of the business and profitability are based on an average economic outlook, in the present business scenario.

### Performance for 2011-2012

During the financial year 2011-2012, the company achieved a sales turnover of ₹ 4466.40 lacs as against a Sales Turnover of ₹ 4427.68 lacs in the previous year. Net profit after tax stood at ₹ 87.19 lacs as compared to ₹ 83.76 lacs in the previous year. The net income of the company showed reasonable improvement for the financial year ended 31st March 2012.

### Capital Structure

There was no change in the capital structure of the company. The issued and paid up share capital as at 31st March, 2012, comprises of 53,80,000 equity shares of ₹ 10 each.

### Internal Control System

There are reasonable internal control systems at all levels in the Company.

### Cautionary Statement

*Statements in the Management Discussions and Analysis describing the Company's objectives, projections, estimates, expectation may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Several factors make a significant difference to the company's operations, including climatic conditions, economic scenario affecting demand and supply, Govt. regulations, taxation, natural calamity and other such factors which the company does not have any direct control.*

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

The Members,

Solid Stone Company Limited

We have examined the compliance of conditions of Corporate Governance by Solid Stone Company Limited, for the year ended 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the 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 and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, there were no investor grievances remaining unattended/pending for more than 30 days.

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

**For ASHAR & CO.**  
*CHARTERED ACCOUNTANTS*  
(ICAI Regn.No.129159W)

**YOGESH ASHAR**  
*PARTNER*  
(Mem.No.046259)

PLACE : MUMBAI

DATE : 29th AUGUST, 2012

**AUDITOR'S REPORT TO THE SHARE HOLDERS**

We have audited the attached Balance Sheet of **SOLID STONE COMPANY LIMITED** as of 31st March, 2012 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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.

- 1) We conducted our audit in accordance with the generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any 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.
- 2) As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of section 227(4A) of the Companies Act., 1956 and on the basis of such checks as we 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.
- 3) Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company as far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the above books of account;
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the Accounting Standards as referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
  - e) On the basis of written representation received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of Section 274(1) (g) of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to explanations given to us, the said accounts, read together with the notes thereon and attached thereto, give the information required by the Companies Act., 1956 in the manner so required and give a true and fair view in conformity with the generally accepted accounting principles accepted in India:
    - (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
    - (ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
    - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For ASHAR & CO.**  
*Chartered Accountants*  
(ICAI Regn.No.129159W)

**Yogesh Ashar**  
*Partner*  
(Mem.No.046259)

Place : Mumbai  
Date : August 29, 2012

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

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:-

- i. (a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) These fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of its fixed assets of the Company so as to affect it as a going concern.
- ii. (a) As explained to us, the inventories has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
- (b) The procedures explained to us, which are followed by the management for physical verification of inventories, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. (a) According to the information and explanations given to us and as per the records examined by us, the company has not granted any loans, secured or unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the clause 4(ii) (b) to (d) of the Order are not applicable.
- (b) According to the information and explanations given to us and as per the records examined by us, the company had repaid a loan from a party covered in the register maintained u/s. 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.15.00 lakhs and the year end balance is Rs.NIL.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions are not prima facie prejudicial to interest of the company.
- (d) The principal payment of said loans were regular. There is no interest payment for the same.
- iv. In our opinion and according to the information and explanations given to us, there are generally 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 for sale of goods. During the course of our previous assessment, no major weakness in internal control had come to our notice.
- v. (a) On the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the transactions in which directors were interested, and which were required to be entered in 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 exceeding the value of Rupees Five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time.
- vi. 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 and 58AA of the Companies Act, 1956 and Rules framed there under.
- vii. In our opinion and according to the information and explanation given to us, the internal control procedures are adequate considering the size and nature of its business. However, the Company does not have a formal internal audit system.
- viii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the products of the Company.

ix. (a) *There is no Provident Fund scheme and Employees State Insurance scheme in the company.* According to the records of the company, it has been generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Income-Tax, Sales-Tax, Custom Duty, Excise Duty and other Statutory Dues with the appropriate authorities, and as on 31st March 2012, except delay in few cases but the same has been discharged prior to the date of the report.

(b) According to the information and explanations given to us, the following dues have not been deposited by the Company on account of disputes

| Name of the Statute | Nature of Dues          | Financial Year                 | Amount (₹in lacs) | Forum where dispute is pending |
|---------------------|-------------------------|--------------------------------|-------------------|--------------------------------|
| Income Tax          | IT Matter under dispute | A.Y. 2009-10<br>(F.Y. 2008-09) | 1.19              | Commissioner Appeals           |

- x. The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, both, in the financial year under report and in the immediately preceding financial year.
- xi. On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or Banks.
- xii. As explained to us, the company has not granted any Loans or Advances on the basis of security by way of pledge of shares, debentures or any other securities.
- xiii. The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the company.
- xiv. According to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. On the basis of records examined by us, we have to state that, the company has prima facie, applied the Hire Purchase loans for the purpose for which they were obtained. The company does not have any other Term Loans.
- xvii. 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.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, the company has not issued any debentures during the year.
- xx. According to the information and explanations given to us, the company has not raised any money by public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Ashar & Co**  
Chartered Accountants  
(ICAI Regn.No.129159W)

**Yogesh Ashar**  
Partner  
(Mem.No.046259)

Place: Mumbai  
Date : August 29, 2012

## BALANCE SHEET AS AT 31ST MARCH, 2012

|  | Note | AS AT March 31, 2012<br>(Rs. In '000s) | AS AT March 31, 2011<br>(Rs. In '000s) |
|--|------|--|--|
| <b>EQUITY AND LIABILITIES</b>          |      |  |  |
| <b>Shareholders' Funds</b>             |      |  |  |
| Share Capital                          | 3    | 53800.00                               | 53800.00                               |
| Reserves & Surplus                     | 4    | 95904.29                               | 90936.48                               |
|  |      | <b>149704.29</b>                       | <b>144736.48</b>                       |
| <b>Non-Current Liabilities</b>         |      |  |  |
| Long-Term Borrowings                   | 5    | 1793.54                                | 564.82                                 |
| Long-Term Provisions                   | 6    | 1244.85                                | 830.23                                 |
|  |      | <b>3038.39</b>                         | <b>1395.05</b>                         |
| <b>Current Liabilities</b>             |      |  |  |
| Short-Term Borrowings                  | 7    | 96145.97                               | 83994.65                               |
| Trade Payables                         | 8    | 38321.34                               | 94872.00                               |
| Other Current Liabilities              | 9    | 79682.82                               | 54154.58                               |
| Short-Term Provisions                  | 6    | 5127.61                                | 3813.00                                |
|  |      | <b>219277.74</b>                       | <b>236834.24</b>                       |
| <b>TOTAL</b>                           |      | <b>372020.43</b>                       | <b>382965.77</b>                       |
| <b>ASSETS</b>                          |      |  |  |
| <b>Non-Current Assets</b>              |      |  |  |
| Fixed Assets                           | 10   |  |  |
| Tangible Assets                        |      | 28206.44                               | 29376.20                               |
| Intangible Assets                      |      | 3.90                                   | 6.51                                   |
|  |      | <b>28210.34</b>                        | <b>29382.71</b>                        |
| Deferred Tax Asset                     | 11   | 2323.62                                | 1901.90                                |
| Non-Current Investments                | 12   | 12731.26                               | 12731.26                               |
| Long-Term Loans & Advances             | 13   | 0.00                                   | 0.00                                   |
| Other Non-Current Assets               | 14   | 23493.20                               | 23942.71                               |
|  |      | <b>66758.42</b>                        | <b>67958.58</b>                        |
| <b>Current Assets</b>                  |      |  |  |
| Inventories                            | 15   | 170055.00                              | 149283.32                              |
| Trade Receivables                      | 16   | 65002.08                               | 77806.03                               |
| Cash & Bank Balances                   | 17   | 4869.05                                | 4477.89                                |
| Short-Term Loans & Advances            | 13   | 64976.54                               | 82519.63                               |
| Other Current Assets                   | 14   | 359.34                                 | 920.31                                 |
|  |      | <b>305262.01</b>                       | <b>315007.19</b>                       |
| <b>TOTAL</b>                           |      | <b>372020.43</b>                       | <b>382965.77</b>                       |
| <b>Significant Accounting Policies</b> | 2    |  |  |

The Notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

**For ASHAR & CO**

Chartered Accountants  
(ICAI Regn.No.129159W)

**For and on behalf of the Board**

**YOGESH ASHAR**  
PARTNER  
(Mem.No.046259)

**M.B.KHAKHAR**  
Chairman & Managing Director

**P.B.KHAKHAR**  
Joint Managing Director

MUMBAI:  
DATED : 29th August,2012



## STATEMENT OF PROFIT &amp; LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

|   | Note   | 2011-12<br>(Rs. In '000s) | 2010-11<br>(Rs. In '000s) |
|---|--------|---------------------------|---------------------------|
| <b>INCOME</b>                                       |        |                           |                           |
| Revenue from operations (Gross)                     | 18     | 446639.59                 | 442767.61                 |
| Less:- Excise Duty                                  |        | 0.00                      | 0.00                      |
| Revenue from operations (Net)                       |        | 446639.59                 | 442767.61                 |
| Other income  | 19     | 3357.08                   | 2123.09                   |
| <b>Total Revenue</b>                                |        | <b>449996.67</b>          | <b>444890.71</b>          |
| <b>EXPENSES</b>                                     |        |                           |                           |
| Cost of materials consumed                          | 20     | 3659.29                   | 6473.95                   |
| Purchases of Stock in Trade                         | 21     | 354957.14                 | 297121.76                 |
| Changes in Inventory                                | 22     | -21143.43                 | 30499.38                  |
| Employee benefits expense                           | 23     | 20996.74                  | 17067.12                  |
| Finance costs                                       | 24     | 14554.94                  | 11695.04                  |
| Depreciation & Amortisation expense                 | 25     | 5396.68                   | 6494.37                   |
| Other expenses                                      | 26     | 55430.45                  | 62494.67                  |
| <b>Total Expenses</b>                               |        | <b>433851.80</b>          | <b>431846.28</b>          |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                     |        | <b>16144.86</b>           | <b>13044.43</b>           |
| Tax Expense:  |        |                           |                           |
| Current tax   |        | 5725.00                   | 5550.00                   |
| Deferred tax  |        | -421.72                   | -990.05                   |
| Short/(Excess) Provision of Tax written Off /(back) |        | 2122.12                   | 108.51                    |
|   |        | <b>7425.39</b>            | <b>4668.46</b>            |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                   |        | <b>8719.47</b>            | <b>8375.97</b>            |
| Earnings per equity share:                          | 27 (D) |                           |                           |
| Basic & diluted                                     |        | 1.62                      | 1.56                      |

**Significant Accounting Policies**

2

The Notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

**For ASHAR & CO**

Chartered Accountants

(ICAI Regn.No.129159W)

**For and on behalf of the Board****YOGESH ASHAR**

PARTNER

(Mem.No.046259)

**M.B.KHAKHAR**

Chairman &amp; Managing Director

**P.B.KHAKHAR**

Joint Managing Director

MUMBAI:

DATED : 29th August,2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

|  | 2011-12<br>(Rs. In '000s) | 2010-11<br>(Rs. In '000s) |
|--|---------------------------|---------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>  |                           |                           |
| NET PROFIT / (LOSS) BEFORE TAX   | 16144.86                  | 13044.43                  |
| <b>Adjustment for :</b>  |                           |                           |
| Depreciation   | 5396.68                   | 6494.37                   |
| Preliminary Expenses written off   | 9.44                      | 9.44                      |
| Unrealised Exchange (Gain) / Loss  | -1986.76                  | 0.00                      |
| Interest Paid  | 13658.08                  | 10897.01                  |
| Interest & Dividend Income   | -22.03                    | -16.68                    |
| Loss / (Gain) on fixed assets sold/discarded (Net)   | 0.00                      | 0.00                      |
|  | <b>17055.40</b>           | <b>17384.14</b>           |
| OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES   | <b>33200.27</b>           | <b>30428.56</b>           |
| Decrease / (increase) in Trade Receivables, Short / Long Term Loans & Advances, Other Non-Current / Current Assets | 32251.75                  | -26922.42                 |
| Decrease / (increase) in Inventories   | -20771.67                 | 30888.50                  |
| Increase / (decrease) in Trade Payable, Long Term / Current Liabilities & Long / Short Term Provisions.            | -29947.55                 | -25084.93                 |
|  | <b>-18467.47</b>          | <b>-21118.85</b>          |
| CASH GENERATED FROM OPERATIONS   | <b>14732.80</b>           | <b>9309.71</b>            |
| Direct Taxes paid  | <b>-5403.69</b>           | <b>-3789.14</b>           |
| NET CASH FROM OPERATING ACTIVITIES   | <b>9329.10</b>            | <b>5520.56</b>            |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>  |                           |                           |
| Purchase of Tangible / Intangible Assets, Capital Work in Progress & Capital Advances                              | -4224.30                  | -1154.22                  |
| Proceeds from sale of Fixed Assets   | 0.00                      | 0.00                      |
| Interest & Dividend income   | 22.03                     | 16.68                     |
| NET CASH USED IN INVESTING ACTIVITIES  | <b>-4202.27</b>           | <b>-1137.54</b>           |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>  |                           |                           |
| (Repayments) / proceeds from Borrowings (Net)  | 12151.32                  | 12665.94                  |
| Proceeds from Term Loan  | 414.66                    | -2548.09                  |
| Interest paid  | -13658.08                 | -10897.01                 |
| Dividend and Corporate Dividend Tax  | -3643.58                  | -3548.48                  |
| NET CASH FROM FINANCING ACTIVITIES   | <b>-4735.68</b>           | <b>-4327.63</b>           |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS   | <b>391.15</b>             | <b>55.39</b>              |
| CASH AND CASH EQUIVALENTS AS AT 31.3.2011  | <b>4477.89</b>            | <b>4422.51</b>            |
| CASH AND CASH EQUIVALENTS AS AT 31.3.2012  | <b>4869.05</b>            | <b>4477.89</b>            |

As per our Report of Even Date attached

**For ASHAR & CO**  
Chartered Accountants  
(ICAI Regn.No.129159W)

**YOGESH ASHAR**  
PARTNER  
(Mem.No.046259)

MUMBAI:  
DATED : 29th August,2012

For and on behalf of the Board

**M.B.KHAKHAR**  
Chairman & Managing Director

**P.B.KHAKHAR**  
Joint Managing Director

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012****NOTE 1 : NATURE OF OPERATIONS**

Solid Stone Company Limited is primarily engaged in the business of natural stones, building materials and allied building business activities. The company presently has manufacturing facilities in Palghar and Retail outlets at Mumbai and Delhi

**NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The Financial Statements are prepared in accordance with the generally accepted accounting principles in India under the historical cost convention (except for revaluation of Plant and Machinery), on an accrual basis, in accordance with applicable Accounting Standards and the relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per criteria set out in the Schedule VI to the Companies Act, 1956.

**Change in accounting policy***Exchange Rate differences:*

Monetary assets and liabilities in foreign currency, which were outstanding as at the year end were translated at the year end at the closing exchange rate and the resultant exchange differences were recognised in the statement of profit & loss upto 31st March, 2012.

**Use of Estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

**Revenue Recognition**

All the revenues are accounted on accrual basis except dividend income which is recognised when the shareholders' or unitholders' right to receive payment is established

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Sales**

Sales and Purchase of goods includes Vat, Sales tax. Sales of Services is net of service tax if any.

**Fixed Assets**

Tangible Fixed Assets are stated at cost or revalued amounts, as the case may be, less accumulated depreciation and provision for impairment, if any. The cost includes expenditure incurred in the acquisition and construction / installation and other related expenses in bringing the asset to working condition for its intended use. In respect of qualifying assets, related pre-operational expenses including borrowing costs are also capitalised. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the account and the differential amount is transferred to revaluation reserve.

Intangible Assets are stated at acquisition cost, net off accumulated amortisation and provision for impairment, if any.

**Depreciation**

Depreciation on Tangible Assets has been provided on Written Down Value Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis from the date of additions and/or disposal.

Depreciation on Intangible Assets comprising of Computer Software has been provided on Written Down Value Method at the rates mentioned for computers and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis from the date of additions and/or disposal

**Borrowing costs**

Interest and other borrowing costs, attributable to the acquisition of or construction of qualifying assets till such time the assets are substantially ready for their intended use, are capitalised. All other borrowing costs are charged to revenue.

**Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and "Value in use" of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

**Investments**

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost or fair value. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012****Foreign Currency Transactions***Initial Recognition*

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions.

*Subsequent Recognition*

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

*Forward Exchange Contracts*

The premium or discount arising at the inception of forward exchange contract entered into to hedge an existing asset / liability, is amortised as expense or income over the life of the contract. Exchange difference on such a contract is recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the period.

Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are mark-to-market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

**Inventory**

(i) Inventory is valued as follows:

Stocks of Raw Materials, Stores and Spare parts are valued at cost. Finished Goods and Stock of Traded Goods are valued a lower of cost or net realisable value

(ii) Cost of Finished Goods and Stock in Process is determined by considering materials, labour and other related direct expenses.

**Customs Duty and Excise Duty**

Customs Duty and Excise Duty have been accounted for on the basis of both payments made in respect of goods cleared as well as provision made for goods lying in bonded warehouse. Such provision is included in the valuation of closing stocks of respective materials and goods.

**Retirement & other employee benefits**

Short term employee benefits are accounted in the period during which the services have been rendered.

The Company's liability towards Gratuity, Pension to certain categories of employees and long term employee Compensated Leave Encashment being defined benefit plans are accounted for based on Actuarial valuation done at the year end using the Projected Unit Credit Method. Actuarial gains and losses are charged to Statement of Profit & Loss.

**Income Taxes**

Tax expense comprises both current and deferred taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference and which are capable of reversal in subsequent periods are recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward unabsorbed depreciation and tax losses, deferred Tax assets are recognised only to the extent there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

**Segment Reporting Policies****Identification of Segments:**

The Company is primarily engaged in the business of natural stones, building material and allied building activities which is considered as a single segment.

**Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012****NOTE 3: SHARE CAPITAL**

|   | AS AT March 31, 2012<br>(Rs. In '000s) | AS AT March 31, 2011<br>(Rs. In '000s) |
|---|--|--|
| <b>Authorised</b>                           |  |  |
| 75,00,000 Equity Shares of Rs. 10/- each    | 75000.00                               | 75000.00                               |
|   | <u>75000.00</u>                        | <u>75000.00</u>                        |
| <b>Issued, Subscribed and Fully Paid-up</b> |  |  |
| 53,80,000 Equity Shares of Rs. 10/- each    | 53800.00                               | 53800.00                               |
|   | <u>53800.00</u>                        | <u>53800.00</u>                        |

**Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| Particulars                                  | As at<br>March 31, 2012 |             | As at<br>March 31, 2011 |             |
|--|-------------------------|-------------|-------------------------|-------------|
|  | Nos.                    | Rs. In '000 | Nos.                    | Rs. In '000 |
| Equity shares at the beginning of the period | 5380000                 | 53800.00    | 5380000                 | 53800.00    |
| Issued during the period                     | -                       | -           | -                       | -           |
| Equity shares at the end of the period       | 5380000                 | 53800.00    | 5380000                 | 53800.00    |

**(a) Rights, preferences and restrictions attached to shares**

The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**(b) Shareholders holding more than 5 percent of the equity shares**

| Name of Shareholder         | March 31, 2012        |                            | March 31, 2011        |                            |
|-----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
|                             | No. of<br>Shares held | % to Total<br>Shareholders | No. of<br>Shares held | % to Total<br>Shareholders |
| Prakash Bhagwandas Khakhar  | 1378895               | 25.63                      | 1378895               | 25.63                      |
| Milan Bhagwandas Khakhar    | 808015                | 15.02                      | 808015                | 15.02                      |
| Jeenoo Milan Khakhar        | 699300                | 13.00                      | 699300                | 13.00                      |
| Vasumati Bhagwandas Khakhar | 682190                | 12.68                      | 682190                | 12.68                      |
| Falguni S. Nayar            | N.A.                  | N.A.                       | 300000                | 5.58                       |

|  | AS AT March 31, 2012<br>(Rs. In '000s) | AS AT March 31, 2011<br>(Rs. In '000s) |
|--|--|--|
| <b>NOTE 4: RESERVES AND SURPLUS</b>                |  |  |
| <b>Capital Subsidy</b>                             |  |  |
| As per last Account                                | 954.90                                 | 954.90                                 |
| <b>Capital Reserve</b>                             |  |  |
| As per last Account                                | 3450.00                                | 3450.00                                |
| <b>Securities Premium Reserve</b>                  |  |  |
| As per last Account                                | 52400.00                               | 52400.00                               |
| <b>General Reserve</b>                             |  |  |
| As per last Account                                | 500.00                                 | 500.00                                 |
| Add: Transfer from Statement of Profit & Loss      | 0.00                                   | 0.00                                   |
|  | <u>500.00</u>                          | <u>500.00</u>                          |
| <b>Surplus in the statement of profit and loss</b> |  |  |
| Balance as per last financial statement            | 33631.58                               | 29007.28                               |
| Profit / loss for the year                         | 8719.47                                | 8375.97                                |
| <b>Less:- Appropriations</b>                       |  |  |
| Proposed Dividend                                  | 3228.00                                | 3228.00                                |
| Corporate Tax on Dividend                          | 523.66                                 | 523.66                                 |
| Transfer to General Reserve                        | 0.00                                   | 0.00                                   |
| Closing Balance                                    | <u>38599.39</u>                        | <u>33631.58</u>                        |
|  | <u>95904.29</u>                        | <u>90936.48</u>                        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

|  | Non Current<br>AS AT March 31, 2012<br>(Rs. In '000s) |               | Current Maturities<br>AS AT March 31, 2011<br>(Rs. In '000s) |          |
|--|---|---------------|--|----------|
| <b>NOTE 5: LONG-TERM BORROWINGS</b>                                      |   |               |  |          |
| <b>Secured</b>   |   |               |  |          |
| Term Loans:  |   |               |  |          |
| From a Bank  | -   | -             | -  | -        |
| Foreign Currency Loan from a Bank  | -   | -             | -  | -        |
| Vehicle Loans: (Refer Note (a) below)                                    | 1793.54   | 564.82        | 223.53   | 1037.59  |
| Amounts disclosed under the head<br>'Other Current Liabilities' (Note 9) | -   | -             | -223.53  | -1037.59 |
|  | <u>1793.54</u>  | <u>564.82</u> | <u>-</u>   | <u>-</u> |

a. Vehicle loan is secured by a specific charge on respective vehicle purchased. Details of each loan taken are stated below:-

| Name of the Bank/NBFC           | No. of Instalments | Date of Maturity | Rate of Interest | Instalment Amount (Rs.) |
|---------------------------------|--------------------|------------------|------------------|-------------------------|
| Citicorp Maruti Finance Limited | 60                 | 1-Nov-11         | 12.45            | 8463                    |
| State Bank of India             | 36                 | 1-Nov-11         | 11.00            | 65791                   |
| Reliance Capital Limited        | 36                 | 10-Mar-13        | 8.47             | 49700                   |
| Axis Bank Limited               | 36                 | 1-Mar-15         | 9.62             | 47750                   |

**NOTE 6 : PROVISIONS**

|                                 | Long-Term<br>Rs.in '000s |                | Short-Term<br>Rs.in '000s |                |
|---------------------------------|--------------------------|----------------|---------------------------|----------------|
|                                 | March 31, 2012           | March 31, 2011 | March 31, 2012            | March 31, 2011 |
| Provision for employee benefits |                          |                |                           |                |
| Gratuity                        | 1244.85                  | 830.23         | 117.90                    | 61.34          |
| Tax (Net of advance Tax paid)   | -                        | -              | 1258.06                   | -              |
| Proposed Dividend               | -                        | -              | 3228.00                   | 3228.00        |
| Corporate Tax on Dividend       | -                        | -              | 523.66                    | 523.66         |
|                                 | <u>1244.85</u>           | <u>830.23</u>  | <u>5127.61</u>            | <u>3813.00</u> |

**NOTE 7 : SHORT-TERM BORROWINGS**

|  | Rs.in '000s<br>March 31, 2012 | Rs.in '000s<br>March 31, 2011 |
|--|-------------------------------|-------------------------------|
| Secured                                  |                               |                               |
| Working Capital Facilities from Banks    | 96145.97                      | 82494.65                      |
| Unsecured                                |                               |                               |
| Loans from Directors and Related Parties | -                             | 1500.00                       |
|  | <u>96145.97</u>               | <u>83994.65</u>               |

**Nature of security:**

Working Capital facilities from banks are secured on pari passu basis, by way of hypothecation of inventories, book debts and receivables both present and future and further secured by way of equitable mortgage of company's factory and machinery and equipments as well as equitable mortgage over factory and machinery and equipments of M/s. Global Instile Solid Industries Limited (Related party).

**NOTE 8 : TRADE PAYABLES**

|                                    | Rs.in '000s<br>March 31, 2012 | Rs.in '000s<br>March 31, 2011 |
|------------------------------------|-------------------------------|-------------------------------|
| Trade Payables (Refer Note 27 (C)) | 38321.34                      | 94872.00                      |
|                                    | <u>38321.34</u>               | <u>94872.00</u>               |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012****NOTE 9 : OTHER CURRENT LIABILITIES**

|   | Rs.in '000s<br>March 31, 2012 | Rs.in '000s<br>March 31, 2011 |
|---|-------------------------------|-------------------------------|
| Current maturities of long term borrowings (Note 5) | 223.53                        | 1037.59                       |
| Advance from Customers                              | 72642.70                      | 37700.41                      |
| Statutory dues :                                    |                               |                               |
| Service Tax   | 614.18                        | 448.94                        |
| Withholding Taxes                                   | 350.47                        | 370.35                        |
| Others - VAT and Central Sales Tax                  | 2809.69                       | 10554.74                      |
| Other payables:                                     |                               |                               |
| Liabilities for expenses                            | 2705.66                       | 3814.05                       |
| Unclaimed Dividend                                  | 336.60                        | 228.52                        |
|   | <b>79682.82</b>               | <b>54154.58</b>               |

There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

**NOTE 10 : FIXED ASSETS**

|                          |          |         |      |          |          |         |      |          |                 | Rs.in '000s     |                |
|--------------------------|----------|---------|------|----------|----------|---------|------|----------|-----------------|-----------------|----------------|
|                          |          |         |      |          |          |         |      |          |                 | NET BLOCK       |                |
|                          |          |         |      |          |          |         |      |          |                 | AS AT           | AS AT          |
|                          |          |         |      |          |          |         |      |          |                 | 31/3/2012       | 31/3/2011      |
|                          |          |         |      |          |          |         |      |          |                 | UPTO            | UPTO           |
|                          |          |         |      |          |          |         |      |          |                 | 31/3/2011       | 31/3/2012      |
|                          |          |         |      |          |          |         |      |          |                 | Provided during | Deductions/    |
|                          |          |         |      |          |          |         |      |          |                 | the year        | Adjustments    |
|                          |          |         |      |          |          |         |      |          |                 | Cost/Value      | Deductions/    |
|                          |          |         |      |          |          |         |      |          |                 | as at 31/3/2012 | Adjustments    |
|                          |          |         |      |          |          |         |      |          |                 | Cost/Value      | as at 1/4/2011 |
|                          |          |         |      |          |          |         |      |          |                 | ADDITIONS       | Deductions/    |
|                          |          |         |      |          |          |         |      |          |                 | Deductions/     | Adjustments    |
|                          |          |         |      |          |          |         |      |          |                 | GROSS BLOCK     | DEPRECIATION   |
|                          |          |         |      |          |          |         |      |          |                 | UPTO            | UPTO           |
|                          |          |         |      |          |          |         |      |          |                 | 31/3/2011       | 31/3/2012      |
|                          |          |         |      |          |          |         |      |          |                 | AS AT           | AS AT          |
|                          |          |         |      |          |          |         |      |          |                 | 31/3/2012       | 31/3/2011      |
| <b>Tangible Assets</b>   |          |         |      |          |          |         |      |          |                 |                 |                |
| Land                     | 141.04   | 0.00    | 0.00 | 141.04   | 0.00     | 0.00    | 0.00 | 0.00     | 141.04          | 141.04          |                |
| Buildings                | 4425.11  | 0.00    | 0.00 | 4425.11  | 2478.10  | 195.24  | 0.00 | 2673.34  | 1751.78         | 1947.01         |                |
| Plant & Machinery        | 7898.98  | 250.78  | 0.00 | 8149.76  | 5019.91  | 404.39  | 0.00 | 5424.30  | 2725.45         | 2879.07         |                |
| Furniture & Fixtures     | 29197.95 | 0.00    | 0.00 | 29197.95 | 11890.36 | 3141.26 | 0.00 | 15031.62 | 14166.34        | 17307.59        |                |
| Computer                 | 1471.05  | 201.90  | 0.00 | 1672.95  | 1195.61  | 164.10  | 0.00 | 1359.71  | 313.24          | 275.44          |                |
| Office Equipment         | 4805.05  | 0.00    | 0.00 | 4805.05  | 2246.64  | 370.46  | 0.00 | 2617.10  | 2187.95         | 2558.41         |                |
| Vehicles                 | 11900.28 | 3771.63 | 0.00 | 15671.91 | 7632.64  | 1118.62 | 0.00 | 8751.26  | 6920.65         | 4267.64         |                |
| Total Tangible Assets    | 59839.46 | 4224.30 | 0.00 | 64063.76 | 30463.26 | 5394.07 | 0.00 | 35857.33 | 28206.44        | 29376.20        |                |
| Previous year            | 58685.24 | 1154.22 | 0.00 | 59839.46 | 23973.23 | 6487.13 | 0.00 | 30460.37 | 29379.10        | 34712.01        |                |
| <b>Intangible Assets</b> |          |         |      |          |          |         |      |          |                 |                 |                |
| Computer Software        | 37.44    | 0.00    | 0.00 | 37.44    | 30.93    | 2.61    | 0.00 | 33.54    | 3.90            | 6.51            |                |
| Total Intangible Assets  | 37.44    | 0.00    | 0.00 | 37.44    | 30.93    | 2.61    | 0.00 | 33.54    | 3.90            | 6.51            |                |
| Previous year            | 37.44    | 0.00    | 0.00 | 37.44    | 26.59    | 7.23    | 0.00 | 33.82    | 3.62            | 0.00            |                |
| <b>Grand Total</b>       |          |         |      |          |          |         |      |          | <b>28210.34</b> | <b>29382.71</b> |                |

**NOTE 11 : DEFERRED TAX ASSET (NET):**

|   | Rs.in '000s<br>March 31, 2012 | Rs.in '000s<br>March 31, 2011 |
|---|-------------------------------|-------------------------------|
| The breakup of Deferred Tax Asset:              |                               |                               |
| Arising on account of timing difference in:     |                               |                               |
| - Depreciation                                  | 1881.47                       | 1605.74                       |
| - Accrued Expenses allowable on Actual Payments | 442.14                        | 296.16                        |
| Deferred Tax Asset (Net)                        | <b>2323.62</b>                | <b>1901.90</b>                |

**NOTE 12 : NON-CURRENT INVESTMENTS**

|   |                 |                 |
|---|-----------------|-----------------|
| Trade - Unquoted - Fully Paid   |                 |                 |
| 150 Equity Shares of AED 1,000/- each of Stone Source Trading LLC               | 1671.75         | 1671.75         |
| Investment in Subsidiaries in fully paid equity instruments                     |                 |                 |
| 20000 Equity shares of GBP 1/- each of Granitexx UK Limited.                    | 1609.51         | 1609.51         |
| Non Trade - Unquoted - Fully Paid   |                 |                 |
| 270000 Equity shares of Rs.10/- each of Global Instile Solid Industries Limited | 9450.00         | 9450.00         |
|   | <b>12731.26</b> | <b>12731.26</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 13 : LOANS &amp; ADVANCES

|   | Long Term<br>Rs.in '000s |                | Short Term<br>Rs.in '000s |                 |
|---|--------------------------|----------------|---------------------------|-----------------|
|   | March 31, 2012           | March 31, 2011 | March 31, 2012            | March 31, 2011  |
| Unsecured, Considered Good  |                          |                |                           |                 |
| Loan to Employees   | -                        | -              | 13.00                     | 131.00          |
| Advances Recoverable in cash or in kind   | -                        | -              | 50813.10                  | 31833.29        |
| Advance to Suppliers  | -                        | -              | 12463.31                  | 47813.13        |
| Other loans and advances:   | -                        | -              | -                         | -               |
| Balances with Custom and Excise authorities   | -                        | -              | 1687.13                   | 1516.38         |
| Advance payment of Income Tax / Tax Deducted at Source<br>(after adjusting provision) | -                        | -              | -                         | 1225.85         |
|   | <u>-</u>                 | <u>-</u>       | <u>64976.54</u>           | <u>82519.63</u> |

## NOTE 14 : OTHER ASSETS

|   | Non-Current<br>Rs.in '000s |                 | Current<br>Rs.in '000s |                |
|---|----------------------------|-----------------|------------------------|----------------|
|   | March 31, 2012             | March 31, 2011  | March 31, 2012         | March 31, 2011 |
| At lower of cost and net realisable value                                       |                            |                 |                        |                |
| Unsecured, Considered Good  |                            |                 |                        |                |
| Interest accrued on fixed Deposits  | -                          | -               | 34.30                  | 20.40          |
| Prepaid Expenses  | -                          | -               | 230.60                 | 155.47         |
| <b>Deposits</b>   | <b>23455.44</b>            | 23895.51        | <b>85.00</b>           | 735.00         |
| Non-current Bank Balances (Note 18)   | -                          | -               | -                      | -              |
| Others - Miscellaneous Expenditure to the<br>extent not written off or adjusted | 37.76                      | 47.20           | 9.44                   | 9.44           |
|   | <u>23493.20</u>            | <u>23942.71</u> | <u>359.34</u>          | <u>920.31</u>  |

## NOTE 15 : INVENTORIES

|   | Rs.in '000s      |                  |
|---|------------------|------------------|
|   | March 31, 2012   | March 31, 2011   |
| At lower of cost and net realisable value |                  |                  |
| Raw materials                             | 2083.13          | 2286.43          |
| Stock-in-process                          | -                | -                |
| Finished goods                            | 167949.82        | 146806.40        |
| Tools and Stores                          | 22.05            | 190.50           |
|   | <u>170055.00</u> | <u>149283.32</u> |

## NOTE 16 : TRADE RECEIVABLES

|   | Rs.in '000s     |                 |
|---|-----------------|-----------------|
|   | March 31, 2012  | March 31, 2011  |
| Unsecured, Considered Good                |                 |                 |
| Overdue for a period exceeding six months | 42394.38        | 36178.31        |
| Others                                    | 22607.70        | 41627.71        |
|   | <u>65002.08</u> | <u>77806.03</u> |

## NOTE 17 : CASH &amp; BANK BALANCES

|  | Non-current<br>Rs.in '000s |                | Current<br>Rs.in '000s |                |
|--|----------------------------|----------------|------------------------|----------------|
|  | March 31, 2012             | March 31, 2011 | March 31, 2012         | March 31, 2011 |
| Cash & Cash equivalents:   |                            |                |                        |                |
| Balances with banks;   |                            |                |                        |                |
| In Current Accounts  | -                          | -              | 1526.21                | 2167.21        |
| Cash on hand   | -                          | -              | 1036.51                | 1817.50        |
|  | <u>-</u>                   | <u>-</u>       | <u>2562.72</u>         | <u>3984.72</u> |
| Other Bank Balances;   |                            |                |                        |                |
| In Deposit Accounts (more than 12 months maturity)                           | -                          | -              | -                      | -              |
| In Deposit Accounts (more than 3 months but less than<br>12 months maturity) | -                          | -              | 1969.73                | 264.66         |
| In unclaimed Dividend Account  | -                          | -              | 336.60                 | 228.52         |
|  | <u>-</u>                   | <u>-</u>       | <u>2306.33</u>         | <u>493.18</u>  |
| Amounts disclosed under 'Non Current Assets' (Note 15)                       | -                          | -              | -                      | -              |
|  | <u>-</u>                   | <u>-</u>       | <u>4869.05</u>         | <u>4477.89</u> |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 18 : REVENUE FROM OPERATIONS

|                                     | Rs.in '000s<br>March 31, 2012 | Rs.in '000s<br>March 31, 2011 |
|-------------------------------------|-------------------------------|-------------------------------|
| Sales:                              |                               |                               |
| - Goods                             | 395041.59                     | 422207.13                     |
| - Services including labour charges | 36957.50                      | 7157.09                       |
| Other Operating Revenues            | 14640.50                      | 13403.40                      |
|                                     | <u>446639.59</u>              | <u>442767.61</u>              |

## NOTE 19 : OTHER INCOME

## Interest:

|  |                |                |
|--|----------------|----------------|
| on Deposits (TDS. Rs.3059 , Prev.Yr.Rs.2497)           | 22.03          | 16.68          |
| Unspent Liabilities/Sundry balances written back (net) | 919.55         | 2088.41        |
| Net gain on Foreign Currency transactions              | 2391.27        | 0.00           |
| Miscellaneous Receipts                                 | 24.23          | 18.01          |
|  | <u>3357.08</u> | <u>2123.09</u> |

## NOTE 20 : COST OF MATERIALS CONSUMED

## Cost of Materials Consumed

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Opening Stock                     | 2286.43        | 2188.23        |
| Add: Purchases                    | 3455.98        | 6572.15        |
|                                   | <u>5742.41</u> | <u>8760.39</u> |
| Less: Closing Stock               | 2083.13        | 2286.43        |
|                                   | <u>3659.29</u> | <u>6473.95</u> |
| Details of Raw Materials consumed |                |                |
| Granite                           | 1208.07        | 2144.50        |
| Slate                             | 887.92         | 1696.44        |
| Semi Precious                     | 1563.29        | 2578.72        |
| Marble                            | -              | 54.30          |
|                                   | <u>3659.29</u> | <u>6473.95</u> |

## NOTE 21 : PURCHASES OF STOCK IN TRADE

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Purchases of Stock in Trade |                  |                  |
| Granite                     | 4565.91          | 2544.92          |
| Marble                      | 310463.25        | 189353.74        |
| Mosaics                     | 7519.26          | 5949.71          |
| Sealants                    | -                | 466.00           |
| Semi Precious               | 471.60           | 172.58           |
| Slate                       | 2294.42          | 5126.69          |
| Steel                       | 19455.85         | 93049.31         |
| Wood                        | 10185.31         | 454.87           |
| Other Misc.Items            | 1.55             | 3.94             |
| Total                       | <u>354957.14</u> | <u>297121.76</u> |

## NOTE 22 : CHANGES IN INVENTORY OF FINISHED GOODS

|   |                  |                  |
|---|------------------|------------------|
| Closing Stock:  |                  |                  |
| Finished Goods - Manufactured   | 3783.20          | 5244.17          |
| Finished Goods - Traded   | 164166.62        | 141562.23        |
|   | <u>167949.82</u> | <u>146806.40</u> |
| Less: Opening Stock:  |                  |                  |
| Finished Goods - Manufactured   | 5244.17          | 4252.60          |
| Finished Goods - Traded   | 141562.23        | 173053.17        |
|   | <u>146806.40</u> | <u>177305.77</u> |
| Differential Excise Duty on Opening and Closing stock of Finished Goods | -                | -                |
|   | <u>-21143.43</u> | <u>30499.38</u>  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## Details of Inventory

| Class of Goods | Manufactured Goods |                |                | Traded Goods     |                  | Rs.in '000s |
|----------------|--------------------|----------------|----------------|------------------|------------------|-------------|
|                | Sales              | Opening Stock  | Closing Stock  | Opening Stock    | Closing Stock    |             |
| Granite        | 13169.55           | 355.58         | 552.83         | 3251.21          | 2957.68          |             |
| Marble         | 321099.01          | --             | --             | 129528.49        | 156560.99        |             |
| Mosaics        | 15370.71           | --             | --             | 2898.67          | 1015.41          |             |
| Sealants       | 139.05             | --             | --             | 1179.77          | 1155.68          |             |
| Semi Precious  | 6531.03            | 4888.59        | 3230.38        | 3175.38          | 1980.42          |             |
| Slate          | 6074.34            | --             | --             | 1163.71          | 284.14           |             |
| Building Steel | 19498.60           | --             | --             | --               | --               |             |
| Wood           | 13159.31           | --             | --             | 365.00           | 212.30           |             |
| <b>TOTAL</b>   | <b>395041.59</b>   | <b>5244.17</b> | <b>3783.20</b> | <b>141562.23</b> | <b>164166.62</b> |             |

## NOTE 23 : EMPLOYEE BENEFITS EXPENSE

|  | Rs.in '000s<br>2011-12 | Rs.in '000s<br>2010-11 |
|--|------------------------|------------------------|
| Salaries, Wages, Bonus, and Allowances   | <b>20357.34</b>        | 16082.55               |
| Company's Contribution to Provident, Gratuity and Other Funds (Refer Note (a) below) | <b>471.18</b>          | 891.57                 |
| Welfare Expenses   | <b>168.23</b>          | 93.00                  |
|  | <b>20996.74</b>        | 17067.12               |

## (a) Employee Benefits

a. During the year, the company has recognised the following in the Statement of Profit & Loss. (Rupees)

| (i) Defined benefit plans:     | Gratuity*<br>Unfunded |           | Pension#<br>Unfunded |           |
|--------------------------------|-----------------------|-----------|----------------------|-----------|
|                                | 31/3/2012             | 31/3/2011 | 31/3/2012            | 31/3/2011 |
| Service Cost                   | <b>257013</b>         | 160145    | -                    | -         |
| Interest Cost                  | <b>71325</b>          | -         | -                    | -         |
| Expected return on plan assets | -                     | -         | -                    | -         |
| Net Actuarial (Gain) / Loss    | <b>142842</b>         | 731423    | -                    | -         |
| <b>Net Cost</b>                | <b>471180</b>         | 891568    | -                    | -         |

\* included in "contribution to Provident, Gratuity & Other Funds" (Refer Note 23)

# included in "Salaries, Wages, Bonus & Allowances" (Refer Note 23)

## b. Amount recognised in the Balance Sheet

|   |                 |         |   |   |
|---|-----------------|---------|---|---|
| Present value of defined benefit obligation   | <b>1362748</b>  | 891568  | - | - |
| Fair value of plan assets   | -               | -       | - | - |
| <b>Net asset / (liability) as at 31st March, 12 recognised in the Balance Sheet</b> | <b>-1362748</b> | -891568 | - | - |

## c. Balance Sheet reconciliation

|  |                 |         |
|--|-----------------|---------|
| Opening net asset / (liability)  | <b>-891568</b>  | 0       |
| Expenses as above  | <b>-471180</b>  | -891568 |
| Employers contribution   | <b>0</b>        | 0       |
| <b>Closing net asset / (liability) recognised in the Balance Sheet</b> | <b>-1362748</b> | -891568 |

## d. The principal actuarial assumptions

|                         | 31/3/2012      | 31/3/2011 | 31/3/2010 | 31/3/2009 |
|-------------------------|----------------|-----------|-----------|-----------|
| Discount rate           | <b>8% p.a.</b> | 8% p.a.   |           |           |
| Salary escalation rate: |                |           |           |           |
| Staff                   | <b>4% p.a.</b> | 4% p.a.   |           |           |

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012****e. Amounts for the current and previous periods are as follows:**

|  | 31/3/2012       | 31/3/2011 | 31/3/2010 | 31/3/2009 |
|--|-----------------|-----------|-----------|-----------|
| <b>Gratuity</b>                            | <b>1362748</b>  | 891568    | 0         | 0         |
| Defined Benefit Obligation                 |                 |           |           |           |
| Plan Assets                                | 0               | 0         | 0         | 0         |
| Surplus / (Deficit)                        | <b>-1362748</b> | -891568   | 0         | 0         |
| Experience adjustments on plan liabilities | Not available * |           |           |           |
| Experience adjustments on plan assets      | Not available * |           |           |           |

\* The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.

**NOTE 24 : FINANCE COSTS**

|              | Rs.in '000s<br>2011-12 | Rs.in '000s<br>2010-11 |
|--------------|------------------------|------------------------|
| Interest     | 13658.08               | 10897.01               |
| Bank Charges | 896.86                 | 798.03                 |
|              | <b>14554.94</b>        | 11695.04               |

**NOTE 25 : DEPRECIATION & AMORTISATION EXPENSE**

|                                   | 2011-12        | 2010-11 |
|-----------------------------------|----------------|---------|
| Depreciation on tangible assets   | 5394.07        | 6487.13 |
| Amortisation on intangible assets | 2.61           | 7.23    |
|                                   | <b>5396.68</b> | 6494.37 |

**NOTE 26 : OTHER EXPENSES**

|   | 2011-12         | 2010-11  |
|---|-----------------|----------|
| Tools and Stores Consumed                 | 1206.38         | 1303.54  |
| Packing Materials consumed                | 239.69          | 74.00    |
| Power and Fuel                            | 1671.82         | 1668.01  |
| Repairs and Renewals:                     |                 |          |
| Buildings / Premises                      | 378.57          | 68.51    |
| Plant and Machinery                       | 485.62          | 458.31   |
| Insurance                                 | 146.32          | 126.46   |
| Rent                                      | 9903.98         | 9299.14  |
| Printing and Stationery                   | 379.31          | 944.91   |
| Travelling & Conveyance                   | 10485.71        | 10500.02 |
| Postage & Courier Expenses                | 244.26          | 189.08   |
| Telephone Expenses                        | 1514.04         | 1806.65  |
| Legal & Professional Charges              | 2885.37         | 2281.26  |
| Auditors' Remuneration:                   |                 |          |
| As Auditors:                              |                 |          |
| Audit fee                                 | 89.89           | 88.24    |
| Tax Audit fee                             | 50.56           | 49.64    |
|   | <b>140.45</b>   | 137.88   |
| VAT & CST Paid                            | 15708.99        | 24683.48 |
| Service Tax                               | 173.11          | 140.48   |
| Bad Debts                                 | 1824.36         | 638.58   |
| Entertainment Expenses                    | 603.79          | 413.75   |
| Vehicle Expenses                          | 728.71          | 607.27   |
| Directors' Sitting Fees                   | 78.00           | 78.00    |
| Freight and Forwarding (Net)              | 4243.07         | 3513.41  |
| Net Loss on Foreign Currency transactions | -               | 506.40   |
| Miscellaneous Expenses                    | 2388.90         | 3055.55  |
|   | <b>55430.45</b> | 62494.67 |

**NOTE 27 : OTHER ADDITIONAL NOTES / INFORMATION**

- A Contingent Liability not provided for:  
 Demands / claims by various Government Authorities not acknowledged as debts and contested by the company:  
 a. Income Tax Rs.1.19 lacs (Prev.Yr. Rs.NIL) [Appeal filed with the Commissioner of Income Tax (Appeals), Mumbai] It is not practicable for the company to estimate the timings of cash outflows, if any, in respect of the above pending matters.
- B The Company has exposure to currency fluctuations. It does not hedge its position as the management feels it doesnot have any material impact as the company is importer as well as exporter of goods and services.
- C Under the Micro and Small enterprises under Micro, Small and Medium Enterprise Development Act, 2006; (MSMED) which came in to force from October 2, 2006, certain disclosures are to made relating to Micro, Small and Medium Enterprises. On the basis of information available with the company, no such parties are being identified, hence no disclosure have been made in accounts. However, in view of the management, the impact of interest if any, that may be payable in accordance to the provisions of this act is not expected to be material.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 27 : OTHER ADDITIONAL NOTES / INFORMATION

|   | 2011-12 | 2010-11 |
|---|---------|---------|
| <b>D Earnings Per Share:</b>  |         |         |
| Profit/(Loss) after taxation and refund of income tax. (Rs.in lacs) | 87.19   | 83.76   |
| Number of Equity Shares (Face Value ₹10/-)                          | 5380000 | 5380000 |
| Earning Per Share in Rupees - Basic & diluted                       | 1.62    | 1.56    |

**E Related Party Disclosure:**

List of Parties which significantly influence/are influenced by the company (either individually or with others) -:

## 1) Relationships :

## (a) Key Management Personnel :

Mr. Milan B. Khakhar  
Mr. Prakash B. Khakhar

## (b) Subsidiaries :

Granitexx UK Ltd.,U.K.  
Stone Source GB Ltd.,U.K.

## (c) Associate Concern :

Global Instile Solid Industries Ltd.

## (d) Relatives of Key Management personnel and Enterprise owned and significantly influenced by Key Management personnel or their relatives

Milan Marble & Tiles  
Vasumati B. Khakhar  
Jeenoo Khakhar  
Shraddha Khakhar

Note : Related party relationship on the basis of the requirements of Accounting Standard 18 (AS-18) is as identified by the Company and relied upon by the Auditors

## 2) Transactions carried out with Related parties referred to in 1 above, in ordinary course of business :

| NATURE OF TRANSACTIONS       | RELATED PARTIES (Rs.in'000s) |          |              |         |                   |           |  |          |
|------------------------------|------------------------------|----------|--------------|---------|-------------------|-----------|--|----------|
|                              | Key Management Personnel     |          | Subsidiaries |         | Associate Concern |           | Relatives of Key Management personnel and Enterprise owned and significantly influenced by Key Management personnel or their relatives |          |
|                              | 2011-12                      | 2010-11  | 2011-12      | 2010-11 | 2011-12           | 2010-11   | 2011-12  | 2010-11  |
| <b>PURCHASES:</b>            |                              |          |              |         |                   |           |  |          |
| Goods and Material           | -                            | -        | -            | -       | 19386.75          | 15184.98  | -  | -        |
| <b>SALES:</b>                |                              |          |              |         |                   |           |  |          |
| Goods and Material           | -                            | -        | 445.44       | 233.54  | 73.13             | 695.28    | -  | -        |
| <b>EXPENSES:</b>             |                              |          |              |         |                   |           |  |          |
| Rent                         | 360.00                       | 390.00   | -            | -       | -                 | -         | 240.00   | 240.00   |
| Remuneration & Allowances    | 4860.00                      | 4860.00  | -            | -       | -                 | -         | 960.00   | 960.00   |
| Directors' fees              | -                            | -        | -            | -       | -                 | -         | 18.00  | 18.00    |
| <b>INCOME:</b>               | -                            | -        | -            | -       | -                 | -         | -  | -        |
| <b>OUTSTANDINGS:</b>         |                              |          |              |         |                   |           |  |          |
| Payable                      | 81.00                        | 461.00   | -            | -       | -                 | 19383.98  | 72.00  | 182.00   |
| Receivable                   | -                            | -        | 4305.94      | 4393.75 | 2737.80           | -         | -  | -        |
| <b>LOANS:</b>                |                              |          |              |         |                   |           |  |          |
| Payable                      | 260.00                       | -        | -            | -       | -                 | -         | -  | -        |
| Receivable                   | -                            | -        | -            | -       | -                 | -         | -  | -        |
| Taken                        | 900.00                       | -        | -            | -       | -                 | -         | -  | -        |
| Re-Paid                      | 640.00                       | -        | -            | -       | -                 | -         | -  | -        |
| <b>ADVANCE AGAINST ORDER</b> |                              |          |              |         |                   |           |  |          |
| Payable                      | -                            | -        | -            | -       | -                 | -         | 1887.10  | -        |
| Taken (Net)                  | -                            | -        | -            | -       | -                 | -         | 1887.10  | -        |
| <b>DEPOSITS:</b>             |                              |          |              |         |                   |           |  |          |
| Given                        | 7500.00                      | 7500.00  | -            | -       | -                 | -         | 10000.00   | 10000.00 |
| <b>GUARANTEES:</b>           |                              |          |              |         |                   |           |  |          |
| Given                        | -                            | -        | -            | -       | -                 | -         | -  | -        |
| Taken                        | -                            | 20000.00 | 170000.00    | -       | -                 | 100000.00 | -  | -        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

| Sr. No. | Nature of Transaction                        | Key Management Personnel |                         | Subsidiaries            |                            | Associate Concern                    | (Rs.in '000s)<br>Relatives of Key Management personnel and Enterprise owned and significantly influenced by Key Management personnel or their relatives |                  |                    |                    |
|---------|--|--------------------------|-------------------------|-------------------------|----------------------------|--------------------------------------|---|------------------|--------------------|--------------------|
|         |  | Milan Khakhar            | Prakash Khakhar         | Granitexx UK Ltd., U.K. | Stone Source GB Ltd., U.K. | Global Instile Solid Industries Ltd. | Milan Marble & Tiles  | Vasumati Khakhar | Jeenoo Khakhar     | Shraddha Khakhar   |
| 1       | Payments to & provision for :                |                          |                         |                         |                            |                                      |   |                  |                    |                    |
| a)      | Director's Remuneration                      | 2430.00<br>(2430.00)     | 2430.00<br>(2430.00)    | -                       | -                          | -                                    | -   | -                | 480.00<br>(480.00) | 480.00<br>(480.00) |
| b)      | Rent   | 180.00<br>(195.00)       | 180.00<br>(195.00)      | -                       | -                          | -                                    | 240.00<br>(240.00)  | -                | -                  | -                  |
| c)      | Director's Fees                              | -                        | -                       | -                       | -                          | -                                    | -   | 18.00<br>(18.00) | -                  | -                  |
| 2       | a) Loans Taken                               | -                        | 900.00                  | -                       | -                          | -                                    | -   | -                | -                  | -                  |
| b)      | Loans refunded                               | -                        | 640.00                  | -                       | -                          | -                                    | -   | -                | -                  | -                  |
| 3       | Purchase of Goods                            | -                        | -                       | -                       | -                          | 19386.75<br>(15184.98)               | -   | -                | -                  | -                  |
| 4       | Sale of Goods                                | -                        | -                       | -                       | 445.44<br>(233.54)         | 73.13<br>(695.28)                    | -   | -                | -                  | -                  |
| 5       | a) Advance Received against order            | -                        | -                       | -                       | -                          | -                                    | -   | -                | 3000.00            | -                  |
| b)      | Advance Refunded                             | -                        | -                       | -                       | -                          | -                                    | -   | -                | 1112.90            | -                  |
| 6       | Deposits Receivable as on 31st March         | 3750.00<br>(3750.00)     | 3750.00<br>(3750.00)    | -                       | -                          | -                                    | 10000.00<br>(10000.00)  | -                | -                  | -                  |
| 7       | Outstanding Payable as on 31st March         | 40.50<br>(230.50)        | 300.50<br>(230.50)      | -                       | -                          | -                                    | 54.00<br>(108.00)   | 18.00<br>(18.00) | 1887.10<br>(29.00) | -                  |
| 8       | Outstanding Receivable as on 31st March      | -                        | -                       | 2753.14<br>(2667.48)    | 1552.80<br>(1726.27)       | 2737.80                              | -   | -                | -                  | -                  |
| 9       | Outstanding Guarantee taken as on 31st March | 100000.00<br>(85000.00)  | 100000.00<br>(85000.00) | -                       | -                          | 100000.00                            | -   | -                | -                  | -                  |

(figures in Brackets relate to previous year)

|  | Rs.in '000s<br>31/3/2012 | Rs.in '000s<br>31/3/2011 |
|--|--------------------------|--------------------------|
|--|--------------------------|--------------------------|

**F Remuneration to Directors**1) Nature of transactions:

| Remuneration to Directors |         |
|---------------------------|---------|
| Remuneration              | 4800.00 |
| Perquisites               | 60.00   |

|              | Rs.in '000s<br>31/3/2012 | Rs.in '000s<br>31/3/2011 |
|--------------|--------------------------|--------------------------|
| Remuneration | 4800.00                  | 4800.00                  |
| Perquisites  | 60.00                    | 60.00                    |

No amount has been provided as doubtful debts or advances / written off or written back in the year in respect of debts due from / to above related party.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

| Particulars   | Rs.in '000s<br>31/3/2012 | Rs.in '000s<br>31/3/2011 |
|---|--------------------------|--------------------------|
| <b>G Segment Information:</b>   |                          |                          |
| The Company is primarily engaged in the business of natural stones, building material and allied building activities which is considered as a single segment. |                          |                          |
| <b>H Remuneration to Auditors</b>   |                          |                          |
| As Auditors (inclusive of Service Tax)  | 89.89                    | 88.24                    |
| Tax Audit Fees (inclusive of Service Tax)   | 50.56                    | 49.64                    |
| Total   | 140.45                   | 137.88                   |

**I Value of Raw Materials and Spare Parts consumed and percentage to the total:**

| Particulars             | 2011-12     |            | 2010-11     |            |
|-------------------------|-------------|------------|-------------|------------|
|                         | Rs.in '000s | % to Total | Rs.in '000s | % to Total |
| 1. Raw Materials        |             |            |             |            |
| Indigenous              | 3659.29     | 100        | 6473.95     | 100        |
| Imported                | -           | -          | -           | -          |
|                         | 3659.29     | 100        | 6473.95     | 100        |
| 2. Stores & Consumables |             |            |             |            |
| Indigenous              | 1206.38     | 100        | 1303.54     | 100        |
| Imported                | -           | -          | -           | -          |
|                         | 1206.38     | 100        | 1303.54     | 100        |

| Particulars  | 2011-12      | 2010-11      |
|--|--------------|--------------|
|  | Rs. in '000s | Rs. in '000s |
| J Value of Imports on CIF Basis:                         |              |              |
| 1. Finished Products                                     | 59871.67     | 41968.19     |
| K Expenditure in Foreign Currency (on cash basis):       |              |              |
| 1. Travelling  | 6340.77      | 5563.43      |
| 2. Trading Goods Imports                                 | 59871.67     | 33876.69     |
| L Earnings in Foreign Currency -                         |              |              |
| 1. Export of goods on F.O.B. basis (incl. Deemed Export) | 4295.51      | 3017.22      |
| 2. Others  | 25952.51     | 2994.81      |

**M Lease :**

Disclosure as required by Accounting Standard 19 (AS-19) issued by the Institute of Chartered Accountants of India are as follows:

**Operating Lease :**

The Company's significant leasing arrangements are in respect of office premises, warehouse and showrooms taken on lease. The arrangements are generally not Non-Cancellable and range from 33 months to 60 months. Under these agreements, generally not refundable interest-free-deposits have been given. In respect of above arrangement, lease rentals payable are recognised in the Statement of Profit and Loss for the year. Total of Minimum Lease payment for a period is :

| Particulars                                      | Rs.in '000s<br>31/3/2012 | Rs.in '000s<br>31/3/2011 |
|--|--------------------------|--------------------------|
| Not Later than One Year                          | 825                      | 820                      |
| Later than One year and not later than five year | NIL                      | NIL                      |
| Later than Five year                             | NIL                      | NIL                      |

N The Central Government vide notification SO. 447 (E) dated February 28, 2011, has revised the Schedule VI under the Companies Act, 1956 and the same has become applicable for the Financial Statements to be prepared for the financial year commencing on or after April 1, 2011. Accordingly, the Company has reclassified the previous year figures to conform to this year's classification. The adoption of the revised Schedule VI does not impact the recognition and measurement principles followed for the presentation of the Financial Statements.

O Figures of previous year have been shown in bracket.

Signatures to the Notes to the Financial Statements which form an integral part of these Financial Statements.

**For ASHAR & CO**

Chartered Accountants  
(ICAI Regn.No.129159W)

**YOGESH ASHAR**  
PARTNER  
(Mem.No.046259)

MUMBAI:  
DATED : 29th August,2012

For and on behalf of the Board

**M.B.KHAKHAR**  
Chairman & Managing Director

**P.B.KHAKHAR**  
Joint Managing Director

## Statement Pursuant to Section 212 of the Companies Act, 1956, Relating to Subsidiary Companies

| Name of the subsidiary company  | Granitexx UK Ltd.                               | Stone Source GB Ltd.                          |
|---|---|---|
| Financial year of the subsidiary ended on   | 31/03/2012                                      | 31/03/2012                                    |
| Number of Equity Shares in the subsidiary held by the Company directly or through its subsidiary companies on March 31, 2012          | 20,000 Ordinary Shares of £1 each fully paid-up | 5100 Ordinary Shares of £1 each fully paid-up |
| Extent of Holding (%)   | 100%  | 51%   |
| The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the Members of Solid Stone Company Limited |   |   |
| i) Dealt with the accounts of Solid Stone Company Limited amounted to:  |   |   |
| (a) for the subsidiary's financial year ended March 31, 2012  | Nil   | Nil   |
| (b) for previous financial years of the subsidiary since it became subsidiary of Solid Stone Company Limited.                         | Nil   | Nil   |
| ii) Not dealt with in the accounts of Solid Stone Company Limited amounted to:  |   |   |
| (a) for the subsidiary's financial year ended March 31, 2012  | (£ 8,785)                                       | £ 3,414                                       |
| (b) for previous financial years of the subsidiary since it became subsidiary of Solid Stone Company Limited.                         | £ 22,085  | (£ 27,422)                                    |

(Figures in brackets denote Losses)

For and on behalf of the Board

MUMBAI : 29th August, 2012

**M.B.KHAKHAR***Chairman & Managing Director***P.B.KHAKHAR***Jt.Managing Director*

**AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS****To the Board of Directors of Solid Stone Company Limited**

We have audited the attached Consolidated Balance Sheet of **SOLID STONE COMPANY LIMITED** its subsidiaries Granitexx UK Limited and Stone Source GB Limited as at March 31, 2012, the Consolidated Profit and loss Account and the Consolidated Cash Flow Statement for the year ended on that date. 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.

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 prepared in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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.

The financial statements of subsidiary companies, Granitexx UK Limited and Stone Source GB Limited for the year ended March 31, 2012, have been compiled by Chartered Certified Accountants, UK whose reports have been furnished to us and whose financial statements reflect total assets (net) of Rupees NIL and total Gross Revenue of Rupees 153.83 lacs and Loss of Rs. 1.71 lacs . We have placed reliance on the said reports for the purpose of our opinion on the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, " Consolidated Financial Statements" and Accounting Standard 23, "Accounting for Investment in Associates" issued by the Institute of Chartered Accountants of India on the basis of separate audited financial statements of Solid Stone Company Limited and its Subsidiary Companies included in the Consolidated Financial Statements.

On the basis of information and explanations given to us and on the consideration of reports of other auditors on separate financial statement and on the other financial information of the component and accounts approved by the Board of Directors of aforesaid subsidiaries, we are of opinion that said consolidated financial statements read with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India;

- (1) in the case of the Consolidated Balance Sheet, of the state of affairs of Solid Stone Company Limited and its subsidiaries as at March 31, 2012;
- (2) in the case of Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- (3) in the case of Consolidated Cash Flow Statement, of cash flows of the Group for the year ended on that date.

**For ASHAR & CO**  
*CHARTERED ACCOUNTANTS*  
(ICAI Regn.No.129159W)

**YOGESH ASHAR**  
*PARTNER*  
(Mem.No.046259)

PLACE : MUMBAI  
DATE : 29th AUGUST, 2012



**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012**

|                                 | Note | AS AT 31ST<br>MARCH,2012<br>(Rs.in '000s) | AS AT 31ST<br>MARCH,2011<br>(Rs.in '000s) |
|---------------------------------|------|---|---|
| <b>EQUITY AND LIABILITIES</b>   |      |   |   |
| <b>Shareholders' Funds</b>      |      |   |   |
| Share Capital                   | 3    | 53800.00                                  | 53800.00                                  |
| Reserves & Surplus              | 4    | 93471.51                                  | 88989.45                                  |
|                                 |      | <u>147271.51</u>                          | <u>142789.45</u>                          |
| <b>Non-Current Liabilities</b>  |      |   |   |
| Long-Term Borrowings            | 5    | 1793.54                                   | 564.82                                    |
| Long-Term Provisions            | 6    | 1244.85                                   | 830.23                                    |
|                                 |      | <u>3038.39</u>                            | <u>1395.05</u>                            |
| <b>Current Liabilities</b>      |      |   |   |
| Short-Term Borrowings           | 7    | 98900.56                                  | 86657.17                                  |
| Trade Payables                  | 8    | 38845.56                                  | 95713.10                                  |
| Other Current Liabilities       | 9    | 81281.77                                  | 56063.85                                  |
| Short-Term Provisions           | 6    | 5127.62                                   | 3813.00                                   |
|                                 |      | <u>224155.51</u>                          | <u>242247.13</u>                          |
| <b>TOTAL</b>                    |      | <u><u>374465.41</u></u>                   | <u><u>386431.63</u></u>                   |
| <b>ASSETS</b>                   |      |   |   |
| <b>Non-Current Assets</b>       |      |   |   |
| Fixed Assets                    | 10   |   |   |
| Tangible Assets                 |      | 29034.00                                  | 30247.19                                  |
| Intangible Assets               |      | 3.90                                      | 6.51                                      |
| Capital Work-In-Progress        |      | 0.00                                      | 0.00                                      |
|                                 |      | <u>29037.90</u>                           | <u>30253.70</u>                           |
| Deferred Tax Asset              | 11   | 2055.12                                   | 1901.90                                   |
| Non-Current Investments         | 12   | 11121.75                                  | 11121.75                                  |
| Long-Term Loans & Advances      | 13   | 0.00                                      | 0.00                                      |
| Other Non-Current Assets        | 14   | 23493.20                                  | 23942.71                                  |
|                                 |      | <u>65707.97</u>                           | <u>67220.06</u>                           |
| <b>Current Assets</b>           |      |   |   |
| Inventories                     | 15   | 172789.22                                 | 154815.81                                 |
| Trade Receivables               | 16   | 60953.67                                  | 73842.98                                  |
| Cash & Bank Balances            | 17   | 9600.89                                   | 7223.41                                   |
| Short-Term Loans & Advances     | 13   | 64976.54                                  | 82174.21                                  |
| Other Current Assets            | 14   | 437.13                                    | 1155.16                                   |
|                                 |      | <u>308757.44</u>                          | <u>319211.57</u>                          |
| <b>TOTAL</b>                    |      | <u><u>374465.41</u></u>                   | <u><u>386431.63</u></u>                   |
| Significant Accounting Policies | 2    |   |   |

The Notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

**For ASHAR & CO**

Chartered Accountants  
(ICAI Regn.No.129159W)

**For and on behalf of the Board**

**YOGESH ASHAR**  
PARTNER  
(Mem.No.046259)

**M.B.KHAKHAR**  
Chairman & Managing Director

**P.B.KHAKHAR**  
Joint Managing Director

MUMBAI:  
DATED : 29th August, 2012

**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012**

|  | Note   | 2011-12<br>(Rs.in '000s) | 2010-11<br>(Rs.in '000s) |
|--|--------|--------------------------|--------------------------|
| <b>INCOME</b>  |        |                          |                          |
| Revenue from operations (Gross)                          | 18     | 460596.50                | 449196.91                |
| Less:- Excise Duty                                       |        | 0.00                     | 0.00                     |
| Revenue from operations (Net)                            |        | 460596.50                | 449196.91                |
| Other income   | 19     | 3110.44                  | 2123.73                  |
| <b>Total Revenue</b>                                     |        | <b>463706.94</b>         | <b>451320.64</b>         |
| <b>EXPENSES</b>  |        |                          |                          |
| Cost of materials consumed                               | 20     | 3659.29                  | 6473.95                  |
| Purchases of Stock in Trade                              | 21     | 361619.21                | 301182.72                |
| Changes in Inventory                                     | 22     | -18345.16                | 29840.15                 |
| Employee benefits expense                                | 23     | 21740.62                 | 19031.07                 |
| Finance costs  | 24     | 14626.59                 | 11789.91                 |
| Depreciation & Amortisation expense                      | 25     | 5559.62                  | 6672.25                  |
| Other expenses   | 26     | 58316.73                 | 64956.07                 |
| <b>Total Expenses</b>                                    |        | <b>447176.90</b>         | <b>439946.12</b>         |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                          |        | <b>16530.04</b>          | <b>11374.52</b>          |
| Tax Expense :  |        |                          |                          |
| Current tax  |        | 5725.00                  | 5518.42                  |
| MAT Credit entitlement                                   |        | 0.00                     | 0.00                     |
| Deferred tax   |        | -153.22                  | -990.05                  |
| Short/(Excess) Provision of Tax written Off /(back)      |        | 2122.12                  | 108.51                   |
|  |        | <b>7693.90</b>           | <b>4636.88</b>           |
| Add/(Less) : Share of Profit/(Loss) of Minority Interest |        | -400.82                  | -352.45                  |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                        |        | <b>9236.96</b>           | <b>7090.09</b>           |
| Earnings per equity share:                               | 27 (D) |                          |                          |
| Basic & diluted  |        | 1.72                     | 1.32                     |
| <b>Significant Accounting Policies</b>                   | 2      |                          |                          |

The Notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

**For ASHAR & CO**  
Chartered Accountants  
(ICAI Regn.No.129159W)

**For and on behalf of the Board**

**YOGESH ASHAR**  
PARTNER  
(Mem.No.046259)

**M.B.KHAKHAR**  
Chairman & Managing Director

**P.B.KHAKHAR**  
Joint Managing Director

MUMBAI:  
DATED : 29th August, 2012

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

|   | 2011-12       |                   | 2010-11       |               |
|---|---------------|-------------------|---------------|---------------|
|   | (Rs.in '000s) | (Rs.in '000s)     | (Rs.in '000s) | (Rs.in '000s) |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>   |               |                   |               |               |
| <b>NET PROFIT / (LOSS) BEFORE TAX</b>   |               | <b>16530.04</b>   |               | 11374.52      |
| <b>Adjustment for :</b>   |               |                   |               |               |
| Depreciation  | 5559.62       |                   | 6672.25       |               |
| Preliminary Expenses written off  | 9.44          |                   | 29.94         |               |
| Unrealised Exchange (Gain) / Loss   | -1741.02      |                   | 0.00          |               |
| Interest Paid   | 13666.01      |                   | 10897.80      |               |
| Interest & Dividend Income  | -22.19        |                   | (17.31)       |               |
| Loss / (Gain) on fixed assets sold/discarded (Net)  | 0.00          | <b>17471.86</b>   | 0.00          | 17582.67      |
| <b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>   |               | <b>34001.90</b>   |               | 28957.19      |
| Decrease / (increase) in Trade Receivables, Short / Long Term   |               | <b>31871.44</b>   |               | (28382.42)    |
| Loans & Advances, Other Non-Current / Current Assets Decrease / (increase) in Inventories               | -17973.41     |                   | 30229.28      |               |
| Increase / (decrease) in Trade Payable, Long Term / Current Liabilities & Long / Short Term Provisions. | -30574.75     | <b>(16676.72)</b> | (22669.39)    | -20822.54     |
| <b>CASH GENERATED FROM OPERATIONS</b>   |               | <b>17325.18</b>   |               | 8134.65       |
| Direct Taxes paid   |               | <b>(5042.46)</b>  |               | -4194.73      |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   |               | <b>12282.73</b>   |               | 3939.91       |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>   |               |                   |               |               |
| Purchase of Tangible / Intangible Assets, Capital Work in Progress & Capital Advances                   | -4224.30      |                   | -1153.43      |               |
| Proceeds from sale of Fixed Assets  | 0.00          |                   | 0.00          |               |
| Interest & Dividend income  | 22.19         |                   | 17.31         |               |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  |               | <b>(4202.11)</b>  |               | (1136.11)     |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>   |               |                   |               |               |
| (Repayments) / proceeds from Borrowings (Net)   | 12243.38      |                   | 12913.00      |               |
| Minority Interest   | -48.36        |                   | 19.09         |               |
| Foreign Translation Reserve   | -1003.24      |                   | -398.35       |               |
| Proceeds from Term Loan   | 414.66        |                   | -2548.09      |               |
| Interest paid   | -13666.01     |                   | -10897.80     |               |
| Dividend and Corporate Dividend Tax   | -3643.58      |                   | -3548.48      |               |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>   |               | <b>(5703.15)</b>  |               | (4460.62)     |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>   |               | <b>2377.48</b>    |               | (1656.82)     |
| CASH AND CASH EQUIVALENTS AS AT 31.3.2011   |               | <b>7223.41</b>    |               | 8880.23       |
| CASH AND CASH EQUIVALENTS AS AT 31.3.2012   |               | <b>9600.89</b>    |               | 7223.41       |

(Figures in negative / brackets indicate Outflows)

As per our Report of Even Date attached  
**For ASHAR & CO**  
 Chartered Accountants  
 (ICAI Regn.No.129159W)

**For and on behalf of the Board**

**YOGESH ASHAR**  
 PARTNER  
 (Mem.No.046259)

**M.B.KHAKHAR**  
 Chairman & Managing Director

**P.B.KHAKHAR**  
 Joint Managing Director

MUMBAI:

DATED : 29th August, 2012 DATED : 29th August, 2012

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012****NOTE 1 : NATURE OF OPERATIONS**

Solid Stone Company Limited is primarily engaged in the business of natural stones, building materials and allied building business activities. The company presently has manufacturing facilities in Palghar and retail outlets at Mumbai and Delhi. It also operates a Retail Store in Leicester (U.K.) through its subsidiary Stone Source GB Limited wherein it is 51% shareholder through its 100% subsidiary Granitexx UK Limited. Granitexx UK Limited is engaged in trading of natural stones and building materials as well as engaged in the services to act as facilitator to procure natural stones and building materials

**NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The Financial Statements are prepared in accordance with the generally accepted accounting principles in India under the historical cost convention (except for revaluation of Plant and Machinery), on an accrual basis, in accordance with applicable Accounting Standards and the relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per criteria set out in the Schedule VI to the Companies Act, 1956.

**Change in accounting policy****Exchange Rate differences:**

Monetary assets and liabilities in foreign currency, which were outstanding as at the year end were translated at the year end at the closing exchange rate and the resultant exchange differences were recognised in the statement of profit & loss upto 31st March, 2012.

**Use of Estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

**Revenue Recognition**

All the revenues are accounted on accrual basis except dividend income which is recognised when the shareholders' or unitholders' right to receive payment is established

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Principles of consolidation :**

The consolidated financial statements include the financial statements of Solid Stone Company Limited (the parent company) and its subsidiaries, Granitexx UK Limited, U.K. and Stone Source GB Limited, U.K. The consolidated financial statements have been prepared on the basis of AS 21 - " Consolidated Financial Statements", issued by the ICAI.

**Subsidiaries :**

The excess of cost to the parent company of its investment in the subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in such subsidiaries was made is recognised in the financial statements as goodwill. The parent company's portion of equity in such subsidiaries is determined on the basis of book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions.

The financial statements of the parent company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating Intra - group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from Intra - group transactions are also eliminated except to the extent that recoverable value of related assets is lower than their cost to the group.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so. Minority interest's share of net loss is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is to be presented separately in the balance sheet. However, during the year under review, the losses applicable to the minority exceeds the minority interest and hence the excess is adjusted against the minority interest. Consequently, Minority Interest does not appear in the Consolidated Balance Sheet.

The following subsidiary companies are considered in the consolidated financial statements :

| Sr.No. | Name of Subsidiary Company | Country of Incorporation | % of holding<br>as at March 31, 2012                        |
|--------|----------------------------|--------------------------|---|
| 1.     | Granitexx UK Limited       | United Kingdom           | 100%  |
| 2.     | Stone Source GB Limited    | United Kingdom           | 51% Equity held by<br>Granitexx UK Ltd<br>(100% subsidiary) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012**

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**Sales**

Sales and Purchase of goods includes Vat, Sales tax. Sales of Services is net of service tax if any.

**Fixed Assets**

Tangible Fixed Assets are stated at cost or revalued amounts, as the case may be, less accumulated depreciation and provision for impairment, if any. The cost includes expenditure incurred in the acquisition and construction / installation and other related expenses in bringing the asset to working condition for its intended use. In respect of qualifying assets, related pre-operational expenses including borrowing costs are also capitalised. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the account and the differential amount is transferred to revaluation reserve.

Intangible Assets are stated at acquisition cost, net off accumulated amortisation and provision for impairment, if any.

**Depreciation**

Depreciation on Tangible and Intangible Fixed Assets included under the head Plant & Machinery and Software has been provided on Written Down Value Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis from the date of additions and/or disposal.

In the following foreign subsidiaries, depreciation is provided on Written Down Value method at rates which are higher than the rates given in Schedule XIV to the Companies Act, 1956:

| <u>Assets</u>     | <u>Stone Source GB Limited</u> |
|-------------------|--------------------------------|
| Plant & Equipment | 25%                            |

**Borrowing costs**

Interest and other borrowing costs, attributable to the acquisition of or construction of qualifying assets till such time the assets are substantially ready for their intended use, are capitalised. All other borrowing costs are charged to revenue.

**Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and "Value in use" of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

**Investments**

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost or fair value. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

**Foreign Currency Transactions**Initial Recognition

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions.

Subsequent Recognition

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

Solid Stone Group translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising on the settlement of monetary items or on reporting the Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Resulting exchange differences are disclosed under the foreign currency translation reserve.

**Forward Exchange Contracts**

The premium or discount arising at the inception of forward exchange contract entered into to hedge an existing asset / liability, is amortised as expense or income over the life of the contract. Exchange difference on such a contract is recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012**


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loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the period.

Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are mark-to-market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

**Inventory**

(i) Inventory is valued as follows:

Stocks of Raw Materials, Stores and Spare parts are valued at cost. Finished Goods and Stock of Traded Goods are valued a lower of cost or net realisable value

(ii) Cost of Finished Goods and Stock in Process is determined by considering materials, labour and other related direct expenses.

**Customs Duty and Excise Duty**

Customs Duty and Excise Duty have been accounted for on the basis of both payments made in respect of goods cleared as well as provision made for goods lying in bonded warehouse. Such provision is included in the valuation of closing stocks of respective materials and goods.

**Retirement & other employee benefits**

Short term employee benefits are accounted in the period during which the services have been rendered.

The Company's liability towards Gratuity, Pension to certain categories of employees and long term employee Compensated Leave Encashment being defined benefit plans are accounted for based on Actuarial valuation done at the year end using the Projected Unit Credit Method. Actuarial gains and losses are charged to Statement of Profit & Loss.

**Income Taxes**

Tax expense comprises both current and deferred taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference and which are capable of reversal in subsequent periods are recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward unabsorbed depreciation and tax losses, deferred Tax assets are recognised only to the extent there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

**Segment Reporting Policies**

Identification of Segments:

The Company is primarily engaged in the business of natural stones, building material and allied building activities which is considered as a single segment.

**Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

|   | AS AT 31ST<br>MARCH, 2012<br>AMOUNT<br>(Rs.in '000s) | AS AT 31ST<br>MARCH, 2011<br>AMOUNT<br>(Rs.in '000s) |
|---|--|--|
| <b>NOTE 3: SHARE CAPITAL</b>                |  |  |
| <b>Authorised</b>                           |  |  |
| 75,00,000 Equity Shares of Rs. 10/- each    | 75000.00   | 75000.00   |
|   | <u>75000.00</u>                                      | <u>75000.00</u>                                      |
| <b>Issued, Subscribed and Fully Paid-up</b> |  |  |
| 53,80,000 Equity Shares of Rs. 10/- each    | 53800.00   | 53800.00   |
|   | <u>53800.00</u>                                      | <u>53800.00</u>                                      |

**Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

| Particulars                                  | As at<br>March 31, 2012 |             | As at<br>March 31, 2011 |             |
|--|-------------------------|-------------|-------------------------|-------------|
|  | Nos.                    | Rs. In '000 | Nos.                    | Rs. In '000 |
| Equity shares at the beginning of the period | 5380000                 | 53800.00    | 5380000                 | 53800.00    |
| Issued during the period                     | -                       | -           | -                       | -           |
| Equity shares at the end of the period       | 5380000                 | 53800.00    | 5380000                 | 53800.00    |

**(a) Rights, preferences and restrictions attached to shares**

The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**(b) Shareholders holding more than 5 percent of the equity shares**

| Name of Shareholder         | March 31, 2012        |                            | March 31, 2011        |                            |
|-----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
|                             | No. of<br>Shares held | % to Total<br>Shareholders | No. of<br>Shares held | % to Total<br>Shareholders |
| Prakash Bhagwandas Khakhar  | 1378895               | 25.63                      | 1378895               | 25.63                      |
| Milan Bhagwandas Khakhar    | 808015                | 15.02                      | 808015                | 15.02                      |
| Jeenoo Milan Khakhar        | 699300                | 13.00                      | 699300                | 13.00                      |
| Vasumati Bhagwandas Khakhar | 682190                | 12.68                      | 682190                | 12.68                      |
| Falguni S. Nayar            | N.A.                  | N.A.                       | 300000                | 5.58                       |

**NOTE 4: RESERVES AND SURPLUS**

|  | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|--|------------------------------|------------------------------|
| <b>Capital Subsidy</b>                             |                              |                              |
| As per last Account                                | 954.90                       | 954.90                       |
| <b>Capital Reserve</b>                             |                              |                              |
| As per last Account                                | 3450.00                      | 3450.00                      |
| <b>Securities Premium</b>                          |                              |                              |
| As per last Account                                | 52400.00                     | 52400.00                     |
| <b>General Reserve</b>                             |                              |                              |
| As per last Account                                | 500.00                       | 500.00                       |
| Add: Transfer from Statement of Profit & Loss      | 0.00                         | 0.00                         |
|  | <u>500.00</u>                | <u>500.00</u>                |
| <b>Surplus in the statement of profit and loss</b> |                              |                              |
| Balance as per last financial statement            | 32350.65                     | 29012.22                     |
| Profit / loss for the year                         | 9236.96                      | 7090.09                      |
| <b>Less:- Appropriations</b>                       |                              |                              |
| Proposed Dividend                                  | 3228.00                      | 3228.00                      |
| Corporate Tax on Dividend                          | 523.66                       | 523.66                       |
| Transfer to General Reserve                        | 0.00                         | 0.00                         |
|  | <u>37835.95</u>              | <u>32350.65</u>              |
| Closing Balance                                    | 37835.95                     | 32350.65                     |
| Foreign Currency Translation Reserve               | -1669.34                     | -666.10                      |
|  | <u>93471.51</u>              | <u>88989.45</u>              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 5: LONG-TERM BORROWINGS

|   | Non-current<br>Rs.in'000s |                   | Current maturities<br>Rs.in'000s |                   |
|---|---------------------------|-------------------|----------------------------------|-------------------|
|   | March 31,<br>2012         | March 31,<br>2011 | March 31,<br>2012                | March 31,<br>2011 |
| Secured   |                           |                   |                                  |                   |
| Term Loans:   |                           |                   |                                  |                   |
| From a Bank   | 0.00                      | 0.00              | 0.00                             | 0.00              |
| Foreign Currency Loan from a Bank                                     | 0.00                      | 0.00              | 0.00                             | 0.00              |
| Vehicle Loans: (Refer Note (a) below)                                 | 1793.54                   | 564.82            | 223.53                           | 1037.59           |
| Amounts disclosed under the head 'Other Current Liabilities' (Note 9) | 0.00                      | 0.00              | -223.53                          | -1037.59          |
|   | <u>1793.54</u>            | <u>564.82</u>     | <u>0.00</u>                      | <u>0.00</u>       |

a. Vehicle loan is secured by a specific charge on respective vehicle purchased. Details of each loan taken are stated below :-

| Name of the Bank/NBFC           | No. of<br>Instalments | Date of<br>Maturity | Rate of<br>Interest | Instalment<br>Amount |
|---------------------------------|-----------------------|---------------------|---------------------|----------------------|
| Citicorp Maruti Finance Limited | 60                    | 1-Nov-11            | 12.45               | 8463                 |
| State Bank of India             | 36                    | 1-Nov-11            | 11.00               | 65791                |
| Reliance Capital Limited        | 36                    | 10-Mar-13           | 8.47                | 49700                |
| Axis Bank Limited               | 36                    | 1-Mar-15            | 9.62                | 47750                |

## NOTE 6 : PROVISIONS

|                                 | Long-Term<br>Rs.in'000s |                   | Short-Term<br>Rs.in'000s |                   |
|---------------------------------|-------------------------|-------------------|--------------------------|-------------------|
|                                 | March 31,<br>2012       | March 31,<br>2011 | March 31,<br>2012        | March 31,<br>2011 |
| Provision for employee benefits |                         |                   |                          |                   |
| Leave benefits                  | 0.00                    | 0.00              | 0.00                     | 0.00              |
| Pension                         | 0.00                    | 0.00              | 0.00                     | 0.00              |
| Gratuity                        | 1244.85                 | 830.23            | 117.90                   | 61.34             |
| Tax (Net of advance Tax paid)   | 0.00                    | 0.00              | 1258.06                  | 0.00              |
| Proposed Dividend               | 0.00                    | 0.00              | 3228.00                  | 3228.00           |
| Corporate Tax on Dividend       | 0.00                    | 0.00              | 523.66                   | 523.66            |
|                                 | <u>1244.85</u>          | <u>830.23</u>     | <u>5127.62</u>           | <u>3813.00</u>    |

## NOTE 7 : SHORT-TERM BORROWINGS

|  | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|--|------------------------------|------------------------------|
| Secured                                  |                              |                              |
| Working Capital Facilities from Banks    | 96145.97                     | 82494.65                     |
| Unsecured                                |                              |                              |
| From Banks                               | --                           | 202.34                       |
| Loans from Directors and Related Parties | 2754.59                      | 3960.18                      |
|  | <u>98900.56</u>              | <u>86657.17</u>              |

## Nature of security:

Working Capital facilities from banks are secured on pari passu basis, by way of hypothecation of inventories, book debts and receivables both present and future and further secured by way of equitable mortgage of company's factory and machinery and equipments as well as equitable mortgage over factory and machinery and equipments of M/s. Global Instile Solid Industries Limited (Related party).

## NOTE 8 : TRADE PAYABLES

|                                   | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|-----------------------------------|------------------------------|------------------------------|
| Trade Payables (Refer Note 27(C)) | 38845.56                     | 95713.10                     |
| Acceptances                       | 0.00                         | 0.00                         |
|                                   | <u>38845.56</u>              | <u>95713.10</u>              |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 9 : OTHER CURRENT LIABILITIES

|   | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|---|------------------------------|------------------------------|
| Current maturities of long term borrowings (Note 5) | 223.53                       | 1037.59                      |
| Interest accrued but not due on borrowings          | 0.00                         | 0.00                         |
| Advance from Customers                              | 72642.70                     | 37700.41                     |
| Statutory dues :                                    |                              |                              |
| Service Tax   | 614.18                       | 448.94                       |
| Withholding Taxes                                   | 350.47                       | 370.35                       |
| Others - VAT and Central Sales Tax                  | 2858.61                      | 10585.80                     |
| Other payables:                                     |                              |                              |
| Taxation and Social Security                        | 126.30                       | 29.13                        |
| Liabilities for Capital Expenditure                 | 0.00                         | 0.00                         |
| Liabilities for expenses                            | 4129.39                      | 5663.12                      |
| Unclaimed Dividend                                  | 336.60                       | 228.52                       |
| Others (Refer Note 27(D))                           | 0.00                         | 0.00                         |
|   | <b>81281.77</b>              | <b>56063.85</b>              |

There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

## NOTE 10 : FIXED ASSETS

Rs.in'000s

| Nature of Fixed Assets                                 | Cost/Value as at 1/4/2011 | GROSS BLOCK    |                         |                                 |                            |                 | DEPRECIATION             |                         |                                 |                 | NET BLOCK       |                 |
|--|---------------------------|----------------|-------------------------|---------------------------------|----------------------------|-----------------|--------------------------|-------------------------|---------------------------------|-----------------|-----------------|-----------------|
|  |                           | ADDITIONS      | Deductions/ Adjustments | Translation Exchange Difference | Cost/Value as at 31/3/2012 | UPTO 31/3/2011  | Provided during the year | Deductions/ Adjustments | Translation Exchange Difference | UPTO 31/3/2012  | AS AT 31/3/2012 | AS AT 31/3/2011 |
| <b>Tangible Assets</b>                                 |                           |                |                         |                                 |                            |                 |                          |                         |                                 |                 |                 |                 |
| Land   | 141.04                    | 0.00           | 0.00                    |                                 | 141.04                     | 0.00            | 0.00                     | 0.00                    |                                 | 0.00            | 141.04          | 141.04          |
| Buildings  | 4425.11                   | 0.00           | 0.00                    |                                 | 4425.11                    | 2478.10         | 195.24                   | 0.00                    |                                 | 2673.34         | 1751.78         | 1947.01         |
| Plant & Machinery                                      | 9537.02                   | 250.78         | 0.00                    | 224.78                          | 10012.57                   | 5796.31         | 564.64                   | 0.00                    | 106.54                          | 6467.49         | 3545.08         | 3740.71         |
| Furniture & Fixtures                                   | 29197.95                  | 0.00           | 0.00                    |                                 | 29197.95                   | 11890.36        | 3141.26                  | 0.00                    |                                 | 15031.62        | 14166.34        | 17307.59        |
| Computer   | 1471.05                   | 201.90         | 0.00                    |                                 | 1672.95                    | 1195.61         | 164.10                   | 0.00                    |                                 | 1359.71         | 313.24          | 275.44          |
| Office Equipment                                       | 4827.35                   | 0.00           | 0.00                    | 3.06                            | 4830.41                    | 2259.59         | 373.16                   | 0.00                    | 1.78                            | 2634.52         | 2195.88         | 2567.76         |
| Vehicles   | 11900.28                  | 3771.63        | 0.00                    |                                 | 15671.91                   | 7632.64         | 1118.62                  | 0.00                    |                                 | 8751.26         | 6920.65         | 4267.64         |
| <b>Total Tangible Assets</b>                           | <b>61499.80</b>           | <b>4224.30</b> | <b>0.00</b>             | <b>227.84</b>                   | <b>65951.93</b>            | <b>31252.61</b> | <b>5557.01</b>           | <b>0.00</b>             | <b>108.32</b>                   | <b>36917.93</b> | <b>29034.00</b> | <b>30247.19</b> |
| Previous year  | 60390.92                  | 1159.97        | 0.00                    | -51.10                          | 61499.80                   | 24563.21        | 6665.01                  | 0.00                    | 8.40                            | 31236.62        | 30263.17        | 35827.71        |
| <b>Intangible Assets</b>                               |                           |                |                         |                                 |                            |                 |                          |                         |                                 |                 |                 |                 |
| Computer Software                                      | 37.44                     | 0.00           | 0.00                    | 0.00                            | 37.44                      | 30.93           | 2.61                     | 0.00                    |                                 | 33.54           | 3.90            | 6.51            |
| <b>Total Intangible Assets</b>                         | <b>37.44</b>              | <b>0.00</b>    | <b>0.00</b>             | <b>0.00</b>                     | <b>37.44</b>               | <b>30.93</b>    | <b>2.61</b>              | <b>0.00</b>             |                                 | <b>33.54</b>    | <b>3.90</b>     | <b>6.51</b>     |
| Previous year  | 37.44                     | 0.00           | 0.00                    | 0.00                            | 37.44                      | 26.59           | 7.23                     | 0.00                    |                                 | 33.82           | 3.62            | 0.00            |
| <b>Capital Work In Progress (Refer Note (a) below)</b> |                           |                |                         |                                 |                            |                 |                          |                         |                                 |                 | <b>0.00</b>     | <b>0.00</b>     |
| <b>Grand Total</b>                                     |                           |                |                         |                                 |                            |                 |                          |                         |                                 |                 | <b>29037.90</b> | <b>30253.70</b> |

## NOTE 11 : DEFERRED TAX ASSET (NET):

|   | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|---|------------------------------|------------------------------|
| The breakup of Deferred Tax Liabilities:        |                              |                              |
| Arising on account of timing difference in:     |                              |                              |
| - Depreciation                                  | 1612.97                      | 1605.74                      |
| - Accrued Expenses allowable on Actual Payments | 442.14                       | 296.16                       |
| Deferred Tax Asset (Net)                        | <b>2055.12</b>               | <b>1901.90</b>               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## Note 12 : NON-CURRENT INVESTMENTS

|  | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|--|------------------------------|------------------------------|
| <b>Trade - Unquoted - Fully Paid</b>   |                              |                              |
| 150 Equity Shares of AED 1,000/- each of Stone Source Trading LLC                  | 1671.75                      | 1671.75                      |
| Non Trade - Unquoted - Fully Paid  |                              |                              |
| 270000 Equity shares of Rs.10/- each of Global Instile<br>Solid Industries Limited | 9450.00                      | 9450.00                      |
|  | <u>11121.75</u>              | <u>11121.75</u>              |

## NOTE 13 : LOANS &amp; ADVANCES

|   | Long Term<br>Rs.in'000s |                   | Short Term<br>Rs.in'000s |                   |
|---|-------------------------|-------------------|--------------------------|-------------------|
|   | March 31,<br>2012       | March 31,<br>2011 | March 31,<br>2012        | March 31,<br>2011 |
| Unsecured, Considered Good  |                         |                   |                          |                   |
| Capital Advances  | 0.00                    | 0.00              | 0.00                     | 0.00              |
| Loan to Employees   | 0.00                    | 0.00              | 13.00                    | 131.00            |
| Advances Recoverable in cash or in kind   | 0.00                    | 0.00              | 50813.10                 | 31456.29          |
| Advance to Suppliers  | 0.00                    | 0.00              | 12463.31                 | 47813.13          |
| Other loans and advances:   | 0.00                    | 0.00              | 0.00                     | 0.00              |
| Balances with Custom and Excise authorities   | 0.00                    | 0.00              | 1687.13                  | 1516.38           |
| Advance payment of Income Tax / Tax Deducted at<br>Source (after adjusting provision) | 0.00                    | 0.00              | 0.00                     | 1257.42           |
| MAT credit entitlement  | 0.00                    | 0.00              | 0.00                     | 0.00              |
|   | <u>0.00</u>             | <u>0.00</u>       | <u>64976.54</u>          | <u>82174.21</u>   |

## NOTE 14 : OTHER ASSETS

|   | Non-current<br>Rs.in'000s |                   | Current<br>Rs.in'000s |                   |
|---|---------------------------|-------------------|-----------------------|-------------------|
|   | March 31,<br>2012         | March 31,<br>2011 | March 31,<br>2012     | March 31,<br>2011 |
| Unsecured, Considered Good  |                           |                   |                       |                   |
| Interest accrued on fixed Deposits  | 0.00                      | 0.00              | 34.30                 | 20.40             |
| Prepaid Expenses  | 0.00                      | 0.00              | 308.39                | 390.32            |
| Deposits  | 23455.44                  | 23895.51          | 85.00                 | 735.00            |
| Non-current Bank Balances (Note 18)   | 0.00                      | 0.00              | 0.00                  | 0.00              |
| Others - Miscellaneous Expenditure to the extent<br>not written off or adjusted | 37.76                     | 47.20             | 9.44                  | 9.44              |
|   | <u>23493.20</u>           | <u>23942.71</u>   | <u>437.13</u>         | <u>1155.16</u>    |

## NOTE 15 : INVENTORIES

|   | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|---|------------------------------|------------------------------|
| At lower of cost and net realisable value |                              |                              |
| Raw materials                             | 2083.13                      | 2286.43                      |
| Stock-in-process                          | 0.00                         | 0.00                         |
| Finished goods                            | 170684.04                    | 152338.88                    |
| Tools and Stores                          | 22.05                        | 190.50                       |
|   | <u>172789.22</u>             | <u>154815.81</u>             |

## NOTE 16 : TRADE RECEIVABLES

|   | Rs.in'000s<br>March 31, 2012 | Rs.in'000s<br>March 31, 2011 |
|---|------------------------------|------------------------------|
| Unsecured, Considered Good                |                              |                              |
| Overdue for a period exceeding six months | 38345.97                     | 31784.56                     |
| Others                                    | 22607.70                     | 42058.42                     |
|   | <u>60953.67</u>              | <u>73842.98</u>              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 17 : CASH &amp; BANK BALANCES

|   | Non-current<br>Rs.in'000s |                   | Current<br>Rs. in'000s |                   |
|---|---------------------------|-------------------|------------------------|-------------------|
|   | March 31,<br>2012         | March 31,<br>2011 | March 31,<br>2012      | March 31,<br>2011 |
| Cash & Cash equivalents:  |                           |                   |                        |                   |
| Balances with banks;  |                           |                   |                        |                   |
| In Current Accounts   | 0.00                      | 0.00              | 4846.19                | 3666.89           |
| Cash on hand  | 0.00                      | 0.00              | 2448.37                | 3063.35           |
|   | <u>0.00</u>               | <u>0.00</u>       | <u>7294.56</u>         | <u>6730.24</u>    |
| Other Bank Balances;  |                           |                   |                        |                   |
| In Deposit Accounts (more than 12 months maturity)                        | 0.00                      | 0.00              | 0.00                   | 0.00              |
| In Deposit Accounts (more than 3 months but less than 12 months maturity) | 0.00                      | 0.00              | 1969.73                | 264.66            |
| In unclaimed Dividend Account   | 0.00                      | 0.00              | 336.60                 | 228.52            |
|   | <u>0.00</u>               | <u>0.00</u>       | <u>2306.33</u>         | <u>493.18</u>     |
| Amounts disclosed under 'Non Current Assets' (Note 15)                    | 0.00                      | 0.00              | 0.00                   | 0.00              |
|   | <u>0.00</u>               | <u>0.00</u>       | <u>9600.89</u>         | <u>7223.41</u>    |

## NOTE 18 : REVENUE FROM OPERATIONS

|                                     | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|-------------------------------------|-----------------------|-----------------------|
| Sales:                              |                       |                       |
| - Goods                             | 408998.51             | 428282.10             |
| - Services including labour charges | 36957.50              | 7511.41               |
| Other Operating Revenues            | 14640.50              | 13403.40              |
|                                     | <u>460596.50</u>      | <u>449196.91</u>      |

## NOTE 19 : OTHER INCOME

|  | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|--|-----------------------|-----------------------|
| Dividend on Investment (other than Trade)              | 0.00                  | 0.00                  |
| Interest:  |                       |                       |
| on Deposits (TDS. Rs.3059 , Prev.Yr.Rs.2497)           | 22.19                 | 17.31                 |
| others   | 0.00                  | 0.00                  |
|  | <u>22.19</u>          | <u>17.31</u>          |
| Rent   | 0.00                  | 0.00                  |
| Unspent Liabilities/Sundry balances written back (net) | 919.55                | 2088.41               |
| Net gain on Foreign Currency transactions              | 2144.47               | 0.00                  |
| Miscellaneous Receipts                                 | 24.23                 | 18.01                 |
|  | <u>3110.44</u>        | <u>2123.73</u>        |

## NOTE 20 : COST OF MATERIALS CONSUMED

|                                   | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|-----------------------------------|-----------------------|-----------------------|
| <b>Cost of Materials Consumed</b> |                       |                       |
| Opening Stock                     | 2286.43               | 2188.23               |
| Add: Purchases                    | 3455.98               | 6572.15               |
|                                   | <u>5742.41</u>        | <u>8760.39</u>        |
| Less: Closing Stock               | 2083.13               | 2286.43               |
|                                   | <u>3659.29</u>        | <u>6473.95</u>        |
| Details of Raw Materials consumed |                       |                       |
| Granite                           | 1208.07               | 2144.50               |
| Slate                             | 887.92                | 1696.44               |
| Semi Precious                     | 1563.29               | 2578.72               |
| Marble                            | 0.00                  | 54.30                 |
|                                   | <u>3659.29</u>        | <u>6473.95</u>        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 21 : PURCHASES OF STOCK IN TRADE

|                             | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|-----------------------------|-----------------------|-----------------------|
| Purchases of Stock in Trade |                       |                       |
| Granite                     | 11227.97              | 7436.23               |
| Marble                      | 310463.25             | 188523.40             |
| Mosaics                     | 7519.26               | 5949.71               |
| Sealants                    | 0.00                  | 466.00                |
| Semi Precious               | 471.60                | 172.58                |
| Slate                       | 2294.42               | 5126.69               |
| Steel                       | 19455.85              | 93049.31              |
| Wood                        | 10185.31              | 454.87                |
| Other Misc.Items            | 1.55                  | 3.94                  |
| <b>Total</b>                | <b>361619.21</b>      | <b>301182.72</b>      |

## NOTE 22 : CHANGES IN INVENTORY OF FINISHED GOODS

|   |                  |                  |
|---|------------------|------------------|
| Closing Stock:  |                  |                  |
| Finished Goods - Manufactured   | 3783.20          | 5244.17          |
| Finished Goods - Traded   | 166900.84        | 147094.71        |
|   | <b>170684.04</b> | <b>152338.88</b> |
| Less: Opening Stock:  |                  |                  |
| Finished Goods - Manufactured   | 5244.17          | 4252.60          |
| Finished Goods - Traded   | 147094.71        | 177926.43        |
|   | <b>152338.88</b> | <b>182179.03</b> |
| Differential Excise Duty on Opening and Closing stock of Finished Goods | 0.00             | 0.00             |
|   | <b>-18345.16</b> | <b>29840.15</b>  |

## Details of Inventory

| Class of Goods | Sales            | Manufactured Goods |                | Traded Goods     |                  |
|----------------|------------------|--------------------|----------------|------------------|------------------|
|                |                  | Opening Stock      | Closing Stock  | Opening Stock    | Closing Stock    |
| Granite        | 27126.47         | 355.58             | 552.83         | 3251.21          | 2957.68          |
| Marble         | 321099.01        | --                 | --             | 129528.49        | 156560.99        |
| Mosaics        | 15370.71         | --                 | --             | 2898.67          | 1015.41          |
| Sealants       | 139.05           | --                 | --             | 1179.77          | 1155.68          |
| Semi Precious  | 6531.03          | 4888.59            | 3230.38        | 3175.38          | 1980.42          |
| Slate          | 6074.34          | --                 | --             | 1163.71          | 284.14           |
| Building Steel | 19498.60         | --                 | --             | --               | --               |
| Wood           | 13159.31         | --                 | --             | 365.00           | 212.30           |
| <b>TOTAL</b>   | <b>408998.51</b> | <b>5244.17</b>     | <b>3783.20</b> | <b>141562.23</b> | <b>164166.62</b> |

## NOTE 23 : EMPLOYEE BENEFITS EXPENSE

|  | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|--|-----------------------|-----------------------|
| Salaries, Wages, Bonus, and Allowances   | 21101.22              | 18037.15              |
| Company's Contribution to Provident, Gratuity and Other Funds (Refer Note (a) below) | 471.18                | 897.32                |
| Welfare Expenses   | 168.23                | 96.60                 |
|  | <b>21740.62</b>       | <b>19031.07</b>       |

## (a) Employee Benefits

- a. In terms of the guidance on implementing the revised AS-15 issued by the Accounting Standard Board of the Institute of the Chartered Accounts of India, the Provident Fund set up by the company is treated as defined benefit plan since the company has to meet the shortfall in the fund assets, if any. However, as at the year end, no shortfall remains unprovided for. Further, the pattern of investment for investible funds is as prescribed by the Government. Accordingly, other related disclosures in respect of Provident Fund have not been made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

b. During the year, the company has recognised the following in the Statement of Profit & Loss.

(i) Defined benefit plans:

|                                | Gratuity*<br>Unfunded |                  | Pension#<br>Unfunded |             |
|--------------------------------|-----------------------|------------------|----------------------|-------------|
|                                | 31/3/2012             | 31/3/2011        | 31/3/2012            | 31/3/2011   |
| Service Cost                   | 257013.00             | 160145.00        | 0.00                 | 0.00        |
| Interest Cost                  | 71325.00              | 0.00             | 0.00                 | 0.00        |
| Expected return on plan assets | 0.00                  | 0.00             | 0.00                 | 0.00        |
| Net Actuarial (Gain) / Loss    | 142842.00             | 731423.00        | 0.00                 | 0.00        |
| <b>Net Cost</b>                | <b>471180.00</b>      | <b>891568.00</b> | <b>0.00</b>          | <b>0.00</b> |

\* included in "contribution to Provident, Gratuity & Other Funds" (Refer Note 23)

# included in "Salaries, Wages, Bonus & Allowances" (Refer Note 23)

c. Amount recognised in the Balance Sheet

|   |            |           |      |      |
|---|------------|-----------|------|------|
| Present value of defined benefit obligation | 1362748.00 | 891568.00 | 0.00 | 0.00 |
| Fair value of plan assets                   | 0.00       | 0.00      | 0.00 | 0.00 |

Net asset / (liability) as at 31st March, 12  
recognised in the Balance Sheet

|  |             |            |      |      |
|--|-------------|------------|------|------|
|  | -1362748.00 | -891568.00 | 0.00 | 0.00 |
|--|-------------|------------|------|------|

d Balance Sheet reconciliation

|                                 |            |            |  |  |
|---------------------------------|------------|------------|--|--|
| Opening net asset / (liability) | -891568.00 | 0.00       |  |  |
| Expenses as above               | -471180.00 | -891568.00 |  |  |
| Employers contribution          | 0.00       | 0.00       |  |  |

Closing net asset / (liability) recognised in the  
Balance Sheet

|  |             |            |  |  |
|--|-------------|------------|--|--|
|  | -1362748.00 | -891568.00 |  |  |
|--|-------------|------------|--|--|

| e. The principal actuarial assumptions | 31/3/2012  | Gratuity   |           |           |
|--|------------|------------|-----------|-----------|
|  |            | 31/3/2011  | 31/3/2010 | 31/3/2009 |
| Discount rate                          | 8.00% p.a. | 8.00% p.a. |           |           |
| Salary escalation rate:<br>Staff       | 4% p.a.    | 4% p.a.    |           |           |

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

f. Amounts for the current and previous periods are as follows:

| Gratuity                   | 31/3/2012   | 31/3/2011  | 31/3/2010 | 31/3/2009 |
|----------------------------|-------------|------------|-----------|-----------|
| Defined Benefit Obligation | 1362748.00  | 891568.00  | 0.00      | 0.00      |
| Plan Assets                | 0.00        | 0.00       | 0.00      | 0.00      |
| Surplus / (Deficit)        | -1362748.00 | -891568.00 | 0.00      | 0.00      |

Experience adjustments on plan liabilities Not available \*  
Experience adjustments on plan assets Not available \*

\* The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.

## NOTE 24 : FINANCE COSTS

|               | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|---------------|-----------------------|-----------------------|
| Interest      | 13666.01              | 10897.80              |
| Cash Discount | 0.00                  | 0.00                  |
| Bank Charges  | 960.58                | 892.11                |
|               | <b>14626.59</b>       | <b>11789.91</b>       |

## NOTE 25 : DEPRECIATION &amp; AMORTISATION EXPENSE

|                                   | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|-----------------------------------|-----------------------|-----------------------|
| Depreciation on tangible assets   | 5557.01               | 6665.01               |
| Amortisation on intangible assets | 2.61                  | 7.23                  |
|                                   | <b>5559.62</b>        | <b>6672.25</b>        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 26 : OTHER EXPENSES

|   | Rs.in'000s<br>2011-12 | Rs.in'000s<br>2010-11 |
|---|-----------------------|-----------------------|
| Tools and Stores Consumed                 | 1206.38               | 1303.54               |
| Packing Materials consumed                | 239.69                | 74.00                 |
| Power and Fuel                            | 1767.94               | 1785.28               |
| Repairs and Renewals:                     |                       |                       |
| Buildings / Premises                      | 378.57                | 68.51                 |
| Plant and Machinery                       | 485.62                | 458.31                |
| Other Assets                              | 44.09                 | 34.17                 |
| Insurance                                 | 250.90                | 201.40                |
| Rent                                      | 10982.93              | 10314.54              |
| Printing and Stationery                   | 486.71                | 963.53                |
| Travelling & Conveyance                   | 10631.48              | 10629.27              |
| Postage & Courier Expenses                | 279.11                | 247.63                |
| Telephone Expenses                        | 1631.02               | 1921.67               |
| Legal & Professional Charges              | 3313.75               | 2593.93               |
| Auditors' Remuneration:                   |                       |                       |
| As Auditors:                              |                       |                       |
| Audit fee                                 | 89.89                 | 88.24                 |
| Tax Audit fee                             | 50.56                 | 49.64                 |
| Reimbursement of Expenses etc.            | 0.00                  | 0.00                  |
|   | <u>140.45</u>         | <u>137.88</u>         |
| VAT & CST Paid                            | 15708.99              | 24683.48              |
| Service Tax                               | 173.11                | 140.48                |
| Bad Debts                                 | 2025.59               | 841.06                |
| Entertainment Expenses                    | 668.82                | 459.36                |
| Vehicle Expenses                          | 894.03                | 726.82                |
| Directors' Sitting Fees                   | 241.60                | 221.86                |
| Freight and Forwarding (Net)              | 4243.07               | 3513.41               |
| Net Loss on Foreign Currency transactions | 0.00                  | 506.40                |
| Miscellaneous Expenses                    | 2522.92               | 3129.57               |
|   | <u>58316.73</u>       | <u>64956.07</u>       |

## NOTE 27 : OTHER ADDITIONAL NOTES/INFORMATION

## A Contingent Liability not provided for:

Demands / claims by various Government Authorities not acknowledged as debts and contested by the company:

- a. Income Tax Rs.1.19 lacs (Prev.Yr. Rs.NIL) [Appeal filed with the Commissioner of Income Tax (Appeals), Mumbai] It is not practicable for the company to estimate the timings of cash outflows, if any, in respect of the above pending matters.

B The Company has exposure to currency fluctuations. It does not hedge its position as the management feels it does not have any material impact as the company is importer as well as exporter of goods and services.

C Under the Micro and Small enterprises under Micro, Small and Medium Enterprise Development Act, 2006; (MSMED) which came in to force from October 2, 2006, certain disclosures are to made relating to Micro, Small and Medium Enterprises. On the basis of information available with the company, no such parties are being identified, hence no disclosure have been made in accounts. However, in view of the management, the impact of interest if any, that may be payable in accordance to the provisions of this act is not expected to be material.

|  | 2011-12            | 2010-11 |
|--|--------------------|---------|
| <b>D Earnings Per Share:</b>                           |                    |         |
| Profit/(Loss) after taxation and refund of income tax. | (Rs.in lacs) 92.37 | 70.90   |
| Number of Equity Shares (Face Value Rs. 10/-)          | 5380000            | 5380000 |
| Earning Per Share in Rupees - Basic & diluted          | 1.72               | 1.32    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 27 : OTHER ADDITIONAL NOTES / INFORMATION

**E Related Party Disclosure:**

List of Parties which significantly influence / are influenced by the company (either individually or with others) :

## 1) Relationships :

## (a) Key Management Personnel of holding company :

Mr. Milan B. Khakhar

Mr. Prakash B. Khakhar

## (b) Key Management Personnel of Subsidiaries :

Mr.M.S.Munde

Mr.H.S.Munde

## (c) Associate Concern :

Global Instile Solid Industries Ltd.

## (d) Relatives of Key Management personnel and Enterprise owned and significantly influenced by Key Management personnel or their relatives

Milan Marble &amp; Tiles

Vasumati B. Khakhar

Jeenoo Khakhar

Shraddha Khakhar

Note : Related party relationship on the basis of the requirements of Accounting Standard 18 (AS-18) is as identified by the Company and relied upon by the Auditors

## 2) Transactions carried out with Related parties referred to in 1 above, in ordinary course of business :

| NATURE OF TRANSACTIONS       | RELATED PARTIES                             |           |  |         | (Rs.in'000s)      |          |  |          |
|------------------------------|---|-----------|--|---------|-------------------|----------|--|----------|
|                              | Key Management Personnel of Holding Company |           | Key Management Personnel of Subsidiaries |         | Associate Concern |          | Relatives of Key Management personnel and Enterprise owned and significantly influenced by Key Management personnel or their relatives |          |
|                              | 2011-12                                     | 2010-11   | 2011-12                                  | 2010-11 | 2011-12           | 2010-11  | 2011-12  | 2010-11  |
| <b>PURCHASES :</b>           |   |           |  |         |                   |          |  |          |
| Goods and Material           | --  | --        | --                                       | --      | 19386.75          | 15184.98 | --   | --       |
| <b>SALES :</b>               |   |           |  |         |                   |          |  |          |
| Goods and Material           | --  | --        | --                                       | --      | 73.13             | 695.28   | --   | --       |
| <b>EXPENSES :</b>            |   |           |  |         |                   |          |  |          |
| Rent                         | 360.00                                      | 390.00    | --                                       | --      | --                | --       | 240.00   | 240.00   |
| Remuneration & Allowances    | 4860.00                                     | 4860.00   | 743.88                                   | 431.57  | --                | --       | 960.00   | 960.00   |
| Directors' fees              | --  | --        | --                                       | --      | --                | --       | 18.00  | 18.00    |
| <b>INCOME :</b>              |   |           |  |         |                   |          |  |          |
| --                           | --  | --        | --                                       | --      | --                | --       | --   | --       |
| <b>OUTSTANDINGS :</b>        |   |           |  |         |                   |          |  |          |
| Payable                      | 81.00                                       | 461.00    | 113.29                                   | --      | --                | 19383.98 | 72.00  | 182.00   |
| Receivable                   | --  | --        | --                                       | --      | 2737.80           | --       | --   | --       |
| <b>LOANS :</b>               |   |           |  |         |                   |          |  |          |
| Payable                      | 260.00                                      | --        | 2641.30                                  | 2460.18 | --                | --       | --   | --       |
| Receivable                   | --  | --        | --                                       | --      | --                | --       | --   | --       |
| Taken                        | 900.00                                      | --        | 95.87                                    | --      | --                | --       | --   | --       |
| Re-Paid                      | 640.00                                      | --        | 163.60                                   | --      | --                | --       | --   | --       |
| <b>ADVANCE AGAINST ORDER</b> |   |           |  |         |                   |          |  |          |
| Payable                      | --  | --        | --                                       | --      | --                | --       | 1887.10  | --       |
| Taken (Net)                  | --  | --        | --                                       | --      | --                | --       | 1887.10  | --       |
| <b>DEPOSITS :</b>            |   |           |  |         |                   |          |  |          |
| Given                        | 7500.00                                     | 7500.00   | --                                       | --      | --                | --       | 10000.00   | 10000.00 |
| <b>GUARANTEES :</b>          |   |           |  |         |                   |          |  |          |
| Given                        | --  | --        | --                                       | --      | --                | --       | --   | --       |
| Taken                        | 200000.00                                   | 170000.00 | --                                       | --      | 100000.00         | --       | --   | --       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 27 : OTHER ADDITIONAL NOTES / INFORMATION

(Rs.in'000s)

| Sr. No. | Nature of Transaction                        | Key Management Personnel of Holding Company |                         | Key Management Personnel of Subsidiaries |                    | Associate Concern      | Relatives of Key Management personnel and Enterprise owned and significantly influenced by Key Management personnel or their relatives |                      |                    |                    |
|---------|--|---|-------------------------|--|--------------------|------------------------|--|----------------------|--------------------|--------------------|
|         |  | Milan Khakhar                               | Prakash Khakhar         | M. S. Munde                              | H. S. Munde        |                        | Global Instile Solid Industries Ltd.   | Milan Marble & Tiles | Vasumati Khakhar   | Jeenoo Khakhar     |
| 1       | Payments to & provision for :                |   |                         |  |                    |                        |  |                      |                    |                    |
| a)      | Director's Remuneration & Allowance          | 2430.00<br>(2430.00)                        | 2430.00<br>(2430.00)    | 552.47<br>--                             | 191.41<br>(431.57) | --<br>--               | --<br>--   | --<br>--             | 480.00<br>(480.00) | 480.00<br>(480.00) |
| b)      | Rent   | 180.00<br>(195.00)                          | 180.00<br>(195.00)      | --<br>--                                 | --<br>--           | --<br>--               | 240.00<br>(240.00)   | --<br>--             | --<br>--           | --<br>--           |
| c)      | Director's Fees                              | --<br>--                                    | --<br>--                | --<br>--                                 | --<br>--           | --<br>--               | --<br>--   | 18.00<br>(18.00)     | --<br>--           | --<br>--           |
| 2       |  |   |                         |  |                    |                        |  |                      |                    |                    |
| a)      | Loans Taken                                  | --  | 900.00                  | --                                       | --                 | --                     | --   | --                   | --                 | --                 |
| b)      | Loans refunded                               | --  | 640.00                  | --                                       | --                 | --                     | --   | --                   | --                 | --                 |
| 3       | Purchase of Goods                            | --  | --                      | --                                       | --                 | 19386.75<br>(15184.98) | --   | --                   | --                 | --                 |
| 4       | Sale of Goods                                | --  | --                      | --                                       | --                 | 73.13<br>(695.28)      | --   | --                   | --                 | --                 |
| 5       |  |   |                         |  |                    |                        |  |                      |                    |                    |
| a)      | Advance Received against order               | --  | --                      | --                                       | --                 | --                     | --   | --                   | 3000.00            | --                 |
| b)      | Advance Refunded                             | --  | --                      | --                                       | --                 | --                     | --   | --                   | 1112.90            | --                 |
| 6       | Deposits Receivable as on 31st March         | 3750.00<br>(3750.00)                        | 3750.00<br>(3750.00)    | --<br>--                                 | --<br>--           | --<br>--               | 10000.00<br>(10000.00)   | --<br>--             | --<br>--           | --<br>--           |
| 7       | Outstanding Payable as on 31st March         | 40.50<br>(230.50)                           | 300.50<br>(230.50)      | 2191.32<br>(2049.18)                     | 563.27<br>(411.00) | --<br>(19383.98)       | 54.00<br>(108.00)  | 18.00<br>(18.00)     | 1887.10<br>(29.00) | --<br>(27.00)      |
| 8       | Outstanding Receivable as on 31st March      | --<br>--                                    | --<br>--                | --<br>--                                 | --<br>--           | 2737.80<br>--          | --<br>--   | --<br>--             | --<br>--           | --<br>--           |
| 9       | Outstanding Guarantee taken as on 31st March | 100000.00<br>(85000.00)                     | 100000.00<br>(85000.00) | --<br>--                                 | --<br>--           | 100000.00<br>--        | --<br>--   | --<br>--             | --<br>--           | --<br>--           |

(figures in Brackets relate to previous year)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 27 : OTHER ADDITIONAL NOTES / INFORMATION

| F  | Remuneration to Directors      |                  | Rs in '000s      |
|----|--------------------------------|------------------|------------------|
| 1) | <u>Nature of transactions:</u> |                  |                  |
|    | Remuneration to Directors      | <b>31/3/2012</b> | <b>31/3/2011</b> |
|    | Remuneration                   | 5543.88          | 5922.09          |
|    | Perquisites                    | 60.00            | 60.00            |

No amount has been provided as doubtful debts or advances / written off or written back in the year in respect of debts due from / to above related party.

G Segment Information:

The Company is primarily engaged in the business of natural stones, building material and allied building activities which is consider as a single segment.

| H | Remuneration to Auditors                  |                  | Rs in '000s      |
|---|---|------------------|------------------|
|   | Particulars                               | <b>31/3/2012</b> | <b>31/3/2011</b> |
|   | As Auditors (inclusive of Service Tax)    | 89.89            | 88.24            |
|   | Tax Audit Fees (inclusive of Service Tax) | 50.56            | 49.64            |
|   | <b>Total</b>                              | <b>140.45</b>    | <b>137.88</b>    |

I Lease :

Disclosure as required by Accounting Standard 19 (AS-19) issued by the The Institute of Chartered Accountants of India are as follows :

**Operating Lease :**

The Company's significant leasing arrangements are in respect of office premises, warehouse and showrooms taken on lease. The arrangements are generally not Non-Cancellable and range from 33 months to 60 months. Under these agreements, generally refundable interest-free deposits have been given. In respect of above arrangement, lease rentals payable are recognised in the Statement of Profit and Loss for the year. Total of Mimimum Lease payment for a period is :

| Particulars                                      | March 31 ,2012 | (Rupees in '0 00s)<br>March 31 , 2011 |
|--|----------------|---------------------------------------|
| Not Later than One Year                          | 906            | 891                                   |
| Later than One year and not later than five year | NIL            | NIL                                   |
| Later than Five years                            | NIL            | NIL                                   |

J The Central Government vide notification SO. 447 (E) dated February 28, 2011, has revised the Schedule VI under the Companies Act, 1956 and the same has become applicable for the Financial Statements to be prepared for the financial year commencing on or after April 1, 2011. Accordingly, the Company has reclassified the previous year figures to conform to this year's classification. The adoption of the revised Schedule VI does not impact the recognition and measurement principles followed for the presentation of the Financial Statements.

K Figures of previous year have been shown in bracket.

Signatures to the Notes to the Consolidated Financial Statements which form an integral part of these Consolidated Financial Statements.

**For ASHAR & CO**

Chartered Accountants  
(ICAI Regn.No.129159W)

**YOGESH ASHAR**  
PARTNER  
(Mem.No.046259)

MUMBAI:

DATED : 29th August, 2012

**For and on behalf of the Board**

**M.B.KHAKHAR**  
Chairman & Managing Director

**P.B.KHAKHAR**  
Joint Managing Director

# SOLID STONE COMPANY LIMITED

Regd. Office : 1501, Maker Chambers - V, Nariman Point, Mumbai - 400 021.

## FORM OF PROXY

Reg. Folio No.

I/We ..... of

..... in the district of .....

..... being a member of the above named Company hereby appoint

..... of in the district of .....

..... or failing him .....

..... of .....

in the district of .....

as my/our proxy to vote for me/us on my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on 25th September, 2012 and at any adjournment thereof.

Signed this ..... day of ..... 2012

Affix  
Rupee. 1  
Revenue  
Stamp

Signature .....

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

—Tear from here —

## ATTENDANCE SLIP

Reg. Folio No.

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Twenty Second Annual General Meeting of the Company at Centrum, Centre 1, World Trade Centre, 1st Floor, Cuffe Parade, on Tuesday, 25th September, 2012.

.....  
Member's/Proxy/s Name in BLOCK Letters

.....  
Member's/Proxy's Signature

Note : Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL

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**TWENTY SECOND ANNUAL REPORT 2011-2012**

**BOARD OF DIRECTORS**

|                          |                                   |
|--------------------------|-----------------------------------|
| Mr. Milan B. Khakhar -   | Chairman and<br>Managing Director |
| Mr. Prakash B. Khakhar - | Joint Managing Director           |
| Mrs. Vasumati B. Khakhar |                                   |
| Mr. K. Natarajan         |                                   |
| Ms. A. Y. Parekh         |                                   |
| Mr. K. Gopi Nair         |                                   |

**AUDITORS**

M/s. Ashar & Co.  
Chartered Accountants  
Mumbai

**BANKERS**

State Bank of India

**REGISTERED OFFICE**

1501, Maker Chambers - V,  
Nariman Point,  
Mumbai - 400 021.

**WORKS**

Plot No. 33/34, S. No. 831/15 & 25,  
Village Mahim, Chintupada,  
Taluka Palghar, Dist. Thane.

**TWENTY SECOND ANNUAL GENERAL MEETING**

AT

Centrum,

Centre 1, World Trade Centre,

1st Floor, Cuffe Parade, Mumbai-400005

On Tuesday, 25th September, 2012

At 9:15 A.M.