

*“Strength does not come from physical capacity.*

*It comes from an indomitable will.”*

*– Mahatma Gandhi*

# Achievement Highlights

## 1991 - 92

Incorporated on 9th October 1991 and Commenced granite quarrying & mining operations in Andhra Pradesh

## 1994 - 1995

Became a widely held public company by issuing shares to the public and presently listed on BSE

## 1996 - 97

Forward integration and owned a Manufacturing Plant (Unit 1) for slabs with  
Production Capacity of 1,44,000 Sqr.Mtrs

## 2000 - 2001

Acquired another Manufacturing Plant (Unit 2) with initial Annual Production Capacity of 156000 Sqr.Mtrs.

## 2002 - 2003

Set up a brand new Tile Plant at Unit 2 with Annual Production Capacity of 108000 sqr.mtrs. and  
expanded slab processing facility by 1,14,000 sqr.mtrs.

Achieved turnover over INR 100 Crores

Conferred "Bharat Ratna Dr.Visvesvaraya Industrial Award" by all India Manufacturers Organisation for  
Best Export Performance

## Venture into Apparel sector : 2003 2004

Company ventured into Apparel Sector and set up a Manufacturing Facility for readymade garments in  
Andhra Pradesh. The facility has Annual Production Capacity of 12,00,000 units.

## 2004 - 2005

Expanded facilities of Unit 2 (Granite Division) by adding two more gangsaws with total  
Annual Production Capacity for tiles and slabs to 6,36,000 sqr.mtrs.

## 2006 - 2007

Accredited with ISO – 9001:2000 certification by Bureau Veritas Quality International (BVQI) Mumbai.

## 2008 - 2009

Received "Special Export Promotion Award" from CAPEXIL for Export in granite sector

The Marble Institute of America conferred the "ROCKY" award for Collateral  
Material, Brochure, Print Advertisement and Magazine.

## World Class Manufacturing Facility for Quartz Surfaces : 2009 -2010

Set up a world class Manufacturing Facility on a plot of about 40 acres of land at APSEZ, Visakhapatnam,  
Andhra Pradesh, to manufacture quartz surfaces. The Unit has annual production capacity of 889500 sqr.  
mtrs & employs patented technology imported from Breton Technology Limited, Italy, with exclusive  
right in India. Presently the facility has been demerged and is under wholly owned Subsidiary Company,  
Pokarna Engineered Stone Limited

## Export House

Awarded status of Export House in 2000

## Recognition in Export Performance

First Prize in the Granite sector for "Export Performance-Merit Certificate" from 1999-2000 to 2005-2006

## "Best Export Performance Award"

"Best Export Performance Award" (in Granite Sector) by the Visakhapatnam SEZ between 2001-2002 to 2005-2006

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Gautam Chand Jain  
Chairman & Managing Director

Mr. Rahul Jain

Mr. Siddharth Jain

#### Non-Executive Directors

Mr. Prakash Chand Jain

Mr. Meka Yugandhar

Mr. Thati V. Chowdary

Mr. Vinayak Rao Juvvadi

Mr. Mahender Chand Chordia

Mr. Dhanji Lakhamsi Sawla

### COMPANY SECRETARY

Mr. Chinmoy Patnaik

### REGISTERED & CORPORATE OFFICE

105, First Floor, Surya Towers, Sardar Patel Road,  
Secunderabad-500 003, Andhra Pradesh, India.

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

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

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

### STATUTORY AUDITORS

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

### BANKERS

Union Bank of India, Khairatabad, Hyderabad

### FACTORIES

Survey No.123, Toopranpet (Village),  
Choutuppal (Mandal), Nalgonda (District),  
Andhra Pradesh.

Survey No. 563, 568 & 574,  
Aliabad Village, Shameerpet (Mandal),  
R.R. District, Andhra Pradesh.

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

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the members of Pokarna Limited will be held on **Monday, the 12th day of September, 2011 at Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad at 10.30 A.M.** to transact the following business:

### ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. Meka Yugandhar, who retires by rotation and, being eligible, offers him for reappointment.
- 3) To appoint a Director in place of Mr. Thati V. Chowdary, who retires by rotation and, being eligible, offers him for reappointment.
- 4) To appoint a Director in place of Mr. Mahender Chand Chordia, who retires by rotation and, being eligible, offers him for reappointment.
- 5) To appoint a Director in place of Mr. Dhanji Lakhamsi Sawla, who retires by rotation and, being eligible, offers him for reappointment.
- 6) To reappoint M/s. S. Daga & Co. (ENo. 000669S), Chartered Accountants, as Statutory Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

- 7) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT in continuation to the resolution passed at the Annual General Meeting of the Company held on 24th September, 2008 reappointing Mr. Gautam Chand Jain as the Chairman & Managing Director of the Company for a period of 5 years from 1st July 2008 up to 30th June, 2013, which was partially amended by the shareholders at the Annual General Meeting held on 23rd September 2009 and, subject to such other approvals as may be necessary, consent, pursuant to the provisions of Sec 269 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, is hereby accorded to the payment of the remuneration to Mr. Gautam Chand Jain, Chairman & Managing Director of the Company as set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to revise the remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the period commencing from 1st July 2011 up to 30th June 2013:

RESOLVED FURTHER THAT the resolution passed at the Annual General Meeting held on 24th September, 2008 reappointing Mr. Gautam Chand Jain as the Chairman & Managing Director of the Company for 5 years effective from 1st July 2008 up to 30th June, 2013 shall, except to the extent modified here, continue in force;

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution”.

- 8) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, article 58 of the Articles of Association of the Company be and is hereby stands altered by replacing in entirety with a new Article 58 as set out below:

Subject to the provisions of the Companies Act, 1956, every Director shall be paid a Sitting Fee of such sum as may be decided by the Board of Directors of the Company not exceeding ₹ 20,000/- for attending each meeting of the

Board of Directors or any committee thereof and shall also be entitled for reimbursement of travelling, hotel and other expenses incurred by him for attending and returning from the meeting(s).”

By order of the Board of Directors

**Chinmoy Patnaik**

Deputy General Manager –  
Legal & Company Secretary

8th August, 2011  
Secunderabad.

**NOTES:**

1. Relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolution set out under item no. 7 & 8 are appended below.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY TO BE EFFECTIVE SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to mention their Folio Number in the attendance slip for attending the meeting.
4. Corporate members intending to send their authorized representatives are requested to furnish a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members are requested to notify change, if any, in their address to the Registrar and Transfer Agent, namely, M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agents, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad 500 081. All communications regarding shares are to be addressed to our Registrar and Share Transfer Agent at the address mentioned above.
7. Members whose shareholding are in the electronic mode are requested to direct change of address notifications to their respective Depository Participants.
8. According to provisions of sub section (5) of Section 205A of the Companies Act, 1956, dividend which remain unclaimed for a period of Seven years is required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Information in respect of such unclaimed dividend and last date for claiming the same are given below;

Financial year	Date of declaration	Last date of claiming unclaimed / unpaid dividend
2003 - 04	30.09.2004	29.09.2011
2004 - 05	26.09.2005	25.09.2012
2005 - 06	29.09.2006	28.09.2013
2006 - 07	28.09.2007	27.09.2014
2007 - 08	24.09.2008	23.09.2015

Shareholders, who have not so far encashed the Dividend Warrant(s), are requested to seek issue of duplicate Dividend Warrant(s) by writing to the Company's Registrar & Transfer Agent, M/s Karvy Computershare Private Limited immediately. Shareholders are requested to note that no claims lie against the Company or the said fund in respect of any amounts which remain unclaimed and unpaid beyond seven years from the date they first became due for payment and no payment shall be made in respect of any such claims.

9. Members holding shares in the same order of name or in the same order of names but in several folios are requested to inform for consolidation into one folio.
10. Consequent upon introduction of Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in Physical Form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2 B in duplicate to M/s Karvy Computershare Private Limited (Forms shall be made available on request).
11. Any member desirous of obtaining any information on the accounts or operations of the Company is requested to forward his / her queries to the Company addressed to the Registered Office at 105, First floor, Surya Towers, Sardar Patel Road, Secunderabad - 500 003 for the attention of Mr. Chinmoy Patnaik, Deputy General Manager - Legal & Company Secretary, at least Seven days prior to the date of the meeting.
12. Copies of the Annual Report will not be distributed at the Annual General Meeting.
13. The Register of Members and Share Transfer books of the Company will remain closed from 8th September, 2011 to 12th September, 2011 (both days inclusive).
14. The Register of Directors' Shareholdings shall be open for inspection to any member of the Company during the period beginning 14 days before the date of Company's Annual General Meeting and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the Annual General Meeting to any person having right to attend the meeting.
15. Following is bio-graphical data of the Directors seeking re-appointment as required under clause 49 of the Listing Agreement entered with the Stock Exchanges:

Name of the Director	Mr. Meka Yugandhar	Mr. Thati V. Chowdary	Mr. Mahender Chand Chordia	Mr. Dhanji Lakhamsi Sawla
Date of Birth	10.07.1951	01.06.1943	13.04.1943	06.08.1930
Date of Appointment	29.03.2002	31.07.2002	01.07.2003	01.07.2003
Expertise in specific functional areas	securities market, finance, general management and commercial matters	Mining , Geology, finance & corporate management	finance, consumer goods industry, business management and commercial matters	Trading , business administration and commercial management
Qualifications	B.com., FCA	BE (Mining), M.B.A, L.L.B, F.I.E, .M.E.A, S.M.E.	B.com., FCA	Secondary
Directorship held in other companies as on 31st March, 2011 (excluding foreign companies and private limited companies)	10	4	1	1
Chairmanship / Membership of Committees (across all public limited Companies)	2/6	2/4	1	Nil
No. of shares held in the Company as on 31st March, 2011	Nil	Nil	Nil	Nil

**Names of companies in which the appointees also hold the directorship and the membership of Committees of the Board**

1.	Mr. Meka Yugandhar	2.	Mr. Thati V. Chowdary
(i)	Karvy Stock Broking Limited, Director (I) Audit Committee, Member (II) Remuneration Committee, Member (III) Customer Service Committee, Member (IV) Risk and Compliance Committee, Member	(i)	Regency Ceramics Limited, Director (I) Chairman – Share Transfer Committee (II) Member – Audit Committee

(ii)	Karvy Financial Services Limited, Director (I) Audit Committee, Chairman (II) Investment Committee, Chairman (III) Nomination Committee, Chairman	(ii)	Divyasakthi Granites Limited, Director
(iii)	Karvy Investor Services Limited, Director	(iii)	Regma Ceramics Limited, Director (I) Member – Audit Committee
(iv)	Karvy Global Services Limited, Director (I) Audit Committee, Member	(iv)	Pokarna Engineered Stone Limited, Director
(v)	Karvy Comtrade Limited, Director		
(vi)	Karvy Consultants limited, Director		
(vii)	Karvy Insurance Broking limited, Director		
(viii)	Karvy Investor Services Limited, Director		
(ix)	Nova Consultants Limited, Director		
(x)	Pokarna Engineered Stone Limited, Director		
<b>3.</b>	<b>Mr. Mahender Chand Chordia</b>	<b>4.</b>	<b>Mr. Dhanji Lakhamsi Sawla</b>
	Pokarna Engineered Stone Limited – Director		Pokarna Engineered Stone Limited – Director

#### ANNEXURE TO NOTICE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

##### Item No. 7

Mr. Gautam Chand Jain is the Chief Promoter of the Company. He was initially appointed as the Executive Chairman on 1st July 2003.

As required under Part II, Section II, Para C of Schedule XIII to the Companies Act, 1956, the relevant details to be sent along with the Notice calling the general meeting are as under:

##### I. General Information:

- Nature of Industry: Manufacturers of Granite Mining and Processing, Apparel manufacturing and retailing.
- Date or expected date of commencement of commercial production: The Company was incorporated on 9th October, 1991.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable.
- Financial performance based on given indicators:

(₹ in lakhs)

Particulars	31st March 2009	31st March 2010	31st March 2011
Net Sales	14198.16	13197.19	13237.11
Operating Profit	1897.36	1415.50	1882.58
Profit Before Tax	115.22	(379.81)	105.16

- Export performance and net foreign exchange earnings:

(₹ in lakhs)

Particulars	31st March 2009	31st March 2010	31st March 2011
Foreign exchange earnings	10523	9073	8362
Outgo	2879	1601	1929

- Foreign investments or collaborators, if any: The Company has no foreign collaborators and hence there is no equity participation by foreign collaborators in the Company.



## II. Information about Mr. Gautam Chand Jain:

### 1. Background details:

Mr. Gautam Chand Jain, born on the Independence Day in 1955, started off with retailing and wholesaling of fabrics along with his family members in 1979-80 and by 1982-83 earned the distinction of being Raymond Ltd's top distributor in India in terms of both value and volume of Raymond Fabrics, which he has been able to sustain all through. Mr. Gautam Chand Jain was successful in turning around sick units acquired from Financial Institution into profit making units. He is a renowned personality in the field of granite and textile industries and had immensely contributed to the nation by developing international market for granite from India. He is well exposed and familiar with international business.

Mr. Gautam Chand Jain, aged 55 years, is a commerce graduate and has over 37 years of experience in the field of industry, business and corporate management.

Mr. Gautam Chand Jain is not a member on any of the committees of the Board of Directors of the Company. Other companies where Mr. Gautam Chand Jain holds the position of directorship are provided below:

Sl.No.	Name of the Company
1.	Pokarna Fashions Limited
2.	Pokarna Fabrics Limited
3.	Pokarna Engineered Stone Limited
4.	Jain International Trade Organisation Limited

### 2. Past remuneration of Mr. Gautam Chand Jain

#### As approved by the shareholders at the Annual General Meeting held on 27th September, 2003:

Basic Salary of ₹ 3,00,000/- (Rupees Three lakhs only) per month. He was entitled for the following benefits and perquisites:

- Provident Fund and Gratuity as per the policy of the Company.
- Commission, which was in addition to basic salary, perquisites and allowances, which was payable, calculated with reference to the net profits of the Company for each financial year as evaluated during the year by the Board.
- Use of a Motor Car of the Company in connection with business of the Company and all the expenses for the maintenance and running of the Motor Car including salary of the driver were borne and paid by the Company.
- Any other place outside India and returning to the place of posting.
- Reimbursement of the actual traveling, entertainment expenses and approved club membership fees incurred by him in connection with the business of the Company.
- Reimbursement of actual medical and hospital expenses which have been incurred by him, his wife and dependent children, provided that such expenses not exceeded ₹ 3,00,000/- for each year or ₹ 9,00,000/- for a block of 3 (Three) years.

#### Revision by the shareholders at the Annual General Meeting held on 29th day of September, 2006.

Salary of ₹ 5,00,000 per month, with annual increments effective 1st April every year, as was decided by the Board of Directors, reimbursements of actual expenditure incurred on house gas, water, electricity and security and all other benefits, perquisites and allowances as was determined and approved by the Board of Directors from time to time; incentive remuneration and / or commission based on certain performance criteria as was prescribed by the Board.

#### As approved by the shareholders at the Annual General Meeting held on 24th day of September, 2008.

Salary per month: ₹ 5,00,000. Perquisites and Allowances not exceeding ₹ 2,50,000 per month.

Further, members are aware that at the eighteenth Annual General Meeting of the Company, members had accorded approval to the payment of the remuneration to Mr. Gautam Chand Jain, Chairman & Managing Director of the Company, for a period of 3 years commencing from 1st July 2008 up to 30th June, 2011, even in the event of loss or inadequacy of profits of the Company in any financial year.

Remuneration to Mr. Gautam Chand Jain in the preceding four financial years:

Financial Year	Remuneration (₹ in lakhs )
2006-2007	69.21
2007-2008	53.79
2008-2009	52.55
2009-2010	22.96

### 3. Awards

- Mr. Gautam Chand Jain spearheaded overall performance and growth of the Company and the Company was able to earn a number of recognitions and awards under his leadership, notable of which are mentioned below:
  - ‘Special Export Award’ by CAPEXIL for Export achievement in Granite Sector.
  - The Marble Institute of America conferred the “ROCKY” award for Collateral Material, Brochure, Print Advertisement and Magazine.

### 4. Job Profile and his suitability:

Mr. Gautam Chand Jain, Chairman and Managing Director of the Company, is vested with substantial powers of management of the Company which is subject to the superintendence, control and direction of the Board of Directors. Mr. Gautam Chand Jain, Chairman and Managing Director, has steered the Company to its present position and envisions positioning the Company amongst the best in the globe. He devotes his full time in managing the business and affairs of the Company and Pokarna Engineered Stone Limited (wholly owned subsidiary of the Company).

### 5. Remuneration

The consent of the members is sought to accord approval for payment of the remuneration (No increase in remuneration is proposed from earlier approval of the members), as set out below to Mr. Gautam Chand Jain, Chairman & Managing Director of the Company, for the period commencing from 1st July 2011 up to 30th June 2013.

1. Salary per month: ₹ 5,00,000
2. Perquisites and Allowance: Not exceeding ₹ 2,50,000 per month in the nature of accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and / or allowances for utilisation of gas, electricity, water, security services, furnishing and repairs; medical reimbursement; leave travel concession for self and family including dependents; club fees, medical insurance and such other perquisites and / or allowances. The said perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules there under or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. However, the Company’s contribution to Provident Fund, to the extent either singly or together are not taxable under the Income-tax law, and gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to the extent not taxable under the Income-tax law, shall not be included for the purpose of computation of the overall ceiling of remuneration.
3. In addition to the salary, perquisites and allowances as above based on certain performance criteria to be laid down by the Board. He shall also be entitled to receive incentive remuneration, if any, and / or commission, payable quarterly or at other intervals, as may be decided by the Board.

4. Reimbursement of expenses incurred for travelling, boarding and lodging including for attendant(s) during business trips; provision of car for use on the Company's business and telephone expenses at residence shall be reimbursed and not considered as perquisites.

**Overall Remuneration:**

The aggregate of salary, perquisites and allowances in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration in excess of that entitled under Section II of Part II of Schedule XIII to the Companies Act, 1956, but not exceeding the overall limits prescribed under the Act, the same shall be determined and decided by the Board.

**Minimum Remuneration:**

In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, as may, for the time being, be in force."

**6. Comparative remuneration policy with respect to industry, size of the Company, profile of the position and person:**

The executive remuneration in the industry is on the rise. Appreciating this, the Central Government has also from time to time raised the ceiling specified in Schedule XIII dealing with the remuneration of managerial persons. The Remuneration Committee perused remuneration of managerial persons in the granite and apparel industry and other companies comparable with the size of the Company, industry benchmarks in general, profile and responsibilities of Mr. Gautam Chand Jain, Chairman Managing Director, before approving the remuneration.

**7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:**

Mr. Gautam Chand Jain is the Chief Promoter of the Company. He holds 5,00,000 Equity Shares of the Company representing 8.06 % of the total capital of the Company. Promoters Group's holding is 56.95 % of the total capital of the Company. Directors namely Mr. Prakash Chand Jain and Mr. Rahul Jain are relatives of Mr. Gautam Chand Jain. For other details, you may refer to Related Party Transactions in Schedule 22 forming Part of Financial Statements which forms part of this Annual Report.

**(III) Other information:**

**1. Reasons of loss or inadequacy of profits:**

The Company had adequate profits for past many years and was paying remuneration to its managerial personnel within overall limits as specified under the Act. However, due to large exposure of granite business to the U.S. market, the current downturn in the U.S. and global economy, along with the housing markets in such economies, has severely impacted the Company's business. Similarly the apparel business of the Company was severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business. The unanticipated crisis affected the Company's performance and may continue in future. It also exports its products to many countries. Severe volatility in the forex markets also adversely impacts the performance of the Company.

**2. Steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms:**

The Company has taken the following steps for improvement in performance:

- The Company has embarked on a series of strategic and operational measures that is expected to result in the improvement over a period of time.
- The Company is exploring new markets / buyers in the international market to increase export sales.

- Emphasis on cash management
- More focus on cost reduction
- Retail Stores rationalization and emphasis on collections

While, it is difficult to give precise figure, the Company is targeting increase of about 10% in overall turnover and about 20% increase in operating profit as compared to the previous year.

Mr. Gautam Chand Jain, Mr. Prakash Chand Jain, Director and Mr. Rahul Jain, Executive Director, being related to Mr. Gautam Chand Jain, are concerned or interested in the resolution.

The Notice together with the Explanatory Statement may be treated as an abstract of the Memorandum of Interest under Section 302 of the Companies Act, 1956.

Your Directors recommend the Special Resolution for approval.

#### **Item No. 8**

The Board of Directors of the Company intends to increase the Sitting Fees payable to every Director of the Company for attending meetings of the Board of Directors or any committee thereof. It feels that it would be prudent and in the interest of the Company to increase the Sitting Fees payable to the Directors and bring it in line with the current industry practices. Article 58 of the Articles of Association of the Company that concerns Sitting Fees payable to the Directors, limits it to ₹ 2050/- per sitting. In order facilitate an increase in Sitting Fees, the Articles of Association is required to be altered by incorporating an enabling provision in the Articles of Association of the Company.

Therefore, the existing Article 58 needs to be appropriately altered to make a corresponding change by substituting it with a new Article 58. This alteration to the Articles of Association needs to be approved by the Shareholders of the Company by a Special Resolution pursuant to Section 31 of the Companies Act, 1956.

Your Directors recommend the Special Resolution for approval.

None of the Director is interested or concerned in the resolution except to the extent of receiving sitting fee.

By order of the Board of Directors

**Chinmoy Patnaik**

Deputy General Manager –  
Legal & Company Secretary

8th August, 2011  
Secunderabad.

## D I R E C T O R S ' R E P O R T



Dear members,

Your Directors have pleasure in presenting the Twentieth Annual Report together with the audited annual accounts of your Company and the Auditors' Report thereon for the financial year ended 31st March, 2011. The summarised consolidated and standalone financial performance of your Company is as under:

### FINANCIAL RESULTS

Rupees in Lakhs

Particulars	Standalone		Consolidated	
	2010-2011	2009-2010	2010-2011	2009-2010
Total Income	13702.67	13561.58	16842.20	14451.11
Less-Expenditure	13597.51	13941.39	19018.59	15822.19
Profit / (Loss) Before Tax	105.16	(379.81)	(2176.39)	(1371.08)
Provision for Taxation	(23.28)	2.35	(23.28)	0.31
Net Balance of Profit / (Loss)	128.44	(382.16)	(2153.11)	(1371.39)
Balance of Profit brought forward	3538.28	4723.77	2552.78	4727.50
Appropriation				
FCCB Redemption Reserve	1036.22	803.33	1036.22	803.33
Balance Carried to Balance Sheet	2630.50	3538.28	(636.55)	2552.78

Your Board is pleased to report improved performance and profit for the financial year 2010 – 2011 compared to the loss in previous year. This was possible despite the persistence of recession and challenging conditions in the international market. Your Company achieved a turnover of ₹13237.11 lakhs for the year under review compared to ₹13197.19 lakhs in the previous year and net profit after tax of ₹128.44 lakhs during 2010-11 when compared to loss of ₹382.16 lakhs in 2009 – 2010. The year under review saw higher margins with improved bottom-line in comparison to the margins of the previous year and, therefore, your Company could report profit after tax. This was possible due to greater efficiency in managing every aspect of the business in the current competitive conditions. The granite business continued to suffer on account of the prevailing downturn and recession in the international market, more particularly, in U.S and European markets and hostile price trends. The top-line of the apparel division of your Company was affected with a dip in sales to ₹1931.97 lakhs in the financial year 2010-11 from ₹2920.33 lakhs in the previous financial year.

### SUBSIDIARY & CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the General Circular no. 2/2011 issued by the Ministry of Corporate Affairs, Government of India, the provisions of Section 212 of the Companies Act, 1956, shall not apply in relation to Pokarna Engineered Stone Limited, wholly owned subsidiary company, in view of the Company meeting to all the requirements mentioned in the said circular. The consolidated financial statements of the holding and the subsidiary companies have been prepared in strict compliance with applicable Accounting Standards and the Listing Agreement which are duly audited by the statutory auditors and forms part of this Annual Report. The audited annual accounts and related detailed information of Pokarna Engineered Stone Limited, shall be made available at any point of time to the shareholders of the Company on request. Further, the Company shall also furnish hard copies of the details of the accounts of Pokarna Engineered Stone Limited as and when requested. The audited annual accounts shall be kept open at the head offices (i.e. registered offices) of both companies for inspection by any shareholder of either companies.

## **DIVIDEND**

The Board of Directors of your Company has decided not to recommend dividend for the financial year.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- such accounting policies have been selected and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

## **AUDIT COMMITTEE**

In terms of the requirement of clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and Section 292A of the Companies Act, 1956, your Company has constituted Audit Committee. The composition of the committee & other details are given in the Corporate Governance Report which forms part of this Annual Report.

## **CORPORATE GOVERNANCE**

Your Company is committed to maintain the highest standards of Corporate Governance. As required under Clause 49 of the Listing Agreement with the Stock Exchange, a Report on Corporate Governance as well as Auditors Certificate on the compliance of conditions on Corporate Governance are annexed and form part of this Annual Report. With a view to strengthen the Corporate Governance framework, the Ministry of Corporate Affairs has issued a set of Voluntary Guidelines in December 2009 for adoption by companies. Your Company is already complying with various requirements of the guidelines and further, will review its Corporate Governance parameters in the context of the recommendations under the Guidelines for appropriate action.

All board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2010-11. A declaration to this effect signed by the Chairman & Managing Director (CEO) of the Company is annexed to this Annual Report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

A separate section titled 'Management's Discussion and Analysis Report' forms part of this Annual Report.

## **AUDITORS**

M/s. S. Daga & Co., Chartered Accountants, who are the Statutory Auditors of the Company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to audit the accounts of the Company for the Financial Year 2011-12. As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s. S. Daga & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

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

## **DIRECTORS**

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 Mr. Meka Yugandhar, Mr. Thati V. Chowdary, Mr. Mahender Chand Chordia & Mr. Dhanji Lakhamsi Sawla, Directors of the Company, shall retire at the ensuing Annual

General Meeting of the Company and, being eligible, offer themselves for re-appointment. Their re-appointment is proposed in the Notice convening the Twentieth Annual General Meeting of the Company. Mr. Siddharth Jain, Executive Director of the Company, has resigned from his office as Executive Director and Director of the Company effective from 8th August, 2011. The Board places on record its appreciation for the invaluable services rendered by him during his tenure.

#### **PARTICULARS OF EMPLOYEES**

None of the employees of the Company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended till date during the year under report.

#### **PROMOTER GROUP**

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

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

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

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

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

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

Company's quarrying operations, granite processing plants and apparel manufacturing plants are designed to achieve higher efficiency in utilising energy. The key areas with regards to reduction of energy have been identified and necessary steps are taken to minimize the use of energy. The Company has no specific research & development department.

#### **FORM B**

(Disclosure of particulars with respect to Technology Absorption)

Research and development (R & D)

1. Specific areas in which R & D carried out by the company — Not applicable having regard to the nature of the industry.
2. Benefits derived as a result of the above R&D — Not Applicable.
3. Future plan of action — Not Applicable.

4. Expenditure on R & D:

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

The Company maintains a high level of information flow with various companies. Through visits of executives to developed countries, your Company keeps abreast with the advanced technological developments and through specific programmes introduces, adopts and implements them. This has resulted in higher production, accuracy and perfection in excavation of rough granite blocks, processing of random granite slabs and tiles and manufacturing of apparel.

Your Company generally exports granite to countries like Australia, Belgium, Canada, China, Croatia, France, Germany, Greece, Hong Kong, Israel, Italy Korea, Libya Mexico, Netherlands, Norway, Panama, Poland, Qatar, Russia, Saudi Arabia, Spain, St. Lucia, Switzerland, Turkey, Uganda, United Arab Emirates, United Kingdom, United States of America, Venezuela, Vietnam, Columbia, Slovenia.

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

During the year under review, the total standalone foreign exchange earnings and expenditure of your Company was ₹8362 lakhs and ₹216 lakhs, respectively.

**ACKNOWLEDGEMENTS**

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

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

The Directors take the opportunity to record their appreciation for those who have contributed to the success of the Company and look forward to their continued support in the years to come.

For and on behalf of the Board of Directors

Place: Secunderabad  
Date : 8th August, 2011

**Gautam Chand Jain**  
Chairman & Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS



### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

#### **Granite**

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

The dimension stone industry is highly competitive. Your Company competes with other dimension stone quarriers, including quarriers of granite, marble, limestone, travertine and other natural stones. Your Company also competes with manufacturers of other surfacing products, like engineered stone as well as other building materials like solid surface, laminate, concrete, aluminum, glass, wood and other materials. Your Company competes with providers of these materials on the basis of price, availability of supply, end-user preference for certain colors, patterns or textures and other factors.

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

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

In respect of Company’s granite processing business, your Company is subject to many adversities and risks, like, for certain raw materials, your Company is dependent on either one or a few number of suppliers, an adverse change in the Company’s relationship with any such supplier or the financial condition of such supplier going to worse or such supplier’s inability to quarry or deliver raw materials to the Company owing to any reason could lead to an interruption of supply which may affect Company’s business and reputation. An extended interruption in the supply of these or other raw materials used in the Company’s business or in the supply of suitable substitute materials would disrupt the Company’s operations.

The Company believes that the U.S. dimension stone industry has experienced declining demand beginning in the fourth quarter of 2006 which worsened considerably during the later parts of 2008 and persisted during part of financial year 2010-2011. The global economy has stabilized but is much below the expectation of the industry. Overall economic conditions and consumer sentiments continued to remain challenging. Although the Company cannot determine with certainty as to when market conditions will improve, the Company believes that it has well positioned itself to exploit when the market condition improves.

#### **Apparel**

Readymade garment industry has occupied a unique place in the industrial scenario of our country by generating substantial export earnings and creating lot of employment. Its contribution to industrial production, employment and export earnings is very significant. Readymade garments are the choice of urban people while the semi urban and rural sector are coming up fast. In domestic and export markets, it has made spectacular progress in the last decade.

Notwithstanding signs of recovery from the financial crisis, the textile and apparel industry went through a rough year stressed with the swelling and fluctuating prices of raw materials. However, the Government is making efforts in boosting the textile industry through various initiatives and investments are increasing steadily. The industry is expected to continue to grow at a significant pace in the future, as it is propelled by strong domestic consumption. Apparel industry has shown signs of recovery since late second half of 2009-10. Sync with the recovery, growth numbers is improving with better economic conditions and higher consumer discretionary spends. Industry is reassessing its position and looking for expansion. Apparel players are focusing on exploring new opportunities in fast emerging segments like casual wear, denim and value fashion. Growth in US and Europe continues to be stagnant and the global brands are expanding their reach outside their home markets into growing markets like India and China.

The bottom-line of this division of your Company continues to be severely affected due to lower capacity utilisation at manufacturing and price rationalization at the apparel retailing (STANZA brand) part of the business.

## 2. OPPORTUNITIES AND THREATS

Your Company's business may be subject to other opportunities and threats apart from the following:

### Granite – Opportunities

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

### Apparel – Opportunities

- Large and growing rural demand
- Increasing presence of International Players would drive efficiencies for domestic players.

### Granite – Threats

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

### Apparel – Threats

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

## 3. SEGMENT WISE PERFORMANCE

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

Rupees in Lakhs

S.No.	Particulars	For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>1.</b>	<b>Segment Revenue</b>		
a)	Granite	11,305	10,277
b)	Apparel	1,932	2,920
	Net Sales / Income from Operations	13,237	13,197
<b>2.</b>	<b>Segment Results Profit (+) / Loss (-) before tax and interest from each segment.</b>		
a)	Granite	1,322	1,050
b)	Apparel	(306)	(480)
	Total	1,016	570
	Less: i) Interest	911	950
	Total Segments Profit Before Tax	(105)	(380)
<b>3.</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>		
a)	Granite	8,261	8,885
b)	Apparel	1,163	1,852
	Unallocable assets less liabilities	1,762	1,434
	Total	11,186	12,171

#### 4. OUTLOOK

##### **Granite**

The stone industry is sensitive to changes in general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The current downturn in the U.S. and global economies, along with the residential and commercial markets in such economies, has negatively impacted the industry and the Company's business, as well. These difficult economic conditions are expected to continue or may improve in due course.

##### **Apparel**

Your Company is embarking on cost efficiencies in apparel retailing (STANZA brand) by undertaking many steps like closing economically unviable stores, improving inventory turns and reducing overheads. New store launching will be re-aligned to match demand potential. Your Company is currently taking steps to achieve higher capacity utilisation in manufacturing (contract exports) and in reducing cost to regain more margins.

Value buying by consumers, sharp increase in raw material prices, continued weakness in developed geographies, prospect of higher domestic inflation, fiscal tightening, proposed imposition of mandatory levy on branded garments and interest rates are some of the challenges facing the Textile Industry at large. Market dynamics in the form of fierce competition, demand, production and selling efficiencies, and pricing would be the key drivers of success in days to come.

#### 5. RISKS AND CONCERNS

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

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

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

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

Governance, Risk Management and Compliance processes form an integral part of the Company's planning and review mechanism. The Company's risk management framework establishes risk management processes at each business, helping in identifying, assessing and mitigating risks that could materially impact the Company's performance in achieving its objectives. The risk management framework ensures compliance with the requirements of Clause 49 of listing agreement.

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

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

Your company is able to report improved performance for 2010 – 2011. This was possible despite the recessionary trends and challenging conditions in the international market. Your Company achieved a turnover of ₹ 13237.11 lakhs for the year under review compared to ₹13197.19 lakhs in 2009 - 10. Net profit after tax of ₹ 128.44 lakhs during 2010-11 when compared to loss of ₹382.16 lakhs in the previous year.

## **8. HUMAN RESOURCES**

The Company recognizes the immense value addition made by its employees and their contribution to the growth and development of the company. In turn, the Company has been committed to train and develop its people and motivate them. Industrial relations have been cordial and mutually beneficial.

## **9. CAUTIONARY STATEMENT**

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

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

## CORPORATE GOVERNANCE REPORT

### I. COMPANY'S PHILOSOPHY

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

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

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

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

### II. BOARD OF DIRECTORS

#### Composition of Board

Names of directors, their directorship and Board Committee membership in companies as on 31<sup>st</sup> March, 2011 along with their attendance are given below:

Name	Category	Board meeting attendance	Attendance at the last AGM	No. of other Directorships[**]	Committee positions held across all companies (Member / Chairman) [*]
Mr. Gautam Chand Jain	Chairman & Managing Director	5	Yes	5	NIL
Mr. Rahul Jain	Executive Director	4	No	2	1
Mr. Siddharth Jain	Executive Director	5	Yes	2	Nil
Mr. Prakash Chand Jain	Non Executive & Non Independent	3	No	3	Nil
Mr. Meka Yugandhar	Non Executive & Independent	5	No	10	6 / 2
Mr. Thati V. Chowdary	Non Executive & Independent	2	Yes	4	4 / 2
Mr. Vinayak Rao Juvvadi	Non Executive & Independent	5	Yes	1	1
Mr. Mahender Chand Chordia	Non Executive & Independent	4	Yes	1	1
Mr. Dhanji Lakhamsi Sawla	Non Executive & Independent	4	Yes	1	Nil

[\*] Chairmanship / membership in Audit and Shareholders Grievance Committees.

[\*\*] Excluding private, foreign and Section 25 companies.

#### Board Meetings

Five meetings of the Board of directors were held during the year on May 27, 2010; August 07, 2010; November 12, 2010; February 01, 2011 & March 29, 2011. The maximum time gap between any two board meetings during the year was less than four months.

#### Details of shares held by directors as on 31st March 2011

Director	Number of shares held
Mr. Gautam Chand Jain	500000
Mr. Prakash Chand Jain	500000
Mr. Rahul Jain	100000
Mr. Siddharth Jain	100000

#### Directors' Compensation and Disclosures

Sitting fees were paid to the Non-Executive Directors for attending the meetings of the Board. Other than the above, no other component of remuneration was paid to Non-Executive Directors. Remuneration paid to Executive Directors is disclosed in the 'Notes on Accounts' which forms part of this Annual Report.

#### Brief Profile of the Directors being re-appointed

Brief profile of the directors required to be disclosed according to clause 49 of the listing agreement on the proposal of their reappointment is provided in the note appended to the Notice convening the Twentieth Annual General Meeting of the Company.

#### Code of conduct

The Board has approved a Code of Conduct for Board members and senior management personnel of the Company. The Code of Conduct has been posted on the website of the Company. All Directors and senior management personnel have affirmed compliance with the Code of Conduct and submitted declarations in this behalf for the year ended March 31, 2011. A declaration to the effect signed by the Chairman & Managing Director is given below:

#### DECLARATION

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for year ended 31.03.2011.

Secunderabad  
8th August, 2011

**Gautam Chand Jain**  
Chairman & Managing Director

### III. AUDIT COMMITTEE

#### Brief description of terms of reference

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

- Efficiency and effectiveness of operations
- Safeguarding of Company's assets and adequate provisioning for all liabilities
- Reliability of financial and other management information and adequacy of disclosures
- Compliance with all relevant statutes

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

**Composition**

Mr. Meka Yugandhar – Chairman  
Mr. Thati V. Chowdary – Member  
Mr. Vinayak Rao Juvvadi – Member  
Mr. Mahender Chand Chordia – Member

The Chief Financial Officer, representative of the Statutory Auditors and Internal Auditor are invitees to the Committee. They regularly attend the meetings of the Committee. Senior Executives of the Company including the Chairman & Managing Director and Executive Directors are also invited to attend the meetings. The Company Secretary acts as the Secretary of the Committee.

**Meetings and Attendance**

During the year under review, four Audit Committee meetings were held on May 27, 2010; August 07, 2010; November 12, 2010 & February 01, 2011.

<b>Member</b>	<b>Attendance during the year</b>
Meka Yugandhar	4
Thati V. Chowdary	2
Vinayak Rao Juvvadi	4
Mahender Chand Chordia	3

At the last Annual General Meeting held on 21st September, 2010, the Chairman of the Audit Committee was not present owing to some urgent unavoidable other engagement.

**IV. REMUNERATION COMMITTEE****Brief description of terms of reference**

- To assess the performance of Chairman & Managing Director and the Executive Directors of the Company;
- To determine and recommend to the Board compensation payable to Chairman & Managing Directors and the Executive Directors of the company.

The Remuneration Committee of the Company is constituted in accordance with the industry practices and in compliance with Schedule XIII of the Companies Act, 1956.

**Composition**

Mr. Thati V. Chowdary - Chairman  
Mr. Meka Yugandhar - Member  
Mr. Mahender Chand Chordia - Member  
Mr. Prakash Chand Jain - Member

During the year ended 31st March 2011, one meeting of the committee was held.

**Remuneration Policy**

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

The remuneration of the Non-Executive Directors' of the Company is decided by the Board of Directors. The Non-Executive Directors are paid remuneration by way of Commission and Sitting Fees. However, no commission was paid to the Non Executive Directors of the Company for the financial year under report. Non Executive Directors do not claim any fees for the committee meetings.

Details of remuneration paid to the Directors during the financial year ended March 31, 2011 are mentioned hereunder:

Rupees in Lakhs

Name	Designation	Salary	Perquisites & incentives	Sitting fees	Total
Mr. Gautam Chand Jain	Chairman & Managing Director	12.10	11.69	–	23.79
Mr. Rahul Jain	Executive Director	12.09	–	–	12.09
Mr. Siddharth Jain	Executive Director	12.09	–	–	12.09
Mr. Prakash Chand Jain	Non Independent Director	–	–	0.06	0.06
Mr. Meka Yugandhar	Independent Director	–	–	0.10	0.10
Mr. Thati V. Chowdary	Independent Director	–	–	0.04	0.04
Mr. Vinayaka Rao Juvvadi	Independent Director	–	–	0.10	0.10
Mr. Mahender Chand Chordia	Independent Director	–	–	0.08	0.08
Mr. Dhanji Lakhamsi Sawla	Independent Director	–	–	0.08	0.08
<b>Total</b>		<b>36.28</b>	<b>11.69</b>	<b>0.46</b>	<b>48.43</b>
Previous Year		36.28	10.87	0.46	47.61

Salary and perquisites include all elements of remuneration i.e. Salary, allowances & perquisites. No bonus, pension is paid to any of the directors. Contribution to Gratuity Fund has been made on a group basis and separate figures applicable to an individual employee are not available and therefore, contribution to Gratuity Fund has not been considered in the above computation.

The Company does not have any stock option plan or performance linked incentive for the Executive Directors.

The appointments were made for a period of five years for the Chairman & Managing Director and three years for the two Executive Directors, on the terms and conditions as mentioned in the relevant resolutions passed by the members in the general meetings, which do not provide for severance fees.

## V. SHAREHOLDERS' COMMITTEE

### Brief description of terms of reference

Attend and resolve investors' complaints pertaining to transfer of shares, non-receipt of balance sheet and non-receipt of declared dividend, etc.

### Composition

Mr. Thati V. Chowdary - Chairman  
 Mr. Meka Yugandhar - Member  
 Mr. Rahul Jain - Member

### Compliance Officer

Mr. Chinmoy Patnik, Deputy General Manager – Legal & Company Secretary is the Compliance Officer of the Company. His address and contact details are given below:

Address : 105, First Floor, Surya Towers, S. P. Road, Secunderabad.  
 Phone : 040 -2789 7722 / 2789 6361  
 Fax : 040-2784 2121  
 E-mail : igrc@pokarna.com

### Status of Complaints

During the year total of 11 complaints / requests were received from the investors and all were attended / resolved. There was no complaint outstanding as on March 31, 2011.



## VI. GENERAL BODY MEETINGS

Details of last three Annual General Meetings of the Company are provided below:

Financial Year	Date	Location	Time	No. of Special Resolutions passed in the AGM
2007-2008	24 <sup>th</sup> September 2008	Hotel Grand Kakatiya Sheraton & Towers, Begumpet, Hyderabad.	10:30 A.M.	None
2008-2009	23 <sup>rd</sup> September 2009	Hotel Fortune Select Manohar, Begumpet, Hyderabad.	10:30 A.M.	Four
2009-2010	21 <sup>st</sup> September 2010	Hotel Fortune Select Manohar, Begumpet, Hyderabad.	10:30 A.M.	None

Four special resolutions were passed at the Annual General Meeting of the Company held on September 23, 2009 granting approval to the remuneration of Chairman & Managing Director and Executive Directors of the Company. However, no special resolution was passed in the last year through postal ballot and no such resolution is proposed at the impending Annual General Meeting.

## VII. DISCLOSURES

1. Material transactions entered into with related parties have already been disclosed elsewhere in the report. No transaction of material has been entered into by the Company with the Directors / management and their relatives etc that have potential conflict with the interest of the Company.
2. No penalties have been imposed and strictures passed on the Company by the stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
3. The Company does not have a Whistle Blower Policy in place but affirms that during the year 2010-11 no personnel has been denied access to the Audit Committee.
4. All the mandatory requirements stipulated in the Corporate Governance Report have been complied.

## VIII. MEANS OF COMMUNICATION

### Quarterly reports

The quarterly, annual results and other statutory reports of the Company are communicated by disseminating the same to Bombay Stock Exchange. The Company also publishes its financial results, normally, in Financial Express (Mumbai editions) and Andhra Prabha. In terms of clause 54 of the listing agreement, the Company maintains functional website, namely, www.pokarna.com, containing basic information about the Company like details of the business, financial information, shareholding pattern, compliance with Corporate Governance etc. and the same are kept updated at any point of time.

## IX. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting 2011

**Date:** 12th September, 2011

**Time:** 10:30 A.M.

**Venue:** Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad

**Calendar for financial results for 2011 – 2012 (tentative & subject to change)**

Unaudited / audited financial results for the quarter ending	Date
June 30, 2011	8th August 2011
September 30, 2011	15th November, 2011
December 31, 2011	15th February, 2012
March 31, 2012	31st May, 2012 (Audited results)

### Dates of Book Closure

8th September 2011 to 12th September 2011 (Both days inclusive)

### Listing on Stock Exchange

Name of the Stock Exchange	Address	Code
Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532486

### Subsidiary

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

### Stock Market Data:

The monthly high and low quotations during the year were as follows:

2010 – 2011	BSE			
	Share Price (₹)		SENSEX	
Month	High	Low	High	Low
April	105.00	83.15	18047.86	17276.80
May	94.00	75.00	17536.86	15960.15
June	84.00	72.05	17919.62	16318.39
July	111.90	70.60	18237.56	17395.58
August	133.80	104.00	18475.27	17819.99
September	125.20	103.15	20267.98	18027.12
October	113.00	102.00	20854.55	19768.96
November	130.00	99.10	21108.64	18954.82
December	117.80	101.30	21108.64	19074.57
January	118.00	100.15	20664.80	18038.48
February	110.90	90.00	18690.87	17295.62
March	107.00	87.80	19575.16	17792.17

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

### Share Transfer System

Share transfers are processed and the shares certificates are returned to the shareholders within thirty days, subject to the documents are found to be in order.

### Shareholding pattern as on 31st March, 2011

S.No.	Category of shareholder	Number of shareholders	Total number of shares
(A)	PROMOTER AND PROMOTER GROUP		
(1)	INDIAN		
(a)	Individual / HUF	28	35,31,047
(b)	Central Government / State Government(s)	–	–
(c)	Bodies Corporate	–	–
(d)	Financial Institutions / Banks	–	–
(e)	Others	–	–
	Sub-Total A(1)	28	35,31,047
(2)	FOREIGN		

S.No.	Category of shareholder	Number of shareholders	Total number of shares
(a)	Individuals (NRIs / Foreign Individuals)	–	–
(b)	Bodies Corporate	–	–
(c)	Institutions	–	–
(d)	Others	–	–
	Sub-Total A(2)	–	–
	Total A=A(1)+A(2)	28	35,31,047
(B)	PUBLIC SHAREHOLDING		
(1)	INSTITUTIONS		
(a)	Mutual Funds / UTI	–	–
(b)	Financial Institutions / Banks	–	–
(c)	Central Government / State Government(s)	–	–
(d)	Venture Capital Funds	–	–
(e)	Insurance Companies	–	–
(f)	Foreign Institutional Investors	–	–
(g)	Foreign Venture Capital Investors	–	–
(h)	Others	–	–
	Sub-Total B(1)	–	–
(2)	NON-INSTITUTIONS		
(a)	Bodies Corporate	80	6,31,473
(b)	Individuals		
	(i) Individuals holding nominal share capital upto Rs. 1 lakh	1,854	8,10,846
	(ii) Individuals holding nominal share capital in excess of Rs. 1 lakh	23	12,10,220
(c)	Others		
	Non resident Indians	18	13,964
	Clearing members	2	3250
	Sub-Total B(2)	1,977	26,69,753
	Total B=B(1)+B(2)	1,977	26,69,753
	Total (A+B)	2,005	62,00,800
(C)	Shares held by custodians, against which Depository Receipts have been issued	–	–
	GRAND TOTAL (A+B+C)	2,005	62,00,800

#### Distribution of Shareholding as on 31st March, 2011

Category	Number of Shareholders	Percentage	Value of shares (₹)	Percentage
1 - 5000	1,621	80.85	1985040	3.20
5001 - 10000	127	6.33	1052070	1.70
10001 - 20000	107	5.34	1751930	2.83
20001 - 30000	25	1.25	655880	1.06
30001 - 40000	30	1.50	1147290	1.85
40001 - 50000	12	0.60	561690	0.91
50001 - 100000	27	1.35	1957410	3.16
100001 and above	56	2.79	52896690	85.31
TOTAL	2005	100.00	62008000	100.00

#### Dematerialization of shares and Liquidity

The shares of the Company are compulsorily traded in dematerialized form and are available for dematerialization under both the Depository Systems in India- NSDL and CDSL. As on 31st March 2011, a Total of 60, 14,954 equity shares of the Company, which constitutes 97% of the Share Capital of the Company, are dematerialized.

### Statutory Compliance

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

### Reconciliation of Share Capital Audit Report:

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

### For share related services like transfer of physical shares / change of address / annual report & etc:

For share related services / transfer of physical shares / change of address of members	For queries relating to Dividends, Annual Reports etc.
Mr.V K Jayaraman / Mrs.Varalakshmi Karvy Computershare Private Limited Plot No.17 to 24,Vittalrao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh. Ph: +91 40 2342 0815-824 (10 lines) Fax:+91 40 2342 0814 E-mail: einward.ris@karvy.com Website: www.karvy.com	Mr. Chinmoy Patnaik Deputy General Manager – Legal & Company Secretary Pokarna Limited, Registered Office, 105, First Floor, Surya Towers, Sardar Patel Road, Secunderabad – 500 003, Andhra Pradesh. Ph: +91 40 2789 6361, 27844 4101 Fax:+91 40 2784 2121 Email id for investor grievances: igrc@pokarna.com Website:www.pokarna.com

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

Name of the Instrument	Total Issued	Converted as on 31st March, 2011	Outstanding as on 31st March, 2011	Likely conversion date
Zero Coupon Foreign Currency Convertible Bonds (issued during FY 2006-2007)	*US\$12,000,000	Nil	*US\$12,000,000	On or before 14th March 2012

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

### Plant Locations

#### a) Quarrying Operations

##### i) Ongole Sector:

- Survey Nos. 980/3 & 5, 980/2, 988/1, 16/4P/12/1, 14/1,15/1,16/1,14/1c,15/3,16/3,16/4, R L Puram, Chimakurthy, Prakasham Dist., Andhra Pradesh
- Survey No. (103) (847/1,203,204/1,2,207/1 to 7, 208/2P 208/4,5 209/3 to 7,371/p, 372/1 to 3)  
Extent – (4.000 Hect) (4.271 Hect) (12.877 Hect), Konedina Village, Ballikururava Mandal, Prakasam Dist., Andhra Pradesh.

##### ii) Warangal Sector:

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

**iii) Srikakulam Sector:**

- |   |   |   |
|---|---|---|
| a) Survey No. 53,<br>Tekkali Village,<br>Srikakulam Dist.,<br>Andhra Pradesh. | b) Survey No. 284,<br>Rapaka Village,<br>Srikakulam Dist.,<br>Andhra Pradesh. | c) Survey No. 270,<br>Singupuram Village,<br>Srikakulam Dist.,<br>Andhra Pradesh. |
|---|---|---|

**iv) Karimnagar Sector:**

- |   |   |   |
|---|---|---|
| a) Survey No. 116/1,<br>Kamanpur Village,<br>Karimnagar Dist.,<br>Andhra Pradesh. | b) Survey No. 221,<br>Sultanabad Village,<br>Karimnagar Dist.,<br>Andhra Pradesh. | c) Survey No. 97 & 111,<br>Odayaram Village,<br>Gangadhara, Karimnagar Dist.<br>Andhra Pradesh. |
| d) Survey No. 728,<br>Challoor, Venavanka<br>Karimnagar Dist.,<br>Andhra Pradesh. | e) Survey No. 552<br>Togarai Village,<br>Karimnagar Dist.,<br>Andhra Pradesh.     |   |

**v) Madurai Sector:**

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

**vi) Chittoor Sector:**

Survey No. 6,  
Eswarapuram Village,  
Puttur, Chittoor Dist.,  
Andhra Pradesh.

**b) Manufacturing Plants**

**Granite Processing Plant:**

- |   |  |
|---|--|
| 1) Survey No. 123,<br>Toopranpet Village,<br>Choutuppal Mandal,<br>Nalgonda District.,<br>Andhra Pradesh. | 2) Survey No. 563, 568 & 574,<br>Aliabad Village,<br>Shameerpet Mandal,<br>R. R. Dist.,<br>Andhra Pradesh. |
|---|--|

**Apparel Manufacturing Plant:**

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

**Registered Office:**

105, First Floor,  
Surya Towers, Sardar Patel Road,,  
Secunderbad-500 003,  
Andhra Pradesh.  
Ph: +91 40 2789 6361, 27844 4101  
Fax: +91 40 2784 2121  
Email id for investor grievances: [igrc@pokarna.com](mailto:igrc@pokarna.com)  
Website: [www.pokarna.com](http://www.pokarna.com)

**NON MANDATORY REQUIREMENTS**

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

**Chairman**

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

**Remuneration Committee**

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

**Shareholders Rights**

The Company publishes its results on its website at [www.pokarna.com](http://www.pokarna.com) and this information is also available on the website of the Bombay Stock Limited where the shares are listed. A half yearly declaration of financial performance including summary of significant events in the last six-months has not been sent to each household of shareholders, as the quarterly results are published in widely circulated English newspaper. The complete Annual Report is sent to every shareholder of the Company.

**Audit Qualification**

The Company continues to adopt best practices to endeavor the regime of unqualified financial statements. There is no qualification from the Statutory Auditors of the Company for the financial year 2010-11.

**Training of Board Members**

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

**Mechanism for evaluation of Non Executive Directors**

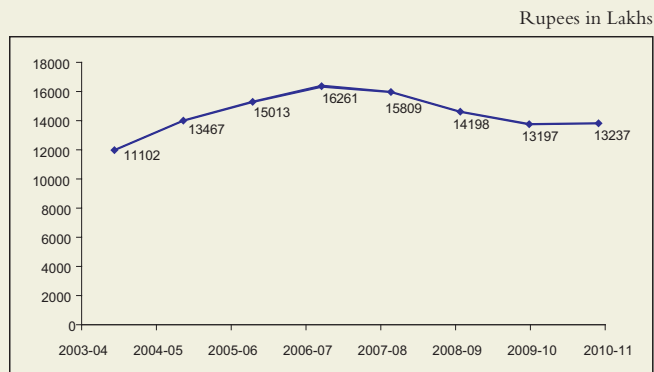
The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfills the aspirations of the stakeholders. The Board does not deem the necessity of evaluating the performance of its Non-Executive Board members.

**Whistle Blower Policy**

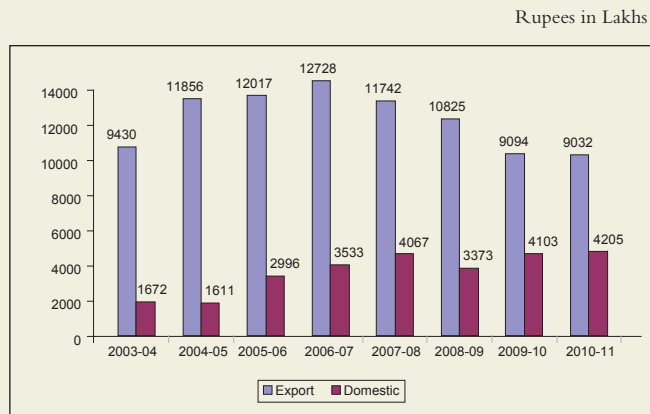
The Company encourages open door policy where employees have access to all the Heads of the Businesses / Functions. Employees are free to report existing / probable violations of laws, rules, regulations or unethical conduct to Heads of the Businesses / Functions.

## YOUR COMPANY'S GROWTH

### Turnover



### Sales – Export vs Domestic

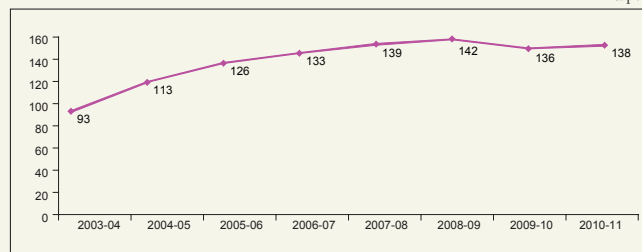


### Reserves & Surplus

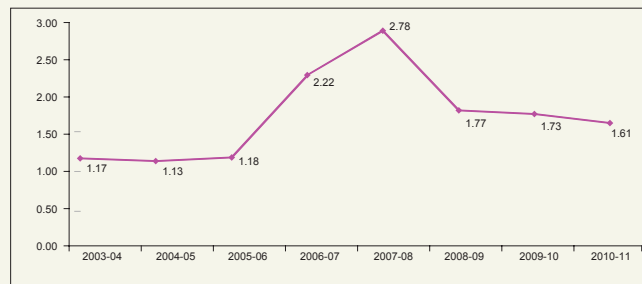


### Book Value

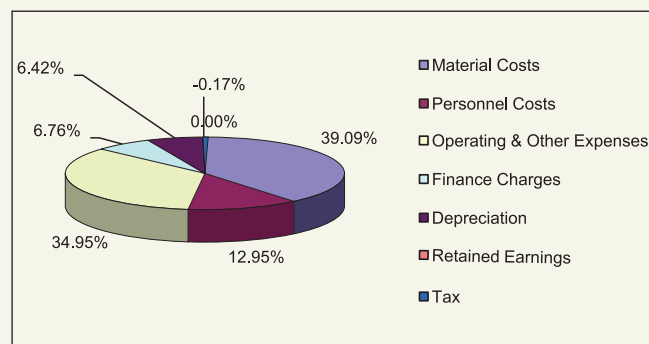
In Rupees



### Debt / Share Holders Fund



### Distribution of Revenue





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

.....●.....

To

The Members' of Pokarna Limited.

We have examined the compliance of conditions of corporate governance by **Pokarna Limited** ("the Company"), for the year ended on **31st March, 2011** as stipulated in clause 49 of the Listing Agreement entered by the Company with Bombay Stock Exchange Limited.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Grievance Committee.

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

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

Place : Hyderabad  
Date : 27th May, 2011

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

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## AUDITORS' REPORT



To

The Members  
Pokarna Limited

1. We have audited the attached balance sheet of **POKARNA LIMITED**, as at 31st March 2011, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (and amended by The Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31st March 2011;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

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

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

Place: Hyderabad  
Date : 27th May, 2011

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



1. a) The company has maintained generally proper records to show full particulars including quantitative details and situation of fixed assets.  
b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on physical verification have been properly dealt with in the books of account;  
c) In our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the company during the year.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.  
c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. a) The company had not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
b) In view of our comment in paragraph 3(a) above, reporting under clause 4(iii) (b), (c) & (d) of the aforesaid order are not applicable to the Company.  
c) During the period, the company had taken unsecured loans from 5 parties (Previous year 4 parties) covered in the register maintained under section 301 of the companies Act, 1956 and the maximum amount involved during the period was Rs. 2018.17 lakhs (Pr. Year Rs 1607.66 lakhs) and the period end balance is Rs. 2018.17 lakhs (Pr. Year Rs. 1532.66 lakhs).  
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made there under.
7. In our opinion, the company has internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of goods traded by the company.
9. a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, investor education and protection fund and any other material statutory dues applicable to it.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2011 for a period of more than six months from the date they became payable.

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

Sl. No.	Name of the Statute	Nature of Dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending	Amount Deposited (Rs. in Lakhs)
1.	C.S.T.	C.S.T.	3.15	2004-05	Commercial Tax Officer	2.00
2.	Finance Act, 1994	Service Tax	66.14	2007-10	Commissioner of Central Excise & Service Tax	–
3.	Central Excise Act, 1944	Excise Duty	36.76	2001-10	Commissioner of Central Excise & Service Tax	5.71
4.	Customs Act, 1962	Customs Duty	3.75	2005-06	Customs, Excise & Service Tax Appellate Tribunal	3.75
<b>Total</b>			<b>109.80</b>			<b>11.46</b>

10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. The company has delayed in making repayment of dues to banks for a short period of 2-3 months during the year. The balance due to the bank at the close of the year of Rs. 3.08 crore has since been paid by the company.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. According to the information and explanations to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
19. The company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
20. The company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

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

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

Place : Hyderabad  
Date : 27th May, 2011

**POKARNA LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2011**

		Amount in Rupees			
	Schedule	As at 31.03.2011		As at 31.03.2010	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	62,008,000	62,008,000		
Reserves & Surplus	2	<u>795,843,636</u>	<u>857,851,636</u>	782,999,516	845,007,516
<b>Loan Funds</b>					
Secured Loans	3	643,207,458		762,204,185	
Un-secured Loans	4	737,616,957		702,649,548	
<b>Deferred Tax Liability (Net)</b>	5	57,645,350		63,424,051	
<b>Total</b>		<u>2,296,321,401</u>		<u>2,373,285,300</u>	
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	1,550,722,296		1,540,635,164	
Less: Accumulated Depreciation		<u>574,937,256</u>		495,432,864	
Net Block		975,785,040		1,045,202,300	
Capital Work-in-Progress		<u>25,274,556</u>	<u>1,001,059,596</u>	29,655,710	1,074,858,010
<b>Investments</b>	7		611,587,640		611,587,640
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	8	395,731,930		315,938,948	
Sundry Debtors	9	289,922,994		314,804,600	
Cash & Bank Balances	10	56,890,955		86,945,257	
Loans & Advances	11	<u>303,109,905</u>		245,885,628	
		<u>1,045,655,784</u>		<u>963,574,433</u>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	12	266,029,062		231,388,396	
Provisions	13	<u>95,952,557</u>		45,346,387	
		<u>361,981,619</u>		<u>276,734,783</u>	
<b>Net Current Assets</b>			<u>683,674,165</u>		686,839,650
<b>Total</b>			<u>2,296,321,401</u>		<u>2,373,285,300</u>

Significant Accounting Policies 21

Notes to the Accounts 22

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

As per our report attached

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

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 27th May, 2011

For and on behalf of Board of Directors

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

**POKARNA LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011**

		Amount in Rupees	
	Schedule	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>INCOME</b>			
Gross Sales		1,339,916,218	1,332,735,662
Less: Excise Duty on Sales		16,204,762	13,017,112
Net Sales		1,323,711,456	1,319,718,550
Operating Income	14	42,690,802	32,712,837
Other Income	15	3,864,769	3,726,784
<b>Total</b>		<b>1,370,267,027</b>	<b>1,356,158,171</b>
<b>EXPENDITURE</b>			
Material Costs	16	527,147,581	595,732,904
Personnel Costs	17	174,655,497	145,785,140
Operating & Other Expenses	18	480,205,838	473,089,865
Finance Charges	19	91,128,925	95,053,712
Depreciation	6	86,613,080	84,477,105
<b>Total</b>		<b>1,359,750,921</b>	<b>1,394,138,726</b>
Profit Before Tax		10,516,106	(37,980,555)
Less: Provision For Tax	20	(3,682,788)	(2,751,462)
Less: Prior Years Tax		1,354,774	2,986,579
Net Profit After Tax		12,844,120	(38,215,672)
Balance of Profit Brought Forward		353,828,630	472,377,694
Amount Available For Appropriation		366,672,750	434,162,022
<b>Appropriations:</b>			
Transfer to FCCB Redemption Reserve		103,622,334	80,333,392
Balance Carried to the Balance Sheet		263,050,416	353,828,630
<b>Total</b>		<b>366,672,750</b>	<b>434,162,022</b>
Earnings Per Share – Basic		2.07	(6.16)
Earnings Per Share – Diluted		1.52	(6.16)
(Par value of Rs. 10 each)			
Significant Accounting Policies	21		
Notes to the Accounts	22		

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**

Chartered Accountants

**Shantilal Daga**

Partner

Membership No. 11617

Place: Secunderabad

Date: 27th May, 2011

**Gautam Chand Jain**

**Meka Yugandhar**

**Vinayak Rao Juvvadi**

**Thati V. Chowdary**

**Prakash Chand Jain**

**Rahul Jain**

**M Vishwanatha Reddy**

**Sanjay Daga**

**Chinmoy Patnaik**

Chairman & Managing Director

Director

Director

Director

Director

Executive Director

Chief Financial Officer

G. M. – Accounts

Company Secretary

**POKARNA LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

	Schedule	Year Ended 31.03.2011	Amount in Rupees Year Ended 31.03.2010
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax (Net of prior period items)		10,516,106	(37,980,555)
Adjustment for –			
Add: Non cash item / items required to be disclosed separately:			
Depreciation		86,613,080	84,477,105
Interest Expense		91,128,925	95,053,712
Loss on Sale of Asset		4,289,455	10,114,847
Unrealised Foreign Exchange (gain) / loss		(5,916,485)	(67,547,488)
Interest Income		(3,864,769)	(3,726,784)
Provision for Doubtful Debts		–	4,618,272
Provision for Doubtful Debts written back		(18,953,025)	–
<b>Operating Profit before working capital changes</b>		<b>163,813,287</b>	<b>85,009,109</b>
Changes in working capital and other provisions:			
Sundry Debtors		43,213,109	59,362,141
Inventories		(79,792,982)	75,306,131
Loans & Advances		(56,983,921)	(37,575,137)
Current Liabilities & Provisions		82,806,573	21,370,042
<b>Cash Generated from operations</b>		<b>1,53,056,066</b>	<b>203,472,286</b>
Income Taxes paid during the year		(1,607,774)	(3,896,787)
<b>Net cash flow generated by operating Activities</b>		<b>151,448,292</b>	<b>199,575,499</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed Assets and changes in capital work-in-progress		(18,539,841)	(71,156,956)
Proceeds from Sale of assets		967,722	2,625,506
Investment in subsidiary		–	–
Interest Income		3,864,769	3,726,784
<b>Net Cash used in investing Activities</b>		<b>(13,707,350)</b>	<b>(64,804,666)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		–	–
Bank Borrowings		(118,996,727)	(56,189,235)
Other Borrowings		40,847,409	30,475,150
Dividends and Corporate dividend Tax		–	–
Interest paid		(91,128,925)	(95,053,712)
<b>Net Cash generated from financing Activities</b>		<b>(169,278,243)</b>	<b>(120,767,797)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		1,482,999	(654,281)
<b>Net increase (decrease) in cash and cash Equivalents</b>		<b>(30,054,302)</b>	<b>13,348,755</b>
Cash and Cash equivalents at the beginning of the year		86,945,257	73,596,502
Cash and Cash equivalents as at the end of the year		56,890,955	86,945,257
		<b>(30,054,302)</b>	<b>13,348,755</b>

Significant Accounting Policies 21

Notes to the Accounts 22

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

As per our report attached

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

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date: 27th May, 2011

For and on behalf of Board of Directors

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinnmoy Patnaik</b>	Company Secretary



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

	31.03.2011	31.03.2010
Amount in Rupees		
<hr/>		
<b>Schedule - 1</b>		
<b>Share Capital</b>		
Authorised:		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	200,000,000	200,000,000
<b>Issued, Subscribed and paid up:</b>		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	62,008,000	62,008,000
<b>Total</b>	<b>62,008,000</b>	<b>62,008,000</b>
<hr/>		
<b>Schedule - 2</b>		
<b>Reserves &amp; Surplus</b>		
<b>Capital Subsidy</b>	1,500,000	1,500,000
<b>Share Premium</b>	7,396,000	7,396,000
<b>General Reserve</b>		
Balance at the Beginning of the Year	94,376,453	94,376,453
<b>FCCB Redemption Reserve</b>		
Opening Balance	325,898,433	245,565,041
Add: Transferred from Profit & Loss A/c	103,622,334	80,333,392
	429,520,767	325,898,433
<b>Profit &amp; Loss Account</b>		
Opening Balance	353,828,630	472,377,694
Add: Profit for the year after Approp	12,844,120	(38,215,672)
	366,672,750	434,162,022
Less: Trd. To FCCB Redemption reserve	103,622,334	80,333,392
	263,050,416	353,828,630
<b>Total</b>	<b>795,843,636</b>	<b>782,999,516</b>
<hr/>		
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
<b>Term Loans</b>		
From Bank		
– Rupee Loan	321,145,767	385,264,106
<b>Working Capital Loans</b>		
From Bank		
– Rupee Loan	301,906,521	342,447,375
<b>Hire Purchase Loans</b>		
From Banks		
– Rupee Loan	2,914,082	1,308,972
From Others		
– Rupee Loan	17,241,088	33,183,732
<b>Total</b>	<b>643,207,458</b>	<b>762,204,185</b>
<hr/>		

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

**Schedule - 6**

**Fixed Assets**

Description	Amount in Rupees								
	Gross Block			Depreciation		Net Block			
	As on 01.04.2010	Additions	Deletion & Adjustments	As on 31.03.2011	Upto 31.03.2010	For the Period	Deletion & Adjustments	As on 31.03.2011	As on 31.03.2010
Land - Freehold*	43,279,150	4,654,505	-	47,933,655	-	-	-	47,933,655	43,279,150
Buildings	5,581,034	-	-	5,581,034	5,13,535	90,971	-	4,976,528	5,067,499
Factory & Quarry Buildings	216,657,003	6,379,806	-	223,036,809	41,704,968	7,305,689	-	174,026,152	174,952,035
Plant & Machinery	1,087,009,208	1,616,115	6,014,351	1,082,610,972	384,522,151	62,707,498	4,667,608	640,048,931	702,487,057
Vehicles	54,107,303	5,493,374	952,132	58,648,545	24,944,482	5,584,424	631,827	28,751,466	29,162,821
Furniture & Fixtures and Office Equipment	95,721,581	4,309,197	5,399,382	94,631,396	24,607,728	7,096,498	1,809,253	64,736,423	71,113,853
<b>Intangible Assets:</b>									
Trade Marks & Brand Names	38,279,885	-	-	38,279,885	19,140,000	3,828,000	-	15,311,885	19,139,885
<b>Total</b>	<b>1,540,635,164</b>	<b>22,452,997</b>	<b>12,365,865</b>	<b>1,550,722,296</b>	<b>495,432,864</b>	<b>86,613,080</b>	<b>7,108,688</b>	<b>975,785,040</b>	<b>1,045,202,300</b>
Previous Year	1,452,519,476	10,67,22,336	1,86,06,648	154,06,35,164	41,68,22,053	8,44,77,105	58,66,294	104,52,02,300	103,56,97,423

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

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

	31.03.2011	31.03.2010
Amount in Rupees		
<hr/>		
<b>Schedule - 4</b>		
<b>Unsecured Loans</b>		
Zero Coupon Foreign Currency Convertible Bonds	535,800,000	541,680,000
Other Loans and Advances		
From Banks	-	7,703,999
From Others		
- Inter Corporate	156,116,957	127,265,549
- From Directors	45,700,000	26,000,000
<b>Total</b>	<u>737,616,957</u>	<u>702,649,548</u>
<b>Schedule - 5</b>		
<b>Deferred Tax Liability (Net)</b>		
Deferred Tax Liabilities		
- Depreciation	65,562,103	74,033,586
	<u>65,562,103</u>	<u>74,033,586</u>
Deferred Tax Assets		
- Others	7,350,662	9,039,784
- Provision for Doubtful Debts	566,091	1,569,751
	<u>7,916,753</u>	<u>10,609,535</u>
<b>Total</b>	<u>57,645,350</u>	<u>63,424,051</u>
<b>Schedule - 7</b>		
<b>Investments</b>		
Fully Paid Up Long Term - At Cost		
In Subsidiary Companies:		
Unquoted		
1,00,000 Equity Shares of Rs. 10/- Each of Pokarna Engineered Stone Limited	1,000,000	1,000,000
Unquoted		
6,10,58,764 Optionally Convertible Debentures of Rs. 10/- each of Pokarna Engineered Stone Limited	610,587,640	610,587,640
<b>Total</b>	<u>611,587,640</u>	<u>611,587,640</u>
<b>Schedule - 8</b>		
<b>Inventories</b>		
Raw Material	116,436,379	95,226,773
[Including Goods-in-Transit Rs. 165.70 Lakhs, (Rs. 30.16 Lakhs)]		
Raw Granite at Quarries	14,319,499	11,795,046
Work-In-Process	34,743,984	13,041,686
Finished Goods	165,335,864	145,512,869
Traded Goods	14,446,888	7,696,293
Consumables, Stores & Spares	45,727,742	39,035,762
Packing Material	4,721,574	3,630,519
<b>Total</b>	<u>395,731,930</u>	<u>315,938,948</u>

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

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	31.03.2011	31.03.2010
Amount in Rupees		
<hr/>		
<b>Schedule - 9</b>		
<b>Sundry Debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
– Considered Good	44,027,166	112,001,212
– Considered Doubtful	1,744,772	20,697,797
Other Debts – Considered Good	245,895,828	202,803,388
	<u>291,667,766</u>	<u>335,502,397</u>
Less: Provision for Doubtful Debts	1,744,772	20,697,797
<b>Total</b>	<u>289,922,994</u>	<u>314,804,600</u>

**Schedule - 10**

**Cash & Bank Balances**

Cash on Hand	1,052,260	677,743
Balances with Scheduled Banks		
– In Current Accounts	4,597,645	22,906,164
– In Current Accounts – Foreign currency	8,287,867	23,753,103
– In Deposit / Margin money	41,295,611	37,941,796
– In Unclaimed Dividend Accounts	1,202,639	1,202,914
Balances with Non-Scheduled Banks outside India		
– In Current Accounts	454,933	463,537
<b>Total</b>	<u>56,890,955</u>	<u>86,945,257</u>

Note: Current account balance with bank outside India represents balance of unutilised money out of FCCB issue; Standard Chartered Bank, Singapore  
– (Maximum amount outstanding at any time during the year Rs. 4.77 Lakhs (Rs. 5.31 Lakhs))

**Schedule - 11**

**Loans & Advances**

(Unsecured, considered good unless otherwise stated)		
Advances & Loans to Subsidiary	100,428,420	73,473,214
Advances recoverable in cash or in kind or for value to be received:		
Advance for Raw Material	127,420,432	91,922,551
Staff Advance	10,909,579	13,622,755
Prepaid Expenses	73,251	61,517
Advance Income Tax	6,650,724	6,948,826
Electricity and Other Deposits	5,290,202	5,037,202
Balances with Customs & Excise Authorities	46,345,582	45,068,088
Cenvat Credit Receivable	11,464	334,788
<b>Total</b>	<u>5,980,251</u>	<u>9,416,687</u>
<b>Total</b>	<u>303,109,905</u>	<u>245,885,628</u>

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



	31.03.2011	31.03.2010
Amount in Rupees		
<hr/>		
<b>Schedule - 12</b>		
<b>Current Liabilities</b>		
<b>Sundry Creditors</b>		
– For Goods	138,797,337	95,266,468
– For Others	108,782,126	105,922,353
– For Capital Expenditure	5,544,160	7,024,121
Advances from Customers	11,442,690	21,712,705
Unclaimed Dividend	1,462,749	1,462,749
<b>Total</b>	<b>266,029,062</b>	<b>231,388,396</b>
 <b>Schedule - 13</b>		
<b>Provisions</b>		
For Taxation	2,095,913	–
For Gratuity	10,651,164	8,791,604
For Compensated Absences	1,345,182	806,423
For Contingencies	81,860,298	35,748,360
<b>Total</b>	<b>95,952,557</b>	<b>45,346,387</b>
<hr/>		

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

	31.03.2011	31.03.2010
Amount in Rupees		
<b>Schedule - 14</b>		
<b>Operating Income</b>		
Operation & Maint. and Jobwork Receipts	31,093,439	27,365,740
Commission	330,557	132,382
Credit / Provision no longer required written back	2,448,566	94,994
Export Incentives	-	5,119,721
Exchange Gain, net	8,818,240	-
<b>Total</b>	<b>42,690,802</b>	<b>32,712,837</b>
<b>Schedule - 15</b>		
<b>Other Income</b>		
Interest on deposits	3,864,769	3,726,784
[Gross including tax deducted at source Rs. 3.37 Lakhs (Rs. 6.22 Lakhs)]		
<b>Total</b>	<b>3,864,769</b>	<b>3,726,784</b>
<b>Schedule - 16</b>		
<b>Material Costs</b>		
<b>a) Opening Balance</b>		
Finished Goods	145,512,869	151,604,450
Work-in-Process	13,041,686	41,146,869
Raw Granite	11,795,046	8,291,345
	<b>170,349,601</b>	<b>201,042,664</b>
Less: Closing Stock		
Finished Goods	165,335,864	145,512,869
Work-in-Process	34,743,984	13,041,686
Raw Granite	14,319,499	11,795,046
	<b>214,399,347</b>	<b>170,349,601</b>
Net (Increase) / Decrease	<b>(44,049,746)</b>	<b>30,693,063</b>
<b>b) Raw Material Consumed</b>		
Opening Stock	95,226,773	129,977,666
Add: Purchases	365,315,800	276,227,592
	<b>460,542,573</b>	<b>406,205,258</b>
Less: Closing Stock	116,436,379	95,226,773
	<b>344,106,194</b>	<b>310,978,485</b>
<b>c) Consumption of Consumables, Stores &amp; Spares</b>	<b>180,749,287</b>	<b>169,273,163</b>
<b>d) Purchase of Traded Goods</b>	<b>46,341,846</b>	<b>84,788,193</b>
<b>Total</b>	<b>527,147,581</b>	<b>595,732,904</b>

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

	31.03.2011	31.03.2010
Amount in Rupees		
<hr/>		
<b>Schedule - 17</b>		
<b>Personnel Costs</b>		
Salaries, Wages, Bonus, Allowances & benefits	144,344,871	122,817,081
Contribution to Provident and other Funds	10,272,026	8,842,470
Retirement Benefits	6,490,841	3,659,932
Workmen & Staff Welfare Expenses	13,547,759	10,465,657
<b>Total</b>	174,655,497	145,785,140
<b>Schedule - 18</b>		
<b>Operating &amp; Other Expenses</b>		
Other Mfg & Quarrying Expenses	22,251,044	21,033,940
Power and Fuel	125,867,755	100,198,966
Repairs and Maintenance:		
– Plant and Machinery	8,103,030	7,785,195
– Building	2,862,846	1,309,633
– Others	1,893,961	5,541,702
Cutter and Driller Charges	22,955,732	17,313,142
Royalty on Quarry Land	1,564,786	5,050,806
Rent	36,094,784	38,626,331
Rates and Taxes	2,875,897	2,063,321
Insurance	10,272,307	6,003,913
Communication Charges	3,547,415	3,557,123
Printing & Stationery	2,158,811	2,292,459
Travelling & Conveyance Expenses	13,630,457	14,204,628
Electricity Charges	4,209,954	4,818,924
Vehicle Maintenance	8,078,123	5,412,063
Auditors Remuneration	536,452	379,962
Advertisement	516,387	560,640
Legal and Professional Charges	3,775,369	3,698,951
Directors Sitting Fees	46,000	46,000
Donations	471,707	1,455,753
Fees & Subscriptions	1,017,888	1,458,764
Government Royalty and Dead Rent	35,804,619	30,280,556
Carriage Outwards	81,469,643	75,732,970
Sales Commission	4,045,801	4,805,161
Discounts and Claims	11,376,930	23,837,541
Business Promotion Expenses	26,489,269	11,533,836
Packing Material	28,983,965	24,437,588
Bad Debts Written off	18,953,025	2,324,419
Provision for Doubtful Debts	(18,953,025)	4,618,272
Impairment / Loss on sale of assets	4,289,455	10,114,847
Excise Duty – Others	2,159,898	3,424,787
Sales Tax	7,352,110	5,496,048
Miscellaneous Expenses	5,503,443	3,507,184
Exchange Loss (Net)	–	30,164,440
<b>Total</b>	480,205,838	473,089,865

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



	31.03.2011	31.03.2010
<b>Amount in Rupees</b>		
<hr/>		
<b>Schedule - 19</b>		
<b>Finance Charges</b>		
<b>To Banks:</b>		
Interest on Term Loans	39,587,804	39,293,649
Interest on Working Capital Loans	26,365,678	26,395,568
Interest on Hire Purchase Loans	111,308	547,092
Bill Discounting Charges	9,795,868	10,547,377
Bank Charges	4,723,872	5,808,853
<b>To Others:</b>		
Interest – Others	9,106,220	11,625,508
Interest on Hire Purchase Loans	1,438,175	835,665
Charges / Gain on variable coupon and restatement of FCCB	40,231,938	(33,971,640)
Interest on Debentures	(46,111,938)	(35,748,360)
Recoveries /charges on Variable coupon and restatement of FCCB	5,880,000	69,720,000
<b>Total</b>	<b>91,128,925</b>	<b>95,053,712</b>
<b>Schedule - 20</b>		
<b>Provision for Tax</b>		
Current Tax	2,095,913	–
Deferred Tax	(5,778,701)	(2,751,462)
<b>Total</b>	<b>(3,682,788)</b>	<b>(2,751,462)</b>



## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### Schedule – 21

#### Significant Accounting Policies

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

The financial statements are prepared under the historical cost convention on the accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956.

##### B. Use of Estimates

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

##### C. Revenue Recognition

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

##### D. Recognition of Expenditure

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

##### E. Fixed Assets

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

##### F. Intangible Assets

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

##### G. Impairment of Assets

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

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



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

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

### **I. Depreciation**

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

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

### **J. Inventories**

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

### **K. Employee Benefits**

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

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

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

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

### **M. Leases**

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

### **N. Borrowing Cost**

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

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



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

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

### P. Accounting for Taxes on Income

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

### Q. Cash Flow Statement

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

## Schedule - 22

### Notes on Financial Statements

#### 1. Contingent Liabilities not provided for

	Rupees in Lakhs	
Particulars	As on 31.03.2011	As on 31.03.2010
a) Bank Guarantees	58.87	57.66
b) Letter of Credits outstanding	201.76	314.08
c) Premium payable on FCCB's issued	472.94	960.23
Claims against the company not acknowledged as debts:		
d) Direct & Indirect Taxes disputed (Amount Deposited Rs. 11.46 Lakhs (previous year Rs. 16.11 Lakhs))	109.80	96.16
e) Other Matters disputed	318.83	179.88

#### 2. Capital Commitments

	Rupees in Lakhs	
Particulars	As on 31.03.2011	As on 31.03.2010
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	580.00	602.00

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### 3. Share Capital

Share capital includes:

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

### 4. Secured Loans

- a) Term Loan & Working capital facilities for Granite & Apparel Division from Union Bank of India, Secunderabad, are secured by hypothecation by way of first charge on all immovable and movable properties including current assets such as inventories, book debts and other receivables of the company including machineries both present and future of these two divisions besides personal guarantee / security of the Directors (other than independent directors) and their relative.
- b) Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of the Directors (other than independent directors).
- c) Secured Loans includes interest accrued and due amounting to Rs. **87.42** lakhs (Previous year Rs. 44.82 lakhs)
- d) Term Loans includes installments due and payable with in one year amounting to Rs. **1196.90** lakhs (Previous year Rs. 1251.50 lakhs)

### 5. Foreign Currency Convertible Bonds

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

### 6. Investments in Debentures

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

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

Rate of interest is equivalent to the interest the Company is liable to pay on account of redemption of the FCCBs. Consequently, no interest shall be payable in respect of the OCD's after the date of redemption / conversion of the FCCBs. If OCDs are opted for redemption anytime before they are due for redemption, interest shall be payable in respect of the OCDs at the rate of 8% per annum. The coupon / interest on the OCDs shall accrue and be payable at the time of redemption of the OCDs.

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

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

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

	Rupees in Lakhs	
	<b>Year Ended 31.03.2011</b>	Year Ended 31.03.2010
Salary and Allowances	36.00	36.00
Contribution to Provident and other funds	0.28	0.28
Commission	-	-
Directors Sitting Fee	0.46	0.46
Perquisites and benefits	11.69	10.87
<b>Total</b>	<b>48.43</b>	<b>47.61</b>

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

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

	Rupees in Lakhs	
	<b>Year Ended 31.03.2011</b>	Year Ended 31.03.2010
Profit / (Loss) before Tax as per Profit & Loss Account	105.16	(-) 379.81
Add: Managerial Remuneration paid or provided	48.43	47.61
Provision for bad and doubtful debts	-	46.18
Impairment / Loss on sale of fixed assets	42.89	101.15
Donation to Political Party	-	-
Prior period adjustments	-	-
Net Profit / (Loss) in accordance with Section 198(1) / 349	196.48	(-) 184.87
Commission payable to Non Executive Directors:		
Maximum allowed as per the Companies Act, 1956 at 1%	1.96	Nil
Actually allowed	Nil	Nil

**8. Auditors' Remuneration**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2011</b>	Year Ended 31.03.2010
For Statutory Audit	3.50	2.50
For Tax Audit	0.75	0.50
For Certification	0.75	0.50
Out of Pocket expenses	0.16	0.16
Service Tax	0.20	0.14

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



**9. Assets**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2011</b>	Year Ended 31.03.2010
a) The value of Fixed assets comprising of Land, Building & Plant & Machinery of Granite processing plants acquired from Financial Institutions are shown under the head Plant & Machinery in Schedule-6, in the absence of necessary details.	<b>1010.98</b>	1010.98
b) Interest on borrowings towards purchase of assets capitalised during the year	<b>6.80</b>	22.63
c) Additions to assets includes acquired under Hire purchase scheme.	<b>28.00</b>	398.54

**10. Deferred Tax**

	Rupees in Lakhs	
	<b>Year Ended 31.03.2011</b>	Year Ended 31.03.2010
Deferred Tax Liability		
Depreciation	-	25.82
Provision for Debtors	<b>10.04</b>	37.06
<b>Total</b>	<b>10.04</b>	62.88
Deferred Tax Asset		
Depreciation	<b>84.72</b>	0.00
Others	<b>(16.89)</b>	90.39
<b>Total</b>	<b>67.83</b>	90.39
Net Deferred Tax Liability	<b>(57.79)</b>	(27.51)

**11. Related Party Transactions**

- a) Enterprises where control exists:  
Pokarna Engineered Stone Limited – 100% subsidiary
- b) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Marketing Limited
- c) Names of the Associate Firms:  
Southend, Southend Extension, Gautam Granites
- d) Names of Key Management Personnel  
Shri. Gautam Chand Jain, Shri. Siddharth Jain, Shri. Rahul Jain
- e) Names of Relatives  
Prakash Chand Jain, Dilip Kumar Jain, Ashok Chand Jain, Raaj Kumar Jain
- f) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year **2010-11** (2009-10)

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



Rupees in Lakhs					
<b>Nature of the Transaction</b>	<b>Subsidiary</b>	<b>Associates</b>	<b>Key Manage Personnel</b>	<b>Relatives</b>	<b>Total</b>
Purchase of Goods	-	<b>14</b>	-	-	<b>14</b>
	(44)	(44)	(-)	(-)	(44)
Sale of Goods	<b>6</b>	<b>277</b>	-	-	<b>283</b>
	(3)	(605)	(-)	(3)	(611)
Sale of Assets	<b>6</b>	-	-	-	<b>6</b>
	(-)	(-)	(-)	(-)	(-)
Rents paid	-	<b>20</b>	-	-	<b>20</b>
	(-)	(20)	(-)	(-)	(20)
Remuneration paid to Directors	-	-	<b>48</b>	-	<b>48</b>
	(-)	(-)	(47)	(-)	(47)
Interest paid	-	<b>78</b>	-	-	<b>78</b>
	(-)	(64)	(-)	(-)	(64)
Interest on Debentures Recd	<b>461</b>	-	-	-	<b>461</b>
	(357)	(-)	(-)	(-)	(357)
Recoveries / Charges on variable coupon and restatement of FCCB	<b>402</b>	-	-	-	<b>402</b>
	(697)	(-)	(-)	(-)	(697)
Loans Received	-	<b>218</b>	<b>197</b>	-	<b>415</b>
	(-)	(110)	(160)	(-)	(270)
Loans Repaid	-	-	-	-	-
	(-)	(-)	(25)	(75)	(100)
Loans & Advances given	<b>306</b>	-	-	-	<b>306</b>
	(878)	(-)	(-)	(-)	(878)
Balances as at 31/03/11 – Receivable	<b>1823</b>	<b>149</b>	-	<b>13</b>	<b>1985</b>
	(1103)	(379)	(-)	(13)	(1495)
Balances as at 31/03/11 – Payables	-	<b>1648</b>	<b>469</b>	-	<b>2117</b>
	(-)	(1330)	(269)	(-)	(1599)
Investments as on 31/03/2011	<b>6116</b>	-	-	-	<b>6116</b>
	(6116)	(-)	(-)	(-)	(6116)

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

Rupees in Lakhs			
<b>Sl.No.</b>	<b>Particulars</b>	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
a)	Principal amount remaining unpaid and interest due thereon	<b>Nil</b>	Nil
b)	Interest paid in term of Section 16	<b>Nil</b>	Nil
c)	Interest due and payable for the period of delay in payment	<b>Nil</b>	Nil
d)	Interest accrued and remaining unpaid	<b>Nil</b>	Nil
e)	Interest due and payable even in succeeding years	<b>Nil</b>	Nil
<p>The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.</p>			

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



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

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

	<b>Year ended 31.03.2011</b>	Year ended 31.03.2010
<b>Basic Earnings Per Share</b>		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	<b>12,844,120</b>	(38215672)
Denominator for Basic earnings per share:		
Basic / Weighted Average number of shares	<b>6,200,800</b>	6,200,800
Basic Earnings Per Share	<b>2.07</b>	(6.16)
<b>Diluted Earnings Per Share</b>		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	<b>12,844,120</b>	(38215672)
Denominator for Diluted earnings per share:		
Weighted Average number of shares	<b>6,200,800</b>	6,200,800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. of Shares)	<b>2,236,523</b>	2,236,523
Adjusted weighted average number of shares	<b>8,437,323</b>	8,437,323
Diluted Earnings Per Share	<b>1.52</b>	(6.16)

**14. Segment Reporting**

Disclosure of segment reporting for the year **2010-11** (2009-10):

a) Information about Primary Business Segments:

Rupees in Lakhs

<b>Description</b>	<b>Granite</b>	<b>Apparel</b>	<b>Total</b>
<b>Revenue</b>			
Sales to External Customers	<b>11305</b> (10277)	<b>1932</b> (2920)	<b>13237</b> (13197)
<b>Total Revenue</b>	<b>11305</b> (10277)	<b>1932</b> (2920)	<b>13237</b> (13197)
<b>Segment Results</b>			
Profit / (Loss)	<b>1322</b> (1050)	<b>(306)</b> (-480)	<b>1016</b> (570)
Interest Expenses	<b>340</b> (330)	<b>571</b> (620)	<b>911</b> (950)
Income Tax			<b>23</b> (2)
<b>Profit After Tax</b>			<b>128</b> (-382)
<b>Other Segment Information</b>			
Capital Expenditure	<b>129</b> (577)	<b>52</b> (127)	<b>181</b> (704)
Depreciation	<b>602</b> (574)	<b>264</b> (271)	<b>866</b> (845)
<b>Particulars of Segment Assets and Liabilities</b>			
Segment Assets	<b>14132</b> (14104)	<b>6336</b> (6280)	<b>20468</b> (20384)
Unallocated Assets	<b>6116</b> (6116)	<b>-</b> (-)	<b>6116</b> (6116)
Segment Liabilities	<b>5218</b> (5206)	<b>6852</b> (6793)	<b>12070</b> (11999)
Unallocated Liabilities	<b>5358</b> (5417)	<b>-</b> (-)	<b>5358</b> (5417)



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

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

Country	2010-11			2009-10		
	Granite	Apparel	Total	Granite	Apparel	Total
U S A	4531	–	4531	3738	116	3854
Europe	1525	–	1525	1181	1154	2335
Asia	1123	–	1123	1530	9	1539
India	2939	1932	4871	2462	1641	4103
Australia	16	–	16	17	–	17
Rest of the World	1171	–	1171	1349	–	1349
<b>Total</b>	<b>11305</b>	<b>1932</b>	<b>13237</b>	10277	2920	13197

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

Notes:

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

**15. Debtors, Loans & Advances**

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

	Maximum amount outstanding at any time during the year		Balance outstanding	
	Year ended 31.03.2011	Year ended 31.03.2010	As at 31.03.2011	As at 31.03.2010
Pokarna Fashions Limited	404.02	443.28	147.95	331.83
Pokarna Marketing Limited	11.05	211.09	–	28.09
Pokarna Fabrics Limited	–	103.81	–	–
Southend Extension	3.06	9.09	0.97	–
Southend	18.99	26.61	–	18.89
Pokarna Engineered Stone Limited – Subsidiary	1004.16	734.73	1004.16	734.73
			<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>

**16. Key Man Insurance**

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

**17. Central Excise Duty**

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

i) Difference between excise duty on closing stock of Finished Goods Rs. 71.92 Lakhs and excise duty on opening stock of Finished Goods Rs. 53.07 Lakhs (previous year excise duty on closing stock of Finished Goods, Rs. 53.07 Lakhs and excise duty on opening stock of Finished Goods Rs. 11.78 Lakhs)	<b>18.85</b>	41.29
ii) Excise duty on stock transfer	<b>2.75</b>	(7.04)
<b>Total</b>	<b>21.60</b>	<b>34.25</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

### 18. Provision for contingencies

Provision has been made for contingency towards the premium of Rs. **818.60** Lakhs (Previous year Rs. 357.48 Lakhs) which may be payable on redemption of FCCBs.

### 19. Financial and Derivative Instruments

- i) Nominal amount of forward contracts entered into by the company for hedging currency related risks and outstanding as on 31st March 2011 amounts to Rs. **Nil** Lakhs (Previous year Rs. Nil Lakhs)
- ii) Foreign currency exposure that are not hedged by derivative or forward contracts as on 31st March 2011 amounts to Rs. **9034.64** Lakhs (Previous year Rs. 9912.54 Lakhs)

### 20. Leases

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

	Rupees in Lakhs	
<b>Particulars</b>	<b>Year Ended</b>	Year Ended
	<b>31.03.2011</b>	31.03.2010
Rent expenses included in Profit and Loss Account towards operating leases	<b>360.95</b>	386.26
<b>Minimum lease obligation under non cancellable lease contracts amounts to:</b>		
<b>Particulars</b>	<b>Year Ended</b>	Year Ended
	<b>31.03.2011</b>	31.03.2010
Within 1 year	<b>363.28</b>	291.79
After 1 year but before 5 years	<b>581.30</b>	582.38
After 5 years	—	—
<b>Total</b>	<b>944.58</b>	874.17

### 21. General

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

### 22. Employee Benefits

	Rupees in Lakhs	
<b>Particulars</b>	<b>Year Ended</b>	Year Ended
	<b>31.03.2011</b>	31.03.2010
<b>Defined Contribution Plan</b>		
Employer's contribution to Provident Fund	<b>79.20</b>	71.06

#### Defined Benefit Plan

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

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



Rupees in Lakhs

Particulars	Gratuity (Funded)		Compensated Absence (Unfunded)	
	Year Ended 31.03.2011	Year Ended 31.03.2010	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>a) Reconciliation of opening and closing balances of the present value of the Projected Benefit Obligation</b>				
Projected Benefit Obligation at Beginning of year	127.06	108.16	8.06	6.89
Current service cost	33.83	28.15	19.56	19.47
Past service cost	6.2	—	—	—
Interest cost	9.39	7.20	0.49	0.46
Actuarial (Gain) / Loss	8.69	(6.24)	(10.90)	(18.14)
Benefits paid	(19.54)	(10.21)	(3.76)	(0.62)
Projected Benefit Obligation at year end	165.63	127.06	13.45	8.06
<b>b) Reconciliation of opening and closing balances of Fair Value of plan assets</b>				
Fair value of Plan asset at beginning of year	39.14	46.49	—	—
Expected return on Plan Assets	3.36	2.90	—	—
Actuarial (Gain) / Loss	(1.01)	(0.03)	—	—
Employer Contribution	37.17	—	3.76	—
Benefits Paid	(19.54)	(10.22)	(3.76)	—
Fair value of Plan asset at year end	59.12	39.14	—	—
<b>c) Reconciliation of fair value of assets and Obligation</b>				
Fair value of Plan assets	59.12	39.14	—	—
Present value of Projected Benefit obligation	165.63	127.06	13.45	8.06
Amount recognized in Balance Sheet	(106.51)	(87.92)	(13.45)	(8.06)
<b>d) Expenses recognized during the year Under the head “Personnel Costs”</b>				
Current service cost	33.83	28.15	19.56	19.47
Interest cost	9.39	7.21	0.49	0.46
Past service cost	6.21	—	—	—
Expected return on Plan Assets	(3.36)	(2.90)	—	—
Actuarial (Gain) / Loss	9.70	(6.21)	(10.90)	(18.14)
Income(-) / Expenses(+) recognized in the statement of Profit & Loss	55.77	26.25	9.15	1.79
<b>e) Actuarial Assumptions</b>				
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.17%	8.00%	8.17%	8.00%
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%
Attrition Rate	10.00%	10.00%	10.00%	10.00%
Expected return on Plan assets – LIC	8.00%	7.00%	—	—
f)	The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors.			
g)	The company expects to contribute Rs. 30.00 Lakhs to its Gratuity plan for the next year.			

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



**23. Provisions**

Rupees in Lakhs

Particulars	Carrying amount as at April 1, 2010	Additional provision made during the year	Amount written off during the year	Amount reversed during the year	Unused As At March 31, 2011
Provision for Doubtful Debts	206.98	–	189.53	–	17.45

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

**a) Licenced Capacity and installed Capacity**

Class of Goods	Units	Licenced Capacity		Installed Capacity	
		2010-11	2009-10	2010-11	2009-10
Finished Granite	Sq.Mts	NA	NA	636000	636000
Apparels	Nos.	1500000	1500000	1200000	1200000

b) (i) The Ministry of Corporate Affairs, Government of India vide its General Notification No.S.O.301(E) dated 8th February 2011 issued under section 211 (3) of the Companies Act, 1956 has exempted certain classes of companies from disclosing certain information in their profit and loss account. The Company being as 'export oriented company' is entitled to the exemption. Accordingly, disclosures mandated by paragraphs 3(i)(a), 3(ii)(b) and 3(ii)(d) of Part II, Schedule VI to the Companies Act, 1956 have not been provided.

(ii) The Ministry of Corporate Affairs, Government of India, vide General Circular No.2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements

**c) Production meant for sale**

Rupees in Lakhs

	Unit	2010-11	2009-10
Finished Granite	Sq.Mtrs	403493	326316
Raw Granite	CBM	16185	16223
Apparel incl. Job work	Numbers	398683	331949

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

Rupees in Lakhs

Class of Goods		2010-11		2009-10	
		Value	%	Value	%
Raw Material	Imported	449	10	692	17
	Indigenous*	3965	90	3393	83
<b>Total</b>		<b>4414</b>	<b>100</b>	<b>4085</b>	<b>100</b>
Consumables, Stores & Spares	Imported	1087	60	923	57
	Indigenous	720	40	770	43
<b>Total</b>		<b>1807</b>	<b>100</b>	<b>1693</b>	<b>100</b>

\* Including inter unit transfer of 4301 CBM of Rs. 973 Lakhs (previous year 4055 CBM of Rs. 976 Lakhs)

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**



**e) CIF value of imports:**

	Rupees in Lakhs	
	2010-11	2009-10
Raw Material	610	508
Consumables, Stores & Spares	1103	777
Capital items	-	124

**f) Earnings in foreign currency**

	Rupees in Lakhs	
	2010-11	2009-10
Income from sales / Job work (FOB)	8362	9073

**g) Expenditure in foreign currency**

	Rupees in Lakhs	
	2010-11	2009-10
Travel & Conveyance	88	91
Business Promotion	121	84
Professional & Consultancy	2	-
Sales Commission	2	-
Interest	3	17

As per our report attached

For and on behalf of Board of Directors

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

**Shantilal Daga**  
Partner  
Membership No. 11617

Place : Secunderabad  
Date : 27th May, 2011

<b>Gautam Chand Jain</b>	Chairman & Managing Director
<b>Meka Yugandhar</b>	Director
<b>Vinayak Rao Juvvadi</b>	Director
<b>Thati V. Chowdary</b>	Director
<b>Prakash Chand Jain</b>	Director
<b>Rahul Jain</b>	Executive Director
<b>M Vishwanatha Reddy</b>	Chief Financial Officer
<b>Sanjay Daga</b>	G. M. – Accounts
<b>Chinmoy Patnaik</b>	Company Secretary

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

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

.....●.....

I. Registration Details

Registration No.      

0	1	-	1	3	2	9	9
---	---	---	---	---	---	---	---

      State Code      

0	1				
---	---	--	--	--	--

Balance Sheet Date      

3	1	.	0	3	.	2	0	1	1
---	---	---	---	---	---	---	---	---	---

II. Capital raised during Year (Amount Rs. in Thousands)

Public Issue      

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

      Rights Issue      

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

Bonus Issue      

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

      Private Placement      

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

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities      

	2	2	9	6	3	2	1
--	---	---	---	---	---	---	---

      Total Assets      

	2	2	9	6	3	2	1
--	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital      

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

      Reserves & Surplus      

			7	9	5	8	4	4
--	--	--	---	---	---	---	---	---

Secured Loans      

		6	4	3	2	0	7
--	--	---	---	---	---	---	---

      Unsecured Loans      

		7	3	7	6	1	7
--	--	---	---	---	---	---	---

Deferred Tax Liabilities      

			5	7	6	4	5
--	--	--	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets      

		1	0	0	1	0	6	0
--	--	---	---	---	---	---	---	---

      Investments      

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

Net Current Assets      

		6	8	3	6	7	4
--	--	---	---	---	---	---	---

      Misc. Expenditure      

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

Accumulated Losses      

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

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

Turnover\*      

		1	3	7	0	2	6	7
--	--	---	---	---	---	---	---	---

      Total Expenditure      

		1	3	5	9	7	5	1
--	--	---	---	---	---	---	---	---

  
\* including other income

Profit / Loss Before Tax      

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

      Profit / Loss After Tax      

			1	2	8	4	4
--	--	--	---	---	---	---	---

Earning Per Share in Rs.      

				2	.	0	7
--	--	--	--	---	---	---	---

      Dividend Rate %      

						0	0	%
--	--	--	--	--	--	---	---	---

V. Generic Names of Two Principal Products / Services of the Company (As per Monetary Terms)

Item No. (ITC Code)      

6	8	0	2	2	3	1	0												
---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--

Product Description      

P	O	L	I	S	H	E	D		G	R	A	N	I	T	E		S	L	A	B	S	/	T	I	L	E	S
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---

Item No. (ITC Code)      

6	2	0	5																									
---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description      

M	E	N	S		S	H	I	R	T																			
---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item No. (ITC Code)      

6	2	0	3																									
---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Product Description      

M	E	N	S		T	R	O	U	S	E	R																	
---	---	---	---	--	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

For and on behalf of Board of Directors

<b>Gautam Chand Jain</b> <b>Meka Yugandhar</b> <b>Vinayak Rao Juvvadi</b> <b>Thati V. Chowdary</b> <b>Prakash Chand Jain</b>	Chairman & Managing Director Director Director Director Director	<b>Rahul Jain</b> <b>M Vishwanatha Reddy</b> <b>Sanjay Daga</b> <b>Chinmoy Patnaik</b>	Executive Director Chief Financial Officer G. M. – Accounts Company Secretary
--	--	---	--

Place: Secunderabad  
Date : 27th May, 2011

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



To

The Board of Directors,  
**Pokarna Limited**

1. We have audited the attached Consolidated Balance Sheet of Pokarna Limited, its subsidiary (collectively referred to as "the Group") as at 31st March, 2011, the Consolidated Profit and Loss account for the year ended on that date and the Consolidated Cash-Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components, our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard 21- Consolidated Financial Statements and Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements, notified by the Central Government under Companies (Accounting Standards) Rules, 2006.
4. Based on our audit as aforesaid and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
  - b) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date;  
and
  - c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year ended on that date.

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

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

Place: Hyderabad  
Date : 27th May, 2011

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**BALANCE SHEET AS AT 31st MARCH, 2011**

Amount in Rupees

	Schedule	As at 31.03.2011		As at 31.03.2010	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	62,008,000		62,008,000	
Reserves & Surplus	2	469,138,045	531,146,045	684,449,109	746,457,109
<b>Loan Funds</b>					
Secured Loans	3	1,868,336,614		2,046,613,223	
Un-Secured Loans	4	1,243,441,415		938,267,671	
<b>Deferred Tax Liability (Net)</b>	5	57,645,350		63,424,051	
<b>Total</b>		<b>3,700,569,424</b>		<b>3,794,762,054</b>	
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	3,814,580,583		3,770,206,819	
Less: Accumulated Depreciation		730,581,613		553,023,992	
Net Block		3,083,998,970		3,217,182,827	
Capital Work-in-Progress		67,337,103	3,151,336,073	66,305,451	3,283,488,278
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	7	582,726,255		419,356,175	
Sundry Debtors	8	383,298,123		331,952,189	
Cash & Bank Balances	9	66,199,616		90,415,224	
Loans & Advances	10	133,393,362		186,223,878	
		<b>1,165,617,356</b>		<b>1,027,947,466</b>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	11	414,872,209		334,244,264	
Provisions	12	206,243,982		191,893,804	
		<b>621,116,191</b>		<b>526,138,068</b>	
<b>Net Current Assets</b>		<b>544,501,165</b>		<b>501,809,398</b>	
<b>Miscellaneous Expenditure</b>	13	<b>4,732,186</b>		<b>9,464,378</b>	
(To the extent not written off or adjusted)					
<b>Total</b>		<b>3,700,569,424</b>		<b>3,794,762,054</b>	

Significant Accounting Policies 21

Notes to the Accounts 22

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

As per our report attached

For and on behalf of Board of Directors

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

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date : 27th May, 2011

**Gautam Chand Jain**  
**Meka Yugandhar**  
**Vinayak Rao Juvvadi**  
**Thati V. Chowdary**  
**Prakash Chand Jain**  
**Rahul Jain**  
**M Vishwanatha Reddy**  
**Sanjay Daga**  
**Chinmoy Patnaik**

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



**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011**

		Amount in Rupees	
	Schedule	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>INCOME</b>			
Gross Sales		1,666,126,077	1,429,391,588
Less: Excise Duty on Sales		29,036,330	20,994,757
Net Sales		1,637,089,747	1,408,396,831
Operating Income	14	42,724,983	32,712,837
Other Income	15	4,405,843	4,001,134
<b>Total</b>		<b>1,684,220,573</b>	<b>1,445,110,802</b>
<b>EXPENDITURE</b>			
Material Costs	16	647,963,554	629,472,779
Personnel Costs	17	197,088,498	155,039,770
Operating & Other Expenses	18	561,427,580	505,492,477
Finance Charges	19	310,713,235	159,061,430
Depreciation & Amortization	6	184,666,309	133,152,052
<b>Total</b>		<b>1,901,859,176</b>	<b>1,582,218,508</b>
Profit Before Tax		(217,638,603)	(137,107,706)
Less: Provision for Tax	20	(3,682,788)	(2,751,462)
Less: Prior Years Tax		1,355,250	2,782,007
Net Profit After Tax		(215,311,065)	(137,138,251)
Balance of Profit Brought Forward		255,278,223	472,749,866
Amount Available For Appropriation		39,967,158	335,611,615
<b>Appropriations:</b>			
Transfer to FCCB Redemption Reserve		103,622,334	80,333,392
Balance Carried to the Balance Sheet		(63,655,176)	255,278,223
<b>Total</b>		<b>39,967,158</b>	<b>335,611,615</b>
Earning Per Shares - Basic		(34.72)	(22.12)
Earning Per Shares - Diluted		(34.72)	(22.12)
(Par value of Rs. 10 each)			

Significant Accounting Policies

21

Notes to the Accounts

22

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

As per our report attached

For and on behalf of Board of Directors

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

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date : 27th May, 2011

**Gautam Chand Jain**  
**Meka Yugandhar**  
**Vinayak Rao Juvvadi**  
**Thati V. Chowdary**  
**Prakash Chand Jain**  
**Rahul Jain**  
**M Vishwanatha Reddy**  
**Sanjay Daga**  
**Chinmoy Patnaik**

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

**POKARNA LIMITED**  
**Consolidated Financial Statements**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

	Schedule	Year ended 31.03.2011	Year ended 31.03.2010
Amount in Rupees			
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax (Net of Prior Period Items)		(217,638,603)	(137,107,706)
Adjustment for –			
Add: Non cash item / items required to be disclosed separately:			
Depreciation & Amortisation		189,398,501	135,518,147
Interest Expense		310,713,235	159,061,430
Loss on Sale of Asset		4,289,455	10,114,847
Unrealised Foreign Exchange (gain) / loss		(5,216,142)	(69,545,436)
Interest Income		(4,405,843)	(4,001,134)
Provision for Doubtful Debts		–	4,618,272
Provision for Doubtful Debts written back		(18,953,025)	–
<b>Operating Profit before working capital changes</b>		<b>258,187,578</b>	<b>98,658,420</b>
Changes in working capital and other provisions:			
Sundry Debtors		(33,346,813)	42,166,790
Inventories		(163,370,080)	(263,751)
Loans & Advances		53,101,538	(24,548,221)
Current Liabilities & Provisions		92,165,566	82,955,133
<b>Cash Generated from operations</b>		<b>206,737,789</b>	<b>198,968,371</b>
Income Taxes paid during the year		(1,634,583)	(3,744,516)
<b>Net cash flow generated by operating Activities</b>		<b>205,103,206</b>	<b>195,223,855</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed Assets and changes in capital work in progress		(58,239,278)	(228,830,384)
Proceeds from Sale of assets		967,722	2,625,504
Investments		–	–
Interest Income		4,405,843	4,001,134
<b>Net Cash used in investing Activities</b>		<b>(52,865,713)</b>	<b>(222,203,746)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		–	–
Bank Borrowings		(178,276,609)	87,958,167
Other Borrowings		311,053,744	113,325,057
Dividends and Corporate dividend Tax		–	–
Interest paid		(310,713,235)	(159,061,430)
<b>Net Cash generated from financing Activities</b>		<b>(177,936,100)</b>	<b>42,221,794</b>
Effect of exchange differences on translation of foreign currency		1,482,999	(654,281)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(24,215,608)</b>	<b>14,587,622</b>
Cash and Cash equivalents at the beginning of the year		90,415,224	75,827,602
Cash and Cash equivalents as at the end of the year		66,199,616	90,415,224
		<b>(24,215,608)</b>	<b>14,587,622</b>

Significant Accounting Policies 21

Notes to the Accounts 22

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**

**Gautam Chand Jain**

Chairman & Managing Director

Chartered Accountants

**Meka Yugandhar**

Director

**Vinayak Rao Juvvadi**

Director

**Thati V. Chowdary**

Director

**Prakash Chand Jain**

Director

**Rahul Jain**

Executive Director

**M Vishwanatha Reddy**

Chief Financial Officer

**Sanjay Daga**

G. M. – Accounts

**Chinmoy Patnaik**

Company Secretary

**Shantilal Daga**

Partner

Membership No. 11617

Place: Secunderabad

Date: 27th May, 2011

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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 1</b>		
<b>Share Capital</b>		
<b>Authorised:</b>		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	200,000,000	200,000,000
<b>Issued, Subscribed and paid up:</b>		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	62,008,000	62,008,000
<b>Total</b>	<b>62,008,000</b>	<b>62,008,000</b>
<b>Schedule - 2</b>		
<b>Reserves &amp; Surplus</b>		
<b>Capital Subsidy</b>	1,500,000	1,500,000
<b>Share Premium Account</b>	7,396,000	7,396,000
<b>General Reserve</b>		
Balance at the Beginning of the Year	94,376,453	94,376,453
	<b>94,376,453</b>	<b>94,376,453</b>
<b>FCCB Redemption Reserve</b>		
Opening Balance	325,898,433	245,565,041
Add: Transferred from Profit & Loss A/c	103,622,334	80,333,392
	<b>429,520,767</b>	<b>325,898,433</b>
<b>Profit &amp; Loss Account</b>		
Opening Balance	255,278,224	472,749,866
Add: Profit for the year after Approp.	(215,311,065)	(137,138,251)
	<b>39,967,159</b>	<b>335,611,615</b>
Less: Trd. to FCCB Redemption reserve	103,622,334	80,333,392
	<b>(63,655,175)</b>	<b>255,278,223</b>
<b>Total</b>	<b>469,138,045</b>	<b>684,449,109</b>
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
<b>Term Loans</b>		
From Bank		
– Rupee Loan	1,408,531,615	1,620,017,041
<b>Working Capital Loans</b>		
From Bank		
– Rupee Loan	436,954,242	390,084,729
<b>Hire Purchase Loans</b>		
From Banks		
– Rupee Loan	5,609,669	3,327,721
From others		
– Rupee Loan	17,241,088	33,183,732
<b>Total</b>	<b>1,868,336,614</b>	<b>2,046,613,223</b>

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

**Schedule - 6**

Description	Gross Block				Depreciation			Net Block	
	As on 01.04.2010	During the year		Upto 31.03.2010	For the period	Deletions / Adjustments	As on 31.03.2011	Upto 31.03.2011	As on 31.03.2010
		As on 01.04.2010	Additions						
Land - Freehold	43,279,150	4,654,505	-	47,933,655	-	-	-	47,933,655	43,279,150
Land - Leasehold	118,655,425	-	-	118,655,425	3,595,619	-	13,221,390	105,434,035	109,029,654
Buildings	51,130,760	13,402,953	-	64,533,713	910,760	-	1,795,852	62,737,861	50,245,668
Factory & Quarry Buildings	581,592,626	9,961,508	-	591,554,134	19,505,343	-	67,276,941	524,277,193	533,821,028
Plant & Machinery	2,770,149,192	9,884,802	6,014,351	2,774,019,642	142,736,970	4,667,608	562,580,107	2,211,439,535	2,345,638,446
Vehicles	59,509,396	7,922,964	952,130	66,480,229	6,108,514	631,826	31,162,355	35,317,874	33,823,729
Furniture & Fixtures and Office Equipment	107,610,385	10,912,897	5,399,381	113,123,900	7,981,103	1,809,253	31,576,968	81,546,932	82,205,267
<b>Intangible Assets:</b>									
Trade Marks & Brand Names	38,279,885	-	-	38,279,885	3,828,000	-	22,968,000	15,311,885	19,139,885
<b>Total</b>	<b>3,770,206,819</b>	<b>56,739,629</b>	<b>12,365,862</b>	<b>3,814,580,583</b>	<b>184,666,309</b>	<b>7,108,687</b>	<b>730,581,613</b>	<b>3,083,998,970</b>	<b>3,217,182,827</b>
Previous Year	1580407220	220,84,06,244	186,06,645	377,02,06,819	13,54,56,529	58,66,294	55,30,23,992	321,71,82,827	115,69,73,463

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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 4</b>		
<b>Unsecured Loans</b>		
Zero Coupon Foreign Currency Convertible Bonds	535,800,000	541,680,000
Other Loans and Advances		
From Banks	–	7,703,999
From Others		
– Inter Corporate	434,233,495	264,369,344
– From Directors	273,407,920	124,514,328
<b>Total</b>	<b>1,243,441,415</b>	<b>938,267,671</b>
<b>Schedule - 5</b>		
<b>Deferred Tax Liability (Net)</b>		
Deferred Tax Liabilities		
– Depreciation	65,562,103	74,033,586
	<b>65,562,103</b>	<b>74,033,586</b>
Deferred Tax Assets		
– Provision for Doubtful Debts	566,091	1,569,751
– Others	7,350,662	9,039,784
	<b>7,916,753</b>	<b>10,609,535</b>
<b>Total</b>	<b>57,645,350</b>	<b>63,424,051</b>
<b>Schedule - 7</b>		
<b>Inventories</b>		
Raw Material (Including Goods-in-Transit Rs. 165.70 Lakhs (Rs. 30.16 Lakhs))	144,627,316	123,279,329
Raw Granite at Quarries	14,319,499	11,795,046
Work-in-Process	59,181,950	22,845,013
Finished Goods	276,131,080	202,709,054
Traded Goods	14,446,888	7,696,293
Consumables, Stores & Spares	65,806,032	43,944,265
Packing Material	8,213,490	7,087,175
<b>Total</b>	<b>582,726,255</b>	<b>419,356,175</b>
<b>Schedule - 8</b>		
<b>Sundry Debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
– Considered Good	46,683,988	112,001,212
– Considered Doubtful	1,744,772	20,697,797
Other Debts – Considered Good	336,614,135	219,950,977
	<b>385,042,895</b>	<b>352,649,986</b>
Less: Provision for Doubtful Debts	1,744,772	20,697,797
<b>Total</b>	<b>383,298,123</b>	<b>331,952,189</b>

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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 9</b>		
<b>Cash &amp; Bank Balances</b>		
Cash on Hand	1,061,760	681,083
Balances with Scheduled Banks		
– In Current Accounts	5,620,806	23,302,791
– In Current Accounts – Foreign currency	8,287,867	23,753,103
– In Deposit / Margin money	49,571,611	41,011,796
– In Unclaimed Dividend Accounts	1,202,639	1,202,914
Balances with Non-Scheduled Banks outside India		
– In Current Accounts	454,933	463,537
<b>Total</b>	<b>66,199,616</b>	<b>90,415,224</b>

Note: Current account balance with bank outside India represents balance of unutilised money out of FCCB issue; Standard Chartered Bank, Singapore –  
(Maximum amount outstanding at any time during the year Rs. 4.77 Lakhs (Rs. 5.31 Lakhs))

**Schedule - 10**

**Loans & Advances**

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or

for value to be received:

Advance for Raw Material	49,680,420	95,556,230
Staff Advance	11,399,615	13,657,497
Prepaid Expenses	515,268	61,517
Advance Income Tax	8,111,736	11,656,375
Electricity and Other Deposits	5,379,006	5,099,673
Balances with Customs & Excise Authorities	52,315,602	50,441,111
Cenvat Credit Receivable	11,464	334,788
<b>Total</b>	<b>133,393,362</b>	<b>186,223,878</b>

**Schedule - 11**

**Current Liabilities**

Sundry Creditors

– For Goods	207,123,659	128,489,129
– For Other Liabilities	143,576,127	122,249,477
– For Capital Expenditure	35,347,815	41,157,522
Advances from Customers	27,361,859	40,885,387
Unclaimed Dividend	1,462,749	1,462,749
<b>Total</b>	<b>414,872,209</b>	<b>334,244,264</b>

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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 12</b>		
<b>Provisions</b>		
For Taxation	2,095,913	-
For Gratuity	11,388,253	9,116,066
For Compensated absences	1,623,075	950,393
For Contingencies	191,136,741	181,827,345
<b>Total</b>	<b>206,243,982</b>	<b>191,893,804</b>
 <b>Schedule - 13</b>		
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
Opening Balance	9,464,378	14,196,569
Less: Amortised during the year	4,732,192	4,732,191
<b>Total</b>	<b>4,732,186</b>	<b>9,464,378</b>

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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 14</b>		
<b>Operating Income</b>		
Operation & Maintain and Jobwork Receipts	31,093,439	27,365,740
Commission	330,557	132,382
Credit / Provision no longer required written back	2,448,566	94,994
Export Incentives	-	5,119,721
Exchange Gain, Net	8,852,421	-
<b>Total</b>	<b>42,724,983</b>	<b>32,712,837</b>
<b>Schedule - 15</b>		
<b>Other Income</b>		
Interest on deposits (Gross, including tax deducted at source Rs. 3.74 Lakhs (Rs. 6.74 Lakhs)	4,405,843	4,001,134
<b>Total</b>	<b>4,405,843</b>	<b>4,001,134</b>
<b>Schedule - 16</b>		
<b>Material Costs</b>		
<b>a) Opening Balance</b>		
Finished Goods	202,709,054	151,604,450
Work-in-Process	22,845,013	41,146,869
Raw Granite	11,795,046	8,291,345
	<b>237,349,113</b>	<b>201,042,664</b>
Less: Closing Stock		
Finished Goods	276,131,080	202,709,054
Work-in-Process	59,181,950	22,845,013
Raw Granite	14,319,499	11,795,046
Less: Stock during Trial Run	-	(38,118,394)
	<b>349,632,529</b>	<b>199,230,719</b>
Net (Increase) / Decreased	<b>(112,283,416)</b>	<b>1,811,945</b>
<b>b) Raw Material Consumed</b>		
Opening Stock	123,279,329	157,196,362
Add: Purchases	530,445,986	332,737,170
	<b>653,725,315</b>	<b>489,933,532</b>
Less: Closing Stock	144,627,316	123,279,329
	<b>509,097,999</b>	<b>366,654,203</b>
<b>c) Consumption of Consumables, Stores &amp; Spares</b>	<b>204,807,125</b>	<b>176,218,438</b>
<b>d) Purchase of Traded Goods</b>	<b>46,341,846</b>	<b>84,788,193</b>
<b>Total</b>	<b>647,963,554</b>	<b>629,472,779</b>



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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 17</b>		
<b>Personnel Costs</b>		
Salaries, Wages, Bonus, Allowances & benefits	165,024,345	131,193,923
Contribution to Provident and other Funds	11,371,848	9,163,024
Retirement Benefits	7,037,391	4,094,795
Workmen & Staff Welfare Expenses	13,654,914	10,588,028
<b>Total</b>	<b>197,088,498</b>	<b>155,039,770</b>
<b>Schedule - 18</b>		
<b>Operating &amp; Other Expenses</b>		
Other Mfg & Quarrying Expenses	28,574,014	24,103,069
Power and Fuel	147,042,182	108,169,472
Repairs and Maintenance:		
– Plant and Machinery	9,795,727	9,209,843
– Building	3,370,882	1,386,601
– Others	1,953,704	5,551,132
Cutter and Driller Charges	22,955,732	17,313,142
Royalty on Quarry Land	2,750,686	5,050,806
Rent	37,160,784	39,750,281
Rates and Taxes	6,699,063	2,827,188
Insurance	14,180,814	7,673,421
Communication Charges	4,159,752	3,872,187
Printing & Stationery	2,417,115	2,352,079
Travelling & Conveyance Expenses	16,670,255	15,061,729
Electricity Charges	4,551,207	4,923,273
Vehicle Maintenance	10,332,814	6,306,334
Auditors Remuneration	696,452	429,962
Advertisement	516,387	560,640
Legal and Professional Charges	5,066,215	4,201,895
Directors Sitting Fees	46,000	46,000
Donations	471,707	1,455,753
Fees & Subscriptions	1,017,888	1,458,764
Government Royalty and Dead Rent	35,804,619	30,280,556
Carriage Outwards	88,067,647	77,922,947
Sales Commission	4,045,801	4,805,161
Discounts and Claims	11,466,591	23,909,229
Business Promotion Expenses	36,641,456	16,273,307
Packing Material	36,566,077	25,937,410
Bad Debts Written off	18,953,025	2,324,419
Provision for Doubtful Debts	(18,953,025)	4,618,272
Impairment Loss on sale of assets	4,289,455	10,114,847
Excise Duty – Others	2,159,898	3,424,787
Sales Tax	11,597,357	10,684,632
Exchange Loss (Net)	–	27,556,584
Miscellaneous Expenses	5,627,107	3,570,660
Amortisation of Misc. Expenses	4,732,192	2,366,095
<b>Total</b>	<b>561,427,580</b>	<b>505,492,477</b>

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

	Amount in Rupees	
	31.03.2011	31.03.2010
<b>Schedule - 19</b>		
<b>Finance Charges</b>		
Banks:		
– Interest on Term Loans	185,985,247	110,720,950
– Interest on Working Capital Loans	34,064,640	27,889,087
– Interest on Hire Purchase Loans	281,318	682,423
– Bill Discounting Charges	11,110,805	10,834,103
– Bank Charges	8,170,830	5,952,563
From Others:		
– Interest – Others	29,430,282	20,680,618
– Interest on Hire Purchase Loans	1,438,175	835,665
Interest on Debentures	46,111,938	16,266,021
Charges / Gain on variable coupon and restatement of FCCB	<u>(5,880,000)</u>	(34800000)
	40,231,938	(18,533,979)
<b>Total</b>	<b><u>310,713,235</u></b>	<b><u>159,061,430</u></b>
<b>Schedule - 20</b>		
<b>Provision for Tax</b>		
Current Tax	2,095,913	–
Deferred Tax	<u>(5,778,701)</u>	<u>(2,751,462)</u>
<b>Total</b>	<b><u>(3,682,788)</u></b>	<b><u>(2,751,462)</u></b>

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

**Schedule – 21**

**Significant Accounting Policies**

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

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

The financial statements are prepared under the historical cost convention on the accrual basis to comply in all material aspects and in accordance with generally accepted accounting principles (GAAP) in India and the relevant provisions of the Companies Act 1956.

**Principles of Consolidation**

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

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

**B. Other Significant Accounting Policies**

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

**Schedule – 22**

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

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

<b>Particulars</b>	Rupees in Lakhs	
	<b>As on 31.03.2011</b>	As on 31.03.2010
a) Bank Guarantees	<b>68.37</b>	67.16
b) Letter of Credits outstanding	<b>264.10</b>	341.84
c) Premium payable on FCCB’s issued	<b>472.94</b>	960.23
d) Bond-Cum-Legal Undertaking for Special Economic Zone Unit made in favour of President of India	<b>6250.00</b>	6250.00
Claims against the company not acknowledged as debts:		
e) Direct & Indirect Taxes disputed (Amount Deposited Rs. 11.46 Lakhs (previous year Rs.16.11 Lakhs))	<b>109.80</b>	96.16
f) Other Matters disputed	<b>319.07</b>	179.88

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

**4 . Capital Commitments**

Particulars	Rupees in Lakhs	
	As on 31.03.2011	As on 31.03.2010
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	735.00	932.00

**5. Deferred Tax**

Particulars	Rupees in Lakhs	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Deferred Tax Liability		
Depreciation	–	25.82
Provision for Debtors	10.04	37.06
<b>Total</b>	<b>10.04</b>	<b>62.88</b>
Deferred Tax Asset		
Depreciation	84.72	–
Provision for Debtors		
Others	(16.89)	90.39
<b>Total</b>	<b>67.83</b>	<b>53.33</b>
<b>Net Deferred Tax Liability</b>	<b>(57.79)</b>	<b>(27.51)</b>

**6. Related Party Transactions**

- a) Names of the Associate concerns:  
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Apparels Limited, Pokarna Marketing Limited
- b) Names of the Associate Firms:  
Southend, Southend Extension, Gautam Granites
- c) Names of Key Management Personnel  
Shri. Gautam Chand Jain, Shri. Siddarth Jain, Shri. Rahul Jain
- d) Names of Relatives  
Prakash Chand Jain, Dilip Kumar Jain, Ashok Chand Jain, Raaj Kumar Jain
- e) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year **2010-11** (2009-10)

Nature of the Transaction	Rupees in Lakhs			
	Associates	Key Management Personnel	Relatives	Total
Purchase of Goods	14 (44)	– (–)	– (–)	14 (44)
Sale of Goods	277 (633)	– (–)	– (3)	277 (636)
Rents paid	20 (20)	– (–)	10 (10)	30 (30)
Remuneration paid to Directors	– (–)	48 (47)	– (–)	48 (47)

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

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Nature of the Transaction	Associates	Key Management Personnel	Relatives	Total
Interest Paid	229 (128)	50 (-)	- (-)	279 (128)
Interest Received	1 (1)	- (-)	- (-)	1 (1)
Loans Received	1609 (188)	2000 (742)	- (-)	3609 (930)
Loans Repaid	- (-)	556 (25)	- (75)	556 (100)
Balances as at 31/03/11 – Receivable	149 (394)	- (-)	13 (13)	1985 (407)
Balances as at 31/03/11 – Payables	4428 (2599)	2746 (1069)	18 (9)	7192 (3677)

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

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

Amount in Rupees

	Year ended 31.03.2011	Year ended 31.03.2010
<b>Basic Earnings Per Share</b>		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	(21,53,11,065)	(13,71,38,251)
Denominator for Basic earnings per share:		
Basic / Weighted Average number of shares	6,200,800	6,200,800
Basic Earnings Per Share	(34.72)	(22.12)
<b>Diluted Earnings Per Share</b>		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	(21,53,11,065)	(13,71,38,251)
Denominator for Diluted earnings per share:		
Weighted Average number of shares	6,200,800	6,200,800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. of Shares)	22,36,523	22,36,523
Adjusted weighted average number of shares	84,37,323	84,37,323
Diluted Earnings Per Share	(34.72)	(22.12)

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

**8. Segment Reporting**

Disclosure of segment reporting for the year **2010-11** (2009-10)

a) Information about Primary Business Segments

Description	Granite	Apparel	Quartz Surfaces	Total
Rupees in Lakhs				
<b>Revenue:</b>				
Sales to External Customers	11305 (10277)	1932 (2920)	3140 (889)	16377 (14086)
Inter Segment Sales	6 (3)	- (-)	- (-)	6 (3)
<b>Total Revenue</b>	<b>11299</b> (10274)	<b>1932</b> (2920)	<b>3140</b> (889)	<b>16371</b> (14083)
<b>Segment Results:</b>				
Profit / (Loss)	1322 (1050)	(306) (480)	(85) (351)	931 (219)
Interest Expenses	340 (330)	571 (620)	2196 (640)	3107 (1590)
Income Tax				23 (-)
<b>Profit After Tax</b>				<b>(2153)</b> (1371)
<b>Other Segment Information:</b>				
Capital Expenditure	129 (577)	52 (127)	397 (1624)	578 (2328)
Depreciation	602 (574)	264 (271)	981 (510)	1847 (1355)
<b>Particulars of Segment Assets and Liabilities:</b>				
Segment Assets	14132 (14104)	6336 (6280)	24525 (23465)	44993 (43849)
Unallocated Assets	6116 (6116)	- (-)	- (-)	6116 (6116)
Segment Liabilities	5218 (5206)	6852 (6793)	27829 (24535)	39899 (36534)
Unallocated Liabilities	5358 (5417)	- (-)	- (-)	5358 (5417)

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

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

Rupees in Lakhs

Country	2010-11				2009-10			
	Granite	Apparel	Quartz Surfaces	Total	Granite	Apparel	Quartz Surfaces	Total
U S A	4531	–	2154	6685	3738	116	352	4205
Europe	1525	–	206	1731	1181	1154	35	2370
Asia	1123	–	–	1123	1530	9	–	1539
India	2939	1932	777	5648	2462	1641	503	4606
Australia	16	–	–	16	17	–	–	17
Rest of the World	1171	–	3	1174	1349	–	–	1349
<b>Total</b>	<b>11305</b>	<b>1932</b>	<b>3140</b>	<b>16377</b>	<b>10277</b>	<b>2920</b>	<b>890</b>	<b>14086</b>

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

Notes:

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

**9. General**

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) Paise are rounded off to the nearest Rupee.
- c) As the Pokarna Engineered Stone Limited – Subsidiary has started its commercial operations w.e.f. 1st October, 2009, hence, previous year figures in Profit & Loss Account are for a period of six months.

As per our report attached

For and on behalf of Board of Directors

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

**Shantilal Daga**  
Partner  
Membership No. 11617

Place: Secunderabad  
Date: 27th May, 2011

**Gautam Chand Jain** Chairman & Managing Director  
**Meka Yugandhar** Director  
**Vinayak Rao Juvvadi** Director  
**Thati V. Chowdary** Director  
**Prakash Chand Jain** Director  
**Rahul Jain** Executive Director  
**M Vishwanatha Reddy** Chief Financial Officer  
**Sanjay Daga** G. M. – Accounts  
**Chinmoy Patnaik** Company Secretary

**Financial Information of Subsidiary Company:**

**Name of the Subsidiary Company : Pokarna Engineered Stone Limited**

	Reporting currency	INR (in Lakhs)	
		<b>31.03.2011</b>	<b>31.03.2010</b>
1.	Capital	<b>10.00</b>	10.00
2.	Reserves	<b>Nil</b>	Nil
3.	Total Assets	<b>27839.64</b>	24544.91
4.	Total Liabilities	<b>27839.64</b>	24544.91
5.	Investments	<b>Nil</b>	Nil
6.	Turnover	<b>3139.71</b>	889.97
7.	Profit Before Taxation	<b>(-) 2281.55</b>	(-) 991.27
8.	Provision for Taxation	<b>Nil</b>	2.05
9.	Profit After Taxation	<b>(-) 2281.55</b>	(-) 989.22
10.	Proposed Dividend	<b>Nil</b>	Nil