

16th Annual Report 2006-2007




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POKARNA LIMITED

Cover: Once best known for its unrivalled range of spices, India is now also the home of the world's finest granite. This picture from Pokarna's ad campaign reiterates the idea dramatically.
Photo: Rafeeq Ellias



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

— Anon

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BOARD OF DIRECTORS

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

Mr. Prakash Chand Jain, *Director*

Mr. M.Yugandhar, *Director*

Mr. T.V. Chowdary, *Director*

Mr. Vinayak Rao Juvvadi, *Director*

Mr. Mahender Chand Chordia, *Director*

Mr. Dhanjibhai Sawla, *Director*

Mr. Rahul Jain, *Executive Director*

Mr. Siddharth Jain, *Executive Director*

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COMPANY SECRETARY

Mr. Paras Kumar Jain

.....●.....

AUDITORS

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

.....●.....

BANKERS

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

Indian Overseas Bank, M.G. Road, Secunderabad

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REGISTERED & CORPORATE OFFICE

First Floor, Surya Towers,

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

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Email: contact@pokarna.com

Website: www.pokarna.com, www.stanzaworld.com

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FACTORIES

Survey No.123, Toopranpet (Village),

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

Survey No. 563, 568 & 574,

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

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

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

Plot No. 45, APSEZ Ltd, Achutapuram & Rambilli Mandals, Visakhapatnam.

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16th ANNUAL GENERAL MEETING

Date: 28th September, 2007 • Time: 10:30 a.m.

Place: Hotel Grand Kakatiya Sheraton & Towers, Begumpet, Hyderabad.

DIRECTORS' REPORT TO THE SHAREHOLDERS



The directors present their 16th Annual Report and the audited statements of accounts for the year ended 31 March, 2007.

FINANCIAL RESULTS

The Financial Highlights are summarized below:

Rupees in Lakhs

Particulars	2006-2007	2005-2006
Total Income	16367.85	15270.55
Less-Expenditure	15125.75	13976.51
Profit/(Loss) Before Tax	1242.10	1294.04
Prior Period Items	9.14	(2.01)
Provision for Taxation	339.24	221.69
Net Balance of Profit	912.00	1070.34
Balance of Profit brought forward	6257.81	5542.43
Appropriation		
Proposed Dividend	217.03	217.03
Corporate Dividend Tax	36.88	30.43
Transfer to General Reserve	92.50	107.50
Balance Carried to Balance Sheet	6823.40	6257.81

DIVIDEND

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of Rs. 3.50 per share (35 per cent) for the year ended 31 March 2007. The amount of dividend and the tax thereon aggregates to Rs. 253.91 Lakhs.

Dividend paid for the year ended 31 March 2006 was Rs. 3.50 per share (35 per cent). The amount of dividend and the tax thereon aggregated to Rs. 247.46 Lakhs.

NEW PROJECT

As was communicated during the last report, the Company is setting up green field project for manufacturing of engineered stone at APSEZ Limited, Achutapuram, Visakapatnam, Andhra Pradesh. This would be the first ever initiative undertaken by any Indian Company in this sector. The project is expected to go into trial production by the end of March 2008. This being a SEZ unit, the benefits and concessions extended under SEZ Act, 2005 read with SEZ's Rules 2006 would be available to the Unit.

FOREIGN CURRENCY CONVERTIBLE BONDS

Your Company in March, 2007 issued and allotted Zero Coupon Foreign Currency Convertible Bonds ("FCCBs") with a maturity of 5 years and one day. The FCCBs were issued in the principal amount of US \$ 12,000,000 (Twelve Million) and are convertible into ordinary shares of the Company at an initial conversion price of Rs. 295.64 per share. The conversion price of the FCCBs may be adjusted in certain circumstances. Unless previously redeemed or converted or purchased and cancelled, the FCCBs would mature at 144.50 per cent of their principal amount in U.S. dollars on 29 March 2012. The said issue was made at 32% premium to the reference date price. The FCCBs are listed on Singapore Stock Exchange. Up to March 31, 2007, none of the bonds have been converted into equity shares.

The issue proceeds are earmarked for the development of new projects and the modernisation or expansion of existing plants; and for such purposes as may be permitted from time to time under applicable laws.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2006-07. A declaration to this effect signed by the Chairman & Managing Director (CEO) of the company is annexed to this report.

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

AUDITORS

M/s. S. Daga & Co., Chartered Accountants, retire as auditors of the Company and have given their consent for re-appointment. The members are requested to appoint auditors for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting and authorize Board to fix their remuneration.

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

DIRECTORATE

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

AWARDS AND ACCOLADES

Your Company was conferred first prize for being the 'Company with Highest Turnover' in Stone Granite & Marble Sector' by Construction World (a Largest Circulated Construction Business Magazine).

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

ISO 9001:2000 CERTIFICATION:

Your Company's granite processing units were accredited with ISO 9001:2000 certification by Bureau Veritas Quality International (BVQI) Mumbai, for manufacture and supply of granite slabs, tiles, monuments, top management, business development, human resources and purchasing function. Similarly company's apparel division was accredited 9001:2000 certification from BVQI for manufacturing, marketing and supply of men's apparel for domestic and international market.

PERSONNEL

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

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

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

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

FORM B

(Disclosure of particulars with respect to Technology Absorption)

Research and development (R & D)

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

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

Your Company is at present exporting to the Austria, Australia, Belgium, Canada, China, Germany, Greece, Hawaii, Ireland, New Zealand, Palestine, Panama, Poland, Puerto Rico, Pakistan, Russia, Spain, South Africa, Switzerland, USA, Ukraine and U.K. Your Company is continuously exploring possibilities of exporting to different markets.

During the period under review:

- a. the foreign exchange earnings by the Company was Rs. 12584 Lakhs.
- b. the foreign exchange expenditure (which includes import of raw materials, spares, etc.) was Rs. 4412 Lakhs.

ACKNOWLEDGEMENTS

Your Directors are thankful to Union Bank of India for meeting long term and working capital needs of the Company's expanding operations and Indian Overseas Bank and Bank of India for meeting long term capital needs of the Engineered Stone Division of the Company. The Board is also thankful to the holders of Foreign Currency Convertible Bonds for their support.

The Directors are grateful to the Central and State Governments and the Department of Mines & Geology, Andhra Pradesh, Directorate General of Mines Safety, Andhra Pradesh Industrial Infrastructure Corporation Limited, and Visakapatnam Special Economic Zone for their continued support to the Company's expansion plans. Your Board places on record its appreciation of the support provided by the customers, suppliers and equipment vendors to the Company.

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

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

For and on behalf of the Board

Place : Secunderabad

Date : 31st July, 2007

Gautam Chand Jain
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS



1. INDUSTRY STRUCTURE AND DEVELOPMENT

Granite

The word “Granite” is derived from the Latin word “Granum” meaning “grain” because of its granular nature.

Your Company’s granite segment activities can be broadly classified into the following.

Quarrying

Granite quarry is a pit or some open excavation from which granite is extracted. To extract granite from a quarry digging, cutting or cracking process is undertaken. This process of extracting the stone is called as quarrying. Your Company extensively uses mining machinery, such as excavator, tam rock, compressor and drilling machine for drilling, wire saw for dressing the blocks, crane for lifting big blocks, and dumpers and truck for transport of the waste and finished product. Your company recognises the importance of using earth’s resources in a responsible manner as this makes greater business sense. To compliment this philosophy your Company carries out scientific quarrying operations using the most mechanized quarrying machinery and by extensively using environmental friendly, very safe and non-explosive cracking agent. Your Company’s endeavour is to quarry in a manner such that there is no impact whatsoever on the environment including men, flora and fauna.

Manufacturing of slabs and tiles

To transform the huge block of rough granite into smaller pieces for manufacturing, the block must be sawed into slabs. This operation is performed by gang saw. Gang saw use fine steel shot and dozens of thin blades powered by pitman drive and flywheel assemblies to operate the huge saw mechanisms primarily used to produce thin structural stone panels. Large pumps in pits below the saws maintain a constant flow of water and steel shot slurry onto the block being cut. After slabs are sawed, they are sent for leveling, grinding and polishing.

Your Company has two manufacturing complexes with state-of-the-art equipment imported from the finest companies in the world. These machines extract the raw material; then cut and polish the granite with unmatched precision and efficiency thus ensuring a great finish.

As per the data available with the Company, it is the largest exporters of Granite slabs from India dealing in over 70 premium colors and exporting more than 140 containers every month to the most reputed companies all over the world.

Apparel

Apparel retailing is the country’s second largest opportunity for the organised retailers after food and groceries. The garment industry in India is a \$23 billion industry (at the current rate of exchange of Rs. 45/- = US\$). This industry also comprises the organized and unorganized sector. The unorganized sector largely consists of job workers who carry out jobs given by their principals, under their supervision. The organized sector generally consists of units having a minimum of 10 sewing machines under one roof. The organized sector is, by and large, update with modern technology, has economies of scale, is cost-competitive and is in a position to execute orders on time. The garment industry produces over 100 varieties of garments for different end-uses. Additionally, a section of the industry concentrates on manufacture of ethnic garments, or what are traditionally called “India Items”. Unlike the other segments of the textile industry, the apparel sector is relatively new because, traditionally, most Indian garments were made in the home or on a custom basis by local tailors.

Indian apparel producers are increasingly cognizant of emerging challenges and opportunities. Some firms, including a number of the largest firms in the textile business, are increasing investment in larger scale apparel enterprises, as well as in integrated operations involving some combination of spinning, weaving, finishing, and apparel making. But domestic and foreign direct investments to build capacity and strengthen competitiveness in the apparel sector have been small,

compared with investments in some other countries, particularly China. Fabric production and the exports, including exports of apparel, have been rising over the years and it is expected to maintain the trend in the future also.

The IMAGES-KSA Technopak Indian Apparel Report 2006 estimates the market size of the men's shirt market at Rs 12,010 crore, a category that commands the largest chunk of the country's apparel market share (14 per cent).

Your Company continues to be a preferred contract manufacturer for renowned international brands. Your Company's premium clothing brand STANZA has positioned itself very aggressively in the market. Right from its launch, STANZA has continuously been setting new standards in the men's wear domain, which in the past have never been focused on. Your Company believes in quality and that is the force driving it to excel continuously.

Company has opened exclusive STANZA shops (franchisee and self managed) in Secunderabad, Chandigarh, Pune. During financial year 2007-2008, Company would open STANZA shops in Jaipur, Mumbai, Ahmedabad, Surat and Kolkata.

Engineered Stone / Compound Stone / Quartz Surface

Throughout the centuries natural stone has been a predominate feature in a broad range of architectural works, and by tradition it will rightly hold a position of prestige also in future. However, over the years many limitations to the modern use of natural stone have become evident: the extensive exploitation of stone quarries has caused a shortage and at times even the total exhaustion of this resource in certain areas which is in direct conflict with environmental legislation; as natural stone by nature is often imperfect, it is very difficult to find large quantities that are aesthetically the same and perfectly uniform in their appearance; natural stone is not always the ideal solution to express new and innovative aesthetic and functional ideas of contemporary architects. Therefore, it has become a necessity to offer, in parallel to the evolution in tastes and the pace of life we live in today's society, new solutions and new technical and aesthetic proposals in masonry materials for the building and architectural industries.

The request today is for "stone" materials which are both innovative and contemporary in their appearance and in their technical features, and that can be designed for single and individual projects based on the tastes and requirements of the end user, and that are acid resistant, anti-scratch, anti-slip, in other words, these "stone" materials must have all those features which ensure safety, respect nature, and can be adapted to modern construction and design techniques, aesthetically pleasing in appearance and durable.

Breton is world leader in the stone market industry for its plants and technology for manufacturing and processing compound stone, with an absolutely exclusive know-how, fruit of ongoing research and innovation which started back in 1963, the year the company was first founded. There are many registered patents which cover solutions, ideas, technologies and machines offered by Breton. Breton has an important and well-equipped Research Centre and a team of highly qualified professionals in chemistry, physics and mechanics who thanks to the aid of sophisticated research tools and an engineering process laboratory equipped with machines and plants for compound stone, develop new products, new production processes and new processing technologies.

Breton plants for manufacturing compound stone are installed and successfully working in over 50 countries worldwide, with an annual production rate estimated at around 40 million square metres. The commercial success of Breton plants is demonstrated by the substantial and rapid increase in the consumption of compound stone on the world market, from the west coast of the USA across the globe to the Asian coasts of the pacific basin. Considering that the current consumption of compound stone worldwide can be described as outstanding, it still only accounts for a small percentage, around 0.5%, of cladding materials utilised around the world, however it is more than evident the enormous growth potential compound stone will have in the near future.

Breton compound stone can be described as environmentally friendly as 96% of its content comes from crushed waste stone left over in quarries (up to 60% of waste stone is produced when extracting stone blocks) or from natural stone beds. Therefore, to manufacture Breton compound stone it is not necessary to open new quarries inevitably defacing the environment. Breton compound stone contains bonding agents which are transformed into inert materials during the manufacturing process therefore the final product does not produce any form of allergen making this type of product the ideal stone solution for any location.

By defining the quality and mix of the stone aggregates, type of bonding agents and additives, and type of surface finishes, it is possible to enhance specific technical features obtaining compound stone which is:

1. Wear resistant: with a high resistance to wear, classifying it as “anti-scratch”
2. Chemical Resistant: with a high resistance to corrosive substances which are commonly used in everyday and domestic surroundings, classifying this product as “resistant to acid attacks”.
3. Resistant to Mechanical Stresses: substantially surpassing impact resistance and flexural strength parameters of natural stone.
4. Stain Resistant: practically non-porous, classifying it as “resistant to stains”.
5. Antistatic: can discharge electrostatic charges that are normally created in everyday surroundings.
6. Ice Resistant: resistant to climatic changes such as freezing / thawing cycles so it can be used outside.
7. UV ray resistant: ideal for outside use.
8. Anti-slip: making it the perfect product for surfaces that require anti-slip properties.
9. Antismog: as it absorbs a part of the pollutants in the atmosphere and transforms them into innocuous substances, ideal for outside use.
10. Antibacterial: makes surfaces inhospitable to bacteria and mould or even destroys the most common bacteria and moulds found in everyday and domestic surroundings

2. OPPORTUNITIES AND THREATS

Granite – Opportunities

- With global construction boom, the Company is well poised to take advantage.
- Increasing worldwide acceptance of Indian granite over Italian stone.

Apparel – Opportunities

- With Expansion of existing retailers and entry of new retailers, private labels would emerge as a big opportunity.
- Fashion segment is the fastest growing segment in the US and the EU market.

Engineered Stone / Compound Stone / Quartz Surface – Opportunities

- The quartz material found in India is more pure compared to quartz found in Brazil and Turkey. Quartz reserves in India are estimated at 2425 million tons with the State of Andhra Pradesh, Tamil nadu, Madhya Pradesh, Orissa, Rajasthan accounting for over 90% of the total Indian reserves.
- Boom in the construction activities and the growing number of commercial projects like hotels, holiday resorts, clubs and luxury homes contribute to the growing demand for classy material.
- Compared to other Asian countries and the West, manufacturing costs in India have always been considered much lower.
- Pokarna would be the first Company manufacturing ‘Engineered Stone’ in India. Therefore it shall have the first-mover advantage.

Granite – Threats

- Increased competition from ceramic and vitrified tiles industry and Brazilian granite industry.
- Archaic mining and labour law acts as a deterrent to growth.

Apparel – Threats

- Pricing pressure and Tailoring still strong.
- Indian manufacturers continue to compete on price basis.

Engineered Stone / Compound Stone / Quartz Surface – Threats

- Competition from solid resin countertops manufacturers.
- Competition from natural stone industry.

3. SEGMENT WISE PERFORMANCE

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

(Rupees in Lakhs)				
Description	Granite	Apparel		Total
Revenue:				
Sales to External Customers	13792	2466		16258
Inter Segment Sales	3	0		3
Total Revenue	13795	2466		16261
Segment Results Profit / (Loss)	2821	(786)		2035
Interest Expenses	454	330		784
Income Tax				339
Profit After Tax				912
Other Segment Information:				
Capital Expenditure	768	647	2136	3551
Depreciation	435	192	0	627
Particulars of Segment Assets and Liabilities:				
Segment Assets	14577	7765	8403	30745
Segment Liabilities	6689	6843	8397	21929

4. OUTLOOK

Outlook for the segments in which Company operates is cautiously encouraging. For granite business, Brazil is emerging as a major competitor with huge production capacities and almost thrice the 120 varieties exported from India. For apparel business, success going forward would depend on ability to produce designs as per the customer's changing tastes, preferences, development of an efficient supply chain system to cater to the needs of the consumers, keeping inventory and brand expenses in control and being cost effective. Vagaries of market in the form of fierce competition and pricing pressure would be the key drivers of success in days to come.

5. RISKS AND CONCERNS

Pokarna operates in a business environment characterized by increasing globalization and intensifying competition. As a result, risk is integral to its business. 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:

High leverage constrains future growth funding options

The Company's existing debt-equity ratio may constrain its ability to raise additional funds for future capex-oriented initiatives.

Mitigant – Company has invested substantial funds for growing its scale in Apparel business. While the recent past can be termed a brand building phase, the present and future represent a phase where attractive returns may be generated. The ability to raise convertible bonds in global market demonstrates the faith of the investors in the Company's business model, track record, prospects and sustainability.

Ineffective management of operations

An inability to manage operations in a cost-effective manner could blunt the Company's competitive edge.

Mitigant – Company plans to embark on initiatives to ensure that its granite and apparel business remains cost-effective.

Delay in implementation schedule of Engineered Stone Project

Any delay in implementation of the proposed Engineered Stone Project due to uncertainties will lead to time and cost overruns thereby impacting the profitability of the company.

Mitigant –Your Company has implemented expansion projects in the past. In view of the experience your Company has gained over the years, it does not envisage any major delays in implementation of the project in the normal course.

Productivity

The main problem of Granite Mining Industry in India is the low productivity and high wastage. The low productivity is mainly due to conventional methods of mining adopted at present and also due to formation of the rock.

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

Labour management

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

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

Availability of raw granite blocks

The non-availability of best quality blocks for the processing continues to be one of the major problems of granite industry and it is expected to remain the same in future too.

Mitigant – Company has its own captive quarries and hence is able to get best of the Blocks for Export. This resolves the shortage to some extent and for the rest the Company has tied up with the other quarry owners for supply of Blocks.

Exploring new areas

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

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

Infrastructure development

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

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

Currency fluctuation

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

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

Competition

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

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

Credit risk

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

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

Fire, explosion and theft risk

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

Probable opposition to sourcing of apparel from India

Some countries may impose anti outsourcing restrictions should the growth of exports from any geography exceed certain acceptable limits. Such restrictions can adversely impact growth of your Company.

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

Non availability of skilled personnel in apparel industry

Skilled personnel in apparel industry are not available enough in numbers due to the buoyancy in the Indian textile industry with the opening up of global trade.

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

Compliance with TUFs conditions

Some of the machinery installed in the Apparel Division is financed under the TUF scheme which specify certain conditions. Inability to comply with these conditions shall make the Company ineligible for interest subsidy and render the loans uncompetitive thereby adversely impacting the financials of the Company.

Your Company is fully aware of the rules and regulations and would strive to ensure compliance with them.

Exclusive brand outlets

For STANZA 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 the time and place that we desire, the same may have a material adverse impact on our results of operation.

Real Estate

The growing stature of the retailing industry has pushed up the cost of real estate significantly over the past and this trend is likely to continue and has an impact on operating cost of STANZA shops.

Inventories

Manufacturing and sale of apparels 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. Additionally, we also manufacture our own products which increase our working capital intensity primarily because of high inventory levels.

6. INTERNAL CONTROL SYSTEMS AND ADEQUACY

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

Your Company undertakes extensive checks and reviews through external firm of chartered accountant, who provides independent and professional observations, and the internal audit cell co-ordinates and follows up for corrective and preventive action.

Your Company, on a regular basis, stores and maintains all the relevant data and information as a back up, to avoid any possible risk of losing important business data.

A qualified and independent audit committee of the Board, comprising all independent Directors of the Company, reviews the internal audit reports, and the adequacy of internal controls.

7. FINANCIAL PERFORMANCE OF THE COMPANY / OPERATIONS

- Net Sales increase by 8.31 % from 15013.03 Lacs to 16260.85 Lacs.
- Operating Profit (PBDIT) increase by 2.84 % from 2588.26 Lacs to 2661.88 Lacs.
- Profit Before Tax (PBT) decrease by 3.18 % from 1292.04 Lacs to 1251.24 Lacs.
- Net Profit decreased by 14.79 % from 1070.35 Lacs to 912.00 Lacs.
- Basic EPS for the year stood at Rs. 14.71 and diluted EPS stood at Rs. 11.41.
- The Stand alone EPS of Granite Division of the Company stood at Rs. 34.91.
- The Board of directors has recommended a final dividend of 35 % subject to approval of the Members' in the ensuing Annual General Meeting of the Company.

Losses of apparel business have resulted in decline in bottom line.

8. HUMAN RESOURCES

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

9. CAUTIONARY STATEMENT

Certain statements in this report may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local, political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Pokarna Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

CORPORATE GOVERNANCE REPORT



1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

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

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

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

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

2. BOARD OF DIRECTORS

Composition & Category of Directors

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

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

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

Name of the Director	Category of Director	No. of Directorships	No. of Memberships/ Chairmanships of other Board Committees.
Gautam Chand Jain	Executive & Non Independent	3*	-
Rahul Jain	Executive & Non Independent	2	-
Siddharth Jain	Executive & Non Independent	1	-
Prakash Chand Jain	Non Executive & Non Independent	3*	-
Meka Yugandhar	Non Executive & Independent	7**	-
TV Chowdary	Non Executive & Independent	4*	3
Vinayak Rao Juvvadi	Non Executive & Independent	-*	-
Mahender Chand Chordia	Non Executive & Independent	-*	-
Dhanjibhai Sawla	Non Executive & Independent	2	-

* Excluding directorship of private limited companies

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

Meetings held and Attendance of Directors

There were six board meetings held during 2006-2007 on 27th May 2006, 17th June 2006, 29th June 2006, 29th July 2006, 30th October, 2006, 31st January, 2007. The intervening period between the board meetings was well within the maximum time gap of four months prescribed in Clause 49.

Attendance of Directors at the Board Meetings and Annual General Meeting

Name of the Director	No. of Board Meetings attended	Attendance at Last Annual General Meeting
Gautam Chand Jain	6	Yes
Rahul Jain	4	Yes
Siddharth Jain	5	Yes
Prakash Chand Jain	4	Yes
Meka Yugandhar	6	Yes
TV Chowdary	3	No
Vinayak Rao Juvvadi	3	Yes
Mahender Chand Chordia	6	Yes
Dhanjibhai Sawla	6	Yes

Board Procedure

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

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

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

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

Non Executive Directors' compensation and disclosure

Apart from receiving the sitting fees and commission, none of the non executive Directors' have any material pecuniary relationship or transactions with the Company.

All fees and commission are fixed by the Board of Directors and have shareholders' approval. The company currently does not have a stock option programme.

Review of legal compliance reports

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

Code of conduct

The board at its meeting held on 16 July 2005 laid down a code of conduct for all board members and senior management of the company. This code has been posted on the web-site of the company, www.pokarna.com

All board members and senior management personnel have affirmed compliance with the code for 2006-07. A declaration to this effect signed by the CEO is given below.

DECLARATION

I hereby declare that all the members of the Board of Directors and the Senior management personnel have affirmed compliance with the Code of Conduct, for the year ended March 31, 2007.

Secunderabad

31st July, 2007

Gautam Chand Jain

Chairman & Managing Director

3. AUDIT COMMITTEE

Composition

The Audit Committee comprises of three directors who are non executive & independent. The Chairman of the Committee is Mr. Meka Yugandhar, who is Managing Director of Karvy Consultants Limited and Karvy Computershare Pvt. Ltd and is a Fellow Member of the Institute of Chartered Accountants of India. The other Members of the Committee are Mr. T.V. Chowdary, Retired Director, Department of Mines and Geology, Andhra Pradesh, and Mr. Vinayak Rao Juvvadi, a Kellogg School of Management Graduate. The Company Secretary acts as the Secretary of the Audit Committee.

Number of Meetings and Attendance

During the year under review, four Audit Committee Meetings were held on 17th June, 2006, 29th July 2006, 30th October, 2006 and 31st January, 2007.

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

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

Name	Position	Category	Attendance
Meka Yugandhar	Chairman	Independent & Non Executive Director	4
T.V. Chowdary	Member	Independent & Non Executive Director	3
Vinayak Rao Juvvadi	Member	Independent & Non Executive Director	3

At the Annual General Meeting held on 29th September, 2006, the Chairman of the Audit Committee, Mr. Meka Yugandhar was present.

Broad Terms of Reference

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

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

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

4. REMUNERATION COMMITTEE

The Company has complied with the non-mandatory requirement of Clause 49 regarding the Remuneration Committee.

Composition, Number of Meetings and Attendance:

The Remuneration Committee comprises of three Non Executive Directors viz., Mr. T.V. Chowdary, Chairman, Mr. Meka Yugandhar, Member and Mr. Prakash Chand Jain, Member. The committee met on 29th July 2006 to review the compensation Mr. Gautam Chand Jain, Mr. Rahul Jain and Mr. Siddharth Jain.

At the Annual General Meeting held on 29th September, 2006, the Chairman of the Remuneration Committee was present.

Terms of reference

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

Remuneration Policy

The Remuneration Committee recommends to the Board, the Compensation of the Chairman & Managing 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. Non Executive Directors do not claim any fees for the Committee meetings

In terms of the shareowners' approval obtained at the Annual General Meetings held on 17th September, 2001 and 26th September 2005, Commission not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956 can be paid to the Non Executive Directors. The distribution of the commission amongst the Non-Executive Directors' is determined by the Board and is broadly based on attendance, contribution at the Board Meetings and various Committee Meetings as well as time spent on operational matters other than at the aforesaid meetings. The Company did not have any pecuniary relationship or transactions with the Non Executive Directors during the financial year 2006-2007.

For the year 2006- 2007, Rs. 10.38 Lacs has been provided as Commission to Non Executive Directors. The Details of the remuneration paid/payable to all the directors during the year 2006-2007 is provided hereunder.

Rupees in Lakhs							
Name	Salary	Contribution to Provident Fund	Perquisites and incentives	Director Sitting fees	Commis-sion	Total 31.03.07	Total 31.03.06
Gautam Chand Jain	60.00	0.09	9.12	—	—	69.21	38.89
Rahul Jain	18.00	0.09	—	—	—	18.09	14.34
Siddharth Jain	18.00	0.09	—	—	—	18.09	9.09
Prakash Chand Jain	—	—	—	0.08	1.73	1.81	1.94
M. Yugandhar	—	—	—	0.12	1.73	1.85	1.92
T.V. Chowdury	—	—	—	0.06	1.73	1.79	1.92
Vinayak Rao Juvvadi	—	—	—	0.06	1.73	1.79	1.90
Mahender Chand Chordia	—	—	—	0.12	1.73	1.85	1.94
DhanjiBhai Sawla	—	—	—	0.12	1.73	1.85	1.92
Total	96.00	0.27	9.12	0.56	10.38	116.33	73.86
Previous Year	54.00	0.27	8.05	0.50	11.04	73.86	93.84

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

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

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

Shares held by non-executive directors

Except for the following none of the non executive Directors hold any shares of the Company.

Name	No. of Equity Shares held	% of paid up capital
Prakash Chand Jain	500000	8.063
M.Yugandhar	500	0.008

5. SHAREHOLDERS' COMMITTEE

Composition

The Shareholders Grievance Committee comprises three directors. Mr. T.V. Chowdary is Chairman of the Committee and Mr. M.Yugandhar and Mr. Rahul Jain are the other Members. The Company Secretary acts as the Secretary of the Audit Committee.

Terms of Reference

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

Compliance Officer

Mr. Paras Kumar Jain
Company Secretary
Pokarna Limited
Surya Towers,
105, S. P. Road
Secunderabad.

Status of Complaints

During the year 16 Complaints regarding non-receipt of shares sent for transfer, non receipt of balance sheet and non-receipt of the dividend warrant were received from the shareowners' all which have been resolved. The Company had no complaint lying unresolved at the close of the financial year.

6. GENERAL BODY MEETINGS

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

Financial Year	Date	Location	Time	No. of Special Resolutions passed in the AGM
2003-2004	30.09.2004	Hotel Grand Kakatiya, Sheraton Towers, Begumpet Road, Hyderabad	10:00 AM	None
2004-2005	26.09.2005	105, First Floor, Surya Towers, Sardar Patel Road, Secunderabad	10:00 AM	One
2005-2006	29.09.2006	105, First Floor, Surya Towers, Sardar Patel Road, Secunderabad	10:30 AM	Two

No special resolutions were passed in the last Annual General Meeting by postal ballot. No Special Resolution is proposed to be conducted through postal ballot at the 15th Annual General Meeting.

7. DISCLOSURES

Materially significant related party transactions

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

Compliances by the Company

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

Code of Conduct for Prevention of Insider Trading

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

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:

- The Company has setup a remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing/Executive Directors, determine and recommend to the Board, compensation payable to Managing/Executive Directors.
- The Company posts its results on its website at www.pokarna.com and this information is also available at www.sebiedifar.nic.in. 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.
- During the financial year 2006-07 there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure the regime of unqualified financial statements.
- The Company will adopt the guidelines for the composition of the Board of directors, which provide for the tenure and retirement age for the Non-Executive directors as and when required.
- The Company has an Executive Chairman and hence the requirement pertaining to reimbursement of expenses to a Non Executive Chairman does not arise.
- The necessary training will be provided to the Board members as and when required.
- The Board does not feel the necessity of evaluating the performance of its Non-Executive Board Members.

8. MEANS OF COMMUNICATION

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

9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting:

Day, Date and Time	Friday, 28th September, 2007 at 10:30 am
Venue	Hotel Grand Kakatiya Sheraton & Towers, Begumpet, Hyd.
Financial Year	1st April 2006–31st March, 2007
Book Closure date	21st September 2007 to 27th September 2007
Dividend Payment Date	After 5th October 2007
Financial Calendar for the year 2007-2008	Financial Reporting for the quarter ended June 2007 – by end of July, 2007 Financial Reporting for the quarter ended September 2007 – by end of October, 2007 Financial Reporting for the quarter ended December 2007 – by end of January, 2008 Financial Reporting for the quarter ended March 2008 – by end of June, 2008

Listing:

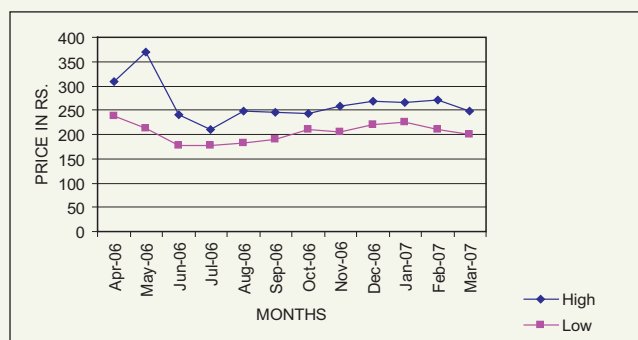
Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited	532486
Singapore Exchange Securities Trading Limited	XS0292382354
– Foreign Currency Convertible Bonds (FCCBs) Aggregating to US\$ 12 million issued in March 2007 and due in March 2012.	

Market Price Data:

In. Rs.

Month	High	Low
April, 2006	310.00	239.05
May, 2006	368.60	212.45
June, 2006	240.00	178.10
July, 2006	209.50	177.00
August, 2006	248.95	182.00
September, 2006	245.00	190.00
October, 2006	243.75	210.00
November, 2006	259.00	205.00
December, 2006	268.00	221.00
January, 2007	264.90	225.00
February, 2007	272.00	210.00
March, 2007	248.50	200.00

Source: Bombay Stock Exchange Limited



Share Transfer System:

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

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

Shares in physical forms are processed by the Registrar and Share transfer agent within 15-20 days from the date of receipt, if the documents are complete in all respects. The Company Secretary is empowered to approve transfers.

Shareholding Pattern as at 31st March, 2007:

Category	No. of shares held	% of total shareholding
Promoters	3549861	57.25
Mutual Funds	59445	00.96
FII'	484261	07.81
Private Bodies Corporate	464676	07.49
Indian Public	1547156	24.95
NRI's	23887	00.39
Others	71514	01.15
Total	6200800	100.00

Distribution of Shareholding as on 31st March, 2007

No. of Equity Shares held as at 31st March, 2007	Corresponding no. of Shareholders' as at 31st March, 2007
Upto 5,000	1467
5,001 to 10,000	173
10,001 to 20,000	116
20,001 to 30,000	37
30,001 to 40,000	27
40,001 to 50,000	15
50,001 to 100,000	24
100,001 & above	50
Total	1909

Dematerialization of shares and Liquidity:

The Shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems in India-NSDL and CDSL. As on 31st March 2007, a Total of 59,59,850 Ordinary shares of the Company, which forms 96.11% of the Share Capital of the Company stands dematerialized. Trading in shares of the Company is permitted only in dematerialized form.

Statutory Compliance:

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

Capital Integrity Audit

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL, is placed before the Board as a compliance with the conditions of Corporate Governance as quarterly basis. A copy of the Audit Report is submitted to the BSE where the securities of the Company are listed.

Outstanding GDR's/ADR's/warrants or any convertible instruments, their conversion dates and likely impact on Equity:

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

- a. Survey No. 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 – 523226, Andhra Pradesh
- b. Survey No. 103, Konidena Village, Ballikurva, Andhra Pradesh

ii) Warangal Sector:

Survey No. 906, Madikonda Village, Kazipet, Andhra Pradesh

iii) Srikakulam Sector

- | | | |
|--|--|---|
| a. Survey No. 52,
Tekkali Village,
Srikakulam Dist,
Andhra Pradesh. | b. Survey No. 284
Ponduru Village,
Srikakulam Dist,
Andhra Pradesh. | c. Survey No. 270
Singupuram Village,
Srikakulam Dist,
Andhra Pradesh. |
|--|--|---|

iv) Karimnagar Sector

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

b) Manufacturing Plants

Granite Processing Plant

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

Apparel Manufacturing Plant

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

Apparels Export Park, Gundlapchampally Village, Medchal Mandal, R R Dist, Andhra Pradesh

Engineered Stone Division

Plot No. 45, APSEZ Ltd, Achutapuram & Rambilli Mandals, Visakhapatnam, Andhra Pradesh

Address for Correspondence:

- i. Karvy Computershare Private Limited is the Registrar & Share Transfer Agent of the Company and its office is located at 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad. Contact Person: – Mr. Jayaraman / Mrs. Varalakshmi / Ms. Subha.
- ii. For any other information, the shareholders may contact:
Paras Kumar Jain, Company Secretary & Compliance Officer at the Registered Office of the Company at:
First Floor, Surya Towers, 105, S. P. Road, Secunderbad-500 003.
Phone numbers – 040 2789 7722, 040 2789 6361, 040 5526 6777.
Fax number- 040 2789 2121, e-mail address: shares@pokarna.com

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



To

The Shareholders' of Pokarna Limited.

We have examined the compliance of conditions of corporate governance by **Pokarna Limited**, for the year ended on **31st March, 2007** as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

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

For S. DAGA & CO.
Chartered Accountants

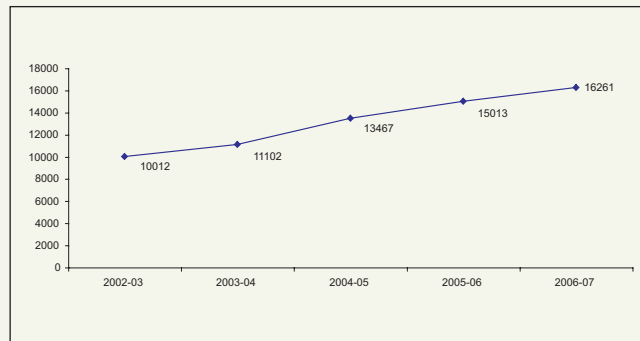
Shantilal Daga
Partner

Place : Hyderabad
Date : 31st July, 2007

YOUR COMPANY'S GROWTH

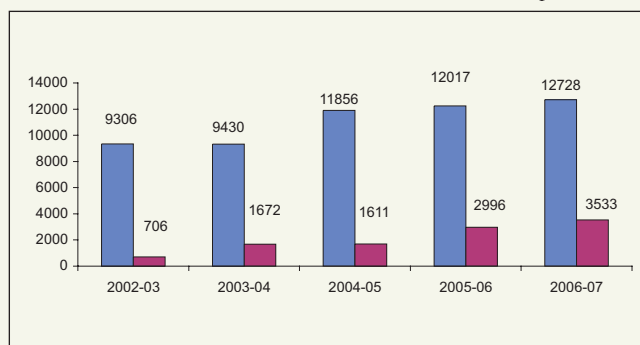
Turnover

Rupees in Lakhs



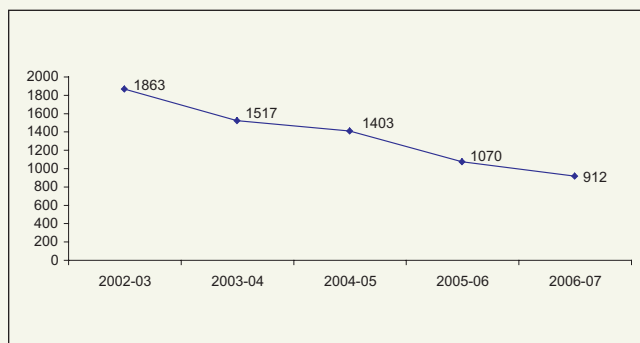
Sales – Export vs Domestic

Rupees in Lakhs



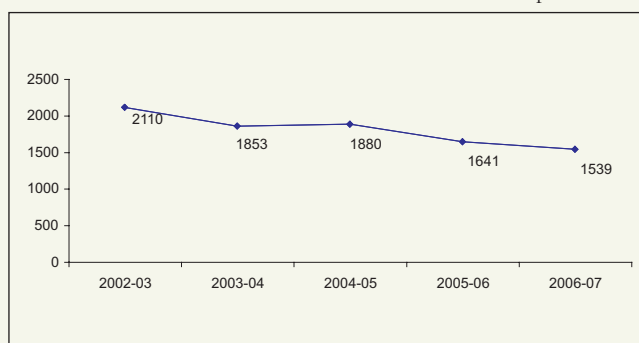
Profit after Tax

Rupees in Lakhs



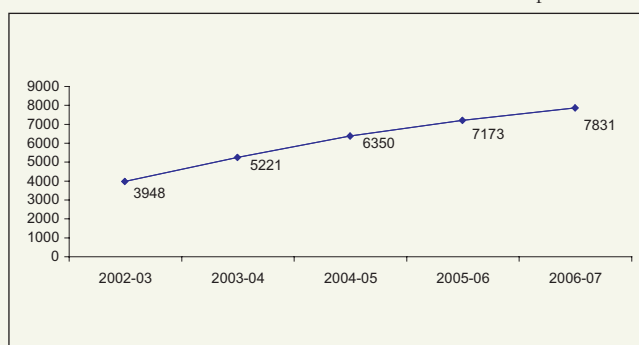
Cash Profit

Rupees in Lakhs



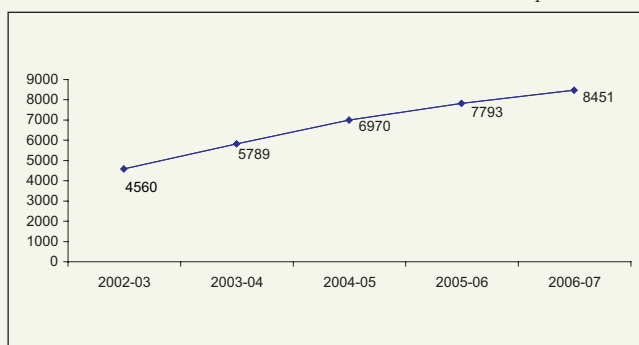
Reserves and Surplus

Rupees in Lakhs



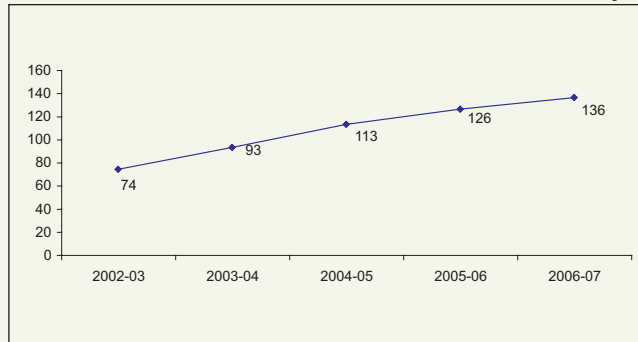
Net Worth

Rupees in Lakhs

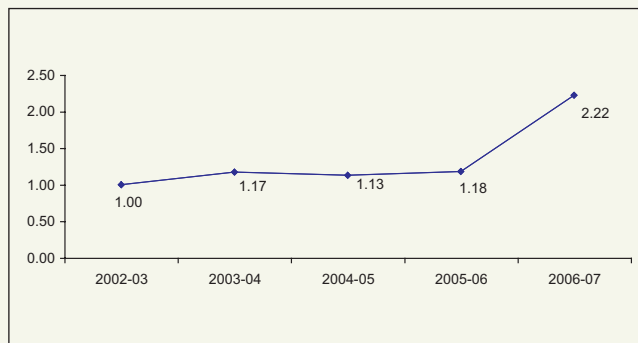


Book Value

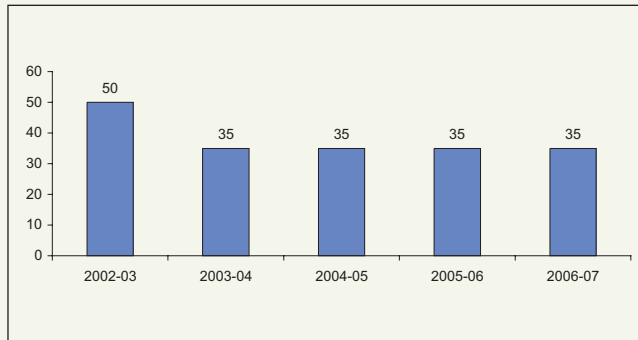
In Rupees



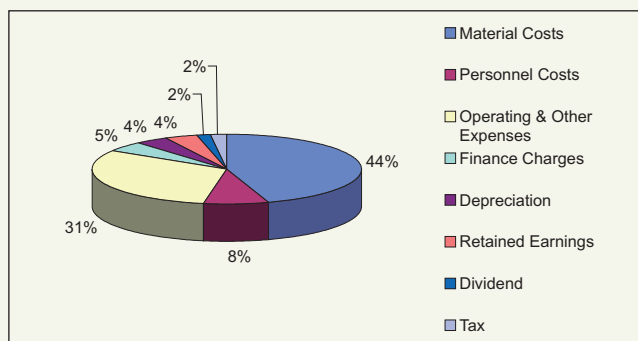
Debt/Share Holders Fund



Dividend (%)



Distribution of Revenue (%)



AUDITORS' REPORT

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To

The Members
Pokarna Limited.

1. We have audited the attached balance sheet of **POKARNA LIMITED**, as at 31st March 2007, 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 2007 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31st March 2007;
 - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

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

Shantilal Daga
M.No. 11617
Partner

Place : Hyderabad
Date : 30th June 2007

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A glimpse of the international 'granite with spice' campaign



Adapt to your body
and to your taste.
It also has medicinal
properties to treat various
colds and joint pains.

Granite with Spice

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India's No. 1 granite company

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Perfect for the healthiest diet
in Indian food and
across the world. Served
to have gastro-intestinal
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ANNEXURE TO THE AUDITORS' REPORT
Annexure referred to in Paragraph 3 of the Report of the Auditors

.....●.....

1. (a) The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
(b) All the assets have not been physically verified by the management during the year, but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) In our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the company during the year.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
(c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (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 covered in the register maintained under section 301 of the companies Act, 1956 and the maximum amount involved during the period was Rs. 2642.63 lacs (Pr. Year Rs. 550 lacs) and the period end balance is Rs. 2642.63 lacs (Pr. Year Rs. 538.40 lacs).
(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 give 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 2007 for a period of more than six months from the date they became payable.

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

Sl. No.	Name of the Statute	Nature of Dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
1.	C.S.T.	C.S.T.	7.00	2003-04	Appellate Dy.Commissioner, Panjagutta Division, Nampally
2	APMMC Rules 1966	Penalty	237.43	2004-05	Minister of Mines and Geology
3.	Central Excise Act	Addl. Excise Duty	82.51	Nov. 2000 to Feb. 2007	Central Excise Appellate Tribunal
4.	Income-tax Act	Regular tax	119.32	2000-01 To 2003-04	Commissioner of Income-tax (Appeals)

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

For S. Daga & Co.
Chartered Accountants

Shantilal Daga
M.No. 11617
Partner

Place : Hyderabad
Date : 30th June 2007

POKARNA LIMITED
BALANCE SHEET AS AT 31st MARCH, 2007

				Amount in Rupees	
Schedule			As at 31.03.2007	As at 31.03.2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	62,008,000		62,008,000	
Reserves & Surplus	2	783,111,921	845,119,921	717,303,572	779,311,572
Loan Funds					
Secured Loans	3		1,092,605,387		864,033,098
Unsecured Loans	4		787,343,101		53,839,585
Deferred Tax Liability (Net)	5		57,549,412		43,070,148
Total			2,782,617,821		1,740,254,403
APPLICATION OF FUNDS					
Fixed Assets	6				
Gross Block		1,246,767,626		1,131,337,625	
Less: Accumulated Depreciation		284,138,879		227,313,591	
Net Block		962,628,747		904,024,034	
Capital Work-in-Progress		236,049,794	1,198,678,541	16,088,647	920,112,681
Current Assets, Loans & Advances					
Inventories	7	461,747,807		269,352,086	
Sundry Debtors	8	511,605,048		553,921,032	
Cash & Bank Balances	9	769,106,657		94,763,399	
Loans & Advances	10	133,380,440		89,867,239	
		1,875,839,952		1,007,903,756	
Less: Current Liabilities & Provisions					
Current Liabilities	11	263,567,174		151,705,206	
Provisions	12	49,481,418		36,056,828	
		313,048,592		187,762,034	
Net Current Assets			1,562,791,360		820,141,722
Miscellaneous Expenditure (To the extent not written off or adjusted)	13		21,147,920		-
Total			2,782,617,821		1,740,254,403

Significant Accounting Policies 26

Notes on Accounts 27

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

As per our report of even date annexed

For and on behalf of Board of Directors

For **S. Daga & Co.**

Chartered Accountants

Shantilal Daga

Partner

Membership No. 11617

Place : Secunderabad

Date : 30th June, 2007

Gautam Chand Jain

Siddharth Jain

T. V. Chowdary

Prakash Chand Jain

Dhanjibhai Sawla

M Vishwanatha Reddy

Sanjay Daga

Paras Kumar Jain

Chairman & Managing Director

Executive Director

Director

Director

Director

Chief Financial Officer

G. M. – Accounts

Company Secretary

POKARNA LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

			Amount in Rupees
	Schedule	Year Ended 31.03.2007	Year Ended 31.03.2006
I. INCOME			
Gross Sales	14	1,645,236,761	1,515,332,203
Less: Excise Duty on Sales		19,152,044	14,028,899
Net Sales		1,626,084,717	1,501,303,304
Other Income	15	10,700,604	25,751,929
Total		1,636,785,321	1,527,055,233
II. EXPENDITURE			
Material Costs	16	734,314,896	683,792,423
Personnel Costs	17	128,609,904	105,644,818
Operating & Other Expenses	18	508,586,858	478,591,077
Finance Charges	19	78,357,319	72,556,051
Depreciation	6	62,706,505	57,066,260
Total		1,512,575,482	1,397,650,629
Profit Before Tax		124,209,839	129,404,604
Prior Period Items – Net		914,298	(200,721)
Less: Provision For Tax	20	33,924,597	22,169,339
Net Profit After Tax		91,199,540	107,034,544
Balance of Profit Brought Forward		625,781,119	554,243,193
Amount Available For Appropriation		716,980,659	661,277,737
Appropriations:			
Proposed Dividend		21,702,800	21,702,800
Tax on Proposed Dividend		3,688,391	3,043,818
Transfer to General Reserve		9,250,000	10,750,000
Balance Carried to the Balance Sheet		682,339,468	625,781,119
		716,980,659	661,277,737
Earnings per share – Basic		14.71	17.26
Earnings per share – Diluted		11.41	17.26
(Par value of Rs. 10 each)			

Significant Accounting Policies

26

Notes on Accounts

27

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

As per our report of even date annexed

For and on behalf of Board of Directors

For **S. Daga & Co.**

Chartered Accountants

Shantilal Daga

Partner

Membership No. 11617

Place : Secunderabad

Date : 30th June, 2007

Gautam Chand Jain

Siddharth Jain

T. V. Chowdary

Prakash Chand Jain

Dhanjibhai Sawla

M Vishwanatha Reddy

Sanjay Daga

Paras Kumar Jain

Chairman & Managing Director

Executive Director

Director

Director

Director

Chief Financial Officer

G. M. – Accounts

Company Secretary

POKARNA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

		Amount in Rupees	
	Schedule	Year Ended 31.03.2007	Year Ended 31.03.2006
A CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Profit Before Tax		125,124,137	129,203,883
Adjustment for -			
Add: Non cash item/items required to be disclosed separately:			
Depreciation, (Net of reversal)		62,375,007	57,066,260
Interest Expense		78,357,319	72,556,051
Loss on Sale of Asset		1,663,041	486,316
Unrealised Foreign Exchange gain/loss		609,585	(3,611,974)
Interest Income		(3,814,971)	(2,442,940)
Dividend Income		-	(107,850)
Profit on sale of Investments-Non-Trade		-	(7,289,362)
Bad Debts written off		-	(919,098)
Provision for Doubtful Advances		-	10,553,150
Provision for Doubtful Debts written back		(778,175)	(3,248,838)
Operating Profit before working capital changes		263,535,943	252,245,598
Changes in working capital and other provisions:			
Sundry Debtors		41,468,821	(80,160,985)
Inventories		(192,395,721)	(84,568,535)
Loans & Advances	21	(34,039,835)	(17,726,193)
Current Liabilities & Provisions	22	114,261,058	35,883,584
Cash Generated from operations		192,830,266	105,673,469
Income Taxes paid during the year	23	(17,776,137)	(4,554,947)
Net cash flow generated by operating Activities		175,054,129	101,118,522
B CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Fixed Assets and changes in capital work in progress	24	(355,073,730)	(107,008,049)
Proceeds from Sale of assets		8,806,763	1,434,500
Sale of Investments		-	8,439,362
Interest subsidy		3,663,057	-
Interest Income		3,814,971	2,442,940
Dividend Income		-	107,850
Net Cash used in investing Activities		(338,788,939)	(94,583,397)
C CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of share capital		-	-
Bank Borrowings		228,879,254	72,083,293
Other Borrowings		210,423,516	53,839,585
Proceeds from issue of Bonds (FCCB)		523,080,000	-
Payment for bond issue expenses		(21,147,920)	-
Dividends and Corporate dividend Tax	25	(24,746,618)	(24,746,618)
Interest paid		(78,357,319)	(72,556,051)
Net Cash generated from financing Activities		838,130,914	28,620,209
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(52,846)	2,138,153
Net increase (decrease) in cash and cash Equivalents		674,343,258	37,293,487
Cash and Cash equivalents at the beginning of the year		94,763,399	57,469,912
Cash and Cash equivalents as at the end of the year		769,106,657	94,763,399

Significant Accounting Policies 26

Notes on Accounts 27

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

As per our report of even date annexed

For and on behalf of Board of Directors

For **S. Daga & Co.**

Chartered Accountants

Shantilal Daga

Partner

Membership No. 11617

Place : Secunderabad

Date : 30th June, 2007

Gautam Chand Jain

Siddharth Jain

T. V. Chowdary

Prakash Chand Jain

Dhanjibhai Sawla

M Vishwanatha Reddy

Sanjay Daga

Paras Kumar Jain

Chairman & Managing Director

Executive Director

Director

Director

Director

Chief Financial Officer

G. M. – Accounts

Company Secretary

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

		Amount in Rupees	
		31.03.2007	31.03.2006
Schedule – 1			
Share Capital			
Authorised:			
2,00,00,000 (1,00,00,000) Equity Shares of Rs. 10/- each (Rs.10/-) par value		<u>200,000,000</u>	<u>100,000,000</u>
Issued, Subscribed and paid up:			
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs.10/-) fully paid up		<u>62,008,000</u>	<u>62,008,000</u>
		<u>62,008,000</u>	<u>62,008,000</u>
Schedule – 2			
Reserves & Surplus			
Capital Subsidy		1,500,000	1,500,000
Share Premium Account		7,396,000	7,396,000
General Reserve			
Balance at the Beginning of the Year	82,626,453		
Add: Transfer from Profit & Loss A/C	<u>9,250,000</u>		
		91,876,453	82,626,453
Balance in Profit & Loss Account		<u>682,339,468</u>	<u>625,781,119</u>
Total		<u>783,111,921</u>	<u>717,303,572</u>
Schedule – 3			
Secured Loans			
Term Loans			
From Bank			
– Foreign Currency Loan		38,282,633	67,560,489
– Rupee Loan		486,305,970	285,364,804
Working Capital Loans			
From Bank			
– Rupee Loan		507,485,369	492,474,545
Hire Purchase Loans			
From banks			
– Rupee Loan		60,531,415	18,633,260
Total		<u>1,092,605,387</u>	<u>864,033,098</u>
Schedule – 4			
Unsecured Loans			
Zero Coupon Foreign Currency Convertible Bonds		523,080,000	–
(See point No-3 of notes to accounts)			
Other Loans and Advances			
Inter Corporate Borrowings		242,533,480	40,500,000
From Directors		21,729,621	13,339,585
Total		<u>787,343,101</u>	<u>53,839,585</u>

POKARNA LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT

Schedule - 6

Description	Gross Block				Depreciation			Net Block	
	As at 01.04.2006	Additions during the year	Deduction during the year	As at 31.03.2007	Upto 31-03-2006	For the Year 31.03.2007	Deduction during the year	As at 31.03.2007	As at 31.03.2006
Land - Freehold	19,843,486	2,114,377	188,001	21,769,862	—	—	—	21,769,862	19,843,486
Buildings	5,183,221	79,663	—	5,262,884	156,238	85,455	—	5,021,190	5,026,983
Factory & Quarry Buildings	157,841,703	25,051,955	950,696	181,942,962	16,885,309	5,404,801	64,028	159,716,882	140,956,394
Plant & Machinery*	846,369,805	66,839,110	15,513,087	897,695,827	189,992,778	45,901,698	4,303,896	666,105,245	656,377,025
Vehicles	40,249,343	18,572,042	3,030,797	55,790,588	10,684,001	5,021,647	1,513,295	41,598,234	29,565,341
Furniture & Fixtures* and Office Equipment	23,570,182	22,455,436	—	46,025,618	5,767,265	2,464,903	—	37,793,449	17,802,916
Trade Marks & Brand Names	38,279,885	—	—	38,279,885	3,828,000	3,828,000	—	30,623,885	34,451,885
Total	1,131,337,625	135,112,583	19,682,581	1,246,767,626	227,313,591	62,706,505	5,881,219	962,628,747	904,024,034
Previous Year	986,892,798	147,920,005	3,475,178	1,131,337,625	171,801,694	57,066,260	1,554,363	904,024,034	815,091,104

★ (Includes cost incurred for leasehold improvements Rs. 7,793,852 Previous year: Nil)

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

	Amount in Rupees	
	31.03.2007	31.03.2006
Schedule - 5		
Deferred Tax Liability (Net)		
Deferred Tax Liabilities		
– Depreciation	59,503,754	44,004,783
– Others	404,771	511,840
	<u>59,908,525</u>	<u>44,516,623</u>
Deferred Tax Assets		
– Retirement Benefit	1,663,619	1,112,451
– Provision for Doubtful Debts	–	334,024
– Others	695,494	–
	<u>2,359,113</u>	<u>1,446,475</u>
Total	<u>57,549,412</u>	<u>43,070,148</u>
Schedule - 7		
Inventories		
Consumables, Stores & Spares	40,172,039	34,821,633
Raw Material (Including Goods-in-Transit Rs. 423.31 Lacs, previous year Rs. 87.54 Lacs)	164,213,017	64,812,555
Raw Granite at Quarries	5,407,333	3,649,488
Work-In-Process	24,442,062	23,247,816
Finished Goods	224,665,004	140,977,086
Traded Goods	771,166	–
Packing Material	2,077,186	1,843,508
Total	<u>461,747,807</u>	<u>269,352,086</u>
Schedule - 8		
Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered Good	31,254,489	36,858,088
– Considered Doubtful	838,179	1,616,354
Other Debts - Considered Good	480,350,559	517,062,944
	<u>512,443,227</u>	<u>555,537,386</u>
Less: Provision for Doubtful Debts	838,179	1,616,354
Total	<u>511,605,048</u>	<u>553,921,032</u>
Schedule - 9		
Cash & Bank Balances		
Cash on Hand	2,075,184	422,030
Balances with Scheduled Banks		
– In Current Accounts	43,727,886	7,022,492
– In EEFC Current Accounts	57,219,117	43,929,788
– In Deposit/Margin money	162,918,736	42,646,012
– In Unclaimed Dividend Accounts	1,008,934	743,077
Balances with Non-Scheduled Banks outside India		
– In Current Accounts	502,156,800	–
Total	<u>769,106,657</u>	<u>94,763,399</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. 5021.57 Lacs (previous year: nil)]

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

	Amount in Rupees	
	31.03.2007	31.03.2006
Schedule – 10		
Loans & Advances		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received:-		
– Considered Good	42,901,608	30,556,056
– Considered Doubtful	10,553,150	10,553,150
	<u>53,454,758</u>	<u>41,109,206</u>
Less: Provision for Doubtful Advances	10,553,150	10,553,150
	<u>42,901,608</u>	<u>30,556,056</u>
Advance for Raw Material	14,227,320	22,756,827
Staff Advance	800,188	411,107
Prepaid Expenses	11,309,443	2,916,186
Advance Income Tax	16,429,756	6,956,390
Electricity and Other Deposits	27,280,946	16,765,380
Balances with Customs & Excise Authorities	3,604,344	365,992
Cenvat Credit Receivable	16,826,835	9,139,301
Total	<u>133,380,440</u>	<u>89,867,239</u>
Schedule – 11		
Current Liabilities		
Sundry Creditors		
– For Goods		
Dues to Small Scale Industrial undertakings	5,857,094	3,561,039
Dues to Others	142,992,116	82,886,941
– For Other Liabilities	90,526,716	57,797,909
– For Capital Expenditure	1,563,055	2,304,087
Advances from Customers	21,619,259	4,412,153
Unclaimed Dividend	1,008,934	743,077
Total	<u>263,567,174</u>	<u>151,705,206</u>
Schedule – 12		
Provisions		
Proposed Dividend	21,702,800	21,702,800
Dividend Tax	3,688,391	3,043,818
Provision for Taxation	18,000,000	6,857,439
Provision for Gratuity	6,090,227	4,452,771
Total	<u>49,481,418</u>	<u>36,056,828</u>
Schedule – 13		
Miscellaneous Expenditure		
FCCB Issue Expenses	21,147,920	–
Total	<u>21,147,920</u>	<u>–</u>

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

	Amount in Rupees	
	31.03.2007	31.03.2006
Schedule - 14		
Sales		
Polished Granite	1,232,800,785	1,211,862,390
Raw Granite	152,703,000	151,069,776
Apparels	218,451,219	131,388,580
Fabric	38,732,684	17,322,267
Scrap	2,210,226	2,340,844
Inter-division Transfer	338,847	1,348,346
Total	1,645,236,761	1,515,332,203
Schedule - 15		
Other Income		
Interest on Deposits	3,814,971	2,442,940
(Tax Deducted at Source Rs. 7.90 Lakhs, Previous Year Rs. 5.37 lakhs)		
Dividends		
Non-trade Investments	—	107,850
Profit on sale of Investments -Non-Trade	—	7,289,362
Exchange Gain (Net)	4,583,975	11,431,101
Provision no Longer Required Written back	778,175	3,248,838
Export Incentives	1,523,483	—
Miscellaneous	—	1,231,838
Total	10,700,604	25,751,929
Schedule - 16		
Material Costs		
a) Opening Balance		
Finished Goods	140,977,086	56,183,378
Work-in-Process	23,247,816	10,032,668
Raw Granite	3,649,488	16,284,137
	<u>167,874,390</u>	<u>82,500,183</u>
Less: Closing Stock		
Finished Goods	224,665,004	140,977,086
Work-in-Process	24,442,062	23,247,816
Raw Granite	6,010,889	3,649,488
	<u>255,117,955</u>	<u>167,874,390</u>
Net Increase	<u>(87,243,565)</u>	<u>(85,374,207)</u>
b) Raw Material Consumed		
Opening Stock	64,812,555	62,862,468
Less: VAT Credit on Opening Stock	—	83,834
	<u>64,812,555</u>	<u>62,778,634</u>
Add: Purchases	660,816,059	534,199,935
	<u>725,628,614</u>	<u>596,978,569</u>
Less: Closing Stock	164,213,017	64,812,555
	<u>561,415,597</u>	<u>532,166,014</u>
c) Consumption of Consumables, Stores & Spares	<u>201,653,002</u>	<u>202,083,844</u>
d) Purchase of Traded Goods	<u>58,489,862</u>	<u>34,916,773</u>
Total	734,314,896	683,792,423

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

	Amount in Rupees	
	31.03.2007	31.03.2006
Schedule – 17		
Personnel Costs		
Salaries, Wages, Bonus, Allowances & benefits	104,994,558	85,388,282
Contribution to Provident and other Funds	7,674,603	6,377,039
Retirement Benefits	1,637,456	1,960,158
Workmen & Staff Welfare Expenses	14,303,287	11,919,339
Total	<u>128,609,904</u>	<u>105,644,818</u>
Schedule – 18		
Operating & Other Expenses		
Other Manufacturing & Quarrying Expenses	20,885,388	12,718,446
Power and Fuel	104,179,170	101,034,706
Repairs and Maintenance:-		
Plant and Machinery	13,819,004	11,644,794
Building	448,500	3,064,944
Others	1,774,714	1,047,175
Cutter and Driller Charges	13,097,672	10,542,749
Royalty on Quarry Land	4,671,329	3,536,442
Rent	1,670,390	1,049,450
Rates and Taxes	2,447,368	3,520,475
Insurance	9,642,278	11,237,296
Communication Charges	4,537,957	4,093,859
Printing & Stationery	3,333,988	3,271,816
Travelling Expenses	22,593,789	24,164,696
Electricity Charges	707,048	520,897
Vehicle Maintenance	8,274,992	6,840,998
Auditors Remuneration	412,509	401,833
Advertisement	1,509,447	855,403
Legal and Professional Charges	2,732,015	5,212,553
Commission to Non Executive Directors	1,038,000	1,104,000
Directors Sitting Fees	56,000	50,000
Donations	1,079,785	1,335,976
Fees & Subscriptions	2,175,615	1,096,217
Government Royalty and Dead Rent	40,531,106	39,275,108
Carriage Outward	104,428,986	88,067,927
Sales Commission	1,676,215	612,747
Discounts and Claims	7,279,474	8,524,227
Business Promotion Expenses	85,731,188	80,070,494
Packing Material	34,399,656	29,217,120
Excise Duty-Others	3,801,410	2,838,761
Sales Tax	6,688,785	6,467,655
Loss on Sale of Assets	1,663,041	486,316
Irrecoverable Amount Written off	–	2,456,123
Provision for Doubtful Advances	–	10,553,150
Miscellaneous Expenses	1,300,043	1,676,724
Total	<u>508,586,858</u>	<u>478,591,077</u>

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

	Amount in Rupees	
	31.03.2007	31.03.2006
Schedule – 19		
Finance Charges		
Interest on Term Loans	16,380,597	23,464,150
Interest on Working Capital Loans	19,933,684	14,637,428
Interest on Hire Purchase Loans	2,878,568	1,055,170
Interest – Others	8,997,977	4,683,198
Bill Discounting Charges	23,350,042	22,247,494
Bank Charges	6,816,451	6,468,611
Total	<u>78,357,319</u>	<u>72,556,051</u>
Schedule – 20		
Provision for Tax		
Current Tax	18,000,000	6,020,000
Fringe Benefit Tax	2,489,681	2,577,063
Deferred Tax	14,479,265	13,572,276
Prior Years Tax	(1,044,349)	–
Total	<u>33,924,597</u>	<u>22,169,339</u>

POKARNA LIMITED
SCHEDULES FORMING PART OF CASH FLOW STATEMENT FOR THE YEAR ENDED

	Amount in Rupees	
	31.03.2007	31.03.2006
Schedule – 21		
Change in Loans and Advances		
As per balance Sheet	143,933,590	100,420,389
Less: Advance income taxes separately considered	16,429,756	6,956,390
Less: Opening balance considered	93,463,999	75,737,806
Total	<u>(34,039,835)</u>	<u>(17,726,193)</u>
Schedule – 22		
Change in Current Liabilities and Provisions		
As per Balance Sheet	313,048,592	187,762,034
Add: Unrealised Foreign Exchange	761,634	444,941
Less: provisions separately considered in the cash flow statement		
Income Tax	18,000,000	6,857,439
Dividends	21,702,800	21,702,800
Dividend Tax	3,688,391	3,043,818
Less: Opening balance considered	156,157,977	120,719,334
Total	<u>114,261,058</u>	<u>35,883,584</u>
Schedule – 23		
Income Tax Paid		
Charge as per the Profit and Loss account	33,924,597	22,169,339
Less: Provision for Deferred tax	14,479,265	13,572,276
Add: Increase in Advance Income Tax	9,473,366	115,323
Less: Increase in Income Tax provision	11,142,561	4,157,439
Total	<u>17,776,137</u>	<u>4,554,947</u>
Schedule – 24		
Purchase of Fixed Assets and Changes in Capital Work in Progress		
As per the Balance Sheet	135,112,583	146,035,592
Less: Opening Capital-work-in-progress	16,088,647	55,116,190
Add: Closing Capital-work-in-progress	236,049,794	16,088,647
Total	<u>355,073,730</u>	<u>107,008,049</u>
Schedule – 25		
Dividend Paid		
Opening Provision for Dividend with Tax	24,746,618	24,746,618
Add: Provision during the year	25,391,191	24,746,618
Less: Closing provision for Dividend with Tax	25,391,191	24,746,618
Total	<u>24,746,618</u>	<u>24,746,618</u>

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

Schedule – 26

Significant Accounting Policies

A. Basis of Preparation of Financial Statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

B. Use of Estimates

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

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

C. Revenue Recognition

1. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership are transferred to the customers.
2. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
3. Dividend income is recognized when the company's right to receive dividend is established.
4. 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. Classification of Expenditure

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

F. Fixed Assets

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

G. Intangible Assets

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

H. Capital Work-in-Progress

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

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. Investments

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

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

K. Inventories

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 wherever 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 material costs, direct labour and production overheads.

L. Employee Benefits

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

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

M. Foreign Currency Transactions

1. Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
2. At the balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.
3. Exchange differences in respect of loans/deposits/liabilities relating to fixed assets/capital work-in-progress acquired from a country outside India are adjusted in the carrying cost of related assets.
4. Exchange differences in respect of loans relating to fixed assets / capital work-in-progress acquired within India to the extent regarded as an adjustment to interest cost are treated as borrowing cost.
5. Exchange difference, in respect of loans (other than regarded as borrowing cost) / deposits / liabilities relating to fixed assets / capital work-in-progress acquired within India, arising out of transactions entered till 31.03.2006 are adjusted in the carrying cost of related assets, w.e.f 01.04.2006 same is recognized as income or expense in the period in which they arise.
6. Exchange differences in respect of transactions during construction are treated as Incidental Expenditure till the assets are ready for their intended use.
7. Other exchange differences are recognized as income or expense in the period in which they arise.

N. Borrowing Cost

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

O. Accounting for Taxes on Income

1. Provision for current tax is made in accordance with and at the rates specified under the Income-Tax Act, 1961, as amended.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

2. Deferred tax is recognized on timing differences, keeping in view the matching concept and the principles of prudence.

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

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

P. Leases:

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

Q. Earnings Per Share

Basic EPS is computed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity shares outstanding during the year except where the results will be anti-dilutive.

R. Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

S. Share issue/FCCB issue expenses

The expenditure incurred for raising long term borrowings is amortized over the period of the borrowings.

Schedule – 27

Notes on Financial Statements

1. Share Capital

Share capital includes:

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

2. Secured Loans

- 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 of Directors.
- Term Loan facilities for Engineered Stone division from Union Bank of India, Bank of India & Indian Overseas Bank under consortium are secured by Equitable mortgage of Land & Buildings along with the plant & Machinery both present and future of the Engineered Stone division besides personal guarantee of Directors.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

- c. Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of Directors.
- d. Secured loans include interest accrued and due amounting to Rs. 36.16 lakhs (Previous year Rs.26.78 lakhs)
- e. Secured loans includes installments due and payable within one year amounting to Rs. 1002.00 lakhs (Previous year Rs.408.13 lakhs)

3. Foreign Currency Convertible Bonds

During the year the Company ('Issuer') issued Zero coupon Foreign Currency Convertible Bonds ('Bonds') aggregating United States Dollars 12 Million (Rs.5230.80 Lacs). The Bonds are convertible on or after 12 April 2007 and prior to 14 March 2012 by the holders of the Bonds ('the Bondholders') into newly issued equity shares of the Company with full voting rights with par value of Rs 10 each of the ('issuer') at an initial conversion price (as defined in terms and Conditions of the Bonds) of Rs.295.64 per share with a fixed rate of exchange on conversion of Rs 44.08 = US\$ 1.00. The conversion price is subject to adjustment in certain circumstances. The Bonds are listed on the Singapore Exchange Securities Trading Limited (the 'SGX ST').

Unless previously redeemed, converted or purchased and cancelled, the bonds will mature on March 29, 2012 at 144.50 per cent of the principal amount (7.5% per annum calculated on a semi-annual basis).

The company is obliged to pay dividend even to those FCCB holders who convert their bonds into equity after adoption of the financial statements and up to the book closure date for dividend purpose. Incremental dividend payable, if any, will be paid out of the balance available in the profit & loss account. No provision for dividend payable to the FCCB bond holders has been made in the books of accounts.

The uses of the proceeds of the FCCB as at 31 March 2007 is as under:

Rupees in Lakhs

Purpose	Uses of funds as Projected in the offer Document	Actual funds used as at 31 March 2007
a. Development of New Projects, Modernizations or expansion of existing plants, any other use as permitted under applicable law from time to time.	5019.33	—
b. FCCB issue expenses	211.47	211.47
	5230.80	211.47

4. Contingent Liabilities not provided for

Rupees in Lakhs

	As on 31.03.2007	As on 31.03.2006
a. Guarantees issued by bank	57.66	37.14
b. Letter of Credit outstanding	89.85	654.21
c. Premium payable on redemption of FCCB's issued in the event of non-conversion.		
i) For the year	3.23	—
ii) Till maturity on March 29, 2012	232.77	—
Claims against the company not acknowledged as debts:		
d. Direct & Indirect Taxes disputed	201.83	121.32
e. Disputed Mineral Dues disputed	237.43	237.43
f. Other Matters disputed	7.00	7.00
5. Capital Commitments		
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	12876.00	9346.20

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

6. (a) Payments to Directors

Rupees in Lakhs

Name	Salary	Contribution to provident and other funds	Perquisites and incentives	Director Sitting fees	Commission	Total 31.03.07	Total 31.03.06
Chairman & Managing Director							
Gautam Chand Jain	60.00	0.09	9.12	—	—	69.21	38.89
Executive Director:							
Rahul Jain	18.00	0.09	—	—	—	18.09	14.34
Executive Director:							
Siddharth Jain	18.00	0.09	—	—	—	18.09	9.09
Director:							
Prakash Chand Jain	—	—	—	0.08	1.73	1.81	1.94
Non-whole time Independent Directors:							
M.Yugandhar				0.12	1.73	1.85	1.92
T.V. Chowdary				0.06	1.73	1.79	1.92
Vinayak Rao Juvvadi				0.06	1.73	1.79	1.90
Mahender Chand Chordia				0.12	1.73	1.85	1.94
DhanjiBhai Sawla				0.12	1.73	1.85	1.92
Total	96.00	0.27	9.12	0.56	10.38	116.33	73.86
Previous Year	54.00	0.27	8.05	0.50	11.04	73.86	93.84

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

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

Rupees in Lakhs

	Year Ended 31.03.2007	Year Ended 31.03.2006
Profit after taxation	912.00	1070.35
Add:		
Director's Remuneration	105.39	62.32
Directors' sitting fees	0.56	0.50
Commission to non-executive directors	10.38	11.04
Provision for bad and doubtful debts / advances	—	105.53
Loss on sale of fixed assets including written off	16.63	4.86
Depreciation as per books of accounts	627.07	570.66
Provision for taxation	339.25	221.69
Total	2011.28	2046.95
Less:		
Depreciation as envisaged U/s 350 of the Companies Act, 1956	627.07	570.66
Total	627.07	570.66
Net Profit under Section 198 / 349 of the Companies Act, 1956 on which commission is payable	1384.21	1476.29
Commission payable to non-executive directors:		
Maximum allowed as per the Companies Act, 1956 at 1%	13.84	14.76
Actually allowed at 0.75%	10.38	11.04

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

7. Auditors Remuneration – (including service tax) Rupees in Lakhs

	Year Ended 31.03.2007	Year Ended 31.03.2006
Audit Fee	2.81	2.76
For Tax Audit	0.56	0.55
For certification	2.81	0.55
Out of Pocket expenses	0.20	0.16

8. Assets Rupees in Lakhs

	Year Ended 31.03.2007	Year Ended 31.03.2006
a. Land, Building & Plant & Machinery acquired from Financial Institutions has been shown under the head Plant & Machinery in Schedule-6, in the absence of necessary details.	1010.98	1010.98
b. Amount of foreign exchange rate fluctuation included in imported plant & machinery acquired and installed during the year, arisen on account of rate difference on the date of transaction and the date of payment.	(2.93)	–
c. Interest on term loan towards purchase of assets capitalised during the year	18.65	12.71
d. Additions to assets includes acquired under hire purchase scheme.	527.32	165.69
e. Exchange Fluctuation on Foreign currency Borrowings arisen on account of restatement at year end rates are charged to Profit & Loss A/c in line with Accounting Standard which was hitherto adjusted to respective assets. Due to change in the accounting policy the profit and respective fixed assets are overstated by	3.07	–

9. Deferred Tax Rupees In Lakhs

	Year Ended 31.03.2007	Year Ended 31.03.2006
Deferred Tax Liability		
Depreciation	154.99	140.55
Total	154.99	140.55
Deferred Tax Asset		
Employees' Retirement Benefits	5.51	6.59
Provision for Debtors	(3.34)	3.34
Exchange Fluctuation on Monetary Items	8.03	(5.11)
Total	10.20	4.82
Net Deferred Tax Liability	144.79	135.73

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

10. Related Party Transactions

- A. Enterprises where control exists:
There are no subsidiary companies where control exists
- B. Names of the Associate concerns:
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Apparels Limited,
Pokarna Marketing Private Limited
- C. Names of the Associate Firms:
Southend, Southend Extension, Gautam Granites
- D. Names of Key Management Personnel
Shri. Gautam Chand Jain, Shri. Siddharth Jain, Shri. Rahul Jain
- E. Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year **2006-07** (2005-06)

Rupees in Lakhs

Nature of the Transaction	Associates	Key Management Personnel	Total
Purchase of Goods	99 (125)	7 (15)	106 (140)
Sale of Goods	913 (248)	— (—)	913 (248)
Rents paid	4 (4)	— (—)	4 (4)
Remuneration paid to Directors	— (—)	105 (62)	105 (62)
Loans Received	1964 (405)	126 (147)	2090 (552)
Franchisee Deposit Received	35 (—)	— (—)	35 (—)
Balances as at 31/03/07 – Receivable	449 (98)	— (—)	449 (98)
Balances as at 31/03/07 – Payables	2472 (482)	217 (133)	2689 (615)

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

11. Liabilities

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

The names of Small Scale Industrial Undertakings to whom the company owes a sum, which is outstanding for more than 30 days as at March, 31, 2007 are:

Andhra Expanded Polystyrene (P) Limited, Andhra Timber & Packing Industries, Chandra Industries works, Classic poly cast, G.R. Auto Engineering works, Kalyani Industries, Madras Hard Tools Limited, Maini Abrasives (P) Limited, Multitek Engineers, Murthy Engineering Co., Paran Polymers Pvt Ltd., Poonam Polypacks Pvt Ltd., Premier Marketing Agencies, Saravana Industries, Somani Ispat Pvt Ltd., Sri Latha Engineering works, Sri Nagendra Engineering works, Sukes polymer products, Tirumala Packaging, Anmol Packaging, Package industries, Master Extrusions.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

12. Earnings Per Share (EPS)

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

Amount in Rupees

	Year Ended 31.03.2007	Year Ended 31.03.2006
Basic Earnings Per Share		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	91,199,540	107,034,544
Denominator for Basic earnings per share:		
Basic / Weighted Average number of shares	6,200,800	6,200,800
Basic Earnings Per Share	14.71	17.26
Diluted Earnings Per Share		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	91,199,540	107,034,544
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)	1,789,204	—
Adjusted weighted average number of shares	7,990,004	6,200,800
Diluted Earnings Per Share	11.41	17.26

13. Segment Reporting

Disclosure of segment reporting for the year 2006-07 (2005-06):

(a) Information about Primary Business Segments:

Rupees in Lakhs

Description	Granite	Apparel	Engineered	Total
Revenue:				
Sales to External Customers	13792 (13572)	2466 (1427)	— —	16258 (14999)
Inter Segment Sales	3 (14)	Nil (Nil)	— —	3 (14)
Total Revenue	13795 (13586)	2466 (1427)	— —	16261 (15013)
Segment Results	2821	(786)	—	2035
Profit / (Loss)	(2766)	(-748)	—	(2018)
Interest Expenses	454 (450)	330 (276)	— —	784 (726)
Income Tax				339 (222)
Profit After Tax				912 (1070)
Other Segment Information:				
Capital Expenditure	768 (353)	647 (735)	2136 (—)	3551 (1088)
Depreciation	435 (418)	192 (153)	— (—)	627 (571)
Particulars of Segment Assets and Liabilities:				
Segment Assets	14577 (13957)	7765 (5323)	8403 (—)	30745 (19280)
Segment Liabilities	6689 (6484)	6843 (4572)	8397 (—)	21929 (11056)

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	2006-07			2005-06		
	Granite	Apparel	Total	Granite	Apparel	Total
U S A	10351	4	10355	10197	–	10197
Europe	899	592	1491	534	162	696
Asia	679	–	679	653	–	653
India	1665	1867	3533	1731	1039	2996
Australia	35	–	35	–	226	226
Rest of the World	165	3	168	471	–	471
Total	13795	2466	16261	13586	1427	15013

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. Figures in respect of Engineered stone division of the company are not given as the division not yet started its operations.
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.

14. Debtors, Loans & Advances

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

Rupees in Lakhs

	Maximum amount outstanding at any time during the year		Balance outstanding	
	Year ended	Year ended	Year ended	Year ended
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
– Pokarna Fashions Limited	299.72	47.96	299.72	45.66
– Pokarna Marketing Private Limited	106.06	86.13	104.79	52.09
– Pokarna Fabrics Limited	154.56	29.98	43.63	–
– Southend Extension	3.50	3.72	0.90	–
– Southend	3.20	1.98	–	–

15. Key Man Insurance

Insurance includes premium paid towards Key Man Insurance for Directors

7.57 10.05

16. 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. 65.91 Lacs and excise duty on opening stock of Finished Goods Rs. 37.14 Lacs (previous year excise duty on closing stock of Finished Goods, Rs. 37.14 Lacs and excise duty on opening stock of Finished Goods Rs. 9.94 Lacs)	28.77	27.20
ii) Excise duty on stock transfer	–	1.07
iii) Excise duty on business promotion & others	9.24	0.11

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

17. Prior Period Items

Rupees in Lakhs

Prior period items includes net of Income and expenses

Prior period expenses	—	10.67
Prior period income	9.14	8.66
Net of prior period items	9.14	2.01

18. General

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

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

a. Licenced Capacity and installed Capacity:

Class of Goods	Units	Licenced Capacity		Installed Capacity	
		2006-07	2005-06	2006-07	2005-06
Finished Granite	Sq.mts	NA	NA	636000	636000
Apparels	Nos.	1500000	1500000	1200000	1200000

b. Particulars of Production, Sales and Stock for the year 2006-07 (2005-06)

Rupees in Lakhs

Class of Goods	Units	Opening Stock		Produ- ction	Purchases /transfers		Sales		Closing Stock	
		Qty.	Value	Qty.	Qty.	Value	Qty.	Value	Qty.	Value
Manufactured Goods:										
Finished Granite	Sq.mts	118734 (62487)	794 (355)	489446 (536729)	- (-)	- (-)	469494 (480482)	11906 (11879)	138686 (118734)	855 (725)
Raw Granite	Cbm	1520 (890)	37 (78)	12917 (12231)	4362 (3421)	- (-)	8582 (8328)	1511 (1362)	1493 (1520)	54 (37)
Apparels incl. Job work	Nos.	77177 (22000)	685 (206)	306889 (224477)	1124 (-)	- (-)	249710 (169300)	2084 (1263)	135480 (77177)	1392 (685)
Traded Goods:										
Raw Granite	Cbm	- (-)	- (-)	- (-)	117 (419)	16 (56)	73 (419)	16 (149)	44 (-)	6 (-)
Finished Granite	Sq.mts	- (-)	- (-)	- (-)	- (8715)	- (146)	25216 (8715)	251 (175)	25216 (-)	343 (-)
Fabric	Mtrs.	- (-)	- (-)	- (-)	97220 (68635)	316 (148)	97220 (68635)	373 (162)	- (-)	- (-)
Apparel	Nos	- (-)	- (-)	- (-)	1496 (-)	6 (-)	1032 (-)	6 (-)	464 (-)	2 (-)
Add: Sale of Scrap								22 (23)		
Net sale as per Profit & Loss Account								16261 (15013)		

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

c. Raw Material Consumed during the year: Rupees in Lakhs

Class of Goods	Units	2006-07		2005-06	
		Qty.	Value	Qty.	Value
Raw Granite*	Cbm	15077	4947	15271	5103
Fabric	Mtrs.	502295	1571	410048	1015

*Including inter unit transfer of 4362 CBM of Rs. 903.47 Lakhs (previous year 3421 CBM of Rs.795.57 Lakhs)

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

Class of Goods		2006-07		2005-06	
		Value	%	Value	%
Raw Material	Imported	1509	23	1025	17
	Indigenous	5009	77	5093	83
Total		6518	100	6118	100
Consumables, Stores & Spares	Imported	1283	64	1364	68
	Indigenous	734	36	657	32
Total		2017	100	2021	100

e. CIF value of imports: Rupees in Lakhs

	2006-07	2005-06
Raw Material	2318	1000
Consumables, Stores & Spares	1273	1366
Capital items	318	474

f. Earnings in foreign currency

Income from sales (FOB)	12584	11646
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g. Expenditure in foreign currency

Travel expenses	90	107
Advertisement	32	27
Exhibition	116	83
Professional & Consultancy	12	29
Interest	43	—
FCCB issue expenses	209	—

h. Remittance of dividend in foreign currency

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

	Year Ended 31.03.2007	Year Ended 31.03.2006
No. of NRI	20	20
No. of Equity shares held	19180	12802
Gross Dividend Rs.	67133	44810

As per our report of even date annexed

For and on behalf of Board of Directors

For **S. Daga & Co.**

Chartered Accountants

Shantilal Daga

Partner

Membership No. 11617

Place : Secunderabad

Date : 30th June, 2007

Gautam Chand Jain

Siddharth Jain

T. V. Chowdary

Prakash Chand Jain

Dhanjibhai Sawla

M Vishwanatha Reddy

Sanjay Daga

Paras Kumar Jain

Chairman & Managing Director

Executive Director

Director

Director

Director

Chief Financial Officer

G. M. – Accounts

Company Secretary

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

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