

**From the most
intriguing natural granite
to the most spectacular
Quartz surfaces.**

Quantra

Quartz surfaces from Pokarna

**From a brand new, state of the
art manufacturing complex
with the patented equipment and
expertise of Breton S.p.A. of Italy.**

18th annual Report 2008-2009

**We call it technology ...
powered by nature.**



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

— Anon

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BOARD OF DIRECTORS

Shri Gautam Chand Jain, *Chairman & Managing Director*

Shri Prakash Chand Jain, *Director*

Shri M Yugandhar, *Director*

Shri T V Chowdary, *Director*

Shri Vinayak Rao Juvvadi, *Director*

Shri Mahender Chand Chordia, *Director*

Shri Dhanjibhai Sawla, *Director*

Shri Rahul Jain, *Executive Director*

Shri Siddharth Jain, *Executive Director*

.....●.....

COMPANY SECRETARY

Shri 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

.....●.....

REGISTERED & CORPORATE OFFICE

First Floor, Surya Towers,

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

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

Email: contact@pokarna.com

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.

.....●.....

18th ANNUAL GENERAL MEETING

Date: 23rd September, 2009 • Time: 10:30 a.m.

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

DIRECTORS' REPORT TO THE SHAREHOLDERS



Your Directors are pleased to present the 18th Annual Report together with the Audited Accounts of your Company for the financial year ended 31st March, 2009. The summarised consolidated and standalone financial performance of your Company is as under:

FINANCIAL RESULTS

Rupees in Lakhs

Particulars	Standalone		Consolidated	
	2008-2009	2007-2008	2008-2009	2007-2008
Total Income	14913.78	15932.07	14915.29	—
Less-Expenditure	14798.56	15186.93	14799.39	—
Profit/(Loss) Before Tax	115.22	745.14	115.90	—
Prior Period Items	—	(5.98)	—	—
Provision for Taxation	84.33	280.20	84.55	—
Net Balance of Profit	30.89	458.96	31.35	—
Balance of Profit brought forward	6181.37	6823.40	6184.64	—
Appropriation	—	—	—	—
Dividend	—	93.01	—	—
Corporate Dividend Tax	—	15.81	—	—
Transfer to General Reserve	—	25.00	—	—
Transfer to FCCB Redemption Reserve	1488.49	967.16	1488.49	—
Balance Carried to Balance Sheet	4723.77	6181.38	4727.50	—

Over the review period, the global economy has started to witness perhaps the most turbulent economic challenges ever. Almost every country in the world and all industrial sectors are exposed to adverse effects of the slow-down. The Company witnessed enormous challenges due to the sudden and severe slow-down in all its business.

According to the World Economic Outlook of the International Monetary Fund, while the U.S. economy may have suffered particularly from intensified financial strains and the continued fall in the housing sector, Western Europe and advanced Asia have been hit hard by the collapse in trade as well as rising financial problems of their own and housing corrections in some national markets. As the global downturn deepens and credit markets remain severely impaired, the threat of credit defaults is rising to dangerous levels.

The current downturn in the U.S. and global economies, along with the housing markets in such economies, has negatively impacted the dimension stone industry and Your Company's granite business.

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

SCHEME OF ARRANGEMENT

The Board through a resolution dated 15th September, 2008 and Members' of the Company through a Court convened meeting dated 8th February, 2009 had approved the Scheme of Arrangement ("Scheme") between the Company and Pokarna Engineered Stone Limited ("PESL") a wholly owned subsidiary of the Company. The Scheme under Sections 391 to 394 of the Companies Act, 1956, interalia, provided for transfer and vesting of Engineered Stone Division of the Company to PESL.

The Hon'ble High Court of Andhra Pradesh vide its Order received by the Company on May 6, 2009 directed and ordered that the 'Engineered Stone Division' of the Company be transferred and vested with PESL, from the appointed date i.e. 1st July, 2007. Accordingly, the assets and liabilities, the legal proceedings, the employees, employee related benefits and all contracts and agreements in relation to the said Engineered Stone Division have been transferred to PESL w.e.f. 1st July, 2007. The Net Consideration as per scheme of Rs. 667.03 Lakhs has been discharged by PESL through issue of 66,70,280 optionally convertible debentures of face value of Rs. 10/- each in favour of the Company on 29th June, 2009. The terms of these optionally convertible debentures are as per the Scheme.

For the period between appointed date i.e., 1st July, 2007 and effective date 15th May, 2009 (the date on which the Order of the Hon'ble High Court of Andhra Pradesh was filed with the Registrar of Companies, Andhra Pradesh), the Engineered Stone Division was part of the Company. Hence, an agency entry has been passed in the Books of Accounts to transfer assets, liabilities, expenses and income recorded in the Books of Accounts of the Company for the said period. The net consideration of Rs. 5438.84 Lakhs for transfer of assets, liabilities, income and expenses for the period from 1st July, 2007 to 31st March, 2009 has been discharged by PESL through issue of 5,43,88,484 optionally convertible debentures of face value of Rs. 10/- each in favour of the Company on 29th June, 2009. The terms of these optionally convertible debentures are same as that of optionally convertible debentures allotted as per the Scheme.

SUBSIDIARY & CONSOLIDATED FINANCIAL STATEMENTS

Pokarna Engineered Stone Limited ("PESL") is the wholly owned subsidiary of the Company w.e.f. 15th September, 2008. Accordingly, in terms of the Section 212 of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of PESL have been attached to the Accounts of the Company for the year ended 31st March, 2009 and forms part of this annual report. The Statement as required under Section 212(3) also forms part of this annual report.

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

DIVIDEND

Your Company has been declaring dividend consistently. The Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with cash dividend and of retaining adequate capital to meet the Company's future investment needs. Keeping in mind the profit earned during the financial year, overall financial position and necessary financial prudence, the Directors of the Company do not recommend dividend for the financial year ended 31st March, 2009.

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

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2008-09. 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.

AUDIT

M/s. S. Daga & Co., Chartered Accountants, who are the Statutory Auditors of the Company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the Financial Year 2009-10. As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s. S. Daga & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

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

AUDITORS' OBSERVATIONS

With regard to the emphasis of matters and observations in the Auditors' Report, though not statutorily warranted, explanations are given below:

1. The Auditors without qualifying their opinion have observed that the Company's financial statements for the year under review to the effect that the Company has paid managerial remuneration to its Chairman & Managing Director in excess of the limits under the Companies Act, 1956 ("Act"). The explanation to this qualification is that the Company had adequate profits for past many years and thus has been paying remuneration to its managerial personnel within overall limits as specified under the Act. However, due to large exposure of the Company's granite business to the U.S. market and the current downturn in the U.S. and global economies, along with the housing markets in such economies, has severely impacted the Company's business. Similarly the bottom-line of apparel business of the Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business.

In view of this, the managerial remuneration paid to Chairman & Managing Director during the year exceeded the limits prescribed under the Act. In case Members at the this Annual General Meeting, the Company approve the resolution relating to payment of excess remuneration to Chairman & Managing Director, the Company would seek approval of the Central Government for waiver such excess remuneration paid. Pending approval of the Members at the ensuing annual general meeting and the approval of the Central Government, the remuneration paid during the year, in excess of the limits prescribed under the Act, amounting to Rs. 28,55,240 is being held in trust by Chairman & Managing Director for the Company.

2. The Auditors without qualifying their opinion have observed that the Company has made transfer of assets during the year under a Scheme of Arrangement entered into with its subsidiary company Pokarna Engineered Stone Limited and their respective shareholders and creditors under Section 391 to 394 of the Companies Act, 1956, which was sanctioned by the Hon'ble High Court of Andhra Pradesh at Hyderabad. These observation on Scheme of Arrangement are self explanatory and therefore, do not call for any further comments.

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 'Special Export Award' by CAPEXIL for Export achievement in Granite Sector. The Marble Institute of America conferred the "ROCKY" award for Collateral Material, Brochure, Print Advertisement and Magazine.

PARTICULARS OF EMPLOYEES

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

PROMOTER GROUP

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

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

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

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

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

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

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

FORM B

(Disclosure of particulars with respect to Technology Absorption)

Research and development (R & D)

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

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

Your Company is at present exporting granite to United States of America, United Kingdom, Canada, Switzerland, New Zealand, Russia, Australia, Liechtenstein, Mauritius, Ireland, Spain, France, Germany, United Arab Emirates, Belgium, South Africa, Greece, Republic of Panama, Poland, Israel, Mexico, Netherlands,

Venezuela, Libya, Jordan, Saudi Arabia, Bahrain, China, Colombia, Italy, Taiwan, Slovenia, and Puerto Rico.

Your Company is at present exporting apparel to Germany, USA, Canada, Italy and Netherlands.

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

During the year under review, the total standalone foreign exchange earnings and expenditure of your Company was Rs. 10523 Lakhs and Rs. 2879 Lakhs respectively.

ACKNOWLEDGEMENTS

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

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

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, 2009

Gautam Chand Jain
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS



1. INDUSTRY STRUCTURE AND DEVELOPMENT

Granite

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

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

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

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

The dimension stone industry in which the Your Company operates is highly dependent on general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. Your Company derives a majority of its sales from export to the U.S. Therefore, economic changes that result in a significant or prolonged decline in spending in the U.S. could have a material adverse effect on Your Company’s business and results of operations.

The dimension stone industry is highly dependent on construction activity, including new construction, which is cyclical in nature and currently in a downturn. The current downturn in the U.S. and global economies, along with the housing markets in such economies, has negatively impacted the dimension stone industry and Your Company’s business. Although the impact of a decline in new construction activity is typically accompanied by an increase in remodeling and replacement activity, these activities have also lagged during the current downturn. The difficult economic conditions may continue or deteriorate in the foreseeable future. A significant or prolonged decline in residential or commercial construction activity could have a material adverse effect on Your Company’s business and results of operations.

The current uncertainty in the credit markets could limit demand for Your Company’s product and affect the overall availability and cost of credit. At this time, it is unclear whether and to what extent the actions taken by the Government(s), and other measures currently being implemented or contemplated, will mitigate the effects of the situation.

Apparel

As per Technopak textile & apparel outlook, June 09, going forward the Indian textile and apparel industry needs to look positively at the opportunities available for growth. The domestic retail consumption is poised to cross over US\$ 600 Billion by 2013 (up from about US\$ 400 Billion in 2008) and perhaps US\$ 800 – US\$ 900 Billion by 2018. It is upto the textile and apparel industry to capture the maximum possible share of this consumption. Also, the current global crisis may end up speeding up the decline of value / mid end manufacturing in USA and Europe. This would create enhanced opportunities for high-quality / low cost countries like India.

Indian customer is value-conscious. They would not pay more money for a product just for the buying environment. Organized retailing enables the growth of brands and products that provide a different value proposition to the Indian consumer. It provides a powerful channel to showcase and sell their products. Recession has forced the retailers to opt for cost cutting measures like shut downs, layoffs, and downsizing of stores. For an organized retailer, the cost structure is high, and the retailer has to make a compromise with the price without risking the business.

During FY 09 the apparel manufacturing and retail industry was severely affected by slowing economy and lower consumer spending. Apparel retailers offered higher discount to clear off their inventories. The wholesale channel was impacted due to destocking by departmental stores to avoid inventory pile up.

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

2. OPPORTUNITIES AND THREATS

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

Granite – Opportunities

- Increasing worldwide acceptance of Indian granite over Italian stone.
- Growing demand from other developing markets like India, Libya, Middle East and East Europe.

Apparel – Opportunities

- Growing Industry.

Granite – Threats

- Increased competition from other products of dimension stone industry.
- Under utilisation of Capacity.
- Slowdown in the US market.
- Availability of Raw Material.

Apparel – Threats

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

3. SEGMENT WISE PERFORMANCE

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

Rupees in Lakhs

Description	Granite	Apparel	Total
Revenue			
Sales to External Customers	10816 (12877)	3382 (2923)	14198 (15800)
Inter Segment Sales	— (9)	— (—)	— (9)
Total Revenue	10816 (12886)	3382 (2923)	14198 (15809)
Segment Results			
Profit / (Loss)	1663 (2478)	(547) (-772)	1116 (1706)
Interest Expenses	450 (446)	551 (521)	1001 (967)
Income Tax			84 (280)
Profit After Tax			31 (459)
Other Segment Information			
Capital Expenditure	1346 (541)	392 (439)	1738 (980)
Depreciation	516 (477)	265 (223)	781 (700)
Particulars of Segment Assets and Liabilities			
Segment Assets	13579 (14703)	7377 (7331)	20956 (22034)
Unallocated Assets	6678 (—)	— (—)	6678 (—)
Segment Liabilities	4609 (6171)	7459 (6496)	12068 (12667)
Unallocated Liabilities	6114 (—)	— (—)	6114 (—)

In terms of the Scheme of Arrangement sanctioned by the Hon'ble High Court of Andhra Pradesh vide its order dated April 22, 2009, the 'Engineered Stone Division' situate at Atchutapuram, Rambali Mandal, Visakhapatnam, Andhra Pradesh stands transferred and vested with Pokarna Engineered Stone Limited ("PESL"), from the appointed date i.e., July 1, 2007, accordingly the assets and liabilities, the legal proceedings, the employees, employee related benefits and all contracts and agreements in relation to the Engineered Stone Division have been transferred to PESL.

4. OUTLOOK

Granite

The current downturn in the U.S. and global economies, along with the housing markets in such economies, has negatively impacted the Stone industry and Your Company's business. During the past year, demand for Your Company's granite product fell and payment for the shipped materials became unstable with one of the major customer filing for bankruptcy proceedings in the U.S. These difficult economic conditions may continue or deteriorate in the foreseeable future.

Apparel

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

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

5. RISKS AND CONCERNS

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

- In general all businesses of the Company have significant indebtedness and a failure to generate significant cash flow could render it unable to service its obligations and may place it at a competitive disadvantage and limit its ability to pursue business.
- We face intense competition and, if we are unable to compete successfully, we may be unable to increase our sales, which would adversely affect our business and profitability
- Uncertainty in the credit markets, downturns in the global economy and the Company's business could affect the overall availability and cost of credit.
- The Company may be unable to obtain raw materials on a timely basis, which could have a material adverse effect on the Company's business.
- Fluctuations in currency exchange rates may impact the Company's financial condition and results of operations and may affect the comparability of results between the Company's financial periods.
- The Company's existing debt-equity ratio may constrain its ability to raise additional funds for future capex-oriented initiatives.
- An inability to manage operations in a cost-effective manner could blunt the Company's competitive edge.
- Several of our customers have recently experienced significant financial difficulty, with one major customer filing for bankruptcy. Risks exist for customers that are in bankruptcy, or at risk of bankruptcy.
- Some countries may impose anti outsourcing restrictions should the growth of exports from any geography exceed certain acceptable limits. Such restrictions can adversely impact growth of your Company.
- Skilled personnel in apparel industry are not available enough in numbers due to the buoyancy in the Indian textile industry with the opening up of global trade.
- Some of the machinery installed in the Apparel Division is financed under the TUF schemes which specify certain conditions. Inability to comply with these conditions shall make the Company ineligible for interest subsidy and render the loans uncompetitive thereby adversely impacting the financials of the Company.
- For STANZA retail shops Company has to compete with other branded apparel retailers to book locations on a continuous basis. If we are not able to book/find the locations at right rent, time and place that we desire, the same may have a material adverse impact on our results of operation.
- Manufacturing and sale of apparel requires forecasting of future demand and fashion trends. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for others. Also Apparel retailing in India is highly working capital intensive primarily because of high inventory levels.

- Staff attrition and non-availability of key personnel affect the Company's operations. Volatility in the prices of critical raw materials also impact profitability.
- Demand is dependent on general economic conditions. A downturn can adversely affect the Company's business and earnings.

6. INTERNAL CONTROL SYSTEMS AND ADEQUACY

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

7. FINANCIAL PERFORMANCE OF THE COMPANY / OPERATIONS

- Net Sales decreased by 10.19% from 15808.93 Lakhs to 14198.16 Lakhs.
- Operating Profit (PBDIT) decreased by 21.32% from 2411.57 Lakhs to 1897.36 Lakhs.
- Profit Before Tax (PBT) decreased by 84.54% from 745.14 Lakhs to 115.22 Lakhs.
- Net Profit decreased by 93.27% from 458.96 Lakhs to 30.89 Lakhs.
- Basic EPS for the year stood at Rs. 0.50 and diluted EPS stood at Rs.0.37.

8. HUMAN RESOURCES

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

9. CAUTIONARY STATEMENT

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

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

CORPORATE GOVERNANCE REPORT

1. COMPANY'S GOVERNANCE PHILOSOPHY

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

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

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

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

2. BOARD OF DIRECTORS

Composition & Category of Directors

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

In conformity with the Clause 49 of the listing agreement entered with the Bombay Stock Exchange Limited, in which Company's Equity Shares are listed, your Company's Board comprises of 9 Directors with considerable experience in their respective fields.

Of these, 5 Directors are independent non executive Directors. None of the Director is a Member of more than Ten Board Level Committee of Public Companies, or is a Chairman of more than five such committees.

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

Name of the Director	Category of Director	No. of Directorships	No. of Memberships/ Chairmanships of other Board Committees.
Gautam Chand Jain	Executive & Non Independent	6	—
Rahul Jain	Executive & Non Independent	3	—
Siddharth Jain	Executive & Non Independent	2	—
Prakash Chand Jain	Non Executive & Non Independent	3	—
Meka Yugandhar	Non Executive & Independent	10**	—
TV Chowdary	Non Executive & Independent	4*	2
Vinayak Rao Juvvadi	Non Executive & Independent	Nil*	—
Mahender Chand Chordia	Non Executive & Independent	Nil*	—
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 2008–2009 on 15th May, 2008, 30th June, 2008, 30th July 2008, 15th September, 2008, 31st October, 2008 and 31st January, 2009. 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	5	Yes
Siddharth Jain	3	Yes
Prakash Chand Jain	4	Yes
Meka Yugandhar	4	Yes
TV Chowdary	5	Yes
Vinayak Rao Juvvadi	6	Yes
Mahender Chand Chordia	4	No
Dhanjibhai Sawla	—	Yes

Board Procedure

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

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

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

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

Non Executive Directors' compensation and disclosure

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

Review of legal compliance reports

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

Code of conduct

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

All board members and senior management personnel have affirmed compliance with the code for 2008-09. A declaration to this effect signed by the Chairman & Managing Director is given below.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for year ended 31.03.2009.

Secunderabad
31st July, 2009

Gautam Chand Jain
Chairman & Managing Director

3. AUDIT COMMITTEE

Composition

The Audit Committee comprises of four directors who are non executive & independent. The Chairman of the Committee is Shri Meka Yugandhar, who is Managing Director of Karvy Consultants Limited and Karvy Computershare Pvt. Ltd and is a Fellow Member of the Institute of Chartered Accountants of India. The other Members of the Committee are Shri T V Chowdury, Retired Director, Department of Mines and Geology, Andhra Pradesh, Shri Vinayak Rao and Shri Mahender Chand Chordia. The Audit Committee was reconstituted during the year under review by appointing an additional member to the Committee viz., Shri Mahender Chand Chordia on 31st October, 2008.

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

Number of Meetings and Attendance

During the year under review, four Audit Committee Meetings were held on 30th June, 2008, 30th July, 2008, 31st October, 2008 and 31st January, 2009. It is the prerogative of the Audit Committee to invite Senior Executives, whom it considers appropriate to be present at the Meeting.

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

Name	Position	Category	Attendance
Meka Yugandhar	Chairman	Independent & Non Executive Director	4
TV Chowdury	Member	Independent & Non Executive Director	4
Vinayak Rao Juvvadi	Member	Independent & Non Executive Director	4
Mahender Chand Chordia	Member	Independent & Non Executive Director	1*

At the Annual General Meeting held on 24th September, 2008, the Chairman of the Audit Committee, was present.

*Member of the Committee since 31st October, 2008.

Broad Terms of Reference

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

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

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

4. REMUNERATION COMMITTEE

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

Composition, Number of Meetings and Attendance

The Remuneration Committee comprises of four Non Executive Directors of which three are Non Executive and Independent viz., Shri T V Chowdury, Chairman, Shri Meka Yugandhar, Member, Shri Mahender Chand Chordia, Member. Shri Prakash Chand Jain, Member is Non Executive and Non Independent. The Committee met on 28th April 2008 to review the performance of Shri Gautam Chand Jain, Chairman & Managing Director and to recommend his reappointment as the Chairman & Managing Director of the Company. At the Annual General Meeting held on 24th September, 2008, the Chairman of the Remuneration Committee was present. The Remuneration Committee was reconstituted by appointing an additional member to the Committee viz., Shri Mahender Chand Chordia on 31st October, 2008.

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 Members' approval obtained at the Annual General Meetings held on 17th September, 2001 and 26th September, 2005, Commission not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956 can be paid to the Non Executive Directors. The distribution of the commission amongst the Non-Executive Directors' is determined by the Board and is broadly based on attendance, contribution at the Board Meetings and various Committee Meetings as well as time spent on operational matters other than at the aforesaid meetings. The Company did not have any pecuniary relationship or transactions with the Non Executive Directors during the financial year 2008-2009. No commission is paid to the Non Executive Directors for the year under review. The Details of the remuneration paid/payable to all the directors during the year 2008-2009 is provided hereunder.

Rupees in Lakhs

Name	Salary	Contribution to Provident Fund	Perquisites	Director Sitting fees	Commis- sion	Total 31.03.09	Total 31.03.08
Gautam Chand Jain	40.00	0.06	12.49	—	—	*52.55	53.79
Rahul Jain	12.00	0.06	—	—	—	12.06	13.57
Siddharth Jain	12.00	0.06	—	—	—	12.06	13.57
Prakash Chand Jain	—	—	—	0.08	—	0.08	1.16
Meka Yugandhar	—	—	—	0.08	—	0.08	1.10
TV Chowdury	—	—	—	0.10	—	0.10	1.14
Vinayak Rao Juvvadi	—	—	—	0.12	—	0.12	1.12
Mahender Chand Chordia	—	—	—	0.06	—	0.06	1.14
DhanjiBhai Sawla	—	—	—	—	—	0.00	1.14
Total	64.00	0.18	12.49	0.44	0.00	77.11	87.73
Previous Year	72.00	0.21	8.72	0.32	6.48	87.73	116.33

*Pending approval of the Members at the ensuing annual general meeting and the approval of the Central Government, the remuneration paid during the year, in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956, amounting to Rs. 28.55 lakhs is being held in trust by Chairman & Managing Director for the Company

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

The Agreement/(Members approval) with the Chairman & Managing Director 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 Chairman & Managing Director 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 as on 31st March, 2009.

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

5. SHAREHOLDERS' COMMITTEE

Composition

The Shareholders Grievance Committee comprises three directors. Shri TV Chowdury is Chairman of the Committee and Shri M Yugandhar and Shri Rahul Jain are the other Members. The Company Secretary acts as the Secretary of the Audit Committee.

Terms of Reference

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

Compliance Officer

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

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

Status of Complaints

During the year 11 complaints and were resolved. There were no complaints outstanding as on March 31, 2009.

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
2005-2006	29.09.2006	105, First Floor, Surya Towers, Sardar Patel Road, Secunderabad	10:30 am	Two
2006-2007	28.09.2007	Hotel Grand Kakatiya Sheraton & Towers Begumpet, Hyderabad.	10:30 am	One
2007-2008	24.09.2008	Hotel Grand Kakatiya Sherton & Towers Begumpet, Hyderabad	10:30 am	None

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 18th 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 market.

Code of Conduct for Prevention of Insider Trading

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

Disclosure of Accounting Treatment

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

Risk Management

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

Subsidiary

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

8. NON MANDATORY REQUIREMENTS

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

Non Executive Chairman Office

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

Tenure of Independent Director

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

Remuneration Committee

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

Shareholders Rights

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. The Complete Annual Report is sent to every Shareholder of the Company

Audit Qualification

The Company continues to adopt best practices to endeavor the regime of unqualified financial statements. There is no Audit Qualification for the financial year 2008-09. As better governance practice, with regard to the emphasis of matters and observations in the Auditors' Report, though not statutorily warranted, explanations are given below:

1. The Auditors without qualifying their opinion have observed that the Company's financial statements for the year under review to the effect that the Company has paid managerial remuneration to its Chairman & Managing Director in excess of the limits under the Companies Act, 1956 ("Act"). The explanation to this qualification is that the Company had adequate profits for past many years and thus has been paying remuneration to its managerial personnel within overall limits as specified under the Act. However, due to large exposure of the Company's granite business to the U.S. market and the current downturn in the U.S. and global economies, along with the housing markets in such economies, has severely impacted the Company's business. Similarly the bottom-line of apparel business of the Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business.

In view of this, the managerial remuneration paid to Chairman & Managing Director during the year exceeded the limits prescribed under the Act. In case Members at the this Annual General Meeting, the Company approve the resolution relating to payment of excess remuneration to Chairman & Managing Director, the Company would seek approval of the Central Government for waiver such excess remuneration paid. Pending approval of the Members at the ensuing annual general meeting and the approval of the Central Government, the remuneration paid during the year, in excess of the limits prescribed under the Act, amounting to Rs. 28,55,240 is being held in trust by Chairman & Managing Director for the Company.

2. The Auditors without qualifying their opinion have observed that the Company has made transfer of assets during the year under a Scheme of Arrangement entered into with its subsidiary company Pokarna Engineered Stone Limited and their respective shareholders and creditors under Sections 391 to 394 of the Companies Act, 1956, which was sanctioned by the Hon'ble High Court of Andhra Pradesh at Hyderabad. These observation on Scheme of Arrangement are self explanatory and therefore, do not call for any further comments.

Training of Board Members

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

Mechanism for evaluation of Non Executive Directors

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

Whistle Blower Policy

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

9. MEANS OF COMMUNICATION

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

10. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Day, Date and Time	Wednesday, 23rd September, 2009 at 10.30 am
Venue	Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad
Book Closure date	15th September, 2009 to 23rd September, 2009 (both days inclusive)
Dividend Payment Date	Not Applicable
Financial Calendar for the year 2009-2010	Financial Reporting for the quarter ended June 2009 – by end of July, 2009 Financial Reporting for the quarter ended September 2009 – by end of October, 2009 Financial Reporting for the quarter ended December 2009 – by end of January, 2010 Financial Reporting for the quarter ended March 2010 – by end of June, 2010

Listing:

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

Stock Market Data

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

Amount in Rupees						
Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades
April 2008	109.00	121.00	87.00	108.75	40901	437
May 2008	115.95	125.00	103.00	108.00	33759	610
June 2008	116.00	116.00	80.25	83.05	84168	963
July 2008	83.00	103.95	71.10	83.55	79862	439
August 2008	80.00	94.90	76.00	79.35	102982	402
September 2008	82.00	92.90	66.00	70.00	453604	1066
October 2008	72.90	72.90	37.65	43.10	45149	408
November 2008	49.80	52.90	30.15	31.10	27699	296
December 2008	30.00	38.95	22.50	30.95	72345	400
January 2009	31.00	36.90	27.50	31.00	72503	225
February 2009	30.10	35.00	25.60	28.00	78116	364
March 2009	27.00	29.70	22.05	26.50	65463	252

Source: www.bseindia.com

Share Transfer System

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

Shareholding Pattern as at 31st March, 2009

Category of shareholder	Number of shareholders	Total number of shares	% to Total paid up capital
Promoters/Individuals/Hindu Undivided Family	2409	5541055	89.4
Bodies Corporate	118	629036	10.1
Others	53	14843	0.2
Non Resident Indians	18	15866	0.3
TOTAL	2598	6200800	100

Distribution of Shareholding as on 31st March, 2009

Sl. No.	Category (Shares)	Number of Shareholders	Number of Shares	% to Total paid up capital
1.	1 - 5000	2522	965680	15.57
2.	5001 - 10000	21	147938	2.39
3.	10001 - 20000	17	244894	3.95
4.	20001 - 30000	15	379436	6.12
5.	30001 - 40000	1	39800	0.64
6.	40001 - 50000	2	90593	1.46
7.	50001 - 100000	12	1158000	18.68
8.	100001 and above	8	3174459	51.19
	TOTAL	2598	6200800	100.00

Dematerialization of shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems in India - NSDL and CDSL. As on 31st March 2009, a total of 6,012,054 equity shares of the Company, which forms 96.95% 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 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 GDRs / ADRs / Warrants or any Convertible Instruments, their conversion dates and likely impact on Equity

Name of the Instrument	Total Issued	Converted as on 31st March, 2009	Outstanding as on 31st March, 2009	Likely conversion date
Zero Coupon Foreign Currency Convertible Bonds (issued during FY 2006-2007)	* US\$ 12,000,000	Nil	* US\$ 12,000,000	On or before 14th March, 2012

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

Plant Locations

a) Quarrying Operations

i) Ongole Sector:

- Survey Nos. 980/3 & 5, 980/2, 988/1, 16/4P/12/1, 14/1, 15/1, 16/1, 14/1c, 15/3, 16/3, 16/4, 26/4, 6A, 7B, 26/5A & 5B, R. L. Puram, Chimakurthy, Prakasham Dist., Andhra Pradesh.
- Survey No. 103, Ballikurva, Konidena Village, Prakasham Dist., Andhra Pradesh.

ii) Warangal Sector:

- Survey No. 906, Madikonda Village, Kazipet, Warangal Dist., Andhra Pradesh.
- Survey Nos. 344/A2, 333/A, 332/B2 and 334/B2, Ramavaram Village, Kazipet, Warangal Dist., Andhra Pradesh.

iii) Srikakulam Sector:

- | | | |
|--|---|--|
| a) Survey No. 53, 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. |
|--|--|

v) Madurai Sector:

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

b) Manufacturing Plants

Granite:

- | | |
|---|--|
| 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:

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

Pokarna Engineered Stone Limited:

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

Address for Investor Correspondence

Registrar & Share Transfer Agents

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

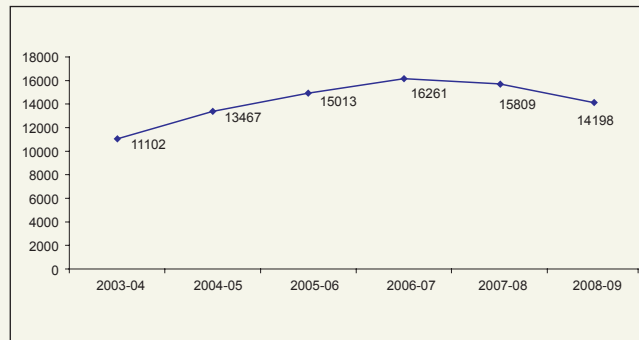
Registered Office

First Floor, Surya Towers,
105, S. P. Road,
Secunderbad-500 003,
Andhra Pradesh.
Ph: 040-2789 7722, 2789 6361, 6631 0111/222
Fax: 040-2784 2121
E-mail: igrc@pokarna.com
Website: www.pokarna.com

YOUR COMPANY'S GROWTH

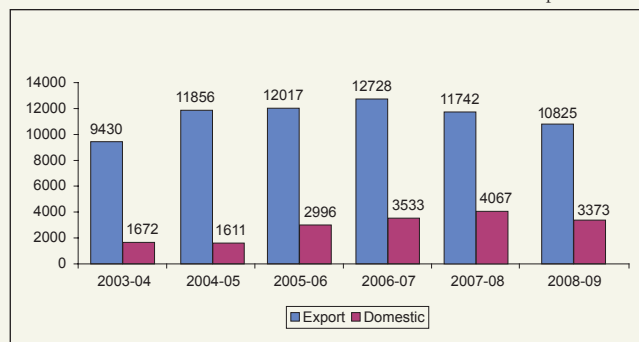
Turnover

Rupees in Lakhs



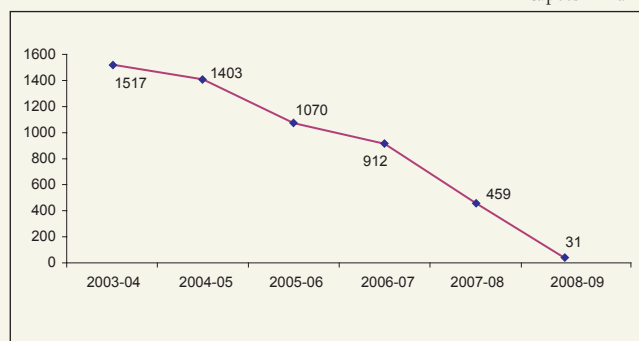
Sales – Export vs Domestic

Rupees in Lakhs



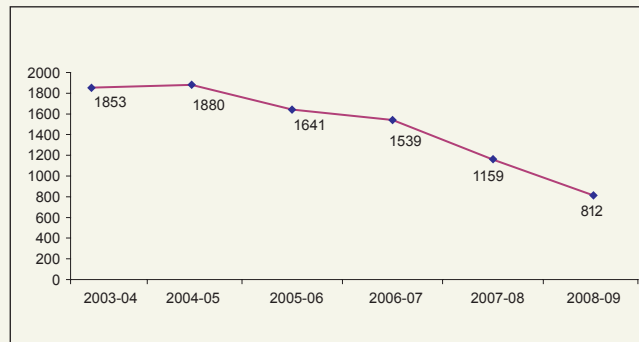
Profit after Tax

Rupees in Lakhs



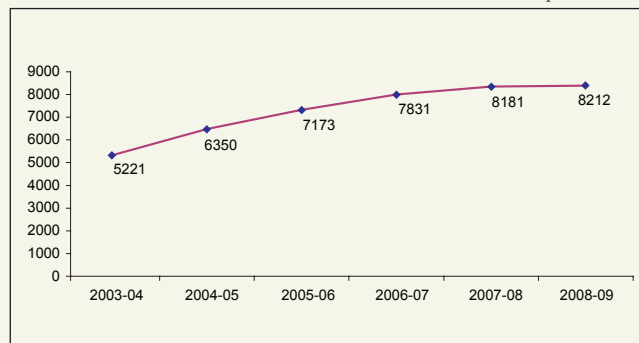
Cash Profit

Rupees in Lakhs



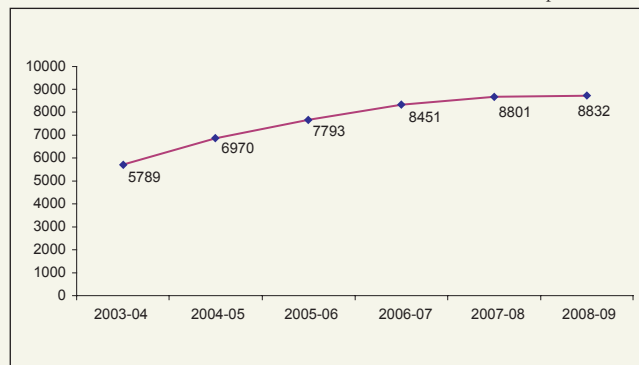
Reserves & Surplus

Rupees in Lakhs

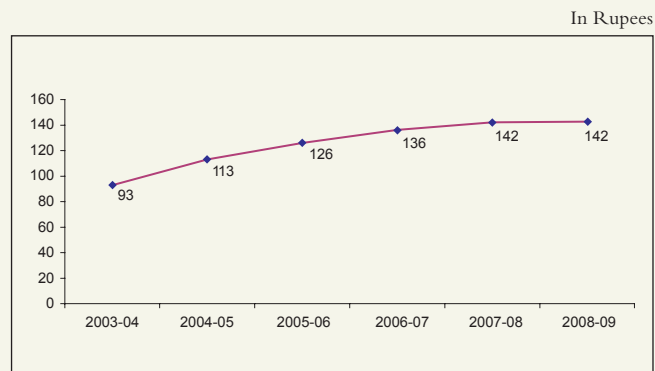


Net Worth

Rupees in Lakhs



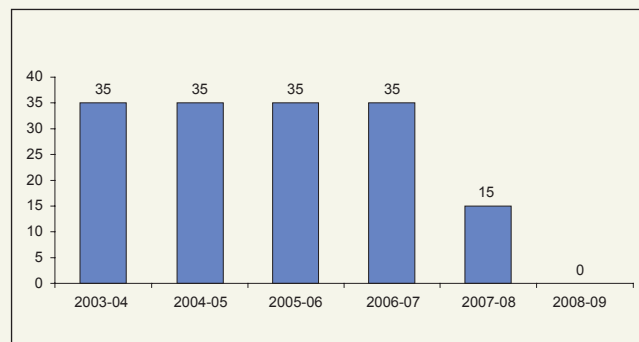
Book Value



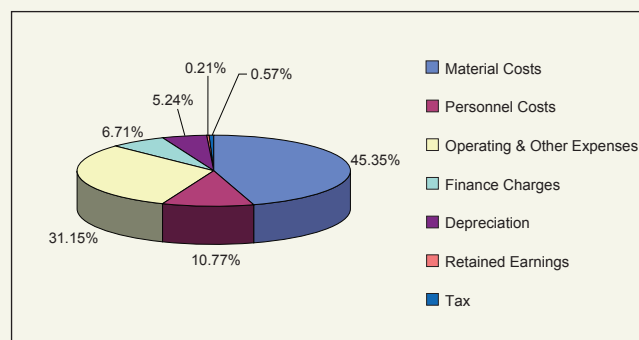
Debt / Share Holders Fund



Dividend (%)



Distribution of Revenue



**AUDITORS' CERTIFICATE 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, 2009** 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, 2009

AUDITORS' REPORT

.....●.....

To

The Members
Pokarna Limited

1. We have audited the attached balance sheet of **POKARNA LIMITED**, as at 31st March 2009, 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, 2009 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) Without qualifying our opinion, we draw attention to Note No. 6A in Schedule 23 relating to managerial remuneration which is subject to the approval of the Central Government and the Shareholders.
 - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31st March, 2009;
 - 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 : 29th June, 2009

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) The Company has transferred a substantial part of fixed assets during the year under a Scheme of Arrangement entered into with its subsidiary company Pokarna Engineered Stone Limited (formerly Pokarna Apparels Limited) and their respective shareholders and creditors under Sections 391 to 394 of the Companies Act, 1956, which was sanctioned by the Hon'ble High Court at Andhra Pradesh. The Fixed Assets transferred constitute assets attributable to existing Engineered Stone business. Such transfer has, in our opinion, not affected the going concern status of the Company.
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. 1404.94 lakhs (Pr. Year Rs. 2642.63 lakhs) and the period end balance is Rs.1304.94 lakhs (Pr. Year Rs.1706.10 lakhs).
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made there under.
7. In our opinion, the company has internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of goods traded by the company.
9. a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, investor education and protection fund and any other material statutory dues applicable to it.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, the following are the details of disputed statutory dues as at the year end:

Sl. No.	Name of the Statute	Nature of Dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending	Amount Deposited (Rs. in Lakhs)
1.	C.S.T.	C.S.T.	3.15	2004-05	Commercial Tax Officer	2.00
2.	Central Excise Act, 1944	Excise Duty	5.77	2008-09	Commissioner of Central Excise	5.71
3.	Customs Act, 1962	Customs Duty	3.75	2005-06	Customs, Excise & Service Tax Appellate Tribunal	3.75
4.	Income Tax Act	Regular Tax	54.98	2003-04 & 2005-06 to 2006-07	CIT Appeals) & ITAT	21.13
5.	Industrial Dispute Act, 1947	Wages	15.60	1999-2009	Addl. Labour Court	—
6.	Industrial Dispute Act, 1947	Wages	2.30	2004-2009	Addl. Labour Court	—
7.	Service Tax Act, 1994	Service Tax	27.63	2003-04 & 2007-08 to 2008-09	Commissioner of Customs, Central Excise & Ser. Tax	—
8.	Electricity Act, 2003	Cross subsidy charges	61.60	2005-09	Special leave petition before Supreme Court	—
Total			174.78			

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 : 29th June, 2009

POKARNA LIMITED
BALANCE SHEET AS AT 31st MARCH, 2009

					Amount in Rupees	
Schedule			As at 31.03.2009		As at 31.03.2008	
SOURCES OF FUNDS						
Shareholders' Funds						
Share Capital	1	62,008,000	62,008,000			
Reserves & Surplus	2	821,215,188	883,223,188	818,126,276	880,134,276	
Loan Funds						
Secured Loans	3	818,393,420	1,792,133,251			
Unsecured Loans	4	741,894,398	650,249,543			
Deferred Tax Liability (Net)	5	66,175,513	65,019,069			
Total		2,509,686,519	3,387,536,139			
APPLICATION OF FUNDS						
Fixed Assets	6					
Gross Block		1,452,519,476	1,427,244,307			
Less: Accumulated Depreciation		416,822,053	346,202,920			
Net Block		1,035,697,423	1,081,041,387			
Capital Work-in-Progress		65,975,689	1,101,673,112	1,380,521,236	2,461,562,623	
Investments	7	1,000,000				
Current Assets, Loans & Advances						
Inventories	8	391,245,079	458,206,089			
Sundry Debtors	9	382,035,800	504,485,496			
Cash & Bank Balances	10	73,596,502	145,609,631			
Loans & Advances	11	822,118,807	167,043,308			
		1,668,996,188	1,275,344,524			
Less: Current Liabilities & Provisions						
Current Liabilities	12	251,685,275	333,395,779			
Provisions	13	10,297,506	34,903,990			
		261,982,781	368,299,769			
Net Current Assets		1,407,013,407	907,044,755			
Miscellaneous Expenditure (To the extent not written off or adjusted)	14	—	18,928,761			
Total		2,509,686,519	3,387,536,139			

Significant Accounting Policies 22

Notes to the Accounts 23

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

As per our report attached

For and on behalf of Board of Directors

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

Gautam Chand Jain
Meka Yugandhar
Vinayak Rao Juvvadi
Mahender Chand Chordia
TV Chowdary
Dhanjibhai Sawla
Prakash Chand Jain
Rahul Jain
Siddharth Jain
M Vishwanatha Reddy
Sanjay Daga
Paras Kumar Jain

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

POKARNA LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

		Amount in Rupees	
	Schedule	Year Ended 31.03.2009	Year Ended 31.03.2008
INCOME			
Sales & Operating Income	15		
Gross Sales		1,431,330,495	1,602,565,414
Less: Excise Duty on Sales		11,514,832	21,672,455
Net Sales		1,419,815,663	1,580,892,959
Operating Income		66,722,147	8,421,197
Other Income	16	4,840,322	3,892,978
Total		1,491,378,132	1,593,207,134
EXPENDITURE			
Material Costs	17	676,351,218	685,744,204
Personnel Costs	18	160,693,462	141,693,449
Operating & Other Expenses	19	464,597,896	524,612,448
Finance Charges	20	100,097,868	96,666,953
Depreciation & Amortization	6	78,115,492	69,975,847
Total		1,479,855,936	1,518,692,901
Profit Before Tax		11,522,196	74,514,233
Prior Period Items - Net		-	(597,725)
Less: Provision For Tax	21	5,512,328	24,360,126
Less: Prior Years Tax		2,920,956	3,660,088
Net Profit After Tax		3,088,912	45,896,294
Balance of Profit Brought Forward		618,137,374	682,339,468
Amount Available For Appropriation		621,226,286	728,235,762
Appropriations:			
Proposed Dividend		-	9,301,200
Tax on Proposed Dividend		-	1,580,739
Transfer to General Reserve		-	2,500,000
Transfer to FCCB Redemption Reserve		148,848,592	96,716,449
Balance Carried to the Balance Sheet		472,377,694	618,137,374
		621,226,286	728,235,762
Earnings Per Share - Basic		0.50	7.40
Earnings Per Share - Diluted		0.37	5.74
(Par value of Rs. 10 each)			

Significant Accounting Policies

22

Notes to the Accounts

23

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

As per our report attached

For and on behalf of Board of Directors

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

Gautam Chand Jain
Meka Yugandhar
Vinayak Rao Juvvadi
Mahender Chand Chordia
TV Chowdary
Dhanjibhai Sawla
Prakash Chand Jain
Rahul Jain
Siddharth Jain
M Vishwanatha Reddy
Sanjay Daga
Paras Kumar Jain

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

POKARNA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	Schedule	Year Ended 31.03.2009	Amount in Rupees Year Ended 31.03.2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit Before Tax (Net of prior period items)		11,522,196	73,916,508
Adjustment for –			
Add: Non cash item / items required to be disclosed separately:			
Depreciation, (Net of reversal)		78,115,492	69,959,805
Interest Expense		100,097,868	96,666,953
Loss on Sale of Asset		320,056	922,419
Unrealised Foreign Exchange (gain) / loss		(12,871,367)	(1,881,126)
Interest Income		(4,840,322)	(3,892,978)
Irrecoverable Advances written off		–	(10,437,149)
Provision for Doubtful Debts		12,875,790	2,365,556
Provision for Doubtful Debts written back		(34,569)	(116,001)
Operating Profit before working capital changes		185,185,144	227,503,987
Changes in working capital and other provisions:			
Sundry Debtors		119,717,971	6,276,086
Inventories		39,113,665	3,541,718
Loans & Advances		(10,493,151)	(17,184,395)
Current Liabilities & Provisions		(3,113,482)	69,779,844
Cash Generated from operations		33,041,0147	289,917,240
Income Taxes paid during the year		(5,939,227)	(27,585,411)
Net cash flow generated by operating Activities		324,470,920	262,331,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed Assets and changes in capital work-in-progress		(573,684,523)	(1,349,583,737)
Proceeds from Sale of assets		3,049,464	2,492,510
Investment in subsidiary		(1,000,000)	–
Interest subsidy		–	370,353
Interest Income		4,840,322	3,892,978
Net Cash used in investing Activities		(566,794,737)	(1,342,827,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		–	–
Bank Borrowings		166,521,805	699,195,247
Other Borrowings		112,653,071	(93,653,558)
Payment for bond issue expenses		–	(2,513,032)
Dividends and Corporate dividend Tax		(10,881,939)	(25,391,191)
Interest paid		(100,097,868)	(96,666,953)
Net Cash generated from financing Activities		168,195,069	480,970,513
Effect of exchange differences on translation of foreign currency cash and cash equivalents		4,322,670	(23,971,472)
Net increase (decrease) in cash and cash Equivalents		(69,806,078)	(623,497,026)
Cash and Cash equivalents at the beginning of the year		145,609,631	769,106,657
Less: Cash & Bank Balances trd. As per Scheme of Arrangement (refer note 16 of Schedule-23)		2,207,051	–
Cash and Cash equivalents as at the end of the year		73,596,502	145,609,631
		(69,806,078)	(623,497,026)

Significant Accounting Policies

22

Notes on Accounts

23

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

As per our report attached

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

For and on behalf of Board of Directors

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

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

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	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 1		
Share Capital		
Authorised:		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	200,000,000	200,000,000
Issued, Subscribed and paid up:		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	62,008,000	62,008,000
Total	62,008,000	62,008,000
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	94,376,453	91,876,453
Add: Transfer from Profit & Loss A/c	—	2,500,000
	94,376,453	94,376,453
FCCB Redemption Reserve		
Opening Balance	96,716,449	—
Add: Transferred from Profit & Loss A/c	148,848,592	96,716,449
Profit & Loss Account		
Opening Balance	618,137,374	682,339,468
Add: Profit for the year after Appropriations	3,088,912	32,514,355
	621,226,286	714,853,823
Less: Trd. To FCCB Redemption reserve	148,848,592	96,716,449
	472,377,694	618,137,374
Total	821,215,188	818,126,276
Schedule - 3		
Secured Loans		
Term Loans		
From Bank		
— Foreign Currency Loan	—	17,551,693
— Rupee Loan	385,131,200	1,221,048,713
Working Capital Loans		
From Bank		
— Rupee Loan	421,080,480	517,123,907
Hire Purchase Loans		
From Banks		
— Rupee Loan	11,800,291	35,582,843
From Others		
— Rupee Loan	381,449	826,095
Total	818,393,420	1,792,133,251

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

Schedule – 6

Fixed Assets

Description	Gross Block					Depreciation			Amount in Rupees	
	As on 01.04.2008	Additions	Deletion/ Adjustments	Transfers as per scheme of arrangement	As on 31.03.2009	Upto 31.03.2008	For the Year Adjustments	Transfers as per scheme of arrangement	As on 31.03.2009	As on 31.03.2008
Land – Freehold	38,421,222	4,857,930	–	–	43,279,152	–	–	–	43,279,152	38,421,222
Land – Leasehold	118,655,425	–	–	118,655,425	–	2,397,079	3,633,073	6,030,152	–	116,258,346
Buildings	5,581,034	–	–	–	5,581,034	331,593	90,971	–	5,158,470	5,249,441
Factory & Quarry Buildings	189,748,780	2,833,027	–	–	192,581,807	28,333,808	6,326,933	–	157,921,066	161,414,972
Plant & Machinery	916,042,049	117,817,149	5,586,060	824,176	1,027,448,962	273,607,699	55,511,660	3,282,807	701,710,221	642,434,348
Vehicles	56,342,002	6,588,016	2,748,232	52,47,740	54,934,046	16,689,447	5715,593	1,706,959	34,456,370	39,652,555
Furniture & Fixtures and										
Office Equipment	64,173,910	29,427,583	26,500	3,160,403	90,414,590	13,359,294	7115879	1,506	70,204,259	50,814,618
Trade Marks & Brand Names	38,279,885	–	–	–	38,279,885	11,484,000	3828000	–	22,967,885	26,795,885
Total	1,427,244,307	161,523,705	8,360,792	127,887,744	1,452,519,476	346,202,920	82222109	4,991,272	1,035,697,423	1,081,041,387
Previous Year	1,246,767,626	194,662,812	14,186,131	–	1,427,244,307	284,138,879	72480934	–	1,081,041,387	962,628,747

Note: Depreciation for the year ending 31.03.2009 includes Rs. 41,06,617/- is capitalised and transferred as per Scheme of Arrangement.

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 4		
Unsecured Loans		
Zero Coupon Foreign Currency Convertible Bonds	611,400,000	479,640,000
Other Loans and Advances		
– Inter Corporate Borrowings	110,494,398	135,609,543
– From Directors	20,000,000	35,000,000
Total	741,894,398	650,249,543
Schedule - 5		
Deferred Tax Liability (Net)		
Deferred Tax Liabilities		
– Depreciation	71,450,904	65,278,492
– Others	–	639,487
	71,450,904	65,917,979
Deferred Tax Assets		
– Retirement Benefit	–	–
– Provision for Doubtful Debts	5,275,391	898,910
	5,275,391	898,910
Total	66,175,513	65,019,069
Schedule - 7		
Investments		
Fully Paid Up Long Term – At Cost		
In Subsidiary Companies – In Equity Shares Unquoted		
1,00,000 Equity Shares of Rs. 10/- Each of	1,000,000	–
Pokarna Engineered Stone Limited		
Total	1,000,000	–
Schedule - 8		
Inventories		
Consumables, Stores & Spares	56,758,257	38,788,076
Raw Material [Including Goods-in-Transit		
Rs. 149.27 Lakhs, (Rs. 182.18 Lakhs)]	129,977,666	135,014,311
Raw Granite at Quarries	8,291,345	9,313,174
Work-In-Process	41,146,869	67,388,515
Finished Goods	151,604,450	203,223,796
Traded Goods	1,275,932	2,561,842
Packing Material	2,190,560	1,916,375
Total	391,245,079	458,206,089
Schedule - 9		
Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered Good	160,541,841	59,195,034
– Considered Doubtful	16,079,525	3,203,735
Other Debts – Considered Good	221,493,959	445,290,462
	398,115,325	507,689,231
Less: Provision for Doubtful Debts	16,079,525	3,203,735
Total	382,035,800	504,485,496

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

.....●.....

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 10		
Cash & Bank Balances		
Cash on Hand	866,404	1,039,673
Balances with Scheduled Banks		
– In Current Accounts	5,654,271	44,287,235
– In Current Accounts – Foreign currency	29,312,985	29,724,991
– In Deposit/Margin money	35,732,849	56,114,041
– In Unclaimed Dividend Accounts	1,498,642	1,008,934
Balances with Non-Scheduled Banks outside India		
– In Current Accounts	531,351	13,434,757
Total	73,596,502	145,609,631

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. 134.35 Lakhs (Rs. 5021.57 Lakhs))

Schedule - 11

Loans & Advances

(Unsecured, considered good unless otherwise stated)

Advances & Loans to Subsidiary	666,752,011	–
Advances recoverable in cash or in kind or for value to be received:		
– Considered Good	50,973,339	47,620,517
Advance for Raw Material	22,960,755	30,508,367
Staff Advance	24,897	50,397
Prepaid Expenses	7,418,032	11,075,834
Advance Income Tax	8,257,879	22,355,079
Electricity and Other Deposits	52,201,604	36,080,917
Balances with Customs & Excise Authorities	143,877	52,453
Cenvat Credit Receivable	13,386,413	19,299,744
Total	822,118,807	167,043,308

POKARNA LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

.....●.....

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 12		
Current Liabilities		
Sundry Creditors		
– For Goods	126,513,121	120,790,358
– For Other Liabilities	94,876,245	160,913,151
– For Capital Expenditure	9,972,671	28,983,144
Advances from Customers	18,824,596	21,700,192
Unclaimed Dividend	1,498,642	1,008,934
Total	<u>251,685,275</u>	<u>333,395,779</u>
Schedule - 13		
Provisions		
Proposed Dividend	–	9,301,200
Dividend Tax	–	1,580,739
Provision for Taxation	4,130,885	16,890,471
Provision for Gratuity	6,166,621	7,131,580
Total	<u>10,297,506</u>	<u>34,903,990</u>
Schedule - 14		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
FCCB Issue Expenses:		
Opening Balance	18,928,761	21,147,920
Add: Additions during the year	<u>–</u>	<u>2,513,032</u>
	18,928,761	23,660,952
Less: Transferred as per Scheme		<u>4,732,191</u>
of arrangement (refer note – 16 of Sch-23)	<u>18,928,761</u>	<u>18,928,761</u>
Total	<u>–</u>	<u>18,928,761</u>

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

.....●.....

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 15		
Sales & Other Operating Income		
Gross Sales		
Polished Granite	867,850,044	1,119,886,665
Raw Granite	214,927,006	179,232,131
Apparel	305,763,627	240,276,427
Fabric	36,416,517	61,974,406
Scrap	6,373,301	1,195,785
Total	1,431,330,495	1,602,565,414
Operating Income		
Operation & Maintenance Service Fee	28,057,148	911,688
Exchange Gain (Net)	28,669,833	(2,508,259)
Commission	250,776	590,349
Provision no Longer Required Written Back	34,569	116,001
Export Incentives	11,709,821	9,311,418
Total	66,722,147	8,421,197
Schedule - 16		
Other Income		
Interest on deposits [Gross including tax deducted at source Rs. 24.50 Lakhs (Rs. 9.83 Lakhs)]	4,840,322	3,892,978
Total	4,840,322	3,892,978
Schedule - 17		
Material Costs		
a) Opening Balance		
Finished Goods	203,223,796	224,665,004
Work-in-Process	67,388,515	24,442,062
Raw Granite	9,313,174	5,407,333
	279,925,485	254,514,399
Less: Closing Stock		
Finished Goods	151,604,450	203,223,796
Work-in-Process	41,146,869	67,388,515
Raw Granite	8,291,345	9,313,174
	201,042,664	279,925,485
Net (Increase) / Decrease	78,882,821	(25,411,086)
b) Raw Material Consumed		
Opening Stock	135,014,311	164,213,017
Add: Purchases	361,929, 921	456,551,316
	496,944,232	620,764,333
Less: Closing Stock	129,977,666	135,014,311
	366,966,566	485,750,022
c) Consumption of Consumables, Stores & Spares	166,316,394	169,881,640
d) Purchase of Traded Goods	64,185,437	55,523,628
	676,351,218	685,744,204

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

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule – 18		
Personnel Costs		
Salaries, Wages, Bonus, Allowances & benefits	135,115,928	116,657,867
Contribution to Provident and other Funds	9,898,945	8,632,092
Retirement Benefits	1,342,173	2,941,631
Workmen & Staff Welfare Expenses	14,336,416	13,461,859
Total	160,693,462	141,693,449
Schedule – 19		
Operating & Other Expenses		
Other Mfg & Quarrying Expenses	27,277,336	24,159,478
Power and Fuel	104,968,058	107,529,648
Repairs and Maintenance:		
– Plant and Machinery	9,781,877	6,314,169
– Building	1,783,298	917,161
– Others	2,349,693	2,705,482
Cutter and Driller Charges	13,687,484	17,178,809
Royalty on Quarry Land	5,796,108	5,952,596
Rent	32,228,625	15,174,548
Rates and Taxes	2,422,555	3,062,129
Insurance	7,982,213	8,110,903
Communication Charges	4,413,117	5,249,725
Printing & Stationery	2,412,843	3,447,441
Travelling & Conveyance Expenses	17,250,636	20,630,844
Electricity Charges	3,588,792	2,505,209
Vehicle Maintenance	6,201,226	6,128,333
Auditors Remuneration	363,950	378,268
Advertisement	409,676	960,719
Legal and Professional Charges	3,830,418	7,819,295
Commission to Non Executive Directors	–	648,000
Directors Sitting Fees	44,000	32,000
Donations	1,538,357	1,424,778
Fees & Subscriptions	1,054,927	2,462,388
Government Royalty and Dead Rent	35,209,102	47,978,540
Carriage Outwards	88,205,804	98,154,316
Sales Commission	2,848,028	2,591,856
Discounts and Claims	11,986,358	13,369,512
Business Promotion Expenses	27,125,749	72,788,339
Packing Material	30,233,975	33,013,564
Bad Debts Written off	789,399	28,982
Provision for Doubtful Debts	12,875,790	2,365,556
Loss on sale of assets	320,056	922,419
Excise Duty – Others	(3,680,246)	(429,497)
Sales Tax	5,881,060	8,812,625
Miscellaneous Expenses	3,417,632	2,224,313
Total	464,597,896	524,612,448

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

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule – 20		
Finance Charges		
To Banks:		
– Interest on Term Loans	32,553,247	28,198,025
– Interest on Working Capital Loans	31,913,285	27,884,100
– Interest on Hire Purchase Loans	2,111,295	4,065,741
– Bill Discounting Charges	22,164,348	21,826,653
– Bank Charges	5,422,439	3,823,081
To Others:		
– Interest – Others	5,869,825	10,854,675
– Interest on Hire Purchase Loans	63,429	14,678
Total	100,097,868	96,666,953
Schedule – 21		
Provision for Tax		
Current Tax	2,200,000	14,400,000
Fringe Benefit Tax	2,155,885	2,490,471
Deferred Tax	1,156,443	7,469,655
Total	5,512,328	24,360,126

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

Schedule – 22

Significant Accounting Policies

A. Basis of Preparation of Financial Statements

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

B. Use of Estimates

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

C. Revenue Recognition

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

D. Recognition of Expenditure

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

E. Fixed Assets

1. Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.
2. The cost of Fixed Asset comprises its purchase price, including non-refundable taxes & duties and directly attributable cost of bringing the asset (including leasehold improvements) to its working condition for its intended use.
3. All costs, including borrowing costs till commencement of commercial production, attributable to fixed assets are capitalized and are classified as Project Development Expenditure and disclosed under Capital Work-in-Progress (net of income earned during project development stage).

F. Intangible Assets

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

Leasehold land is amortized over the period of the lease on straight line basis. Lease payments are recognized as expense in the period in which they are incurred.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



G. Impairment of Assets

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

H. Capital Work-in-Progress

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

I. Depreciation

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

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

J. Inventories

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

K. Employee Benefits

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

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

L. Foreign Currency Transactions

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

M. Leases

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

N. Borrowing Cost

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

O. Provisions, Contingent Liabilities and Contingent Assets

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

P. Accounting for Taxes on Income

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

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

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

Q. Cash Flow Statement

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

R. Miscellaneous expenditure

Issue expenses on raising long term borrowings are amortized over the period of the borrowings.

Schedule – 23

Notes on Financial Statements

1. Share Capital

Share capital includes:

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

2. Secured Loans

- a) Term Loan & Working capital facilities for Granite & Apparel Division from Union Bank of India, Secunderabad, are secured by hypothecation by way of first charge on all immovable and movable properties including current assets such as inventories, book debts and other receivables of the company including machineries both present and future of these two divisions besides personal guarantee / security of some of the Directors and their relative.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

- b) Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of some of the Directors.
- c) Secured loans includes interest accrued and due amounting to **Rs. 66.52 lakhs** (Previous year Rs. 104.05 lakhs)
- d) Secured loans includes installments due and payable with in one year amounting to **Rs. 215.44 lakhs** (Previous year Rs. 842.24 lakhs)

3. Foreign Currency Convertible Bonds

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

The uses of the proceeds of the FCCB are as under:

Particulars	Rupees in Lakhs	
	Upto the year ended 31.03.2009	Upto the year ended 31.03.2008
Gross proceeds of the FCCB	5230.80	5230.80
Add: Interest on Current a/c	41.99	41.97
Total inflow (a)	5272.79	5272.77
Less: Amount spent on Engineered Stone Project (transferred and vested with Pokarna Engineered Stone Limited under scheme of Arrangement – (refer note-16))		
Capital Expenditure	4692.29	4566.27
Issue Expenses	207.20	207.20
Bank charges	19.56	4.01
Exchange fluctuation Gain / (Loss) Net	348.44	354.44
Total outflow (b)	5267.49	5131.92
Un-utilized Balance (a-b)	5.30	140.85
Balance with Standard Chartered Bank, Singapore & Standard Chartered Bank, India	5.30	140.85

4. Contingent Liabilities not provided for

Particulars	Rupees in Lakhs	
	As on 31.03.2009	As on 31.03.2008
a) Bank Guarantees	57.66	62.66
b) Letter of Credits outstanding	84.56	197.84
c) Premium payable on FCCB's issued	1627.97	1704.01
Claims against the company not acknowledged as debts:		
d) Direct & Indirect Taxes disputed (Amount Deposited Rs. 32.59 Lakhs (previous year Rs. 69.21 Lakhs))	95.28	135.78
e) Other Matters disputed (Amount Deposited Nil; (previous year Nil))	79.50	14.70

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

5. Capital Commitments

	Rupees in Lakhs	
	As on 31.03.2009	As on 31.03.2008
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	1394.32	5348.94

6A. Managerial remuneration under section 198 of the Companies Act, 1956 paid or payable during the financial year, to the Directors as under:

	Rupees in Lakhs	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Salary and Allowances	64.00	72.00
Contribution to Provident and other funds	0.18	0.21
Commission	—	6.48
Directors Sitting Fee	0.44	0.32
Approximate money value of perquisites and benefits	12.49	8.72
Total	77.11	87.73

Note: The employee-wise break-up of liability on account of Retirement Schemes based on actuarial valuation is not ascertainable. The amounts relatable to the Directors are, therefore, disclosed in the year of payment.

In view of inadequacy of profits for the year 2008-09, the Company has to make an application to the Central Government for approval of remuneration to the managerial personnel. Pending such approval of the Central Government and the approval of the shareholders at the ensuing annual general meeting, the remuneration paid during the year, in excess of the limits prescribed under schedule XIII of the Companies Act, 1956, amounting to Rs. 28.55 lakhs is being held in trust by a director of the Company.

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

	Rupees in Lakhs	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Profit / (Loss) before Tax as per Profit & Loss Account	115.22	745.14
Add: Managerial Remuneration paid or provided	77.11	87.73
Provision for bad and doubtful debts	128.76	23.66
Loss on sale of fixed assets	3.20	9.22
Donation to Political Party	—	5.00
Prior period adjustments	—	(5.98)
Net Profit / (Loss) in accordance with Section 198(1) / 349	324.29	864.77
Commission payable to non-executive directors:		
Maximum allowed as per the Companies Act, 1956 at 1%	3.24	8.65
Actually allowed at 0.75%	Nil	6.48

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

7. Auditors' Remuneration

	Rupees in Lakhs
	Year Ended 31.03.2009
	Year Ended 31.03.2008
For Statutory Audit	2.50
For Tax Audit	0.50
For Certification	0.50
Out of Pocket expenses	0.14

8. Assets

	Rupees in Lakhs
	Year Ended 31.03.2009
	Year Ended 31.03.2008
a) The value of Fixed assets comprising of Land, Building and Plant & Machinery of Granite processing plants acquired from Financial Institutions are shown under the head Plant & Machinery in Schedule-6, in the absence of necessary details.	1010.98
b) Interest on borrowings towards purchase of assets capitalised during the year	67.48
c) Additions to assets includes acquired under hire purchase scheme.	18.20

9. Deferred Tax

	Rupees in Lakhs
	Year Ended 31.03.2009
	Year Ended 31.03.2008
Deferred Tax Liability	
Depreciation	61.73
Exchange Fluctuation on Monetary Items	(6.40)
Total	55.33
Deferred Tax Asset	
Employees' Retirement Benefits	—
Provision for Debtors	43.76
Total	43.76
Net Deferred Tax Liability	11.57

10. Related Party Transactions

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

f) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year 2008-09 (2007-08)

Rupees in Lakhs					
Nature of the Transaction	Subsidiary	Associates	Key Management Personnel	Relatives	Total
Purchase of Goods	—	81	—	—	81
	(—)	(64)	(—)	(—)	(64)
Sale of Goods	13	464	—	8	472
	(—)	(882)	(—)	(1)	(883)
Rents paid	—	21	—	—	21
	(—)	(21)	(—)	(5)	(26)
Remuneration paid to Directors	—	—	77	—	77
	(—)	(—)	(81)	(—)	(81)
Loans Received	—	255	200	—	455
	(—)	(425)	(366)	(—)	(791)
Loans Repaid	100	—	—	—	100
	(—)	(1483)	(232)	(—)	(1715)
Loans & Advances given	562	—	—	—	562
	(—)	(—)	(—)	(—)	(—)
Balances as at 31/03/09 – Receivable	6668	496	—	4	7168
	(—)	(474)	(—)	(—)	(474)
Balances as at 31/03/09 – Payables	—	1386	201	—	1587
	(—)	(1496)	(350)	(—)	(1846)

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

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

Rupees in Lakhs		
Particulars	As at 31.03.2009	As at 31.03.2008
a) Principal amount remaining unpaid and interest due thereon	Nil	Nil
b) Interest paid in term of Section 16	Nil	Nil
c) Interest due and payable for the period of delay in payment	Nil	Nil
d) Interest accrued and remaining unpaid	Nil	Nil
e) Interest due and payable even in succeeding years	Nil	Nil
The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.		

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

12. Earnings Per Share (EPS)

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

	Year ended 31.03.2009	Year ended 31.03.2008
Basic Earnings Per Share		
Numerator for Basic earnings per share:		
Profit attributable to the Equity Share Holders	3,088,912	45,896,294
Denominator for Basic earnings per share:		
Basic /Weighted Average number of shares	6,200,800	6,200,800
Basic Earnings Per Share	0.50	7.40
Diluted Earnings Per Share		
Numerator for Diluted earnings per share:		
Profit attributable to the Equity Share Holders	3,088,912	45,896,294
Denominator for Diluted earnings per share:		
Weighted Average number of shares	6,200,800	6,200,800
Possible Dilution:		
Conversion of Foreign Currency Convertible Bonds (No. of Shares)	2,236,523	1,789,204
Adjusted weighted average number of shares	8,437,323	7,990,004
Diluted Earnings Per Share	0.37	5.74

13. Segment Reporting

Disclosure of segment reporting for the year 2008-09 (2007-08):

a) Information about Primary Business Segments:

Rupees in Lakhs

Description	Granite	Apparel	Total
Revenue			
Sales to External Customers	10816 (12877)	3382 (2923)	14198 (15800)
Inter Segment Sales	— (9)	— (—)	— (9)
Total Revenue	10816 (12886)	3382 (2923)	14198 (15809)
Segment Results			
Profit / (Loss)	1663 (2478)	(547) (-772)	1116 (1706)
Interest Expenses	450 (446)	551 (521)	1001 (967)
Income Tax			84 (280)
Profit After Tax			31 (459)
Other Segment Information			
Capital Expenditure	1346 (541)	392 (439)	1738 (980)
Depreciation	516 (477)	265 (223)	781 (700)
Particulars of Segment Assets and Liabilities			
Segment Assets	13579 (14703)	7377 (7331)	20956 (22034)
Unallocated Assets	6678 (—)	— (—)	6678 (—)
Segment Liabilities	4609 (6171)	7459 (6496)	12068 (12667)
Unallocated Liabilities	6114 (—)	— (—)	6114 (—)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

b) Information about Secondary Segments – Geographical

Revenue attributable to location of customers is as follows:

Country	2008-09			2007-08		
	Granite	Apparel	Total	Granite	Apparel	Total
U S A	5238	338	5576	8716	78	8794
Europe	1447	1758	3205	1101	866	1967
Asia	1095	—	1095	572	—	572
India	2087	1286	3373	2281	1786	4067
Australia	23	—	23	54	—	54
Rest of the World	926	—	926	161	193	354
Total	10816	3382	14198	12886	2923	15809

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

Notes:

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

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).

	Maximum amount outstanding at any time during the year		Balance outstanding	
	Year ended 31.03.2009	Year ended 31.03.2008	As at 31.03.2009	As at 31.03.2008
Pokarna Fashions Limited	281.79	342.28	273.10	238.57
Pokarna Marketing Limited	233.16	233.05	139.56	233.05
Pokarna Fabrics Limited	57.53	125.95	57.53	—
Southend Extension	5.18	12.17	—	—
Southend	8.40	11.41	—	—
Pokarna Engineered Stone Limited	6667.52	—	6667.52	—

Particulars	Rupees in Lakhs	
	Year ended 31.03.2009	Year ended 31.03.2008

15. Key Man Insurance

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

16. Transfer of Engineered Stone Division ('ESD') of Pokarna Limited to its wholly owned subsidiary Pokarna Engineered Stone Limited ('PESL') under the Scheme of Arrangement ('the Scheme'):

- The company had filed a Scheme of Arrangement ('Scheme') under section 391 to 394 of the Companies Act, 1956, for transfer and vesting of Engineered Stone Division to Pokarna Engineered Stone Limited. The Board of Directors of the company through a board resolution dated September 15, 2008 and shareholders of the company through a court convened Meeting dt. 08.02.2009 have approved the Scheme.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

- b) In terms of the Scheme which was sanctioned by the Hon'ble High Court of Andhra Pradesh on dated April 22, 2009, the 'Engineered Stone Division' at Atchutapuram, Ramballi Mandal, Visakhapatnam, Andhra Pradesh stands transferred and vested with Pokarna Engineered Stone Limited, from the appointed date July 1, 2007 and accordingly the assets and liabilities, the legal proceedings, the employees, employee related benefits and all contracts and agreements in relation to the said Engineered Stone Division have been transferred to Pokarna Engineered Stone Limited w.e.f. July 1, 2007 (Appointed date) the details of which are as follows:

Particulars	Rupees in Lakhs
Capital Work in Progress	3063.19
Loans & Advances to Pokarna Engineered Stone Limited	127.50
Loans & Advances	2.92
Issue Expenses on FCCB (net of amortization)	200.91
Total of Assets	3394.52
Secured Loans	1575.74
Inter Corporate Borrowings	1061.40
Other Loans	85.98
Current Liabilities and Provisions	4.37
Total of Liabilities	2727.49
Consideration	667.03

- c) Pursuant to the Scheme, net consideration receivable by Pokarna Limited is Rs. 667.03 Lakhs which will be discharged by Pokarna Engineered Stone Limited through issue of 66,70,280 optionally convertible debentures of face value of Rs. 10/- each in favour of the Company, and the said optionally convertible debentures are convertible at the option of the Company.
- d) For the period between appointed date i.e., 1st July, 2007 and effective date 15th May, 2009 (the date on which the High Court order approving the Scheme is filed with the Registrar of Companies, Andhra Pradesh), the Engineered Stone Division was part of the Company. Hence, an agency entry has been passed to transfer assets, liabilities, expenses and income recorded in the books of the Company for the said period. The following assets, liabilities, income and expenses were transferred as agency entry for the period from 01.07.2007 to 31.03.2009:

Particulars	Rupees in Lakhs
Fixed Assets	1278.88
Capital Work In progress	16696.62
Cash & Bank balances	22.07
Inventories	278.47
Loans & Advances	77.80
Issue Expenses on FCCB	25.13
Total of Assets	18378.97
Depreciation reserve	66.12
Amortization reserve	84.07
Secured Loans	9826.88
Inter Corporate Borrowings	73.14
Other Loans	307.16
Current Liabilities & Provisions	800.86
Provision for Premium on redemption of FCCB	1092.76
Loans & Advances to Pokarna Engineered Stone Limited	689.14
Total of Liabilities	12940.13
Balance amount receivable from PESL	5438.84

- e) Consequent to the Scheme, the figures for the current year are not comparable to those of previous year.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

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	Rupees in Lakhs	
Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008

17. Central Excise Duty

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

i) Difference between excise duty on closing stock of Finished Goods Rs. 11.78 Lakhs and excise duty on opening stock of Finished Goods Rs. 61.25 Lakhs (previous year excise duty on closing stock of Finished Goods, Rs. 61.25 Lakhs and excise duty on opening stock of Finished Goods Rs. 65.91 Lakhs)	(49.47)	(4.66)
ii) Excise duty on stock transfer	12.67	-
iii) Excise duty on business promotion & others	Nil	0.36

18. Prior Period Items

Prior period items includes net of Income and expenses

Prior period expenses	Nil	(6.14)
Prior period income	Nil	0.16
Net of prior period items	Nil	(5.98)

19. Financial and Derivative Instruments

- a) Nominal amount of forward contracts entered into by the company for hedging currency related risks and outstanding as on 31st March, 2009 amounts to **Rs. 540.27 lakhs** (Previous year Rs. 1260.63 lakhs)
- b) Foreign currency exposure that are not hedged by derivative or forward contracts as on 31st March, 2009 amounts to **Rs. 10732.35 lakhs** (Previous year Rs. 9001.35 lakhs)

20. Leases

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

	Rupees in Lakhs	
Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
Rent expenses included in Profit and Loss Account towards operating leases	322.29	151.75

Minimum lease obligation under non cancelable lease contracts amounts to:		Rupees in Lakhs
Particulars	As at 31.03.2009	As at 31.03.2008
Within 1 year	351.57	152.48
After 1 year but before 5 years	375.08	115.54
After 5 years	-	-
Total	726.65	268.02

21. General

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) Paise are rounded off to the nearest Rupee.
- c) Previous year's figures have been regrouped / recast wherever considered necessary to make these comparable with those of the current year.
- d) During the year Pokarna Engineered Stone Limited (formerly Pokarna Apparels Limited) has become a subsidiary of the company w.e.f. 15.09.2008.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

22. Employee Benefits

Defined Contribution Plan

Rupees in Lakhs		
Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
Contribution to Defined Contribution Plan, recognized are charged off for the year is as under:		
Employer's contribution to Provident Fund	78.73	70.87

Defined Benefit Plan

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

Rupees in Lakhs		
Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
a) Reconciliation of opening and closing balances of the present value of the Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of year	99.45	77.79
Current service cost	28.10	28.39
Interest cost	7.74	8.09
Actuarial (Gain) / Loss	(21.64)	(4.69)
Benefits paid	(5.49)	(10.13)
Projected Benefit Obligation at year end	108.16	99.45
b) Reconciliation of opening and closing balances of Fair Value of plan assets		
Fair value of Plan asset at beginning of year	28.14	16.89
Expected return on Plan Assets	2.95	2.22
Actuarial (Gain) / Loss	(2.18)	0.16
Employer Contribution	23.07	19.00
Benefits Paid	(5.49)	(10.13)
Fair value of Plan asset at year end	46.49	28.14
c) Reconciliation of fair value of assets and Obligation		
Fair value of Plan assets	46.49	28.14
Present value of Projected Benefit obligation	108.16	99.45
Amount recognized in Balance Sheet	(61.67)	(71.32)
d) Expenses recognized during the year (Under the head "Personnel Costs")		
Current service cost	28.10	28.39
Interest cost	7.74	8.09
Expected return on Plan Assets	(2.95)	(2.22)
Actuarial (Gain) / Loss	(19.46)	(4.85)
Income(-) / Expenses(+) recognized in the statement of Profit & Loss	13.43	29.42
e) Actuarial Assumptions		
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	7.00%	8.00%
Rate of escalation in salary (per annum)	5.00%	6.00%
Attrition Rate	5.00%	5.00%
Expected return on Plan assets – LIC	8.50%	8.50%
Expected return on plan assets – Met Life	8.50%	12.00%

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

23. Provisions

Rupees in Lakhs

Particulars	Carrying amount as at April 1, 2008	Additional provision made during the year	Amount written off during the year	Amount reversed during the year	Unused As At March 31, 2009
Provision for Doubtful Debts	32.04	128.76	—	—	160.80

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

a) Licenced Capacity and installed Capacity

Class of Goods	Units	Licenced Capacity		Installed Capacity	
		2008-09	2007-08	2008-09	2007-08
Finished Granite	Sq.Mts	NA	NA	636000	636000
Apparels	Nos.	1500000	1500000	1200000	1200000

b) Particulars of Production, Sales and Stock for the year 2008-09 (2007-08)

Rupees in Lakhs

Class of Goods	Units	Opening Stock		Production	Purchases / transfers		Sales		Closing Stock	
		Qty.	Value	Qty.	Qty.	Value	Qty.	Value	Qty.	Value
Manufactured Goods										
Finished Granite	Sq.Mts	125299	869	332409	—	—	343097	8673	114611	757
		(138686)	(855)	(459985)	(—)	(—)	(473372)	(11033)	(125299)	(869)
Raw Granite at quarries	Cbm	2230	93	11144	2232	—	9087	1600	2055	83
		(1493)	(54)	(15630)	(4488)	(—)	(10405)	(1762)	(2230)	(93)
Apparel incl. Job work	Nos.	109400	1163	386168	—	—	415636	3010	79932	759
		(135480)	(1392)	(272334)	(7624)	(—)	(306038)	(2326)	(109400)	(1163)
Traded Goods:										
Raw Granite	Cbm	26	6	—	1484	338	1510	464	—	—
		(44)	(6)	(—)	(141)	(21)	(159)	(30)	(26)	(6)
Finished Granite	Sq.Mts	—	—	—	3060	20	3060	26	—	—
		(—)	(—)	(—)	(3928)	(42)	(3928)	(51)	(—)	(—)
Fabric	Mtrs.	—	—	—	109491	295	109491	356	—	—
		(—)	(—)	(—)	(128065)	(483)	(128065)	(580)	(—)	(—)
Apparel	Nos.	2432	20	—	—	—	1020	14	1412	13
		(464)	(2)	(—)	(3236)	(24)	(1268)	(15)	(2432)	(20)
Add: Sale of Scrap								55		
								(12)		
Net sale as per Profit & Loss Account								14198		
								(15809)		

c) Raw Material Consumed during the year

Rupees in Lakhs

Class of Goods	Units	Year Ended 31.03.2009		Year Ended 31.03.2008	
		Qty.	Value	Qty.	Value
Raw Granite*	Cbm	9625	3041	14894	4460
Fabric	Mtrs.	691228	1261	484130	1293

*Including inter unit transfer of **2923** Cbm of **Rs. 632 Lakhs** (previous year 4488 Cbm of Rs. 896 Lakhs)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

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

		Rupees in Lakhs			
Class of Goods		Year Ended 31.03.2009		Year Ended 31.03.2008	
		Value	%	Value	%
Raw Material	Imported	728	17	1285	22
	Indigenous	3574	83	4468	78
Total		4302	100	5753	100
Consumables, Stores & Spares	Imported	942	57	969	57
	Indigenous	721	43	730	43
Total		1663	100	1699	100

e) CIF value of imports

	Rupees in Lakhs	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Raw Material	712	1368
Consumables, Stores & Spares	1170	1011
Capital items	778	10019

f) Earnings in foreign currency

	Rupees in Lakhs	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Income from sales/Job work (FOB)	10523	11584

g) Expenditure in foreign currency

	Rupees in Lakhs	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Travel & Conveyance	75	93
Advertisement	33	33
Exhibition	106	153
Professional & Constultancy	5	14
Interest	—	24

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

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h) Remittance of dividend in foreign currency

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

	Year Ended 31.03.2009	Year Ended 31.03.2008
No. of NRI shareholders	17	18
No. of Equity shares held	14866	21493
Gross Dividend Rs.	22301	75228

As per our report attached

For and on behalf of Board of Directors

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

Gautam Chand Jain

Meka Yugandhar

Vinayak Rao Juvvadi

T V Chowdary

Dhanjibhai Sawla

Prakash Chand Jain

Rahul Jain

Siddharth Jain

M Vishwanatha Reddy

Sanjay Daga

Paras Kumar Jain

Chairman & Managing Director

Director

Director

Director

Director

Director

Executive Director

Executive Director

Chief Financial Officer

G. M. – Accounts

Company Secretary

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

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

Name of the Subsidiary Company	Pokarna Engineered Stone Limited*
Accounting year of the Subsidiary ended on	March 31, 2009
Shares of the Subsidiary Company a) Number and Face Value	1,00,000 Equity Shares of Rs. 10/- each fully paid up
b) Extent of holding	100%
Net Aggregate amount of Profit / (Loss) of the Subsidiary for the above financial year of the subsidiary so far as they concern members of the company	
a) Not dealt with in the Account of Pokarna Limited for the year ending March 31, 2009	
i) for the Subsidiary's financial year ended March 31, 2009	Rs. 45,869/-
ii) for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Rs. – Nil –
b) Dealt with in the Account of Pokarna Limited for the year ending March 31, 2009	
i) for the Subsidiary's financial year ended March 31, 2009	Rs. – Nil –
ii) for the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Rs. – Nil –

*Became subsidiary of Pokarna Limited with effect from 15th September, 2008

As per our report attached

For and on behalf of Board of Directors

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

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

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Consolidated Financial Statements
AUDITORS' REPORT

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To

The Board of Directors,
Pokarna Limited

1. We have audited the attached Consolidated Balance Sheet of Pokarna Limited, its subsidiary (collectively referred to as "the Group") as at 31st March, 2009, the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash-Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard 21 – Consolidated Financial Statements and Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements, notified by the Central Government under Companies (Accounting Standards) Rules, 2006.
4. Based on our audit as aforesaid and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2009;
 - b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year ended on that date.

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

Shantilal Daga
M.No. 11617
Partner

Place : Hyderabad
Date : 29th June, 2009

POKARNA LIMITED
Consolidated Financial Statements
BALANCE SHEET AS AT 31st MARCH, 2009

			Amount in Rupees
	Schedule		As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	62,008,000	
Reserves & Surplus	2	821,587,360	883,595,360
Loan Funds			
Secured Loans	3		1,958,655,056
Un-Secured Loans	4		894,662,614
Deferred Tax Liability (Net)	5		66,175,513
Total			3,803,088,543
APPLICATION OF FUNDS			
Fixed Assets			
	6		
Gross Block		1,580,407,220	
Less: Accumulated Depreciation		423,433,757	
Net Block		1,156,973,463	
Capital Work-in-Progress		2,041,957,000	3,198,930,463
Investments			
Current Assets, Loans & Advances			
Inventories	7	419,092,425	
Sundry Debtors	8	382,035,800	
Cash & Bank Balances	9	75,827,602	
Loans & Advances	10	164,864,892	
		1,041,820,719	
Less: Current Liabilities & Provisions			
Current Liabilities	11	332,229,222	
Provisions	12	119,629,986	
		451,859,208	
Net Current Assets			589,961,511
Miscellaneous Expenditure (To the extent not written off or adjusted)	13		14,196,569
Total			3,803,088,543
Significant Accounting Policies	21		
Notes to the Accounts	22		

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

As per our report attached

For and on behalf of Board of Directors

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

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

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

POKARNA LIMITED
Consolidated Financial Statements
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

		Amount in Rupees
	Schedule	Year Ended 31.03.2009
INCOME		
Sales & Operating Income		
Gross Sales	14	1,431,330,495
Less: Excise Duty on Sales		11,514,832
Net Sales		1,419,815,663
Operating Income		66,722,147
Other Income	15	4,990,955
Total		1,491,528,765
EXPENDITURE		
Material Costs	16	676,351,218
Personnel Costs	17	160,693,462
Operating & Other Expenses	18	464,680,954
Finance Charges	19	100,097,922
Depreciation & Amortization	6	78,115,492
Total		1,479,939,048
Profit Before Tax		11,589,717
Less: Provision for Tax	20	5,533,188
Less: Prior Years Tax		2,921,748
Net Profit After Tax		3,134,781
Balance of Profit Brought Forward		618,463,677
Amount Available For Appropriation		621,598,458
Appropriations:		
Proposed Dividend		—
Tax on Proposed Dividend		—
Transfer to General Reserve		—
Transfer to FCCB Redemption Reserve		148,848,592
Balance Carried to the Balance Sheet		472,749,866
Total		621,598,458
Earning Per Shares - Basic		0.51
Earning Per Shares - Diluted		0.37
(Par value of Rs. 10 each)		
Significant Accounting Policies	21	
Notes to the Accounts	22	
The Schedules referred to above form an integral part of the Profit and Loss Account.		
As per our report attached		
For and on behalf of Board of Directors		
For S. Daga & Co. Chartered Accountants	Gautam Chand Jain Meka Yugandhar Vinayak Rao Juvvadi T V Chowdary Dhanjibhai Sawla Prakash Chand Jain Rahul Jain Siddharth Jain M Vishwanatha Reddy Sanjay Daga Paras Kumar Jain	Chairman & Managing Director Director Director Director Director Director Executive Director Executive Director Chief Financial Officer G. M. – Accounts Company Secretary
Shantilal Daga Partner Membership No. 11617		
Place : Secunderabad Date : 29th June, 2009		

POKARNA LIMITED
Consolidated Financial Statements
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	Amount in Rupees
Schedule	Year ended 31.03.2009
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Profit Before Tax (Net of Prior Period Items)	11,589,717
Adjustment for –	
Add: Non cash item / items required to be disclosed separately	
Depreciation, (Net of reversal)	78,115,492
Interest Expense	100,097,921
Loss on Sale of Asset	320,056
Unrealised Foreign Exchange (gain)/loss	(10,609,790)
Interest Income	(4,990,955)
Irrecoverable Advances written off	–
Provision for Doubtful Debts	12,875,790
Provision for Doubtful Debts written back	(34,569)
Operating Profit before working capital changes	187,363,662
Changes in working capital and other provisions	
Sundry Debtors	119,893,477
Inventories	39,113,664
Loans & Advances	(10,578,821)
Current Liabilities & Provisions	103,781,685
Cash Generated from operations	439,573,667
Income Taxes paid during the year	(5,981,787)
Net cash flow generated by operating Activities	433,591,880
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed Assets and changes in capital work in progress	(682,960,966)
Proceeds from Sale of assets	3,049,464
Investments	(1,000,000)
Interest subsidy	–
Interest Income	4,990,955
Net Cash used in investing Activities	(675,920,547)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of share capital	–
Bank Borrowings	166,521,805
Other Borrowings	112,653,071
Payment for bond issue expenses	–
Dividends and Corporate dividend Tax	(10,881,939)
Interest paid	(100,097,921)
Net Cash generated from financing Activities	168,195,016
Effect of exchange differences on translation of foreign currency cash and cash equivalents	4,322,670
Net increase (decrease) in cash and cash Equivalents	(69,810,981)
Cash and Cash equivalents at the beginning of the year	145,638,583
Cash and Cash equivalents as at the end of the year	75,827,602
	(69,810,981)

Significant Accounting Policies

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Notes to the Accounts

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

As per our report attached

For and on behalf of Board of Directors

For **S. Daga & Co.**

Gautam Chand Jain

Chairman & Managing Director

Chartered Accountants

Meka Yugandhar

Director

Vinayak Rao Juvvadi

Director

T V Chowdary

Director

Dhanjibhai Sawla

Director

Prakash Chand Jain

Director

Shantilal Daga

Rahul Jain

Executive Director

Partner

Siddharth Jain

Executive Director

Membership No. 11617

M Vishwanatha Reddy

Chief Financial Officer

Place : Secunderabad

Sanjay Daga

G. M. – Accounts

Date : 29th June, 2009

Paras Kumar Jain

Company Secretary

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

		Amount in Rupees
		31.03.2009
Schedule - 1		
Share Capital		
Authorised:		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value		200,000,000
Issued, Subscribed and paid up:		
62,00,800 (62,00,800) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up		62,008,000
Total		62,008,000
Schedule - 2		
Reserves & Surplus		
Capital Subsidy		1,500,000
Share Premium Account		7,396,000
General Reserve		
Balance at the Beginning of the Year	94,376,453	
Add: Transfer from Profit & Loss A/c	—	
		94,376,453
FCCB Redemption Reserve		
Opening Balance	96,716,449	
Add: Transferred from Profit & Loss A/c	148,848,592	
		245,565,041
Profit & Loss Account		
Opening Balance	618,463,677	
Add: Profit for the year after Appropriations	3,134,781	
	621,598,458	
Less: Trd to FCCB Redemption reserve	148,848,592	
		472,749,866
Total		821,587,360
Schedule - 3		
Secured Loans		
Term Loans		
From Bank		
— Foreign Currency Loan		—
— Rupee Loan		1,513,469,537
Working Capital Loans		
From Bank		
— Rupee Loan		429,949,242
Hire Purchase Loans		
From Banks		
— Rupee Loan		14,854,828
From others		
— Rupee Loan		381,449
Total		1,958,655,056

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

Schedule - 6

Description	Gross Block				Depreciation		Net Block	
	During the year		Deletions		During the year		As on	
	As on 01.04.2008	Additions	As on 31.03.2009	As on 31.03.2009	Upto 31.03.2008	For the period	As on 31.03.2009	As on 31.03.2008
Land – Freehold	38,421,222	4,857,930	–	–	–	–	43,279,150	38,421,222
Land – Leasehold	118,655,425	–	–	–	2,397,079	3,633,073	112,625,273	116,258,346
Buildings	5,581,034	–	–	–	331,593	90,971	5,158,470	5,249,441
Factory & Quarry Buildings	189,748,780	2,833,027	–	–	28,333,808	6,326,933	157,921,066	161,414,972
Plant & Machinery	916,042,049	117,817,149	5,586,060	1,028,273,145	273,607,699	55,511,660	702,436,593	642,434,350
Vehicles	56,342,001	6,588,016	2,748,235	60,181,782	16,689,447	5,715,593	39,483,700	39,652,554
Furniture & Fixtures and Office Equipment	64,173,911	29,427,583	26,500	93,574,992	13,359,294	7,115,879	73,101,326	50,814,617
Trade Marks & Brand Names	38,279,885	–	–	38,279,885	11,484,000	3,828,000	22,967,885	26,795,885
Total	1,427,244,307	161,523,705	8,360,795	1,580,407,220	346,202,920	82,222,109	1,156,973,463	1,081,041,387

Notes: Depreciation for the year ending 31.03.2009 includes amount transferred to capital work in progress of Rs.41,06,617/-

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

	Amount in Rupees
	31.03.2009
Schedule - 4	
Unsecured Loans	
Zero Coupon Foreign Currency Convertible Bonds	611,400,000
Other Loans and Advances	
– Inter Corporate Borrowings	223,948,286
– From Directors	59,314,328
Total	894,662,614
Schedule - 5	
Deferred Tax Liability (Net)	
Deferred Tax Liabilities	
– Depreciation	71,450,904
Deferred Tax Assets	
– Provision for Doubtful Debts	5,275,391
Total	66,175,513
Schedule - 7	
Inventories	
Consumables, Stores & Spares	57,386,907
Raw Material (Including Goods-in-Transit Rs. 149.27 Lakhs)	157,196,362
Raw Granite at Quarries	8,291,345
Work-in-Process	41,146,869
Finished Goods	151,604,450
Traded Goods	1,275,932
Packing Material	2,190,560
Total	419,092,425
Schedule - 8	
Sundry Debtors (Unsecured)	
Debts outstanding for a period exceeding six months	
– Considered Good	160,541,841
– Considered Doubtful	16,079,525
Other Debts – Considered Good	221,493,959
	398,115,325
Less: Provision for Doubtful Debts	16,079,525
Total	382,035,800

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

	Amount in Rupees
	31.03.2009
Schedule - 9	
Cash & Bank Balances	
Cash on Hand	869,624
Balances with Scheduled Banks	
– In Current Accounts	6,932,151
– In Current Accounts – Foreign currency	29,312,985
– In Deposit/Margin money	36,682,849
– In Unclaimed Dividend Accounts	1,498,642
Balances with Non-Scheduled Banks outside India	
– In Current Accounts	531,351
Total	75,827,602

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. 134.35 Lakhs (Rs. 5021.57 Lakhs))

Schedule - 10

Loans & Advances

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or
for value to be received:

– Considered Good	54,397,358
Advance for Raw Material	22,960,755
Staff Advance	24,897
Prepaid Expenses	9,598,680
Advance Income Tax	8,288,909
Electricity and Other Deposits	56,064,003
Balances with Customs & Excise Authorities	143,877
Cenvat Credit Receivable	13,386,413
Total	164,864,892

Schedule - 11

Current Liabilities

Sundry Creditors	
– For Goods	127,722,586
– For Other Liabilities	113,430,499
– For Capital Expenditure	58,252,899
Advances from Customers	31,324,596
Unclaimed Dividend	1,498,642
Total	332,229,222

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

.....●.....

		Amount in Rupees
		31.03.2009
Schedule - 12		
Provisions		
Proposed Dividend		—
Dividend Tax		—
Provision for Taxation		4,151,745
Provision for Gratuity		6,201,798
Provision for contingencies		109,276,443
Total		119,629,986
Schedule - 13		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
FCCB Issue Expenses:		
Opening Balance	18,928,761	
Add: Additions during the year	—	
	18,928,761	
Less: Amortised during the year	4,732,192	14,196,569
Total		14,196,569

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

	Amount in Rupees
	31.03.2009
Schedule - 14	
Sales & Operating Income	
Gross Sales	
Polished Granite	867,850,044
Raw Granite	214,927,006
Apparel	305,763,627
Fabric	36,416,517
Scrap	6,373,301
Total	1,431,330,495
Operating Income	
Operation & Maintenance Service Fee	26,057,148
Exchange Gain / (Loss) (Net)	28,669,833
Commission	250,776
Provision no Longer Required Written back	34,569
Export Incentives	11,709,821
Total	66,722,147
Schedule - 15	
Other Income	
Interest on deposits (Gross, including tax deducted at source Rs. 24.81 Lakhs)	4,990,955
Total	4,990,955
Schedule - 16	
Material Costs	
a) Opening Balance	
Finished Goods	203,223,796
Work-in-Process	67,388,515
Raw Granite	9,313,174
	279,925,485
Less: Closing Stock	
Finished Goods	151,604,450
Work-in-Process	41,146,869
Raw Granite	8,291,345
	201,042,664
Net (Increase) / Decreased	78,882,821
b) Raw Material Consumed	
Opening Stock	135,014,311
Add: Purchases	361,929,921
	496,944,232
Less: Closing Stock	129,977,666
	366,966,566
c) Consumption of Consumables, Stores & Spares	166,316,394
d) Purchase of Traded Goods	64,185,437
	676,351,218

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

	Amount in Rupees
	31.03.2009
Schedule - 17	
Personnel Costs	
Salaries, Wages, Bonus, Allowances & benefits	135,115,928
Contribution to Provident and other Funds	9,898,945
Retirement Benefits	1,342,173
Workmen & Staff Welfare Expenses	14,336,416
Total	160,693,462
Schedule - 18	
Operating & Other Expenses	
Other Mfg & Quarrying Expenses	27,277,336
Power and Fuel	104,968,058
Repairs and Maintenance:	
– Plant and Machinery	9,781,877
– Building	1,783,298
– Others	2,349,693
Cutter and Driller Charges	13,687,484
Royalty on Quarry Land	5,796,108
Rent	32,228,625
Rates and Taxes	2,432,253
Insurance	7,982,213
Communication Charges	4,413,117
Printing & Stationery	2,428,053
Travelling & Conveyance Expenses	17,250,636
Electricity Charges	3,588,792
Vehicle Maintenance	6,201,226
Auditors Remuneration	419,100
Advertisement	409,676
Legal and Professional Charges	3,833,418
Directors Sitting Fees	44,000
Donations	1,538,357
Fees & Subscriptions	1,054,927
Government Royalty and Dead Rent	35,209,102
Carriage Outwards	88,205,804
Sales Commission	2,848,028
Discounts and Claims	11,986,358
Business Promotion Expenses	27,125,749
Packing Material	30,233,975
Bad Debts Written off	789,399
Provision for Doubtful Debts	12,875,790
Loss on sale of assets	320,056
Excise Duty – Others	(3,680,246)
Sales Tax	5,881,060
Miscellaneous Expenses	3,417,632
Total	464,680,954

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

	Amount in Rupees
	31.03.2009

Schedule - 19

Finance Charges

Banks:

– Interest on Term Loans	32,553,247
– Interest on Working Capital Loans	31,913,285
– Interest on Hire Purchase Loans	2,111,295
– Bill Discounting Charges	22,164,348
– Bank Charges	5,422,493

Others:

– Interest – Others	5,869,825
– Interest on Hire Purchase Loans	63,429

Total	100,097,922
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Schedule - 20

Provision for Tax

Current Tax	2,220,860
Fringe Benefit Tax	2,155,885
Deferred Tax	1,156,443
Total	5,533,188

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



Schedule – 21

Significant Accounting Policies

A. Basis of Preparation of Financial Statements

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

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

Principles of Consolidation

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

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

B. Use of Estimates

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

C. Revenue Recognition

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

D. Recognition of Expenditure

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

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



E. Fixed Assets

1. Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.
2. The cost of Fixed Asset comprises its purchase price, including non-refundable taxes & duties and directly attributable cost of bringing the asset (including leasehold improvements) to its working condition for its intended use.
3. All costs, including borrowing costs till commencement of commercial production, attributable to fixed assets are capitalized and are classified as Project Development Expenditure and disclosed under Capital Work-in-Progress (net of income earned during project development stage).

F. Intangible Assets

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

Leasehold land is amortized over the period of the lease on straight line basis. Lease payments are recognized as expense in the period in which they are incurred.

G. Impairment of Assets

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

H. Capital Work-in-Progress

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

I. Depreciation

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

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

J. Inventories

The inventories resulting from intra-group transactions have been stated at cost after deducting unrealized profit on such transactions.

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

K. Employee Benefits

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

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

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

.....●.....

L. Foreign Currency Transactions

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

M. Leases

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

N. Borrowing Cost

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

O. Provisions, Contingent Liabilities and Contingent Assets

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

P. Accounting for Taxes on Income

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

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

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

Q. Cash Flow Statement

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

R. Miscellaneous Expenditure

Issue expenses on raising long term borrowings are amortized over the period of the borrowings.

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

Schedule – 22

Notes forming part of the Consolidated Financial Statements

1. The Consolidated Financial present the consolidated Accounts of Pokarna Limited with its wholly owned Indian subsidiary Pokarna Engineered Stone Limited.
2. Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.
3. a) Term Loan & Working capital facilities for Granite & Apparel Division from Union Bank of India, Secunderabad, are secured by hypothecation by way of first charge on all immovable and movable properties including current assets such as inventories, book debts and other receivables of the company including machineries both present and future of these two divisions besides personal guarantee /security of some of the Directors and their relative.
- b) Term Loan facilities for Engineered Stone Plant from Union Bank of India, Bank of India & Indian Overseas Bank under consortium are secured by a first charge ranking pari-passu mortgage over leasehold interests under the Land Lease Agreement and Equitable mortgage of Buildings along with the Plant & Machinery both present and future of the Engineered Stone division besides personal guarantee of some of the Directors

4. Foreign Currency Convertible Bonds

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

The uses of the proceeds of the FCCB are as under

	Rupees in Lakhs
	Upto the year ended 31.03.2009
Gross Proceeds of the FCCB	5230.80
Add: Interest on Current a/c	41.99
Total Inflow (a)	5272.79
Less: Amount spent on Engineered Stone Project (transferred and vested with Pokarna Engineered Stone Limited under scheme of Arrangement)	
Capital Expenditure	4692.29
Issue Expenses	207.20
Bank Charges	19.56
Exchange fluctuation gain / (loss) net	348.44
Total outflow(b)	5267.49
Unutilized Balance (a-b)	5.30
Balance with Standard Chartered Bank, Singapore & Standard Chartered Bank, India	5.30

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

5. Capital Work-in-Progress

The following expenditure incurred during the construction period are classified as 'Project Development Expenditure' pending capitalization and included under Capital Work-in-progress will be apportioned to the assets on completion of the project.

		Rupees in Lakhs
Particulars		Till 31.03.2009
Payments to and Provisions for Employees		
– Salaries, wages and Allowances	116.98	
– Contribution to Provident Fund and other funds	3.36	
– Workmen and Staff welfare expenses	3.74	124.08
Lease charges		19.77
Insurance		17.41
Rent		28.55
Rates & Taxes		12.49
Repairs & Maintenance – Building		38.21
Professional consultancy charges		42.37
Interest and Finance Charges		
– On Term Loans	2091.35	
– On Un-secured Loans	308.21	
– Bank charges	11.78	
– Working Capital Loan	4.33	
– Hire Purchase Loan	1.02	
	2416.69	
Less: Interest on current investments	117.91	2298.78
General and administrative expenses		168.65
Travelling expenses		17.56
Conveyance		0.80
Depreciation		66.12
Provision for Amortization of Premium on Redemption of FCCB & its FCCB issued expenses		1187.41
Total		4022.20
Add: Fringe Benefit Tax		6.45
Total		4028.65

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

6. Contingent Liabilities not provided for

	Rupees in Lakhs
Particulars	As on 31.03.2009
a) Bank Guarantees	67.16
b) Letter of Credits outstanding	84.56
c) Premium payable on FCCB's issued	1627.97
Claims against the company not acknowledged as debts:	
d) Direct & Indirect Taxes disputed (Amount Deposited Rs. 32.59 Lakhs)	95.28
e) Other Matters disputed (Amount Deposited Nil)	79.50

7. Capital Commitments

	Rupees in Lakhs
Particulars	As on 31.03.2009
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	2964.32

8. Deferred Tax

	Rupees in Lakhs
Particulars	Year Ended 31.03.2009
Deferred Tax Liability	
Depreciation	61.73
Exchange Fluctuation on Monetary Items	(6.40)
Total	55.33
Deferred Tax Asset	
Provision for Debtors	43.76
Total	43.76
Net Deferred Tax Liability	11.57

9. Capital Work-in-Progress

- a) Names of the Associate concerns:
Pokarna Fabrics Limited, Pokarna Fashions Limited, Pokarna Apparels Limited, Pokarna Marketing Limited
- b) Names of the Associate Firms:
Southend, Southend Extension, Gautam Granites
- c) Names of Key Management Personnel
Shri Gautam Chand Jain, Shri Siddarth Jain, Shri Rahul Jain
- d) Names of Relatives
Prakash Chand Jain, Dilip Kumar Jain, Ashok Chand Jain, Raaj Kumar Jain

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

- e) Disclosure of transactions between the company and related parties and the status of Outstanding balances for the year **2008-09**

Rupees in Lakhs				
Nature of the Transaction	Associates	Key Management Personnel	Relatives	Total
Purchase of Goods	82	—	—	82
Sale of Goods	464	—	8	472
Rents paid	21	—	11	32
Remuneration paid to Directors	—	77	—	77
Loans Received	815	225	25	1065
Balances as at 31/03/09 – Receivable	496	0	4	500
Balances as at 31/03/09 – Payables	2551	448	206	3205

10. Earnings Per Share (EPS)

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

Amount in Rupees	
	Year ended 31.03.2009
Basic Earnings Per Share	
Numerator for Basic earnings per share:	
Profit attributable to the Equity Share Holders	3134781
Denominator for Basic earnings per share:	
Basic / Weighted Average number of shares	6200800
Basic Earnings Per Share	0.51
Diluted Earnings Per Share	
Numerator for Diluted earnings per share:	
Profit attributable to the Equity Share Holders	3134781
Denominator for Diluted earnings per share:	
Weighted Average number of shares	6200800
Possible Dilution:	
Conversion of Foreign Currency Convertible Bonds (No. of Shares)	2236523
Adjusted weighted average number of shares	8437323
Diluted Earnings Per Share	0.37

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

11. Segment Reporting

Disclosure of segment reporting for the year 2008-09

a) Information about Primary Business Segments

Rupees in Lakhs				
Description	Granite	Apparel	Engineered Stone	Total
Revenue:				
Sales to External Customers	10816	3382	—	14198
Inter Segment Sales	—	—	—	—
Total Revenue	10816	3382	—	14198
Segment Results Profit / (Loss)	1663	(547)	—	1116
Interest Expenses	450	551	—	1001
Income Tax			—	84
Profit After Tax				31
Other Segment Information:				
Capital Expenditure	1346	392	6492	8230
Depreciation	516	265	41	822
Particulars of Segment Assets and Liabilities:				
Segment Assets	13579	7377	21367	42323
Segment Liabilities	4609	7459	14829	26897
Unallocated Liabilities	6114	—	—	6114

b) Information about Secondary Segments – Geographical

Revenue attributable to location of customers is as follows

Rupees in Lakhs						
Country	2008-09			2007-08		
	Granite	Apparel	Total	Granite	Apparel	Total
U S A	5238	338	5576	8716	78	8794
Europe	1447	1758	3205	1101	866	1967
Asia	1095	—	1095	572	—	572
India	2087	1286	3373	2281	1786	4067
Australia	23	—	23	54	—	54
Rest of the World	926	—	926	161	193	354
Total	10816	3382	14198	12886	2923	15809

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

Notes:

The company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system. The company's operations predominantly relate to Granite and Apparel segments. Amount in respect of revenue items of Engineered stone segment of the company are not given as the operations are not yet started...

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.

Consolidated Financial Statements
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



12. General

- a) In the opinion of the company, the current assets, loans and advances are approximately of their value stated if realized in the ordinary course of business.
- b) Paise are rounded off to the nearest Rupee.
- c) As the consolidated financial statements are prepared for the first time, previous year's figures have not been available.

13. During the year Pokarna Engineered Stone Limited (formerly Pokarna Apparels Limited) has become a subsidiary of the Company w.e.f. 15.09.2008.

As per our report attached

For and on behalf of Board of Directors

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

Shantilal Daga
Partner
Membership No. 11617

Place : Secunderabad
Date : 29th June, 2009

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

DIRECTORS' REPORT OF POKARNA ENGINEERED STONE LIMITED



Your Directors have pleasure in presenting the Eighth Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

Particulars	Amount in Rupees	
	2008-2009	2007-2008
Income	150633	137195
Expenditure	83112	12100
Profit / (Loss) Before Tax	67521	125095
Provision for Tax	21652	40330
Net Balance of Profit	45869	84765
Balance of Profit brought forward	326303	241538
Balance Carried to Balance Sheet	372172	326303

SCHEME OF ARRANGEMENT

The Board through a resolution dated 15th September 2008 and Members' of the Company through a Court convened meeting dated 8th February, 2009 had approved the Scheme of Arrangement ("Scheme") between the Company and Pokarna Limited ("PL"). The Scheme under Sections 391 to 394 of the Companies Act, 1956, interalia, provided for transfer and vesting of Engineered Stone Division of PL to the Company.

The Hon'ble High Court of Andhra Pradesh vide its Order received by the Company on May 6, 2009 directed and ordered that the 'Engineered Stone Division of PL be transferred and vested with the Company, from the appointed date i.e. 1st July, 2007. Accordingly, the assets and liabilities, the legal proceedings, the employees, employee related benefits and all contracts and agreements in relation to the said Engineered Stone Division have been transferred by PL to the Company w.e.f. 1st July, 2007. The Net Consideration as per scheme of Rs. 667.03 Lakhs has been discharged by the Company through issue of 66,70,280 optionally convertible debentures of face value of Rs. 10/- each in favour of PL on 29th June, 2009. The terms of these optionally convertible debentures are as per the Scheme.

For the period between appointed date i.e., 1st July, 2007 and effective date 15th May, 2009 (the date on which the Order of the Hon'ble High Court of Andhra Pradesh was filed with the Registrar of Companies, Andhra Pradesh), the Engineered Stone Division was part of PL. The net consideration of Rs. 5438.84 Lakhs for transfer of assets, liabilities, income and expenses for the period from 1st July, 2007 to 31st March, 2009 has been discharged by the Company through issue of 5,43,88,484 optionally convertible debentures of face value of Rs. 10/- each in favour of the PL on 29th June, 2009. The terms of these optionally convertible debentures are same as that of optionally convertible debentures allotted as per the Scheme.

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

M/s. S. Daga & Co., Chartered Accountants, who are the Statutory Auditors of the Company hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the Financial Year 2009-10. As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s. S. Daga & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

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

DIRECTORATE

Since the Company is wholly owned subsidiary of Pokarna Limited, the Directors are nominated on the Board of the Company by Pokarna Limited.

Shri Gautam Chand Jain, retire by rotation and, being eligible, offers himself for re-appointment.

Shri Rahul Jain was appointed as an Additional Director on the Board with effect from 1st October, 2008 and holds office till the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from the member of the Company, for his appointment. Shri Rahul Jain is nominee of Pokarna Limited

Shri Siddharth Jain was appointed as an Additional Director on the Board with effect from 1st October 2008 and holds office till the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from the member of the Company, for his appointment.

SECRETARIAL COMPLIANCE CERTIFICATE

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

PARTICULARS OF EMPLOYEES

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

DEPOSITS

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

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

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

FORM B

(Disclosure of particulars with respect to Technology Absorption)

Research and development (R & D)

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

During the year under review, there has been no foreign exchange earnings. The outgo on account of foreign exchange was Rs. 456 Lakhs (previous year Rs. Nil).

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Place: Secunderabad
Date : 29th June, 2009

Gautam Chand Jain
Director

Rahul Jain
Director

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

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

To
The Members,
Pokarna Engineered Stone Limited
Hyderabad.

I have examined the registers, records, books and papers of '**POKARNA ENGINEERED STONE LIMITED**' (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2009. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I hereby certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'B' to this certificate, as per the provisions of the Act, and the Rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in the Annexure 'B' to this certificate, with the Registrar of Companies, Andhra Pradesh, Hyderabad under the Act and the Rules made there under.
3. The Company is a Public Limited Company and has the minimum prescribed paid up Capital.
4. The Board of Directors duly met nine times respectively on 30th June, 2008, 31st August, 2008, 23rd July, 2008, 09th September, 2008, 10th September, 2008, 15th September, 2008, 01st October, 2008 and 31st March, 2009 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed, in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the financial year.
6. The annual general meeting for the financial year ended on 31st March, 2008 was held on 29th September, 2008 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. Two Extra Ordinary General Meetings were held on 15th September, 2008 and 30th March, 2009 during the Financial Year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered contracts specified in Section 297 the Act during the financial year.
10. The Company has made required entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act and as such the Company was not required to obtain any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. i) The Company has delivered certificates on transfer of shares within the prescribed time and there was no allotment / transmission of shares during the financial year.
ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
iii) The Company was not required to post warrants to any member of the Company as no dividend was declared during the financial year.

- iv) The Company has no amount payable in respect of unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon.
- v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and there were appointment of nominee directors and no appointment of alternate director and director to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was required to obtain approval from Registrar of Companies for change of name of the Company and not required to obtain any other approval from the Central Government Company Law Board, Regional Director, and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
19. The Company has not issued equity shares/debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has no preference share capital or debentures and hence there was no redemption of preference share capital or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has duly altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has duly altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has duly altered its Articles of Association during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Companies Act, 1956.

Sd/-

K V Chalama Reddy

Practising Company Secretary

C. P. NO. 5451

Place : Hyderabad

Date : 29th June, 2009

ANNEXURE ‘A’

1. Register of Members under Section 150.
2. Register of Contracts under Section 301.
3. Register of Directors under Section 303.
4. Register of Directors' Shareholdings under Section 307.
5. Books of Accounts under Section 209.
6. Minutes Books of Board and General Meetings under Section 193(1)
7. Register of charges under section Section 130.

ANNEXURE 'B'

The Company has filed the following forms/returns with the Registrar of Companies, Andhra Pradesh, Hyderabad during the financial year ended on 31st March, 2009

S. No.	Return / Form No	Filed under Section	Description	Date of Filing	Whether filed within prescribed time Yes / No	If delay, whether requisite additional fee paid Yes / No.
1.	23AC & 23ACA	212	For Balance Sheet & Profit & Loss A/c 2007-08	07.11.2008	No	Yes
2.	20B	159	For Annual Return 2007-08	27.11.2008	Yes	No
3.	66	383A	For Compliance Certificate 2007-08	07.11.2008	No	Yes
4.	1B	21	For change of name of the Company	10.09.2008	Yes	No
5.	23	192 r/w 16 & 21	Resolutions for change of name and objects of the Company	10.09.2008	Yes	No
6.	32	303(2) & 264(2)	For appointment of Directors	24.12.2008	No	Yes
7.	32	303(2)	For resignation of Directors	02.01.2009	No	Yes
8.	22B	187C(4)	For declaration of beneficial interest in shares	24.12.2008	No	Yes

AUDITORS' REPORT

.....●.....

To

The Members,

Pokarna Engineered Stone Limited

1. We have audited the attached Balance Sheet of **POKARNA ENGINEERED STONE LIMITED**, as at 31st March, 2009, 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, 2009 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet of the State of affairs of the Company as at 31st March, 2009;
 - 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 : 29th June, 2009

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. 1579.79 lakhs (Pr. Year Rs. Nil lakhs) and the period end balance is Rs. 1527.68 lakhs (Pr. Year Rs. Nil lakhs).
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made there under.
7. In our opinion, the company has internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of goods traded by the company.

9. a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, investor education and protection fund and any other material statutory dues applicable to it.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
c) According to the information and explanations given to us, there are no disputed statutory dues as at the year end.
10. The 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 : 29th June, 2009

POKARNA ENGINEERED STONE LIMITED
(Formerly Pokarna Apparels Limited)
BALANCE SHEET AS AT 31st MARCH, 2009

					Amount in Rupees	
Schedule			As at 31.03.2009		As at 31.03.2008	
SOURCES OF FUNDS						
Shareholders' Funds						
Share Capital	1	1,000,000		1,000,000		
Reserves & Surplus	2	372,172	1,372,172	326,303		1,326,303
Loan Funds						
Secured Loans	3		1,140,261,636			—
Unsecured Loans	4		152,768,216			—
Total			1,294,402,024			1,326,303
APPLICATION OF FUNDS						
Fixed Assets	5					
Gross Block		127,887,744			—	
Less: Accumulated Depreciation		6,611,704			—	
Net Block		121,276,040			—	
Capital Work-in-Progress		1,975,981,311	2,097,257,351			—
Investments						
Current Assets, Loans & Advances						
Inventories	6	27,847,346			—	
Sundry Debtors		—			—	
Cash & Bank Balances	7	2,231,100		28,952		
Loans & Advances	8	9,498,096		1,337,195		
		39,576,542		1,366,147		
Less:						
Current Liabilities & Provisions						
Current Liabilities	9	747,295,958		844		
Provisions	10	109,332,480		39,000		
		856,628,438		39,844		
Net Current Assets			(817,051,896)			1,326,303
Miscellaneous Expenditure (To the extent not written off or adjusted)	11		14,196,569			—
Total			1,294,402,024			1,326,303
Significant Accounting Policies	16					
Notes to the Accounts	17					

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

As per our report attached

For and on behalf of Board of Directors

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

Gautam Chand Jain Director

Shantilal Daga
Partner
Membership No. 11617

Rahul Jain Director

Siddharth Jain Director

Place : Secunderabad
Date : 29th June, 2009

POKARNA ENGINEERED STONE LIMITED

(Formerly Pokarna Apparels Limited)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

		Amount in Rupees	
	Schedule	Year Ended 31.03.2009	Year Ended 31.03.2008
INCOME			
Interest Received	12	150,633	137,195
Total		150,633	137,195
EXPENDITURE			
Operating & Other Expenses	13	83,058	11,922
Finance Charges	14	54	178
Depreciation & Amortization		—	—
Total		83,112	12,100
Profit Before Tax		67,521	125,095
Less: Provision for Tax	15	20,860	39,000
Less: Prior Years Tax		792	1,330
Net Profit After Tax		45,869	84,765
Balance of Profit Brought Forward		326,303	241,538
Amount Available for Appropriation		372,172	326,303
Appropriations			
Proposed Dividend		—	—
Tax on Proposed Dividend		—	—
Transfer to General Reserve		—	—
Balance Carried to the Balance Sheet		372,172	326,303
		372,172	326,303
Earnings Per Share – Basic & Diluted		0.46	0.85
(Par value of Rs. 10 each)			
Significant Accounting Policies	16		
Notes to the Accounts	17		

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

As per our report attached

For and on behalf of Board of Directors

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

Gautam Chand Jain Director

Rahul Jain Director

Shantilal Daga
Partner
Membership No. 11617

Siddharth Jain Director

Place : Secunderabad
Date : 29th June, 2009

POKARNA ENGINEERED STONE LIMITED

(Formerly Pokarna Apparels Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	Schedule	Year Ended 31.03.2009	Amount in Rupees Year Ended 31.03.2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit Before Tax (Net of Prior Period Items)		67,521	125,095
Adjustment for –			
Add: Non cash item / items required to be disclosed separately:			
Unrealised Foreign Exchange (gain)/loss		2,261,577	–
Interest Income		(150,633)	(137,195)
Operating Profit before working capital changes		2,178,465	(12,100)
Changes in working capital and other provisions:			
Sundry Debtors		–	–
Inventories		(27,847,346)	–
Loans & Advances		(8,158,133)	(111,015)
Current Liabilities & Provisions		854,345,157	844
Cash Generated from operations		820,518,143	(122,271)
Income Taxes paid during the year		(42,560)	(43,263)
Net cash flow generated by operating Activities		820,475,583	(165,534)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets and changes in capital work in progress		(2,097,257,351)	–
Proceeds from Sale of assets		–	–
Interest Income		150,633	137,195
Net Cash used in investing Activities		(2,097,106,718)	137,195
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital			
Bank Borrowings		1,140,261,636	–
Other Borrowings		152,768,216	–
Payment for bond issue expenses		(14,196,569)	–
Dividends and Corporate Dividend Tax		–	–
Interest paid		–	–
Net Cash generated from financing Activities		1,278,833,283	–
Net increase (decrease) in cash and cash Equivalents		2,202,148	(28,339)
Cash and Cash equivalents at the beginning of the year		28,952	57,291
Cash and Cash equivalents as at the end of the year		2,231,100	28,952
		2,202,148	(28,339)
Significant Accounting Policies	16		
Notes to the Accounts	17		

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

As per our report attached

For and on behalf of Board of Directors

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

Gautam Chand Jain Director

Shantilal Daga
Partner
Membership No. 11617

Rahul Jain Director

Siddharth Jain Director

Place : Secunderabad
Date : 29th June, 2009

POKARNA ENGINEERED STONE LIMITED
(Formerly Pokarna Apparels Limited)
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

.....●.....

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 1		
Share Capital		
Authorised:		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) par value	20,000,000	20,000,000
Issued, Subscribed and paid up:		
1,00,000 (1,00,000) Equity Shares of Rs. 10/- each (Rs. 10/-) fully paid up	1,000,000	1,000,000
Total	1,000,000	1,000,000
Schedule - 2		
Reserves & Surplus		
Profit & Loss Account		
Opening Balance	326,303	
Add: Profit for the year after Appropriations	45,869	
	372,172	326,303
Total	372,172	326,303
Schedule - 3		
Secured Loans		
Term Loans		
From Bank		
– Rupee Loan	1,128,338,337	–
Working Capital Loans		
From Bank		
– Rupee Loan	8,868,762	–
Hire Purchase Loans		
From banks		
– Rupee Loan	3,054,537	–
Total	1,140,261,636	–
Schedule - 4		
Unsecured Loans		
Other Loans and Advances		
Inter Corporate Borrowings	113,453,888	–
From Directors	39,314,328	–
Total	152,768,216	–
Schedule - 6		
Inventories		
Consumables, Stores & Spares	628,650	–
Raw Material	27,218,696	–
Total	27,847,346	–

POKARNA ENGINEERED STONE LIMITED
(Formerly Pokarna Apparels Limited)
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

Schedule – 5

Fixed Assets

Description	Gross Block			Depreciation		Net Block	
	As on 01.04.2008	Trd. as per scheme of arrange- ment as on 01.07.2007	Trd. as per scheme of arrange- ment as on 31.03.2009	Upto 31.03.2008	Trd. as per scheme of arrange- ment as on 31.03.2009	As on 31.03.2009	As on 31.03.2008
Land – Leasehold	–	–	118,655,425	–	6,030,152	112,625,273	–
Vehicles	–	–	5,247,740	–	220,405	5,027,335	–
Earth Moving Equipment	–	–	824,176	–	97,811	726,365	–
Furniture & Fixtures	–	–	2,078,456	–	139,849	1,938,607	–
Computers	–	–	632,440	–	97,636	534,804	–
Office Equipment	–	–	449,507	–	25,851	423,656	–
Total	–	–	127,887,744	–	6,611,704	121,276,040	–
Capital Work-in-Progress	–	306,319,132	1,669,662,179	–	–	–	–

Notes:

- Capital work in Progress includes:
 - Advances for capital expenditure R. 1,06,41,633/-
 - Foreign exchange loss (Net) Rs. 12,54,43,090/-
 - Project Development expenditure of Rs. 40,28,65,284/-
- Depreciation of Rs. 66,11,704/- is capitalised.

POKARNA ENGINEERED STONE LIMITED
(Formerly Pokarna Apparels Limited)
SCHEDULES FORMING PART OF BALANCE SHEET AS AT

	31.03.2009	31.03.2008
Schedule - 7		
Cash & Bank Balances		
Cash on Hand	3,220	195
Balances with Scheduled Banks		
– In Current Accounts	1,277,880	28,757
– In Deposit/Margin money	950,000	–
Total	2,231,100	28,952
Schedule - 8		
Loans & Advances		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received:		
– Considered Good	3,424,019	1,308,933
Prepaid Expenses	2,180,648	–
Advance Income Tax	31,030	28,262
Electricity and Other Deposits	3,862,399	–
Total	9,498,096	1,337,195
Schedule - 9		
Current Liabilities		
Dues to Parent Company – Pokarna Limited	666,752,011	
Sundry Creditors		
– For Goods	1,209,465	–
– For Other Liabilities	18,554,254	844
– For Capital Expenditure	48,280,228	–
Advances from Customers	12,500,000	–
Total	747,295,958	844
Schedule - 10		
Provisions		
Provision for Taxation	20,860	39,000
Provision for contingencies	109,276,443	–
Provision for Gratuity	35,177	–
Total	109,332,480	39,000
Schedule - 11		
Miscellaneous Expenditure		
(to the extent not written off or adjusged)		
Transferred as per scheme of Arrangement (refer note – 9 to Schedule – 17)	14,196,569	–
Total	14,196,569	–

POKARNA ENGINEERED STONE LIMITED

(Formerly Pokarna Apparels Limited)

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

.....●.....

	Amount in Rupees	
	31.03.2009	31.03.2008
Schedule - 12		
Other Income		
Interest on deposits (Gross, including tax deducted at source Rs. 0.31 Lakhs (Rs. 0.28 Lakhs))	150,633	137,195
Total	<u>150,633</u>	<u>137,195</u>
Schedule - 13		
Operating & Other Expenses		
Rates and Taxes	9,698	6,025
Printing & Stationery	15,210	—
Legal and Professional Charges	3,000	5,897
Statutory Audit Fee	55,150	—
Total	<u>83,058</u>	<u>11,922</u>
Schedule - 14		
Finance Charges		
Bank Charges	54	178
Total	<u>54</u>	<u>178</u>
Schedule - 15		
Provision for Tax		
Current Tax	20,860	39,000
Total	<u>20,860</u>	<u>39,000</u>

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

Schedule – 16

Significant Accounting Policies

A. Basis of Preparation of Financial Statements

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

B. Use of Estimates

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

C. Revenue Recognition

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

D. Recognition of Expenditure

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

E. Fixed Assets

1. Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any.
2. The cost of Fixed Asset comprises its purchase price, including non-refundable taxes & duties and directly attributable cost of bringing the asset (including leasehold improvements) to its working condition for its intended use.
3. All costs, including borrowing costs till commencement of commercial production, attributable to fixed assets are capitalized and are classified as Project Development Expenditure and disclosed under Capital Work-in-Progress (net of income earned during project development stage).

F. Intangible Assets

Leasehold land is amortized over the period of the lease on straight line basis. Lease payments are recognized as expense in the period in which they are incurred.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS



G. Impairment of Assets

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

H. Capital Work-in-Progress

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

I. Depreciation

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

J. Inventories

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

K. Employee Benefits

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

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

L. Foreign Currency Transactions

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

M. Leases

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

N. Borrowing Cost

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

O. Provisions, Contingent Liabilities and Contingent Assets

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

P. Accounting for Taxes on Income

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

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

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

Q. Cash Flow Statement

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

R. Miscellaneous expenditure

Issue expenses on raising long term borrowings are amortized over the period of the borrowings.

Schedule - 17

Notes on Financial Statements

1. Secured Loans

- a) Term Loan facilities from Union Bank of India, Bank of India & Indian Overseas Bank under consortium are secured by a first charge ranking pari-passu mortgage over leasehold interests under the Land Lease Agreement and Equitable mortgage of Buildings along with the Plant & Machinery both present and future of the Engineered Stone Plant besides personal guarantee of some of the Directors.

Modification of charge on the assets is yet to be made consequent to the transfer of business, assets and liabilities pertaining to the Engineered Stone Business as per Scheme of Arrangement (refer note 9).

- b) Hire purchase loans are secured by hypothecation of respective assets purchased out of finance, and personal guarantee of some of the Directors.
- c) Secured loans includes interest accrued and due amounting to **Rs. 291.10 lakhs**.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

2. Capital Work-in-Progress

The following expenditure incurred during the construction period are classified as 'Project Development Expenditure' pending capitalization and included under Capital Work-in-Progress will be apportioned to the assets on completion of the project.

		Rupees in Lakhs
Particulars		Till 31.03.2009
Payments to and Provisions for Employees		
– Salaries, wages and Allowances	116.98	
– Contribution to Provident Fund and other funds	3.36	
– Workmen and Staff welfare expenses	3.74	124.08
Lease charges		19.77
Insurance		17.41
Rent		28.55
Rates & Taxes		12.49
Repairs & Maintenance – Building		38.21
Professional Consultancy Charges		42.37
Interest and Finance Charges		
– On Term Loans	2091.35	
– On Un-secured Loans	308.21	
– Bank Charges	11.78	
– Working Capital Loan	4.33	
– Hire Purchase Loan	1.02	
	2416.69	
Less:		
Interest on Current Investments	117.91	2298.78
General and administrative expenses		168.65
Travelling expenses		17.56
Conveyance		0.80
Depreciation		66.12
Provision for Amortization of Premium on Redemption of FCCB & its FCCB issued expenses		1187.41
Total		4022.20
Add:		
Fringe Benefit Tax		6.45
Total		4028.65

3. Contingent Liabilities not provided for

		Rupees in Lakhs
Particulars		As on 31.03.2009
a) Bank Guarantees		9.50
b) Letter of Credits outstanding		Nil
Claims against the company not acknowledged as debts:		
c) Direct & Indirect Taxes disputed		Nil
d) Other Matters disputed		Nil

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

4. Capital Commitments

Rupees in Lakhs

	As on 31.03.2009
Estimated Amount of contracts remaining to be executed on Capital Account not provided for	1570.00

5. Related Party Transactions

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

Rupees in Lakhs

Nature of the Transaction	Parent Company	Associates	Key Manage Personnel	Relatives	Total
Purchase of Goods	13	1	—	—	14
Rents paid	—	—	—	11	11
Loans Received	—	560	25	25	610
Loans & Advances taken	562	—	—	—	562
Balances as at 31/03/09 – Receivable	—	—	—	—	—
Balances as at 31/03/09 – Payables	6668	1165	247	206	8286

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

Rupees in Lakhs

Particulars	As at 31.03.2009
a) Principal amount remaining unpaid and interest due thereon	Nil
b) Interest paid in term of Section 16	Nil
c) Interest due and payable for the period of delay in payment	Nil
d) Interest accrued and remaining unpaid	Nil
e) Interest due and payable even in succeeding years	Nil
The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.	

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

7. Earnings Per Share (EPS)

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

	Year ended 31.03.2009
Basic Earnings Per Share	
Numerator for Basic earnings per share:	
Profit attributable to the Equity Share Holders	45,869
Denominator for Basic earnings per share:	
Basic /Weighted Average number of shares	100,000
Basic and Diluted Earnings Per Share	0.46

8. Segment Reporting

Company is having only one reportable segment i.e., Engineered Stone, Company has not yet commenced commercial production, hence no information has been furnished.

9. Since there is no liability for Deferred Tax, no provision for Deferred Tax liability has been made during the year.

10. Transfer of Engineered Stone Division ('ESD') of Pokarna Limited to its wholly owned subsidiary Pokarna Engineered Stone Limited ('PESL') under the Scheme of Arrangement ('the Scheme'):

a) A Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956, was approved by the shareholders of Pokarna Limited (parent company) on dt. 08.02.2009 for transfer and vesting of Engineered Stone Division at Atchutapuram, Ramballi Mandal, Visakhapatnam, Andhra Pradesh to Pokarna Engineered Stone Limited.

In terms of the Scheme which was sanctioned by the Hon'ble High Court of Andhra Pradesh by order dated April 22, 2009, the Engineered Stone Division of Pokarna Limited stands transferred and vested in the company as and from the appointed date July 1, 2007 and accordingly the assets and liabilities, the legal proceedings, the employees, employee related benefits and all contracts and agreements in relation to the said Engineered Stone Division have been transferred to Pokarna Engineered Stone Limited w.e.f. July 1, 2007 (Appointed date) the details of which are as follows:

Particulars	Rupees in Lakhs
Capital Work in Progress	3063.19
Loans & Advances – Pokarna Limited	127.50
Loans & Advances	2.92
Issue Expenses on FCCB (net of amortization)	200.91
Total of Assets	3394.52
Secured Loans	1575.74
Inter Corporate Borrowings	1061.40
Other Loans	85.98
Current Liabilities and Provisions	4.37
Total of Liabilities	2727.49
Consideration	667.03

b) Pursuant to the Scheme, net consideration payable to Pokarna Limited is Rs. 667.03 Lakhs, which is to be discharged by issue of 66,70,280 optionally convertible debentures of face value of Rs. 10/- each in favour of Pokarna Limited.

For the period between appointed date i.e., July 1, 2007 and effective date 15.05.2009 (the date on which the High Court order approving the Scheme is filed with the Registrar of Companies, Andhra Pradesh), the Engineered Stone Division was part of Pokarna Limited. Hence, an agency entry is passed to transfer assets, liabilities, expenses and income recorded in the books of Pokarna Limited for the said period.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

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The following assets, liabilities, income and expenses were transferred as agency entry for the period from 01.07.2007 to 31.03.2009:

Particulars	Rupees in Lakhs
Fixed Assets	1278.88
Capital Work In progress	16696.62
Cash & Bank balances	22.07
Inventories	278.47
Loans & Advances	77.80
Issue Expenses on FCCB	25.13
Total of Assets	18378.97
Depreciation reserve	66.12
Amortization reserve	84.07
Secured Loans	9826.88
Inter Corporate Borrowings	73.14
Other Loans	307.16
Current Liabilities & Provisions	800.86
Provision for Premium on redemption of FCCB	1092.76
Loans & Advances – Pokarna Limited	689.14
Total of Liabilities	12940.13
Balance amount payable to Pokarna Limited	5438.84

c) Consequent to the Scheme, the figures for the current year are not comparable to those of previous year.

11. 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.
- d) During the year the company has become a subsidiary of Pokarna Limited w.e.f. 15.09.2008.
- e) As company has not commenced its operations, particulars and information is given as per Part-II to Schedule-VI to the Companies Act, 1956 to the extent applicable.

12. Employee Benefits

Defined Contribution Plan

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

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

Defined Benefit Plan

Gratuity – The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

		Rupees in Lakhs
Particulars		Year Ended 31.03.2009
a) Reconciliation of opening and closing balances of the present value of the Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of year		0.13
Current service cost		0.33
Interest cost		0.01
Actuarial(Gain)/Loss		(0.12)
Benefits paid		Nil
Projected Benefit Obligation at year end		0.35
b) Reconciliation of opening and closing balances of Fair Value of plan assets		
Fair value of Plan asset at beginning of year		Not Applicable
Expected return on Plan Assets		Not Applicable
Actuarial(Gain)/Loss		Not Applicable
Employer Contribution		Not Applicable
Benefits Paid		Not Applicable
Fair value of Plan asset at year end		Not Applicable
c) Reconciliation of fair value of assets and Obligation		
Fair value of Plan assets		Not Applicable
Present value of Projected Benefit obligation		0.35
Amount recognized in Balance Sheet		0.35
d) Expenses recognized during the year		
Current service cost		0.33
Interest cost		0.01
Expected return on Plan Assets		Nil
Actuarial(Gain)/Loss		(0.12)
Income(-) / Expenses(+) recognized in the statement of Profit & Loss		0.22
e) Actuarial Assumptions		
Mortality Table (LIC)		1994-96 (Ultimate)
Discount rate (per annum)		7.00%
Rate of escalation in salary (per annum)		5.00%
Attrition Rate		9.00%

13. CIF value of imports

		Rupees in Lakhs
		2008-09
Raw Material		53
Consumables, Stores & Spares		–
Capital items		379

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

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14. Expenditure in foreign currency

	Rupees in Lakhs
	2008-09
Travel & Conveyance	2
Exhibition	19
Professional & Constultancy	3

As per our report attached

For and on behalf of Board of Directors

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

Gautam Chand Jain Director

Rahul Jain Director

Shantilal Daga
Partner
Membership No. 11617

Siddharth Jain Director

Place : Secunderabad
Date : 29th June, 2009

Pokarna Limited

Registered & Corporate Office: 105, Sardar Patel Road, Secunderabad 500 003, Andhra Pradesh, India. Phone: + 91 40 6631 0111/ 222
Email: contact@pokarna.com • Web: www.pokarna.com



POKARNA LIMITED

Regd. Office: First Floor, Surya Towers, 105, Sardar Patel Road, Secunderabad-500 003

.....●.....

ATTENDANCE SLIP

Please fill attendance slip and hand it over at the entrance of the Meeting Hall

DP Id* _____

Client Id* _____ Master Folio No. _____

Name and Address of the Shareholder _____

No. of Share(s) _____

I hereby record my presence at the 18th Annual General Meeting of the Company held on Wednesday, the 23rd Day of September, 2009 at 10:30 a.m. at Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad.

Signature of the Shareholder or Proxy

* Applicable to investors holding shares in electronic form.



POKARNA LIMITED

Regd. Office: First Floor, Surya Towers, 105, Sardar Patel Road, Secunderabad-500 003

.....●.....

PROXY FORM

DP Id* _____

Client Id* _____ Master Folio No. _____

I/We _____ of _____ being

Member(s) of Pokarna Limited hereby appoint _____ or

_____ or failing him/her _____ of

_____ or failing him/her _____ of

_____ as my/our Proxy to vote on my/our behalf at the 18th Annual General

Meeting of the Company to be held on Wednesday, the 23rd Day of September, 2009 at 10:30 a.m. or at any adjournment thereof.

Signed this _____ day of _____ 2009.

* Applicable for investors holding shares in electronic form.

Affix
Rc. 1
Revenue
Stamp

Note:

1. The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
2. Members holding shares under more than one folio may use photocopy of this folio. The Company shall provide additional forms on request.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Pokarna Limited will be held on **Wednesday, the 23rd day of September, 2009 at Hotel Fortune Select Manohar, Old Airport Exit Road, Begumpet, Hyderabad at 10.30 a.m.** to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in Place of Shri Meka Yugandhar, who retires by rotation and, being eligible, offers himself for reappointment.
- 3) To appoint a Director in Place of Shri TV Chowdary, who retires by rotation and, being eligible, offers himself for reappointment.
- 4) To appoint a Director in Place of Shri Mahender Chand Chordia, who retires by rotation and, being eligible, offers himself for reappointment.
- 5) To appoint a Director in Place of Shri Dhanjibhai Sawla, who retires by rotation and, being eligible, offers himself for reappointment.
- 6) To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration. M/s S. Daga & Co., Chartered Accountants, the retiring auditors, are eligible for re-appointment.

SPECIAL BUSINESS

- 7) To confirm, approve and waive the excess remuneration paid to Shri Gautam Chand Jain Chairman & Managing Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT in terms of the provisions of Sections 198, 269, 309, other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as the “Act”), which shall include any statutory modification(s) or re-enactment(s) thereof read with Schedule XIII to the Act and subject to the approval of the Central Government, the Company hereby consents, accords, ratifies and confirms the payment of excess remuneration made to Shri Gautam Chand Jain, Chairman & Managing Director, amounting to Rs. 28,55,240/- resulting from inadequacy of profits for the year ended 31st March, 2009;

RESOLVED FURTHER THAT subject to the approval of the Central Government, the recovery of excess remuneration of Rs. 28,55,240/- paid to Shri Gautam Chand Jain, Chairman & Managing Director, being the amount exceeding the statutory limits laid down under the Schedule XIII of the Companies Act, 1956, due to inadequacy of profits be and is hereby waived;

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

- 8) To confirm payment of minimum remuneration to Shri Gautam Chand Jain, Chairman & Managing Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT in continuation to the resolution passed at the annual general meeting held on 24th September, 2008 for reappointment of Shri Gautam Chand Jain as the Chairman & Managing Director of the Company for the period of 5 years from 1st July, 2008 upto 30th June, 2013, and, subject to such other approvals as may be necessary, the consent of the members pursuant to the provisions of Sec. 269 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, be and is hereby accorded to the payment of remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting, to Shri Gautam Chand Jain,

Chairman & Managing Director, in the event of loss or inadequacy of profits of the Company in any financial year, for a period of 3 years starting from 1st April, 2009 up to 31st March, 2012:

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

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

9) To re-appoint Shri Rahul Jain as the Executive Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'), and, subject to such other approvals as may be necessary, the Company hereby approves reappointment and terms of remuneration of Shri Rahul Jain as the Executive Director of the Company for a period of three years, not liable to retire by rotation, with effect from 30th July, 2009, upon the terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board and Shri Rahul Jain;

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

10) To re-appoint Shri Siddharth Jain as the Executive Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'), and, subject to such other approvals as may be necessary, the Company hereby approves reappointment and terms of remuneration of Shri Siddharth Jain as the Executive Director of the Company for a period of three years, not liable to retire by rotation, with effect from 30th July, 2009, upon the terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board and Shri Siddharth Jain;

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

By order of the Board

Paras Kumar Jain
Company Secretary

31st July, 2009

Registered Office:

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

NOTES:

1. *“A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the company. The instrument appointing a proxy should, however, be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.”*
2. The Explanatory Statement setting out the material facts concerning Special Business to be transacted at the meeting, as required by Section 173 (2) of the Companies Act, 1956, is annexed hereto.
3. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting and for easy identification of attendance at the Meeting.
4. Members are requested to address all correspondences, including dividend matters, to Karvy Computershare Private Limited, Registrar and Share Transfer Agents, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad 500 081.
5. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of bank account details to their respective Depository Participants.
6. Your Company does not have any unclaimed dividend for any of the previous financial year pending transfer to the Investor Education and Protection Fund account of the Central Government.
7. Members holding shares in the same order of name or in the same order of names but in several folios, please let us know so that we may consolidate them into one folio.
8. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in Physical Form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2 B in duplicate (which will be made available on request) to Karvy Computershare Limited.
9. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the Meeting.
10. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members / Proxies should fill the Attendance slip for attending the meeting.
11. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
12. The Register of Members and Share Transfer books of the Company will remain closed from 15th September, 2009 to 23rd September, 2009 (both days inclusive).
13. Following is bio-graphical data about the Directors seeking re-election as required under clause 49 of the Listing Agreement entered with the Stock Exchanges:
14. Following is bio-graphical data about the Directors seeking re-election as required under clause 49 of the Listing Agreement entered with the Stock Exchanges:

Name of the Director	Shri Meka Yugandhar	Shri T V Chowdary	Shri Mahender Chand Chordia	Shri Dhanjibhai Sawla
Date of Birth	10.07.1951	01.06.1943	13.04.1943	06.08.1930
Date of Appointment	29.03.2002	31.07.2002	01.07.2003	01.07.2003
Expertise in specific functional areas	Securities market, finance, general management and commercial matters	Mining, geology, finance & corporate management	Finance, consumer goods industry, business management and commercial matters	Trading, business administration and commercial management
Qualifications	B.Com., FCA	B.E(Mining), M.B.A., L.L.B., F.I.E., M.E.A., S.M.E.	B.Com., FCA	Secondary
Directorship held in other companies as at 31st March, 2009 (excluding foreign companies and private limited companies)	10**	4*	—*	2
Chairmanship/Membership of Committees (across all public limited Companies)	—	2	—	—
No. of shares held in the Company as on 31st March, 2009	—	—	—	—

*Excluding directorship of private limited companies.

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

Name of the Director	Shri Rahul Jain	Shri Siddharth Jain
Date of Birth	09-11-1979	26-01-1981
Date of Appointment	17-09-2001	30-07-2004
Expertise in specific functional areas	Marketing, Corporate Planning, General Corporate Management and Information Technology.	Marketing, Corporate Planning, Human Resource Management, General Corporate Management and Information Technology.
Qualifications	Graduate from University of Michigan, Ann Arbor, USA.	Graduate from Kelley School of Business, Indian University, Bloomington, USA
Directorship held in other companies as at 31st March, 2009 (excluding foreign companies and private limited companies)	3	2
Chairmanship/Membership of Committees (across all public limited Companies)	—	—
No. of shares held in the Company as on 31st March, 2009	100000	100000

ANNEXURE TO NOTICE

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

Item No. 7

Shri Gautam Chand Jain was reappointed as the Chairman & Managing Director of the Company for the period of 5 years from 1st July, 2008 upto 30th June, 2013 on the terms and conditions and remuneration as approved by the Members' at the Annual General Meeting held on 24th September, 2008.

The unforeseen severe economic meltdown, extreme volatility in the foreign exchange markets, steep drop in discretionary spending due to low consumer sentiments are some of the reasons for the Company's inadequacy of profits.

During the financial year ended 31st March, 2009, the managerial remuneration paid to Shri Gautam Chand Jain Chairman & Managing Director exceeded the limits prescribed under Schedule XIII of the Companies Act, 1956, due to inadequacy of profits, but was within the limits approved by the members of the Company. The excess remuneration paid to Shri Gautam Chand Jain Chairman & Managing Director amounted to Rs. 28,55,240/-. The Remuneration Committee and the Board of Directors, at their respective meetings held on 29th June, 2009, have ratified, confirmed and approved, subject to the approval of the members the payment of and of the Central Government, the payment of the aforesaid excess remuneration.

An application seeking approval of Central Government for payment of excess remuneration and waiver of recovery of the same would be made in case the same is approved by the members at this Annual General Meeting.

The Directors recommend the passing of the resolution at Item No. 7 of the accompanying Notice.

Item No. 8

Shri Gautam Chand Jain is the Chief Promoter of the Company. Members will note that Shri Gautam Chand Jain was appointed as the Executive Chairman on 1st July, 2003 and this is the first financial year that the Company has had inadequate profits during his tenure as Chairman & Managing Director.

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

I. General Information:

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

Particulars	31st March, 2007	31st March, 2008	Rupees in Lakhs
			31st March, 2009
Net Sales	16,260.85	15,808.93	14,198.16
Operating Profit	2,652.74	2,411.57	1,897.36
Profit Before Tax	1,242.10	739.16	115.22

5. Export performance and net foreign exchange collaboration:

Rupees in Lakhs			
Particulars	31st March, 2007	31st March, 2008	31st March, 2009
Foreign exchange earnings	12,584	11,584	10,523
Outgo	4,411	12,715	2,879

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

II. Information about Shri Gautam Chand Jain

1. Background details

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

- Shri Gautam Chand Jain, aged 54 years, is a commerce graduate and has over 35 years of experience in the field of industry, business and corporate management.
- Shri Gautam Chand Jain is not a member on any of the Committees of the Director of the Company. The other Directorships of Shri Gautam Chand Jain are as follows:

S.No. Name of the Company

1. Pokarna Fashions Limited
2. Pokarna Fabrics Limited
3. Pokarna Marketing Limited
4. Pokarna Apparels Limited
5. Pokarna Engineered Stone Limited
6. Jain International Trade Organisation Limited

2. Past remuneration of Shri Gautam Chand Jain

As approved by Shareholders at Annual General Meeting held on 27th September, 2003

Basic Salary of Rs. 3 Lakhs per month. He was entitled to:

- participate in the Provident Fund and Gratuity Fund scheme for the employees of the Company. He was also entitled to:
- commission in addition to basic salary, perquisites and allowances payable, calculated with reference to the net profits of the Company for each financial year as evaluated during the year by the Board
- the facility of use of a Motor Car of the Company in connection with Business of the Company and all the expenses for the maintenance and running of the Motor Car including salary of the driver will be borne and paid by the Company.
- reimbursement on annual basis of actual traveling expenses incurred by him and his wife and Dependant Children while proceeding on leave any place in India or any other place outside India and returning to the place of posting.
- reimbursement of the actual traveling, entertainment expenses and approved club membership fees reasonable incurred by him in connection with the business of the Company.
- reimbursement of actual medical and hospital expenses which have been incurred by Him, His wife and dependent children, provided that such expenses shall not exceed Rs. 3 Lakhs for each year or Rs. 9 Lakhs for the Block of Three years.

As revised by Shareholders at Annual General Meeting held on 29th day of September, 2006

Salary of Rs. 5,00,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance and payment of actual expenditure incurred on house gas, water, electricity and security and all benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on certain performance criteria to be prescribed by the Board.

As approved by Shareholders at Annual General Meeting held on 24th day of September, 2008

Salary per month: Rs. 5,00,000 and Perquisites and Allowance per month not exceeding Rs. 2,50,000 per month.

Remuneration to Shri Gautam Chand Jain in last three financial years:

Rupees in Lakhs	
Financial Year	Remuneration
2006-2007	69.21
2007-2008	53.79
2008-2009	52.55

3. Awards

Under the leadership of Shri Gautam Chand Jain, the Company has been winning awards year on year. The notable awards won during the financial year 2008-09 are:

- 'Special Export Award' by CAPEXIL for Export achievement in Granite Sector.
- The Marble Institute of America conferred the "ROCKY" award for Collateral Material, Brochure, Print Advertisement and Magazine.

4. Job Profile and his suitability

Shri Gautam Chand Jain as Chairman & Managing Director is vested with substantial powers of management under the superintendence, control and direction of the Board of Directors. He is also involved in policy planning, vision and strategy and long term development activities of the Company. As explained above, Shri Gautam Chand Jain as Chairman & Managing Director has steered the Company to its present position and his vision is to take the Company amongst the best in the global markets. Shri Gautam Chand Jain devotes his full time in managing the business of the Company and Pokarna Engineered Stone Limited (wholly owned subsidiary of the Company).

5. Remuneration

The consent of the members is sought to the payment of remuneration (No increase sought from earlier members approval) as set out herein below, to Shri Gautam Chand Jain, Chairman & Managing Director, in the event of loss or inadequacy of profits of the Company in any financial year, for a period of 3 years starting from 1st July, 2008 upto 30th June, 2013:

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

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

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

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

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

Shri Gautam Chand Jain is the Chief Promoter of the Company. He holds 5,00,000 Equity Shares of the Company representing 8.06% of the total capital of the Company. Jain Family Promoters together hold 56.60% of the total capital of the Company. The other Directors i.e. Shri Prakash Chand Jain and Shri Rahul Jain are relatives of Shri Gautam Chand Jain. For other details, please refer Related Party Transactions in Schedule 23(10) forming Part Financial Statements forming part of the Annual Report.

III. Other information

1. Reasons of loss or inadequacy of profits

The Company had adequate profits for past many years and thus has been paying remuneration to its managerial personnel within overall limits as specified under the Act. However, due to large exposure of the Company's granite business to the U.S. market and the current downturn in the U.S. and global economies, along with the housing markets in such economies, has severely impacted the Company's business. Similarly the bottom-line of apparel business of the Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business. The unanticipated crisis affected the Company's performance more so since the Company is mainly in the fashion and retail business. It also exports its products to many countries. The severe volatility in the forex markets has also adversely impacted the performance of the Company.

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

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

- The Company has embarked on a series of strategic and operational measures that is expected to result in the improvement over a period of time.
- The Company is exploring new markets / buyers in the international market to increase export sales.
- Emphasis on cash management and restructuring the balance sheet.
- Sharper focus on Big Scale Cost Reduction.
- Retail Stores rationalization and emphasis on collections.
- Energizing all employees in the Turnaround Plan of the Company.

While it is difficult to give precise figure, the Company is targeting increase of about 10% in overall turnover and about 25% increase in operating profit as compared to the previous year.

Shri Gautam Chand Jain, Shri Prakash Chand Jain, Director and Shri Rahul Jain, Executive Director, being related to Shri Gautam Chand Jain, are concerned or interested in this resolution and payment of remuneration.

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

The Directors recommend the passing of the resolution at Item No. 8 of the accompanying Notice.

Item No. 9

Shri Rahul Jain was appointed as the Executive Director of the Company for the period of 5 years with effect from 30th July, 2004 on the terms and conditions and remuneration as approved by the Members' at the Annual General Meeting held on 30th September, 2004.

The Remuneration Committee and Board of Directors at the their respective meetings held on 29th June, 2009, has approved reappointment of Shri Rahul Jain as Executive Director of the Company for a period of three years w.e.f. 30th July, 2009 on the terms and conditions given herein below.

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

I. General Information

1. Nature of Industry: Manufacturers of Granite Mining and Processing, Apparel Manufacturing and Retailing.
2. Date or expected date of commencement of commercial production: The Company was incorporated on 9th October, 1991.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable.
4. Financial performance based on given indicators.
5. Export performance and net foreign exchange collaboration.
6. Foreign investments or collaborators, if any, The Company has no foreign collaborators and hence there is no equity participation by foreign collaborators in the Company.

II. Information about Shri Rahul Jain

1. Background details

Shri Rahul Jain is a Graduate from University of Michigan, Ann Arbor, USA. He has experience in Marketing, Corporate Planning, General Corporate Management, Information & Technology. He has been spearheading the apparel business of the Company since its inception. With a drive for creating new Brands, Shri Rahul Jain has taken active interest in the launch of apparel retailing venture of the Company. He was instrumental in the successful launch of the brand STANZA.

Shri Rahul Jain has over 10 years of experience in the field of industry, business and corporate management.

Shri Rahul Jain is not a member on any of the Committees of the Director of the Company. The other Directorships of Shri Gautam Chand Jain are as follows:

S.No.	Name of the Company
1.	Pokarna Fashions Limited
2.	Pokarna Fabrics Limited
3.	Pokarna Engineered Stone Limited

2. Past remuneration of Shri Rahul Jain

As approved by Shareholders at Annual General Meeting held on 30th September, 2004.

Basic Salary of Rs. 75,000 per month. He was also entitled to:

- participate in the Provident Fund and Gratuity Fund scheme for the employees of the Company.
- facility of use of a Motor Car of the Company in connection with Business of the Company and all the expenses for the maintenance and running of the Motor Car including salary of the driver will be borne and paid by the Company.

- reimbursement on annual basis of actual traveling expenses incurred by Him, His wife and dependent children while proceeding on leave any place in India or any other place outside India and returning to the place of posting.
- reimbursement of the actual traveling, entertainment expenses and approved club membership fees reasonably incurred by Him in connection with the business of the Company.
- reimbursement of actual medical and hospital expenses which have been incurred by on himself his wife and dependant children, provided that such expenses shall not exceed Rs. 3 Lakhs for each year or Rs. 9 Lakhs for the Block of three years.
- perquisite in the form of reimbursement or allowance on actual basis of the charges incurred at the residence.

As revised by Shareholders at Annual General Meeting held on 29th September, 2006

- Basic Salary up to a maximum of Rs. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on certain performance criteria to be prescribed by the Board.

Remuneration to Shri Rahul Jain in last three financial years:

Financial Year	Remuneration
2006-2007	18.09
2007-2008	13.57
2008-2009	12.00

3. Awards

Under the leadership of Shri Rahul Jain, the Company has won prestigious award. Like STANZA was conferred the "Best Brand" award by Bharati Vidyapeth Institute of Management studies in recently held 2nd FMCG Consumers Award and "Brand Excellence Award" by Indira group of Institutes

4. Job Profile and his suitability

Shri Rahul Jain as Executive Director is vested with substantial powers of management under the superintendence, control and direction of the Board of Directors and the Chairman & Managing Director. He is also involved in policy planning, vision and strategy, marketing and long term development activities of the Apparel Division of the Company. Shri Rahul Jain devotes his full time in managing the Apparel Division of the Company.

5. Remuneration

The consent of the members is sought to the payment of remuneration (No increase sought from earlier members approval) as set out herein below, to Shri Rahul Jain in the event of loss or inadequacy of profits of the Company in any financial year, for a period of 3 years starting from 30th July, 2009 up to 30th July, 2012.

Remuneration: Basic Salary upto a maximum of Rs. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on performance criteria to be prescribed by the Board from time to time.

Minimum Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Shri Rahul Jain, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration, as specified above. The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended and as in force from time to time.

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

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

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

Shri Rahul Jain is one of Promoters of the Company. He holds 1,00,000 Equity Shares of the Company representing 1.61% of the total capital of the Company. Jain Family Promoters together hold 56.60% of the total capital of the Company. Shri Gautam Chand Jain, Chairman & Managing Director of the Company is father of Shri Rahul Jain. For other details, please refer Related Party Transactions in Schedule 23(10) forming Part Financial Statements forming part of the Annual Report.

II. Other information

1. Reasons of loss or inadequacy of profits

The Company had adequate profits for past many years and thus has been paying remuneration to its managerial personnel within overall limits as specified under the Act. However, due to large exposure of the Company's granite business to the U.S. market and the current downturn in the U.S. and global economies, along with the housing markets in such economies, has severely impacted the Company's business. Similarly the bottom-line of apparel business of the Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business. The unanticipated crisis affected the Company's performance more so since the Company is mainly in the fashion and retail business. It also exports its products to many countries. The severe volatility in the forex markets has also adversely impacted the performance of the Company.

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

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

- The Company has embarked on a series of strategic and operational measures that is expected to result in the improvement in the present position.
- The Company is exploring new markets / buyers in the international market to increase export sales.
- Emphasis on cash management and restructuring the balance sheet.
- Sharper focus on Big Scale Cost Reduction.
- Retail Stores rationalization and emphasis on collections.
- Energizing all employees in the Turnaround Plan of the Company.

While it is difficult to give precise figure, the Company is targeting increase of about 10% in overall turnover and about 25% increase in operating profit as compared to the previous year.

Shri Rahul Jain and Shri Gautam Chand Jain, are concerned or interested in this resolution and payment of remuneration.

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

The Directors recommend the passing of the resolution at Item No. 9 of the accompanying Notice.

Item No. 10

Shri Siddharth Jain was appointed as the Executive Director of the Company for the period of 5 years with effect from 30th July, 2004 on the terms and conditions and remuneration as approved by the Shareholders at the Annual General Meeting held on 30th September, 2004.

The Remuneration Committee and Board of Directors at the their respective meetings held on 29th June, 2009 has approved reappointment of Shri Siddharth Jain as Executive Directors of the Company for a period of three years w.e.f 30th July, 2009 on the terms and conditions given herein below.

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

I. General Information

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

Rupees in Lakhs			
Particulars	31st March, 2007	31st March, 2008	31st March, 2009
Net Sales	16,260.85	15,808.93	14,198.16
Operating Profit	2,652.74	2,411.57	1,897.36
Profit Before Tax	1,242.10	739.16	115.22

Rupees in Lakhs			
Particulars	31st March, 2007	31st March, 2008	31st March, 2009
Foreign exchange earnings	12,584	11,584	10,523
Outgo	4,411	12,715	2,879

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

II. Information about Shri Siddharth Jain**1. Background details:**

Shri Siddharth Jain is a Graduate from Kelley School of Business, Indiana University, Bloomington, USA. He has experience in Marketing, Corporate Planning, General Corporate Management, Human Resource Development, Information & Technology. He has been spearheading the granite business of the Company since its inception. Shri Siddharth Jain has over 8 years of experience in the field of industry, business and corporate management.

Shri Siddharth Jain is not a member on any of the Committees of the Director of the Company. The other Directorships of Shri Gautam Chand Jain are as follows:

S.No. Name of the Company

1. Pokarna Fabrics Limited
2. Pokarna Engineered Stone Limited

2. Past remuneration of Shri Siddharth Jain

As approved by Shareholders at Annual General Meeting held on 30th September, 2004

Basic Salary of Rs. 75,000 per month. He was also entitled to:

- participate in the Provident Fund and Gratuity Fund scheme for the employees of the Company.
- facility of use of a Motor Car of the Company in connection with Business of the Company and all the expenses for the maintenance and running of the Motor Car including salary of the driver will be borne and paid by the Company.
- reimbursement on annual basis of actual traveling expenses incurred by Him and His wife and
- dependent children while proceeding on leave any place in India or any other place outside India and returning to the place of posting.
- reimbursement of the actual traveling, entertainment expenses and approved club membership fees reasonably incurred by the Him in connection with the business of the Company.
- reimbursement of actual medical and hospital expenses which have been incurred by Him, His wife and dependent children, provided that such expenses shall not exceed Rs. 3 Lakhs for each year or Rs. 9 Lakhs for the Block of Three years.

As revised by Shareholders at Annual General Meeting held on 29th September, 2006

- Basic Salary up to a maximum of Rs. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on certain performance criteria to be prescribed by the Board.

Remuneration to Shri Siddharth Jain in last three financial years:

Rupees in Lakhs	
Financial Year	Remuneration
2006-2007	18.09
2007-2008	13.57
2008-2009	12.06

3. Awards

Under the leadership of Shri Siddharth Jain, the Company has won prestigious award like ROCKY award by the Marble Institute of America Advertising Award Competition, in Print Advertising Category.

4. Job Profile and his suitability

Shri Siddharth Jain as Executive Director is vested with substantial powers of management under the superintendence, control and direction of the Board of Directors and the Chairman & Managing Director. He is also involved in policy planning, vision and strategy, marketing and long term development activities of the Granite Division of the Company. Shri Siddharth Jain devotes his full time in managing the Granite Division of the Company and Pokarna Engineered Stone Limited (wholly owned subsidiary of the Company).

5. Remuneration

The consent of the members is sought to the payment of remuneration ((No increase sought from earlier members approval) as set out herein below, to Shri Siddharth Jain Jain, in the event of loss or inadequacy of profits of the Company in any financial year, for a period of 3 years starting from 30th July, 2009 up to 30th July, 2012:

Remuneration: Basic Salary upto a maximum of Rs. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and/or commission based on performance criteria to be prescribed by the Board from time to time.

Minimum Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Shri Siddharth Jain, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration, as specified above. The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended and as in force from time to time.

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The executive remuneration in the industry is on the rise. Appreciating this, the Central Government has also from time to time raised the ceiling specified in Schedule XIII dealing with the remuneration of managerial persons. The Remuneration Committee perused remuneration of managerial persons in the Granite industry and other companies comparable with the size of the Company, industry benchmarks in general, profile and responsibilities of Shri Siddharth Jain, Executive Director, before approving the remuneration as herein above.

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

Shri Siddharth Jain is one of Promoters of the Company. He holds 1,00,000 Equity Shares of the Company representing 1.61% of the total capital of the Company. Jain Family Promoters together hold 56.60% of the total capital of the Company. For other details, please refer Related Party Transactions in Schedule 23(10) forming Part Financial Statements forming part of the Annual Report.

III. Other information

1. Reasons of loss or inadequacy of profits

The Company had adequate profits for past many years and thus has been paying remuneration to its managerial personnel within overall limits as specified under the Act. However, due to large exposure of the Company's granite business to the U.S. market and the current downturn in the U.S. and global economies, along with the housing markets in such economies, has severely impacted the Company's business. Similarly the bottom-line of apparel business of the Company continues to be severely affected due to lower capacity utilisation at manufacturing (contract exports) and lower consumer footfalls and higher discounting at the apparel retailing (STANZA brand) part of the business. The unanticipated crisis affected the Company's performance more so since the Company is mainly in the fashion and retail business. It also exports its products to many countries. The severe volatility in the forex markets has also adversely impacted the performance of the Company.

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

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

- The Company has embarked on a series of strategic and operational measures that is expected to result in the improvement over a period of time.
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- Energizing all employees in the Turnaround Plan of the Company.

While it is difficult to give precise figure, the Company is targeting increase of about 10% in overall turnover and about 25% increase in operating profit as compared to the previous year.

Shri Siddharth Jain, Executive Director, being is concerned or interested in this resolution and payment of remuneration.

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

The Directors recommend the passing of the resolution at Item No. 10 of the accompanying Notice.

By order of the Board

Paras Kumar Jain
Company Secretary

31st July, 2009

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Book-Post

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