



## INDEPENDENT AUDITORS' REPORT

To

**The Shareholders of Saint Gobain Ceramic Materials Bhutan Private Limited**

Pasakha,

Bhutan

### Report on the Audit of the Financial Statements

#### 1. Opinion

We have audited the financial statements of **Saint Gobain Ceramic Materials Bhutan Private Limited** (the Company), which comprise the Statement of Financial Position as at December 31, 2017, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and cash flows for the year ended on that date in accordance with Bhutanese Accounting Standards (BAS).

#### 2. Basis for Opinion

We conducted our audit in accordance with the provisions of the Companies Act of Bhutan, 2016 ('the Act') and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in The Kingdom of Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the year under audit we have not come across any issue which in our opinion requires mention under this head.



Branch at Kolkata

2, Chowringhee Approach, 1st Floor, Kolkata - 700072 • Ring : + 91 - 33 - 2212 5217 / 2212 7008  
Other Branches at : New Delhi, Patna & Dhanbad

#### **4. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS 1 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **5. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### **6. Emphasis of Matter:**

Without qualifying our opinion we draw attention to the following:

- (i) Provision for the additional tax liability of Nu. 19.60 mio demanded by RRCO for the Income Year 2011-2016 has not been made in the accounts. The company has gone on appeal against the aforesaid demand.
- (ii) Depreciation on fixed assets was being calculated at a fixed rate upto 31st March 2017 and w.e.f, 1st April 2017 on the basis of useful life of the assets as determined by the company. The impact of such change in method has not been ascertained by the company and we are unable to comment on the same.

#### **7. Report on Other Legal and Regulatory Requirements**

- (i) As required by the section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
- (ii) As required by section 265 of the Act, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;





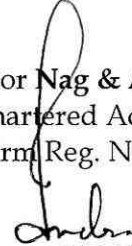
- b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books ;
- c) the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows dealt with in this report have been prepared in accordance with accounting principles generally accepted as well as Bhutanese Accounting Standards (BAS) and are in agreement with the books of account.
- d) in our opinion, the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Equity and Statement Cash Flows comply with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan 2016.

In our opinion and to the best of our information and according to the explanations given to us and subject to the limitations of audit mentioned in para 4 & 5 above, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016:

- I) In the case of Statement of Financial Position, of the state of affairs of the Company as at 31<sup>st</sup> December 2017;
- II) In case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date;
- III) In the case of Statement of Changes in Equity, of the movement of the Shareholders' Equity of the Company for the year ended on that date and;
- IV) In the case of Statement of Cash Flows of the movement of cash flows of the Company for the year ended on that date.

Place: Kolkata  
Date : 24.05.2018

For Nag & Associates  
Chartered Accountants  
Firm Reg. No. 312063E

  
I.N.Nag  
Partner  
M. No. 050531



**SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED**  
**Pasakha: Bhutan**  
**2017**

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT**

**ANNEXURE REFERED TO IN OUR REPORT OF EVEN DATE**

1. The Company is maintaining records showing full particulars including quantitative details of fixed assets. Situations of fixed assets and descriptions thereof are maintained by Accounts Department. Physical verification of fixed assets has been carried out by the Company during the year. Reconciliation of physical assets with the book balance as per fixed assets register has been done.
2. None of the fixed assets has been revalued during the year.
3. Physical verification of various stores items were carried out by the Company during the year.
4. In our opinion, the procedure of physical verification of the inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of the business.
5. Discrepancies found on physical verification of stocks compared to book records were not material and have been properly adjusted in the books of account.
6. On the basis of the examination of stock records, we are of the opinion that the valuation of stock is fair and proper, in accordance with the normally accepted accounting principles. The basis of valuation of stock is same as in the preceding year.
7. The Company has not availed any fresh loan, secured and unsecured, from Banks and other financial institutions. The terms and conditions of the said existing loans are not prima facie prejudicial to the interest of the Company.
8. The company has not granted any loans secured or unsecured to any other party other than the normal advances to suppliers/staff, etc.
9. The advances granted to officers/staff are in keeping with the policy of the company for procurement of materials and execution of contract.
10. The Company has introduced internal control system which will ensure completeness, accuracy and reliability of accounting records, and to carry out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/ regulations and system and procedures. The Company should review its Industrial Insurance Policy.





11. There is a system of obtaining competitive bidding commensurate with the size of the Company and nature of its business for the purchase of goods and services including stores, equipment and other assets.
12. As informed to us, there are transactions for purchase and sale of goods and services made in pursuance to contracts on arrangements entered into with the directors or any other parties related to directors or with the company or firms in which the directors are directly or indirectly interested which is disclosed in the accounts and such transactions are prejudicial to the interest of the Company and its shareholders.
13. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic interval. Necessary adjustments for such loss have been duly recorded in the books of account.
14. There is a reasonable system of ascertaining and identifying point of occurrence of damages of raw materials, packing materials and finished goods while such goods are in transit and during handling, storage, loading/unloading etc. so that responsibility could be fixed and compensation sought from those responsible.
15. The Company is maintaining reasonable records for production of finished goods and adequate physical safeguard exist to prevent unauthorized or irregular movement of goods from the Company.
16. The company has no saleable by products and is also maintaining reasonable records for sale and disposal of realizable value of scrap.
17. The Company has been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authority.
18. Undisputed statutory dues that were outstanding as at 31<sup>st</sup> December, 2017 have been disclosed in the accounts.
19. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income excepting those payable under contractual obligations/ service rules.
20. Company maintains reasonable records for the issue and receipts of inventory commensurate with the nature and size of its business.
21. Quantitative reconciliation is carried out at the end of the accounted year in respect of all major items.
22. There exists a system of authorization at proper levels and reasonable system of internal control for issue of inventory commensurate with the size and nature of its business.



23. The company does have a system of allocating man-hours to respective jobs.
24. There exists a system of authorization at proper levels and reasonable system of internal control for issue of inventory commensurate with the size and nature of its business.
25. The Company fixed the price of its product (Silicon Carbide) after taking into the account the cost of production and the prevalent market conditions in consultation with the Grindwell Norton Ltd, India (Holding Company).
26. Credit sales policy is reasonable and there are no long outstanding receivables at the end of the year in the books of the Company.
27. Sales are not made through commission agents.
28. The system of follow up with debtors and other parties for recovery of outstanding dues is reasonable commensurate with the nature and size of the business. There is no old outstanding balance of debtors and advances.
29. In our opinion the management of cash and bank balance is reasonable.
30. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires to the Articles of Incorporation of the Company.
31. In our opinion, and according to the information and explanations given to us, the company has a system of approval of the Board for all capital expenditure.
32. The company has established an effective budgetary control system.
33. Effective variance analysis is being carried out by the Company at periodic intervals and corrective action is being taken thereon.
34. The company has not paid salary to the Directors including the Chief Executive Officer.
35. We were given to understand that no officials of the Company has transmitted any price sensitive information, which is not made publicly available to their relatives/friends/associates, or close persons, which would directly or indirectly benefit themselves.
36. The company has not given any machinery/equipment on lease.



## Computerized Accounting Environment

1. The company maintains the account in computerized accounting environment.
2. The Company has adequate back up facilities and safeguard measures.
3. Back up files are kept in an external hard disk. However, back up facilities and disaster recovery measures do not include keeping the back up files in different and remote locations.
4. Adequate operational control is there to ensure correctness and validity of input data and output information.
5. Adequate safeguard measures to prevent unauthorized access is implemented.





## General

### (1) Going Concern Problem

Based on the company's financial statements audited by us, for the year ended 31<sup>st</sup> December 2017, we have no reason to believe that the company is not a going concern.

### (2) Ratio Analysis

Financial and operational ratio in respect of the Company is given in the statement of Ratio Analysis.

Ratio	Basis	2017	2016
Net Profit Ratio	<u>Profit After Tax</u> Income From operation	6.12%	7.36%
Operating Ratio	<u>Cost of Operation and Services</u> Income from Operation	78.75%	73.22%
Return on Investment	<u>Net Profit After Tax</u> Shareholders' Fund	0.11	0.14
Fixed Assets Turnover Ratio	<u>Income from Operation</u> Net Block	2.58 Times	2.47 Times
Current Ratio	<u>Current Assets</u> Current Liabilities	1.35 : 1	1.40 : 1
Debt Equity Ratio	<u>Debt</u> Equity	1 : 13.52	1: 9.78





**(3) Compliance of Companies Act of Bhutan 2016:**

According to the information and explanations given to us and based on the records produced to us for verification, we are of the opinion that the Company has generally complied with all the provisions of The Companies Act of Bhutan, 2016.

**(4) Adherence of Laws Rules & Regulations:**

Audit of the Company is governed by The Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation.

The Company should consider having a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices for review by the Board of Directors.

Place: Kolkata  
Date : 24.05.2018

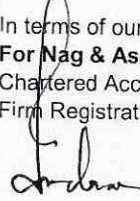



For Nag & Associates  
Chartered Accountants  
Firm Reg. No. 312063E

  
I.N.Nag  
Partner  
M. No. 050531



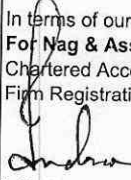

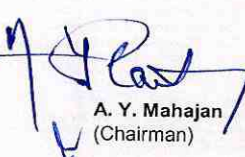

# Saint Gobain Ceramic Materials Bhutan Private Limited

## Statement of Financial Position as at 31<sup>st</sup> December' 2017



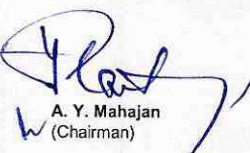

	Notes	( Nu )	As at 31st December 2017 ( Nu )	As at 31st December 2016 ( Nu )
<b>I. Assets:</b>				
<b>Non-current Assets</b>				
Fixed Assets	1	260,125,618		275,032,601
Capital Work in Progress		<u>7,125,787</u>	267,251,405	<u>5,061,859</u>
Long Term Loans & Advances	2		129,036,203	280,094,459
Other Non-Current Assets	3		1,453,262	49,316,945
Deferred Tax Assets				1,668,941
<b>Current Assets</b>				
(a) Inventories	4	94,083,659		103,046,402
(b) Cash and Cash Equivalents	5	14,691,342		1,411,801
(c) Loans and Advances	6	1,335,856		1,352,089
(d) Trade Receivables	7	<u>93,358,407</u>		<u>120,803,424</u>
			203,469,264	226,613,715
<b>TOTAL :</b>			<u>601,210,134</u>	<u>557,694,061</u>
<b>II. Equity &amp; Liabilities :</b>				
<b>Equity Fund &amp; Retained Earnings</b>				
Equity Fund	8		289,942,400	289,942,400
Retained Earnings	9		108,269,782	66,032,875
<b>Non-current Liabilities:</b>				
<u>Long Term Borrowings and Provisions</u>				
Secured Loans	10	21,439,173		29,632,649
Provisions	11	<u>30,818,816</u>	52,257,988	<u>11,045,030</u>
				40,677,679
<b>Current Liabilities:</b>				
<u>Short Term Borrowings</u>				
Secured Loans	12		-	44,185,452
<u>Other Liabilities and Provisions</u>				
(a) Liabilities	13	148,311,687		114,694,625
(b) Provisions	14	<u>2,428,277</u>	150,739,964	<u>2,161,031</u>
				116,855,656
<b>TOTAL :</b>			<u>601,210,134</u>	<u>557,694,061</u>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>				
	21			
The accompanying notes 1 to 21 are an integral part of the Financial Statements				
In terms of our report attached				
<b>For Nag &amp; Associates</b>				
Chartered Accountants				
Firm Registration no. 312063E				
 				
<b>I. N. Nag</b>				
Partner				
Membership No: 050531				
Place : Phuentsholing				
Date : 24.05.2018				
<b>For and on behalf of the Board</b>				
 				
<b>A. Y. Mahajan</b>				
(Chairman)				
<b>Ugen Tsechup Dorji</b>				
(Vice Chairman)				



**Saint Gobain Ceramic Materials Bhutan Private Limited**  
**Statement of Comprehensive Income for the year ended 31st December, 2017**

	Notes	For the year ended 31st December, 2017 ( Nu )	For the year ended 31st December, 2016 ( Nu )
<b>INCOME</b>			
Sales ( Net of Discount)		690,595,500	692,827,330
Other Income	15	4,654,272	4,706,907
Increase/(Decrease) in Finished Goods	16	1,544,233	(16,740,532)
<b>Total</b>		<b>696,794,005</b>	<b>680,793,704</b>
<b>EXPENDITURE</b>			
Raw Material Consumed	17	230,956,491	196,520,560
Employees' Remuneration and Benefits	18	27,718,097	23,743,674
Operating and Other Expenses	19	285,226,194	287,025,383
Freight Outward		25,032,080	27,219,411
Finance Cost	20	6,535,524	10,846,067
Depreciation	1	26,172,965	27,599,425
Royalty		-	20,218,029
Management Fees		14,787,000	14,787,000
Management Service		20,021,772	-
		<b>636,450,122</b>	<b>607,959,548</b>
Profit/(Loss) Before Tax		60,343,883	72,834,156
Provision for Taxation 2016		-	(32,443,905)
Provision for Taxation 2017		(17,251,396)	-
Deferred Tax - Credit		(855,580)	10,583,965
<b>Profit/(Loss) After Tax</b>		<b>42,236,907</b>	<b>50,974,216</b>
<b>Add: Balance brought forward from previous year</b>		<b>66,032,875</b>	<b>15,058,659</b>
<b>Balance carried to Statement of financial position</b>		<b>108,269,782</b>	<b>66,032,875</b>
Share of Profit/Loss of Investments in Associates		-	-
Share of Profit/Loss of Investments in Jointly Controlled Entities		-	-
Profit/Loss of a discontinued operation		-	-
Profit/Loss recognised on disposal of net assets from discontinued operation		-	-
Share of other income of associates/jointly controlled entities		-	-
Profit/Loss for the period attributable to:			
(i) non-controlling interest		-	-
(ii) owners of the parent		42,236,907	50,974,216
<b>Total comprehensive Income for the period attributable to:</b>			
(i) non-controlling interest		-	-
(ii) owners of the parent		42,236,907	50,974,216
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>			
	21		
The accompanying notes 1 to 21 are an integral part of the Financial Statements			
In terms of our report attached			
<b>For Nag &amp; Associates</b>			
Chartered Accountants			
Firm Registration no. 312063E			
 			
<b>I. N. Nag</b>			
Partner			
Membership No: 050531			
Place : Phuentshoing			
Date : 24.05.2018			
<b>For and on behalf of the Board</b>  			
<b>A. Y. Mahajan</b>			
(Chairman)			
<b>Ugen Tsechup Dorji</b>			
(Vice Chairman)			

**Saint Gobain Ceramic Materials Bhutan Private Limited**  
**Statement of Cash Flows for the year ended 31st December, 2017**

	For the Year Ended 31st December, 2017		For the Year Ended 31st December, 2016	
	(In Nu)	(In Nu)	(In Nu)	(In Nu)
Net loss before Tax / Operating loss	42,236,907		50,974,216	
ADD: Depreciation charged to Profit and Loss	26,172,965		27,599,425	
Asset Written off	956,564		-	
(Increase)/Decrease in stock	8,962,743		15,887,614	
(Increase)/Decrease in Debtors	27,445,017		(77,077,224)	
Increase/(Decrease) in Payables	9,472,642		25,155,555	
<b>Net cash flow from operating activities</b>		<b>115,246,837</b>		<b>42,539,587</b>
Returns on investments and servicing of finance.	-		-	
Taxation	-		-	
(Increase)/Decrease in Loans & Advances	(79,487,345)		15,151,725	
Capital expenditure ( Note 1 )	(14,286,474)		(13,434,387)	
<b>Net cash inflow/ (outflow) from investing activities</b>		<b>(93,773,819)</b>		<b>1,717,339</b>
<b>Net cash inflow/ (outflow) before financing</b>		<b>21,473,018</b>		<b>44,256,925</b>
Financing ( Note 2 )	(8,193,477)		(47,475,868)	
Management of liquid resources	-		-	
<b>Net cash inflow/ (outflow) from financing</b>		<b>(8,193,477)</b>		<b>(47,475,868)</b>
<b>Net Increase/ ( Decrease ) in Cash &amp; Cash Equivalents</b>		<b>13,279,542</b>		<b>(3,218,942)</b>
ADD: Opening Balance		1,411,801		4,630,743
<b>Cash &amp; Cash Equivalents as on 31.12.2017</b>		<b>14,691,342</b>		<b>1,411,801</b>
<b>Notes :</b>				
<b>1. Capital expenditure</b>				
Payments to acquire tangible fixed assets	(12,222,546)		(10,810,588)	
Payment for Capital Work-in-Progress	(2,063,928)		(2,623,799)	
	(14,286,474)		(13,434,387)	
<b>2. Financing</b>				
Equity contribution	-		-	
Term Loan	(8,193,477)		(47,475,868)	
	(8,193,477)		(47,475,868)	
<b>3. Cash &amp; Cash Equivalents Comprise :</b>				
Cash and Bank Balances		14,691,342		1,411,801
This is the Cash Flow Statement referred to our report of even date.				
For Nag & Associates				
Chartered Accountants				
Firm Registration no. 312063E				
For and on behalf of the Board				
				
I. N. Nag	A. Y. Mahajan			
Partner	(Chairman)		Ugen Tsechup Dorji	
Membership No: 050530			(Vice Chairman)	
Place : Phuentsholing				
Date : 24.05.2018				



# SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED

## STATEMENT OF CHANGES IN EQUITY

Year ended 31st December, 2017

Statement of Changes in Equity	Share capital (Nu.)	Retained earnings (Nu.)	Total (Nu.)
Balance as at 01 January 2017	289,942,400	66,032,875	355,975,275
Shares Issued/(Redeemed) during the year			
Profit/(Loss) for the year		42,236,907	42,236,907
Securities premium			
Transfers			
Balance as at 31st December 2017	<u>289,942,400</u>	<u>108,269,782</u>	<u>398,212,182</u>
Balance as at 01 January 2016	289,942,400	15,058,659	305,001,059
Shares Issued/(Redeemed) during the year			
Profit/(Loss) for the year		50,974,216	50,974,216
Securities premium			
Transfers			
Balance as at 31 December 2016	<u>289,942,400</u>	<u>66,032,875</u>	<u>355,975,275</u>

This is the Statement of Changes in Equity signed in terms of our report of even date.

**For Nag & Associates**

Chartered Accountants

Firm Registration no. 312063E



**I. N. Nag**

Partner

Membership No: 050531



Place : Phuentsholing

Date : 24.05.2018

Saint Gobain Ceramic Materials Bhutan Private Limited  
Schedule Forming Part of the Accounts:

NOTE 1 : FIXED ASSETS

Particulars	Depreciation Rate (%)	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK		( Nu )
		As at 01.01.2017	Addition	Deletion	As at 31.12.2017	Up To 01.01.2017	On Write Off	For the year	Up To 31.12.2017	
Building	3	280,052,889	672,286	-	280,725,175	58,063,817	-	9,886,681	67,950,498	221,989,072
Computer	15	2,080,409	78,813	1,138,714	1,020,508	1,638,504	1,138,710	126,256	626,050	441,905
Furniture & Fixtures	15	2,366,637	-	355,314	2,011,323	1,872,035	355,166	136,807	1,653,676	494,602
Vehicles	15	2,766,050	1,053,066	1,329,955	2,489,161	1,594,206	1,329,953	228,176	492,429	1,171,844
Equipment	15	11,421,250	305,081	3,527,252	8,199,079	8,927,288	3,287,763	781,094	6,420,619	2,493,962
Plant and Machinery	15	357,808,011	10,113,300	14,161,309	353,760,001	309,366,793	13,444,387	15,013,950	310,936,356	48,441,218
Total		656,495,245	12,222,546	20,512,543	648,205,246	381,462,644	19,555,980	26,172,965	388,079,628	275,032,601
Previous Year		647,107,330	10,810,588	1,422,673	656,495,245	355,285,924	1,422,673	27,599,425	381,462,644	
CWIP		5,061,859	2,063,928	-	7,125,787	-	-	-	-	5,061,859





# Saint Gobain Ceramic Materials Bhutan Private Limited

## Notes Forming Part of the Statement of Financial Position:

	As at 31st December, 2017 ( Nu )	As at 31st December, 2016 ( Nu )
<b>NOTE 2 : LONG TERM LOANS AND ADVANCES</b>		
Security Deposit	69,500	62,500
Advance Tax 2015	17,555,575	17,555,575
Advance Tax 2016	32,633,210	9,000,000
Advance Tax 2017	9,000,000	-
Other Advances	70,899,159	23,131,759
Less: Provision for Doubtful Advance	(1,121,241)	(432,889)
	<u>129,036,203</u>	<u>49,316,945</u>
<b>NOTE 3 : OTHER NON-CURRENT ASSETS</b>		
Foreign Currency Account	201,906	214,650
Margin Money	-	284,800
Gratuity Fund deposit - RICBL	1,251,356	1,169,492
	<u>1,453,262</u>	<u>1,668,941</u>
<b>NOTE 4 : INVENTORIES</b>		
Raw Material	13,824,288	16,199,363
Work In Progress	21,318,091	19,947,535
Finished Goods	25,931,775	24,387,543
Stores & Spares	33,009,505	42,511,961
	<u>94,083,659</u>	<u>103,046,402</u>
<b>NOTE 5 : CASH &amp; CASH EQUIVALENTS</b>		
Cash in Hand	157	157
With Scheduled Banks - Bank of Bhutan:		
Indian Rupee Account	21	1,411,644
OD Account	12,989,844	-
With Druk PNB Bank	1,701,321	-
	<u>14,691,342</u>	<u>1,411,801</u>
<b>NOTE 6 : LOANS AND ADVANCES</b>		
Security Deposit	1,335,856	1,352,089
	<u>1,335,856</u>	<u>1,352,089</u>
<b>NOTE 7 : TRADE RECEIVABLES</b>		
Amounts due from Related Parties	62,769,743	77,394,667
Amounts due from other parties	30,588,663	43,408,757
	<u>93,358,407</u>	<u>120,803,424</u>



	As at 31st December, 2017 ( Nu )	As at 31st December, 2016 ( Nu )
<b>NOTE 8 : EQUITY FUND</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
55,00,000 Equity Shares of Nu 100/- each ( Previous Year 55,00,000 Equity Shares of Nu 100/- each )	550,000,000	550,000,000
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
28,99,424 Equity Shares of Nu 100/- each, fully paid-up		
Grindwell Norton Limited, India	202,959,700	202,959,700
Singye Group of Companies Private Limited, Bhutan	86,982,700	86,982,700
<b>Total Share Capital</b>	289,942,400	289,942,400
<b>NOTE 9 : INCOME &amp; RETAINED EARNINGS</b>		
Profit/(Loss) After Tax	42,236,907	50,974,216
Add: Balance brought forward from previous year	66,032,875	15,058,659
<b>Total Retained Earnings</b>	108,269,782	66,032,875
<b>NOTE 10 : LONG TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
Term Loan from : Bank of Bhutan Ltd	13,144,880	17,822,694
Bhutan National Bank Ltd	8,294,293	11,809,955
(Secured by way of Hypothecation charge created on all the fixed assets of the company and Corporate Guarantee given by Grindwell Norton Ltd Amounting Nu 73,456,950/-.)		
	21,439,173	29,632,649
<b>NOTE 11 : LONG TERM PROVISIONS</b>		
Provision for Gratuity	2,841,750	1,174,940
Provision for Tax 2015	17,555,575	17,555,575
Provision for Tax 2016	32,443,905	32,443,905
Provision for Tax 2017	17,251,396	-
DEFERRED TAX - CREDIT	(39,273,811)	(40,129,391)
	30,818,816	11,045,030
<b>NOTE 12 : SHORT TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
Overdraft with Bank of Bhutan	-	44,185,452
( Secured by Hypothecation of Stocks, Book Debts and Extension of charge on all the Fixed Assets of the company )		
	-	44,185,452





	As at 31st December, 2017 ( Nu )	As at 31st December, 2016 ( Nu )
<b>NOTE 13 : OTHER CURRENT LIABILITIES</b>		
Trade Payable to Related Parties	292,799	292,799
Trade Payable to Other Suppliers	70,903,554	37,318,744
Trade Payables - For Capital goods	36,376	36,376
Advance Received from Customers	915,298	82,700
Interest Accrued but Not Due	314,499	407,864
TDS Liability - Contractors	709,959	(152,995)
TDS Liability - Salary	77,697	63,514
Health Contribution	13,553	12,244
Provident Fund	96,668	91,542
Other Payables to Related Parties	48,992,138	48,166,905
Other Payables	25,959,146	28,374,931
	<u>148,311,687</u>	<u>114,694,625</u>
<b>NOTE 14 : SHORT TERM PROVISIONS</b>		
Provision for Incentive	<u>2,428,277</u>	<u>2,161,031</u>
	<u>2,428,277</u>	<u>2,161,031</u>



# Saint Gobain Ceramic Materials Bhutan Private Limited

## Notes forming part of Comprehensive Income:

	For the year ended 31st December, 2017 ( Nu )	For the year ended 31st December, 2016 ( Nu )
<b>NOTE 15 : OTHER INCOME</b>		
Exchange Gain	(12,744)	3,075
Miscellaneous Income	307,318	126,509
Scrap Sales	4,359,698	4,577,323
	<u>4,654,272</u>	<u>4,706,907</u>
<b>NOTE 16 : INCREASE/(DECREASE) IN FINISHED GOODS</b>		
Opening Inventory	24,387,543	41,128,075
Closing Inventory	25,931,775	24,387,543
	<u>1,544,233</u>	<u>(16,740,532)</u>
<b>NOTE 17 : RAW MATERIAL CONSUMED</b>		
Raw Material		
Opening Inventory	16,199,363	26,423,364
Add: Purchase	229,951,972	188,541,883
Total	246,151,334	214,965,247
Less: Closing Inventory	13,824,288	16,199,363
Raw Material Consumed	232,327,046	198,765,884
Add: Opening WIP	19,947,535	17,702,211
Total	252,274,581	216,468,095
Less: Closing WIP	21,318,091	19,947,535
	<u>230,956,491</u>	<u>196,520,560</u>
<b>NOTE 18 : EMPLOYEES' REMUNERATION AND BENEFITS</b>		
Salary	17,933,204	17,678,004
Employer's Contribution to P.F	575,109	544,916
Gratuity	1,989,176	126,000
Staff Welfare Expenses	7,220,608	5,394,753
	<u>27,718,097</u>	<u>23,743,674</u>



# Saint Gobain Ceramic Materials Bhutan Private Limited

	For the year ended 31st December, 2017 ( In Nu )	For the year ended 31st December, 2016 ( In Nu )
<b>NOTE 19 : OPERATING &amp; OTHER EXPENSES</b>		
Consumption of Stores & Spares	10,793,472	9,304,140
Power Cost	178,932,214	184,000,179
Rent	3,559,013	3,566,361
Repairs & Maintenance - Civil	705,681	875,434
Repairs & Maintenance - Plant & Machinery	40,844,585	40,972,202
Selling Exp	3,487,500	3,435,000
Provision for Doubtful Advance	432,889	485,212
Security Expenses	1,759,788	1,746,975
Travelling & Conveyance Expenses	2,279,330	2,456,898
Audit Fees	250,000	250,000
Audit Expenses	18,464	59,286
Guest House Expenses	118,967	191,356
Hire Charges	33,811,836	31,430,351
Insurance	3,038,027	3,205,967
License Fees	13,005	48,450
Bank Charges	1,040,234	1,179,217
Communication Expenses	2,241,940	1,778,313
Misc Expenses	1,285,243	1,277,218
Printing & Stationary	333,289	312,824
Freight Charges	280,719	448,800
	<u>285,226,194</u>	<u>287,025,383</u>
<b>NOTE 20 : FINANCE COST</b>		
Interest on :		
Term Loan	3,193,681	6,496,313
Working Capital	3,341,843	4,349,754
	<u>6,535,524</u>	<u>10,846,067</u>





**Schedules Forming Part of the Accounts:**

**Schedule -21: Significant Accounting Policy and Notes to Accounts**

**Preparation of Financial Statements in compliance with the Bhutanese Accounting Standards for Small & Medium Enterprises**

Financial Statements have been prepared in compliance with the Bhutanese Accounting Standards for Small & Medium Enterprises.

**(i) Significant Accounting Policies**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared in accordance with the historical cost convention and are based on assumptions of going concern, consistency and accrual basis (except for Cash Flow Statement).

**(b) Basic Financial Instruments**

Debt assets and liabilities that have no stated interest rate and are classified as current assets or current liabilities have been measured at an undiscounted amount minus any repayments of the principal. Financial liability on account of bank borrowing is booked based on the effective interest rate charged by the bank.

**(c) Inventories**

Inventories are valued at lower of cost (including costs directly related to the units of production as well as cost of conversion on the basis of the normal capacity of the production facilities) and estimated selling price less costs to complete and sell.

**(d) Property, Plant and Equipment**

Property, Plant and Equipment are valued at cost of acquisition / construction including inward freight, duties and taxes and incidental expenses relating to acquisition / construction.

Depreciation on cost of assets is provided on straight line method in consideration of the estimated life of the assets. However, in order to arrive tax liability, due consideration has been given for depreciation rates as prescribed under Rules on the Income Tax Act of the Kingdom of Bhutan 2001.

Major spare parts and stand-by equipment with expected life expectancy exceeding 12 months have been classified as Property, Plant and Equipment. Similarly, machine specific spare parts and servicing equipment have been capitalized and considered as addition to Property, Plant and Equipment instead of accounting as revenue expenditure.

**(e) Leases**

Lease payments for leasehold land held by the Company for its manufacturing unit is under operating lease which is recognized as expense and is subject to revision from time to time as and when notified by the Lessor.



**(f) Provisions and Contingencies**

Provision has been made based on the actual payment required to be made to settle the obligation at the reporting date. Contingent liability is provided for only in such cases where obligation on the reporting date is not recognized but there is possibility of transfer of economic benefits in future settlement.

**(g) Revenue**

Sales are recognized when goods are supplied. Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured after taking into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed. All amounts such as sales taxes, goods and services taxes and value added taxes etc. collected on behalf of third parties are excluded from sales.

**(h) Impairment of Assets**

The recoverable amount of cash generating units are compared against the carrying amount of such assets only in case where there is indication of any asset being impaired. Impairment of inventories is assessed by comparing the carrying amount with its selling price less costs to complete and sell.

**(i) Employee Benefits**

The Company recognizes the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the Company during the financial year. The post-employment benefit is covered through investment of fund in a separate account on the basis of actuarial valuation done for gratuity liability at the end of the year. The said investment for gratuity liability is not market linked and comes under defined contribution plan.

**(j) Income Tax**

Tax liability is recognized on taxable profit for the current and past periods using the tax rates and laws that have been enacted by the reporting date. The tax paid in advance of the pending assessments are treated as advance tax. Temporary differences arising between the tax liability computed for taxable profit as well as tax liability for the assets and liabilities in the statement of financial position and the recognition of such tax liability by the tax authorities have been treated as deferred tax assets/liabilities.

**(k) Foreign Currency Translation**

Bank Balance in Foreign Currency Account has been converted at the close of the year into Ngultrum at the rates of exchange prevailing on the closing date as per balance confirmation from Company's Bankers and the foreign exchange difference is dealt with in the accounts accordingly.





(ii) Notes on Accounts

- (a) Saint Gobain Ceramic Materials Bhutan Private Limited is a foreign direct investment by Grindwell Norton Limited for manufacture of Silicon Carbide Crude and Grain in Pasakha Industrial Estate jointly with Singye Group of Companies Private Limited. It is a joint venture agreement between Grindwell Norton Limited and Singye Group of Companies Private Limited, who hold equity shares in the ratio of 7:3 respectively. No shares has been issued during the year.

Address of registered office: L-14, Pasakha Industrial Estate, Pasakha, Bhutan.

- (b) Estimated Capital commitments (net of advance) not provided for Nil (P.Y. Nil ).
- (c) Bank of Bhutan has incorrectly recorded charging interest and repayment of Term Loan which is not considered in the accounts since, bank has informed this will be rectified in their books in 2018.

(d) Auditors' Remuneration:	Current Year	Previous Year
	<u>Nu.</u>	<u>Nu.</u>
(i)As Auditors		
Audit Fee	250,000	250,000
Out of pocket expenses	<u>18,464</u>	<u>59,286</u>

- (e) Related Party Disclosure:

A) List of Related Parties:

Key Management Personnel:\*

- Anand Yashvant Mahajan, Chairman
- Ugen Tsechup Dorji, Vice Chairman
- Krishna Prasad Karunakaran Nair, Director
- Aum Dechen Jamyang, Director
- Deepak Chindarkar, Director

Associates:

- Saint-Gobain Abrasives Inc., U.S.A. \*
- Saint-Gobain Promotion et Participations Internationales, France. \*
- Singye Agencies
- Zimdra Industries Private Limited

Co-venturers:

- Grindwell Norton Limited
- Singye Group of Companies Private Limited

Enterprises controlling through subsidiaries:\*

- Compagnie de Saint – Gobain, France





B) Transaction with Related Parties during the year ended 31<sup>st</sup> December 2017:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	517,999	517,999
			(P.Y. 450,000)	(P.Y. 450,000)
Guarantee Commision	-	-	848,424	848,424
			(P.Y. 841,080)	(P.Y. 841,080)
Sales	-	-	456,542,343	456,542,343
			(P.Y. 404,337,578)	(P.Y. 404,337,578)
Management Service /Royalty	-	-	20,021,772	20,021,772
			(P.Y. 20,218,029)	(P.Y. 20,218,029)
Selling Expense	-	-	3,487,500	3,487,500
			(P.Y. 3,435,000 )	(P.Y. 3,435,000 )
Management Fees	-	-	14,787,000	14,787,000
			(P.Y. 14,787,000)	(P.Y. 14,787,000)
Debtors as at 31 <sup>st</sup> December 2017	-	-	62,769,743	62,769,743
			(P.Y 77,394,667)	(P.Y 77,394,667)
Creditors as at 31 <sup>st</sup> December 2017	292,799	-	48,991,978	49,284,777
	(P.Y. 292,799)	-	(P.Y. 48,166,744)	(P.Y. 48,459,543)

In addition to the above Corporate Guarantee has been given by Grindwell Norton Limited amounting to Nu 73,456,950 (P.Y Nu 73,456,950) being 35% of the sanctioned limit of the term loan of Nu 269,807,000.

(f) (1) Excess TDS of Nu 1,500,000 has been deposited by company against payment made to A.S.Logistics for the month of March, 2016 by mistake. The company has written to Department of Revenue & Customs requesting permission to adjust the same against payments to be made to A.S.Logistics in future which was endorsed by Tax Officer. Unadjusted balance lying is Nu165,860 at the yearend.

(f) (2) RRCO has sent CIT assessment for the income years 2011-14 & 2015-16 and levied an additional tax liability of Nu 10.4 &9.2 million respectively.The company will go on further appeal in the matter.



## (f) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	1028.00	10,892,678	MT	1234.66	13,824,288
Quartz	MT	1371.00	5,306,684	MT	0	0

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	14843.28	165,287,971	MT	14096.22	140,611,676
Quartz	MT	17017.91	67,039,075	MT	16033.88	58,154,209

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	297.12	14,058,831	MT	248.87	12,763,587
Met Crude	MT	108.00	4,478,043	MT	148.00	6,651,366
Grain	MT	41.30	2,491,079	MT	54.55	3,453,418

iv) Opening and Closing Stock of Work in Progress						
BOM	MT	1533.94	14,506,960	MT	1549.07	15,429,586
BFS	MT	132.96	5,440,576	MT	133.00	5,888,505

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1	MT	4915.90	243,412,923	MT	5058.06	270,500,228
Unsorted	MT	0	0	MT	37.22	18,79,610
MET 80/85	MT	3000.95	174,586,537	MT	2881.10	166,944,836
Grain	MT	3007.70	253,465,048	MT	2724.65	231,735,256
SIC – M	MT	390.00	19,130,992	MT	458.00	21,767,400
<b>Total</b>	<b>MT</b>	<b>11314.55</b>	<b>690,595,500</b>	<b>MT</b>	<b>11159.03</b>	<b>692,827,330</b>

(g) (1) All financial instruments held are basic financial instruments. No financial asset or liability is being held that requires amortization against maturity amount. None of the financial asset have been considered as requiring impairment.

## (g) (2) Secured Loans :

Term Loan due within 12 months	9,257,644
Term Loan due after 12 months	12,181,529
	21,439,173

## (g) (3) Trade Receivables :

Due for more than 6 months	1,192,964
Others	92,165,443
	93,358,407





- (h) The total future minimum lease payments under non-cancellable operating lease is as below:

Remaining tenor of the lease (Year)	1	1 to 5	Later than 5
Minimum Lease Payments (Nu.)	3,154,071	13,593,112	25,842,360

The Lease has been made with Ministry of Economic Affairs, Phuentsholing, Kingdom of Bhutan for a period of 16 years with effect from 15-07-2011. The rent and the penal interest (imposed on failure to pay the rent and other dues on time) as specified in the lease agreement is subject to revision from time to time and shall be applicable as and when notified by the Lessor.

- (i) Contingent Liability as regard unexpired bank guarantee issued in favour of IIDDD, Dept of Industry, Ministry of Economic Affairs for the purpose of security deposit in lieu of cash for Lease rent at Industrial land located at Pasakha Industrial Estate, Bhutan amounting Nu 5,03,609.36/- as on 31<sup>st</sup> Dec, 2017.
- (j) Assessment carried out does not reveal any indication of any item of asset being impaired. Similarly the exercise carried out does not reveal the carrying amount of any inventory to be higher than its selling price less costs to complete and sell.
- (k) Previous year figures have been regrouped or reclassified where ever necessary.

**For and on behalf of the Board**

  
**A Y Mahajan**  
(Chairman)

  
**Ugen Tshechup Dorji**  
(Vice Chairman)

