



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, 2018, 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, 2018, 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

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Other Branches at : New Delhi, Patna, Ranchi & Hyderabad



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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We enclose in Annexure -I, the description of the auditor's responsibilities

6. Emphasis of Matter:

Without qualifying our opinion we draw attention to the following:

- (i) Provision for the additional tax liability of Nu. 20.29 mio demanded by RRCO for the Income Year 2011-2017 has not been made in the accounts. The company has gone on appeal against the aforesaid demand.
- (ii) Fair valuation of items of Fixed Asset and remaining period of useful lives have not been estimated as per BAS – 16.
- (iii) The Company has not setup Corporate Social Responsibility Fund as required under section 165 of the Companies Act of Bhutan, 2016



7. Report on Other Legal and Regulatory Requirements

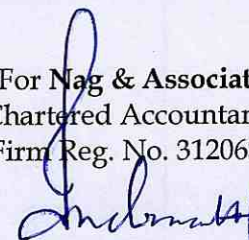
- (i) As required by the section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure-II a statement on the matters specified therein to the extent applicable.
- (ii) As required by section 265 of the Act, we report that:
- a) we have 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 31st December 2018;
- 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: Thimphu
Date : 18.04.2019

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



I.N.Nag
Partner

M. No. 050531



Annexure-I

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Annexure - II

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED
Pasakha: Bhutan
2018

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 31st December, 2018 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 31st December 2018, 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	2018	2017
Net Profit Ratio	<u>Profit After Tax</u> Income from Operation	6.47%	6.12%
Operating Ratio	<u>Operating expenses</u> Income from Operation	86.02%	88.37%
Return on Investment	<u>Net Profit After Tax</u> Shareholders' Fund	0.11	0.11
Fixed Assets Turnover Ratio	<u>Income from Operation</u> Net Block	3.14 Times	2.65 Times
Current Ratio	<u>Current Assets</u> Current Liabilities	3.13 : 1	1.37:1
Debt Equity Ratio	<u>Debt</u> Equity	1 : 799	1 : 13.52



(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: Thimphu
Date : 18.04.2019

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 31st December, 2018

	Notes	(Nu)	As at 31st December 2018 (Nu)	As at 31st December 2017 (Nu)
I. Assets:				
Non-current Assets				
Fixed Assets	1	245,333,677		260,125,618
Capital Work in Progress		6,439,249	251,772,926	7,125,787
Long Term Loans & Advances	2		68,753,345	59,258,286
Other Non-Current Assets	3		3,136,096	1,453,262
Deferred Tax Assets				
Current Assets				
(a) Inventories	4	103,555,245		94,083,659
(b) Cash and Cash Equivalents	5	46,331,972		14,691,342
(c) Loans and Advances	6	17,476,098		71,113,773
(d) Trade Receivables	7	101,718,110		93,358,407
			269,081,425	273,247,181
TOTAL :			592,743,792	601,210,134
II. Equity & Liabilities :				
Equity Fund & Retained Earnings				
Equity Fund	8		289,942,400	289,942,400
Retained Earnings	9		157,258,489	108,269,782
Non-current Liabilities:				
Long Term Borrowings and Provisions				
Secured Loans	10	-		21,439,173
Provisions	11	54,798,662	54,798,662	30,818,816
				52,257,988
Current Liabilities:				
Other Liabilities and Provisions				
(a) Liabilities	12	86,963,707		148,311,687
(b) Provisions	13	3,780,534	90,744,241	2,428,277
				150,739,964
TOTAL :			592,743,792	601,210,134

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

20

The accompanying notes 1 to 20 are an integral part of the Financial Statements

In terms of our report attached

For Nag & Associates

Chartered Accountants

Firm Registration no. 312063E

I. N. Nag

Partner

Membership No: 050531



For and on behalf of the Board

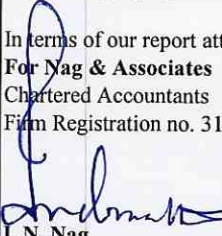

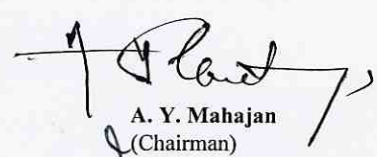

(Signature)
A. Y. Mahajan
(Chairman)

(Signature)
Ugen Tsechup Dorji
(Vice Chairman)

Place : Phuentsholing

Date : 18.04.2019

Saint Gobain Ceramic Materials Bhutan Private Limited
Statement of Comprehensive Income for the year ended 31st December, 2018

	Notes	For the year ended 31st December, 2018 (Nu)	For the year ended 31st December, 2017 (Nu)
INCOME			
Sales (Net of Discount)		771,280,440	690,595,500
Other Income	14	3,641,908	4,654,272
Increase/(Decrease) in Finished Goods	15	(9,422,273)	1,544,233
Total		765,500,075	696,794,005
EXPENDITURE			
Raw Material Consumed	16	276,663,042	230,956,491
Employees' Remuneration and Benefits	17	30,771,617	27,718,097
Operating and Other Expenses	18	301,380,435	285,226,194
Freight Outward		17,124,900	25,032,080
Finance Cost	19	200,379	6,535,524
Depreciation	1	29,683,181	26,172,965
Management Fees		14,787,000	14,787,000
Management Service		22,742,855	20,021,772
		693,353,409	636,450,122
Profit/(Loss) Before Tax		72,146,666	60,343,883
Provision for Taxation 2015		(457,586)	-
Provision for Taxation 2016		(145,564)	-
Provision for Taxation 2017		(625,065)	(17,251,396)
Provision for Taxation 2018		(21,104,572)	-
Deffered Tax		(825,172)	(855,580)
Profit/(Loss) After Tax		48,988,707	42,236,907
Add: Balance brought forward from previous year		108,269,782	66,032,875
Balance carried to Statement of financial position		157,258,489	108,269,782
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		48,988,707	42,236,907
Total comprehensive Income for the period attributable to:			
(i) non-controlling interest		-	-
(ii) owners of the parent		48,988,707	42,236,907
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS			
	20		
The accompanying notes 1 to 20 are an integral part of the Financial Statements			
In terms of our report attached For Nag & Associates Chartered Accountants Firm Registration no. 312063E		For and on behalf of the Board	
 I. N. Nag Partner Membership No: 050531		 A. Y. Mahajan (Chairman)	 Ugen Tsechup Dorji (Vice Chairman)
Place : Phuentsholing			
Date : 18.04.2019			

Saint Gobain Ceramic Materials Bhutan Private Limited
Statement of Cash Flows for the year ended 31st December, 2018

	For the Year Ended 31st December, 2018		For the Year Ended 31st December, 2017	
	(In Nu)	(In Nu)	(In Nu)	(In Nu)
Net Profit after Tax	48,988,707		42,236,907	
Add: Depreciation charged to Profit and Loss	29,683,181		26,172,965	
Asset Written off	-		956,564	
(Increase)/Decrease in stock	(9,471,585)		8,962,743	
(Increase)/Decrease in Debtors	(8,359,704)		27,445,017	
Decrease/(Increase) in Loans & Advances	42,459,781		(79,487,345)	
(Decrease)/Increase in Payables	(36,015,877)		9,472,642	
Net cash flow from operating activities		67,284,503		35,759,492
Capital expenditure (Note 1)	(14,204,701)		(14,286,474)	
Net cash (outflow)/inflow from investing activities		(14,204,701)		(14,286,474)
Net cash inflow/(outflow) before financing		53,079,802		21,473,018
Repayment of Term Loan	(21,439,173)		(8,193,477)	
Net cash (outflow)/inflow from financing		(21,439,173)		(8,193,477)
Net Increase/(Decrease) in Cash & Cash Equivalents		31,640,630		13,279,542
Add: Opening Balance		14,691,342		1,411,801
Cash & Cash Equivalents as on 31.12.2018		46,331,972		14,691,342

Notes :

1. Capital expenditure

Payments to acquire tangible fixed assets

(14,891,239)

(12,222,546)

Payment for Capital Work-in-Progress

686,538

(2,063,928)

(14,204,701)

(14,286,474)

2. Cash & Cash Equivalents Comprise :

Cash and Bank Balances

46,331,972

14,691,342

This is the Cash Flow Statement referred to our report of even date.

For Nag & Associates

For and on behalf of the Board

Chartered Accountants

Firm Registration no. 312063E

I. N. Nag

Partner

Membership No: 050537



A. Y. Mahajan
(Chairman)

Ugen Tsechup Dorji
(Vice Chairman)

Place : Phuentsholing

Date : 18.04.2019

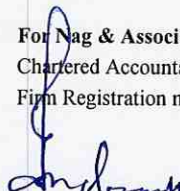
Saint Gobain Ceramic Materials Bhutan Private Limited

Statement Of Changes In Equity Year ended 31st December, 2018

Statement of Changes in Equity	Share capital (Nu.)	Retained earnings (Nu.)	Total (Nu.)
Balance as at 01 January 2018	289,942,400	108,269,782	398,212,182
Shares Issued/(Redeemed) during the year			
Profit/(Loss) for the year		48,988,707	48,988,707
Securities premium			
Transfers			
Balance as at 31st December 2018	289,942,400	157,258,489	447,200,889
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 31 December 2017	289,942,400	108,269,782	398,212,182

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 : 18.06.2019

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 01.01.2018	Addition	Deletion	As at 31.12.2018	As at 01.01.2018	On Write Off	For the year / As at 31.12.2018	As at 31.12.2018		As at 31.12.2017
Building	3	280,725,175	6,685,483	-	287,410,658	67,950,498		10,818,236	78,768,734	208,641,924	212,774,677
Computer	15	1,020,308	60,633	-	1,081,141	626,050		150,336	776,386	304,755	394,458
Furniture & Fixtures	15	2,011,323	34,800	-	2,046,123	1,653,676		133,264	1,786,940	259,183	357,647
Vehicles	15	2,489,161	-	-	2,489,161	492,429		365,642	858,071	1,631,090	1,996,732
Equipment	15	8,199,079	723,668	-	8,922,747	6,420,619		839,652	7,260,271	1,662,476	1,778,460
Plant and Machinery	15	353,760,001	7,386,655	-	361,146,656	310,936,356		17,376,051	328,312,407	32,834,249	42,823,645
Total		648,205,247	14,891,239	-	663,096,486	388,079,628	-	29,683,181	417,762,809	245,333,677	260,125,618
Previous Year		656,495,245	12,222,546	20,512,544	648,205,247	381,462,644	19,555,980	26,172,965	388,079,629	260,125,618	
CWIP		-	-	-	-	-	-	-	-	6,439,249	7,125,787



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes Forming Part of the Statement of Financial Position:

	As at 31st December, 2018 (Nu)	As at 31st December, 2017 (Nu)
NOTE 2 : LONG TERM LOANS AND ADVANCES		
Security Deposit	70,500	69,500
Advance Tax 2015	18,013,161	17,555,575
Advance Tax 2016	32,778,774	32,633,210
Advance Tax 2017	17,876,461	9,000,000
Advance Tax 2018	14,449	-
	<u>68,753,345</u>	<u>59,258,286</u>
NOTE 3 : OTHER NON-CURRENT ASSETS		
Foreign Currency Account	221,465	201,906
Gratuity Fund deposit - RICBL	2,914,631	1,251,356
	<u>3,136,096</u>	<u>1,453,262</u>
NOTE 4 : INVENTORIES		
Raw Material	42,323,180	13,824,288
Work In Progress	19,594,298	21,318,091
Finished Goods	16,509,502	25,931,775
Stores & Spares	25,128,265	33,009,505
	<u>103,555,245</u>	<u>94,083,659</u>
NOTE 5 : CASH & CASH EQUIVALENTS		
Cash in Hand	-	157
With Scheduled Banks - Bank of Bhutan:		
Indian Rupee Account	1,971,510	21
OD Account	14,938,762	12,989,844
With Druk PNB Bank	29,421,700	1,701,321
	<u>46,331,972</u>	<u>14,691,342</u>
NOTE 6 : LOANS AND ADVANCES		
Security Deposit	6,252,469	1,335,856
Other Advances	12,066,389	70,899,158
Less: Provision for Doubtful Advance	<u>(842,760)</u>	<u>(1,121,241)</u>
	<u>17,476,098</u>	<u>71,113,773</u>
NOTE 7 : TRADE RECEIVABLES		
Amounts due from Related Parties	60,264,360	62,769,743
Amounts due from other parties	41,453,750	30,588,663
	<u>101,718,110</u>	<u>93,358,407</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes Forming Part of the Statement of Financial Position:

	As at 31st December, 2018 (Nu)	As at 31st December, 2017 (Nu)
NOTE 8 : EQUITY FUND		
SHARE CAPITAL		
AUTHORISED		
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
ISSUED, SUBSCRIBED AND PAID-UP		
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
Total Share Capital	289,942,400	289,942,400
NOTE 9 : INCOME & RETAINED EARNINGS		
Profit/(Loss) After Tax	48,988,707	42,236,907
Add: Balance brought forward from previous year	108,269,782	66,032,875
Total Retained Earnings	157,258,489	108,269,782
NOTE 10 : LONG TERM BORROWINGS		
SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd	-	13,144,880
Bhutan National Bank Ltd	-	8,294,293
(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
NOTE 11 : LONG TERM PROVISIONS		
Provision for Gratuity	3,663,638	2,841,750
Provision for Tax 2015	18,013,161	17,555,575
Provision for Tax 2016	32,589,469	32,443,905
Provision for Tax 2017	17,876,461	17,251,396
Provision for Tax 2018	21,104,572	-
Deferred Tax - Credit	(38,448,639)	(39,273,811)
	54,798,662	30,818,816



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes Forming Part of the Statement of Financial Position:

	As at 31st December, 2018 (Nu)	As at 31st December, 2017 (Nu)
NOTE 12 : OTHER CURRENT LIABILITIES		
Trade Payable to Related Parties	292,834	292,799
Trade Payable to Other Suppliers	15,049,193	70,903,554
Trade Payables - For Capital goods	-	36,376
Advance Received from Customers	1,220,611	915,298
Advance Received from Related Party Customers	1,876,410	-
Interest Accrued but Not Due	-	314,499
TDS Liability - Contractors	371,384	709,959
TDS Liability - Salary	95,617	77,697
Health Contribution	15,907	13,553
Provident Fund	115,248	96,668
Other Payables to Related Parties	35,676,384	48,991,978
Other Payables	32,250,119	25,959,306
	<u>86,963,707</u>	<u>148,311,687</u>
NOTE 13 : SHORT TERM PROVISIONS		
Provision for Incentive	3,780,534	2,428,277
	<u>3,780,534</u>	<u>2,428,277</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes forming part of Comprehensive Income:

	For the year ended 31st December, 2018 (Nu)	For the year ended 31st December, 2017 (Nu)
NOTE 14 : OTHER INCOME		
Exchange Gain	19,560	(12,744)
Miscellaneous Income	-	307,318
Scrap Sales	3,622,348	4,359,698
	<u>3,641,908</u>	<u>4,654,272</u>
NOTE 15 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	25,931,775	24,387,543
Closing Inventory	16,509,502	25,931,775
	<u>(9,422,273)</u>	<u>1,544,233</u>
NOTE 16 : RAW MATERIAL CONSUMED		
Raw Material		
Opening Inventory	13,824,288	16,199,363
Add: Purchase	303,438,141	229,951,972
Total	<u>317,262,429</u>	<u>246,151,334</u>
Less: Closing Inventory	42,323,180	13,824,288
Raw Material Consumed	<u>274,939,249</u>	<u>232,327,046</u>
Add: Opening WIP	21,318,091	19,947,535
Total	<u>296,257,340</u>	<u>252,274,581</u>
Less: Closing WIP	19,594,298	21,318,091
	<u>276,663,042</u>	<u>230,956,491</u>
NOTE 17 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	21,706,648	17,933,204
Employer's Contribution to P.F	626,844	575,109
Gratuity	749,007	1,989,176
Staff Welfare Expenses	7,689,118	7,220,608
	<u>30,771,617</u>	<u>27,718,097</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes forming part of Comprehensive Income:

	For the year ended 31st December, 2018 (In Nu)	For the year ended 31st December, 2017 (In Nu)
NOTE 18 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	10,975,642	10,793,472
Power Cost	181,375,667	178,932,214
Rent	3,649,210	3,559,013
Repairs & Maintenance - Civil	909,059	705,681
Repairs & Maintenance - Plant & Machinery	50,652,456	40,844,585
Selling Exp	4,246,250	3,487,500
Provision for Doubtful Advance	855,993	432,889
Advances written off	2,996,836	-
Security Expenses	1,787,387	1,759,788
Travelling & Conveyance Expenses	3,973,291	2,279,330
Audit Fees	250,000	250,000
Audit Expenses	37,758	18,464
Guest House Expenses	115,982	118,967
Hire Charges	33,876,352	33,811,836
Insurance	3,279,973	3,038,027
License Fees	74,400	13,005
Bank Charges	272,477	1,040,234
Communication Expenses	729,587	2,241,940
Misc Expenses	600,403	1,285,243
Printing & Stationary	448,066	333,289
Freight Charges	273,646	280,719
	<u>301,380,435</u>	<u>285,226,194</u>
NOTE 19 : FINANCE COST		
Interest on :		
Term Loan	49,407	3,193,681
Working Capital	150,972	3,341,843
	<u>200,379</u>	<u>6,535,524</u>



Schedules Forming Part of the Accounts:

Schedule -20: 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 Nu 2,474,374 (P.Y. Nil).

(c) Bank of Bhutan has incorrectly recorded interest and repayment of Term Loan which is not considered in the accounts since bank has informed that the same will be rectified in their books in 2019.

(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	37,758	18,464

(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
- Zindra 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 31st December 2018:

Nature of Transaction	Associates	Key Management Personnel	Co-ventures	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	504,951	504,951
			(P.Y. 517,999)	(P.Y. 517,999)
Guarantee Commission	-	-	16,976	16,976
			(P.Y. 848,424)	(P.Y. 848,424)
Sales	-	-	457,403,675	457,403,675
			(P.Y. 456,542,343)	(P.Y. 456,542,343)
Management Service	-	-	22,742,855	22,742,855
			(P.Y. 20,021,772)	(P.Y. 20,021,772)
Selling Expense	-	-	4,500,000	4,500,000
			(P.Y. 3,487,500)	(P.Y. 3,487,500)
Management Fees	-	-	14,787,000	14,787,000
			(P.Y. 14,787,000)	(P.Y. 14,787,000)
Debtors as at 31 st December 2018	-	-	58,387,949	58,387,949
			(P.Y. 62,769,743)	(P.Y. 62,769,743)
Creditors as at 31 st December 2018	292,834	-	35,676,384	35,969,218
	(P.Y. 292,799)	-	(P.Y. 48,991,978)	(P.Y. 49,284,777)

- (f) (1) DRC, Phuentsholing office has sent CIT assessment orders for the income years 2011-14 & 2015-17 and levied an additional tax liability of Nu 7.0 & 13.3 million respectively. The company has appealed in this matter to DRC, Thimphu.



(f) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	1234.66	13,824,288	MT	1332.98	19,232,665
Quartz	MT	0	0	MT	5370.36	23,090,515

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	15323.13	199,383,195	MT	14843.28	165,287,971
Quartz	MT	17197.88	75,556,053	MT	17017.91	67,039,075

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	318.60	15,826,991	MT	189.10	9,121,918
Met Crude	MT	148.00	6,651,366	MT	0	0
Grain	MT	54.55	3,453,418	MT	117.10	7,387,584

iv) Opening and Closing Stock of Work in Progress						
BOM	MT	1549.07	15,429,586	MT	1576.57	17,067,012
BFS	MT	133.00	5,888,505	MT	60	2,527,286

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1	MT	4901.26	243,196,207	MT	4915.90	243,412,923
Unsorted	MT	292	13,578,000	MT	0	0
MET 80/85	MT	3227.4	220,551,505	MT	3000.95	174,586,537
Grain	MT	2943.95	268,815,928	MT	3007.70	253,465,048
SIC - M	MT	438	25,138,800	MT	390.00	19,130,992
Total	MT	11802.61	771,280,440	MT	11314.55	690,595,500

(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) Trade Receivables :

Due for more than 6 months	3,644,141
Others	<u>98,073,969</u>
	<u>101,718,110</u>



- (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.)	3,345,095	14,434,661	14,100,109

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 regards unexpired bank guarantee issued in favour of IID, 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 5,49,194/- as on 31st Dec, 2018.
- (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)

