

DIRECTORS' REPORT

To

The Members,
Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd.

Your Directors have pleasure in presenting the Seventh Annual Report of your Company along with the Audited Accounts for the year ended 31st December, 2013.

Financial Highlights

	(In Nu.)	
	2013	2012
Sales	575,652,321	531,233,240
Other Income	3,499,557	5,738,365
Increase/(Decrease) in finished goods	16,643,913	74,099
Total Income	595,795,791	537,045,704
Expenditure	514,856,247	465,533,439
Profit/(Loss) before Depreciation and Tax	80,939,544	71,512,265
Depreciation	58,173,514	48,090,428
Operating Profit	22,766,030	23,421,837
Interest	25,542,514	24,653,025
Profit/(Loss) before Tax	(2,776,233)	(1,231,188)
Provision for Taxation	(18,040,934)	-
Profit / (Loss) after Tax	(20,817,167)	(1,231,188)
Balance carried forward from Last year	(48,870,001)	(47,638,813)
Balance carried to Balance Sheet	(69,987,168)	(48,870,001)

Development & Outlook

During the year under review, the operations of the Company were stable. Production in the Grain plant, which was commissioned in 2013, stabilized and the Company started selling Silicon Carbide grains directly to the customers. The sales increased during the year under review by around 8%. With the technical support from the parent company, your company will be able to improve and stabilize the production process and ensure the consistency in the quality of the product.

Auditors' Report

There is no reservation, qualification or adverse remark in the auditor's report for the financial year ended on 31st December 2013.

Auditors

M/s. S N Mukherjee & Co., Chartered Accountants, Kolkata, India, had been appointed as the Statutory Auditors of the Company by the shareholders at the Extraordinary General Meeting held on 6th January 2014 and hold office till the conclusion of ensuing Annual General Meeting. M/s. S N Mukherjee & Co., Chartered Accountants, are eligible for reappointment and have expressed their willingness to continue as the Statutory Auditors of the Company. Your Directors recommend the appointment of M/s. S N Mukherjee & Co., Chartered Accountants, Kolkata, India, as Statutory Auditors till the conclusion of the next Annual General Meeting.

Acknowledgments

Your directors take this opportunity to acknowledge with sincere gratitude the support and co-operation given by the Bhutan Government, Bank of Bhutan Limited, Vendors, Contractors and Shareholders in the completion of the project and smooth functioning of the operations.

For and on behalf of the Board of Directors


ANAND MAHAJAN
CHAIRMAN

Date: 9th May 2014

**SAINT GOBAIN CERAMIC MATERIALS
BHUTAN PRIVATE LIMITED**

**ANNUAL ACCOUNTS
&
AUDITORS' REPORT
2013**

S. N. Mukherji & Co.

Chartered Accountants

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Kolkata - 700 001

INDIA

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED
PASAKHA, BHUTAN

2013

Report on the Financial Statements

1. We have audited the accompanying financial statements of Saint Gobain Ceramic Materials Bhutan Private Limited ("Company"), which comprise of the Balance Sheet as at 31st December, 2013, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date and a summary of the Significant Accounting Policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flow of the Company in accordance with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ('the Act'). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.



Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Generally Accepted Auditing Standards. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required give a true and fair view in conformity with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000:
 - I) In the case of Balance sheet, of the state of affairs of the Company as at 31st December 2013;
 - II) In case of Profit & Loss Account, of the Loss of the Company for the year ended on that date and;
 - III) In the case of Cash Flow Statement of the movement of cash flows of the Company for the year ended on that date.



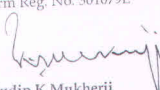
Report on Other Legal and Regulatory Requirements

6. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Part II of Schedule XIV there to (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
7. As required by Section 74(3) 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 audit.
 - (b) In our opinion, proper books of accounts required by the law have been kept by the company, so far as it appears from our examination of those books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with in this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.
 - (d) In our opinion the Balance sheet, Profit and Loss Account and the Cash Flow Statement comply with the Generally Accepted Accounting Principles and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

Place: Kolkata
Date: 07.03.2014



For S. N. Mukherji & Co.
Chartered Accountants.
Firm Reg. No. 301079E


Sudip K Mukherji
Partner
M. No. 13321

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED

PASAKHA, BHUTAN

2013

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000)

ANNEXURE REFERRED IN OUR REPORT OF EVEN DATE

1. The Company is maintaining records showing full particulars including quantitative details of fixed assets. Situation 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 physical asset register has been done.
2. No revaluation of Fixed Assets has been conducted during the year.
3. Physical verification of various stores items were carried out by the Company during the year.
4. The procedures of physical verification of stocks followed by the management are 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 our 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 stocks is the same as in the preceding year.
7. During the year the Company has availed fresh loan from Bhutan National Bank Limited. The terms and conditions of the said loan are prima facie not prejudicial to the interest of the Company.
8. The Company has not granted any loan to any party other than the normal advances to suppliers/staff etc.



9. Advance given to staff are being recovered in the normal process. Interest-free advances given to suppliers for procurement of materials are being adjusted in due course against the supply of materials. There are no advances unadjusted over a reasonable period of time.
10. The advances granted to officers/ staff are in keeping with the provisions of service rule and no excessive and frequent advances are given.
11. The Company has an established system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard assets of the Company as well as to ensure adherence to the rules/regulations and systems and procedures.
12. There is a system of competitive bidding, commensurate with the size of the Company and the nature of its business for the purchase of goods and services including stores, equipment and other assets.
13. (a) The Company has transactions for purchase and sale of goods with companies in which the directors of the Company are interested. As explained to us the prices at which goods have been purchased from the said companies are reasonable having regard to the prevailing market prices for such goods. Details of such transactions and the amounts thereof have been disclosed in Note No.(ii)(g)B of Schedule 16 of the Accounts. As far as we understand and as informed to us, such transactions are not prejudicial to the interest of the Company.

(b) In respect of purchase/sale transactions with companies in which one or more directors are also interested as referred to in paragraph 13(a) as above, our examination has revealed that such transactions are not prejudicial to the interest of the other shareholders and the Company.
14. 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 accounts.
15. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages in respect 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



16. 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. The Company is not having any saleable by-product.
17. The company is maintaining reasonable records for sales and disposal of realizable value of scraps.
18. The Company is regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authority.
19. The undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2013 are as follows:

Details	Nu.
TDS (Contractors/Suppliers)	506,209.80
TDS (Rent)	5,973.00
Health Tax	12,834.00
Salary Tax	101,969.00
Provident Fund	78,668.00

20. According to the information and explanations given to us, no personal expenses have been debited to the Profit and Loss Account other than those payable under contractual obligations/service rules of the Company.
21. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores items commensurate with the nature and size of its business.
22. The Company has carried out the necessary quantitative reconciliation for all major items of inventories of finished goods and raw materials.
23. We are given to understand that approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancy in physical/book balance of inventories including finished goods, raw materials, stores and spares.
24. The Company has a reasonable system of allocating man-hours between the Grain Plant and Crude Plant and optimum utilization of surplus labour between the said two Plants.



25. System of authorization and internal control regarding issue of stores and allocation of materials and labour is commensurate with the size of the Company and nature of its business.
26. The Company fixes the price of its product (Silicon Carbide) after taking into account the cost of production and the prevalent market conditions.
27. Credit sales policy is reasonable and there are no long outstanding receivables at the end of the year in the books of the Company.
28. Sales are not made through commission agents.
29. The system of follow-up with debtors and other parties for recovery of outstanding amounts is adequate commensurate with the nature and size of the business. The age-wise analysis of receivables has been prepared by the Company. Age-wise analysis of outstanding amount has been carried out by the management for follow-up action.
30. The management of liquid resources particularly cash/bank short term deposits etc. are adequate and excessive amount is not lying idle in non-interest bearing accounts. Withdrawals of loans are made after assessing requirement of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden to the Company.
31. 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 intravires to the Articles of Incorporation of the Company.
32. As confirmed by the management, activities/investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
33. The Company has established an effective budgetary control system.
34. Effective variance analysis is being carried out by the Company at periodic intervals and corrective action is being taken thereon.



35. There has been no payment in the form of remuneration or commission etc. to any of the key management personnel including Chief Executive Officer or any of their relatives by the Company.
36. According to the information and explanations given to us, the directives of the Board have been complied with.
37. We were given to understand that no officials of the Company have 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.

Computerized Accounting environment

1. The Company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. Adequate safeguard measures and back up facilities exist.
3. Back-up files are kept in an external hard disk. However back-up facilities and disaster recovery measures do not include keeping files in different and remote locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.



GENERAL

1. Going Concern Problem

Based on the Company's financial statements for the year ended 31st December, 2013 audited by us, the Company is healthy and is not sick and we have no reason to believe that the Company is not a going concern.

2. Ratio Analysis

Financial and operational ratios in respect of the Company are given as below:

RATIOS	2013	2012
Current Ratio (Current Assets/Current Liabilities)	1.38	1.35
Quick Ratio [Current Assets - (Inventories + Prepaid Expenses)]/(Current Liabilities - Bank Borrowings)	0.52	0.69
Fixed Assets Turnover Ratio (Sales/Fixed Asset)	1.43	1.19
Profit on Capital Employed Ratio (EBIT/Capital Employed)	0.08	0.08
Debt Equity Ratio [(Long Term Debt/(Shareholders Fund + Long Term Debt)]	0.38	0.40
Interest Coverage Ratio (EBIT/Interest)	0.89	0.95
Net Profit Ratio (Net Profit / (Loss)/Sales)	(0.04)	(0.002)



3. Compliance of Companies Act of Kingdom of Bhutan:

During the year the Company has generally complied with the Companies Act of the Kingdom of Bhutan 2000.

4. Adherence of Laws Rules & Regulations:

Audit of the Company is governed by The Companies Act of the Kingdom of Bhutan, 2000 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 : 07.03.2014



For S. N. Mukherji & Co.
Chartered Accountants.
Firm Reg. No. 301079E


Sudip K Mukherji
Partner
M. No. 13321

- (i) **Contingent Liability not provided for:** There is a notice of demand from Regional Revenue & Custom Office, Phuentsholing amounting to Nu 2,483,343 (Revised to Nu 2,476,017) for the income year 2007 - 2010 which the company has paid in 2013. However the appeal has been filed with department for waiving of penalty thereon which is under consideration and not finalized till the date of audit.
- (j) Previous year figures have been regrouped or reclassified where ever necessary.

For and on behalf of the Board


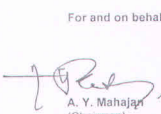



A Y Mahajan
(Chairman)


Ugen Tsechup Dorji
(Vice Chairman)


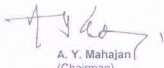
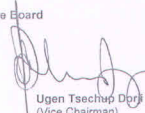



Saint Gobain Ceramic Materials Bhutan Private Limited


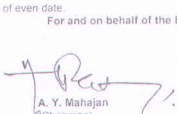


Balance Sheet as at 31st December' 2013

			As at 31st December 2013	As at 31st December 2012
Schedules	(Nu)	(Nu)	(Nu)	(Nu)
I. Sources of funds :				
(1) Shareholders Funds Capital	1		289,942,400	289,942,400
(2) Loan Funds Secured Loans	2		222,987,932	230,300,065
TOTAL :			512,930,332	520,242,465
II. Applications of funds :				
(1) Fixed Assets				
(a) Gross Block	3	623,076,314		495,309,355
(b) Less : Depreciation		229,249,449		172,424,917
(c) Net Block		393,826,865		322,884,438
(d) Capital Work-in-progress		7,751,184	401,578,049	122,374,846
(2) Current Assets, Loans, and Advances				
(a) Inventories	4	94,437,504		49,141,184
(b) Cash and Bank balances	5	2,729,696		2,400,160
(c) Loans and Advances	6	8,052,252		10,878,506
(d) Sundry Debtors	7	46,649,365		38,908,552
		151,868,817		101,328,402
Less :				
Current Liabilities and Provisions				
(a) Liabilities	8	91,073,433		72,142,145
(b) Provisions	9	19,130,269		3,073,077
		110,203,702		75,215,222
Net Current assets			41,665,115	26,113,180
(3) Profit & Loss Account			69,687,168	48,670,001
TOTAL :			512,930,332	520,242,465
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS				
	16			
The Schedules referred to above form an integral part of the Balance Sheet				
This is the Balance Sheet referred to in our report of even date.				
For S N Mukherji & Co Chartered Accountants Firm Registration no. 301079E			For and on behalf of the Board	
				
Sudip K Mukherji Partner Membership No: 13321			A. Y. Mahajan (Chairman)	
				
			Ugen Tsechup Dorji (Vice Chairman)	
Place: Kolkata				
Date: 1.3.2014				
				

Saint Gobain Ceramic Materials Bhutan Private Limited
Profit & Loss Account for the year ended 31st December, 2013

	Schedules	For the year ended 31st December, 2013 (Nu)	For the year ended 31st December, 2012 (Nu)
INCOME			
Sales (Net of Discount)		575,652,321	531,233,240
Other Income	10	3,499,557	5,738,365
Increase/(Decrease) in Finished Goods	11	16,643,913	74,099
Total		595,795,791	537,045,704
EXPENDITURE			
Raw Material Consumed	12	190,675,082	197,373,245
Employees' Remuneration and Benefits	13	23,347,919	18,620,034
Operating and Other Expenses	14	255,057,486	220,161,949
Freight Outward		13,922,403	459,700
Interest Cost	15	25,542,263	24,653,024
Depreciation	3	58,173,514	48,090,428
Management Fees		14,787,000	12,981,515
Royalty		17,066,358	15,936,997
		698,572,024	538,276,892
Profit/(Loss) Before Tax		(2,776,233)	(1,231,188)
Tax paid for the year 2007-2010		(2,476,017)	-
Provision for Taxation 2011		(5,153,522)	-
Provision for Taxation 2012		(860,079)	-
Provision for Taxation 2013		(9,551,316)	-
Profit/(Loss) After Tax		(20,817,167)	(1,231,188)
Add: Balance brought forward from previous year		(48,870,001)	(47,638,813)
Balance carried to Balance Sheet		(69,687,168)	(48,870,001)
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS			
	16		
The Schedules referred to above form an integral part of the Profit & Loss Account This is the Profit & Loss Account referred to in our report of even			
For S N Mukherji & Co Chartered Accountants Firm Registration no. 301079E		For and on behalf of the Board	
			
Siddip K Mukherji Partner Membership No: 13321		A. Y. Mahajan (Chairman)	Ugen Tsechup Dorji (Vice Chairman)
Place : Kolkata Date : 7.3.2014			

Saint Gobain Ceramic Materials Bhutan Private Limited
Cash Flow Statement for the year ended 31st December, 2013

	For the Year Ended 31st December, 2013		For the Year Ended 31st December, 2012	
	(In Nu)	(In Nu)	(In Nu)	(In Nu)
Net loss before Tax / Operating loss	(20,817,167)		(1,231,188)	
ADD: Depreciation charged to Profit and Loss	58,173,514		48,090,428	
Asset Written off	3,587,660		132,412	
(Increase)/Decrease in Loans & Advances	2,826,253		101,731	
(Increase)/Decrease in stock	(45,286,320)		11,847,751	
(Increase)/Decrease in Debtors	(7,740,813)		(8,862,918)	
Increase/(Decrease) in Payables	43,327,701		3,773,790	
Depreciation Cost transferred to CWIP	(222,642)		222,642	
Net cash flow from operating activities		33,838,187		54,074,647
Returns on investments and servicing of finance.	-		-	
Capital expenditure (Note 1)	(17,857,297)		(102,305,000)	
Net cash inflow/ (outflow) from investing activities		(17,857,297)		(102,305,000)
Net cash inflow/ (outflow) before financing		15,980,890		(48,230,352)
Financing (Note 2)	(15,651,354)		49,932,265	
Management of liquid resources	-		-	
Net cash inflow/ (outflow) from financing		(15,651,354)		49,932,265
Net Increase/ (Decrease) in Cash & Cash Equivalents		329,536		1,701,913
ADD: Opening Balance		2,400,160		898,247
Cash & Cash Equivalents as on 31.12.2013		2,729,696		2,400,160
Notes :				
1. Capital expenditure				
Payments to acquire tangible fixed assets	(132,480,959)		(1,655,714)	
Payment for Capital Work-in-Progress	114,623,662		(100,649,285)	
	(17,857,297)		(102,305,000)	
2. Financing				
Equity contribution	-		49,942,400	
Term Loan	(15,651,354)		(10,135)	
	(15,651,354)		49,932,265	
3. Cash & Cash Equivalents Comprise :				
Cash and Bank Balances	2,729,696		2,400,160	
This is the Cash Flow Statement referred to our report of even date				
For S N Mukherji & Co		For and on behalf of the Board		
Chartered Accountants				
Firm Registration no. 301079E				
				
Sudip K Mukherji Partner Membership No: 13321	A. Y. Mahajan (Chairman)	Ugen Tsechup Dorji (Vice Chairman)		
Place : Kolkata				
Date : 1.3.2014				

Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules Forming Part of the Balance Sheet:

	As at 31st December, 2013 (Nu)	As at 31st December, 2012 (Nu)
SCHEDULE 1 : CAPITAL		
AUTHORISED		
55,00,000 Equity Shares of Nu 100/- each (Previous Year 30,00,000 Equity Shares of Nu 100/- each)	550,000,000	300,000,000
ISSUED, SUBSCRIBED AND PAID-UP		
26,99,424 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
	<u>289,942,400</u>	<u>289,942,400</u>
SCHEDULE 2 : SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd Bhutan National Bank Ltd	104,651,221 69,733,708	127,232,179 82,804,104
(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 94,432,450/-.)		
Overdraft with Bank of Bhutan (Secured by Hypothecation of Stocks, Book Debts and Extension of charge on all the Fixed Assets of the company)	48,603,003	40,263,782
	<u>222,987,932</u>	<u>230,300,065</u>



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

SCHEDULE 3 : FIXED ASSETS

Particulars	Depreciation Rate (%)	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
		As at 01.01.2013	Addition	Deletion	As at 31.12.2013	Up to 01.01.2013	On Write Off	For the year	Up to 31.12.2013	As at 31.12.2013	As at 31.12.2012
Building	3	219,570,937	58,829,062	3,291,327	271,106,702	22,888,186	382,227	7,241,120	302,924,400	241,884,292	192,702,611
Computer	15	1,794,808	20,500	-	1,777,409	810,048	-	249,180	1,158,229	618,472	566,694
Furniture & Fixtures	15	1,796,597	229,585	-	1,986,172	817,048	-	494,882	1,100,211	894,446	539,235
Vehicles	15	2,173,524	-	-	2,173,524	1,544,658	-	326,026	1,870,697	302,837	525,925
Equipment	15	7,695,416	2,559,978	-	10,245,394	3,608,992	-	1,299,695	4,905,867	6,326,528	4,079,424
Plant and Machinery	15	206,365,623	70,821,824	1,422,673	326,775,084	142,676,205	784,113	46,272,204	190,184,196	145,590,888	113,099,378
Total		495,303,155	132,440,959	4,714,000	823,076,314	172,424,917	1,126,349	58,173,514	219,249,649	393,326,666	322,894,428
Previous Year		483,898,705	1,655,714	223,065	495,309,355	124,212,200	100,653	46,990,429	172,424,917	322,864,438	316,674,206
CMP		123,314,849		114,823,662	7,781,184	-	-	-	-	7,751,194	12,314,846



Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules Forming Part of the Balance Sheet:

	As at 31st December, 2013 (Nu)	As at 31st December, 2012 (Nu)
SCHEDULE 4 : INVENTORIES		
Raw Material	17,247,196	8,444,090
Work In Progress	30,629,789	16,605,079
Finished Goods	20,009,804	3,365,691
Stores & Spares	26,550,015	20,720,324
	<u>94,437,504</u>	<u>49,141,184</u>
SCHEDULE 5 : CASH & BANK		
Cash in Hand	67,607	26,809
With Scheduled Banks - Bank of Bhutan:		
Foreign Currency Account	194,755	176,548
Indian Rupee Account	1,099,145	1,254,035
Margin Money	284,800	268,400
Gratuity Account	1,083,389	674,368
	<u>2,729,696</u>	<u>2,400,160</u>
SCHEDULE 6 : LOANS AND ADVANCES		
Security Deposit	1,380,589	1,365,908
Advance Tax 2011	509,024	-
Advance Tax 2012	828,779	-
Other Advances	5,353,628	9,610,688
Less: Provision for Doubtful Advance	(19,768)	(98,390)
	<u>8,052,252</u>	<u>10,878,506</u>
SCHEDULE 7 : SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months	-	-
Other Debts	46,649,365	38,908,552
	<u>46,649,365</u>	<u>38,908,552</u>
SCHEDULE 8 : LIABILITIES		
Sundry Creditors	18,714,698	15,491,056
Sundry Creditors - For Capital goods	146,222	9,148,926
Advance Received from Customers	7,934,916	-
Interest Accrued but Not Due	1,841,850	1,630,531
TDS Liability - Contractors	508,210	348,154
TDS Liability - Salary	101,969	86,110
Health Contribution	12,834	10,810
Provident Fund	78,668	63,326
Others	61,736,066	45,363,232
	<u>91,073,433</u>	<u>72,142,145</u>
SCHEDULE 9 : PROVISIONS		
Provision for Gratuity	1,083,389	674,368
Provision for Performance Incentive	2,481,963	2,398,709
Provision for Tax 2011	5,153,522	-
Provision for Tax 2012	860,079	-
Provision for Tax 2013	9,551,316	-
	<u>19,130,269</u>	<u>3,073,077</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules forming part of the Profit & Loss Account:

	For the year ended 31st December, 2013 (Nu)	For the year ended 31st December, 2012 (Nu)
SCHEDULE 10 : OTHER INCOME		
Exchange Gain	23,286	4,918
Miscellaneous Income	36,170	180
Scrap Sales	3,361,480	5,733,267
Doubtful Advance recovered	78,622	-
	<u>3,499,557</u>	<u>5,738,365</u>
SCHEDULE 11 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	3,365,691	3,291,592
Closing Inventory	20,009,604	3,365,691
	<u>16,643,913</u>	<u>74,099</u>
SCHEDULE 12 : RAW MATERIAL CONSUMED		
Raw Material		
Opening Inventory	8,444,090	27,163,230
Add: Purchase	213,502,897	178,513,273
Total	<u>221,946,987</u>	<u>205,676,503</u>
Less: Closing Inventory	17,247,196	8,444,090
Raw Material Consumed	<u>204,699,791</u>	<u>197,232,413</u>
Add: Opening WIP	16,605,079	16,745,911
Total	<u>221,304,870</u>	<u>213,978,324</u>
Less: Closing WIP	30,629,789	16,605,079
	<u>190,675,082</u>	<u>197,373,245</u>
SCHEDULE 13 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	17,469,283	14,885,852
Employer's Contribution to P.F	451,979	368,448
Gratuity	409,021	(51,788)
Staff Welfare Expenses	5,017,636	3,417,492
	<u>23,347,919</u>	<u>18,620,034</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules forming part of the Profit & Loss Account:

	For the year ended 31st December, 2013 (In Nu)	For the year ended 31st December, 2012 (In Nu)
SCHEDULE 14 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	6,043,316	3,150,629
Power Cost	179,287,002	163,685,469
Rent	3,406,966	3,270,501
Repairs & Maintenance - Civil	4,488,776	1,019,031
Repairs & Maintenance - Plant & Machinery	27,624,796	20,404,244
Provision for Doubtful Advance	-	96,390
Security Expenses	1,627,164	1,619,798
Travelling & Conveyance Expenses	2,197,436	1,790,714
Audit Fees	280,900	289,733
Audit Expenses	106,815	52,311
Guest House Expenses	136,312	177,284
Hire Charges	18,499,079	17,026,585
Insurance	2,751,030	2,983,989
License Fees	39,780	35,755
Bank Charges	1,314,774	1,279,687
Communication Expenses	816,592	985,004
Books & Periodicals	1,450	500
Misc Expenses	1,449,337	843,716
Printing & Stationary	95,058	127,544
Write off Inventories	1,041,955	667,186
Write off Asset	3,587,660	132,412
Freight Charges	261,288	521,470
	<u>255,057,486</u>	<u>220,161,949</u>
SCHEDULE 15 : INTEREST COST		
Interest on :		
Term Loan	20,351,608	20,674,807
Working Capital	5,190,654	3,978,217
	<u>25,542,263</u>	<u>24,653,024</u>



Schedules Forming Part of the Accounts:
Schedule -16: Significant Accounting Policy and Notes to Accounts

- (i) **Significant Accounting Policies**
- (a) **Basis of preparation of accounts**
The accounts have been prepared in accordance with the historical cost convention and are based on assumptions of going concern, consistency and accrual.
- (b) **Fixed Assets**
Fixed Assets are valued at cost of acquisition / construction including inward freight, duties and taxes and incidental expenses relating to acquisition / construction & borrowing cost.
- (c) **Depreciation**
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, the due consideration has been given for depreciation rates as prescribed under Rules on the Income Tax Act of the Kingdom of Bhutan 2001.
- (d) **Foreign Currency Transactions**
Bank Balance in Foreign Currency Account has been converted at the close of the year into local currency 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.
- (e) **Contingent Liabilities**
Contingent liabilities, if any, are fully disclosed and not provided for.
- (f) **Inventories:**
Inventories are valued at lower of cost or market value. Cost is determined under weighted average method.
- (g) **Revenue Recognition:**
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.



(h) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	714.65	6,284,170	MT	1,468.04	17,111,628
Quartz	MT	735.77	2,159,920	MT	45.68	135,568

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	13,693.29	156,258,434	MT	13,498.57	151,558,786
Quartz	MT	16,383.88	48,441,357	MT	16,316.25	45,673,627

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	75.60	3,218,326	MT	201.69	9,252,909
Met Crude	MT	4.03	147,365	MT	179.00	7,196,050
Grain	MT			MT	57.75	3,123,160
Unsorted	MT			MT	10.00	437,486

iv) Opening and Closing Stock of Work in Progress						
	Unit	Quantity	Value	Unit	Quantity	Value
BOM	MT	1,440.00	13,889,761	MT	2,729.41	28,248,370
BFS	MT	74.96	2,715,318	MT	59.96	2,381,429

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1	MT	4,601.76	238,272,233	MT	6,260.12	316,584,618
MC	MT	129.82	5,572,914	MT	1,837.55	81,067,474
Unsorted	MT	1,349.73	63,686,130	MT	2,645.93	126,071,784
MET 80/85	MT	2,138.22	125,742,882	MT	136.99	7,509,364
Grain	MT	1,673.25	135,855,382	MT	-	-
SIC - M	MT	203.21	6,522,780	MT	-	-
Total	MT	10,095.99	575,652,321	MT	10,880.59	531,233,240

vi) Grain Plant Trial Production Sales						
	Unit	Quantity	Value	Unit	Quantity	Value
Grain	MT	NA	NA	MT	46.10	2,996,500
SIC - M	MT	NA	NA	MT	11.00	363,000
Total	MT			MT	57.10	33,595,000



B. Transaction with Related Parties during the year ended 31st December 2013:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	396,076	396,076
			(P.Y. 2,178,899)	(P.Y. 2,178,899)
Vehicle Expenses	-	-	-	-
	(P.Y. 78,579)	-	-	(P.Y. 78,579)
Corporate Guarantee Commission	-	-	1,061,041	1,061,041
	-	-	(P.Y. 1,031,513)	(P.Y. 1,031,513)
Project Management Expenses	-	-	-	-
	-	-	(P.Y. 5,699,460)	(P.Y. 5,699,460)
Sales	-	-	404,744,341	404,744,341
			(P.Y. 527,083,376)	(P.Y. 527,083,376)
Royalty	-	-	17,066,358	17,066,358
	-	-	(P.Y. 15,936,997)	(P.Y. 15,936,997)
Management Fees	-	-	14,787,000	14,787,000
	-	-	(P.Y. 12,981,515)	(P.Y. 12,981,515)
Debtors as at 31 st December 2013	-	-	4,494,556	4,494,556
			(P.Y. 34,879,696)	(P.Y. 34,879,696)
Creditors as at 31 st December 2013	292,799	-	43,033,520	43,326,319
	(P.Y. 292,799)	-	(P.Y. 23,640,180)	(P.Y. 23,932,979)

In addition to the above Corporate Guarantee has been given by Grindwell Norton Limited amounting to Nu 94,432,450 (PY Nu 94,432,450) being 35% of the sanctioned limit of the term loan of Nu 269,807,000.



(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.
- (b) Capital Work in Progress: Grain Plant which was started in mid of 2011 has been completed and Trial production was carried out in Dec 2012. The Grain Plant has been capitalized on Jan 19, 2013. The closing balance of Capital WIP is Nu 7,751,184.
- (c) Estimated Capital commitments (net of advance) not provided for Nu 692,696 (P.Y. 367,683)
- (d) Bank of Bhutan has wrongly charged penal interest on Term Loan (001MFIN000054) for 243,001.46 & showed receipt of 258,763.80 towards Penalty on Interest & Principal overdue in 2013 which is not considered in the accounts since bank has confirmed that this will be rectified in their books only in 2014 vide their letter No 01/LOANS/MB/07 dated 03 Jan 2014.
- (e) During the year Company has paid Personal Income Tax of an employee for Nu 104,333.75 under contractual arrangement.

(f) Auditors' Remuneration:	Current Year	Previous Year
	Nu.	Nu.
As Auditors		
Audit Fee (Current year)	250,000	250,000
Service Tax on above services	30,900	30,900
Out of pocket expenses (Prev. year)	<u>106,815</u>	<u>50,711</u>
	<u>387,715</u>	<u>331,611</u>

(g) Related Party Disclosure:

A. List of Related Parties:

Key Management Personnel:*

- A Y Mahajan, Chairman
- Ugen Tsechup Dorji, Vice Chairman
- Krishna Prasad Karunakaran Nair, Director
- Joseph Andrew Jude Pereira, Director
- Manathattai Rangaratna Ramarathnam, Director
- Aum Dechen Jamyang, Director



Associates:

- Saint-Gobain Abrasives Inc., U.S.A. *
- Societe de Participations Financieres et Industrielles, 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

