SAINT GOBAIN CERAMIC MATERIALS BHUTAN PVT. LTD.

ANNUAL ACCOUNTS
&
AUDITORS' REPORT
2014

S. N. Mukherji & Co.
Chartered Accountants
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S. N. Mukherji & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To

The Members of Saint Gobain Ceramic Materials Bhutan Private Limited

Pasakha,

Bhutan

Report on the Financial Statements

1. We have audited the attached Statement of Financial Position of **Saint Gobain Ceramic Materials Bhutan Private Limited** ('the Company'), as at 31st December, 2014, the Statement of Comprehensive Income and the Statement of Cash Flows for the year ended on that date which are in agreement with the books of accounts. 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, Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan,2000 ('the Act'). Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the 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.

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.

1-B, OLD POST OFFICE STREET, KOLKATA - 700 001, INDIA

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5. 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 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 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 Standard (BAS) and are in agreement with the books of account.

   d) in our opinion, the Statement of Financial Position, Statement of Comprehensive Income and Statement Cash Flows comply with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan 2000.

6. 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, Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ('the Act') :

   I) In the case of Statement of Financial Position, of the state of affairs of the Company as at 31st December 2014;

   II) In case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date and;

   III) In the case of Statement of Cash Flows, of the cash flows of the Company for the year ended on that date.

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

Place : Kolkata
Date : 11.05.2015

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Sudip K Mukherji
Partner
M. No. 13321

S.N.Mukherji & Co.
Chartered Accountants

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE IMITED

PASAKHA, BHUTAN

2014

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 not availed fresh loan from Bhutan National Bank Limited. The terms and conditions of the said existing loans 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 Para No.(ii)(e)B of Note No.21 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 31.12.2014 are as follows:

Details	Nu.
TDS (Contractors/Suppliers)	369,891.00
Health Tax	12,892.00
Salary Tax	87,266.00
Provident Fund	86,962.00

20. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations/service rules of the Company excepting payment of Personal Income Tax of an employee for Nu.104,333.75.

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/write in amountsdue to material loss/discrepancy in physical/book balance of inventories including, raw materials, stores and spares.

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

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, 2014 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	2014	2013
Current Ratio (Current Assets/Current Liabilities)	1.38	1.38
Quick Ratio {Current Assets – (Inventories + Prepaid Expenses)}/(Current Liabilities – Bank Borrowings)	0.94	0.52
Fixed Assets Turnover Ratio (Sales/Fixed Asset)	1.91	1.43
Profit on Capital Employed Ratio (EBIT/Capital Employed)	0.17	0.08
Debt Equity Ratio {(Long Term Debt/(Shareholders Fund + Long Term Debt)}	0.34	0.38
Interest Coverage Ratio (EBIT/Interest)	2.93	0.89
Net Profit Ratio (Net Profit / (Loss)/Sales)	8.00%	(0.04)

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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.

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

Place : Kolkata
Date : 11.05.2015

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Sudip K Mukherji
Partner
M. No. 13321

Saint Gobain Ceramic Materials Bhutan Private Limited

Statement of Financial Position as at 31st December' 2014

	Notes	(Nu)	As at 31st December 2014 (Nu)	(Nu)	As at 31st December 2013 (Nu)
I. Sources of funds :					
Equity Fund & Retained Earnings					
Equity Fund	1		289,942,400		289,942,400
Retained Earnings	2		(15,760,656)		(69,687,168)
Non-current Liabilities:					
Long Term Borrowings and Provisions					
Secured Loans	3	130,504,259		174,384,929	
Provisions	4	8,964,971	139,469,231	16,648,306	191,033,235
Current Liabilities:					
Short Term Borrowings					
Secured Loans	5		45,582,535		48,603,003
Other Liabilities and Provisions					
(a) Liabilities	6	74,229,241		91,073,433	
(b) Provisions	7	4,082,120	78,311,361	2,481,963	93,555,396
TOTAL :			537,544,871		553,446,866
II. Applications of funds :					
Non-current Assets					
Fixed Assets	8	351,058,450		393,826,866	
Capital Work in Progress		2,249,791	353,308,241	7,751,184	401,578,049
Long Term Loans & Advances	9		11,416,253		6,729,663
Other Non-Current Assets	10		1,445,645		1,562,944
Deferred Tax Assets					
Current Assets					
(a) Inventories	11	97,832,100		94,437,504	
(b) Cash and Cash Equivalents	12	3,580,909		1,166,752	
(c) Loans and Advances	13	16,307,978		1,322,589	
(d) Trade Receivables	14	53,653,746		46,649,365	
			171,374,733		143,576,209
TOTAL :			537,544,871		553,446,866

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS 21

The accompanying notes 1 to 21 are an integral part of the Financial Statements

In terms of our report attached
For S N Mukherji & Co
Chartered Accountants
Firm Registration no. 301079E

Sudip K Mukherji
Partner
Membership No: 13321

Place : Kolkata
Date : 11-05-15

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

For and on behalf of the Board

A. Y. Mahajan
(Chairman)

Ugen Tsechup Dorji
(Vice Chairman)

Saint Gobain Ceramic Materials Bhutan Private Limited
Statement of Comprehensive Income for the year ended 31st December, 2014

	Schedules	For the year ended 31st December, 2014 (Nu)	For the year ended 31st December, 2013 (Nu)
INCOME			
Sales (Net of Discount)		674,734,716	575,652,321
Other Income	15	5,002,406	3,499,557
Increase/(Decrease) in Finished Goods	16	3,359,863	16,643,913
Total		683,096,985	595,795,791
EXPENDITURE			
Raw Material Consumed		217,638,380	190,675,082
Employees' Remuneration and Benefits	17	26,343,314	23,347,919
Operating and Other Expenses	18	247,214,995	255,057,486
Freight Outward	19	23,416,284	13,922,403
Finance Cost		24,254,058	25,542,263
Depreciation	20	62,929,895	58,173,514
Management Fees	8	14,787,000	14,787,000
Royalty		19,643,270	17,066,358
		636,227,196	598,572,024
Profit/(Loss) Before Tax		46,869,789	(2,776,233)
Tax / Interest paid for the year 2007-2010		(366,383)	(2,476,017)
Provision for Taxation / Interest 2011		(1,114,680)	(5,153,522)
Provision for Taxation 2012		-	(860,079)
Provision for Taxation 2013		(426,073)	(9,551,316)
Provision for Taxation 2014		(16,260,378)	-
Deffered Tax - Credit		25,224,237	-
Profit/(Loss) After Tax		53,926,512	(20,817,167)
Add: Balance brought forward from previous year		(69,687,168)	(48,870,001)
Balance carried to Balance Sheet		(15,760,656)	(69,687,168)
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		53,926,512	(20,817,167)
Total comprehensive Income for the period attributable to:			
(i) non-controlling interest		-	
(ii) owners of the parent		53,926,512	(20,817,167)
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	21		

The accompanying notes 1 to 21 are an integral part of the Financial Statements

In terms of our report attached
For S N Mukherji & Co
Chartered Accountants
Firm Registration no. 301079E

Sudip K Mukherji
Partner
Membership No: 13321

Place : Kolkata
Date : 11-05-2015

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

For and on behalf of the Board

A. Y. Mahajan
(Chairman)

Ugen Tsechup Dorji
(Vice Chairman)

Saint Gobain Ceramic Materials Bhutan Private Limited

STATEMENT OF CHANGES IN EQUITY	As at 31st December, 2014 (Nu)	As at 31st December, 2013 (Nu)
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
Change in Equity resulting from:		
Profit/Loss	-	-
Other Income	-	-
Investments	-	-
Dividends	-	-
Other Distributions to owners resulting from:		
(a) Issue of Shares	-	-
(b) Treasury Share Transactions	-	-
(c) Dividends	-	-
(d) Other distributions to owners	-	-
Total Equity Holding	289,942,400	289,942,400
RECONCILIATION OF NUMBER OF EQUITY SHARES OUTSTANDING		
At the beginning of the year	2,899,424	2,899,424
Add: Issue during the year	-	-
As at end of the year	2,899,424	2,899,424
STATEMENT OF INCOME AND RETAINED EARNINGS		
Profit/(Loss) After Tax	53,926,512	(20,817,167)
Add: (a) Retained Earnings at the beginning of the reporting period	(69,687,168)	(48,870,001)
(b) Dividends declared/paid/payable during the period	-	-
(c) Restatement of Retained Earnings for corrections of Prior Period Errors	-	-
(d) Restatement of Retained Earnings for changes in Accounting Policy	-	-
Total Retained Earnings at the end of the reporting period	(15,760,656)	(69,687,168)

Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules Forming Part of the Statement of Financial Position:

	As at 31st December, 2014 (Nu)	As at 31st December, 2013 (Nu)
NOTE 1 : EQUITY FUND		
SHARE CAPITAL		
AUTHORISED		
55.00,000 Equity Shares of Nu 100/- each	550,000,000	550,000,000
(evious Year 55,00,000 Equity Shares of Nu 100/- each)		
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 2 : INCOME & RETAINED EARNINGS		
Profit/(Loss) After Tax	53,926,512	(20,817,167)
Add: Balance brought forward from previous year	(69,687,168)	(48,870,001)
Total Retained Earnings	**(15,760,656)**	**(69,687,168)**
NOTE 3 : LONG TERM BORROWINGS		
SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd	77,930,925	104,651,221
Bhutan National Bank Ltd	52,573,334	69,733,708
(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/-.)		
	130,504,259	174,384,929
NOTE 4 : LONG TERM PROVISIONS		
Provision for Gratuity	823,160	1,083,389
Provision for Tax 2011	6,268,202	5,153,522
Provision for Tax 2012	860,079	860,079
Provision for Tax 2013	9,977,389	9,551,316
Provision for Tax 2014	16,260,378	-
DEFFERED TAX - CREDIT	(25,224,237)	-
	8,964,971	16,648,306
NOTE 5 : SHORT TERM BORROWINGS		
SECURED LOANS		
C draft with Bank of Bhutan	45,582,535	48,603,003
(Secured by Hypothecation of Stocks, Book Debts and Extension of charge on all the Fixed Assets of the company)		
	45,582,535	48,603,003

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NOTE 6 : OTHER CURRENT LIABILITIES				
Trade Payable to Related Parties		292,799		463,024
Trade Payable to Other Suppliers		16,844,460		18,251,674
Trade Payables - For Capital goods		146,222		146,222
Advance Received from Customers		1,948,309		7,934,916
Interest Accrued but Not Due		1,336,825		1,841,850
TDS Liability - Contractors		369,891		506,210
TDS Liability - Salary		87,266		101,969
Health Contribution		12,892		12,834
Provident Fund		86,962		78,668
Other Payables to Related Parties		35,503,263		43,033,680
Other Payables		17,600,353		18,702,386
		74,229,241		91,073,433
NOTE 7 : SHORT TERM PROVISIONS				
Provision for Incentive		4,082,120		2,481,963
		4,082,120		2,481,963
NOTE 9 : LONG TERM LOANS AND ADVANCES				
Security Deposit		58,000		58,000
Advance Tax 2011		5,153,522		509,024
Advance Tax 2012		860,079		828,779
Other Advances	5,364,420		5,353,628	
Less: Provision for Doubtful Advance	(19,768)	5,344,652	(19,768)	5,333,860
		11,416,253		6,729,663
NOTE 10 : OTHER NON-CURRENT ASSETS				
Foreign Currency Account		160,845		194,755
Margin Money		284,800		284,800
Gratuity Fund deposit - RICBL		1,000,000		1,083,389
		1,445,645		1,562,944

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Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules Forming Part of the Balance Sheet:

	As at 31st December, 2014 (Nu)	As at 31st. December, 2013 (Nu)
NOTE 11 : INVENTORIES		
Raw Material	26,511,064	17,247,196
Work In Progress	17,614,714	30,629,789
Finished Goods	23,369,467	20,009,604
Stores & Spares	30,336,855	26,550,915
	97,832,100	94,437,504
NOTE 12 : CASH & CASH EQUIVALENTS		
Cash in Hand	53,167	67,607
With Scheduled Banks - Bank of Bhutan:		
Indian Rupee Account	3,527,742	1,099,145
	3,580,909	1,166,752
NOTE 13 : LOANS AND ADVANCES		
Security Deposit	1,330,589	1,322,589
Advance Tax 2013	9,977,389	-
Advance Tax 2014	5,000,000	-
	16,307,978	1,322,589
NOTE 14 : TRADE RECEIVABLES		
Amounts due from Related Parties	23,165,907	11,181,610
Amounts due from other parties	30,487,839	35,467,755
Receivables arising from accrued income not yet billed	-	-
	53,653,746	46,649,365

S.N. MUKHERJI & CO. KOLKATA Chartered Accountants

Saint Gobain Ceramic Materials Bhutan Private Limited

Schedules forming part of the Comprehensive Income:

	For the year ended 31st December, 2014 (Nu)	For the year ended 31st December, 2013 (Nu)
SCHEDULE 15 : OTHER INCOME		
Exchange Gain	1,253	23,286
Miscellaneous Income	-	36,170
Scrap Sales	5,001,153	3,361,480
Doubtful Advance recovered	-	78,622
	5,002,406	3,499,557
SCHEDULE 16 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	20,009,604	3,365,691
Closing Inventory	23,369,467	20,009,604
	3,359,863	16,643,913
SCHEDULE 17 : RAW MATERIAL CONSUMED		
Raw Material		
Opening Inventory	17,247,196	8,444,090
Add: Purchase	213,887,173	213,502,897
Total	231,134,369	221,946,987
Less: Closing Inventory	26,511,064	17,247,196
Raw Material Consumed	204,623,305	204,699,791
Add: Opening WIP	30,629,789	16,605,079
Total	235,253,094	221,304,870
Less: Closing WIP	17,614,714	30,629,789
	217,638,380	190,675,082
SCHEDULE 18 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	19,772,488	17,469,283
Employer's Contribution to P.F	526,194	451,979
Gratuity	(157,193)	409,021
Staff Welfare Expenses	6,201,825	5,017,636
	26,343,314	23,347,919

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Saint Gobain Ceramic Materials Bhutan Private Limited

	For the year ended 31st December, 2014 (In Nu)	For the year ended 31st December, 2013 (In Nu)
SCHEDULE 19 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	6,746,328	6,043,316
Power Cost	152,753,813	179,287,002
Rent	3,292,615	3,406,966
Repairs & Maintenance - Civil	2,789,462	4,488,776
Repairs & Maintenance - Plant & Machinery	35,483,126	27,624,796
Selling Exp	3,370,800	-
Security Expenses	1,693,693	1,627,164
Travelling & Conveyance Expenses	2,729,701	2,197,436
Audit Fees	250,000	280,900
Audit Expenses	154,601	106,815
Guest House Expenses	261,395	136,312
Hire Charges	27,348,994	18,499,079
Insurance	3,519,356	2,751,030
License Fees	60,945	39,780
Bank Charges	1,299,515	1,314,774
Communication Expenses	737,202	816,592
Books & Periodicals	2,200	1,450
Misc Expenses	1,084,226	1,449,337
Printing & Stationary	432,149	95,058
Write off Inventories	-	1,041,955
Write off Asset	2,644,462	3,587,660
Freight Charges	560,414	261,288
	247,214,995	255,057,486
SCHEDULE 20 : FINANCE COST		
Interest on :		
Term Loan	18,187,266	20,351,608
Working Capital	6,066,792	5,190,654
	24,254,058	25,542,263

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

NOTE 8 : FIXED ASSETS

(Nu)

Particulars	Depreciation Rate (%)	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01.01.2014	Addition	Deletion	As at 31.12.2014	Up To 01.01.2014	On Write Off	For the year	Up To 31.12.2014	As at 31.12.2014	As at 31.12.2013
Building	3	271,108,732	10,311,678	3,075,149	278,345,261	30,024,440	430,687	8,871,875	38,465,627	239,879,634	241,084,292
Computer	15	1,777,409	295,518		2,072,927	1,159,237		261,551	1,420,788	652,139	618,172
Furniture & Fixtures	15	1,996,172	204,332	-	2,200,504	1,102,031	-	302,323	1,404,355	796,149	894,140
Vehicles	15	2,173,524	-	-	2,173,524	1,870,687	-	225,828	2,096,515	77,009	302,837
Equipment	15	10,245,394	625,153		10,870,547	4,908,867		1,564,674	6,473,561	4,396,986	5,336,528
Plant and Machinery	15	335,775,084	11,369,291	-	347,144,375	190,184,196	-	51,703,644	241,887,840	105,256,535	145,590,888
Total		623,076,314	22,805,973	3,075,149	642,807,138	229,249,449	430,687	62,929,895	291,748,688	351,058,450	393,826,866
Previous Year		495,309,355	132,480,959	4,714,000	623,076,314	172,424,917	1,126,340	58,173,514	229,249,449	393,826,866	-
CWIP		7,751,184	-	5,501,393	2,249,791	-	-	-	-	2,249,791	7,751,184

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Saint Gobain Ceramic Materials Bhutan Private Limited

Cash Flow Statement for the year ended 31st December, 2014

	(In Nu)	For the Year Ended 31st December, 2014 (In Nu)	(In Nu)	For the Year Ended 31st December, 2013 (In Nu)
Net loss before Tax / Operating loss	53,926,512		(20,817,167)	
ADD: Depreciation charged to Profit and Loss	62,929,895		58,173,514	
Asset Written off	2,644,462		3,587,660	
(Increase)/Decrease in stock	(3,394,596)		(45,296,320)	
(Increase)/Decrease in Debtors	(7,004,381)		(7,740,813)	
crease/(Decrease) in Payables	(25,947,807)		43,327,701	
Depreciation Cost transferred to CWIP	-		(222,642)	
Net cash flow from operating activities		**83,154,085**		**31,011,933**
Returns on Investments and servicing of finance.	-		-	
Taxation	-		-	
(Increase)/Decrease in Loans & Advances	(19,554,679)		1,263,309	
Capital expenditure (Note 1)	(17,304,579)		(17,857,297)	
Net cash inflow/ (outflow) from investing activities		**(36,859,258)**		**(16,593,987**
Net cash inflow/ (outflow) before financing		**46,294,827**		**14,417,946**
Financing (Note 2)	(43,880,669)		(15,651,354)	
Management of liquid resources	-		-	
Net cash inflow/ (outflow) from financing		**(43,880,669)**		**(15,651,354**
Net Increase/ (Decrease) in Cash & Cash Equivalents		**2,414,157**		**(1,233,408)**
ADD: Opening Balance		**1,166,752**		**2,400,160**
Cash & Cash Equivalents as on 31.12.2014		**3,580,909**		**1,166,752**
Notes :				
1. Capital expenditure				
Payments to acquire tangible fixed assets	(22,805,973)		(132,480,959)	
Payment for Capital Work-in-Progress	5,501,393		114,623,662	
	(17,304,579)		(17,857,297)	
2. Financing				
Equity contribution	-		-	
Term Loan	(43,880,669)		(15,651,354)	
	(43,880,669)		(15,651,354)	
3. Cash & Cash Equivalents Comprise :				
Cash and Bank Balances	3,580,909		1,166,752	

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

For **S N Mukherji & Co**
Chartered Accountants
Firm Registration no. 301079E

Sudip K Mukherji
Partner
Membership No: 13321

Place : Kolkata
Date : 11-05-2015

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

For and on behalf of the Board

A. Y. Mahajan
(Chairman)

Ugen Tsechup Dorji
(Vice Chairman)

Schedules Forming Part of the Accounts:
Schedule -21: Significant Accounting Policy and Notes to Accounts

(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).and in compliance with the Bhutanese Accounting Standards for Small & Medium Enterprises as far as practicable.

(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 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, the 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 recognized as expense 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

Employee Benefits are accounted as per accrual basis. Actuarial Valuation done in respect of Gratuity Liability as on 31.12.2014 and accordingly taken in accounts.

(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 106,090 (P.Y. Nu.692,696)

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(c) Bank of Bhutan has wrongly charged penal interest on Term Loan (001MFIN000054) which is not considered in the accounts since bank has confirmed that this will be rectified in their books only in 2015.

(d) Auditors' Remuneration:	Current Year Nu.	Previous Year Nu.
(i)As Auditors		
Audit Fee (Current year)	250,000	250,000
Service Tax on above services	0	30,900
Out of pocket expenses (Prev. year)	154,601	106,815

(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
-. Manathattai Rangaratna Ramarathnam, 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

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B) Transaction with Related Parties during the year ended 31st December 2014:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	288,000	288,000
			(P.Y. 396,076)	(P.Y. 396,076)
Guarantee Commission	-	-	1,061,044	1,061,044
			(P.Y. 1,061,041)	(P.Y. 1,061,041)
Sales	-	-	404,705,628	404,705,628
			(P.Y. 404,744,341)	(P.Y. 404,744,341)
Royalty	-	-	19,643,270	19,643,270
			(P.Y. 17,066,358)	(P.Y. 17,066,358)
Selling Expense	-	-	3,370,800 (P.Y. NIL)	3,370,800 (P.Y. NIL)
Management Fees	-	-	14,787,000	14,787,000
			(P.Y. 14,787,000)	(P.Y. 14,787,000)
Debtors as at 31st December 2014	-	-	21,287,998	21,287,998
			(P.Y 4,494,556)	(P.Y 4,494,556)
Creditors as at 31st December 2014	292,799	-	35,503,103	35,795,902
	(P.Y. 292,799)	-	(P.Y. 43,033,520)	(P.Y. 43,326,319)

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.

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(f) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	1468.04	17,111,628	MT	2458.17	26,239,498
Quartz	MT	45.68	135,568	MT	85.83	271,566

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	12,766,87	160,062,912	MT	13,693,29	156,258,434
Quartz	MT	14,325.50	44,560,393	MT	16,383.88	48,441,357

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	201.69	9,252,909	MT	201.00	9,416,368
Met Crude	MT	179.00	7,196,050	MT	230.00	9,441,965
Grain	MT	57.75	3,123,160	MT	89.07	4,511,136
Unsorted	MT	10.00	437,486	MT	0	0
iv) Opening and Closing Stock of Work in Progress						
BFS	MT	2,729.41	28,248,370	MT	1,389.70	15,177,109
BOM	MT	59.96	2,381,429	MT	59.96	2,437,605

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1	MT	4,828.66	259,712,808	MT	4,601.76	238,272,233
MC	MT	0	0	MT	129.82	5,572,914
Unsorted	MT	42.00	2,121,000	MT	1349.73	63,686,130
MET 80/85	MT	2,618.15	164,239,165	MT	2,138.22	125,742,882
Grain	MT	2,702.45	240,472,673	MT	1,673.25	135,855,382
SIC – M	MT	260.99	8,189,070	MT	203.21	6,522,780
Total	MT	10,452.25	674,734,716	MT	10,095.99	575,652,321

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(g) 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.

(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.)	2,975,788	12,823,075	32,829,103

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) 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.

(j) 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)

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants