SAINT GOBAIN CERAMIC MATERIALS BHUTAN PVT.LTD.

ANNUAL ACCOUNTS
&
AUDITORS' REPORT
2015

S. N. Mukherji & Co.
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S. N. Mukherji & Co.
CHARTERED ACCOUNTANTS

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

2015

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 Statement of Financial Position as at 31st December, 2015, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date and a summary of the Significant Accounting Policies and other explanatory information. 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. 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 and International Standards on Auditing as adopted by the Accounting and Auditing Standards Board of Bhutan (AASBB). 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.

EMERALD HOUSE, 1-B, OLD POST OFFICE STREET, KOLKATA - 700 001, INDIA
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3. 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.

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 auditors' 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.

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 audit.

   (b) In our opinion, proper books of account as required by the 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, Statement of Cash Flows and the Statement of Changes in Equity dealt with in this report have been prepared in accordance with accounting principles generally accepted as well as Bhutanese Accounting Standards and are in agreement with the books of account.

   (d) In our opinion the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and the Statement of Changes in Equity,

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

comply with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

Opinion

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:

   I) In the case of Statement of Financial Position, of the state of affairs of the Company as at 31st December 2015;

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

   III) In the case of Statement of Cash Flows, of the cash flows of the Company for the period ended on that date; and

   IV) 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.

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

Place :Kolkata
Date :31-05-2016

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Sudip K Mukherji
Partner
M. No. 13321

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE IMITED

PASAKHA, BHUTAN

2015

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 any fresh loan from Bank. 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 Note No.(ii)(g)B of Schedule16 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

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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 has been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authority excepting for the following cases:

Deposit of TDS for	Amount (Nu.)	Period	Due date of deposit	Deposited as on	Remarks
3% TDS from India Contractors	147130	Oct,15	10-NOV-15	13-NOV-15	Govt Holiday declared suddenly
2% TDS from Bhutan Contractors	72964	Oct,15	10-NOV-15	13-NOV-15	Govt Holiday declared suddenly
TDS from Salary of employees on Health Contribution	105886	Oct,15	10-NOV-15	13-NOV-15	Govt Holiday declared suddenly
5% TDS on Rent	6420	Oct,15	10-NOV-15	13-NOV-15	Govt Holiday declared suddenly

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 31.12.2015 are as follows:

Details	Nu.
TDS (Contractors/Suppliers)	1211,097.17
TDS (Rent)	6,470.00
Health Tax	13,132.00
Salary Tax	101,419.00
Provident Fund	88,798.00

20. According to the information and explanations given to us, no personal expenses have been debited to the accounts 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.

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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.

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.

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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.

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GENERAL

1. Going Concern Problem

Based on the Company's financial statements for the year ended 31st December, 2015 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	2015	2014
Current Ratio (Current Assets/Current Liabilities)	1.34	1.38
Quick Ratio {Current Assets – (Inventories + Prepaid Expenses)}/(Current Liabilities – Bank Borrowings)	0.53	0.94
Fixed Assets Turnover Ratio (Sales/Fixed Asset)	2.23	1.91
Profit on Capital Employed Ratio (EBIT/Capital Employed)	0.21	0.17
Debt Equity Ratio {(Long Term Debt/(Shareholders Fund + Long Term Debt)}	0.20	0.34
Interest Coverage Ratio (EBIT/Interest)	3.28	2.93
Net Profit Ratio (Net Profit / (Loss)/Sales)	6.77%	8.00%

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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 :31-05-2016

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' 2015

	Notes	(Nu)	As at 31st December 2015 (Nu)	(Nu)	As at 31st December 2014 (Nu)
I. Applications of funds :					
Non-current Assets					
Fixed Assets	1	291,821,406		351,058,450	
Capital Work in Progress		2,438,060	294,259,466	2,249,791	353,308,241
Long Term Loans & Advances	2		64,539,254		11,416,253
Other Non-Current Assets	3		1,589,358		1,445,645
Deferred Tax Assets					
Current Assets					
(a) Inventories	4	118,934,017		97,832,100	
(b) Cash and Cash Equivalents	5	4,630,743		3,580,909	
(c) Loans and Advances	6	1,361,089		16,307,978	
(d) Trade Receivables	7	43,726,199		53,653,746	
			168,652,048		171,374,733
TOTAL :			529,040,125		537,544,871
II. Sources of funds :					
Equity Fund & Retained Earnings					
Equity Fund	8		289,942,400		289,942,400
Retained Earnings	9		15,058,659		(15,760,656)
Non-current Liabilities:					
Long Term Borrowings and Provisions					
Secured Loans	10	77,108,517		130,504,259	
Provisions	11	21,437,670	98,546,187	8,964,971	139,469,231
Current Liabilities:					
Short Term Borrowings					
Secured Loans	12		31,382,644		45,582,535
Other Liabilities and Provisions					
(a) Liabilities	13	91,604,544		74,229,241	
(b) Provisions	14	2,505,692	94,110,236	4,082,120	78,311,361
TOTAL :			529,040,125		537,544,871

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

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Place : Kolkata
Date : 31/05/2016

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, 2015

	Notes	For the year ended 31st December, 2015 (Nu)	For the year ended 31st December, 2014 (Nu)
INCOME			
Sales (Net of Discount)		651,010,893	674,734,716
Other Income	15	5,719,761	5,002,406
Increase/(Decrease) in Finished Goods	16	17,758,608	3,359,863
Total		674,489,261	683,096,985
EXPENDITURE			
Raw Material Consumed	17	210,099,117	217,638,380
Employees' Remuneration and Benefits	18	23,119,455	26,343,314
Operating and Other Expenses	19	260,001,690	247,214,995
Freight Outward		19,573,609	23,416,284
Finance Cost	20	19,286,137	24,254,058
Depreciation	1	64,583,187	62,929,895
Management Fees		14,787,000	14,787,000
Royalty		18,985,365	19,643,270
		630,435,560	636,227,196
Profit/(Loss) Before Tax		44,053,701	46,869,789
Tax / Interest paid for the year 2007-2010		-	(366,383)
Provision for Taxation / Interest 2011		-	(1,114,680)
Provision for Taxation 2013		-	(426,073)
Provision for Taxation 2014		-	(16,260,378)
Provision for Taxation 2015		(17,555,575)	-
Deffered Tax - Credit		4,321,189	25,224,237
Profit/(Loss) After Tax		30,819,315	53,926,512
Add: Balance brought forward from previous year		(15,760,656)	(69,687,168)
Balance carried to Balance Sheet		15,058,659	(15,760,656)
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		30,819,315	53,926,512
Total comprehensive Income for the period attributable to:			
(i) non-controlling interest		-	
(ii) owners of the parent		30,819,315	53,926,512
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 : 31/05/2016

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, 2015 (Nu)	As at 31st December, 2014 (Nu)
SHARE CAPITAL		
AUTHORISED		
55,00,000 Equity Shares of Nu 100/- each	550,000,000	550,000,000
(Previous 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**
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	30,819,315	53,926,512
Add: (a) Retained Earnings at the beginning of the reporting period	(15,760,656)	(69,687,168)
(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	**15,058,659**	**(15,760,656)**

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

NOTE 1 : FIXED ASSETS

(Nu)

Particulars	Depreciation Rate (%)	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 01.01.2015	Addition	Deletion	As at 31.12.2015	Up To 01.01.2015	On Write Off	For the year	Up To 31.12.2015	As at 31.12.2015	As at 31.12.2014
Building	3	278,345,261	1,173,142	-	279,518,403	38,465,627	-	9,782,760	48,248,388	**231,270,015**	239,879,634
Computer	15	2,072,927	126,950	164,000	2,035,877	1,420,788	163,999	267,381	1,524,170	**511,707**	652,139
Furniture & Fixtures	15	2,200,504	204,523	38,390	2,366,637	1,404,355	38,386	301,973	1,667,942	**698,695**	796,149
Vehicles	15	2,173,524	974,820	843,569	2,304,775	2,096,515	843,568	189,177	1,442,124	**862,651**	77,009
Equipment	15	10,870,547	434,667	-	11,305,215	6,473,561	-	1,619,190	8,092,752	**3,212,463**	4,396,986
Plant and Machinery	15	347,144,375	2,432,049	-	349,576,424	241,887,840	-	52,422,705	294,310,547	**55,265,877**	105,256,535
Total		**642,807,138**	**5,346,151**	**1,045,959**	**647,107,330**	**291,748,688**	**1,045,953**	**64,583,187**	**355,285,924**	**291,821,406**	351,058,450
Previous Year		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	
CWIP		2,249,791	188,269	-	2,438,060	-	-	-	-	2,438,060	2,249,791

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Saint Gobain Ceramic Materials Bhutan Private Limited

Notes Forming Part of the Statement of Financial Position:

		As at 31st December, 2015 (Nu)		As at 31st December, 2014 (Nu)
NOTE 2 : LONG TERM LOANS AND ADVANCES				
Security Deposit		71,500		58,000
Advance Tax 2011		5,153,522		5,153,522
Advance Tax 2012		860,079		860,079
Advance Tax 2013		9,977,389		9,977,389
Advance Tax 2014		16,260,379		5,000,000
Advance Tax 2015		9,500,000		-
Other Advances	22,736,154		5,364,420	
Less: Provision for Doubtful Advance	(19,768)	22,716,386	(19,768)	5,344,652
		64,539,254		26,393,642
NOTE 3 : OTHER NON-CURRENT ASSETS				
Foreign Currency Account		211,574		160,845
Margin Money		284,800		284,800
Gratuity Fund deposit - RICBL		1,092,983		1,000,000
		1,589,358		1,445,645
NOTE 4 : INVENTORIES				
Raw Material		26,423,364		26,511,064
Work In Progress		17,702,211		17,614,714
Finished Goods		41,128,075		23,369,467
Stores & Spares		33,680,367		30,336,855
		118,934,017		97,832,100
NOTE 5 : CASH & CASH EQUIVALENTS				
Cash in Hand		44,957		53,167
With Scheduled Banks - Bank of Bhutan:				
Indian Rupee Account		4,585,786		3,527,742
		4,630,743		3,580,909
NOTE 6 : LOANS AND ADVANCES				
Security Deposit		1,361,089		1,330,589
		1,361,089		1,330,589
NOTE 7 : TRADE RECEIVABLES				
Amounts due from Related Parties		21,324,167		23,165,907
Amounts due from other parties		22,402,033		30,487,839
		43,726,199		53,653,746

	As at 31st December, 2015 (Nu)	As at 31st December, 2014 (Nu)
NOTE 8 : EQUITY FUND		
SHARE CAPITAL		
AUTHORISED		
55,00,000 Equity Shares of Nu 100/- each	550,000,000	550,000,000
(Previous 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 9 : INCOME & RETAINED EARNINGS		
Profit/(Loss) After Tax	30,819,315	53,926,512
Add: Balance brought forward from previous year	(15,760,656)	(69,687,168)
Total Retained Earnings	**15,058,659**	**(15,760,656)**
NOTE 10 : LONG TERM BORROWINGS		
SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd	43,839,221	77,930,925
Bhutan National Bank Ltd	33,269,296	52,573,334
(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/-.)		
	77,108,517	130,504,259

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

NOTE 11 : LONG TERM PROVISIONS		
Provision for Gratuity	1,176,152	823,160
Provision for Tax 2011	5,153,522	6,268,202
Provision for Tax 2012	860,079	860,079
Provision for Tax 2013	9,977,389	9,977,389
Provision for Tax 2014	16,260,378	16,260,378
Provision for Tax 2015	17,555,575	-
DEFFERED TAX - CREDIT	(29,545,426)	(25,224,237)
	21,437,670	8,964,971
NOTE 12 : SHORT TERM BORROWINGS		
SECURED LOANS		
Overdraft with Bank of Bhutan (Secured by Hypothecation of Stocks, Book Debts and Extension of charge on all the Fixed Assets of the company)	31,382,644	45,582,535
	31,382,644	45,582,535

	As at 31st December, 2015 (Nu)	As at 31st December, 2014 (Nu)
NOTE 13 : OTHER CURRENT LIABILITIES		
Trade Payable to Related Parties	292,799	292,799
Trade Payable to Other Suppliers	28,327,710	16,844,460
Trade Payables - For Capital goods	146,222	146,222
Advance Received from Customers	3,224,608	1,948,309
Interest Accrued but Not Due	897,055	1,336,825
TDS Liability - Contractors	1,217,567	369,891
TDS Liability - Salary	101,419	87,266
Health Contribution	13,132	12,892
Provident Fund	88,798	86,962
Other Payables to Related Parties	28,425,164	35,503,263
Other Payables	28,870,070	17,600,353
	91,604,544	74,229,241
NOTE 14 : SHORT TERM PROVISIONS		
Provision for Incentive	2,505,692	4,082,120
	2,505,692	4,082,120

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Saint Gobain Ceramic Materials Bhutan Private Limited

Notes forming part of the Comprehensive Income:

	For the year ended 31st December, 2015 (Nu)	For the year ended 31st December, 2014 (Nu)
NOTE 15 : OTHER INCOME		
Exchange Gain	32,267	1,253
Miscellaneous Income	396,315	-
Scrap Sales	5,291,178	5,001,153
Doubtful Advance recovered	-	-
	5,719,761	5,002,406
NOTE 16 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	23,369,467	20,009,604
Closing Inventory	41,128,075	23,369,467
	17,758,608	3,359,863
NOTE 17 : RAW MATERIAL CONSUMED		
Raw Material		
Opening Inventory	26,511,064	17,247,196
Add: Purchase	210,098,915	213,887,173
Total	236,609,978	231,134,369
Less: Closing Inventory	26,423,364	26,511,064
Raw Material Consumed	210,186,615	204,623,305
Add: Opening WIP	17,614,714	30,629,789
Total	227,801,328	235,253,094
Less: Closing WIP	17,702,211	17,614,714
	210,099,117	217,638,380
NOTE 18 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	17,317,558	19,772,488
Employer's Contribution to P.F	570,787	526,194
Gratuity	352,992	(157,193)
Staff Welfare Expenses	4,878,118	6,201,825
	23,119,455	26,343,314

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Saint Gobain Ceramic Materials Bhutan Private Limited

	For the year ended 31st December, 2015 (In Nu)	For the year ended 31st December, 2014 (In Nu)
NOTE 19 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	7,558,763	6,746,328
Power Cost	173,825,019	152,753,813
Rent	3,503,288	3,292,615
Repairs & Maintenance - Civil	1,848,698	2,789,462
Repairs & Maintenance - Plant & Machinery	29,848,785	35,483,126
Selling Exp	3,404,515	3,370,800
Security Expenses	1,708,536	1,693,693
Travelling & Conveyance Expenses	2,689,533	2,729,701
Audit Fees	250,000	250,000
Audit Expenses	130,460	154,601
Guest House Expenses	89,593	261,395
Hire Charges	26,338,783	27,348,994
Insurance	3,504,430	3,519,356
License Fees	65,670	60,945
Bank Charges	1,266,913	1,299,515
Communication Expenses	1,998,782	737,202
Books & Periodicals	-	2,200
Misc Expenses	807,379	1,084,226
Printing & Stationary	367,418	432,149
Write off Inventories	-	-
Write off Asset	5	2,644,462
Freight Charges	795,121	560,414
	260,001,690	247,214,995
NOTE 20 : FINANCE COST		
Interest on :		
Term Loan	12,758,541	18,187,266
Working Capital	6,527,595	6,066,792
	19,286,137	24,254,058

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Saint Gobain Ceramic Materials Bhutan Private Limited

Cash Flow Statement for the year ended 31st December, 2015

	(In Nu)	For the Year Ended 31st December, 2015 (In Nu)	(In Nu)	For the Year Ended 31st December, 2014 (In Nu)
Net loss before Tax / Operating loss	30,819,315		53,926,512	
ADD: Depreciation charged to Profit and Loss	64,583,187		62,929,895	
Asset Written off	5		2,644,462	
(Increase)/Decrease in stock	(21,101,917)		(3,394,596)	
(Increase)/Decrease in Debtors	9,927,546		(7,004,381)	
i. .ease/(Decrease) in Payables	14,071,685		(25,947,807)	
Net cash flow from operating activities		**98,299,821**		**83,154,085**
Returns on investments and servicing of finance.	-		-	
Taxation	-		-	
(Increase)/Decrease in Loans & Advances	(38,319,825)		(19,554,679)	
Capital expenditure (Note 1)	(5,534,420)		(17,304,579)	
Net cash inflow/ (outflow) from investing activities		**(43,854,245)**		**(36,859,258)**
Net cash inflow/ (outflow) before financing		**54,445,577**		**46,294,826**
Financing (Note 2)	(53,395,743)		(43,880,669)	
Management of liquid resources	-		-	
Net cash inflow/ (outflow) from financing		**(53,395,743)**		**(43,880,669)**
Net Increase/ (Decrease) in Cash & Cash Equivalents		**1,049,834**		**2,414,157**
ADD: Opening Balance		**3,580,909**		**1,166,752**
Cash & Cash Equivalents as on 31.12.2015		**4,630,743**		**3,580,909**
Notes :				
1. Capital expenditure				
Payments to acquire tangible fixed assets	**(5,346,151)**		**(22,805,973)**	
Payment for Capital Work-in-Progress	**(188,269)**		**5,501,393**	
	(5,534,420)		**(17,304,579)**	
2. Financing				
Equity contribution	-		-	
Term Loan	**(53,395,743)**		**(43,880,669)**	
	(53,395,743)		**(43,880,669)**	
3. Cash & Cash Equivalents Comprise :				
Cash and Bank Balances	**4,630,743**		**3,580,909**	

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

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

Sudip K Mukherji
Partner
Membership No: 13321

S. N. MUKHERJI & CO. KOLKATA Chartered Accountants

Place : Kolkata
Date : 31/05/2016

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

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

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only in such cases where obligation on the reporting date is not recognized but there is possibility of transfer of economic benefits in future settlement.

(g) Revenue

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

(h) Impairment of Assets

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

(i) Employee Benefits

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

(j) Income Tax

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

(k) Foreign Currency Translation

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

(ii) Notes on Accounts

(a) Saint Gobain Ceramic Materials Bhutan Private Limited is a foreign direct investment by Grindwell Norton Limited for manufacture of Silicon Carbide Crude and Grain in Pasakha Industrial Estate jointly with Singye Group of Companies Private Limited. It is a joint venture agreement between Grindwell Norton Limited and Singye Group of Companies Private Limited, who hold equity shares in the ratio of 7:3 respectively. No shares has been issued during the year.
Address of registered office: L-14, Pasakha Industrial Estate, Pasakha, Bhutan.

(b) Estimated Capital commitments (net of advance) not provided for Nil (P.Y. Nu.810,000).

(c) Bank of Bhutan has incorrectly recorded charging interest and repayment of Term Loan which is not considered in the accounts since, bank has informed this will be rectified in their books only in 2016

(d) Auditors' Remuneration:	Current Year Nu.	Previous Year Nu.
(i)As Auditors		
Audit Fee (Current year)	250,000	250,000
Out of pocket expenses (Prev. year)	130,460	154,601

(e) Related Party Disclosure:

A) List of Related Parties:

Key Management Personnel:*
-. Anand Yashvant Mahajan, Chairman
-. Ugen Tsechup Dorji, Vice Chairman
-. Krishna Prasad Karunakaran Nair, Director
-. Aum Dechen Jamyang, Director
-. Deepak Chindarkar, Director

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

Co-venturers:
- Grindwell Norton Limited
- Singye Group of Companies Private Limited

Enterprises controlling through subsidiaries:*
- Compagnie de Saint – Gobain, France

B) Transaction with Related Parties during the year ended 31st December 2015:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	782,489	782,489
			(P.Y. 288,000)	(P.Y. 288,000)
Guarantee Commission	-	-	949,224	949,224
			(P.Y. 1,061,044)	(P.Y. 1,061,044)
Sales	-	-	425,860,631	425,860,631
			(P.Y. 404,705,628)	(P.Y. 404,705,628)
Royalty	-	-	18,985,365	18,985,365
			(P.Y. 19,643,270)	(P.Y. 19,643,270)
Management Fees	-	-	14,787,000	14,787,000
			(P.Y. 14,787,000)	(P.Y. 14,787,000)
Selling Expense	-	-	3,404,515	3,404,515
			(P.Y. 3,370,800)	(P.Y. 3,370,800)
Debtors as at 31st December 2015	-	-	19,446,258	19,446,258
			(P.Y 21,287,998)	(P.Y 21,287,998)
Creditors as at 31st December 2015	292,799	-	28,425,004	28,717,803
	(P.Y. 292,799)	-	(P.Y. 35,503,103)	(P.Y. 35,795,902)

In addition to the above Corporate Guarantee has been given by Grindwell Norton Limited amounting to Nu 73,456,950 (P.Y 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	2458.17	26,239,498	MT	2420.72	24,276,744
Quartz	MT	85.83	271,566	MT	601.53	2,146,620

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	13202.62	153,090,880	MT	12,766.87	160,062,912
Quartz	MT	15479.64	57,095,734	MT	14,325.50	44,560,393

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	201.00	9,416,368	MT	285.47	13,671,306
Met Crude	MT	230.00	9,441,965	MT	264.00	11,079,002
Grain	MT	89.07	4,511,136	MT	110.85	7,063,801
iv) Opening and Closing Stock of Work in Progress						
BFS	MT	1,389.70	15,177,109	MT	1434.66	15,220,810
BOM	MT	59.96	2,437,605	MT	59.96	2,481,401

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1	MT	5392.55	291,034,658	MT	4,828.66	259,712,808
Unsorted	MT	58.00	2,929,000	MT	42.00	2,121,000
MET 80/85	MT	2948.16	172,151,680	MT	2,618.15	164,239,165
Grain	MT	1972.31	178,563,435	MT	2,702.45	240,472,673
SIC – M	MT	157.04	6,332,120	MT	260.99	8,189,070
Total	**MT**	**10528.06**	**651,010,893**	**MT**	**10,452.25**	**674,734,716**

(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.

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(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.)	3,065,062	13,207,767	29,379,349

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)

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