

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED

**ANNUAL ACCOUNTS
&
AUDITORS' REPORT
2016**

**Nag & Associates
Chartered Accountants
2, Chowringhee Approach,
1st Floor,
Kolkata - 700 072**



INDEPENDENT AUDITORS' REPORT

To

The Shareholders of Saint Gobain Ceramic Materials Bhutan Private Limited

Pasakha,

Bhutan

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of **Saint Gobain Ceramic Materials Bhutan Private Limited** (the Company), which comprise the Statement of Financial Position as at December 31, 2016, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and cash flows for the year ended on that date in accordance with Bhutanese Accounting Standards (BAS).

2. Basis for Opinion

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

3. Key Audit Matters

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

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



Branch at Kolkata

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Other Branches at : New Delhi, Patna & Dhanbad

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

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

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

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

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

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

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

6. Report on Other Legal and Regulatory Requirements

- (i) As required by the section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
- (ii) As required by section 265 of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books ;
 - c) the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows dealt with in this report have been prepared in accordance with accounting principles generally accepted as well as Bhutanese Accounting Standards (BAS) and are in agreement with the books of account.
 - d) in our opinion, the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Equity and Statement Cash Flows comply with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan 2016.



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

- I) In the case of Statement of Financial Position, of the state of affairs of the Company as at 31st December 2016;
- II) In case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date;
- III) In the case of Statement of Changes in Equity, of the movement of the Shareholders' Equity of the Company for the year ended on that date and;
- IV) In the case of Statement of Cash Flows of the movement of cash flows of the Company for the year ended on that date.

Place: Kolkata
Date: 28.04.2017

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


I.N.Nag
Partner
M. No. 050531



SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED
Pasakha: Bhutan
2016

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

ANNEXURE REFERED TO IN OUR REPORT OF EVEN DATE

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



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11. There is a system of obtaining competitive bidding commensurate with the size of the Company and nature of its business for the purchase of goods and services including stores, equipment and other assets.
12. As informed to us, there are transactions for purchase and sale of goods and services made in pursuance to contracts on arrangements entered into with the directors or any other parties related to directors or with the company or firms in which the directors are directly or indirectly interested which is disclosed in the accounts and such transactions are prejudicial to the interest of the Company and its shareholders.
13. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic interval. Necessary adjustments for such loss have been duly recorded in the books of account.
14. There is a reasonable system of ascertaining and identifying point of occurrence of damages of raw materials, packing materials and finished goods while such goods are in transit and during handling, storage, loading/unloading etc. so that responsibility could be fixed and compensation sought from those responsible.
15. The Company is maintaining reasonable records for production of finished goods and adequate physical safeguard exist to prevent unauthorized or irregular movement of goods from the Company.
16. The company has no saleable by products and is also maintaining reasonable records for sale and disposal of realizable value of scrap.
17. The Company has been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authority except the following:

Deposit of TDS for	Amount (Nu.)	Period	Due date of deposit	Actual date of deposit	Remarks
3% TDS from Indian Contractors	144,057.99	January 2016	10.02.2016	11.02.2016	Govt. holiday
TDS on Salary	87,700.00	January 2016	10.02.2016	11.02.2016	Govt. holiday
Health Contribution	12,612.00	January 2016	10.02.2016	11.02.2016	Govt. holiday
TDS on Rent	6,479.00	January 2016	10.02.2016	11.02.2016	Govt. holiday
TDS on LTC	344.00	January 2016	10.02.2016	11.02.2016	Govt. holiday
2% TDS from Bhutanese Contractors	73,975.00	January 2016	10.02.2016	11.02.2016	Govt. holiday
TDS on Management Fees	147,870.00	March 2016	10.04.2016	11.04.2016	Sunday



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18. Undisputed statutory dues that were outstanding as at 31st December, 2016 have been disclosed in the accounts.
19. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income excepting those payable under contractual obligations/ service rules.
20. Company maintains reasonable records for the issue and receipts of inventory commensurate with the nature and size of its business.
21. Quantitative reconciliation is carried out at the end of the accounted year in respect of all major items.
22. There exists a system of authorization at proper levels and reasonable system of internal control for issue of inventory commensurate with the size and nature of its business.
23. The company does have a system of allocating man-hours to respective jobs.
24. There exists a system of authorization at proper levels and reasonable system of internal control for issue of inventory commensurate with the size and nature of its business.
25. The Company fixed the price of its product (Silicon Carbide) after taking into the account the cost of production and the prevalent market conditions.
26. Credit sales policy is reasonable and there are no long outstanding receivables at the end of the year in the books of the Company.
27. Sales are not made through commission agents.
28. The system of follow up with debtors and other parties for recovery of outstanding dues is reasonable commensurate with the nature and size of the business. There is no old outstanding balance of debtors and advances.
29. In our opinion the management of cash and bank balance is reasonable.
30. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires to the Articles of Incorporation of the Company.
31. In our opinion, and according to the information and explanations given to us, the company has a system of approval of the Board for all capital expenditure.
32. The company has established an effective budgetary control system.



33. Effective variance analysis is being carried out by the Company at periodic intervals and corrective action is being taken thereon.
34. The company has not paid salary to the Directors including the Chief Executive Officer.
35. We were given to understand that no officials of the Company has transmitted any price sensitive information, which is not made publicly available to their relatives/friends/associates, or close persons, which would directly or indirectly benefit themselves.
36. The company has not given any machinery/equipment on lease.

Computerized Accounting Environment

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



General

(1) Going Concern Problem

Based on the company's financial statements audited by us, for the year ended 31st December 2016, we have no reason to believe that the company is not a going concern.

(2) Ratio Analysis

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

Ratio	Basis	2016	2015
Net Profit Ratio	<u>Profit After Tax</u> Income From operation	7.36%	6.77%
Operating Ratio	<u>Cost of Operation and Services</u> Income from Operation	73.22%	75.76%
Return on Investment	<u>Net Profit After Tax</u> Shareholders' Fund	0.16	0.21
Fixed Assets Turnover Ratio	<u>Income from Operation</u> Net Block	2.47 Times	2.23 Times
Current Ratio	<u>Current Assets</u> Current Liabilities	1.40:1	1.34:1
Debt Equity Ratio	<u>Debt</u> Equity	1:4.82	1:2.81

(3) Compliance of Companies Act of Bhutan 2016:

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



(4) Adherence of Laws Rules & Regulations:

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

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

Place: Kolkata
Date: 28.04.2017

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



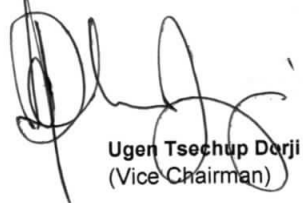



I.N.Nag
Partner
M. No. 050531

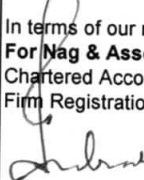

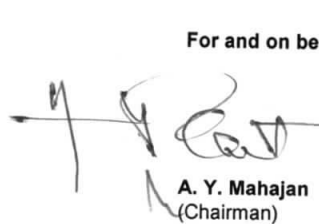



Saint Gobain Ceramic Materials Bhutan Private Limited

Statement of Financial Position as at 31st December' 2016

			As at 31st December 2016 (Nu)	As at 31st December 2015 (Nu)	
Notes	(Nu)	(Nu)	(Nu)	(Nu)	(Nu)
I. Assets:					
Non-current Assets					
Fixed Assets	1	275,032,601		291,821,406	
Capital Work in Progress		5,061,859	280,094,459	2,438,060	294,259,466
Long Term Loans & Advances	2		49,316,945		64,539,254
Other Non-Current Assets	3		1,668,941		1,589,358
Deferred Tax Assets					
Current Assets					
(a) Inventories	4	103,046,402		118,934,017	
(b) Cash and Cash Equivalents	5	1,411,801		4,630,743	
(c) Loans and Advances	6	1,352,089		1,361,089	
(d) Trade Receivables	7	120,803,424		43,726,199	
			226,613,715		168,652,048
TOTAL :			557,694,061		529,040,125
II. Equity & Liabilities :					
Equity Fund & Retained Earnings					
Equity Fund	8		289,942,400		289,942,400
Retained Earnings	9		66,032,875		15,058,659
Non-current Liabilities:					
<u>Long Term Borrowings and Provisions</u>					
Secured Loans	10	29,632,649		77,108,517	
Provisions	11	11,045,030	40,677,679	21,437,670	98,546,187
Current Liabilities:					
<u>Short Term Borrowings</u>					
Secured Loans	12		44,185,452		31,382,644
<u>Other Liabilities and Provisions</u>					
(a) Liabilities	13	114,694,625		91,604,544	
(b) Provisions	14	2,161,031	116,855,656	2,505,692	94,110,236
TOTAL :			557,694,061		529,040,125
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 Nag & Associates Chartered Accountants Firm Registration no. 312063E			For and on behalf of the Board		
 I. N. Nag Partner Membership No. 050531			 A. Y. Mahajan (Chairman)		 Ugen Tsechup Dorji (Vice Chairman)
					
Place : Kolkata					
Date : 28.04.2017					

Saint Gobain Ceramic Materials Bhutan Private Limited
Statement of Comprehensive Income for the year ended 31st December, 2016

	Notes	For the year ended 31st December, 2016 (Nu)	For the year ended 31st December, 2015 (Nu)
INCOME			
Sales (Net of Discount)		692,827,330	651,010,893
Other Income	15	4,706,907	5,719,761
Increase/(Decrease) in Finished Goods	16	(16,740,532)	17,758,608
Total		680,793,704	674,489,261
EXPENDITURE			
Raw Material Consumed	17	196,520,560	210,099,117
Employees' Remuneration and Benefits	18	23,743,674	23,119,455
Operating and Other Expenses	19	287,025,383	260,001,690
Freight Outward		27,219,411	19,573,609
Finance Cost	20	10,846,067	19,286,137
Depreciation	1	27,599,425	64,583,187
Management Fees		14,787,000	14,787,000
Royalty		20,218,029	18,985,365
		607,959,548	630,435,560
Profit/(Loss) Before Tax		72,834,156	44,053,701
Provision for Taxation 2015		-	(17,555,575)
Provision for Taxation 2016		(32,443,905)	-
Deferred Tax - Credit		10,583,965	4,321,189
Profit/(Loss) After Tax		50,974,216	30,819,315
Add: Balance brought forward from previous year		15,058,659	(15,760,656)
Balance carried to Statement of financial position		66,032,875	15,058,659
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		50,974,216	30,819,315
Total comprehensive Income for the period attributable to:			
(i) non-controlling interest		-	-
(ii) owners of the parent		50,974,216	30,819,315
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 Nag & Associates			
Chartered Accountants			
Firm Registration no. 312063E			
	For and on behalf of the Board		
			
I. N. Nag Partner Membership No. 050531	A. Y. Mahajan (Chairman)	Ugen Tsechup Dorji (Vice Chairman)	
Place : Kolkata			
Date : 28.04.2017			

Saint Gobain Ceramic Materials Bhutan Private Limited

	As at 31st December, 2016 (Nu)	As at 31st December, 2015 (Nu)
EQUITY		
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
INCOME AND RETAINED EARNINGS		
Profit/(Loss) After Tax	50,974,216	30,819,315
Add: (a) Retained Earnings at the beginning of the reporting period	15,058,659	(15,760,656)
(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	66,032,875	15,058,659



Saint Gobain Ceramic Materials Bhutan Private Limited
Statement of Cash Flows for the year ended 31st December, 2016

	For the Year Ended 31st December, 2016		For the Year Ended 31st December, 2015	
	(In Nu)	(In Nu)	(In Nu)	(In Nu)
Net loss before Tax / Operating loss	50,974,216		30,819,315	
ADD: Depreciation charged to Profit and Loss	27,599,425		64,583,187	
Asset Written off	-		5	
(Increase)/Decrease in stock	15,887,614		(21,101,917)	
(Increase)/Decrease in Debtors	(77,077,224)		9,927,546	
(Increase)/Decrease in Payables	25,155,555		14,071,685	
Net cash flow from operating activities		42,539,587		98,299,821
Returns on investments and servicing of finance.	-		-	
Taxation	-		-	
(Increase)/Decrease in Loans & Advances	15,151,725		(38,319,825)	
Capital expenditure (Note 1)	(13,434,387)		(5,534,420)	
Net cash inflow/ (outflow) from investing activities		1,717,339		(43,854,245)
Net cash inflow/ (outflow) before financing		44,256,926		54,445,577
Financing (Note 2)	(47,475,868)		(53,395,743)	
Management of liquid resources	-		-	
Net cash inflow/ (outflow) from financing		(47,475,868)		(53,395,743)
Net Increase/ (Decrease) in Cash & Cash Equivalents		(3,218,942)		1,049,834
ADD: Opening Balance		4,630,743		3,580,909
Cash & Cash Equivalents as on 31.12.2016		1,411,801		4,630,743

Notes :

1. Capital expenditure

Payments to acquire tangible fixed assets	(10,810,588)	(5,346,151)
Payment for Capital Work-in-Progress	(2,623,799)	(188,269)
	<u>(13,434,387)</u>	<u>(5,534,420)</u>

2. Financing

Equity contribution	-	-
Term Loan	(47,475,868)	(53,395,743)
	<u>(47,475,868)</u>	<u>(53,395,743)</u>

3. Cash & Cash Equivalents Comprise :

Cash and Bank Balances	1,411,801	4,630,743
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This is the Cash Flow Statement referred to our report of even date.

For **Nag & Associates**

Chartered Accountants

Firm Registration no. 312063E

I. N. Nag

Partner

Membership No. 050531



For and on behalf of the Board

(Signature)
A. Y. Mahajan
 (Chairman)

(Signature)
Ugen Tsechup Dorji
 (Vice Chairman)

Place : Kolkata

Date : 28.04.2017

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

NOTE 1 : FIXED ASSETS

Particulars	Depreciation Rate (%)	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
		As at 01.01.2016	Addition	Deletion	As at 31.12.2016	Up To 01.01.2016	On Write Off	For the year	Up To 31.12.2016	As at 31.12.2016	As at 31.12.2015
Building	3	279,518,403	534,486	-	280,052,889	48,248,388	-	9,815,429	58,063,817	221,989,072	231,270,015
Computer	15	2,035,877	44,532	-	2,080,409	1,524,170	-	114,334	1,638,504	441,905	511,707
Furniture & Fixtures	15	2,366,637	-	-	2,366,637	1,667,942	-	204,093	1,872,035	494,602	698,695
Vehicles	15	2,304,775	461,275	-	2,766,050	1,442,124	-	152,082	1,594,206	1,171,844	862,651
Equipment	15	11,305,215	116,035	-	11,421,250	8,092,752	-	834,536	8,927,288	2,493,962	3,212,463
Plant and Machinery	15	349,576,424	9,654,260	1,422,673	357,808,011	294,310,547	1,422,673	16,478,920	309,366,793	48,441,218	55,265,877
Total		647,107,330	10,810,588	1,422,673	656,495,245	355,285,924	1,422,673	27,599,425	381,462,644	275,032,601	291,821,406
Previous Year		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	
CWIP		2,438,060	2,623,799	-	5,061,859	-	-	-	-	5,061,859	2,438,060
Previous year		2,249,791	188,269	-	2,438,060	-	-	-	-	2,438,060	



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes Forming Part of the Statement of Financial Position:

	As at 31st December, 2016 (Nu)	As at 31st December, 2015 (Nu)
NOTE 2 : LONG TERM LOANS AND ADVANCES		
Security Deposit	62,500	71,500
Advance Tax 2011	-	5,153,522
Advance Tax 2012	-	860,079
Advance Tax 2013	-	9,977,389
Advance Tax 2014	-	16,260,379
Advance Tax 2015	17,555,575	9,500,000
Advance Tax 2016	9,000,000	-
Other Advances	23,131,759	22,736,154
Less: Provision for Doubtful Advance	<u>(432,889)</u>	<u>(19,768)</u>
	<u>49,316,945</u>	<u>64,539,254</u>
NOTE 3 : OTHER NON-CURRENT ASSETS		
Foreign Currency Account	214,650	211,574
Margin Money	284,800	284,800
Gratuity Fund deposit - RICBL	1,169,492	1,092,983
	<u>1,668,941</u>	<u>1,589,358</u>
NOTE 4 : INVENTORIES		
Raw Material	16,199,362	26,423,364
Work In Progress	19,947,535	17,702,211
Finished Goods	24,387,543	41,128,075
Stores & Spares	42,511,962	33,680,367
	<u>103,046,402</u>	<u>118,934,017</u>
NOTE 5 : CASH & CASH EQUIVALENTS		
Cash in Hand	157	44,957
With Scheduled Banks - Bank of Bhutan: Indian Rupee Account	1,411,644	4,585,786
	<u>1,411,801</u>	<u>4,630,743</u>
NOTE 6 : LOANS AND ADVANCES		
Security Deposit	1,352,089	1,361,089
	<u>1,352,089</u>	<u>1,361,089</u>
NOTE 7 : TRADE RECEIVABLES		
Amounts due from Related Parties	77,394,667	21,324,167
Amounts due from other parties	43,408,757	22,402,033
	<u>120,803,424</u>	<u>43,726,199</u>



	As at 31st December, 2016 (Nu)	As at 31st December, 2015 (Nu)
NOTE 8 : EQUITY FUND		
SHARE CAPITAL		
AUTHORISED		
55,00,000 Equity Shares of Nu 100/- each (Previous Year 55,00,000 Equity Shares of Nu 100/- each)	550,000,000	550,000,000
ISSUED, SUBSCRIBED AND PAID-UP		
28,99,424 Equity Shares of Nu 100/- each, fully paid-up		
Grindwell Norton Limited, India	202,959,700	202,959,700
Singye Group of Companies Private Limited, Bhutan	86,982,700	86,982,700
Total Share Capital	289,942,400	289,942,400
NOTE 9 : INCOME & RETAINED EARNINGS		
Profit/(Loss) After Tax	50,974,216	30,819,315
Add: Balance brought forward from previous year	15,058,659	(15,760,656)
Total Retained Earnings	66,032,875	15,058,659
NOTE 10 : LONG TERM BORROWINGS		
SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd	17,822,694	43,839,221
Bhutan National Bank Ltd	11,809,955	33,269,296
(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/-.)	29,632,649	77,108,517
NOTE 11 : LONG TERM PROVISIONS		
Provision for Gratuity	1,174,940	1,176,152
Provision for Tax 2011	-	5,153,522
Provision for Tax 2012	-	860,079
Provision for Tax 2013	-	9,977,389
Provision for Tax 2014	-	16,260,378
Provision for Tax 2015	17,555,575	17,555,575
Provision for Tax 2016	32,443,905	-
DEFERRED TAX - CREDIT	(40,129,391)	(29,545,426)
	11,045,030	21,437,670
NOTE 12 : SHORT TERM BORROWINGS		
SECURED LOANS		
Overdraft with Bank of Bhutan	44,185,452	31,382,644
(Secured by Hypothecation of Stocks, Book Debts and Extension of charge on all the Fixed Assets of the company)	44,185,452	31,382,644



	As at 31st December, 2016 (Nu)	As at 31st December, 2015 (Nu)
NOTE 13 : OTHER CURRENT LIABILITIES		
Trade Payable to Related Parties	292,799	292,799
Trade Payable to Other Suppliers	37,318,744	28,327,710
Trade Payables - For Capital goods	36,376	146,222
Advance Received from Customers	82,700	3,224,608
Interest Accrued but Not Due	407,864	897,055
TDS Liability - Contractors	-152,995	1,217,567
TDS Liability - Salary	63,514	101,419
Health Contribution	12,244	13,132
Provident Fund	91,542	88,798
Other Payables to Related Parties	48,166,905	28,425,164
Other Payables	28,374,931	28,870,070
	<u>114,694,625</u>	<u>91,604,544</u>
NOTE 14 : SHORT TERM PROVISIONS		
Provision for Incentive	2,161,031	2,505,692
	<u>2,161,031</u>	<u>2,505,692</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

Notes forming part of Comprehensive Income:

	For the year ended 31st December, 2016 (Nu)	For the year ended 31st December, 2015 (Nu)
NOTE 15 : OTHER INCOME		
Exchange Gain	3,075	32,267
Miscellaneous Income	126,509	396,315
Scrap Sales	4,577,323	5,291,178
	<u>4,706,907</u>	<u>5,719,761</u>
NOTE 16 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	41,128,075	23,369,467
Closing Inventory	24,387,543	41,128,075
	<u>(16,740,532)</u>	<u>17,758,608</u>
NOTE 17 : RAW MATERIAL CONSUMED		
Raw Material		
Opening Inventory	26,423,364	26,511,064
Add: Purchase	188,541,883	210,098,915
Total	<u>214,965,246</u>	<u>236,609,978</u>
Less: Closing Inventory	16,199,362	26,423,364
Raw Material Consumed	<u>198,765,884</u>	<u>210,186,615</u>
Add: Opening WIP	17,702,211	17,614,714
Total	<u>216,468,095</u>	<u>227,801,328</u>
Less: Closing WIP	19,947,535	17,702,211
	<u>196,520,560</u>	<u>210,099,117</u>
NOTE 18 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	17,678,004	17,317,558
Employer's Contribution to P.F	544,916	570,787
Gratuity	126,000	352,992
Staff Welfare Expenses	5,394,753	4,878,118
	<u>23,743,674</u>	<u>23,119,455</u>



Saint Gobain Ceramic Materials Bhutan Private Limited

	For the year ended 31st December, 2016 (In Nu)	For the year ended 31st December, 2015 (In Nu)
NOTE 19 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	9,304,140	7,558,763
Power Cost	184,000,179	173,825,019
Rent	3,566,361	3,503,288
Repairs & Maintenance - Civil	875,434	1,848,698
Repairs & Maintenance - Plant & Machinery	40,972,202	29,848,785
Selling Exp	3,435,000	3,404,515
Provision for Doubtful Advance	485,212	-
Security Expenses	1,746,975	1,708,536
Travelling & Conveyance Expenses	2,456,898	2,689,533
Audit Fees	250,000	250,000
Audit Expenses	59,286	130,460
Guest House Expenses	191,356	89,593
Hire Charges	31,430,351	26,338,783
Insurance	3,205,967	3,504,430
License Fees	48,450	65,670
Bank Charges	1,179,217	1,266,913
Communication Expenses	1,778,313	1,998,782
Misc Expenses	1,277,218	807,379
Printing & Stationary	312,824	367,418
Write off Asset	-	5
Freight Charges	448,800	795,121
	<u>287,025,383</u>	<u>260,001,690</u>
NOTE 20 : FINANCE COST		
Interest on :		
Term Loan	6,496,313	12,758,541
Working Capital	4,349,754	6,527,595
	<u>10,846,067</u>	<u>19,286,137</u>



Schedules Forming Part of the Accounts:

Schedule -21: Significant Accounting Policy and Notes to Accounts

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

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

(i) Significant Accounting Policies

(a) Basis of preparation of financial statements

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

(b) Basic Financial Instruments

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

(c) Inventories

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

(d) Property, Plant and Equipment

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

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

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

(e) Leases

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



(f) Provisions and Contingencies

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

(g) Revenue

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

(h) Impairment of Assets

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

(i) Employee Benefits

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

(j) Income Tax

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

(k) Foreign Currency Translation

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



(ii) **Notes on Accounts**

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

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

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

(c) Bank of Bhutan has incorrectly recorded charging interest and repayment of Term Loan which is not considered in the accounts since, bank has informed this will be rectified in their books in 2017.

	Current Year	Previous Year
	<u>Nu.</u>	<u>Nu.</u>
(d) Auditors' Remuneration:		
(i)As Auditors		
Audit Fee	250,000	250,000
Out of pocket expenses	<u>59,286</u>	<u>130,460</u>

(e) Related Party Disclosure:

A) List of Related Parties:

Key Management Personnel:*

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

Associates:

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

Co-venturers:

- Grindwell Norton Limited
- Singye Group of Companies Private Limited

Enterprises controlling through subsidiaries:*

- Compagnie de Saint – Gobain, France



B) Transaction with Related Parties during the year ended 31st December 2016:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	450,000	450,000
			(P.Y. 782,489)	(P.Y. 782,489)
Guarantee Commission	-	-	841,080	841,080
			(P.Y. 949,224)	(P.Y. 949,224)
Sales	-	-	404,337,578	404,337,578
			(P.Y. 425,860,631)	(P.Y. 425,860,631)
Royalty	-	-	20,218,029	20,218,029
			(P.Y. 18,985,365)	(P.Y. 18,985,365)
Management Fees	-	-	14,787,000	14,787,000
			(P.Y. 14,787,000)	(P.Y. 14,787,000)
Selling Expense	-	-	3,435,000	3,435,000
			(P.Y. 3,404,515)	(P.Y. 3,404,515)
Debtors as at 31 st December 2016	-	-	77,394,667	77,394,667
			(P.Y. 19,446,258)	(P.Y. 19,446,258)
Creditors as at 31 st December 2016	292,799	-	48,166,744	48,459,543
	(P.Y. 292,799)	-	(P.Y. 28,425,004)	(P.Y. 28,717,803)

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

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

f) (2) RRCO has carried out CIT assessment for the income years 2011 to 2014 during 2016 and levied an additional tax liability of Nu. 16.92 million. After the first appeal, .33 million was waived off and Company has accepted liability of Nu. 1.23 million and has gone for re-appeal for the balance amount.

f) (3) Contingent liability on account of unexpired bank guarantee issued by Bank of Bhutan (BOB) of Nu. 2,933,438.00 on 31.12.2016 against leasehold land from Ministry of Economic Affairs (MOEA) at Pasakha Industrial Estate.



(f) (4) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	2420.72	24,276,744	MT	1028.00	10,892,678
Quartz	MT	601.53	2,146,620	MT	1371.00	5,306,684

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	14096.22	140,611,676	MT	13202.62	153,090,880
Quartz	MT	16033.88	58,154,209	MT	15479.64	57,095,734

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	285.47	13,671,306	MT	297.12	14,058,831
Met Crude	MT	264.00	11,079,002	MT	108.00	4,478,043
Grain	MT	110.85	7,063,801	MT	41.30	2,491,079

iv) Opening and Closing Stock of Work in Progress						
BOM	MT	1434.66	15,220,810	MT	1533.94	14,506,960
BFS	MT	59.96	2,481,401	MT	132.96	5,440,576

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1	MT	5058.06	270,500,228	MT	5392.55	291,034,658
Unsorted	MT	37.22	18,79,610	MT	58.00	2,929,000
MET 80/85	MT	2881.10	166,944,836	MT	2948.16	172,151,680
Grain	MT	2724.65	231,735,256	MT	1972.31	178,563,435
SIC – M	MT	458.00	21,767,400	MT	157.04	6,332,120
Total	MT	11159.03	692,827,330	MT	10528.06	651,010,893

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

(g) (2) Secured Loans :-

Term Loan due within 12 months
Term Loan due after 12 months

8,193,477
21,439,172
29,632,649

(g) (3) Trade Receivables :-

Due for more than 6 months
Others

1,073,000
119,730,424
120,803,424



- (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.)	3,157,014	13,604,000	25,826,102

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)

