

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, 2019, 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, 2019, 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.



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/Project or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process.

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

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

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

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

6. Emphasis of Matter:

Without qualifying our opinion, we draw attention to the following:

- (i) Provision for the additional tax liability of Nu. 17.70 million demanded by RRCO for the Income Year 2015-2018 has not been made in the accounts. The Company has gone on appeal against the aforesaid demand.
- (ii) Fair valuation of items of Fixed Assets and remaining period of useful lives have not been estimated as per BAS – 16.
- (iii) The Company has not setup Corporate Social Responsibility Fund as required under section 165 of the Companies Act of Bhutan, 2016



7. Report on Other Legal and Regulatory Requirements

- (i) As required by the section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure II a statement on the matters specified therein to the extent applicable.
- (ii) As required by section 265 of the Act, we report that:
- 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;
 - 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 ;
 - 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.
 - in our opinion, the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Equity and Statement Cash Flows comply with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan 2016.

In our opinion and to the best of our information and according to the explanations given to us and subject to the limitations of audit mentioned in Para 4 and 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:

- In the case of Statement of Financial Position, of the state of affairs of the Company as at 31st December 2019;
- In case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date;
- 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;
- 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 : 06.03.2020



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


Sudip Kumar Mukherji
Partner
Membership No.013321

Annexure-I

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication



Annexure II
SAINT-GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED
Pasakha: Bhutan
2019

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

ANNEXURE REFERED TO IN OUR REPORT OF EVEN DATE

1. The Company is maintaining records showing full particulars of fixed assets. Physical verification of fixed assets has been carried out by the Company.
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 stock 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 the 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.
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.
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 are disclosed in the accounts.
13. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic interval. Necessary adjustments for such loss have been duly recorded in the books of account.
14. There is a reasonable system of ascertaining and identifying point of occurrence of damages of raw materials, packing materials and finished goods while such goods are in transit and during handling, storage, loading/unloading etc. so that responsibility could be fixed and compensation sought from those responsible.
15. The Company is maintaining reasonable records for production of finished goods and adequate physical safeguard exist to prevent unauthorized or irregular movement of goods from the Company.
16. The company has no saleable by products and is also maintaining reasonable records for sale and disposal of realizable value of scrap.
17. The Company has been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authority.
18. Undisputed statutory dues that were outstanding as at 31st December, 2019 have been disclosed in the accounts as follows:
- | | |
|--|-----------------------|
| Tax Deducted at Source | <u>Nu.</u>
455,856 |
| Provident Fund and Health contribution | <u>115,875</u> |
| Total | <u>571,731</u> |
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. The 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. The Company fixed the price of its product (Silicon Carbide) after taking into the account the cost of production and the prevalent market conditions in consultation with Grindwell Norton Ltd, India (Holding Company).



25. Credit sales policy is reasonable and the long outstanding receivables at the end of the year have been provided in the books of the Company.
26. Sales are not made through commission agents.
27. 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.
28. In our opinion the management of cash and bank balance is reasonable.
29. 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.
30. According to the information and explanations given to us, the company has a system of approval of competent authority for all capital expenditure.
31. The company has established an effective budgetary control system.
32. According to the information and explanations given to us, effective variance analysis is being carried out by the Company at periodic intervals and corrective action is being taken thereon.
33. The company has not paid salary to the Directors.
34. 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.
35. The company has not given any machinery/equipment on lease.



Computerized Accounting Environment

1. Company maintains the account in computerized accounting environment.
2. We have been informed that the Company has adequate back up facilities and safeguard measures.
3. We have been informed that 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. We have been informed that adequate operational control is there to ensure correctness and validity of input data and output information.
5. We have been informed that adequate safeguard measures, to prevent unauthorized access, are implemented.

General

(1) Going Concern Problem

Based on the company's financial statements audited by us, for the year ended 31st December 2019, 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	2019
Net Profit Ratio	<u>Profit After Tax</u> Income from Operation	6.98 %
Operating Ratio	<u>Operating expenses</u> Income from Operation	90.04 %
Return on Investment	<u>Net Profit After Tax</u> Shareholders' Fund	9.75%
Fixed Assets Turnover Ratio	<u>Income from Operation</u> Net Block	3.01 times
Current Ratio	<u>Current Assets</u> Current Liabilities	3.58:1
Debt Equity Ratio	<u>Debt</u> Equity	-



(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.

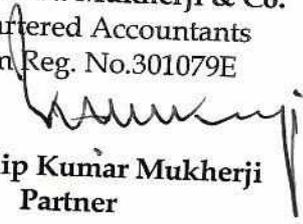
(4) Adherence of Laws Rules & Regulations:

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 : 06.03.2020

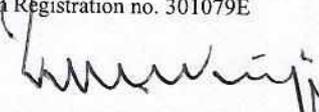
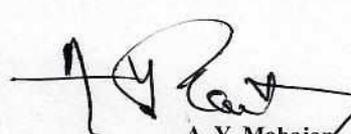
For S. N. Mukherji & Co.
Chartered Accountants
Firm Reg. No.301079E


Sudip Kumar Mukherji
Partner
Membership No.013321



Saint-Gobain Ceramic Materials Bhutan Private Limited
Statement of Financial Position as at 31st December, 2019

(Amount in Nu)

	Notes	As at 31st December, 2019	As at 31st December, 2018
I. ASSETS			
Non-current Assets			
Fixed assets	1A	229,631,364	245,333,677
Capital work-in-progress	1B	1,807,129	6,439,249
Deferred tax assets		32,396,661	38,448,639
Total non-current assets		263,835,154	290,221,565
Current Assets			
Inventories	2	105,734,702	101,582,083
Trade receivables	3	107,724,552	100,987,125
Cash and cash equivalents	4	90,172,450	46,553,437
Loans and advances	5	19,486,948	18,277,583
Total current assets		323,118,652	267,400,228
TOTAL ASSETS		586,953,806	557,621,793
II. EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	6	289,942,400	289,942,400
Retained earnings	7	205,160,316	157,258,489
Total equity		495,102,716	447,200,889
LIABILITIES			
Non-current Liabilities			
Provisions	8	1,524,129	1,178,084
Total non-current liabilities		1,524,129	1,178,084
Current Liabilities			
Trade and other payables	9	78,063,495	84,646,825
Current tax liabilities (Net)	10	9,646,553	20,900,818
Other current liabilities	11	2,616,913	3,695,177
Total current liabilities		90,326,961	109,242,820
TOTAL LIABILITIES		91,851,090	110,420,904
TOTAL EQUITY AND LIABILITIES		586,953,806	557,621,793
Significant Accounting Policies & Notes to Accounts	20		
The accompanying notes 1 to 20 are an integral part of the Financial Statements			
In terms of our report attached For S.N.Mukherji & Co. Chartered Accountants Firm Registration no. 301079E		For and on behalf of the Board	
 Sudip Kumar Mukherji Partner Membership No: 013321		 A. Y. Mahajan (Chairman)	
Place : Phuentsholing Date : 06-03-2020		 Ugen Tsechup Dorji (Vice Chairman)	
Place : Phuentsholing Date :		Place : Phuentsholing Date :	



Saint-Gobain Ceramic Materials Bhutan Private Limited
Statement of Comprehensive Income for the year ended 31st December, 2019

(Amount in Nu)

	Notes	For the year ended 31st December, 2019	For the year ended 31st December, 2018
INCOME			
Revenue from Operations	12	691,295,286	771,280,440
Other Income	13	3,080,372	3,641,908
Total income		694,375,658	774,922,348
EXPENSES			
Raw material consumed	14	255,190,586	274,939,249
Changes in inventories of work-in-progress and finished goods	15	(16,618,605)	11,146,066
Employees' remuneration and benefits	16	30,096,506	30,687,316
Finance cost	17	-	200,379
Depreciation	1	30,873,292	29,683,181
Other operating expenses	18	322,906,718	356,035,190
Total expenses		622,448,497	702,691,381
Profit before tax		71,927,161	72,230,967
Tax expenses			
Previous years tax		2,333,097	1,253,505
Current tax		15,289,596	21,104,572
Deferred tax		6,051,978	825,172
Total tax expense		23,674,671	23,183,249
Profit after tax for the year		48,252,490	49,047,718
Other Comprehensive Income/(Loss)			
Actuarial Gain/(loss) on post employment benefit obligations		(500,947)	(84,301)
Income tax relating to component for other comprehensive income		150,284	25,290
Net other Comprehensive Income for the year		(350,663)	(59,011)
Total Comprehensive Income for the year		47,901,827	48,988,707
Basic and Diluted Earnings per share	19	16.64	16.92
Significant Accounting Policies & Notes to Accounts	20		

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

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

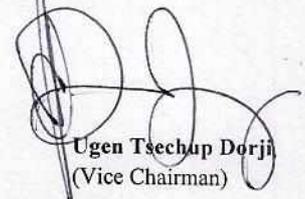
Sudip Kumar Mukherji
 Partner
 Membership No: 013321

Place : Phuentsholing
 Date : 66-03-2020



For and on behalf of the Board


 A. Y. Mahajan
 (Chairman)


 Ugen Tsechup Dorji
 (Vice Chairman)

Place : Phuentsholing
 Date :

Saint-Gobain Ceramic Materials Bhutan Private Limited
Statement of Cash Flows for the year ended 31st December, 2019

(Amount in Nu)

	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Profit before Tax	71,927,161	72,230,967
Adjustments for		
Depreciation	30,873,292	29,683,181
Changes in working capital		
(Increase)/Decrease in inventories	(4,152,619)	(7,498,424)
(Increase)/Decrease in trade receivables	(6,737,427)	(7,628,718)
(Increase)/Decrease in loans & advances	(1,209,365)	52,905,690
(Decrease)/Increase in trade and other payables	(6,583,330)	(63,965,465)
Increase/(Decrease) in provisions	(154,902)	(496,611)
(Decrease)/Increase in other current liabilities	(1,078,264)	1,567,503
Cash generated from operations	<u>82,884,546</u>	<u>76,798,123</u>
Income taxes paid	(28,726,674)	(9,494,060)
Net cash inflow from operating activities	<u>54,157,872</u>	<u>67,304,063</u>
Cash flow from investing activities		
Purchase of fixed assets	(10,538,859)	(14,204,701)
Net cash outflow from investing activities	<u>(10,538,859)</u>	<u>(14,204,701)</u>
Cash flow from financing activities		
Repayment of term loan	-	(21,439,173)
Net cash outflow from financing activities	<u>-</u>	<u>(21,439,173)</u>
Net Increase in cash and cash equivalents	<u>43,619,013</u>	<u>31,660,189</u>
Add: Cash and cash equivalents at the beginning of the year	<u>46,553,437</u>	<u>14,893,248</u>
Cash and cash equivalents at the end of the year	<u>90,172,450</u>	<u>46,553,437</u>

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 Kumar Mukherji
Partner
Membership No: 013321

Place : Phuentsholing
Date : 06-03-2020



For and on behalf of the Board

A. Y. Mahajan
(Chairman)

Egen Tsechup Dorji
(Vice Chairman)

Place : Phuentsholing
Date :

Saint-Gobain Ceramic Materials Bhutan Private Limited
Statement Of Changes In Equity for the year ended 31st December, 2019

(Amount in Nu)

Statement of Changes in Equity	Share capital	Retained earnings	Total
Balance as at 31 December 2018	289,942,400	157,317,500	447,259,900
Profit/(Loss) for the year	-	48,252,490	48,252,490
Balance as at 31st December 2019	<u>289,942,400</u>	<u>205,569,990</u>	<u>495,512,390</u>
Fixed assets			
Capital work-in-progress	289,942,400	108,269,782	398,212,182
Profit/(Loss) for the year	-	49,047,718	49,047,718
Balance as at 31 December 2018	<u>289,942,400</u>	<u>157,317,500</u>	<u>447,259,900</u>

This is the Statement of Changes in Equity signed in terms of our report of even date.

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

Sudip Kumar Mukherji
 Partner

Membership No: 013321

~~NOTE 1B : CAPITAL WORK-IN-PROGRESS~~

Place : Phuentsholing

Date : 06-03-2020



For and on behalf of the Board

(Signature)
A. Y. Mahajan
 (Chairman)

(Signature)
Ugen Tsechup Dorji
 (Vice Chairman)

Place : Phuentsholing

Date :

Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes Forming Part of the Statement of Financial Position

(Amount in Nu)

Fixed assets	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 01.01.2019	Addition	Deletion	As at 01.01.2019	For the year	On Deletions	As at 31.12.2019	As at 31.12.2018
	As at 31.12.2019							
Building	287,410,658	5,434,321	-	78,768,734	11,661,680		90,430,414	208,641,924
Computer	1,081,141	94,115	-	776,386	149,693	-	926,079	304,755
Furniture & Fixtures	2,046,123	52,200	-	1,786,940	173,839	-	1,960,779	259,183
Vehicles	2,489,161	-	-	858,071	364,884	-	1,222,955	1,631,090
Equipment	8,922,747	196,392	-	7,260,271	915,224	-	8,175,495	1,662,476
Plant and Machinery	361,146,656	9,393,951	-	328,312,407	17,607,972	-	345,920,379	32,834,249
Total	663,096,486	15,170,979	-	417,762,809	30,873,292	-	448,636,101	245,333,677
Previous Year	648,205,247	14,891,239	-	663,096,486	29,683,181	-	633,413,305	

NOTE IB : CAPITAL WORK-IN-PROGRESS

As at 31 December 2019	1,807,129
As at 31 December 2018	6,439,249



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes Forming Part of the Statement of Financial Position

(Amount in Nu)

	As at 31st December, 2019	As at 31st December, 2018
NOTE 2 : INVENTORIES		
Raw Material	27,401,438	42,323,180
Work In Progress	19,092,388	19,594,298
Finished Goods	33,630,017	16,509,502
Stores & Spares	25,610,859	23,155,103
	<u>105,734,702</u>	<u>101,582,083</u>
NOTE 3 : TRADE RECEIVABLES		
Amounts due from Related Parties	65,013,390	60,264,360
Amounts due from other parties	44,650,200	41,453,750
Less: Provision for Doubtful Debts	(1,939,038)	(730,985)
	<u>107,724,552</u>	<u>100,987,125</u>
NOTE 4 : CASH AND CASH EQUIVALENTS		
Balances with Banks		
- in Current Accounts	89,947,339	46,331,972
- in Foreign Currency Account	225,111	221,465
	<u>90,172,450</u>	<u>46,553,437</u>
NOTE 5 : LOANS AND ADVANCES		
Security Deposit	6,213,150	6,322,969
Advance to Suppliers	12,886,251	11,281,747
Other Advances	387,547	784,642
Less: Provision for Doubtful Advance	-	(111,775)
	<u>19,486,948</u>	<u>18,277,583</u>



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes Forming Part of the Statement of Financial Position

(Amount in Nu)

	As at 31st December, 2019	As at 31st December, 2018
NOTE 6 : 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)	<u>550,000,000</u>	<u>550,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP		
28,99,424 Equity Shares of Nu 100/- each, fully paid-up (Previous Year: 28,99,424 Equity Shares of Nu 100/- each)	<u>289,942,400</u>	<u>289,942,400</u>
Shareholders		
Grindwell Norton Limited, India	202,959,700	202,959,700
Singye Group of Companies Private Limited, Bhutan	<u>86,982,700</u>	<u>86,982,700</u>
	<u>289,942,400</u>	<u>289,942,400</u>
NOTE 7 : RETAINED EARNINGS		
Opening Balance	157,258,489	108,269,782
Profit after tax for the year	48,252,490	49,047,718
Other Comprehensive Income	<u>(350,663)</u>	<u>(59,011)</u>
	<u>205,160,316</u>	<u>157,258,489</u>
NOTE 8 : NON-CURRENT LIABILITIES - PROVISIONS		
Gratuity (Net of fund) (Refer note below)	1,125,695	749,007
Compensated absences	<u>398,434</u>	<u>429,077</u>
	<u>1,524,129</u>	<u>1,178,084</u>
Note: Gratuity Liability as per actuarial valuation as on 31 December 2019 is Nu 43,41,474 (P.Y.36,63,638) and Gratuity Fund Balance with RICBL as on 31 December 2019 is Nu 32,15,779 (P.Y. 29,14,632)		
NOTE 9 : TRADE AND OTHER PAYABLES		
Trade Payable to Related Parties	25,565,144	35,969,218
Trade Payable to Other Suppliers	48,754,408	44,897,073
Employee Related Payables	<u>3,743,943</u>	<u>3,780,534</u>
	<u>78,063,495</u>	<u>84,646,825</u>
NOTE 10 : CURRENT TAX LIABILITIES		
Income tax (net of advance tax)	<u>9,646,553</u>	<u>20,900,818</u>
	<u>9,646,553</u>	<u>20,900,818</u>
NOTE 11 : OTHER CURRENT LIABILITIES		
Advance Received from Customers	2,045,182	3,097,021
Tax Deducted at Source Liability	455,856	467,001
Provident Fund and Health Contribution	<u>115,875</u>	<u>131,155</u>
	<u>2,616,913</u>	<u>3,695,177</u>



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes forming part of Comprehensive Income

(Amount in Nu)

	For the year ended 31st December, 2019	For the year ended 31st December, 2018
NOTE 12 : REVENUE FROM OPERATIONS		
Sale of Products	691,295,286	771,280,440
	<u>691,295,286</u>	<u>771,280,440</u>
NOTE 13 : OTHER INCOME		
Scrap Sales	3,076,726	3,622,348
Exchange Gain	3,646	19,560
	<u>3,080,372</u>	<u>3,641,908</u>
NOTE 14 : RAW MATERIAL CONSUMED		
Opening Inventory	42,323,180	13,824,288
Add: Purchase	240,268,844	303,438,141
	282,592,024	317,262,429
Less: Closing Inventory	27,401,438	42,323,180
	<u>255,190,586</u>	<u>274,939,249</u>
NOTE 15 : CHANGES IN INVENTORIES OF WORK-IN-PROGRESS AND FINISHED GOODS		
Opening Inventory		
Work-in-progress	19,594,298	21,318,091
Finished Goods	16,509,502	25,931,775
	<u>36,103,800</u>	<u>47,249,866</u>
Closing Inventory		
Work-in-progress	19,092,388	19,594,298
Finished Goods	33,630,017	16,509,502
	<u>52,722,405</u>	<u>36,103,800</u>
	<u>(16,618,605)</u>	<u>11,146,066</u>
NOTE 16 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	21,735,653	21,706,648
Employer's Contribution to Provident Fund	689,718	626,844
Gratuity	624,747	664,706
Staff Welfare Expenses	7,046,388	7,689,118
	<u>30,096,506</u>	<u>30,687,316</u>
NOTE 17 : FINANCE COST		
Interest on :		
Term Loan	-	49,407
Working Capital Loan	-	150,972
	<u>-</u>	<u>200,379</u>



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes forming part of Comprehensive Income

(Amount in Nu)

	For the year ended 31st December, 2019	For the year ended 31st December, 2018
NOTE 18 : OTHER OPERATING EXPENSES		
Consumption of Stores & Spares	9,388,438	10,975,642
Power Cost	175,972,670	181,375,667
Rent	3,529,890	3,649,210
Repairs & Maintenance - Civil	1,644,611	909,059
Repairs & Maintenance - Plant & Machinery	31,106,614	35,225,341
Repairs & Maintenance - Others	9,979,836	15,427,115
Provision for doubtful debts and advances	1,096,278	855,993
Advances written off	101,673	2,996,836
Travelling & Conveyance Expenses	2,790,349	3,973,291
Hire Charges	34,714,440	33,876,352
Insurance	3,148,148	3,279,973
Legal and professional fees	8,284,599	197,386
Freight Expenses	11,703,460	17,398,546
Management Fees	-	14,787,000
Management Service	20,425,888	22,742,855
Miscellaneous Expenses	9,019,824	8,364,924
	<u>322,906,718</u>	<u>356,035,190</u>
NOTE 19 : EARNINGS PER SHARE		
Net profit attributable to equity share holders	48,252,490	49,047,718
Weighted average number of equity shares outstanding	2,899,424	2,899,424
Basic and Diluted Earnings per share	16.64	16.92



Saint-Gobain Ceramic Materials Bhutan Private Limited

Notes to Financial Statements as at and for the year ended 31 December, 2019

Note 20: Significant Accounting Policies 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.

Slow-moving, non-moving & defective inventories are identified and wherever necessary, provision is made for such inventories.

(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.



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes to Financial Statements as at and for the year ended 31 December, 2019

Note 20: Significant Accounting Policies and Notes to Accounts

(i) Significant Accounting Policies

(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.



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes to Financial Statements as at and for the year ended 31 December, 2019

Note 20: Significant Accounting Policies and Notes to Accounts

(ii) Notes to Accounts

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

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

(b) Estimated amount of capital commitments (net of advance): Nu 1,467,741 (P.Y. 2,474,374).

(c) Bank of Bhutan has incorrectly recorded interest and repayment of Term Loan which is not considered in the accounts since bank has informed that the same will be rectified in their books in 2020.

	Current Year	Previous Year
	<u>Nu.</u>	<u>Nu.</u>
(d) Auditors' Remuneration		
(included in miscellaneous expenses)		
(i) As Auditors		
Audit Fee	275,000	250,000
Out of pocket expenses	45,073	37,758

(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



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes to Financial Statements as at and for the year ended 31 December, 2019

Note 20: Significant Accounting Policies and Notes to Accounts

(ii) Notes to Accounts

(e) Related Party Disclosure:

B) Transaction with Related Parties during the year ended 31st December 2019:

Nature of Transaction	Associates	Key Management Personnel	Co-ventures	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	580,959	580,959
			(P.Y. 504,951)	(P.Y. 504,951)
Guarantee Commission	-	-	-	-
			(P.Y. 16,976)	(P.Y. 16,976)
Sales	-	-	434,482,120	434,482,120
			(P.Y. 457,403,675)	(P.Y. 457,403,675)
Management Service	-	-	20,425,888	20,425,888
			(P.Y. 22,742,855)	(P.Y. 22,742,855)
Selling Expense	-	-	4,500,000	4,500,000
			(P.Y. 45,00,000)	(P.Y. 45,00,000)
Management Fees	-	-	-	-
			(P.Y. 14,787,000)	(P.Y. 14,787,000)
Debtors as at 31 st December 2019	-	-	65,013,390	65,013,390
			(P.Y. 58,387,949)	(P.Y. 58,387,949)
Creditors as at 31 st December 2019	292,834	-	25,272,310	25,565,144
	(P.Y. 292,834)	-	(P.Y. 35,676,384)	(P.Y. 35,969,218)

- (f) (1) Regional Revenue & Customs Office, Phuentsholing office has sent income tax assessment orders for the income years 2015 to 2018 and levied an additional tax liability of Nu 17.76 million which is as follows

Income Year	Contingent Liability (Nu Million)
2015	4.44
2016	4.44
2017	4.44
2018	4.44

The company has appealed in this matter to Department of Revenue and Customs, Thimphu for income years 2015 to 2017 and would further appeal for income year 2018.



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes to Financial Statements as at and for the year ended 31 December, 2019

Note 20: Significant Accounting Policies and Notes to Accounts

(ii) Notes to Accounts

(2) Contingent Liability as regards unexpired bank guarantee issued in favor of IIDD, Dept. of Industry, Ministry of Economic Affairs for the purpose of security deposit in lieu of cash for Lease rent at Industrial land located at Pasakha Industrial Estate, Bhutan amounting Nu 5,65,837/- as on 31st Dec, 2019.

(3) There is a legal case against the Company filed in Royal Court of Justice, Phuentsholing. Court had given judgement against the Company and asked us to pay Nu. 5 million. The Company has further appealed against the judgement in Chukha Court.

(g) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening Stock			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	1332.98	19,232,665	MT	1056.00	15,459,480
Quartz	MT	5370.36	23,090,515	MT	2951.20	11,941,958

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	15193.71	189,545,884	MT	15323.13	199,383,196
Quartz	MT	15841.72	65,644,702	MT	17197.88	75,556,053

iii) Opening and Closing Stock of goods produced						
	Opening Stock			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	136.40	6,800,131	MT	103.30	4,991,303
Met Crude	MT	0	0	MT	449.85	21,736,086
Grain	MT	117.10	7,387,584	MT	64.85	4,094,962
SIC – M	MT	52.70	2,321,787	MT	70.05	2,807,666

iv) Opening and Closing Stock of Work in Progress						
	Opening Stock			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
BOM	MT	1576.57	17,067,012	MT	1666.93	16,651,076
BFS	MT	60.00	2,527,286	MT	60	2,441,312

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
N1 Crude	MT	5093.32	253,498,500	MT	4901.26	243,196,207
MET Crude	MT	2472.81	168,826,693	MT	3227.40	220,551,505
Grain	MT	2656.00	242,361,173	MT	2943.95	268,815,928
SIC – M	MT	368.60	23,818,920	MT	438.00	25,138,800
Unsorted	MT	60.00	2,790,000	MT	292.00	13,578,000
Total	MT	10650.73	691,295,286	MT	11802.61	771,280,440



Saint-Gobain Ceramic Materials Bhutan Private Limited
Notes to Financial Statements as at and for the year ended 31 December, 2019

Note 20: Significant Accounting Policies and Notes to Accounts

(ii) Notes to Accounts

(h) (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.

(2) Trade Receivables :

Due for more than 6 months	384,239
Others	<u>107,340,313</u>
	<u>107,724,552</u>

(i) The total future minimum lease payments under non-cancellable operating lease is as below:

Remaining tenor of the lease (Year)	1	2 to 5	Later than 5
Minimum Lease Payments (Nu.)	3,447,114	14,873,838	10,570,006

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.

(j) Assessment carried out does not reveal any indication of any item of asset being impaired. Similarly, the exercise carried out does not reveal the carrying amount of any inventory to be higher than its selling price less costs to complete and sell.

(k) Previous year figures have been regrouped or reclassified where ever necessary.

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

Sudip Kumar Mukherji
 Partner
 Membership No: 013321

Place: Phuentsholing
 Date : 06-03-2020



For and on behalf of the Board

A Y Mahajan **Ugen Tshechup Dorji**
 (Chairman) (Vice Chairman)

Place: Phuentsholing
 Date :