

# 23<sup>rd</sup> Annual Report 2010-11



**Aro granite industries ltd.**  
(100% Export Oriented Unit)  
An ISO 9001:2008 Company



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## Board of Directors



**Sunil K Arora**  
Managing Director



**Kasturi Lal Arora**  
Director



**Dinesh Chandra Kothari**  
Director



**Rahul Gupta**  
Director



**Pradeep Kumar Jain**  
Director

**Sujata Arora**  
Director

### Company Secretary

Sabyasachi Panigrahi

### Auditors

Alok Mittal & Associates

### Bankers

Bank of Baroda

HSBC Ltd.

ICICI Bank Ltd.

### Registered Office

S-16, Second Floor, Green Park Extension,

New Delhi 110 016, India

Phone: 91-11-26511021, Fax: 91-11-26511022

### Unit I

103, Sipcot Industrial Complex, Hosur, 635126

Tamil Nadu, India

### Corp. Off. & Works

Koneripalli Village, Via: Shoolagiri, Taluk: Hosur,

Dist. Krishnagiri, Tamil Nadu 635117, India

Tel: 91-4344 252100 Fax: 91-4344 252217

### Registrar & Share Transfer Agent

M/s Alankit Assignments Ltd

Alankit House, 2E/21, Jhandewalan Extension,

New Delhi 110055, India

Tel: 91-11-23541234, 42541234 Fax: 91-11-23352001

### Scrip Codes

Bombay Stock Exchange Limited: 513729

National Stock Exchange of India Limited: AROGRANITE/EQ

ISIN No.: INE210C01013

## From the desk of Managing Director

It gives me immense pleasure to welcome you to the 23rd Annual General Meeting of your Company and share my views with you on the performance and future outlook of the company.

We have been able to achieve a turnover of Rs.151.39 Crores which is 14.50% more than last year's turnover and a pre-tax profit of Rs.12.51 Crores which is marginally less than last year's pre-tax profit as a result of tremendous pressure on the margins due to increase in the raw material cost, transportation and salary & wages. Due to the world economic conditions, customers are not accepting any increase in price and thus we have had to absorb some costs. Further the depreciation of Indian Rupee against the US Dollar during the month of March 2011 had further impacted the Other income which subsequently resulted in lower profit than the last Year.

With a view to cater to the requirements of our esteemed clientele, we started to import Un-polished slabs from Saudi Arabia, which has prohibited the export of Granite Rough Blocks. The Company has last year added two more wires saws and flaming machine which will increase the productivity and reduce the operating costs. With the addition of these new equipments and new colors of granite we are optimistic of increasing the sales volume in the years to come and at the same time maintaining current fixed cost levels and fuller utilization of machines and equipments.

For the coming year, we aim to sustain aggressive strategy of selling hard but at the same time maintaining lower costs in an effort to increase the profit margin. Our venture into new and upcoming markets like South America, Middle East, South Africa, East Europe and Russia turn out to be profitable and we hope to reap much more business in the coming years. We are proud to inform you that this year we have exports reaching over 40 different countries and in the coming year we plan to reach more. We at AGIL continued to grow and perform better to achieve awards and accolades. The Company has received Special Export Award from CAPEXIL for the Tenth year running.

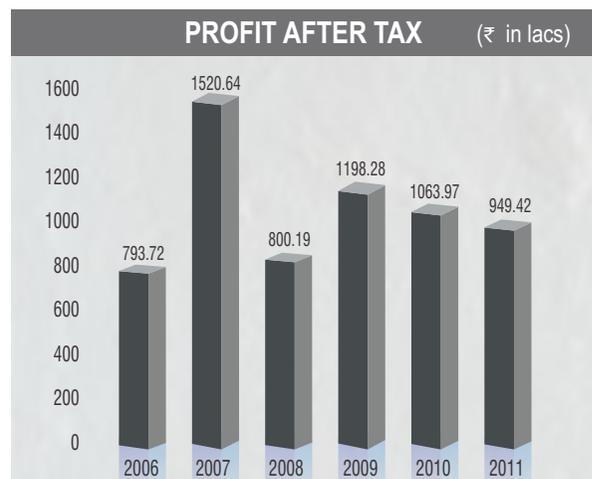
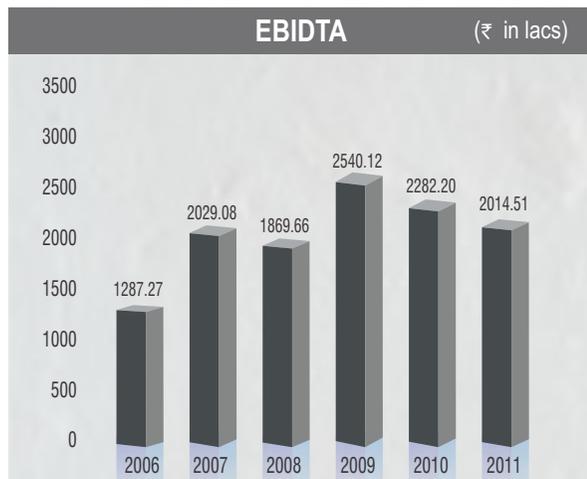
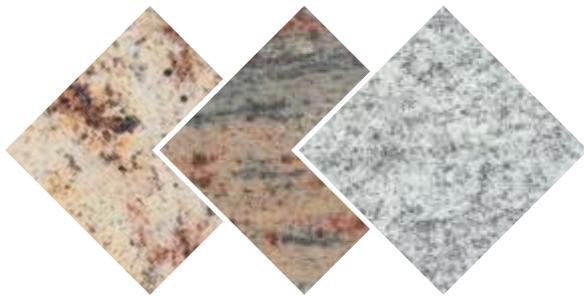
By Adapting, Innovating and Excelling in execution we intend to take the Company to greater days in the coming year and to achieve this we solicit your sincere, dedicated and continued support to make 2011-12 a truly rewarding year for all.

As always, I continue to seek your goods wishes and support for our vision and goal.

Sunil K. Arora  
New Delhi, 22.04.2011

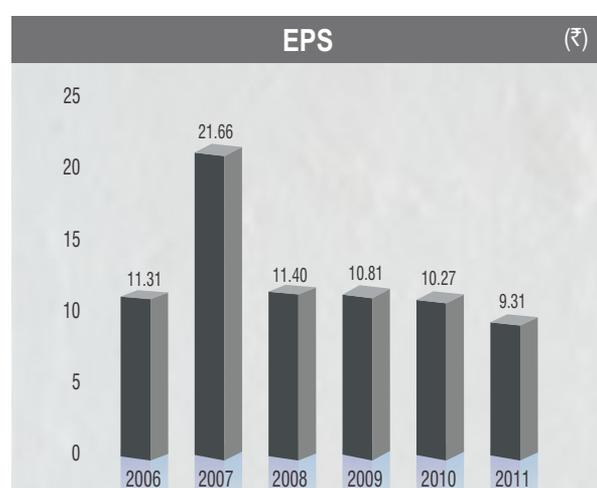
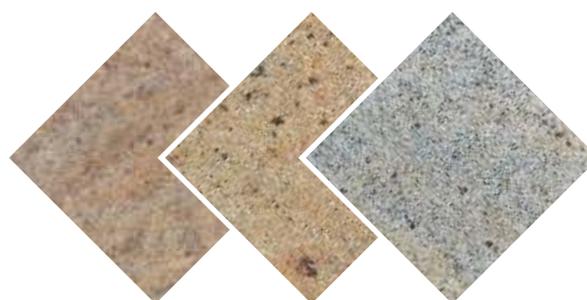
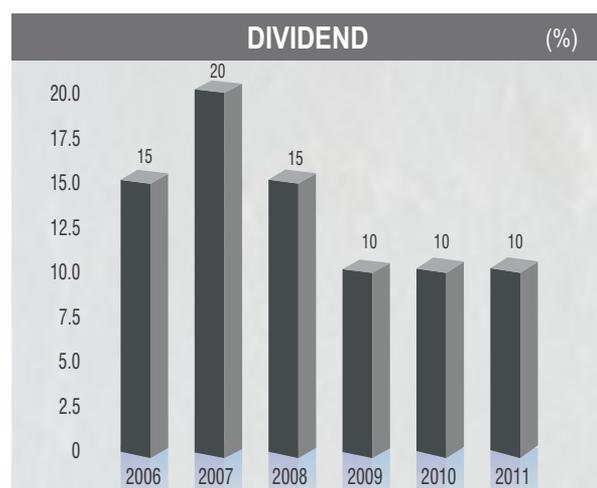
# Financial Highlights

DESCRIPTION	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
SALES	6084.42	7358.17	7784.62	10403.02	10141.66	11610.98	13113.30	15022.52
EBIDTA	1323.26	1667.31	1287.27	2029.08	1869.66	2540.12	2282.20	2014.51
DEPRECIATION	174.51	181.91	233.51	235.92	314.82	427.99	430.48	439.79
TAX	71.08	42.77	42.55	45.69	135.21	160.78	235.30	270.17
PROFIT AFTER TAX	871.19	1151.62	793.72	1520.64	800.19	1198.28	1063.97	949.42
GROSS BLOCK	3286.47	4766.40	4783.02	4837.10	9371.56	9424.53	9513.14	9901.20
NET WORTH	3859.95	4860.65	5533.44	6889.82	7593.63	9105.04	9737.66	10491.22
RESERVE & SURPLUS	3386.05	4184.60	4858.25	6214.84	6891.63	7996.69	8701.59	9471.22
EQUITY SHARE CAPITAL	468.00	702.00	702.00	702.00	702.00	1108.35	1036.07	1020.00



# Key Indicators

DESCRIPTION	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
DIVIDEND (%)	15	15	15	20	15	10	10	10
DIVIDEND PAYOUT RATIO (%)	8.06	9.14	13.27	9.23	13.16	9.25	9.74	10.74
EPS (Rs.)	18.62	16.40	11.31	21.66	11.40	10.81	10.27	9.31
BOOK VALUE PER SHARE (Rs.)	82.48	69.24	78.82	98.15	108.17	82.15	93.99	102.86
ROCE (%)	22.02	20.85	13.13	16.40	10.65	13.30	12.02	9.20
RONW (%)	25.76	26.68	15.24	21.81	10.54	13.16	10.93	9.05



# Journey of Success

**1991**

Started commercial production in Unit 1 (Tiles) with a turnover of Rs.61.17 lakhs (1990-91)

**1995**

The Company went Public and expanded Unit 1 (Turnover: Rs.654.00 lakhs in 1995-96)

**1996-99**

Received Certificates of Merit from CAPEXIL for 3 consecutive years

**1998**

Achieved Certification to ISO 9002 Quality Management Systems.

**1999-2010**

Received CAPEXIL 'Special Export Awards' 1999-00, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 & 2009-10

**2001**

Expanded facilities for processing Slabs with 3 Gang Saws. Construction, Erection & Commissioning of Plant & Machinery completed in record time of 6 months.  
(Turnover: Rs.2971.00 lakhs in 2001-02)

**2002**

Unit 1 upgraded to ISO 9001:2000 Quality Management Systems. Unit II certified for ISO 9001:2000 Quality Management Systems by RWTUV, Germany within 1½ years from starting Commercial Production. Recognised as an EXPORT HOUSE

**2003**

Added 4th Gangsaw

**2004**

Added 5th & 6th Gangsaw

**2005**

Initiated implementation of ISO 14000

**2006**

Initiated Expansion. Doubled Tiling Capacity & added 7th & 8th Gangsaw.

**2007**

Crossed turnover of Rs. 1 Billion. Listed on National Stock Exchange of India Limited. Received Certificate of appreciation for best export performance amongst 100% EOUs from Madras Export Processing Zone (MEPZ) for 2005-06.

**2009**

Awarded Star Export House Status.

# Notice

NOTICE is hereby given that the **23rd** Annual General Meeting of the members of **ARO GRANITE INDUSTRIES LIMITED** will be held on Friday, the 29th July 2011 at **10.30** A.M. at Lakshmi Pat Singhania Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110016 to transact the following business:

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31st March 2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Dinesh Chandra Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Rahul Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought, fit to pass with or without modifications, the following as **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Section 224 of the Companies Act 1956, M/s Alok Mittal & Associates, Chartered Accountants, New Delhi be and are hereby appointed as Auditors of the Company from the conclusion of the 23rd Annual General Meeting upto the conclusion of the next Annual General Meeting on a remuneration to be fixed by the of Board of Directors of the Company.”

## AS SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**:

**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956 including any statutory modification or re-enactment thereof, the re-appointment of Shri Sunil K. Arora, as Managing Director of the Company for a period of Five years with effect from 01.04.2011, be and is hereby approved on the terms of remuneration and conditions as set out in the explanatory statement which shall be deemed to form part hereof and in the event of inadequacy or absence of profits in any financial year, the remuneration comprising of salary, perquisites and benefits as approved herein be paid as minimum remuneration to the said Managing Director subject to approvals, if any, as may be required.

For & on behalf of the Board

## Regd. Office:

S-16, Second Floor  
Green Park Extension  
New Delhi 110016  
Date: 22nd April, 2011

(Sunil K Arora)  
Managing Director

## NOTES:

1. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 with respect to items no. 6 forming part of this notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.**
3. The Share Transfer Books and Register of Members of the Company shall remain closed from 25.07.2011 to 29.07.2011 (Both days inclusive).
4. The Dividend @ 10% (Re. 1/- per Equity Share of Rs. 10/- each) as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those Members whose names shall be borne on the Company's Register of Members on July 29, 2011 or to their mandatees. In respect of the shares held in dematerialised form, dividend will be paid on the basis of details of beneficial ownership to be received from the Depositories for the purpose.
5. Brief resume of Shri Dinesh Chandra Kothari and Shri Rahul Gupta whose appointment as Directors liable to retire by rotation (proposed at Item No. 3 & 4) is given hereunder:

**Shri Dinesh Chandra Kothari** (61), is a Chartered Accountant by profession. After 12 years of service with Bukhatir Group (in Dubai) as Executive Director, in 1986, he started Interstar Financial Services Ltd., in New Delhi, India to provide a wide range of consulting and advisory services to Non-Resident Indians, Resident Indians and large Indian Corporate Houses on financial matters. Interstar offer services in the areas of Project Consulting and Corporate Finance. He is the founder and Pro-Vice Chairman of the following three Delhi Public Schools: DPS Jodhpur (India), DPS Sharjah (UAE), DPS Dubai (UAE). Shri Kothari is also on the Boards of Easter Industries Limited, Asian Hotels (North) Limited, Penam Laboratories Limited and Interstar Financial Services Limited, and Chairman of Audit Committee of Asian Hotels (North) Limited and Member of Shareholder/Investors' Grievance Committee of Easter Industries Limited and Asian Hotels (North) Limited.

**Shri Rahul Gupta** is a seasoned investor with rich global executive management and operations experience with over ten years of investing experience and over seven years as the CEO of global technology businesses. He joined SMP in 2007. Mr. Gupta actively

supports portfolio companies in business analysis, operational excellence, financial planning and capital raising. Mr. Gupta has developed a significant relationship base across the investment and banking industries in India and has analyzed over 100 investment opportunities. From 2000 – 2007, Mr. Gupta was the CEO of two global technology businesses, IDES and KMG Infotech and CFO at QAI Consulting. From 1993 to 2000, Mr. Gupta was one of the first Venture Capitalists in India as a GP with Risk Capital and Technology Corporation (RCTC). Before RCTC, Mr. Gupta was a Senior Manager with Western India Group and a manager with Shalimar Group. Mr. Gupta completed his Bachelor of Technology degree in Mechanical Engineering from Punjab Engineering College, India and MBA in finance from Kurukshetra University, India. Shri Gupta is also on the Board of Intarvo Technologies Limited.

## EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT 1956

### ITEM NO. 6

Shri Sunil K. Arora was re-appointed as Managing Director of the Company for a period of five years with the due approval of the Shareholders at the Annual General Meeting held on 31.08.2006. The Board of Directors in its meeting held on 24.02.2011 had re-appointed Shri Sunil K Arora for a further period of five years with effect from 01.04.2011 on the terms of remuneration as determined by the Remuneration Committee of Directors as set out herein subject to requisite approvals.

#### I. REMUNERATION

##### a) Salary

Basic Salary Rs. 6,00,000/- per month (in grade of 6,00,000 – 50,000 – 8,00,000.)

##### b) Commission

In addition to the above, the appointee shall be entitled for the commission out of the net profits of the Company as appearing in the audited annual Profit & Loss Account for each financial year of the Company. However the total remuneration (i.e. salary, commission and perquisites) in any one financial year shall not exceed the limits prescribed under Sections 198, 309 and other applicable provisions of the Companies Act 1956 read with Schedule XIII to the Act, as may be for the time being in force.

##### c) Perquisites

Following perquisites will be allowed in addition to the salary.

For this purpose unless the context otherwise requires, perquisites are classified in three categories i.e. Part A, B and C. Perquisites referred to under Part B and Part C shall not be considered or included for computation of ceiling on perquisites.

#### PART-A

##### i) Housing

- 1) Residential accommodation or House Rent Allowance @ 50% of the Salary.
- 2) Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.
- 3) Company shall provide such furniture and furnishings as may be required.

##### ii) Medical/Hospitalisation Expenses Re-imburement

Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family.

##### iii) Leave Travel Concession

Reimbursement of all the expenses i.e. travel fare, lodging, boarding, conveyance and other expenses incurred for self and family members during the leave travel holidays periods whenever undertaken whether in India or abroad.

##### iv) Club Membership Fee

Subscription or reimbursement of membership fee for clubs in India or abroad including admission and life membership fees

##### v) Personal Medical / Accident Insurance:

Personal Medical / Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 20,000/- p.a.

##### vi) Any other benefits, facilities, allowances and expenses as may be allowed under Company rules / schemes and available to other employees.

#### NOTES :

- i) For the purpose of perquisites stated hereinabove, "family" means spouse, dependent children and dependent parents of the appointee.
- ii) Perquisites shall be evaluated as per the Income Tax Rules wherever applicable and in the absence of any such rule perquisites shall be evaluated at actual cost.

#### PART – B

- 1) Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- 2) Gratuity payable shall not exceed half a month's salary for each completed year of service.
- 3) Entitled for leave with full pay or encashment thereof as per the rules of the Company.

#### PART –C

- 1) The Company shall provide a car and a telephone at his residence. Provision of a car for Company's business and the telephone at his residence shall not be considered as perquisites.
- 2) The appointee, subject to the applicable provisions of The Company Act, 1956 shall be also eligible for Housing Loan or other facilities as applicable in accordance with the rules of the company.

#### II. OVERALL REMUNERATION

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act 1956 read with Schedule XIII of the said Act as may for the time being in force.

#### III. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the appointee the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under section II of part II of schedule XIII of the Companies Act 1956 as may be for the time being in force.

No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or committees thereof.

Apart from the aforesaid remuneration Mr. Sunil K. Arora, Managing Director will be entitled to the reimbursement of expenses incurred in connection with the business of the company.

Shri Sunil K Arora may be deemed to be concerned or interested in the resolution. Further Shri Kasturi Lal Arora and Smt. Sujata Arora since related to Shri Sunil K Arora may be deemed to be concerned or interested in the resolution.

None of the other Directors of the Company is in any way concerned or interested in the said resolution.

Terms of remuneration now proposed to be drawn by Shri Sunil K Arora, Managing Director from the Company set herein above may also be treated as an abstract of Memorandum of Interest of Sh. Sunil K Arora, Managing Director u/s 302 of the Companies Act 1956.

#### FOR THE ATTENTION OF THE SHAREHOLDERS

1. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Annual General Meeting.
2. Please check the pin code in the address slip printed on the envelop and advise correction, if any therein. Also please do indicate the Pin Code Number of your delivery post office while notifying change in your address to the Company.
3. Requests for transfer of Shares and related correspondence should be addressed to the Company's **Registrar & Share Transfer Agent M/s Alankit Assignments Limited, Alankit House, 2E/21, Jhandewalan Extension, New Delhi 110055**. The shareholder may approach their Depository Participant for getting their shares dematerialised and in respect of the shares already held in dematerialised mode for registration of change in their addresses, bank mandates and nominations etc. In case of any difficulty, please write to the **Company Secretary at S-16, Second Floor, Green Park Extension, New Delhi 110016 or E mail: investorgrievance@arotile.com**. Please quote your folio no/DP ID/Client ID and numbers of shares for prompt attention.
4. To avoid fraudulent encashment of Dividend Warrant, Members are requested to advise the details of their Bank Account i.e. Name and address of the Bank, Account No and Name of the Account Holder(s) for printing on the Dividend Warrants.
5. Pursuant to Section 205C of the Companies Act 1956, the amount of dividend which remain unclaimed/unpaid for a period of 7 years is required to be transferred by the Company to the Investors Education and Protection Fund (IE&PF) constituted by the Central Government. Accordingly unclaimed/unpaid dividend for the year ended 31.03.2004 will be transferred to IE&PF. It may be noted that no claim shall lie against IE&PF or the Company after transfer of the said unclaimed/unpaid dividend to the IE&PF. Therefore, those Shareholders who have not yet encashed the said dividend warrants may write to the Company for revalidation/issue of duplicate dividend warrants quoting their folio no/DP ID/Client ID.
6. The Company had started the buyback of fully paid Equity Shares of the Company on June 29, 2009 in accordance with the Board Resolution dated 08.06.2009. The buyback process has been completed on June 07, 2010 and a total number of 8,83,500 Equity Shares bought back and extinguished.
7. Copies of Annual Reports will not be distributed at the Meeting. Members are therefore requested to bring their copies to the meeting.

# Directors' Report

The Directors have pleasure in presenting the 23rd Annual Report together with Audited Accounts of the Company for the year ended on 31st March 2011.

## FINANCIAL RESULTS

(Rs. in lacs)

	31.03.2011	31.03.2010
Gross Profit before Depreciation	1690.60	1815.11
Depreciation	439.79	430.48
Net Profit before Tax	1250.81	1384.63
Provision for Tax		
– Current	271.51	236.25
– Deferred	27.64	83.69
– Others	2.23	0.73
Surplus available for appropriation	949.42	1063.97
Dividend (including Dividend Tax)	118.94	121.22
Amount transferred to General Reserve	200.00	200.00
Surplus carried to Balance Sheet	6583.34	5952.86

## WORKING RESULTS

During the year the company has achieved a sales growth of around 15% over last year. The sales turnover for the year ended March 2011 was Rs. 151.39 Crores against a sales turnover of Rs. 131.99 cores for the year ended March 2010. At the same time the Company has posted a pre-tax profit of Rs. 12.51 Crores against a pre-tax profit of Rs. 13.85 Crores of the previous year.

Though the Company has been able to achieve a higher sales than last year, the increase in raw material cost, freight and other operating expenses has dented the profit and has resulted in lower Pre-tax Profit. The sign of the recovery in the world economy, felt during the start of the last fiscal, did not crystallize fully and still slowly the world market is coming out of the recessional impact thus leading to the Indian Rupee becoming stronger as compared to the US Dollar. We are optimistic that the scenario will change positively during this year and we can achieve better results with the passing of time and with our sincere & dedicated efforts.

The quality of rough granite blocks available from the domestic quarries has deteriorated as compared to last financial year and we could get mostly second choice blocks than the premium quality blocks. The company is continuing to import rough granite blocks from South Africa, Brazil, Finland, Madagascar and Norway to augment the supply of raw materials to meet its requirements. Further the company has also started importing unpolished granite slabs from Saudi Arabia to cater to the requirements of its esteemed Customers.

The Board is pleased to inform that during the year the Company has received Special Export Award from CAPEXIL for the year 2009-10 which is the tenth year running the Company got this award. Also the process of implementing Integrated Management Systems (IMS) which include QMS 9001:2008, EMS 14001:2004, OHSAS 18001:2007 and SA 8000 is progressing rapidly and during the year 2011-12 the certification is likely to be completed. The Company has also initiated the process of CE Marking for its products which too is likely to be completed in the coming Year.

## DIVIDEND

Your Directors are pleased to recommend a dividend of 10% (Re. 1/- per Equity Share of Rs. 10/- each) for the year ended 31st March 2011 subject to the approval of the members at the Annual General Meeting.

## FIXED DEPOSIT

The Company has not accepted any fixed deposit from the public.

## DIRECTORS

During the year Shri Sundareswara G Sastry resigned from the Board of the Company. The Board place on record its appreciation for the valuable services rendered by him during his tenure.

## AUDITORS

The Auditors of the Company M/s Alok Mittal & Associates, Chartered Accountants retire and eligible for re-appointment. The observation of the Auditors in their Report on Accounts read with the relevant notes are self explanatory.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Report on Corporate Governance and Auditors' Certificate regarding compliance of the conditions of Corporate Governance are made a part of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures in financial statements;
- ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared the annual accounts on a going concern basis.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required in terms of Section 217(1) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

## PERSONNEL

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 regarding employees is given in annexure to the Directors' Report.

## LISTING

The Equity Shares of the Company are listed in Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Listing fees for the year 2011-2012 have already been paid to The Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

## ACKNOWLEDGEMENT

Your Directors wish to thank and acknowledge the Banks, Government authorities, dealers, suppliers, business associates and the Company's valued customers for their assistance and cooperation and the esteemed Shareholders for their continued trust and support. The Directors also wish to acknowledge the committee and dedicated team of Aro Granite whose unstinted hard work, efforts and ideas have taken the Company on a path of steady growth and development.

For and on behalf of the Board

Place: New Delhi  
Date: 22.04.2011

Sunil K Arora  
Managing Director

Kasturi Lal Arora  
Director

## ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988.

### CONSERVATION OF ENERGY

The plant installed by the Company is of latest technology and is energy efficient. Power consumption of the Company is very low. During the year under consideration a total 8803424 units were consumed and the per Sq. mt. power consumption cost only Rs. 131.50

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Company has not imported any technology. Effective pollution control system has already been installed in the factory. Total Quality Management System has already implemented. Due to its consistent efforts the company could achieve improvement & development in the quality of the product. It has also achieved process development, cost reduction etc.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

The details regarding foreign exchange earnings and outgo are given in Notes to Profit & Loss Account and Balance Sheet.

### Statement of Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act 1956 and the Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for the year ended March 31, 2011

Employed throughout the year ended March 31, 2011 in receipt of remuneration not less than Rs. 24,00,000/- per annum

Name	Age	Qualification	Experience	Date of Commencement of Employment	Designation	Remuneration	Last Employment
Mr. Sunil K Arora	52 Years	B.Sc	24 Years	03.05.1988	Managing Director	14,360,000/-	Since Inception

# Management Discussion and Analysis

## Granite Industry-Structure and Developments

India is the proud home to vast resources of granite with more than 125 varieties of different colours and textures such as black, grey, pink, yellow, green, blue, multi coloured etc. These varieties are used to produce monuments, building slabs, tiles, surface plates etc. Of these enormous deposits of granites discovered in the country, popular and famous varieties are mainly found in South India.

Granite is a non-scheduled industry and the granite is mostly exported. On realizing the demand of the Indian color and variety as well as the export potential, Government of India has been encouraging setting up of 100% Export Oriented Units in this sector to promote export of value added granite products.

Export of Granite is freely allowed and is exported mainly to USA, UK, Japan, Germany, Netherlands, Italy, West Asia, Eastern Europe, and Latin America.

## Outlook

Year after year the demand for granites, both blocks and finished products, is on the rise. The increase in export of blocks and finished products during the last year is an indication of the encouraging signs of market demand.

India, which is blessed with various types of unique colours and large deposits of granite, has already claimed its privileged status as the number one Country for granites so far as color, variety, quality and pricing are concerned. With the availability of number of new found color of granites coupled with skilled & quality labour, India will continue to dominate the granite world in the years to come

## Opportunities & Threats for the Indian Granite Industry

The Factors helping the growth of the industry are

1. Introduction of stones for new applications and utilities etc.
2. Spurt in demand for Indian granites worldwide.
3. Increased domestic demand
4. Availability of new deposits of granites with new color, texture etc.

The major threat areas include

1. Non-availability of good quality blocks for processing.
2. Frequent power disruptions and high dependency on diesel affecting the production and the cost of raw materials and finished goods.
3. Absence of proper infrastructure.
4. Spiraling raw material cost coupled with the increase in other overheads
5. Paucity of Skilled Labour, ever increasing labour cost

## Risks and Concerns

The increase in the Raw material cost along with other operating expenses blended with the stagnation of selling price of the end products will shrink the profit margin. The increase in competition at both National and International level may result in lower profitability and reduction in selling price. Further unstable currency fluctuations too affect the profitability of the Company.

## Product wise Performance

India's Export of Granite during the last two years is as follows.

(Rs in Crores)

	2009-10	2010-11	% in Growth
Total export of Granite products	4992.75	5500 (approx.)	10.00 (approx.)
ARO'S Export of Granite Products	122.67	137.48	12.07

### **Internal Control Systems and their adequacy**

The Company has adequate system of internal control relating to the purchase of Raw Materials, Stores, Consumables and Packing Materials and for the sale of goods commensurate with the size of the Company and the nature of business.

The system of internal control of the Company is adequate keeping in mind the size and complexity of your Company's business. Systems are regularly reviewed to ensure effectiveness.

### **Discussion on Financial Performance with respect to operational Performance**

The turn over achieved by the Company for the Year ended 31.03.2011 is Rs 151.39 Crores compared to the Previous Year turnover Of Rs 131.99 Crores showing an increase of 14.70 %. The sales in Quantity has also increased from 6,06,131 Sq. Mtrs. to 6,89,384 Sq. Mtrs. The Production during the year was 7,22,901 Sq. Mtrs. compared to 5,98,567 Sq. Mtrs. of the last year. Profit before tax stands at Rs 12.51 Crores against Rs 13.85 Crores of last year. The Profit after tax is Rs 9.49 Crores compared to Rs 10.64 Crores of last year. The Earning Per Share (EPS) is Rs 9.31 against Rs 10.27.

### **Material developments in Human Resources / Industrial Relations front including the number of people employed**

The Company continues to invest in training and education of its employees and has been organizing various training programme from time to time.

The Company emphasizes training and motivation as it is the key to improve productivity. Intensive induction program of new recruits and skill based training programs are being carried out. HR policies are being aligned with the current trends in the market. Various welfare activities and incentives are being carried out for staff and workers alike making ARO an enjoyable place to be associated with. The Company maintains cordial relations with its employees and takes all possible care for their welfare.

# Corporate Governance Report

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company believes in good Corporate Governance, which is an integral part of its business ethics. Through Corporate Governance, the company wants to achieve highest level of transparency, accountability and equity in all its activities and functions. The overall target is to enhance the value of the stakeholders by providing them with all sorts of information with regard to the functioning of the Company and remain committed to the highest level of customer satisfaction and high standard of business ethics in the long run. The Company firmly believes that over a period of time all its operations and actions must serve the underlying goal of enhancing overall shareholders value.

## 2. BOARD OF DIRECTORS:

The Board of Directors presently consists of Six Directors comprise of five Non-Executive Directors (NED) of which three are Independent. The Chairman is Non-Executive. Five Board Meetings were held during the Financial Year ended 31st March 2011 on 24th April 2010, 29th July 2010, 30th October 2010, 12th January 2011 and 24th February 2011. Attendance and other details are given below:

Sl. No	Name of Director	Category	No. of Board Meetings Attended	Attendance at last AGM (29.07.2010)	Outside Directorship (Col. 7) and Committee positions (Col. 8 & 9)		
					Directorship#	Committee* Membership	Committee* Chairmanship
(1)	(2)	(3)	(4)	(6)	(7)	(8)	(9)
1	Shri Sunil K Arora, Managing Director	Executive	4	YES	NIL	–	–
2	Shri Kasturi Lal Arora	Non-Executive	5	YES	NIL	–	–
3	Shri Dinesh Chandra Kothari	Non-Executive & Independent	4	YES	4	2	1
4	Shri Rahul Gupta	Non-Executive & Independent	5	YES	2	–	–
5	Smt. Sujata Arora	Non-Executive	–	NO	NIL	–	–
6	Shri Pradeep Kumar Jain	Non-Executive Independent	3	NO	NIL	–	–

# As per Section 275 read with Section 278 of the Companies Act, 1956.

\* Only covers Memberships/Chairmanship of Audit Committees and Shareholders/Investors Grievance Committees.

The Board periodically reviews Compliance Reports of all laws applicable to the Company and has put in place procedure to review steps to be taken by the Company to rectify instances of non-compliances, is any.

## 3. AUDIT COMMITTEE

The Company has an Audit Committee of Directors. The Terms of Reference of the Committee confirm to the provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement. The Committee consisted of Shri Dinesh Chandra Kothari (Chairman), Shri Kasturi Lal Arora, Shri Rahul Gupta and Shri Sundareshwara G Sastry was reconstituted consequent to resignation of Shri Sundareshwara G. Sastry. The Audit Committee now comprises of Shri Dinesh Chandra Kothari (Chairman), Shri Kasturi Lal Arora, Shri Rahul Gupta and Shri Pradeep Kumar Jain of which three are independent. The Company Secretary acts as the Secretary of the Committee. During the financial year ended 31.03.2011, four meetings of the Audit Committee were held. Dates of meetings (Number of Members attended): 24th April 2010(3), 29th July 2010(4), 30th October 2010(4) and 13th January 2010 (2).

#### 4. REMUNERATION COMMITTEE (NON-MANDATORY)

The Board at its Meeting held on 12th January, 2011, constituted a Remuneration Committee comprising of Shri Dinesh Chandra Kothari (Chairman of the Committee), Shri Rahul Gupta and Shri Pradeep Kumar Jain, all non-executive Directors, to determine the remuneration of Shri Sunil K Arora as Managing Director for a period of five years with effect from 01.04.2011.

#### 5. REMUNERATION PAID TO DIRECTORS

- a) **Executive Directors:** The aggregate value of salary, HRA paid during the financial year ended 31st March 2011 to Shri Sunil K. Arora, Managing Director was Rs. 78,00,000/- plus commission of Rs. 65,00,000/-
- b) **Non-Executive Directors:** During the year 2010-2011, the Company has paid sitting fees aggregating to Rs. 2,35,000/- to all the Non-Executive Directors for attending the meetings of Board and/or Committee thereof. In addition to sitting fees Rs. 6,50,000/- each was paid as commission to Shri Kasturi Lal Arora and Smt. Sujata Arora, Non-Executive Directors.

#### 6. SHAREHOLDER/INVESTORS' GRIEVANCE COMMITTEE

The Company has Shareholder/ Investors' Grievance Committee at the Board Level which consists of three Directors, namely Shri Kasturi Lal Arora (Chairman of the committee), Shri Sunil K Arora and Shri Dinesh Chandra Kothari. The composition of the committee is in conformity with clause 49(IV)(G)(iii) of the Listing Agreement. Shri Sabyasachi Panigrahi, Company Secretary is the Compliance officer of the Committee who oversees the investors grievances including Transfer/Transmission of Equity Shares, Dematerialisation /Re-materialisation of Equity Shares, non-receipt of Dividend, Annual Reports etc. All the complaints received by the Company have been resolved promptly to the satisfaction of the Shareholders. All the valid requests for transfer of Equity Shares in physical form were processed in time and there are no pending transfers of Equity Shares.

#### 7. GENERAL BODY MEETING

For the year	Venue	Day, Date & Time	Whether Spl Resolution
2007-2008	Sri Sathya Sai International Centre, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi 110003	Saturday, 26th July 2008 at 11.30 A.M.	YES
2008-2009	Sri Sathya Sai International Centre, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi 110003	Thursday, 30th July 2009 at 10.30 A.M.	YES
2009-2010	LakshmiPat Singhania Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110016	Thursday, 29th July 2010 at 10.30 A.M.	YES

#### 8. DISCLOSURES

Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management or relatives etc. that may have potential conflict with the interest of the Company at large: NONE. Suitable disclosures as required by Accounting Standard (AS-18) on Related Party Transactions has been made in the Annual Report.

Details of Non-Compliances by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any other Statutory Authorities, on any matter related to Capital Market, during the last three years: There was no cases on non-compliances of any matter related to Capital Market during last three years.

#### 9. MEANS OF COMMUNICATION

Quarterly, Half-yearly and Annual Financial Results are normally published in leading National newspapers i.e. The Economic Times, Business Standard, Financial Express, Pioneer, Veer Arjun having wide circulation and promptly furnished to the Stock Exchanges for display on their respective web sites. The "Management Discussion & Analysis" and "Shareholders Information" forms part of the Annual Report.

#### 10. (i) GENERAL SHAREHOLDERS' INFORMATION

##### (a) Annual General Meeting

Day & Date	: Friday, the 29th July 2011
Time	: 10.30 A.M.
Venue	: LakshmiPat Singhania Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110016

- (b) As required under clause 49(IV)(G)(i), a brief resume and other particulars of the appointment of Directors retiring by rotation at the aforesaid Annual General Meeting and seeking re-appointment are being given in the notes to the Notice convening the said meeting.

(ii) **Financial Calendar (Tentative)**

Financial Reporting	By end
For the quarter ending 30.06.2011	July 2011
For the half year ending 30.09.2011	October 2011
For the quarter ending 31.12.2011	January 2012
For the Year ending 31.03.2012(Audited)	April/May 2012
Annual General Meeting for the Financial Year 2011-2012	July/August 2012

(iii) **Date of Book Closure** : From 25.07.2011 to 29.07.2011 (both days inclusive)

(iv) **Dividend Payment Date** : Before 28th August 2011

(v) Listing on Stock Exchange(s) including Scrip Code:

Sr. No	Name of the Stock Exchanges	Scrip Code No
1	Bombay Stock Exchange Limited	513729
2	National Stock Exchange of India Limited	AROGANITE/EQ

The Listing Fee for the year 2011-2012 has been paid to the said Stock Exchanges.

(vi) **Market Price Data**

(Rs)

MONTHS (2010-2011)	Bombay Stock Exchange Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	HIGH	LOW	HIGH	LOW
APRIL 2010	56.00	44.00	55.90	42.55
MAY 2010	50.30	45.00	51.85	44.25
JUNE 2010	48.85	45.00	48.75	45.10
JULY 2010	63.80	46.00	63.85	46.00
AUGUST 2010	58.00	50.35	57.40	51.15
SEPTEMBER 2010	65.95	50.80	65.00	50.75
OCTOBER 2010	71.90	55.00	70.90	56.65
NOVEMBER 2010	62.20	45.30	60.30	46.45
DECEMBER 2010	52.35	44.25	51.50	43.25
JANUARY 2011	63.65	43.00	54.85	40.30
FEBRUARY 2011	51.60	36.30	47.30	37.30
MARCH 2011	46.50	39.30	50.50	39.40

(vii) **Share Transfer System:**

All valid requests for transfer/transmission of Equity Shares in physical form are processed within a period of 15-20 days from the date of receipt thereof and the share certificates duly transferred are immediately returned to the transferee/lodger. In the case of Equity Shares in electronic form, the transfers are processed by NSDL/CDSL through the respective Depository Participants.

(viii) **Dematerialisation of Shares & Liquidity:**

Trading in the Equity Shares of the Company is permitted only in dematerialised form. Shareholders may dematerialise their shareholdings with one of the depositories namely NSDL and CDSL. The ISIN No. of the Company's Equity Share is *INE210C01013*. The Equity Shares of the Company are actively traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. As on 31.03.2011, 96,53,911 (94.65%) Equity Shares of the Company have been dematerialised.

(ix) Distribution of Shareholding (As on 31.03.2011)

No of Equity Shares (Range)	No of Share Holders		No of Shares		% of Shareholding	
	Physical Form	Demat Form	Physical Form	Demat Form	Physical Form	Demat Form
1-100	707	2113	9900	81452	0.10	0.80
101-500	809	1412	238964	373345	2.34	3.66
501-1000	120	298	92300	234199	0.90	2.30
1001-5000	35	196	67000	434045	0.66	4.26
5001-10000	3	37	28125	261966	0.27	2.57
10001-50000	2	39	53550	857018	0.53	8.40
50001- 100000	1	11	56250	799094	0.55	7.83
100001-above	0	16	0	6612792	0.00	64.83
Sub-Total	1677	4122	546089	9653911	5.35	94.65
Total	5799		10200000		100.00	

(x) Shareholding Pattern (As on 31.03.2011)

Sr. No	Shareholders	No of Shares	%
1	Directors & Relatives	41,76,421	40.945
2	Non-Resident Individuals/OCBs	4,32,302	04.239
3	Private Corporate Bodies	11,02,323	10.807
4	General Public	44,88,954	44.009
	Total	1,02,00,000	100.00

(xi) Outstanding GDRs/ADRs/Warrants and likely impact on Equity

There are no outstanding GDRs/ADRs/Warrants of the Company.

(xii) Plant Locations

Unit I 103, SIPCOT Industrial Complex  
Hosur, Tamil Nadu, 635 126

Corp. Off. & Works At: Koneripalli Village, Via: Shoolagiri  
Taluk: Hosur, Dist: Krishnagiri  
Tamil Nadu 635 117

(xii) Address for Correspondence regarding share transfers and other matters

Aro granite industries ltd. Registered Office S-16, Second Floor Green Park Extension New Delhi 110 016 Phone No.: 91-11-26511021 Fax No.: 91-11-26511022 E mail: investorgrievance@arotile.com	Registrar & Transfer Agent (RTA) M/s Alankit Assignments Limited Alankit House 2E/21, Jhandewalan Extension New Delhi 110055 Phone No: 91-11-23541234, 91-11-42541234 Fax No.: 91-11-23552001, 91-11-42541201 E mail: alankit@alankit.com
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11. DECLARATION

This is to confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the code of conduct for Directors and Senior Management adopted by the Board.

Sunil K Arora  
Managing Director

# Auditors' Certificate on Corporate Governance

The Members,

Aro granite industries limited,

We have examined the compliance of the conditions of Corporate Governance by Aro granite industries limited, for the year ended 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors & Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company as on 31st March 2011 there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Alok Mittal & Associates,  
Chartered Accountants

(Alok K. Mittal)  
Partner  
M.No. 71205

Place: New Delhi.  
Dt: 22.04.2011

# Auditors' Report

To the Members of **ARO GRANITE INDUSTRIES LTD.**

We have audited the attached Balance Sheet of **ARO GRANITE INDUSTRIES LTD.** as at **31st March 2011**. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion:

As required by the Companies (Auditors Report) Order, 2003 as amended by the Companies (Auditors' Report) Amendment Order, 2004 issued by the Central Government in terms of Sec. 227 (4A) of The Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraph 4 and 5 of the said order

Further to our comments in the annexure referred to in above paragraph, 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 the audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from examination of the books;
- c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion the Profit & Loss Account and the Balance Sheet comply with the accounting standards specified by the Institute of Chartered Accountants of India referred to in sub section (3c) of section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from the directors as on 31.03.2011, none of the directors are disqualified as on 31st March 2011 from being appointed as directors in terms of clause (g) of Section 274 of The Companies Act 1956.
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - i) In the case of Balance Sheet, the state of the affairs of the Company as at 31st March, 2011.
  - ii) In the case of Profit & Loss Account, of the Profit of the company for the period ending on that date; and
  - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **ALOK MITTAL & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 05717N

**ALOK K. MITTAL**  
(PARTNER)  
M. NO. – 71205

Place : New Delhi  
Date : 22.04.2011

## Annexure to the Auditor's Report

Report referred to in our report of even date

- (i) The Company has maintained proper records of fixed assets showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management during the year and there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Fixed assets disposed during the year were not substantial and therefore, do not affect the going concern assumption.
- (ii) The inventory has been physically verified during the year by the Management. The company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification between the physical stocks and the book records.

- (iii) The Company has not taken loans from the parties listed in the register maintained under Sec. 301 of the Companies Act, 1956. The company has not granted any loans to the parties listed in the register maintained under section 301 of the companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets and with regard to the sale of goods.
- (v) In our opinion and according to the information and explanations given to us, we are of the opinion that there are no contracts or agreements referred to in section 301 of the companies Act, 1956.
- (vi) The Company has not accepted any public deposit, so clause (VI) is not applicable.
- (vii) In our opinion, the Company has internal audit system commensurate with the size and nature of its business.
- (viii) The company is not required to maintain the cost records under section 209 (1) (d) of the Companies Act 1956, so clause (viii) is not applicable.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Investors Education & Protection Fund, Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other material statutory dues applicable to it.  
(b) According to information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Sale Tax, Provident Fund, Investors Education & Protection Fund, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess, were in arrears, as at 31st March, 2011 for a period of more than six months from the date they become payable.  
(c) According to the information and explanation given to us, there are no dues of sale tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses as at 31st March, 2011, and it has not incurred cash losses during the financial year covered our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to banks and other financial institution.
- (xii) According to the information and explanations given to us the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities so clause (xii) is not applicable.
- (xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) (a) The Company has not made any dealing in shares during the year under consideration.  
(b) Based on audit procedures and to the best of our knowledge and belief and according to the information and explanation given to us, the shares and securities have been held by the company in its own name.
- (xv) In our opinion, the company has not given any guarantees for loans taken by others from Banks or Financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanation given to us, no term loan was availed by the company during the financial year.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no fund raised on short - term basis have been used for long -term investment.
- (xviii) The company has not issued any debentures.
- (xix) The company has not raised any money by public issue during this year, so clause (xix) is not applicable.
- (xx) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **ALOK MITTAL & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 05717N

**ALOK K. MITTAL**  
(PARTNER)  
M. NO. – 71205

Place : New Delhi  
Date : 22.04.2011

# Balance Sheet as at 31st March, 2011

(Amount in Rs.)

	SCHEDULES	As At 31.03.2011	As At 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUND</b>			
Share Capital	1	102,000,000.00	103,607,210.00
Reserve & Surplus	2	947,122,302.81	870,158,562.62
<b>LOAN FUNDS</b>			
Secured Loans	3	569,214,879.94	474,290,328.52
		<b>1,618,337,182.75</b>	<b>1,448,056,101.14</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	4	990,120,073.29	951,314,307.24
b) Less :Depreciation		313,501,995.20	272,198,893.46
c) Net Block		676,618,078.09	679,115,413.78
<b>INVESTMENTS</b>			
	5	186,640.00	186,640.00
<b>CURRENT ASSETS, &amp; LOANS &amp; ADVANCES</b>			
a) Inventories	6	568,734,395.16	502,358,941.68
b) Debtors	7	449,896,099.21	414,870,078.65
c) Cash & Bank Balance	8	64,184,890.25	13,045,423.73
d) Other Current Assets	9	51,133,354.72	64,899,244.72
e) Loans & Advances	10	39,389,581.00	26,929,538.00
		<b>1,173,338,320.34</b>	<b>1,022,103,226.78</b>
<b>LESS:CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	11	137,865,604.68	161,497,557.42
Provisions	12	19,494,823.00	20,170,659.00
		<b>157,360,427.68</b>	<b>181,668,216.42</b>
Net Current Assets		<b>1,015,977,892.66</b>	<b>840,435,010.36</b>
<b>LESS: DEFERRED TAX LIABILITY</b>			
Deferred Tax Liability		77,038,497.00	72,796,029.00
Less: Deferred Tax Assets		2,593,069.00	1,115,066.00
Net Deferred Tax Liability		<b>(74,445,428.00)</b>	<b>(71,680,963.00)</b>
		<b>1,618,337,182.75</b>	<b>1,448,056,101.14</b>
<b>NOTES ON ACCOUNTS</b>			
	22		

The Schedule referred to above and the notes thereon form an integral part of the accounts.

This is the Balance Sheet referred in our report of even date.

for **ALOK MITTAL & ASSOCIATES**

CHARTERED ACCOUNTANTS  
Firm Registration No. 05717N

**ALOK K. MITTAL**  
Partner  
M. NO. – 71205

**SUNIL K. ARORA**  
Managing Director

**K. L. ARORA**  
Director

**S.PANIGRAHI**  
Company Secretary

Place : New Delhi  
Date : 22.04.2011

# Profit & Loss Account for the Year Ended 31st March, 2011

(Amount in Rs.)

	SCHEDULES	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
<b>INCOME</b>			
Turnover	13	1,513,909,163.00	1,319,922,366.00
Other Income	14	(14,880,791.64)	7,225,520.99
		1,499,028,371.36	1,327,147,886.99
<b>EXPENDITURE</b>			
Raw Material Consumption	15	651,467,658.38	558,754,274.71
(Increase)/Decrease in Finished Goods & WIP	16	(29,734,547.92)	(11,465,146.70)
Manufacturing Overheads	17	523,563,217.35	434,125,303.21
Administrative expenses	18	62,722,109.86	45,787,561.62
Staff Cost	19	76,669,237.50	61,059,453.46
Selling & Distribution	20	12,641,904.25	10,647,749.75
Depreciation	4	43,978,965.51	43,048,035.65
Financial Expenses	21	32,390,888.06	46,709,030.28
Loss on sales of assets		248,122.17	18,252.81
		1,373,947,555.16	1,188,684,514.79
Profit for the year before Tax		125,080,816.20	138,463,372.20
Less: Previous year Income Tax adjustments		223,345.00	72,547.01
Provision for Income Tax (Current)		27,017,333.00	23,530,021.00
Deferred Tax		2,764,465.00	8,369,307.00
Provision for Wealth Tax		133,500.00	94,900.00
Profit for the year after Tax		94,942,173.20	106,396,597.19
Less: Provision of Dividend on Equity		10,200,000.00	10,360,721.00
Dividend Tax		1,694,220.00	1,760,805.00
		11,894,220.00	12,121,526.00
Profit for the year after Dividend		83,047,953.20	94,275,071.19
Add : Previous year profit		595,285,555.90	521,010,484.71
		678,333,509.10	615,285,555.90
Less: Transfer to General Reserve		20,000,000.00	20,000,000.00
		658,333,509.10	595,285,555.90
Earning Per Share (before deferred Tax)		9.58	11.08
Earning Per Share (after deferred Tax)		9.31	10.27
<b>NOTES ON ACCOUNTS</b>	22		

The Schedule referred to above and the notes thereon form an integral part of the accounts.

This is the Profit & Loss Account referred in our report of even date.

for **ALOK MITTAL & ASSOCIATES**

CHARTERED ACCOUNTANTS

Firm Registration No. 05717N

**ALOK K. MITTAL**

Partner

M. NO. – 71205

**SUNIL K. ARORA**

Managing Director

**K. L. ARORA**

Director

**S.PANIGRAHI**

Company Secretary

Place : New Delhi

Date : 22.04.2011

# Cash Flow Statement for the Year Ended 31st March, 2011

(Amount in Rs.)

PARTICULARS	31.03.2011	31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary item	125,080,816.20	138,463,372.20
Adjustments		
Depreciation Provision	43,978,965.51	43,048,035.65
Loss/(Profit) on sale of assets	248,122.17	18,252.81
Dividend and interest received	(3,578,160.52)	(3,727,455.85)
Foreign currency fluctuation (Gain)(Loss (unrealised))	(19,680,843.99)	(2,201,207.22)
Operating Profit before working capital changes	146,048,899.37	175,600,997.59
<b>Adjustment for Working Capital Changes</b>		
Decrease/(Increase) in Inventories	(66,375,453.48)	(12,636,062.62)
Decrease/(Increase) in Debtors	(35,026,020.56)	1,205,719.00
Decrease (Increase) in others current assets	13,765,890.00	(8,775,855.09)
Decrease (Increase) in Loans & Advances	(12,460,043.00)	(18,012,851.89)
(Decrease) Increase in Current Liabilities	(22,243,985.74)	58,087,663.12
<b>Cash from Operations</b>	23,709,286.59	195,469,610.11
Less : Income Tax & Other Taxes Paid (Net)	29,265,211.00	21,839,125.00
Cash flow before Extraordinary items	(5,555,924.41)	173,630,485.11
<b>Net cash from operations</b>	(5,555,924.41)	173,630,485.11
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to fixed assets & capital		
Purchase of Assets	(42,545,919.00)	(9,910,803.00)
Sale of assets	682,667.00	430,000.00
Dividend and Interest Received	3,578,160.52	3,727,455.85
<b>Net cash from investing Activities</b>	(38,285,091.48)	(5,753,347.15)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings (Secured & Unsecured)	94,924,551.42	(121,418,140.07)
Buy back of Shares	(7,691,423.00)	(31,013,099.00)
Issuance of Share Capital	-	-
Payment of Dividend including Dividend Tax	(11,933,490.00)	(13,006,345.75)
<b>Net Cash from financing Activities</b>	75,299,638.42	(165,437,584.82)
<b>D. TOTAL INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENT</b>		
Cash equivalent during the year before adjustment for foreign		
Currency fluctuation (A+B+C)	31,458,622.53	2,439,553.14
Adjustment for foreign currency fluctuation (gain)/loss	19,680,843.99	2,201,207.22
Cash equivalent during the year after adjustment for foreign		
Currency fluctuation	51,139,466.52	4,640,760.36
Cash & Cash equivalents at the beginning of the year	13,045,423.73	8,404,663.37
Cash & cash equivalent at the end of the year	64,184,890.25	13,045,423.73

The above cash flow statement has been compiled from and is based on the audited accounts of Aro Granite Industries Ltd. for the year ended 31st March 2011 reported upon by us as on 22.04.2011 According to the information and explanation given the aforesaid cash flow statement has been prepared pursuant to clause 32 of the listing agreement with the stock Exchange and their allocation required for purpose are as made by the company.

For **ALOK MITTAL & ASSOCIATES**  
 CHARTERED ACCOUNTANTS  
 Firm Registration No. 05717N

**ALOK K. MITTAL**  
 (PARTNER)  
 M. NO. – 71205

Place : New Delhi  
 Date : 22.04.2011

## Schedules to Balance Sheet and Profit & Loss Account

(Amount in Rs.)

SCHEDULES	As At 31.03.2011	As At 31.03.2010
<b>1 AUTHORISED SHARE CAPITAL</b>		
1,46,00,000 (P.Y. 1,46,00,000) equity Shares of Rs. 10/- each	146,000,000.00	146,000,000.00
40,000, 10% Convertible Cumulative Preference Shares (CCPS) of Rs. 100/- each. (P.Y. 40,000 CCPS)	4,000,000.00	4,000,000.00
	150,000,000.00	150,000,000.00
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
1,02,00,000 Equity Shares (Previous Year 1,03,60,721 Equity Shares) of Rs. 10/- each	102,000,000.00	103,607,210.00
	102,000,000.00	103,607,210.00
<b>2 RESERVES &amp; SURPLUS</b>		
a) Share Premium Account		
As per Balance Sheet	46,804,691.00	70,590,000.00
Add : Adition During the year	–	–
Less : Utilised During the year for Buy Back of Shares	6,084,213.00	23,785,309.00
	40,720,478.00	46,804,691.00
b) General Reserve		
As per last Balance Sheet	228,068,315.71	208,068,315.72
Less : Bonus Share Issued	–	–
Add : Transfer from Profit & Loss A/c	20,000,000.00	20,000,000.00
	248,068,315.71	228,068,315.72
c) Surplus in Profit & Loss Account	658,333,509.10	595,285,555.90
	947,122,302.81	870,158,562.62
<b>3 SECURED LOANS</b>		
a) Term Loan from the ICICI Bank Ltd.		
(Secured by way of 1st Charge on all the Immovable and Movable assets including all Movable Machinery and Movable Fixed Assets of Unit II both present and future also secured by personal guarantee of Mr.Sunil K Arora)	96,799,360.00	145,199,040.00
b) i) – BOB CC A/c	34,949,007.60	22,667,630.02
ii) – Packing Credit BOB & HSBC	296,366,264.58	173,795,958.74
iii) Foreign Bills Discounted from Bank BOB & HSBC	140,040,252.21	131,227,188.21
(Secured by way of hypothecation of Stock, Pledge of Govt. Securities, ECGC, and Book Debts of both the Units of the Company on Pari Passu basis. Second charge on Fixed Assets of the Unit - II and Personal guarantees of Promoters/ Directors Mr. Sunil K Arora, Mr. Kasturi Lal Arora, Smt. Sujata Arora)		
c) Sales Tax Term Loan	1,059,995.55	1,400,511.55
	569,214,879.94	474,290,328.52

**SCHEDULE 4 : FIXED ASSETS**

(Amount in Rs.)

DESCRIPTIONS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.2010	Additions/ (Deletion)	As at 31.03.2011	As at 01.04.2010	During the year	Adjustment for sale	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	18,298,922.55	7,181,530.00	25,480,452.55	-	-	-	-	25,480,452.55	18,298,922.55
Building	253,817,112.07	2,673,106.00	256,490,218.07	37,221,800.16	8,515,098.79	-	45,736,898.95	210,753,319.12	216,595,311.91
Plant & Machinery	591,506,748.05	19,403,245.00	610,909,993.05	205,380,770.19	29,795,916.87	-	235,176,687.06	375,733,305.99	386,125,977.86
Furniture & Fixture	4,915,559.86	1,216,867.00	6,132,426.86	2,518,792.14	346,497.49	-	2,865,289.63	3,267,137.23	2,396,767.72
Electrical Equipment	48,177,147.38	1,304,541.00	49,481,688.38	12,290,179.57	2,331,653.11	-	14,621,832.68	34,859,855.70	35,886,967.81
Office Equipment	13,320,091.33	1,774,717.00	15,094,808.33	5,669,608.80	783,316.21	-	6,452,925.01	8,641,883.32	7,650,482.53
Vehicles	19,870,040.00	8,541,358.00	24,671,245.05	8,878,715.39	2,124,298.63	(2,675,863.78)	8,327,150.25	16,344,094.80	10,991,324.61
Canteen Equipment	1,408,686.00	450,555.00	1,859,241.00	239,027.21	82,184.41	-	321,211.62	1,538,029.38	1,169,658.79
<b>TOTAL</b>	<b>951,314,307.24</b>	<b>42,545,919.00</b>	<b>990,120,073.29</b>	<b>272,198,893.46</b>	<b>43,978,965.51</b>	<b>(2,675,863.78)</b>	<b>313,501,995.20</b>	<b>676,618,078.09</b>	<b>679,115,413.78</b>
Previous Year	942,452,711.24	9,910,803.00	951,314,307.24	229,872,271.61	43,048,035.65	(721,413.80)	272,198,893.46	679,115,413.78	712,580,439.63

(Amount in Rs.)

SCHEDULES	As At 31.03.2011	As At 31.03.2010
<b>5 INVESTMENT</b>		
Shares (Quoted at cost)	186,640.00	186,640.00
(Market Value as on 31.03.2011 was Rs.12,01,585/-)		
	<b>186,640.00</b>	<b>186,640.00</b>
<b>6 INVENTORIES</b> (As certified by the management)		
(at cost or Realisable value whichever is lower)		
Raw Materials	156,410,139.37	135,539,382.75
Consumables	43,713,881.05	32,625,667.70
Stores & Spares	30,076,523.81	25,992,776.17
Packing Material	7,662,053.49	7,063,865.54
Work in progress	33,281,790.00	30,864,169.00
Finished Goods	297,590,007.44	270,273,080.52
	<b>568,734,395.16</b>	<b>502,358,941.68</b>
<b>7 DEBTORS - UNSECURED</b>		
(Considered Good)		
Over six months	77,161,358.00	78,737,976.00
Others	372,734,741.21	336,132,102.65
	<b>449,896,099.21</b>	<b>414,870,078.65</b>
<b>8 CASH &amp; BANK BALANCES</b>		
Cash- in- Hand	436,301.80	353,107.20
Cash at Bank	51,611,805.45	5,141,987.55
Vijaya Bank Refund A/c	60,476.00	60,476.00
Vijaya Bank Dividend A/c	1,774,979.00	1,581,898.50
Fixed Deposit with HSBC	10,301,328.00	5,907,954.48
	<b>64,184,890.25</b>	<b>13,045,423.73</b>
<b>9 OTHER CURRENT ASSETS - UNSECURED</b>		
(Considered Good)		
Security Deposit - Government & Others	8,418,276.86	9,171,867.86
Other Receivables	5,679,825.86	21,039,587.86
Margin Money on Bills	35,973,175.00	34,159,147.00
Prepaid expenses	1,062,077.00	528,642.00
	<b>51,133,354.72</b>	<b>64,899,244.72</b>
<b>10 LOANS &amp; ADVANCES - UNSECURED</b>		
(Considered Good)		
Advances for Capital Goods	2,278,711.00	2,295,046.00
Advances for Raw Materials/Consumables	36,401,735.00	23,852,886.00
Other Advances	709,135.00	781,606.00
	<b>39,389,581.00</b>	<b>26,929,538.00</b>

(Amount in Rs.)

SCHEDULES	As At 31.03.2011	As At 31.03.2010
<b>11 CURRENT LIABILITIES</b>		
Creditors for Goods / Services		
– Due to Others	109,768,026.82	122,188,476.86
– Due to Capital Goods	5,639,428.68	15,152,018.68
Liabilities		
– Statutory Dues	2,680,674.00	2,039,941.00
– Expenses	17,447,598.60	16,413,181.10
Advance From Customers	2,329,876.58	5,703,939.78
	<b>137,865,604.68</b>	<b>161,497,557.42</b>
<b>12 PROVISIONS</b>		
Provision for Income Tax (Net of Income Tax Payment)	915,686.00	2,752,183.00
Dividend on Equity	10,200,000.00	10,360,721.00
Corporate Dividend Tax	1,694,220.00	1,760,805.00
Bonus	400,825.00	2,016,377.00
Gratuity	6,284,092.00	3,280,573.00
	<b>19,494,823.00</b>	<b>20,170,659.00</b>
	<b>For the Year Ended 31.03.2011</b>	<b>For the Year Ended 31.03.2010</b>
<b>13 TURNOVER</b>		
Sales - Exports	1,397,610,291.00	1,241,839,327.00
Sales - DTA	116,298,872.00	78,083,039.00
	<b>1,513,909,163.00</b>	<b>1,319,922,366.00</b>
<b>14 OTHER INCOME</b>		
Exchange Fluctuation	(19,680,843.99)	2,201,207.22
Dividend Received	17,940.00	10,764.00
Job Work Received	–	1,054,373.00
Miscellaneous Income	1,221,891.83	242,484.92
Interest Received	3,560,220.52	3,716,691.85
	<b>(14,880,791.64)</b>	<b>7,225,520.99</b>
<b>15 RAW MATERIAL CONSUMPTION</b>		
Opening Stocks	135,539,382.75	134,520,568.46
Add: Purchases	672,338,415.00	559,773,089.00
	<b>807,877,797.75</b>	<b>694,293,657.46</b>
Less: Closing Stocks	156,410,139.37	135,539,382.75
	<b>651,467,658.38</b>	<b>558,754,274.71</b>
<b>16 (INCREASE) / DECREASE IN FINISHED GOODS &amp; WIP</b>		
Opening Stock	301,137,249.52	289,672,102.82
Closing Stock	330,871,797.44	301,137,249.52
	<b>(29,734,547.92)</b>	<b>(11,465,146.70)</b>

(Amount in Rs.)

SCHEDULES	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
<b>17 MANUFACTURING OVERHEADS</b>		
Consumables Consumptions	185,966,050.94	175,062,701.13
Stores & Spares Consumptions	31,749,722.36	26,168,835.32
Packing Material Consumptions	53,944,215.05	37,612,762.92
Bought Out Purchase	24,712,456.00	14,637,227.00
Power and Fuel	95,062,877.00	75,015,187.00
Repairs & Maintenance:-		
- Plant & Machinery	12,511,948.00	12,009,875.84
- Electricals	917,851.00	173,905.00
Other Manufacturing Expenses	1,287,600.00	509,718.00
Labour Charges	45,192,522.00	29,542,982.00
Freight and forwarding Charges	60,560,552.00	54,799,605.00
Excise Duty Paid	11,657,423.00	8,592,504.00
	<b>523,563,217.35</b>	<b>434,125,303.21</b>
<b>18 ADMINISTRATIVE EXPENSES</b>		
Repairs and Maintenance		
- Buildings	7,208,484.00	2,442,021.50
- Vehicles	1,758,600.40	1,594,154.90
- Others	2,563,914.00	3,440,677.50
Travelling and Conveyance		
- Employees (Foreign Travel Rs. 33,99,521/-) (P.Y. Rs.35,80,095/-)	9,906,041.81	9,571,812.20
- Director (Foreign Travel Rs.34,85,692/-) (P.Y. Rs. 24,28,818/-)	3,592,148.97	2,549,555.42
Miscellaneous Expenses	195,964.84	159,363.00
Printing and Stationery	1,637,958.50	1,450,252.00
Rent	720,000.00	662,360.00
Security service charges	3,464,401.00	2,842,133.00
Telephone and Telex	4,279,118.34	4,177,860.43
Auditors Remuneration		
- Auditor's Fee	250,000.00	225,000.00
- Tax Audit Fee	75,000.00	65,000.00
- Other Management Services	30,000.00	25,000.00
Professional Service Charges	2,685,428.00	1,301,308.00
Insurance		
- Fixed Assets	403,357.00	303,254.71
- Marine	3,793,969.00	3,400,524.00
- Others	794,996.00	777,373.79
- Vehicles	231,494.00	178,195.27
Bad Debts Written Off	983,122.00	-
Rebate & Discounts	3,780,462.00	6,806,019.00
Service Tax Paid	-	116,398.00
Donations	2,053,000.00	126,000.00
Rates & taxes	11,543,358.00	3,023,483.90
Legal Expenses	509,038.00	407,979.00
Membership & Subscriptions	262,254.00	141,836.00
	<b>62,722,109.86</b>	<b>45,787,561.62</b>

(Amount in Rs.)

SCHEDULES	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
<b>19 STAFF COST</b>		
Salary & wages	61,308,222.50	44,157,123.46
Employers contribution to Statutory	2,405,708.00	1,800,749.00
ESI Contribution	55,307.00	41,581.00
Managerial Remunerations	12,900,000.00	15,060,000.00
	<b>76,669,237.50</b>	<b>61,059,453.46</b>
<b>20 SELLING &amp; DISTRIBUTION COST</b>		
Sales promotions	11,211,457.25	8,719,769.75
Adv. & Publicity	1,430,447.00	1,730,300.00
Commission	–	197,680.00
	<b>12,641,904.25</b>	<b>10,647,749.75</b>
<b>21 FINANCIAL EXPENSES</b>		
Bank Charges	4,660,187.17	4,709,017.28
Packing Credit	5,161,159.66	6,678,826.10
Cash Credit	3,774,928.00	2,997,470.91
Demand Draft Charges	251,777.00	30,847.00
Foreign Bills Discounted / Purchases	7,775,062.36	15,428,349.03
Interest on ICICI Term Loan	10,767,773.87	16,864,519.96
	<b>32,390,888.06</b>	<b>46,709,030.28</b>

## SCHEDULE - 22

### 1. SIGNIFICANT ACCOUNTING POLICIES

- GENERAL - The accounts are prepared on historical cost basis, and on the accounting principles of going concern. Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.
- FIXED ASSETS - Fixed assets are stated at the cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition.
- DEPRECIATION - Depreciation on fixed assets has been provided on Straight Line Method (SLM) basis and on pro-rata basis on the rates specified in schedule XIV of the Companies Act, 1956 as applicable on the last date of the accounting year.
- INVENTORIES - Inventories are valued at the lower of the cost or net realizable value. The cost of the inventories is assigned by using First-in First out (FIFO) Method. Raw material, Stores & Spares and Packing Materials have been valued at cost. Process Stock is valued at cost, which is determined by taking direct material, labor cost and certain related Factory Overheads. Finished Goods have been determined on full absorption cost basis which includes all direct cost, depreciation, etc.
- REVENUE RECOGNITION - The Company follows Mercantile System of Accounting and recognizes income and expenditure on accrual basis.
- FOREIGN CURRENCY TRANSACTION: Transaction denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transactions.

Foreign Currency Liabilities incurred for acquisition of Fixed Assets are translated at the exchange rate prevailing on the last working day of the accounting year or forward cover rates, as applicable. The net variation arising out of the said transaction is adjusted to the profit and loss account.

Other outstanding foreign currency assets and liabilities are restated at the year-end rates. The net profit or loss arising on restatement/settlement is adjusted to the profit & Loss account.

- BORROWING COSTS: Borrowing cost that are attributable to the acquisition or constructions of qualifying assets are capitalized as a part of the cost of such assets. A qualifying assets is one that takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- PROPOSED DIVIDEND: The company provides for the dividend as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

- i) CONTINGENT LIABILITIES: contingent liabilities are not provided and are disclosed by way of notes.
- j) RETIREMENT BENEFITS - The Company's contribution in respect of Provident Fund is charged against revenue every year. In respect of Gratuity and Leave Encashment, Provision for Gratuity, Leave Encashment is made by charging Profit & Loss Account by an amount determined by actuarial valuation.
- k) DEFERRED TAXATION - Deferred Tax arising from timing difference between book and tax profit is accounted for under the liability method at the current rate of tax to the extent that the timing difference are expected to crystallize.

## 2 . NOTES TO ACCOUNTS:

- a. i. Bills of Exchange discounted **Rs.1400.40 Lacs** (P.Y. Rs.1312.27 Lacs)
- ii. Guarantee & counter Guarantee Outstanding **Rs. 50.85 Lacs** (P.Y. Rs. 28.50 Lacs)
- iii. Letter of Credit **Rs. 807.88 Lacs** (P.Y. Rs. 343.33 lacs )
- b. In compliance with **Accounting Standard - 22 relating to "Accounting for taxes on Income"** issued by the Institute of Chartered Accountants of India, the company has adjusted the deferred tax liability (net) arising out of timing difference for the period upto 31st March 2011 with the Balance of Deferred Tax Liability (Net) accruing during the year aggregating to Rs.27,64,465/- has been recognized in the Profit and Loss Account.
- c. The Deferred Tax Liability (net) of Rs 27,64,465/- credited to Profit and Loss account includes Rs.38,29,704/- deferred tax liability for Unit-II, which is having tax holiday under Income Tax Act and provision has been made, based on conservative principles.
- d. Major components of Deferred Tax Assets and Liabilities arising on account of timing difference are:

(Rs. in '000)

	Assets	Liabilities
Depreciation	–	77,038 (72,796)
Provision for Gratuity & EL	2,593 (1,115)	–

- e. Related Party Disclosure : As required by Accounting Standard - 18 issued by the Institute of Chartered Accountants of India. The disclosures are as given below:

(Rs. in '000)

Sl.No	Name of the Related party	Relationship	Transaction	Amount
1.	Mr. Sunil K Arora	Key management Personnel	Remn./ Comm.	Rs. 11,900 (Rs. 13,760)
2.	Mrs. Sujata Arora	Director	Commission	Rs. 500 (Rs. 650)
3.	Mr. K.L. Arora	Director	Commission	Rs. 500 (Rs. 650)

- f. Basic Earning Per Share (EPS) as per AS -20

	2010-11	2009-10
EPS (before deferred tax)	9.58	11.08
EPS (after deferred tax)	9.31	10.27

- g. The Company is into the business of Granite Tiles and Slabs on which company have same degree of risk and return. Their production process is also similar. Further the company's revenue from domestic market is negligible. Thus the Company does not have more than one reportable segment in line with the Accounting Standard 17 on "Segmental Reporting" issued by the Institute of Chartered Accountants of India.

- h. There are no Small Scale Undertakings to which Company owes, for more than thirty days and exceeding Rupees One Lac.

- i. Director's Remuneration :

(Rs. in '000)

	2010-11	2009-10
I Salary	6,120	5,820
II Rent Free Accom./HRA	1,680	1,440
III Commission	5,100	Rs. 7,800

j. Director's Traveling

(Rs. in '000)

	2010-11	2009-10
I. Local	106	121
II. Foreign	3,486	2,429

k. Additional Information pursuant to the provisions of paragraphs, 3, 4C and 4D of part II Schedule of the Companies Act, 1956.

I. Licensed & Installed Capacity and Actual Production:

Class of goods	Unit	Licensed Capacity (Per annum)		Installed Capacity (Per annum)		Production	
		2011	2010	2011	2010	2011	2010
UNIT-I Granite Tiles	Sq.Mt.	1,80,000	1,80,000	1,80,000	1,80,000	75,888	46,953
UNIT-II Granite Slabs	Sq.Mt	3,90,000	3,90,000	3,90,000	3,90,000	3,60,124	3,08,128
UNIT-II Tile Plant	Sq.Mt	3,60,000	3,60,000	3,60,000	3,60,000	2,86,889	2,43,486

(The Installed Capacity has been certified by a Director of the Company on which the Auditors have placed reliance without verification).

II. Particulars in respect of sales :

Class of Goods	Quantity in Sq.M.		(Rs. in '000)	
	Year ended 31.03.2011	Year ended 31.03.2010	Year ended 31.03.2011	Year ended 31.03.2010
UNIT-I -Tile Plant	74,273	79,843	88,357	36,689
UNIT-II- Slab Plant	3,43,427	3,04,784	10,35,021	9,22,196
UNIT-II -Tile Plant	2,71,684	2,21,504	3,90,531	3,61,037

I. Details of Finished Goods :

I. Details of Opening Stock :

Class of Goods	Quantity in Sq.M.		(Rs. in '000)	
	Year ended 31.03.2011	Year ended 31.03.2010	Year ended 31.03.2011	Year ended 31.03.2010
UNIT-I -Tile Plant	9,406	42,296	7,525	39,420
UNIT-II -Slab Plant	1,20,305	1,16,961	2,05,202	1,98,299
UNIT-II -Tile Plant	65,159	43,177	57,546	42,401

II. Details of Closing Stocks :

Class of Goods	Quantity in Sq.M.		(Rs. in '000)	
	Year ended 31.03.2011	Year ended 31.03.2010	Year ended 31.03.2011	Year ended 31.03.2010
UNIT-I - Tile Plant	11,021	9,406	8,614	7,525
UNIT-II- Slab Plant	1,37,002	1,20,305	2,07,954	2,05,202
UNIT-II -Tile Plant	80,364	65,159	81,022	57,546

m. Details of Raw materials consumed during the year :

UNIT - I -TILE PLANT	Quantity (in CBM)		(Rs. in '000)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Rough Blocks				
Indigenous	2,113.649	938.001	52,972	19,009
Imported	Nil	Nil	Nil	Nil
Stores, Spares, Consumables & Packing			20,205	7,409
Imported			-	-
Indigenous			20,205	7,409

UNIT-II - SLAB PLANT	Quantity (in CBM)		(Rs. In '000)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Rough Blocks				
Indigenous	11,066.573	9,895.988	3,73,677	3,21,957
Imported	1,165.374	1,260.058	89,839	1,11,851
Stores, Spares, Consumables & Packing			1,74,650	1,67,956
Imported			96,596	95,662
Indigenous			78,054	72,294

UNIT-II - TILE PLANT	Quantity (in CBM)		(Rs. in '000)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Rough Blocks				
Indigenous	5,286.376	4,122.886	1,22,549	90,315
Imported	220.344	270.898	12,431	15,622
Stores, Spares, Consumables & Packing			76,805	63,479
Imported			21,244	25,433
Indigenous			55,561	38,046

n. Earning in Foreign Exchange: (Rs. in '000)

	Year ended 31.03.2011	Year ended 31.03.2010
Export of Goods (FOB)	13,74,846	12,26,661

o. Expenditure in Foreign Currency : (Rs. in '000)

	Year ended 31.03.2011	Year ended 31.03.2010
Value of Imports (CIF)		
Capital Goods	20,737	5,345
Raw Materials	1,17,790	1,14,858
Consumables	1,14,057	1,03,984
Stores & Spares	22,271	19,625
Overseas Business Travelling	5,715	3,708
Other Expenses	1,232	1,187

p. Auditors Remuneration (Including Service Tax) (Rs. in '000)

	Year ended 31.03.2011	Year ended 31.03.2010
Audit Fee	275.75	248.17
Tax Audit Fee	82.73	71.70
Other Management Services	33.09	27.58
	391.57	347.45

q. Previous years figures have been regrouped wherever necessary to confirm to this years classification in terms of our report of even date.

r. Figures shown in bracket are related to Previous year in the Financial statement and are in INR (In Thousand).

s. The buyback scheme announced by the Company on 08.06.2009, was closed on 07.06.2010. During this period the company bought back 8,83,500 Equity Shares of the face value of Rs.10/- each from the open market through electronic trading mechanism of the stock exchange under the SEBI (Buy back of Securities) Regulations 1998 and completed the buy back scheme.

t. The disposal of Unit I of the company, located at 103, Sipcot Industrial Complex, Hosur, engaged in manufacture of granite tiles has been deferred and operations are still continuing there and steps are being taken for the revival of this Unit I.

for **ALOK MITTAL & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 05717N

**ALOK K. MITTAL**  
Partner  
M. NO. – 71205

Place : New Delhi  
Date : 22.04.2011

**SUNIL K. ARORA**  
Managing Director

**K. L. ARORA**  
Director

**S.PANIGRAHI**  
Company Secretary

## Annexure - I

REFERRED TO IN PARAGRAPH 4 TO THE ACCOUNTS IN SCHEDULE 15 AND FORMING PART OF THE BALANCE SHEET

### BALANCE SHEET EXTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	55-31510	State Code	55
Balance Sheet Date	31	03	2011
	DATE	MONTH	YEAR

II Capital Raised during the year (amount in Rs. Thousand)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III Position of Mobilisation and Development of Funds (Amount in Rs. Thousand)

Source of Funds

Total Assets	Total Liabilities
1,850,143	1,850,143
Paid up Capital	Reserves & Surplus
102,000	947,122
Secured Loans	Unsecured Loans
569,215	NIL
Net Fixed Assets	Investments
676,618	187
Net Current Assets	Misc. Expenditure
1,015,978	NIL
Accumulated Loss	
NIL	

IV Performance of Company (Amount in Rs. Thousand)

Turnover	Total Expenditure
1,513,909	1,373,948
Profit/Loss before Tax	Profit/Loss after Tax
125,081	94,942
Earning Per Share	Dividend Rate
9.31	10.00%

V Generic name of the Three Principal Product/Services of the Company (As per monetary terms)

ITC code No.	680233
Product Description	GRANITE TILES & SLABS

# Our Geographical Spread





## Aro granite industries ltd.

(100% Export Oriented Unit)  
An ISO 9001:2008 Company

Tel: 91-4344 252100  
Fax: 91-4344 252217  
Email: [aro@arotile.com](mailto:aro@arotile.com)  
Website: [www.arotile.com](http://www.arotile.com)