

**"Our challenges in life present  
our biggest opportunities for growth."**

~Joan Gustafson



## 22nd Annual Report 2009-10



**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

**Sundareshwara G. Sastry**  
Director  
(Resigned w.e.f. 26.04.2010)

**Pradeep Kumar Jain**  
Director  
(Appointed as an Additional Director  
w.e.f. 24.04.2010)

**Sujata Arora**  
Director

**Company Secretary**  
Sabyasachi Panigrahi

**Auditors**  
Alok Mittal & Associates

**Bankers**  
Bank of Baroda  
HSBC Limited  
ICICI Bank Limited

**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 252384/952/100 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 the Managing Director

It gives me immense pleasure to welcome you to the 22nd Annual General Meeting of your Company.

The last quarter of 2009-10 showed signs of the world economy stabilizing from the clutches of unprecedented and unimaginable recession. Building activities and general economic activities have begun to pick up. New house building and renovation work is likely to be price sensitive and we must look to more new countries for growth opportunities.

We, being a 100% Export Oriented Unit for Granite Tiles and Slabs, had a tough time as we were directly hit by the global recession as we are exposed to international market. Since we are directly linked to the housing sector, which was worst hit by the recession, we had a tough time. However instead of being daunted by the situation, your Company's leadership resolved to turn these challenges into opportunities by cutting costs and maintaining better efficiency for second year in a row.

Despite all odds, the stone industry has sustained a growth pattern although with smaller growth rates. We have been able to achieve a turnover of Rs. 131.99 Crores which is 13% more than last year's turnover and a pre-tax profit of Rs. 13.85 Crores which is marginally less than last year's pre-tax profit as a result of tremendous pressure on the margins. This has been a result of the company employing a defensive strategy. Selling is the easy part; the tough part is to collect payments. 2009-10 saw a shift towards shorter credit period and advanced payments.

Our strategy for the previous year was a simple one – "Down to Basics". The company focussed on catering to the needs of the customers by processing diversified stone. Hence we are focusing on increasing the range of colours by importing exotic colours from various countries to further enhance the market share in the international market.

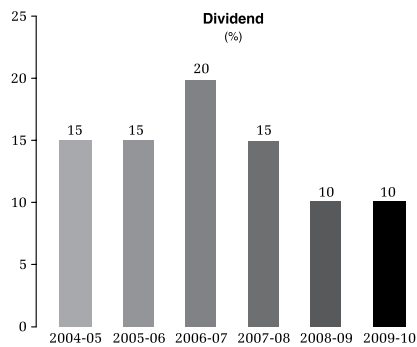
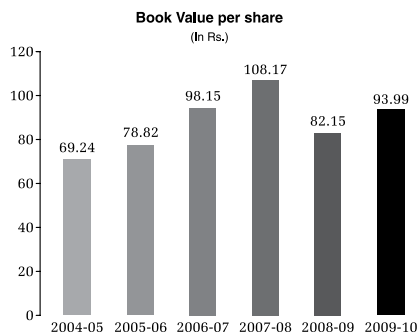
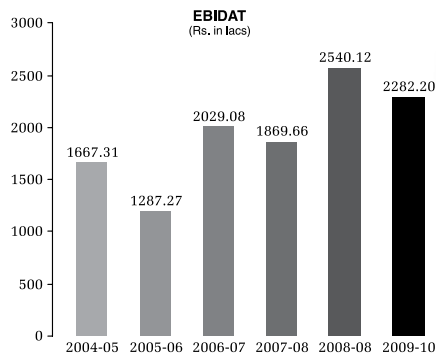
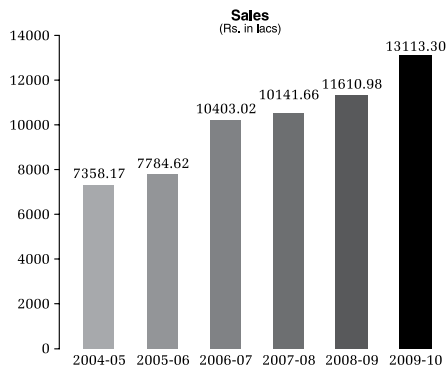
For the coming year, we are going to take a more aggressive strategy by selling hard but at the same time maintaining lower costs in an effort to increase the profit margin. We are also trying to venture into new and upcoming markets like South America, Middle East, South Africa, East Europe and Russia. We at AGIL, continued to grow and perform better to achieve awards and accolades. The Company has received Special Export Award for the ninth year from CAPEXIL.

Together we can look back in pride and march ahead with confidence for the betterment of the stakeholders of the Company and growth of their overall wealth. We solicit your sincere, dedicated and continued support to make 2010-11 a refreshing year for all.

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

Sunil K. Arora  
New Delhi, 24.04.2010



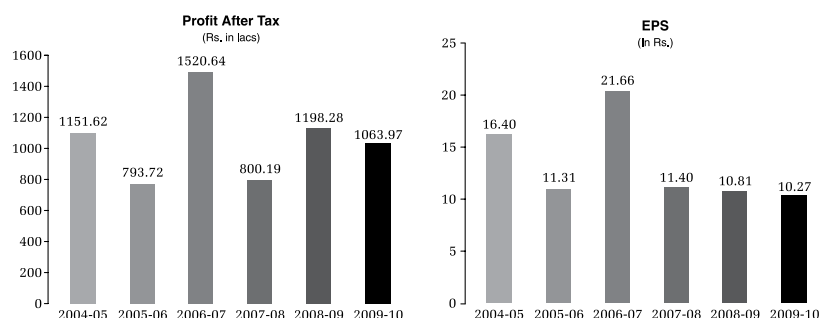


## KEY INDICATORS

DESCRIPTION	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
DIVIDEND (%)	15	15	15	15	20	15	10	10
DIVIDEND PAYOUT RATIO (%)	9.05	8.06	9.14	13.27	9.23	13.16	9.25	9.74
EPS (Rs.)	16.57	18.62	16.40	11.31	21.66	11.40	10.81	10.27
BOOK VALUE PER SHARE (Rs.)	65.18	82.48	69.24	78.82	98.15	108.17	82.15	93.99
ROCE (%)	23.46	22.02	20.85	13.13	16.40	10.65	13.30	12.02
RONW (%)	29.74	25.76	26.68	15.24	21.81	10.54	13.16	10.93

# FINANCIAL HIGHLIGHTS (Rs. in Lacs)

DESCRIPTION	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
SALES	5321.02	6048.42	7358.17	7784.62	10403.02	10141.66	11610.98	13113.30
EBIDTA	1261.67	1323.26	1667.31	1287.27	2029.08	1869.66	2540.12	2282.20
DEPRECIATION	180.66	174.51	181.91	233.51	235.92	314.82	427.99	430.48
TAX	71.43	71.08	42.77	42.55	45.69	135.21	160.78	235.30
PROFIT AFTER TAX	775.26	871.19	1151.62	793.72	1520.64	800.19	1198.28	1063.97
GROSS BLOCK	3196.99	3286.47	4766.40	4783.02	4837.10	9371.56	9424.53	9513.14
NET WORTH	3050.26	3859.95	4860.65	5533.44	6889.82	7593.63	9105.04	9737.66
RESERVE & SURPLUS	2594.06	3386.05	4184.60	4858.25	6214.84	6891.63	7996.69	8701.59
EQUITY SHARE CAPITAL	468.00	468.00	702.00	702.00	702.00	702.00	1108.35	1036.07



## 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.654.000 lakh s in 1995-96)
- 1996-99: Received Certificates of Merit from CAPEXIL for 3 consecutive years
- 1998: Achieved Certification to ISO 9002 Quality Management Systems.
- 1999-2009: Received CAPEXIL 'Special Export Awards' 1999-00, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 & 2008-09
- 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 11/2 years from starting Commercial Production. Recognised as an EXPORT HOUSE
- 2003: Added 4th Gangsaw
- 2004: Added 5th & 6th Gangsaw
- 2005: Initiated implimentation 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.

# A REPUTATION THAT RESONATES ACROSS SEAS

ARO's strong marketing network and steadfast dealings has strengthened its bonds with its customers and helped in penetrating each and every corner of its target sphere. Its unswerving dedication to quality and excellent performance has crystallized its relationship with buyers in Europe, Australia, North and South America, South Africa and New Zealand.

ARO is consistently working towards irreproachable honesty in business and is reaching new horizons in escalating these bonds to achieve higher levels of customer satisfaction.



## Notice

NOTICE is hereby given that the **22nd** Annual General Meeting of the members of **ARO GRANITE INDUSTRIES LIMITED** will be held on Thursday, the 29<sup>th</sup> July 2010 at 10.30 A.M. at LakshmiPat 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:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31<sup>st</sup> March 2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Kasturi Lal Arora, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. Sujata Arora, who retires by rotation and being eligible, offers herself 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 22nd 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 modifications, the following as **Ordinary Resolution**:  
 RESOLVED THAT Shri Pradeep Kumar Jain, whose appointment on the Board as an Additional Director determines on the date of the present Annual General Meeting be and is hereby appointed as a Director liable to retire by rotation.
7. 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 314(1B) and other applicable provisions, if any, of the Companies Act 1956 or any statutory modification or re-enactment thereof, consent of the Company be and is hereby accorded to Ms. Shivani Arora, a relative of Shri Kasturi Lal Arora, Smt. Sujata Arora, Directors and Shri Sunil K. Arora, Managing Director of the Company, to hold an office or place of profit as Corporate Head- Marketing of the Company for a period of 5 years with effect from the date of approval by the members in the ensuing Annual General Meeting of the Company on a monthly remuneration not exceeding Rs. 50,000/- with such increments as may be decided by the Board, provided that the total monthly remuneration payable to Ms. Shivani Arora does not exceed Rs. 50,000/-  
 RESOLVED FURTHER THAT Shri Sunil K. Arora, Managing Director, Shri Kasturi Lal Arora, Director and Shri Sabyasachi Panigrahi, Company Secretary of the Company be and are hereby authorized severally to sign, file all forms, documents, papers etc. with the Registrar of Companies/Ministry of Corporate Affairs and to do all such acts, deeds and things to give effect to the above resolution."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**:  
 "RESOLVED THAT pursuant to sub-sections (4) & (7) of Section 309 of the Companies Act 1956, approval of the Members of the Company be and is hereby accorded and it shall always be deemed to have been accorded to the payment of commission not exceeding 1% of the annual net profit of the Company, computed in the manner referred to in sub-section (1) of Section 198 of the Companies Act 1956 read with Section 349 & 350 and other applicable provisions of the Companies Act 1956 on monthly/quarterly/half-yearly/annual basis as may be decided by the Board of Directors of the Company for a period of five financial years commencing 01.04.2009 to the Directors other than the Managing Director(s) and Wholetime Director(s) of the Company who may in their absolute discretion accept a lower amount in any year or years".  
 RESOLVED FURTHER THAT Shri Sunil K. Arora, Managing Director, Shri Kasturi Lal Arora, Director and Shri Sabyasachi Panigrahi, Company Secretary of the Company be and are hereby authorized severally to sign, file all forms, documents, papers etc. with the Registrar of Companies/Ministry of Corporate Affairs and to do all such acts, deeds and things to give effect to the above resolution."

For & on behalf of the Board

#### Regd. Office:

S-16, Second Floor  
 Green Park Extension  
 New Delhi 110016  
 Date: 24th April, 2010

(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 to 8 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 24.07.2010 to 29.07.2010 (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, 2010 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 Kasturi Lal Arora and Smt. Sujata Arora whose appointment as Directors liable to retire by rotation (proposed at Item No. 3 & 4) is given hereunder:

**Shri Kasturi Lal Arora**, is a Commerce Graduate of 1953 batch from University of Delhi having more than 50 years of experience in construction material business, marketing activities and has vast knowledge & experience in granite industry. He does not hold any other Directorship. He holds 2,54,917 shares (2.46%) in the Company.

**Smt. Sujata Arora**, is a Science Graduate (Home Science) from the Institute of Home Economics, New Delhi. She has wide experience of customer relationship which will help the Company in creating long term relationship. She does not hold any other Directorship. She holds 3,99,048 shares (3.85%) in the Company.

**EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT 1956****ITEM NO. 6**

The Board of Directors of the Company at its meeting held on 24.04.2010 has appointed Shri Pradeep Kumar Jain as Additional Director pursuant to Section 260 of the Companies Act 1956. Shri Pradeep Kumar Jain holds the said office upto the date of this Annual General Meeting. Requisite notice under Section 257 of the Companies Act 1956 has been received from a member of the Company signifying his intension to propose the name of Shri Pradeep Kumar Jain as a Director of the Company liable to retire by rotation.

Shri Pradeep Kumar Jain, aged 52 Years is a Commerce Graduate from Hansraj College, University of Delhi. He has got vast knowledge and experience of more than 30 years in the field of Building Material and Industrial items. He has also wide knowledge of imported building construction material. He does not hold any other Directionship. Shri Pradeep Kumar Jain holds 1,03,125 shares (1.00%) in the Company.

The appointment is commended for approval of the shareholders. None of the Directors except Shri Pradeep Kumar Jain is in any way deemed to be concerned or interested in the resolution

**ITEM NO. 7**

Looking into the expansion of the business activities of the Company and to strengthen the international marketing network, the Board of Directors at their meeting held on 24.04.2010 has considered that the Company should appoint a person to supervise the international marketing operations of the Company. The Board proposed the name of Ms. Shivani Arora, daughter of Sh. Sunil K Arora, Managing Director of the Company, who has first-hand knowledge about the granite stone and its product because of her association with the Company as a management trainee for a period of more than two years, for appointment as Corporate Head-Marketing with effect from the date of approval by the members in the ensuing Annual General Meeting of the Company. The resolution at item no. 7 is therefore recommended for approval of the members by means of Special Resolution.

Except Shri Sunil K Arora, Sh. Kasturi LaL Arora and Smt. Sujata Arora, being related to Ms. Shivani Arora, no other director of the company is in anyway deemed to be concerned or interested in the said resolution.

**ITEM NO. 8**

Under Section 309(4) of the Companies Act 1956 the Directors other than Managing Director/ Wholtime Director of the Company are entitled to receive as remuneration a commission not exceeding 1% of the annual net profits computed in the manner referred to in sub-section (1) of Section 198 read with Section 349 & 350 and other applicable provisions of the Companies Act 1956. The proposed resolution which reserves the authority of the Directors to receive remuneration on monthly/quarterly/half-yearly/annual basis, by way of commission for a period of five financial years, is recommended for approval of the shareholders by means of a Special Resolution.

Each of the Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of the entitlement of their share of remuneration.



**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 or 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 31.03.2003 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 08.06.2010. The buyback process will be completed June 07, 2010. As on 31.03.2010, a total number of 7,22,779 Equity Shares have been 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

We are delighted to present our 22<sup>nd</sup> Annual Report together with Audited Statements of Accounts of the Company for the year ended on 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS

(Rs. in lacs)

	31.03.2010	31.03.2009
Gross Profit before Depreciation	1815.11	1847.13
Depreciation	430.48	427.99
Net Profit before Tax	1384.63	1419.14
Provision for Tax – Current	236.25	161.58
– Deferred	83.69	47.27
– Others	0.73	11.99
Surplus available for appropriation	1063.97	1198.28
Dividend (including Dividend Tax)	121.22	129.67
Amount transferred to General Reserve	200.00	200.00
Amount carried over	5952.86	5210.10

### WORKING RESULTS

The year under consideration was ended with a positive note for the Company with a sales growth of around 13%. During the year the Company has achieved a turnover of Rs. 131.99 Crores, an increase of approximately 13% over previous year's turnover of Rs. 117.10 Crores. At the same time the Company has posted a pre-tax profit of Rs. 13.85 Crores against a pre-tax profit of Rs. 14.19 Crores of the previous year, a marginal decrease of approximately 2.40%. Despite the continued slowdown in global market because of recession in global economy, the Company has been able to achieve a satisfactory result during the year. Though there is a sign of the recovery in the world economy and the world market is coming out of the recessionary impact, still the operations are under pressure. We hope we will be able to overcome the same with passing of time and with our sincere & dedicated efforts.

The availability of Rough Blocks from the domestic quarries has improved as compared to last financial year since new quarries have started operations. The company is continuing to import Rough Blocks from South Africa, Norway, Finland and Brazil to augment the supply of raw materials to meet its requirements.

The Board is pleased to inform that during the year, the Company, for the ninth time, has received Special Export Award from CAPEXIL for the year 2008-09. Further the company was recognized as Star Export House during the Year. Also the Company has already initiated the process of implementing Integrated Management Systems (IMS) which includes QMS 9001:2008, EMS 14001:2004, OHSAS 18001:2007 and SA 8000. The Company has already achieved upgradation to ISO 9001:2008 standards.

### DIVIDEND

Your Directors are pleased to recommend a dividend of 10% (Re. 1/- per Equity Share of Rs. 10/- each) for the year ended 31<sup>st</sup> March 2010 subject to the approval of the members at the Annual General Meeting. The register of members and share transfer register shall remain closed from 24.07.2010 to 29.07.2010 (both days inclusive) for the purpose of AGM and for payment of dividend.

### FIXED DEPOSIT

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

### DIRECTORS

Sh. Pradeep Kumar Jain was appointed as an Additional Director with effect from 24.04.2010. The term of his office expires at the forthcoming Annual General Meeting Company and for his re-appointment the Company has received notice pursuant to Section 257 to the Companies Act, 1956 from a member, proposing his candidature for the office of Director of the Company whose period of office will be liable to determination by retirement by rotation.

### AUDITORS

The Auditors of the company M/S Alok Mittal & Associates, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

## 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;
- 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

The Industrial relation throughout the year was smooth. Your Directors are pleased to place on record their appreciation for contribution made by the employees at all levels in achieving the objectives of the company. The Statement of particulars of employees as per sub-section (2A) of section 217 of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975, for the year ended 31<sup>st</sup> March 2010 is annexed hereto and form part of the 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 2010-2011 have already been paid to The Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

## ACKNOWLEDGEMENT

Your Board wishes to place on record its sincere thanks to all the customers, suppliers, bankers for extending support to your Company. Board in specific wishes to place on record sincere appreciation of the contribution made by all its employees with commitment, towards the growth of your Company.

For and on behalf of the Board

Place: New Delhi  
Date: 24.04.2010

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 10726233 units were consumed and the per Sq. mt. power consumption cost only Rs. 125.32

**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, 2010**

Employed throughout the year ended March 31, 2010 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	51 Years	B.Sc	23 Years	03.05.1988	Managing Director	14600000/-	Since Inception



# Management Discussion and Analysis

## Granite Industry-Structure and Developments

India, one of the leading countries in the production and export of granite and other stones, has vast resources of granite with about 110 varieties of different colours and textures such as black, grey, pink, multi coloured etc. These varieties are used to produce monuments, building slabs, tiles, surface plates etc. The deposits are widely spread over the entire country. However, popular varieties are mainly found in South India.

Granite is a non-scheduled industry and hence entrepreneurs are only required to submit Industrial Entrepreneur Memorandum. Looking at its 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 and Marble is freely allowed. Granite is exported mainly to Japan, USA, UK, Germany, Netherlands, Italy, West Asia.

Over the last three decades the Indian granite industry has modernised to global standards. Sculptures and monuments made in India are being exported all over the world.

## Outlook

Today the demand for granites for both blocks and finished products is encouraging. The recession being over and most of the affected economies looking and moving ahead, India can improve its export performance as the processing capacity is very low, with less than 5% of gangsaws installed in the world. The increase in export of blocks and finished products during the last year is an indication of the encouraging signs of market improvement.

India, which is blessed with various types of unique colours and large deposits of granite, is certain to get its due share in the ever-growing world market. Many countries are worried about the strong entrance of China in the market but the fact is that China landed up importing more rough blocks and finished products due to high domestic demand.

The world wide improvement of transportation system with more and more bulk vessels will also help many countries to import more thereby boosting our exports.

The market potential is abundant and there are excellent prospects for the Indian granite industry to get its due share in the world market. The professional and realistic approach towards solving the practical problems and careful planning of facilities by the Industry and Government can make India the leading exporter of the world market. We have challenging years ahead but the potential for growth is beyond any reasonable doubt.

## 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

The major threat areas include

1. The continuous erosion of Euro against Rupee
2. Economic imbroglio in Some European Countries
3. Non Availability of best quality blocks for processing.
4. Frequent power disruptions and high dependency on diesel affecting the production and the cost of Raw materials and Finished goods.
5. Absence of proper infrastructure.

## Risks and Concerns

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)

	2008-09	2009-10	% in Growth
Total export of Granite products	2738.00	5000.00 (approx.)	45.00 (approx.)
ARO'S Export of Granite Products	111.04	122.67	10.47

**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 31.03.2010 is Rs 131.13 Crores Compared to the Previous Year turnover Of Rs 116.11 Crores showing an increase of 12.94 %. The sales in Quantity has also increased from 5,51,234 Sq Mtrs to 6,06,131 Sq Mtrs. The Production during the year was 5,98,567 Sq Mtrs compared to 5,89,795 Sq Mtrs of the last Year. Profit before tax stands at Rs 13.85 Crores against Rs 14.19 Crores of Last Year. The Profit after Tax is Rs 10.64 Crores compared to Rs 11.98 Crores of Last Year. The Earning Per Share is Rs 10.27 against Rs 10.81.

**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 31<sup>st</sup> March 2010 on 30<sup>th</sup> April 2009, 08<sup>th</sup> June 2009, 29<sup>th</sup> July 2009, 27<sup>th</sup> October 2009 and 13<sup>th</sup> January 2010. Attendance and other details are given below:

Sl. No	Name of Director	Category	No. of Board Meetings Attended	Attendance at last AGM (30.07.2009)	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	5	YES	1	–	–
2	Shri Kasturi Lal Arora	Non-Executive	5	YES	NIL	–	–
3	Shri Dinesh Chandra Kothari	Non-Executive & Independent	5	YES	5	1	–
4	Shri Sundareshwara G. Sastry@	Non-Executive & Independent	1	NO	NIL	–	–
5	Shri Rahul Gupta	Non-Executive & Independent	2	YES	2	–	–
6	Smt Sujata Arora	Non-Executive	2	NO	NIL	–	–
7	Shri Pradeep Kumar Jain@@	Non-Executive Independent	–	NO	NIL	–	–

@ Resigned w.e.f. 26.04.2010      @@ Appointed w.e.f 24.04.2010

# 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, if any.

## 3. AUDIT COMMITTEE

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 consists of the four Non-Executive Directors namely Shri Dinesh Chandra Kothari (Chairman of the Committee), Shri Kasturi Lal Arora, Shri Rahul Gupta and Shri Sundareshwara G. Sastry of which three are independent. Company Secretary acts as the Secretary of the Committee. During the financial year ended 31.03.2010, four meetings of the Audit Committee were held. Dates of meetings (Number of Members attended): 30<sup>th</sup> April 2009(4), 29<sup>th</sup> July 2009(2), 27<sup>th</sup> October 2009(2) and 13<sup>th</sup> January 2010 (2).

## 4. REMUNERATION COMMITTEE (NON-MANDATORY)

The Company does not have any permanent Remuneration Committee.

**5. REMUNERATION PAID TO DIRECTORS**

- a) **Executive Directors:** The aggregate value of salary, HRA paid during the financial year ended 31<sup>st</sup> March 2010 to Shri Sunil K. Arora, Managing Director was Rs. 72,00,000/- plus commission of RS. 74,00,000/-
- b) **Non-Executive Directors:** . During the year 2009-2010 the Company has paid sitting fees aggregating to Rs. 2,00,000/- to all the Non-Executive Directors for attending the meetings of Board and/or Committee thereof. In addition to sitting fees Rs. 5,00,000/- each was paid as commission to Shri Kasturi Lal Arora and Smt. Sujata Arora, Non-Executive Directors.

**6. SHAREHOLDERS' /INVESTORS' GRIEVANCE COMMITTEE**

The Company has Shareholders' / 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/Rematerialisation 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
2006-2007	Sri Sathya Sai International Centre, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi 110003	Wednesday, 22 <sup>nd</sup> August 2007 at 12.30 P.M.	YES
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

During the year 2009-10, approval of Shareholders was obtained through Postal Ballot for transfer, sale, lease or otherwise disposal of the whole or substantially the whole of one manufacturing unit (Unit-I) of the Company located at 103, SIPCOT Industrial Complex, Hosur Tamil Nadu 635126 engaged in manufacture of granite tiles. Number of valid postal ballot form received was 155. Votes in favour of the resolution was 44,61,435 where-as votes against the resolution was 10,171. Number of invalid postal ballot form received was 37. Ms. Latika Jetley, Practising Company Secretary had been appointed as the scrutinizer for the postal ballot process and she conducted the postal ballot exercise. The result of the postal ballot was declared on 18.01.2010

**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	:	Thursday, the 29 <sup>th</sup> July 2010
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 Explanatory Statement to the Notice convening the said meeting.

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

Financial Reporting	By end
For the quarter ending 30.06.2010	July 2010
For the half year ending 30.09.2010	October 2010
For the quarter ending 31.12.2010	January 2011
For the Year ending 31.03.2011(Audited)	April/May 2011
Annual General Meeting for the Financial Year 2010-2011	July/August 2011

- (iii) **Date of Book Closure** : From 24.07.2010 to 29.07.2010 (both days inclusive)

- (iv) **Dividend Payment Date** : Before 28<sup>th</sup> August 2010

- (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	AROGRANITE/EQ

The Listing Fee for the year 2010-2011 has been paid to the said Stock Exchanges.

(vi) **Market Price Data**

(Rs)

	Bombay Stock Exchange Limited (BSE)		National Stock Exchange of India Limited (NSE)	
MONTHS (2009-2010)	HIGH	LOW	HIGH	LOW
APRIL 2009	43.90	28.50	30.00	27.65
MAY 2009	52.10	33.30	51.50	30.20
JUNE 2009	60.00	39.50	59.75	37.85
JULY 2009	47.50	40.00	47.00	39.40
AUGUST 2009	44.50	38.50	44.70	38.00
SEPTEMBER 2009	48.50	39.65	48.10	38.55
OCTOBER 2009	47.85	39.15	47.40	38.55
NOVEMBER 2009	42.40	36.30	42.00	38.10
DECEMBER 2009	46.20	39.30	48.00	39.00
JANUARY 2010	52.00	43.10	56.00	42.50
FEBRUARY 2010	52.70	42.20	52.45	41.20
MARCH 2010	50.50	42.45	51.40	42.55

(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 31.03.2010, 97,96,179 (94.55%) Equity Shares of the Company have been dematerialised.

**(ix) Distribution of Shareholding (As on 31.03.2010)**

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
1-250	1155	2227	120767	181377	1.17	1.75
251-500	322	486	140925	186611	1.36	1.80
501-1000	125	260	96800	197518	0.93	1.91
1001-2000	22	121	29875	176824	0.29	1.71
2001-5000	14	76	38250	247991	0.37	2.39
5001-10000	3	34	28125	245894	0.27	2.37
Above 10000	3	72	109800	8559964	1.06	82.62
Sub-Total	1644	3276	564542	9796179	5.45	94.55
Total	4920		10360721		100.00	

**(x) Shareholding Pattern (As on 31.03.2010)**

Sr. No	Shareholders	No of Shares	%
1	Directors & Relatives	41,76,421	40.310
2	Non-Resident Individuals/OCBs	4,87,609	04.706
3	Private Corporate Bodies	11,38,271	10.987
4	General Public	45,58,420	43.997
	Total	1,03,60,721	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.**

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](mailto: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](mailto:alankit@alankit.com)

**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

To,

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 31<sup>st</sup> March 2010, 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 31<sup>st</sup> March 2010 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: 24.04.2010

## Auditors' Report

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

We have audited the attached Balance Sheet of **ARO GRANITE INDUSTRIES LTD. as at 31<sup>st</sup> March 2010**. 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 31.03.2010, none of the directors are disqualified as on 31<sup>st</sup> March 2010 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 31<sup>st</sup> March, 2010.
  - 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

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

Place : New Delhi  
Date : 24.04.2010

## 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 31<sup>st</sup> March, 2010 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 31<sup>st</sup> March, 2010, 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

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

Place : New Delhi  
Date : 24.04.2010

## Balance Sheet as at 31st March, 2010

(Amount in Rs.)

	SCHEDULES	As At 31.03.2010	As At 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUND</b>			
Share Capital	1	103,607,210.00	110,835,000.00
Reserve & Surplus	2	870,158,562.62	799,668,800.43
<b>LOAN FUNDS</b>			
Secured Loans	3	474,290,328.52	595,708,468.59
		1,448,056,101.14	1,506,212,269.02
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	4		
a) Gross Block		951,314,307.24	942,452,711.24
b) Less :Depreciation		272,198,893.46	229,872,271.64
c) Net Block		679,115,413.78	712,580,439.60
<b>INVESTMENTS</b>	5	186,640.00	186,640.00
<b>CURRENT ASSETS, &amp; LOANS &amp; ADVANCES</b>			
a) Inventories	6	502,358,941.68	489,722,879.06
b) Debtors	7	414,870,078.65	416,075,797.65
c) Cash & Bank Balance	8	13,045,423.73	8,404,663.37
d) Other Current Assets	9	64,899,244.72	56,123,389.63
e) Loans & Advances	10	26,929,538.00	8,916,686.11
		1,022,103,226.78	979,243,415.82
<b>LESS:CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	11	161,497,557.42	104,169,851.30
Provisions	12	20,170,659.00	18,316,720.00
		181,668,216.42	122,486,571.30
Net Current Assets		840,435,010.36	856,756,844.52
<b>LESS: DEFERRED TAX LIABILITY</b>			
Deferred Tax Liability		72,796,029.00	64,314,465.13
Less: Deferred Tax Assets		1,115,066.00	1,002,810.03
Net Deferred Tax Liability		(71,680,963.00)	(63,311,655.10)
		1,448,056,101.14	1,506,212,269.02
<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

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

**SUNIL K. ARORA**  
Managing Director

**K. L. ARORA**  
Director

**S.PANIGRAHI**  
Company Secretary

Place : New Delhi  
Date : 24.04.2010

## Profit & Loss Account for the Year Ended 31st March, 2010

		(Amount in Rs.)	
	SCHEDULES	For the Year Ended 31.03.2010	For the Year Ended 31.03.2009
<b>INCOME</b>			
Turnover	13	1,319,922,366.00	1,170,965,659.00
Other Income	14	7,225,520.99	31,416,011.59
		1,327,147,886.99	1,202,381,670.59
<b>EXPENDITURE</b>			
Raw Material Consumption	15	558,754,274.71	446,973,322.72
(Increase)/Decrease in Finished Goods & WIP	16	(11,465,146.70)	(33,528,089.98)
Manufacturing Overheads	17	434,125,303.21	419,475,313.21
Administrative expenses	18	45,787,561.62	48,883,878.77
Staff Cost	19	61,059,453.46	58,501,563.14
Selling & Distribution	20	10,647,749.75	8,038,081.60
Depreciation	4	43,048,035.65	42,799,185.92
Financial Expenses	21	46,709,030.28	69,299,289.75
Loss on sales of assets		18,252.81	25,666.51
		1,188,684,514.79	1,060,468,211.64
Profit for the year before Tax		138,463,372.20	141,913,458.95
Less: Previous year Income Tax adjustments		72,547.01	93,133.00
Provision for Income Tax (Current)		23,530,021.00	16,077,625.00
Deferred Tax		8,369,307.00	4,727,276.59
Provision for Fringe Benefit Tax		–	1,106,293.00
Provision for Wealth Tax		94,900.00	80,700.00
Profit for the year after Tax		106,396,597.19	119,828,431.36
Less : Provision of Dividend on Equity		10,360,721.00	11,083,500.00
Dividend Tax		1,760,805.00	1,883,640.00
		12,121,526.00	12,967,140.00
Profit for the year after Dividend		94,275,071.19	106,861,291.36
Add : Previous year profit		521,010,484.71	434,149,193.35
		615,285,555.90	541,010,484.71
Less : Transfer to General Reserve		20,000,000.00	20,000,000.00
		595,285,555.90	521,010,484.71
Earning Per Share (before deferred Tax)		11.08	11.24
Earning Per Share (after deferred Tax)		10.27	10.81
<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

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

**SUNIL K. ARORA**  
Managing Director

**K. L. ARORA**  
Director

**S.PANIGRAHI**  
Company Secretary

Place : New Delhi  
Date : 24.04.2010

## Cash Flow Statement for the Year Ended 31st March, 2010

(Amount in Rs.)

PARTICULARS	2009-10	2008-09
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary item	138,463,372.20	141,913,458.95
Adjustments		
Depreciation Provision	43,048,035.65	42,799,185.92
Loss/(Profit) on sale of assets	18,252.81	25,666.51
Dividend and interest received	(3,727,455.85)	(5,973,390.63)
Foreign currency fluctuation (Gain)(Loss (unrealised))	(2,201,207.22)	(22,887,779.73)
Operating Profit before working capital changes	175,600,997.59	155,877,141.02
<b>Adjustment for Working Capital Changes</b>		
Decrease/(Increase) in Inventories	(12,636,062.62)	(90,231,654.85)
Decrease/(Increase) in Debtors	1,205,719.00	(92,054,075.23)
Decrease (Increase) in others current assets	(8,775,855.09)	5,196,612.23
Decrease (Increase) in Loans & Advances	(18,012,851.89)	14,384,817.90
(Decrease )Increase in Current Liabilities	58,087,663.12	3,464,726.36
<b>Cash from Operations</b>	195,469,610.11	(3,362,432.57)
Less : Income Tax & Other Taxes Paid (Net)	21,839,125.00	17,049,817.66
Cash flow before Extraordinary items	173,630,485.11	(20,412,250.23)
<b>Net cash from operations</b>	173,630,485.11	(20,412,250.23)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to fixed assets & capital		
Purchase of Assets	(9,910,803.00)	(6,091,489.00)
Sale of assets	430,000.00	113,774.00
Dividend and Interest Received	3,727,455.85	5,973,390.63
Net cash from investing Activities	(5,753,347.15)	(4,324.37)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings (Secured & Unsecured)	(121,418,140.07)	(29,499,989.53)
Buy back of Shares	(31,013,099.00)	–
Issuance of Share Capital	–	44,280,000.00
Payment of Dividend including Dividend Tax	(13,006,345.75)	(12,319,574.00)
Net Cash from financing Activities	(165,437,584.82)	2,460,436.47
<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)	2,439,553.14	(17,956,138.13)
Adjustment for foreign currency fluctuation (gain)/loss	2,201,207.22	22,887,779.73
Cash equivalent during the year after adjustment for foreign		
Currency fluctuation	4,640,760.36	4,931,641.60
Cash & Cash equivalents at the beginning of the year	8,404,663.37	3,473,021.77
Cash & cash equivalent at the end of the year	13,045,423.73	8,404,663.37

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 2010 reported upon by us as on 24-04-2010. 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

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

Place : New Delhi  
Date : 24.04.2010

## Schedules to Balance Sheet and Profit & Loss Account

(Amount in Rs.)

	As At 31.03.2010	As At 31.03.2009
<b>SCHEDULE</b>		
<b>1 AUTHORISED SHARE CAPITAL</b>		
1,46,00,000 (PY. 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.(PY. 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>		
1,03,60,721 Equity Shares ( Previous Year 1,10,83,500 Equity Share ) of Rs. 10/- each	103,607,210.00	110,835,000.00
(7,22,779 Shares extinguished by the Company during the year, see Note "S")		
	103,607,210.00	110,835,000.00
<b>2 RESERVES &amp; SURPLUS</b>		
a) Share Premium Account		
As per Balance Sheet	70,590,000.00	30,000,000.00
Add : Addition During the year	–	40,590,000.00
Less : Utilised During the year for Buy Back of Shares	23,785,309.00	–
	46,804,691.00	70,590,000.00
b) General Reserve		
As per last Balance Sheet	208,068,315.72	225,013,315.72
Less : Bonus Share Issued	–	36,945,000.00
Add : Transfer from Profit & Loss A/c	20,000,000.00	20,000,000.00
	228,068,315.72	208,068,315.72
c) Surplus in Profit & Loss Account	595,285,555.90	521,010,484.71
	870,158,562.62	799,668,800.43
<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)	145,199,040.00	193,598,720.00
b) (i) - BOB CC A/c	22,667,630.02	30,044,662.81
(ii) - Packing Credit BOB & HSBC	173,795,958.74	176,146,147.23
(iii) Foreign Bills Discounted from Bank BOB & HSBC	131,227,188.21	194,139,253.00
(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 pari-passu basis 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	1,400,511.55	1,779,685.55
	474,290,328.52	595,708,468.59



**SCHEDULE 4 : FIXED ASSETS**

(Amount in Rs.)

DESCRIPTIONS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.2009	Additions/ (Deletion)	As at 31.03.2010	As at 01.04.2009	During the year	Adjustment for sale	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land	18,298,922.55	-	18,298,922.55	-	-	-	-	18,298,922.55	18,298,922.55
Building	253,817,112.07	-	253,817,112.07	28,744,308.62	8,477,491.54	-	37,221,800.16	216,595,311.91	225,072,803.45
Plant & Machinery	586,077,987.05	5,428,761.00	591,506,748.05	175,819,504.95	29,561,265.24	-	205,380,770.19	386,125,977.86	410,258,482.10
Furniture & Fix.	4,790,761.86	124,798.00	4,915,559.86	2,210,090.67	308,701.47	-	2,518,792.14	2,396,767.72	2,580,671.19
Electrical Equip.	48,001,897.38	175,250.00	48,177,147.38	10,006,238.24	2,283,941.33	-	12,290,179.57	35,886,967.81	37,995,659.14
Office Equipment	12,666,832.33	653,259.00	13,320,091.33	5,014,187.17	655,421.63	-	5,669,608.80	7,650,482.53	7,652,645.16
Vehicles	17,474,350.00	3,444,897.00	19,870,040.00	7,903,374.47	1,696,754.72	(721,413.80)	8,878,715.39	10,991,324.61	9,570,975.53
Canteen Equipment	1,324,848.00	83,838.00	1,408,686.00	174,567.49	64,459.72	-	239,027.21	1,169,658.79	1,150,280.51
<b>TOTAL</b>	<b>942,452,711.24</b>	<b>9,910,803.00</b>	<b>951,314,307.24</b>	<b>229,872,271.61</b>	<b>43,048,035.65</b>	<b>(721,413.80)</b>	<b>272,198,893.46</b>	<b>679,115,413.78</b>	<b>712,580,439.63</b>
Previous Year	937,156,047.93	6,091,489.00	942,452,711.24	187,728,470.87	42,799,185.95	(655,385.21)	229,872,271.61	712,580,439.63	749,427,577.06

(Amount in Rs.)		
	As At	As At
SCHEDULE	31.03.2010	31.03.2009
<b>5 INVESTMENT</b>		
Shares (Quoted at cost)	186,640.00	186,640.00
(Market Value as on 31.03.2010 was Rs.8,06,193/-)		
	186,640.00	186,640.00
<b>6 INVENTORIES</b> (As certified by the management)		
(at cost or Realisable value whichever is lower)		
Raw Materials	135,539,382.75	134,520,568.46
Consumables	32,625,667.70	42,383,952.83
Stores & Spares	25,992,776.17	17,467,297.49
Packing Material	7,063,865.54	5,678,957.46
Work in progress	30,864,169.00	9,550,938.00
Finished Goods	270,273,080.52	280,121,164.82
	502,358,941.68	489,722,879.06
<b>7 DEBTORS - UNSECURED</b>		
(Considered Good)		
Over six months	78,737,976.00	91,888,075.65
Others	336,132,102.65	324,187,722.00
	414,870,078.65	416,075,797.65
<b>8 CASH &amp; BANK BALANCES</b>		
Cash- in- Hand	353,107.20	555,620.47
Cash at Bank	5,141,987.55	1,741,165.67
Vijaya Bank Refund A/c	60,476.00	41,632.40
Vijaya Bank Dividend A/c	1,581,898.50	1,347,688.20
Fixed Deposit with HSBC	5,907,954.48	4,718,556.63
	13,045,423.73	8,404,663.37
<b>9 OTHER CURRENT ASSETS - UNSECURED</b>		
(Considered Good)		
Security Deposit - Government & Others	9,171,867.86	9,758,214.86
Other Receivables	21,039,587.86	12,852,587.00
Margin Money on Bills	34,159,147.00	32,726,252.00
Prepaid expenses	528,642.00	786,335.77
	64,899,244.72	56,123,389.63
<b>10 LOANS &amp; ADVANCES - UNSECURED</b>		
(Considered Goods)		
Advances for Capital Goods	2,295,046.00	29,302.00
Advances for Raw Materials/Consumables	23,852,886.00	8,060,826.00
Other Advances	781,606.00	826,558.11
	26,929,538.00	8,916,686.11

(Amount in Rs.)

	As At	As At
SCHEDULE	31.03.2010	31.03.2009
<b>11 CURRENT LIABILITIES</b>		
Creditors for Goods / Services		
– Due to Others	122,188,476.86	81,158,264.80
– Due to Capital Goods	15,152,018.68	409,325.00
Liabilities		
– Statutory Dues	2,039,941.00	1,753,541.00
– Expenses	16,413,181.10	18,955,894.20
Advance From Customers	5,703,939.78	1,892,826.30
	161,497,557.42	104,169,851.30
<b>12 PROVISIONS</b>		
Provision for Income Tax (Net of Income Tax Payment)	2,752,183.00	706,294.00
Dividend on Equity	10,360,721.00	11,083,500.00
Corporate Dividend Tax	1,760,805.00	1,883,640.00
Fringe Benefit Tax (Net of Payment)	–	106,293.00
Bonus	2,016,377.00	1,586,684.00
Gratuity	3,280,573.00	2,950,309.00
	20,170,659.00	18,316,720.00
	For the Year	For the Year
	Ended 31.03.2010	Ended 31.03.2009
<b>13 TURNOVER</b>		
Sales - Exports	1,241,839,327.00	1,110,413,433.00
Sales - DTA	78,083,039.00	60,552,226.00
	1,319,922,366.00	1,170,965,659.00
<b>14 OTHER INCOME</b>		
Exchange Fluctuation	2,201,207.22	22,887,779.73
Dividend Received	10,764.00	10,318.00
Job Work Received	1,045,373.00	–
Miscellaneous Income	242,484.92	2,554,841.23
Interest Received	3,716,691.85	5,963,072.63
	7,225,520.99	31,416,011.59
<b>15 RAW MATERIAL CONSUMPTION</b>		
Opening Stocks	134,520,568.46	54,942,241.32
Add: Purchases	559,773,089.00	526,551,649.86
	694,293,657.46	581,493,891.18
Less: Closing Stocks	135,539,382.75	134,520,568.46
	558,754,274.71	446,973,322.72
<b>16 (INCREASE) / DECREASE IN FINISHED GOODS &amp; WIP</b>		
Opening Stock	289,672,102.82	256,144,012.84
Closing Stock	301,137,249.52	289,672,102.82
	(11,465,146.70)	(33,528,089.98)

		(Amount in Rs.)
SCHEDULE	For the Year	For the Year
	Ended 31.03.2010	Ended 31.03.2009
<b>17 MANUFACTURING OVERHEADS</b>		
Consumables Consumptions	175,062,701.13	181,040,655.98
Stores & Spares Consumptions	26,168,835.32	15,264,805.62
Packing Material Consumptions	37,612,762.92	37,247,095.97
Bought Out Purchase	14,637,227.00	4,873,377.00
Power and Fuel	75,015,187.00	69,555,178.00
Repairs & Maintenance:		
– Plant & Machinery	12,009,875.84	17,130,375.98
– Electricals	173,905.00	356,960.00
Other Manufacturing Expenses	509,718.00	951,421.00
Labour Charges	29,542,982.00	27,654,763.00
Freight and forwarding Charges	54,799,605.00	55,532,257.55
Excise Duty Paid	8,592,504.00	9,868,423.11
	434,125,303.21	419,475,313.21
<b>18 ADMINISTRATIVE EXPENSES</b>		
Repairs and Maintenance		
– Buildings	2,442,021.50	4,722,001.00
– Vehicles	1,594,154.90	3,046,688.94
– Others	3,440,677.50	2,011,382.50
Travelling and Conveyance		
– Employees (Foreign Travel Rs. 35,80,095/-) (P.Y. Rs.40,00,053/-)	9,571,812.20	10,095,872.00
– Director (Foreign Travel Rs. 24,28,818/-) (P.Y.Rs.50,13,597/-)	2,549,555.42	5,615,598.00
Miscellaneous Expenses	159,363.00	142,530.42
Printing and Stationery	1,450,252.00	1,523,646.50
Rent	662,360.00	681,810.00
Security service charges	2,842,133.00	2,930,372.00
Telephone and Telex	4,177,860.43	4,314,618.80
Auditors Remuneration		
– Auditor's Fee	225,000.00	200,000.00
– Tax Audit Fee	65,000.00	60,000.00
– Other Management Services	25,000.00	20,500.00
Professional Service Charges	1,301,308.00	2,355,901.00
Insurance		
– Fixed Assets	303,254.71	274,047.00
– Marine	3,400,524.00	2,450,879.00
– Others	777,373.79	1,427,305.00
– Vehicles	178,195.27	135,476.00
Bad Debts Written Off	–	2,219,303.00
Rebate & Discounts	6,806,019.00	1,433,864.28
Service Tax Paid	116,398.00	531,297.00
Donations	126,000.00	35,000.00
Rates & taxes	3,023,483.90	2,220,575.33
Legal Expenses	407,979.00	233,763.00
Membership & Subscriptions	141,836.00	201,448.00
	45,787,561.62	48,883,878.77

(Amount in Rs.)

	For the Year Ended 31.03.2010	For the Year Ended 31.03.2009
<b>SCHEDULE</b>		
<b>19 STAFF COST</b>		
Salary & wages	44,157,123.46	41,667,627.14
Employers contribution to Statutory	1,800,749.00	1,745,840.00
ESI Contribution	41,581.00	88,096.00
Managerial Remunerations	15,060,000.00	15,000,000.00
	61,059,453.46	58,501,563.14
<b>20 SELLING &amp; DISTRIBUTION COST</b>		
Sales promotions	8,719,769.75	5,800,604.60
Adv. & Publicity	1,730,300.00	2,164,614.00
Commission	197,680.00	44,406.00
Business Promotions	–	28,457.00
	10,647,749.75	8,038,081.60
<b>21 FINANCIAL EXPENSES</b>		
Bank Charges	4,709,017.28	7,301,048.37
Packing Credit	6,678,826.10	16,578,692.34
Cash Credit	2,997,470.91	3,287,419.55
Demand Draft Charges	30,847.00	42,061.00
Foreign Bills Discounted / Purchases	15,428,349.03	18,003,709.18
Interest on Unsecured Loan	–	78,937.00
Interest on ICICI Term Loan	16,864,519.96	24,007,422.31
	46,709,030.28	69,299,289.75

**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, labour 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, Provision for Gratuity is made by charging Profit & Loss Account by an amount based on the assumption that Gratuity is payable to all employees at the year-end.
- 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. 1312.27 Lacs** (P.Y.Rs.1941.39 Lacs)
- ii. Guarantee & counter Guarantee Outstanding **Rs. 28.50 Lacs** (P.Y.Rs. 28.50 Lacs )
- iii. Letter of Credit **Rs. 343.33 Lacs** (PY. Rs 303.82 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 2010 with the Balance of Deferred Tax Liability (Net) accruing during the year aggregating to Rs.83,69,307/- has been recognized in the Profit and Loss Account.
- c. The Deferred Tax Liability (net) of Rs 83,69,307/- credited to Profit and Loss account includes Rs.92,09,282/- 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	–	72,796
Provision for Gratuity	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. 13,760 (Rs. 14,000)
2.	Mrs. Sujata Arora	Director	Commission	Rs. 650 (Rs. 500)
3.	Mr. K.L. Arora	Director	Commission	Rs. 650 (Rs. 500)

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

	2009-10	2008-09
EPS (before deferred tax)	11.08	11.24
EPS (after deferred tax)	10.27	10.81

- 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.)

	2009-10	2008-09
I Salary	5,820	5,280
II Rent Free Accom. /HRA	1,440	1,320
III Commission	7,800	8,400

## j. Director's Traveling (Rs. in "000.)

	2009-10	2008-09
I Local	121	602
II Foreign	2,429	5,014

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

## I. Licensed &amp; Installed Capacity and Actual Production:

Class of goods	Unit	Licensed Capacity (Per annum)		Installed Capacity (Per annum)		Production	
		2010	2009	2010	2009	2010	2009
UNIT -I Granite Tiles	Sq.Mt.	1,80,000	1,80,000	1,80,000	1,80,000	46,953	1,07,121
UNIT -2 Granite Slabs	Sq.Mt.	3,90,000	3,90,000	3,90,000	3,90,000	3,08,128	3,07,203
UNIT -2 Tile Plant	Sq.Mt.	3,60,000	3,60,000	3,60,000	3,60,000	2,43,486	1,75,471

(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 31.03.2010	Year ended 31.03.2009	Year ended 31.03.2010	Year ended 31.03.2009
UNIT-I -Tile Plant	79,843	1,32,184	36,689	76,378
UNIT-II- Slab Plant	3,04,784	2,76,105	9,22,196	8,17,028
UNIT-II -Tile Plant	2,21,504	1,42,945	3,61,037	2,77,560

## I. Details of Finished Goods :

## I. Details of Opening Stock :

Class of Goods	(Quantity in Sq.M.)		(Rs. in "000.)	
	Year ended 31.03.2010	Year ended 31.03.2009	Year ended 31.03.2010	Year ended 31.03.2009
UNIT-I -Tile Plant	42,296	67,359	39,420	62,120
UNIT-II -Slab Plant	1,16,961	85,863	1,98,299	1,38,579
UNIT-II -Tile Plant	43,177	10,651	42,401	8,347

## II. Details of Closing Stock :

Class of Goods	(Quantity in Sq.M.)		(Rs. in "000.)	
	Year ended 31.03.2010	Year ended 31.03.2009	Year ended 31.03.2010	Year ended 31.03.2009
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

## m. Details of Raw materials consumed during the year :

UNIT - I - TILE PLANT	(Quantity in CBM)		(Rs. in "000.)	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Rough Blocks				
Indigenous	938.001	1,636.228	19,009	35,657
Imported	Nil	Nil	Nil	Nil
Stores, Spares, Consumables & Packing			7,409	34,944
Imported			-	8,572
Indigenous			7,409	25,372

UNIT - II - SLAB PLANT	(Quantity in CBM)		(Rs. in "000.)	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Rough Blocks				
Indigenous	9,895.988	8,616.049	3,21,957	2,95,679
Imported	1,260.058	634.327	1,11,851	46,488
Stores, Spares, Consumables & Packing			1,67,956	1,43,854
Imported			95,662	92,227
Indigenous			72,294	51,627

UNIT -II-TILE PLANT	(Quantity in CBM)		(Rs. in "000.)	
Rough Blocks				
Indigenous	4,122.886	2,982.403	90,315	67,105
Imported	270.898	264.46	15,622	12,124
Stores, Spares, Consumables & Packing			63,479	55,755
Imported			25,433	25,582
Indigenous			38,046	30,173

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

	Year ended 31.03.2010	Year ended 31.03.2009
Export of Goods (FOB)	12,26,661	11,10,413

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

	Year ended 31.03.2010	Year ended 31.03.2009
Value of Imports ( CIF)		
Capital Goods	5,345	—
Raw Materials	1,14,858	1,14,860
Consumables	1,03,984	1,25,620
Stores & Spares	19,625	14,168
Overseas Business Travelling	3,708	6,247
Other Expenses	1,187	951

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

	Year ended 31.03.2010	Year ended 31.03.2009
Audit Fee	248.17	220.60
Tax Audit Fee	71.70	66.18
Other Management Services	27.58	22.61
	347.45	309.39

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 are in INR (In Thousand).

s. The company had, in June 2009 announced buy back of its fully paid 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. Under the buy back scheme the company has bought back 7,24,779 Equity Shares, out of which 7,22,779 Equity Shares has been extinguished till 31.03.2010.

t. The Company has decided to dispose off one of its manufacturing unit located at 103, SIPCOT Industrial Complex, Hosur 635 126. (Unit I) engaged in manufacture and export of granite tiles. All the necessary approvals for the same have been obtained.

for **ALOK MITTAL & ASSOCIATES**  
CHARTERED ACCOUNTANTS

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

**SUNIL K. ARORA**  
Managing Director

**K. L. ARORA**  
Director

**S.PANIGRAHI**  
Company Secretary

Place : New Delhi  
Date : 24.04.2010

## 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 BUSINEES PROFILE

#### I Registration Details

Registration No.	55-31510	State Code	55
Balance Sheet Date	31	03	2010
	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
1,701,405	1,701,405
Paid up Capital	Reserves & Surplus
103,607	870,159
Secured Loans	Unsecured Loans
474,290	NIL
Net Fixed Assets	Investments
679,115	187
Net Current Assets	Misc. Expenditure
840,435	NIL
Accumulated Loss	
NIL	

#### IV Performance of Company (Amount in Rs. Thousand)

Turnover	Total Expenditure
1,319,922	1,188,685
Profit/Loss before Tax	Profit/Loss after Tax
138,463	106,397
Earning Per Share	Dividend Rate
11.08	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



## **Aro granite industries ltd.**

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

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Website: [www.arotile.com](http://www.arotile.com)