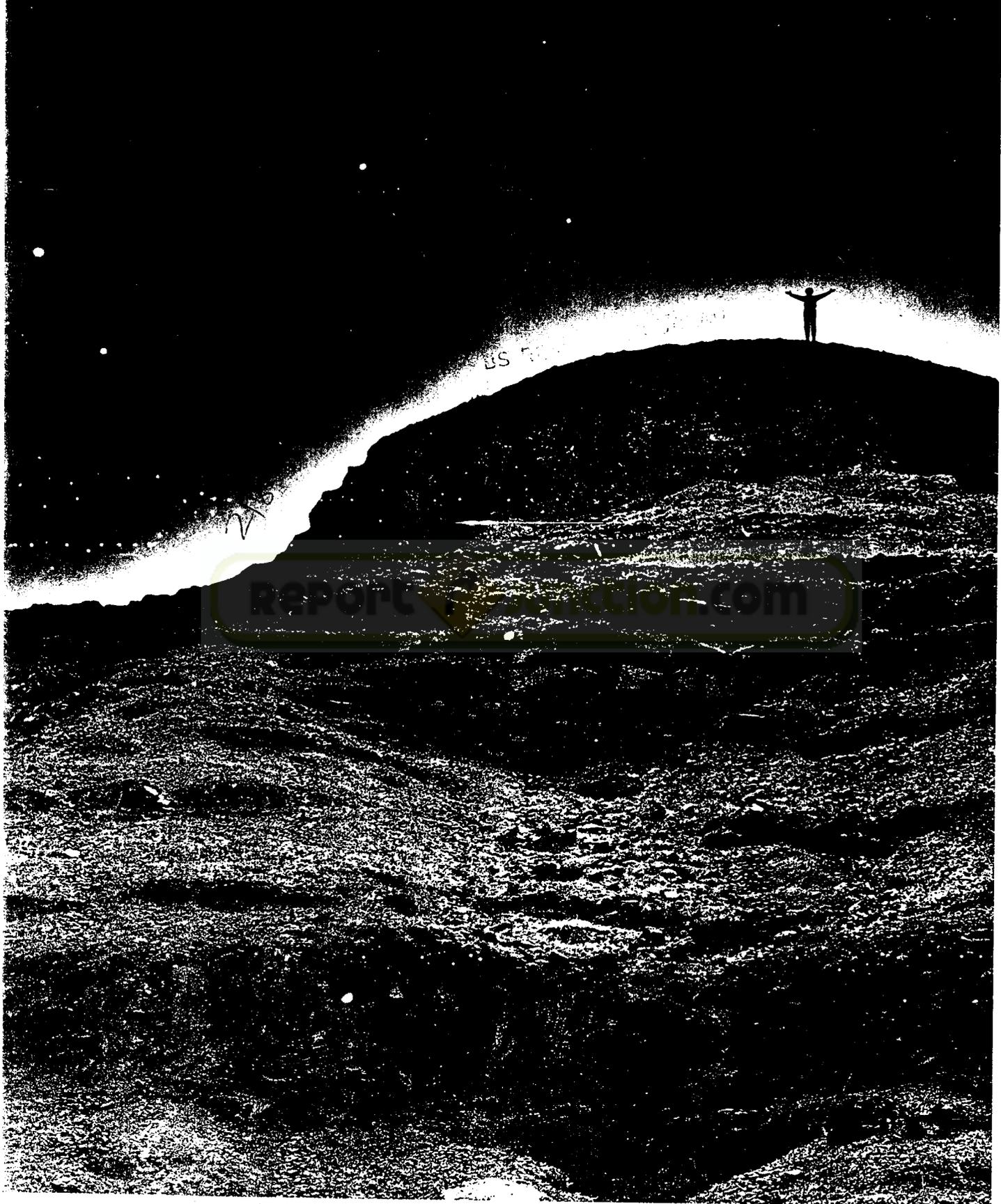


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11th Annual Report 2001-2002



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“Great things happen when men and mountains meet.” — William Blake

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BOARD OF DIRECTORS

Mr. Gautam Chand Jain	<i>Chairman</i>
Mr. Prakash Chand Jain	<i>Director</i>
Mr. M. Yugandhar	<i>Director (w.e.f. 29-03-2002)</i>
Mr. T.V. Chowdary	<i>Director (w.e.f. 31.07.2002)</i>
Mr. Rahul Jain	<i>Director</i>
Mr. G. Krishna Rao	<i>Managing Director</i>
Mr. A. Ramachandra Rao	<i>Executive Director</i>
Mr. B.V.S. Prakash	<i>Executive Director</i>

AUDITORS

M/s Rao, Reddy & BVS Prakash. Chartered Accountants, Hyderabad

BANKERS

Union Bank of India R.P. Road Branch Secunderabad-500 003	IDBI Bank Ltd. Mahavir House, Basheer Bagh Hyderabad-500 029
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REGISTERED & CORPORATE OFFICE

First Floor, Surya Towers,
105, Sardar Patel Road, Secunderabad-500 003, Andhra Pradesh, India.
Tel : 91-40-7842182, 7844101, 7897722
Fax : 91-40-7842121
Email : pokarna@hd2.vsnl.net.in
Website : www.pokarna.com

FACTORIES

Survey No.123, Toopranpet (Village),
Choutuppal (Mandal), Nalgonda District, Andhra Pradesh

Survey No. 563, 568 & 574,
Aliabad Village, Shameerpet (Mandal), R.R. District, Andhra Pradesh

11TH ANNUAL GENERAL MEETING

Date: 31st August, 2002 • Time: 10:30 a.m.
Place: Hyder Mahal, Hotel Grand Kakatiya Sheraton & Towers
Begumpet Road, Hyderabad

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DIRECTOR'S REPORT TO THE SHARE HOLDERS

Dear Members,

We, the Board of Directors of your Company, are delighted to present the 11th Annual Report with Audited Accounts for the year ended 31.03.2002.

Financial Results and Appropriations	Rs. In Lakhs	
	2001-2002	2000-2001
Sales	6300.83	5559.59
Processing & quarrying expenses	3758.42	3593.92
Gross Profit	2542.41	1965.67
Selling & Distribution Expenses	875.52	795.00
Administrative Expenses	280.37	230.36
Operating profit (PBIDT)	1386.52	940.31
Interest	252.13	189.71
Depreciation	187.19	130.17
Operating profit after interest and depreciation	947.20	620.43
Other Income	55.72	87.98
Profit before tax and extraordinary items	1002.92	708.41
Provision for tax & extra ordinary items	38.73	21.06
Profit after tax and extraordinary items	964.19	687.35
Profit brought forward from previous year	1439.47	1038.09
Surplus available for appropriation	2403.66	1725.44
First Interim Dividend	93.01	93.01
Second Interim Dividend	124.02	93.01
Provision for Tax on Proposed/Interim Dividend	9.49	29.94
Transfer to General Reserve	100.00	70.00
Surplus Carried Forward to next year	2077.14	1439.47

Results of Operations

The year 2001-2002 has been a very satisfying one for your Company as it recorded all round improved performance. The Company was able to improve the profitability by significantly increasing sales volume and continued thrust on cost reduction in all areas of operations and productivity improvement.

- The Company's business operation yielded Rs. 6300.83 Lakhs during 2001-2002 recording a 13.33% increase over last year.
- Exports witnessed a quantum jump over the previous year and stood at Rs.5525.84 Lakhs, an increase 26.88%.
- Net Profit also rose to Rs. 964.19 Lakhs registering an increase of 40.27% over previous Year.

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Dividend

An interim dividend of Rs. 1.50 per share on 62,00,800 equity shares was paid in November 2001, and a 2nd Interim Dividend of Rs. 2.00 per share on 62,00,800 equity shares was paid in July, 2002 to the equity share holders of the Company, aggregating to Rs. 3.50 per share for the current year, as against Rs. 3.00 per share in the financial year 2000-2001.

The total dividend out go, including dividend tax was Rs. 226.52 Lakhs for the year, as against Rs. 215.97 in the financial year 2000-2001.

Business Prospects

The Year had been one of the most challenging years for your company. The impact of the global slowdown coupled with the tragedy of September 11 and collapse of Enron posed tremendous challenges. Despite this, your company performed well and showed all-round growth.

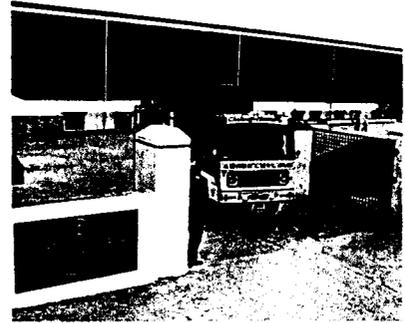
To support the increasing needs of customers, your company has embarked on several new initiatives as well as streamlined internal systems and procedures. These processes will further enhance the quality of material, service and responsiveness to customer needs. This is also likely to progressively give the Company a cost advantage. Your Directors believe this will help the Company position itself strongly against competitors in the challenging global market place.

The two strategic business activities viz. Processing & Quarrying have been performing as per expectations. This has resulted in an increase in sales of 13.33% as compared to previous year. This has also resulted in improvement in profitability of the Company.

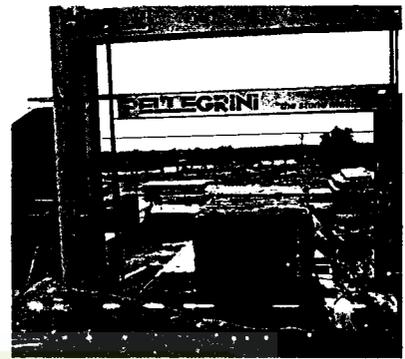
Quality

Your company firmly believes that "Pursuit of Excellence" is one of the most critical components for competitive

Your Directors recommend and paid a dividend of Rs. 3.50 per share on 62,00,800 equity share to the equity share holders of the Company for the current year, as against Rs. 3.00 per share in the financial year 2000-2001.



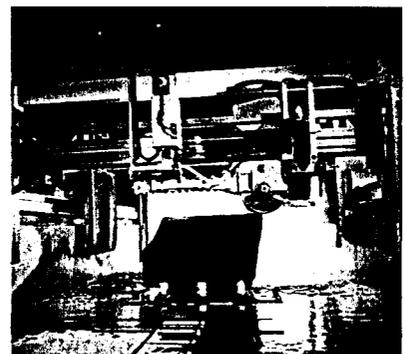
Despatches



Wire dressing of blocks



Gangsaaws



Multi blade block cutter

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success in the global market. Various initiatives have been undertaken to build higher quality levels within internal processes to ensure participation of everybody in this endeavor.

Achievements

Your Company won the prestigious 'Special Award' for its outstanding export performance from CAPEXIL for the year 2001–2002. Development Commissioner, VEPZ awarded First Prize in the granite sector for "Export Performance" among all the 100% EOU units in Andhra Pradesh and Yanam to your Company.

All India Granite and Stone Association (AIGSA) & Federation of Indian Mineral Industries (FIMI) instituted a new award this year for Best Mechanized Quarry. Your Directors are pleased to inform you that the award was won by your Company in the Inaugural Year for its quarrying operations at Chimakurthy, Ongole.

Foreign Exchange Earnings

During the year under review, your Company contributed to Foreign Exchange Earnings Rs. 5525.84 Lakhs (Previous year Rs. 4355.11 Lakhs). Expenditure in foreign currency by your Company amounted to Rs. 1524.87 Lakhs (Previous year Rs. 751.51 Lakhs) comprising purchase of machinery, raw material, consumables, spares and other expenditure.

Factory Operations

Your Company maintained its position as the quality producer of Granite polished random slabs and tiles in India, which is widely acknowledged in USA market. The Research and Development Center of your Company continued to provide valuable support to improve the quality of existing products.

Quarrying Operations

During the year 2001–2002 quarrying operations were carried on at Chimakurthy, Prakasam District – Black Galaxy, Ballikurva, Prakasam District – Silver Pearl, Madikonda, Warangal District – Sapphire Brown and Buddibanda, Vizag District – Mystic White, Mystic Green. Performance at the Quarries has been satisfactory as they stood by the factory in its increased requirements of raw blocks thus establishing the strength of our captive quarries.

Future Prospects

Your Company's emphasis on building long-standing relationship with customers was evident in the increased share of business from existing clients. Your Company has undertaken several proactive initiatives to meet challenges in the short term and to sustain growth in the long term.

The Company continued to expand its existing Plant & Machinery and production facilities at its plants. The Company, as a responsible corporate citizen, has incorporated all the eco friendly measures in the plants.

Current Year Performance

For the first quarter of 2002-2003 Rs.2224.95 Lakhs turn over was recorded with a net profit of Rs.404.24 Lakhs. The Board of Directors expect to sustain the good performance through out the Financial Year 2002-2003.

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Fixed Deposits

Your company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

Corporate Governance

Corporate Governance and Management Discussion and Analysis are made a part of the Annual Reports.

Directors' Responsibility Statement

As required under Section 217 of the Companies Act, 1956 your Directors confirm as under:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departure;
2. the Directors have selected such accounting policies and applied them consistently and made judgments 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 of the company for that period;
3. the Directors have 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;
4. the Directors have prepared the annual accounts on a going concern basis.

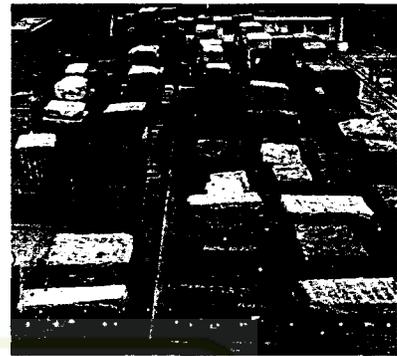
Human Resource Development

The key resource for your company is its employees. Your company has been able to create a favorable work environment that encourages innovation and meritocracy. Your Company believes that high caliber talent is a key source of competitive advantage. Your Company's human resource strategy aims to invest in people on a continuing basis in order to position your Company's businesses in a state of extreme competitive readiness. The spirit of involvement and commitment to a common purpose has

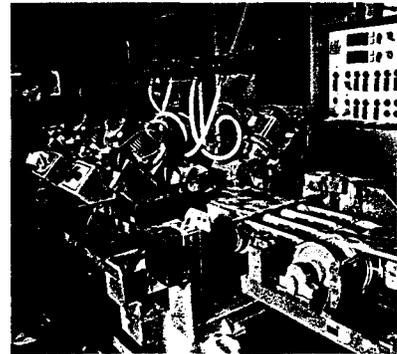
Your Company's emphasis on building long-standing relationship with customers is evident in the increased share of business from existing clients.



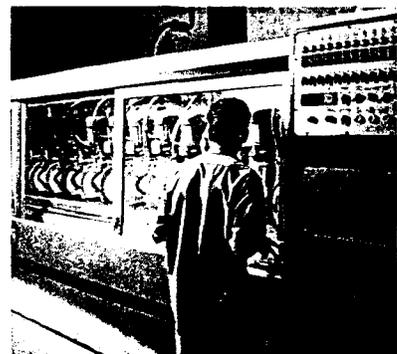
Scientific quarrying



Block yard at factory



Tile Plant



Tile Plant

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improved employee productivity at all levels. Your Company continues its tradition of harmonious industrial relations aimed at fulfilling the objectives of enhancing productivity and meeting employee aspirations. Appropriate development interventions for employees at all levels continue to remain a priority.

The efforts of your company in the area of employee management and HR practices have been widely acclaimed in various fora.

Directors

During the year, your directors inducted Mr. M. Yugandhar and Mr. T.V. Chowdary as additional directors of the company. Their appointments require the approval of the members at the ensuing Annual General Meeting.

Mr. Prakash Chand Jain and Rahul Jain, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

Auditors

M/s. Rao, Reddy & B.V.S. Prakash, Chartered Accountants, Hyderabad, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. A certificate under section 224 (1-B) of the Companies Act, 1956 had been received from them.

Particular of Employees, Energy & Technology

Particulars as required by Section 217 (1)(e) of the Companies Act, 1956, relating to Conservation of Energy and Technology Absorption are provided in the Annexure to this Report together with particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956.

Acknowledgements

The overall performance of the Company could not have been possible without the dedication, commitment and enthusiasm of all its employees. The Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as collective contribution to enable the Company to achieve the performance it did.

The Directors would also like to thank the shareholders, bankers, financial institution and all other business associates for the continuous support given by them to the Company and their confidence in its management.

Your directors thank various departments of Government of India including the Customs & Excise Departments, the Ministry of Commerce, the Reserve Bank of India, the Visakhapatnam Export Processing Zone, the State Government of Andhra Pradesh and in particular Department of Mines & Geology as well as other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors

Place: Secunderabad

Date: 31st July, 2002

Gautam Chand Jain

Chairman

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ANNEXURES TO THE REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2002

Particulars of the Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Age	Designation/ Nature of Duties	Gross Remune- ration	Qualification	Experi- ence	Date of Commence- ment of Employment	Previous Employment/ Position Held
Employed throughout the year and in receipt of Remuneration aggregating Rupees Rs. 12,00,000/-							
Krishna Rao G.	43	Managing Director	15,87,501	B.Com, FCA, LLB	18 Years	20.11.1994	Practicing Chartered Accountant
Ramachandra Rao A.	43	Executive Director	15,56,965	B.Com, FCA	17 Years	07.11.1994	Practicing Chartered Accountant
Prakash B.V.S.	44	Executive Director	15,27,511	B.Com, FCA, LLB	18 Years	01.09.1996	Practicing Chartered Accountant

Employed for the part of year - Nil

Notes:

- 1) Gross remuneration comprises salary, allowances, monetary value of perquisites to the Directors and the Company's contribution to Provident Funds but excludes contribution to Gratuity Fund on the basis of actuarial valuation as separate figures are not available.
- 2) The nature of employment in all cases is contractual.
- 3) None of the employees mentioned above is a relative of any Directors of the Company.

Form — A

Form for disclosure of particulars with respect to Conservation of Energy:

	2001-2002	2000-2001
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased		
Units (M.KWH)	794174	1712940
Total Amount (Rs. Lakhs) #	4142997	7734656
Average Rate/Unit (Rs. /KWH)	5.22	4.52
b) Own Generation		
Through Diesel Generator		
Units (M.KWH)	4324190	4300968
Units per litre of Diesel Oil (KWH)	3.27	3.04
Average Cost/Unit (Rs./KWH)	5.90	5.19
B. Technology Absorption	Nil	Nil