




14th Annual Report 2004-2005

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**POKARNA LIMITED**

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*“Be daring, be different, be impractical.*

*Be anything that will assert integrity of purpose*

*and imaginative wisdom against the “play it safers”,*

*the creatures of the commonplace,*

*The slaves of the ordinary.”*

*—Sir Cecil Beaton*

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## **BOARD OF DIRECTORS**

Mr. Gautam Chand Jain, *Chairman & Managing Director*

Mr. Prakash Chand Jain, *Director*

Mr. M.Yugandhar, *Director*

Mr. T.V. Chowdary, *Director*

Mr. Vinayak Rao Juvvadi, *Director*

Mr. Mahender Chand Chordia, *Director*

Mr. Dhanjibhai Sawla, *Director*

Mr. Rahul Jain, *Executive Director*

Mr. Siddharth Jain, *Executive Director*

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## **COMPANY SECRETARY**

Mr. Paras Jain

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## **AUDITORS**

M/s. S. Daga & Co., Chartered Accountants, Hyderabad.

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## **BANKERS**

Union Bank of India, R.P. Road Branch, Secunderabad-500 003

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## **REGISTERED & CORPORATE OFFICE**

First Floor, Surya Towers,

105, Sardar Patel Road, Secunderabad-500 003, Andhra Pradesh, India.

Tel: 91-40-27842182, 27844101, 27897722

Fax: 91-40-27842121

Email: [contact@pokarna.com](mailto:contact@pokarna.com)

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

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## **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.

Survey No. 33, 39, 50, 51, 55, 68 & 69, Apparels Export Park,

Gundla Pochampally Village, Medchal Mandal, R. R. District, Andhra Pradesh.

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## **14th ANNUAL GENERAL MEETING**

Date: 26th September, 2005 • Time: 10:00 a.m.

Place: 105, First Floor, Surya Towers, S. P. Road, Secunderabad-500 003.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

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Your Director's have pleasure in placing before the Shareholders', the 14th Annual Report and Audited Accounts for the year ended March 31, 2005.

### 1. WORKING RESULTS

The Financial Highlights are summarized below:

Amount in Rupees		
Particulars	2004-2005	2003-2004
Total Income	140,53,30,956	113,54,11,545
Less: Expenditure	124,58,25,448	96,03,94,431
Profit/(Loss) before Tax	15,95,05,508	17,50,17,114
Prior Period Expenses	65,65,914	—
Provision for Taxation	1,26,66,071	2,32,81,171
Net Balance of Profit	14,02,73,523	15,17,35,943
Balance of Profit brought over from previous year	45,32,16,288	34,12,13,816
<b>Appropriation</b>		
Proposed Dividend	2,17,02,800	2,17,02,800
Corporate Dividend Tax	30,43,818	27,80,671
Transfer to General Reserve	1,45,00,000	1,52,50,000
Net Profit carried to Balance Sheet	59,34,89,811	45,32,16,288

### 2. MANAGEMENT DISCUSSION AND ANALYSIS

#### a. INDUSTRY STRUCTURE AND DEVELOPMENT

##### Granites:

India is one of the leading countries in the production and export of granite and other stones. Granite is a very hard crystalline, igneous or metamorphic rock primarily composed of feldspar, quartz and lesser amounts of dark minerals. These varieties are used to produce monuments, building slabs, tiles, surface plates, etc. About 110 varieties of granites have been identified for processing as products for exports. The deposits are widely spread over the entire country. However, popular varieties are mainly found in South India.

Your Company is the largest exporters of Granite slabs from India dealing in over 60 premium colors and exporting more than 120 containers every month to the most reputed companies all over the world. We have our own quarries



apart from two state of the art units processing both slabs and tiles. Besides Indian stones, your Company also process rough granite from other countries.

#### **Apparels:**

Textiles and clothing sector is the largest employer after agriculture and its importance in India's economy is recognized for its contribution to industrial production and export earnings. With effect from January 1, 2005, quotas on textiles and clothing stand abolished and now, this industry is required to achieve a competitive strength for its survival in the global environment. The garment industry comprises manufacturers of ready-made garments for either the domestic or export markets or, in certain cases, both. The constituents of this segment are very diverse in terms of their size, production facility, the type of apparel manufactured, the quality of output, fabric requirement, price sensitivity etc. Structurally, clothing industry is one of the most fragmented sectors of the Indian Textile Industry, due to historical government policies, which favoured the small scale.

In the apparel industry, most modern technology, relatively well-paid workers and high-end designers and a high degree of flexibility characterize the niche segment fashion market. The competitive advantage of firms in this market segment is related to the ability to produce designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness.

*At Pokarna it is believed  
that the integrity of any  
company must come  
from a leadership  
committed to behavior  
that is honest, decent and fair  
and from directors and  
employees  
who share that commitment  
and bring it to life at all  
levels of the organization.*

#### **b. OPPORUNITIES and THREATS**

##### **Granites:**

##### **Opportunities**

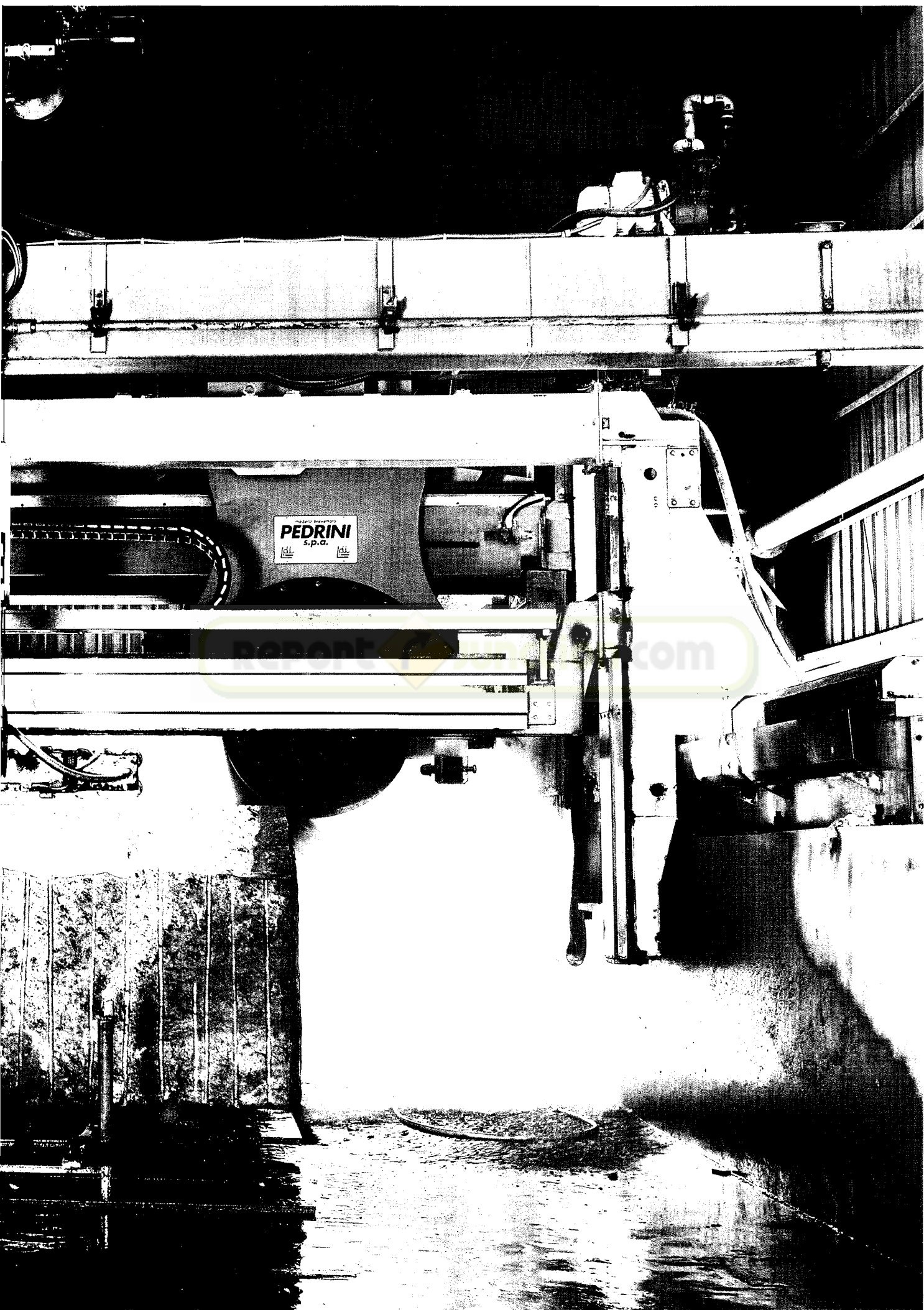
Andhra Pradesh is one of the largest producer of granites in the country, 17 out of 23 districts have several occurrences of different varieties of granites. Jet black, Black Galaxy, Blue and White coloured are exclusive varieties in the international market. There are a number of unexplored areas in the state, which contain workable and marketable deposits, Central and state Geological agencies have started exploration to identify new varieties and areas. Vast scope exists for development of granite industry in the state. The Govt. of Andhra Pradesh has the most progressive policy for granites in the country. World's rare and exclusive variety of black Galaxy Granite occurs in Chimakurthy – Prakasam district. Your Company has all its quarrying operations in the State of Andhra Pradesh with Black Galaxy being the premium of all.

There is still an irrepressible attraction to the beauty of natural stone, which is proven by the expansion of the world's market. It's important that stone be made accessible, both in terms of market and in terms of image. Stone must look natural in all respects, and it must also be easy and close to the end consumer. But all this needs to be done in keeping with its value and features, which have gone with it all through its history.













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.

#### Threats

There is also the continued marketing campaign being conducted against natural stone by the Ceramic Industry, which imitates the beauty of stone and boasts that they have the same attractiveness but none of their faults. This campaign contains all of the threats that an organized and cohesive industrial sector can pose to a small and objectively weaker one. But for the stone sector, this also acts as an indirect confirmation of the potentials that still exist in the tiling, flooring market and engineering stone.

#### Apparels:

#### Opportunities

It is expected that India will increase its world market share substantially in the clothing sector following the elimination of quotas. India seems poised to benefit the most after the dismantling of the quota because of the following factors:

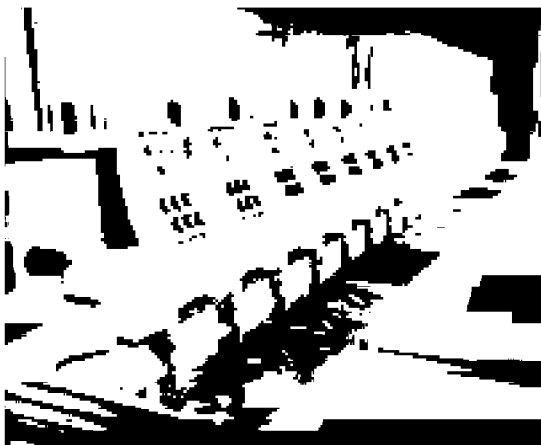
- Strong entrepreneurial class.
- Flexibility in production of small order lots.
- Ability to handle value additions, embellishments etc.
- Adequate labour supply at relatively low wages.
- Good “cultural” comfort with US and Europe.
- Design Skills.

#### Threats

- Technological obsolescence.
- Non-proximity to markets.
- Emerging Competition.
- Pricing pressure, following opening up of quotas.
- Strengthening of the rupee may impact realisation.
- Highly fragmented, unit production capacities very low by international standards.

#### c. SEGMENT WISE PERFORMANCE

Company operates in two segments namely, Granite and Apparel. The financials for the said divisions of the Company are as under.



(Rupees in Lakhs)

Particulars	Year ended 31.03.2005	Year ended 31.03.2004
<b>1. Segment Revenue</b>		
a) Granite	13165.49	11178.38
b) Apparel	365.95	2.02
<b>Gross Sales / Income from operations</b>	<b>13531.44</b>	<b>11180.4</b>
Less: Inter-segment revenue	—	—
Less: Excise Duty recovered on sales	64.04	77.71
Gross sales / Income from operations	13467.40	1102.69
<b>2. Segment Results</b>		
a) Granite	2392.42	2148.65
b) Apparel	(233.22)	(1.09)
Total	2159.20	2147.56
Less: i) Interest	629.80	397.39
ii) Other un-allocable	—	—
Total Segment Profit Before Tax	1529.40	1750.17
Less: i) Provision for current tax	27.00	152.95
ii) Provision for deferred tax	121.99	79.86
iii) Tax of prior years	(22.33)	—
<b>Profit after tax</b>	<b>1402.74</b>	<b>1517.36</b>
<b>3. Capital Employed</b>		
(Segment Assets-Segment Liabilities)		
a) Granite	6248.72	5139.25
b) Apparel	1004.99	950.79
c) Other Unallocable	11.50	11.50
<b>Total Segment Capital Employed</b>	<b>7265.21</b>	<b>6101.54</b>

#### d. OUTLOOK

Outlook for both the segment in which Company operates is encouraging. Focus of the Company in both the segment has been to improve sales realization and to implement cost cutting measures to the maximum extent possible

Granite:

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