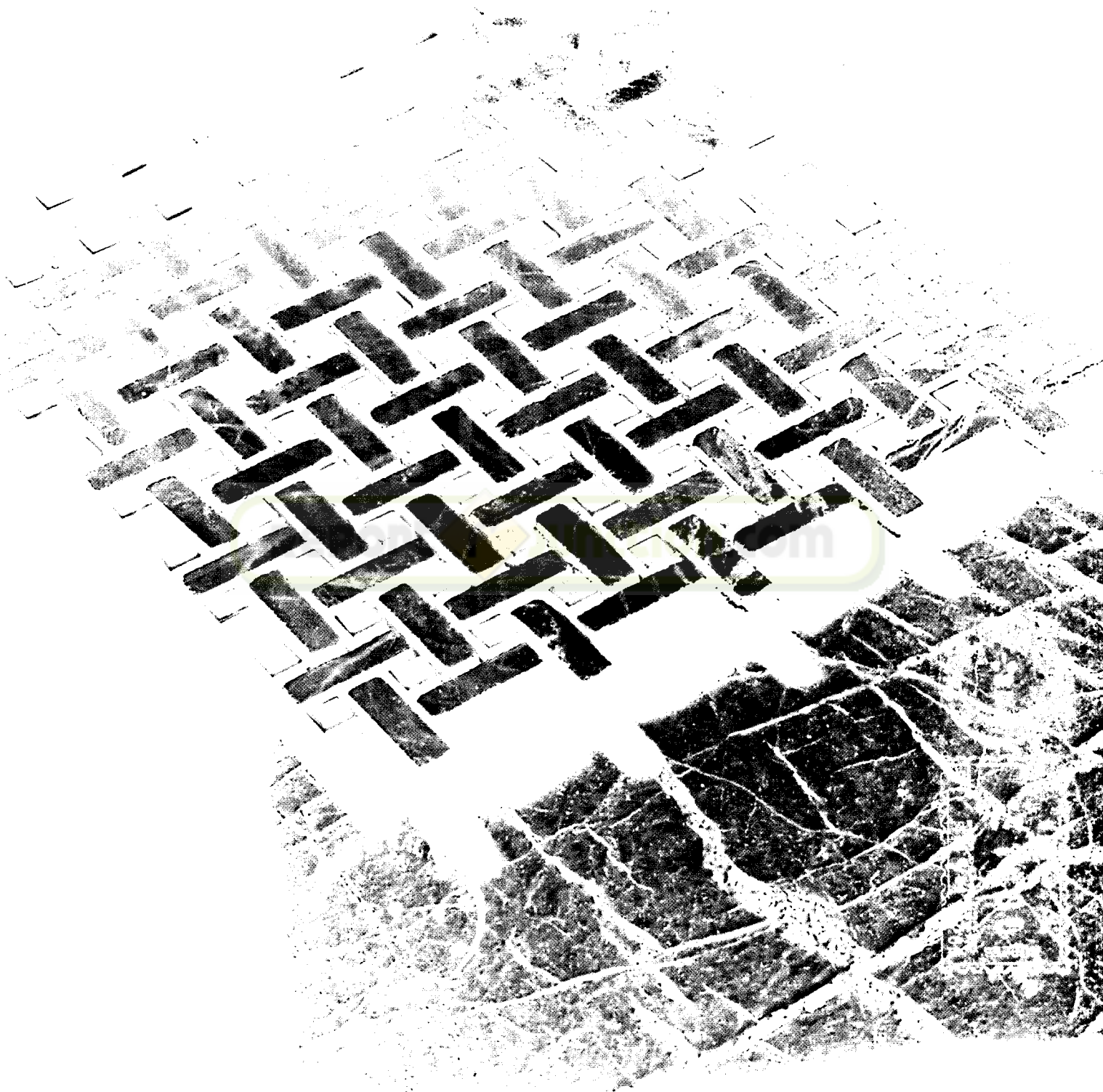


# ANNUAL REPORT 2005 - 2006

A commitment to quality  
that leaves no stone unturned



# SOLID GRANITES LTD.

## **SIXTEENTH ANNUAL REPORT 2005-2006**

### **BOARD OF DIRECTORS**

Mr. Milan B. Khakhar -

Chairman and  
Managing Director  
Joint Managing Director

Mr. Prakash B. Khakhar -

Mrs. Vasumati B. Khakhar

Mr. K. Natarajan

Ms. A. Y. Parekh

Mr. K. Gopi Nair

### **AUDITORS**

M/s. K. Poddar & Associates

Chartered Accountants

Mumbai

### **BANKERS**

State Bank of India

Citi Bank N. A.

### **REGISTERED OFFICE**

1501, Maker Chambers - V,

Nariman Point,

Mumbai - 400 021.

### **WORKS**

Plot No. 33/34, S. No. 831/15 & 25,

Village Mahim, Chintupada,

Taluka Palghar, Dist. Thane.

## **SIXTEENTH ANNUAL GENERAL MEETING**

AT

The Prince Room,  
National Sports Club of India,  
Lala Lajpatrai Road, Worli,  
Mumbai - 400 018.

On Thursday 21st September, 2006

At 9.15 A.M.

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## **Chairman's Statement**

Dear Shareholders,

It gives me great pleasure in placing on record that your company has performed exceedingly well for the period under review.

Sales have increased to Rs.958 lacs from Rs.739 lacs, a growth of 30% in topline and likewise net profits have increased from Rs.0.20 lacs to Rs.10.16 lacs, a huge leap in the bottom line.

The Indian economy has been growing at a fast clip and GDP growth is expected to be 8%, making it one of the fastest growing economies in the world. The construction sector is witnessing a boom and this scorching pace of growth is expected to continue in the coming few years. Consequently ancillary sectors closely allied to the construction and real estate sector like your company, which provides embellishments in the form of granite and marble tiles of various hues, are expected to post an impressive growth.

There is a projected investment of over Rs.2,500 crores in the next 2 years in India's retail real estate development, with 93 malls totaling almost 10 million square feet expected to come in. IT, and BPO growth is expected to boost the demand for more commercial space, and over USD 1.5 Billion is expected to be spent on more than 200 high end hotels coming up. All of these are potential buyers for the innovatively designed premium products made by your company.

Your company also has plans to focus its export offerings on the booming gulf market, where it has strong sales and distribution tie-ups that will cater to the huge amount being spent on real estate as a result of the oil boom.

We also plan to cater to the super premium buyers in India through an imported marble showroom and warehouse facility we intend putting in place, and we expect this to improve current year financial results.

With the above plans and strong fundamentals of the marketplace we operate in, we believe your company is poised for a period of growth and profitability.

Your company also has a strong order book. We expect your company to post a reasonable growth rate and profits for year ending 31st March, 2007.

On behalf of Board of Directors I thank the staff, our bankers and our customers, who have made it possible for the company to take a dominant leadership position in the segment in which we operate.

**Milan Khakhar**  
*Chairman*

**NOTICE OF MEETING**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Shareholders of SOLID GRANITES LIMITED will be held at the Prince Room, National Sports Club of India, Worli, Mumbai – 400018 on Thursday, 21<sup>st</sup> September, 2006 at 9.15 am to transact, as may be permissible the following business :

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To declare a Dividend
3. To appoint a Director in place of Ms. A.Y. Parekh who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Mr. K.Gopi Nair who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

**NOTES :**

- A) A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE FOR HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- B) The Register of Members and Share Transfer Books of the Company will be closed from 14<sup>th</sup> September, 2006 to 21<sup>st</sup> September, 2006 (both days inclusive)
- C) The form of proxy should be deposited at the *Registered Office* of the Company not less than 48 hours before the commencement of the meeting.
- D) Members intending to require information about accounts to be explained in the meeting are requested to inform the Company in writing at least seven days in advance of the Meeting.
- E) Members are requested to :
  - i) Bring their copies of the Annual Report alongwith duly filled in attendance slip to the Meeting.
  - ii) Notify immediately any change in their address, at the *Registered office* the Company, quoting their Folio numbers.
  - iii) Send all their documents and communications pertaining to shares to Sharex (India) P.Ltd. (Share Transfer Agents of the company) at 17/B, Dena Bank Building, 2<sup>nd</sup> Floor, Horniman Circle, Fort, Mumbai-400001,
- G) *The Company's shares are now available for dematerialisation. Members opting for the same may contact their Depository Participants.*
- H) *Details regarding retiring Directors, seeking re-appointment at the Annual General Meeting :*
  - a) Ms. A.Y.Parekh (35), is a Commerce and Law Graduate from University of Mumbai. She has rich experience of more than 8 years in legal and commercial matters. She is a member of committees appointed by the Board for effective Corporate Governance. The relevant details about her attendance of meetings and other Directorships are given in the Report on Corporate Governance forming part of Annual Report.
  - b) Mr. K. Gopi Nair (47), is a Commerce Graduate from University of Mumbai. He has vast experience of more than 18 years in building materials and natural stone industry. He is a member of committees appointed by the Board for effective Corporate Governance. The relevant details about his attendance of meetings and other Directorships are given in the Report on Corporate Governance forming part of Annual Report.

**REGISTERED OFFICE**

1501, Maker Chambers-V,  
Nariman Point,  
Mumbai – 400 021.

By Order of the Board of Directors

**Milan B. Khakhar**

Chairman & Managing Director

Place : Mumbai

Date : 26<sup>th</sup> August, 2006

**DIRECTOR'S REPORT**

The Members,

Your Directors have pleasure in presenting their Sixteenth Annual Report of the Company for the year ended on 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS :**

	Year Ended 31 <sup>st</sup> March, 2006 Rs.in '000s	Year Ended 31 <sup>st</sup> March, 2005 Rs.in '000s
Gross Income	95,595	75,133
Profit before Depreciation and Tax	3,318	1,532
Profit after Tax	1,017	20
Balance brought forward from Previous year	21,936	21,916
Amount available for Appropriation	22,953	21,936
Proposed Dividend	2,400	---
Tax on Dividend	336	----
Surplus carried to Balance Sheet	20,217	21,936

**DIVIDEND :**

Your Directors are pleased to recommend a Dividend at the rate of 8% for the year ended 31<sup>st</sup> March, 2006 on the paid Equity Share Capital.

**OPERATIONS :**

The year under review was marked by slack global demand for Granite, Marble & Natural Stones, and stiff competition in international market. Your company being predominantly engaged in export activity, had to counter adverse impact of the above mentioned factors.

The company was successful in posting improved results with sales increasing by 30% and corresponding spurt in profits before tax and after tax. Your company, in order to retain its global presence, participated in International Trade Fairs.

During the current year the improvement in economic indices, will also be reflected in the company's performance.

**DIRECTORATE :**

Ms.A.Y.Parekh and Mr. K.Gopi Nair, both Directors of the company shall retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**PARTICULARS OF EMPLOYEES :**

The information as per section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975 is not attached to this report, since the company did not employ during the year under review, any employee drawing remuneration exceeding the limits specified in the said section.

**Director's Responsibility Statement under Section 217 (2AA) is as follows :**

Your Directors make the following statement pursuant to section 217(2AA) of the Companies Act, 1956 ;

1. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. That the Directors have 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.



3. That the Directors have taken proper and sufficient care, to the best of their knowledge and ability, 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. That the Directors have prepared the Annual Accounts on a going concern basis.

**INSURANCE :**

All the assets of the Company are adequately insured.

**CORPORATE GOVERNANCE :**

Your company has always striven to incorporate appropriate standards for good corporate governance . A separate report on Corporate Governance pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, including the Management Discussion and Analysis, Shareholders' Information and Auditors' Certificate on its compliance, form part of this Annual Report.

**AUDITORS :**

M/s. K. Poddar & Associates, Chartered Accountants are eligible for re-appointment and have indicated their willingness to act as such. In terms of section 224A of the Companies Act 1956, their appointment needs to be confirmed and their remuneration needs to be fixed.

**DISCLOSURES :**

Information as required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board Directors) Rules, 1988 is set out as under :

## i) Conservation of Energy :

Energy conservation measures have already been implemented by the Company and there are no major areas where further conservation measures appear necessary. However, efforts to conserve and to optimize the use of energy through improved operational methods and other means will continue on an ongoing basis.

	Current Year	Previous Year
Power Consumption (Electricity)		
Units	62,506	94,361
Total Cost	Rs. 352,864	Rs. 4,60,030
Rate per unit	Rs. 5.64	Rs. 4.88
Consumption per unit of production (Units per sq.ft.)	5.85	4.47

## ii) Technology Absorption : Not Applicable

iii)	Year Ended 31 <sup>st</sup> March, 2006 Rs.in '000s	Year Ended 31 <sup>st</sup> March, 2005 Rs.in '000s
a. Earning from Exports	53066.58	65432.53
b. Foreign Exchange Outgo	1637.49	2299.76

**APPRECIATION :**

Your Directors wish to place on record their sincere appreciation for the support and co-operation received from the banks, customers and employees at all levels.

For and behalf of the Board

PLACE : MUMBAI

DATED : 26<sup>th</sup> August, 2006

**Milan B. Khakhar**  
Chairman

## REPORT ON CORPORATE GOVERNANCE

### A. Philosophy:

The Company subscribes fully to the principal and spirit of sound corporate governance practices in all its activities to ensure the ultimate goal of making the company a value driven organization. The Company has taken a series of steps to implement all the measures of good corporate governance practice, laying emphasis on transparency, integrity, accountability and value creation in conducting its Corporate Affairs and enhance value for all its stakeholders.

### B. Board of Directors:

#### Composition, Meetings and Attendance:

The Board of Directors comprises of six Directors four of them being Non Executive Directors. Fifty percent of the total strength of the Board comprises of independent Directors.

During the financial year ended 31<sup>st</sup> March 2006 the Board met eight times on 30<sup>th</sup> April, 2005, 14<sup>th</sup> May, 2005, 4<sup>th</sup> June, 2005, 3<sup>rd</sup> August, 2005, 22<sup>nd</sup> August, 2005, 31<sup>st</sup> October, 2005, 8<sup>th</sup> December, 2005, 31<sup>st</sup> January, 2006.

The gap between two Meetings did not exceed four months. The Company placed before the Board, the annual operating plans, budgets, performances and other information including those specified under Clause 49 of the Listing Agreement, from time to time.

The notice for the Board Meeting and the detailed agenda papers are circulated to all the Directors well in advance to enable them to attend and take an informed decision at the Meetings. The Directors of the company make necessary disclosures regarding the Committee positions held by them in all the Companies in which he or she is a Director. None of the Director of the Company is the member on more than Ten Committees and a Chairman on more than five Committees across all the Companies in which he or she is a Director.

The composition of the Board of Directors as on March 31, 2006 and other details are as under:

Name of Director	Category	No Of Board Meetings attended during 2005-06	Whether attended last AGM	No. of Directorships in other Public Limited Companies	No.of Committee positions held in Other Companies
Mr.Milan B. Khakhar	Executive Promoter	8	Yes	1	-
Mr.Prakash B.Khakhar	Executive Promoter	8	Yes	1	-
Mrs.Vasumati B. Khakhar	Non-Executive Promoter	8	Yes	1	-
Mr.K.Natarajan	Non-Executive Independent	7	No	-	-
Ms.Ashni Y.Parekh	Non-Executive Independent	8	Yes	-	-
Mr.K.Gopi Nair	Non-Executive Independent	8	Yes	-	-

### Code of Conduct :

The Board has formulated a code of conduct for the Board members and senior management of the company. All Board members and senior management personnel have affirmed the compliance with the code as on 31<sup>st</sup> March 2006 to the Company.

It is hereby affirmed that all Directors and senior management personnel have complied to the code of conduct framed by the Company and the confirmation to that effect has been received from the Directors and the Senior management members.

### C. Audit Committee:

The Audit Committee comprises of Mr.K. Natarajan, Mr.K.Gopi Nair and Ms.A.Y.Parekh. All the members of this Committee are independent Directors and Mr. K. Natarajan is the Chairman of the Audit Committee.

Mr.K.Natarajan is a Chartered Accountant and has a rich experience of more than 50 years in areas of Accountancy, Law, Finance and Insurance.



Ms.A.Y.Parekh is a Commerce and Law graduate having experience in areas of Law and Accountancy. Mr.K.Gopi Nair is a Commerce graduate having experience in Management and Accounts. The composition, powers, terms of reference and the role of the Audit Committee are in line with the requirements of Clause 49 of the Listing Agreement as well as section 292A of the Companies Act, 1956.

During the year under review, the Audit Committee of Directors held discussions with the Statutory Auditors of the Company concerning the Accounts of the Company, internal control systems, scope of internal audit and reports of Internal Audit, compliance with Accounting Standards and Listing Agreement, reviewed the quarterly, half yearly, and annual financial statements before they were submitted to the Board of Directors. The Audit Committee of Directors also reviewed the matter prescribed under clause 49 II(D) of the Listing Agreement. At the Audit Committee Meetings, the Statutory Auditors of the Company were invited and their findings / observations were also discussed.

Minutes of the Audit Committee Meetings are circulated to the Members of the Board, discussed and taken note of. The composition of the Audit Committee and the details of Meetings attended by the Directors are given below:

Name of Memers	Category	No. of Committee Meetings attended during 2005-06
Mr. K.Natrajan, Chairman	Independent Non-Executive	6
Ms. A.Y.Parekh, Member	Independent Non-Executive	6
Mr. K.Gopi Nair, Member	Independent Non-Executive	5

During the year 2005-06, Six Audit Committee Meetings were held on 29<sup>th</sup> April, 2005, 25<sup>th</sup> July, 2005, 3<sup>rd</sup> August, 2005, 22<sup>nd</sup> August, 2005, 29<sup>th</sup> October, 2005, 30<sup>th</sup> January, 2006.

The Audit Committee has adequate powers and detailed terms of reference to play effective role as required under the Clause 49 of the Listing Agreement.

The Compliance Officer acts as the Secretary of the Committee.

#### **Whistle Blower Policy:**

The Board of Directors on the recommendations of the Audit Committee has approved and adopted a Whistle Blower Policy that provides a formal mechanism for all employees of the Company to approach the Chairman of the Audit Committee of the Company and make protective disclosures about the unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct.

#### **D. Remuneration Committee:**

Subject to the overall ceiling approved by the Board and the shareholders, the Remuneration Committee of the Directors recommend to the Board, the salary [including annual increments], perquisites and commission to be paid to the Company's Executive Directors.

Meetings of this committee are held only when required.

No Meeting of this Committee was held during the year 2005-06

The composition of the Remuneration Committee and the details of Meetings attended by the Directors are given below:

Name of Memers	Category	Meetings Attended during the year 2005-06
Ms.A.Y.Parekh, Chairman	Independent Non-Executive	Not Applicable
Mr. K. Natrajan, Member	Independent Non-Executive	Not Applicable
Mr.K.Gopi Nair, Member	Independent Non-Executive	Not Applicable

#### **Remuneration Policy**

The elements of the remuneration package of Non-Executive Directors consists only of Sitting Fees for attending Board & Committee meetings of the Company. All the Executive Directors of the company have been appointed on a contractual basis, based on the approval of the Shareholders. The elements of the remuneration package of Executive Directors comprises of Salary, Perquisites and Allowances as approved by the Shareholders at the Annual General Meeting.

Details of Remuneration paid to the Directors during the year ended 31<sup>st</sup> March 2006 are as follows:

Name	Salary	Allowances	Perquisites	Sitting Fees	Total
Mr. M. B. Khakhar	7,80,000	30,000	25,000	---	8,35,000
Mr. P. B. Khakhar	7,80,000	30,000	25,000	---	8,35,000
Mrs. V. B. Khakhar	---	---	---	6,500	6,500
Mr. K. Natarajan	---	---	---	5,000	5,000
Ms. A. Y. Parekh	---	---	---	6,500	6,500
Mr. K. Gopi Nair	---	---	---	5,250	5,250

#### E. Shareholders / Investors Grievance Committee:

The company has formed Shareholders/Investors Grievances Committee under the Chairmanship of Ms.A.Y.Parekh with Mr.Milan B.Khakhar and Mrs.Vasumati B.Khakhar as its members, to look into redressal of Shareholders and investors grievances with respect to transfer of Shares, Non Receipt of Declared Dividend or Annual Report etc. and other matters relating to shareholder relationship. The shareholders grievance committee met at six times during the year on 13<sup>th</sup> April, 2005, 22<sup>nd</sup> June, 2005, 18<sup>th</sup> August, 2005, 13<sup>th</sup> October, 2005, 28<sup>th</sup> December, 2005, 23<sup>rd</sup> March, 2006.

The Attendance and Composition of the Directors of the Committee is as follows :

Name of Members	Category	Meetings Attended During the year 2005-06
Ms. A.Y.Parekh, Chairman	Independent Non-Executive	4
Mr. Milan B. Khakhar	Promoter Executive	5
Mrs. Vasumati B. Khakhar	Promoter Non-Executive	4

All the valid Share Transfer requests received during the year were duly attended to and there were no valid request pending for Share Transfer as on 31<sup>st</sup> March, 2006.

No. of Investors' complaints received during financial year 2005-06 : 1

No. of Complaints pending unresolved as on 31<sup>st</sup> March, 2006 : Nil

#### F. Name and Designation of Compliance officer:

Mr.Manoj D.Dewani – Vice President

Solid Granites Limited, Maker Chambers V, Nariman Point, Mumbai-400021.

Tel : 22826977 / 78 Fax : 22826439 Email : solid2@vsnl.com

#### G. Annual General Meetings:

The details of the location and time for last three Annual General Meetings are given below:

AGM No	Accounting Year	Date	Time	Location	No. of special Resolutions passed
15 <sup>th</sup>	2004-2005	Sep 19, 2005	9.15 a.m.	Garware Club House, Wankhede Stadium, 'D' Road,Churchgate,Mumbai-400020.	-
14 <sup>th</sup>	2003-2004	Sep 20, 2004	9.15 a.m.	Garware Club House, Wankhede Stadium, 'D' Road,Churchgate,Mumbai-400020.	-
13 <sup>th</sup>	2002-2003	Sep 18, 2003	9.15 a.m.	Garware Club House, Wankhede Stadium, 'D' Road,Churchgate,Mumbai-400020.	One