



# Aro granite industries Ltd.

Regd. Office : 1001, 10th Floor, DLF Tower A, Jasola, New Delhi - 110 025.  
Phone : 91-11- 41686169, Fax : 91-11-26941984, E-mail : arodelhi@arotile.com

Date: 30.07.2019

Bombay Stock Exchange Limited  
Department of Corporate Services  
Floor 25, P.J. Towers  
Dalal Street  
Mumbai 400001  
**(SCRIP CODE: 513729)**

National Stock Exchange of India Limited  
Listing Department  
5<sup>th</sup> Floor, Exchange Plaza  
Bandra (E)  
Mumbai 400051  
**(SCRIP CODE: AROGRANITE/EQ)**

## **Sub.: Annual Report for the financial year 2018-19 and Notice convening the 31<sup>st</sup> Annual General Meeting**

Dear Sir,

Pursuant to Clause 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we submit herewith the Annual Report of the Company for the year 2018-19 along with the Notice convening the 31<sup>st</sup> Annual General Meeting scheduled to be held on 31<sup>st</sup> August 2019. The Annual Report is also available on the Company's website [www.arotile.com](http://www.arotile.com)

Thanking You

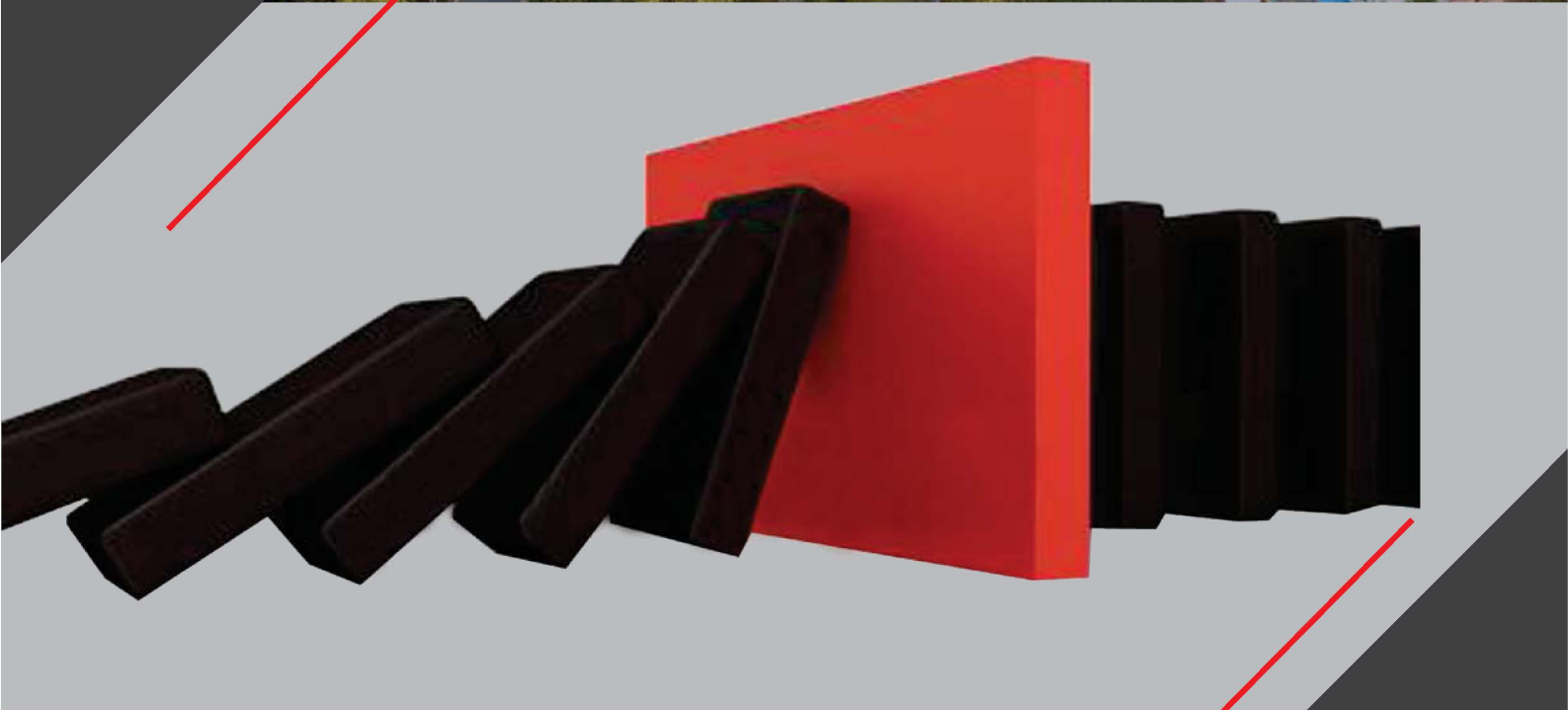
Yours faithfully  
For Aro granite industries ltd.

Company Secretary

CORP. OFF. & WORKS :

KONERIPALLI VILLAGE, SHOOLAGIRI (VIA), HOSUR TALUK - 635 117, KRISHNAGIRI DIST. TAMIL NADU, INDIA.  
TEL : 91 - 4344 - 252100 FAX : 91 - 4344 - 252217 E-mail : aro@arotile.com Web : www.arotile.com  
CIN : L74899DL1988PLC031510





# 31<sup>st</sup> Annual Report

## 2018-19



**Aro granite industries Ltd.**  
(100% Export Oriented Unit)







## Board of Directors



**Sunil K Arora**  
Managing Director

**Dinesh Chandra Kothari**  
Director

**Rahul Gupta**  
Director

**Sujata Arora**  
Director

**K Raghavendra Acharya**  
Executive Director

**Vanita Sood**  
Director

**Sahil Arora**  
Whole Time Director

**Sundareshwara G. Sastry**  
Director

**Company Secretary**  
Sabyasachi Panigrahi

**Chief Financial Officer**  
S. Balaji

**Statutory Auditors**  
M/s YAPS & Company, New Delhi

**Internal Auditors**  
M/s Sreekantha & Co., Hosur

**Secretarial Auditor**  
Ms. Latika Jotey, New Delhi

**Bankers**  
Bank of Baroda

**Registered Office**  
1001, 10th Floor, DLF Tower A,  
Jasola, New Delhi 110 025, India  
Phone: 91-11-41686169  
Fax: 91-11-26941984  
E-mail: [investor@arogranite.com](mailto:investor@arogranite.com)  
Website: [www.arogranite.com](http://www.arogranite.com)  
CIN: L74899DLI988PLC031510

**Corp. Off. & Works**  
Koneripalli Village, Via: Shoolagiri,  
Taluk: Hosur,  
Dist. Krishnagiri,  
Tamil Nadu 635117, India  
Tel: 91-4344 252100  
Fax: 91-4344 252217

**Registrar & Share Transfer Agent**  
M/s Abanidh Assignments Ltd  
Abanidh Heights, 4E/2, Jhandewalan Extension  
New Delhi 110055

**Script Codes**  
BSE Limited: 513729  
National Stock Exchange of India Limited: AROGRANITE/EQ  
ISIN No.: INE210C01013



## *From the desk of the Managing Director*

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Dear Shareholders,

This year has been another tough year for the granite industry in India. Being the largest processed granite exporter in India our business was also impacted by the macro headwinds. While our revenue declined by 14.43% from Rs. 201 Cr in FY2018 to Rs.172 Cr in FY2019, our net profit increased by 729.91% to Rs. 9.71 Cr in FY2019 from Rs. 1.17Cr in FY2018. The decline in revenue was largely on account of change in our strategy of focusing only on profitable customers and geographies. We also shifted our focus to sourcing colors which have demand in market. As we stopped slow moving shades which had low margins, this resulted in reduction in our volume and sales numbers. The profitability improved largely owing to strategy of doing business with customers and geographies with higher margin, and due to our cost cutting initiatives.

During the last 5 years we have taken many steps to change the direction of our business. First we Installed our



11,000m<sup>2</sup> Showroom which helps us cater to the Stock and sell market. Secondly we added our cut to size facilities which are doing well now and we are slowly gaining a good reputation for quality and timely delivery at a reasonable price point.

The 3<sup>rd</sup> Step was to add a multi wire in Hosur, which has greatly helped us improve production quality for any difficult materials including Quartzites from Brazil and some fragile materials from Rajasthan. Our last step which we focused on in the last year for to put emphasis on procurement of blocks which we are able to sell at a faster rate and more profitably.

Our Cut-to-size segment is performing well and has contributed about 10% in revenue during the year. Cut-to-size is a value added product and commands higher margin. These jobs are labor intensive and require a high level of precision and quality finish. We have been able to differentiate our offerings and this has allowed this segment to profitably scale up.

Granite industry is facing tough competition from engineered stone over the last few years. The popularity of engineered stone has been increasing in all our major markets. In our big export markets like USA, UK and Australia engineered stone has captured significant market share. The rising demand of engineered stone in turn has substituted the demand for granite. Due to which many shades and colors of granite stone are no longer in demand, which has made their quarries redundant.

Given the changing dynamics in the industry we have also decided to foray into engineered stone segment and are setting up a quartz molding line in our existing facility in Hosur. The plant shall have capacity of 1,80,000 square meter per year. Currently we plan to install molding line only and will use our existing infrastructure for polishing, finishing and packing of the quartz slab. We have initiated the procurement of machines for the engineered stone facility and expect to become operational in 2020. This plant will widen our product offering and we aim to sell the slabs from this quartz plant to our existing clients in more than 50 countries.

During the year we also started the construction of our Jaipur plant to process granite slabs with capacity of 1,50,000 square meters. Currently 33% of the landed cost of Raw Material from Rajasthan area is comprised of transportation cost. Our plant is located in Mahindra world city SEZ Jaipur, and we will be targeting our

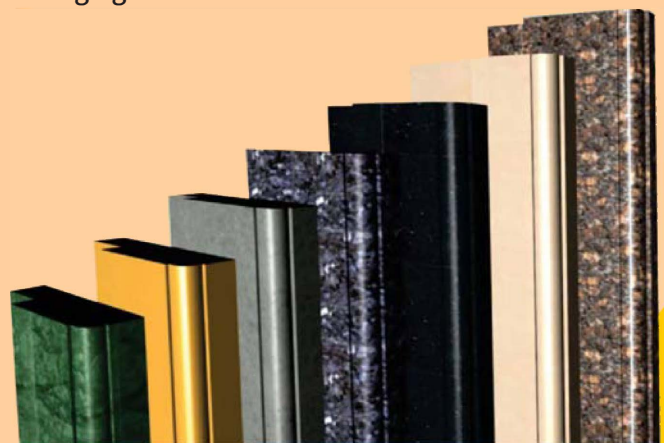
current customer base. We expect to commission this plant in Q2'2020. This plant shall not only contribute to increased revenue but also improve our profitability.

Sourcing of raw granite blocks was a continued challenge for us during the year. In last couple of years granite quarries are being shut down in large numbers due to environmental clearance in Tamil Nadu and Karnataka. Last year the enforcement was much stricter and forced closure of many quarries, which in turn further aggravated the raw material sourcing problem. Granite is a minor minerals and is a state subject. The rules and guidelines for operating such quarries are very subjective, unclear and vary from state to state.

GST continues to be a hurdle for exporters, with EOUs having to pay GST on Inputs up front at the time of purchase. In turn no GST is charged on exports and hence huge quantum of input Tax Credit is available to us for which we have to wait for refunds. The procedures for obtaining refund is tedious and time consuming, further local tax offices are not streamlined to handle the GST refund processes even after 2 years. These issues have lead to a working capital crunch with Rs. 13 cr pending for refund which represents a 9 month refund cycle.

For Aro Granite we expect the next financial year to returning back to the Growing Path . Our Jaipur plant will be operational and will start contributing to our sales. Overall our strategy to focus on profitable customers, increased sales from Cut-to-size and higher margin Quartzite shall help us maintain our margins. Overall we look forward to the next year as we expect to reap benefits of our initiatives taken in the recent years. We look forward to continued support from our valued shareholders.

Sunil K Arora  
Managing Director





## Financial Highlights

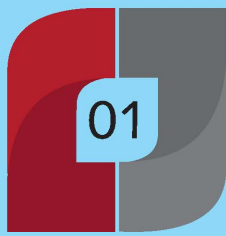
### 10 Years at a Glance

(Rs. in Lacs)

Description	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Sales	13,113.30	15,022.52	15,920.80	18,725.68	25,133.83	25,477.97	21,558.84	23,865.18	20,072.15	17,243.65
EBITDA	2,282.20	2,014.51	2,032.76	2,504.25	3,886.82	3,380.55	2,112.09	3,067.7	1,378.25	2,585.20
Depreciation	430.48	439.79	417.84	470.00	516.13	858.75	912.09	909.55	865.03	825.44
Tax	235.30	270.17	318.00	380.01	743.83	738.47	312.46	376.02	11.26	281.55
Profit After Tax	1,063.97	949.42	877.87	1,125.93	2,109.21	1,668.85	586.14	1,262.31	117.33	971.11
Gross Block	9,513.14	9,901.20	11,904.24	12,490.33	11,869.22	11,406.51	12,193.88	14,903.85	16,245.57	18,798.24
Net Worth	9,737.66	1,0491.22	11,250.54	12,261.87	14,192.08	15,469.12	15,865.93	16,947.42	17,059.77	18,022.47
Reserves & Surplus	8,701.59	9,471.22	10,230.54	11,241.87	12,662.08	13,939.12	14,335.93	15,417.42	15,529.77	16,492.47
Equity Share Capital	1,036.07	1,020.00	1,020.00	1,020.00	1,530.00	1,530.00	1,530.00	1,530.00	1,530.00	1,530.00
Dividend (%)	10	10	10	10	10	10	10	10	0	10.00
Dividend Payout Ratio (%)	9.74	10.74	11.62	9.06	7.25	9.17	26.11	12.12	0	0.00
EPS (Rs)	10.27	9.31	8.61	11.04	17.11	10.91	3.83	8.25	0.77	6.29
Book Value Per Share (Rs.)	93.99	102.86	110.30	120.21	92.76	101.11	103.70	110.77	110.50	117.79
R O C E (%)	12.02	9.20	8.00	10.89	12.84	8.83	3.70	8.63	0.69	5.17
R O N W (%)	10.93	9.05	7.80	9.18	14.86	12.26	3.69	7.45	0.70	5.39



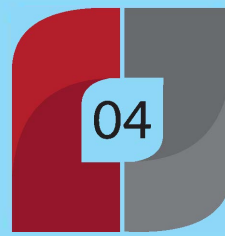
# Contents



Board of Directors



MD's Message



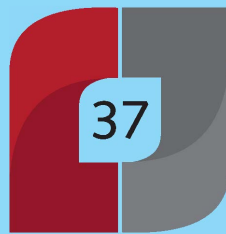
Financial Highlights



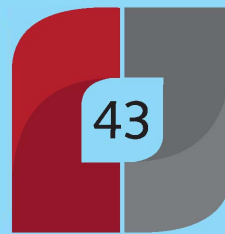
Notice



Directors' Report



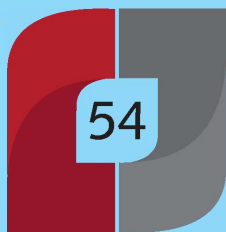
Management Discussion &  
Analysis



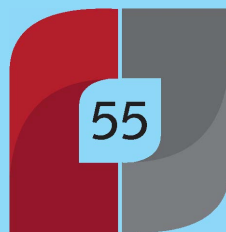
Corporate  
Governance Report



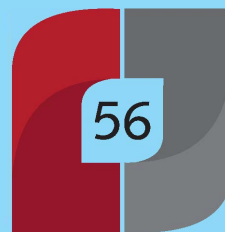
Independent  
Auditors' Report



Balance Sheet



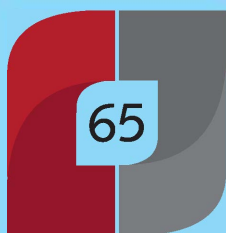
Profit & Loss Account



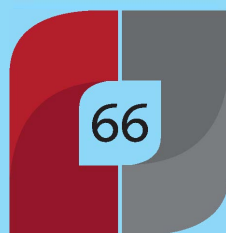
Cash Flow Statement



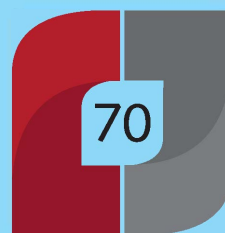
Notes



Significant  
Accounting Policies



Notes to Accounts



Annexure-I

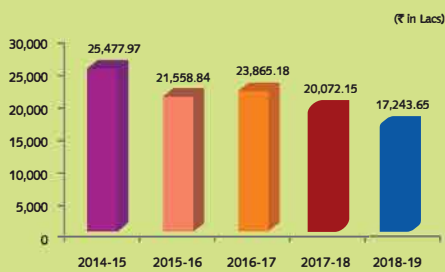




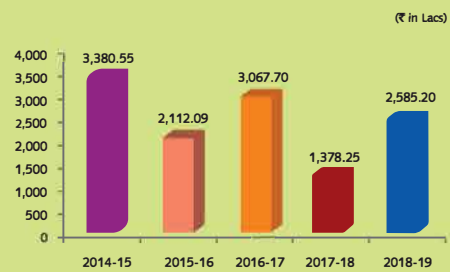
## Financial Metrics



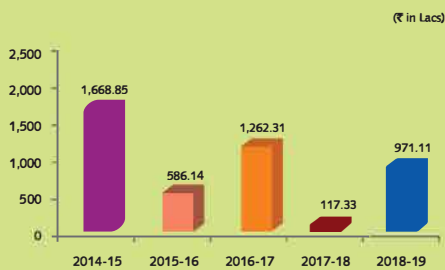
### NET SALES



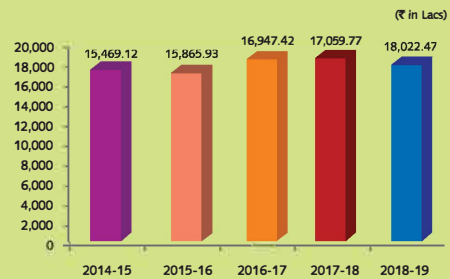
### EBDITA



### PROFIT AFTER TAX



### NET WORTH



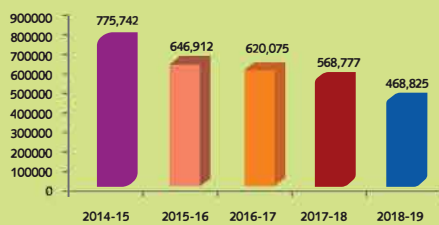


## Operating Metrics



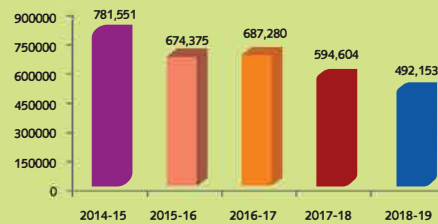
### SALES

(In SQM)



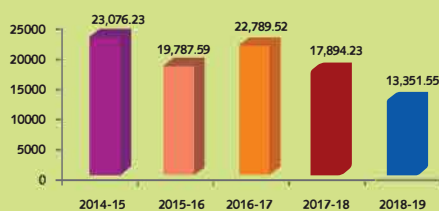
### PRODUCTION

(In SQM)

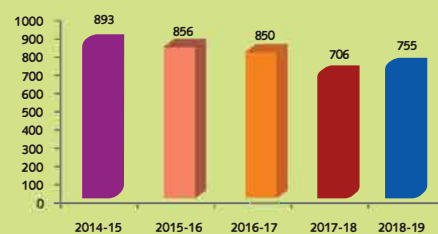


### RAW MATERIAL CONSUMPTION

(In CBM)



### NO OF EMPLOYEES ON PAYROLLS





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

Received Certificates of Merit from CAPEXIL for 3 consecutive years.

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

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

Added 2 more Gang saws, with other required machinery, increasing the installed capacity to 295,000 Sq.Mtrs.

Initiated Expansion, Doubled Tiling Capacity and added 2 more Gangsaw Machines. Turnover : Rs. 10,452 lakhs in 2006-07.

1991

1995

1996-99

1998

1999-08

2001

2002

2003

2004

2005

2006

The Company went Public and expanded Unit I. Turnover : Rs. 654.00 lakhs in 1990-91.

Achieved Certification for ISO 9002 Quality Management Systems.

Expanded facilities for processing Slabs with 3 Gang Saws. Construction, Erection & Commissioning of Plant & Machinery completed in record time of 6 months. Turnover : Rs. 2,971.00 lakhs in 2001-02.

Added one more Gang Saw Machine. Turnover : Rs. 6,114.00 lakhs in 2003-04.

Initiated Implementation of ISO 14000 Environment Management System at Unit II. Turnover : Rs. 7,819.00 lakhs in 2005-06



# Millstones



ISO 14001:2004 for environment and OHSAS 18001:2007 for Occupational Health and Safety. Received Top Export Award from Capexil for 2013-14

Turnover : Rs. 11, 709 Lakhs in 2008-09

CE certification through TUV Nord

Commissioning of Warehouse

Multi-wire Machine Operational



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. Turnover : Rs. 10,214 Lakhs in 2007-08.

Received the STAR EXPORT HOUSE certificate from Ministry of Commerce and Industry

Installation and expansion from 8 to 12 gang saws. Received Top Export Award from Capexil for 2012-13

Received the STAR EXPORT HOUSE certificate from Ministry of Commerce and Industry. Certificate of Recognition as Star Export House. Received Top Export Award from Capexil for 2014-15

Cut-to-size Machine Operational



## *Question & Answer with*

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# *Sahil Arora*

*Whole Time Director*

**1. Your sales declined this year but you able to improve your profitability significantly, can you please explain this?**

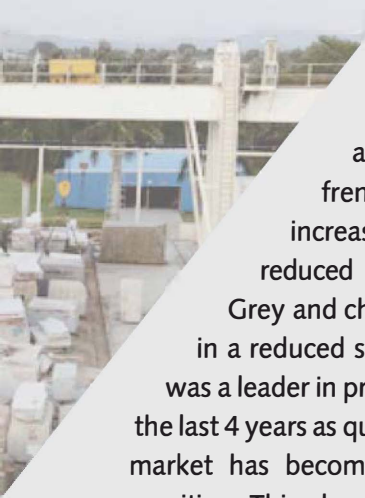
Over the last 4-5 years we have made a lot of changes in our business strategy. The significant effects of those changes were seen last year. Firstly, we set up a 11,000 square. meter. showroom which has improved our visibility and improved sales conversion for our visiting customers. Our next step was to introduce Cut-to-Size. This requires significant customisations and is very labour intensive We are constantly doing small projects on a monthly basis and have even taken up some larger orders. We are learning this side of the business and are growing it slowly so as to ensure that no mistakes are made, and we are able to build our credibility. Our 3rd major step was to install a Multi Wire in the Hosur unit which enabled us to cut and finish fragile indigenous materials as well as difficult imported materials like

quartzites. Lastly, we are now focusing only on fast moving colours and have actively reduced our portfolio. This has resulted in decline in sales but helped us improve our profitability by focusing on fast moving colors.

**2. USA has been your main exports market for a long time, and also USA has increased tariff on Chinese quartz. How did you perform there?**

In the past USA was our main focus. But around 2007 when the Sub-Prime crisis happened, we had already started to widen our markets. We are now exporting to over 45 countries (55 if you see a 3-year time period) and have spread out our risk over many markets.

In FY2019 high tariff on Chinese quartz did not have a big impact on granite imports. The clarity on the duties on Chinese quartz imports in the US came only in December of 2018. Till then most customers were preponing their purchases, and using their cash flows



on stocking Quartz from China. They were also trying to complete pending projects and contract orders. Due to this frenzied activity we did not see any increase in Granite sales. Further we reduced colour palette to only White, Grey and cheaper Blacks which has resulted in a reduced sale to USA. Over the years USA was a leader in price premium and volumes, but in the last 4 years as quartz has become popular, the US market has become more picky and more price sensitive. This change in consumer behavior along with extended payment terms made us expand in other markets.

**3. How your business in Europe is doing, are you facing competition from engineered stone there?**

Our business in Europe is doing well., Currently Europe as a whole is our largest market. We do see an increase in demand for engineered products, especially in the Tiles section. Earlier outdoor tiles were a large market for us, which has been replaced by cheaper outdoor ceramic tiles. which are 15-20% lower than natural stones price. Further we see increased competition for countertops from porcelain slabs. Except for the UK, the preference of Natural over artificial is prevalent in most European markets.

**4. How is the competition in granite stone from Brazil and other countries?**

Competition from Brazil and Spain is extremely high in the Budget Segment and large Project segments. Both countries are offering nice basic materials at very low prices. Their offerings are quite cost effective and are best suited for the Budget Segment or the large commercial projects. India has the added issue of acute shortage of raw materials when it comes to large commercial projects. So for large commercial projects India is not competitive.

India's natural stone market has grown in the Mid-range market with the price point of USD 40-70 per square meter. . However, the closure of quarries and dominance of quartz has resulted in a drop in the market share for India in this segment. The higher end quartzites are mostly sourced from Brazil. It is not a interesting market, as India does not have domestic raw material and the markets in terms of volumes are not large.

**5. Demand for granite is declining, and quartz is increasing. What is your thought on granite as a product in future? How are you planning to address this issue?**

Surface materials, be it Natural Stone or Engineered Stone, is a trend or fashion-based material. Just like clothing industry fashions come and go and are then repeated again. We are confident that same will happen for granite. Once people are bored with Engineered stones they will return to the natural stone. Granite is a natural and original product which can never go out of style. The pattern and colors in Granite are unique which vary from quarry to quarry. Every slab is unique and there can never be a copy. Further worldwide there is a big move for more natural products over artificial ones and we are hopeful the same will come to building materials as well. As part of our strategy to increase our bouquet of products we are also setting up our own quartz facility with 180,000 square meter per annum production.

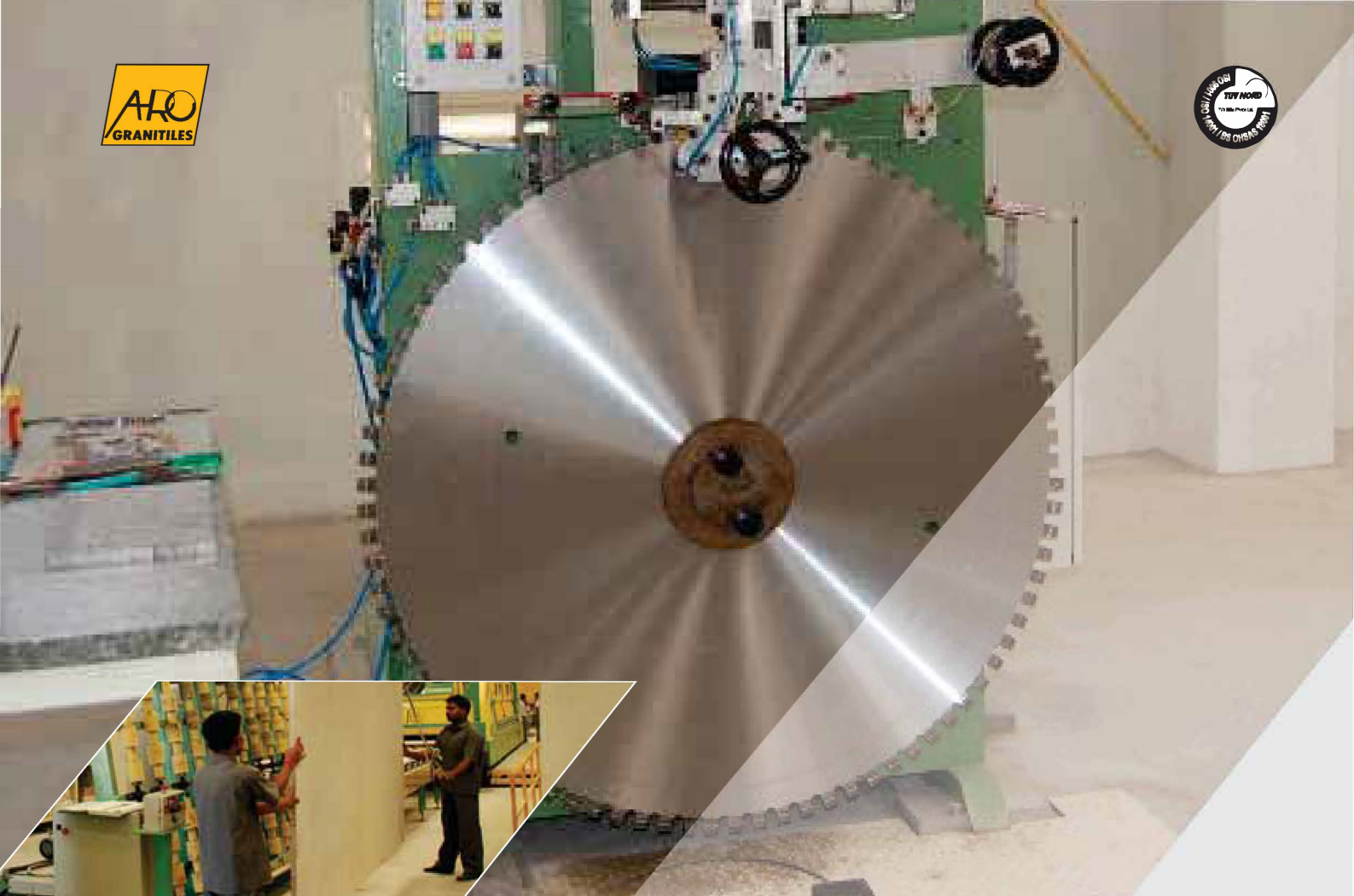
**6. How is your Cut-to-size segment doing? What percentage of your sales come out of this?**

Cut-to-Size is doing well and is growing for us. We do combination of small (less than one container), medium (1-3 containers) and large projects (largest being around 18 containers). These projects are usually quality driven, and time bound and hence we get good margins for our quality and delivery time. However, we do not have the facilities to take up commercial projects. Currently cut-to-size is about 10% of our business and we see it grow to about 15% of our total business. A smaller cut-to-size facility is also being set up in Jaipur enabling us to do projects from there as well.

**7. You started construction of granite processing facility in Rajasthan, can you please explain more about facility, and share the progress?**

The Jaipur plant is located in Mahindra World City (SEZ) which is about 30km from Jaipur International Airport and is ideally located for customers visiting us. There are plenty of benefits of SEZ including income tax and for us most importantly GST benefits. Hence, we will not face the cash crunch from delayed GST refunds in the Jaipur plant.

This plant has a capacity of 150,000 square meter. per annum and is located on a 6.75 acres plot. The shed area is 7500



square meter with provisions for an additional 3750 square meter for future expansions.

With the number of colours only growing in the Rajasthan area we are quite optimistic on the sales from Jaipur Unit. The transportation costs are ever increasing and in the previous year we saw processing of Rajasthan material starting to slow from the Hosur plant as a few players in Rajasthan started to process with lower transportation costs. With our added advantage of established customer base and reputation for quality we are certain we will make the best use of this opportunity.

**8. Last year you faced liquidity crunch due to GST. How is the situation now, has the process become smoother now?**

The GST refund process has still not improved. While we have been able to reduce the number of months that the refund process is taking time, but a significant amount of money has been blocked. GST refunds are unlikely to get smoother till the entire system is streamlined and brought totally online. However we have now gotten used to the system and we are doing our best to live with the constraints.

One of our drivers to open a new unit in SEZ in Jaipur was that GST would not play any role in our purchases over there and cash flows will be better. We also have increased our domestic sales which helps us in offsetting GST input credit.

**9. Raw material has been the biggest issue for the granite processing industry in India, how it is impacting your business and how are you tackling the situation? Granite quarries in Tamilnadu and Karnataka are being shut down due to environmental clearance, how your business is impacted?**

Indian granite industry is facing raw material shortage issues since last few years due to shut down of quarries on large scale. In last 2 years state government in Tamilnadu, Andhra Pradesh and Karnataka are shutting down illegal quarries. In FY19 shortage of granite blocks aggravated due to serious crackdown on granite quarrying lacking Environmental Clearance (EC). In Tamilnadu and Karnataka a large numbers of quarries were shut down due to lack of EC clearance. The rules around EC are very subjective and opaque and the quarries are having a difficult time getting the requisite clearance.

Also under EC laws if a quarry crossed the quantum of



production as per the maximum stated in the mining plan the production has to cease for the year. Consequently in Tamilnadu and Karnataka the granite production is continuously shrinking day by day.

Our business has been impacted due to shutting down of granite quarries. We used to source raw material from Karnataka and Tamilnadu due to proximity of the quarries to our plant. Due to shrinking of granite slab output in Tamilnadu and Karnataka we have been forced to rely on other sources. We have increased purchasing of raw material from Rajasthan, Andhra Pradesh and imports which has increased our costs and impacted our competitiveness.

**10. Your sales have declined over the last couple of years. Your Rajasthan Unit will be operational this year. Where do see yourself in next 3 years?**

Our sales declined in last couple of year largely on account of competition from engineered stone. Popularity of engineered stone has increased which has impacted demand for granite. Furthermore our business was impacted due to poor raw material availability. Closing down of quarries in Tamilnadu and Karnataka has significantly impacted our business. In FY2019 our sales further declined as we changed our strategy to focus on colors which are in demand and are fast moving, and stop selling slow moving colours. Due to this change in strategy our sales volume declined.

We are quite optimistic about our future, In 3 years time, we expect to grow and exceed our previous high sales mark. We are expanding our capacity for granite and Quartz for which construction has already commenced. When both the units are operational we aim to increase our sales momentum while maintaining our current profitability. We are also hopeful that current problem of raw material shortage shall improve and environmental clearance issues shall be sorted out by state governments, as quarries are a big employment generator.

**11. How are you performing in domestic markets, are you planning to increase business in India?**

Last year we did Rs.10cr which represents about 6% of our overall sales. The Domestic or DTA market can

be broken up into 2 parts. The first having low volume and high prices is the High End Premium market. This market has its own challenges as Marbles (Italian marble in specific) is considered the premium option in Indian homes and many homeowners and even architects are not aware of the variety of Granites available.

The second segment is the low end. We normally sell low cost granites or our export rejects in this segment. Here we are competing with granites produced by domestic units called Cutter Units. Cutter units offer half size slabs usually 2-3 foot in Length and in 16-18mm thickness. The prices of these slabs are very low as mostly they are hand polished and the cost of raw material itself is lower, as they use small sized blocks whereas as we use Gang saw size slabs which are 6 feet tall and higher.

We are focused on increasing our DTA sales, but with the above challenges and the competition from the unorganized sector, we have to come out with more strategies to improve our sales. India is now our 5th Largest market (out of 45).

**12. Your working capital requirements as a percentage of sales has gone up over the last couple of years? Why is that so? Do you expect this to come down in the coming year?**

Our working capital requirement has increased due to change in business model. Our finished inventory has increased as we need to store finished stock due to shift of market to stock & sell. Customers only buy stock which is readily available with the supplier rather than choosing product and placing order.

The corrective actions we have taken over the past 4-5 years has already improved our profitability. Now the next target is the working capital. We expect that we will not require additional working capital when the Jaipur plant is commissioned. We also expect some tweaking in the GST regime which will help release some our money stuck in the system.

We are moving out of slow selling colours and over time this will release some money as the inventory gets rationalised.





# Aro granite industries ltd.

(CIN: L74899DL1988PLC031510)

Regd. Office: 1001, 10th Floor, DLF Tower 'A', Jasola, New Delhi - 110025

Phone: 91-11-41686169, Fax: 91-11-26941984

Website: www.arotile.com, E-mail:investorgrievance@arotile.com

## Notice

NOTICE is hereby given that the 31<sup>st</sup> Annual General Meeting of the members of **ARO GRANITE INDUSTRIES LIMITED** will be held on Saturday, the 31<sup>st</sup> August 2019 at 10.00 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 31st March 2019 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Sujata Arora, who retires by rotation and being eligible, offers herself for re-appointment.

### SPECIAL BUSINESS

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

**“RESOLVED THAT** pursuant to the provisions of Sections 190, 196, 197, 198, 203 and Schedule V and other applicable provisions, if any, of the Companies Act 2013 (“the said Act”) and rules made there under or any statutory modification(s) or re-enactment(s) thereof the remuneration to be paid to the Shri Sunil Kumar Arora (DIN 00150668), Managing Director of the Company for the remaining two years period, from 01.04.2019 to 31.03.2021, of his existing tenure be and is hereby approved on the terms of remuneration as approved and recommended by the Nomination and Remuneration Committee of Directors & Board of Directors of the Company and in the event of inadequacy or absence of Profits under Section 198 of the said Act in any financial year or years, the remuneration comprising of salary, perquisites, allowances and benefits, as approved herein, be paid as minimum remuneration to the said Managing Director.

**RESOLVED FURTHER THAT** the Board of Directors or a Committee thereof be and is hereby authorized to vary and/or revise the terms and conditions of appointment including remuneration of the said Managing Director within the overall limits approved herein and settle any question or difficulties in connection therewith or incidental thereto without any further approval of the Company in general meeting.”

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

**“RESOLVED THAT** pursuant to the provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) read with Schedule V thereto including any amendment(s), statutory modification(s) or re-enactment(s) thereof for the time being in force, Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the recommendation of Board and Nomination and Remuneration Committee of Directors of the Company and in pursuance of the Special Resolution no. 6 passed by the Members at the 23<sup>rd</sup> Annual General Meeting of the Company held on 29<sup>th</sup> July 2011 (“23<sup>rd</sup> AGM”), consent of the members of the Company be and is hereby accorded to ratify and confirm the waiver of the recovery of Rs. 61.78 lacs being a part of the Minimum Remuneration paid to **Shri Sunil Kumar Arora (DIN: 00150668)**, Managing Director of the Company during the Financial Year 2016-17, as per the terms of his appointment and remuneration approved by the Members by means of Special Resolution at the 23<sup>rd</sup> AGM which is within the overall limits approved by them but which exceeded the limits specified under Section 197 read with Schedule V of the Act to the extent as aforesaid, due to inadequacy of profits in the said Financial Year; and to the consequential retention thereof by him.

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

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) and Schedule V thereto and the Rules made thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 including any amendment(s), statutory modification(s) or re-enactment(s) thereof for the time being in force and in furtherance of the Special Resolution no. 5 passed in the 28<sup>th</sup> Annual General Meeting held on 10<sup>th</sup> September 2016 (“28<sup>th</sup> AGM”) and pursuant to the recommendations of Nomination and Remuneration Committee of Directors and the Board of Directors of the Company, consent of the Members of the Company be and is hereby accorded by way of renewal to payment of remuneration to **Shri Sunil Kumar Arora (DIN: 00150668)**, Managing Director of the Company during the period commencing on 1<sup>st</sup> April 2016 and ending on 31<sup>st</sup> March 2021, on the terms of his appointment and remuneration approved by the Members by means of Special Resolution at the 28<sup>th</sup> AGM and as set out in the Statement annexed hereto; which is within the remuneration structure and overall limits approved by them at the above AGM and which in any financial year(s) may exceed 5% of the net profits of the Company subject to the overall limits for all managerial persons specified in Section 197(1) read with other relevant provisions of the said Act, and in the event of inadequacy or absence of profits in any financial year during the above period(s), the remuneration comprising salary, performance linked incentive, perquisites, allowances and benefits, as already approved by the Members at above AGM, be paid as minimum remuneration to the said Managing Director, subject to approval, if any, required under the said Act.



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

**“RESOLVED THAT** pursuant to Sections 149, 150 and 152 of the Companies Act, 2013 (the ‘Act’) read with Companies (Appointment and Qualification of Directors) Rules, 2014 along with Schedule IV of the Act including any statutory modification(s) or re-enactment thereof for the time being in force and provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 or any amendment thereto, Shri Dinesh Chandra Kothari (DIN: 00195609), who was appointed as a Director (Non-executive & Independent) of the Company and whose term of office expires at this Annual General Meeting and who has offered himself for re-appointment as an Independent Director and has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for re-appointment, be and is hereby re-appointed as a Non-executive Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of Five consecutive years on the Board of Company from the conclusion of 31<sup>st</sup> Annual General Meeting till the conclusion of 36<sup>th</sup> Annual General Meeting subject to the Approval of Shareholders in the ensuing Annual General Meeting.

**RESOLVED FURTHER THAT** any Director/ Company Secretary of the Company be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto to give effect to this resolution and for matter connected therewith or incidental thereto.

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

**“RESOLVED THAT** pursuant to Sections 149, 150 and 152 of the Companies Act, 2013 (the ‘Act’) read with Companies (Appointment and Qualification of Directors) Rules, 2014 along with Schedule IV of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force and provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 or any amendment thereto, Shri Rahul Gupta (DIN: 00024732), who was appointed as a Director (Non-executive & Independent) of the Company and whose term of office expires at this Annual General Meeting and who has offered himself for re-appointment as an Independent Director and has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for re-appointment, be and is hereby re-appointed as a Non-executive Independent Director of the Company, not liable to retire by rotation and to hold office for second term of Five consecutive years on the Board of Company from the conclusion of 31<sup>st</sup> Annual General Meeting till the conclusion of 36<sup>th</sup> Annual General Meeting subject to the Approval of Shareholders in the ensuing Annual General Meeting.

**RESOLVED FURTHER THAT** any Director/ Company Secretary of the Company be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto to give effect to this resolution and for matter connected therewith or incidental thereto.”

For & on behalf of the Board

Place: Hosur  
Date: 11<sup>th</sup> May 2019

(Sunil K. Arora)  
Managing Director

**NOTES:**

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.** A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution/ authority, as applicable.
- 2 The Share Transfer Books and Register of Members of the Company shall remain closed from 27.08.2019 to 31.08.2019 (Both days inclusive)**
- 3 The Dividend @10% (Re 1/- per Equity Shares 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 name shall be borne on the Company's Register of Members on 31.08.2019 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.**
- 4 Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communications including Annual Report, Notices, Circulars etc. from the Company electronically.**
- 5 Voting through electronic means (E-Voting)**

In compliance with provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and as substituted by the Companies (Management and Administration) Amendment, Rules 2015, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is pleased to provide members facility to exercise their right to vote at the 31<sup>st</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL). E-voting is optional.

The instructions for Shareholders voting electronically are as under:

- (i) The voting period begins on 28<sup>th</sup> August 2019 at 10.00 a.m. and ends on 30<sup>th</sup> August 2019 at 5.00 p.m. During this period shareholders of the Company holding shares either in physical form or in dematerialised form as on cut-off date of 24.08.2019 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website [www.e-votingindia.com](http://www.e-votingindia.com).
- (iii) Click on Shareholders/Members
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login
- (vi) If you are holding shares in demat form and had logged on to [www.e-votingindia.com](http://www.e-votingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used.
- (vii) If you are a first-time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>● Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>● In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. <ul style="list-style-type: none"> <li>● If both the details are not recorded with the depository or Company, please enter the member id/folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>

- (viii) After entering these details appropriately, click on "**SUBMIT**" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on EVSN of **Aro granite industries ltd.**
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "**SUBMIT**". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK" else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take a print of the votes cast by clicking on "Click here to print" option on the voting page.
- (xvii) If Demat account holder has forgotten the changed login password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL's mobile app m-voting available for android based mobiles. The m-voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Stores respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.



(xix) Note for Non-Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.e-votingindia.com](http://www.e-votingindia.com) and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be e-mailed to [helpdesk.e-voting@cdslindia.com](mailto:helpdesk.e-voting@cdslindia.com).
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to [helpdesk.e-voting@cdslindia.com](mailto:helpdesk.e-voting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.e-votingindia.com](http://www.e-votingindia.com) under help section or write an e-mail to [helpdesk.e-voting@cdslindia.com](mailto:helpdesk.e-voting@cdslindia.com).

(xxi) Any person who acquires shares of the Company and become a Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. 24<sup>th</sup> August 2019 may follow the same instructions as mentioned above for e-voting.

(xxii) The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the **cut-off date i.e. 24<sup>th</sup> August 2019**.

(xxiii) Ms. Latika Jetley, Practising Company Secretary (CP No. 3074) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

(xxiv) The Scrutinizer shall, immediately after the conclusion of voting at the AGM, count the votes cast at the Meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than two days of conclusion of the Meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing who shall countersign the same.

(xxv) The Result shall be declared after the AGM of the Company. The result declared along with the Consolidated Scrutinizer's Report shall be placed on the Company's website [www.arotile.com](http://www.arotile.com) and on the website of CDSL immediately.

6. As per Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 brief resume of Smt. Sujata Arora, whose appointment as Director liable to retire by rotation (proposed at Item No. 2) is given hereunder:

**Smt. Sujata Arora** is a graduate from Institute of Home Economics, Delhi. She does not hold any other Directorship. She holds 589572 (3.91%) Equity Shares in the Company.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT 2013

### ITEM NO. 4

Shri Sunil Kumar Arora, had been re-appointed as the Managing Director of the Company for a period of five years by the Board of Directors on 18.07.2016 and the same was approved by the Shareholder in the General Meeting held on 10.09.2016. As per the terms of the appointment, the remuneration was to be paid for a period of three years. The Nomination & Remuneration Committee and Board of Directors of the Company at their respective meetings held on 19<sup>th</sup> January 2019 have recommended the remuneration to be paid to the Managing Director for the remaining two years period under the current appointment and in the event of inadequacy or absence of Profits under Section 198 of the said Act in any financial year or years, the remuneration comprising of salary, perquisites, allowances and benefits, as approved herein, be paid as minimum remuneration to the said Managing Director which is within the over-all limit already approved by the Shareholders in the above referred General Meeting.

The Nomination and Remuneration Committee and Board of Directors of the Company at their respective meetings held on 19<sup>th</sup> January 2019 have recommended above Resolution for approval of the Members by means of Special Resolution.

Information pursuant to para (A) of Section II of Part II of the Schedule V to the Companies Act 2013:

#### I. General Information

1. Nature of Industry: Manufacture and Export of Granite Tiles and Slabs.
2. Date or expected date of commencement of commercial production: The Company was commissioned in the year 1988.
3. In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus. **N.A.**

4. Financial Performance based on given indicators:

Particulars for the Financial year ended 31st March 2019	Rs. in Crores
Net Sales and Other Income	174.50
Operating Profits (Before Interest, Depreciation and Tax)	25.85
Profit before Tax	12.53
Profit after Tax	9.71

5. Foreign Investment or Collaborations if any. N. A

**II. Information about the Appointee:**

1. **Background details:** Shri Sunil Kumar Arora, aged 61 years, holds a bachelor's degree in science. He is the founder promoter of Aro granite industries ltd. He has more than 35 years experience in the granite industry. He is responsible for the overall management of the Company.
2. **Past Remuneration of Shri Sunil Kumar Arora** was approved by the Shareholders at the Annual General Meeting of the Company held on 10<sup>th</sup> September 2016 for a period for a period of 3 years.
3. **Job Profile and his Suitability:** Shri Sunil Kumar Arora, Managing Director of the Company is vested with substantial powers of the management under the superintendence, control and direction of the Board of Directors. He is also involved in policy, planning, vision and strategy and long term developmental activities of the company. He has in-depth knowledge, expertise in the granite business, having more than 35 years of experience, which has evolved the all round growth of the Company.
4. **Remuneration proposed:** The Nomination and Remuneration Committee and Board of Directors of the Company at their respective meetings held on 19<sup>th</sup> January 2019 have approved the following terms of remuneration of Shri Sunil Kumar Arora for a tenure of 2 years with effect from 01.04.2019 subject to the approval of the Shareholders in the next Annual General Meeting as under
  - a) Salary: Basic Salary Rs. 9,00,000/- per month (in grade of 9,00,000 – 50,000 – 9,50,000).
  - b) Commission upto 5% of the net profits of the Company computed under section 198 of the Companies Act 2013 or any statutory modification thereto or re-enactment thereof subject to a ceiling of 100% of annual salary.
  - c) Perquisites: Residential accommodation or House Rent Allowance @ 50% of the Salary. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company. Company shall provide such furniture and furnishings as may be required. Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family. Reimbursement of all the expenses i.e. travel fare, lodging, boarding, conveyance and other expenses incurred for self and family members during the leave travel holidays periods whenever undertaken whether in India or abroad. Subscription or reimbursement of membership fee for clubs in India or abroad including admission and life membership fees. Personal Medical / Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 20,000/- p.a. Any other benefits, facilities, allowances and expenses as may be allowed under Company rules / schemes and available to other employees.
  - d) Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
  - e) Gratuity payable shall not exceed half a month's salary for each completed year of service.
  - f) Entitled for leave with full pay or encashment thereof as per the rules of the Company.
  - g) The Board or the Nomination and Remuneration Committee thereof may, from time to time, increase, or vary the salary range, subject to the overall ceiling prescribed under the Companies Act, 2013.
  - h) In the event of inadequacy or absence of profits under Section 198 of the Companies Act, 2013 in any financial year or years, the Managing Director of the Company shall be entitled to such remuneration as he may be then drawing, as specified in paras a above, as minimum remuneration and be also entitled to perquisites mentioned in paras c, d, e and f above.

No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or committees thereof. Apart from the aforesaid remuneration Mr. Sunil K. Arora, Managing Director will be entitled to the reimbursement of expenses incurred in connection with the business of the company.

5. **Comparative Remuneration profile with respect to industry, Size of the company, profile of the position and person:** The remuneration being paid in the industry to the executives has increased manifold. The Central Government has also from time to time raised the ceilings. The Remuneration Committee of the Directors of the company had, while approving the remuneration of Shri Sunil Kumar Arora, taken into account the financial position of the Company and trends in the industry,



qualification, experience, responsibilities, past performance, past remuneration etc. and the remuneration drawn by the managerial persons in the industry.

6. **Pecuniary relations directly or indirectly with the company or relationship with the managerial personnel, if any:** Besides the remuneration proposed herein, Shri Sunil Kumar Arora does not have any pecuniary relationship with the Company. Shri Sunil Kumar Arora is the husband of Smt. Sujata Arora, Director and father of Shri Sahil Arora, whole time Director of the Company.

### III Other Information:

1. **Reasons of loss or inadequate profits:** The Company, being a 100% Export Oriented Unit, is highly affected by global business sentiments. Globally India competes with Brazil, Italy and China for granite exports. Further there is a change in the trend in usage of natural stones across the globe. New products like engineered stone are making a mark and consumer preference is shifting towards the new products resulting a pressure on the margins. Availability of alternate product in the market has affected the demand for granite as well. Due to global economic instability, major currencies across the globe faced high exchange rate volatility against US DOLLAR which affected our order position leading to decline in sales and low profitability.

Apart from the above, non-availability of good quality rough granite blocks, sharp increasing in the prices of rough granite blocks i.e. the primary raw materials, high input costs and slowdown of export markets because of several external factors which were beyond our control, the turnover was affected and consequently the profitability was also reduces substantially.

2. **Step taken or proposed to be taken for Improvement and Expected increase in the productivity and profits in the measurable in terms:** Steps are being taken to improve the performance of the Company. Construction of New Display Warehouse, foray into natural quartzite, installation of new machines for value added products, expansion of operations into new geographies, Better inventory and Working Capital Management and Cost optimization are some of the measures being taken to improve the performance of the Company. With these steps the Company is expected to grow at the rate of more than 10% for the year 2019-20 and will maintain the same for the next few years and profitability wise also, it is expected to maintain 8 to 9% PAT rate.

The Resolution is accordingly recommended as **Special Resolution** for the approval of the shareholders of the Company. None of the Directors except Mr. Sunil Kumar Arora or his relatives or Key Managerial Person or their relatives has any nature of concern or interest, financial or otherwise, directly or indirectly in respect of the proposed resolution.

### ITEM NOS. 5 & 6

As the Members are aware, Shri Sunil Kumar Arora, Managing Director was re-appointed as Managing Directors of the Company for a period of five years each with effect from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2016 and further re-appointed as the Managing Director for a period of five years with effect from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2021 by means of Special Resolutions passed by the Members at the 23<sup>rd</sup> Annual General Meeting ("23<sup>rd</sup> AGM") and 28<sup>th</sup> Annual General Meeting ("28<sup>th</sup> AGM") respectively

The Terms of his remuneration approved by the Members at the 28<sup>th</sup> AGM *inter alia* includes payment of "Minimum Remuneration" to the said Managing Directors in the event of inadequacy or absence of profits, in any financial year or years during the currency of his tenure, comprising of basic salary, performance linked incentive, contribution to Provident and other funds, perquisites, allowances and benefits etc., as under, subject to requisite approvals under the Act.

### REMUNERATION

- a) Salary: Basic Salary Rs. 8,00,000/- per month (in grade of 8,00,000 – 50,000 – 10,00,000).
- b) Commission upto 5% of the net profits of the Company computed under section 198 of the Companies Act 2013 or any statutory modification thereto or re-enactment thereof subject to a ceiling of 100% of annual salary.
- c) Perquisites: Residential accommodation or House Rent Allowance @ 50% of the Salary. Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company. Company shall provide such furniture and furnishings as may be required. Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges for himself and family. Reimbursement of all the expenses i.e. travel fare, lodging, boarding, conveyance and other expenses incurred for self and family members during the leave travel holidays period whenever undertaken whether in India or abroad. Subscription or reimbursement of membership fee for clubs in India or abroad including admission and life membership fees. Personal Medical / Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 20,000/- p.a. Any other benefits, facilities, allowances and expenses as may be allowed under Company rules / schemes and available to other employees.
- d) Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- e) Gratuity payable shall not exceed half a month's salary for each completed year of service.
- f) Entitled for leave with full pay or encashment thereof as per the rules of the Company.

- g) The Board or the Nomination and Remuneration Committee thereof may, from time to time, increase, or vary the salary range, subject to the overall ceiling prescribed under the Companies Act, 2013.
- h) In the event of inadequacy or absence of profits under Section 198 of the Companies Act, 2013 in any financial year or years, the Managing Director of the Company shall be entitled to such remuneration as he may be then drawing, as specified in paras a above, as minimum remuneration and be also entitled to perquisites mentioned in paras c, d, e and f above.

No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or committees thereof. Apart from the aforesaid remuneration Mr. Sunil K. Arora, Managing Director will be entitled to the reimbursement of expenses incurred in connection with the business of the company.

As the Members are aware, the Company had been making consistent and adequate profits upto the Financial Year 2014-15. However, there was a drop in the profitability in subsequent years for reasons beyond the control of the Company as explained hereinafter. As a result, the Company had inadequate profits for the Financial Years 2015-16 for the purpose of payment of Managerial Remuneration to the Managing Director.

While the Company continued to make payment of dividends to the Members, no commission was given to the Managing Director subsequent to his re-appointment in the year 2016. The Company had to therefore pay Minimum Remuneration to him, within the limits as approved by the Members at the 28<sup>th</sup> AGM, which exceeded the limits specified under Section 197 of the Companies Act, 2013 (Act) read with Schedule V thereto. Further, the Company sought requisite approval of the Central Government, Ministry of Corporate Affairs (MCA) to such payment of Minimum Remuneration to the Managing Director for above Financial Years. The Company's application to MCA in respect of Shri Sunil Kumar Arora remained pending MCA approval as on 12<sup>th</sup> September 2018

Meanwhile, MCA vide its Notification dated 12<sup>th</sup> September 2018, notified the relevant provisions of the Companies (Amendment) Act, 2017 and Schedule V thereto. Pursuant to Section 197(17) of the said Act, as so amended, the Company's aforesaid Applications pending with MCA, stands abated and the Company is required to obtain the approval of the Members by means of Special Resolution for waiver of recovery of the excess Remuneration paid to the Managing Director during the year 2015-16 as mentioned in the resolutions at Item No. 5 of the Notice

Pursuant to the amended provisions of Section 197 (3) of the Act read with Schedule V thereto, if in any Financial Year, the Company has no profits or its profits are inadequate, it can pay remuneration to its Managing Director in accordance with the provisions of Schedule V to the Act i.e. not exceeding the limits specified under Item (A) of Section II of Part II of the said Schedule: provided that the remuneration in excess of above limits may be paid if the resolution passed by the Members is a Special Resolution.

Based on Financial Results of the Company as on the year ended 31<sup>st</sup> March 2019 and other relevant factors including prevailing market conditions, the Company may not have adequacy of Profits in the Financial Year 2018-19 ending 31<sup>st</sup> March 2019, to pay (Minimum)

Remuneration to Managing Director, as was approved by the Members at the time of their appointments at the 28<sup>th</sup> AGM. It is therefore considered desirable to obtain fresh approval of Members by way of Special Resolutions for payment of minimum remuneration to the said Managing Directors for FY 2018-19, in case the Company has inadequacy of Profits for that year.

The Special Resolution earlier passed by the Members in the 28<sup>th</sup> AGM for the re-appointment of the Managing Director for a period of five years specified that "in the event of inadequacy or absence of profit under Section 197 and 198 of the said Act in any financial year or years, the remuneration comprising salary, performance linked incentives, perquisites, allowances and benefit, as approved herein be paid as minimum remuneration to the said Managing Director for a period of not exceeding three years in the aggregate subject to requisite approvals under the said Act.

In view of the above, it is also proposed to obtain fresh approval of the Members by way of renewal through Special Resolution as mentioned at Item No. 6 of the Notice to the terms of remuneration payable to Shri Sunil Kumar Arora for the Financial Year 2016-17 to 2020-21 which shall be in accordance with and within the remuneration structure and overall limits of managerial remuneration already approved by the Members at the aforesaid 28<sup>th</sup> AGM.

The Nomination and Remuneration Committee and Board of Directors of the Company at their respective meetings held on 11<sup>th</sup> May 2019 have *inter alia* recommended above Resolution for approval of the Members by means of Special Resolution.

Information pursuant to para (A) of Section II of Part II of the Schedule V to the Companies Act 2013:

## I. General Information

1. Nature of Industry: Manufacture and Export of Granite Tiles and Slabs.
2. Date or expected date of commencement of commercial production: The Company was commissioned in the year 1988.
3. In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus. **N.A.**



4. Financial Performance based on given indicators:

Particulars for the Financial year ended 31st March 2019	Rs. in Crores
Net Sales and Other Income	174.50
Operating Profits (Before Interest, Depreciation and Tax)	25.85
Profit before Tax	12.53
Profit after Tax	9.71

5. Foreign Investment or Collaborations if any. N. A

II. Information about the Appointee:

- Background details:** Shri Sunil Kumar Arora, aged 61 years, holds a Bachelor Degree in Science. He is the founder promoter of Aro granite industries ltd. He has more than 35 years experience in the granite industry. He is responsible for the overall management of the Company.
- Past Remuneration** of Shri Sunil Kumar Arora was approved by the Shareholders at Annual General Meeting of the Company held on 29<sup>th</sup> July 2011 for a period of five years and 10<sup>th</sup> September 2016 for a period of 3 years.
- Job Profile and his Suitability:** Shri Sunil Kumar Arora, Managing Director of the Company is vested with substantial powers of the management under the superintendence, control and direction of the Board of Directors. He is also involved in policy planning, vision and strategy and long term developmental activities of the company. He has in-depth knowledge, expertise in the granite business, having more than 35 years of experience, which has evolved the all round growth of the Company.
- Remuneration proposed: There is no change in the terms of appointment and remuneration of the abovementioned Managerial Personnel as was approved by the Members at the 28<sup>th</sup> AGM. The approval is sought as required under the Companies (Amendment) Act, 2017 applicable w.e.f. 12th September 2018
- Comparative Remuneration profile with respect to industry, Size of the company, profile of the position and person:** The remuneration being paid in the industry to the executives has increased manifold. The Central Government has also from time to time raised the ceilings. The Remuneration Committee of the Directors of the company had, while approving the remuneration of Shri Sunil Kumar Arora, taken into account the financial position of the Company and trends in the industry, qualification, experience, responsibilities, past performance, past remuneration etc. and the remuneration drawn by the managerial persons in the industry.
- Pecuniary relations directly or indirectly with the company or relationship with the managerial personnel, if any:** Besides the remuneration proposed herein, Shri Sunil Kumar Arora does not have any pecuniary relationship with the Company. Shri Sunil Kumar Arora is the husband of Smt. Sujata Arora, Director and father of Shri Sahil Arora, whole time Director of the Company.

III Other Information:

- Reasons of loss or inadequate profits:** The Company, being a 100% Export Oriented Unit, is highly affected by global business sentiments. Globally India competes with Brazil, Italy and China for granite exports. Further there is a change in the trend in usage of natural stones across the globe. New products like engineered stone are making a mark and consumer preference is shifting towards the new products resulting a pressure on the margins. Availability of alternate product in the market has affected the demand for granite as well. Due to global economic instability, major currencies across the globe faced high exchange rate volatility against US DOLLAR which affected our order position leading to decline in sales and low profitability.

Apart from the above, non-availability of good quality rough granite blocks, sharp increasing in the prices of rough granite blocks i.e. the primary raw materials, high input costs and slowdown of export markets because of several external factors which were beyond our control, the turnover was affected and consequently the profitability was also reduces substantially.

- Step taken or proposed to be taken for Improvement and Expected increase in the productivity and profits in the measurable in terms:** Steps are being taken to improve the performance of the Company. Construction of New Display Warehouse, foray into natural quartzite, installation of new machines for value added products, expansion of operations into new geographies, Better inventory and Working Capital Management and Cost optimization are some of the measures being taken to improve the performance of the Company. With these steps the Company is expected to grow at the rate of more than 10% for the year 2019-20 and will maintain the same for the next few years and profitability wise also, it is expected to maintain 8 to 9% PAT rate.

The Resolution is accordingly recommended as **Special Resolution** for the approval of the shareholders of the Company. None of the Directors except Mr. Sunil Kumar Arora or his relatives or Key Managerial Person or their relatives has any nature of concern or interest, financial or otherwise, directly or indirectly in respect of the proposed resolution.

ITEM NO. 7

Shri Dinesh Chandra Kothari (DIN 00195609) had been appointed as an Independent Director of the Company for a period of five years in the Annual general Meeting held on 6<sup>th</sup> September 2014 on the recommendation of the Board of Directors of the Company in its



meeting held on 19<sup>th</sup> April 2014. Accordingly, his term of appointment expired in the ensuing Annual General Meeting. Pursuant to provisions of Section 150 of the Companies Act 2013, Board of Directors in its Meeting held on 11<sup>th</sup> May 2019, on the recommendation of the Nomination and Remuneration Committee, has given its consent for the re-appointment of Shri Dinesh Chandra Kothari as a Non-Executive Independent Director of the Company for a second term of five consecutive years from the conclusion of 31<sup>st</sup> Annual General Meeting till the conclusion of 36<sup>th</sup> Annual general Meeting to be held in the year 2024.

Shri Dinesh Chandra Kothari is a Chartered Accountant by profession having 46 years of Corporate and Entrepreneur experience. Shri Kothari served in Bukhatir Investment Group in Sharjah. Hard work and dedication saw him rise to the position of CEO of the Bukhatir Group at the young age of 29 years. After thirteen years of service, he branched out and setup his own Corporate Advisory and Investment Banking. In furtherance of Investment banking, he then diversified to Merger & Acquisition (M&A) practice, thus bringing foreign investment in Dubai. He is founder DPS, Sharjah (UAE) and DPS Dubai (UAE). In the year 2013, Shri Kothari opened Victory Heights Primary School (VHPS), a British Curriculum school in Dubai to engage and contribute to a wider section of expatriates. The latest inclusion in his chain of schools is another British Curriculum Secondary School - South View School, in RemRaam opened in 2018. Shri Kothari has been conferred **"Pride of India"** award by Indian Business & Professional Council for **Contribution in the field of Education** and honored with the **prestigious Mother Teresa Award** by Mother Teresa International Awards Committee for **Excellence in the field of Education**.

In terms of section 149 of the Companies Act 2013 and other relevant provisions Shri Dinesh Chandra Kothari, being eligible and offering himself for re-appointment as an independent Director for the further period of five years. In the opinion of the Board, Shri Kothari fulfills the conditions of his appointment as an independent director as prescribed under the Companies Act and rules made thereunder. Shri Dinesh Chandra Kothari is Independent of management. The Company has received the declaration of Independence from him as prescribed under Section 149(6) of the Act. Shri Dinesh Chandra Kothari neither holding any shares or related to any Director or Key Management Person of the Company.

Board of Directors of the Company evaluated the performance of Shri Dinesh Chandra Kothari and found the same satisfactory and is of the opinion that Company shall be benefitted by re-appointment on the Board.

None of the Director except Shri Dinesh Chandra Kothari or their relatives or any Key Management person or their relatives has any nature of concern, interest financial or otherwise directly or in respect of proposed resolution. Board recommends the resolution for approval of members as Special Resolution.

#### ITEM NO. 8

Shri Rahul Gupta (DIN 00024732) had been appointed as an Independent Director of the Company for a period of five years in the Annual general Meeting held on 6<sup>th</sup> September 2014 on the recommendation of the Board of Directors of the Company in its meeting held on 19<sup>th</sup> April 2014. Accordingly, his term of appointment expired in the ensuing Annual General Meeting Pursuant to provisions of Section 150 of the Companies Act 2013, Board of Directors in its Meeting held on 11<sup>th</sup> May 2019 has recommended the re-appointment of Shri Rahul Gupta as a Non-Executive Independent Director of the Company for a second term of five consecutive years from the conclusion of 31<sup>st</sup> Annual General Meeting till the conclusion of 36<sup>th</sup> Annual general Meeting to be held in the year 2024.

Shri Rahul Gupta is a seasoned professional with more than 30 years of rich global experience in executive management, operations and investing. Shri Gupta provides strategic directions and guidance in business analysis, operational excellence, financial planning and capital raising.

Shri Gupta has started his own Company Evista Homes and Resorts Pvt. Ltd. a High-end Residences and Resorts project on outskirts of Kasauli hills. He also is the founder & CEO of RT Global Infosolutions Pvt. Ltd., an IT service firm based in Chandigarh and Bangalore.

He was Managing Partner in Sonoma Management Partners (2008-2012), CEO of two global technology business IDES and KMG, CFO at QAI Consulting in India (2001-2002), general partner in RCTC (Venture Capital Firm) 1993-2001.

He has expertise in Strategy formulation, Long and medium range planning, Dashboard creation, Review mechanism, Financial discipline, Legal and financial compliance, Creating "winning teams", Investments in unlisted and listed space, Business viability analysis, Mergers and acquisitions and Funding

Shri Gupta holds BE (Mechanical) degree from Punjab Engineering College, Chandigarh and MBA (Finance) from Kurukshetra University, India.

In terms of section 149 of the Companies Act 2013 and other relevant provisional Shri Rahul Gupta, being eligible and offering himself for re-appointment as an independent Director for the further period of Five years effective from the Board 11<sup>th</sup> May 2019. In the opinion of the Board, Shri Rahul Gupta fulfills the conditions of his appointment as an independent director as prescribed under the Company's Act and rules made thereunder. Shri Rahul Gupta is Independent of management. The Company has received the declaration of Independence from him as prescribed under Sub Section (6) of section 149 of the act. Shri Rahul Gupta neither holding any shares or related to any Director or Key Management Person of the Company.

Board of Directors of the Company evaluated the performance of Shri Rahul Gupta and found the same satisfactory and is of the opinion that Company shall be benefitted by re-appointment on the Board.

None of the Director except Shri Rahul Gupta or their relatives or any Key Management person or their relatives has any nature of concern, interest financial or otherwise directly or in respect of proposed resolution. Board recommends the resolution for approval of members as Special Resolution.



## 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 where shares are held in physical form.
- 3 Transferee(s) seeking transfer of shares in physical form should furnish copy of PAN card to the Company/RTA for registration of transfers.
- 4 Shareholders having multiple folios are requested to write to the Company for consolidation of the Folios to save the administrative or servicing costs.
- 5 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, 4E/2, 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. For any further clarifications and other matters kindly write to the **Company Secretary at 1001, 10<sup>th</sup> Floor, DLF Tower A, Jasola, New Delhi 110025 or E mail: investorgrievance@arotile.com**. Please quote your folio no/DP ID/Client ID and number of shares for prompt attention.
- 6 **Transfer of Unclaimed Dividend to Investor Education and Protection Fund:** Pursuant to Section 125 of the Companies Act 2013, the unclaimed dividend for financial year ended 31.03.2012 will be transferred to the Investor Education and Protection Fund. Therefore those shareholders who have not yet encashed the dividend warrants may write to the Company for revalidation/issue of fresh dividend warrants quoting their folio no/DP ID/Client ID. Shareholders who have not encashed their dividend warrants for the financial years 2012-13 to 2016-17 are requested to send the same for revalidation to the Company at the address given at point No. 5 above.
- 7 **Nomination:** Pursuant Section 72 of the Companies Act, 2013 individual Shareholders holding shares in the Company singly or jointly may nominate an individual to whom all the rights in the shares in the Company shall vest in the event of death of the sole/all joint Shareholders.
- 8 **Dematerialisation of Share and Liquidity:** Members may in their own interest consider dematerialisation of their shareholding in the Company held in physical form through their respective Depository Participants with one of the Depositories, namely, NSDL and CDSL. Company's ISIN No. is INE210C01013.
- 9 Pursuant to Section 101 of the Companies Act 2013 and the Rules made there under, the Company is permitted to send various notice/documents under the Companies Act 2013, to its shareholders, through electronic mode. We request to Members to support this initiative and register their E-mail addresses in respect of shares held in: (1) dematerialised mode, with their Depository Participants; and (2) physical mode with Alankit Assignments Limited (RTA). Please quote the following particulars in the E-mail Registration Request: Folio No./DP ID –Client ID, PAN, Name (s) of Registered Holder(s), Address, Telephone and E-mail Address (to be registered for sending future communications through E-mail) and send the same under your signature(s).
- 10 The Securities and Exchange Board of India (SEBI) has mandated the submission of permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

### Green Initiative in Corporate Governance: Register E-mail Address

The Ministry of Corporate Affairs has now permitted companies to send various notices/documents under the Companies Act, 2013 to its shareholders, through electronic mode. We request the Members to support this initiative and register their E-mail addresses in respect of shares held in: (1) dematerialized mode, with their Depository Participants; and (2) physical mode with Alankit Assignments Ltd. (RTA). Please quote the following particulars in the E-mail Registration Request: Folio No./DPID-Client ID, PAN, Names (s) of Registered Holder(s), Address, Telephone and E-mail Address (to be registered for sending future communications through E-mail)

# Directors' Report

The Directors' have pleasure in presenting the 31<sup>st</sup> Annual Report together with Audited Accounts of the Company for the year ended on 31<sup>st</sup> March 2019.

## FINANCIAL RESULTS

	31.03.2019	31.03.2018
Gross Profit before Depreciation	2078.10	993.63
Depreciation	825.44	865.03
Profit before Tax	1252.66	128.60
Provision for Tax	-	-
Current	361.71	54.02
– MAT Credit	-	-
– Deferred	(80.17)	(42.75)
Surplus available for appropriation	971.11	117.33
Dividend (including Dividend Tax)	184.45	-
Amount transferred to General Reserve	-	-
Surplus carried to Balance Sheet	786.66	112.35

## WORKING RESULTS

This year has been another tough year for the granite industry in India. Being the largest processed granite exporter in India our business was also impacted by the macro headwinds. While our revenue declined by 14.43% from Rs.201Cr in FY2018 to Rs.172Cr in FY2019, our net profit increased by 729.91% to Rs.9.71Cr in FY2019 from Rs. 1.17Cr in FY2018. The decline in revenue was largely on account of change in our strategy of focussing only on profitable customers and geographies. We also shifted our focus to sourcing colors which have demand in market. As we stopped slow moving shades which had low margins, this resulted in reduction in our volume and sales numbers. The profitability improved largely owing to strategy of doing business with customers and geographies with minimum margin, and due to our cost cutting initiatives. Our Cut-to-size segment is performing well and has contributed 10% in revenue during the year. Cut-to-size is a value-added product and commands higher margin. These jobs are very labour intensive and require a high level of precision and quality finish. We have been able to differentiate our offerings, and this has allowed this segment to profitably scale up. However, since the sales are project specific, it is difficult to forecast demand and challenging to maintain high utilisation levels. We have also started processing quartzite from our Hosur facility. Granite industry is also facing tough competition from engineered stone over the last few years. Our business has been also impacted due to this big trend shift towards engineered stone.

During the year, we also started the construction of our Jaipur plant to process granite slabs capacity of 1,50,000 square meters. We set up this plant to process the granite slabs being sourced from Rajasthan. Our plant is located in Mahindra world city SEZ Jaipur and shall be used for export market only.

Sourcing of raw granite blocks was another big challenge for us during the year. In last couple of years granite quarries are being shut down in large numbers due to environmental clearance in Tamilnadu and Karnataka. Last year the enforcement was much stricter and forced closure of many quarries, which in turn further aggravated the raw material sourcing problem. To reduce the dependability from Tamilnadu and Karnataka we have increased sourcing from Jaipur and import markets like Brazil, Norway, Finland, Africa, Iran and Ukraine.

Since our unit is an 100% EOU, it is exempt from GST. However, the way GST regime is structured we need to pay GST upfront and file for refunds. In the beginning of the year, our business was impacted materially due to delay in refunds. Our working capital was stuck in the system and we faced a liquidity crunch. The situation has improved now and GST refunds and process is smoother now.

## DIVIDEND

Your Directors have recommended a dividend of Re.1/- (i.e. 10% ) per Equity Share of Rs 10/-each for the Financial year ended 31<sup>st</sup> March 2019 amounting to Rs 184.45Lacs (inclusive of tax of Rs 31.45 Lacs).The Dividend payout is subject to approval of members at the ensuing Annual General Meeting.

The dividend will be paid to the members whose name appear in the Registrar of Members as on 31.08.2019 and in respect of shares held in dematerialised form, it will be paid to members whose name is furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited, as beneficial owners as on that date.



## INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

During the year amount of Rs 205587 /- for the Financial Year 2010-11 transfer to Investor Protection Fund under sub-section (2) of section 125 of the Act and IEPF (Accounting, Audit, Transfer and Refund) Rules 2016. Shri Sabyasachi Panigrahi, Company Secretary is the Nodal Officer Appointed by the Company under the Provisions of the IEPF Act.

## FIXED DEPOSIT

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

## LOANS, GUARANTEES AND INVESTMENTS

The Company has not granted any Loans, Guarantees and made any Investments during the year.

## RELATED PARTY TRANSACTIONS

All contracts/arrangements and transactions entered by the Company with related parties were in ordinary course of business and on arm's length basis. Your Directors draw attention of the members to Notes to accounts of financial statement which sets out related party disclosures. The Related Party Transactions Policy as approved by the Board is available on the website of the Company [www.arotile.com](http://www.arotile.com).

## DIRECTORS

There was no change in the Board of the Company during the year.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(3)(c) of the Companies Act, 2013, your Directors state that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the accounting policies have been selected and applied consistently and judgments and estimates made 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 and loss of the Company for that period;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis;
- e) the internal financial controls to be followed by the Company have been laid down and that such internal financial controls are adequate and were operating effectively; and
- f) the proper systems to ensure compliance with the provisions of all applicable laws have been devised and that such systems were adequate and operating effectively.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporate Social Responsibility Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company which has been approved by the Board. The CSR policy may be access from the website of the Company i.e. [www.arotile.com](http://www.arotile.com). The Annual Report on CSR activities is annexed herewith marked as **Annexure I**.

## AUDITORS AND AUDITORS' REPORT

### (a) Statutory Auditor

M/s VAPS & Company., Chartered Accountants, New Delhi was appointed as the Statutory Auditors of the Company for a period of Five Years from the Conclusion of Twenty Ninth Annual General Meeting. The Notes on the financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualifications, reservations or adverse remark.

### (b) Secretarial Auditor

Practising Company Secretary Ms. Latika Jetley (CP No. 3074) was appointed as the Secretarial Auditor by the Board for the financial year 2018-19 to conduct the Secretarial Audit. The Secretarial Audit Report along with the Annual compliance secretarial Audit Report under SEBI Regulation for the year 2018-19 is annexed herewith as **Annexure II**. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remark.

### (c) Internal Auditor

The Board had appointed M/s Sreekantha & Co., Chartered Accountants, Hosur as the Internal Auditor of the Company for the year 2018-2019.

### COMPLIANCE WITH SECRETARIAL STANDARDS

Compliance of Secretarial Standards on Meeting of Board of Directors (SS-1) issued by Institute of Company Secretary of India has been adopted by the Company

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Auditors' Certificate on Corporate Governance is enclosed as **Annexure III** to the Boards' Report. The Auditors' Certificate for the year 2018-19 does not contain any qualifications, reservations or adverse remarks.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the period under review, there were no significant and material orders passed by the Regulators or courts or tribunals which would impact the going concern status of the Company and its future operations.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required as per the provisions of Companies Act 2013 and Rules there under is annexed herewith in **Annexure IV** and form part of this report.

**EXTRACT OF THE ANNUAL RETURN** The Extract of annual return of the Company in form MGT 9 is annexed herewith as **Annexure V** to this report. Web link [www.arotile.com](http://www.arotile.com)

### PARTICULARS OF REMUNERATION

Statement of particulars of employee pursuant to the provisions of section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the year ended 31<sup>st</sup> March 2019.

Employed throughout the financial year, ended 31<sup>st</sup> March 2019 in receipt of remuneration not less than One Crore two Lakh rupees per annum.

Name	Age	Qualification	Experience	Date of Commencement Employment	Designation	Remuneration	Last Employment
Mr. Sunil K Arora	60 Years	B.Sc	32 Years	03.05.1988	Managing Director	1,65,53829	Since Inception

Pursuant to the provisions of Section 197 (12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the details regarding the ratio of remuneration of each Director to the median employee's remuneration and such other details as required therein are as under:

- The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year: The Board of Directors of the Company comprises of Non-Executive Directors who has been paid commission in the form of Remuneration and sitting fee from the Company.

Sl. No.	Name	Ratio to median remuneration
1	Shri Sunil K Arora, Managing Director	973.755
2	Shri Sundareshwara G Sastry	13.529
3	Shri Dinesh Chandra Kothari	10.294
4	Shri Rahul Gupta	12.941
5	Smt. Sujata Arora	8.824
6	Shri K Raghavendra Acharya, Executive Director	93.155
7	Smt. Vanita Sood	5.294
8	Shri Sahil Arora	134.169



2. The percentage increase in remuneration of each Director, Chief Financial Officer, Company Secretary, in the financial year: The Board of Directors of the Company comprises of Non-Executive Directors who has been paid Commission and sitting fee from the Company.

Sl. No.	Name	% Increase in Remuneration
1	Shri Sunil K Arora, Managing Director	0.40
2	Shri Dinesh Chandra Kothari	169.23
3	Shri Rahul Gupta	0.00
4	Smt. Sujata Arora	0.00
5	Shri K Raghavendra Acharya, Executive Director	0.00
6	Smt. Vanita Sood	-55.00
7	Shri Sabyasachi Panigrahi, Company Secretary	0.00
8	Shri Sahil Arora, Whole Time Director	118.58
9	Shri Sundareshwara G. Sastry	130.00
10	Shri S Balaji CFO	0.00

3. The percentage increase in the median remuneration of employees in the financial year: (-) 32.01.
4. The number of permanent employees on the roll of Company: 148
5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the financial year ended 31st March 2019 was 1.47%
6. The Company affirms that the remuneration is as per the remuneration policy of the Company.

#### **CORPORATE GOVERNANCE including details pertaining to Board Meetings, Nomination and Remuneration Policy, Audit Committee and Vigil Mechanism**

Your Company re-affirms its Commitment to the highest standards of Corporate Governance practices. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of this Annual Report.

The Corporate Governance Report which form part of this report also covers the following:

- Particulars of the Four Board Meetings held during the financial year under review.
- Policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management.
- The details with respect to composition of Audit Committee and establishment of Vigil Mechanism.

#### **INTERNAL FINANCIAL CONTROLS**

The Company has in place adequate internal financial controls with reference to financial statements and no material reportable weakness was observed in the system. Further, the Company has in place adequate internal financial controls commensurate with the size and nature of its operations. The Company also has robust Budgetary Control System and Management Information System (MIS) which are backbone of the Company for ensuring that your Company's assets and interests are safeguarded.

#### **LISTING**

The Equity Shares of the Company are listed in BSE Limited and National Stock Exchange of India Limited. Listing fees for the year 2019-2020 have already been paid to BSE Limited and National Stock Exchange of India Limited.

#### **ACKNOWLEDGEMENT**

Your Directors wish to thank and acknowledge the Banks, Government Authorities, Dealers, Suppliers, Business Associates and the Company's Valued Customers for their assistance and cooperation and the esteemed Shareholders for their continued trust and support. The Directors also wish to acknowledge the committed and dedicated team of Aro Granite whose unstinted work, efforts and ideas have taken the Company on a path of steady growth and development.

For and on behalf of the Board

Place: Hosur  
Date: 11.05.2019

Sunil K Arora  
Managing Director

Sujata Arora  
Director

## ANNEXURE I TO THE DIRECTORS' REPORT

Annual Report on Corporate Social Responsibility (CSR) activities for the Financial Year 2018-19.

1	A brief detail of the Company's CSR Policy including overview of projects or programmes proposed to be undertaken and a reference to the web link to the CSR policy							Refer to the section of this Report and disclosure
2	Composition of Committee							Dinesh Chandra Kothari (Chairman) Smt. Sujata Arora (Member) Smt. Vanita Sood (Member) Shri Sundareswara G. Sastry (Member)
3	Average net profits of the Company for the last three financial years							Rs. 816.08 Lacs
4	Prescribed CSR expenditure (2% of the Average net profits of last three financial years)							Rs. 16.32Lacs
5	<b>Details of the CSR spent during the year</b>							
a	Total Amount spent for the financial year 2018-19							Rs. 23.77Lacs
b	Amount unspent, if any,							Rs. 73.73 Lacs
c	Manner in which the amount was spent during the year							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Sl No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (Rs.)	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period (Rs.)	Amount spent Direct or through implementing agency (Rs.)
	1	Rural Health Care (Aro Charitable Trust)	Rural Area	Local Area Hosur Krishnagiri District Tamil Nadu	16,32,000/-	23,77,000/-	23,77,000/-	-

### RESPONSIBILITY STATEMENT

The Responsibility Statement of the Corporate Social Responsibility Committee of the Board of Directors of the Company is as below: "The implementation and monitoring of Corporate Social Responsibility (CSR) policy is in compliance with CSR objectives and policy of the Company"

Sunil K Arora  
Managing Director

Dinesh Chandra Kothari  
Chairman, CSR Committee

Place: Hosur  
Date: 11.05.2019



## ANNEXURE II TO THE DIRECTORS' REPORT

### MR-3

#### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> March 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointments and Remuneration of Managerial Personnel) Rules 2014]

To,  
The Members  
Aro granite industries ltd.  
1001, 10<sup>th</sup> Floor, DLF Tower A  
Jasola, New Delhi 110025.

We have conducted the Secretarial Audit of the compliance of applicable Statutory Provision and the adherence to good corporate practices **Aro Granite Industries Ltd.**, (herein after called the Company) which is a Listed Company. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate/statutory compliances and expressing our opinion thereon.

We report further:

- a. Maintenance of Secretarial records is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit
- b. We have followed the audit practices and processes those are appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. We believe that, the processes and practices we follow, provide the reasonable basis of our opinion.
- c. The Compliances of provisions of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on test check basis.
- d. We have not verified the correctness and appropriateness of the Financial Statements of the Company.
- e. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the company.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion the Company has during the Audit Period covering the financial year ended on 31<sup>st</sup> March 2019 (Audit Period) complied with the Statutory Provisions listed hereunder and also that the Company has proper Board-Processes and compliance-mechanism in place to the extent, in the manner and subject the reporting made hereinafter:

We have examined the books, papers, minutes, forms and returns filed and other records maintained by the company for the financial year ended on 31<sup>st</sup> March 2019 according to the provisions of:

- (i) The Companies Act 2013 (the Act) and the Rules made there under:
- (ii) The Securities Contracts (Regulation) Act. 1956 (SCRA) and Rules made there under.
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.
- (iv) Foreign Exchange Management Act 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act 1992 (SEBI ACT).
  - a. The Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulation Act 2011.
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992.
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
  - d. The Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 and The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations 2014 notified on 28<sup>th</sup> October 2014. **(Not applicable to the Company during Audit Period)**
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations 2008. **(Not applicable to the Company during the Audit Period)**
  - f. The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulation 1993 regarding the Companies Act and dealing with the client.
  - g. The Securities and Exchange Board of India (Delisting of equity shares) Regulations 2009 **(Not applicable to the company during the audit period)**.
  - h. The Securities and Exchange Board of India (Buy Back of Securities) Regulations Act 1998 **(Not applicable to the company during the Audit Period)**



We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (II) SEBI (listing Obligations and Disclosure Requirements) Regulations 2015 entered into by the Company with Stock Exchanges.

During the period under review the company has complied with provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

#### **We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the compositions of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Company has provided Rs 16.32 Lacs for CSR and spent Rs 23.77 lacs under the Corporate Social Responsibility as per the relevant provisions of the Companies Act 2013. During the year amount remained unspent Rs 73.73 lacs. During the year there is related party transactions at an arm's length for which omnibus approval has been taken. During the year company does not declare the dividend.

Adequate notice is given to all directors to schedule the Board Meetings, Agenda and detailed Notes on Agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. During the year no extra ordinary general meeting was held, Annual General Meeting was held, and proper Notice were sent to members.

All decisions at Board Meeting and Committee Meetings are carried out unanimously as recorded in the minutes of the meeting of the Board of Directors or Committee of the Board, as the case may be.

We have relied on the Management Representation made by the Managing Director, Company Secretary for systems and mechanism formed by the Company to ensure the compliances under other applicable Acts, Laws and Regulations which are listed below:

1. Factories Act 1948
2. Industries (Development and Regulation) Act, 1951
3. Labour laws and Incidental laws related to Labour and Employees appointed by the Company either on its payroll or on contractual basis as related to Wages, Gratuity, Provident Fund, ESIC, Compensation etc.,
4. Acts prescribed under Prevention and Control of pollution
5. Acts prescribed under Direct and Indirect taxes
6. Land Revenue laws of respective States
7. Labour welfare Act of respective States
8. Legal Metrology Act 2009
9. Acts as prescribed under Shops and Establishment Act of Various Local Authorities.

**We further report that** during the audit period the company has not taken any event /action having a major bearing on the Company's affairs in pursuance of above referred laws, rules, regulations, guidelines, standards etc.

Latika Jetley  
Practising Company Secretary  
ACS 12120, C.P3074

Place: New Delhi  
Date: 11<sup>th</sup> May 2019

## **SECRETARIAL COMPLIANCES REPORT OF ARO GRANITE INDUSTRIES LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019**

(Pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015)

#### **We have examined**

- a) All documents and records made available to us and explanation provided by **Aro granite industries limited (Listed Entity)**
- b) Filings/submissions made by the listed entity to the stock exchanges
- c) Website of listed entity
- d) Any other document /filing as may be relevant, which has been relied upon to make this certification.

For the year ended 31.03.2019 in respect of compliance with the provisions of

- (a) Securities and Exchange Board of India 1992 (SEBI Act) and the Regulations, Circulars/guidelines issued thereunder: and
- (b) Securities Contracts (Regulation) Act 1956 (SCRA) rules made thereunder and the regulations, circulars, guidelines issued by the Securities and Exchange Board of India (SEBI).



The Specific Regulations, whose provisions and the Circulars/guidelines issued thereunder have been examined include:

- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015
- The Securities and Exchange Board of India (Issue of capital and Disclosure Requirements) Regulations Act 2018.
- The Securities and Exchange Board of India Exchange (Substantial Acquisition of shares and Takeovers) Regulations 2011.
- The Securities and Exchange Board of India (Buyback of securities) Regulations, 2018 (Not Applicable during the year)
- The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014 (Not Applicable during the year under review)
- The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations 2008. (Not Applicable during the year under review)
- The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulation 2013. (Not applicable during the year under review)
- The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015.

And circulars/guidelines issued thereunder:

And based on the above examination, I/We hereby report that during the Review Period:

- The Listed entity has complied with the provisions of the above Regulations and circulars /guidelines issued there under, except in respect of matters specified below:

Sl.No.	Compliance Requirement (Regulations/circulars/ guidelines Including specific clause)	Deviation	Observations/Remarks of the Practicing Company Secretary
	NIL	NIL	NIL

- The Listed entity has maintained proper records under the provisions of the above regulations and circulars/guidelines issued thereunder insofar as it appears from my/our examination of those records.
- The following are the details of actions taken against the listed entity /its promoters/directors/material subsidiaries either by SEBI or by Stock Exchange(s) (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/Regulations and circulars/guidelines issued thereunder:

Sl.No.	Action taken by	Details of violation	Details of action taken e.g. fines warning letter debarment, etc.	Observations/remarks of the Practicing Company Secretary, if any
	NIL	NIL	NIL	NIL

- The listed entity has taken the following actions to comply with the observations made in previous reports:

Sl.No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the Secretarial compliance report for the year ended	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity.
	NIL	NIL	NIL	NIL

Latika Jetley  
Practising Company Secretary  
CS 12120/COP 3074

Place: New Delhi  
Date: 28<sup>th</sup> May 2019

### ANNEXURE III TO THE DIRECTORS' REPORT

Auditors' Certificate on Corporate Governance

To,  
The Members,  
Aro granite industries limited,

We have examined the compliance of conditions of Corporate Governance by Aro granite industries limited, for the year ended 31<sup>st</sup> March 2019, as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

We 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 M/s VAPS & Company  
Chartered Accountants,  
Firm Reg. No. 003612N

Place: Hosur  
Date: 11.05.2019

(P.K. Jain)  
Partner M No. 082515

#### ANNEXURE IV TO THE DIRECTORS' REPORT

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under the Companies (Accounts) Rules 2014

##### (i) CONSERVATION OF ENERGY

The plant installed by the Company is of latest technology and energy efficient. Power consumption of the Company is very low. During the year under consideration a total 1,00,94,889 units were consumed and the per Sq. mt. power consumption cost only Rs. 169.25

##### (ii) 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.

##### (iii) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange earned in terms of actual inflows during the year and Foreign Exchange outgo during the year in terms of actual outflows. The details regarding foreign exchange earnings and outgo are given in **Notes 'N' and 'O'**.

#### Annexure V Form No. MGT-9

#### Extract of Annual Return as on financial year ended 31.03.2019

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I REGISTRATION AND OTHER DETAILS:

i	CIN	L74899DL1988PLC031510
ii	Registration Date	03.05.1988
iii	Name of the Company	Aro granite industries ltd.
iv	Category / Sub-Category	Public Company / Limited by Shares of the Company
v	Address of the Registered office and contact details	1001, 10th Floor DLF Tower A Jasola New Delhi 110025 Phone No. 011-41686169 Fax: 011-26941984 E-mail : arodelhi@arotile.com
vi	Whether listed Company Yes/ No	Yes
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	Alankit Assignments Limited. Alankit House, 4E/2, Jhandewalan Extension New Delhi-110055, Phone No. 91-11-23541234, 91-11-42541234 Fax: 91-11-23552001, E-mail ID: info@alankit.com

#### II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the turnover of the Company shall be stated:-

Sl.No.	Name and Description of main Product / services	Nic Code of the Product/service	% to total turnover of the Company
1	Granite Tiles & Slabs	680233	100%

#### III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN HOLDING/ SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
NA	NIL	NIL	NIL	NIL



#### IV SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change During the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF)	6282856	0	6282856	41.060	6282856	0	6282856	41.06	0
b) Central Govt/ State Gov(s)	0	0	0	0	0	0	0	0	0
c) Bodies Corp	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (1)</b>	<b>6282856</b>	<b>0</b>	<b>6282856</b>	<b>41.06</b>	<b>6282856</b>	<b>0</b>	<b>6282856</b>	<b>41.06</b>	<b>0</b>
<b>(2) Foreign</b>									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter (A)=(A)(1)+(A)(2)</b>	<b>6282856</b>	<b>0</b>	<b>6282856</b>	<b>41.06</b>	<b>6282856</b>	<b>0</b>	<b>6282856</b>	<b>41.06</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	180772	0	180772	1.18	115022	0	115022	0.75	-0.43
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	51188	0	51188	0.33	54783	0	54783	0.36	0.02
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Other (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1)</b>	<b>231960</b>	<b>0</b>	<b>231960</b>	<b>1.52</b>	<b>169805</b>	<b>0</b>	<b>169805</b>	<b>1.11</b>	<b>-0.41</b>
<b>2. Non Institutions</b>									
a) Bodies Corp.									
i) Indian Corp.	1630449	13711	1644160	10.75	968939	12324	981263	6.41	-4.33
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	3827164	420674	4247838	27.76	4248119	348936	4597055	30.05	2.28
ii) Individual shareholders holding nominal share capital in excess of Rs 1 Lakh	2756044	0	2756044	18.01	3043862	0	3043862	19.89	1.88
c) Other (specify) NRI/OCB	118544	18598	137142	0.90	208248	16911	225159	1.47	0.58
<b>Sub total (b) (2)</b>	<b>8332201</b>	<b>452983</b>	<b>8785184</b>	<b>57.42</b>	<b>8469168</b>	<b>378171</b>	<b>8847339</b>	<b>57.83</b>	<b>0.41</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)2</b>	<b>8564161</b>	<b>452983</b>	<b>9017144</b>	<b>58.94</b>	<b>8638973</b>	<b>378171</b>	<b>9017144</b>	<b>58.94</b>	<b>0.00</b>
<b>C. Share held by Custodian For GDRS &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A+B+C)</b>	<b>14847017</b>	<b>452983</b>	<b>15300000</b>	<b>100.000</b>	<b>14921829</b>	<b>378171</b>	<b>15300000</b>	<b>100</b>	<b>0.00</b>

(ii) Shareholding of Promoters

No	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of Total Shares of the Company	% of Shares Pledged/encumbered to Total Shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged/encumbered to Total Shares	
1	Sunil K Arora	4887540	31.95	0	4887540	31.95	0	0
2	Sujata Arora	598572	3.91	0	598572	3.91	0	0
3	Sudershan Arora	186603	1.22	0	186603	1.22	0	0
4	Aman Arora	33	0.00	0	33	0.00	0	0
5	Geeti Arora	1350	0.01	0	1350	0.01	0	0
6	Ravi Kumar Arora	1383	0.01	0	1383	0.01	0	0
7	Sahil Arora	303688	1.98	0	303688	1.98	0	0
8	Shivani Arora	303687	1.98	0	303687	1.98	0	0
	<b>TOTAL</b>	<b>6282856</b>	<b>41.06</b>	<b>0</b>	<b>6282856</b>	<b>41.06</b>	<b>0</b>	<b>0</b>

(iii) Change in Promoter's Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Share	% of total shares of the Company	No. of shares	% of total share of the Company
1	At the beginning of the year	0	0	0	0
2	Date wise Increase/Decrease in Promoters Share Holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	0	0	0	0
3	At the End of the year	0	0	0	0

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRS):

Sl. No.	Top Ten Shareholders	Shareholding at the beginning of the year 1st April 2018		Shareholding at the end of the year 31st March 2019	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Dilip Kumar Lakhi	1606966	10.50	1612124	10.58
2	Surefin Financial Consultants Pvt Ltd	242961	1.59	0	0
3	Bharat Pitti	364906	2.39	364906	2.39
4	Amrit India Value Fund Ltd	0	0.00	0	0
5	Amit Shantil/Motla	0	0.00	0	0
6	Archit Exim Pvt Ltd	206791	1.35	206791	1.35
7	Winfin Financial Consultants Pvt Ltd	381794	2.50	381794	2.50
8	Meenaz Kassam	0	0.00	0	0
9	Subramanian P	197635	1.29	200590	1.31
10	Amitabh Singhi	0	0.00	121488	0.79
11	Surinder Mohan Laroia	84375	0.55	84375	0.55
12	IL and FS securities Services Limited	75018	0.49	0	0
13	Axis Bank limited	68790	0.45	0	0
14	Rashmi Sharma	67228	0.44	67228	0.44
15	Bharat Pitti	97513	0.64	97513	0.64
16	Prerna Kuhad	0	0	127344	0.83

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of Directors and KMP	Shareholding at the beginning of the year 1st April 2018		Shareholding at the end of the year 31st March 2019	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Sunil K Arora	4887540	31.95	4887540	31.95
2	Sujata Arora	598572	3.91	598572	3.91
3	Sahil Arora	303688	1.98	303688	1.98



## V. INDEBTEDNESS

Indebtedness of the Company including outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	106,903,741.00	0.00	0.00	106,903,741.00
ii) Interest due but not paid				
iii) Interest accrued but not Due				
<b>Total (i+ii+iii)</b>	<b>106,903,741.00</b>	<b>0.00</b>	<b>0.00</b>	<b>106,903,741.00</b>
Change in Indebtedness during the financial year				
• Addition	99,548,065	0.00	0.00	99,548,065
• Reduction	31,213,400	0.00	0.00	31,213,400
Net Change	68,334,665.00	0.00	0.00	68,334,665
Indebtedness at the end of the financial year				
i) Principal Amount	175,238,406	0.00	0.00	175,238,406.00
ii) Interest due but not paid				
iii) Interest accrued but not Due				
<b>Total (i+ii+iii)</b>	<b>175,238,406.00</b>	<b>0.00</b>	<b>0.00</b>	<b>175,238,406.00</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole Time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Sunil K. Arora Managing Director	Sahil Arora Whole Time Director	K Raghavendra Acharya Executive Director	
1	Gross salary				
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act 1961	16200000.00	2160000.00	1583638.00	19943638.00
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	353829.00	120869.00	0.00	474698.00
	c) Profits in lieu of salary under section 17(3) Income Tax Act. 1961	0.00	0.00	0.00	0.00
2	Stock Option	0.00	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00	0.00
4	Commission-as % of the Profit Other, specify Others. Please Specify	0.00	0.00	0.00	0.00
	<b>Total (A)</b>	<b>16553829.00</b>	<b>2280869.00</b>	<b>1583638.00</b>	<b>20418336.00</b>

Ceiling as per the Act: Ceiling as per the Schedule V of the Companies Act 2013.

### B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Dinesh Chandra Kothari	Rahul Gupta	Vanita Sood	Sundaresh-wara G Sastry	
1	Independent Directors					
	• Fees for attending Board/ Committee Meetings	175000.00	220000.00	90000.00	230000.00	715000.00
	• Commission	0.00	0.00	0.00	0.00	0.00
	• Other, Please specify	0.00	0.00	0.00	0.00	0.00
	<b>Total (1)</b>	<b>175000.00</b>	<b>220000.00</b>	<b>90000.00</b>	<b>230000.00</b>	<b>715000.00</b>

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Sujata Arora				
2	Other Non-executive Directors ● Fees for attending Board/ Committee Meetings ● Commission ● Other, Please specify	150000.00	0.00	0.00	0.00	150000.00
		0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00
	<b>Total (2)</b>	<b>150000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>150000.00</b>
	<b>Total (B)=(1)+(2)</b>					<b>865000.00</b>
	<b>Total Managerial Remuneration (A+B)</b>					<b>21283336.00</b>

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/ WTD**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1	<b>Gross salary</b> (A) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (B) Value of perquisites u/s 17(2) Income-tax Act, 1961 (C) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0.00	1518408.00	2181562.00	3699970.00
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
2	Stock Option	0.00	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00	0.00
4	Commission -as % of profit-others, specify	0.00	0.00	0.00	0.00
5	Other, please specify	0.00	0.00	0.00	0.00
	<b>Total</b>	<b>0.00</b>	<b>1518408.00</b>	<b>2181562.00</b>	<b>369970.00</b>

**VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

TYPE	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [Rd/ NCLT/COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER					
Officers in default					



# Management Discussion and Analysis

## Indian Economy

FY2018-19 was relatively a good year for the economy. Despite the global volatility India remained the fastest growing large economy in world. The Indian GDP growth was 6.8 percent in 2018-19, as per Central Statistics Office (CSO). Growth in second half of the year was subdued due to slowing down of manufacturing growth and the liquidity crunch due to the IL&FS defaults. Crisis in financial sector impacted credit flows to micro and small and well as medium size industries which consequently resulted in lower investment and lower production. Further-more there was a distinct slowdown in consumption demand as many NBFCs stopped lending in the market due to the liquidity crunch.

In FY2019-20 IMF has forecasted India's GDP growth of 7.2%. The sustained focus on infrastructure development and resumption in consumption demand in the second half is expected to drive the growth of the economy. With the strong mandate of the incoming government, the government driven infrastructure buildout will continue. Furthermore it is expected that after the initial glitches, the benefits from The Insolvency and Bankruptcy Code, The Real Estate (Regulation and Development) Act and GST shall start impacting the formal economy positively.

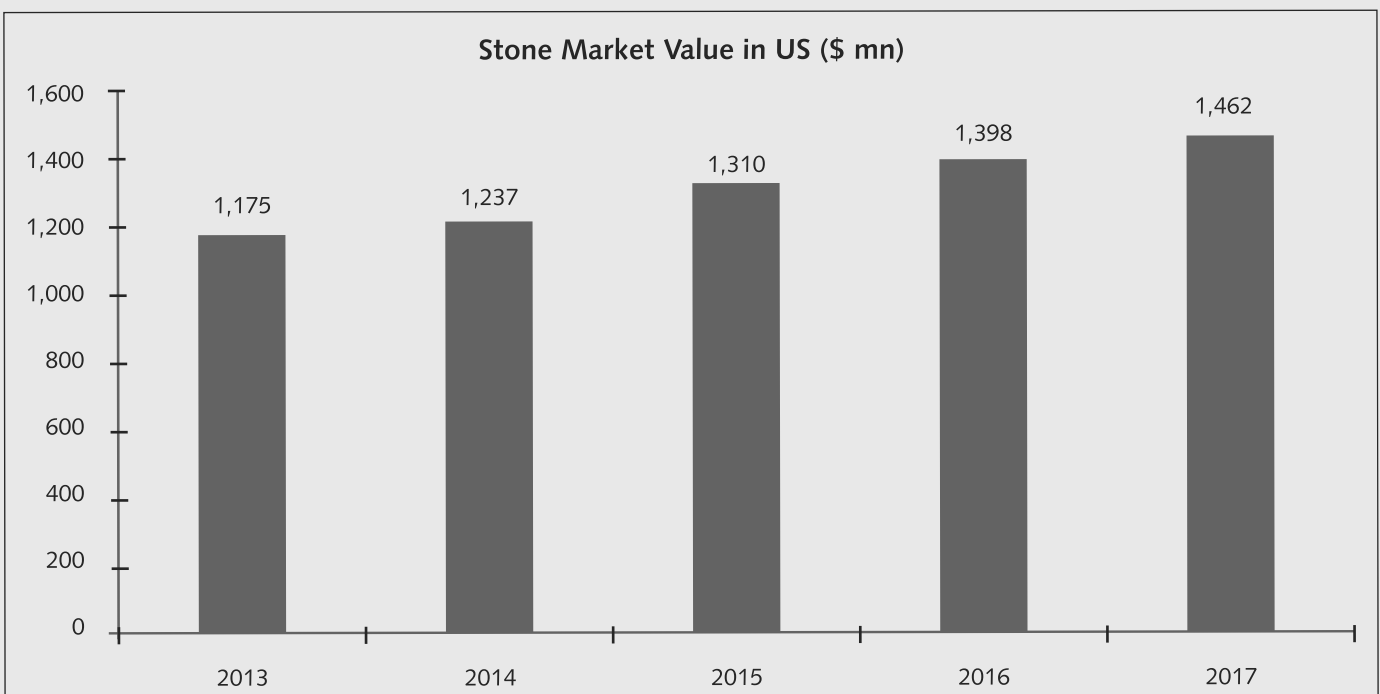
## Global Granite Industry

Granite is one of the most sought-after stone in world which has been used for thousands of years by humans. Granite is a prestige material used in projects to produce impressions of elegance and quality. It is used in building, bridges, paving, monuments and many other exterior projects. Granite is also used widely in indoor decoration. It is cut in larger slabs & smaller tiles and prized for its mirror like looks. It is used as countertops, tile floors, stair treads and many other design elements. Global market size of granite is valued at \$14.76 billion in 2016 and expected to reach \$17.68 billion by 2021.

Granite is natural products and its deposits are located in India, Brazil, Italy, China, Turkey, Philippines, France, Brazil, USA, Morocco, Australia, Russia, Japan, Portugal, Greece, Iran and Spain. The world's biggest producers of processed granite are China, India, Turkey, Italy, Iran, Spain and Brazil. The global processed granite exports market is lead by China and USA is largest consumer of processed granite stone.

As per US Natural Stone Institute, the total sales of US flooring market in 2017 was \$25.39 billion. Current flooring market in US is lead by carpets and area rugs which accounts for 45.4% of total sale. Stones are one of the products used for floor covering and currently in US it accounts for 5.7% total flooring market in value terms. Market size for flooring in USA is huge and stone industry has a huge market opportunity for growth. Similarly, the potential for stone industry in Europe and other developed market is substantial. Growth for engineered and natural stones is likely to grow and shall be driven mainly by construction and renovation activities in developed countries, rapid industrialisation and urbanisation in developing countries and growing commercial value of stones flooring across the global markets. Further-more changing consumer preference for natural looking home decor shall drive the growth for stone industry across the globe.

China, with its limited granites reserves is a leading importer of raw granite blocks and leading exporter of processed granite slabs and tiles. It imports raw granite blocks from Turkey, India, Brazil, Italy and other countries to process and re-export. China has dominated global granite exports market due to its lower cost and export friendly govt policies. As a re-exporter, China imported \$ 1 Billion of unpolished roughly cut marble and \$ 807 Million in crude and roughly trimmed granite for further processing in 2016. Units in China



Source - Natural Stone Institute (2017)



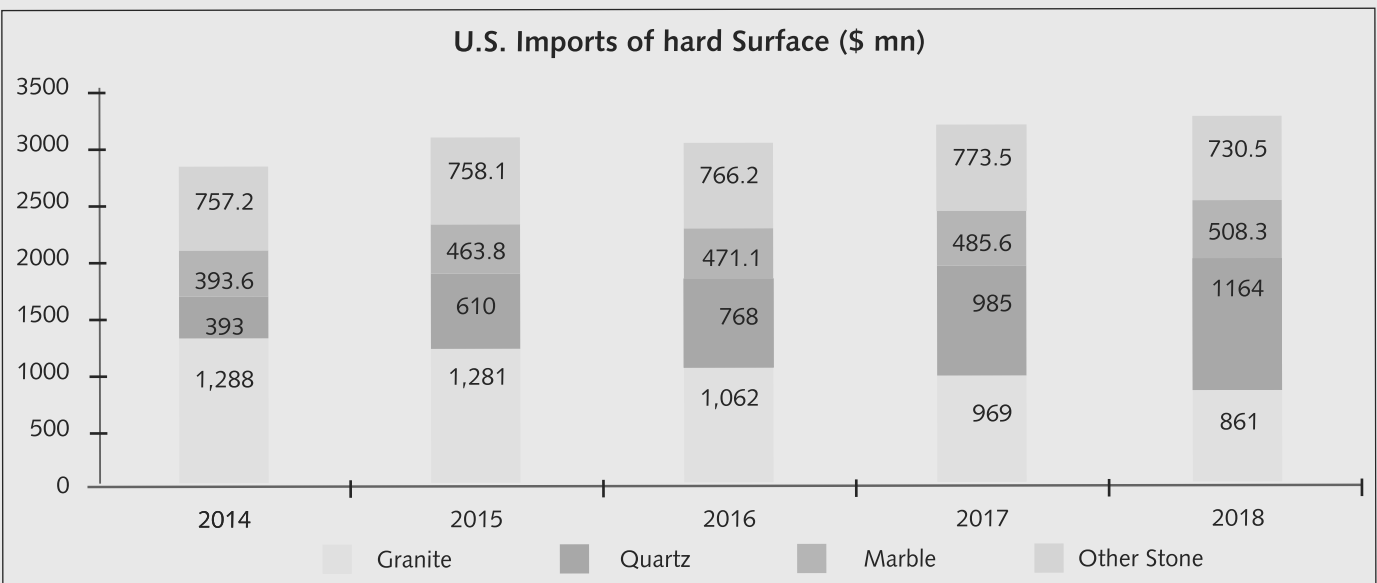


Source - Natural Stone Institute

operate at large scale with lower operational cost which helps them in keeping the products at lower prices than other competing nations. Chinese granite exports increased substantially from \$ 0.7 billion in 2001 and peaked between 2015 and 2016 at \$4.8 billion.

USA is largest consumer of granite in world. It largely depends upon imports for its requirement of granite from Brazil, China, India, Italy, Spain and Canada. Brazil has been the largest exporter of granite to USA since many years. Brazil due to its proximity to USA, large deposits across various colours & shades and favourable currency has continued to be the top exporter of granite to USA. Exports from Brazil touched the peak of more than 1 Million metric tons in 2017 due to sharp fall in Brazilian currency. In 2017 Brazil market share was 44% in total US worked granite import. India ranks third in granite export after Brazil and China with 17% market share in 2017 increased from 15% in 2016.

Granite share globally is declining with the increasing popularity of engineered stone like Quartz and Porcelain. In USA the import of granite declined from \$1,288 Million in 2014 to \$861 Million in 2018, as quartz engineered stone is increasingly being preferred over granite. Imports from quartz have sharply increased from \$393 Million in 2014 to \$ 1162 Million in 2018. Chinese engineered quartz stone played a vital role in growing the quartz segment in USA. Low cost engineered quartz stone flooded USA market making it difficult to do business for granite players as well as domestic quartz companies. In 2018, USA has imposed high tariff on Chinese engineered quartz stone due to its assessment that companies in China dumping products below costs and hurting domestic quartz industry. This has created opportunities for companies in other countries to capture some of the marketshare in USA that was occupied by Chinese quartz. This is also helping products like granite and porcelain increase their market share.



Source - Stone Update



Lately the demand for granite is reviving in USA due to high tariff on Chinese quartz. Initially the impact was not visible as the duty on Chinese quartz was anticipated and there was huge inventory pile up. However, import of granite increased by 33% in January 2019 as compare to January 2018 in USA lead by Brazil and India. Import from Brazil was up 41% and from India was up by 32%, but import of granite from China declined by 13% during January 2019 compare to January 2018.

So overall while there is expectation of market share gains for processed granite stone in US, there is some revival of demand expected in European countries.

### Indian Granite Industry

India has one of the highest reserves of Granite stone. It is endowed with abundant resources spread across the country, with over 200 shades of granite stones. India accounts for over 20% of the granite reserves in the world. Total reserves of Granite dimension stone of all types in India have been estimated at 46,320 Million cubic meters. India is one of the largest granite exporters in the world. India exports both raw granite blocks and processed granite across the world. It exported \$1.6 Billion worth of granite in FY2018. A significant portion of exports is comprises of raw granite blocks. China is largest importer of granite blocks from India. It imports granite in raw blocks for further processing and re-exporting. In FY18 China imported \$442 Million worth of raw granite blocks from India.

In India granite is a minor mineral under the MMDR Act 1957. State governments possess the power to regulate leasing and operating quarries. State governments allotted licenses for quarrying without standard license conditions and operating procedures which led to illegal quarrying on large scale. This resulted environmental degradation and due the recent court rulings and stringent monitoring, many operational mines were closed over the last few years. The Indian granite industry is now facing raw material shortages due to shut down of quarries on a large scale. Over the last 2 years state, State governments in many states, especially in Tamilnadu, Andhra Pradesh and Karnataka are shutting down illegal quarries, due to illegal mining. Last year the shortage of granite blocks got aggravated due to serious crackdown on granite quarrying lacking Environmental Clearance (EC). The rules around EC are very subjective, opaque and vary from state to state. The quarries are having a difficult time getting the requisite clearance. Also under EC laws if a quarry crossed the amount of production as per the maximum value as stated in the mining plan, the production has to stop for the year. Since mines in Tamilnadu and Karnataka in earlier years were producing much beyond their sanctioned limits, with the EC crackdown the granite production is reducing on a YOY basis.

Historically Tamilnadu and Karnataka, due to their proximity to ports, huge granite reserves and vast colour & shades collection have been the hub for granite quarrying in India. Closing down of quarries has impacted granite industry seriously in these states. Now granite is being sourced from other states which have increased transportation costs for Indian granite processors and exporter and is impacting their competitiveness. Rajasthan is increasingly becoming as preferred state for sourcing granite, due to well defined policies and availability of shades like white and grey which are currently in demand. Also imports of raw granite blocks has increased over the last few years, inspite of India having huge granite reserves.

### Company

Aro Granite Industries Ltd is the largest processed granite exporter from India. It has a 100% EOU in Hosur, Tamilnadu India. It exports to more than 50 countries across the World and has received "Star Export House" Certification from Ministry of Commerce and Industry. Its Managing Director Mr. Sunil Kumar Arora has been in granite processing business for more than 35 years, and has built a stellar reputation for quality processing and timely deliveries.

The company processes the granite slabs with the most modern equipment and infrastructure in place. In Hosur, it can process granite blocks into slabs, tiles and Cut-to-size units. The company has installed capacity of 7,35,000 square meters for granite slabs and 3,60,000 square meters for granite tiles. 18 months back it also started processing of Natural Quartzite Stone. To process Quartzite it uses multi wire cutting machine, which is a new technology using diamond edged blades to cut raw blocks. It has capacity to process 50,000 square meters of natural quartzite slabs.

Aro has built a state-of-the-art warehouse next to its processing plant to display its processed inventory. This warehouse has storage capacity of over 20,000 slabs. It is equipped with 8 state of the art cranes for material movement and inspection and 4 loading bays for dispatch. This warehouse has helped Aro Granite to showcase its products and quality of finishes, and helped push sales in a challenging environment.

### Performance during the year

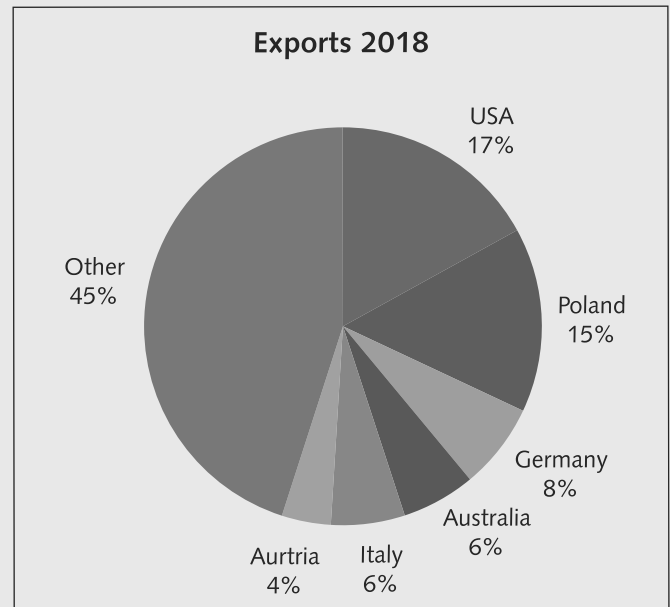
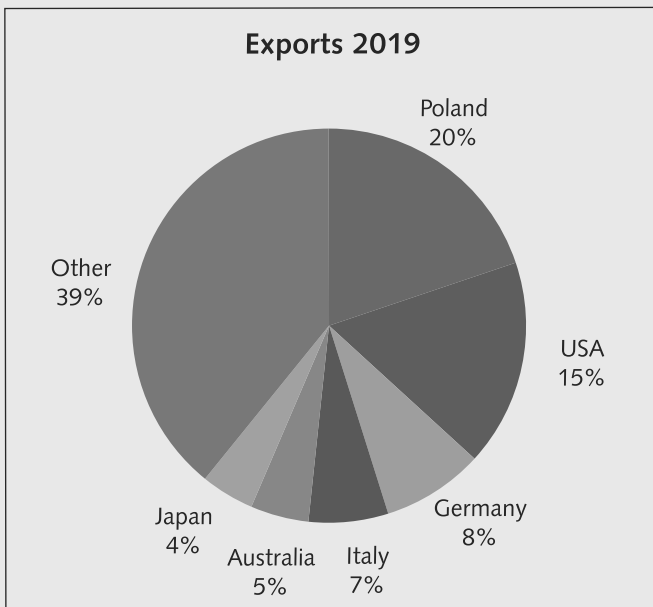
In the current year while our sales have declined, we have been able to improve our profitability substantially. Our revenue declined by 14.43% from Rs.201Cr in FY2018 to Rs.172Cr in FY2019. Sales declined largely due to change in strategy, wherein we decided to focus our energy and resources only on profitable customers and products where had adequate margins. We also focused on colors which are fast moving, and stopped sourcing and selling slowmoving colors. This resulted in a reduction in our processing volumes. With our increased focus on profitability, Profit After Tax increased by 729.91% to Rs.9.71Cr in FY2019 from Rs. 1.17Cr in FY2018. The profitability improvement was driven by focus on selling faster moving products, letting go of low margin orders and driving sales of more value added products. Our sales from Cut-to-Size segment which command higher margin than slab and tiles business, has increased substantially during the year. We have also let go of customers who demand lower prices and focussed on selling in geographies where we are able to command higher realisations on the basis of the quality that we deliver.

Our domestic sales in India are 6% of the total sales. The sales in domestic market tend to be low due to high tax rates, lower realisations and unhealthy competition from the un-organised sector in India. In the developed markets like US and Europe, the labour costs are extremely high. So in those markets customers are willing to pay a premium for products, that exactly meet the specifications, have consistent high quality and therefore require lower manual effort. In India since the labour costs are cheap, so customers make do with lower quality finish, and in turn expect lower prices. Since our forte is our precision in cutting, and high quality in polishing, we are not competitive in the Indian market.

Under the new GST regime exporters need to pay GST upfront on material and services consumed, and subsequently claim refund on the input tax, once the products are exported. Initially GST implementation impacted exporters substantially because government was not able to process input tax credit properly for export oriented units. Since more than 90% of our sales are in exports market, so we were significantly impacted by the delays in refund from government and had to face liquidity crunch. The situation has improved now. GST refunds and process is much smoother now, and we are also doing a minimum amount of sales in the domestic market to offset the input GST credit. However, the whole GST refund mechanism has increased our working capital requirements as a certain amount of money is always due from the government. As on 31st March 2019 we have Rs.13Cr refund outstanding with govt.

### Exports

Aro granite is one of the largest processed granite exporter from India. We export to more than 50 countries and have been awarded with "Special Export Award" by CAPEXIL for 7 years in a row. Exports accounted for 94% of revenue in FY2019. Our major markets are Poland, USA, Germany, Italy, Australia and Japan. USA has been our biggest market for years but popularity of engineered quartz stone has increased the competition and our business has become tougher and less profitable in USA. Relatively Europe is less impacted by engineered quartz stone trends as compare to USA. Our business in Europe continues to grow. Our major markets in Europe are Poland, Germany, Italy, Spain, Libya, Slovakia etc. We regularly participate in stone fairs and conferences which helps us to showcase our product portfolio and win new clients. We participated in Marmomacc in Verona, Italy in September 2018 and Xiamen Stone Fair, China in March 2019.



### Expansion

The raw material availability in Karnataka and Tamil Nadu has been a concern for the company, as transportation costs make processing blocks from far away quarries unviable. Since we were consuming significant raw material sourced from Rajasthan, the company has set up its second unit in Jaipur, Rajasthan. This plant is located in Mahindra World City SEZ Jaipur and will have tax benefits for 15 years. It will have the capacity of 1,50,000 square meters of granite slabs. All the civil works have been completed and currently the machinery is being installed and tested. Production from the plant is expected to start in the next 3 months. Once the plant stabilizes, we expect this plant shall expand our product profile and make significant contribution to our sales.

Over the past few years granite industry is facing huge competition from engineered stones like Quartz and Porcelain. Quartz is substitute product for granite, and has been taking away significant market share from granite. The popularity for engineered quartz stone has been but the demand for natural granite has shrunk to handful colors like white, grey and black.

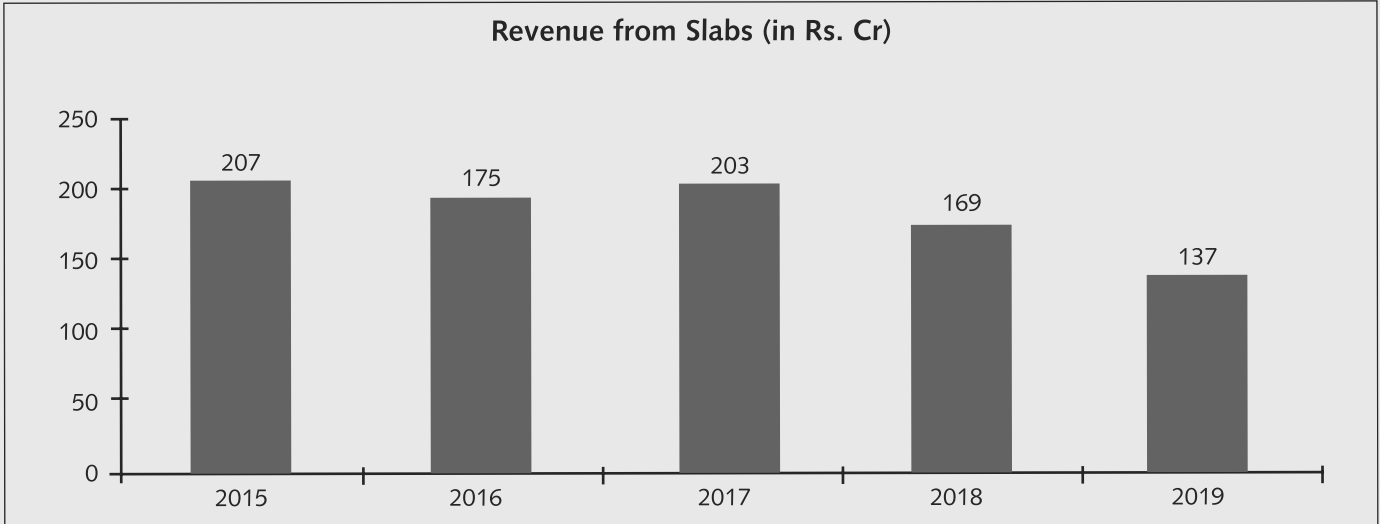
To stay relevant in the stone industry, the company decided to start a molding and polishing facility for engineered quartz stone. It is setting up a brownfield plant for engineered quartz in its existing granite processing facility at Hosur, since we have sufficient spare land to accommodate the expansion. This will result in significant cost savings in the capital expenditure as the civil and polishing infrastructure will be shared with granite processing facility. The company has already started the civil works and subsequently plans to install molding line. The facility is expected to be commissioned by March 2020. The quartz plant shall have the capacity of 1,80,000 square meter per year. The total capex requirement is around Rs.30 Cr and shall be funded through internal accruals and Supplier Credit. Once the production starts, our product range will be significantly enhanced and we expect to sell to our existing customer base spread all across the world.

### Segment performance

We report our financial in 2 segments, granite slabs and tiles. Our cut-to-size segment is accounted under tiles segment and We account Cut to Size under the ordination of the cutting. If cut to size is done from slabs then its comes under slabs, however if the original cutting was done in tile plant and later taken for cut to size it comes under tiles then.

### Slabs

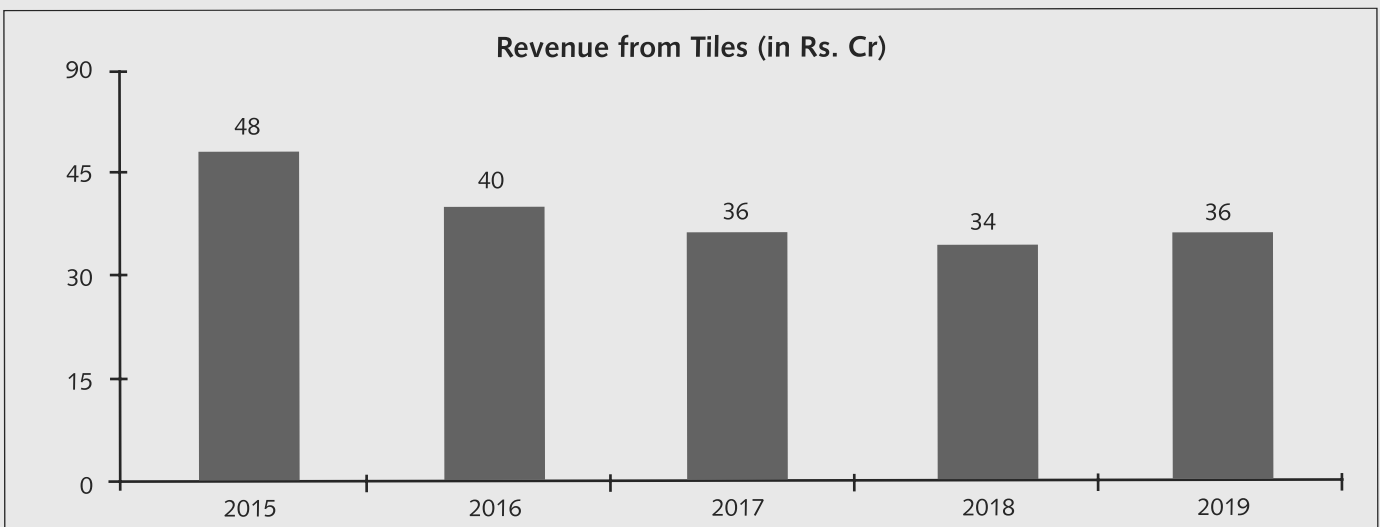
Slabs are major part of our business and contributed 79% of our revenue. We have installed capacity of 7,35,000 square meter for Granite slabs. Our realisation increased by 6.73% to Rs. 4,226 per square meter.



#### Tiles

Tiles segment is smaller segment in our business. It accounted for 21% of our revenue in the year. We have installed capacity of 3,60,000 square meter for this segment. The performance in the tiles segment has improved during the year due to our Cut-to-size business. The realisation also improved by 8.81% to Rs.2,459 per square meters.

Cut-to-size segment is project based, we participate in tenders for large construction projects.



#### Outlook

The outlook for granite industry in India in the current environment remains challenging. There are multiple headwinds like competition from engineered stone, closure of granite quarries, GST impact and change in demand trends.

Last year we saw some of the benefits of the efforts we put in. We have been working to improve our product mix. Quartzite processing, Cut-To-Size products for individual projects and moving out of slow moving products all have contributed towards improving our margins and tackling the challenges faced by the industry.

Our Jaipur facility shall start production during the year which shall further improve our products offering and revenues. We shall continue to focus on cutting costs and clean out our slow moving inventory. Our strategy to focus on higher margins may lower our volumes but it will help maintain our margins. . USA has imposed dumping duty on granite & engineered stone from China and that has opened a window of opportunity for processors from other countries. Our engineered quartz stone plant is expected to go into production in 2020, and we will try to capitalize on the US demand shift from China to other countries.

We are reasonably optimistic about our future growth and are now focused on executing our growth plans.

#### Opportunities & Threats

##### Opportunities

- Our Jaipur plant shall help us in increasing our sales and profits
- Our cut to size business did well during the year, we expect it to add more to our sales and margins in the coming years
- We are venturing into new product segment of engineered quartz stone which has huge demand. We expect it to become large part of our business

## Threats

- Increasing protectionism in US could impact the imports of natural stone to US
- Uncertainty over availability of raw material can impact the volume of our granite business
- Change in consumer preference for engineered stone is threat for our granite business

## Risk & Concern

### Adverse Regulatory Policies

Many granite mines and quarries have closed down over the last few years due to illegal mining, environmental clearances or irregularity in the allotment process. This has caused many designs and colours becoming unavailable.

The closure of mines is resulting in revenue loss to the government and they are keen to have transparent and well defined mining policies, so that the mines can be reopened at the earliest.

### Shortage of Raw Material

Closure of many mines has caused big shortage in raw material. This can have a big impact on the overall competitiveness of Indian exports

To counter the shortage of raw material the company has started sourcing from new mines in other geographical regions like Rajasthan and Andhra Pradesh. The company has also started importing raw blocks.

### Currency Appreciation

The currency movement of India or competing nation can impact the business negatively. If Indian currency appreciates compare to other exporting nations or competing country's currency depreciates it will impact our exports.

The company is constantly working to find new export markets for its products and currently exports to over 50 countries. This helps in diversification of risks and any adverse currency movement in one country will have a minimal impact on company's business.

### Change in Consumer Preference

Over the last couple of years, the demand for engineered stone has increased at the expense of natural stones, which includes granite. While this change is more pronounced in certain countries, this trend could accelerate in the coming years and impact the long term demand potential for granite.

The change in consumer preference for colors may also impact our business. Over the last few years color pallet of granite is shrinking and demand now has limited to only few colors like white, grey and black. The company is aware of the trend and has tried to diversify its product line. It has entered the cut-to-size segment and doing well. It also planning a brownfield project for manufacturing engineered stone at its Hosur Unit.

### Internal financial control and their adequacy

A Company's Internal Financial Control is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company has in place adequate internal financial controls with reference to financial statements and no material reportable weakness was observed in the system. Further, the Company has in place adequate internal financial controls commensurate with the size and nature of its operations. The Company also has robust Budgetary Control System and Management Information System (MIS) which are backbone of the Company for ensuring that your Company's assets and interests are safeguarded

### Financial Ratio

S.N.	Ratio	2018	2019	Change	Remarks
1	Debt Equity	0.54	0.71	32%	Debt equity ratio of company increased due to increase in borrowing because of funding of ongoing capital expenditure for Jaipur plant
2	Inventory turnover	1.83	1.52	-17%	NA
3	Debtor Turnover	2.64	2.71	2%	NA
4	Interest coverage ratio	1.33	3.08	131%	Interest coverage ratio improved due to increase in profitability of company
5	Current Ratio	1.77	1.50	-15%	NA
6	Operating Profit margin	6.86%	15.03%	119%	Operating margins of company increased due to increase in value added business and cutting business with unprofitable customers
7	Net Profit Margin	0.58%	5.65%	870%	Net Profit margins of company increased due to increase in value added business and cutting business with unprofitable customers
8	Return on net worth	0.69%	5.54%	704%	Return on net worth increased due to increase in profits of the company



# 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 Eight Directors comprises of Five Non-Executive Directors (NED) of which Four are Independent. The Board does not have a permanent Chairman. At each Board Meeting, Directors present elect one amongst themselves as the Chairman of the Meeting. Five Board Meetings were held during the Financial Year ended 31<sup>st</sup> March 2019 on 21<sup>st</sup> April 2018, 4<sup>th</sup> July 2018, 21<sup>st</sup> July 2018, 27<sup>th</sup> October 2018 and 19<sup>th</sup> January 2019. Attendance and other details are given below:

Name of the Director	Category	No. of Board Meetings attended	Whether last AGM Attended (18.09.2018)	Outside Directorships and Committee positions			Directorship in other listed entity (Category of Directorship)
				Directorships <sup>#</sup>	Committee Membership*	Committee Chairmanship*	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Shri Sunil K Arora@ (Managing Director) (00150668)	Executive (Promoter)	5	YES	-	-	-	-
Shri Sahil Arora@ Wholetime Director (07970622)	Executive (Promoter)	3	YES	-	-	-	-
Shri Dinesh Chandra Kothari (00195609)	Non-Executive and Independent	2	NO	2	3	1	1. Asian Hotels (North) Limited (Non-executive Independent) 2. Ester Industries limited (Non-executive Independent)
Shri Rahul Gupta (00024732)	Non-Executive and Independent	4	YES	4	1	1	1. Alfa Transformers Limited (Non-executive Independent) 2. Softtech Engineers Limited (Non-executive Independent)
Smt. Sujata Arora@ (00112866)	Non-Executive (Promoter)	5	NO	-	-	-	-
Shri K Raghavendra Acharya Executive Director (06923476)	Executive	3	NO	-	-	-	-
Smt. Vinita Sood (006926832)	Non-Executive and Independent	3	NO	-	-	-	-
Shri Sundareshwara G Sastry (00165762)	Non-Executive and Independent	4	NO	-	-	-	-

# As per Section 165 of the Companies Act, 2013 and Regulation of 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

\* Only covers Memberships/Chairmanships of Audit Committee and Stakeholders Relationship Committee.

@ Sunil Kumar Arora is the husband of Smt. Sujata Arora and father of Shri Sahil Arora.

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.

Details of equity shares of the Company held by the Directors as on March 31, 2019 are given below

Name	Category	No. of Equity Shares
Sujata Arora	Non-independent, Non-Executive	598572

The Board has identified the following skills/expertise/ competencies fundamental for the effective functioning of the Company which are currently available with the Board:

International Business	Understanding of the international business dynamics across the globe specifically under various geographical markets and prevailing regulations.
Governance	Experience in driving corporate ethics and values, maintaining board and management accountability, practicing corporate governance of highest standard amongst the stakeholders
Strategy	Understanding of the requirement of long-term strategy and planning taking into account the diversified international business environment.

The Company has a Code of Conduct for Management Cadre Staff which is strictly adhered to. In terms of Regulation 17(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 contemporary practices of good corporate governance, a Code of Conduct was laid down by the Board for all the Board Members and Senior Management of the Company. The said code is available on the Company's website ([www.arotile.com](http://www.arotile.com)). All the Board Members and Senior Management Personnel have affirmed compliance with the said Code. This Report contains a declaration to this effect signed by the Managing Director.

### 3. AUDIT COMMITTEE

The Company has an Audit Committee of Directors. The "Terms of Reference" of the Committee are in conformity with the provisions of Section 177 of the Companies Act 2013 & Rule 6 of Companies (Meetings of Board and its Powers) Rules 2014 and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Audit Committee is consisting of Four Non-Executive Directors namely Shri Rahul Gupta (Chairman of the Committee), Shri Dinesh Chandra Kothari, Smt. Vanita Sood and Shri Sundareshwara G. Sastry, all are Independent Directors. Company Secretary acts as the Secretary of the Committee. During the Financial Year ended 31.03.2019, four meetings of the Audit Committee were held. Date of meetings (number of members attended): 21.04.2018(3), 21.07.2018(3), 27.10.2018(2) and 19.01.2019(4).

### 4. NOMINATION AND REMUNERATION COMMITTEE

The Company has a Nomination and Remuneration Committee. The "Terms of Reference" of the Committee are in conformity with the provisions of Section 178 of the Companies Act 2013 & Rule 6 of Companies (Meetings of Board and its Powers) Rules 2014 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Nomination and Remuneration Committee is consisting of Four Non-Executive Directors namely Shri Rahul Gupta (Chairman of the Committee), Shri Dinesh Chandra Kothari, Smt. Vanita Sood and Shri Sundareshwara G. Sastry all are Independent Directors. Company Secretary acts as the Secretary of the Committee. During the Financial Year ended 31.03.2019, One meeting was held. Date of Meeting (number of members attended): 19.01.2019 (4)

### 5. NOMINATION AND REMUNERATION POLICY

In accordance with the provisions of the Companies Act 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company has a Nomination and Remuneration Policy which is disclosed below.

#### Criteria for recommending a person to become Director:

The Committee shall take into consideration the following criteria of qualification, positive attributes and independence for recommending to the Board for appointment of a Director:

#### Qualification & Experience:

The incumbent shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, operations, corporate governance, education, community service or other disciplines.

#### Attributes/Qualities:

The incumbent Director may possess one or more of the following attributes/qualities:

- Respect for and strong willingness to imbibe the Company's Core Values.
- Honesty and professional integrity.
- Strategic capability with business vision.
- Entrepreneurial spirit and track record of achievement.
- Ability to be independent and capable of lateral thinking.
- Reasonable financial expertise.
- Have contacts in fields of the business/Corporate World/Finance/Chambers of commerce & industry.
- Can effectively review and challenge the performance of management.



In case the proposed appointee is an Independent Director, he should fulfill the criteria for appointment as Independent Director as per the provisions of the Act, SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws & regulations. "He" or "his" as mentioned in this policy includes any gender.

The incumbent should not be disqualified for appointment as Director pursuant to the provisions of the Act or other applicable laws & regulations.

### **Director's Compensation**

The Committee will recommend to the Board appropriate compensation to Executive Directors subject to the provisions of the Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws & regulations. The Committee shall periodically review the compensation of such Directors in relation to other comparable companies and other factors, the Committee deems appropriate. Proposed changes, if any, in the compensation of such Directors shall be reviewed by the Committee subject to approval of the Board.

### **Evaluation**

The Board will review the performance of a Director as per the structure of performance evaluation.

### **Board Diversity**

The Committee will review from time to time Board diversity to bring in professional performance in different areas of operations, transparency, corporate governance, financial management, risk assessment & mitigation strategy and human resource management in the Company. The Company will keep succession planning and Board diversity in mind in recommending any new name of Director for appointment to the Board. It will be Committee's Endeavour to have at least one Director from the following fields:

- a) Accounting and Corporate Finance
- b) Legal and Corporate Laws
- c) Business, Management and Corporate Strategy

Eligibility Criteria & Remuneration of Key Managerial Personnel and other Senior Management Personnel :

The eligibility criteria for appointment of key managerial personnel and other senior management personnel shall vary for different positions depending upon the job description of the relevant position. In particular, the position of key managerial personnel shall be filled by senior personnel having relevant qualifications and experience.

The Compensation structure for Key managerial personnel and other senior management personnel shall be as per Company's remuneration structure taking into account factors such as level of experience, qualification and suitability which shall be reasonable and sufficient to attract, retain and motivate them. The remuneration would be linked to appropriate performance benchmarks.

The remuneration may consist of fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

## **6. STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Company has Stakeholder Relationship Committee at the Board Level which consists of Four Directors, namely Shri Rahul Gupta (Chairman of the committee), Shri Sunil K Arora, Shri Dinesh Chandra Kothari, and Shri Sundareshwara G. Sastry. The composition of the committee is in conformity with Regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with Section 178 of the Companies Act, 2013. Shri Sabyasachi Panigrahi, Company Secretary is the Compliance Officer of the Committee who oversees the investors grievances including Transfer/Transmission of Equity Shares, De-materialisation/ Re-materialisation of Equity Shares, non-receipt of Dividend, Annual Reports etc. All the complaints received by the Company have been resolved promptly to the satisfaction of the Shareholders. All the valid requests for transfer of Equity Shares in physical form were processed in time and there are no pending transfers of Equity Shares. During the Financial Year ended 31.03.2019, four meetings of the Stakeholders Relationship Committee were held. Date of meetings (number of members attended): 21.04.2018(3), 21.07.2018(4), 27.10.2018(3) and 19.01.2019(4)

## **7. CSR COMMITTEE**

The CSR Committee is comprising of Shri Dinesh Chandra Kothari (Chairman), Smt. Sujata Arora, Smt. Vanita Sood and Shri Sundareshwara G. Sastry as other members. During the Financial Year ended 31.03.2019, One meeting was held. Date of Meeting (number of members attended): 21.07.2018 (3)

## **8. REMUNERATION OF DIRECTORS**

- a) Executive Directors: The aggregate amount of Salary, HRA paid during the Financial Year ended 31st March 2019 to Shri Sunil Kumar Arora, Managing Director was Rs. 1,65,53829/- Shri Sahil Arora Whole Time Director was Rs 2280869 and Shri K. Raghavendra Acharya, Executive Director was paid Salary, HRA & other allowances for Rs.1,583,638/-.
- b) Non-Executive Directors: During the year 2018-2019, the Company has paid sitting fees of Rs. 7,15,000 /- to all the Independent Directors. Other Non-Executive Directors Mrs. Sujata Arora were paid sitting fees of Rs. 1,50,000 /-



## 9. GENERAL BODY MEETINGS:

Location and time for the last three Annual General Meetings (AGMs) of the Company were:

Year	Location	Date	Time	Whether Spl. Resolution passed
2015-16	Lakshmipat Singhanian Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016	10th September 2016	10.00 A.M.	YES
2016-17	Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003	18th September 2017	10.00 A.M.	NO
2017-18	Lakshmipat Singhanian Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016	17 <sup>th</sup> September 2018	10.A.M.	Yes

## 10. OTHER DISCLOSURES

- 1 Related party transactions: All transactions entered into with related parties as defined under the Companies Act 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 during the financial year were in the ordinary course of business. These have been approved by the Audit Committee. The Board has approved a policy for related party transactions which has been uploaded on the Company's website at the following link <http://www.arotile.com>
- 2 Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets, during the last three financial years 2015-16, 2016-17 and 2017-18 respectively: **Nil**
- 3 The Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 for directors and employees to report concerns about unethical behaviour. No person has been denied access to the Chairman of the audit committee. The said policy has been also put up on the website of the Company at the following link <http://www.arotile.com>
- 4 The Company has also adopted Policy on Determination of Materiality for Disclosures and Policy for Preservation of Documents. The said policy has been also put up on the website of the Company at the following link <http://www.arotile.com>
- 5 Reconciliation of share capital audit: A qualified practicing Company Secretary carried out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited ("NSDL") and the Central Depository Services (India) Limited ("CDSL") and the total issued and listed equity share capital. The audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.
- 6 Code of Conduct: The members of the board and senior management personnel have affirmed the compliance with Code applicable to them during the year ended March 31, 2019. The annual report of the Company contains a certificate by the Managing Director in terms of SEBI Listing Regulations on the compliance declarations received from Independent Directors, Non-Executive Directors and Senior Management.
- 7 Disclosure in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013:

Sl. No	Particulars	Details
1	Number of Complaints filed during the Financial Year	NIL
2	Number of Complaints disposed of during the Financial year	NIL
3	Number of complaints pending at the end of the financial year	NIL

8. Certification from Company Secretary in Practice

Latika Jetley, Practicing Company Secretary has issued a certificate as required under the Listing Regulations, confirming that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority. The Certificate is enclosed with this section as Annexure A

## 11. MEANS OF COMMUNICATION

Quarterly, Half-yearly and Annual results are normally published in the leading English newspaper, namely, Financial Express, MINT, Pioneer and Veer Arjun, having wide circulation and promptly furnished to the Stock Exchanges for display on their respective websites. The financial results are also displayed on the Company's website [www.arotile.com](http://www.arotile.com). "Management Discussion and Analysis" and 'Shareholders Information' forms part of the Annual Report.



## 12. GENERAL SHAREHOLDERS' INFORMATION

(i) **Registered Office:** 1001, 10th floor, DLF Tower 'A', Jasola, New Delhi 110025 (CIN: L74899DL1988PLC031510)

### (ii) Annual General Meeting

- (a)
- |            |   |                                                                                                                                                      |
|------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Day & Date | : | Saturday, the 31 <sup>st</sup> August 2019                                                                                                           |
| Time       | : | 10.00 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 Regulation of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, a brief resume and other particulars of the appointment of Directors retiring by rotation at the aforesaid Annual General Meeting and seeking re-appointment are being given in the Notes to Notice convening the said meeting.

### (iii) Financial Calendar (Tentative)

#### Financial Reporting

<ul style="list-style-type: none"> <li>for the quarter ending 30.06.2019</li> <li>for the quarter ending 30.09.2019</li> <li>for the quarter ending 31.12.2019</li> </ul>	Within 45 days of the end of the quarter
<ul style="list-style-type: none"> <li>for the year ending 31.03.2020 (If unaudited)</li> <li>(If audited)</li> </ul>	Within 60 days of the end of the quarter
<ul style="list-style-type: none"> <li>Annual General Meeting for the Financial Year ending 2019-20</li> </ul>	Between July and September 2020

(iv) **Date of Book Closure** : From 27.08.2019 to 31.08.2019 (both days inclusive)

(v) **Dividend Payment Date** : Before 30<sup>th</sup> September 2019

(vi) **Listing on Stock Exchange** : The Equity Shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited (NSE). Annual Listing Fee for the Financial Year 2019-20 has been paid to BSE and NSE.

(vii) **Security Code for Company's Equity Shares** : **BSE:** 513729,  
**NSE:** AROGRANITE/EQ  
**ISIN No.:** INE210C01013

### (viii) Stock Market Price Data

Month (2018-19)	Bombay Stock Exchange (BSE)		National Stock Exchange of India Limited (NSE)	
	HIGH	LOW	HIGH	LOW
APRIL 2018	63.50	55.25	64.00	55.10
MAY 2018	74.00	54.90	73.40	54.30
JUNE 2018	63.30	55.20	63.80	55.00
JULY 2018	63.00	50.50	61.35	50.00
AUGUST 2018	64.00	56.20	64.50	56.00
SEPTEMBER 2018	63.90	51.00	63.10	50.50
OCTOBER 2018	56.50	49.00	56.25	48.05
NOVEMBER 2018	58.00	50.60	57.90	51.00
DECEMBER 2018	55.90	49.40	54.85	49.15
JANUARY 2019	59.70	49.00	60.00	47.10
FEBRUARY 2019	51.95	42.05	51.85	49.45
MARCH 2019	60.35	47.35	53.90	45.40

(ix) **Distribution of Shareholding as on 31<sup>ST</sup> March 2019**

Category (No. of Shares)	No. of Equity Shares	%	No. of Shareholders	%
1-500	1358156	8.88	8600	79.66
501-1000	921233	6.02	1179	10.92
1001-5000	1785274	11.67	887	8.22
5001-10000	461116	3.01	64	0.59
10001 and above	10774221	70.42	66	0.61
<b>TOTAL</b>	<b>15300000</b>	<b>100.00</b>	<b>10796</b>	<b>100.0</b>

(x) **Shareholding Pattern as on 31<sup>ST</sup> March 2019**

Sr. No.	Shareholders	No of Shares	% of Shareholding
1	Directors & Relatives	6282856	41.06
2	Non-Residents Individuals/OCBs	225159	1.47
3	Private Corporate Bodies	981263	6.41
4	General Public	7810722	51.05
	<b>Total</b>	<b>15300000</b>	<b>100.00</b>

(xi) **Share Transfer System:**

All valid requests for transfer/transmission of Equity Shares in physical form are processed within a period of 15 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.

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

Trading in the Equity Shares of the Company is permitted only in dematerialised form. Shareholders may therefore, in their own interest, dematerialise their holdings in physical form, with any one of the Depositories namely NSDL and CDSL. The ISIN No. for Equity Shares of the Company for both the depositories is INE210C01013. As on 31st March 2019, 97.53% the Equity Shares stands dematerialised. It may be noted that in respect of shares held in demat form, all the requests for nomination, change of address, ECS, Bank Mandate and rematerialisation etc. are to be made only to the Depository Participant (DP) of the Shareholder.

(xiii) **Outstanding GDRs/ADRs/Warrants/Options or any convertible instruments, conversion date and it's likely impact on Equity:**  
There are no outstanding GDRs/ADRs/Warrants of the Company.

(xiv) **Corp. Off. & Works**

At: Koneripalli Village, Via: Shoolagiri  
Taluk: Hosur, Dist: Krishnagiri  
Tamil Nadu 635 117

(xv) **Address for Correspondence regarding share transfers and other matters**

**Aro granite industries ltd.**  
**Regd. Office**  
1001, 10<sup>th</sup>Floor  
DLF Tower 'A', Jasola  
New Delhi 110 025  
Phone No.: 91-11-41686169  
Fax No.: 91-11-26941984  
E mail: investor grievance@arotile.com

**Registrar & Transfer Agent (RTA)**  
M/s Alankit Assignments Limited  
Alankit House, 4E/2,  
Jhandewalan Extension  
New Delhi 110055  
Phone No: 91-11-23541234, 91-11-42541234  
Fax No.: 91-11-23552001  
E mail: info@alankit.com

**13. 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



# Managing Director Certification

To,  
The Board of Directors  
Aro granite industries Ltd.

1. I have reviewed Financial statements and the cash flow Statement of Aro granite industries Ltd for the financial year ended 31<sup>st</sup> March 2019 and to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material factor contain any statements that might be misleading;
  - (ii) these statements together present true and fair view of the Company's affairs and are in Compliance with the existing accounting standards, applicable Laws and regulations.
2. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. I accept the responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of the Company's internal control system pertaining to financial reporting. I have not come across any reportable deficiencies in the design or operation of such internal controls.
4. I have indicated to the Auditors and Audit Committee :
  - i. that there are no significant changes in the internal control over the financial reporting during the year;
  - ii. that there are no significant changes in accounting policies during the year; and
  - iii. that there are no instances of significant fraud of which I have become aware.

(Sunil Kumar Arora)  
Managing Director

## Annexure A: Certificate from Company Secretary in Practice

### CERTIFICATE

(Pursuant to clause 10 of Part C of Schedule V of LODR)

In pursuance of sub clause (i) of clause 10 of Part C of Schedule V of The Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015; (LODR) in respect of Aro granite industries limited (CIN: L74899DL1988PLC031510) I hereby certify that:

On the basis of the written representation/declaration received from the directors and taken on record by the Board of Directors, as on March 31, 2019, none of the directors on the board of the company has been debarred or disqualified from being appointed or continuing as director of companies by the SEBI / Ministry of Corporate Affairs or any such statutory authority.

-sd-  
Latika Jetley  
Company Secretaries  
ACS: 12120 / C.P.NO.: 3074

# Independent Auditors' Report

To the Members of ARO GRANITE INDUSTRIES LIMITED

## Report on the Financial Statements

### Opinion

We have audited the financial statements of **ARO GRANITE INDUSTRIES LIMITED** ("the Company"), which comprise the balance sheet as at March 31st 2019, and the statement of Profit and Loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and profit/loss, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on the facts and our professional judgement during the audit of financial statements of the current period, We have determined that there are no key audit matters to communicate in our report.

### Information other than the Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information. We are required to report the fact. We have nothing to report in this regard

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. That Board of Directors' are also responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonable knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would be reasonably expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and the statement of Cash Flow dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act, as amended.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **VAPS & Company**  
Chartered Accountants  
ICAI Firm Registration Number: 003612N

**Praveen Kumar Jain**  
Partner  
Membership Number: 082515

Place : Hosur  
Date : May 11, 2019

# Annexure "A" to the Independent Auditors' Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Aro Granite Industries Limited of even date)

## Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **ARO GRANITE INDUSTRIES LIMITED** ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting of future periods are subject to the risk that the internal financial control over financial reporting may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### For VAPS & COMPANY

Chartered Accountants  
ICAI Firm Registration No-003612N

### Praveen Kumar Jain

Partner  
Membership No. 82515

Hosur, May 11, 2019



## Annexure 'B' to the Independent Auditors' Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of ARO GRANITE INDUSTRIES LIMITED of even date)

- i. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets has been physically verified by the management during the year and no material discrepancies were noticed on such physical verification.
- (c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the standalone Ind AS financial statements, are held in the name of the Company.
- ii. According to the information available to us that physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies is noticed on physical verification between the physical stocks and the book records.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The company is not required to maintain cost records as per section 148(1) of the Act, hence this clause is not applicable to the company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, there had been no delays in depositing undisputed statutory dues, including income tax, employees' state insurance, provident fund, sales tax, value added tax, service tax, duty of customs, duty of excise, cess and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty, Service Tax, Value Added Tax, Cess etc. were outstanding as at 31<sup>st</sup> March, 2019 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of any statutory dues which have not been deposited on account of any undispute.
- (c) Details of dues of Income Tax, Sales Tax, Service Tax, Excise Duty and Value Added Tax which have not been deposited as at March 31, 2019 on account of dispute are given below:

Nature of the statute	Nature of dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount <sup>1</sup> Lacs
Finance Act, 1994	Service Tax Demand & Penalty	Appeals Commissioners	2012-2017	113.55 Lacs

- viii. According to the records of the Company examined by us and the information and explanation given to us, the company has not defaulted in repayment of loans or borrowings to any bank. Further, there were no dues payable to financial institution or Government or debenture holders as at Balance Sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of clause 3(ix) of that Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management. The Company has not given any guarantee for loans taken by others from bank or financial institutions.  
The Company has paid/ provided for managerial remuneration during the year in accordance with the provisions of Section 197 read with Schedule V to the Act.
- xi. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.  
The Company has entered into transactions with related parties in compliance with the provisions of Section 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Standalone Ind AS Financial Statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended).
- xii. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xvi) of the order is not applicable to the company.
- xiii. The Company has not entered into any non-cash transactions with its Directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xiv. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

### For VAPS & COMPANY

Chartered Accountants  
ICAI Firm Registration No-003612N

**Praveen Kumar Jain**  
Partner  
Membership No. 82515

Hosur, Date : May 11, 2019



# Balance Sheet as at March 31, 2019

(All amounts are in Indian Rupees unless otherwise stated)

(Rs. in Lacs)

PARTICULARS	Note	As At March 31, 2019	As At March 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	1	8,994.33	8,978.40
Capital Work-in Progress	1	2,268.70	555.17
<b>Financial Assets</b>			
Investment	2	81.48	89.65
Other Financial Assets	3	175.92	211.63
Other Non Current Assets	4	1,806.47	124.84
<b>Total Non Current Assets</b>		<b>13,326.90</b>	<b>9,959.69</b>
<b>Current assets</b>			
Inventories	5	11,846.86	10,832.35
Trade receivables	6	5,737.46	6,998.37
Cash and cash equivalents	7	1,361.92	1,131.71
Loans	8	14.73	14.09
Other Financial Assets	9	458.84	287.85
Other Current Assets	10	1,601.50	1,144.48
<b>Total Current Assets</b>		<b>21,021.31</b>	<b>20,408.85</b>
<b>Total Assets</b>		<b>34,348.21</b>	<b>30,368.54</b>
<b>Equities &amp; Liabilities</b>			
<b>Equity</b>			
Equity Share Capital	11.1	1,530.00	1,530.00
Other Equity	11.2	16,492.47	15,529.77
<b>Total Equity</b>		<b>18,022.47</b>	<b>17,059.77</b>
<b>Liabilities</b>			
<b>Non-Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	12	1,371.52	713.21
Deferred Tax Liabilities (Net)		629.72	709.67
Provisions	13	190.04	186.94
<b>Total Non Current Liabilities</b>		<b>2,191.28</b>	<b>1,609.82</b>
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	14	11,511.71	8,543.90
Trade Payables	15	1,509.08	2,307.13
Other Financial Liabilities	16	454.80	156.19
Other Current Liabilities	17	541.95	691.73
Income Tax Liabilities (net)		116.95	-
<b>Total Current Liabilities</b>		<b>14,134.49</b>	<b>11,698.95</b>
<b>Total Equity and Liabilities</b>		<b>34,348.22</b>	<b>30,368.54</b>
Statement on Significant Accounting Policies	25		

The accompanying notes form an integral part of the standalone financial statements.

As per our report of even date

for **VAPS & COMAPNY**  
FIRM REG NO. 003612N  
CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

**P. K. JAIN**  
PARTNER  
M NO. - 082515  
Place : Hosur  
Date : May 11, 2019

**SUNIL K ARORA**  
MANAGING DIRECTOR  
DIN - 00150668

**SUJATA ARORA**  
DIRECTOR  
DIN - 00112866

**S. PANIGRAHI**  
COMPANY SECRETARY  
FCS NO - 4522

**CA S BALAJI**  
CFO  
M No. - 214145



# Statement of Profit & Loss for the year ended March 31, 2019

(All amounts are in Indian Rupees unless otherwise stated)

(Rs. in Lacs)

PARTICULARS	Note	Year ended March 31, 2019	Year ended March 31, 2018
<b>Revenue</b>			
Revenue from operations	18	17,243.65	20,072.14
Other income	19	206.69	124.77
<b>Total Income</b>		<b>17,450.34</b>	<b>20,196.92</b>
<b>Expenses:</b>			
Cost of materials consumed	20	9,997.89	13,387.21
Purchases of Stock-in-Trade		315.94	244.39
Changes in Inventories of finished goods work-in-progress and Stock-in-Trade	21	(489.12)	(918.68)
Employee Benefits Expenses	22	1,347.13	1,460.87
Finance Costs	23	507.10	384.62
Depreciation and Amortization Expenses	10	825.44	865.03
Other Expenses	24	3,693.30	4,644.88
<b>Total expenses</b>		<b>16,197.68</b>	<b>20,068.32</b>
<b>Profit/(Loss) before tax before exceptional item</b>		<b>1,252.66</b>	<b>128.60</b>
<b>Tax expense:</b>			
Current tax Payable		361.71	54.02
Less : Mat Credit Entitlement		-	-
Net Current Tax Liability		361.71	54.02
Deferred tax		(80.17)	(42.75)
<b>Profit/(Loss) for the period</b>		<b>971.12</b>	<b>117.33</b>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to Profit or Loss on subsequent period			
- Items will be reclassified in Profit & Loss		(12.39)	2.67
- Income tax expenses relating to above items		3.98	0.21
<b>Total Comprehensive Income</b>		<b>962.71</b>	<b>120.21</b>
Basic and Diluted Earnings per share (equity shares, par value Rs. 10/- each)		6.29	0.79
Notes on Accounts	25		
Statement on Significant Accounting Policies			

The accompanying notes form an integral part of the standalone financial statements.

As per our report of even date

for **VAPS & COMAPNY**  
FIRM REG NO. 003612N  
CHARTERED ACCOUNTANTS

**P. K. JAIN**  
PARTNER  
M NO. - 082515  
Place : Hosur  
Date : May 11, 2019

**SUNIL K ARORA**  
MANAGING DIRECTOR  
DIN - 00150668

For and on behalf of the Board of Directors

**SUJATA ARORA**  
DIRECTOR  
DIN - 00112866

**S. PANIGRAHI**  
COMPANY SECRETARY  
FCS NO - 4522

**CA S BALAJI**  
CFO  
M No. - 214145

# Cash Flow Statement for the year ended March 31, 2019

(All amounts are in Indian Rupees unless otherwise stated)

(Rs. in Lacs)

PARTICULAR	Year ended March 31, 2019	Year ended March 31, 2018
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary item	1,252.66	128.60
<b>Adjustments for</b>		
Depreciation Provision	825.44	865.03
Loss/(Profit) on sale of assets	-	-
Interest received	(52.56)	(55.50)
Foreign currency fluctuation (Gain/Loss (unrealised))	(60.87)	243.80
Operating Profit before working capital changes	1,964.67	1,181.92
<b>Adjustment for Working Capital Changes</b>		
Decrease/(Increase) in Inventories	(1,014.52)	403.00
Decrease/(Increase) in trade receivables	1,260.91	1,228.56
Decrease/(Increase) in other current financial assets	(170.99)	115.47
Decrease/(Increase) in other current assets	(457.03)	(832.67)
Decrease/(Increase) in investment	8.17	(87.79)
Decrease/(Increase) in other non current assets	(1,681.63)	(62.49)
Decrease (Increase) in Loans	(0.63)	(10.83)
Decrease/(Increase) in other non current financial assets	35.71	(21.28)
(Decrease )Increase in Provisions	3.10	6.32
(Decrease)Increase in Income Tax Liabilities	116.94	-
(Decrease )Increase in Trade Payables	(798.06)	690.75
(Decrease )Increase in Current Liabilities	(149.77)	265.60
(Decrease )Increase in other financial Liabilities	298.61	(499.90)
<b>Cash from Operations</b>	<b>(584.52)</b>	<b>2,376.65</b>
Less : Income Tax & Other Taxes Paid (Net)	240.00	157.41
<b>Net Cash flow from operating activities</b>	<b>(824.52)</b>	<b>2,219.24</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Assets	(2,685.81)	(887.23)
Sale of assets	0.98	1.01
Interest Received	52.56	55.50
<b>Net cash flow from investing Activities</b>	<b>(2,632.26)</b>	<b>(830.71)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long term Borrowings (Secured)	658.32	(352.47)
Proceeds from Short term Borrowings (Secured)	2,967.81	(568.57)
Payment of Dividend including Dividend Tax	-	(184.15)
<b>Net Cash from financing Activities</b>	<b>3,626.13</b>	<b>(1,105.19)</b>
<b>D. NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENT</b>		
<b>Cash equivalent during the year before adjustment for foreign</b>		
Currency fluctuation (A+B+C)	169.34	283.34
Adjustment for foreign currency fluctuation (gain)/loss	60.87	(243.80)
Cash equivalent during the year after adjustment for foreign	-	-
Currency fluctuation	230.22	39.54
Cash & Cash equivalents at the beginning of the year	1,131.70	1,092.16
Cash & cash equivalent at the end of the Period	1,361.92	1,131.70

The above Standalone cash flow statement has been compiled from and is based on the audited accounts of Aro Granite Industries Ltd. for the year ended March 31, 2019 reported upon by us as on 11.05.2019 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.

As per our report of even date

for **VAPS & COMAPNY**  
FIRM REG NO. 003612N  
CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

**P. K. JAIN**  
PARTNER  
M NO. - 082515  
Place : Hosur  
Date : May 11, 2019

**SUNIL K ARORA**  
MANAGING DIRECTOR  
DIN - 00150668

**SUJATA ARORA**  
DIRECTOR  
DIN - 00112866

**S. PANIGRAHI**  
COMPANY SECRETARY  
FCS NO - 4522

**CA S BALAJI**  
CFO  
M No. - 214145



# Notes to the Financial Statements for the year ended March 31, 2019

(All amounts are in Indian Rupees unless otherwise stated)

## 1 Property Plant and Equipment

	Plant & Equipment	Buidings	Furniture & Fixtures	Office Equipment	Vehicle	Capital Work-in Progress	Land	Total
<b>Gross Block</b>								
As at April 01, 2018	9,596.48	5,220.15	49.80	90.93	426.42	555.16	306.63	16,245.57
Add : Addition	7.38	644.20	5.40	97.60	-	231.99	-	986.57
Less : Diposals	-	-	-	-	2.25	734.47	-	736.72
As at March 31, 2019	<b>9,603.86</b>	<b>5,864.35</b>	<b>55.20</b>	<b>188.52</b>	<b>424.17</b>	<b>52.68</b>	<b>306.63</b>	<b>16,495.41</b>
<b>Accumulated Depreciation</b>								
As at April 01, 2018	5,245.52	1,117.56	33.75	73.81	241.37	-	-	6,712.01
Add : Charge For the year	600.30	172.26	4.81	8.08	40.03	-	-	825.48
Less : Disposals	-	-	-	-	2.29	-	-	2.29
As at March 31, 2019	<b>5,845.82</b>	<b>1,289.82</b>	<b>38.56</b>	<b>81.89</b>	<b>279.12</b>	<b>-</b>	<b>-</b>	<b>7,535.21</b>
<b>Net Block</b>								
As at April 1, 2018	4,350.96	4,102.59	16.05	17.12	185.05	555.16	306.63	9,533.56
As at March 31, 2019	<b>3,758.04</b>	<b>4,574.54</b>	<b>16.64</b>	<b>106.63</b>	<b>145.05</b>	<b>52.68</b>	<b>306.63</b>	<b>8,960.22</b>

### 1. Property Plant and Equipment at Jaipur (B)

<b>Gross Block</b>								
As at April 1, 2018	-	-	-	-	-	-	-	-
Add : Addition	-	69.73	-	6.10	10.96	2,200.66	-	2,287.45
Less : Diposals	-	-	-	-	-	-	-	-
As at March 31, 2019	-	<b>69.73</b>	-	<b>6.10</b>	<b>10.96</b>	<b>2,200.66</b>	-	<b>2,287.45</b>
<b>Accumulated Depreciation</b>								
As at April 1, 2018	-	-	-	-	-	-	-	-
Add : Charge For the year	-	-	-	-	-	-	-	-
Less : Disposals	-	-	-	-	-	-	-	-
As at March 31, 2019	-	-	-	-	-	-	-	-
<b>Net Block</b>								
As at April 1, 2018	-	-	-	-	-	-	-	-
As at March 31, 2019	-	<b>69.73</b>	-	<b>6.10</b>	<b>10.96</b>	<b>2,200.66</b>	-	<b>2,287.45</b>

### 1. Property Plant and Equipment at Quartz Plant (C)

<b>Gross Block</b>								
As at April 1, 2018	-	-	-	-	-	-	-	-
Add : Addition	-	-	-	-	-	15.36	-	15.36
Less : Diposals	-	-	-	-	-	-	-	-
As at March 31, 2019	-	-	-	-	-	<b>15.36</b>	-	<b>15.36</b>
<b>Accumulated Depreciation</b>								
As at April 1, 2018	-	-	-	-	-	-	-	-
Add : Charge For the year	-	-	-	-	-	-	-	-
Less : Disposals	-	-	-	-	-	-	-	-
As at March 31, 2019	-	-	-	-	-	-	-	-
<b>Net Block</b>								
As at April 1, 2018	-	-	-	-	-	-	-	-
As at March 31, 2019	-	-	-	-	-	<b>15.36</b>	-	<b>15.36</b>
<b>GROSS TOTAL (A+B+C)</b>	<b>3,758.04</b>	<b>4,644.27</b>	<b>16.64</b>	<b>112.74</b>	<b>156.01</b>	<b>2,268.70</b>	<b>306.63</b>	<b>11,263.03</b>

(Rs. in Lacs)

PARTICULARS	As At March 31, 2019	As At March 31, 2018
<b>2. INVESTMENT</b>		
Investment in Equity Instrument as per FMV	11.98	6.15
Investment in Equity Shares of Tulip Renewable Powertech Pvt Ltd	69.50	83.50
Bank of Baroda - 5980 shares @ Rs. 128.80 Rs. 770224/-		
Pokarna Ltd - 2500 shares @ Rs. 171.30 Rs. 428250/-		
(6,95,000 Shares @ Rs. 10 each (At Cost) <b>(See Foot Note *)</b> )	81.48	89.65
* (The company has made investment in TRPL in line of agreement and the investment has been taken at cost i.e face value of equity share)		
<b>3. OTHER FINANCIAL ASSETS</b>		
<b>Non Current</b>		
Security Deposits (Unsecured Considered Good)	175.92	211.63
	175.92	211.63
<b>4. OTHER NON CURRENT ASSETS</b>		
<b>Non Current</b>		
Capital Advances	721.65	124.84
Prepaid Lease Rent	1,084.82	-
	1,806.47	124.84
<b>5. INVENTORIES</b>		
Raw Materials and components (Valued at Actual Cost)	1,874.71	1,451.54
Work-in-progress (Valued at Actual Cost)	564.96	533.18
Finished goods (Valued at Actual Cost)	8,087.22	7,629.88
Stores and spares (Valued at Actual Cost)	560.53	567.00
Packing Material (Valued at Actual Cost)	57.73	53.04
Consumable (Valued at Actual Cost)	701.71	597.71
	11,846.86	10,832.35
(The value of Finished Goods Aging more than three years is Rs. 1,740 Lacs out of which considering the age) the value of the same has been reduced by 10% that comes Rs. 174 Lacs and the remaining amount of Finished Goods for the age more than 3 years is Rs. 1,566 Lacs.		
<b>6. TRADE RECEIVABLES</b>		
Outstanding for a period less than six month from the date they are due for payment (Unsecured Considered Good)	4,572.04	5,785.77
Other Receivable (Unsecured Considered Good)	1,165.42	1,212.60
	5,737.46	6,998.37



(Rs. in Lacs)

PARTICULARS	As At March 31, 2019	As At March 31, 2018
<b>7. CASH AND CASH EQUIVALENTS</b>		
Balances with banks		
In current and deposit accounts	1,352.71	1,116.42
Cash in Hands	9.21	15.29
	<b>1,361.92</b>	<b>1,131.71</b>
Balance With Banks in Unpaid Dividend Accounts	19.21	21.11
Balance With Banks held as margin money deposits Against bank guarantee Letter of credit and Bill Discounting)	589.31	575.12
<b>8. LOANS</b>		
<b>Current</b>		
Unsecured Considered Good		
Loan to Employees	0.70	1.32
Security Against Rent	14.03	12.77
	<b>14.73</b>	<b>14.09</b>
<b>9. OTHER FINANCIAL ASSETS</b>		
Advances other than capital Advance (Payment to vendors for supply of Goods)	399.05	255.17
Prepaid Lease Rent	12.76	-
Prepaid Expenses	47.03	32.68
	<b>458.84</b>	<b>287.85</b>
<b>10. OTHER CURRENT ASSETS</b>		
Material In Transit & others	26.00	2.50
Interest Accrued But Not Due	-	0.47
Income Tax (Net of Taxes)	-	26.00
Service Tax/GST Receivable	1,566.68	1,046.19
VAT & Sales Tax Receivable	8.82	69.32
	<b>1,601.50</b>	<b>1,144.48</b>

(Rs. in Lacs)

PARTICULARS	As At March 31, 2019		As At March 31, 2018	
	Number	Amount	Number	Amount
<b>11.1 SHARE CAPITAL</b>				
<b>(a) AUTHORISED</b>				
1,96,00,000 (PY 1,96,00,000) equity shares of Rs. 10 each	1,96,00,000	1,960.00	1,96,00,000	1,960.00
40,000, 10% Convertible Cumulative Preference Shares (CCPS) of Rs. 100 each (PY 40,000 CCPS)	40,000	40.00	40,000	40.00
	1,96,40,000	2,000.00	1,96,40,000	2,000.00
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
1,53,00,000 Equity Shares (PY 1,53,00,000 Equity Shares) of Rs. 10 each	15,300,000	1,530.00	1,53,00,000	1,530.00
<b>Total</b>	15,300,000	1,530.00	1,53,00,000	1,530.00

**(b) Reconciliation of shares outstanding at the beginning and at the end of reporting period**

PARTICULARS	Equity Shares	
	Number	Amount
Shares outstanding at the beginning of the year	15,300,000	1,530.00
Shares Issued during the period	-	-
Shares bought back during the period	-	-
Shares outstanding at the end of the period	15,300,000	1,530.00

**(c) Shares in the company held by shareholders holding more than 5% of Shares**

Name of Shareholder	As At March 31, 2019		As At March 31, 2018	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Sunil Kumar Arora	4887540	31.95	4869315	31.83
Dilip Kumar Lakhi	1612124	10.54	1606966	10.50

**(d) Shares issued for the period of Five Years Immediately preceding the date of Balance Sheet.  
(Following disclosure should be made for each class of Shares)**

PARTICULARS	Year (Aggregate No. of Shares)				
	2018-19	2017-18	2016-17	2015-16	2014-15
Equity Shares :					
Fully paid up pursuant to contract(s) without payment being received in cash	NIL	NIL	NIL	NIL	NIL
Fully paid up by way of bonus shares	NIL	NIL	NIL	NIL	NIL
Shares bought back	NIL	NIL	NIL	NIL	NIL



(Rs. in Lacs)

PARTICULARS	Security premium reserve	Retained Earnings	General Reserve	Total equity attributable to equity holders of the Company
<b>As At March 31, 2019</b>				
Balance as at April 1, 2018	407.20	11,951.88	3,170.68	15,529.76
Profit For the Period	-	962.70	-	962.70
Closing Balance as on 31.03.2019	407.20	12,914.58	3,170.68	16,492.47
<b>As At March 31, 2018</b>				
Balance as at April 1, 2017	407.20	11,839.53	3,170.68	15,417.42
Previous Year Tax Adjustment	-	(7.87)	-	(7.87)
Profit For the Period	-	120.21	-	120.21
Closing Balance as on 31.03.2018	407.20	11,952.88	3,170.68	15,529.76

**Statement of changes in Equity for the year ended March 31, 2019****A. Equity share capital (Note-11.1)**

PARTICULARS	Balance at the beginning of the reporting period	Changes in equity share capital during the period	Balance at the end of the reporting period
For the year ended 31st March, 2018	1,530	-	1,530
For the year ended 31st March, 2019	1,530	-	1,530

**B. Other Equity (Note-11.2)**

PARTICULARS	Reserves and Surplus			Other Comprehensive Income		Total
	Securities Premium Reserve	General Reserve	Surplus	Equity Instruments through OCI	Remeasurement of defined benefit Plan & security deposit	
<b>Balance as at April 1, 2018</b>	407.20	11,951.88	3,170.68	-	-	15,529.76
Profit for the year	-	971.12	-	-	-	971.12
Other Comprehensive Income (net of tax)	-	-	-	4.13	(12.54)	(8.41)
Total Comprehensive Income for the year	-	971.12	-	4.13	(12.54)	962.72
Balance as at March 31, 2019	407.20	13,894.12	3,170.68	4.13	(12.54)	16,492.47

The above statement of changes in equity should be read in conjunction with the accompanying notes.

This is the statement of changes in equity referred to in our report of even date.

- **Securities Premium Account:** This Reserve represents the premium on issue of shares and can be utilized in accordance with the provisions of the Companies Act, 2013
- **Retained Earnings:** This Reserve represents the cumulative profits of the Company and effects of remeasurement of defined benefit obligations. This Reserve can be utilized in accordance with the provisions of the Companies Act, 2013.
- Notes referred to above and notes attached there to form an integral part of Profit & Loss Statement

This is the Statement of Changes in Equity referred to in our Report of even date.

for **VAPS & COMAPNY**

FIRM REG NO. 003612N

CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

**P. K. JAIN**

PARTNER

M NO. - 082515

Place : Hosur

Date : May 11, 2019

**SUNIL K ARORA**

MANAGING DIRECTOR

DIN - 00150668

**SUJATA ARORA**

DIRECTOR

DIN - 00112866

**S. PANIGRAHI**

COMPANY SECRETARY

FCS NO - 4522

**CA S BALAJI**

CFO

M No. - 214145



(Rs. in Lacs)

PARTICULARS	As At March 31, 2019	As At March 31, 2018
<b>12. NON - CURRENT BORROWINGS</b>		
<b>Secured borrowings at amortised cost</b>		
FCNRB- BOB A/C NO 21000600000816		
Terms of Repayment - Half Quarterly	995.48	
External Commercial Borrowing From Bank of Baroda DIFC		
Dubai (See Note No. 25 (2)(a))		
Terms of Repayment - Half Yearly	376.04	713.21
	<b>1,371.52</b>	<b>713.21</b>
<b>13. PROVISIONS</b>		
Contribution to Gratuity Fund	170.73	167.07
Contribution to Leave-encashment	19.31	19.87
	<b>190.04</b>	<b>186.94</b>
<b>14. CURRENT FINANCIAL LIABILITIES- BORROWINGS</b>		
<b>Secured borrowings at amortised cost</b>		
<b>(a) Loans repayable on demand</b>		
BOB CC Account	-	164.97
Packing Credit From BOB	10,005.76	7,342.97
Foreign Bill Discounted from BOB	913.09	680.13
(See Note No. 25 (2)(a))		
FCNRB- BOB A/C NO 21000600000816	212.00	-
Terms of Repayment - Half Quarterly		
External Commercial Borrowing From Bank of Baroda	380.86	355.83
DIFC Dubai (See Note No. 25 (2)(a))		
Terms of Repayment - Half Yearly		
	<b>11,511.71</b>	<b>8,543.90</b>
<b>15. TRADE PAYABLES</b>		
Trade Payable Outstanding more than one year	20.61	24.96
Trade Payable Outstanding Less than one year	1,488.47	2,282.17
	<b>1,509.08</b>	<b>2,307.13</b>
<b>16. OTHER CURRENT FINANCIAL LIABILITIES</b>		
Capital Creditors	386.35	39.82
Unpaid dividends	19.21	20.50
Employee Benefits	-	0.02
Contribution to Gratuity Fund	19.23	19.72
Contribution to Leave-encashment	1.71	1.88
Contribution to PF & ESI	6.57	9.84
Provision For CSR Expenses	21.73	29.56
Book Overdraft with Bank	-	34.85
	<b>454.80</b>	<b>156.19</b>
<b>17. OTHER CURRENT LIABILITIES</b>		
Statutory Dues Payable	63.06	97.69
Advance From Customers & Others	146.89	134.40
Other Expenses Payable	332.00	459.64
	<b>541.95</b>	<b>691.73</b>



# Notes to the Financial Statements for the year ended March 31, 2019

(All amounts are in Indian Rupees unless otherwise stated)

(Rs. In Lacs)

PARTICULARS	Year ended March 31, 2019	Year ended March 31, 2018
<b>18 REVENUE FROM OPERATION</b>		
Sales - Export	16,223.36	19,198.42
Sales - DTA	1,020.29	1,010.95
<b>TOTAL</b>	<b>17,243.65</b>	<b>20,209.37</b>
Less:		
Excise Duty Paid	-	137.22
	<b>17,243.65</b>	<b>20,072.14</b>
<b>19 OTHER INCOME</b>		
Interest Income	52.56	55.50
Gain On Exchange Fluctuation	60.87	
Miscellaneous Income	93.26	69.27
	<b>206.69</b>	<b>124.77</b>
<b>20 COST OF MATERIAL CONSUMED</b>		
<b>(A) Raw Material Consumption</b>		
Opening Stock	1,451.54	2,726.73
Add: Purchases	7,556.35	8,982.29
	<b>9,007.89</b>	<b>11,709.02</b>
Less: Closing Stock	1,874.71	1,451.54
	<b>7,133.18</b>	<b>10,257.48</b>
<b>(B) Consumable Consumption</b>		
Opening Stock	597.71	715.48
Add: Purchases	2,429.85	2,430.70
	<b>3,027.56</b>	<b>3,146.18</b>
Less: Closing Stock	701.71	597.71
	<b>2,325.85</b>	<b>2,548.47</b>
<b>(C) Packing Material Consumption</b>		
Opening Stock	53.04	60.08
Add: Purchases	543.55	574.22
	<b>596.59</b>	<b>634.30</b>
Less: Closing Stock	57.73	53.04
	<b>538.86</b>	<b>581.26</b>
<b>Cost of Material Consumed (A+B+C)</b>	<b>9,997.89</b>	<b>13,387.21</b>
<b>21 FINISHED GOODS &amp; WIP</b>		
Opening Stock	8,163.06	7,244.37
Closing Stock	8,652.18	8,163.06
	<b>(489.12)</b>	<b>(918.68)</b>
<b>22 EMPLOYEE BENEFIT EXPENSES</b>		
Salaries Wages & Bonus	1,031.66	1,060.77
Contribution to Provident and Other Funds	58.73	64.34
Staff Welfare Expenses	133.27	144.67
Managerial Remuneration	123.47	191.09
	<b>1,347.13</b>	<b>1,460.87</b>

(Rs. In Lacs)

PARTICULARS	Year ended March 31, 2019	Year ended March 31, 2018
<b>23 FINANCE COST</b>		
Bank Charges & Interest	119.99	87.43
Packing Credit	312.29	237.37
Cash Credit	30.35	23.38
Foreign Bills Discounted / Purchases	44.47	36.44
	<b>507.10</b>	<b>384.62</b>
<b>24 OTHER EXPENSES</b>		
Advertisement & Publicity	10.33	3.41
Auditors Remuneration		
- Auditor's Fee	5.60	5.20
- Tax Audit Fee	2.60	1.60
- Other Management Services	-	0.70
Bad Debts W/off	3.43	-
CSR Activity Expenses	16.32	28.39
Commission	0.39	1.10
Donation	-	0.35
Freight and Forwarding Charges	798.96	1,000.67
Insurance Expenses	68.82	75.78
Loss on Exchange Fluctuation	-	243.80
Legal Expenses	11.21	8.05
Membership & Subscription	9.37	3.10
Miscellaneous Expenses	5.42	3.41
Other Manufacturing Expenses	605.41	802.04
Printing & Stationery	14.30	17.13
Prior Period Expenses	-	0.15
Power & Fuel	833.95	931.02
Professional Service Charges	66.96	68.59
Rent Paid	13.59	7.33
Rates & Taxes	43.66	32.08
Custom Duty on Domestic Sales	24.38	-
Rebate & Discount	110.46	176.36
Repairs to Buildings	48.24	47.13
Repair to Plant & Machinery	170.93	194.75
Repair & Maintenance		
- Electricals	11.86	12.92
- Vehicles	100.36	101.23
- Others	54.58	56.03
Sales Promotion	118.58	199.31
Security Service Charges	46.62	63.47
Stores & Spares Consumptions	285.48	346.10
Telephone & Telex	30.03	38.62
Travelling & Conveyance		
- Employees (Foreign Travel - 2.89 Lacs) (P.Y. 11.23 Lacs)	93.25	86.97
- Director (Foreign Travel - 82.60 Lacs) (P.Y. 84.06 Lacs)	88.21	88.09
	<b>3,693.30</b>	<b>4,644.88</b>



## NOTE - 25

### I. Significant Accounting Policies

#### 25.1 BASIS OF PREPARATION

The financial statements for the period ended March 31, 2019 have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The financial statements are presented in Indian Rupees (Rs.) and all values are rounded off to the nearest Rupees, except whether otherwise indicated.

These financial statements have been prepared on a going concern basis. Refer Note No. 25(2)(s) for information on the Company's adoption of Ind AS.

#### 25.2 CURRENT VERSUS NON-CURRENT CLASSIFICATION

All assets and liabilities have been classified as current or non-current as per Company's normal operating cycles and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has determined its operating cycle as twelve months for the purpose of current-non-current classification of assets and liabilities.

#### 25.3 PROPERTY PLANT & EQUIPMENT

Property, plant and equipment held for use in the production or supply or administrative purposes, are stated in the balance sheet at cost (net of duty/tax credit availed) less accumulated depreciation.

Properties in the course of construction for production, supply or administrative purpose are carried at cost. Cost includes professional fees and for qualifying assets, borrowing Costs capitalized in accordance with the Company's accounting policy. Such properties classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their use

The Company has elected to continue with the carrying value of all of its property, plant and equipment recognized so as of April 1, 2016 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

#### 25.4 DEPRECIATION

Depreciation on fixed assets has been provided on Straight Line Method (SLM) basis on the rates specified in schedule II of the companies Act, 2013, as applicable on the last date of the accounting period. The useful life of assets has been used as per Schedule – II of the companies Act, 2013.

#### 25.5 INVENTORIES

Inventories are valued at the lower of the cost or net realizable value. The cost of the inventories is assigned by using At Cost 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.

#### 25.6 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the company are segregated.

#### 25.7 REVENUE RECOGNITION

The Company follows Mercantile System of Accounting and recognizes income and expenditure on accrual basis.

#### 25.8 FOREIGN CURRENCY TRANSACTION

Transaction denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transactions.

The 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.

#### 25.9 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.

## 25.10 PROPOSED DIVIDEND

The Board of Director of the company has recommended dividend at Re. 1/- per share during the year covered our audit.

## 25.11 CONTINGENT LIABILITIES

Contingent liabilities are not provided and are disclosed by way of notes.

## 25.12 RETIREMENT BENEFITS

The Company's contribution in respect of Provident Fund is charged against revenue every year.

In respect of Gratuity, the Company provides the gratuity amount based on the respective employees salary and the tenure of employment with the Company. Liabilities with regard to the Gratuity are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and Losses through re-measurement of the net defined benefit liability/(asset) are recognized in other comprehensive income and profit and loss account.

In respect of Leave encashment Gains and Losses through re-measurement of the net defined benefit liability/(asset) are recognized in other comprehensive income and profit and loss account.

## 25.13 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.

## 25.14 CORPORATE SOCIAL RESPONSIBILITY

As per section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The CSR activities undertaken by the company is to provide healthcare facilities by establishing rural health centre for the residents of all the villages surrounding the factory. A CSR committee has been formed by the company as per the Act. The funds were primarily allocated on providing the health care facilities which are specified in Schedule VII of the Companies Act, 2013. During the year company has provided Rs.16.32 Lacs for CSR expenses and expended Rs. 28.39 Lacs for the year ended 31.03.2018

## II. NOTES TO ACCOUNTS

### a) **DETAIL OF SECURITIES AGAINST SHORT TERM & LONG TERM BORROWINGS (Refer Note 12 and 14)**

#### (A) **Working Capital from Bank of Baroda - Secured by way of the following :-**

- (i) Charge on the entire Current Assets of the Company.
- (ii) Charge on the whole of Movable Fixed Assets of the Company, both present and future.
- (iii) Charge on the Company's immovable properties including land admeasuring 10.84 acres and building situated at Kamandoddi Village, Hosur Taluk, Distt. Shoolagiri, Tamil Nadu.
- (iv) Charge on the Company's immovable properties situated at Village: Nallaganakothapalli Taluk: Hosur, Distt: Krishnagiri, Tamil Nadu.
- (v) Pledge of FDR worth Rs. 2.50 Crores equivalent to 10% of FBP limit in lieu of waiver of buyer wise ECGC cover; and
- (vi) Joint and Several personal guarantees of (1) Mr. Sunil K.Arora and (2)Mrs. Sujata Arora.

#### (B) **EXTERNAL COMMERCIAL BORROWINGS from Bank of Baroda DIFC Dubai is secured by way of the following :-**

- (i) Charge over all entire fixed assets of the Company (present and future) including land and building at Nallaganakothapalli village in Hosur Taluk, Krishnagiri District.
- (ii) Charge on all current assets of the Company
- (iii) Charge over DSRA to be maintained for one quarter interest and one installment of the facility
- (iv) Pledge of FDR i.e. Rs. 2.50 Crores maintained by Company with Bank of Baroda, International Business Branch, 1st Floor, BOB Building, 16 Sansad Marg, New Delhi 110001
- (v) Charge on the property in the name of company including land admeasuring 10.84 acres and building situated at Kamanadoddi Village, Hosur Taluk, District Shoolagiri, Tamil Nadu.

- b) i. Bills of Exchange Discounted Rs. 913.09 Lacs (PY- Rs. 680.13 Lacs)
- ii. Guarantee & counter guarantee outstanding – Rs. 9.61 Lacs (PY – Rs. 9.61 Lacs)
- iii. Letter of Credit – Rs.1901.50 Lacs (PY – Rs. 348.06 Lacs)



c) In compliance with IND AS – 12 – Income taxes 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 up to 31<sup>st</sup> March, 2019 with the Balance of Deferred Tax Liability (Net) accruing during the year aggregating to Rs.80.17 Lacs (PY Rs.42.75 Lacs) has been recognized in the Profit and Loss Account.

d) Major components of deferred tax assets and liabilities arising on account of timing difference are:

	Assets (Rs. in lacs)	Liabilities (Rs. in lacs)
Depreciation	Nil PY – Nil	69.94 PY – 778.62
Provision for Gratuity & Earned Leave	61.44 PY-68.95	Nil PY – Nil

e) As per IND AS - 24 – Related party disclosures, the disclosure of transactions with the related parties are given below:

i. List of related parties where control exists and related parties with whom transactions have taken place and nature of relationship:

S.No.	Name of the related party	Nature of Relationship
1.	Mr. Sunil Kumar Arora	Key managerial personnel
2.	Mr. K. Raghavendra	Key managerial personnel
3.	Mrs. Sujata Arora	Key managerial personnel
4.	Mr. Sahil Arora	Key managerial personnel
5.	Mrs. Shivani Arora	Relative of Key managerial personnel
6.	Aro Granite International Inc., USA	Relative of Key managerial personnel

ii. Transactions during the financial year with the related parties:

S. No.	Nature of transaction	Nature of relationship	2018-19 (Rs. in lacs)	2017-18 (Rs. in lacs)
1.	Revenue from Operations	Relative of Key Managerial Personnel	711.56	1085.79
2.	Remuneration to Key Managerial Personnel/relative of key managerial personnel	Key Managerial Personnel/relative of Key managerial personnel	214.33	207.79

iii. Disclosure in respect of major related party transactions during the year:

S. No.	Particulars	Name of the Related Party	2018-19 (Rs. in lacs)	2017-18 (Rs. in lacs)
1.	Revenue from Operations	Aro Granite International Inc., USA	711.56	1085.79
2.	Payments to Key Managerial Personnel/relative	Sunil Kumar Arora	165.54	164.88
3.	Payments to Key Managerial Personnel/relative	K. Raghavendra	15.84	15.84
4.	Payments to Key Managerial Personnel/relative	Sahil Arora	22.81	18.45
5.	Payments to Key Managerial Personnel/relative	Sujata Arora	1.50	1.50
6.	Payments to Key Managerial Personnel/relative	Shivani Arora	8.64	8.62

f) Basic Earnings per share (EPS) as per Ind As-33

	2018-19	2017-18
Earnings Per Share – Basic	6.29	0.79
Earnings Per Share – Basic	6.29	0.79

- g) The company is into the business of Granite tiles and Slabs on which company has the 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 IndAS – 108 on Operating Segments issued by the Institute of Chartered Accountants of India.
- h) There are no Small Scale undertakings to which the company owes, for more than 45 days and exceeding an amount of Rupees One Lac.

i) **Director's remuneration:**

	2018-19 (Rs. in lacs)	2017-18 (Rs. in lacs)
I. Salary	139.85	130.96
II. Rent Free Accommodation/HRA	64.33	60.13
III. Commission	0.00	0.00

j) **Director's Travelling**

	2018-19 (Rs. in lacs)	2017-18 (Rs. in lacs)
I. Local	5.61	4.03
II. Foreign	82.60	84.06

k) **Additional Information related to Quantitative Details**

I. Licensed & Installed Capacity and Actual Production:

Class of Goods	Unit of Measurement	Licensed Capacity		Installed Capacity		Production	
		2019	2018	2019	2018	2019	2018
Slab Plant Granite Slabs	Square Meters	7,35,000	7,35,000	5,85,000	5,85,000	3,46,387	4,50,643
Tile Plant Granite Slabs	Square Meters	3,60,000	3,60,000	3,60,000	3,60,000	1,45,766	1,43,961

(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. Meters)		(Rs. In lacs)	
	Year Ended 31.03.2019	Year Ended 31.03.2018	Year Ended 31.03.2019	Year Ended 31.03.2018
Slab Plant	3,23,338	4,24,552	13,665.45	16,812.29
Tile Plant	1,45,487	1,44,225	3,578.20	3,259.86

l) **Details of Finished Goods**

Class of Goods	(Quantity in Sq. Meters)		(Rs. In lacs)	
	Year Ended 31.03.2019	Year Ended 31.03.2018	Year Ended 31.03.2019	Year Ended 31.03.2018
i. Details of Opening Stock:				
- Slab Plant	2,92,748	2,66,657	6,077.95	5,220.26
- Tile Plant	1,12,230	1,12,494	1,385.28	1,411.39
ii. Details of Closing Stock:				
- Slab Plant	3,15,797	2,92,748	6,614.86	6,077.95
- Tile Plant	1,12,509	1,12,230	1,472.36	1,385.28



m) Details of Raw Materials Consumed During the Year:

	Cubic Meter		(Rs. In lacs)	
	Year Ended 31.03.2019	Year Ended 31.03.2018	Year Ended 31.03.2019	Year Ended 31.03.2018
<b>SLAB PLANT</b>				
- Indigenous	8,682.241	12,573.948	4,186.71	6,979.92
- Imported	1,460.074	2,116.677	1,755.74	2,146.99
- Stores, Spares, Consumables & Packing				
a. Imported			1,272.25	1,361.30
b. Indigenous			1,178.80	1,435.08
<b>TILE PLANT</b>				
- Indigenous	3,014.725	3,019.935	977.86	982.68
- Imported	194.507	183.673	212.87	147.88
- Stores, Spares, Consumables & Packing				
a. Imported			90.82	80.62
b. Indigenous			608.31	598.83

n) Earnings in Foreign Exchange:

	Year ended 31.03.2019 (Rs. in lacs)	Year ended 31.03.2018 (Rs. in lacs)
Export of Goods (FOB)	15,983.36	19,198.42

o) Expenditure in Foreign Currency:

	Year ended 31.03.2019 (Rs. in lacs)		Year ended 31.03.2018 (Rs. in lacs)	
Value of Imports (CIF)				
Capital Goods	677.13	19.57%	433.85	13.85%
Raw Materials	1,139.42	32.92%	1,030.85	32.91%
Consumables	1,287.83	37.21%	1,302.12	41.57%
Stores & Spares	286.70	8.28%	270.25	8.63%
Overseas Business Travelling	49.68	1.44%	70.48	2.25%
Other Expenses	20.12	0.58%	24.95	0.79%

p) Expenditure in Foreign Currency:

	Year ended 31.03.2019 (Rs. in lacs) Excluding GST	Year ended 31.03.2018 (Rs. in lacs) Excluding GST
Statutory Audit Fees	5.60	5.20
Tax Audit Fees	2.60	1.60
Other Management Services	0.00	0.70
	8.20	7.50

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

r) Figures shown in bracket are related to Previous year in the financial statement and are in INR (In Lacs)

for **VAPS & COMAPNY**  
FIRM REG NO. 003612N  
CHARTERED ACCOUNTANTS

**P. K. JAIN**  
PARTNER  
M NO. - 082515  
Place : Hosur  
Date : May 11, 2019

**SUNIL K ARORA**  
MANAGING DIRECTOR  
DIN - 00150668

For and on behalf of the Board of Directors

**SUJATA ARORA**  
DIRECTOR  
DIN - 00112866

**S. PANIGRAHI**  
COMPANY SECRETARY  
FCS NO - 4522

**CA S BALAJI**  
CFO  
M No. - 214145







# Aro granite industries ltd.

(CIN: L74899DL1988PLC031510)

1001, 10th Floor, DLF Tower 'A', Jasola, New Delhi - 110025

Phone: 91-11-41686169, Fax: 91-11-26941984

Website: www.arotile.com, E-mail: investorgrievance@arotile.com

## ATTENDANCE SLIP

Folio No. / DP ID / Client ID #	
No. of Equity Shares held	

I/We hereby record my/our presence at the 31st Annual General Meeting of the Company being held at Lakshmiapat Singhania Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 on Saturday, the 31st August 2019 at 10.00 A.M.

Name of the Shareholder (in block letters)
Name of Proxy / Authorised Representative attending* (in block letters)

Signature of the attending Shareholder/Proxy/Authorised Representative\*

**Note:** Please produce this attendance Slip duly filled and signed at the entrance of the meeting hall. Shareholders intending to appoint a proxy may use the proxy form given below.

#Applicable for shareholders holding shares in dematerialisation form

\*Strike out which is not applicable

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## PROXY FORM

Name of the member(s):	
Registered Address:	
E-Mail ID:	
Folio No./DPID/Client ID:	

I/We ..... being the member(s) of Aro granite industries limited, holding ..... shares hereby appoint :

(1) Name: \_\_\_\_\_ Address: \_\_\_\_\_

E Mail ID: \_\_\_\_\_ Signature: \_\_\_\_\_ or failing him/her;

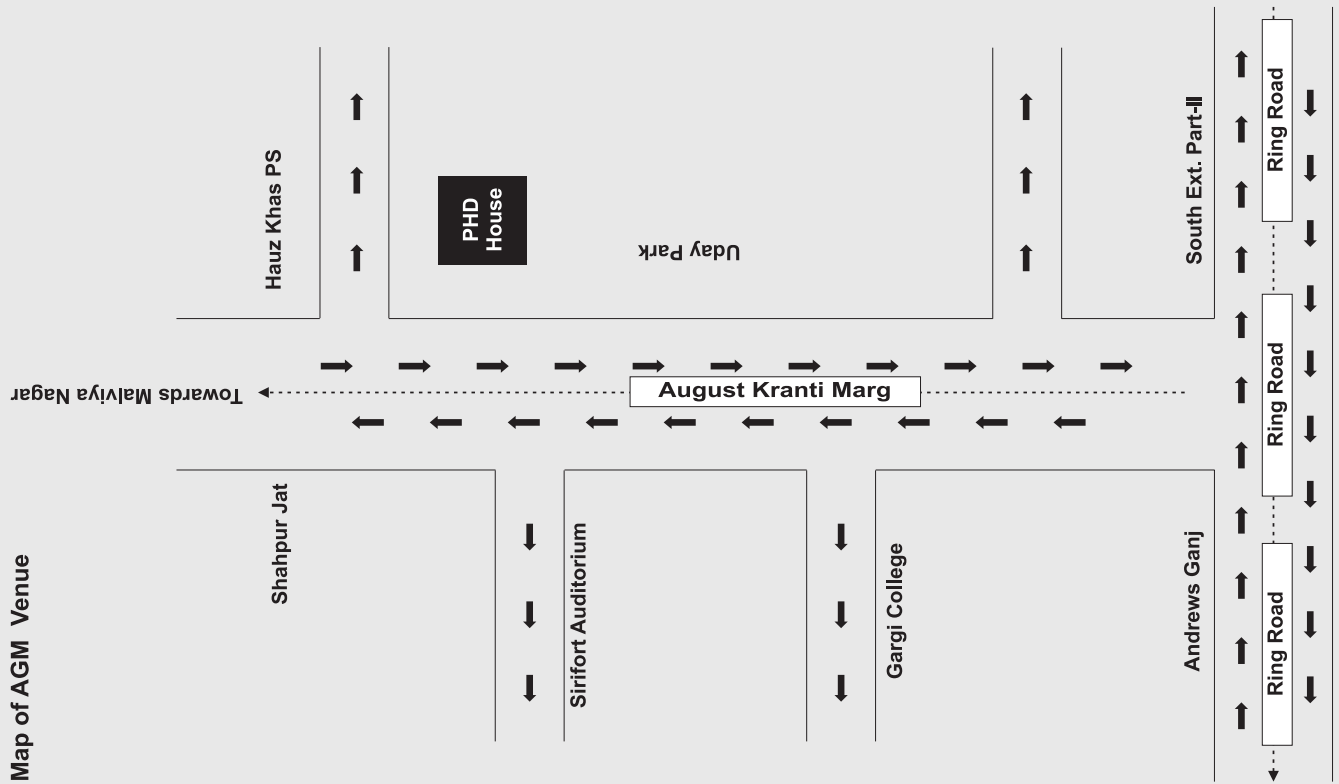
(2) Name: \_\_\_\_\_ Address: \_\_\_\_\_

E Mail ID: \_\_\_\_\_ Signature: \_\_\_\_\_ or failing him/her;

(3) Name: \_\_\_\_\_ Address: \_\_\_\_\_

E Mail ID: \_\_\_\_\_ Signature: \_\_\_\_\_ or failing him/her;

as my/ our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Saturday, the 31st August 2019 at 10.00 A.M. at Lakshmiapat Singhania Auditorium, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 and at any adjournment thereof in respect of the resolutions as are indicated overleaf:



Resolution Number	Resolution
<b>ORDINARY BUSINESS</b>	
1	Adoption of Audited Financial Statements for the year ended 31st March 2019.
2	To Declare Dividend.
3	Appointment of Smt. Sujata Arora, Director who retires by rotation and being eligible offers herself for re-appointment.
<b>SPECIAL BUSINESS</b>	
4	Remuneration for the Managing Director for the remaining two years of the current term
5	Ratification and confirmation of waiver of recovery of excess remuneration
6	Renewal to the payment of remuneration of the Managing Director
7	Re-appointment of Shri Dinesh Chandra Kothari as the Independent Director of the Company.
8	Re-appointment of Shri Rahul Gupta as the Independent Director of the Company.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2019

Signature of Shareholder

Signature of Proxy holder(s)

Affix  
revenue  
stamp

**Notes:**

- 1 This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company at 1001, 10th Floor, DLF Tower 'A', Jasola, New Delhi - 110025, not less than 48 hours before the commencement of the Meeting.
- 2 It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.





***Aro granite industries ltd.***

(100% Export Oriented Unit)

Tel: 91-4344 252100

Fax: 91-4344 252217

Email: [aro@arotile.com](mailto:aro@arotile.com)

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