

Directors' Report

The Directors' have pleasure in presenting the 30th Annual Report together with Audited Accounts of the Company for the year ended on 31st March 2018.

FINANCIAL RESULTS

(Rs. in lacs)

| | 31.03.2018 | 31.03.2017 |
|---------------------------------------|------------|------------|
| Gross Profit before Depreciation | 993.63 | 2547.88 |
| Depreciation | 865.03 | 909.55 |
| Profit before Tax | 128.60 | 1638.33 |
| Provision for Tax | - | - |
| Current | 54.02 | 640.21 |
| - MAT Credit | - | 243.94 |
| - Deferred | (42.75) | (20.25) |
| Surplus available for appropriation | 117.33 | 1262.31 |
| Dividend (including Dividend Tax) | - | 184.15 |
| Amount transferred to General Reserve | - | 200.00 |
| Surplus carried to Balance Sheet | 112.35 | 878.16 |

WORKING RESULTS

Financial year 2017-18 was a tough year with many macro headwinds impacting the operational performance of the Company. The revenue of your Company declined by 15.89% from Rs.238.65 Cr in FY16-17 to Rs. 200.72Cr in FY17-18. The profitability of the Company was also impacted, with its EBITDA declining by 55.08% from Rs.30.68 Cr in FY16-17 to Rs.13.78 Cr in FY17-18. Our Net Profit declined from Rs 12.62 Cr in FY16-17 to Rs 1.17 Cr in FY17-18. We commenced commercial production from our 72 wire - Multi Wire which has enabled us to enter the high value market of Quartzite's. These quartzite have a lower level of competition where focus is more on Quality than Price. Due to the Cash Flow crunch caused by the delayed refunds of Input Credit in the GST regime, we are taking several steps into our cash flow management, the effect of which will be seen in FY 2018-19. Our Cut to Size division is picking up with over 40 projects being completed during the year. This will help us further in the coming years as our reputation in this line grows.

Though the Industry is going through its most difficult time in over three years, we have been able to maintain above industry average sales and that is largely due to the success of our new warehouse. The 11,000sqm showroom enables us to display all our stocks which helps us make sales even better in these difficult times.

DIVIDEND

In view of the lower profitability, the Board of Directors of the Company has not recommended any Dividend for the year 2017-18.

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.

DIRECTORS

During the year Shri Sahil Arora (DIN 07970622) appointed as an Additional Director with the Designation of Whole Time Director for the period of three years with effect from 01.11.2017. Shri Sundareshwara G. Sastry (DIN 00165762) appointed as an Independent Director for a period of Five years with effect from 28.10.2017.

Shri Kanwaljit Singh, Independent Director resigned from Board of Directors of the Company with effect from 16th November 2017. The Board records its appreciations for the valuable services contributed by him.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 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. 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 2017-18 to conduct the Secretarial Audit. The Secretarial Audit Report for the year 2017-18 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 2017-2018.

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 2017-18 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.

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 31st March 2018.

Employed throughout the financial year, ended 31st March 2018 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 | 59 Years | B.Sc | 31 Years | 03.05.1988 | Managing Director | 16488088 | 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:

1. 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 | 659.392 |
| 2 | Shri Sundareshwara G Sastry | 3.999 |
| 3 | Shri Dinesh Chandra Kothari | 2.599 |
| 4 | Shri Rahul Gupta | 8.798 |
| 5 | Smt. Sujata Arora | 5.999 |
| 6 | Shri K Raghavendra Acharya, Executive Director | 63.333 |
| 7 | Smt. Vanita Sood | 7.998 |
| 8 | Shri Sahil Arora | 35.993 |

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 | -3.46 |
| 2 | Shri Dinesh Chandra Kothari | 44.44 |
| 3 | Shri Rahul Gupta | 15.79 |
| 4 | Smt. Sujata Arora | -86.82 |
| 5 | Shri K Raghavendra Acharya, Executive Director | 4.14 |
| 6 | Smt. Vanita Sood | 1.00 |
| 7 | Shri Sabyasachi Panigrahi, Company Secretary | 4.14 |
| 8 | Shri S Sundara Rajan, CFO | 4.14 |

3. The percentage increase in the median remuneration of employees in the financial year: (-) 14.17.
4. The number of permanent employees on the roll of Company: 137
5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the financial year ended 31st March 2018 was 7.00%.
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 2018-2019 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: 21.04.2018

Sunil K Arora
Managing Director

Sujata Arora
Director