

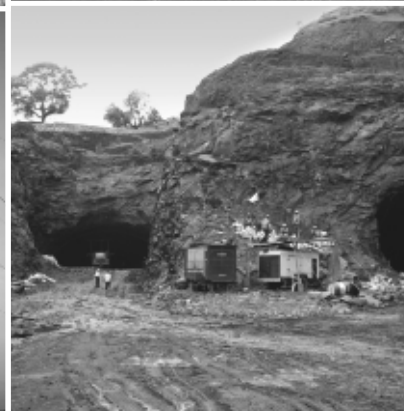


MADHUCON

MADHUCON

PROJECTS LIMITED

AN ISO - 9001 : 2008 COMPANY



20th
Annual Report
2009 - 2010

Contents:

	Page No.
Board of Directors	2
Notice	3
Directors Report	13
Report on Corporate Governance	23
Auditors Report	44
Balance Sheet	48
Profit and Loss Account	49
Schedules	50
Cash Flow Statement	56
Accounting Policies and Notes	57
Balance Sheet Abstract	66
Consolidated Financial Statement	69
Attendance Slip and Proxy Form	91

Forward Looking Statement

This Annual Report contains statements that constitute forward looking information to enable investors to take informed investment decisions. This report and statement represent anticipated results based on management plans, judgments, and future expectations concerning the development of our business. The achievement of results is subject to risks, market conditions, governmental and regulatory policies, technological developments, legislative developments and other factors. The actual developments and results differ from our expectations.

Madhucon Projects Limited undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or other circumstances.





MADHUCON PROJECTS LIMITED

**20TH ANNUAL REPORT
2009 - 2010**



BOARD OF DIRECTORS

N. Seethaiah

Managing Director

S. Vaikuntanathan

Whole-time Director

K. Srinivasa Rao

Non-Executive Director

C. Venkateswara Rao

Independent Director

P. Madhava Rao

Independent Director

Company Secretary

E.N. Viswanath

AUDITORS

M/s Kota & Company

Chartered Accountants

H.No.331, Arora Colony - 2

Road No.3, Banjara Hills

Hyderabad - 500 034.

REGISTERED OFFICE

Madhu Complex, 1-7-70

Jublipura, Khammam - 507 003.

CORPORATE OFFICE

Madhucon House, Plot No.1129/A

Road No. 36, Jubilee Hills

Hyderabad - 500 033.

REGISTRAR & SHARE TRANSFER AGENTS

Sathguru Management Consultants Pvt. Ltd.

Plot No.15, Hindi Nagar, Punjagutta

Hyderabad - 500 034.

BANKERS

Canara Bank

Standard Chartered Bank

ICICI Bank Limited

Oriental Bank of Commerce

HDFC Bank Ltd.

Bank of Bahrain & Kuwait BSC

State Bank of India

IDBI Bank Ltd.

United Bank of India

AXIS Bank Ltd.

IndusInd Bank Ltd.

Bank of India



NOTICE

To

The Members,

Madhucon Projects Limited

Notice is hereby given that the 20th Annual General Meeting of Madhucon Projects Limited will be held on Thursday, the 30th September, 2010 at 3.00 PM at the Registered Office of the Company situated at "Madhu Complex, 1-7-70, Jublipura, Khammam - 507 003, Andhra Pradesh to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date together with the Report of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Sri. K.Srinivasa Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To declare dividend on the equity shares of the company.
4. To appoint Auditors and to fix their remuneration.

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT in accordance with the provisions of section 224 and other applicable provisions of the Companies Act, 1956 including the amendment thereof, if any, M/s. Kota & Company, Chartered Accountants, Hyderabad be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration including out of pocket and incidental expenses as may be determined by the Board of Directors of the Company".

SPECIAL BUSINESS:

5. **To re-appoint Sri N. Seethaiah as Managing Director of the company and to fix his remuneration.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII including modification and amendment thereto and other applicable provisions, if any, of the Companies Act, 1956 and on recommendations of Remuneration Committee and subject to the approval of members of the Company and such other approvals as may be required, consent of the members be and is hereby accorded to the re-appointment of Sri. N. Seethaiah as Managing Director of the Company for a period of 3 (three) years with effect from 1st May, 2010 on a monthly remuneration of Rs.5,00,000/- (Rupees Five lakhs only) (inclusive of all allowances & perquisites)".

"RESOLVED FURTHER THAT the Board of Directors of the Company or any director/officer of the company as may be delegated/authorized by the Board of Directors be and is hereby authorized to take such steps from time to time as may be necessary including supplementary or consequential to give effect to the above resolution".



6. **To increase the authorised share capital of the company:**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs. 16,00,00,000 (Rupees Sixteen Crores only) divided into 11,00,00,000 (Eleven Crores) Equity Shares of Re. 1/- each aggregating to Rs.11,00,00,000 (Rupees Eleven Crores) and 5,00,000 (Five Lakhs) Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 5,00,00,000 (Rupees Five Crores) **to** Rs. 50,00,00,000 (Rupees Fifty Crores only) divided into 30,00,00,000 (Thirty Crores) Equity Shares of Re. 1/- each aggregating to Rs. 30,00,00,000 (Rupees Thirty Crores Only) and 20,00,000 (Twenty Lakhs) Redeemable Preference Shares of Rs.100/- each aggregating to Rs. 20,00,00,000 (Rupees Twenty Crores Only) subject to the condition that the new equity shares shall rank pari passu with the existing Equity Shares of the Company”.

7. **To amend capital clause in the Memorandum of Association:**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be substituted with the following new clause”.

The Authorised Share Capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided into 30,00,00,000 (Thirty Crores) Equity Shares of Re. 1/- each aggregating to Rs. 30,00,00,000 (Rupees Thirty Crores Only) and 20,00,000 (Twenty Lakhs) Redeemable Preference Shares of Rs.100/- each aggregating to Rs.20,00,00,000 (Rupees Twenty Crores Only).

The Company will have the right to increase or reduce the Capital and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special rights, privilege or conditions of such manner, as may for the time be provided by the Companies Act, 1956 or provided by the Regulations of the Company for the time being.

8. **To amend capital clause in the Articles of Association:**

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

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 4 of the Articles of Association of the Company be substituted with the following clause”.

“That Authorised Share Capital of the Company is Rs.50,00,00,000/- (Rupees Fifty Crores only) comprised of:

30,00,00,000 Equity Shares of Re.1/- each (Rupee one only) - Rs.30,00,00,000/- (Rupees Thirty Crores only)
20,00,000 Redeemable Preference Shares of Rs.100/- (Rupees One hundred only) each - Rs.20,00,00,000/- (Rupees Twenty Crores only).

9. **To increase the Borrowing Limits and creation of Charge/Mortgage:**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT in supersession to the earlier resolution passed by the members of the Company at 16th Annual General Meeting held on 19th August, 2006 concerning borrowing powers, consent of the members



of the Company be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the 'Board,' which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution) in pursuance of the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) for borrowing from time to time such sum(s) of money in any manner, either in Rupee Currency and / or in Foreign Currency, including Foreign Currency Convertible Bonds or any other financial instruments with or without security and on such terms and conditions as the Board may in its absolute discretion deem fit, notwithstanding the fact that the moneys to be so borrowed together with the moneys already borrowed by the Company (apart from temporary loans from the Company's Banker's in the ordinary course of business) may exceed the aggregate for the time being of the Paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of the moneys to be so borrowed by the Company together with the moneys already borrowed (apart from temporary loans obtained from the Company's banker's in the ordinary course of business) and outstanding at any time shall not exceed the sum of Rs. 5000 Crores (Rupees Five Thousand Crores only)".

"RESOLVED FURTHER THAT pursuant to Section 293 (1) (a) of the Companies Act, 1956, the Board of Directors of the company be and are hereby authorized to mortgage and/or charge all the present and future immovable and movable properties of the company in favour of the Banks and financial institutions for the purpose of securing such borrowings up to a limit of Rs.5000 Crores (Rupees Five Thousand Crores Only) outstanding at any time including the interest thereon".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution".

10. **To Issue further securities:**

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

"RESOLVED THAT in accordance with Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), as also provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI Regulations"), the provisions of the Foreign Exchange Management Act, 1999 and rules and regulations made there under, including the Foreign Exchange Management (Transfer and Issue of Securities by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and rules and regulations made there under, if applicable, any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and applicable guidelines/regulations prescribed by the Securities and Exchange Board of India ("SEBI") and/or Reserve Bank of India ("RBI") and/or any other regulatory/statutory authority and clarifications thereon issued from time to time, whether in India or abroad, and enabling provisions in the Memorandum and Articles of Association of the Company and Listing Agreements, entered into by the Company with the stock exchanges where the shares of the Company are listed and subject to the approvals, consents, permissions and/or sanctions of, if applicable including but not limited to, Government of India, RBI, SEBI, Foreign Investment Promotion Board ("FIPB") and/or all other authorities, institutions or bodies, within or outside India, (hereinafter collectively referred to as appropriate authorities) and subject to such terms, alterations, conditions, changes, variations and/or modifications as may be prescribed by any of them while granting such approval (hereinafter referred



to as requisite approvals) and as agreed to by the Board of Directors ("Board", which term shall be deemed to include any Committee which the Board may have constituted or may hereinafter constitute to exercise its powers including the powers conferred on the Board by this resolution) the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot in one or more tranche(s), in the course of domestic or international offerings or qualified institutional placements, with or without an over-allotment / green shoe option, in one or more foreign markets or domestic markets, to domestic institutions, foreign institutions, non-resident Indians, Indian public companies, corporate bodies, mutual funds, banks, insurance companies, pension funds, individuals, qualified institutional buyers or other persons or entities, whether shareholders of the Company or not, through a public issue and/or on a private placement basis and/or qualified institutional placement within the meaning of SEBI Regulations and/or a preferential issue and/or any other kind of public issue and/or private placement, with or without an over-allotment/green shoe option, equity shares, preference shares, secured or unsecured debentures, bonds, warrants or any other securities whether convertible into equity shares or not, including, but not limited to, Compulsorily Convertible Preference Shares ("CCPS") and/or Optionally Convertible Preference Shares ("OCPS") and/or Partially Convertible Preference Shares ("PCPS") and/or Non Convertible Preference Shares ("NCPS") and / or Foreign Currency Convertible Bonds ("FCCBs") and / or Non Convertible Debentures ("NCDs") with or without attached share warrants and / or Partly Convertible Debentures ("PCDs") and / or Optionally Convertible Debentures ("OCDs") and / or Fully Convertible Debentures ("FCDs") and / or bonds with share warrants attached which are convertible into or exchangeable with equity shares and / or Global Depositary Receipts ("GDRs") and / or American Depositary Receipts ("ADRs") or any other equity related instrument of the Company or a combination of the foregoing including but not limited to a combination of equity shares with bonds and/or any other securities whether convertible into equity shares or not as may be permitted by law (hereinafter referred to as "securities"), whether secured or unsecured, to be listed on any stock exchange in India or any foreign/international stock exchange outside India if required, through an offer document and/or prospectus and/or offer letter, and/or offering circular, and/or on public and/or private or preferential basis, whether rupee denominated or denominated in foreign currency, provided that the aggregate of the sums so raised, including premium, if any, shall not exceed Rs.500 Crores (Rupees Five Hundred Crores) as the Board may determine in accordance with the SEBI Regulations and where necessary in consultation with the lead managers, underwriters, merchant bankers, guarantors, financial and/or legal advisors, rating agencies/advisors, depositories, custodians, principal paying/transfer/conversion agents, listing agents, registrars, trustees, printers, auditors, stabilizing agents and all other agencies/advisors."

"RESOLVED FURTHER THAT the securities to be created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and the underlying equity shares shall rank pari passu in all respects with the existing equity shares of the Company including payment of dividend, if any, declared including other corporate benefits, if any, for the financial year in which the issue/ offer/allotment has been made and subsequent years and shall have the same voting rights as the existing equity shares."

"RESOLVED FURTHER THAT in addition to all applicable Indian laws, the securities issued in pursuance of this resolution shall also be governed by all applicable laws and regulations of any jurisdiction outside India where they are listed or that may in any other manner apply to such securities or provided in the terms of their issue."

"RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorised on behalf of the Company to finalise the pricing, tenure, terms and conditions relating to the issue of the securities and any other matter in connection with, or incidental to, the issue of the securities as the Board or any Committee thereof, in its absolute discretion, deems necessary or desirable, together with any amendments or modifications thereto."

"RESOLVED FURTHER THAT the pricing of the securities and the pricing of any equity shares issued upon conversion of the securities shall be made subject to and in compliance with all applicable laws, guidelines, notifications, rules and regulations."



“RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorised to appoint, in its absolute discretion, managers (including lead managers), investment bankers, merchant bankers, underwriters, guarantors, financial and/or legal advisors, depositories, custodians, principal paying/transfer/conversion agents, listing agents, registrars, trustees and all other agencies, whether in India or abroad, in connection with the proposed issue/offering/allotment of the securities and to negotiate and finalise the terms and conditions (including the payment of fees, commission, brokerage, out of pocket expenses and their charges subject to requisite approvals of the RBI, if any) of the aforesaid appointments and also to, in its absolute discretion, renew or terminate the appointments so made and to enter into and execute all such agreements, arrangements, memoranda, documents etc. with such persons and to seek listing of such securities.”

“RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorised to determine the form, tenure, terms and timing of the issue(s)/ offering(s)/ allotment(s), including the investors to whom the securities are to be allotted, the proportion in which they are allotted, issue price, face value, number of equity shares or other securities upon conversion or redemption or cancellation of the securities, the price, premium or discount on issue/conversion of securities, rate of interest, period of conversion or variation of the price, listing on one or more Stock Exchanges in India and/or abroad and fixing of record date or book closure and related or incidental matters and finalise and approve the preliminary as well as the final offer documents for the proposed issue of the securities as may be required by the authorities in such issues in India and/or abroad and to authorise any director or directors of the Company or Secretary or any other officer or officers of the Company to sign the above documents for and behalf of the Company together with the authority to amend, vary or modify the same as such authorised persons may consider necessary, desirable or expedient and for the purpose aforesaid to give such declarations, affidavits, certificates, consents or any other confirmation and/or authorities as may, in the opinion of such authorised person, be required from time to time.”

“RESOLVED FURTHER THAT the Company do apply for listing of any new securities issued with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited or any other stock exchange(s) in India and/or Abroad.”

“RESOLVED FURTHER THAT such of these securities as are not subscribed may be disposed off by the Board or any Committee thereof in its absolute discretion in such manner, as the Board or Committee may deem fit and as permissible by law.”

“RESOLVED FURTHER THAT in case of a qualified institutional placement made pursuant to SEBI Regulations, the allotment of eligible securities within the meaning of SEBI Regulations shall only to qualified institutional buyers within the meaning of SEBI Regulations, such securities shall be fully paid-up and the allotment of such securities shall be completed within 12 months from the date of this resolution approving the proposed issue or such other time as may be allowed by SEBI Regulations from time to time and the Company shall apply to the National Securities Depository Limited and/or Central Depository Services (India) Limited for admission of the eligible securities to be allotted as per the SEBI Regulations.”

“RESOLVED FURTHER THAT in case of a qualified institutional placement of equity shares pursuant to SEBI Regulations, the relevant date for the determination of the price of the equity shares, shall be the date of the meeting of the Board or any Committee thereof in which the decision to open the proposed issue is taken or such other time as may be allowed by SEBI Regulations from time to time and such price shall be subject to appropriate adjustments in accordance with the applicable SEBI Regulations.”

“RESOLVED FURTHER THAT in the event securities convertible into equity shares are issued under SEBI Regulations, the relevant date for the purpose of pricing of the equity shares to be issued on conversion, shall be the date of the meeting of the Board or any Committee thereof in which the decision to open the proposed issue is taken or the date on which the holder(s) of securities which are convertible into or exchangeable with equity shares at a later date become(s) entitled to apply for the said shares or such other time as may be allowed by SEBI Regulations from time to time and such price shall be subject to appropriate adjustments in accordance with the applicable SEBI Regulations.”



“RESOLVED FURTHER THAT subject to the applicable laws, the Board or any Committee thereof be and is hereby authorised to do such acts, deeds and things as the Board or any Committee thereof in its absolute discretion deems necessary or desirable in connection with the issue of the securities, and to give effect to aforesaid resolution, including, without limitation, the following:

- (a) finalisation of the allotment of the securities on the basis of the subscriptions received;
- (b) finalisation of and arrangement for the submission of the preliminary and final offering circulars/prospectus(es)/ offer document(s), and any amendments and supplements thereto, with any applicable government and regulatory authorities, institutions or bodies, as may be required;
- (c) approval of the preliminary and final offering circulars/ prospectus/offer document (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalised in consultation with the Lead Managers/ Underwriters/ Advisors, in accordance with all applicable laws, rules, regulations and guidelines;
- (d) approval of the Deposit Agreement(s), the Purchase/ Underwriting Agreement(s), the Trust Deed(s), the Indenture(s), the Master/Global GDRs/ADRs/FCCBs/ other securities, letters of allotment, listing application, engagement letter(s), memorandum of understanding and any other agreements or documents, as may be necessary in connection with the issue/offering (including amending, varying or modifying the same, as may be considered desirable or expedient), in accordance with all applicable laws, rules, regulations and guidelines;
- (e) finalisation of the basis of allotment in the event of over-subscription;
- (f) acceptance and appropriation of the proceeds of the issue of the securities as Board or Committee thereof decides as it thinks fit;
- (g) authorisation of the maintenance of a register of holders of the securities, if so required, in India or abroad;
- (h) authorisation of any director or secretary or other officer of the Company, including the grant of power of attorneys, to do such acts, deeds and things as the authorised person in its absolute discretion may deem necessary or desirable in connection with the issue and allotment of the securities;
- (i) seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents that may be required in connection with the issue and allotment of the securities;
- (j) seeking the listing of the securities on any Indian or international stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;
- (k) giving or authorising the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time;
- (l) deciding the pricing, tenure and terms of the securities, and all other related matters, including taking any action on two-way fungibility for conversion of underlying equity shares into GDRs/ADRs, as per applicable laws, regulations or guidelines; and
- (m) creation of mortgage and / or charge in accordance with Section 293 (1) (a) of the Companies Act, 1956 in respect of securities as may be required either on pari passu basis or otherwise.”

“RESOLVED FURTHER THAT without prejudice to the generality of the foregoing, issue of the securities may be done upon all or any terms or combination of terms in accordance with international practices relating