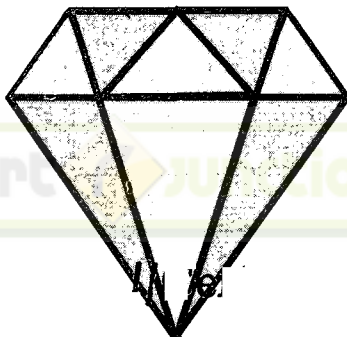


Sri Vajra Granites Limited



18th Annual Report 2006-07

Sri Vajra Granites Limited



BOARD OF DIRECTORS :

V.N.Nadkarni	Chairman (up to 29.05.2005)
Y.Kesava Krishna	Present Chairman
Mathesh Reddy Kami Reddy	Director
L.Hanumanth Reddy	Director
G.Raghunandan	APIDC Nominee
C. Saya Reddy	Director
A. Srinivas Reddy	Director (Since 30.01.2007)
A.Hanimi Reddy	Managing Director

SECRETARY & COMPLIANCE OFFICER:

S. Suryanarayana
2nd Floor, H.No. 10-2-193,
Street No.6, Road No.1,
West Marredpally,
Secunderabad-500 026, A.P.

REGISTERED OFFICE :

H.No. 10-2-193, 2nd Floor,
Street No.6, Road No.1,
West Marredpally,
Secunderabad-500 026, A.P.
Ph : 040-27806812
Fax: 040-27806813
Email: srivgl@sify.com &
contact@srivajragranites.com
Website: www.srivajragranites.com

WORKS:

Basvapur Village,
Bhikanoor Mandat,
Kamareddy Taluq.,
Nizamabad District,
Andhra Pradesh.

AUDITORS:

I. Sudhaker & Co.,
Chartered Accountants,
Flat no. 204, Amrutha Ville,
Rajbhavan Road,
Hyderabad – 500 082.

SHARE TRANSFER AGENTS :

Bigshare Services Pvt Ltd
G-10, Left Wing, Amrutha Ville,
Opp. Yashoda Hospital,
Rajbhavan Road, Somajiguda,
HYDERABAD – 500 082.
BP Id : IN200117

BANKERS:

Andhra Bank,
Kamareddy Branch,
Kamareddy.



Sri Vajra Granites Limited

NOTICE

To

All the Members,

Notice is hereby given that the 18th Annual General Meeting of Sri Vajra Granites Limited will be held on Monday the 24th day of September, 2007, at 11.00 A.M. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad-500 038 to transact the following business as :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date, together with the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Sri L. Hanumanth Reddy, who retires by rotation and being eligible offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. I. Sudhaker & Co., Chartered Accountants, 204 Amrutha Ville, Rajbhavan Road, Somajiguda, Hyderabad, A.P. be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of the 18th Annual General Meeting until the conclusion of the 19th Annual General Meeting of the Company, on such remuneration as may be fixed by the Board of Directors".

AND

SPECIAL BUSINESS:

4. To appoint Sri A. Srinivas Reddy as director :

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 257 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or reenactment thereof for the time being in force) Sri A. Srinivas Reddy, who was earlier appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 118 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company subject to retirement by rotation".

5. Appointment of Sri A. Srinivas Reddy as Executive Director :

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 302, 309 & 314 read with Schedule XIII and all other applicable sections and provisions of the Companies Act, 1956 (including any statutory modification(s) or enactment(s) thereof for the time being in force), the prior consent of the Company by way of Special Resolution, be and is hereby given to be effective from this day i.e. 24/09/2007 to the appointment of Sri A. Srinivas Reddy as the Executive Director of the Company for a period of 5 years, as per the following agreement and its terms and conditions dated 27/07/2007 (as entered into with him and signed by the Chairman for purpose of identification), subject to the approval of the Central Government with or without modifications(s) thereto in the matter".

Sri Vajra Granites Limited



TERMS AND CONDITIONS OF THE AGREEMENT :

1. **Period of appointment:** Five years with effect from the date of the prior consent of the shareholders to be accorded at its 18th Annual General Meeting (AGM) to be held on 24/09/2007.
2. **Remuneration payable :** Salary be fixed initially at Rs.21,000/- per month in the time scale of Rs.21,000 — 6,000 – 45,000 i.e. carrying an increment of Rs.6,000/- per annum.
3. **Perquisites as under :**
 - (a) **Residential Accommodation :** Rent-free-Company-maintained-leased-furnished accommodation on which the expenditure incurred by the Company shall be subject to a ceiling of 60% of the salary, over and above the 10% payable by the Executive Director. If the Company does not provide accommodation to him, HRA at 30% of salary as in the case of all other employees of the Company, will be paid.
 - (b) **Contribution to Provident Fund, Superannuation Fund and Gratuity:**
 - i) Company's contribution to Provident Fund and Superannuation Fund shall not exceed 25% of the salary.

The excess of such contribution over the maximum amount, either singly or put together, not taxable under the Income Tax Act, shall be considered and included for the purpose of calculating the ceiling on perquisites in 3 (b) (iii) mentioned below:

- ii) Gratuity as per the payment of Gratuity Act or Company's Gratuity Scheme, whichever is higher.
- iii) **Other perquisites :**
 - (a) Gas, Electricity, Water, House Maintenance and furnishing, the valuation of which shall be done as per the Income Tax Rules, 1962 and subject to the ceiling of 10% of the salary.
 - (b) Personal accident insurance premium shall not exceed Rs. 4,000/- per annum.
 - (c) Medical Reimbursement for self and family, equivalent to one month salary in a year or three months salary in a block of three years.
 - (d) **Club Fees :** Fee is payable for one club in India. No admission and life membership fees will be paid.
 - (e) Provision of Car with driver, Cell Phone, internet connection and fax facilities for use on Company's business and telephone at residence: These facilities will not be considered as perquisites. However, personal long distance calls and use of car for private purposes are to be billed to his account by the Company.
 - (f) **Leave Travel Concession :** Travel expenses incurred in this regard for self and family, once in a year, not exceeding one month salary will be allowed.
 - (g) Privilege Leave at the end of the tenure is allowed with full pay and allowances as per the Rules of the Company.
 - (h) He will also be entitled to casual leave and sick leave as per the Leave Rules of the Company.
 - (i) The Company will reimburse the entertainment, traveling and other expenses actually incurred by him for the business of the Company.
 - (j) Bonus will be paid as applicable to all the other employees of the Company.



Sri Vajra Granites Limited

- The perquisites shall be evaluated at cost to the Company and where such evaluation is difficult, they shall be evaluated as per the Income Tax Rules.
4. The aggregate of the remuneration and perquisites as mentioned above, in any financial year, shall not exceed the limits prescribed from time to time under section 198 & 309 and all other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act, or any statutory modifications or reenactment thereof for the time being in force or otherwise as may be permissible at law.
 5. He is not eligible to draw the sitting fee for attending the meetings of the Board/ Committees thereof.
 6. Notwithstanding anything stated herein where, in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay him remuneration and perquisites not exceeding the limits stipulated in Schedule XIII of the Companies Act including any statutory modification thereof for the time being in force.
 7. The contract of appointment is terminable by either party by issuing three months notice.
 8. Executive Director shall, work under and report to the Managing Director. He will also carryout such duties as may be delegated / entrusted to him from time to time by the Board of Directors.
 9. Further Sri A. Srinivas Reddy shall not be subject to retirement by rotation during his tenure as Executive Director. However whenever so as to comply with the provisions of the Articles of Association of the Company and the Companies Act, 1956, it is so required he shall be liable to retire by rotation, if, at any time, the number of nonrotational directors exceeds one – third of the total number of directors. If he is re-appointed as director immediately after such retirement by rotation, he shall continue to hold his office of Executive Directorship and such retirement and re-appointment shall not be deemed to constitute a break in his appointment.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to the aforesaid Resolution”.

By order of the Board of Directors
For **SRI VAJRA GRANTIES LIMITED**

Secunderabad
Date : 27.07.2007

S. SURYANARAYANA
Company Secretary

Sri Vajra Granites Limited



NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 17/09/2007 to 24/09/2007 (bdi).
3. Members are requested to notify immediately the changes, if any, in their address, to the Company's Registered Transfer Agents (RTA), quoting their Registered Folio number.
4. Pursuant to Section 109A of the Companies Act, 1956, the shareholders are entitled to make nominations in respect of shares held by them, by sending either to the Company or its RTAs the nominations, in duplicate, in Form 2B (which can be obtained from the Company's RTAs).
5. Members are requested to bring their copies of the 18th Annual Report along with them to the meeting. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting.
6. Abstract of the terms of service agreement / contract with Sri A. Srinivas Reddy and the Memorandum clearly specifying the nature of concern or interest of the other director(s) in the proposed appointment of Sri A. Srinivas Reddy as the Company's Executive Director, as required under Section 302 of the Companies Act, 1956, are furnished at Page No. 7 of this 18th Annual Report.
7. Members / proxies should fill in the attendance slip for attending the meeting.
8. Members who hold shares in electronic form are requested to write their Client Id & DP Id numbers and those who hold shares in physical form are requested to write their folio numbers in the attendance slip.
9. All documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 A.M. & 1.00 P.M. upto the date of the 18th AGM.

EXPLANATORY STATEMENT pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges.

Note on item no. 2 of the Notice :

Sri L. Hanumanth Reddy was born on 12.06.1943. He has been associated with the Company for the past 18 years i.e. ever since its incorporation, as one of the promoter-directors. He is a landlord and business-magnate of repute. He stood all along by the Company, through its thick and thin. He is not a Director in any other Companies.

Sri L. Hanumanth Reddy holds 438900 fully paidup equity shares and his wife Smt. L. Vijaya Lakshmi holds 210082 fully paidup equity shares in the Company. He does not suffer any disqualifications under Section 274 of the Companies Act, 1956.

Sri L. Hanumanth Reddy alone is interested in the Resolution. No other director of the Company is, in any way, concerned or interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Note on item no. 4 of the Notice :

Sri A. Srinivas Reddy is born on 14/11/1980. He did his Degree in Computer Science and Engineering from the Osmania University, Hyderabad. Further he did his M.S. in Computer



Sri Vajra Granites Limited

Science from Illinois Institute of Technology, Chicago, U.S.A. He worked with Finaplex, Verizon and Cellmania for a period of three years.

Earlier on 30/01/2007 your Board of Directors appointed him as Additional Director pursuant to the provisions of 118 of the Articles of Association of the company and Section 260 of the Companies Act, 1956.

Notice under Section 257 of the Companies Act, 1956 proposing his appointment as a Director has been duly received by the Company along with a deposit of Rs. 500/- in cash.

He is not a Director in any other Companies. He does not hold any shares in the Company in his own name. He is not disqualified to act as Director under Section 274 of the Companies Act, 1956.

MEMORANDUM OF INTEREST :

Sri A. Srinivas Reddy as the proposed Director and his father Sri A. Hanimi Reddy, as the promoter and Managing Director, may be treated as interested in this Resolution.

No other Director of the Company is interested in any way in the proposed appointment of Sri A. Srinivas Reddy.

In the given circumstances your directors request your approval to the Resolution on hand.

EXPLANATORY STATEMENT pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges and Section 173 (2) of the Companies Act, 1956.

Note on item no. 5 of the Notice :

In accordance with the provisions of the Articles of Association of the Company and the Companies Act, 1956, and subject to the shareholders' prior consent to be obtained at this 18th AGM and the Central Government approval, your Directors at their meeting held on July 27, 2007 have entered into an agreement with Sri A. Srinivas Reddy for his appointment as an Executive Director for a period of five years with effect from the date of your approval, on the remuneration and on the terms and conditions as recommended by the Remuneration Committee. The remuneration payable to and the terms of appointment are as set out in Item No. 5 of the Notice at Page Nos. 3 & 4. The draft of the aforesaid agreement is available for inspection at the Registered Office of the Company on all working days between 11.00 A.M. and 1.00 P.M.

Similarly the disclosure as to the terms of Sri A. Srinivas Reddy's appointment and the Memorandum of concern / interest of the other director(s) therein are separately furnished as required under section 302 of the Companies Act, 1956 vide page 7 of this 18th Annual Report. The said disclosure is also open for inspection at the Registered Office of the Company on all working days from 11.00 A.M. to 1.00 P.M. till 24th September, 2007

MEMORANDUM OF INTEREST :

Sri A. Srinivas Reddy as the proposed Executive Director and his father Sri A. Hanimi Reddy, as the Managing Director, may be treated as interested in this Resolution and the said appointment.

No other Director of the Company is interested in any way in the resolution. Since the post carries a monthly remuneration of not less than Rs. 20,000/-, your prior consent by way of special resolution, is required, in terms of section 314 (1B), subject to further approval of the Central Government.

By order of the Board of Directors
For SRI VAJRA GRANTIES LIMITED

S. SURYANARAYANA
Company Secretary

Sri Vajra Granites Limited



To

All The Members,

Abstract of Disclosure under section 302 of the Companies Act, 1956

It may be noted that the Board of Directors of the Company, at their meeting held on 27/07/2007, have entered into an agreement for appointment of Sri A. Srinivas Reddy, (presently Additional Director), as an Executive Director for a period of 5 years. Your approval firstly for his appointment as director is requested. Similarly your prior consent for his appointment as Executive Director is also requested, by way of Special Resolution, at this 18th Annual General Meeting, subject to the approval of the Central Government.

Sri A. Srinivas Reddy is born on 14/11/1980. He did his Degree in Computer Science and Engineering from the Osmania University, Hyderabad. Further he did his M.S. in Computer Science from Illinois Institute of Technology, Chicago, U.S.A. He worked with Finaplex, Verizon and Cellmania for a period of three years.

An abstract of the terms and conditions of the contract / agreement for such appointment, together with a Memorandum specifying the nature of concern or interest of the other directors is hereby furnished to all the members. Full details of the said agreement could be seen in the Notice part of this Annual Report at Page Nos. 2, 3 & 4. Further the said agreement is also available for inspection of the members on all working days from 11.00 A.M. to 1.00 P.M. till 24/09/2007 at the Registered Office of the Company.

As to the remuneration payable to him: His salary is fixed initially at Rs.21,000/- per month in the time scale of Rs.21,000 — 6,000 — 45,000 i.e. carrying an increment of Rs.6,000/- per annum. And the perks payable are detailed in the Notice under agenda item 5 at Page Nos. 3 and 4 of the 18th Annual Report.

The contract of appointment with Sri A. Srinivas Reddy is terminable by either party by issuing three months notice.

Memorandum of interest :

Sri A. Srinivas Reddy, the appointee / beneficiary being the son of Sri A. Hanimi Reddy, (the Managing Director and one of the promoters of the Company) both of them could be deemed as interested in the matter in terms of Sections 302 & 314 of the Companies Act, 1956. No other Director is interested in it directly or indirectly.

Hence the Board of Directors request your prior consent by way of Special Resolution.

By order of the Board of Directors
For **SRI VAJRA GRANTIES LIMITED**

Secunderabad
Date: 27.07.2007

S. SURYANARAYANA
Company Secretary



Sri Vajra Granites Limited

DIRECTORS' REPORT

To
All The Shareholders,
Sri Vajra Granites Ltd.

Your Directors are happy to place before you their 18th Annual Report, together with the Audited Balance Sheet as on and the Profit & Loss Account and the Statutory Auditors' Report on the financial accounts and all other documents attached thereto for the year ended 31.03.2007.

1. FINANCIAL RESULTS

PARTICULARS	(Rs. in lacs)	
	Year ended 31.03.2007	Year ended 31.03.2006
1. Sales	1818.26	1427.07
2. Operating Expenditure	1638.51	1230.65
3. Profit Before Depreciation, Interest & Provision for Tax (PBDIT) (1-2)	179.85	196.42
4. Depreciation	91.68	92.31
5. Interest	15.44	3.10
6. Profit before provision for taxes (PBT) (3-4-5)	72.63	101.01
7. Other Income / Prior Period Adj.	6.36	2.81
8. Profit Before Tax (6+7)	78.99	103.82
9. Provision for taxes	10.81	10.33
10. Net Profit for the year (8-9)	<u>68.18</u>	<u>93.49</u>
11. Balance Brought forward from previous year	<u>487.59</u>	<u>394.10</u>
12. Balance carried to Balance Sheet	<u><u>555.77</u></u>	<u><u>487.59</u></u>

From the above table we notice that compared to the performance during 2005-06, during the year 2006-07, there was fall in the PBDIT and ultimately in the PBT, on account of the continuous spurt in the costs of all our inputs—say the Rough Blocks, Stores and Spares, Transport and the escalation in the wage bill due to the increase in the Minimum Wages statutorily payable by the Company. In addition there is also an increase in the interest charges as well. And almost all these input costs are supplier-controlled. Eventually, the net profit posted during 2006-07 is comparatively lower at Rs. 68.18 lakhs.

2. NET WORTH OF THE COMPANY

PARTICULARS	(Rs. in lacs)	
	Year ended 31.03.2007	Year ended 31.03.2006
1. State Subsidy	17.67	17.67
2. Profit & Loss Account	555.77	487.59
3. Share Capital	726.28	535.94
4. Net Worth (1+2+3)	<u>1299.72</u>	<u>1041.20</u>

Sri Vajra Granites Limited



3. Increase in the paid up capital of the Company :

Members may recollect the sanction given by them by way of Special Resolution, at the 17th AGM held on 27th September, 2006, authorizing the Board of Directors to offer and allot on preferential basis to the Promoter-group, 19,03,500 fully paidup equity shares of the Company. This is done in final discharge of the balance of dues to the promoters earlier advanced by them, free of interest to the Company, so as to enable it to meet its obligations to the Financial Institutions under the BIFR Sanctioned Scheme. Consequently, the existing paidup capital of the Company increases from Rs. 535.94 lakhs to Rs. 726.28 lakhs.

4. Dividends :

Having regard to the financial position of the Company and the need for replacement of the Company's existing Plant and Machinery, your directors are not in a position to recommend any dividend.

5. FIXED DEPOSITS :

The Company did not accept any Fixed deposits from the public during the year 2006-2007.

6. COMPLIANCE WITH ACCOUNTING STANDARDS :

Pursuant to the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and as also the Accounting Standard (AS-22) in terms of Section 211 (3A) of the Companies Act, 1956, a statement on Deferred Tax Assets and Liabilities, likewise a Cash Flow Statement prepared as per AS-3, have been annexed to the accounts for the year 2006-07. There are no 'Related Party Transactions' to be reported under AS -18.

7. PARTICULARS OF EMPLOYEES, Pursuant to section 217 (2A) of the Companies Act 1956 : Nil.

8. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, your Directors confirm :

- * That in the preparation of the Annual Accounts for the year ended March 31, 2007 the applicable accounting standards have been followed along with proper explanations relating to material departures;
- * That they had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31.03.2007 and of the profit or loss of the company for that period;
- * That they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- * That they had prepared the annual accounts on a 'going concern' basis.

9. POLLUTION CONTROL :

Necessary arrangements and measures for control of water, air and other environmental borne-pollutions are constantly in place and are being continuously updated. 'No Objection Certificates' from the Pollution Control Board are also being obtained in the matter regularly.

10. AUDITORS :

You are now to appoint the Statutory Auditors for the current year and authorise the Board to fix the auditors' remuneration. M/s. I. Sudhaker & Co., Chartered Accountants, your existing Statutory Auditors, retire at the ensuing Annual General Meeting. Being eligible they have indicated their availability for re-appointment. As required under the provisions of