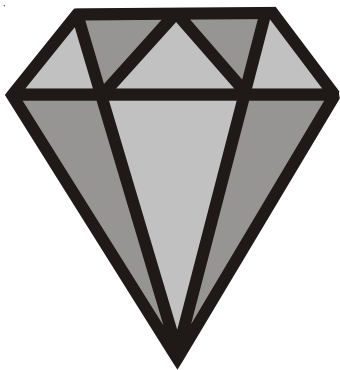


# **Sri Vajra Granites Limited**



**22nd Annual Report 2010-11**



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**BOARD OF DIRECTORS :**

Sri K.S.Kameswara Sarma  
Sri. A. Srinivas Reddy  
Sri C. Saya Reddy  
Sri M.Ranga Reddy  
Sri Mathesh Reddy Kami Reddy  
Smt. A.Leela

Chairman  
Managing Director  
Director  
Director  
Director  
Director

**REGISTERED OFFICE :**

Sri Vajra Granites Limited,  
6-3-347/22/10/2; Flat No: 202,  
2nd Floor, Sai Villa Apartment,  
Dwarakapuri Colony, Punjagutta,  
Hyderabad – 500 082.  
Tel : +91-40-23355695  
Fax : +91-40-23352830  
Email: [svvgl@sify.com](mailto:svvgl@sify.com) &  
[svgl\\_complaints@sify.com](mailto:svgl_complaints@sify.com)  
Website: [www.srivajragranites.com](http://www.srivajragranites.com)

**SECRETARY & COMPLIANCE OFFICER:**

S.Suryanarayana  
Company Secretary  
6-3-347/22/10/2, Flat No: 202, 2nd Floor,  
Sai Villa Apartment, Dwarakapuri Colony,  
Punjagutta, Hyderabad - 500 082.  
Tel : +91-40-23355695

**WORKS:**

Basvapur Village,  
Bhikanoor Mandal,  
Kamareddy Taluq,  
Nizamabad District,  
Andhra Pradesh

**STATUTORY AUDITORS:**

I. Sudhaker & Co.,  
Chartered Accountants,  
Flat No. 115, Amrutha Ville,  
6-3-1091/13 to 15, Somajiguda,  
Rajbhavan Road,  
Hyderabad - 500 082  
Tel : +91-40-23311017

**BANKERS:**

Andhra Bank,  
Kamareddy Branch,  
Kamareddy.

**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

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## NOTICE

Dear members,

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting (AGM) of Sri Vajra Granites Limited will be held on 29<sup>th</sup> day of September, 2011, at 11.30 A.M at Sundarayya Vignana Kendram, 1-8-1/B/25/A, Baghlingampally, Hyderabad to transact the following:

### ORDINARY BUSINESS:

1. To receive, consider and approve the Audited Balance Sheet as on 31<sup>st</sup> March, 2011 and the Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011, together with the Directors' and Auditor's Reports thereon:
2. To appoint a Director in place of Sri K.S.Kameswara Sarma, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri Mathesh Reddy Kami Reddy, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the Statutory Auditors of the Company, from the conclusion of the 22<sup>nd</sup> AGM until the conclusion of the 23<sup>rd</sup> AGM and to authorize the Board of Directors / the Audit Committee to fix the remuneration of the Statutory Auditors.

### NOTES: FOR MEMBERS ATTENTION:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE AGM.**
2. Members are requested to send their queries if any, on the accounts under approval, to the Company's Registered Office at least a fortnight before the date of the 22<sup>nd</sup> AGM.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19.09.2011 to 29.09.2011 (bdi).
4. Members are requested to notify immediately the changes, if any, in their address, quoting their Registered Folio number, to the Company's Registrars and Transfer Agents (RTAs).
5. Pursuant to Section 109A of the Companies Act, 1956, the Members can make nominations in respect of shares held by them, by sending such nominations, either to the company or its RTAs, in duplicate, in Form 2B (which can be obtained from the company's RTAs).
6. Members are requested to bring without fail their copies of the 22<sup>nd</sup> Annual Report (AR) along with them to the Meeting.
7. Members/Proxy Holders/Authorised Representatives are requested to fill in and affix their signatures at the space provided in the enclosed attendance slip and to handover the same at the venue of the AGM. They should state on the attendance slips whether they are 'Proxy' or 'Authorised Representative' as the case may be.
8. Members who hold shares in electronic form are requested to write out the Client Id & DP Id allotted to them. Similarly those who hold shares in physical form are requested to write their Folio Number in the attendance slip.
9. All documents referred to in this Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 A.M. to 1.00 P.M., upto and including 28.09. 11.

for and on behalf of the Board of Directors  
of SRI VAJRA GRANITES LIMITED

Place: Hyderabad  
Date: 02.07.2011

Sd/-  
K.S.Kameswara Sarma  
Chairman



## DIRECTORS' REPORT

To  
The Shareholders,  
Sri Vajra Granites Ltd.

Your Board of Directors present hereunder their 22<sup>nd</sup> Annual Report, accompanied by all the documents as required under the Companies Act, 1956 and the Listing Agreement with the Stock Exchange.

### OPERATIONAL AND FINANCIAL REVIEW

PARTICULARS	Rs. in Lakhs	
	Year ended 31.03.2011	Year ended 31.03.2010
1. Net Sales	963.01	858.22
2. Operating Expenditure	-1100.03	-1172.37
3. Total operating Loss as detailed below in 3a to 3c (1-2)	-137.02	-314.15
3a. Loss before charging Depreciation, Interest & Tax etc.,	-55.14	-233.19
3b. Un recovered Depreciation	-52.70	-51.73
3c. Un recovered Interest	-29.18	-29.23
4. Non-operative income/expenditure net	+0.50	+17.99
5. Net Loss before Tax (3-4)	-136.52	-296.16
6. Tax Expenditure	Nil	Nil
7. Net Loss	-136.52	-296.16
8. Previous Balance of Income b/f	200.49	496.65
9. Balance of Profit carried to Balance Sheet (7+8)	63.97	200.49
10. Capital Reserve	24.98	24.98
11. Share Capital	726.28	726.28
12. Net worth (9+10+11)	815.23	951.75

During the Financial Year 2010-11 your Company made a turnover of Rs. 963.01 lakhs. There was a Net Loss (after Tax) of Rs.136.52 lakhs, compared to the turnover of Rs. 858.22 lakhs and Net Loss (after Tax) of Rs. 296.16 lakhs during the immediate previous Financial Year.

Thus there is an increase in the turnover by 12.21%. Simultaneously there was a decrease in operating expenses by 6.17% . Ultimately the Company's losses came down from Rs. 296.16 in the previous year to Rs 136.52 lakhs in the year under report.

The Board of Directors are hopeful that the performance of the Company might improve in the coming Financial Years. Yet it is difficult now itself to foresee whether the above said positive turn was a fortuitous one or only a hint of some easing in the severity of the on-going World-Wide Depression.

**Dividends:** Your Directors are not in a position to recommend any dividend for the FY 2010-11.

**PUBLIC DEPOSITS:** The Company did not accept any Fixed Deposits falling under Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 during the year 2010-2011.

**DIRECTORS:** Sri K.S Kameswara Sarma and Sri Mathesh Reddy Kami Reddy, the Directors of the Company, retire by rotation at the ensuing Annual General Meeting. Being eligible offer themselves for re-appointment.



# Sri Vajra Granites Limited

**PARTICULARS OF EMPLOYEES:** There were no employees whose particulars are to be furnished U/s 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1988 as the remuneration of none of the employees had crossed the limits specified therein.

**DIRECTORS' RESPONSIBILITY STATEMENT:** Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm:

- that in the preparation of the Annual Accounts for the year ended March 31, 2011 all the applicable Accounting Standards have been followed along with proper explanations relating to material departures if any therefrom.
- that the Directors 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 at the end of the Financial year 31.03.2011 and of the profit and loss of the Company for that period.
- that the Directors 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 the Directors have prepared the Annual Accounts on a 'going concern' basis for the Financial Year 2010-11.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:** Disclosure of the information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is enclosed to this report.

**AUDITORS:** M/s I. Sudhaker & Co Chartered Accountants Hyderabad retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment for the financial year 2011-12. As required the Company is in receipt of certificate from the said auditors confirming that in the event of their re-appointment as Statutory Auditors of the Company at the ensuing AGM such appointment shall be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

The Board recommends their re-appointment.

**CORPORATE GOVERNANCE:**

- a) Management Discussion & Analysis Report: Management Discussion and Analysis is enclosed to this report.
- b) Report on Corporate Governance: A separate report on Corporate Governance along with the certificate of the practicing Company Secretary on its compliance is enclosed to this report.

**COMPLIANCE WITH THE ACCOUNTING STANDARDS:** Pursuant to Clause 32 of the Listing Agreement with the Stock Exchange and the Accounting Standard (AS-22) in terms of Section 211 (3A) of the Companies Act, 1956, a statement on Deferred Tax Assets and Liabilities and the Cash Flow Statement prepared as per AS-3 are annexed to the Accounts for the year 2010-11. There are no 'Related Party Transactions' to be reported under AS -18.

**CAUTIONARY STATEMENT:** Statements in this Report, particularly those relating to the Outlook, Management Discussion and Analysis, the Company's objectives, projections, estimates, expectations etc are mere assessments. They may at best constitute 'forward looking statements' within the meaning of applicable laws and regulations, if any. As such the actual results might differ materially from those either expressed or implied.

**ACKNOWLEDGEMENT:** We thank the Central and State Government authorities; the Andhra Bank; our sister units in the Industry and all the customers and suppliers for their kind co-operation and support. We also place on record our appreciation to all the employees for their dedicated services during the previous year.

for and on behalf of the Board of Directors  
of SRI VAJRA GRANITES LIMITED

Sd/-

Place: Hyderabad  
Date: 02.07.2011

K.S. KAMESWARA SARMA  
Chairman



## ANNEXURE TO DIRECTORS' REPORT:

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 :

Information in accordance with clause (e) of Sub-section (1) of Section 217 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 which forms part of the Directors Report for the year ended 31<sup>st</sup> March, 2011 is as follows:

### A. CONSERVATION OF ENERGY:

Conservation of energy is a continuous activity. Every effort is constantly being made for conservation of energy.

### B. TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION:

Being a 100% Export Oriented Unit, the Company emphasizes on the maintenance and improvement of quality. The company keeps itself abreast of the technical developments and the changes occurring in the Granite Industry.

### C. FOREIGN EXCHANGE EARNINGS AND OUT GO: (Amount in Rs.)

#### EARNINGS

	<u>2010-11</u>	<u>2009-10</u>
FOB Value of Exports	<b>9,27,94,474</b>	8,48,47,449

#### OUTGO

a) CIF Value of Imported Capital goods	Nil	Nil
b) CIF Value of Imported Consumables & Spares	<b>1,47,48,682</b>	1,27,96,907
c) CIF Value of Imported Raw Material	Nil	Nil
d) Overseas Travel	Nil	Nil

for and on behalf of the Board of Directors  
of SRI VAJRA GRANITES LIMITED

Place: Hyderabad  
Date: 02.07.2011

Sd/-  
K.S.KAMESWARA SARMA  
Chairman

### DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 (1D) (ii) OF THE LISTING AGREEMENT.

I hereby declare that all the Board members and senior management personnel, the Company Secretary and the General Manager (F&A) included, have duly affirmed their compliance, during the period 01.04.2010 to 31.03.2011, with the Code of Conduct earlier adopted by the Board of Directors.

for SRI VAJRA GRANITES LIMITED

Place: Hyderabad  
Date: 02.07.2011

Sd/-  
A.Srinivas Reddy  
Managing Director





## MANAGEMENT DISCUSSION AND ANALYSIS

(As required under sub-clause IV F of Clause 49 of the Listing Agreement)

### i) Industry Structure and Developments:

India is endowed with vast Granite deposits. 12 of its States are engaged in the line. It offers an estimated 160 varieties of colours and textures. The industry is essentially Export-oriented. It is an important Foreign Exchange earner. The demand for Granite products is generally inelastic in nature, especially in times of Depression as at present.

Granite is widely used abroad for wall-paneling; Flooring; Kitchen-tops; Table-tops; Sit-outs; Tomb-stones; Kerb-stones etc.

### ii) Opportunities and threats:

#### a) Opportunities:

Andhra Pradesh is also rich in Granite Resources. So a number of Processing units have been established in the State, to process an estimated 30 lakh square feet per month.

#### b) Threats:

It appears that far too many 100% EOUs were set-up in late 1980s - perhaps lured by the prospects of earning huge amounts of Foreign Exchange (FE) at a time when the country's FE Reserves' position is next to nothing. Generally the competition in the Granite sector is very severe.

**Unwarranted and unholy competition:** Direct Export of Rough Blocks is being indulged in by the fly-by night-traders who are not required to install any heavy machinery for processing, unlike the EOUs. With the result, the genuine processing units, like yours, are starving due to the non-availability of adequate quantities of Rough Blocks. Simultaneously the Government has been losing FE substantially. Not only that. Due to the Direct Export of Rough Blocks, the Government gets the FE reckoned only at the value of the Rough Blocks Exported. Thus the FE earned by the Government is relatively very less. Contrarily if only fully processed Granite Products were to be exported, the Government gets FE, equivalent to the full value of the processed slabs exported by the 100% EOUs. Further such export of Rough Blocks is reprehensible for it is a legacy of the colonialism. No developed country exports raw material, whether it is Cotton, Iron ore, Granite Rough Blocks as the case may be.

So definite measures are to be initiated by both the EOUs and the Government in tandem immediately, if the industry were to be put back on the rails.

Further the units engaged in the Direct Export of Rough Blocks can indulge in cut-throat competition in that they can comparatively afford to pay more on their purchases of Rough Blocks -- when compared to the 100% EOUs which are already saddled with burdens of capacity-costs, rising costs of labour, raw materials and other inputs.

As such, starved for want of adequate amounts of right quality of Rough Blocks, it is learnt that some of the EOUs are compelled to accept job work even at far below their full costs, purely as a measure of survival.

Secondly, such Direct Export of Rough Blocks is also wrought with its own adverse multiplier effects as well - like loss of employment to the Indian workers in the Granite Industry to that extent; increase in the idle capacity of the Industry's Imported plant & machinery; and the corresponding under-recovery of the overheads such as interest, depreciation, administration charges etc.,



Thirdly, coming to the very nature of the Rough Blocks, our main input. As they come from the Nature, they are easily prone to get damaged at any stage, from the time of their procurement till the finished slabs reach the foreign buyers.

Fourthly, there exists scope in all the other industries for recycling the damaged finished stock at a nominal expenditure. However, in the case of Granite products the damaged products are to be necessarily condemned as scrap or at the most disposed of at throwaway prices.

Fifthly, the wages payable to the labour force are almost statutory or semi-statutory in nature. They are regulated by the Wage-Laws like the Minimum Wages Act, the Bonus Act, Wage Agreement with the trade unions etc from time to time. Thus Wage Law Makers view that in turn they have nothing to do with the need for simultaneous increase in the productivity of the labour.

Sixthly, the imported spares and stores are also becoming costlier over the years.

In the given circumstances, both the volume of our exports and its average price per square meter realized are in general on decline year after year.

### **iii) Segment-wise or product-wise performance:**

Your company is predominantly engaged in the manufacture of polished slabs only. It is a 100% Export Oriented Unit. Its domestic sales are negligible and its operations constitute only one primary segment i.e. export-sales of 'polished slabs'. Hence no segment-wise reporting is done.

### **iv) Outlook:**

There is an artificial man-made scarcity in the availability of Rough Blocks. It is created by the Direct Export of Rough Blocks by some owners / lessees of the granite quarries. Initiation of necessary prohibitive steps by now is badly delayed. So the powers that be should immediately step in and prohibit all direct export of Rough Blocks by bringing in a stiff statute if necessary. Otherwise several 100% EOUs' plants may soon face closure.

If the report appearing in the Eenadu daily dated 12.06.2011 shows that, all is not well with the way of leasing the Quarries. The leasing is granted simultaneously by several departments of Government like -- Forest, Revenue and Minerals & Mines. They lack inter- departmental coordination and act independently without the knowledge of the other departments. At times the Reserved Forest Area is also being leased out. It is understood that the allotment of quarries on lease, now onwards, is going to be entrusted to the Girijan Co-operatives.

### **v) Risks and Concerns**

- a) The product is at once subject to local, national and international competition.
- b) Any adverse change in the import policies of the Government, Recession etc may further adversely affect the profitability.

### **vi. Internal Control Systems and their Adequacy:**

A duly qualified and experienced Chartered Accountant is entrusted with the Internal Audit. He is independent. He evolves adequate internal control procedures, which are commensurate with the size of the company and the nature of its business. The internal control system extends to the purchase of stores, raw materials, plant and machinery, equipment and other assets and for the sale of goods as well.