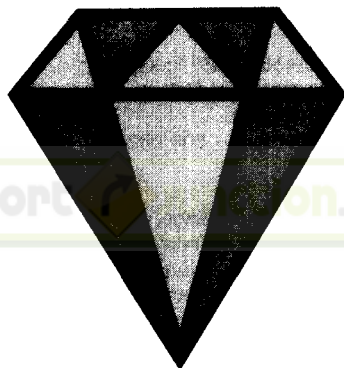


15th Annual Report 2003-04



Sri Vajra Granites Limited

Sri Vajra Granites Limited



BOARD OF DIRECTORS : Sarvasri

V.N. Nadkarni, Chairman

L. Hanumanth Reddy

Y. Kesava Krishna, Additional Director (Since 27.01.04)

Mathesh Reddy Kami Reddy, Additional Director (Since 27.01.04)

G. V. Venkata Reddy, Additional Director (Since 27.01.04)

S.S. Sharma, Special Director (Nominee of BIFR)

A. Hanimi Reddy, Managing Director

M. Chandra Bhushan, Executive Director (Resigned on 21.05.04)

B.N. Reporter (Expired on 07-07-2003)

SECRETARY:

S. Suryanarayana

REGISTERED OFFICE :

6-3-456/23, 2nd Floor,
Dwarakapuri Colony,
Punjagutta,
Hyderabad - 500 082.

WORKS :

Basavapur Village,
Bikhanoor Mandal,
Kamareddy Taluq,
Nizamabad District,
Andhra Pradesh.

BANKERS:

State Bank of India,
Industrial Finance Branch,
Rajbhavan Road, Somajiguda,
Hyderabad - 500 082.

Tamilnad Mercantile Bank Ltd.
15-2-696, 1st Floor,
Siddiamber Bazar, Kishangunj
Hyderabad - 500 012.

AUDITORS :

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



Sri Vajra Granites Limited

NOTICE :

To

All the Members,

Notice is hereby given that the 15th Annual General Meeting of Sri Vajra Granites Limited will be held on Thursday, the 16th day of December, 2004 at 11.30 A.M. at Sundarayya Kala Nilayam. 1-8-1/B/25/A, Baghlingampally, Hyderabad - 500 044 to transact the following :

Ordinary Business :

1. To consider, approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2004 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 V.N. Nadkarni who retires by rotation and being eligible offers himself for reappointment.
3. To re-appointment Auditors, M/s. I. Sudhaker & Co., Chartered Accountants, 204 Amrutha Ville, Rajbhavan Road, Somajiguda, Hyderabad, A.P. to hold office from conclusion of the 15th Annual General Meeting until the conclusion of the 16th Annual General Meeting and authorise the Board of Directors to determine the Auditors' remuneration in addition to the payment for their other services and reimbursement of actual out of pocket expenses if any.

Special Business :

4. Appointment of Sri Y. Kesava Krishna, who retires as Additional Director at the 15th Annual General Meeting and offers himself for appointment as director.
5. Appointment of Sri Mathesh Reddy Kami Reddy, who retires as Additional Director at the 15th Annual General Meeting and offers himself for appointment as director.
6. Appointment of Sri G.V. Venkata Reddy, who retires as Additional Director at the 15th Annual General Meeting and offers himself for appointment as director.

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 10-12-2004 to 16-12-2004. (bdi)
3. Members are requested to notify immediately the change, if any, in their address, to the Company's Registered Office at Hyderabad, quoting their Registered Folio number.
4. Pursuant to Section 109A of the Companies Act, 1956 shareholders are entitled to make nominations in respect of shares held by them. Shareholders desirous of making nominations are requested to send their requests to the Company in the prescribed proforma in duplicate (which will be supplied on request).
5. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies along with them to the meeting.

Sri Vajra Granites Limited



ANNEXURE TO THE NOTICE

Pursuant to Sub-Clause VI - A of Clause 49 of the Listing Agreement, details of Directors retiring by rotation or otherwise and seeking reappointment : -

Note on item no. 2 of the Notice.

Sri V.N. Nadkarni was born on 20-07-1924. After an eventful career in public sector banking for several decades, he retired as the Chairman of the State Bank of India. He is also associated with your company as the Chairman of its Board of directors since 28-03-1992. Your company's transformation from the stage of its sickness with a negative networth during 2001-02 to a financially viable one with a positive networth of Rs. 924.81 lakhs as on 31-03-2004 owes in no small measure to his invaluable multi-faceted services to the company.

Presently he is associated with the following other Corporate Bodies

Sl. No.	Company Name	Chairman / Director
1)	Clariant (India) Limited	Chairman
2)	Rallis India Limited	Director
3)	Schrader Duncan Limited	Director
4)	Borosil Glass Works Limited	Director
5)	Goldiam International Limited	Director
6)	Indo Gulf Corporation Limited	Director

None of the other Directors is interested in his appointment as proposed at item no. 2 of the notice. It is therefore now for consideration and approval of the shareholders.

NOTE ON ITEM NO. 4 :

Sri Y. Kesava Krishna was born on 31-12-1941. He is a Commerce Graduate and a Fellow of the Institute of Chartered Accountants of India. He is presently a partner in Nataraja Iyer & Co., one of the oldest accountancy firms in Hyderabad. After a long innings of over three decades of industrial experience at the top level of management in the Andhra Pradesh Industrial Corporation Ltd, Hyderabad, he retired as its Chief General Manager. He was instrumental in no small measure for promotion and establishment of many a joint venture organization with the participation of the APIDC. He was associated with your company for more than 12 years, firstly as the Nominee Director of the APIDC ever since the inception of your company till 27-01-2002. Later on, on retirement from service he is associated as Additional Director during the years 2002-03 and 2003-04. He is now to retire at the ensuing Annual General Meeting of our company. Since a notice under section 257(1) of the Companies Act, 1956, along with requisite fee, is received from the members proposing his name for appointment as director the same is now for your consideration and approval. He is not a director in any other companies.

None of the other directors of the company is interested in the proposed appointment of Sri Y. Kesava Krishna.

NOTE ON ITEM NO. 5 :

Sri Mathesh Reddy Kami Reddy was born on 21-03-1958. He is a Post Graduate in Commerce, Fellow of the Institute of Chartered Accountants of India and a Practising Chartered Accountant. He is associated with your company as Additional Director during the years 2002-03 and 2003-04. He is now to retire at the ensuing Annual General Meeting. Since a notice under section 257(1) of the Companies Act, 1956, along with requisite fee, is received from the members proposing his name for appointment as director the same is now for your consideration and approval. He is not a director in any other companies.

None of the other directors of the company is interested in the proposed appointment of Sri Mathesh Reddy Kami Reddy.



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NOTE ON ITEM NO. 6 :

Sri G.V. Venkata Reddy was born on 03-03-1945. He is a retired Senior Government Official. He is associated with your company as Additional Director during the years 2002-03 and 2003-04. He is to retire at the ensuing Annual General Meeting. Since a notice under section 257(1) of the Companies Act, 1956, along with requisite fee, is received from the members proposing his name for appointment as director the same is now for your consideration and approval. He is not a director in any other companies.

None of the other directors of the company is interested in the proposed appointment of Sri G.V. Venkata Reddy.

By order of the Board of Directors
For SRI VAJRA GRANITES LIMITED.

Sd/-

Hyderabad
Date : 30th October, 2004

(S. SURYANARAYANA)
Company Secretary

DIRECTORS' REPORT

To
The Shareholders,
Sri Vajra Granites Ltd.

Your Directors are happy to lay before you the Audited Balance Sheet as on the Profit & Loss Account and the Statutory Auditors' Report thereon for the year ended 31-03-2004, attached thereto their 15th Report and all other documents as required under the Companies Act, 1956.

2. STATE OF AFFAIRS :

2.1 WORKING RESULTS

(Rs. in lacs)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
Total income	1463.04	1351.21
Less : Expenditure before Interest and Finance charges, Depreciation	<u>1336.25</u>	<u>1262.26</u>
Gross Profit	126.79	88.95
Less : Interest & Finance charges	1.27	18.08
Depreciation	<u>78.07</u>	<u>77.68</u>
Net Profit / (-) Loss for the year	<u>47.45</u>	<u>-6.81</u>

It will be noticed that the total income / top line of the company's working results have grown by Rs. 111.83 lakhs i.e. by 8.30% in the financial year 2003-04. Like-wise, there is a corresponding increase in the gross profit by Rs. 37.84 lakhs. This coupled with a fall in the overheads of Interest and Depreciation by Rs. 16.42 lakhs has resulted in a wholesome shift in the bottom-line of the company's working results from a loss at Rs. 6.81 lakhs sustained in 2002-03 to a profit at Rs. 47.45 lakhs in 2003-04.

Sri Vajra Granites Limited



2.2. FINANCIAL HIGHLIGHTS

(Rs. in lacs)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
1. Operating Profit / (-) Loss for the year	47.45	-6.81
2. State Subsidy	17.67	17.67
3. Extraordinary Income	1301.72	---
4. Provisions for taxation	---	---
5. Accumulated losses brought forward	-977.97	-971.16
6. Net Accumulated Profits / (-) Losses (1+2+3-5)	388.87	-960.30
7. Share Capital	535.94	435.94
8. Net Worth (6+7)	924.81	-524.36

2.3. EXTRAORDINARY INCOME:

Your Directors are glad to report that after the full and final settlement of the Company's outstanding dues to all its Secured Creditors i.e. the IDBI, IFCI, ICICI & SBI as per the terms and conditions of the One Time Settlement Agreements concluded separately with each one of them, our Company could show a surplus of Rs. 1301.72 lakhs -- made up of Rs. 382.79 lakhs of the principal amount and Rs. 918.93 lakhs of the accumulated interest of the loan amounts waived by the Financial Institutions.

The Directors place on record their deep appreciation to the Financial Institutions i.e. the IDBI, IFCI, ICICI and SBI for their understanding of the genuine financial difficulties of the company and for the waiver of part of principal and accumulated interest of the company.

As for the Income -tax liability aspect on this extraordinary income, in view of the huge past accumulated losses to be set off there is no need for any Income-tax provision thereon.

2.4. ALLOTMENT OF EQUITY SHARES:

As provided for in the BIFR's 'Sanctioned Scheme', the three promoter-directors, viz. Sarvasri A.Hanimi Reddy, M. Chandra Bhushan and L. Hanumanth Reddy, were allotted ten lakh equity shares of Rs. 10/- each at par during the financial year 2003-04 i.e. for an amount of Rs. 1 crore, forming part of the sum of Rs. 487.37 lakhs earlier brought in by them, their friends and associates and advanced as interest-free loans to the company.

2.5. DIVIDENDS:

The operative net profit made during the year under review being very modest your Directors are not able to recommend any dividend for the year 2003-04.

3. DEPOSITS:

The Company did not accept any deposits from the public during the year 2003-2004

4. COMPLIANCE WITH ACCOUNTING STANDARDS:

As per the requirements of the Listing Agreement with the Stock Exchanges and the Accounting Standards in terms of Section 211 (3A) of the Companies Act, 1956, a statement on Deferred Taxation has been incorporated in and annexed to the accounts for the year 2003-04. There are no 'Related Party Transactions' to be reported under AS -18.

5. PARTICULARS OF EMPLOYEES:

There is no employee in the company whose particulars are required to be furnished pursuant to section 217(2A) of the Companies Act, 1956.



Sri Vajra Granites Limited

6. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Company's Act, your Directors confirm the following:

- that in the preparation of the Annual Accounts for the year ended March 31, 2004 the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- that the Directors have 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 at the end of the financial year and of the profit or loss of the company for that period;
- that the Directors have 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 and;
- that the Directors have prepared the annual accounts on a going concern basis.

7. POLLUTION CONTROL:

Relevant and necessary effluent treatment arrangements and other required measures for control of water, air, environmental etc borne pollutions are already in place and steps have been taken to further strengthen and consolidate these pollution control measures. 'No Objection Certificates' from the Pollution Control Board are being obtained regularly.

8. LISTING WITH STOCK EXCHANGES:

Your Company's securities have been listed with the Hyderabad and Mumbai Stock Exchanges. These Stock Exchanges are approached for listing the trading of the 10 lakhs equity shares of Rs. 10/- each also, allotted during the year. The Annual listing fees have been duly paid to these Stock Exchanges.

9. CASH FLOW STATEMENT:

In conformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement prepared as per AS-3 is appended to the Annual Report.

10. CORPORATE GOVERNANCE:

Separate reports on the 'Management Discussion and Analysis' and the Corporate Governance as required under Clause 49 of the Listing Agreement with the Stock Exchanges along with the required certificate from practising Company Secretary as to the company's due compliance with the provisions of the Corporate Governance clause, provided herein form part of our Report.

11.0. MANAGEMENT DISCUSSION AND ANALYSIS:

11.1. Industry Structure and Developments:

All over the world, granite is being widely used for purposes of wall panelling, flooring, kitchen tops, table-tops, sit-outs, tomb-stones, kerb-stones etc. Fortunately India is rich in granite-deposits. As many as 12 states of India produce granite and offer around 160 varieties of colour and texture.

As for Andhra Pradesh, 17 of its 23 districts produce granite. The state stands foremost among all the important granite producing states of India. It accounted for a production of 3,57,648 cubic meters of granites during 2002-03.

Sri Vajra Granites Limited



11.2. Opportunities :

The Indian Granite Industry has carved out a niche for itself in the world market, accounting for a 10% share. It occupies first place among the granite exporting countries, with its exports during 2002-03 reckoned at Rs.2460.58 crores (equivalent to Rs.535 million US Dollars). It is a major Foreign Exchange earner as well for our country.

As for Andhra Pradesh, we find occurrences of a good number of varieties of granite. Jet Black, Black Galaxy and blue coloured granites are a few varieties worth mentioning. Happily the Black Galaxy, a rare and exclusive variety available from Chimakurthy of Andhra Pradesh, enjoys pride of place and premium.

The present share of the Indian Granite Industry in the world market hovers around 10%. Considering the facts that its products are very popular commanding premium and there still exist opportunities for improving the marketing in the tiling and flooring arenas, it should be easily possible to improve India's share in the world granite market by at least a further 5 to 6 percent in the next 2 to 3 years period.

11.3. Threats:

a) Competition from the Ceramic Industry:

The ceramic industry is carrying on a relentless propaganda claiming that its products have the same beauty, appeal and attraction as of the natural stones like granites and at the same time with none of their defects. Such continued adverse marketing campaign, coming as it does, from an organized and cohesive industry like the Ceramics can pose a real threat in the long run to a relatively small and weaker sector like granites.

b) Non-Availability of Rough Blocks:

Further in Andhra Pradesh alone there exist 241 big, medium and tiny granite units with a combined installed capacity for production of 31.20 lakhs sq.meters of slabs and tiles and 4800 cubic meters of monuments. All these 241 units consume nearly 48000 cubic meters of granite. However non-availability of the best quality blocks for processing is the major problem facing a majority of them, barring a few units which have their own or lease-hold well developed captive quarries. Unfortunately, the problem gets all the more complicated with the indiscreet and unbridled direct export of rough granite blocks being resorted to by the quarries. They are being lured into such sharp practices for their own short term and narrow considerations and ease of operations coupled with the tax benefits undeservedly being extended to them. With the result, processing units like ours find it hard and difficult to get adequate quantities of granite blocks of certain colours-especially of the first quality grade blocks which are free from defects, larger in size and are normally preferred for export- processing purposes.

c) Low Productivity of labour and High Wastages:

Low levels of labour productivity, fewer number of man-hours effectively being utilised and the very high levels of wastage of raw material are the main problems which plague the Indian Granite Industry. Therefore, in terms of productivity our granite industry lags far behind when compared to the other exporting countries like Italy, Brazil, Spain, Norway, South Africa etc.

d) Segment-wise or product-wise performance:

Your company is predominantly engaged in the manufacture of polished slabs only. Since it is a 100% Export Oriented Unit, its domestic sales are almost negligible. So your company's operations constitute only one primary segment i.e. export-sales of polished slabs. Hence no segment-wise reporting is done.



Sri Vajra Granites Limited

e) Outlook:

The granite Industry has already been reeling under severe downturn. Added to that the events like the 9/11 disaster, the wars on Afghanistan and Iraq have certainly slowed down the pace of revival of the world economy and that of the U.S.A. and more so of the granite industry. Since almost all your company's exports take place to the U.S.A. the fortunes of your company to a major extent are tied up with the revival of US economy.

However with our company's complete liquidation of its Secured loans, carrying high rate of interests, its interest burden gets reduced by around Rs. 1 crore per annum. Therefore we are cautiously optimistic about our company's future prospects and profitability.

f) Risks And Concerns

i) Falling Dollar Value and the Rising Euro Currency Value vis a vis Indian Rupee.

Our company mainly exports to the U.S.A. It is also its established practice to fix its export prices in terms of Dollars. Because of the slow down in the US economy, our buyers there are in no mood to concede any hike in our export prices. Therefore in the face of the falling value of the dollar vis-a-vis our home currency, our company has been experiencing a steady fall in its per unit export earnings.

On the other hand we make our purchases of stores & spares from our overseas-suppliers in terms of Euros and since the exchange value of Euros is on constant increase vis a vis our Indian Rupee we are hit even on this front.

Thus these two adverse factors also, to a considerable extent, account for our present low levels of profitability.

ii) Since our main consumables and spares are imported ones any change in the import policies of the Government may affect the company's profitability

iii) The availability of Raw Materials is likely to be affected due to changes if any in the Government Policies.

iv) The company's product is subject to local, national and international competition as well.

g) Internal Control Systems and their Adequacy:

In our opinion there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of stores, raw materials, plant and machinery, equipment and other assets and for the sale of goods.

H) Discussion on Financial Performance with respect to operational performance:

During the year under report, your company's production of polished slabs, in physical terms, rose to 52,639 Sq.Mt from 49,821 Sq.Mt in 2002-03. This accounts for an increase of 2,818 Sq.Mt i.e. by over 5.66%. As for the sales, they rose to 54,092 Sq.Mt during 2003-04 from 52,822 Sq.Mt in 2002-03, registering a marginal rise by 1,270 Sq.Mt i.e. by 2.40%. To speak in terms of profitability, it accounts for a modest profit of Rs.47.45 lakhs as against the loss of Rs.6.81 lakhs sustained during 2002-03. As for the other details of financial performance they are available vide the working results at para 2.1 of this report.

Sri Vajra Granites Limited



i. **Material Developments In Human Resources/Industrial Relations:**

Pursuant to the BIFR-Sanctioned-Scheme for the revival of the company, a memorandum of understanding was entered into with your factory workers during the year under report with a view to improve the productivity. Directly/indirectly your company employs 148 individuals at various levels at its factory, head office and quarries. Industrial relations continue to remain cordial.

12. AUDITORS:

M/s. I. Sudhaker & Co., Chartered Accountants retire at the ensuing Annual General Meeting and being eligible have indicated their availability for re-appointment. You are now to appoint auditors for the current year and authorise the Board to fix the auditors' remuneration. As required under the provisions of section 224 of the Companies Act, 1956, the company has obtained written certificate from them for re-appointment to the effect that their re-appointment, if made, would be in conformity with the statutorily specified limits.

13. CAUTIONARY STATEMENT:

Statements in this Report, particularly those which relate to the Outlook, Management Discussion and Analysis, the Company's objectives, projections, estimates, expectations etc are mere assessments and they may at best constitute "forward looking statements" within the meaning of applicable laws and regulations, if any. Actual results might differ materially from those either expressed or implied.

14. CHANGES IN THE BOARD OF DIRECTORS:

a) Appointments

During the year 2003-04, with a view to constitute the Audit Committee and as also to ensure an optimum combination of the Executive Directors and Non-Executive Directors on the Board of Directors in line with the norms laid down in the Corporate Governance Clause, Sarvasri Y. Kesava Krishna, Chartered Accountant; Mr Mathesh Reddy Kami Reddy, Chartered Accountant and G.V.Venkata Reddy, a Retired Government official were co-opted as Additional Directors. Further Sri S.S.Sharma was also appointed as Special Director by the Hon'ble BIFR for overseeing the implementation of its 'Sanctioned Scheme' for the revival of your company.

b) Retirements

Sarvasri Y. Kesava Krishna, Mathesh Reddy Kami Reddy and G.V. Venkata Reddy being additional directors, retire at the ensuing 15th Annual General Meeting. As the company has received separate notices in writing under section 257 of the Companies Act, 1956 proposing their candidature, they are eligible for re-appointment as Directors at the ensuing Annual General Meeting.

Further Sri V.N.Nadkarni retires by rotation at the 15th Annual General Meeting.

Being eligible for reappointment the above four individuals are willing for reappointments. Brief resume of these four candidates is available elsewhere in the Notice.

c) Resignation

Sri M. Chandra Bhushan, Executive Director, tendered his resignation in May, 2004 to his offices both as the Executive Director and Director due to his domestic problems. The Board of Directors place on record their deep appreciation of the valuable services rendered by Sri Chandra Bhushan during his tenure on the Board.