

Sri Vajra Granites Limited



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16th Annual Report 2004-05

Sri Vajra Granites Limited



BOARD OF DIRECTORS :		
Sarvasri	V.N. Nadkarni	Chairman
	Y. Kesava Krishna	Director
	Mathesh Reddy Kami Reddy	Director
	G. V. Venkata Reddy	Director
	S.S. Sharma	BIFR Nominee
	G. Raghunandan	IDBI Nominee
	L. Hanumanth Reddy	Director
	A. Hanimi Reddy	Managing Director
	M. Chandra Bhushan	Executive Director (Resigned on 21.05.04)

SECRETARY & COMPLIANCE OFFICER :
 S. SURYANARAYANA
 6-3-456/23, 2nd Floor,
 Dwarakapuri Colony, Punjagutta,
 Hyderabad - 500 082.

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.

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

SHARE TRANSFER AGENTS :
 Big Share Services Pvt. Ltd.
 G-10, Left Wing, Amrutha Ville,
 Opp. Yashoda Hospital
 Rajbhavan Road, Somajiguda,
 Hyderabad - 500 082.
BP Id : IN200117

BANKERS:	
Corporation Bank 8-2-248/A, Road No.3, Banjara Hills, Hyderabad - 500 034.	Tamilnad Mercantile Bank Ltd. 15-2-696, 1st Floor, Siddiamber Bazar, Kishangunj Hyderabad - 500 012.



Sri Vajra Granites Limited

NOTICE :

To

All the Members,

Notice is hereby given that the 16th Annual General Meeting of Sri Vajra Granites Limited will be held on 24th September, 2005 at 11.30 A.M. at Sri Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 500 038 to transact the following :

Ordinary Business :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2005 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 appoint a Director in place of Sri G.V. Venkata Reddy who retires by rotation and being eligible offers himself for reappointment.
4. 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 16th Annual General Meeting until the conclusion of the 17th Annual General Meeting and to 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.

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

Sd/-
(S. SURYANARAYANA)
Company Secretary

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 19th September, 2005 to 24th September, 2005 (bdi)
3. Members are requested to notify immediately the change, if any, in their address, quoting their Registered Folio number to the Company's Transfer Agents (TAs),
4. Pursuant to Section 109A of the Companies Act, 1956 shareholders are entitled to make nominations in respect of shares held by them, by sending either to the company or its TA's the nominations, in duplicate, in Form 2B (which will be supplied on request).
5. Members are requested to bring their copies of the 16th 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.

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ANNOUNCEMENT 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 are given below :

Note on item 2 of the Notice.

Sri L. Hanumanth Reddy was born on 12.06.1943. He has been associated with the company for the past 16 years i.e. ever since its incorporation as one of the promoter-directors. He is a land lord and business magnet of repute. He stood all along by the company, through its thick and thin. He is not a Director in other Companies.

NOTE ON ITEM 3 :

Sri G.V. Venkata Reddy was born on 03.03.1945. He is a retired Senior Government Official, with adequate administrative and commercial knowledge. He is associated with your company as Director during the past 3 years. He retires at the ensuing Annual General Meeting. He is not a Director in any other companies.

None of the other directors of the company is interested in the proposed appointments of either Sri L. Hanumanth Reddy or Sri G.V. Venkata Reddy.

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

Place : Hyderabad
Date : 30th July, 2005

Sd/-
(S. SURYANARAYANA)
Company Secretary



Sri Vajra Granites Limited

DIRECTORS' REPORT

To
The Shareholders,
Sri Vajra Granites Limited

Your Directors are happy to lay before you the Audited Balance Sheet as on and the Profit & Loss Account and the Statutory Auditors' Report thereon for the year ended 31.03.2005, attached thereto, their 16th Report and all other documents as required under the Companies Act, 1956 and the Listing Agreement.

1. FINANCIAL RESULTS

PARTICULARS	(Rs. in lacs)	
	Year ended 31.03.2005	Year ended 31.03.2004
1. Net Sales	1678.81	1456.99
% of rise in Net Sales over that of previous year.	15.22%	8.31%
2. Operating Expenses	1409.91	1259.00
3. Gross Profit (1-2)	268.90	197.99
4. Selling, administration & general expenses	161.40	151.16
5. Interest	161.40	1.27
6. Net Operating Profit (3-4-5)	107.50	45.56
7. Non Operating Income	9.35	1.89
8. Total Income for the year (6+7)	116.85	47.45
9. Bad Debts	91.99	---
10. Profit Before Tax (8-9)	24.86	47.45
11. Income Tax (MAT)	1.95	---
12. Retained Profit (10-11)	22.91	47.45

2. OPERATING RESULTS:

It will be noticed that the net sales / top line of the company's working results rose by Rs. 221.82 lakhs i.e. by 15.22% during the year under report. Likewise the gross profit was up during the fiscal 2004-05 by Rs. 70.91 lakhs i.e. by 35.81% over that of the previous year 2003-04. As to the Net Operating Profit, it was up by Rs. 61.94 lakhs over that of the previous year 2003-04. However, as against the retained profit of Rs. 47.45 lakhs for the previous year 2003-04, the bottom line for the year 2004-05 dipped to Rs. 22.91 lakhs due to write off of Rs. 91.99 lakhs of bad debts.

3. NET WORTH OF THE COMPANY

PARTICULARS	(Rs. in lacs)	
	Year ended 31.03.2005	Year ended 31.03.2004
1. State Subsidy	17.67	17.67
2. Profit & Loss Account Balance	394.11	371.20
3. Transfer to General Reserves (1+2)	411.78	388.87
4. Share Capital	535.94	535.94
5. Net Worth (3+4)	947.72	924.81

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4. Dividends:

The operative net profit made during the year under review being low we could not recommend any dividend for the year 2004-05.

5. DEPOSITS:

The Company did not accept any deposits from the public during the year 2004-2005

6. 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 2004-05. There are no 'Related Party Transactions' to be reported under AS -18.

7. 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.

8. 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, 2005 the applicable accounting standards have been followed along with proper explanations relating to material departures;
- 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 as on 31.03.2005 and of the profit or 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 had prepared the annual accounts on a 'going concern' basis.

9. POLLUTION CONTROL:

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

10. AVAILABILITY OF DEMAT FACILITIES:

Your Company's equity shares of Rs. 10/- each (issued capital of Rs. 5,36,00,000/-) are admitted into CDSL and NSDL with **ISIN Code - INE047H01018** and made live in their systems.

So the shareholders now have the option to dematerialize their shares. The dematerialisation requests, if any, along with the physical certificates, can be sent to the appointed Transfer Agents(TAs) for your Company : Mr G.S.Dharma Veer, Branch Manager, Bigshare Services Pvt Ltd, G-10, Left Wing, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad - 500 082. The Transfer Agents' BP ID No is IN 200117



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11. 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.

12. 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.

13. MANAGEMENT DISCUSSION AND ANALYSIS:

a. Industry Structure and Developments:

All over the world, granite is being widely used for wall paneling, 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. It stands foremost among all the important granite producing States of India.

b. Opportunities and threats:

The Indian Granite Industry, accounting for a 10% share in the world market, has carved out a niche for itself. It occupies first place among the granite exporting countries. 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% only. Considering that its products are very popular, command premium and there still exist opportunities for improving the marketing in the tiling and flooring arenas, it should be easily possible to improve our Company's export market in a big way.

As to the threats, 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 don't suffer from any of their defects. So the competition from the Ceramics is to be successfully met.

Low levels of labour productivity, fewer number of effective man hours put in and the very high levels of wastage of raw material are the main problems which plague the Indian Granite Industry. So the productivity of our Granite Industry lags far behind that of the other exporting countries like Italy, Brazil, Spain, Norway, South Africa etc.

c) Segment-wise or product-wise performance:

Your company is predominantly engaged in the manufacture of only polished slabs. It is an 100% Export Oriented Unit, with negligible domestic sales. Thus your company's

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erations constitute only one primary segment i.e. export-sales of polished slabs. Hence no segment-wise reporting is done.

d. Outlook:

The demand for granite in the world market is very high. The Indian granite is rated as one of the best available in the world due to its hardness and ability to preserve the glossy fine polish. International demand for granite is expected to remain strong. Considering that India's share in the International Market at present is relatively low, the country can capture higher and higher share in the world market. It is so, especially viewed in the context that the Indian granite at present is one of the most sought after stones in the major developed countries of Europe and the U.S.A. and that India possesses a huge granite wealth.

e. Risks And Concerns

i. Falling Dollar Value and the Rising Value of Euro Currency vis a vis Indian Rupee are of some concern, for, our company mainly exports to the U.S.A. It is the established practice to fix the export prices in terms of Dollars. As the value of US Dollar is on constant decline, any hike in our export prices may not be acceptable to our US based customers. This explains for our company's relatively low export earnings per unit and low levels of profitability.

On the other hand we make our purchases of stores & spares and other consumables 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 on this front too. Further any change in the import policies of the Government may affect the company's profitability.

ii. Likewise the availability of Raw Materials is likely to be affected due to changes if any in the Government Policies on the granites front.

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

f. 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.

g. 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 58,589 Sq.Mt from 52,639 Sq.Mt in 2003-04. This accounts for an increase of 5,950 Sq.Mt, i.e. by over 11.30%. As for the sales, they rose to 59,449 Sq.Mt during 2004-05 from 54,092 Sq.Mt in 2003-04, registering a rise by 5,357 Sq.Mt, i.e. by 9.90%. To speak in terms of profitability, it accounts for a profit of Rs.116.85 lakhs (prior to the write off of the bad debts and provision for Income Tax) as against the profit of Rs. 47.45 lakhs made in the year 2003-04. It thus augurs well in general and the company is on the growth path



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h. Material Developments In Human Resources/Industrial Relations:

Directly/indirectly your company employs 143 individuals at various levels at its Factory Head office and quarries. Its industrial relations continue to remain cordial.

14. 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 accordance with the limits specified in subsection (1B) of the Companies Act, 1956.

15. 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.

16. CHANGES IN THE BOARD OF DIRECTORS:

a) Appointment

During the year 2004-05, Sri G. Raghunandan, Manager of the APIDC was appointed as the Nominee Director by the latter on the Board of Directors of your company.

b) Retirements

Sri L. Hanumanth Reddy and Sri G.V. Venkata Reddy, retire by rotation at the ensuing 16th Annual General Meeting. Being eligible they offer themselves for reappointment. Details of their bio-data are furnished elsewhere in the Notice.

17. CODE OF CONDUCT:

The Board of Directors laid down the code of conduct for all Board members and senior management of the company. This code of conduct will be made operational as and when the code is made mandatory by the SEBI.

18. ACKNOWLEDGEMENT:

We thank the Government authorities, the Hon'ble BIFR, the 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 service during the year.

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

Place: Hyderabad
Date : 30.07.2005

Sd/-
Y. KESAVA KRISHNA
Director

Sd/-
A. HANIMI REDDY
Managing Director

Sri Vajra Granites Limited



REPORT ON CORPORATE GOVERNANCE:

1. Company's philosophy on code of governance:

The Philosophy of your Company's code of Corporate Governance is five fold. Constitution of an effective independent Board and its various committees; separation of the Board's supervision role from the executive management; ensuring transparency of its management systems; prompt compliance with all the regulatory provisions of the Corporate Laws, Stock Exchanges, SEBI etc, both in letter and spirit and enhancement of value in a fair manner for all the stake-holders i.e. customers, creditors, employees, share-holders, society and the government at large.

2. Board of Directors:

a) Composition:

As on date, the composition and strength of your Board of Directors is as under: Two Promoter-Directors, Four Independent Non-Executive-Directors and one Nominee-Director each of the BIFR & APIDC. The Board is headed by a Non-Executive-Chairman. Independent-Directors on the Board constitute 75% (as against the required 33.33%). Further, none of the Directors of your Board serves as a member of more than ten committees or as Chairman of more than five committees of the other Corporate Bodies. The company thus meets with all the requirements of the Listing Agreement and the Companies Act.

b) Particulars of attendance of each Director at the Board Meetings and the last Annual General Meeting.

During the year 2004-05, four meetings of the Board of Directors were held i.e. on 21.05.2004, 31.07.2004, 30.10.2004, and 29.01.2005 and the 15th Annual General Meeting of the Company was held on 16.12.2004.

Other related data are tabulated hereunder:

Name	Category	No. of Board Meetings attended during the year	Attendance at the AGM	No. of Out side Director-ships* Indian	No. of outside Committee positions held as Member Chairman
Sri V.N. Nadakarni (Chairman)	Independent & Non Executive	4	Yes	7	9 1
Sri Y.Kesava Krishna	-do-	4	Yes	Nil	Nil Nil
Sri Mathesh Reddy Kami Reddy	- do -	2	Yes	Nil	Nil Nil
Sri G.V. Venkata Reddy	- do -	3	Yes	Nil	Nil Nil
Sri L. Hanumanth Reddy	Non-Executive (Promoter)	4	Yes	Nil	Nil Nil
Sri A. Hanimi Reddy	Managing Director (Promoter)	4	Yes	Nil	Nil Nil
Sri S.S.Sharma	BIFR Nominated Director	4	—	2	2 Nil
Sri M. Chandra Bhushan*	Executive Director	1	—	—	— —
Sri G. Raghunandan **	APIDC Nominated Director	—	—	—	— —

* Resigned on 21-05-2004.

** Appointed on 29.01.2005.