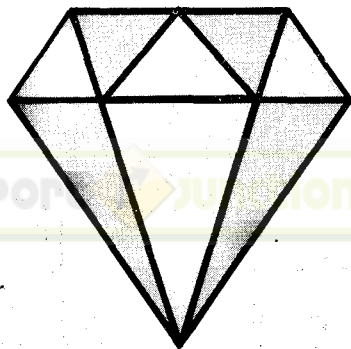


Sri Vajra Granites Limited



17th Annual Report 2005 - 06

Sri Vajra Granites Limited



BOARD OF DIRECTORS

V.N.Nadkarni

Y.Kesava Krishna

Mathesh Reddy Kami Reddy

G.V.Venkata Reddy

L.Hanumanth Reddy

S.S.Sharma

G.Raghunandan

C. Saya Reddy

A.Hanimi Reddy

Chairman (upto 29.05.2006)

Director

Director

Director (upto 30.09.2005)

Director

BIFR Nominee (up to 12.08.2005)

APIDC Nominee

Director (Since 28.10.2005)

Managing Director

REGISTERED OFFICE :

6-3-456/23, 2ndFloor,
Dwarakapuri Colony,
Punjagutta,
Hyderabad- 500 082

SECRETARY & COMPLIANCE OFF ICER:

S. Suryanarayana
6-3-456/23, 2ndFloor,
Dwarakapuri Colony,
Punjagutta,
Hyderabad - 500 082

WORKS:

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

AUDITORS:

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

BANKERS:

Andhra Bank,
Kamareddy Branch,
Kamareddy.

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

Sri Vajra Granites Limited



NOTICE

To

All the members,

Notice is hereby given that the 17th Annual General Meeting of Sri Vajra Granites Limited will be held on 27th day of September, 2006 at 11-00 a.m. at Sri Sundarayya kala Nilayam, 1-8-1/B/25/A, Baghlingampally, Hyderabad-500044 to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 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 Y . Kesava Krishna 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 re-appoint the Auditors, M/s. I. Sudhaker & Co., Chartered Accountants, 204 Amrutha Ville, Rajbhavan Road, Somajiguda, Hyderabad, A.P. to hold office from the conclusion of the 17th Annual General Meeting until the conclusion of the 18th Annual General Meeting and authorise the Board of Directors to determine the Auditors' remuneration in addition to the payment for other services rendered and reimbursement of actual out of pocket expenses incurred, if any, by the Auditors.

SPECIAL BUSINESS:

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

AS A SPECIAL RESOLUTION

5. "RESOLVED that pursuant to the provisions of Section 81 (1A) and such other applicable sections, if any, of the Companies Act, 1956 for the time being in force; and in accordance with the provisions of SEBI (Disclosure and Investor Protection) Guidelines 2000 (the SEBI Guidelines); Rules and Regulations of the Securities and Exchange Board of India, including the applicable provisions, if any, of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, the Reserve Bank of India; the enabling provisions in the Memorandum and Articles of Association of the Company; and further subject to compliance with any other applicable provisions of such other applicable Corporate Laws, guide lines, regulatory orders and instructions, sanctions etc thereof for the time being in force, the Board of Directors of the Company (the Board) which expression shall include any committee thereof; be and is hereby authorized to offer, issue and allot on a preferential basis certain Equity shares of the Company broadly in the ambit of the following decisions".

"Resolved that 19,03,500 (Nineteen lakh three thousand five hundred shares) fully paid up equity shares of a face value of Rs. 10/- (Rupees Ten) each of the Company at a subscription price of Rs. 10/- per share or at the price calculated as per the prescribed SEBI guidelines in this respect, whichever is higher, be offered and allotted on preferential basis to Sri A. Hanimi

Sri Vajra Granites Limited



Reddy and his relatives and the other Promoter-Director Sri L. Hanumanth Reddy's wife (Subscribers) as detailed in the Explanatory Statement to this Special Resolution".

"ALSO RESOLVED that the Board be and is hereby authorized to delegate all or any of the powers conferred on it by or under this Resolution including the allotment of the shares to any Committee of Directors of the company or to any Director or Directors or any other Officer(s) or Employee(s) of the Company as it may consider appropriate for purposes of giving effect to these Resolutions".

"ALSO RESOLVED that the **relevant date** for determination of the offer price of the above mentioned equity shares, in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 relating to the preferential issue, shall be 28th August, 2006 being the date 30 days prior to the date of the 17th Annual General Meeting".

"ALSO RESOLVED that the issue and allotment of the supra said equity shares shall be completed within 15 days of passing of this Resolution, provided that where the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval."

"ALSO RESLOVED that all the equity shares offered to be issued and allotted as above shall rank pari passu in all respects with the existing shares of the company, including as to dividends on a pro rata basis."

"ALSO RESOLVED that the Board be and is hereby authorized to decide and approve all other terms and conditions of the issue of the equity shares and to vary, modify, or alter any of the terms and conditions, including the size of allotment, as it may deem expedient".

ALSO RESOLVED that the Managing Director be and is hereby authorized to make necessary application to the two Depositories CDSL and NSDL for establishment of electronic connectivity to the newly created equity shares and as also to facilitate their Dematerialisation as well".

"ALSO RESOLVED that the instruments so created now be subject to the lock in stipulation of the SEBI".

ALSO RESOLVED that the Managing Director be and is hereby authorized to get the shares now under creation listed with the Bombay Stock Exchange and the Hyderabad Stock Exchange."

"ALSO RESOLVED that the Board be and is hereby authorized to accept such terms and conditions and modifications thereto from time to time, as the SEBI/ the Reserve Bank of India/ the Stock Exchanges/ the Depositories/ Depository Participants/ or such other authorities may stipulate in the matter".

"AND FURTHER RESOLVED that for the purpose of giving effect to all the supra adopted Resolutions, the Board be and is hereby authorized 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 or doubt that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the preferential issue of the equity shares as above and further to do all such acts, deeds, matters and things to finalise and execute all documents and deeds as it may deem fit, without need to seek any further consent or approval of the company in this regard".

Sri Vajra Granites Limited

**NOTICE**

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 deposited with 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 21.09.2006 to 27.09.2006 (bdi).
3. Members are requested to notify immediately the changes, if any, in their address, to the Company's Registered Transfer Agents (RTAs), 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, 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 17th 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.

ANNEXURE TO THE NOTICE:

Pursuant to sub-clause VI A of Clause 49 of the Listing Agreement details of Directors retiring by rotation and seeking reappointment are given below:

Note on item no.2 of the Notice.

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 & Company. After a long innings of over three decades of industrial experience at the top level of management in the Andhra Pradesh Industrial Development 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 ever since its inception, for nearly 15 years, firstly as the Nominee Director of the APIDC and later on, on retirement from service he is associated as Additional Director during the years 2002-03 and 2003-04 and afterwards as Director subject to retirement by rotation. He is now retiring at the ensuing Annual General Meeting of the Company. His re-appointment as director subject to retirement by rotation is now for your consideration and approval.

He is not a Director in any other companies. He does not have any shareholding in the company either in his own name or that of his relatives as defined in the Companies Act, 1956.

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

NOTE ON ITEM NO. 3:

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

Sri Vajra Granites Limited



is associated with your company as Additional Director during the years 2002-03 and 2003-04 and laterly as Director subject to retirement by rotation. He is now to retire at the ensuing Annual General Meeting of the Company. His re-appointment as Director subject to retirement by rotation is now for your consideration and approval

He is not a Director in any other companies. He does not have any shareholding in the company either in his own name or that of his relatives as defined in the Companies Act, 1956.

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

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 ON ITEM NO. 5 UNDER SPECIAL BUSINESS:

It may be recalled that during 2003 the Promoter Directors, had brought in substantial amounts, on their own and by raising from their relatives, friends, associates and affiliates and advanced the same to the company as interest free unsecured loans,. With the said funds the company could successfully and on time meet its obligations to the Financial Institutions as per the One Time Settlement Agreements concluded by the company with each of them under the aegis of the Honourable BIFR. It may also be stated that once the Rehabilitation Scheme was successfully implemented, the BIFR promulgated Rehabilitation Scheme provides for the repayment of the said loans. Accordingly the promoters were earlier allotted 10 lakh equity shares of Rs. 10/- at par by way of preferential allotment, followed by part payments of the balance dues from time to time in cash to the promoters. Still there is a balance of Rs. 1,90,38,651/- due to them. The special Resolution as set out now proposes to allot on preferential basis 19,03,500 (Nineteen lakh three thousand five hundred shares) fully paid up equity shares of a face value of Rs. 10/- (Rupees Ten only) at Rs. 10/- per share or at the price calculated as per the prescribed guidelines of the SEBI in this respect, whichever is higher, to Sri A. Hanimi Reddy and certain other individuals (subscribers) as set out in the Explanatory Statement against the cash/ monies already received / to be received".

Memorandum of Interest: Except for the subscribers as disclosed in the Resolution, none of the Directors is interested in the Special Resolution.

The Board of Directors hence commend the Special Business for your adoption by way of Special Resolution.

DISCLOSURES PURSUANT TO THE SEBI (DIP) GUIDELINES :

- I. **Objects of the issue through preferential offer :** To discharge the Interest Free Loans to the Directors to a tune of Rs. 1,90,35,000/- against the cash already received / to be received from the subscribers.
- II. **Intention of Promoters, Directors and Key Managerial Personnel to subscribe to the issue :** Letters of intention to subscribe to the proposed preferential offer for issue of equity shares are already obtained from them.

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(iii) The consequential changes in the shareholding pattern will be as follows:

	Name of the Subscriber	Existing Share Holding as on 21.08.2006		Proposed preferential allotment of equity shares		Post preferential allotment of equity shares	
		No of Shares	%	No of Shares	%	No of Shares	%
1	A. Hanimi Reddy & his relatives:						
	A. Hanimi Reddy	892217	16.65%	654755	34.40%	1546972	21.30%
	A. Leela	265393	4.95%	461500	24.24%	726893	10.01%
	A. Sudhakar Reddy	265410	4.95%	656163	34.47%	921573	12.69%
	A. Namrata	40000	0.75%	Nil		40000	0.55%
2	L. Hanumanth Reddy & his relatives:						
	L. Hanumanth Reddy	438900	8.19%	Nil		438900	6.04%
	L. Vijaya Laxmi	79000	1.48%	131082	6.89%	210082	2.90%
3	Grand Total (1+2)	1980920	36.97%	1903500	100.00%	3884420	53.49%

IV. Proposed time within which the allotment shall be complete :

The allotments shall be complete within 15 days from the date of the Resolution, provided that where the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval."

V. The identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them.

Name of the Allottees	Address	Post preferential issue Capital	
		No. of shares	%
A. Hanimi Reddy, Promoter and Managing Director, Sri Vajra Granites Ltd, S/o. A. Subba Reddy, Age: 62 years PAN: AAYPA 4340D	Flat No. 203, "B" Block, Siddamshetty Towers, Jawahar Nagar, Bakaram, Hyderabad – 500 044.	Details of the percentage of the post preferential issue capital that may be held by the present allottees is as mentioned above vide disclosure No. (iii).	
A. Leela, W/o. A. Hanimi Reddy Age: 52 Years PAN: ACPA 5541M	- do -	- do -	
A. Sudhakar Reddy S/o. A. Hanimi Reddy Age: 28 Years PAN: ADIPA 6803E	- do -	- do -	
L. Vijaya Laxmi, w/o. L. Hanumanth Reddy, Age: 52 Years PAN: AATPL 8989Q	H.No. 5-6-50/33. Dwaraka Nagar, Nizamabad, A.P.	- do -	

Sri Vajra Granites Limited**Certificate of the statutory Auditor :**

A Copy of the Certificate of the Statutory Auditor certifying that the issue of the Equity shares on preferential basis is being made in accordance with the SEBI Guidelines in the matter will be placed before the shareholders at the annual General meeting. The issue of shares on preferential basis is governed, inter alia, by the provisions of section 81 (1A) of the Companies Act, 1956 and by the relevant provisions of the SEBI guidelines for preferential issues.

INSPECTION OF DOCUMENTS:

Copies of all relevant documents in connection with the business to be transacted at the 17th Annual General Meeting are available for inspection of the members at the Registered Office of the company between 11-00a.m. to 1-00 p.m. on all working days of the company prior to the date of the Meeting.

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

Sd/-

A. HANIMI REDDY
Managing Director

Place: Hyderabad
Date : 21.08.2006

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DIRECTORS' REPORT

To

The Shareholders,

Sri Vajra Granites Ltd.

Your Directors are happy to place before you their 17th Report, together with the Audited Balance Sheet as on and the Profit & Loss Account and the Statutory Auditors' Report on the financial accounts for the year ended 31.03.2006, and attached thereto all other documents, as required under the Companies Act, 1956 and the Listing Agreement.

1. FINANCIAL RESULTS

PARTICULARS	(Rs. in lacs)	
	Year ended 31.03.2006	Year ended 31.03.2005
1. Sales	1427.07	1682.83
2. Operating Expenditure	1230.65	1488.91
3. Profit Before Depreciation, Interest & provision for Tax (1-2)	196.42	193.92
4. Depreciation	92.31	86.43
5. Interest	3.10	Nil
6. Profit before provision for taxes and exceptional items (3-4-5)	101.01	107.49
7. Bad Debts	Nil	91.99
8. Other Income / Prior Period Adj.	2.81	9.35
Profit Before Tax (6-7+8)	103.82	24.85
9. Provision for taxes	10.33	1.95
10. Net Profit for the year (9 – 10)	<u>93.49</u>	<u>22.90</u>
11. Balance Brought forward from previous year	394.10	371.20
12. Balance carried to Balance Sheet	<u>487.59</u>	<u>394.10</u>

A look at the above table reveals that despite a steep decline in sales during the year under report, the Profit made Before Depreciation, Interest and provision for Tax (PBDIT), was higher by Rs. 2.50 lakhs. By way of backdrop, it may be stated that of late your company has been facing a severe crunch in the availability of its inputs. It is not able to obtain certain colours of Rough Blocks, for being processed into polished slabs, which are in wide demand and carry premium compared to the manufacture and export of the slabs of traditional colours. Therefore, as a remedial measure, your company had rearranged its Product-Mix of Sales with increased quantities of low-priced traditional colours in place of the high-priced premium colours. Hence the decline in sales in financial terms and an increase in the quantity sold to 65806 Sq.Mts or by 6,357 Sq. Mts or 10.69%, during 2005-06, compared to that of 2004-05. (More details vide para 14-g at Page No. 12 of this Report).

2. NET WORTH OF THE COMPANY

PARTICULARS	(Rs. in lacs)	
	Year ended 31.03.2006	Year ended 31.03.2005
1. State Subsidy	17.67	17.67
2. Profit & Loss Account	487.59	394.11
3. Share Capital	535.94	535.94
4. Net Worth (1+2+3)	<u>1041.20</u>	<u>947.72</u>

Sri Vajra Granites Limited



3. DIVIDENDS:

Keeping in view the imminent need to finance the long overdue replacement of your company's existing plant and machinery, by conservation of all resources at its disposal, your directors are constrained to pass over the dividend aspect for the year 2005-06.

4. FIXED DEPOSITS:

The Company did not accept any Fixed deposits from the public during the year 2005-2006

5. 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 2005-06. There are no 'Related Party Transactions' to be reported under AS 18.

6. PARTICULARS OF EMPLOYEES:

Pursuant to section 217 (2A) of the Companies Act 1956, are nil.

7. 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, 2006 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 31.03.2006 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.

8. 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.

9. 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 section 224 of the Companies Act, 1956, the company has also obtained a written certificate from them to the effect that their re-appointment, if made, would be in accordance with the limits specified in sub-section (1B) ibid.

10. CHANGES IN THE BOARD OF DIRECTORS:

a) Appointments

During the year 2005-06, Sri G.Raghunandan was appointed by the APIDC as its Nominee