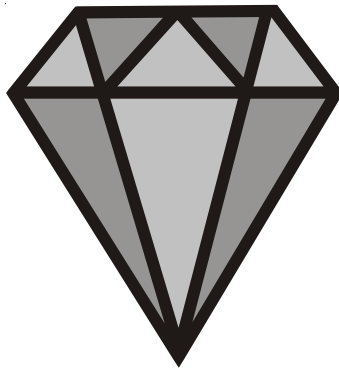


Sri Vajra Granites Limited



21st Annual Report 2009-10



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**BOARD OF DIRECTORS**

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

Chairman
Director
Director
Director
Director
Managing 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: srivgl@sify.com
&Svgl_complaints@sify.com
Website: 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



NOTICE

Dear members,

Notice is hereby given that the 21st Annual General Meeting (AGM) of Sri Vajra Granites Limited will be held on Thursday, the 30th day of September, 2010, at 11.30 A.M at Sundarayya Vignana Kendram (Kala Nilayam), 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 31st March, 2010 and the Profit & Loss Account for the year ended 31st March, 2010, together with the Directors' and Auditor's Reports thereon:
2. To appoint a Director in place of Sri C.Saya Reddy, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri M.Ranga Reddy, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the retiring Statutory Auditors, M/s. I. Sudhaker & Co., Chartered Accountants, Flat No. 115, Amrutha Ville, 6-3-1091/13 to 15, Somajiguda, Rajbhavan Road, Hyderabad - 500 082 A.P, as the Statutory Auditors of the Company, from the conclusion of the 21st AGM until the conclusion of the 22nd AGM and to authorize the Board of Directors / the Audit Committee to fix the remuneration of the Auditors and to reimburse the actual out of pocket expenses as may be incurred by the Statutory Auditors in the performance of their duties, from time to time.

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 effective 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, particularly on the accounts under approval, to the Company's Registered Office at least a fortnight before the date of the 21st AGM, so that the information so required can be kept ready.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23.09.2010 to 30.09.2010 (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 either to the company or its RTAs the nominations, in duplicate, in Form 2B (which can be obtained from the company's RTAs).
6. Members are requested to bring their copies of the 21st Annual Reports (ARs) along with them to the Meeting. No copies will be further given since they are already dispatched to all the Members.
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 slip 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 (except on Sundays) between 11.00 A.M. to 1.00 P.M., upto and including 29th September 2010.

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

Place: Hyderabad
Date: 12.08.2010

Sd/-
K.S.Kameswara Sarma
Chairman



DIRECTORS' REPORT

To
The Shareholders,
Sri Vajra Granites Ltd.

Your Directors present their 21st Annual Report, together with the Audited Balance Sheet as on 31-03-2010; and the Profit & Loss Account, for the year ended 31-03-2010, together with the schedules 1 to 16 attached thereto; the Cash Flow Statement and the Statutory Auditor's Report on the said financial data.

2. FINANCIAL RESULTS/ DATA

PARTICULARS	Rs. in Lakhs	
	Year ended 31.03.2010	Year ended 31.03.2009
1. Net Sales	858.22	1197.87
2. Operating Expenditure	1091.41	1334.78
3. Profit/-Loss Before Depreciation, Interest & Provision for Tax (PBDIT)	-233.19	-136.91
4. Depreciation	-51.73	-52.13
5. Interest	-29.23	-44.25
6. Profit/Loss before provision for taxes & Prior period Adj. Net & other income	-314.15	-233.29
7. Other Income	5.14	12.74
8. Prior Period Adj.Net	12.85	157.99
9. Profit Before Tax	-296.16	-62.56
10. Provision for taxes	0	-1.29
11. Net Profit / Loss for the year	-296.16	-63.85
12. Balance Brought forward from previous year	496.65	560.49
13. Balance carried to Balance Sheet	200.49	496.65
14. Capital Reserve(State subsidy)	24.98	24.98
15. Share Capital	726.28	726.28
16. Net worth	951.75	1247.91

During the Financial Year (FY) 2009-10, the Company's Net sales as above at Rs. 858.22 lakhs, were down by Rs. 339.65 lakhs, compared to the net sales at Rs. 1197.87 made in the F.Y.2008-09.

The year under report ended with a loss of Rs. 314.15 lakhs after providing for the Depreciation and Interest. And after setting off against it the other income and the Prior Period Incomes, the Company ended with a net loss of Rs. 296.16 lakhs.

(For further analysis of the results please see pages 7 & 8 of this 21st Annual Report)

3. Dividends: Your Company is not in a position to recommend any dividend for the F.Y. 2009-10.

4. FIXED DEPOSITS: The Company did not accept any Fixed Deposits from the public during the FY 2009-2010.



- 5. COMPLIANCE WITH THE ACCOUNTING STANDARDS:** Pursuant to Clause 32 of the Listing Agreement with the Stock Exchanges 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, likewise a Cash Flow Statement, prepared as per AS-3, are annexed to the Accounts for the year 2009-10.
- 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: **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, 2010 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 31.03.2010 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 are regularly in place for control of water, air and other environmental borne-pollutions.
- 9. AUDITORS :** The present Statutory Auditor's, term expires at the ensuing Annual General Meeting. You are now to appoint the Statutory Auditors for the current year and authorise the Board to fix the Auditors' remuneration. Your Company has received a written certificate from the retiring Auditors, M/s I.Sudhakar & Co to the effect that their re-appointment, if made, would be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956.
- 10. CHANGES IN THE BOARD OF DIRECTORS :** Sri C.Saya Reddy and Sri M.Ranga Reddy who retire by rotation, seek their reappointment at the 21st AGM
- 11. 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.
- 12. 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/-

A.Srinivas Reddy
Managing Director

Place: Hyderabad
Date: 12.08.2010



ANNEXURE TO DIRECTORS' REPORT:

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

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 emphasises 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:

EARNINGS

	<u>2009-10</u>	<u>2008-09</u>
FOB Value of Exports in Rs.	1,66,30,356	2,90,68,076

OUTGO

a) CIF Value of Imported Capital goods	Nil	Nil
b) CIF Value of Imported Consumables & Spares	1,27,96,907	2,00,61,251
c) CIF Value of Imported Raw Material	Nil	91,53,089
d) Overseas Travel	Nil	39,146

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

Place: Hyderabad
Date: 12.08.2010

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 Board members and senior management personnel, the Company Secretary and the Financial Manager in charge included, have duly affirmed their compliance, during the period 01.04.2009 to 31.03.2010, with the Code of Conduct earlier adopted by the Board of Directors.

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

Place: Hyderabad
Date: 12.08.2010

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:

Granite is used for wall-paneling, flooring, kitchen tops, table tops, sit-outs, tomb-stones, kerb-stones etc. The Industry offers around 160 varieties of colour and texture. It is essentially export-oriented and is an important Foreign-Exchange-Earner. India is endowed with vast granite-deposits. Around 12 States extract the granite quarries. .

ii) Opportunities and threats:

Opportunities:

Andhra Pradesh is also rich in Granite Resources. So a number of Processing units are established in the State, accounting for processing of around 3 million square feet per month. However only a few firms are faring satisfactorily.

Threats:

Following are some of the threats being faced by the Company:

An unfettered and indiscriminate direct export of Rough Blocks by the quarry- owners / lease holders is taking place. This has been causing irreparable damage, to the interests of Government, as well as the Granite Industry as a whole.

Coming to the Government, it substantially loses its Foreign Exchange earnings. For, if the direct export of Rough Blocks is strictly banned and the processed granite slabs alone are exported, Government could have earned foreign exchange equivalent to the full sale value of the finished slabs exported by the entire Indian Granite Industry. On the contrary, because of the Direct Export of the Rough Blocks by those who want to make some fast bucks, the Government at present is getting only a paltry amount of foreign exchange. (equivalent to the value of the Rough Blocks, so being exported). This practice was against the very spirit of the Granite export policy, originally contemplated by the Government. And yet the Government is only a mute spectator to this spectacle.

Coming to the Industry, such a silence on the part of the Government is nothing short of robbing the Peter to pay Paul. It virtually tantamounts to indirectly aiding and abetting the Quarry-owners / Lessees in creating artificial shortage. For, otherwise, India is very rich with plentiful Granite reserves. In such a help less situation, the 100% EOUs like your Company were often forced to buy even the left over second grade Rough Blocks— that too at uneconomical prices. This makes us substantially lose our competitive edge in the export market.

Unfortunately 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 to that extent; increase in the idle capacity of the Industry's plant & machinery; 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. Coming as they are from the Nature, they are easily prone to get damaged at any stage—; at the time of procurement of Rough Blocks; or their transport to the factory; or be it while the finished products were on their destination over high seas.

Fourthly, unlike the existence of scope in all other industries for recycling their damaged finished stock at a nominal expenditure, in the case of Granite industry it is to be necessarily condemned or at the most disposed of at throw away prices, within the state say around 30% or so of their normal export sale price.

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 from time to time etc.,



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 per square meter - sale values realized are 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, its operations constitute only one primary segment i.e. export-sales of 'polished slabs'. Hence no segment-wise reporting is done.

iv) Outlook:

The Industry is presently passing through a crippling world wide recession. Added to it,

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. Necessary prohibitive steps by now are badly delayed. So the powers that be should immediately step in and prohibit any direct export of Rough Blocks by bringing in a statute if necessary. Otherwise several 100% EOU processing plants may soon face closure.

v) Risks and Concerns

- Our product is at once subject to local, national and international competition.
- Any adverse change in the import policies of the Government may further adversely affect the Company's profitability.

vi. Internal Control Systems and their Adequacy:

A duly qualified and experienced Chartered Accountant is engaged as the Internal Auditor. 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.

vii. Discussion on the Financial Performance with respect to our operational performance:

S.No	Particulars	2008-09	2009-10	Difference
1.	*SQM of Qty sold	65422	50232	15190 (A)**
2.	Net sales in Rs. lakhs	1197.87	858.22	339.65 (A)
3.	Average Sale Prices in Rs.	1831	1708.52	122.48 (A)
4.	Total Variable/Direct costs in Rs. lakhs.***	1215.91	960.03	255.88

Note:-

*Denotes Square Meters; 'A' denotes Adverse'; ***Include Manufacturing Expenses, Salaries & other benefits, Direct purchases, Decrease in value of Stock-in-trade.

From the above analysis, the following pointers emerge.

- Because of the devastating Recession in the economy of USA, our sole foreign buyer, our prices fell so low that they are not adequate enough even to cover our variable costs.
- There is a steep fall in our net sales by Rs. 339.65 lakhs during the Financial Year 2009-10. Of this, a fall of Rs 278.13 lakhs is relatable to the fall in the Quantity sold and the balance of Rs. 61.52 lakhs to the fall in our average sale prices. The demand for Granite polished slabs, being generally inelastic in nature, in times of recession the effect of price increase / decrease on the Quantity demanded, is minimal (18.11%). The remaining Rs. 278.13 lakhs of reduction in the quantity sold is due to the