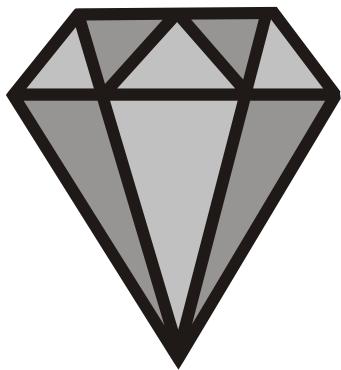


Sri Vajra Granites Limited



23rd Annual Report 2011-12



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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: svgl@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.
306, 3rd Floor, Right Wing,
Amrutha Ville, Opp. Yashoda Hospital,
Rajbhavan Road, Somajiguda,
HYDERABAD - 500 082.
BP Id : IN200117
Tel : +91-40-23374967



NOTICE

Dear members,

Notice is hereby given that the 23rd Annual General Meeting (AGM) of Sri Vajra Granites Limited will be held on 26th day of September, 2012, at 11.00 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 31st March, 2012 and the Statement of Profit & Loss Account for the year ended 31st March, 2012, 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 Smt. A.Leela, who retires by rotation and being eligible offers herself for reappointment.
4. To appoint the Statutory Auditors of the Company, from the conclusion of the 23rd AGM till the conclusion of the 24th 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 EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE AGM. APPOINTING A PROXY DOES NOT PREVENT A MEMBER FROM ATTENDING THE MEETING IN PERSON IF HE / SHE SO DESIRES.**
2. Members are requested to send their queries if any, on the accounts under your approval, to the Company's Registered Office at least a fortnight before the date of the 23rd AGM.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2012 to 26.09.2012 (bdi).
4. Members are requested to notify immediately the change, 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 23rd Annual Report (AR) 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., from 16.09.2012 to 25.09.2012.

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

Place: Hyderabad
Date: 28.05.2012

Sd/-
K.S.Kameswara Sarma
Chairman



DIRECTORS' REPORT

To
The Shareholders,
Sri Vajra Granites Ltd.

Your Board of Directors present hereunder their 23rd 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		Rs. in Lakhs	
PARTICULARS	31.03.2012	31.03.2011	
1. Net Sales	1262.36	963.01	
2. Operating Expenditure	-1318.85	-1100.03	
3. Total operating Loss (1-2)	-56.49	-137.02	
4. Non-operative income/expenditure net	+3.26	+0.50	
5. Net Loss before Tax (3-4)	-53.23	-136.52	
6. Tax Expenditure	Nil	Nil	
7. Net Loss	-53.23	-136.52	
8. Previous Balance of Income b/f	63.97	200.49	
9. Balance of Loss / Profit carried to Balance Sheet (7+8)	10.74	63.97	
10. Capital Reserve	24.98	24.98	
11. Share Capital	726.28	726.28	
12. Net worth (9+10+11)	762.00	815.23	

On a glance at the above given table, we notice the emergence of 3 positive factors viz

- The increase in operating expenses by Rs 218.82 lakhs (19.89%).
- Increase in sales by Rs. 299.35 lakhs (31.08%) and
- Decrease in the loss to Rs. 56.49 lakhs.

If these factors are of continuing nature, it is no mean a performance. For, we know how strong the strangle-hold of the current Global Recession. The Recession crashed the Economies of several Countries. Added to it our Rupee in the international exchange market breached and plummeted to Rs. 56 vis a vis the US Dollar as on 24.05.2012. If our importers (the USA and China) insist on payment in Rupees, we will be hit hard.

Dividends: Your Directors are not in a position to recommend any dividend for the FY 2011-12.

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 2011-2012.

DIRECTORS: Sri C.Saya Reddy and Smt. A.Leela, the Directors of the Company, retire by rotation at the ensuing Annual General Meeting. Being eligible offer themselves for re-appointment.

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 Act (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, 2012 the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- that the Directors had selected such Accounting policies and applied them consistently and made judgments 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 31.03.2012 and of the Statement of 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 fraud and other irregularities.
- that the Directors had prepared the Annual Accounts on a going concern basis.

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 2012-13. 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 Auditor's Certificate 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 a Cash Flow Statement prepared as per AS-3 are annexed to the Accounts for the year 2011-12. 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/-

K.S. KAMESWARA SARMA
Chairman

Place: Hyderabad
Date: 28.05.2012



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.

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 and form part of the Directors Report for the year ended 31st March, 2012 is 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>2011-12</u>	<u>2010-11</u>
FOB Value of Exports	11,28,92,185	9,27,94,474

OUTGO

a) CIF Value of Imported Capital goods	Nil	Nil
b) CIF Value of Imported Consumables & Spares	2,03,66,824	1,47,48,682
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

Sd/-

Place: Hyderabad
Date: 28.05.2012.

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 01.04.2011 to 31.03.2012, with the Code of Conduct earlier adopted by the Board of Directors.

for SRI VAJRA GRANITES LIMITED

Sd/-

Place: Hyderabad
Date: 28.05.2012

A.Srinivas Reddy
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

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

The Indian Granite Industry - Its structure and Developments

India is endowed with vast Granite Deposits. Its granite Industry is spread over 16 States. The Industry offers an estimated 160 varieties of colours and textures. It is essentially Export oriented.

As to its line of activity. Primarily for International Market, it processes the Granite Rough Blocks into slabs of standard sizes, and or as per the specifications of the importers. The product is an important Foreign - Exchange (FE) earner.

As to its usage. Granite products, especially slabs, are widely used in the USA in its building activities-for wall-paneling, Flooring, Kitchen-tops, Table-tops, Tomb Stones, kerb-stones etc.

The demand for Granite products is generally Semi-luxury in nature. Its consumption can be postponed, indefinitely when circumstances are adverse, as is in present times of persistent Global Recession .

Granite Industry in the Andhra Pradesh State

The Industry is mainly spread over the districts of Prakasam, Karimnagar, Warangal, Guntur, Srikakulam, Khammam, Vijayanagaram, Chittoore, in Tadipatri of Anantapur. Each district is noted for the variety or varieties it offers.

However Chimakurty of Ongole, is world-famous for the Black Galaxy it offers.

The Black Granite from Khammam; Tan Brown, Maple red and coffee red from Karimnagar are also noted to some extent. Although 1000 Quarries are there in Andhra Pradesh, 500 quarries only are presently being excavated.

Viewed from the quantum of Rough Blocks effectively available to the 100% Export Oriented Units (EOUs), it appears that far too many EOUs were setup in the State, including your own plant, in the late eighties. When India's foreign exchange position was critical and acute.

Maximization of the earning of the FE is the basic objective of both the Government and the EOUs. For that they should have put in allout efforts. But in actual practice it was largely ignored. Now the already installed EOUs, are not getting the required quantum of Granite Rough Blocks. The EOUs are literally facing closure. The few fortunate quarry- owners are directly exporting the Rough Blocks, unprocessed. This is a suicidal practice viewed from any angle.

Consequently many plants are burdened with idle capacity costs.-like the under; utilization of the machinery (imported and worth several crores of foreign exchange); the under-employed permanent labour with no adequate work; administrative costs; interest burden etc.

Coming to the Government's Foreign-Exchange earnings. Government could now get the FE only on that part of the value of the unprocessed Rough Blocks exported, but not on the full value of the processed slabs which they should have normally earned, had the processed slabs only are exported.

Further, the cost of the inputs of the industry has gone up almost 5 times, during the past one decade. However the prices of the Industry's output remained more or less constant. To add to the woes and worries of the industry the exchange value of the Rupee is steeply falling. As on 23rd May, 2012 the Indian Rupee breached the mark of Rs. 56. It is an all time low against the US dollar. It is afraid that it may not stop at that. Our FE reserves are fast depleting.

The prices of the Industry's inputs to be imported from the European Countries are also going up. Further the Euro Countries are presently lacking in cohesion in their Economy. Additionally, there is the ever- hanging threat from China to ease out India from the Export market of Granite products and monopolize itself.



It is to be noted that the Chinese Granite Industry could rise to such an envious position as its Government has been providing all possible assistance to its Granite units by treating them as a cottage Industry.

At the same time the granite quarry licensing system in India leaves much to be desired.

THREATS:

The productivity of Chinese labour is higher than that of ours. As to their expertise, China could buy the Granite Blocks from India, transport them to China and process them there and export to USA and still make the whole process cheaper and profitable. Further China is ensuring that its Granite Reserves are intact, by importing the Granite Blocks from India and other Countries so as to preserve its own Granites reserves at the same time.

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 their procurement till they reach the foreign buyers.

It may be noted that 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 they are to be necessarily condemned as scrap or at the most it is to be disposed of at throwaway prices.

The wages payable to the labour force are almost statutory or semi-statutory in nature. Irrespective of the productivity. 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.

There is also a threat from the Ceramic Industry to encroach into the Granite Industry.

Opportunities

Opportunities may be there both to the existing and the new ones, provided the plant & machinery, vehicles and other assets etc., are self-financed.

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) Out look.

Presently the out look is nebulous and hazy. To save the Industry it is necessary to initiate some urgent remedial measures.

As to the measure which does not involve any financial burden to the Government, it is necessary to impose ban on the direct export of Rough Blocks. Incidentally such a measure also saves our National High Ways from getting damaged.

The recent hike in the fuel costs, transport charges, power charges, imposition of restrictions in the weight which each vehicle can carry at a time etc are in the nature of restrictive happenings. Such steps do not augur well for the Industry.

Severely hit by the Recession in the Building Industry and followed by the general Global Recession in the Country, the USA stopped all the imports from China. It in turn stopped all its purchase of Granite Rough Blocks. It may be noted that 90% of Andhra Pradesh output is supplied to China alone.



v) Risks and Concerns

- The product is at once subject to local, national and international competition.
- 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 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 the Company's operational performance:

		Rs. in lakhs	
S.No	Particulars	2011-12	2010-11
1	Net sales	1262.36	963.01
2	Variable Expenses (including stock adjustment)	1083.14	877.53
3	Actual contribution (1-2)	179.22	85.48
4	Over heads	-235.71	-137.02
5	Uncovered over heads / Loss	-56.49	-137.02
6	Other income net	3.26	+0.50
7	Net loss	-53.23	-136.52
8	Average sale price(ASP) per Sq.M. in Rs.	2048.25	1806.93
9	Increase in ASP in Rs.	241.32	98.41
10	Quantity sold in SQ.M	62197	53295

From the above table it is clear that there is an increase (a) in the ASP by Rs.241.32 i.e. 25.06% and (b) in the total sales by Rs. 299.35 lakhs i.e. 31.09%. Of this, Rs. 153.74 lakhs is due to increase in the quantity and Rs. 145.62 lakhs is due to the increase in the price.

viii. Material Developments in Human Resources/Industrial Relations:

Directly/indirectly your company provides employment to around 130 individuals at various levels at its Factory, Head office and quarries. Its industrial relations continue to remain cordial.

ix. Disclosure of relationship between Directors inter se in terms of Clause 49 (G) (ia) of the Listing Agreement:

Smt A.Leela, Director of the Company, is the mother of Sri A.Srinivas Reddy, the Managing Director.

By order of the Board
for SRI VAJRA GRANITES LIMITED

Place: Hyderabad
Date: 28.05.2012

Sd/-
K.S.KAMESWARA SARMA
Chairman