

VSF PROJECTS LIMITED

16th ANNUAL REPORT

2007-2008



BOARD OF DIRECTORS:

Sri C.R. Sen Gupta	-	Chairman
Sri B.Narayana Murthy	-	Managing Director
Sri G.S. Ramachandra Rao	-	Director
Smt. B. Vijaya Lakshmi	-	Director
Sri G. Venkateswara Rao	-	Director
(Resigned with effect from 31.10.07)		

Registered Office:

Ankulpatur Village,
Chillakur Mandal,
Nellore District,
Andhra Pradesh

Corporate Office:

Plot No.1107, Ayyappa society,
Cyberabad (P.O.),
Madhapur,
Hyderabad – 500 081, (A.P.)
Email : vsfprojectsLtd@rediffmail.com

Bankers

Vijaya Bank,
Jubilee Hills
Hyderabad

Bank of Baroda

Masab Tank
Hyderabad

Auditors:

M/s. A.M. REDDY & CO.,
Chartered Accountants,
Masab Tank,
Hyderabad, Andhra Pradesh.

Registrars & Share Transfer Agents:

Aarthi Consultants (P) Ltd.,
1-2-285, Near Gaganmahal Hospital,
Domalaguda,
Hyderabad - 29. (A.P.)



NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Members of the company will be held at the Registered Office of the company situated at Ankulpatur Village, Chillakur Mandal, Nellore District of Andhra Pradesh on 25th September, 2008 Thursday at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008, and Profit & Loss A/c for the year ended 31st March, 2008 along with Auditor's Report and Directors Report thereon.
2. To appoint a Director in place of Sri GS Ramachandra Rao, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s AM Reddy & Co., Chartered Accountants, Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting to authorize the Board to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if though fit, to pass with our without modification(s), the following resolution as Ordinary Resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and

310 read with Schedule XIII contained under the Companies Act, 1956 of the Articles of Association of the Company, approval of the members be and is hereby accorded for the re-appointment of Sri B.N. Murthy, as Managing Director, not liable to retire by rotation, for a period of 5 years with effect from 01.11.2007 at a remuneration of Rs. 40,000/- per month including all prerequisites.

By order of the Board

Sd/-

Place: Hyderabad (B.N. MURTHY)
Date : 25.08.2008 Managing Director

NOTES:

Proxy: A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such Proxy need not be a member of the company. In order to be effective, must be received at the Registered Office of the company not less than forty-eight hours before the meeting.

Book Closure: The Register of Members and Share Transfer Register will remain closed from 20th September, 2008 to 25th September, 2008.

Member Identification:

Members are requested to bring the attendance slips duly filled in a lot with their copies of Annual Reports to the meeting.

Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed herewith.



**EXPLANATORY STATEMENT
PURSUANT TO SEC.173(2) OF THE
COMPANIES ACT, 1956:**

ITEM NO. 1:

Sri B.N. Murthy is the founder promoter of the Company. He has been spearheading the growth of the Company and played a key role at every stage and phase of development and decision making. His vision, guidance, dynamism, and efforts will definitely take the Company to new heights in the near future. His term as Managing Director was due to expire on 01.11.2007. Accordingly the Board of Directors, in their meeting held on 31.10.2007, re appointed him for another term of 5 years w.e.f. 02.11.2007.

The appointment and remuneration payable to Sri B.N. Murthy, as Managing Director require the approval of the shareholders in general meeting in terms of provisions of Part III of Schedule XIII of the Companies Act, 1956.

Hence the resolution is commended for your approval.

None of the Directors except Sri B.N. Murthy & Smt. B. Vijaya Lakshmi are interested or concerned in the passing of aforesaid resolution.

By order of the Board

Sd/-

Place: Hyderabad
Date : 25.08.2008

(B.N. MURTHY)
Managing Director

DIRECTOR'S REPORT

Dear Members,

The Directors have pleasure in presenting before you the 16th Annual Report of the company for the year ended 31st March, 2008.

1. FINANCIAL RESULTS

Particulars	Rs. In Lakhs	
	31.03.08	31.03.07
Gross Income	854.78	604.17
Total Expenditure before	773.43	509.93
Profit before Interest & Depreciation	81.35	94.24
Interest & Finance Charges	0.62	1.89
Depreciation	4.02	3.58
Profit before tax	76.70	88.78
Deferred tax	31.27	-39.14
Fringe Benefit tax	0.12	0.14
Profit/(Loss) after tax	45.32	127.77
Balance carried forward to Balance sheet	(364.77)	(410.09)

OPERATIONS:

The overall implementation progress of all road projects during the period under review was satisfactory. In this year the company have taken new work contracts from NCC Limited and GVR Infra Projects Ltd.

The company has given Farm lease to M/s CP Aquaculture India Pvt. Ltd., Chennai for the period of 5 years. The company appointed a legal advisor to argue the MPEDA Arbitration case.

**DIVIDEND :**

Your Directors are unable to recommend any dividends for the financial year 2007-08 due to inadequate profits during the year.

DIRECTORS:

In Accordance with the provisions of the Companies Act, 1956, Mr. GS Ramachandra Rao, who retires by rotation and being eligible, offer himself for reappointment.

AUDITORS:

M/s A.M. Reddy & Co., Chartered Accountants, Auditors of the Company who retires at the Annual General Meeting and company has received certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under section 224(B) of the Companies Act, 1956. Members are requested to reappoint them and to authorise the board to fix their remuneration.

PUBLIC DEPOSITS:

Your company has neither accepted nor renewed any deposits falling within the provisions of Sec. 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.

DIRECTORS RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956:

Pursuant to the requirement U/S 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed.

That in the preparation of the accounts for the financial year 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures:

That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and of the Profit or Loss of the company for the year under review.

That the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

That the Directors have prepared the accounts for the financial year ended 31st March, 2008 on a going concern basis.

CORPORATE GOVERNANCE:

The company has been in full compliance of the norms of Corporate Governance as outlined in Clause No.49 of the Listing Agreement with the BSE,



Mumbai. A separate report on Corporate Governance is produced as part of the annual report along with the Auditors certificate compliance.

LIFTING OF SUSPENSION IN BSE :

The Board of Directors of your company have initiated steps for lifting of suspension of trading of the shares of the company on The Bombay Stock Exchange Ltd and positive results in expected soon in this regard.

FORFEITURE OF SHARES :

The Board of Directors in their meeting held on 24th May, 2008 approved the forfeiture of 5,15,400 partly paid equity share on account of the non payment of the allotment money along with interest due thereon in accordance with the Articles of Association of the Company. Accordingly the Paid Up Capital of the Company stands reduce to Rs. 4,30,71,000/- divided into 43,07,100 equity shares of Rs. 10/- each.

REDUCTION OF SHARE CAPITAL :

As, the members are aware, your company is engaged in the business of execution of civil and infrastructure works, which require huge capital both in the form of equity and debt for execution of projects. However in view of the huge accumulated losses Rs. 3.64 crores as against Paid up

capital of Rs. 4.30 crores as on the date of this report, the Company is unable to infuse fresh funds in the form of equity nor convince the bankers for debt.

Accordingly the Board of Directors of the Company are proposing a scheme of arrangement for reduction of paid up share capital from Rs. 10/- per share to Rs. 5/- share by canceling the paid up share capital which is lost or unrepresented by the available assets, subject to the approval of members and other statutory authorities.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE :

Information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo required to be disclosed U/s 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in report of the Board of Directors) Rules, 1988 are provided in the Annexure forming part of this report.

ACKNOWLEDGEMENTS:

The Board of Directors also place on record their appreciation for whole hearted and sincere support and co-operation extended to the company by different agencies in particular the Government of India, Government of Andhra Pradesh, Government of Karnataka, Andhra Pradesh



Industrial Development Corporation Limited,
The Marine Products Export Development
Authority for their co-operation and
continued support to the Company.

Your Directors place on record their
sincere appreciation of the contributions
made by the employees of the Company at
all levels through their hard work, dedication,
solidarity and support.

For and on behalf of the Board

Sd/-	Sd/-
(B. VIJAYALAKSHMI)	(B.N. MURTHY)
Director	Managing Director.

Place: Hyderabad
Date : 25.08.2008

Annexure

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

A) CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company is very careful in using
the power to reduce the cost of
maintenance and conserve the
resources and constantly evaluates
new technologies and invests to make
its infrastructure more energy-efficient.

b) Additional investments and proposals,
if, any, being implemented for
reduction of conservation of energy:
NIL

c) Impact of the clause (1) and (2) above
the reduction of energy consumption
and consequent impact on the
production of goods : N.A.

B) TECHNOLOGY ABSORPTION *Research and Development (R&D)*

- | | |
|--|-----|
| 1. Specific areas in which R&D carried
out by the Company | NIL |
| 2. Benefits derived as a result of the
above R&D | NIL |
| 3. Future plans of action | |
| 4. Expenditure on R&D | |
| Capital | NIL |
| Recurring | NIL |
| Total | NIL |
| Total R&D Expenditure
as % of total turnover | NIL |

Technology Absorption, Adaptation and Innovation

- | | |
|--|-----|
| 1. Efforts made towards technology
absorption adaptation and innovation | NIL |
| 2. Benefits deried as a result of above
efforts | NIL |
| 3. Information about imported
technology | |
| a. Technology imported: | NIL |
| b. Year of Import : | |
| c. Whether Technology
fully absorbed : | |



- d. If not fully absorbed, areas and reasons for future plans actions :

FOREIGN EXCHANGE EARNINGS AND OUTGO :

- Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and exports plans. - NIL

2. Foreign exchange earnings and outgo :

	2007-08	2006-07
A. Earnings	Nil	Nil
B. Outgo	Nil	Nil

For and on behalf of the Board

Sd/- Sd/-
(B. VIJAYA LAKSHMI) (B.N. MURTHY)
Director Managing Director.

Place: Hyderabad
Date : 25.08.2008

REPORT CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance:

The company's philosophy of Corporate Governance aims at assisting the management of the company in the efficient conduct of its business and in meeting its responsibilities to all the stakeholders and to provide customer satisfaction through best quality.

1. Board of Directors:

Composition: The present strength of the Board is 4 Directors. The Board comprises of Executive and Non-executive Directors. The Non-executive Directors bring independent judgement in the Board deliberations and decisions. The Managing Director is whole time Director. The remaining four are Non-Executive Directors.

Name of the Director	Category of the Directorship	No. of Board meetings attended	% of total meetings	Attendance at the last AGM
C.R. Sen Gupta	Chairman	2	40%	Yes
B.N. Murthy	Managing Director	5	100%	Yes
G.S. Ramachandra Rao	Director	4	80%	Yes
G Venkateswara Rao*	Director	2	40%	Yes
M. Ravindra	Director	5	100%	Yes

* Resigned with effect from 31.10.2007

Number of Board Meetings held and dates of the Board Meetings:

Five Board Meetings were held during the year 2007-08 on the dates mentioned below:

- ❖ 30.04.2007
- ❖ 31.07.2007
- ❖ 31.08.2007
- ❖ 31.10.2007
- ❖ 31.01.2008

2. Committees of the Board:

The Board of Directors has constituted 2 committees of the Board