

VSF PROJECTS LIMITED

19th ANNUAL REPORT

2010-2011



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COMPANY INFORMATION

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 J. Srikanth Babu	-	Director
Sri A. Satya Prasad	-	Director
Sri L. Raja Rao	-	Director (Tech)

AUDITORS	:	M/s Ramana Reddy & Associates (Formerly known as AM Reddy & Co.) Chartered Accountants, 10-5-6/B, My Home Plaza Masab Tank, Hyderabad. Andhra Pradesh
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REGISTERED OFFICE	:	Ankulpatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh - 524 412.
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CORPORATE OFFICE	:	Plot No.89/A, Aishwarya, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034. Andhra Pradesh www.vsfprojects.com
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LISTED AT	:	The Bombay Stock Exchange Limited, Mumbai
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BANKERS	:	UCO Bank
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REGISTRARS & SHARETRANSFER AGENTS	:	Aarthi Consultants (P) Ltd., 1-2-285, Near Gaganmahal Hospital Domalaguda, Hyderabad – 500 029 Andhra Pradesh
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NOTICE

Notice is hereby given that the **Nineteenth Annual General Meeting** of the members of the Company will be held as scheduled below:

Day & Date : **Friday, 30th September, 2011**

Time : **11.00 A.M.**

Venue : Ankulapatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh

to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and the Profit and Loss Account for the financial year ended on that date along with the Report of Directors and the Auditors thereon.
2. To appoint Director in the place of Smt. B. Vijaya Lakshmi, who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint Director in the place of Sri C.R. Sen Gupta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s Ramana Reddy & Associates, Chartered Accountants, as Statutory Auditors of the Company to hold the office as such from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the remuneration.

SPECIAL BUSINESS :

5. To Consider and if thought fit, to pass with or without modification(s) the

following Resolution as an Ordinary Resolution:

“RESOLVED THAT Sri. L. Rajarao, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office as such upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 257 read with Section 190 of the said Act, along with a deposit of Rs.500/- proposing his candidature for the office of Director of the Company be and is hereby appointed as a Director of the Company whose period of office shall not be determinable by retirement of Directors by rotation.”

6. To Consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of, Section 269,198,309,310 & 311 read with the Schedule XIII and other applicable provisions if any of the Companies Act 1956 (including any statutory modification (s) or re-enactment (s) thereof, for the time being in force) approval of the members be and is hereby accorded for the appointment of Shri L. Rajarao as Director (Technical) for a period of 5 (Five) Years with effect from 14th March, 2011 on a remuneration of Rs.1,00,000/- Per Month as approved by the Remuneration Committee of the Company.”

“FURTHER RESOLVED THAT incase of absence of profit or inadequate Profit in any financial Year, the above Remuneration shall be the Minimum Remuneration payable in accordance with the Section II & III of part-II of Schedule XIII of Companies act 1956.”

7. To Consider and if thought fit, to pass with or without modification(s) the



following Resolution as an Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310 and 311 read with schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, and pursuant to Articles of Association and upon recommendation of Remuneration Committee remuneration of Mr. B. Narayana Murthy, Managing Director of the company be and is hereby increased from Rs.1,00,000 per month to Rs.2,00,000 per month with effect from 1st October, 2011 for a period of 3 years.

8. To Consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310 and 311, read with schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, and pursuant to Articles of Association and upon recommendation of Remuneration Committee remuneration of Ms. B. Vijaya Lakshmi, Director of the company be and is hereby increased from Rs.35,000 per month to Rs 50,000 per month with effect from 1st October, 2011.

“FURTHER RESOLVED THAT incase of absence of profit or Inadequate Profit in any financial Year, the above Remuneration shall be the Minimum Remuneration payable in accordance with the Section II & III of part-II of Schedule XIII of Companies act 1956.”

BY THE ORDER OF THE BOARD
For VSF PROJECTS LIMITED

Sd/-

Place: Hyderabad
Date : 25.08.2011

(B.N. MURTHY)
Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books will remain closed from 26th September, 2011 to 30th September, 2011 (both days inclusive).
3. Members / Proxies are requested to bring their copies of Annual Report with them for the Annual General Meeting and the attendance slip duly filled in for attending the Meeting. No copies of the Annual Report will be distributed at the meeting.
4. Members are requested to quote their Registered Folio No or Demat Account No and Depository Participant Identification Number (DPID No) on all correspondence with the Company.
5. Members are requested to send all communication relating to shares to the Company's RTA M/s Aarthi Consultants Pvt. Ltd, 1-2-285, Near Gaganmahal Hospital, Domalaguda, Hyderabad – 500 029, Andhra Pradesh
6. Shareholders desiring any information regarding the Accounts are requested to write to the company atleast 7 days before the date of the Meeting so as to enable the Management to keep the information ready.



7. The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by companies and has issued circular stating that service of notice/documents including annual report can be sent by e-mail to its members. We fully support the Ministry’s green initiative. Accordingly, the members are requested to inform their e-mail addresses to their respective Depository Participants / RTA - M/s Aarthi Consultants Pvt. Ltd, 1-2-285, Near Gaganmahal Hospital, Domalaguda, Hyderabad – 500 029, Andhra Pradesh
8. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking appointment / re-appointment in this Annual General Meeting :
9. Explanatory Statement pursuant to the provisions of section 173(2) of the Companies Act, 1956, is annexed herewith.

EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act 1956)

Item No. 5 & 6

The Board of Directors co-opted Sri. L. Rajarao as Additional Director w.e.f 14.03.2011. As per the provisions of Section 260 of the Companies Act, 1956, he holds office of director upto the date of the ensuing Annual General Meeting.

The Company has received notice in writing from a Member of the Company along with a deposit of Rs.500/- under Section 257 read with Section 190 of the Companies Act, 1956 proposing the candidature of Sri. L. Rajarao for the Office of

Director whose period of office shall be determinable by retirement of Directors by rotation. As per the provisions of Section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Further the Board of Directors in their meeting held on 14.03.2011, considering his three decades of experience in the field of Erection, Testing & Commissioning, Operation & Maintenance of Thermal Power Engineering segment appointed him as Director (Technical) of the Company.

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies, Act, 1956 any such appointment needs to be approved by the members in their General Meeting.

Hence the resolution is commended for your approval.

The profile of the said director is annexed hereto under the head “**Additional Information** “

None of the Directors except Shri L. Rajarao is interested or concerned in the passing of aforesaid resolution.

Item No. 7

Sri B. Narayana Murthy, Managing Director of the company is instrumental and one of the key management person in the success and smooth running of the Company. The board of directors proposed to increase the remuneration in recognition of the services rendered by him to the company and in tune with Industry standards. The proposed remuneration has been approved by the Remuneration Committee.

The revision in remuneration payable to Mr. B. Narayana Murthy, Managing Director needs to be approved by the shareholders in general



meeting by way of Special Resolution in terms of provisions of Paragraph 1 (B) (iii) of Section II of Part II and Part III of Schedule XIII of the Companies Act, 1956.

A statement containing the information required under Paragraph 1 (B) (iv) of Section II of Part II and Part III of Schedule XIII of the Companies Act, 1956.

None of the Directors except B. Narayana Murthy and B Vijaya Lakshmi is interested or concerned in the passing of aforesaid resolution.

Item No. 8

In recognition of the efforts, hard work and contribution Ms. B Vijaya Lakshmi towards the growth of the Company, the board of directors proposed to increase the remuneration. The proposed remuneration has been approved by the Remuneration Committee.

The revision in remuneration payable to Ms. B Vijaya Lakshmi, Director needs to be approved by the shareholders in general meeting by way of ordinary Resolution in terms of provisions of Part III of Schedule XIII of the Companies Act, 1956.

None of the Directors except B. Vijaya Lakshmi and B N Murthy is interested or concerned in the passing of aforesaid resolution.

STATEMENT PURSUANT TO PARAGRAPH 1 (B) (IV) OF SECTION II OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956.

I. GENERAL INFORMATION

(1) Nature of Industry: Infrastructure & Power Generation

The company's business activities primarily consist of infrastructure, civil and engineering works. The Company has plans to foray into Power Generation and is proposing to set up 350 MW Super Critical Power Project.

(2) Expected date of commencement of commercial production: The Company is already an operational Company. The Power Project is expected to be commenced in FY 2012 – 2013.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable.

(4) Financial performance during last three years: (Rs. in lakhs)

Financial Parameters	2009-10	2008-09	2007-08
Total Income	1121.33	954.46	854.78
Profit After Tax	53.84	76.30	45.32
Book Value in Rs	12.04	11.36	9.54
EPS in Rs	1.01	3.54	0.94

(5) Export performance and net foreign exchange earnings: NIL

(6) Foreign investments or collaborations, if any: NIL



II. INFORMATION ABOUT THE APPOINTEE:

1. Background of the Appointee:

Sri B. Narayana Murthy, a diploma holder in Mechanical Engineering has vast experience in the fields of Logistics, Granite Manufacturing, Mining, Aquaculture and Infrastructure Sectors.

He has 25 years rich experience in the field of management and execution of construction of Industrial structures, Cultivation of shrimps, development of lands and buildings. He is the chief promoter of the company. He had successfully executed many civil works in the last 7 years. He has actively participated many business excellence meets in Malaysia, South Africa, Hongkong, etc., He looks after operations, Business development, Purchase, Corporate affairs & finance for all industrial and contracting business and new project ventures.

2. Past remuneration (including contribution to PF, Superannuation fund and Gratuity fund) for last 3 years:

(Amt in Rs./ pm)		
2009-10	2008-09	2007-08
40,000	40,000	40,000

3. Recognition and awards: NIL

4. Job profile and his suitability:

(a) Job Profile

- He will exercise the management control over the whole of the affairs of the Company.
- Providing leadership and strategic guidance to the Company
- Profitable operations of the Company through efficient and optimum utilization

of Company's resource viz., man, material and money.

- Entering into strategic tie-ups and alliances for advancement of the business of the Company.
- Development of new businesses.
- Employee satisfaction.
- Customer satisfaction.

(b) Suitability

Sri B. Narayana Murthy is the chief promoter of the Company. He has been at the helm of the affairs since inception. Under his able leadership and guidance the Company has reached unprecedented heights and sailed through the lean phase successfully. He has vast experience in the fields of Logistics, Granite Manufacturing, Mining, Aquaculture and Infrastructure Sectors. Given the profile of Sri B. Narayana Murthy, it is imperative that he be shouldered with responsibility of Managing Director and draws the remuneration as proposed.

5. Remuneration proposed: As detailed in the resolution.

6. Comparative remuneration profile with respect to industry, size of the Company, Profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

The proposed remuneration to the appointee is in line with the remuneration comparable to the size of the Company and also that of the industry and of the position and person.

7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Sri B. Narayana Murthy has no pecuniary relationship directly or indirectly with the



Company except to the extent of his remuneration and shareholding in the Company. Sri Sri B. Narayana Murthy is the Husband of Smt. B Vijaya Lakshmi, Director of the Company.

III. OTHER INFORMATION:

(1) Inadequate profits:

The Company has achieved profits from its operations during the year and it is expected to earn profits in the future years also. The Company is seeking the permission of the shareholders for paying remuneration to Sri B. Narayana Murthy, Managing Director, in any of the three years of his appointment, in accordance with the provisions as laid down in Part II in Section II to Schedule XIII of the Companies Act, 1956, only in the event the Company has no profit or inadequate profits in any such financial year.

(2) Steps taken or proposed to be taken for improvement: The Company is plans to expand its scale of operations.

(3) Expected increase in productivity and profits in measurable terms: The Company is proposing to setup 350 MW super critical power project in its WOS, however, the actual revenues and commencement of generation of power may take some time.

IV. DISCLOSURES : The details of the remuneration package, benefits and details are provided in Corporate Governance Report

ADDITIONAL INFORMATION
(pursuant to Clause 49 VI (A) of the Listing Agreement)

1. **Shri L. Rajarao**, 58 years, has done Master of Engineering with specialization in Power systems, have 31 years of vast experience in the field of Erection, Testing &

Commissioning, Operation & Maintenance of Thermal Power Engineering segment. He has worked in various positions in APGENCO till 31st July, 2010. He had successfully completed implementation of Kakatiya Thermal Power Project Stage -1 (1x 500 MW) project at Chelpur Village, Ghanpur Mandal, Warangal District in July, 2010.

Shri L. Rajarao, neither holds any directorship nor membership of any committee, other than that of the Company.

Shareholding in the Company : **Nil**

2. **Shri. C R Sen Gupta, 86, Chairman**, is Bachelor of Commerce and PG Diploma in Banking, having 30 years rich experience in the field of banking and capital markets including as a former Chairman and Managing Director United Bank of India (1982-85), one of the largest public sector commercial banks in India and also Executive Director of IDBI Bank in (1969 - 1982).

Shri. C R Sen Gupta, neither holds any directorship nor membership of any committee, other than that of the Company.

Shareholding in the Company : **Nil**

3. **Smt. B. Vijaya Lakshmi, 47, Director**, Bachelor of Arts, and having 12 years rich experience in the field of cultivation of aqua culture. And also she looks after entire administrative and human resource developments.

She is Director in SNEHA AQUA PRIVATE LIMITED and VSF ENERGY PROJECTS PRIVATE LIMITED

Shareholding in the Company : **2,87,500 Equity shares (4.90%)**



DIRECTORS' REPORT

Your Directors hereby present the **NINETEENTH ANNUAL REPORT** together with the Audited Accounts of the company for the financial year ended 31ST March, 2011.

FINANCIAL HIGHLIGHTS:

The performance of the company for the financial year ended 31ST March, 2011 is summarized below.

	(Rupees In Lakhs)	
PARTICULARS	2010-11	2009-10
Gross Income	1735.42	1121.33
Total expenditure	1603.52	1026.42
Profit before Interest & Depreciation	170.48	99.58
Interest	16.93	5.46
Depreciation	21.65	9.35
Profit before tax	131.89	80.08
Current Tax	24.45	11.51
Deferred tax	15.10	14.72
Profit/(Loss) after tax	92.33	53.84
Balance Carried forward from previous years	-19.26	-73.11
Balance Carried forward to Balance Sheet	73.07	-19.26

OPERATIONS AND PERFORMANCE:

During the year under review, your company has seen all round growth in revenues and profitability. The Company has generated income of Rs.1735.42 Lakhs during the current year as compared to Rs.1121.33 Lakhs during the previous year an increase of 54.76% and net profit stood at Rs.92.33 as compared to Rs.53.84 Lakhs during the previous year an increase of 71.47%. The company was able to achieve higher profits on account effective cost control and economies of scale.

The shareholders of the Company have through postal ballot accorded approval to the Board of Directors for hiving of the proposed 350 MW Super Critical Thermal Power Project to its Wholly owned Subsidiary M/s VSF Energy Projects Private Limited as Slump Sale under section 293 (1) (a) of the Companies Act, 1956. The results of the postal ballot were announced on 08th June, 2011.

DIVIDEND:

In view of the inadequate profits, your Directors do not recommend any dividend for the financial year 2010-11.

Re Issue of Forfeited Shares :

During the year the Board of Directors of the Company at its meeting held on July 01, 2010, have reissued 5,15,400 equity at Rs. 12.50/- per share, to Non Promoters, which were earlier forfeited by the Board for nonpayment of call monies. The Company has applied for listing permission to BSE and is waiting for the approval of the same.

SUBSIDIARY COMPANY

In order to execute the proposed 350 MW Super Critical Thermal Power Project, the company incorporated Wholly owned Subsidiary M/s VSF Energy Projects Private Limited on 07th March, 2011.

Since the company was incorporated in the last month of the financial year, no accounts have been made for the said subsidiary for the FY 2010 -11, Statement u/s 212 of the companies Act, 1956.

FIXED DEPOSITS:

The company has neither accepted nor renewed any deposits falling within the provisions of