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ANNUAL REPORT 2012

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Sri Gen. C.R. Sen Gupta	-	Chairman
Sri B. Narayana Murthy	-	Managing Director
Sri. G.S. Ramachandra Rao	-	Director
Smt. B. Vijaya Lakshmi	-	Executive Director
Sri. L. Rajarao	-	Director (Technical)
Sri. A. Satya Prasad	-	Independent Director
Sri. J. Srikanth Babu	-	Independent Director

REGISTERED OFFICE : Ankulapatur Village, Chillakur Mandal,
SPSR Nellore District,
Andhra Pradesh - 524 412.

CORPORATE OFFICE : Plot No.89/A, Aishwarya, Sagar Society,
Road No. 2, Banjara Hills,
Hyderabad – 500 034. Andhra Pradesh
www.vsfprojects.com
info@vsfprojects.com

SITUATORY 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

**REGISTRARS &
SHARE TRANSFER AGENTS** : Aarthi Consultants (P) Ltd.,
1-2-285, Near Gaganmahal Hospital
Domalaguda, Hyderabad – 500 029
Andhra Pradesh

BANKERS : UCO Bank



An overview

The Company

VSF Projects Limited is an integrated construction and infrastructure development and execution company with two principal business segments:

- Construction business which is operated by the Company
- Power Generation business which is operated through Special Purpose Vehicle (SPV) as subsidiary.

Infrastructure business of the Company focuses on sectors including roads, buildings, industrial construction.

Power business of the company executed through its subsidiary and the Company has started site leveling and grading works at the power project site. All government approvals as well as Licenses have been obtained from concerned authorities. The Company has invited bids for BOP and BTG packages from suppliers/ contractors. The Project is the **India's First 350 MW Super Critical Tolling Power Generation Plant** which is a proven technology world over and Eco friendly. Power Finance Corporation Limited has given in principle approval to finance 30% of the total Project cost i.e. Rs. 580 Crores to the project.

VSF Projects



- Customer satisfaction
- Integrity
- Work culture
- Employee sense of belonging
- Innovation
- Health, safety & environment
- Social commitment



NOTICE :

Notice is hereby given that the **Twentieth Annual General Meeting** of the Members of the Company will be held on Friday, 28th September, 2012 at 11.00 A.M. at the Registered Office of the Company at 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, 2012, the Statement of Profit and Loss Account and the Cash Flow Statement 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 Sri. G.S. Ramachandra Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in the place of Sri. J. Srikanth Babu, 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 pursuant to the provisions of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and other enabling provisions, if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing any sum or sums of moneys for and on behalf of the Company, from time to time from any one or more persons, firms, bodies corporate, bankers, financial institutions or from others by way of advances, deposits, loans or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties, whether movable or immovable or stock-in-trade and debts, advances notwithstanding that the sum or sums of moneys so borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves which have not been set apart for any specific purpose, provided that the total amount up to which the moneys may be borrowed shall not exceed Rs. 500,00,00,000/- (Rupees Five Hundred Crores Only).”

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

“RESOLVED THAT subject to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the company be and is hereby accorded to the Board of Directors of the company to mortgage / to create charge in such form and manner with such ranking and at such time and on such terms and conditions as the Board may determine, on any of the movable and immovable properties of the company, both present and future and / or the whole or any part of the undertakings of the company together with the power to take over the management of the business and concern of the company in sustained events of defaults, in favour of any Bank / Financial Institution, or any lender(s), trustee(s) for securing the borrowings of the company to be availed by way of loans / Working Capital limits / Bank Guarantee or any other form and other debt instruments issued by the company from time to time together with the interest at the respective agreed rates and in case of default all other applicable charges payable by the company, as specified in the trust deeds / agreement etc or any other document entered into between the company and the lender(s) and containing such terms and conditions and comments in respect of enforcement of security as may be stipulated in that behalf and agreed between the Board of Directors / Committee thereof and the lenders or

their trustees.”

BY THE ORDER OF THE BOARD
For VSF PROJECTS LIMITED

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

Place: Hyderabad
Date : 03-09-2012

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 24th September, 2012 to 28th September, 2012 (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 communications 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 at least 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

As the Members are aware, Infrastructure business is highly capital intensive and huge amount of financial resources are required to meet the capital and working capital requirement. Further the Company is also setting up 350 MW Power Project through its wholly owned subsidiary, which also required huge capital investment. Your directors feel that over the coming years an amount Rs.500.00 Crores will be required to be taken from Banks / Financial Institutions, which exceeds the aggregate of the paid up capital of the company and its free reserves.

Pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956, the company cannot borrow an amount in excess of the aggregate of paid up share capital of the company and its free reserves, i.e., reserves not set apart for any specific purpose without the consent of the members in their general meeting.

Hence, the resolution is recommended for your approval

The Directors are interested, in the above resolution, to the extent of share capital held by them.

Item No. 6

Section 293 (1) (a) of the Companies Act, 1956 provides that the Board of Directors of public limited Company shall not, without the



consent of such public limited Company in general meeting, sell, lease or otherwise dispose of the whole or substantially whole of the undertaking of the Company.

As the assistances from the institutions/ banks provided/ agreed to be provided to the Company have to be secured by way of mortgage and creation of charge on the assets of the Company, both present and

future, the same shall be deemed sale and accordingly will require approval of the shareholders under the provisions of Section 293 (1) (a) of the Act.

Hence this resolution is recommended for your approval. The Directors are interested, in the above resolution, to the extent of share capital held by them.

ADDITIONAL INFORMATION
(pursuant to Clause 49 IV (G) of the Listing Agreement)

Name of the Directors	Shri. G.S. Ramachandra Rao	Shri. J. Srikanth Babu
Date of Birth	25/10/1949	18/02/1970
Date of appointment on the Board	04/06/1992	15/11/2008
Qualification, Experience and Expertise	Promoter Director of the company, Chartered Accountant and Master of Commerce having over 25 years rich experience in the field of Capital Markets, Software Development, finance, taxation and Corporate affairs. He is also one of the main promoters of the Company. He is the Director looking after financial affairs.	Independent Director of the Company. Degree holder in Bachelor of Commerce, having 10 years of experience in the field of Infrastructure and real estate works. He was successfully finished executed no. of projects in Greater Hyderabad and Southern India.
Directorship in other public companies (excluding Foreign Companies and Section 25 Companies)	Nil	Nil
Shareholding	35004	Nil



DIRECTORS' REPORT

Your Directors hereby present the **TWENTIETH ANNUAL REPORT** together with the Audited Accounts of the company for the financial year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS:

The performance of the company for the financial year ended 31st March, 2012 is summarized below.

	(Rupees In Lakhs)	
PARTICULARS	2011-12	2010-11
Gross Income	1822.58	1735.42
Total expenditure	1686.22	1603.52
Profit before Interest & Depreciation	172.09	185.22
Interest	10.68	31.66
Depreciation	25.05	21.65
Profit before tax	136.36	131.89
Current Tax	27.28	24.45
Deferred tax	15.71	15.10
Profit/(Loss) after tax	93.36	92.33
Balance Carried forward from previous years	73.07	-19.26
Balance Carried forward to Balance Sheet	166.43	73.07

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. 1822.58 Lakhs during the current year as compared to Rs. 1735.42 Lakhs during the previous year an increase of 5.02 % and net profit stood at Rs. 93.36 Lakhs as compared to Rs.92.33 Lakhs during the previous year an increase of 1.12 %. The company was able to

achieve higher profits on account effective cost control and economies of scale.

DIVIDEND:

In view of the inadequate profits, your Directors do not recommend any dividend for the financial year 2011-12.

SUBSIDIARY COMPANY

In order to execute the proposed 350 MW Super Critical Tolling Power Project, which has been estimated total cost of Rs. 1934.32 Crores, the company incorporated Wholly owned Subsidiary i.e. M/s VSF Energy Projects Private Limited on 07th March, 2011. The Company has taken approval of the members of the Company by passing special resolution through the Postal Ballot to hive off its Power Project situated at Ankulapatur Village, SPSR Nellore District to the subsidiary, along with all the approvals, clearances and licenses.

The Company has obtained the Environment Clearance from State Level Environment Impact Assessment Authority, Andhra Pradesh, Government of India (MOEF) and Consent For Establishment (CFE) from Andhra Pradesh Pollution Control Board (APPCB), Hyderabad.

The Company has invited bids for BOP and BTG packages from suppliers/ contractors.

Power Finance Corporation Limited has given in principle approval to provide the Financial Assistance of 30% of the total project cost i.e. Rs. 580.00 Crores. For the balance the Company is approaching various Banks/Financial Institutions.

Subsidiary company's accounts have been attached as consolidated with the accounts of holding company for the FY 2011-12.



Information pursuant to section 212 of the Companies Act, 1956, relating to subsidiary company, is annexed to this report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statement of your company with that of its wholly owned subsidiary VSF Energy Projects Private Limited is provided in the Annual Report. The annual accounts of the subsidiary and the related detailed information shall be made available to members seeking such information at any point of time. The annual accounts of the VSF Energy Projects Private Limited shall also be kept for inspection by any of the members at the administrative and registered office of the company.

FIXED DEPOSITS:

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

DIRECTORS:

Sri. G.S. Ramachandra Rao and Sri. J. Srikanth Babu retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

AUDITORS:

M/s. Ramana Reddy & Associates (Formerly known as AM Reddy & Co.), Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retire at the conclusion of ensuing Annual General Meeting & being eligible, offer themselves for re-appointment. They have furnished a certificate stating that their re-appointment, if made, will be within the limits laid

down under Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment for the FY 2012-13.

PARTICULARS OF EMPLOYEES:

There are no employees whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975, and as amended from time to time as remuneration of none of the employees is in excess of Rs. 5,00,000/- per month, if employed for the part of year or Rs.60,00,000/- per annum during the financial year 2011-12.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors of your Company hereby report:

- (i) that in the preparation of Annual Accounts for the financial year ended 31st March, 2012, the applicable accounting standards have been followed along with the proper explanation relating to material departures, if any, there from;
- (ii) that the directors have 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 and of the profit and loss of the company for that period:
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities



- (iv) that the directors have prepared the annual accounts for the financial year ended 31st March 2012 on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the report of the Board of Directors) Rules, 1988 are given as **Annexure A** and forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement forms part of this Report and is annexed hereto.

CORPORATE GOVERNANCE:

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchange. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report along with the Auditor's Certificate on its compliance.

LISTING:

Your Company's shares are presently listed on The Bombay Stock Exchange Limited, Mumbai.

ACKNOWLEDGEMENTS:

Your directors acknowledge the continued support

from its management and staff. Your Directors also wish to thank its customers, vendors, banks, service providers as well as regulatory and government authorities for their support and cooperation.

BY THE ORDER OF THE BOARD
For VSF PROJECTS LIMITED

Sd/-
(B. VIJAYA LAKSHMI)
Director

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

Place: Hyderabad
Date : 03-09-2012

Annexure – A

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY:

- i. 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
- ii. The Company has not made any additional investments and has not proposed any amount for reduction of consumption of energy.
- iii. There is no impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods.