

**27<sup>th</sup>**  
**Annual Report**  
**2011-2012**



***Vama Industries Limited***

## PAGE CONTENTS

### VAMA INDUSTRIES LIMITED

|    |  |
|----|--|
| 02 | Corporate Information                            |
| 03 | Message from the Chairman                        |
| 04 | Notice   |
| 07 | Directors' Report                                |
| 09 | Management Discussion and Analysis Report        |
| 13 | Corporate Governance Report                      |
| 21 | CEO Certification                                |
| 22 | Conservation of Energy, Research and Development |
| 23 | Certificate on Corporate Governance              |
| 24 | Auditor's Report                                 |
| 28 | Balance Sheet                                    |
| 29 | Profit and Loss Account                          |
| 30 | Cash Flow Statement                              |
| 31 | Notes forming part of the Accounts               |
| 55 | Attendance Slip and Proxy Form                   |

# Corporate Information



| Executive Directors  |                                   | Designation   |                                 |
|--|-----------------------------------|---|---------------------------------|
| V. Atchyuta Rama Raju<br>V. Rajam Raju   |                                   | Chairman and Managing Director<br>Executive Director  |                                 |
| Non Executive & Independent Directors  |                                   | Company Secretary & Compliance Officer  |                                 |
| V. Ramakrishna Rao<br>R. Venkateswara Rao<br>K. Vara Prasad Raju   |                                   | Shilpa Kotagiri   |                                 |
| Statutory Auditors   |                                   | Internal Auditors   |                                 |
| G.V & Co.<br>Grandhi Vittal<br>Chartered Accountants<br>#H.No.2-159, Ananda Nilayam, Street No.3<br>Vani Nagar, Malkajgiri, Hyderabad – 500047   |                                   | M/s. B.M. Kumar & Associates<br>Chartered Accountants<br>#103, Block B, 1st Floor<br>126, Jaya Mansion<br>S.D. Road, Secunderabad- 500 003                                    |                                 |
| Bankers  |                                   | Registrar & Share Transfer Agents   |                                 |
| State Bank of India<br>ICICI Bank Ltd<br>HDFC Bank Ltd<br>Corporation Bank   |                                   | M/s. Bigshare Services Private Limited<br>G-10, Left Wing, Amrutha Ville<br>Somajiguda, Rajbhavan Road<br>Hyderabad – 500 082, A.P. India.                                    |                                 |
| Registered Office  |                                   | Corporate office at Hyderabad   |                                 |
| Ground Floor, 8-3-191/147/24<br>Plot No. B-12, Madhura Nagar<br>S.R. Nagar[Post], Hyderabad 500 038<br>Andhra Pradesh., India.<br>Tel: +91 40 6661 5534 / 6661 9919<br>Fax: +91 40 2370 8672 |                                   | Greendale, II Floor, 7-1-24/2/D<br>Beside Green Park Hotel, Ameerpet<br>Hyderabad – 500 016, A.P., India<br>Tel: +91 40 6684 5534<br>Fax: +91 40 2373 3810                    |                                 |
| Corporate Office at Mumbai   |                                   | Website & email Id for Investors  |                                 |
| Office No. 619, 6th Floor, Maker Chambers - V<br>Nariman Point, Mumbai - 400021, Mah., India   |                                   | Website : <a href="http://www.vamaind.com">www.vamaind.com</a><br>email Id : <a href="mailto:investorservices@vama.co.in">investorservices@vama.co.in</a>                     |                                 |
| Secretarial Consultants  |                                   | 27 <sup>th</sup> Annual General Meeting   |                                 |
| P.S.Rao & Associates<br>Company Secretaries<br>Flat No.:10, 4th Floor # 6-3-347/22/2,<br>Dwarakapuri Colony, Panjagutta, Hyd-082   |                                   | Date & Time : 29th September, 2012 at 10.00 A.M.<br>Day : Saturday<br>Venue: #201, Sri Sai Darsan Residency<br>7-1-408 to 413, Balkampet Road<br>Ameerpet, Hyderabad -500 016 |                                 |
| Cut off Date & Time for lodging Proxies  |                                   | Dates of Book Closure   |                                 |
| Date: 27th September, 2012 [Thursday]<br>Time: 10.00 A.M.<br>At the Registered office of the Company   |                                   | From: 26th September, 2012 Wednesday]<br>To:29th September, 2012 [Saturday]<br>(Both days inclusive)  |                                 |
| Committees of the Board  |                                   |   |                                 |
| Audit Committee  | V. Ramakrishna Rao<br>(Chairman)  | R. Venkateswara Rao<br>(Member)   | K. Vara Prasad Raju<br>(Member) |
| Remuneration Committee   | R. Venkateswara Rao<br>(Chairman) | V. Ramakrishna Rao<br>(Member)  | K. Vara Prasad Raju<br>(Member) |
| Investor Grievance &<br>Share Transfer Committee   | R. Venkateswara Rao<br>(Chairman) | V. Rama Jrishna Rao<br>(Member)   | V. A. Rama Raju<br>(Member)     |

2

# Message from the Chairman



## Dear Fellow Shareholders, Greetings!

It gives me immense happiness to write to you at the end of this financial year and would like to bring to your information few important things that your company has adopted in order to deliver superior growth and value creation for the coming financial years.

In this year, which is weighed down with disturbances in the State, sharp currency fluctuations, overall inflationary scenario, global downturn and recession, the company succeeded in maintaining the costs and tried for sizeable increase in turnover & operating margins during the year.

The Company believes that Information Technology (IT) continues to be in its rapid pace and also continued to be an important catalyst in the economic growth of the Country and also for the sustainable growth of your company. The company is now focusing on all emerging markets for market penetration and market development.

VAMA is dedicated and committed towards enhancing the value of your Company and bearing the same in mind the company is now marching towards the rapid expansion of its business with an aim to elevate VAMA to one of the most trusted Indian companies. VAMA has drawn up a Strategy which is inline with our approach to outperform and create superior value for all its stakeholders. Under this strategic approach the company plans to multiply its sales and profits from its current levels to reach the targets of 'the company, which inturn will enable us to drive strong profitable growth and create further value of its stakeholders, customers and business partners.

On the other hand, your company firmly believes that, the success of any business enterprise like ours can be possible because of its employees who put in their unrelenting efforts to rise to excellence. Whatever so far we have achieved and we will achieve is entirely due to hard work, perseverance, commitment and dedication of the employees of our company.

Further, we would like to bring to your information that, in view of the circulars from the Ministry of Corporate Affairs [MCA] on Green Initiative in Corporate Governance, we would like to request you to understand the initiative taken by the Ministry and welcome the change, which will help the shareholders

to have easy and prompt communication of the Annual Reports. Also it will reduce the paper and thereby help in protecting the environment for our future generations. Therefore, you are requested to ensure that you have updated your email Ids with your DPs at the earliest possible.

I sincerely thank all our shareholders, business partners, and our customers for their continued support and faith in your company. I would like to assure you that your company would continue to remain committed to deliver its strong growth and be one of the top players in the Indian Corporate world.

With Best Wishes

Sd/-

**V. A. Rama Raju**  
Chairman and Managing Director

7th September, 2012  
Hyderabad, A.P.

# Notice

## 27th Annual General Meeting



Notice is hereby given that the Twenty Seventh (27th) Annual General Meeting [AGM] of the Members of M/s. VAMA Industries Limited will be held on Saturday, 29th day of September, 2012 at 10.00 A.M at #201, Sri Sai Darsan Residency, 7-1-408 to 413, Balkampet Road, Ameerpet, Hyderabad 500 016, to transact the following items of business :

### ORDINARY BUSINESS

#### Item 1: Adoption of Accounts

To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Profit & Loss Account for the year ended on that date along with the Reports of the Directors and Auditors thereon.

#### Item 2: Declaration of Dividend

To declare final dividend on equity shares for the fiscal year ended 31st March, 2012

#### Item 3: Reappointment of Mr. V. Rama Krishna Rao

To appoint a Director in place of Mr. V. Rama Krishna Rao, who retires by rotation and being eligible, offers himself for reappointment.

#### Item 4: Reappointment of Mr. K Vara Prasad Raju

To appoint a Director in place of Mr. K. Vara Prasad Raju, who retires by rotation and being eligible, offers himself for reappointment.

#### Item 5: Appointment of Auditors

To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to pass the following resolution thereof:

**“RESOLVED THAT, M/s. GV & Co.,** Chartered accountants (Firm Registration No: 012875S) be and are hereby re-appointed as the auditors of the company to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors.

By Order of the Board  
**For VAMA Industries Limited**

Sd/-

**Shilpa Kotagiri**  
Company Secretary

September 7, 2012  
Hyderabad, A.P.

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to bring their copies of Annual Report together with notice to the meeting in order to enable us to register your attendance at the venue of the Annual General Meeting. Further we request you to please bring your Folio Number/ Demat Account Number/ DP ID to enable us to give you a duly filled Attendance Slip for signature.
3. Corporate Members intending to send their authorised representative to attend the Meeting are requested to send to the company a certified copy of the Board Resolution authorizing their Representative to attend and vote on their behalf at the Meeting.
4. In case of joint holders attending the Meeting, only such joint holders who are higher in the order of names will be entitled to vote.
5. In terms of Section 256 of the Companies Act, 1956, Sri V Rama Krishna Rao and Sri K Vara Prasad Raju, retire by rotation at the ensuing Meeting and being eligible, offer themselves for re-appointment. The Board of Directors of the Company commends their respective reappointments.
6. The Register of Members and Share Transfer Books will remain closed from Wednesday, September 26, 2012 to Saturday, September 29, 2012 (both days inclusive).
7. The dividend on Equity shares, if declared at the Meeting, will be dispatched / credited to those members whose names shall appear on the Company's Register of Members on Tuesday, September 25, 2012 in respect of the shares held in dematerialised form, the dividend will be paid to members whose names

are furnished by National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] as beneficial Owners as on that date.

8. As per RBI Notification, the remittance of money through ECS is replaced by National Electronic Clearance Services (NECS) and banks have been instructed to move to the NECS Platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and Unique Bank Account number, allotted by Banks pursuant to implementation of Core Banking Solutions (CBS) for Centralized processing of inward instructions and efficient handling of bulk transactions.  
  
In this regard, shareholders holding shares in electronic form are requested to furnish the new 10 digit bank Account Number allotted to them by the Bank after implementation of CBS, along with photocopy of a cheque pertaining to the concerned account, to your depository participant (DP). Please send these details to the Company/ Registrars, if the shares are held in Physical form, immediately.
9. Members who hold shares in the Dematerialized form and want to change/correct the bank account details should send the same immediately to their concerned Depository Participant and not to the Company. Members are also requested to give the MICR code of their Bank to their Depository Participants. While making payment of Dividend, Registrar is obliged to use only the data provided by the Depositories.
10. Physical Shares – Payment of Dividend through NECS: Members holding shares in Physical form are advised to submit particulars of their Bank account viz. Name and Address of the Branch of the Bank, MICR code of the branch, type of account and account number to our Registrar and Share Transfer Agent, M/s. Bigshare Services Private Limited, G-10, Left Wing, Amrutha Ville, Somajiguda, Rajbhavan Road, Hyderabad – 500 082, A.P. India.
11. Members holding shares in Physical form are requested to advise any change of address immediately to the Company/ Registrar and Transfer Agents M/s. Bigshare Services Private Limited.
12. Members who are holding Physical Shares in identical order of names in more than one folio are requested to send to the Company or Company's Share Transfer agent the details of such folios together with the Share Certificates for consolidating their holding in one folio. The Share Certificates will be returned to the members after making requisite changes, thereon.
13. Members who wish to claim Dividend, which remain unclaimed are requested to either correspond with the Corporate Secretarial Department at the Company's Registered Office or the Company's Registrar and Share Transfer Agent (Bigshare Services Private Limited). Members are requested to note that dividends not encashed or claimed within Seven years and 30 days from the date of declaration of dividend, will as per Section 205A(5) read with section 205C of the Companies Act, 1956 be transferred to the Investor Education and Protection Fund (IEPF) of Government of India.
14. Members are requested to mandatorily quote their Registered Folio No or Demat Account No and Depository Participant Identification Number (DPID No) on all correspondence with the company.
15. Securities and Exchange Board of India [SEBI] vide circular ref NO. MRD/Dop/CIR-05/2007 dated April 27, 2007 made PAN the sole Identification Number for all participants transacting in the Securities Market, irrespective of the amount of transaction. In continuation of the aforesaid circular, it is hereby clarified that for Securities Market Transactions and off market/ private transactions involving transfer of shares of listed companies in Physical form, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the company/ RTA's for registration of such Transfer of Share.

16. Members are advised to update the email Id With Company's RTA and/or concerned Depository participants as soon as possible.
17. Pursuant to Clause 49 of the Listing Agreement, brief profile of the Directors seeking reappointment at the ensuing Annual General Meeting fixed for 29th September, 2012 is as follows:-

**V. Rama Krishna Rao**

|   |  |
|---|--|
| Date of Birth   | : February 09, 1962  |
| Date of Appointment   | : May 07, 2004   |
| Qualification   | : B.Com., CWA Inter  |
| Expertise   | : Rich and varied experience in the areas of Accounts and Taxation |
| Directorship held in other Public companies (Excluding Foreign Companies) : Nil |  |
| Memberships / Chairmanships of committees of other public companies : Nil       |  |
| Shareholding in the company as on 31.03.2012 : Nil                              |  |

**K Vara Prasad Raju**

|   |  |
|---|--|
| Date of Birth   | : February 09, 1962  |
| Date of Appointment   | : May 07, 2004   |
| Qualification   | : B.Com., CWA Inter  |
| Expertise   | : Rich and varied experience in the areas of Accounts and Taxation |
| Directorship held in other Public companies (Excluding Foreign Companies) : Nil |  |
| Memberships / Chairmanships of committees of other public companies : Nil       |  |
| Shareholding in the company as on 31.03.2012 : Nil                              |  |

By Order of the Board  
**For VAMA Industries Limited**

September 7, 2012  
Hyderabad, A.P.

Sd/-  
**Shilpa Kotagiri**  
Company Secretary



# Directors' Report



Dear Fellow Shareholders,

On behalf of the Board of Directors, I am happy to present the 27th Directors Report of your Company along with the Balance Sheet and Profit & Loss Account for the year ended March 31, 2012..

## FINANCIAL PERFORMANCE

The Financial performance of the Company, for the year ended March 31, 2012 is summarized below:

(₹ in Lakhs)

| Particulars               | Audited        |                |
|---------------------------|----------------|----------------|
|                           | 2011-12        | 2010-11        |
| Turnover                  | 1401.77        | 1007.84        |
| Other Income              | 2.87           | 2.03           |
| +/- in Inventory          | 117.83         | 16.58          |
| <b>Total Income</b>       | <b>1522.46</b> | <b>1026.45</b> |
| PBIDT                     | 122.38         | 134.33         |
| <b>Less:</b> (i) Interest | <b>13.04</b>   | 8.87           |
| (ii) Depreciation         | <b>82.66</b>   | 101.91         |
| Profit Before Tax         | <b>26.68</b>   | 23.55          |
| Less: Provision for Tax   |                |                |
| - Current                 | <b>7.09</b>    | 4.37           |
| - Deferred                | <b>(3.22)</b>  | (2.82)         |
| <b>Profit After Tax</b>   | <b>22.82</b>   | 22.01          |
| Less: Appropriations      |                |                |
| a) Proposed Dividend      | <b>7.04</b>    | 14.08          |
| b) Tax on Proposed Div    | <b>1.14</b>    | 2.39           |
| Earning Per Share (EPS)   | 0.32           | 0.31           |
| Balance Carried to B/S.   | 14.63          | 5.54           |

## BUSINESS PERFORMANCE

Our Revenues from Operations for the Current year increased to Rs.1401.77 Lakhs against an amount of Rs.1007.84 Lakhs for the year 2010-11 and the profit after tax for the year stood at Rs. 22.82 Lakhs when compared to Rs.22.01 for the previous year 2010-11.

The above revenue includes income from Services of Rs. 44,606,408/- and revenue from Sales & Services of Rs.95,570,528/-.

Further, your Company has earned a Profit (Before Tax) of Rs. 26.68 Lakhs for the financial year 2011-12 as against Rs. 23.55 Lakhs for the previous financial year 2010-11.

## DIVIDEND

Your Board of Directors recommends a final dividend of 1% (Re. 0.10 per share) on 70,38,000 fully paid Equity Shares of Rs. 10/- each for the year ended March 31, 2012 [Previous year Rs- 0.20 per Equity Share of Rs. 10/- each] to be appropriated from the profits of the year 2011-12, subject to the approval of shareholders at the ensuing Annual General Meeting. The Dividend will be paid in Compliance with applicable Regulations.

## SUBSIDIARY

During the year under review, M/s. VAMA Asia Pte. Ltd, the erstwhile wholly owned subsidiary of M/s. VAMA Industries Limited, which had its Registered office in Singapore has been wound up and been dissolved.

## FUTURE OPERATIONS

The Company believes that Information Technology (IT) continues to be in its rapid pace and also continued to be an important catalyst in the economic growth of the Country and also for the sustainable growth of your company. Hence your company concentrates more on its core competence area, the IT sector.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the provisions of Clause 49 of the Listing Agreement, a Report on the Management's Discussion and Analysis on Company's Performance – industry trends and other material changes with respect to the Company and its subsidiaries, wherever applicable are presented under the head Management Discussion and Analysis Report under **Annexure A** to this Directors Report.

## REAPPOINTMENT OF STATUTORY AUDITOR

The Statutory Auditors M/s. GV & Co, Chartered Accountants retires at the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept office, if reappointed. The proposal for their re-appointment is included in the notice for Annual General Meeting sent herewith.



## QUALITY

The Company Continues to maintain successfully the Quality Management Systems to the requirements of ISO 9001:2008 Standards.

## FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits. Hence there is no outstanding amount as on the Balance Sheet date.

## CORPORATE GOVERNANCE

VAMA firmly understands and believes the importance of Corporate Governance. Your company always aims for its growth by adhering to the National and International Corporate Governance Standards.

The Compliance Report on Corporate Governance and a Certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance, as stipulated under clause 49 of the Listing Agreement with stock exchanges, is attached as **Annexure B** and forms part of this Annual Report.

## LISTING & TRADING

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited, Mumbai. The Company has paid the listing fees for the financial year 2012-13. You may further note that the listing/trading was never suspended at any time during the financial year 2011-12.

## PARTICULARS OF EMPLOYEES

None of the employees falls within the preview of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2011

## DIRECTORS

Pursuant to the provisions of Section 256 of the Companies Act, 1956 Mr. V Rama Krishna Rao and Mr. K Vara Prasad Raju retire by rotation at the ensuing AGM and being eligible, offer themselves for re-appointment.

## DEMATERIALISATION OF SHARES

99.55% of the total paid up equity shares of the Company are in dematerialized form as on 31<sup>st</sup> March, 2012.

## RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that no material departures are made from the same ;
- They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the Financial year and of the profits of the company for the period;
- They have taken Proper and sufficient care for the maintenance of adequate accounting 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;
- The annual accounts have been prepared on a going concern basis.

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

The Particulars as prescribed pursuant to provisions of Section 217(1)(e) of the Act read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is enclosed as **Annexure –C** to this Report.

## ACKNOWLEDGEMENTS AND APPRECIATIONS

Your Directors take this opportunity to thank the shareholders, Customers, Suppliers, Bankers, Business Partners/ Associates, Financial Institutions and Central and State Government offices, last but not the least our employees for their consistent support and encouragement to the company.

For and on behalf of the Board

Sd/-

**V. A. Rama Raju**

Chairman and Managing Director

September 7, 2012  
Hyderabad, A.P.

# Management Discussion and Analysis Report

Annexure-A forming part of Directors' Report



This Management Discussion and Analysis Report addresses the expectations and Projections of the company for its future, about its Product Development, Market Position, Market Development and Penetration, Expenditure, Financial Results, Risks and Concerns etc. However, the expectations shared herein are not limited to the Company's Growth. The Company's actual results, performance or achievements could differ from those shared herein.

On the other hand, our Management declares that, the financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 guidelines issued by the Securities Exchange Board of India (SEBI) and the Generally Accepted Accounting Principles (GAAP) in India.

## A. Industry Structure & Developments

The year 2011-12 is characterised as landmark year of Indian IT industry, as the aggregate revenue of the industry is estimated to have crossed US\$ 100 billion. Despite continuous challenging environment in the global markets, the exports are projected to increase by 16%, while domestic revenue is projected to increase by about 9%. While the global macroeconomic scenario remains uncertain, the industry is expected to follow growth path in FY 2012-13, driven by the need of the customers to be more competitive in their efforts to recover from global slowdown, and the IT Industry's readiness to provide innovative solutions and new business models. Investment in IT is increasingly being seen by the customers as important element of growth strategies and also a fundamental catalyst of cost reduction and cost optimisation.

A NASSCOM study has predicted export revenue growth of 11-14% and domestic revenue growth of 13-16% in FY 2012-13. The study also predicts the growth to be driven by new business models, organisation efficiencies, services around disruptive technologies such as cloud, mobility, analytics, social media, flexible product portfolio and virtualised solutions. The prevailing global megatrends present new opportunities and risk for the industry, which will shape the technology industry landscape. VAMA is gearing itself to derive benefits of the emerging trends and opportunities.

## Quality Service & Customer Care

VAMA is very focused on Engineering; IT & IT enabled services with Design Engineering services especially in Automotive, Engineering. We are very focused on attaining industry expertise and keen on ensuring specialization in support for our clients. Therefore, we continue to evaluate and train our professionals in new technologies and methodologies. Finally, we ensure the integrity of our service delivery by utilizing a secure methodology.

We firmly believe that, our process, methodologies, knowledge management systems and tools minimize the overall cost to the client and improve from time to time. It also helps the client in marketing their solutions. The revenues attributed to the customer application development, maintenance and production support, product engineering, package enabled consulting and implementation and business transformation consulting services represented a part of our revenues in the financial period under review.

## B. Financial Information

### 1. Sources of Funds

Currently, we have only one class of shares i.e., Equity Shares of par value Rs. 10/- each. Our Authorised Share Capital is Rs. 80,000,000 divided into 80, 00,000 equity shares of Rs. 10/- each. The Issued, Subscribed and Paid Up capital stood at Rs. 70,380,000 divided into 70, 38,000 equity shares Rs. 10/- as at March 31, 2012 (same as the previous year).

### 2. Profit & Loss Account

The balance retained in the Profit & Loss account as at March 31, 2012 is Rs. 1,463,530/- after providing for final dividend for the year of Rs. 703,800/- and Dividend Tax of Rs. 114,174/- thereon. The total amount of profits appropriated to dividend including Dividend tax was Rs 817,974/- as compared to Rs. 1,646,822/- in the previous year.

### 3. Deferred Tax Assets/ Liabilities

We recorded net Deferred Tax Liabilities of Rs 267,896/- as at March 31, 2012 (Previous Year Rs. 589,511/-)

#### 4. Fixed Assets

During the year, the net block of the fixed assets as at 31st March, 2012 is Rs. 18,945,779/- as compared to Rs. 38,248,672/-.

#### 5. Investments

The Company didn't make any investments during the year; however the Investment of Rs. 5,380,000 in M/s. Winfarm Agro Industries Limited is as a result of taking over of M/s. Sanjeevni Industries Limited.

The Investment made by the Company in VAMA Asia Pte Ltd, Singapore was written during the year under review as the said company was dissolved.

#### C. Results of Operations

##### 1. Income

Of the total revenues for the year ended March 31, 2012 approximately 23.45% were derived from our overseas operations whereas 76.55% were received from domestic operations.

Our revenues are segmented as 100% EOU, Domestic and other Income.

100% EOU Revenues are for those services which are performed at our software Development Center located in India (offshore revenues) towards IT & ITes services on the other hand domestic revenues are those revenues that are as a result of trading in hardware products, and related services, consultancy and projects.

( ₹ in lacs)

|  | 2011-12            | 2010-11            |
|--|--------------------|--------------------|
| <b>100% Export Oriented Unit Services</b>      |                    |                    |
| IT Services                                    | 32,866,174         | 30,610,943         |
| <b>Domestic Services</b>                       |                    |                    |
| Services/Consultancy/Projects                  | 11,740,234         | 23,846,173         |
| Hardware Trading Sales (Including Metal Sales) | 95,570,528         | 46,326,544         |
| Other Income                                   | 286,538            | 202,692            |
| <b>Total</b>                                   | <b>140,463,474</b> | <b>100,986,352</b> |

#### 2. Expenditure

( ₹ in lacs)

|                                    | 2011-12        | 2010-11       |
|------------------------------------|----------------|---------------|
| Cost of Products and Services      | 889.90         | 430.05        |
| Administrative & Selling Expenses  | 388.43         | 440.46        |
| Financial Charges                  | 16.97          | 10.72         |
| Pre-operative Expenses written off | 0.00           | 2.95          |
| Depreciation                       | 82.66          | 101.91        |
| Prior Period adjustment            | 0.00           | 0.23          |
| <b>Total</b>                       | <b>1377.95</b> | <b>986.31</b> |

Cost of Products & Services mentioned above is net of the changes in inventories of finished goods, work in progress and stock-in-trade.

#### D. Opportunities & Threats

Scope: We at VAMA, being Offshore Technology Service Provider's, practices high quality, Cost Competitive Technology Solutions and Related Support Functions to offshore Technology Service Providers to reduce cycle time for introducing new products and services. We firmly believe that our quality process and access to skilled talent base at lower costs enable us to take advantage of the trend towards outsourcing IT services.

Innovation, leadership, commitment to superior quality and process execution are the strengths of VAMA.

In view of establishing strong brand and long standing client relationships, to strengthen our position as a leading global technology service company by successfully differentiating our service offerings and increasing the scale of our operations, we understand that we have to expand geographically, continue to enhance our engagement models and offerings, continue to develop deep industry knowledge, increase business from existing and new clients, continue to invest in infrastructure and employees, enhance brand visibility.

Competition: Obviously we are operating in a highly competitive and rapidly changing market and In the future, we expect competition from companies

establishing and building their offshore presence and firms in countries with lower personnel costs than those prevailing in India and apart from those who are strongly established. However, we understand that price alone cannot constitute a sustainable competitive advantage. We are confident to compete favorably with respect to these factors. The situation is demanding to provide end to end business solutions for our clients, which could lead to clients discontinuing their work with us.

### E. Outlook, Risks and Concerns

In this section, we are disclosing the risks and concerns of the company.

**Revenues & Expenses:** Like any other company, even our expenses and revenues are difficult to predict, our revenues are highly dependent in clients primarily located in the U.S. The impact of economic slowdown or other factors that affect the economic health of U.S may also affect our business. Our revenues are largely dependent upon small number of clients and the loss of any one of the client will certainly impact the business. As a result, there is intense competition in the market for technology services and this can affect our cost advantages, which could reduce our share of business from clients and may decrease our revenues. Currency fluctuations may also affect the result of our operations.

### Government & Compliance:

Legislation in certain countries may restrict the company from outsourcing work to us. Increasing compliance in India and abroad is increasing the costs of compliance. Our increasing work with governmental agencies may expose us to additional risks. Our net income is expected to effect this financial year as a result of withdrawal of tax holiday for STPI units. The income can also be affected if the Government of India or the government of another country changes its tax policies in a manner that is adverse to us. Our ability to acquire companies organized outside India depends on the approval of the Government of India and/or Reserve Bank of India, and failure to obtain permissions and approval could adversely impact our business.

### Human Resources:

Increasing cost of employees may affect the margins of the company and In addition, our services demands

highly skilled technology professionals and our ability to hire, attract, motivate, retain and train our personnel is demanding higher cost. Apart from this, wage pressures in India and the requirement of hiring of personnel outside India may reduce our profit margin.

### Number of People Employed.

As on 31st March 2012, the employee strength was 107.

### Customers & Clients:

Our client's contracts are often conditioned upon our performance, which if unsatisfactory, may result in fewer revenues. Our engagements with customers are singular in nature and may not necessarily provide for subsequent engagements. Some of our long term client contracts contain certain provisions which, if triggered, could result in lower future revenues and profitability under the contract. This means that, our clients contracts can be terminated any time without cause. This could certainly affect the business negatively. On the other hand our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industry on which we focus.

### F. Segment-Wise Performance

As of March 31, 2012 our main reportable segments are Software Development & Services (IT & ITeS) and Product/ Hardware Sales & Services.

### Profitability

(₹ in Lakhs)

| Particulars   | Year ended March 31, |              | Growth%       |
|---|----------------------|--------------|---------------|
|   | 2012                 | 2011         |               |
| Earnings before Interest, Depreciation and Tax (EBIDTA) | 122.38               | 134.33       | (8.89)%       |
| Interest  | 13.04                | 8.87         | 47.01%        |
| Depreciation  | 82.66                | 101.91       | (18.89)%      |
| <b>Profit Before Tax</b>                                | <b>26.68</b>         | <b>23.55</b> | <b>13.29%</b> |
| Tax   | 3.87                 | 1.54         | 151.30%       |
| <b>Profit for the Year</b>                              | <b>22.82</b>         | <b>22.01</b> | <b>3.68</b>   |

## **G. Internal Control Systems and Their Adequacy**

The CEO Certification, issued pursuant to the provisions of Clause 49 of the Listing Agreement provided in the Annual report shall discuss the adequacy of VAMA's Internal Control Systems and Procedures.

The internal control systems adopted by the Company are adequate and appropriate to its operations. The system has been designed to ensure that assets and interest of the Company are protected and dependability of accounting data and its accuracy are ensured with proper checks and balances.

The Company has appointed M/s. B M Kumar & Associates, to oversee and carry out an internal audit of the Company's activities. The audit is based on an Internal Audit Plan, which is reviewed each year in consultation with the statutory auditors and the Audit Committee.

The Internal Audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operations. The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews Audit Reports submitted by the Internal Auditors.

The Company also meets the Company's statutory auditors to ascertain their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations at periodic intervals.

For and on behalf of the Board

Sd/-

**V. A. Rama Raju**

Chairman and Managing Director

September 7, 2012  
Hyderabad, A.P.



# Corporate Governance Report

Annexure-B forming part of Directors' Report



## I. COMPANY'S PHILOSOPHY

VAMA's Corporate Governance Philosophy is to clearly distinguish between and strictly adhere to personal and corporate resources and its conveniences to satisfy the spirit of Law by maintaining transparency, providing shareholders with the required information by way of disclosures.

As rightly said, Board of Directors is Center for good corporate Governance; VAMA practices a simple and transparent Corporate Structure and believes in well informed, active and Independent Board to ensure best standards of corporate Governance.

Also the management understands that it is only the trustee of the Shareholder's Capital. The Board is actively involved in all important policy matters, guidelines, timely and accurate disclosures, financials, business performance, leadership and Governance of the Company, to ensure shareholders welfare and easy going of the operating of the Company.

## II. BOARD COMPOSITION

### (a) Size and Composition of the Board

VAMA has an appropriate mix of Executive and Independent Directors to maintain the Independence of the Board, and to separate its functions of Governance and Management. The Board consists of 5 Directors, 2 of whom are executive or whole time directors and 3 are Independent Directors. The said two executive Directors are also promoters of the Company.

The Board is in conformity with clause 49 of the Listing Agreement and the Board periodically evaluates the need for change in composition of its size.

The Board met 10 (Ten) times during the financial year under review, on the dates as follows: 6th day of April, 2011, 12th day of May, 2011, 20th day of May, 2011, 8th day of August, 2011, 25th day of August, 2011, 14th day of November, 2011, 28th day of November, 2011, 20th day of December, 2011, 9th day of January, 2012 and 11th day of February, 2012.

All the Directors attended all the aforementioned Board Meetings held during the financial year under review.

### No. of Meetings Attended

| Director's Name                                   | Designation                  | No of Board Meetings Attended |
|---|------------------------------|-------------------------------|
| <b>Promoter &amp; Executive Directors</b>         |                              |                               |
| V. A. Rama Raju                                   | Chairman & Managing Director | 10                            |
| V. Rajam Raju                                     | Executive Director           | 10                            |
| <b>Non Promoter &amp; Non Executive Directors</b> |                              |                               |
| R. Venkateswara Rao                               | Independent Director         | 10                            |
| K. Vara Prasad Raju                               | Independent Director         | 10                            |
| V. Ramakrishna Rao                                | Independent Director         | 10                            |

### Membership in other Boards or Committees

| Director's Name     | No. of Memberships in other Companies (Excluding Private Limited Companies) |           |
|---------------------|---|-----------|
|                     | Board   | Committee |
| V. A. Rama Raju     | Nil   | Nil       |
| V. Rajam Raju       | Nil   | Nil       |
| R. Venkateswara Rao | Nil   | Nil       |
| K. Vara Prasad Raju | Nil   | Nil       |
| V. Ramakrishna Rao  | Nil   | Nil       |

### Attendance at previous Annual General Meeting

| Director's Name     | Attendance at Previous AGM |
|---------------------|----------------------------|
| V. A. Rama Raju     | Yes                        |
| V. Rajam Raju       | Yes                        |
| R. Venkateswara Rao | Yes                        |
| K. Vara Prasad Raju | No                         |
| V. Ramakrishna Rao  | Yes                        |

**(b) Responsibilities of the Chairman & Managing Director and Whole Time Director of the Company.**

In short, the Chairman & Managing Director and the Executive Director are the mentors of the Management and responsible for Corporate Strategy, Planning, Internal & External Controls.

They also take care of business operations and targets, new initiatives and investments and planning for achieving targets.

They also overview customer service & support operations new advancements, in addition to governance, compliances and guidance on day to day challenges.

**(c) Independent Directors:**

As per clause 49 of the listing agreement, an Independent Director means a non executive director of the Company who comply with the following.

1. do not have any material pecuniary relationships or transactions with the company, its promoters, Directors, Senior Management or its Holding Company, Subsidiaries and Associates which may affect independence as a Director.
2. are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
3. have not been executive of the company in the immediately preceding three financial years.
4. are not partners or executives or were not partners or executives during the preceding three years of the :
  - (a) Statutory audit firm or the internal audit firm that is associated with the Company.
  - (b) Legal firm(s) and consulting firm(s) that have a material association with the company.
5. are not material suppliers, service providers or customers or lessor or lessees of the Company which may affect independence of the Director.

6. are not substantial shareholders of the company i.e., do not own 2% or more of the block of voting shares.
7. are not less than 21 years of age.

As mandated under Clause 49, the Independent Directors on VAMA's Board:

| Name of the Director | Designation          |
|----------------------|----------------------|
| R. Venkateswara Rao  | Independent Director |
| K. Vara Prasad Raju  | Independent Director |
| V. Ramakrishna Rao   | Independent Director |

**(d) Code of Conduct:**

As per the requirements of Clause 49 of the Listing Agreement entered with the Stock Exchange, the Board has laid down a code of conduct for all Board members, Senior Management Personnel and Designated Employees of the Company. The code of conduct is posted on the website of the Company ([www.vamaind.com](http://www.vamaind.com)). All Board members and Senior Management Personnel affirm compliance with the code on an annual basis and the declaration to the effect by Mr. V Atchyuta Rama Raju, Chairman & Managing Director, is attached to this report.

**III. Audit Committee**

**A Constitution of Audit Committee**

As per Clause 49 of the Listing Agreement

Our audit committee (the committee) comprises of 3 (Three) Independent Directors. During the fiscal year under review audit committee met 5 (Five) times. Each member of the committee is an Independent Director, according to the definition laid down in the clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The primary objective of the committee is to monitor and provide effective supervision of the Management Financial Reporting process to ensure accurate and timely disclosures, with



the highest levels of transparency, integrity and quality of financial reporting. The committee oversees the work carried out in the financial reporting process by the Management, the internal auditors and the independent auditors. The committee has the ultimate authority and responsibility to select, evaluate and where appropriate, replace the independent auditor in accordance with the law. All possible measures must be taken by the committee to ensure the objectivity and independence of the Independent auditor.

## B Meetings and attendance

### Audit Committee attendance during the financial year 2011

| Directors Name & Committee Position | Dates of the Meeting     | Meetings attended |
|-------------------------------------|--------------------------|-------------------|
| V. Ramakrishna Rao (Chairman)       | 12.05.2011               | 5                 |
| R. Venkateswara Rao (Member)        | 08.08.2011<br>25.08.2011 | 5                 |
| K. Vara Prasad Raju (Member)        | 14.11.2011<br>11.02.2011 | 5                 |

All the members were present in each of such meeting. Company Secretary is the Secretary to the Committee.

All Members of the Audit Committee have accounting and Financial Management Expertise.

The Chairman of the Audit Committee attended the previous Annual General Meeting (AGM) held on 30th Day of September, 2011 to answer the Shareholders' queries.

## C Terms of Reference:

The terms of reference of our Audit Committee are in accordance with the listing Agreement entered with Stock Exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

### i. The Role of the Audit Committee includes:-

1. Overseeing the Company's Financial Reporting Process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Reviewing, with the Management, the Annual financial statements before submission to the Board for Approval, with particular reference to:
  - (i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - (ii) Changes, if any, in Accounting Policies and practices and reasons for the same.
  - (iii) Major accounting entries involving estimates based on the exercise of judgment by the management.
  - (iv) Significant adjustments made in the financial statements arising out of audit findings.
  - (v) Compliance with listing and other legal requirements relating to financial statements.
  - (vi) Disclosure of any related party transactions.
  - (vii) Qualifications in the draft audit report.
4. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
5. Reviewing, with the management, performance of the statutory and internal auditors and adequacy of the internal control systems.

6. To discuss with statutory auditors before the audit commences, the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
7. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

**ii The Audit Committee is empowered under Clause 49(II)(C) of the listing Agreement to :**

- (i) Investigate any activity within its terms of reference.
- (ii) Seek information from any employee
- (iii) Obtain outside legal or other professional advice.
- (iv) Secure attendance of outsiders with relevant expertise, if it considers necessary.

**IV. Remuneration Committee**

The Company has a remuneration Committee comprising of 3 (Three) Independent and Non-Executive Directors which determines the compensation and benefits for Executive Directors.

The Compensation of the Committee and the attendance of the members at the meeting of the committee are given below

| Directors Name & Committee Position | No. of Meetings held | No. of Meetings attended |
|-------------------------------------|----------------------|--------------------------|
| R. Venkateswara Rao (Chairman)      | 2                    | 2                        |
| V. Ramakrishna Rao (Member)         | 2                    | 2                        |
| K. Vara Prasad Raju (Member)        | 2                    | 2                        |

**Remuneration policy**

The Remuneration Committee recommends to the Board the compensation package of the Executive / Non-Executive Directors of the Company. The remuneration of the Executive Directors is within the ceilings laid down by Schedule XIII of the Companies Act, 1956.

The Company's remuneration policy is driven by the success and performance of the managerial person. While reviewing the remuneration of management personnel, the committee takes into account the following:

- (i) Financial position of the Company
- (ii) Trends in the Industry
- (iii) Appointee's qualification and experience
- (iv) Past performance
- (v) Past remuneration etc.

**Details of Remuneration to Directors for the Fiscal year 2011-12**

**(a) Executive Directors**

| <b>V.A. Rama Raju</b> | <b>(in ₹)</b>    |
|-----------------------|------------------|
| Salary (Basic)        | 8,40,000         |
| HRA                   | 3,36,000         |
| Other Allowances      | 804000           |
| <b>Total</b>          | <b>19,80,000</b> |

| <b>V. Rajam Raju</b> | <b>(in ₹)</b>    |
|----------------------|------------------|
| Salary (Basic)       | 8,40,000         |
| HRA                  | 3,36,000         |
| Other Allowances     | 624000           |
| <b>Total</b>         | <b>18,00,000</b> |

## (b) Non Executive Directors

Remuneration paid to Non-executive Directors is Nil.

Shares held by Non-Executive Directors in the Company as on 31.03.2011 are as follows:-

| Directors Name      | No. of Shares held | % of shares held |
|---------------------|--------------------|------------------|
| R. Venkateswara Rao | 700                | 0.1%             |
| V. Ramakrishna Rao  | 0                  | 0.00%            |
| K. Vara Prasad Raju | 0                  | 0.00%            |

## V. SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE

The composition and attendance of the Shareholders Grievance Committee is as under:

| Directors Name & Committee Position | No. of Meetings held | No. of Meetings attended |
|-------------------------------------|----------------------|--------------------------|
| R. Venkateswara Rao (Chairman)      | 4                    | 4                        |
| K. Vara Prasad Raju (Member)        | 4                    | 4                        |
| V. A. Rama Raju (Member)            | 4                    | 4                        |

The Shareholders / Investor Grievance Committee. is responsible for resolving investor's complaints pertaining to share transfers, non receipt of Annual Reports, Dividend Payments, Issue of Duplicate share certificates, Transmission of shares and other related complaints.

In addition to the above, this Committee is also empowered to oversee the work of M/s. Bigshare Services (P) Ltd who is entrusted with the task of Registrars and Share Transfer Agents of the Company.

Company Secretary is the Secretary of the Committee.

Ms. Shilpa Kotagiri, Company Secretary is the Compliance Officer.

Shareholders Grievances during the Fiscal year 2011-12

| Nature of Queries / Complaints | Received during the year | Redressed during the year | Pending as on 31st March 2012 |
|--------------------------------|--------------------------|---------------------------|-------------------------------|
| Nil                            | Nil                      | Nil                       | Nil                           |

Please note that, there are No Complaints pending during the Financial year 2011-12

## VI. GENERAL BODY MEETINGS & SHAREHOLDERS INFORMATION

(a) The Details of the last three (3) Annual General Meetings are as follows:

| Fiscal Year | Date & Time                         | Venue  | Special Resolutions Passed  |
|-------------|-------------------------------------|--|---|
| 2010-11     | Sep 30, 2011, (Friday) at 11 A.M    | # 201, Sri Sai Darsan Residency, 7-1-408 to 413, B a l k a m p e t Road, Ameerpet, Hyderabad -16 | None  |
| 2009-10     | Sep 30, 2010, (Thursday) at 11 A.M  | #201, Sri Sai Darsan Residency, 7-1-408 to 413, Balkampet Road, Ameerpet, Hyderabad -16          | 1. Revision in Remuneration of Chairman & Managing Director.<br>2. Revision in Remuneration of Executive Director |
| 2008-09     | Sep 30, 2009, (Wednesday) at 10 A.M | #201, Sri Sai Darsan Residency, 7-1-408 to 413, Balkampet Road, Ameerpet, Hyderabad -16          | None  |

## (b) Postal Ballot

i. During the year, no postal ballot process was taken up and hence no special resolutions were passed through postal ballot. Therefore providing details of person who conducted the Postal Ballot exercise does not arise.

### (c) Annual General Meeting

Date & Time: September 29, 2012 at 10.00 A.M

Venue : # 201, Sri Sai Darsan Residency, 7-1-408 to 413, Balkampet Road, Ameerpet, Hyderabad 500 016,

### (d) Financial Year (2011-2012)

The Financial year under review is 2011-2012 [01 April, 2011 to 31 March, 2012].

### (e) Book Closure

September 26, 2012 to September 29, 2012 [both days inclusive]

### (f) Dividend

Board of Directors at its meeting held on September 7, 2012 recommended the dividend of Re. 0.10 (1%) per equity share of Rs. 10/- each for the financial year 2011-12 subject to the approval of shareholders at the ensuing Annual General Meeting, if approved the dividend will be paid on or before 29 October, 2012.

### (g) Listing Details

At present, the Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE).

The Annual Listing fee for the financial year 2012-13 on equity share capital has been paid to BSE.

The Company has paid custodial fees for the year 2012-13 to National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them as on March 31, 2012.

### (h) Stock Information

BSE Scrip Code: 512175  
Scrip Name: VAMA Industries Ltd  
Symbol: VAMA IND  
Series: EQ  
ISIN: INE685DO1014

### (i) Market Price Data

Monthly high and low quotations of equity shares traded on Bombay Stock Exchange during the financial year 2011 -12:

| Financial Year<br>2011-2012 | BSE           |              |                              |
|-----------------------------|---------------|--------------|------------------------------|
|                             | High<br>(Rs.) | Low<br>(Rs.) | Volume<br>(No. of<br>shares) |
| April 2011                  | 12.74         | 8.70         | 52297                        |
| May 2011                    | 11.27         | 9.00         | 12778                        |
| June 2011                   | 10.20         | 8.43         | 61052                        |
| July 2011                   | 10.40         | 8.11         | 16007                        |
| August 2011                 | 9.25          | 7.50         | 30237                        |
| September 2011              | 9.07          | 7.52         | 20197                        |
| October 2011                | 9.27          | 7.41         | 7880                         |
| November 2011               | 9.60          | 7.63         | 30089                        |
| December 2011               | 8.38          | 7.30         | 6170                         |
| January 2012                | 8.25          | 7.35         | 34739                        |
| February 2012               | 8.34          | 7.05         | 10849                        |
| March 2012                  | 7.91          | 6.64         | 523473                       |

### (j) Distribution of Shareholding

[As on 31.03.2012]

| Range of<br>Equity Shares | No of<br>share | %      | No of<br>shares<br>holders | %      |
|---------------------------|----------------|--------|----------------------------|--------|
| 1                         | 54             | 0.00   | 54                         | 4.61   |
| 2-10                      | 371            | 0.01   | 67                         | 5.72   |
| 11-50                     | 3198           | 0.05   | 92                         | 7.85   |
| 51-100                    | 13572          | 0.19   | 143                        | 12.20  |
| 101-200                   | 21647          | 0.31   | 121                        | 10.32  |
| 201-500                   | 91001          | 1.29   | 235                        | 20.05  |
| 501-1000                  | 124750         | 1.77   | 151                        | 12.88  |
| 1001-5000                 | 432180         | 6.14   | 180                        | 15.36  |
| 5001-10000                | 339801         | 4.83   | 47                         | 4.01   |
| 10001 to 20000            | 607375         | 8.63   | 42                         | 3.58   |
| 20001 to 30000            | 333915         | 4.74   | 13                         | 1.11   |
| 30001 to 40000            | 382057         | 5.43   | 11                         | 0.94   |
| 40001 to 50000            | 182105         | 2.59   | 4                          | 0.34   |
| 50001 to 100000           | 445133         | 6.32   | 7                          | 0.60   |
| Above 100000              | 4060841        | 57.70  | 5                          | 0.43   |
| Total                     | 7038000        | 100.00 | 1172                       | 100.00 |

### (k) Dematerialization of shares and liquidity

As at March 31, 2012, 7006078 equity shares representing 99.55% of the total equity capital of the company were held in dematerialized form and the rest in the physical form.

**Shares held in demat & Physical mode as at March 31, 2012 are as follows:**

**[As on 31.03.2012]**

| Category           | Number of     |                | % of equity |
|--------------------|---------------|----------------|-------------|
|                    | Share holders | Shares         |             |
| NSDL               | 695           | 5655922        | 80.36%      |
| CDSL               | 439           | 1350156        | 19.19%      |
| Total              |               |                |             |
| Demated shares     | 1134          | 7006078        | 99.55%      |
| Physical Mode      | 38            | 31922          | 0.45%       |
| <b>Grand Total</b> | <b>1172</b>   | <b>7038000</b> | <b>100%</b> |

**(l) Shareholder holding more than 1% of the shares**

The Details of the shareholders (non promoters) holding more than 1% of the equity as at March 31, 2012 are as follows:

**[As on 31.03.2012]**

| Name of the Shareholder      | No of shares  | %           |
|------------------------------|---------------|-------------|
| Venu Gopala Raju Vegesna     | 145425        | 2.07        |
| Venkata Kakumanu Krishna Rao | 106950        | 1.52        |
| V. Chandravati               | 99239         | 1.41        |
| <b>Total</b>                 | <b>351614</b> | <b>5.00</b> |

**(m) Designated email Id for Investor Services**

In terms of Clause 47(f) of the Listing Agreement, the designated email ID for investor's complaints is [investorservices@vama.co.in](mailto:investorservices@vama.co.in).

**(n) Shareholding pattern**

**[As on 31.03.2012]**

| Category                        | Share holders | Number of Shares held | voting Rights (%) |
|---------------------------------|---------------|-----------------------|-------------------|
| Promotes, Directors & Relatives | 12            | 3976866               | 56.51             |
| Bodies Corporate                | 53            | 312635                | 4.44              |
| Public                          | 1102          | 2744454               | 38.99             |
| NRIs' / OCBs'                   | 3             | 3769                  | 0.05              |
| Others                          | 2             | 276                   | 0.00              |
| <b>Total</b>                    | <b>1172</b>   | <b>7038000</b>        | <b>100.00</b>     |

**(o) Outstanding GDRs/ ADRs/ warrants or any convertible instruments, conversion date and likely impact on Equity**

The Company has not issued any of these instruments till date.

**(p) Plant Location(s):** Not applicable

**(q) Communication Address for Investors:**

**Company Secretary & Compliance Officer**

VAMA Industries Limited  
Ground Floor, 8-3-191/147/24,  
Plot No. B-12, Madhura Nagar,  
S.R. Nagar [Post] Hyderabad 500 038, A.P, India.

**(r) Registrar and Share Transfer Agents**

The Board of Directors of the Company has delegated the power of share transfer and related operations to M/s. Big Share Services Private Limited, registrar and Share Transfer Agents.

All the correspondence relating to the shares of the company should be addresses to Bigshare at the address given below.

**Bigshare Services Private Limited**

G-10, Left wing, Amrutha ville  
Opp Yashoda Hospital  
Somajiguda, Rajbhavan Road  
Hyderabad 500 082, A.P.

**(s) CEO Certification**

As required by Clause 49 of the Listing agreement, the CEO certification is given as an Annexure to this Annual Report.

**(t) Code of Conduct**

In compliance with Clause 49 of the listing agreement, the company has adopted a code of conduct. This code is applicable to the members of the Board, the Executive Council and all employees of the company. The code of conduct is available on our website, [www.vamaind.com](http://www.vamaind.com).

All the members of the Board and the Executive council and senior financial officers have affirmed compliance to the code of conduct, as at March 31, 2012. A declaration to this effect, signed by the CEO, the Managing Director is provided under the head "Declaration of code of Conduct".

## **(u) Other Information**

### **(a) Nomination in respect of shares held in Physical form**

Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in Physical form in companies. Members, in particular those holding shares in single name may avail this facility by furnishing the particulars of their nomination in Form 2B for this purpose.

### **(v) Secretarial Audit**

Qualified Company Secretary carries out Secretarial Audit every quarter to reconcile the total admitted capital with national Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Audit confirms that the total issued/ paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL & CDSL.

## **VII. Disclosures**

### **(a) Related Party Transactions**

Details of materially significant related party transactions i.e., transactions of the company of material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc are presented in the Notes to Accounts.

### **(b) Details of Non- compliance**

No Penalty / strictures were imposed on the company by the stock Exchange or SEBI or any statutory Authority or any matter related to the Capital market during the last 3 (Three) years.

### **(c) Details of Compliance of Mandatory requirements**

Company has fully complied with the applicable mandatory requirements of clause 49 of the listing agreement executed with the Stock Exchange.

### **(d) Adoption of Non Mandatory requirements**

The Company has a Remuneration Committee to evaluate remuneration packages for the Directors. Details of the Committee have been provided under section "Remuneration Committee".

## **(e) Prevention of Insider Trading**

In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has instituted a comprehensive code of conduct for prohibition of Insider trading in the Company's shares.

## **(f) Auditors Certificate on Corporate Governance**

The Company has obtained a certificate from its Statutory Auditors testifying to its compliances with the provisions relating to Corporate Governance laid out in clause 49 of the listing agreement executed with the stock exchanges. The certificate is annexed to this report.

## **(g) C.E.O Certification**

The C.E.O certificate on the financial statement is annexed to the Report.

## **VIII. Means of Communication**

The Company regularly interacts with the shareholders through the multiple channels of communication such as publication of notices, results, annual Reports and the company's website.

- (a) All the communication, may it be results or notices etc, by way of News Papers is published in Business Standard (English) and Andhra Prabha (Telugu) dailies.
- (b) Financials are furnished to Bombay Stock Exchange (BSE) within the time specified under clause 41 of the Listing Agreement.
- (c) No presentations were made to institutional investors or to the analysts during the fiscal year under review.
- (d) The company promptly informs Stock Exchange about all the price sensitive information and all such other matters which in our opinion are material and relevant for the shareholders.
- (e) The companies website : [www.vamaind.com](http://www.vamaind.com) contains separate section for investors where shareholders information is made available.



# CEO Certification

## [Pursuant to Clause 49(v) of the Listing Agreement]



The Board of Directors  
VAMA Industries Limited

I, the undersigned, V. A. Rama Raju, Chairman and Managing Director of VAMA Industries Limited, to the best of my knowledge and belief, certify that:

1. I have reviewed the Balance Sheet and Profit & Loss account, and other financial statements, read along with the Cash Flow Statements, and the Directors Report.
2. Based on our knowledge and information, the financial statement and other financial information included in this report, present in all material respects gives a true and fair view of the Company's affairs, the financial condition, results of operation and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and /or applicable laws and regulations.
3. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We are responsible, for stabling and maintaining disclosures controls and procedures and internal controls over financial reporting for the company, and we have:
  - (a) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purpose in accordance with Generally Approved Accounting Principles (GAAP).
  - (b) Evaluated the effectiveness of the company's disclosures, controls and procedures.
  - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. We have disclosed, based on out most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the Company's Board of Directors (and persons performing the equivalent functions):
  - (a) There were no deficiencies in the design or operations of internal controls, that could adversely affect the Company's ability to record, process, summarize and report financial data, and there have been no material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.
  - (b) there were no significant changes in internal controls during the year covered by this report.
  - (c) All significant changes in accounting policies during the year, if any, have been disclosed in the notes to the financial statements.
  - (d) there were no instances of fraud of which we are aware, the involve the Management or other employees who have a significant role in the Company's internal control system.
  - (e) I further declare that all the Board members and senior Managerial personnel have affirmed compliance with the code of Conduct for the current year.

For Vama Industries Limited

Sd/-

**V A Rama Raju**

Chairman & Managing Director

September 7, 2012  
Hyderabad, A.P.



**Conservation of Energy, Research & Development,  
Technology Absorption and Foreign Exchange Earnings/ Outgo.**  
**Annexure-C forming part of Directors' Report**



Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**A) Conservation of Energy**

The Operations of the company are not energy intensive. However, adequate measure has been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment.

**B) Technology Absorption, Adoption and Innovation, Research & Development**

Technology absorption, adoption and innovation

Your company continues to develop state of the art methods for absorbing, adapting and effectively deploying new technologies. Your company also continues to invest in the latest hardware and software.

**Research & Development**

The Research & Development activity of the company is mainly focused on software product development and ITeS system to meet customer's requirements.

As a result of research efforts, the company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

The future plan of action also lays stress on introduction of new software products for both domestic and export markets. And the company continues to use the state of the art technology for improving the productivity and quality of its product and services.

(₹ in Lakhs)

| <b>Expenditure on R&amp;D</b>                 | <b>2011-12</b> | <b>2010-11</b> |
|---|----------------|----------------|
| Capital                                       | 51.39          | Nil            |
| Recurring                                     | Nil            | 43.95          |
| Total   | 51.39          | 43.95          |
| Total R &D expenditure as % of total turnover | 3.67%          | 4.36%          |

**C) Foreign Exchange Earnings and Outgo**

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The company is in the business of export of software and it is ongoing process for the company to explore and tap new markets.

Being an EOU, the main services of your company, IT & ITeS are provided in the international markets and the Company continuously strives to export its entire services.

**2. Foreign Exchange Earnings and Outgo**

(₹ in lakhs)

| <b>Particulars</b>        | <b>2011-12</b> | <b>2010-11</b> |
|---------------------------|----------------|----------------|
| Foreign Exchange Earnings | 328.66         | 306.11         |
| Foreign Exchange outgo    | 15.01          | 122.85         |

**For and on behalf of the Board of Directors**

Sd/-

**V. A. Rama Raju**

Chairman and Managing Director

7th September, 2012  
Hyderabad, A.P.

# CERTIFICATE ON CORPORATE GOVERNANCE



## CERTIFICATE ON CORPORATE GOVERNANCE

The Members  
VAMA Industries Limited.

We have examined the compliance of conditions of Corporate Governance by VAMA Industries Limited, for the Financial year ended March 31, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliances is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**for GV & Co.**  
Chartered Accountants

Sd/-  
**Grandhi Vittal**  
M.NO: 206462  
Firm Reg No: 012875S

September 7, 2012  
Hyderabad, A.P.

## DECLARATION ON CODE OF CONDUCT

The Members  
VAMA Industries Limited.

### **Sub: Declaration under Clause 49 of the Listing Agreement**

I hereby declare that all the Directors and Senior Management personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and Ethics for the Financial year ended March 31, 2012.

**For VAMA Industries Limited**  
Sd/-  
**V A Rama Raju**  
Chairman & Managing Director

September 7, 2012  
Hyderabad, A.P.

# Auditor's Report



The Members  
Vama Industries Limited  
Hyderabad.

We have audited the attached Balance Sheet of Vama Industries Limited, as at March 31, 2012 and also the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company, as we considered appropriate and the information and explanations given to us during the course of audit, we report that in our opinion:

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
2. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

3. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

Since the company has not granted or taken any loans from parties listed in the register maintained u/s.301, clauses 3(b), 3(c) and 3 (d) are not applicable.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the necessary entries were entered into the register maintained under section 301.
6. The company has not accepted any deposits within the provisions of section 58A and 58AA of the Companies Act, 1956 and The Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, considering the size and nature of its business, the company has an internal audit system, which is adequate.
8. Maintenance of cost records has not been prescribed by the Central Government under

section 209(1)(d) of the Companies Act, 1956 for the products of the company.

9. a) As per the records of the company, and information and explanation provided to us, the company is generally regular in depositing statutory dues with appropriate authorities, the amount of provident fund, employees' state insurance, sales tax, income tax, customs duty, excise duty, cess and other statutory dues. No undisputed amounts were outstanding as at 31st March, 2012 for a period more than six months from the date they became payable.
- b) Company received demand notice from Commercial Tax Department (Sales Tax) for the Financial Year 2007-08 for Rs. 5,31,097/- respectively, in this regard the company filed an appeal at the Appellate Deputy Commissioner (CT) Punjagutta, Nampally, Hyderabad, by paying 12.5% of notice amount as deposit with the authorities. Appellate Deputy Commissioner (CT) has passed Assessment Order, on 12.06.2012, by stating Sale of Rs.2,78,691/- is subjected to VAT @ 4%. It amounts to Rs.11,148/- and has been provided in Books of Account in Financial Year 2012-13.
10. The company doesn't have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year.
11. In our opinion and as per information and explanations given to us the company has not defaulted in repayment of dues to financial institutions and banks.
12. Based on our examination of documents and records, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Based on our examination of the records and evaluation of the related internal controls, the company is not dealing or trading in shares, securities, debentures and other investments.
14. According to the best of our information and explanations provided by the management, the company is neither a Chit/Nidhi/Mutual benefit fund/ Society. Hence the requirements of clause 4 (xiii) of the Order is not applicable.
15. The company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and as per information and explanations given to us the term loans were applied for the purpose for which the loan was obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
18. Based on our examination of records and information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. During the period covered by our audit report, the company has not issued any Debentures.
20. The company has not raised any money by issue of shares to public.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Further to our comments above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the balance sheet, of the state of affairs of the company as at 31st March, 2012; and
- b) In the case of profit and loss account, of the profit for the year ended on that date.
- c) In the case of the cash flow statement of the cash flows of the company for the year ended on that date.

**For GV & Co.**  
Chartered Accountants

Sd/-  
**Grandhi Vittal**  
Proprietor  
M.No. 206462  
Firm Reg.No. 012875S

Place : Hyderabad  
Date : 07.09.2012



### **CERTIFICATE**

We have examined the above cash flow statement of Vama Industries Limited for the year ended March 31, 2012. This statement has been prepared by the Company in accordance with the requirement under clause 32 of the listing agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company for the year ended March 31, 2012.

For GV & Co.  
Chartered Accountants

Sd/-  
Grandhi Vittal  
Proprietor  
M.No. 206462  
Firm Regn No. 012875S

Place : Hyderabad  
Date : 07.09.2012

# Balance Sheet

as at March 31, 2012



| Particulars                                      | Note No. | As at<br>31.03.2012<br>Amount in ₹ | As at<br>31.03.2011<br>Amount in ₹ |
|--|----------|------------------------------------|------------------------------------|
| <b>I. EQUITY AND LIABILITIES</b>                 |          |                                    |                                    |
| <b>A Shareholders Funds</b>                      |          |                                    |                                    |
| (a) Share capital                                | 1        | 70,380,000                         | 70,380,000                         |
| (b) Reserves and surplus                         | 2        | 13,503,977                         | 12,040,447                         |
| (c) Money received against share warrants        |          | -                                  | -                                  |
|  |          | <b>83,883,977</b>                  | <b>82,420,447</b>                  |
| <b>Share application money pending allotment</b> | 3        | -                                  | -                                  |
| <b>Non-current liabilities</b>                   |          |                                    |                                    |
| (a) Long-term borrowings                         | 4        | 55,198                             | 714,783                            |
| (b) Deferred tax liabilities (net)               |          | 267,896                            | 589,511                            |
| (c) Other long-term liabilities                  | 5        | -                                  | -                                  |
| (d) Long-term provisions                         | 6        | -                                  | -                                  |
|  |          | <b>323,094</b>                     | <b>1,304,294</b>                   |
| <b>Current liabilities</b>                       |          |                                    |                                    |
| (a) Short-term borrowings                        | 7        | 12,094,858                         | 3,679,004                          |
| (b) Trade payables                               | 8        | 5,310,071                          | 18,887,956                         |
| (c) Other current liabilities                    | 9        | 5,200,553                          | 5,519,182                          |
| (d) Short-term provisions                        | 10       | 1,963,214                          | 2,083,462                          |
|  |          | <b>24,568,696</b>                  | <b>30,169,604</b>                  |
| <b>TOTAL</b>                                     |          | <b>108,775,767</b>                 | <b>113,894,345</b>                 |
| <b>II. ASSETS</b>                                |          |                                    |                                    |
| <b>Non-current assets</b>                        |          |                                    |                                    |
| (a) Fixed assets                                 | 11       |                                    |                                    |
| (i) Tangible assets                              |          | 8,159,870                          | 9,206,670                          |
| (ii) Intangible assets                           |          | 10,785,909                         | 24,647,287                         |
| (iii) Capital work-in-progress                   |          | -                                  | 4,394,715                          |
| (iv) Intangible assets under development         |          | -                                  | -                                  |
|  |          | <b>18,945,779</b>                  | <b>38,248,672</b>                  |
| (b) Non-current investments                      | 12       | 5,380,000                          | 5,654,528                          |
| (c) Deferred tax assets (net)                    |          | -                                  | -                                  |
| (d) Long-term loans and advances                 | 13       | 6,899,730                          | 5,536,869                          |
| (e) Other non-current assets                     | 14       | 7,205,947                          | 4,563,013                          |
|  |          | <b>19,485,677</b>                  | <b>15,754,410</b>                  |
| <b>Current assets</b>                            |          |                                    |                                    |
| (a) Current investments                          |          | -                                  | -                                  |
| (b) Inventories                                  | 15       | 20,473,007                         | 8,690,274                          |
| (c) Trade receivables                            | 16       | 42,084,491                         | 42,400,064                         |
| (d) Cash and bank balances                       | 17       | 2,553,584                          | 4,495,943                          |
| (e) Short-term loans and advances                | 18       | 4,677,903                          | 3,971,546                          |
| (f) Other current assets                         | 19       | 555,326                            | 333,436                            |
|  |          | <b>70,344,311</b>                  | <b>59,891,263</b>                  |
| <b>TOTAL</b>                                     |          | <b>108,775,767</b>                 | <b>113,894,345</b>                 |

## III. NOTES FORMING PART OF FINANCIAL STATEMENTS 27 - 43

The Notes referred to above and the notes forming part of the accounts form an integral part of Balance Sheet

**As per my report of even date**

**For G.V & Co.,**

Chartered Accountants

Sd/-

**Grandhi Vittal**

Proprietor

Membership No. 206462

Firm Regn No. 012875S

Place : Hyderabad

Date : 07-09-2012

**for and on behalf of the Board of Directors**

Sd/-  
**V. A. Rama Raju**  
Chairman & Managing Director

Sd/-  
**V. Rajam Raju**  
Executive Director

Sd/-  
**Shilpa Kotagiri**  
Company Secretary



# Profit and Loss Account

for the year ended March 31, 2012



| Particulars   | Note No. | As at 31.03.2012<br>Amount in ₹ | As at 31.03.2011<br>Amount in ₹ |
|---|----------|---------------------------------|---------------------------------|
| I. Revenue from operations  | 20       | 140,176,936                     | 100,783,660                     |
| II. Other income  | 21       | 286,538                         | 202,692                         |
| <b>III. TOTAL REVENUE ( I + II)</b>   |          | <b>140,463,474</b>              | <b>100,986,352</b>              |
| <b>IV. Expenses:</b>  |          |                                 |                                 |
| (a) Cost of Material Consumed   |          | -                               | -                               |
| (b) Purchase of Stock -in- Trade  | 22       | 100,772,569                     | 44,663,215                      |
| (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 23       | (11,782,733)                    | (1,658,233)                     |
| (d) Employee benefit expenses   | 24       | 23,747,745                      | 26,634,033                      |
| (e) Finance costs   | 25       | 1,696,673                       | 1,071,924                       |
| (f) Depreciation and amortization expenses  | 11       | 8,265,799                       | 10,191,138                      |
| (g) Other Expenses  | 26       | 15,094,932                      | 17,729,160                      |
| <b>TOTAL EXPENSES</b>   |          | <b>137,794,985</b>              | <b>98,631,237</b>               |
| V. Profit before exceptional & extraordinary items and tax (III - IV)             |          | 2,668,489                       | 2,355,115                       |
| VI. Exceptional items   |          | -                               | -                               |
| VII. Profit before extraordinary items and tax (V-VI)                             |          | 2,668,489                       | 2,355,115                       |
| VIII. Extraordinary items   |          | -                               | -                               |
| IX. Profit before tax (VII - VIII)  |          | 2,668,489                       | 2,355,115                       |
| X. Tax expense:   |          |                                 |                                 |
| Provision for Income Tax  |          |                                 |                                 |
| Current Year  |          | 708,600                         | 436,640                         |
| Deferred tax  |          | (321,615)                       | (282,414)                       |
| <b>Total Tax Expenses</b>   |          | <b>386,985</b>                  | <b>154,226</b>                  |
| XI. Profit for the period from continuing operations (IX - X)                     |          | 2,281,504                       | 2,200,889                       |
| XII. Profit from discontinuing operations (before tax)                            |          | -                               | -                               |
| XIII. Tax expense of discontinuing operations                                     |          | -                               | -                               |
| XIV. Profit from discontinuing operations (after tax) (XII - XIII)                |          | -                               | -                               |
| XV. Profit for the period (XI + XIV)  |          | 2,281,504                       | 2,200,889                       |
| XVI. Earnings per equity share:   |          |                                 |                                 |
| 1) Basic  |          | 0.32                            | 0.31                            |
| 2) Diluted  |          | 0.32                            | 0.31                            |
| <b>XVII. NOTES FORMING PART OF THE FINANCIAL STATEMENTS 27 - 43</b>               |          |                                 |                                 |

The Notes referred to above and the notes forming part of the accounts form an integral part of Profit & Loss Account.

**As per my report of even date**

**For G.V & Co.,**

Chartered Accountants

Sd/-

**Grandhi Vittal**

Proprietor

Membership No. 206462

Firm Regn No. 012875S

Place : Hyderabad

Date : 07-09-2012

**for and on behalf of the Board of Directors**

Sd/-  
**V. A. Rama Raju**  
Chairman & Managing Director

Sd/-  
**V. Rajam Raju**  
Executive Director

Sd/-  
**Shilpa Kotagiri**  
Company Secretary

# Cash Flow Statement

for the year ended March 31, 2012



( ₹ in Lakhs)

| Particulars  | Year ended<br>31.03.2012 | Year ended<br>31.03.2011 |
|--|--------------------------|--------------------------|
| <b>A. Cash flow from Operating activities</b>                  |                          |                          |
| Net Profit before tax as per Profit and loss account           | 2,668,489                | 2,355,115                |
| Adjustments  |                          |                          |
| (Profit) / Loss on sale of fixed assets (net)                  | 11,000                   | 105,225                  |
| (Profit) / Loss on sale of investments (net)                   | 89,624                   | -                        |
| Depreciation and Amortisation Expense                          | 8,265,799                | 10,191,138               |
| Preliminary Expenditure Written Off                            | -                        | 295,015                  |
| Other Income   | (286,538)                | (202,692)                |
| Finance Costs  | 1,696,673                | 1,071,924                |
| Effect on Exchange Rate Change                                 | -                        | -                        |
|  | <b>12,445,047</b>        | <b>13,815,725</b>        |
| (Increase)/Decrease in Trade and Other Receivables             | 315,573                  | (14,855,816)             |
| (Increase)/Decrease in Inventories                             | (11,782,733)             | (1,658,233)              |
| Changes in Short Term Loans & Advances                         | (706,357)                | 7,626,833                |
| Changes in Other Current Assets                                | 1,424,932                | 1,863,459                |
| (Increase)/Decrease in Trade Payables                          | (13,577,885)             | 9,016,614                |
| (Increase)/Decrease in Other Current Liab. /Short Term Prov.   | (1,965,449)              | (1,166,537)              |
| <b>Cash generated from Operations</b>                          | <b>(13,846,872)</b>      | <b>14,642,045</b>        |
| Direct Taxes paid  | -                        | -                        |
| <b>Net Cash from Operating activities</b>                      | <b>(13,846,872)</b>      | <b>14,642,045</b>        |
| <b>B. Cash flow from Investing Activities</b>                  |                          |                          |
| (Purchase) / Sale of Fixed Assets (Net)                        | 6,631,380                | (2,031,104)              |
| Capital Work-in-progress                                       | 4,394,715                | (4,394,715)              |
| (Purchase) / Sale of Investments (Net)                         | 184,904                  | -                        |
| Acquisition of Companies                                       | -                        | -                        |
| Changes in Long Term Loans & Advances                          | (1,362,861)              | 190,550                  |
| Changes in Other Non Current Assets                            | (2,642,934)              | (3,431,392)              |
| (Increase)/Decrease in Other Long Term Liab. / Long Term Prov. | -                        | -                        |
| Other Income   | 286,538                  | 202,692                  |
| Cash flow before exceptional items                             | 7,491,742                | (9,463,969)              |
| Exceptional Items  | -                        | -                        |
| <b>Net Cash from Investment Activities</b>                     | <b>7,491,742</b>         | <b>(9,463,969)</b>       |
| <b>C. Cash Flow from Financing Activities</b>                  |                          |                          |
| Proceeds from issue of Share Capital/ Share Application Money  | -                        | -                        |
| Proceeds / (Repayment) from Long Term Borrowings               | (659,585)                | 1,491                    |
| Proceeds / (Repayment) from Short Term Borrowings              | 8,415,851                | 1,471,213                |
| Finance Costs  | (1,696,673)              | (1,071,924)              |
| Dividends Paid   | (1,407,600)              | (1,407,600)              |
| Dividend tax paid  | (239,222)                | (239,222)                |
| Effect on Exchange Rate Change                                 | -                        | -                        |
| <b>Net cash used in financing activities</b>                   | <b>4,412,771</b>         | <b>(1,246,042)</b>       |
| <b>Net (Decrease) / Increase in cash and cash equivalents</b>  | <b>(1,942,359)</b>       | <b>3,932,034</b>         |
| <b>Cash and cash equivalents at the beginning of the year</b>  | <b>4,495,943</b>         | <b>563,909</b>           |
| <b>Cash and Cash equivalents at the end of the year</b>        | <b>2,553,584</b>         | <b>4,495,943</b>         |

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in Accounting Standard 3 on Cash Flow Statements notified under section 211 (3C) of the Companies Act, 1956.
- Previous Year Figures have been regrouped/ reclassified/ rearranged wherever necessary.

As per my report of even date

For G.V & Co.,  
Chartered Accountants

Sd/-  
Grandhi Vittal  
Proprietor

Membership No. 206462 Place : Hyderabad  
Firm Regn No. 012875S Date : 07-09-2012

for and on behalf of the Board of Directors

Sd/-  
V. A. Rama Raju  
Chairman & Managing Director

Sd/-  
V. Rajam Raju  
Executive Director

Sd/-  
Shilpa Kotagiri  
Company Secretary

# Notes forming part of Financial Statements As At 31.03.2012



## Note No. 1 : SHARE CAPITAL

Amount in ₹

| SI No. | Particulars   | As At 31.03.2012 |                   | As At 31.03.2011 |                   |
|--------|---|------------------|-------------------|------------------|-------------------|
|        |   | Number           | Amount            | Number           | Amount            |
|        | <b>Authorised</b>   |                  |                   |                  |                   |
| (i)    | Equity Shares of Rs. 10/- each with Voting Rights               | 8,000,000        | 80,000,000        | 8,000,000        | 80,000,000        |
|        | <b>Issued, Subscribed and Paid up</b>                           |                  |                   |                  |                   |
| (i)    | Equity Shares of Rs. 10/- each fully paid up with Voting Rights | 7,038,000        | 70,380,000        | 7,038,000        | 70,380,000        |
|        | <b>Total</b>  | <b>7,038,000</b> | <b>70,380,000</b> | <b>7,038,000</b> | <b>70,380,000</b> |

### (a) Reconciliation of number of shares:

| SI No. | Particulars  | As At 31.03.2012 |            | As At 31.03.2011 |            |
|--------|--|------------------|------------|------------------|------------|
|        |  | Number           | Amount     | Number           | Amount     |
| 1      | Equity Shares outstanding at the beginning of the year | 7,038,000        | 70,380,000 | 7,038,000        | 70,380,000 |
| 2      | Equity Shares Issued during the year                   | -                | -          | -                | -          |
| 3      | Equity Shares bought back during the year              | -                | -          | -                | -          |
| 4      | Equity Shares outstanding at the end of the year       | 7,038,000        | 70,380,000 | 7,038,000        | 70,380,000 |

### (b) Rights, preferences and restrictions attached to shares:

The company has one class of equity shares having a par value of Rs.10/- each. Each shareholder is eligible for one vote per share held. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

### (c) Details of shares held by Shareholders holding more than 5 % of the shares in the company:

| SI No. | Particulars                                    | As At 31.03.2012<br>Amount in ₹ |              | As At 31.03.2011<br>Amount in ₹ |              |
|--------|--|---------------------------------|--------------|---------------------------------|--------------|
|        |  | No. of Shares Held              | % of Holding | No. of Shares Held              | % of Holding |
|        | <b><u>Equity Shares with Voting Rights</u></b> |                                 |              |                                 |              |
| 1      | V Atchyuta Rama Raju                           | 2,028,524                       | 28.82%       | 2,028,524                       | 28.82%       |
| 2      | V Rajam Raju                                   | 1,180,500                       | 16.77%       | 1,180,500                       | 16.77%       |
| 3      | Gottimukkala Atchyuta Rama Raju                | 599,442                         | 8.52%        | 100,499                         | 1.43%        |
| 4      | Ch V Panduranga Rao                            | -                               | -            | 498,943                         | 7.09%        |

### (d) Aggregate number and class of shares allotted as fully paid up for consideration other than cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date

| Particulars | No. of shares    |             | No. of shares    |             |
|-------------|------------------|-------------|------------------|-------------|
|             | As At 31.03.2012 | Amount in ₹ | As At 31.03.2011 | Amount in ₹ |
|             | Nil              |             | Nil              |             |

**Note No : 2 Reserves & Surplus**

| Particulars                         | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|-------------------------------------|---------------------------------|---------------------------------|
| Profit and Loss Account             |                                 |                                 |
| As per last Balance Sheet           | 12,040,447                      | 11,486,380                      |
| (+) Net Profit for the current year | 2,281,504                       | 2,200,889                       |
| (+) Transfer from Reserves          | -                               | -                               |
| (-) Proposed Dividends              | 703,800                         | 1,407,600                       |
| (-) Tax on Dividend                 | 114,174                         | 239,222                         |
| (-) Interim Dividends               | -                               | -                               |
| <b>Total</b>                        | <b>13,503,977.00</b>            | <b>12,040,447</b>               |

**Note No : 3 Share Application money pending allotment** - -

**Note No : 4 Long Term Borrowings**

| Particulars                | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|----------------------------|---------------------------------|---------------------------------|
| Secured                    |                                 |                                 |
| Term Loans from Banks      | -                               | -                               |
| Vehicle Loans from Banks * | 55,198                          | 714,783                         |
| Unsecured                  | -                               | -                               |
|                            | <b>55,198</b>                   | <b>714,783</b>                  |

\*Vehicles loans are secured by hypothecation of vehicles financed by respective banks. (For details Refer Note No 37)

**Note No : 5 Other Longterm Liabilities**

| Particulars       | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|-------------------|---------------------------------|---------------------------------|
| Other Liabilities | -                               | -                               |
|                   | -                               | -                               |

**Note No : 6 Long Term Provisions**

| Particulars         | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---------------------|---------------------------------|---------------------------------|
| Provisions - Others | -                               | -                               |
|                     | -                               | -                               |

**Note No : 7 Short Term Borrowings**

| Particulars   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Secured   |                                 |                                 |
| Loans repayable on demand from Banks *  | 6,573,102                       | 3,679,004                       |
| Loans repayable on demand from Others   | -                               | -                               |
| Unsecured   |                                 |                                 |
| Loans from Related Parties **   | 5,521,756                       | -                               |
| Other Loans and Advances  | -                               | -                               |
|   | <b>12,094,858</b>               | <b>3,679,004</b>                |
| Working Capital loans are secured by hypothecation of Stocks & Receivables of the Company(For details Refer Note No.37) |                                 |                                 |
| ** Loans from Related Parties consists of V.Atchyuta Rama Raju (Managing Director)                                      | 5,521,756                       | -                               |

The Company has borrowed from Mr V.Atchyuta Rama Raju on the following terms & Conditions.

| Terms & Conditions | Particulars         |
|--------------------|---------------------|
| Rate of Interest   | Nil                 |
| Security           | Unsecured           |
| Terms of Repayment | Repayable on Demand |

**Note No : 8 Trade Payables**

| Particulars                                   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Dues to Micro, Small and Medium Enterprises * | -                               | -                               |
| Dues to Others                                | 5,310,071                       | 18,887,956                      |
|   | <b>5,310,071</b>                | <b>18,887,956</b>               |

\* The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the company is as under:

|   |   |   |
|---|---|---|
| Principal amount due and remaining unpaid             | - | - |
| Interest due on above and the unpaid interest         | - | - |
| Interest paid   | - | - |
| Payment made beyond the appointed day during the year | - | - |
| Interest due and payable for the period of delay      | - | - |
| Interest accrued and remaining unpaid                 | - | - |
| succeeding years                                      | - | - |

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

**Note No : 9 Other Current Liabilities**

| Particulars                                    | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| Current Maturities of Long Term Debt (Secured) | -                               | -                               |
| Termloans from Banks                           | -                               | -                               |
| Vehicle Loans from Banks *                     | 659,585                         | 908,822                         |
| Interest Accrued & Due on Borrowings **        | 3,132                           | 7,821                           |
| Advances received from Customers               | 381,200                         | -                               |
| Other Payables***                              | 4,156,636                       | 4,602,539                       |
|  | <b>5,200,553</b>                | <b>5,519,182</b>                |

\* Vehicles loans are secured by hypothecation of vehicles financed by respective banks. (For details Refer Note No . 37)

|  |           |           |
|--|-----------|-----------|
| ** Interest Accrued & Due on Borrowings consists of: |           |           |
| On Working Capital Loans                             | -         | -         |
| On Vehicle Loans                                     | 3,132     | 7,821     |
| *** Other Payables include                           |           |           |
| Statutory Liabilities                                | 1,251,845 | 2,341,456 |
| Rent Creditors                                       | 144,208   | 212,126   |
| Expenses Payable                                     | 2,760,583 | 2,048,957 |

**Note No : 10 Short Term Provisions**

| Particulars                             | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Provisions - Others:                    |                                 |                                 |
| Provision for Taxes                     | 1,145,240                       | 436,640                         |
| Provision for proposed dividend         | 703,800                         | 1,407,600                       |
| Provision for tax on proposed dividends | 114,174                         | 239,222                         |
|   | <b>1,963,214</b>                | <b>2,083,462</b>                |

**Note No. : 11 Fixed Assets**

(Amount INR)

| S. No.   | Particulars                 | Gross Block              |                    |                    |  |                               |                      |  | Other Adj. | " Balance As At 31.03.2012 |
|----------|-----------------------------|--------------------------|--------------------|--------------------|--|-------------------------------|----------------------|--|------------|----------------------------|
|          |                             | Balance As At 01.04.2011 | Additions          | Disposals          | Acquisitions through business combinations | Reclassified as held for sale | Revaluation increase | Effect of foreign exchange differences |            |                            |
|          |                             | 1                        | 2                  | 3                  | 4  | 5                             | 6                    | 7                                      | 8          | 9                          |
|          |                             |                          |                    |                    |  |                               |                      |  |            | 10= 1+2-3+4-5 +6-7+8-9     |
| <b>A</b> | <b>Tangible assets :</b>    |                          |                    |                    |  |                               |                      |  |            |                            |
| (a)      | Computers & Software        |                          |                    |                    |  |                               |                      |  |            |                            |
|          | Owned                       | 12,633,016               | 593,416            | -                  | -  | -                             | -                    | -                                      | -          | 13,226,432                 |
|          | Taken under finance lease   | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | Given under operating lease | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
| (b)      | Furniture and Fixtures      |                          |                    |                    |  |                               |                      |  |            |                            |
|          | Owned                       | 2,693,776                | 39,200             | -                  | -  | -                             | -                    | -                                      | -          | 2,732,976                  |
|          | Taken under finance lease   | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | Given under operating lease | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
| (c)      | Air Conditioners            |                          |                    |                    |  |                               |                      |  |            |                            |
|          | Owned                       | 492,450                  | 60,600             | 33,800             | -  | -                             | -                    | -                                      | -          | 519,250                    |
|          | Taken under finance lease   | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | Given under operating lease | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
| (d)      | Electrical Fittings         |                          |                    |                    |  |                               |                      |  |            |                            |
|          | Owned                       | 358,471                  | 52,290             | -                  | -  | -                             | -                    | -                                      | -          | 410,761                    |
|          | Taken under finance lease   | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | Given under operating lease | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
| (e)      | Office Equipment            |                          |                    |                    |  |                               |                      |  |            |                            |
|          | Owned                       | 1,219,068                | 5,800              | -                  | -  | -                             | -                    | -                                      | -          | 1,224,868                  |
|          | Taken under finance lease   | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | Given under operating lease | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
| (f)      | Vehicles                    |                          |                    |                    |  |                               |                      |  |            |                            |
|          | Owned                       | 5,749,173                | -                  | -                  | -  | -                             | -                    | -                                      | -          | 5,749,173                  |
|          | Taken under finance lease   | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | Given under operating lease | -                        | -                  | -                  | -  | -                             | -                    | -                                      | -          | -                          |
|          | <b>Total (A)</b>            | <b>23,145,954</b>        | <b>751,306</b>     | <b>33,800</b>      | -  | -                             | -                    | -                                      | -          | <b>23,863,460</b>          |
|          | <b>Previous Year</b>        | <b>(21,527,270)</b>      | <b>(2,731,104)</b> | <b>(1,112,420)</b> | -  | -                             | -                    | -                                      | -          | <b>(23,145,954)</b>        |
| <b>B</b> | <b>Intangible assets</b>    |                          |                    |                    |  |                               |                      |  |            |                            |
|          | <b>Total (B)</b>            | <b>48,665,119</b>        | <b>9,534,866</b>   | -                  | -  | <b>39,296,221</b>             | -                    | -                                      | -          | <b>18,903,764</b>          |
|          | <b>Previous Year</b>        | <b>(48,665,119)</b>      | -                  | -                  | -  | <b>39,296,221</b>             | -                    | -                                      | -          | <b>18,903,764</b>          |
|          | <b>Grand Total (A + B)</b>  | <b>71,811,073</b>        | <b>10,286,172</b>  | <b>33,800</b>      | -  | <b>39,296,221</b>             | -                    | -                                      | -          | <b>42,767,224</b>          |



**Note No. : 11 Fixed Assets**

(Amount INR)

| S. No. | Particulars                 | Accumulated deprecitaon and impairment |   |                                  |  |  |   |                   | Net Block                |                            |              |
|--------|-----------------------------|--|---|----------------------------------|--|--|---|-------------------|--------------------------|----------------------------|--------------|
|        |                             | Balance As At 01.04.2011 the year      | Deprecion amortisation expense for the year | Eliminated on disposal of assets | Eliminated on reclasification as held for sale | Impairment losses recognised in Statement of Profit and loss | Revaluation of impairment losses recognised in Statement of Profit and loss | other adjustments | Balance As At 31.03.2012 | Balance " As At 31.03.2011 |              |
|        |                             | 11                                     | 12  | 13                               | 14   | 15   | 16  | 17                | 18 =sum(11:17)           | 19=(10:18                  | 20=(1:11)    |
| A      | Tangible assets :           |  |   |                                  |  |  |   |                   |                          |                            |              |
| (a)    | Computers & Software        |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 9,585,548                              | 1,087,260                                   | -                                | -  | -  | -   | -                 | 10,672,808               | 2,553,624                  | 3,047,468    |
|        | Taken under finance lease   | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Given under operating lease | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
| (b)    | Furniture and Fixtures      |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 1,310,065                              | 129,818                                     | -                                | -  | -  | -   | -                 | 1,439,883                | 1,293,093                  | 1,383,711    |
|        | Taken under finance lease   | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Given under operating lease | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
| (c)    | Air Conditioners            |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 152,187                                | 29,043                                      | 13,800                           | -  | -  | -   | -                 | 167,430                  | 351,820                    | 340,263      |
|        | Taken under finance lease   | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Given under operating lease | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
| (d)    | Electrical Fittings         |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 127,854                                | 23,614                                      | -                                | -  | -  | -   | -                 | 151,468                  | 259,293                    | 230,617      |
|        | Taken under finance lease   | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Given under operating lease | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
| (e)    | Office Equipment            |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 506,687                                | 58,150                                      | -                                | -  | -  | -   | -                 | 564,837                  | 660,031                    | 712,381      |
|        | Taken under finance lease   | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Given under operating lease | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
| (f)    | Vehicles                    |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 2,256,944                              | 450,222                                     | -                                | -  | -  | -   | -                 | 2,707,166                | 3,042,007                  | 3,492,229    |
|        | Taken under finance lease   | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Given under operating lease | -                                      | -   | -                                | -  | -  | -   | -                 | -                        | -                          | -            |
|        | Total (A)                   | 13,939,285                             | 1,778,107                                   | 13,800                           | -  | -  | -   | -                 | 15,703,592               | 8,159,870                  | 9,206,669    |
|        | Previous Year               | (11,816,070)                           | (2,430,410)                                 | (307,195)                        | -  | -  | -   | -                 | (13,939,285)             | (9,206,670)                | (9,711,200)  |
| B      | Intangible assets           |  |   |                                  |  |  |   |                   |                          |                            |              |
|        | Owned                       | 24,017,832                             | 6,487,692                                   | -                                | 22,387,669                                     | -  | -   | -                 | 8,117,855                | 10,785,909                 | 24,647,287   |
|        | Total (B)                   | 24,017,832                             | 6,487,692                                   | -                                | 22,387,669                                     | -  | -   | -                 | 8,117,855                | 10,785,909                 | 24,647,287   |
|        | Previous Year               | (16,257,104)                           | (7,760,728)                                 | -                                | -  | -  | -   | -                 | (24,017,832)             | (24,647,287)               | (32,408,015) |
| C      | Capital Work in Progress    |  |   |                                  |  |  | 4,394,715   | -                 | -                        | -                          | -            |
|        | Grand Total (A + B + C)     | 42,351,832                             | 8,265,799                                   | 13,800                           | 22,387,669                                     | -  | -   | -                 | 23,821,447               | 18,945,779                 | 33,853,956   |

**Note No : 12 Non Current Investments**

| Particulars                                  | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| <b>A. Trade Investments</b>                  |                                 |                                 |
| <b>B. Other Investments</b>                  |                                 |                                 |
| <b>Quoted</b>                                |                                 |                                 |
| <b>Unquoted</b>                              |                                 |                                 |
| Investment Property                          |                                 |                                 |
| Investment in equity instruments             |                                 |                                 |
| (i) of subsidiaries                          |                                 |                                 |
| Vama Asia Pte Ltd., Singapore *              | -                               | 274,528                         |
| (ii) of associates                           | -                               | -                               |
| (iii) of joint venture companies             | -                               | -                               |
| (iv) of controlled special purpose entities  | -                               | -                               |
| (v) of other entities                        | -                               | -                               |
| Winfarm Agro Industries Limited              | 5,380,000                       | 5,380,000                       |
| Investment in preference shares              |                                 |                                 |
| (i) of subsidiaries                          | -                               | -                               |
| (ii) of associates                           | -                               | -                               |
| (iii) of joint venture companies             | -                               | -                               |
| (iv) of controlled special purpose entities  | -                               | -                               |
| (v) of other entities                        | -                               | -                               |
| Investment in government or trust securities | -                               | -                               |
| Investment in debentures or bonds            | -                               | -                               |
| Investment in mutual funds (give details)    | -                               | -                               |
| Investment in partnership firms              | -                               | -                               |
| <b>Grand Total</b>                           | <b>5,380,000</b>                | <b>5,654,528</b>                |

**Unquoted Investments**

Aggregate amount of Un-quoted Investments Rs.53,80,000/- (Previous Year Rs.56,54,528/-)

\* Note:

M/s Vama Asia Pte Ltd., has passed a Resolution for closure of its operations at Extra-Ordinary General Meeting conducted on 27th February, 2012. Applied for the same to Accounting and Corporate Regulatory Authority on the same day for closure of company. The present status is "Struck-off"

**Note No : 13 Long Term Loans & Advances**

| Particulars  | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| (a) Capital Advances   |                                 |                                 |
| Secured, considered good   | -                               | -                               |
| Unsecured, considered good   | -                               | -                               |
| Doubtful   | -                               | -                               |
| (b) Security Deposits  | -                               | -                               |
| (c) Loans & Advances to related parties                                      | -                               | -                               |
| (d) Loans & Advances to Employees  | -                               | -                               |
| (e) Prepaid Expenses   | -                               | -                               |
| (f) Advance Income Tax<br>(Unsecured, Considered good)                       | 3,044,230                       | 1,681,369                       |
| (g) MAT Credit Entitlement   | -                               | -                               |
| (h) Balances with Government Authorities                                     | -                               | -                               |
| (i) Other Loans & Advances   | 3,855,500                       | 3,855,500                       |
| Secured, considered good   | -                               | -                               |
| Unsecured, considered good   | -                               | -                               |
| (j) Doubtful   | -                               | -                               |
|  | 6,899,730                       | 5,536,869                       |
| Less: Provision for other doubtful<br>loans & advances                       | -                               | -                               |
|  | 6,899,730                       | 5,536,869                       |
| Note:<br>Long Term Loans &<br>Advances include amounts due from<br>Directors | -                               | -                               |
| Other Officers of company  | -                               | -                               |
| Firms in which any director is a partner                                     | -                               | -                               |
| Private companies in which any director<br>is a director or member           | -                               | -                               |

**Note No : 14 Other Non-Current Assets**

| Particulars                  | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|------------------------------|---------------------------------|---------------------------------|
| (a) Other Non-current Assets |                                 |                                 |
| Fixed Deposits *             | 1,359,897                       | 1,048,577                       |
| Electricity Deposits         | 95,897                          | 95,897                          |
| Rent Deposit                 | 3,334,660                       | 3,249,160                       |
| Telephone Deposit            | 24,745                          | 27,545                          |
| Sales Tax Appeal Deposit     | 66,387                          | 139,234                         |
| Retention Money              | 2,320,061                       | -                               |
| Other Deposits**             | 4,300                           | 2,600                           |
|                              | 7,205,947                       | 4,563,013                       |
| Other Deposits include**     |                                 |                                 |
| Internet Deposit             | 1,000                           | 1,000                           |
| Gas Deposit                  | 3,300                           | 1,600                           |

\* Deposits include ₹ 30,97,775/- (Previous Year ₹ 4,46,921/-) with SBI held as lien against Bank Guarantees issued by SBI on behalf of the company.

\* Deposits include ₹ 41,000/- (Previous Year Rs. Nil) with SBI held as security deposit with Central Excise Department

**Note No : 15 Inventories:**

| Particulars   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| (a) Raw materials   | -                               | -                               |
| Goods-in-transit  | -                               | -                               |
| (b) Work-in-progress  | -                               | -                               |
| Goods-in-transit  | -                               | -                               |
| (c) Finished goods<br>(other than those acquired for trading) | -                               | -                               |
| Goods-in-transit  | -                               | -                               |
| (d) Stock-in-trade (acquired for trading) *                   | 20,473,007                      | 8,690,274                       |
| Goods-in-transit  | -                               | -                               |
| (e) Stores and spares   | -                               | -                               |
| Goods-in-transit  | -                               | -                               |
| (f) Loose tools   | -                               | -                               |
| Goods-in-transit  | -                               | -                               |
| (g) Others (Specify nature)                                   | -                               | -                               |
| Goods-in-transit  | -                               | -                               |
|   | <b>20,473,007</b>               | <b>8,690,274</b>                |

\* **Mode of valuation:**

    Stock-in-trade : At cost

- \* It includes Self developed softwares of Rs.1,69,08,552/- regrouped from Fixed Assets to Current Assets as the company intends to sale.

**Note No : 16 Trade Receivables**

| Particulars   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment |                                 |                                 |
| Secured, considered good  | -                               | -                               |
| Unsecured, considered good  | 12,739,706                      | 5,003,888                       |
| Doubtful  | -                               | -                               |
| Trade receivables outstanding for a period less than six months   | -                               | -                               |
| Secured, considered good  | -                               | -                               |
| Unsecured, considered good *  | 29,344,785                      | 37,396,176                      |
| Doubtful  | -                               | -                               |
|   | <b>42,084,491</b>               | <b>42,400,064</b>               |
| Less: Provision for doubtful trade receivables  | -                               | -                               |
|   | <b>42,084,491</b>               | <b>42,400,064</b>               |
| Trade receivables include debts due from:   |                                 |                                 |
| Directors   | -                               | -                               |
| Other officers of the Company   | -                               | -                               |
| Firms in which any director is a partner (give details per firm)  | -                               | -                               |
| Private companies in which any director is a director or member (give details per company)              | -                               | -                               |

\*It includes Income accrued but not bills raised to the extent of Rs.1,19,02,055/- (Previous Year Rs.55,28,501/-)

**Note No : 17 Cash and Bank Balances**

| Particulars                                       | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| (a) Cash and Cash Equivalents                     |                                 |                                 |
| (i) Balances with banks;<br>In Current Accounts   | 179,426                         | 2,362,062                       |
| (ii) Cheques, drafts on hand                      | -                               | -                               |
| (iii) Cash on hand *                              | 146,908                         | 47,495                          |
| (b) Other Bank balances<br>In Deposit Accounts ** | 2,227,250                       | 2,086,386                       |
|   | <b>2,553,584</b>                | <b>4,495,943</b>                |

\* includes Singapore Dollars (SGD) 2,348/- (Previous Year SGD Nil)

\*\* Deposits include Rs. 20,00,000/- (Previous Year Rs.20,00,000/-) with SBI held as collateral security against cash credit limits sanctioned by the SBI.

\*\* Deposits include Rs. 2,27,250/- (Previous Year Rs.86,386/-) with SBI held as lien against Bank Guarantees issued by SBI on behalf of the company.

**Note No : 18 Short Term Loans & Advances**

| Particulars  | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| (a) Loans & Advances to related parties                  | -                               | -                               |
| (b) Security deposits                                    | 93,012                          | 108,492                         |
| (c) Loans and advances to employees                      |                                 |                                 |
| Secured, considered good                                 | 3,148,640                       | 1,711,152                       |
| Unsecured, considered good                               | -                               | -                               |
| Doubtful   | -                               | -                               |
| (d) Prepaid expenses -                                   |                                 |                                 |
| Unsecured, considered good **                            | 390,208                         | 316,158                         |
| (e) Balances with government authorities                 |                                 |                                 |
| Unsecured, considered good                               |                                 |                                 |
| Advance Tax and TDS                                      | 527,450                         | 1,362,860                       |
| Service Tax Input  | 43,930                          | -                               |
| (f) Inter-corporate deposits                             | -                               | -                               |
| (g) MAT Credit entitlement -                             |                                 |                                 |
| Unsecured, considered good                               | -                               | -                               |
| (h) Other Loans & Advances ***                           |                                 |                                 |
| Secured, considered good                                 |                                 |                                 |
| Unsecured, considered good                               | 474,663                         | 472,884                         |
| Doubtful   | -                               | -                               |
|  | <b>4,677,903</b>                | <b>3,971,546</b>                |
| Less: Provision for other doubtful<br>loans and advances | -                               | -                               |
|  | <b>4,677,903</b>                | <b>3,971,546</b>                |

**Note: Short Term Loans & Advances include amounts due from**

|   |         |         |
|---|---------|---------|
| Directors   | -       | -       |
| Other Officers of company   | -       | -       |
| Firms in which any director is a partner  | -       | -       |
| Private companies in which any director is a director or member   | -       | -       |
| * Deposit accounts having original maturity greater than 3 months upto one year & more than one year and include Rs.35,87,147/- in SBI (Previous Year SBI of Rs.31,34,963/-) held as security against borrowings and Bank Guarantees (Refer Note No 37) |         |         |
| ** "Prepaid Expenses" pertains to Insurance, Annual Maintenance Contracts.  |         |         |
| Other Loans & Advances includes ***   |         |         |
| Advances to Suppliers   | 449,427 | 386,797 |
| Advance for Expenses  | 25,236  | 86,087  |

**Note No : 19 Other Current Assets**

| Particulars   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| (a) Unbilled revenue  | -                               | -                               |
| (b) Unamortised expenses  | -                               | -                               |
| (c) Accruals  | -                               | -                               |
| (d) Other Current Assets *  | 555,326                         | 333,436                         |
|   | <b>555,326</b>                  | <b>333,436</b>                  |
| * Other Current Assets include<br>Interest Accrued But Not due on FDs | 555,326                         | 333,436                         |



**Note No. : 20 Revenue from operations**

| Particulars                                     | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Sale of products                                |                                 |                                 |
| Domestic  | 95,570,528                      | 46,326,544                      |
| Export  | -                               | -                               |
| Other Operating Revenues                        | -                               | -                               |
| Service Income                                  |                                 |                                 |
| Domestic  | 11,740,234                      | 23,846,173                      |
| Export  | 32,866,174                      | 30,610,943                      |
|   | <b>140,176,936</b>              | <b>100,783,660</b>              |
| <b>Sales of traded goods under broad heads:</b> |                                 |                                 |
| Computers & Peripherals                         | 90,450,861                      | 26,062,048                      |
| Metals & Minerals                               | 5,119,667                       | 20,264,496                      |
| <b>Total</b>                                    | <b>95,570,528</b>               | <b>46,326,544</b>               |
| <b>Services rendered under broad heads:</b>     |                                 |                                 |
| Annual Maintenance Contract Services            | 7,989,442                       | 15,008,440                      |
| Consultancy Services                            | 3,750,792                       | 8,837,733                       |
| IT Engineering Services                         | 32,866,174                      | 30,610,943                      |
| <b>Total</b>                                    | <b>44,606,408</b>               | <b>54,457,116</b>               |

**Note No. : 21 Other income**

| Particulars                | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|----------------------------|---------------------------------|---------------------------------|
| Interest on Fixed Deposits | 274,832                         | 202,692                         |
| Other Income               | 11,706                          | -                               |
|                            | <b>286,538</b>                  | <b>202,692</b>                  |

**Note No : 22 Purchase of Stock -in- Trade**

| Particulars                     | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---------------------------------|---------------------------------|---------------------------------|
| Purchase of Material            | 100,712,666                     | 44,556,723                      |
| Tranport Charges/Labour Charges | 59,903                          | 106,492                         |
|                                 | <b>100,772,569</b>              | <b>44,663,215</b>               |

**Purchases of traded goods under broad heads:**

| Particulars             | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|-------------------------|---------------------------------|---------------------------------|
| Computers & Peripherals | 95,715,960                      | 24,731,296                      |
| Metals & Minerals       | 4,996,706                       | 19,825,427                      |
| <b>Total</b>            | <b>100,712,666</b>              | <b>44,556,723</b>               |

**Note No : 23 Changes in inventories of finished goods, work-in-progress and stock-in-trade**

| Particulars                               | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Inventories at the end of the year:       |                                 |                                 |
| Finished goods (acquired for trading)     | 20,473,007                      | 8,690,274                       |
| Work-in-progress                          | -                               | -                               |
| Stock-in-trade                            | -                               | -                               |
|   | <b>20,473,007</b>               | <b>8,690,274</b>                |
| Inventories at the beginning of the year: |                                 |                                 |
| Finished goods (acquired for trading)     | 8,690,274                       | 7,032,041                       |
| Work-in-progress                          | -                               | -                               |
| Stock-in-trade                            | -                               | -                               |
|   | <b>8,690,274</b>                | <b>7,032,041</b>                |
| <b>Net increase / (decrease)</b>          | <b>11,782,733</b>               | <b>1,658,233</b>                |

**24 Note: Employee benefit expenses**

| Particulars                                  | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| Salaries and Wages                           | 19,795,784                      | 22,236,058                      |
| Directors Remuneration *                     | 2,580,000                       | 2,880,000                       |
| Contribution to provident and other funds ** | 1,272,991                       | 1,444,492                       |
| Staff Welfare Expenses                       | 98,970                          | 73,483                          |
|  | <b>23,747,745</b>               | <b>26,634,033</b>               |

\* Directors Remuneration of Rs. 12,00,000/- (Previous Year Rs. 9,00,000/-) transferred to Product Development Expenditure.

\*\* includes contribution to Employee provident fund, Employee State Insurance Scheme.

**25 Note: Finance costs**

| Particulars             | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|-------------------------|---------------------------------|---------------------------------|
| Interest Expense        |                                 |                                 |
| Interest                | 1,304,245                       | 886,901                         |
| Interest on others *    | 4,812                           | 4,894                           |
| Other Borrowing Costs:  |                                 |                                 |
| Loan Processing Charges | 115,000                         | 40,000                          |
| Other Finance Expenses  | -                               | -                               |
| Bank charges            | 272,616                         | 140,129                         |
|                         | <b>1,696,673</b>                | <b>1,071,924</b>                |

\* includes Interest on TDS Payable, Service Tax Payable

**26 Note: Other Expenses**

| Particulars                        | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|------------------------------------|---------------------------------|---------------------------------|
| Advertisement                      | 159,748                         | 97,213                          |
| Audit Fee                          | 100,000                         | 100,000                         |
| Business Promotion Exp.            | 201,595                         | 231,796                         |
| Commission                         | 770,932                         | 560,417                         |
| Communication Expenses             | 659,907                         | 671,921                         |
| Conveyance                         | 514,464                         | 1,053,908                       |
| Power and Fuel                     | 582,866                         | 467,704                         |
| Fees and taxes                     | 362,685                         | 681,028                         |
| Forex Loss on Export Sale          | 40,769                          | 800,891                         |
| Office & General Exp               | 673,053                         | 754,661                         |
| Insurance                          | 403,035                         | 477,123                         |
| ISO charges                        | 41,000                          | 24,000                          |
| Legal and Professional exp.        | 3,818,852                       | 5,309,119                       |
| Loss on Investment/Fixed Assets    | 100,624                         | 105,225                         |
| Pre-Operative Expenses Written Off | -                               | 295,015                         |
| Prior Period Adjustment            | -                               | 22,495                          |
| Printing and stationery            | 256,361                         | 223,771                         |
| Postage and Telegram               | 88,915                          | 86,303                          |
| Rent                               | 3,599,267                       | 2,927,548                       |
| Repairs and Maintenance            | 843,177                         | 1,156,015                       |
| STPI Service charges               | 109,750                         | 2,500                           |
| Travelling Expenses                | 1,637,484                       | 1,585,832                       |
| Vehicle Maintenance                | 130,448                         | 94,675                          |
|                                    | <b>15,094,932</b>               | <b>17,729,160</b>               |

## NOTES TO FINANCIAL STATEMENTS

### 27. SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of preparation of Financial Statements

The accompanying financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under historical cost convention on the accrual basis. GAAP comprises mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standard requires the change in the accounting policy hitherto in use.

Management evaluates all relevant issues or revised accounting standards on an ongoing basis.

#### Revenue Recognition

- Revenue from sale of computer hardware is recognized on dispatch of the products from the company for delivery to the customers. Revenue from product sale is shown net of Sales Tax separately charged and discounts as applicable.
- Revenue from IT Services consists of earnings from services performed on a 'time and material' basis and fixed price contracts. The related revenue is recognized as and when the services are performed and delivered.
- Revenue from Annual Maintenance Contracts (AMCs) is recognized on accrual basis as per the Contracts / Agreements entered with the Clients.
- Other income is recognized on accrual basis.

#### Translation of Foreign Currency Transactions

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Gain/Loss of foreign exchange on settlement of transaction arising on receipt of the amounts receivable, are recognized as income or expense for the period. In all other cases gain or loss is accounted for on the realizable value as on last day of the financial year.

#### Expenditure

All expenditure and costs are recognized on accrual basis and due provision is made for all the known losses and liabilities.

#### Fixed Assets, Work in progress and Depreciation

- Fixed Assets are stated at cost of acquisition and any cost attributable for bringing the asset to the condition for its intended use less Depreciation for the financial year.
- Interest arising on acquisition of fixed assets on hire purchase is charged to profit and loss account.
- As on the date of the Balance Sheet, the cost of fixed Assets purchased and not ready for use are shown under Capital Work-In Progress.

- **Depreciation**

Fixed assets are stated at cost less depreciation. Cost of acquisition is inclusive of freight, taxes and installation. Depreciation on assets is provided, pro-rata for the period of use, by the Straight Line Method (SLM) at the rates prescribed in Schedule XIV of the Companies Act, 1956. The estimated usage of software purchased is six years, therefore for amortization of the same, the rates prescribed for computers and peripherals under Straight Line Method in the manner prescribed in Schedule XIV to the Companies Act, 1956 has been adopted.

**Investments**

Investments are intended to be held for long term and are valued at cost of acquisition. Investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments. The market value of the Investments is not available as it is not a quoted share.

**Inventories**

Inventories are valued at lower of cost or net realizable value. Cost of hardware and software purchased for resale are considered using the first-in-first-out method.

**Employee Benefits**

Contributions to Provident Fund, Employees State Insurance are charged as incurred on accrual basis. The liability for retirement benefits of employees, if arise, will be accounted for on cash basis.

**Income Tax**

Income taxes are accounted for in accordance with AS-22, namely "Accounting for taxes on Income" issued by ICAI. Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid / recovered from the revenue authorities, using the applicable tax rates and laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

Tax on distributed profits payable in accordance with the provisions of section 1150 of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Corporate Dividend Tax" regarded as a tax on distribution of profits and is not considered in Determination of profits for the year.

**Cash Flow Statement**

Cash flows are reported using Indirect Method in accordance with AS-3, namely "Cash Flow Statement" issued by ICAI and as per the Clause 32 of the Listing Agreement where by net profit before tax is adjusted for the effects of the transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular business operations, investment activities and financing activities are classified under the cash flow.

**Note No : 28 Auditors Remuneration**

| Particulars                     | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---------------------------------|---------------------------------|---------------------------------|
| Payments to Auditors comprises: |                                 |                                 |
| As Auditors - Statutory Audit   | 88,240                          | 88,240                          |
| For taxation matters            | 22,060                          | 22,060                          |
| For company law matters         | -                               | -                               |
| For management services         | -                               | -                               |
| For other services              | -                               | -                               |
| Reimbursement of Expenses       | -                               | -                               |

**Note No. : 29 Deferred Tax Liability (Net)**

| Particulars                                 | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| On account of Depreciation and Amortisation | (3,21,615)                      | (2,82,414)                      |

Deferred Tax provision represents, net of provisions for Hardware Sales & Service, Metals & Minerals and EOU (Software Development Services). Depreciation for EOU division for tax holiday period u/sec 10A is permanent nature, hence not considered for deferred **deferred tax provision**.

**Note No : 30 Related Party Disclosures**

| S.No. | Name of the Related Party | Nature of Relationship   |
|-------|---------------------------|--------------------------|
| 1     | V.A. Rama Raju            | Key Managerial Personnel |
| 2     | V.Rajam Raju              | Key Managerial Personnel |
| 3     | V.Parvathi                | Relative of Director     |
| 4     | D.Tanuja                  | Relative of Director     |
| 5     | Reliance Tea Pvt Ltd      | Associate                |

**Transactions with Related Parties:**

| S. No | Nature of Transaction           | FY 2011-12 |                      |           |           | FY 2010-11 |                      |           |           |
|-------|---------------------------------|------------|----------------------|-----------|-----------|------------|----------------------|-----------|-----------|
|       |                                 | KMP        | Relative of Director | Associate | Total     | KMP        | Relative of Director | Associate | Total     |
| 1     | Directors Remuneration / Salary | 3,780,000  | 342,000              | -         | 4,122,000 | 3,780,000  | 319,000              | -         | 4,099,000 |
| 2     | Rent                            | -          | 128,000              | 240,000   | 368,000   | -          | 192,000              | 140,000   | 332,000   |
| 3     | Consultancy Charges             | -          | -                    | 260,000   | 260,000   | -          | -                    | 910,000   | 910,000   |

**Balances with Related Parties As At 31.03.2012:**

| S. No | Nature of Transaction    | FY 2011-12 |                      |           |           | FY 2010-11 |                      |           |           |
|-------|--------------------------|------------|----------------------|-----------|-----------|------------|----------------------|-----------|-----------|
|       |                          | KMP        | Relative of Director | Associate | Total     | KMP        | Relative of Director | Associate | Total     |
| 1     | Short Term Borrowings    | 5,521,756  | -                    | -         | 5,521,756 | -          | -                    | -         | -         |
| 2     | Rent Deposit             | -          | 48,000               | 2,000,000 | 2,048,000 | -          | 48,000               | 2,000,000 | 2,048,000 |
| 3     | Outstanding Balance Paid | -          | -                    | -         | -         | -          | -                    | 167,715   | 167,715   |



**Disclosure in respect of material transactions during the year:**

| SI No    | Particulars                            | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|----------|--|---------------------------------|---------------------------------|
| <b>1</b> | <b>Directors Remuneration / Salary</b> |                                 |                                 |
|          | V.A.Rama Raju                          | 1,980,000                       | 1,980,000                       |
|          | V.Rajam Raju                           | 1,800,000                       | 1,800,000                       |
|          | V.Parvathi                             | 228,000                         | 224,000                         |
|          | V.Tanuja                               | 114,000                         | 95,000                          |
| <b>2</b> | <b>Rent</b>                            |                                 |                                 |
|          | Reliance Tea Pvt Ltd                   | 240,000                         | 140,000                         |
|          | V.Parvathi                             | 128,000                         | 192,000                         |
| <b>3</b> | <b>Consultancy Charges</b>             |                                 |                                 |
|          | Reliance Tea Pvt Ltd                   | 260,000                         | 910,000                         |
| <b>4</b> | <b>Short term Borrowings</b>           |                                 |                                 |
|          | V.A.Rama Raju                          | 5,521,756                       | -                               |
| <b>5</b> | <b>Rent Deposits</b>                   |                                 |                                 |
|          | V.Parvathi                             | 48,000                          | 48,000                          |
|          | Reliance Tea Pvt Ltd                   | 2,000,000                       | 2,000,000                       |
| <b>6</b> | <b>Outstanding Balance Paid</b>        |                                 |                                 |
|          | Vama Asia Pte Ltd                      | -                               | 167,715                         |

Note: Related Party relationships as given above is as identified by the Company and relied upon by the Auditors

**Note No. 31 Segment Reporting**

The Company has identified three reportable segments viz. Software Development Service, Hardware Sales & Services and Trading of Metals & Minerals . Segments have been identified and reported taking into account nature of products and services. The accounting policies adopted for segment reporting are in line with accounting policy of the company with following additional policies for segment reporting.

- Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable"
- Segment assets and Segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

**Segment information for the year March 31, 2012, as per Accounting Standard 17 - "Segment Reporting" issued by the Institute of Chartered Accountants of India:**

Amount in Rs.

| Particulars  | Software Development Service |                     | Hardware Sales & Service |                     | Metals & Minerals   |                     | Consolidated Total  |                     |
|--|------------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | As At<br>31.03.2012          | As At<br>31.03.2011 | As At<br>31.03.2012      | As At<br>31.03.2011 | As At<br>31.03.2012 | As At<br>31.03.2011 | As At<br>31.03.2012 | As At<br>31.03.2011 |
| <b>Revenue</b>   |                              |                     |                          |                     |                     |                     |                     |                     |
| <b>Exports</b>   |                              |                     |                          |                     |                     |                     |                     |                     |
| External Sales   | 32,866,174                   | 30,610,943          | -                        | -                   | -                   | -                   | 32,866,174          | 30,610,943          |
| Inter Segment Sales  | -                            | -                   | -                        | -                   | -                   | -                   | -                   | -                   |
| <b>Domestic</b>  |                              |                     |                          |                     |                     |                     |                     |                     |
| External Sales   | -                            | -                   | 102,191,095              | 49,908,221          | 5,119,667           | 20,264,496          | 107,310,762         | 70,172,717          |
| Inter Segment Sales  | -                            | -                   | -                        | -                   | -                   | -                   | -                   | -                   |
| <b>Total Revenue</b>   | <b>32,866,174</b>            | <b>30,610,943</b>   | <b>102,191,095</b>       | <b>49,908,221</b>   | <b>5,119,667</b>    | <b>20,264,496</b>   | <b>140,176,936</b>  | <b>100,783,660</b>  |
| <b>Results</b>   |                              |                     |                          |                     |                     |                     |                     |                     |
| Segment result   | 7,790,382                    | 4,818,019           | 1,094,012                | (579,201)           | (5,198,198)         | (904,479)           | 3,686,196           | 3,334,339           |
| Unallocated corporate expenses                               |                              |                     |                          |                     |                     |                     | -                   | (295,015)           |
| <b>Operating profit</b>                                      |                              |                     |                          |                     |                     |                     | <b>3,686,196</b>    | <b>3,039,324</b>    |
| Interest expense   |                              |                     |                          |                     |                     |                     | (1,304,245)         | (886,901)           |
| Other income   |                              |                     |                          |                     |                     |                     | 286,538             | 202,692             |
| Income taxes   |                              |                     |                          |                     |                     |                     | (386,985)           | (154,226)           |
| Profit from ordinary activities                              |                              |                     |                          |                     |                     |                     | 2,281,505           | 2,200,889           |
| Extraordinary losses;  |                              |                     |                          |                     |                     |                     | -                   | -                   |
| Profit for the Year  |                              |                     |                          |                     |                     |                     | 2,281,505           | 2,200,889           |
| <b>Assets:</b>   |                              |                     |                          |                     |                     |                     |                     |                     |
| Segment assets   | 46,528,751                   | 42,863,617          | 50,851,310               | 45,976,763          | 3,681,553           | 18,541,337          | 101,061,614         | 107,381,717         |
| Unallocated corporate assets                                 |                              |                     |                          |                     |                     |                     | 7,714,152           | 6,512,628           |
| <b>Total assets</b>  |                              |                     |                          |                     |                     |                     | <b>108,775,766</b>  | <b>113,894,345</b>  |
| <b>Liabilities:</b>  |                              |                     |                          |                     |                     |                     |                     |                     |
| Segment liabilities  | 2,561,722                    | 26,250,075          | 7,441,667                | (13,630,222)        | 562,433             | 12,376,796          | 10,565,822          | 24,996,649          |
| Unallocated corporate liabilities                            |                              |                     |                          |                     |                     |                     | 98,209,944          | 88,897,696          |
| <b>Total liabilities</b>                                     |                              |                     |                          |                     |                     |                     | <b>108,775,766</b>  | <b>113,894,345</b>  |
| <b>Other Information:</b>                                    |                              |                     |                          |                     |                     |                     |                     |                     |
| Capital Expenditure  | 5,644,410                    | 6,807,178           | 190,347                  | 318,641             | 56,700              | -                   | 5,891,457           | 7,125,819           |
| Depreciation   | 7,516,125                    | 8,661,883           | 742,557                  | 1,529,255           | 7,117               | -                   | 8,265,799           | 10,191,138          |
| Non Cash Expenditure other than Depreciation (Allocable)     | 11,000                       | 105,225             | -                        | -                   | -                   | -                   | 11,000              | 105,225             |
| "Non Cash Expenditure other than Depreciation (Unallocable)" |                              |                     |                          |                     |                     |                     | 89,624              | 295,015             |

**Geographic Segment:**

The Company operates solely in one Geographic Segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required



**Note No. : 32 Earnings Per Share**

| Particulars   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders (INR)  | 2,281,504                       | 2,200,889                       |
| No of Equity shares   | 7,038,000                       | 7,038,000                       |
| Basic and Diluted Earnings per share (INR)  | 0.32                            | 0.31                            |
| Face value per share (INR)  | 10.00                           | 10.00                           |
| The Calculation of Earnings Per Share (EPS) as disclosed in the Profit and Loss Account has been made in accordance with Accounting Standard (AS - 20) on Earnings Per Share issued by the Institute of Chartered Accountants of India. |                                 |                                 |

**Note No. : 33 Earnings in foreign currency**

| Particulars                          | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--------------------------------------|---------------------------------|---------------------------------|
| From Engineering Services            | 32,264,105                      | 28,864,954                      |
| From Software Development            | 602,069                         | 1,745,989                       |
| Total Earnings from Foreign Currency | 32,866,174                      | 30,610,943                      |

**Note No. : 34 Expenditure in foreign currency**

| Particulars   | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| For Foreign Travel                                  | 730,052                         | 643,999                         |
| for Commission on Sales                             | 770,932                         | -                               |
| for purchase of Material (Metal ,Systems & Servers) | -                               | 11,473,342                      |
| for Vama Asia Pte Ltd (Subsidiary)                  | -                               | 167,715                         |
|   | <b>1,500,984</b>                | <b>12,285,056</b>               |

**Note No. : 35 Tax Expense**

| Particulars                                 | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|---|---------------------------------|---------------------------------|
| The Tax Expenses for the year comprises of; |                                 |                                 |
| Income Tax                                  | 708,600                         | 436,640                         |
| Current Year                                | 708,600                         | 436,640                         |
| Less : MAT Credit                           | -                               | -                               |
| Deferred Tax                                | (321,615)                       | (282,414)                       |

**Note No. : 36 Obligations towards operating leases**

| Particulars  | As At 31.03.2012<br>Amount in ₹ | As At 31.03.2011<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| The company has entered into operating lease arrangements for its premises at various locations. |                                 |                                 |
| Future minimum lease payments not later than one year  | 3,053,075                       | 2,811,181                       |
| later than one year and not later than five years  | 3,294,095                       | 1,216,774                       |
| later than five years  | -                               | -                               |

The future minimum lease rental obligation under non-cancellable operating leases in respect of these assets is on account of lock-in period and notice period in some of the lease agreements entered by the company for operating of offices:

|  |           |           |
|--|-----------|-----------|
| On account of Lock-in Period   | 1,394,725 | 1,634,725 |
| On account of Notice Period  | 421,700   | 36,000    |
| Lease payments recognized in the Statement of Profit and Loss (net)                    | 3,599,267 | 2,927,548 |
| Sublease payments received / receivable recognized in the Statement of Profit and Loss | -         | -         |

**Note No. : 37 Working Capital Loan / Vehicle Loans:**
**Working Capital Loan from State Bank of India:**
**Rate of Interest:**

Cash Credit from SBI: @ 6.00% above SBAR

**Primary Security:**

Hypothecation of Stocks & Receivables of the Company.

**Collateral Security:**
**Immovable Property:**

- 1) Hypothecation of Flat No. 401, 04th Floor, Plot No. 14 & 16, Survey No's 93, 94 & 95 at Madhura Nagar, Yousufguda, Hyderabad belonging to Sri. V. Atchyuta Rama Raju
- 2) Hypothecation of the Fixed Assets of the Company.
- 3) Lien on STDR Rs. 20,00,000/- in the name of the Company.

**Third Party Guarantee:**

Personal guarantees of Sri V.Atchyuta Rama Raju, Smt. V.Parvathi, Sri V.Rajam Raju.

**Terms of Repayment:**

Working Capital Loans repayable on demand.

**Vehicle Loans from Banks: (in Note 4.7&9)**
**ICICI Bank Car Loan-Honda Civic:**

Rate of Interest: 11.68% per annum

Terms of Repayment:

This Loan is repayable in 60 monthly installments of Rs.21,912/- each commencing from July, 2007

**Security:**

Vehicles loans are secured by hypothecation of vehicles financed by respective banks.

**ICICI Bank Car Loan-Honda Accord**

Rate of Interest:

ICICI Bank Car Loan-Honda Accord: @ 9.24% per annum

Terms of Repayment:

This Loan is repayable in 36 monthly installments of Rs.56,784/- each commencing from June, 2010

**Security:**

Vehicles loans are secured by hypothecation of vehicles financed by respective banks.

#### **Note No. : 38 Contingent Liabilities**

- (a) Company received demand notice from Commercial Tax Department (Sales Tax) for the Financial Year 2007-08 for Rs. 5,31,097/-, in this regard we have filed an appeal at the Appellate Deputy Commissioner (CT) Punjagutta, Nampally, Hyderabad, by paying 12.5% of notice amount as deposit with the authorities. Appellate Deputy Commissioner (CT) has passed Assessment Order, on 12.06.2012, by stating Sale of Rs.2,78,691/- is subjected to VAT @ 4%. It amounts to Rs.11,148/- and has been provided in Books of Account in Financial Year 2012-13.
- (b) The liability towards bank guarantees of Rs.42,59,030/- issued to various parities by the company in the course of ordinary business is fully covered against fixed deposits with the banks which are held by the bankers as the security

#### **Note No. : 39 Capital Commitments**

There are no capital commitments identified by the management for the current financial year. There are no contracts remaining to be executed on capital account and not provided for, during the current financial year.

#### **Note No. : 40**

In the opinion of the Board, current assets, loans and advances are stated at a value, which could be realized in the ordinary course of business. The provision for all known liabilities made is adequate and not in excess of the amount reasonably necessary.

#### **Note No. : 41**

Some of the balances in Sundry Debtors, Sundry Creditors, Advances and Deposits are subject to confirmation, reconciliations and adjustments if any, which in the opinion of the management will not be significant.

#### **Note No. : 42**

These financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956. Previous period figures have been recasted / restated to confirm to the classification of the current period.

#### **Note No. : 43**

The figures of the previous year are re-grouped / re-classified wherever necessary to make them comparable with that of the current year.

#### **As per my report of even date**

**For G.V &Co.,**

Chartered Accountants

Sd/-

**Grandhi Vittal**

Proprietor

Membership No. 206462

Firm Regn No. 012875S

Place : Hyderabad

Date : 07-09-2012

**for and on behalf of the Board of Directors**

Sd/-

**V. A. Rama Raju**  
Chairman & Managing Director

Sd/-

**V. Rajam Raju**  
Executive Director

Sd/-

**Shilpa Kotagiri**  
Company Secretary

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## VAMA INDUSTRIES LIMITED

Ground Floor, 8-3-191/147/24, Plot No. B-12, Madhura Nagar, S.R. Nagar[Post], Hyderabad 500 038

### ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)

Regd. Folio No. :

No. of Shares Held:

Client ID No. :

DP ID No. :

I hereby record my presence at the 27th Annual General Meeting of the members of the Company held on Saturday, 29th day of September, 2012 at 10.00 at # 201, Sri Sai Darsan Residency, 7-1-408 to 413, Balkampet Road, Ameerpet, Hyderabad – 500 016.

.....  
Name of the Shareholder / Proxy

.....  
Signature of Member / Proxy

Note: Members are requested to bring their copies of Annual Report to the meeting



## VAMA INDUSTRIES LIMITED

Ground Floor, 8-3-191/147/24, Plot No. B-12, Madhura Nagar, S.R. Nagar[Post], Hyderabad 500 038

### PROXY FORM

Regd. Folio No. :

No. of Shares Held:

Client ID No. :

DP ID No. :

I/We.....being a member/members of Vama Industries Limited hereby appoint..... in the District of .....as my/our proxy to attend and vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on Saturday, 29th day of September, 2012 at 10.00 a.m. at # 201, Sri Sai Darsan Residency, 7-1-408 to 413, Balkampet Road, Ameerpet, Hyderabad-500 016 and at any adjournment thereof :

Singed this ..... Day of ..... 2012  
(Member)

Signature .....  
(Proxy)

Re 1/-  
Revenue  
Stamp

Note: This Proxy Form duly completed should be deposited at the Registered Office of the Company not less than 48 (Forty Eight) hours before the time fixed for holding the meeting.





**PRINTED MATTER**  
**BOOK - POST**

*If undelivered please return to:*

**VAMA INDUSTRIES LIMITED**

# 201, Sri Sai Darsan Residency,  
7-1-408 to 413, Balkampet Road,  
Ameerpet, Hyderabad - 500 016, A.P. India.