

# **VSF PROJECTS LIMITED**

## **19<sup>th</sup> ANNUAL REPORT**

**2010-2011**



## INDEX

	<b>Page Nos.</b>
Company Information	3
Notice & Directors Report	4 - 12
Management Discussion and Analysis Report	13 - 14
Report on Corporate Governance	15 - 23
Auditors Report	24 - 27
Balance Sheet	28
Profit & Loss Account	29
Schedules forming part of accounts	30 - 36
Cash Flow Statement	37
Balance Sheet Abstract	38
Proxy Form & Attendance Slip	39



## COMPANY INFORMATION

### BOARD OF DIRECTORS:

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

**AUDITORS** : M/s Ramana Reddy & Associates  
(Formerly known as AM Reddy & Co.)  
Chartered Accountants,  
10-5-6/B, My Home Plaza  
Masab Tank, Hyderabad.  
Andhra Pradesh

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

**CORPORATE OFFICE** : Plot No.89/A, Aishwarya, Sagar Society,  
Road No. 2, Banjara Hills,  
Hyderabad – 500 034. Andhra Pradesh  
[www.vsfprojects.com](http://www.vsfprojects.com)

**LISTED AT** : The Bombay Stock Exchange Limited,  
Mumbai

**BANKERS** : UCO Bank

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



## **NOTICE**

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

Day & Date : **Friday, 30<sup>th</sup> September, 2011**

Time : **11.00 A.M.**

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

to transact the following business:

### **ORDINARY BUSINESS:**

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

### **SPECIAL BUSINESS :**

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

### **following Resolution as an Ordinary Resolution:**

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

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

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

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

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



**following Resolution as an Special Resolution:**

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

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

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

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

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Sd/-

Place: Hyderabad  
Date : 25.08.2011

(B.N. MURTHY)  
Managing Director

**NOTES:**

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



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

#### **EXPLANATORY STATEMENT**

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

##### **Item No. 5 & 6**

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

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

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

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

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

Hence the resolution is commended for your approval.

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

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

##### **Item No. 7**

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

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



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

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

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

#### **Item No. 8**

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

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

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

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

### **I. GENERAL INFORMATION**

#### **(1) Nature of Industry: Infrastructure & Power Generation**

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

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

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

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

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

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

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



## II. INFORMATION ABOUT THE APPOINTEE:

### 1. Background of the Appointee:

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

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

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

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

### 3. Recognition and awards: NIL

### 4. Job profile and his suitability:

#### (a) Job Profile

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

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

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

#### (b) Suitability

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

**5. Remuneration proposed:** As detailed in the resolution.

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

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

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

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





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

### III. OTHER INFORMATION:

#### (1) Inadequate profits:

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

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

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

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

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

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

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

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

Shareholding in the Company : **Nil**

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

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

Shareholding in the Company : **Nil**

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

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

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



## DIRECTORS' REPORT

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

### **FINANCIAL HIGHLIGHTS:**

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

(Rupees In Lakhs)

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

### **OPERATIONS AND PERFORMANCE:**

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

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

### **DIVIDEND:**

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

### **Re Issue of Forfeited Shares :**

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

### **SUBSIDIARY COMPANY**

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

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

### **FIXED DEPOSITS:**

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



Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.

**DIRECTORS:**

Smt. B. Vijaya Lakshmi and Sri C.R. Sen Gupta retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**AUDITORS:**

M/s. Ramana Reddy & Associates (Formerly known as AM Reddy & Co.), Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retire at the conclusion of ensuing Annual General Meeting & being eligible, offer themselves for re-appointment. They have furnished a certificate stating that their re-appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment for the FY 2011-12.

**PARTICULARS OF EMPLOYEES:**

There are no employees whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975, and as amended from time to time as remuneration of none of the employees is in excess of Rs.5,00,000/- per month, if employed for the part of year or Rs.60,00,000/- per annum during the financial year 2010-11.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

The Directors of your Company hereby report:

- (i) That in the preparation of Annual Accounts for the financial year ended 31<sup>st</sup> March, 2011, the applicable accounting standards

have been followed along with the proper explanation relating to material departures, if any, there from;

- (i) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period:
- (iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- (iv) That the directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March 2011 on a going concern basis.

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

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



## **CORPORATE GOVERNANCE:**

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

### **LISTING:**

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

### **ACKNOWLEDGEMENTS:**

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

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Sd/-  
**(B. VIJAYA LAKSHMI)**  
Director

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

Place: Hyderabad  
Date : 25.08.2011

## **Annexure – A**

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

#### **A. CONSERVATION OF ENERGY:**

- i. The Company is very careful in using the power to reduce the cost of maintenance and conserve the resources and constantly evaluates new technologies and invests to make its infrastructure more energy-efficient
- ii. The Company has not made any additional investments and has not proposed any amount for reduction of consumption of energy.
- iii. There is no impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- iv. Disclosure under Form A is not applicable to the Company.

#### **B. TECHNOLOGY ABSORPTION: FORM B** (Disclosure of particulars with respect to technology Absorption)

##### **i) Research and Development (R & D) :**

Specific areas in which R & D carried out by the Company : NIL  
Benefits derived as a result of the above : NIL  
Future plan of action : NIL  
Expenditure on R & D : NIL



ii) **Technology absorption, adaptation and innovation** : NIL

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Activities relating to exports and initiatives taken to increase export products, services and export plans :

Foreign Exchange earnings and outgo:  
(on receipts and payments basis)

Particulars	2010-11	2009-10
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo	Nil	Nil

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Sd/-  
**(B. VIJAYA LAKSHMI)**  
Director

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

Place: Hyderabad  
Date : 25.08.2011

**MANAGEMENT DISCUSSION & ANALYSIS**

**OVERVIEW:**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and other statutory requirements. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable

basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions and reasonably present our state of affairs, profits and cash flows for the year.

**INDUSTRY STRUCTURE AND DEVELOPMENT:**

**ECONOMIC OVERVIEW**

According to the latest numbers made available by Central Statistical Office (CSO), India's GDP at factor cost at constant prices registered an increase of 8.5 percent in the year 2010-11. This revised estimate of 8.5 percent growth for GDP in 2010-11 is only a shade below the advance estimates that had pegged GDP growth for 2010-11 at 8.6 percent. The GDP growth range for the year 2011-12 is expected to be 8 to 8.5 percent. The inputs and projections provided by various participating economists show that while the agriculture and allied activities sector is projected to grow by 3.7 percent this year, industry and services sector are poised to grow by 8 percent and 9.2 percent respectively. The key risks to growth in India in the current year are the negative impact of continuous tightening of monetary policy by RBI and a slowdown in global growth due to various reasons.

**INDUSTRY OVERVIEW**

The lack of infrastructure has been one of the major constraints on India's growth potential and aspirations. Government's focused initiatives towards infrastructure creation with active participation of the private sector will hold key to growth of Indian Economy. For bridging the infrastructure deficit and for sustaining a higher growth rate, the Eleventh Five Year Plan envisages a total investment of Rs.2,056,150 crore in infrastructure as against Rs. 887,794 crore realized during the Tenth Plan. This ambitious target cannot be met with public resources



alone. The Eleventh Plan, therefore, projects that 30% of the required investment will be made through private sector participation; which translates to private sector investment of Rs. 619,591 crore as compared to Rs. 175,203 crore during the Tenth Plan.

#### **FINANCIAL PERFORMANCE & OUTLOOK:**

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

The Company is proposing to set up 350 MW Super Critical Thermal Power Project through its Wholly owned Subsidiary M/s VSF Energy Projects Private Limited. The Company has got all the major clearances and is awaiting final approval.

#### **OUTLOOK**

VSF Projects Ltd is geared up to participate in the infrastructure development of the country and it shall reap rich dividends from the forthcoming infrastructure boom and create substantial value for all its stakeholders.

#### **OPPORTUNITIES & THREATS**

**Infrastructure Industry:** The continued thrust on infrastructure projects including highways / expressways, will bring lot of opportunities for India and your Company.

**Power Generation:** The necessity for addition

of power generation capacity of the country and the various incentives provided by the Government of India for private sector participation in development of power will be key to the development of Power projects.

**General:** The Indian Economy is expected to grow at over 8% p.a. in the medium term. The envisaged to be driven by investments in infrastructure including Roads, Ports, Power Sector etc. These factors are expected to positively impact the prospects of demand form Company's products.

The Company has the mechanism to combat the risks of exposure to Business, Assets and Financial Risks in the form of competition, accidents, natural calamities, obsolescence, and fluctuations in foreign currency etc. The management of your company is on constant vigil to combat any eventuality that may pose threat to the company's business.

#### **RISKS & CONCERNS**

1. Infrastructure sector is dependent on political stability.
2. Contract Payment Risk
3. Un organized Sector
4. Shortage of Labor and Employees.

#### **INTERNAL CONTROL SYSTEM AND ITS ADEQUACY**

The philosophy we have with regard to internal control systems and their adequacy has been formulation of effective systems and their strict implementation to ensure that assets and interests of the Company are safeguarded; checks and balances are in place to determine the accuracy and reliability of accounting data. The Company has a well defined organization structure with clear functional authority, limits for approval of all transactions. The Company has a strong reporting system, which evaluates and





forewarns the management on issues related to compliance. Company updates its internal control system from time to time, enabling it to monitor employee adherence to internal procedures and external regulatory guidelines.

#### **PERSONNEL:**

Human wealth is the ultimate wealth in for any industry. The Company recognizes this fact and understands that employees are one of the most important sources for sustained growth of any business. Quality personnel delivering their optimum potential for the organization is the key differentiator. The Company maintained good relations with its employees and there was no unrest in the Company at any point of time.

Industrial relations in the organization continued to be cordial and progressive.

#### **HEALTH AND SAFETY:**

The Company places considerable emphasis on health and safety throughout its operation and displays commitment to ensure the high standards being maintained in compliance with applicable laws and regulations.

#### **FORWARD LOOKING / CAUTIONARY STATEMENT:**

Certain statements in the Management Discussion & Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. These statements being based on certain assumptions and expectation of future event, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting domestic demand

supply conditions, finish goods prices, changes in Government Regulations and Tax regime etc. The Company assumes no responsibility to publically amend, modify or revise any forward looking statements on the basis of subsequent developments, information or events.

#### **REPORT ON CORPORATE GOVERNANCE**

##### **1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE**

The Company believes in transparency, empowerment, accountability and integrity in its operations duly delegated authority to various functional heads that are responsible for attaining the corporate plans with the ultimate purpose of enhancement of "Stake holder value".

Moreover, the Company believes that sound Corporate Governance practices that provide an important platform to assist the management and the Board in delivering its responsibilities. The Company has always been taking the spirit of various legislations as guiding principles and has done well beyond simple statutory compliance. The Board of directors of the company has the responsibility of protecting the long term interests of all the stakeholders, while adhering to sound principles of corporate governance.

The Company has professionals on its Board of Directors who are actively involved in the deliberations of the Board on all important policy matters.

##### **2. BOARD OF DIRECTORS**

The Company upholds the policy of having an optimum combination of Executive, Non-Executive and Independent Directors to ensure independent, transparent and professional conduct of Board Procedures in all aspects related thereto. The Chairman is non - executive director and the number of Independent Non-



executive directors is 50% of the Board strength at any point of time.

During the Financial year ended 31<sup>st</sup> March, 2011, Board of Directors met 6 times and gap between two Board meetings did not exceed four months. None of the Directors on the Board is a member in more than 10 committees and none of them act as Chairman of more than five committees across all companies in which he is a Director.

- ❖ 30.04.2010
- ❖ 01.07.2010
- ❖ 31.07.2010
- ❖ 11.11.2010
- ❖ 31.01.2011
- ❖ 14.03.2011

The attendance at the Board Meetings conducted during the 12 months period ended 31<sup>st</sup> March, 2011 and at the Annual General Meeting as also the number of Directorships and committee memberships (other than VSF Projects Limited) are given below:

Name of the Director	Category of the Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of Memberships in other companies (excluding private limited Companies) Boards Committees	
C.R.Sengupta	Chairman Independent & Non Executive	3	No	Nil	Nil
B.N. Murthy	Managing Director - Executive	6	Yes	Nil	Nil
GSRamachandra Rao	Director - Non Executive	6	No	Nil	Nil

B.Vijaya Lakshmi	Director - Executive	6	Yes	Nil	Nil
J Srikanth Babu	Director - Independent & Non Executive	6	No	Nil	Nil
A. Satya Prasad	Director - Independent & Non Executive	6	Yes	Nil	Nil
L. Raja Rao (appointed w.e.f. 14.03.2011)	Director - Executive	0	No	Nil	Nil

### 3. AUDIT COMMITTEE

#### Terms of Reference:

- a. To review the results and announcement, and the report and accounts at the end of a quarter, half year and the full year before submission to the Board, focusing particularly on:
  - (i) Any changes in accounting policies and practices.
  - (ii) Compliance with accepted accounting standards.
  - (iii) Compliance with the Listing and other Legal requirements
  - (iv) Major Judgmental Decisions; etc.
- b. To consider appointment of Statutory Auditors, the Audit Fee, and any matter of resignation and dismissal.
- c. To discuss with the Statutory Auditor, before the audit commences, the nature and scope of the Audit.
- d. To discuss problems and reservations arising from the statutory audit, and any matters the statutory auditor may wish to discuss.





- e. To consider other matters as may be delegated by the Board from time to time.

#### Composition of Audit Committee:

The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibilities. The Audit committee has been entrusted with the responsibilities as laid down under Clause 49 of the Listing Agreement, to the extent applicable and required. The Committee is constituted by:

Shri A Satya Prasad	- Chairman
Shri G S Ramachandra Rao	- Member
Shri J Srikanth Babu	- Member

#### Meetings during the year:

During the Financial year ended 31st March, 2011, the Audit Committee met 5 times as follows, and all the members were present in each of such meetings.

- ❖ 30.04.2010
- ❖ 01.07.2010
- ❖ 31.07.2010
- ❖ 11.11.2010
- ❖ 31.01.2011
- ❖ 14.03.2011

The Company continued to derive immense benefit from the deliberations of the Audit Committee. Shri A Satya Prasad, who is heading the Audit Committee as Chairman has rich experience and professional knowledge in Finance and Accounts. The members always added value for the Company.

#### 4. REMUNERATION COMMITTEE:

##### Terms of Reference:

The terms of reference as per Clause 49 of the Listing Agreement is to determine and review the

remuneration, performance, and related bonuses of Executive Director(s), if any.

#### Composition

The remuneration committee consist of the following directors :

Shri J Srikanth Babu	- Chairman
Shri G S Ramachandra Rao	- Member
Shri A Satya Prasad	- Member

Remuneration paid to Directors during the Financial year 2010 -2011:

Executive Directors : Sri B N Murthy , Managing Director Rs.1,00,000/- p.m.

Sri L Rajarao, Director (Technical) Rs.1,00,000/- pm

Sri B. Vijaya Lakshmi, Director Rs.35,000/- pm

#### a) Disclosures as required under Section II of Part II of Schedule XIII

(i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. of all the directors :

Name of the Director	Salary & Perquisites p.m.	Total
BN Murthy	1,00,000	1,00,000
BVijaya Lakshmi	35,000	35,000
L Rajarao	1,00,000	1,00,000

Non - Executive Directors : NIL

#### Shareholding of Non-Executive Director:

None of the Non-Executive Directors of the Company holds any share in the Company.



## 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

### Composition

The committee consist of the following directors:

Shri B.N Murthy	Chairman
Smt. B Vijaya Lakshmi	Member
Shri. J Srikanth Babu	Member

The Committee looks into the shareholder's and investor's complaints. Most of the complaints received from the shareholders have been resolved.

The number of complaints pending as on 31st March, 2011 is Nil.

## 6. SHARE TRANSFER COMMITTEE

The process of share transfers is entrusted with Registrars and Share Transfer Agents of the Company, M/s Aarthi Consultants Pvt. Ltd., , who attends to the said task as and when the requisitions are received.

The Share transfer committee meets fortnightly every month to approve transfer of shares, if any and also overviews the work of M/s Aarthi Consultants Pvt. Ltd., on regular intervals.

### Composition

Shri B.N Murthy	Chairman
Smt. B Vijaya Lakshmi	Member
Shri. J Srikanth Babu	Member

## 7. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A Report of the Management Discussion and Analysis is attached as part of the Annual Report.

## 8. GENERAL BODY MEETINGS:

The last three Annual General Meetings of the company were held at the Regd. Office of the Company at Ankulpatur Village, Chillakur Mandal, Nellore District, Andhra Pradesh.

Year	AGM	Venue	Day & Date	Time
2008	16th	Ankulpatur Village Chillakur Mandal, Nellore District, Andhra Pradesh	Thursday, 25 <sup>th</sup> September, 2008	11:00 A.M.
2009	17 <sup>th</sup>	Ankulpatur Village Chillakur Mandal, Nellore District, Andhra Pradesh	Thursday, 31 <sup>st</sup> December, 2009	11:00 A.M.
2010	18 <sup>th</sup>	Ankulpatur Village Chillakur Mandal, Nellore District, Andhra Pradesh	Thursday, 30 <sup>th</sup> September, 2010	11:00 A.M.

### Special Resolutions:

No Special Resolutions have been passed in the previous 3 AGM's.

### Postal ballot:

#### Postal Ballot Notice Dated 30.04.2010

The Board of Directors sought the approval of members of the Company by way of special resolution through Postal Ballot to amend the Main Objects Clause of the Memorandum of Association of the Company by inserting sub clause 6 after the existing Clause III (A) (5), so as to include Objects relating to Power and for Re Issue of Forfeited shares on Preferential basis, subject to obtaining of necessary approvals from concerned authorities.



The Postal Ballot Notice issued on 30th April, 2010 along with Postal Ballot Forms and the self-addressed envelopes, pursuant to Section 192A(2) of the Companies Act, 1956, for passing the above Resolutions by postal ballot, was dispatched to the members of the Company on 12th May, 2010.

The Board of Directors at its meeting held on 30th April, 2010 had appointed Shri P.S. Rao, of M/s P.S. Rao & Associates, Company Secretaries, Hyderabad as Scrutinizer to receive and scrutinize the ballot forms received from the Members and for conducting the Postal Ballot process in a fair and transparent manner.

The Postal Ballot Forms and the self-addressed business reply envelopes were also sent for use of Members. The shareholders were requested to return the postal ballot forms duly completed along with the assent (for) or dissent (against), so as to reach the scrutinizer on or before 11th June, 2010.

Mr. P.S.Rao, Company Secretary in Practice, Hyderabad submitted his report dated 12<sup>th</sup> June, 2010 with the Company and based on the said report, results of Postal Ballot were declared on 12<sup>th</sup> June, 2010 as under:

Item No.	No. of valid ballots received	No. of invalid ballots received	Votes cast in favour	Votes cast against
1	37	Nil	33,99,597 (100 .00%)	Nil
2	37	Nil	33,99,597 (100 .00%)	Nil

The Resolutions were approved unanimously by the shareholders. The results were also informed to the Bombay Stock Exchange and necessary

Forms filed with the Registrar of Companies, A.P.

- No special resolution is proposed to be conducted through postal ballot in the AGM.

## 9. DISCLOSURES:

- a) Related Party Transaction (Shown in Notes to Accounts)

There are no materially significant related party transactions i.e., transactions material in nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc., having potential Conflict with the interests of Company at large.

- b) Details on non-compliance by the company, penalties and strictures imposed on the company by stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: None

- c) Details of compliance with mandatory requirements and adoption of non-mandatory requirements of the clause.

Pursuant to sub-clause VII of clause 49 of the listing agreement, the Company confirms that it has complied with all mandatory requirements prescribed.

As regards non-mandatory requirements, a Remuneration Committee has been formed to evaluate remuneration packages for directors and senior staff members.

- d) C.E.O. Certification

Sri B N Murthy (Managing Director) and Smt B Vijaya Lakshmi Director certified



to the Board on the prescribed matters as required under Clause 49 of the Listing Agreement and the said Certificate was considered by the Board at its meeting held on 25.08.2011.

#### 10. MEANS OF COMMUNICATION:

- a. Quarterly Financial Results are furnished within the time frame to all the concerned Stock Exchanges as per clause 41 of the Listing Agreement and the same are displayed on the company's website.
- b. No presentations were made to the analysts or institutional investors during the year under review except the results are mailed electronically to those who have requested for regular information.
- c. All material information about the Company is promptly sent through facsimile to the Stock Exchanges where the Company's shares are listed and the same are displayed on the company's website.

#### 11. GENERAL SHAREHOLDER INFORMATION:

##### Annual General Meeting :

Day, Date and time : **Friday, 30th September, 2011** at 11:00 A.M.

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

**Book Closure Date** : 26<sup>th</sup> September, 2011 to 30<sup>th</sup> September, 2011 (both days inclusive)

**Dividend** : No dividend is recommended for the year.

**Listing on Stock Exchanges** : The Bombay Stock Exchange Limited, Mumbai

The Company has paid the annual listing fees for the year 2011-12 to the stock exchange.

**Scrip Code Number** : 519331

**ISIN Number for NSDL & CDSL** : INE923K01014

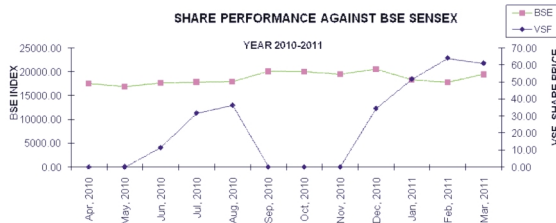
#### Distribution of Shareholdings as on 31.03.2011:

Equity shares holding of Nominal Value (Rs)	No.of share holders	%	Amount (in Rs)	%
Upto 5000	8426	97.43	832574	14.19
5001 to 10000	74	0.86	51784	0.88
10001 to 20000	44	0.51	55180	0.94
20001 to 30000	35	0.40	87500	1.49
30001 to 40,000	6	0.07	21168	0.36
40001 to 50000	11	0.13	54300	0.93
50001 to 100000	6	0.07	47500	0.81
100001 & above	46	0.53	4718944	80.41
<b>Total</b>	<b>8648</b>	<b>100.00</b>	<b>5868950</b>	<b>100.00</b>

**Market Price Data** : The closing market price of the equity shares as on 31<sup>ST</sup> March, 2011 was Rs. 60.90 /- on BSE

The monthly movement of the equity share price during the year on BSE are summarised here in below:

Month	High	Low	No. of Shares Traded
Jun-10	11.94	9.90	500
Jul-10	31.72	12.01	3100
Aug-10	44.4	33.25	4100
Dec-10	34.5	34.5	100
Jan-11	52.05	29.65	14000
Feb-11	70.1	49.2	21791
Mar-11	71.4	57.85	7962



**Registrars and Transfer Agents :** Share Transfers & Communication regarding Share Certificates, Dividends & Change of Address may be sent to

M/s Aarthi Consultants Pvt. Ltd,  
1-2-285, Near Gaganmahal Hospital,  
Domalaguda, Hyderabad – 500 029,  
Andhra Pradesh

#### **Share Transfer System :**

The R & T Agent process the Physical Share Transfers and the Share Certificates are returned to the shareholder within a maximum period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects. All share transfers are approved by the Share Transfer Committee, which meets every fortnight.

The company obtains half yearly Certificate of Compliance with the Share Transfer formalities as required under clause 47 ( C ) of the Listing Agreement with Stock exchanges from a Company Secretary in practice and the same is submitted to the Stock Exchanges within the period prescribed.

All requests for Dematerialization of shares are processed and the confirmation is given to the respective Depositories, i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), within 15 days of receipt.

#### **Outstanding GDR's / ADR's / Warrant or any convertible instruments, conversion date and likely impact on Equity:**

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

#### **Plant Location:**

Ankulpatur Village, Chillakur Mandal, SPSR Nellore District

#### **Secretarial Audit:**

A qualified practicing 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 and CDSL.

#### **Address for correspondence:**

**Corporate Office :** Plot No.89/A,  
Aishwarya, Sagar Society,  
Road No. 2, Banjara Hills,,  
Hyderabad – 500 034  
Andhra Pradesh

Email : vsfprojectsLtd@rediffmail.com  
www.vsfprojects.com

#### **Nomination Facility:**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the Company the prescribed Form 2B for this purpose.



**Code of Conduct for the Board & Senior Management Personnel:**

The Company has laid down a Code of Conduct which has been effectively adopted by the Board Members and Senior Management Personnel of the Company.

**DECLARATION OF COMPLIANCE OF CODE OF CONDUCT**

**VSF Projects Limited** has adopted a Code of Business Conduct and Ethics (the Code) which applies to all the employees and Directors of the

Company. Under the Code, it is the responsibility of all the employees and directors to familiarize themselves with the code and comply with its standards.

I hereby certify that the Board of Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year 2010-11.

Date : 25.08.2011  
Place : Hyderabad.

Sd/-  
(BN Murthy)  
Managing Director

**Statement pursuant to Section 212 of the Companies Act, 1956.**

1	Name of the Subsidiary & Registered Office:	VSF Energy Projects Private Ltd Plot No. 89/A, Aiswarya, 3rd Floor, Street No. 8, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500034
2	The Financial Year of the subsidiary company entered on :	31.03.2011
3	Number of shares in the subsidiary company held by Holding Company at the above date :	
	- Equity shares	10000 shares of Rs. 10/- each
	- Equity holding (%)	100%
4	The net aggregate of profits(losses) of the subsidiary company for its financial year so far as they concern the members of	Holding company
	- Dealt with the accounts of Holding Company	-
	- Not dealt with the accounts of Holding Company	-
5	The net aggregate of profits(losses) of the subsidiary company for its previous financial years so far as they concern the members of Holding company	
	- Dealt with the accounts of Holding Company	-
	- Not dealt with the accounts of Holding Company	-
6	Changes in the interest of Holding Company between the end of the last financial year and 31.03.2011	NA
7	Material Changes between the end of the last financial year and 31.03.2011	NIL

**BY THE ORDER OF THE BOARD For VSF PROJECTS LIMITED**  
**B N MURTHY** **B. VIJAYA LAKSHMI**  
**Managing Director** **Director**

Place: Hyderabad  
Date: 25.08.2011



## **CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

To  
The Members,  
**VSF Projects Limited**  
Hyderabad

We have examined the compliance of conditions of corporate governance by **VSF Projects Limited** for the year ended 31<sup>st</sup> March, 2011, as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor expression of the 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 no investor grievances were pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance 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 P.S. RAO & ASSOCIATES,  
COMPANY SECRETARIES**

**Sd/-  
(P. S. RAO)  
Partner  
CP No. 3829**

**Place: Hyderabad  
Date: 25.08.2011**





## AUDITORS' REPORT

The Members of  
VSF PROJECTS LIMITED,  
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s.VSF PROJECTS LIMITED as at 31<sup>st</sup> March, 2011, Profit and Loss Account and also 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.
2. We conducted our audit in accordance with 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 misstatement. 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.
3. 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 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement 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 31<sup>st</sup> March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the





prescribed manner the information required by the Companies Act, 1956 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 31<sup>st</sup> March 2011;
- (b) In the case of the Profit and Loss account, of the Profit for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**for RAMANA REDDY & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM REG. NO. 003246S**

**PLACE: HYDERABAD.  
DATE: 25.08.2011**

**(CA. Ramana Reddy A.V.)  
PARTNER  
Membership No. 024329**

**ANNEXURE TO THE AUDITORS' REPORT**  
( Referred to in paragraph (3) of our report of even date )

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
  - (c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stocks of construction materials, stores and consumables have been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) On the basis of our examination of records of stocks, in our opinion, the company has maintained proper records of stocks. The discrepancies noticed on



- physical verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.
  - (b) The company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained u/s.301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
  5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.
  - (b) In our opinion, and according to the information and explanations given to us, the company has not made any contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of any party during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.
  7. The company has no internal audit system.
  8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
  9. (a) We were informed that the provisions of Provident Fund Act and Employees State Insurance Act are not applicable to this company during the year under report. However, the company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
  - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they became payable.
10. The company has neither accumulated losses as on 31.03.2011 nor it has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
  11. The company has not defaulted in repayment of dues to banks, financial institutions etc., during the year.



12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
14. The company has maintained proper records of transactions and contracts in respect of investments and timely entries have been made therein. All the investments have been hold by the company in its own name.
15. The company has not given any guarantees for loans taken by others, from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prima facie prejudicial to the interest of the company. .
16. During the year under report, the company has not availed any term loan from banks or financial institutions.
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. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**for RAMANA REDDY & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM REG. NO. 003246S**

**(CA. Ramana Reddy A.V.)  
PARTNER**

**Membership No. 024329**

**PLACE: HYDERABAD.**

**DATE: 25.08.2011**



### Balancesheet as at 31.03.2011

Particulars	Schedule No	As at 31.03.11	As at 31.03.10
		Rs	Rs
<b>SOURCES OF FUNDS:</b>			
<b>SHAREHOLDERS FUNDS:</b>			
- Share Capital	A	58689500	56468500
- Reserves & Surplus	B	40372724	28843875
<b>LOAN FUNDS</b>			
- Secured loans	C	23953791	15550843
- Unsecured loans	D	183924	183924
<b>TOTAL</b>		<u>123199939</u>	<u>101047142</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
- Gross Block	E	59317459	58365638
- Less Depreciation		<u>7777598</u>	<u>5612491</u>
<b>Net Block</b>		51539861	52753147
<b>Investments</b>			
	F	99990	0
<b>Current Assets, Loans &amp; Advances</b>			
- Sundry Debtors	G	135130196	19445909
- Cash & Bank Balances		460776	1813527
- Inventories		1237736	8449736
- Loans & Advances		36499374	24882964
		<u>173328082</u>	<u>54592136</u>
<b>Less Current Liabilities &amp; Provisions</b>			
- Current Liabilities	H	103453999	12629422
- Provisions		2445424	1237363
		<u>105899423</u>	<u>13866785</u>
<b>Net current Assets</b>		67428659	40725351
Deferred Tax asset		4131429	5642134
Profit & Loss A/c		0	1926510
<b>TOTAL</b>		<u>123199939</u>	<u>101047142</u>
Notes on Accounts	L		
Notes, Schedules, Cash Flow Statement & Significant Accounting Policies form an integral part of Balancesheet.			
Vide our report of even date		For and on behalf of the Board	
<b>for Ramana Reddy &amp; Associates</b>		Sd/-	
Chartered Accountants		<b>(B. VIJAYA LAKSHMI)</b>	
Firm Regn. No. 003246S		Director	
Sd/-		Sd/-	
<b>(CA. Ramana Reddy A.V.)</b>		<b>(BN MURTHY)</b>	
Partner		Managing Director	
Membership No. 024329			
Place: Hyderabad			
Date : 25.08.2011			



### Profit and Loss Account for the year ended 31st March, 2011

Particulars	Schedule No	As at 31.03.11	As at 31.03.10
		Rs	Rs
<b>INCOME:</b>			
Gross Receipts		173542903	112133824
(Sub contract & Farm receipts)			
TOTAL		<u>173542903</u>	<u>112133824</u>
<b>EXPENDITURE:</b>			
Operating & Contract Expenses	I	146892089	96170237
Administrative expenses	J	7543563	6005223
Financial charges	K	3752156	1014132
Depreciation		<u>2165107</u>	<u>935415</u>
		<u>160352915</u>	<u>104125007</u>
Net Profit for the year before Tax		13189988	8008817
Less: Provision for Taxation			
- Current Tax		2445424	1237363
- Deferred Tax		<u>1510705</u>	<u>1386581</u>
		<u>3956129</u>	<u>2623944</u>
Net profit after tax		9233859	5384873
Add: Balances brought forward from previous years		<u>-1926510</u>	<u>-7311383</u>
TOTAL		<u>7307349</u>	<u>-1926510</u>
Notes on Accounts	L		
Notes, Schedules, Cash Flow Statement & Significant Accounting Policies form an integral part of Balancesheet.			
Vide our report of even date <b>for Ramana Reddy &amp; Associates</b> Chartered Accountants Firm Regn. No. 003246S Sd/- <b>(CA. Ramana Reddy A.V.)</b> Partner Membership No. 024329		For and on behalf of the Board Sd/- <b>(B. VIJAYA LAKSHMI)</b> Director Sd/- <b>(BN MURTHY)</b> Managing Director	
Place: Hyderabad Date : 25.08.2011			



<b>SCHEDULES TO ACCOUNTS</b>	As at 31.03.11 Rs.	As at 31.03.10 Rs.
<b>SCHEDULE-A:</b>		
<b>SHARE CAPITAL:</b>		
<b>Authorised</b>		
- 80,00,000 Equity shares Rs.10/- each (in the previous year 60,00,000 equity shares of Rs.10/- each.)	<u>80000000</u>	<u>60000000</u>
<b>Issued, Subscribed and Paidup</b>		
- 58,68,950 equity shares Rs.10/- each fully paidup (previous year 53,53,550 equity shares of Rs.10/- each)	58689500	53535500
Add : Shares Forfeited	0	2933000
<b>TOTAL</b>	<u><b>58689500</b></u>	<u><b>56468500</b></u>
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
- Forfeited shares reserve	2933000	0
- Revaluation reserve	20843875	20843875
- Securities Premium	9288500	8000000
- Profit & Loss Account	7307349	0
<b>TOTAL</b>	<u><b>40372724</b></u>	<u><b>28843875</b></u>
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
- Hire Purchase Finance from:		
Reliance Finance Ltd	545561	1154859
SREI Equipment Finance Pvt. Ltd	6219781	14395984
- Overdraft with Uco Bank	17188449	0
<b>TOTAL</b>	<u><b>23953791</b></u>	<u><b>15550843</b></u>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS</b>		
- From Shareholders & Others	183924	183924
<b>TOTAL</b>	<u><b>183924</b></u>	<u><b>183924</b></u>



**SCHEDULE - E:  
FIXED ASSETS:**

Description of the Asset	Gross Block			Depriciation Block			Net block	
	As at 01.04.10	Add/Del during the year	As at 31.03.11	Upto 01.04.10	for the year	Total as at 31.03.11	As at 31.03.11	As at 31.03.10
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Land & Site Development	28092000	0	28092000	0	0	0	28092000	28092000
Buildings	7697050	0	7697050	3933171	257081	4190252	3506798	3763879
Plant & Machinery	9051029	0	9051029	97062	429925	526987	8524042	8953967
Office Equipments	408909	227984	636893	248530	19424	267954	368939	160379
Furniture & Fixtures	240891	657437	898328	160483	46117	206600	691728	80408
Computers	102630	66400	169030	51519	22889	74408	94622	51111
Vehicles - Tippers	9736002	0	9736002	365036	1101142	1466178	8269824	9370966
Vehicles - Others	3037127	0	3037127	756690	288529	1045219	1991908	2280437
<b>Total</b>	<b>58365638</b>	<b>951821</b>	<b>59317459</b>	<b>5612491</b>	<b>2165107</b>	<b>7777598</b>	<b>51539861</b>	<b>52753147</b>



	Rs.	As at 31.03.11 Rs.	Rs.	As at 31.03.10 Rs.
<b>SCHEDULE-F:</b>				
<b>INVESTMENTS :</b>				
In Equity Shares of Subsidiary Company VSF Energy Projects Pvt.Ltd (9999 equity shares of Rs.10/-each)		99990		0
TOTAL		<u>99990</u>		<u>0</u>
<b>SCHEDULE - G</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories		1237736		8449736
<b>(Fire wood &amp; Timber)</b>				
Sundry Debtors (Unsecured, Considered Good)				
- Debts outstanding for a period exceeding six months	7191896		964772	
- Other Debts	<u>127938300</u>		<u>18481137</u>	
		135130196		19445909
Cash & Bank Balances				
- Cash in hand	224989		790636	
- Balance with Scheduled Banks in Current Accounts	<u>235787</u>		<u>1022891</u>	
		460776		1813527
Loans & Advances				
- Deposits	9323006		8352545	
- Advance for Materials	9270294		9370000	
- Investments in power division	8507974		0	
- IT Refund Receivable	5810108		4342690	
- Prepaid expenses	121866		112948	
- TDS receivable	3466126		2477424	
- TCS Receivable	<u>0</u>		<u>227357</u>	
		<u>36499374</u>		<u>24882964</u>
TOTAL		<u>173328082</u>		<u>54592136</u>
<b>SCHEDULE - H</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>				
- Creditors for Suppliers	4261623		6226623	
- Creditors for Expenses	99192376		1834013	
- Advance from Customers	0		3702119	
- Advance for Lease	<u>0</u>		<u>866667</u>	
		103453999		12629422
<b>PROVISIONS</b>				
- For Taxation		<u>2445424</u>		<u>1237363</u>
TOTAL		<u>105899423</u>		<u>13866785</u>





<b>SCHEDULE - I:</b>	Current Year Rs	Previous Year Rs
<b>OPERATING &amp; CONTRACT EXPENDITUE:</b>		
- Materials & Consumables	17579500	26507096
- Machinery & Vehicles Hire charges	2514110	2735941
- Earthwork expenses	126798479	66927200
<b>TOTAL</b>	<b><u>146892089</u></b>	<b><u>96170237</u></b>

<b>SCHEDULE - J:</b>	Current Year Rs	Previous Year Rs
<b>ADMINISTRATIVE EXPENSES</b>		
- Rent	486000	640400
- Rates & Taxes	120712	7725
- Salaries & Wages	3153870	2490000
- Staff Welfare	8295	11951
- Electricity charges	101105	53410
- Office Maintenance	39796	86461
- Postage & Telegrams	176730	58023
- Printing & Stationary	32590	71360
- Telephone charges	138777	108347
- Travelling expenses		
Directors	398139	804706
Others	71530	86826
- Computer Maintenance	6570	6340
- Internet charges	14233	8836
- Insurance charges	259049	157258
- Directors' Remuneration	1620000	480000
- Audit fee	100000	75000
- Professional charges	158038	258804
- Registration & Licence fee	279314	241564
- AGM Expenses	152200	74000
- Board Meeting Expenses	17300	52252
- Tender exp.	200000	206000
- Advertisement	9315	25960
<b>TOTAL</b>	<b><u>7543563</u></b>	<b><u>6005223</u></b>

<b>SCHEDULE - K</b>		
<b>FINANCIAL CHARGES</b>		
- Interest on Cash Credit	1693870	0
- HP Financial Charges	1363487	546935
- Bank charges	585199	467197
- Loan Processing Charges	109600	0
<b>TOTAL</b>	<b><u>3752156</u></b>	<b><u>1014132</u></b>



## SCHEDULE – L

### NOTES ON ACCOUNTS

1. Disclosure of Significant Accounting Policies:

a) Basis of Preparation:

The financial statements are prepared under the historical cost convention and comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 and the same is prepared on a going concern basis.

b) Fixed Assets:

All fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other incidental charges related to acquisition.

c) Revenue Recognition:

All revenue income and expenditure are recognized on accrual concept of accounting.

d) Depreciation:

Depreciation on fixed assets has been provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 on pro-rata basis.

e) Inventories:

Inventories are stated at the lower of cost and net realizable value.

f) Earning per Share:

The Company reports its Earnings per Share

(EPS) in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

g) Taxes on Income:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

h) Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in Notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

2. Contingent Liabilities : NIL

3. Subsidiary Company:

The company has got approval for setting up of thermal power project at Nellore District. In this regard, the company has incorporated the subsidiary company "VSF Energy Projects Private Limited" on 7<sup>th</sup> March, 2011.



4. Auditors Remuneration:

Particulars	Current Year Rs.	Previous Year Rs.
As Auditors	60000	40000
Tax Audit fee	25000	20000
Other services	15000	15000
<b>Total</b>	<b>100000</b>	<b>75000</b>

5. Managerial Remuneration:

	Current Year Rs.	Previous Year Rs.
Managing Director	1200000	480000
Directors	420000	—
<b>Total</b>	<b>1620000</b>	<b>480000</b>

6. Particulars of Employees required in pursuant to the Provisions of Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 - Nil.

7. There are no separate reportable segments (business and/or geographical) in accordance with the requirements of

11. Earnings Per Share:

The numerators and denominators used for calculation of EPS

Particulars	Year ended 31-03-11 Rs	Year ended 31-03-10 Rs
a) Profit available to the Equity shareholders	8655077	5384873
b) No. of Equity shares	5868950	5353550
c) Weighted Average No. of Shares	5740453	3091632
c) Nominal value of share	10	10
d) Basic Earning per Share	1.47	1.74

Accounting Standard 17 – ‘Segment Reporting’, notified in the companies (Accounting Standards) Rules 2006.

8. Consolidated Financial Statements: The subsidiary “VSF Energy Projects Private Limited” has incorporated on 7<sup>th</sup> March, 2011. The first year accounts of the subsidiary company will be closed by 31<sup>st</sup> March, 2012, therefore the consolidation of financial statements for the year ended 31<sup>st</sup> March, 2011 is not applicable.

9. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

10. Balances of Sundry Debtors, Advances and Sundry Creditors are subject to confirmation with the respective parties.



12. Transactions with the Related Parties pursuant to Accounting Standard 18:

i. List of Related Parties

Key Management Personnel : Sri. B.N.Murthy,  
Managing Director  
Whole-Time Director  
B. Vijaya Lakshmi

ii. Transactions with Related Parties

Remuneration to Managing Director Rs. 12,00,000/-

Remuneration to Whole-Time Director Rs. 4,20,000/-

iii. Balance as on 31<sup>st</sup> March, 2011 Rs. 1,79,109/-

13. Taxes on Income:

(a) Provision has been made for tax as per sec. 115JB.

(b) In compliance with the Accounting Standard AS 22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the company has provided Rs.13,83,500/- towards deferred tax liability in the year 2010-11. The major components of deferred tax asset / liability are on account of timing differences in depreciation, carried forward of losses and Minimum alternate tax.

14. Paise have been rounded off to the nearest rupee.

15. Previous year figures have been regrouped wherever necessary.

16. Additional information pursuant to Provisions of Part II of Schedule – VI of the Companies Act, 1956 is not applicable to this company since the company is involved in contract work activities and farm is on lease.

Notes, Schedules, Cash Flow Statement and statement on accounting policies form an integral part of the balance sheet and profit and loss account.

**SIGNATURES TO SCHEDULE A TO K**

**VIDE OUR REPORT OF EVEN DATE  
For RAMANA REDDY & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn. No.003246S**

**(CA. RAMANA REDDY A.V.)  
PARTNER  
Membership No. 024329**

**PLACE : HYDERABAD  
DATE : 25.08.2011**

**FOR AND ON BEHALF OF THE BOARD**

**(B. VIJAYA LAKSHMI)  
DIRECTOR**

**(BN MURTHY)  
MANAGING DIRECTOR**



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011**  
(As required under Clause 32 of the Listing Agreement with Stock Exchange)

Particulars	As at 31.03.11 Rs	As at 31.03.10 Rs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit / Loss	13189988	8008817
Adjusted for:		
Depreciation	2165107	935415
Operating Profit before Working Capital Charges	15355095	8944232
Adjustment for:		
Decrease / (Increase) in Sundry Debtors	-115684287	34179228
Decrease / (Increase) in Loans & Advances	-11616410	-9560086
Decrease / (Increase) in Inventories	7212000	-8449736
Increase / (Decrease) in Current Liabilities & Provisions	90824577	-17992359
Income Tax Paid	-1237363	-658930
Net Cash Flow from operating Activities	<u>-15146388</u>	<u>6462349</u>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Fixed Assets additions	-951821	-20209132
Investments	-99990	0
Net Cash Flow from Investment Activities	<u>-1051811</u>	<u>-20209132</u>
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Increase / (Decrease) in Share Capital	2221000	32000000
Increase / (Decrease) in Securities Premium	4221500	8000000
Proceeds from Secured Loans	8402948	15121368
Proceeds / (Repayment) from Unsecured Loans	0	-40000000
Net Cash Flow from Financing Activities	<u>14845448</u>	<u>15121368</u>
Net increase in Cash & Cash Equivalents	-1352751	1374585
Cash and Cash Equipvalents at the beginning of the year	1813527	438942
Cash and Cash Equipvalents at the end of the year	460776	1813527
VIDE OUR REPORT OF EVEN DATE	FOR AND ON BEHALF OF THE BOARD	
	Sd/-	Sd/-
	<b>(B.N. MURTHY)</b>	<b>(B. VIJAYA LAKSHMI)</b>
	Managing Director	Director
Place: Hyderabad		
Date: 04.09.2010		

**AUDITORS' CERTIFICATE**

We have examined the attached Cash Flow Statement of M/s.VSF Projects Limited for the year ended 31st March, 2011. The statement has been prepared by the company in accordance with requirements of Clause 32 of Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss A/c and Balance Sheet of the Company covered by our report of 25th August, 2011 to the Members of the Company.

for **RAMANA REDDY & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
Firm Regn. No. 003246S  
Sd/-  
**(CA. RAMANA REDDY A.V.)**  
**PARTNER**  
Membership No. 024329

Place: Hyderabad  
Date: 25.08.2011



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(As per Part IV of Schedule VI of the Companies Act, 1956)

**I. Registration Details:**

Date of incorporation :	Registration No:	State Code	Balance sheet Date
04.06.1992	014326	01	31.03.2011

**II. Capital raised during the year (Amount in Rs.thousands)**

Public Issue	Right Issue	Bonus Issue	Pvt. Placement
Nil	Nil	Nil	2221

**III. Position of Mobilisation and Deployment of funds (Amount in Rs.thousands)**

Total Liabilities	123200	Total Assets	123200
-------------------	--------	--------------	--------

**Sources of Funds:**

Paidup Capital	Reserves & Surplus	Secured Loans	Unsecured loans
58690	Nil	23954	184

**Application of Funds:**

Net Fixed Assets	Net Current Assets	Investments	Misc. Expenditure	Accumulated Losses
51540	67429	Nil	Nil	Nil

**IV. Performance of the Company (Amt.Rs. in thousands)**

Turnover & Other Income	Total expenditure	Profit/Loss before tax	Profit/loss after tax
173543	160353	13190	9234
Earning per share	Dividend	Rate	
1.47	Nil	Nil	

**V. Generic Names of three principle products / services company (as per monetary norms)**

Item code No. (ITC Code)	Product Description
	Infra Projects and Power Generation

Vide our report of even date

For and on behalf of the Board of Directors

Sd/-  
**(B. VIJAYA LAKSHMI)**  
Director

Sd/-  
**(BN MURTHY)**  
Managing Director

Place: Hyderabad  
Date :25.08.2011



## VSF PROJECTS LIMITED

Regd.Off: Ankupatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh

### PROXY FORM

Regd. Folio No. :

No. of Shares Held:

Client ID No. :

I/We .....  
of ..... in the  
District of ..... being a  
member/members of the above named company hereby appoint ..... of  
..... in the District of  
..... as my/our Proxy to attend and to vote  
for me/us on my/our behalf at the 19<sup>th</sup> Annual General Meeting of the Company to be held on Friday,  
30<sup>th</sup> September, 2011 at 11.00 A.M. at Ankupatur Village, Chillakur Mandal, SPSR Nellore District,  
Andhra Pradesh and at any adjournment thereof.

Signed this ..... day of ..... Two Thousand Ten.

Affix  
Rs.1/-  
Stamp

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

### VSF PROJECTS LIMITED

Regd.Off: Ankupatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh

### ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)  
19<sup>th</sup> ANNUAL GENERAL MEETING – 30<sup>th</sup> September, 2011

Regd. Folio No. :

No. of Shares Held:

Client ID No. :

I hereby record my presence at the 19<sup>th</sup> ANNUAL GENERAL MEETING of the members of the Company held on Friday, **30<sup>th</sup> September, 2011 at 11.00 A.M. at Ankupatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh.**

Name of the Shareholder: .....

Name of the Proxy: .....

Signature of Member / Proxy: .....

**BOOK POST**  
(Printed Matter)

To

If undelivered please return to:  
VSF PROJECTS LIMITED,  
Corp.Off: Plot No.89/A, Aiswarya,  
Street No. 8, Sagar Society, Road No. 2, Banjara Hills,  
Hyderabad - 500 034. Phone : 040-40102929

