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## COMPANY INFORMATION

### BOARD OF DIRECTORS:

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

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

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

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

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

**BANKERS** : UCO Bank



## An overview

### The Company

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

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

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

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

### VSF Projects



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



#### **NOTICE :**

Notice is hereby given that the **Twentieth Annual General Meeting** of the Members of the Company will be held on Friday, 28<sup>th</sup> September, 2012 at 11.00 A.M. at the Registered Office of the Company at Ankulapatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2012, the Statement of Profit and Loss Account and the Cash Flow Statement for the financial year ended on that date along with the Report of Directors and the Auditors thereon.
2. To appoint Director in the place of Sri. G.S. Ramachandra Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in the place of Sri. J. Srikanth Babu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Ramana Reddy & Associates, Chartered Accountants, as Statutory Auditors of the Company to hold the office as such from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the remuneration.

#### **SPECIAL BUSINESS:**

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

**“RESOLVED THAT** pursuant to the provisions of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and other enabling provisions, if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing any sum or sums of moneys for and on behalf of the Company, from time to time from any one or more persons, firms, bodies corporate, bankers, financial institutions or from others by way of advances, deposits, loans or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties, whether movable or immovable or stock-in-trade and debts, advances notwithstanding that the sum or sums of moneys so borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves which have not been set apart for any specific purpose, provided that the total amount up to which the moneys may be borrowed shall not exceed Rs. 500,00,00,000/- (Rupees Five Hundred Crores Only ).”



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

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

their trustees.”

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

Place: Hyderabad  
Date : 03-09-2012

Sd/-  
(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 24<sup>th</sup> September, 2012 to 28<sup>th</sup> September, 2012 (both days inclusive).
3. Members / Proxies are requested to bring their copies of Annual Report with them for the Annual General Meeting and the attendance slip duly filled in for attending the Meeting. No copies of the Annual Report will be distributed at the meeting.
4. Members are requested to quote their Registered Folio No or Demat Account No and Depository Participant Identification Number (DPID No) on all correspondence with the Company.



5. Members are requested to send all communications relating to shares to the Company's RTA M/s Aarathi Consultants Pvt. Ltd, 1-2-285, Near Gaganmahal Hospital, Domalaguda, Hyderabad – 500 029, Andhra Pradesh
6. Shareholders desiring any information regarding the Accounts are requested to write to the company at least 7 days before the date of the Meeting so as to enable the Management to keep the information ready.
7. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circular stating that service of notice/documents including annual report can be sent by e-mail to its members. We fully support the Ministry's green initiative. Accordingly, the members are requested to inform their e-mail addresses to their respective Depository Participants / RTA - M/s Aarathi Consultants Pvt. Ltd, 1-2-285, Near Gaganmahal Hospital, Domalaguda, Hyderabad – 500 029, Andhra Pradesh
8. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking appointment / re-appointment in this Annual General Meeting
9. Explanatory Statement pursuant to the provisions of section 173(2) of the Companies Act, 1956, is annexed herewith.

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

**Item No. 5**

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

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

Hence, the resolution is recommended for your approval

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

**Item No. 6**

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



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

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

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

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

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

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



## DIRECTORS' REPORT

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

### FINANCIAL HIGHLIGHTS:

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

(Rupees In Lakhs)

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

### OPERATIONS AND PERFORMANCE:

During the year under review, your company has seen all round growth in revenues and profitability. The Company has generated income of Rs. 1822.58 Lakhs during the current year as compared to Rs. 1735.42 Lakhs during the previous year an increase of 5.02 % and net profit stood at Rs. 93.36 Lakhs as compared to Rs.92.33 Lakhs during the previous year an increase of 1.12 %. The company was able to

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

### DIVIDEND:

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

### SUBSIDIARY COMPANY

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

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

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

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

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





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

#### **CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **FIXED DEPOSITS:**

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

#### **DIRECTORS:**

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

#### **AUDITORS:**

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

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

#### **PARTICULARS OF EMPLOYEES:**

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

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

The Directors of your Company hereby report:

- (i) that in the preparation of Annual Accounts for the financial year ended 31<sup>st</sup> March, 2012, the applicable accounting standards have been followed along with the proper explanation relating to material departures, if any, there from;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period:
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities



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

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

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

**CORPORATE GOVERNANCE:**

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

**LISTING:**

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

**ACKNOWLEDGEMENTS:**

Your directors acknowledge the continued support

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

BY THE ORDER OF THE BOARD  
For VSF PROJECTS LIMITED

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

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

Place: Hyderabad  
Date : 03-09-2012

**Annexure – A**

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

**A. CONSERVATION OF ENERGY:**

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



- 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               | 2011-12 | 2010-11 |
|---------------------------|---------|---------|
| 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 : 03-09-2012

**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.

**INFRASTRUCTURE AND CONSTRUCTION – THE LONG TERM OPPORTUNITY**

The Planning Commission's XIth Five-Year Plan (2007- 2012) had already identified that inadequate infrastructure was a major constraint on the country's rapid growth. The Plan had, therefore, emphasized the need for massive expansion in investment in infrastructure based on a combination of public and private investment, the latter through various forms of public-private partnerships (PPP). In the last few years, substantial progress has been made in this respect. The total investment in infrastructure, which includes roads, railways, ports, airports, electricity, telecommunications, oil gas pipelines and irrigation, is estimated to have increased from 5.7% of GDP in 2007 to around 8.0% by 2012.

The approach paper to the XIIth Five-Year Plan (2012- 2017) highlights that the thrust on accelerating the pace of investment in infrastructure must continue as this is critical for sustaining and bolstering growth. Public



investment in infrastructure will have to bear a large part of the infrastructure needs in backward and remote areas to improve connectivity and expand the much needed public services. Since resource constraints will continue to limit public investment in infrastructure in other areas, PPP-based development needs to be encouraged wherever feasible. It is necessary to review the factors which may be constraining private investment, and take steps to rectify them. PPP, with appropriate regulation and concern for equity, should also be encouraged in the social sectors, such as health and education. Several State Governments are already taking steps in this direction.

Considering the critical need of developing infrastructure in the country, construction activities are crucial for creating physical infrastructure in the country. Construction, on an average, accounts for more than half of the investment required for setting up critical infrastructure facilities like power projects, ports, railways, roads, bridges. Table 1 gives the estimates of average construction intensity of different infrastructure projects.

The cumulative investment in infrastructure in the Twelfth Five-Year Plan (2012-2017) is targeted at around \$1 trillion. Nearly half of this investment will be channelized into construction projects. Therefore, there is considerable long term business scope for players in the infrastructure related large scale construction business. Being an industry leader, HCC is always geared to make the most of this opportunity. However, while there are always a lot of promises, in the last few years one has observed a wide gap between economic need and on ground implementation in the infrastructure industry. Consequently, HCC has had to reformulate its business plans to deal with challenging ground realities – a business environment where an increasing number of

players are competing for a much fewer number of projects than what economic realities warrant.

## **BUSINESS ENVIRONMENT – THE SHORT TERM SLOWDOWN**

The resilience shown by the Indian economy in 2009- 10 and 2010-11 finally gave way and there has been a significant slowdown in economic activities during 2011-12. Chart A shows that after two consecutive years of 8.4% growth, India's GDP growth slipped to 6.9% in 2011-12. In line with this drop in real GDP, construction growth also reduced to 4.8% in 2011-12.

Unfortunately, the economic slowdown has been in an inflationary environment, where the Reserve Bank of India (RBI) has maintained tight monetary policy leading to high domestic interest rates. Chart B shows that the reverse repo rate, which benchmarks the commercial bank's lending rates increased from 5.75% in April 2011 to 7.5% in March 2012. A year back in April 2010 it was only 3.5%.

This environment of slowing growth, high inflation and high interest rates was a complete dampener for investor confidence and new capital formation took a further hit.

Typically, infrastructure projects have high gestation lags and require long term financing. The Indian financial system is still evolving in terms of availability of such long term financing instruments. And, the global economic slowdown has created high levels of uncertainty, which has been a dampener for capital flows into India, especially for long term projects like the ones in the infrastructure sector. Consequently, infrastructure projects in India are also facing issues on the financing front.

In addition, several projects that have had financial closure are facing implementation problems stemming from issues related to land acquisition,



social tensions, environmental problems and administrative delays. Clearly, the pace of infrastructure development in India is not in sync with the requirements of a growing economy of its size.

Take the case of two important sectors in the infrastructure space – power and roads. Implementation remains woefully short of planned targets.

### **FINANCIAL PERFORMANCE :**

During the year under review, your company has seen all round growth in revenues and profitability. The Company has generated income of Rs. 1822.58 Lakhs during the current year as compared to Rs. 1735.42 Lakhs during the previous year an increase of 5.02.% and net profit stood at Rs. 93.36 as compared to Rs. 92.33 Lakhs during the previous year an increase of 1.12%. The company was able to achieve higher profits on account effective cost control and economies of scale.

The Company is in the process of set up 350 MW Super Critical Power Project through its Wholly owned Subsidiary M/s VSF Energy Projects Private Limited. The Company has got all the major clearances and 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 and Power 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 6.5% 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.
5. Coal Shortages

### **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, 2012, 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.

- ❖ 29.04.2011
- ❖ 14.05.2011
- ❖ 12.08.2011
- ❖ 15.11.2011
- ❖ 19.01.2012
- ❖ 10.02.2012

The attendance at the Board Meetings conducted during the 12 months period ended 31<sup>st</sup> March, 2012 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   | 1                              | No                         | Nil   | Nil        |
| B.N. Murthy          | Managing Director - Executive          | 6                              | Yes                        | 1   | Nil        |
| GSRamachandra Rao    | Director - Non Executive               | 6                              | Yes                        | Nil   | Nil        |
| B.Vijaya Lakshmi     | Director - Executive                   | 6                              | Yes                        | Nil   | Nil        |
| J Srikanth Babu      | Director - Independent & Non Executive | 6                              | Yes                        | Nil   | Nil        |
| A. Satya Prasad      | Director - Independent & Non Executive | 6                              | Yes                        | Nil   | Nil        |
| L. Raja Rao          | Director Executive                     | 6                              | Yes                        | 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

Mrs. Geetha Shashidhar, Company Secretary acting as a Secretary for the committee

#### **Meetings during the year:**

During the Financial year ended 31st March, 2012, the Audit Committee met 5 times as follows, and

all the members were present in each of such meetings.

- ❖ 29.04.2011
- ❖ 14.05.2011
- ❖ 12.08.2011
- ❖ 15.11.2011
- ❖ 10.02.2012

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 2011-12:

##### **Executive Directors:**

|                                   |                      |
|-----------------------------------|----------------------|
| Sri B N Murthy, Managing Director | Rs. 18,00,000/- P.A. |
| Sri L Rajarao, Director(Tech)     | Rs.12,50,000/- P.A.  |
| Smt. B. Vijaya Lakshmi, Director  | Rs. 5,10,000/- P.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.A. | Total Rs. P.A. |
|----------------------|---------------------------|----------------|
| B N Murthy           | 18,00,000                 | 18,00,000      |
| B Vijaya Lakshmi     | 5,10,000                  | 5, 10,000      |
| L Rajarao            | 12,50,000                 | 12,50,000      |

Non - Executive Directors : NIL

**Shareholding of Non-Executive Director:**  
None of the Non-Executive Directors of the Company holds any share in the Company, except G.S. Ramachandra Rao.

## 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, 2012 is Nil.

## 6. SHARE TRANSFER COMMITTEE

The process of share transfers is entrusted with Registrars and Share Transfer Agents of the

Company, M/s Aarathi 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 Aarathi 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. I. GENERAL BODY MEETINGS:

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

| Year | AGM              | Venue  | Day & Date                               | Time       |
|------|------------------|--|--|------------|
| 2011 | 19 <sup>th</sup> | Ankulapatur Village<br>Chillakur Mandal,<br>SPSR Nellore Dist., 2011<br>Andhra Pradesh | Friday,<br>30 <sup>th</sup> September,   | 11:00 A.M. |
| 2010 | 18 <sup>th</sup> | Ankulapatur Village<br>Chillakur Mandal,<br>SPSR Nellore Dist., 2010<br>Andhra Pradesh | Thursday,<br>30 <sup>th</sup> September, | 11:00 A.M. |
| 2009 | 17 <sup>th</sup> | Ankulapatur Village<br>Chillakur Mandal,<br>SPSR Nellore Dist., 2009<br>Andhra Pradesh | Thursday,<br>31 <sup>st</sup> December,  | 11:00 A.M. |



## II. Special Resolutions have been passed in the previous 3 AGM's

| AGM Date                         | Description of Item                           |
|----------------------------------|---|
| 30 <sup>th</sup> September, 2011 | Increase in remuneration of Managing Director |
| 30 <sup>th</sup> September, 2010 | Nil   |
| 31 <sup>st</sup> December, 2009  | Nil   |

### Postal ballot:

#### Postal Ballot Notice Dated 29.04.2011

The Board of Directors sought the approval of members of the Company by way of special resolution through Postal Ballot for hiving of the power project of the Company situated at Ankulpatur village, Chillakur Mandal to M/s VSF Energy Projects Private Limited.

The Postal Ballot Notice issued on 29th April, 2011 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 7th May, 2011.

The Board of Directors at its meeting held on 29th April, 2011 had appointed Ms. Shilpa Kotagiri 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 7<sup>th</sup>

June, 2011.

Ms. Shilpa Kotagiri, Company Secretary in Practice, Hyderabad submitted her report dated 8<sup>th</sup> June, 2011 with the Company and based on the said report, results of Postal Ballot were declared on 8<sup>th</sup> June, 2011 as under:

| Item No. | No. of valid ballots received | No. of invalid ballots received | Votes cast in favour    | Votes cast against |
|----------|-------------------------------|---------------------------------|-------------------------|--------------------|
| 1        | 154                           | 9                               | 4,268,797<br>(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 03.09.2012.

**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, 28th September, 2012**  
at 11:00 A.M.

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

**Tentative Financial Calendar for the Year 2012-13**

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|                       |  |
|-----------------------|--|
| Financial Year        | 1st April to 31st March                            |
| First Quarter Results | Fourth week of July, 2012                          |
| Half Yearly Results   | Fourth week of October, 2012                       |
| Third Quarter Results | Third Quarter Results Fourth week of January, 2013 |
| Results for year end  | Fourth week of April, 2013                         |

---

**Book Closure Date :** 24<sup>th</sup> September, 2012 to 28<sup>th</sup> September, 2012 (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 2012-13 to the stock exchange.

**Scrip Code Number :** 519331

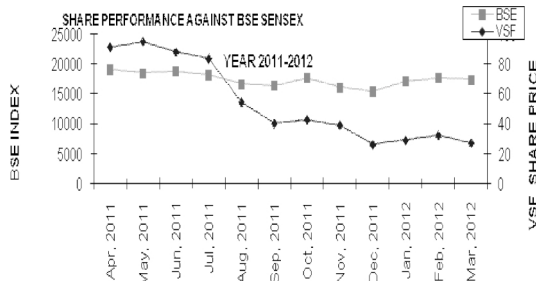
**ISIN Number for NSDL & CDSL :**  
INE923K01014



### Market Price Data :

The closing market price of the equity shares as on 31<sup>st</sup> March, 2012 was Rs. 27.50 /- on BSE. The monthly movement of the equity share price during the year on BSE are summarized here in below:

| Month  | High  | Low   | No. of Shares Traded |
|--------|-------|-------|----------------------|
| Apr-11 | 99    | 91.3  | 4458                 |
| May-11 | 100   | 95    | 655                  |
| Jun-11 | 93    | 85.3  | 1675                 |
| Jul-11 | 87.2  | 83.4  | 1868                 |
| Aug-11 | 54.5  | 54.5  | 500                  |
| Sep-11 | 40.5  | 40.5  | 1                    |
| Oct-11 | 43    | 42.9  | 550                  |
| Nov-11 | 39.3  | 39.3  | 50                   |
| Dec-11 | 26.45 | 26.45 | 500                  |
| Jan-12 | 29.6  | 29.35 | 5350                 |
| Feb-12 | 33.9  | 31    | 180                  |
| Mar-12 | 27.5  | 27.5  | 50                   |



**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 21 days of receipt.

### Distribution of Shareholdings as on 31.03.2012:

| Equity shares holding of Nominal Value (Rs) | No.of share holders | %          | Amount ( in Rs) | %          |
|---|---------------------|------------|-----------------|------------|
| Upto 5000                                   | 8088                | 97.41      | 7928600         | 13.51      |
| 5001 to 10000                               | 79                  | 0.95       | 562540          | 0.96       |
| 10001 to 20000                              | 54                  | 0.65       | 698600          | 1.19       |
| 20001 to 30000                              | 18                  | 0.22       | 450420          | 0.77       |
| 30001 to 40,000                             | 5                   | 0.06       | 182190          | 0.31       |
| 40001 to 50000                              | 5                   | 0.06       | 245000          | 0.42       |
| 50001 to 100000                             | 10                  | 0.12       | 642190          | 1.09       |
| 100001 & above                              | 44                  | 0.53       | 47979960        | 81.75      |
| <b>Total</b>                                | <b>8303</b>         | <b>100</b> | <b>58689500</b> | <b>100</b> |



**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, 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

**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 2011-12.

**For VSF Projects Ltd.**

Sd/-  
**B.N. Murthy**  
Managing Director



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

|    |  |   |   |
|----|--|---|---|
| 1. | Name of the Subsidiary & Registered Office   | : | <b>VSF Energy Projects Private Limited</b><br>Plot No.89/A, Aiswarya, 3 <sup>rd</sup> Floor<br>Street No.8, Sagar Society, Road No.2,<br>Banjara Hills, Hyderabad – 500 034 |
| 2. | The financial year of the subsidiary company Entered on  | : | 31.03.2012  |
| 3. | No.of Shares in the subsidiary company held<br>by holding company at the above date  | : |   |
|    | - Equity shares  |   | 10,000 shares of Rs.10/- each   |
|    | - Equity holding   |   | 100%  |
| 4. | The net aggregates of profits (losses) of the<br>Subsidiary company for its financial year so<br>far as they concern the members of              | : | Holding company   |
| 5. | The net aggregate of profits (losses) of the<br>Company for its previous financial year so far as<br>They concern the members of Holding company |   |   |
|    | - Dealt with the accounts of Holding company   |   |   |
|    | - Not dealt with the accounts of Holding company   | : | to the extent of pre operative expenses   |
| 6. | Changes in the interest of Holding company between<br>The end of the last financial year and 31.03.2012  | : | Nil   |
| 7. | Material changes between entered the end of the<br>Last financial year and 31.03.2012  | : | Nil   |

**Sd/-**  
**B N MURTHY**  
**Managing Director**

Place: Hyderabad  
Date: 03-09-2012



## **CERTIFICATE FROM PRACTICING COMPANY SECRETARY 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, 2012, 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/-  
(N. VANITHA)  
CP No. 10573**

**Place: Hyderabad  
Date: 03-09-2012**



## 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, 2012, Profit and Loss Statement 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 Statement 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 Statement 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, 2012, 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, 2012 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 2012;
- (b) In the case of the Profit and Loss Statement, 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**

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

**PLACE: HYDERABAD.  
DATE: 03-09-2012**

**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 granted loans to companies, firms or other parties listed in the register maintained u/s.301 of the Act and the outstanding balance at the end of the financial year is Rs.954.93 lakhs.  
(b) According to the information and explanation given to us, the terms and conditions of such loans are not prima facie prejudicial to the interest of the company.  
(c) Since the loans granted are repayable on demand, the provisions of clause 4(iii)(c) and (d) of the Companies (Auditor's Report) Order, 2003, as amended, is not applicable to the company.  
(d) 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 an internal audit system within the organization commensurate with the size and nature of its business.
8. The maintenance of cost records has 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, 2012 for a period of more than six months from the date they became payable.  
(c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs



duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute except for the following dues outstanding of income tax on account of disputes:

| Name of Statute      | Nature of Dues | Amount (in Rs Lakhs) | Period for which amount relates | Forum where dispute is pending |
|----------------------|----------------|----------------------|---------------------------------|--------------------------------|
| Income Tax Act, 1961 | Income Tax     | 179.74               | FY 2005-06                      | Income Tax Appellate Tribunal  |

10. The company has neither accumulated losses as on 31.03.2012 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: 03-09-2012**



### Balancesheet as at 31.03.2012

| Particulars  | Note<br>No | As at<br>31.03.12   | As at<br>31.03.11 |
|--|------------|---|-------------------|
|  |            | Rs  | Rs                |
| <b>I. EQUITY AND LIABILITIES</b>   |            |   |                   |
| <b>(1) Shareholder's Funds</b>   |            |   |                   |
| (a) Share Capital  | 2          | 58689500  | 58689500          |
| (b) Reserves & Surplus   | 3          | 49708730  | 40372724          |
| <b>(2) Non-Current Liabilities</b>   |            |   |                   |
| (a) Long Term Borrowings   | 4          | 100947270   | 454565            |
| <b>(3) Current Liabilities</b>   |            |   |                   |
| (a) Short Term Borrowings  |            | 9983859   | 17188449          |
| (b) Trade Payables   | 5          | 46587623  | 4261623           |
| (b) Other Current Liabilities  | 6          | 46715492  | 105687077         |
| (c) Short Term Provisions  | 7          | 2728266   | 2445424           |
| TOTAL  |            | <u>315360740</u>  | <u>229099362</u>  |
| <b>II. ASSETS</b>  |            |   |                   |
| <b>(1) Non-Current Assets</b>  |            |   |                   |
| (a) Fixed Assets   |            |   |                   |
| (i) Tangible Assets  | 8          | 107089564   | 51539861          |
| (b) Non Current Investments  | 9          | 99990   | 99990             |
| (c) Deferred Tax Asset   |            | 2559650   | 4131429           |
| <b>(2) Current Assets</b>  |            |   |                   |
| (a) Inventories  | 10         | 0   | 1237736           |
| (b) Trade Receivables  | 11         | 75630605  | 135130196         |
| (c) Cash and Cash Equivalents  | 12         | 5608887   | 460776            |
| (d) Short Term Loans and Advances  | 13         | 124372044   | 36499374          |
| TOTAL  |            | <u>315360740</u>  | <u>229099362</u>  |
| Notes forming part of the financial statements   | 1 - 29     |   |                   |
| Vide our report of even date<br><b>for Ramana Reddy &amp; Associates</b><br>Chartered Accountants<br>Firm Regn. No. 003246S<br>Sd/-<br><b>(CA. Ramana Reddy A.V.)</b><br>Partner<br>Membership No. 024329<br>Place: Hyderabad<br>Date : 03.09.2012 |            | For and on behalf of the Board<br>Sd/-<br><b>(B. VIJAYA LAKSHMI)</b><br>Director<br>Sd/-<br><b>(BN MURTHY)</b><br>Managing Director |                   |



### Profit and Loss Account for the year ended 31st March, 2012

| Particulars  | Note<br>No | Current<br>Year   | Previous<br>Year |
|--|------------|---|------------------|
|  |            | Rs  | Rs               |
| I. Revenue from operations   |            | 181598761   | 173542903        |
| II. Other Income   |            | 659361  | 0                |
| III. <b>Total Revenue (I +II)</b>  |            | <u>182258122</u>  | <u>173542903</u> |
| IV. <u>Expenses:</u>   |            |   |                  |
| Operation & Maintenance Expenses   | 14         | 156564960   | 146892089        |
| Employee Benefit Expenses  | 15         | 2467621   | 3162165          |
| Finance Costs  | 16         | 1068115   | 3166957          |
| Other Expenses   | 17         | 6015732   | 4966597          |
| Depreciation and amortization expenses   | 8          | 2505643   | 2165107          |
| <b>Total</b>   |            | <u>168622071</u>  | <u>160352915</u> |
| V. Profit before exceptional and extraordinary items and tax (III - IV)  |            | 13636051  | 13189988         |
| VI. Exceptional Items  |            | 0   | 0                |
| VII. Profit before extraordinary items and tax (V - VI)  |            | 13636051  | 13189988         |
| VIII. Extraordinary Items  |            | 0   | 0                |
| IX. Profit before tax (VII - VIII)   |            | 13636051  | 13189988         |
| X. Tax expenses:   |            |   |                  |
| - Income Tax   |            | 2728266   | 2445424          |
| - Deferred Tax   |            | 1571779   | 1510705          |
| XI. Profit for the year from continuing operations (IX - X)  |            | <u>9336006</u>  | <u>9233859</u>   |
| XII. Profit / Loss from discontinuing operations   |            | 0   | 0                |
| XIII. Tax expense of discontinuing operations  |            | 0   | 0                |
| XIV. Profit / Loss from discontinuing operations (XII - XIII)  |            | 0   | 0                |
| XV. Profit for the year (XI + XIV)   |            | 9336006   | 9233859          |
| XVI. Earning per equity share:   |            |   |                  |
| (1) Basic  |            | 1.59  | 1.57             |
| (2) Diluted  |            | 1.59  | 1.57             |
| <b>Notes forming part of the financial statements</b>  |            | <b>1 - 29</b>   |                  |
| Vide our report of even date<br><b>for Ramana Reddy &amp; Associates</b><br>Chartered Accountants<br>Firm Regn. No. 003246S<br>Sd/-<br><b>(CA. Ramana Reddy A.V.)</b><br>Partner<br>Membership No. 024329<br>Place: Hyderabad<br>Date : 03.09.2012 |            | For and on behalf of the Board<br>Sd/-<br><b>(B. VIJAYA LAKSHMI)</b><br>Director<br>Sd/-<br><b>(BN MURTHY)</b><br>Managing Director |                  |



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2012**  
(As required under Clause 32 of the Listing Agreement with Stock Exchange)

| Particulars   | As at<br>31.03.12<br>Rs        | As at<br>31.03.11<br>Rs    |
|---|--------------------------------|----------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>            |                                |                            |
| Net Profit  | 13636051                       | 13189988                   |
| Adjusted for:   |                                |                            |
| Depreciation  | 2505643                        | 2165107                    |
| Operating Profit before Working Capital Charges           | 16141694                       | 15355095                   |
| <b>Adjustment for:</b>                                    |                                |                            |
| Decrease / (Increase) in Trade Receivables                | 59499591                       | -115684287                 |
| Decrease / (Increase) in Loans & Advances                 | -87872670                      | -11616410                  |
| Decrease / (Increase) in Inventories                      | 1237736                        | 7212000                    |
| Increase / (Decrease) in Current Liabilities & Provisions | -16645585                      | 90824577                   |
| Income Tax Paid   | -2445424                       | -1237363                   |
| Net Cash Flow from operating Activities                   | <u>-30084658</u>               | <u>-15146388</u>           |
| <b>B. CASH FLOW FROM INVESTMENT ACTIVITIES:</b>           |                                |                            |
| Fixed Assets additions                                    | -58055346                      | -951821                    |
| Investments   | 0                              | -99990                     |
| Net Cash Flow from Investment Activities                  | <u>-58055346</u>               | <u>-1051811</u>            |
| <b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>             |                                |                            |
| Increase / (Decrease) in Share Capital                    | 0                              | 2221000                    |
| Increase / (Decrease) in Securities Premium               | 0                              | 4221500                    |
| Proceeds from Long Term Borrowings                        | 100492705                      | 8402948                    |
| Proceeds from Short Term Borrowings                       | -7204590                       | 0                          |
| Net Cash Flow from Financing Activities                   | <u>93288115</u>                | <u>14845448</u>            |
| Net increase in Cash & Cash Equivalents                   | 5148111                        | -1352751                   |
| Cash and Cash Equipvalents at the beginning of the year   | 460776                         | 1813527                    |
| Cash and Cash Equipvalents at the end of the year         | 5608887                        | 460776                     |
|   | 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: 03.09.2012  |                                |                            |

**AUDITORS' CERTIFICATE**

We have examined the attached Cash Flow Statement of M/s.VSF Projects Limited for the year ended 31st March, 2012. 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 3rd September, 2012 to the Members of the Company.

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

Place: Hyderabad  
Date: 03.09.2012



## NOTE NO. 1

### 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.



| <b>NOTE NO. 2</b>  |                | As at                   | As at                  |
|--|----------------|-------------------------|------------------------|
| <b>SHARE CAPITAL:</b>  |                | 31.03.12                | 31.03.11               |
|  |                | Rs.                     | Rs.                    |
| <b>Equity Share Capital</b>  |                |                         |                        |
| <b>Authorised Share Capital</b>  |                |                         |                        |
| - 80,00,000 Equity shares Rs.10/- each   |                | <u>80000000</u>         | <u>80000000</u>        |
| <b>Issued, Subscribed and Fully Paid Share Capital</b>   |                |                         |                        |
| - 58,68,950 equity shares Rs.10/- each fully paidup  |                | <u>58689500</u>         | <u>58689500</u>        |
| <b>TOTAL</b>   |                | <u><b>58689500</b></u>  | <u><b>58689500</b></u> |
| <b>List of Shareholders holding more than 5%</b>   | <b>No. of</b>  | <b>% of</b>             | <b>No. of</b>          |
| <b>Name of the Shareholder</b>   | <b>Shares</b>  | <b>holding</b>          | <b>Shares</b>          |
| M.Lakshmi  | 800000         | 13.63%                  | 800000                 |
|  |                |                         | 13.63%                 |
| <b>NOTE NO. 3</b>  |                |                         |                        |
| <b>RESERVES &amp; SURPLUS</b>  |                |                         |                        |
| - Forfeited shares reserve   |                | 2933000                 | 2933000                |
| - Revaluation reserve  |                | 20843875                | 20843875               |
| - Securities Premium   |                | 9288500                 | 9288500                |
| - Surplus in the Profit & Loss Statement   |                |                         |                        |
| Opening Balance  | 7307349        | -1926510                |                        |
| Add: Surplus for the year  | <u>9336006</u> | <u>9233859</u>          |                        |
|  |                | <u>16643355</u>         | <u>7307349</u>         |
| <b>TOTAL</b>   |                | <u><b>49708730</b></u>  | <u><b>40372724</b></u> |
| <b>NOTE NO. 4</b>  |                |                         |                        |
| <b>LONG TERM BORROWINGS</b>  |                |                         |                        |
| <b>A) SECURED LOANS</b>  |                |                         |                        |
| - Hire Purchase Finance from:  |                |                         |                        |
| Reliance Finance Ltd   |                | 0                       | 270641                 |
| Magma Finance Corpn. Ltd   |                | 763346                  | 0                      |
| <b>B) UNSECURED LOANS</b>  |                |                         |                        |
| - From Inter Corporate Deposit   |                | 100000000               | 0                      |
| - From Shareholders  |                | 183924                  | 183924                 |
| <b>TOTAL</b>   |                | <u><b>100947270</b></u> | <u><b>454565</b></u>   |
| <b>SHORT TERM BORROWINGS</b>   |                |                         |                        |
| Cash Credit from Uco Bank  |                | <u>9983859</u>          | <u>17188449</u>        |
| <b>TOTAL</b>   |                | <u><b>9983859</b></u>   | <u><b>17188449</b></u> |
| Cash Credit from UCO Bank is secured by way of hypothecation of stocks, bills receivable and immivable properties and personally guaranteed by the directors of the company. |                |                         |                        |





|  | As at<br>31.03.12<br>Rs. |                                       | As at<br>31.03.11<br>Rs. |                        |                       |                         |                         |                         |
|--|--------------------------|---------------------------------------|--------------------------|------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| <b>NOTE NO. 5</b>                                |                          |                                       |                          |                        |                       |                         |                         |                         |
| <b>TRADE PAYABLES</b>                            |                          |                                       |                          |                        |                       |                         |                         |                         |
| - Creditors for Suppliers                        | 46587623                 |                                       | 4261623                  |                        |                       |                         |                         |                         |
| <b>TOTAL</b>                                     | <b>46587623</b>          |                                       | <b>4261623</b>           |                        |                       |                         |                         |                         |
| <b>NOTE NO. 6</b>                                |                          |                                       |                          |                        |                       |                         |                         |                         |
| <b>OTHER CURRENT LIABILITIES</b>                 |                          |                                       |                          |                        |                       |                         |                         |                         |
| - Current Maturities of Finance Lease Obligation | 778244                   |                                       | 6494701                  |                        |                       |                         |                         |                         |
| - Creditors for Expenses                         | 45937248                 |                                       | 99192376                 |                        |                       |                         |                         |                         |
| <b>TOTAL</b>                                     | <b>46715492</b>          |                                       | <b>105687077</b>         |                        |                       |                         |                         |                         |
| <b>NOTE NO. 7</b>                                |                          |                                       |                          |                        |                       |                         |                         |                         |
| <b>SHORT TERM PROVISIONS</b>                     |                          |                                       |                          |                        |                       |                         |                         |                         |
| - For Taxation                                   | 2728266                  |                                       | 2445424                  |                        |                       |                         |                         |                         |
| <b>TOTAL</b>                                     | <b>2728266</b>           |                                       | <b>2445424</b>           |                        |                       |                         |                         |                         |
| <b>NOTE NO. 8</b>                                |                          |                                       |                          |                        |                       |                         |                         |                         |
| <b>TANGIBLE ASSETS</b>                           |                          |                                       |                          |                        |                       |                         |                         |                         |
| Description of the Asset                         | Gross Carrying Amount    |                                       |                          | Depreciation Block     |                       |                         | Net Carrying Amount     |                         |
|  | As at<br>01.04.11<br>Rs  | Additions<br>during<br>the year<br>Rs | As at<br>31.03.12<br>Rs  | Upto<br>01.04.11<br>Rs | for the<br>year<br>Rs | As at<br>31.03.12<br>Rs | As at<br>31.03.12<br>Rs | As at<br>31.03.11<br>Rs |
| Land & Site                                      |                          |                                       |                          |                        |                       |                         |                         |                         |
| Development                                      | 28092000                 | 54311925                              | 82403925                 | 0                      | 0                     | 0                       | 82403925                | 28092000                |
| Buildings  | 7697050                  | 0                                     | 7697050                  | 4190252                | 257081                | 4447333                 | 3249717                 | 3506798                 |
| Plant & Machinery                                | 9051029                  | 0                                     | 9051029                  | 526987                 | 429924                | 956911                  | 8094118                 | 8524042                 |
| Office Equipments                                | 636893                   | 35711                                 | 672604                   | 267954                 | 29947                 | 297901                  | 374703                  | 368939                  |
| Furniture & Fixtures                             | 898328                   | 32500                                 | 930828                   | 206600                 | 46119                 | 252719                  | 678109                  | 691730                  |
| Computers  | 169030                   | 0                                     | 169030                   | 74408                  | 22888                 | 97296                   | 71734                   | 94621                   |
| Vehicles - Tippers                               | 9736002                  | 0                                     | 9736002                  | 1466178                | 1101142               | 2567320                 | 7168682                 | 8269824                 |
| Vehicles - Others                                | 3037127                  | 3675210                               | 6712337                  | 1045220                | 618541                | 1663761                 | 5048576                 | 1991907                 |
| <b>Total</b>                                     | <b>59317459</b>          | <b>58055346</b>                       | <b>117372805</b>         | <b>7777599</b>         | <b>2505643</b>        | <b>10283241</b>         | <b>107089564</b>        | <b>51539861</b>         |



| <b>NOTE NO. 9</b>   | Current<br>Year<br>Rs | Previous<br>Year<br>Rs | <b>NOTE NO. 14</b>                             | Current<br>Year<br>Rs | Previous<br>Year<br>Rs |
|---|-----------------------|------------------------|--|-----------------------|------------------------|
| <b>NON CURRENT INVESTMENTS</b>                                  |                       |                        | <b>OPERATING &amp; CONTRACT EXPENSES</b>       |                       |                        |
| In Equity shares of Subsidiary company                          |                       |                        | - Materials, Consumables &<br>Other Site exps. | 9055100               | 17579500               |
| VSF Energy Projects Pvt. Ltd                                    | 99990                 | 99990                  | - Machinery & Vehicles<br>Hire charges         | 1986655               | 2514110                |
| (9999 equity shares Rs.10/- each)                               |                       |                        | - Earthwork & contract<br>expenses             | 145523205             | 126798479              |
| <b>TOTAL</b>  | <u>99990</u>          | <u>99990</u>           | <b>TOTAL</b>                                   | <u>156564960</u>      | <u>146892089</u>       |
| <b>NOTE NO. 10</b>  |                       |                        | <b>NOTE NO. 15</b>                             |                       |                        |
| <b>INVENTORIES</b>  |                       |                        | <b>EMPLOYEE BENEFIT EXPENSES</b>               |                       |                        |
| (Fire wood & Timber)  | 0                     | 1237736                | - Salaries & Wages                             | 2452151               | 3153870                |
| <b>TOTAL</b>  | <u>0</u>              | <u>1237736</u>         | - Staff Welfare                                | 15470                 | 8295                   |
| <b>NOTE NO. 11</b>  |                       |                        | <b>TOTAL</b>                                   |                       |                        |
| <b>TRADE RECEIVABLES</b>  |                       |                        | <u>2467621</u> <u>3162165</u>                  |                       |                        |
| (Unsecured, Considered Good)                                    |                       |                        | <b>NOTE NO. 16</b>                             |                       |                        |
| - Debts outstanding for a period<br>exceeding six months        | 1093684               | 7191896                | <b>FINANCE COSTS</b>                           |                       |                        |
| - Other Debts   | 74536921              | 127938300              | - Interest on Cash Credit                      | 643785                | 1693870                |
| <b>TOTAL</b>  | <u>75630605</u>       | <u>135130196</u>       | - HP Financial Charges                         | 424330                | 1363487                |
| <b>NOTE NO. 12</b>  |                       |                        | - Loan Processing charges                      | 0                     | 109600                 |
| <b>CASH AND CASH EQUIVALENTS</b>                                |                       |                        | <b>TOTAL</b>                                   | <u>1068115</u>        | <u>3166957</u>         |
| - Cash in hand  | 376083                | 224989                 |  |                       |                        |
| - Balance with Scheduled Banks<br>in Current Accounts           | 5232804               | 235787                 |  |                       |                        |
| <b>TOTAL</b>  | <u>5608887</u>        | <u>460776</u>          |  |                       |                        |
| <b>NOTE NO. 13</b>  |                       |                        |  |                       |                        |
| <b>SHORT TERM LOANS AND ADVANCES</b>                            |                       |                        |  |                       |                        |
| - Deposits  | 8922561               | 9323006                |  |                       |                        |
| - Advance for Materials   | 9353424               | 9270294                |  |                       |                        |
| - Investments in Power Division<br>(Loan to Subsidiary Company) | 95492651              | 8507974                |  |                       |                        |
| - IT Refund Receivable  | 6830810               | 5810108                |  |                       |                        |
| - Prepaid expenses  | 121515                | 121866                 |  |                       |                        |
| - TDS receivable  | 3651083               | 3466126                |  |                       |                        |
| <b>TOTAL</b>  | <u>124372044</u>      | <u>36499374</u>        |  |                       |                        |



| <b>NOTE NO. 17</b>           | <b>Current<br/>Year<br/>Rs</b> | <b>Previous<br/>Year<br/>Rs</b> |
|------------------------------|--------------------------------|---------------------------------|
| <b>OTHER EXPENSES</b>        |                                |                                 |
| - Rent                       | 356450                         | 486000                          |
| - Rates & Taxes              | 193564                         | 120712                          |
| - Electricity charges        | 33260                          | 101105                          |
| - Office Maintenance         | 123793                         | 39796                           |
| - Postage & Telegrams        | 40694                          | 176730                          |
| - Printing & Stationary      | 138942                         | 32590                           |
| - Telephone charges          | 123335                         | 138777                          |
| - Travelling expenses        |                                |                                 |
| Directors                    | 0                              | 398139                          |
| Others                       | 98230                          | 71530                           |
| - Computer Maintenance       | 44430                          | 6570                            |
| - Internet charges           | 16035                          | 14233                           |
| - Insurance charges          | 310572                         | 259049                          |
| - Directors Remuneration     | 1760000                        | 1620000                         |
| - MD Remuneration            | 1800000                        | 0                               |
| - Audit fee                  | 150000                         | 100000                          |
| - Professional charges       | 142945                         | 158038                          |
| - Registration & Licence fee | 13700                          | 279314                          |
| - AGM Expenses               | 175200                         | 152200                          |
| - Board Meeting Expenses     | 21800                          | 17300                           |
| - Listing fee                | 27575                          | 0                               |
| - Tender exp.                | 0                              | 200000                          |
| - Advertisement              | 46392                          | 9315                            |
| - Books & Periodicals        | 3006                           | 0                               |
| - Conveyance                 | 16380                          | 0                               |
| - Bank charges               | 282339                         | 585199                          |
| - Depository charges         | 97090                          | 0                               |
| <b>TOTAL</b>                 | <b><u>6015732</u></b>          | <b><u>4966597</u></b>           |

**NOTE NO. 18**

The legal title in respect of farm land to the extent of 30.84 acres is yet to be registered in favour of the company.

**NOTE NO. 19****Contingent Liabilities not provided for in respect:**

Claims not acknowledged as debts in respect of direct tax matters in appeals – Rs.179.74 lakhs

**NOTE NO. 20****Auditors Remuneration**

| Particulars    | Current<br>Year<br>Rs. | Previous<br>Year<br>Rs. |
|----------------|------------------------|-------------------------|
| As Auditors    | 90000                  | 60000                   |
| Tax Audit fee  | 40000                  | 25000                   |
| Other services | 20000                  | 15000                   |
| Total          | <u>150000</u>          | <u>100000</u>           |

**NOTE NO. 21****Managerial Remuneration:**

|                   | Current<br>Year<br>Rs. | Previous<br>Year<br>Rs. |
|-------------------|------------------------|-------------------------|
| Managing Director | 1800000                | 120000                  |
| Directors         | 1760000                | 42000                   |
| Total             | <u>3560000</u>         | <u>1620000</u>          |

**NOTE NO. 22**

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.

**NOTE NO. 23**

There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – ‘Segment Reporting’, notified in the companies (Accounting Standards) Rules 2006.

**NOTE NO. 24****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, 2012. 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.

**NOTE NO. 25**

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



#### NOTE NO. 26

##### Earnings per Share:

The numerators and denominators used for calculation of EPS

| Particulars                                    | Year ended | Year ended |
|--|------------|------------|
|  | 31-03-12   | 31-03-11   |
|  | Rs         | Rs         |
| a) Profit available to the Equity shareholders | 9336006    | 8655077    |
| b) No. of Equity shares                        | 5868950    | 5868950    |
| c) Weighted Average No. of Shares              | 5868950    | 5740453    |
| c) Nominal value of share                      | 10         | 10         |
| d) Basic Earning per Share                     | 1.59       | 1.47       |

#### NOTE NO. 27

Transactions with the Related Parties pursuant to Accounting Standard 18:

- i. List of Related Parties
- |   |   |  |
|---|---|--|
| Subsidiary Company  | : | VSF Energy Projects Pvt. Ltd.,           |
| Associate Companies / Firms<br>(including Companies / firms<br>Controlled by key management<br>Personnel / relatives who are sub-<br>stantially interested) | : | Nil                                      |
| Key Management Personnel  | : | Sri. B.N.Murthy,<br>Managing Director    |
|   |   | Sri.L.Raja Rao<br>Whole-Time Director    |
|   |   | B. Vijaya Lakshmi<br>Whole-Time Director |
- ii. Transactions with Related Parties
- |                                     |                 |
|-------------------------------------|-----------------|
| Remuneration to Managing Director   | Rs. 18,00,000/- |
| Remuneration to Whole-Time Director | Rs. 17,60,000/- |
- iii. Balance as on 31<sup>st</sup> March, 2012
- |  |                |
|--|----------------|
|  | Rs. 3,32,976/- |
|--|----------------|



**NOTE NO. 28**

Taxes on Income:

- (a) Provision has been made for tax as per the normal provisions of the Income Tax Act, 1961.
- (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.15,71,779/- towards deferred tax liability in the year 2011-12. The major components of deferred tax asset / liability are on account of timing differences in depreciation, carried forward of losses and Minimum alternate tax.

**NOTE NO. 29**

These financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956. Previous year figures have been regrouped wherever if thought necessary in conformity with the current year groupings. Paise have been rounded off to the nearest rupee.

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

**SIGNATURES TO SCHEDULE 1 TO 29**

**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 : 03-09-2012**

**FOR AND ON BEHALF OF THE BOARD**

**(B. VIJAYA LAKSHMI)  
DIRECTOR**

**(BN MURTHY)  
MANAGING DIRECTOR**



**CONSOLIDATED FINANCIAL STATEMENTS**

**OF**

**VSF PROJECTS LIMITED**

**&**

**VSF ENERGY PROJECTS  
PRIVATE LIMITED**

**2011-2012**



**AUDITORS' REPORT**  
**(On the Consolidated Financial Statements**  
**of VSF Projects Limited and its Subsidiary**  
**VSF Energy Projects Private Limited)**

To  
The Board of Directors  
VSF Projects Limited  
Hyderabad

1. We have examined the attached Consolidated Balance Sheet of VSF Projects Limited ("the company") and its subsidiary VSF Energy Projects Private Limited as at 31<sup>st</sup> March, 2012 and Consolidated Profit and Loss Statement for the year ended on that date annexed thereto,
2. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We have audited the financial statements of the company's subsidiary viz., VSF Energy Projects Private Limited whose financial statements reflect total assets of Rs.11.17

crores as at 31<sup>st</sup> March, 2012 and total revenues of Rs.Nil for the year ended on that date.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with requirements of Accounting Standard – 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, we are of the opinion that;
  - a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the company and its subsidiary as at 31<sup>st</sup> March, 2012.
  - b) the Consolidated Profit and Loss Statement gives a true and fair view of the consolidated results of operations of the company and its subsidiary for the year ended on that date; and
  - c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated Cash Flows of the company and its subsidiary for the year ended on that date.

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

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

**PLACE: HYDERABAD.**  
**DATE: 03-09-2012**





**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012**

| Particulars  | Note<br>No | As at<br>31.03.12   |
|--|------------|---|
|  |            | Rs.   |
| <b>I. EQUITY AND LIABILITIES</b>   |            |   |
| <b>(1) Shareholder's Funds</b>   |            |   |
| (a) Share Capital  | 2          | 58689510  |
| (b) Reserves & Surplus   | 3          | 49708730  |
| <b>(2) Non-Current Liabilities</b>   |            |   |
| (a) Long Term Borrowings   | 4          | 100947270   |
| <b>(3) Current Liabilities</b>   |            |   |
| (a) Short Term Borrowings  | 5          | 9983859   |
| (b) Trade Payables   | 6          | 46587623  |
| (c) Other Current Liabilities  | 7          | 62863404  |
| (d) Short Term Provisions  | 8          | 2728266   |
| <b>TOTAL</b>   |            | <u><u><b>331508662</b></u></u>  |
| <b>II. ASSETS</b>  |            |   |
| <b>(1) Non-Current Assets</b>  |            |   |
| (a) Fixed Assets   |            |   |
| (i) Tangible Assets  | 9          | 110486549   |
| (ii) Civil Works in Progress   |            | 71409330  |
| (iii) Preoperative Expenses  |            | 23767398  |
| (b) Deferred Tax Asset   |            | 2559650   |
| <b>(2) Current Assets</b>  |            |   |
| (a) Trade Receivables  | 10         | 75630605  |
| (b) Cash and Cash Equivalents  | 11         | 15557510  |
| (c) Short Term Loans and Advances  | 12         | 32097620  |
| <b>TOTAL</b>   |            | <u><u><b>331508662</b></u></u>  |
| <b>Notes forming part of the financial statements</b>  | 1 - 28     |   |
| Vide our report of even date<br><b>for Ramana Reddy &amp; Associates</b><br>Chartered Accountants<br>Firm Regn. No. 003246S<br>Sd/-<br><b>(CA. Ramana Reddy A.V.)</b><br>Partner<br>Membership No. 024329<br>Place: Hyderabad<br>Date : 03.09.2012 |            | For and on behalf of the Board<br>Sd/-<br><b>(B. VIJAYA LAKSHMI)</b><br>Director<br>Sd/-<br><b>(BN MURTHY)</b><br>Managing Director |



## CONSOLIDATED PROFIT & LOSS STATEMENT FOR THE YEAR 31ST MARCH, 2012

| Particulars   | Note<br>Nos   | Current<br>Year  |
|---|---------------|------------------|
|   |               | Rs.              |
| I. Revenue from operations  |               | 181598761        |
| II. Other Income  |               | 659361           |
| III. <b>Total Revenue (I +II)</b>                                       |               | <u>182258122</u> |
| IV. <i>Expenses:</i>  |               |                  |
| Operation & Maintenance Expenses  | 13            | 156564960        |
| Employee Benefit Expenses   | 14            | 2467621          |
| Finance Costs   | 15            | 1068115          |
| Other Expenses  | 16            | 6015732          |
| Depreciation and amortization expenses                                  | 9             | 2505643          |
| <b>Total</b>  |               | <u>168622071</u> |
| V. Profit before exceptional and extraordinary items and tax (III - IV) |               | 13636051         |
| VI. Exceptional Items   |               | 0                |
| VII. Profit before extraordinary items and tax (V - VI)                 |               | 13636051         |
| VIII. Extraordinary Items   |               | 0                |
| IX. Profit before tax (VII - VIII)                                      |               | 13636051         |
| X. Tax expenses:  |               |                  |
| - Income Tax  |               | 2728266          |
| - Deferred Tax  |               | 1571779          |
| XI. Profit for the year from continuing operations (IX - X)             |               | <u>9336006</u>   |
| XII. Profit / Loss from discontinuing operations                        |               | 0                |
| XIII. Tax expense of discontinuing operations                           |               | 0                |
| XIV. Profit / Loss from discontinuing operations (XII - XIII)           |               | 0                |
| XV. Profit for the year (XI + XIV)                                      |               | <u>9336006</u>   |
| XVI. Earning per equity share:  |               |                  |
| (1) Basic   |               | 1.59             |
| (2) Diluted   |               | 1.59             |
| <b>Notes forming part of the financial statements</b>                   | <b>1 - 28</b> |                  |

Vide our report of even date  
**for Ramana Reddy & Associates**  
Chartered Accountants  
Firm Regn. No. 003246S  
Sd/-  
**(CA. Ramana Reddy A.V.)**  
Partner  
Membership No. 024329

For and on behalf of the Board  
Sd/-  
**(B. VIJAYA LAKSHMI)**  
Director  
Sd/-  
**(BN MURTHY)**  
Managing Director

Place: Hyderabad  
Date : 03.09.2012



## NOTE NO. 1

### NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### 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.



| <b>NOTE NO. 2</b>                                      |                      | As at                   |
|--|----------------------|-------------------------|
|  |                      | 31.03.12                |
|  | Rs                   | Rs                      |
| <b>SHARE CAPITAL</b>                                   |                      |                         |
| <b>Equity Share Capital</b>                            |                      |                         |
| <b>Authorised Share Capital</b>                        |                      |                         |
| - 80,00,000 Equity shares Rs.10/- each                 |                      | <u>80400000</u>         |
| 40,000 Equity shares Rs.10/- each                      |                      |                         |
| <b>Issued, Subscribed and Fully Paid Share Capital</b> |                      |                         |
| - 58,68,951 equity shares Rs.10/- each fully paid up   |                      | 58689510                |
| <b>TOTAL</b>   |                      | <u><b>58689510</b></u>  |
| <b>List of Shareholders holding more than 5%</b>       |                      |                         |
| <b>Name of the Shareholder</b>                         | <b>No. of Shares</b> | <b>% of holding</b>     |
| M.Lakshmi  | 800000               | 13.63%                  |
| <b>NOTE NO. 3</b>                                      |                      |                         |
| <b>RESERVES &amp; SURPLUS</b>                          |                      |                         |
| - Forfeited shares reserve                             |                      | 2933000                 |
| - Revaluation reserve                                  |                      | 20843875                |
| - Securities Premium                                   |                      | 9288500                 |
| - Surplus in the Profit & Loss Statement               |                      |                         |
| Opening Balance  | 7307349              |                         |
| Add: Surplus for the year                              | <u>9336006</u>       | <u>16643355</u>         |
| <b>TOTAL</b>   |                      | <u><b>49708730</b></u>  |
| <b>NOTE NO. 4</b>                                      |                      |                         |
| <b>LONG TERM BORROWINGS</b>                            |                      |                         |
| <b>A) SECURED LOANS</b>                                |                      |                         |
| - Hire Purchase Finance from:                          |                      |                         |
| Reliance Finance Ltd                                   |                      | 0                       |
| Magma Finance Corpn. Ltd                               |                      | 763346                  |
| <b>B) UNSECURED LOANS</b>                              |                      |                         |
| - From Inter Corporate Deposit                         |                      | 100000000               |
| - From Shareholders                                    |                      | 183924                  |
| <b>TOTAL</b>   |                      | <u><b>100947270</b></u> |



|   | As at<br>31.03.12      |
|---|------------------------|
| Rs  | Rs                     |
| <b>NOTE NO. 5</b>   |                        |
| <b>SHORT TERM BORROWINGS</b>  |                        |
| Cash Credit from Uco Bank   | 9983859                |
| <b>TOTAL</b>  | <b><u>9983859</u></b>  |
| <p>Cash Credit from UCO Bank is secured by way of hypothecation of stocks, bills receivable and immovable properties and personally guaranteed by the directors of the company.</p> |                        |
| <b>NOTE NO. 6</b>   |                        |
| <b>TRADE PAYABLES</b>   |                        |
| - Creditors for Suppliers   | 46587623               |
| <b>TOTAL</b>  | <b><u>46587623</u></b> |
| <b>NOTE NO. 7</b>   |                        |
| <b>OTHER CURRENT LIABILITIES</b>  |                        |
| - Current Maturities of Finance Lease Obligation  | 778244                 |
| - Creditors for Expenses  | 62085160               |
| <b>TOTAL</b>  | <b><u>62863404</u></b> |
| <b>NOTE NO. 8</b>   |                        |
| <b>SHORT TERM PROVISIONS</b>  |                        |
| - For Taxation  | 2728266                |
| <b>TOTAL</b>  | <b><u>2728266</u></b>  |



**NOTE NO. 9  
TANGIBLE ASSETS**

| Description of the Asset | Gross Carrying Amount |                                 |                   | Depreciation Block |                 |                            | Net Carrying Amount |                   |
|--------------------------|-----------------------|---------------------------------|-------------------|--------------------|-----------------|----------------------------|---------------------|-------------------|
|                          | As at<br>01.04.11     | Additions<br>during the<br>year | As at<br>31.03.12 | Upto<br>01.04.11   | for the<br>year | Total<br>as at<br>31.03.12 | As at<br>31.03.12   | As at<br>31.03.11 |
|                          | Rs                    | Rs                              | Rs                | Rs                 | Rs              | Rs                         | Rs                  | Rs                |
| Land & Site Development  | 28092000              | 54311925                        | 82403925          | 0                  | 0               | 0                          | 82403925            | 28092000          |
| Buildings                | 7697050               | 0                               | 7697050           | 4190252            | 257081          | 4447333                    | 3249717             | 3506798           |
| Plant & Machinery        | 9051029               | 0                               | 9051029           | 526987             | 429924          | 956911                     | 8094118             | 8524042           |
| Office Equipments        | 636893                | 157611                          | 794504            | 267954             | 29947           | 297901                     | 492262              | 368939            |
| Furniture & Fixtures     | 898328                | 144375                          | 1042703           | 206600             | 46119           | 252719                     | 784306              | 691730            |
| Computers                | 169030                | 120404                          | 289434            | 74408              | 22888           | 97296                      | 176803              | 94621             |
| Vehicles - Tippers       | 9736002               | 0                               | 9736002           | 1466178            | 1101142         | 2567320                    | 7168682             | 8269824           |
| Vehicles - Others        | 3037127               | 6977479                         | 10014606          | 1045220            | 618541          | 1663761                    | 8116736             | 1991907           |
|                          |                       |                                 |                   |                    |                 | 234109*                    |                     |                   |
| <b>Total</b>             | <b>59317459</b>       | <b>61711794</b>                 | <b>121029253</b>  | <b>7777599</b>     | <b>2505643</b>  | <b>10542704</b>            | <b>110486549</b>    | <b>51539861</b>   |

\* Depreciation on fixed assets pertaining to subsidiary company reflected in preoperative expenses



|  |                         |                                  |                        |
|--|-------------------------|----------------------------------|------------------------|
| <b>NOTE NO. 10</b>                                       | As at<br>31.03.12<br>Rs | <b>NOTE NO. 14</b>               | Current<br>Year<br>Rs. |
| <b>TRADE RECEIVABLES</b><br>(Unsecured, Considered Good) |                         | <b>EMPLOYEE BENEFIT EXPENSES</b> |                        |
| - Debts outstanding for a period<br>exceeding six months | 1093684                 | - Salaries & Wages               | 2452151                |
| - Other Debts  | 74536921                | - Staff Welfare                  | 15470                  |
| <b>TOTAL</b>   | <u>75630605</u>         | <b>TOTAL</b>                     | <u>2467621</u>         |
| <b>NOTE NO. 11</b>                                       |                         | <b>NOTE NO. 15</b>               |                        |
| <b>CASH AND CASH EQUIVALENTS</b>                         |                         | <b>FINANCE COSTS</b>             |                        |
| - Cash in hand   | 587313                  | - Interest on Cash Credit        | 643785                 |
| - Balance with Scheduled Banks<br>in Current Accounts    | 14970197                | - HP Financial Charges           | 424330                 |
| <b>TOTAL</b>   | <u>15557510</u>         | <b>TOTAL</b>                     | <u>1068115</u>         |
| <b>NOTE NO. 12</b>                                       |                         | <b>NOTE NO. 16</b>               |                        |
| <b>SHORT TERM LOANS AND ADVANCES</b>                     |                         | <b>OTHER EXPENSES</b>            |                        |
| - Deposits   | 8962561                 | - Rent                           | 356450                 |
| - Advance for Materials                                  | 9353424                 | - Rates & Taxes                  | 193564                 |
| - IT Refund Receivable                                   | 6830810                 | - Electricity charges            | 33260                  |
| - Prepaid expenses                                       | 121515                  | - Office Maintenance             | 123793                 |
| - TDS receivable   | 3651083                 | - Postage & Telegrams            | 40694                  |
| - Advance for Survey Work                                | 4100                    | - Printing & Stationary          | 138942                 |
| - Other Advances   | 3128227                 | - Telephone charges              | 123335                 |
| - Preliminary expenses                                   | 45900                   | - Travelling expenses            | 98230                  |
| <b>TOTAL</b>   | <u>32097620</u>         | - Computer Maintenance           | 44430                  |
| <b>NOTE NO. 13</b>                                       | Current<br>Year<br>Rs.  | - Internet charges               | 16035                  |
| <b>OPERATING &amp; CONTRACT EXPENSES</b>                 |                         | - Insurance charges              | 310572                 |
| - Materials, Consumables & Other Site exps.              | 9055100                 | - Directors Remuneration         | 1760000                |
| - Machinery & Vehicles Hire charges                      | 1986655                 | - MD Remuneration                | 1800000                |
| - Earthwork & contract expenses                          | 145523205               | - Audit fee                      | 150000                 |
| <b>TOTAL</b>   | <u>156564960</u>        | - Professional charges           | 142945                 |
|  |                         | - Registration & Licence fee     | 13700                  |
|  |                         | - AGM Expenses                   | 175200                 |
|  |                         | - Board Meeting Expenses         | 21800                  |
|  |                         | - Listing fee                    | 27575                  |
|  |                         | - Advertisement                  | 46392                  |
|  |                         | - Books & Periodicals            | 3006                   |
|  |                         | - Conveyance                     | 16380                  |
|  |                         | - Bank charges                   | 282339                 |
|  |                         | - Depository charges             | 97090                  |
|  |                         | <b>TOTAL</b>                     | <u>6015732</u>         |



#### NOTE NO. 17

These accounts comprise a consolidation of balance sheet and profit and loss statement VSF Projects Limited and its wholly owned subsidiary of VSF Energy Projects Private Limited. M/s. VSF Projects Limited is engaged in the business of execution of Infra Projects and M/s. VSF Energy Projects Private Limited is engaged in generation of power.

#### NOTE NO. 18

The legal title in respect of farm land to the extent of 30.84 acres is yet to be registered in favour of the company.

#### NOTE NO. 19

##### Contingent Liabilities not provided for in respect:

Claims not acknowledged as debts in respect of direct tax matters in appeals – Rs.179.74 lakhs

#### NOTE NO. 20

Managerial Remuneration:

|                   | Current Year<br>Rs. |
|-------------------|---------------------|
| Managing Director | 1800000             |
| Directors         | 1760000             |
| Total             | 3560000             |

#### NOTE NO. 21

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.

#### NOTE NO. 22

There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – 'Segment Reporting', notified in the companies (Accounting Standards) Rules 2006.

#### NOTE NO. 23

##### 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, 2012. 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.

#### NOTE NO. 24

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

#### NOTE NO. 25

##### Earnings per Share:

The numerators and denominators used for calculation of EPS

| Particulars                                    | Year ended<br>31-03-12<br>Rs |
|--|------------------------------|
| a) Profit available to the Equity shareholders | 9336006                      |
| b) No. of Equity shares                        | 5868951                      |
| c) Weighted Average No. of Shares              | 5868951                      |
| d) Nominal value of share                      | 10                           |
| e) Basic Earnings per Share                    | 1.59                         |





#### NOTE NO. 26

Transactions with the Related Parties pursuant to Accounting Standard 18:

- |      |   |  |
|------|---|--|
| i.   | List of Related Parties   |  |
|      | Subsidiary Company  | : VSF Energy Projects Pvt. Ltd.,   |
|      | Associate Companies / Firms<br>(including Companies / firms<br>Controlled by key management<br>Personnel / relatives who are sub-<br>stantially interested) | : Nil  |
|      | Key Management Personnel  | : Sri. B.N.Murthy,<br>Managing Director<br>Sri.L.Raja Rao<br>Whole-Time Director<br>B. Vijaya Lakshmi<br>Whole-Time Director |
| ii.  | Transactions with Related Parties   |  |
|      | Remuneration to Managing Director   | : Rs. 18,00,000/-  |
|      | Remuneration to Whole-Time Director   | : Rs.17,60,000/-   |
| iii. | Balance as on 31 <sup>st</sup> March, 2012  | : Rs.3,32,976/-  |

#### NOTE NO. 27

Taxes on Income:

- (a) Provision has been made for tax as per the normal provisions of the Income Tax Act, 1961.
- (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.15,71,779/- towards deferred tax liability in the year 2011-12. The major components of deferred tax asset / liability are on account of timing differences in depreciation, carried forward of losses and Minimum alternate tax.



**NOTE NO. 28**

These financial statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956. Previous year figures have not been given for comparison as the company is consolidating its accounts for the first time. Paise have been rounded off to the nearest rupee.

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

**SIGNATURES TO NOTES - 1 TO 28**

**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 : 03-09-2012**

**FOR AND ON BEHALF OF THE BOARD**

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

**Sd/-  
(BN MURTHY)  
MANAGING DIRECTOR**



**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         | 31.03.2012         |

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

|              |             |             |                |
|--------------|-------------|-------------|----------------|
| Public Issue | Right Issue | Bonus Issue | Pvt. Placement |
| Nil          | Nil         | Nil         | Nil            |

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

|                   |        |              |        |
|-------------------|--------|--------------|--------|
| Total Liabilities | 315360 | Total Assets | 315360 |
|-------------------|--------|--------------|--------|

**Sources of Funds:**

|                |                    |               |                 |
|----------------|--------------------|---------------|-----------------|
| Paidup Capital | Reserves & Surplus | Secured Loans | Unsecured loans |
| 58690          | 49708              | 763.34        | 100183          |

**Application of Funds:**

|                  |                    |             |                   |                    |
|------------------|--------------------|-------------|-------------------|--------------------|
| Net Fixed Assets | Net Current Assets | Investments | Misc. Expenditure | Accumulated Losses |
| 107089           | 99596              | 99.99       | Nil               | Nil                |

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

|                         |                   |                        |                       |
|-------------------------|-------------------|------------------------|-----------------------|
| Turnover & Other Income | Total expenditure | Profit/Loss before tax | Profit/loss after tax |
| 182258                  | 168622            | 13636                  | 9336                  |
| Earning per share       | Dividend          | Rate                   |                       |
| 1.59                    | 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 : 03.09.2012



## VSF PROJECTS LIMITED

Regd.Off: Ankulapatur 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 20<sup>th</sup> Annual General Meeting of the Company to be held on Friday,  
28<sup>th</sup> September, 2012 at 11.00 A.M. at Ankulapatur Village, Chillakur Mandal, SPSR Nellore District,  
Andhra Pradesh and at any adjournment thereof.

Signed this ..... day of ..... Two Thousand Twelve.

Affix  
Revenue  
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: Ankulapatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh

### ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)  
20<sup>th</sup> ANNUAL GENERAL MEETING – 28<sup>th</sup> September, 2012

Regd. Folio No. :

No. of Shares Held:

Client ID No. :

I hereby record my presence at the 20<sup>th</sup> ANNUAL GENERAL MEETING of the members of the Company held on Friday, **28<sup>th</sup> September, 2012 at 11.00 A.M. at Ankulapatur Village, Chillakur Mandal, SPSR Nellore District, Andhra Pradesh.**

Name of the Shareholder: .....

Name of the Proxy: .....

Signature of Member / Proxy: .....