



VKS Projects Limited

ANNUAL REPORT
2011 - 2012

BOARD OF DIRECTORS

DR. V. K. SUKUMARAN
DR. SARITHA SUKUMARAN
MR. ROY DANIEL
MR. JAYAWANT BOILKAR
MS. MOHUA RANENDRANATH GHOSH

STATUTORY AUDITORS

BORKAR & MUZUMDAR
Chartered Accountants
COMPANY SECRETARY
Supriya Avinash Tatkar

REGISTERED OFFICE

507 Sai Sangam, Sector 15, CBD Belapur, Navi Mumbai – 400614

Bankers

State Bank of India

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Dear Members and Shareholders,

It gives me great pleasure to Present first Annual Report after Listing. Post listing, we have become a bigger family with induction of a large number of new members from across the Globe and I take it as a great privilege to welcome all of them to the VKS family.

The fiscal 2011-2012 for your Company has been marked with a number of significant achievements. The market prospects for EPC Activities looks promising and the industry is expected to grow over the next 10 years at a rate which is linked to the growth expected in the core industries such as coal, steel, cement, fertilizers, mining, ports, power and petrochemicals and overall Infrastructure Development. India is in the midst of a substantial overhaul in infrastructure, with large investments required to maintain its targeted GDP growth of 9% and above.

In conclusion, on behalf of the Board of Directors of your Company, I thank all our stakeholders for their continued support, trust and confidence reposed in us. With the strong backing of your Company's customers, shareholders, associates and vendor partners, your Company will continue to be a major and significant player in the EPC industry.

Dr. V. K Sukumaran
Chairman & Managing Director

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of the Company will be held on Monday, 26th November, 2012 at 10.30 a.m. at The Convention Hall, The Institution Of Engineers (India), Belapur Local Center, Plot No.106,Sector-15, CBD, Belapur, Navi Mumbai-400614

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as of 31st March, 2012, Profit and Loss Account and Cash Flow Statement for the year ended on that date together with the Auditors' Report and Directors' Report thereon.
2. To appoint a Director in place of Mr. Jaywant Bolaikar who retires by rotation, and being eligible offers themselves for re-appointment.
3. To appoint a Director in place of Mr. Roy Daniel, who retires by rotation, and being eligible offers themselves for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration. M/s Borkar and Muzumdar, Chartered Accountants, retiring Auditors being eligible, offer themselves for reappointment.

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 Ms. Mohua Ranendranath Ghosh, who was appointed as an Additional Director by the Board of Directors of the Company and who holds office as such upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as Act) read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing under Section 257 of the Act, from a member proposing her candidature for the office of a Director and being eligible, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 163 (1) and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as “the Act”) the consent of the members of the Company be and is hereby accorded for keeping and maintaining the register of members, the index of members, register and index of debenture holders, if any, at the office of Registrar and Share Transfer Agent (RTA) of the Company from time to time.”

RESOLVED FURTHER THAT any Director and Company Secretary of the Company from time to time severally authorized to all such necessary acts, deeds and acts as may be necessary to give effect to this resolution.

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 61 of the Companies Act 1956, the Securities & Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 and other applicable provisions, if any, consent of the Members of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as “the Board” which expression shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers, including the powers conferred by this Resolution) to amend, vary or alter the Objects of the Issue and/or deployment of funds as mentioned in the Offer Document dated 7th July 2012, issued by the Company at the time of its Initial Public Offer (IPO) by, inter alia, altering the utilization of the issue proceeds, as the Board may consider necessary or expedient in the best interest of the Company, as described in the Explanatory Statement annexed to this Notice.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, expedient or incidental for the purpose of giving effect to this resolution and to settle any question that may arise in this regard and incidental thereto, without being required to seek any further consent or approval of the shareholders.”

For and on Behalf of the Board

Sd/-
Supriya Avinash Tatkar
Company Secretary

Registered Office:

507, Sai Sangam, Sector 15,
CBD Belapur, Navi Mumbai,
Maharashtra-400 706

Date :26/09/2012

Place : Navi Mumbai

NOTES:

1. The relative explanatory statement for the business set out under Item No. 5,6,8,7 of the Notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE MEETING. A PROXY / PROXIES SO APPOINTED SHALL HAVE NO RIGHT TO SPEAK AT THE MEETING.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20/11/2012 to 26/11/2012 (Both Days Inclusive).
4. Members/proxies are requested to bring their copies of Annual Report & duly filled admission/attendance slips sent herewith along with the copies of annual report at the meeting and produce the same at the entrance where the Annual General Meeting is held.
5. Corporate Members are requested to send a certified copy of the Board Resolution / Power of Attorney authorizing there representative to attend and vote at the Annual General Meeting.
6. Members desirous of getting any information about the accounts and operations of the Company are requested to send their query to the Registered Office well in advance so that the same may reach the office at least seven days before the date of the meeting to enable the management to keep the information required readily available at the meeting.
7. Members who hold shares in electronic form are requested to write their DP Id and client Id numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the Meeting to facilities identification of membership at the Meeting.
8. The detail of Directors seeking appointment / re-appointment at this Annual General Meeting as required under Clause 49 of the Listing Agreement is annexed hereto.
9. For the security and safety of the shareholders, no article/baggage including water bottles and tiffin boxes will be allowed at the venue of the meeting. The members / attendees are strictly requested not to bring any article / baggage, etc. at the venue of the meeting.

The Annual Report of your Company for the Financial Year 2011-12 is displayed on the website of the Company i.e. www.vksprojects.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**Item No. 5.**

Ms. Mohua Ranendranath Ghosh was appointed as an Additional Director of the Company with effect from 27th April, 2012. Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Articles of Association of Company she holds office as such upto the date of this Annual General Meeting. The Company has received a notice in writing from one of its members along with a deposit of Rs.500/- proposing the candidature of Ms. Mohua Ranendranath Ghosh for the office of Directorship pursuant to Section 257 of the Companies Act, 1956. Also company has received the requisite Form 'DD-A' from Ms. Mohua Ghosh, in terms of Section 274(1)(g) of the Companies Act, 1956 read with The Companies (Disqualification of Directors) Rules, 2003, confirming her eligibility for such appointment.

The brief resume covering the details of her qualification and experience, as required pursuant to Clause 49(IV)(g) of the Listing Agreement, is annexed to this Notice. Considering her experience and expertise, the Board recommends the appointment of Ms. Mohua Ghosh as Director of the Company liable to retire by rotation.

The Board recommends the passing of the resolution set forth under Item no. 4 as Ordinary Resolution.

None of the Directors, except Ms. Mohua Ghosh, are interested and / or concerned in passing of the of said resolution.

Item No. 6.

As required under provision of Section 163 of the Companies Act, 1956, and other applicable provision, if any, of the Companies Act, 1956 certain documents such as register of members, register and index of the debenture holders, if any, and other related books and records etc., are required to be kept at the registered office of the Company. However these documents can be kept at any other place within the city, town or village in which the registered office of the Company is situated with the approval of the members of the Company by way of special resolution.

The aforesaid documents are maintained by the Registrar and share Transfer agent (RTA) of the Company at its office, therefore approval of the members of the Company is required.

Your directors recommends the special resolution for approval.

None of the Directors of the Company is deemed to be concerned or interested in the aforesaid resolution.

Item No. 7.

The Company has raised money through IPO in terms of the Offer Document dated The Objects of the Issue were as under:

- Long-term Working Capital Requirements
- Procurement of Construction Equipment and Key Machineries
- Setting up of Design studio/Office and training centers across India
- For General Corporate Purposes
- Issue Expenses

In order get flexibility to the Board of Directors of the Company for deployment of the funds raised through an Initial Public Offer in the best interest of the Company, the Board of Directors of the Company requires the prior approval by way of special resolution from the members of the Company.

In terms of section 61 of the Companies Act, 1956, approval of the Members of the Company is sought for modified utilization of the IPO proceeds as explained above. The Board of Directors recommends the Resolution for approval.

None of the Directors of the Company is deemed to be concerned or interested in the aforesaid resolution.

For and on Behalf of the Board

**Supriya Avinash Tatkar
Company Secretary**

**Registered Office:
507, Sai Sangam, Sector 15,
CBD Belapur, Navi Mumbai,
Maharashtra-400 706**

**Date: 26th November, 2012
Place : Navi Mumbai**

Particulars of Directors seeking Appointment / Reappointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement:

Name of Director	Mr. Jaywant Bolaikar	Ms. Mohua Ranendranath Ghosh	Mr. Roy Daniel
Type	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director
Date of Birth	04/03/1973	01/01/1976	15/04/1970
Date of Appointment	29/03/2011	27/04/2012	13/10/2010
Qualification	MBA - Finance	B. Pharma, PGDBA	B.Sc. (Maths)
No. of Equity Shares held	NIL	NIL	NIL
Expertise in Specific Functional area	Consultant	Marketing Consultant	Business Consultant
Directorships held in other Companies	NIL	NIL	NIL
Particulars of Committee Chairmanship / Membership held in other Companies	NIL	NIL	NIL
Relationship with other Directors inter-se	None	None	None

Note:

- Pursuant to Clause 49 of the Listing Agreement, only two Committees viz. Audit Committee and Shareholders Grievance / Transfer Committee have been considered.

**REPORT OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2012**

To
The Members,
Your Directors are pleased to present the Annual Report together with Audited Financial Accounts of your Company for the Financial Year ended March 31, 2012:

FINANCIAL RESULTS	2011- 2012 (Rs.)	2010-2011 (Rs.)
Total Income	1,443,590,084	602,542,618
Profit before Taxes	81,930,540	47,220,381
Provisions for Taxation	25,704,982	15,623,146
Profit after Taxes	56,225,558	31,597,235

OPERATIONS

During the FY 2011-12, the Company reported gross revenue from operations of Rs. 14,408.27 lacs as against Rs. 6,025.13 lacs during the FY 2010-11. For the year 2011-12, the Company recorded PAT of Rs. 562.25 lacs as against previous year of Rs. 315.97 lacs.

INITIAL PUBLIC OFFER

The Company has successfully completed the process of Initial Public Offer and allotted 1,00,00,000 equity shares of Rs. 10/- each at the premium of Rs. 45/-. At present, the Equity shares of the Company are listed on BSE & NSE w.e.f. 18 th July, 2012. The management of the Company is thankful to the investors for overwhelming response in the Initial Public Offer of the Company.

DIVIDEND

To conserve resources for the long term needs of the Company, your Directors do not recommend payment of any dividend for the year.

DIRECTORS

Mr. Jaywant Bolaikar and Mr. Roy Daniel will retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Ms. Mohua Ranendranath Ghosh has been appointed as additional director by the Board during the year and shall hold office up to the date of the ensuing Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. The Company has received notice from one of its members the candidature of Ms. Mohua Ranendranath Ghosh for the office of Directorship under Section 257 of the Companies Act, 1956.

AUDITORS

M/s Borkar & Muzumdar, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting of the Company. The Company has obtained a certificate from them stating that their appointment, if considered and approved, will be within the limits of Section 224(1B) of the Companies Act, 1956. The Company has also obtained a certificate from them stating that they have subjected themselves to the Peer Review Process of Institute of Chartered Accountants of India (ICAI). Being eligible, they offer themselves for re-appointment as Statutory Auditors for the FY 2012-13.

AUDIT COMMITTEE

Your Directors have, in compliance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, constituted the Audit Committee of the Board. As on date, the members of the Audit Committee are Mr. Jaywant Bolaikar, Dr. V. K. Sukumaran and Mr. Roy Daniel.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors of your Company hereby confirms:

- 1) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any;
- 2) 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 as at the end of the financial year and of the Profit and Loss of the Company for the period;
- 3) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) that the Directors have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION & ANALYSIS

A separate report on Management Discussion & Analysis is appended to this Annual Report and forms part of this Directors' Report.

CORPORATE GOVERNANCE

Your Company was not listed as on 31st March, 2012 and its shares got listed on BSE & NSE on 18th July, 2012. In compliance with Clause 49 of the Listing Agreement, a detailed Report on Corporate Governance is enclosed as a part of this Annual Report. A certificate from a Practising Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is appended to this Annual Report and forms part of this Directors' Report.

DEPOSITS

The Company has accepted Public Deposits from the public, during the Financial Year 2011- 12. The Company is in the process of complying necessary Rules and Regulations of Companies Act, 1956.

ADDITIONAL INFORMATION

The information relating to Conservation of Energy, Technical Absorption and Foreign Exchange Earnings and Outgo as required to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, as amended, is not applicable to the Company.

The requirement of the provisions of Section 217(2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975, as amended, is not applicable to the Company.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the contributions made by the employees at all levels enabling the Company to achieve the performance during the year under review.

Your Directors thank the Central Government, Government, Government agencies, bankers, local bodies, Registrar of Companies, stock exchanges, depositories, shareholders, customers, vendors, associates of the Company and other related organizations for their continuous co-operation and support in progress of the Company and also look forward to their continued confidence and trust in the Company.

For and on Behalf of the Board

Dr. V. K. Sukumaran
Chairman and Managing Director

Registered Office:

507, Sai Sangam, Sector 15,
CBD Belapur, Navi Mumbai,
Maharashtra-400 706

Date : 26/09/2012

Place: Navi Mumbai

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

We are an ISO 9001:2008, OHSAS 18001:2007 & ISO 14001:2004 certified Engineering Procurement and Construction Company (EPC Contractor) engaged in the business of undertaking EPC Contracts of S/SS/Alloy Steel Turnkey Piping, Civil Land Development, Industrial / Commercial Infra Projects, Structural Fabrication and Erection of Equipments, Fire Fighting Projects and Commissioning of Chemical Plants for various industries including but not limited to Chemicals, Oil and Gas (on-shore and offshore), Refinery, Petrochemicals, Dyestuff, Pharma & Bulk Drugs, Metallurgy, Power and Textiles. Our key expertise w.r.t our Fabrication & Erection of Key Industry Equipments/Plants includes but is not limited to Reaction Vessels, Auto Claves, Vacuum Tray Driers, Storage Tanks, Chilling Plants, Hydrogenerators, Fire Fighting Units, Heat Exchangers/Condensers, Rotary Vacuum Tray Driers, Centrifuges, WHR boilers, Crystallizers, Scrubbers, Distillation Units, and Flakers etc.

FINANCIAL PERFORMANCE

Total income (net of taxes) amounted to Rs. 14435.90 lacs compared to Rs. 6025.42 lacs of the previous year.

The operating profit before tax amounted to Rs 819.31 lacs compared to Rs. 472.20 lacs reported last year.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

Your Company has developed expertise in its line of operations to meet the growing industrial needs in the global competitive market. We consistently strive to provide quality service to our clients and also achieve cost efficiency. We intend to diversify the portfolio of projects and services offered by us. One of our objective is to enhance our presence in segments such as Large Scale Infrastructure Projects, Turnkey Projects in Transportation, Water Management and Building Constructions etc.

Your Company has been exposed to financial market risks from changes in Interest rates and Inflation, as we continue to undertake EPC projects of increasing size; we may become increasingly exposed to the risk of adverse deviations from our cost estimates, particularly to the extent that the project execution gets delayed over a period of time.

Your Company caters to multi locational and multi sectoral client base spread across wide geographical sectors and thus has to maintain strong relations with various clients in diversified sectors and locations. The Company has to meet certain pre-qualifications in terms of technical expertise, capital, infrastructure, manpower, past project execution to qualify as a bidder.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

We have in place internal control systems in all spheres of activities commensurate with the operations of the Company since they are critical to the Company's growth and expansion plans. The Company has a well defined organizational structure, guideline policies, structured and definite authority matrix. Such adequate internal control system helps to advantageously

assimilate information and make more intellectual and efficiency driven decisions. The internal control system is supported by effective internal audit being carried out by an external firm of chartered accountants. The Audit Committee of Directors regularly reviews the findings of the Internal Auditors and effective steps to implement the suggestions/observations of the Auditors are taken and monitored regularly.

STRATEGIC PLANS AND ORGANIZATIONAL DEVELOPMENT

We continuously thrive to enhance the capital equipments base of our EPC Company to increase our operational and financial efficiencies geographically w.r.t project executions. We are focusing to expand our operating activities by opening Design Studio/Office and Training Centers at various locations across India. We intend to increase our range of owned capital equipments including construction equipments, vehicles, and other important machineries, tools and tackles instead of leasing/ sub letting the equipments which will enable us to enhance our capabilities with higher operational and financial efficiency. We also intend to continue to optimize operations by minimizing operational / overhead costs and increasing productivity thereby maximizing our operating margins. To increase our business opportunities, we will continue to develop strong relationship and strategic alliance with our clients and suppliers.

HUMAN RESOURCES

Your Company has HR policies and procedures that encourage human development. The management understands that motivated and appropriately qualified employees are key to the success of its business. The Human resource policy ensures that the Company provides a safe, professional and stable working environment and transparent processes for rewarding performance and retaining talent. Further, we intend to continuously strengthen our execution capabilities by adding to our existing pool of skilled and unskilled labors, attracting new graduates, and facilitating continuous learning with in-house and external training opportunities to our staff and our local sub-contractors. We hence intend to open five new Design Studio/Office & Training Centers across India.

As on December 31st, 2011 we are employing 405 people (on site-and off site), of which 34 employees are on our payroll and the remaining 371 are through contract labor arrangements or sub-contract agreements with external local contractors. Your Directors wish to acknowledge the sincere and dedicated efforts of the employees of the company and would like to thank them for the same.

OUTLOOK

Our EPC Company has stepped into the financial markets through an IPO issue on an optimistic note. Our focus continues on increasing our market share, serving clients, customers, shareholders laying thereby a robust foundation for sustainable growth. With the global growth in the industrial sector, it is expected that there will be further growth in EPC business.

We are continuing with our efforts on improvement in efficiencies, margins, profitability and sales while re-looking at business strategies and models, wherever necessary and barring, unforeseen circumstances, we expect to achieve better results for the year 2012-13.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

I. Company's Philosophy

Continuous maintenance and enhancement of Stakeholders' value has always been at the helm of Company's objective. The vision of VKS Projects Limited (VKSPL) is to strive continuously to give optimum returns to Stakeholders' and to uphold the core values of transparency, integrity, honesty, fairness and accountability, which are fundamental to the Company.

The Company endeavors and follows the best ethical and good corporate governance policy and thereby ensures the compliance with all applicable statutory and regulatory provisions of laws. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company to achieve its goal of maximizing value for all its stakeholders.

II. Board of Directors

The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with Stock Exchange. The Board of Directors of your Company consists of 5 (Five) Directors, out of these 3 (Three) are Independent Directors.

- i) Details of Composition and Category of Board, their attendance at the Board Meetings and last Annual General Meeting, Directorship held in other Companies, Committee Chairmanship / Membership held in other Companies as at March 31, 2012:

Sr. No	Name of the Directors	Category	No. of Board Meeting during the tenure of Directors in FY 2011-12		Attendance at the last AGM held on 27.09.2011	Directorship in other public companies ¹	Committee position held in other public companies ²	
			Held	Attended			Chairman	Member
1	Dr. V. K. Sukumaran Chairman & Managing Director	Executive	9	9	Yes	-	-	-
2	Dr. Saritha Sukumaran Whole-Time Director	Executive	9	9	Yes	-	-	-
3	Mr. Roy Daniel	Independent	9	9	Yes	-	-	-
4	Mr. Jayawant Boilkar	Independent	9	9	Yes	-	-	-
5	Ms. Lakshmi Wasekar ³	Independent	9	9	Yes	-	-	-
6	Ms. Mohua Ranendranath Ghosh ⁴	Independent	-	-	N. A.	-	-	-

- 1 Directorship held in Private Companies, Section 25 Companies and Foreign Companies is not included.
- 2 Only Audit Committee and Shareholders' Grievance Committee are taken into consideration as per the provisions of Clause 49 of Listing Agreement. None of the Directors of the Company is a member of more than 10 committees or acts as a Chairman of more than 5 committees across all the Companies wherein he is a director.
- 3 Resigned from Directorship w.e.f. 27/04/2011.
- 4 Appointed as Additional Director w.e.f. 27/04/2012.

- ii) None of the Non-Executive Directors of the Company have any pecuniary relationship and / or transaction with the Company. The disclosure of fees / compensation, if any, paid to the Non-Executive Directors is done at appropriate place later in this Report on Corporate Governance.

During the year 2011-12, the Board of Directors of your Company met 9 times on 28/04/2011, 10/05/2011, 13/05/2011, 16/05/2011, 11/07/2011, 05/08/2011, 19/11/2011, 20/01/2012, 09/03/2012.

- iii) The compliance reports of all applicable laws are placed before the Board periodically. All the material and important items pertaining to the development and working of the Company is included with a detailed note in the Agenda and the same is circulated to the Board well in advance, so as to enable them to take strategic decisions. The information which could not be circulated to the Board, in advance, is placed at the table during the Board Meeting. The information as specified in Annexure IA of the Clause 49 of the Listing Agreement is provided to the Board as and when applicable and material.
- iv) The Board has adopted "Code of Conduct for Board Members and Senior Management of the Company" w.e.f. 27/04/2012. The Code of Conduct is available on the website of the Company i.e., www.vksprojects.com

III. Audit Committee

- i) Composition of the Audit Committee, particulars of meetings held and attended during the year 2011-12:

The composition of the Audit Committee is in conformity with Clause 49 of the Listing Agreement entered into with Stock Exchange. The Audit Committee of the Board comprises of following members:

Name	Position Held	Category
Mr. Jaywant Bolaikar	Chairman	Non-Executive Independent Director
Dr. V. k. Sukumaran	Member	Executive Director
Mr. Roy Daniel	Member	Non-Executive Independent Director

All the members of the Audit Committee are financially literate and considering their professional background and experience, have acquired respective management, financial, accounting and legal expertise. The Chairman of the Audit Committee is a Non-Executive Independent Director. The Chairman of the Audit Committee was present at the previous Annual General Meeting held on 27/09/2011.

The Chief Financial Officer of the Company, Statutory Auditors and Internal Auditors are invitees to the meetings of the Audit Committee. Ms. Supriya Avinash Tatkar, Company Secretary acts as the Secretary to the Committee.

Meetings and Attendance during the year 2011-12:

During the year 2011-12, one meeting of the Audit Committee was held and attended by all the members of the Audit Committee.

The minutes of Audit Committee Meeting are noted by the Board of Directors of the Company at the Board meeting after getting approved by the Audit Committee.

ii) Terms of reference

The terms of reference of the Audit Committee includes the mandatory matters specified in Clause 49 of the Listing Agreement and also covers the matters specified under Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly detailed as under:

- a) Overseeing the Company's financial reporting process to ensure disclosure of financial information as per the requirements of Stock Exchange and the Company Law requirements and to ensure that the financial statements are correct and credible.
- b) Review of quarterly, half yearly and annual financial statements before submission to the Board for approval.
- c) Review of Management Discussion & Analysis of financial condition and results of operations, statement of significant related party transactions.
- d) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and Internal Auditors and the fixation of audit fees.
- e) Review of adequacy of internal control systems, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit and further recommending to the Internal Auditors the nature and scope of internal audit.
- f) Review of reports of Statutory and Internal Auditors and replies of the management thereof.

- g) Review of the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Review of the annual financial statements with the management before submission to the Board for approval, with particular reference to :
- Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same. Major accounting entries involving estimates based on exercise of judgment of management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosures of any related party transactions.
 - Qualifications in the draft audit report.
- i) Review of management representation letters to be issued to the Statutory Auditors.
- j) Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- k) Reviewing compliances as regards the Company's Whistle Blower Policy.
- l) Approval of the appointment of the Chief Financial Officer (CFO) of the Company after assessing the qualifications, experience & background, etc. of the Candidate.

IV. Remuneration Committee

- i) Composition of the Remuneration Committee, particulars of meetings held and attended during the year 2011-12:

The Board has constituted Remuneration Committee for fixing and approving the remuneration / commission payable to Executive and Non-Executive Directors of the Company, however, subject to the approval of shareholders and Central Government, wherever necessary. The detail of composition of Remuneration Committee is as follows:

Name	Position Held	Category
Mr. Roy Daniel	Chairman	Non-Executive Independent Director
Ms. Mohua Ghosh	Member	Non-Executive Independent Director
Mr. Jaywant Bolaikar	Member	Non-Executive Independent Director

The Company Secretary acts as the Secretary to the Committee.

During the year 2011-12, no meeting of Remuneration Committee was held.

ii) Employee Stock Option Scheme:

The Company does not have any Employee Stock Option Scheme in place.

iii) Terms of reference :

The terms of reference of the Remuneration Committee include review, recommendations on salaries, performance linked bonus, perquisites and other conditions for Executive Directors. The Committee takes into consideration job requirements, individual profile and remuneration practices followed by industry while determining the overall remuneration policy of the company.

During the year 2011-12, Dr. V. K. Sukumaran and Dr. Saritha Sukumaran held position as Managing Director and Whole time Director of the Company respectively. The Company paid **Rs. 15 Lacs** and **Rs. 10 Lacs** as Remuneration to both the directors respectively. They respectively hold 48,09,680 & 31,90,000 equity shares in the Company as on March 31, 2012. Both Directors tenure is of 3 years commencing from November 4, 2010 till November 3, 2013.

The details of relationship between Directors inter-se, sitting fees paid to Non-Executive Directors during the year 2011-12 and the number of equity shares held by them is as follows:

Name	Relationship between Directors inter-se	Sitting fees paid for Board Meetings and Committee Meetings (In Rs.)	Number of Equity Shares held in MIL as on March 31, 2012
Mr. Roy Daniel	None	NIL	NIL
Mr. Jayawant Boilkar	None	NIL	NIL
Ms. Lakshmi Wasekar	None	NIL	NIL
Ms. Mohua Ranendranath Ghosh	None	NIL	NIL

v. Shareholders' / Investors' Grievance cum Share Transfer Committee

The Shareholders / Investors' Grievance cum Share Transfer Committee of the Board has been constituted in line with the requirements of Clause 49 of the Listing Agreement.

Names	Position held	Category
Mr. Jaywant Bolaikar	Chairman	Non-Executive Independent Director
Ms. Mohua Ghosh	Member	Non-Executive Independent Director
Dr. V.K. Sukumaran	Member	Executive Director

The Company Secretary acts as the Secretary to the Committee.

ii) Name, Designation and Address of Compliance Officer:

Ms. Supriya A Tatkar
Company Secretary
507 Sai Sangam, sector 15,
CBD Belapur,
Navi Mumbai.

iii) Procedure for approval and details of meetings and attendance during the year 2011-12:

The power to approve the share transfer / transmission and dematerialization and / or rematerialisation has been delegated severally to Mr. V.K. Sukumaran, Managing Director, Mrs. Saritha Sukumaran, Whole Time Director and Ms. Supriya A Tatkar, Company Secretary. The request for share transfer/transmission, dematerialization /rematerialisation and issue of new share certificates in lieu of old/worn-out /lost / defaced/split/consolidation, etc., is processed and attended atleast once in a fortnight in co-ordination with Bigshare Services Private Limited., Registrar & Transfer Agents of the Company.

All the above requests processed during a quarter are then taken into record for approval of Shareholders / Investors' Grievance cum Share Transfer Committee. During the year 2011-12, one meeting was held and attended by the members.

iv) Terms of reference:

- a) To look into the redressal of shareholders and investors complaints like non-receipt of notices / annual reports, non-receipt of declared dividends, non-receipt of share certificates, etc;
- b) To approve and register share transfer and transmission;
- c) To expedite the process of dematerialization and / or rematerialisation of shares;
- d) To take on record the Certificate taken under Clause 47 (c) of the Listing Agreement from Practising Company Secretary;
- e) To take on record the Secretarial Audit Report submitted by Practising Company Secretary every quarter.

v) Details of Investors' Complaints/Grievance and their status:

The details of Investors' Complaints received and redressed by the Company and Bigshare Services Private Limited during the year 2011-12 is as follows:

Nature of Complaints	Number of Complaints Received	Number of Complaints Resolved
Non-receipt of Share Certificates	NIL	NIL
Non-receipt of Annual Reports	NIL	NIL
Shares not dematerialized / rematerialized	NIL	NIL
Others	NIL	NIL
Total	NIL	NIL

vi. IPO Committee

The IPO Committee was constituted vide Board Resolution dated 28th Feb., 2011, to look into the various requirements for the purpose of issue related matters towards raising fund by way of Initial Public Offer (IPO). The Company will be required to complete various legal statutory and procedural formalities, which includes appointment of various intermediaries, to prepare and execute Memorandum of Understanding (MOU) / agreements to obtain ISIN No., to file Draft Red Herring Prospectus (DRHP) with SEBI and Stock Exchanges, to receive comments/ observations from SEBI on DRHP, to receive in-principle approval from the Stock Exchanges to file Red Herring Prospectus (RHP) with SEBI, Stock Exchanges and Registrar Of Companies, Maharashtra or any other Statutory agencies as may be required and other matters incidental thereto. The Composition of IPO Committee is as follows:

Name of Members	Designation in the Committee	Nature of Directorship
Dr. V.K. Sukumaran	Chairman	Managing Director
Dr. Saritha Sukumaran	Member	Whole-time director
Mr. Roy Daniel	Member	Non-Executive Independent Director

VII. General Body Meetings

i. Details of last three Annual General Meetings (AGM):

Financial year	Day & Date	Venue	Time
2010-11	Tuesday, 27 th September, 2011	507, Sai Sangam, Sector 15, CBD Belapur, Navi Mumbai, Maharashtra - 400 706	11:00 a.m.
2009-10	Tuesday, 31 st August, 2010	507, Sai Sangam, Sector 15, CBD Belapur, Navi Mumbai, Maharashtra-400 706	11:00 a.m.
2008-09	Thursday, 17 th September, 2009	507, Sai Sangam, Sector 15, CBD Belapur, Navi Mumbai, Maharashtra-400 706	11:00 a.m.

ii Details of Special resolutions passed in last three Annual General Meetings (AGM):

No. of Special resolutions passed	Particulars of Special resolutions
1	Appointment of Dr. V.k. Sukumaran and Dr. Saritha Sukumaran as Managing Director and Whole Time Director Respectively.
NIL	NA
NIL	NA

iii. Details of Extra Ordinary General Meeting (EOGM)

Location, Date and Time of the Extra-Ordinary General Meeting:

Year	Location	Date	Time
2011-12	507, Sai Sangam, Sector 15, CBD Belapur, Navi Mumbai, Maharashtra-400 706	20/05/2011	11.00 a.m.
2011-12	507, Sai Sangam, Sector 15, CBD Belapur, Navi Mumbai, Maharashtra-400 706	30/03/2012	11.00 a.m.

Special Resolution was passed in the EOGM held on 20th May, 2011, for Initial Public Offer of the company

iv. Details of resolutions passed through Postal Ballot:

During the year 2011-12, there were no matters which comes under the. As and when required, the Postal Ballot shall be conducted in accordance with the provisions of Section 192A of the Companies Act, 1956 and The Companies (Passing of Resolutions through Postal Ballot) Rules, 2001.

VIII. Disclosures

i) Related party transactions:

Related party transactions have been disclosed under Note 32 of Significant accounting policies & notes forming part of the financial statements of Audited Accounts in accordance with "Accounting Standard 18". A statement in summary form of transactions with related parties in the ordinary course of business is periodically placed before the Audit Committee for review and recommendation to the Board for their approval.

No material transactions are entered with related parties in conflict with the interest of the Company's business. All the transactions with related parties are entered at arm's length price. The Disclosure of interest in any of transaction is made to the Board every year by the Directors and as and when they become interested. Further, interested Directors neither participate nor vote in the transaction wherein they have potential interest.

ii) Disclosure of Accounting treatment:

The financial statements of the Company for the year ended March 31, 2012 are prepared in conformity with the Accounting Standards.

iii) Share Capital Reconciliation Report:

As the Equity shares are listed and traded at BSE and NSE w.e.f. 18/07/2012, a qualified Practising Company Secretary will carry out secretarial audit 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.

iv) Risk Assessment:

The Company has an effective and efficient Risk Assessment and Management System to track, analyze and mitigate the risks associated with the Company. The Board of Directors periodically reviews the procedure of Risk Assessment and Management and thereby frame a properly defined network with help of which executive management can control risks. The details of risks associated with the Company and the ways to mitigate those risks are discussed in Management Discussion & Analysis Report annexed to the Directors' Report.

v) Proceeds from public issues, rights issues, Preferential issues, etc.:

The company has successfully completed Initial Public Offer and shares of the Company are listed on BSE and NSE w.e.f 18th July, 2012. Hence the utilization of Funds from the IPO proceeds is not applicable for the Company for the financial year 2011-12.

vi) Remuneration of Directors:

Already disclosed in Clause IV "Remuneration committee" section.

vii) Subsidiary Company:

In terms of Clause 49 (III) of the Listing Agreement, your Company does not have any subsidiary company and hence the requirement of the said clause does apply to the Company.

viii) Management:

a) Management Discussion & Analysis report is attached to Directors' Report.

b) There were no material financial and commercial transactions by Senior Management as defined in Clause 49 of the Listing Agreement where they have personal interest that may have a potential conflict with the interests of the Company at large.

ix) Shareholders:

The brief profile and other information pertaining to Directorship held in other Companies, shareholding, etc, of the Directors proposed to be appointed / re-appointed at the ensuing Annual General Meeting of the Company is attached to the Notice of Annual General Meeting.

x) Compliances:

a) The Company has fully complied with all the statutory requirements of Listing Agreement entered into with Stock Exchange including mandatory requirements of Clause 49.

b) The details of compliance with non-mandatory requirements of Clause 49 of the Listing Agreement is as follows;

The Board has set up a Remuneration Committee to determine competitive remuneration package of Executive Directors of the Company. The details of Remuneration Committee are given earlier in this report.

xi) Means of Communication:

a) Financial results

The quarterly, half yearly and annual results of the Company in the format prescribed under Clause 41 of the Listing Agreement will be published in prominent dailies and also will be posted on the website of the Company i.e., www.vksprojects.com

b) Other information

Important official news is also posted on the Company's website www.vksprojects.com, as and when released.

The Company has also designated exclusive e-mail id for the use of investors in accordance with Clause 49 of the Listing Agreement which is compliance@vksprojects.com

xii) CEO/CFO Certificate:

The CEO/CFO Certificate for the year ended March 31, 2012 as required under Clause 49(V) of the Listing Agreement, was placed and taken on record at the Board Meeting of the Company held on 26th September, 2012.

xiii) Certificate of compliance:

The Certificate of Practising Company Secretary confirming compliance with all requirement of the Clause 49 of the Listing Agreement for the year ended March 31, 2012 is appended to this Report on Corporate Governance

xiv) General Shareholders Information:

a) Annual General Meeting

Date : Monday 26th November, 2012.
 Time : 10.30 a.m.
 Venue : The Convention Hall, The Institution Of Engineers(India), Belapur Local Center, Plot No.106, Sector-15, CBD, Belapur, Navi Mumbai-400614

b) Financial year 2012-13 (tentative schedule)

Quarter Results

Ending on June 30, 2012 : Second week of August 2012
 Ending on September 30, 2012 : Second week of November 2012
 Ending on December 30, 2012 : Second week of February 2013
 Year ended March 31, 2013 : In the month of May 2013
 AGM is proposed to be held on September 2013.

c) Date of Book Closure : 20th Nove., 2012 to 20th Nov., 2012 (Both Days Inclusive)

d) Dividend Payment date : No Dividend is recommended by Board

e) Listing on Stock Exchange : The Bombay Stock Exchange Ltd. (BSE), Mumbai

National Stock Exchange of India Ltd. (NSE)

The Annual Listing fees for the year 2012-13 is been fully paid.

f) Stock Code : BSE : 534567
NSE : VKSPL

g) Corporate Identification Number (CIN) : U74210MH1998PLC113596

h) Stock Market Price Data :

The shares of the company are listed & traded w.e.f. 18/07/2012 consequent to the Initial Public Offer. Therefore, stock market data price is not available for 31/03/2012.

I) Registrar and Transfer Agents : Bigshare Services Private Limited
E-2/3, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (E), Mumbai – 400 072
Tel No.: + 91-22-2847 0652.
Fax No.: + 91-22-2847 5207
Email: ipo@bigshareonline.com

j) Share Transfer System:

The physical transfer of shares is processed and approved by the Company in co-ordination with Bigshare Services Private Limited, atleast once in every fortnight. The Share Certificates after effecting transfer are dispatched to the shareholders within 30 days from the date of receipt of transfer request, if the transfer documents are found technically in order and complete in all respects. The transfer of shares held in Demat mode is processed electronically by Bigshare Services Private Limited within 21 days from the date of receipt of the request.

The Shares of the Company are compulsorily traded in dematerialized form.
Shareholding pattern as on March, 2012:

Category	No. of Shareholders	No. of Shares held	Percentage of Shareholding
Promoters' Group	2	7999680	99.99
Other Directors & their Relatives	-	-	-
Mutual funds, Financial Institutions, Banks & Insurance Companies	-	-	-
Foreign Institutional Investors	-	-	-
Non Resident Indians (NRIs)	-	-	-
Resident Individuals	5	320	0.01
Body Corporates	-	-	-
Others	-	-	-
Total	7	8000000	100.00

k) Dematerialization of shares and liquidity:

The Company's Shares are traded in Stock Exchange in dematerialized form and are available for trading in both the Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

ISIN No. of the Company's Equity Shares is: INE213M01016

l) Outstanding GDRs /ADRs /Warrants or any Convertible instruments, conversion date and likely impact on equity : NIL

m) Address for Correspondence : **Registered Office**
507 Sai Sangam, Sector 15, CBD
Belapur, Navi Mumbai, Maharashtra
Tel No. : +91-22 4126 7000
Fax No. : +91-22 41267030
Email: info@vksprojects.com

Compliance Officer
Ms. Supriya A. Tatkar
507 Sai Sangam, sector 15,
CBD Belapur,
Navi Mumbai.
Maharashtra, INDIA.
Tel No.: +91-22 4126 7000
Fax No.: +91-22 41267030
Email: info@vksprojects.com

For and on behalf of the Board

Dr. V.K. Sukumaran
Chairman

Dr. Saritha Sukumaran
Managing Director

Navi Mumbai,
26th September, 2012.

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
VKS Projects Limited

We have examined relevant records of VKS Projects Limited (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement of the Stock Exchange in India for the Financial Year ended 31st March 2012.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the Compliance conditions of Corporate Governance.

On the basis of our examination of the records produced, explanations and information furnished by the management of the Company, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

FOR DHRUMIL M. SHAH & CO

Place: Mumbai
Date: 26th September, 2012

DHRUMIL M. SHAH
Company Secretary
ACS 22541, CP 8978

**AUDITORS' REPORT
TO THE MEMBERS
OF
VKS PROJECTS LIMITED**

1. We have audited the attached Balance Sheet of **VKS PROJECTS LIMITED** as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 a 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, as amended by the Companies (Auditor's Report) (Amendment), 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, we given in the Annexure a statement on the matters specified under clause 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) 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 the books.
 - c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in compliance with Accounting Standard referred to in Section 211 (3C) of the Companies Act, 1956.
 - e) On the basis of representations received from the Directors of the Company and taken on record by the Board of Directors, none of the Directors of the Company is prima facie as on 31st March, 2012 disqualified from being appointed as Director of the Company under clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of the Statement of Profit & Loss, of the Profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

**For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
(Firm Reg. No: 101569W)**

**Sd/-
Devang Vaghani
Partner
(M.No. 109386)**

**Place: Mumbai
Date: September 26, 2012**

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

FIXED ASSETS :

1. (a) As informed, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
- (b) We were also informed that all the fixed assets have been physically verified by the management in a phased periodical manner during the year and that no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size and nature of the Company.
- (c) The Company has not disposed off a substantial part of its fixed assets during the year and accordingly, the going concern status is not affected.

INVENTORIES :

2. (a) We are informed that the inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) According to the inventory records produced to us for our verification, we are of the opinion that the Company is maintaining records for inventories but the same needs improvement in the manner such as product, quantity etc. Further, discrepancies noticed on such physical verification of inventories, if any, referred to above, as compared to the book records, though not material, have been properly dealt with in the books of account.

RELATED PARTY TRANSACTION :

3. (a) As informed to us and on the basis of our examination, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms, or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. However, there are transactions with the parties referred under the above section. In this connection we were informed that those transactions are in the nature of current account.
- (b) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions of these transactions, prime facie not prejudicial to the interest of the Company.
- (c) In our opinion and according to the information and explanation given to us, there is no overdue amount of loans and interest.

INTERNAL CONTROLS :

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems/procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods & services. However in our opinion, the Company needs to strengthen the internal controls considering the volume of activities in the Company. During the course of our audit we have not observed any continuing failure to correct major weakness in the internal controls system.
5. In our opinion and according to the information and explanation provided to us, there are no contracts or arrangements of purchase or sale of goods that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.

DEPOSITS :

6. The Company has accepted the deposits from the public during the financial year 2011-12. However, the directives issued by the Reserve Bank of India and the provisions of section 58A and section 58AA are not complied with.

INTERNAL AUDIT :

7. During the financial year, no internal audit has been carried out by the company.

COST AUDIT :

8. We were informed that the Central Government has not prescribed under section 209(1) (d) of the Companies act, 1956 maintenance of cost records for any of the products manufactured by the Company.

STATUTORY DUES :

9. (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including wealth tax, custom duty, sales tax, excise duty and other statutory dues, applicable to it except for Service Tax and Income Tax. Service Tax dues with interest as at the end of the year were Rs. 1,20,97,305/- and that of Income tax were Rs.1,60,76,093.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of sales tax, wealth tax, customs duty and excise duty were outstanding, as at 31st March, 2012 for a period of more than six months from the date were they became payable except the followings.

Sr. No.	Particulars	Amt. O/s for more than 6 months
1	Income Tax	1,28,12,527
2	Service Tax	28,46,884

- (c) According to the information and explanations given to us and based on records produced to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty, which have not been deposited on account of any dispute.
10. In our opinion, the Company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our examination of the records and the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank.
12. Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security or 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 (Auditors Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debenture and other investments. Accordingly, the provision of clause 4 (xiv) of Companies (Auditors Report) Order, 2003 are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
16. The Company has raised new term loans during the year. The term loans outstanding at the beginning of the year and those raised during the year have been applied for the purposes for which they are raised.
17. In our opinion and according to information and explanation given to us, there are no funds raised on a short-term basis, which have been used for long-term investments.
18. The Company has not made any preferential allotment of equity shares during the financial year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year or in previous year.

20. The Company has not raised any money through a public issue during the year.
21. According to the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the year.

**For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
(Firm Reg. No: 101569W)**

**Sd/-
Devang Vaghani
(M.No. 109386)
Partner**

**Place: Mumbai
Date: September 26, 2012**

1. NOTES AND ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS**A. Company information**

VKS Projects Limited (referred to as “Company”) is an Engineering Procurement and Construction Company (EPC Contractor) engaged in the business of undertaking EPC Contracts of CS/SS/Alloy Steel, Turnkey Piping, Civil Land Development, Industrial/Commercial Infra Projects, Structural Fabrication and Erection of Equipments, Fire Fighting Projects and Commissioning of Chemical Plants for various industries.

B. Significant Accounting Policies adopted by the Company is as follows:**i) Basis of preparation of financial statements :**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

ii) Use of Estimates :

The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reported period. Differences between the actual result and estimates are recognized in the period in which the results are known/materialize.

iii) Fixed Assets :

Fixed Assets are stated at cost of acquisition less accumulated depreciation thereon. Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties taxes and other incidental expenses related to acquisition and installation of Fixed Assets incurred to bring the assets to their working condition for their intended use.

iv) Depreciation :

Depreciation is provided for in the books on written down value method as per the rates prescribed under Schedule XIV of the Companies Act 1956.

v) Income Recognition :

Revenue from the sale of goods is recognized net of sales tax on transfer of the title as per the Contact Terms with the Customer. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to the measurement or collectability of consideration that will be derived on completion of the contract, is recognized as per the percentage of completion method. Interest on deposits is accounted for on the time proportion basis.

vi) Foreign Currency Translation :

Foreign currency transactions are recorded in the books at exchange rates prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the period are recognized as income or expense in the profit and loss account of the same period.

Foreign currency assets and liabilities are translated at the period end rates and the resultant exchange differences, are recognized in the profit and loss account.

vii) Borrowing Cost :

Borrowing Costs that are directly attributable to the acquisition or production of qualifying assets are capitalized as the cost of the respective assets. Other Borrowing Costs are charged to the Profit and Loss Account in the period in which they are incurred.

viii) Employees benefits :

All employee benefit obligations payable wholly within twelve months of the rendering the services are classified as Short Term Employee Benefits. Such Benefits are estimated and provided for in the period in which the employee renders the related service.

Post Employment Benefits**Defined Contribution Plan**

All eligible employees of the Company are entitled to receive benefits under the provident fund through a defined contribution plan in which both the employee and the Company contribute monthly at specified percentage of employee's basic salary. These contributions are made to a Government Approved Provident Fund. Contribution to the said provident fund is Defined Contribution Plan. The contribution paid/ payable under the schemes is recognized during the period in which the employee renders the related service.

Defined Benefit Plans

The costs of providing Gratuity (unfunded) is determined using projected unit credit method on the basis of actuarial valuation carried out by a third party actuary at each balance sheet date

ix) Inventories

Inventories are measured at lower of the cost and net realizable value. Cost of inventories comprises all costs of purchase (net of input credit) and other costs incurred in bringing the inventories to their present location and condition. Costs of consumable and trading products are determined by using the First-In First-Out Method (FIFO).

x) Accounting for taxes on Income :

- i) Income tax comprises the current tax and net change in deferred tax assets, which are made in accordance with the provisions as per the Income Tax Act, 1961.
- ii) Deferred Tax resulting from timing differences between accounting income and taxable income for the period is accounted for using the tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

xi) Leased Assets :

Assets acquired on leases where a significant portion of the risks and rewards of the ownership are retained by the lessor, are classified as Operating Leases. The rental and all other expenses of leased assets are treated as revenue expenditure.

xii) Provisions and Contingent Liabilities :

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

xiii) Impairment of Assets :

The Company assesses at each balance sheet date whether there is any indication that an assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the assets belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as impairment loss and is recognized in the profit and loss account. If at the balance date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the assets is reflected at the recoverable amount.

xiv) Cash and cash equivalents :

The Company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents.

VKS Projects Limited
Balance Sheet as at 31st March 2012

		(Amount in Rs)	
Particulars	Note No.	As at 31st March 2012	As at 31st March 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	80,000,000	80,000,000
(b) Reserves and surplus	3	104,360,467	48,134,910
3 Non-current liabilities			
(a) Long-term borrowings	4	2,679,628	9,217,716
(b) Deferred tax liabilities (Net)	5	3,682,652	3,911,693
(c) Long-term provisions	6	1,022,521	844,386
4 Current liabilities			
(a) Short-term borrowings	7	271,231,035	111,564,691
(b) Trade payables		103,396,186	9,274,790
(c) Other current liabilities	8	46,348,440	49,906,484
(d) Short-term provisions	9	16,076,093	11,170,890
TOTAL		628,797,023	324,025,560
II. ASSETS			
Non-current assets			
1 (a) Fixed assets			
Tangible assets	10	84,075,061	94,468,143
(c) Long-term loans and advances	11	2,738,713	1,852,700
(d) Other non-current assets	12	4,281,680	5,070,954
2 Current assets			
(a) Inventories	13	21,821,390	34,143,620
(b) Trade receivables	14	460,391,228	163,262,702
(c) Cash and cash equivalents	15	516,910	1,680,029
(d) Short-term loans and advances	16	2,889,229	1,934,300
(e) Other current assets	17	52,082,812	21,613,112
TOTAL		628,797,023	324,025,560
Notes & Accounting Policies forming part of			
III. The Financial Statements	1 to 33		

**As per our report of even date
for and on behalf of
Borkar & Muzumdar
Chartered Accountants
Firm Regn No. 101569W**

**Sd/-
Devang Vaghani
Partner
Membership No.109386**

**Place : Mumbai
Date : September 26, 2012**

**For and on behalf of the Board of Directors of
VKS PROJECTS LIMITED**

**Sd/-
V. K. Sukumaran
Managing Director**

**Sd/-
Sarita Sukumaran
Director**

**Sd/-
Supriya Tatkar
Company Secretary
Place : Mumbai
Date : September 26, 2012**

VKS Projects Limited
Profit and loss statement for the year ended 31st Mar 2012

(Amount in Rs)

Particulars		Refer Note No.	For the year ended 31 March 2012	For the year ended 31 March 2011
I.	Revenue from operations	18	1,440,827,022	602,513,156
II.	Other income	19	2,763,062	29,462
III.	Total Revenue (I + II)		1,443,590,084	602,542,618
IV.	Expenses:			
	Cost of materials consumed	20	9,202,465	7,915,058
	Purchases of Stock-in-Trade		257,017,709	115,137,663
	Changes in inventories of finished goods work-in-progress and Stock-in-Trade	21	12,901,284	(29,315,238)
	Employee benefits expense	22	6,442,657	7,553,978
	Finance costs	23	33,945,626	15,917,177
	Depreciation	10	13,465,210	10,439,940
	Other expenses	24	1,028,684,593	427,673,658
	Total expenses		1,361,659,544	555,322,237
V.	Profit before tax (III- IV)		81,930,540	47,220,381
VI.	Tax expense:			
	(1) Current tax		25,000,000	11,000,000
	(2) Income Tax of Previous Years		934,023	792,312
	(3) Deferred tax		(229,041)	3,830,834
VII.	Profit (Loss) for the period from continuing operations (IX-X)		56,225,558	31,597,235
VIII.	Earnings per equity share:			
	(1) Basic		7.03	15.02
	(2) Diluted		7.03	15.02
IX.	Notes & Accounting Policies forming part of The Financial Statements	1 to 33		

As per our report of even date
for and on behalf of
Borkar & Muzumdar
Chartered Accountants
Firm Regn No. 101569W

Sd/-
Devang Vaghani
Partner
Membership No.109386

Place : Mumbai
Date : September 26, 2012

For and on behalf of the Board of Directors of
VKS PROJECTS LIMITED

Sd/-
V. K. Sukumaran
Managing Director

Sd/-
Sarita Sukumaran
Director

Sd/-
Supriya Tatkar
Company Secretary

Place : Mumbai
Date : September 26, 2012

2	<u>Share Capital</u>	As at 31 March 2012		As at 31 March 2011	
		Number	Amount	Number	Amount
	Authorised				
	Equity Shares of Rs. 10 each with voting rights	14,000,000	140,000,000	14,000,000	140,000,000
	Issued Subscribed & Paid up				
	Equity Shares of 10 each fully paid up with voting rights	8,000,000	80,000,000	8,000,000	80,000,000
	Total	8,000,000	80,000,000	8,000,000	80,000,000

2.1 The reconciliation of the number of shares outstanding is set out below :

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	8,000,000	80,000,000	550,000	5,500,000
Shares Issued during the year	-	-	7,450,000	74,500,000
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	8,000,000	80,000,000	8,000,000	80,000,000

2.3 The details of Shareholders holding more than 5% shares :

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
V.K. Sukumaran	4,809,680	60.121	4,809,680	60.121
Saritha Sukumaran	3,190,000	39.875	3,190,000	39.875
Total	7,999,680	99.996	7,999,680	99.996

2.4 Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Year (Aggregate No. of Shares)					
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Equity Shares :						
Fully paid up pursuant to contract(s) without payment being received in cash	-	-	-	-	-	-
Fully paid up by way of bonus shares	-	22,000,000	-	-	-	-
Shares bought back	-	-	-	-	-	-

2.5 There are no calls remaining unpaid as on March 31, 2012, hence no disclosure is required pursuant to Note no. 6(A)(k) of Part I of Schedule VI to the Companies Act, 1956.

2.6 Terms/rights attached to Equity Shares

The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share.

3	<u>Reserves & Surplus</u>	As at 31	As at 31
		March 2012	March 2011
		Rs.	Rs.
	(a) Securities Premium Account		
	Opening Balance	12,500,000	-
	Add : Securities premium credited on Share issue	-	12,500,000
	Closing Balance	12,500,000	12,500,000
	(b) Surplus		
	Opening balance	35,634,910	26,037,675
	Add: Net Profit/(Net Loss) For the current year	56,225,558	31,597,235
	Less: Profit Utilised for Issuing Bonus Shares	-	22,000,000
	Closing Balance	91,860,467	35,634,910
	Total	104,360,467	48,134,910

4	<u>Long Term Borrowings</u>	As at 31	As at 31
		March 2012	March 2011
		Rs.	Rs.
	<u>Term loans</u>		
	(i) From banks		
	Unsecured	1,350,237	4,112,990
	(ii) From Other parties		
	Unsecured	1,329,391	5,104,726
	Total	2,679,628	9,217,716

Note: 4.1

Details of terms of repayment for the other long-term borrowings and security provided in respect of the secured other long-term borrowings:

Particulars	Terms of repayment	As at 31 March, 2012		As at 31 March, 2011	
		Secured	Unsecured	Secured	Unsecured
		Rs.	Rs.	Rs.	Rs.
Term loans					
(i) From banks					
Barclays Bank Plc	Repayable in 36 installments, amount of installment is Rs.109,276/- p.m., the rate of interest is	-	917,277	-	1,972,937
Hdfc Bank Limited	Repayable in 36 installments, amount of installment is Rs.42,784/- p.m., the rate of interest is	-	432,960	-	834,799
Kotak Mahindra Bank Limited	Repayable in 23 installments, amount of installment is Rs.130,550/- p.m., the rate of interest is	-	-	-	1,305,254
(i) From Other Parties					
Magma Fincop Limited	Repayable in 23 installments, 12 EMI's of Rs. 187,425/- each in first 12 months, 12 EMI's of Rs. 122,500/- each in next 12 months and 12 EMI's of Rs. 644,00/- each in last 12 months. p.m., the rate of interest is	-	-	-	1,391,367
S E Investment	Repayable in 24 installments, 12 EMI's of Rs. 417,353/- each in first 12 months and 12 EMI's of Rs. 278,235/- each in last 12 months and amount of installment is Rs.130,550/- p.m., the rate of interest is	-	-	-	2,536,403
Tata Capital Limited	Repayable in 24 installments, amount of installment is Rs.177,282/- p.m., the rate of interest is	-	1,329,391	-	1,176,956
Total		-	2,679,628	-	9,217,716

5	<u>Deferred tax liabilities (Net)</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	Deferred Tax Liabilities		
	Depreciation	7,354,642	8,255,339
	Deferred Tax Assets		
	Gratuity Provision	331,757	273,961
	Service Tax Payable	3,340,232	4,069,685
	Total	3,682,652	3,911,693
6	<u>Long Term Provisions</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	Provision for employee benefits		
	Gratuity (unfunded)	1,022,521	844,386
	Total	1,022,521	844,386
7	<u>Short Term Borrowings</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	<u>Secured</u>		
	(a) Loans repayable on demand		
	From banks	253,762,975	93,643,579
	(Hypothicated charge over Comopany's entire current assest consisting of Stock, Book Debts & Receivable of the Company)		
	<u>Unsecured</u>		
	(a) Loans repayable on demand		
	From banks	-	655,135
	(b) Loans and advances from related parties		
	From Directors	93,560	11,025,977
	(c) Other Loans and Advances		
	Other unsecured Loan	17,374,500	6,240,000
	Total	271,231,035	111,564,691

8	<u>Other Current Liabilities</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	(a) Current maturities of long-term debt (Refer Note 4.1 above)		
	Term loans		
	(i) From banks		
	Unsecured	2,762,751	2,425,850
	(ii) From Other parties		
	Unsecured	5,611,664	8,398,392
	(b) Other Liabilities		
	(i) Advance from Debtors	18,943,151	17,434,000
	(ii) Statutory dues payable	14,964,591	18,582,066
	(iii) Expenses payable	4,066,283	3,066,176
	Total	46,348,440	49,906,484
9	<u>Short Term Provisions</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	Other Short Term Provision		
	Provision for Taxation (net of advance tax)	16,076,093	11,170,890
		-	-
	Total	16,076,093	11,170,890
11	<u>Long Term Loans and Advances</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	Security Deposits		
	Secured, considered good	-	-
	Unsecured, considered good	2,738,713	1,852,700
	Doubtful	-	-
	Less: Provision for doubtful deposits	-	-
		2,738,713	1,852,700
	Total	2,738,713	1,852,700

Fixed Assets	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 April 2011	Additions/ (Disposals)	Acquired through business combinations	Balance as at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	On disposals	Balance as at 31 March 2012	Balance as at 1 April 2011	Balance as at 31 March 2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Tangible Assets										
Computer	725,391	79,904	-	805,295	551,853	95,806	-	647,659	173,538	157,636
Furniture & Fixtures	743,987	2,385,179	-	3,129,166	444,185	265,640	-	709,825	299,802	2,419,341
Machines	103,773,134	490,220	-	104,263,354	11,411,736	12,901,745	-	24,313,481	92,361,398	79,949,873
Office Premises	1,468,060	-	-	1,468,060	497,854	48,510	-	546,364	970,206	921,696
Office Equipments	553,984	117,826	-	671,810	310,405	45,869	-	356,274	243,579	315,536
Motor Car	1,000,000	-	-	1,000,000	580,380	108,640	-	689,020	419,620	310,980
Total	108,264,556	3,073,129	-	111,337,685	13,796,413	13,466,210	-	27,262,623	94,468,143	84,075,061

10

12	<u>Other Non Current Assets</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	(a) Unsecured, considered good unless stated otherwise		
	Non-Current Bank Balance		
	Deposits with original maturity more than 12 months - Lien marked against bank facility	3,994,443	5,046,574
	(b) Others		
	Interest accrued on Fixed deposits	287,237	24,380
	Total	4,281,680	5,070,954

13	<u>Inventories</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	(a) Raw Materials and components	894,656	315,602
	(b) Stock in Trade	20,926,734	33,828,018
	Total	21,821,390	34,143,620

14	<u>Trade Receivables</u>	As at 31 March 2012	As at 31 March 2011
		Rs.	Rs.
	Trade receivables outstanding for a period less than six months from the date they are due for payment		
	Secured, considered good	-	-
	Unsecured, considered good	458,269,949	159,545,531
	Unsecured, considered doubtful	-	-
	Less: Provision for doubtful debts	-	-
		458,269,949	159,545,531
	Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
	Secured, considered good	-	-
	Unsecured, considered good	2,121,279	-
	Unsecured, considered doubtful	-	16,260,508
	Less: Provision for doubtful debts	-	12,543,336
		2,121,279	3,717,172
	Total	460,391,228	163,262,702

15	<u>Cash and cash equivalents</u>	As at 31	As at 31
		March 2012	March 2011
		Rs.	Rs.
	(a) Balances with banks		
	On current Account	11,990	1,496,816
	(b) Cash on hand	504,920	183,213
	Total	516,910	1,680,029

16	<u>Short-term loans and advances</u>	As at 31	As at 31
		March 2012	March 2011
		Rs.	Rs.
	(a) Loans and advances to related parties		
	Secured, considered good	-	-
	Unsecured, considered good	1,127,183	-
	Doubtful	-	-
	(b) Prepaid expenses - Unsecured, considered good	1,675,161	35,500
	(c) Others		
	Advances to Creditors	86,885	1,898,800
	Total	2,889,229	1,934,300

Note:16.1

	<u>Particulars</u>	As at 31	As at 31
		March 2012	March 2011
		Rs.	Rs.
	From Directors	1,127,183	-
	Total	1,127,183	-

17	<u>Other Current Assets</u>	As at 31	As at 31
		March 2012	March 2011
		Rs.	Rs.
	Others		
	(i) Unbilled Revenue	32,443,200	4,391,687
	(ii) MVAT Receivable	13,261,532	14,335,853
	(iii) Retention money	6,378,080	2,885,573
	Total	52,082,812	21,613,112

18	<u>Revenue from operations</u>	For the year ended 31 March 2012	For the year ended 31 March 2011
		Rs.	Rs.
	(a) Sale of Products	310,112,719	89,812,743
	(b) Sale of services	1,130,714,302	507,028,724
	(c) Other operating revenues Others	-	5,671,689
	Total	1,440,827,022	602,513,156

Note 18.1

(a) Sale of Products comprises of Engineering Goods, pipes, fittings, Iron & steel etc.

(b) Sale of Services comprises of Errectioning, Installation and commissioning of infra project services

19	<u>Other non-operating income</u>	For the year ended 31 March 2012	For the year ended 31 March 2011
		Rs.	Rs.
	(a) Interest Income	443,106	29,462
	(b) Prior period items Service Tax liability written back	2,319,956	-
	Total	2,763,062	29,462

20	<u>Cost of materials consumed</u>	For the year ended 31 March 2012	For the year ended 31 March 2011
		Rs.	Rs.
	Opening stock	315,602	-
	Add: Purchases	9,781,519	8,230,660
	Less: Closing stock	894,656	315,602
	Cost of material consumed	9,202,465	7,915,058

Material consumed comprises of Fuels, Gas, Electric & Hardware items etc.

21	<u>Changes in inventories of finished goods work-in-progress and Stock-in-Trade</u>	For the year ended 31 March 2012	For the year ended 31 March 2011
		Rs.	Rs.
	Inventories at the end of the year Stock-in-trade	20,926,734	33,828,018
	Inventories at the beginning of the year Stock-in-trade	33,828,018	4,512,780
	Net (increase) / decrease	12,901,284	(29,315,238)

22	<u>Employee Benefits Expense</u>	For the year ended 31 March 2012	For the year ended 31 March 2011
		Rs.	Rs.
	(a) Salaries and incentives	5,116,076	5,173,191
	(b) Contributions to -		
	(i) Provident fund	52,245	62,397
	(ii) ESI	335,158	-
	(c) Gratuity Expense	178,135	844,386
	(d) Staff welfare expenses	761,043	1,474,004
	Total	6,442,657	7,553,978

Additional information to the financial statements

- 26 In the opinion of the management, current assets, loans and advances have realizable value of at least the amounts at which they are stated in the accounts.
- 27 Balances of trade receivables, loans and advances, sundry deposits and current liabilities are subject to confirmations, reconciliation and consequential adjustments, if any thereon.
- 28 In view of multiplicity and difficulty in identification of accounts to Micro, Small and Medium Enterprises, information with regard to amount unpaid at the year end together with the interest paid/payable under the MSMED Act, 2006 as required under to the Companies Act, 1956 is not disclosed.
- 29 Details required as per Companies Act to the extent applicable is given below:

	31.03.2012	31.03.11
Remuneration to Auditors		
Audit Fees	5,00,000	4,00,000
Tax Audit	-	-
Other matters	-	-
Total	5,00,000	4,00,000

Disclosure under Accounting Standard

- 30 As per Accounting Standard (AS) 17 on “Segment Reporting”, Segment information has not been provided as the Company has only one reportable segment.
- 31 Earnings per share is calculated by dividing the profit/(loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. The numbers used in calculating the basic and diluted earnings per share are stated below:

Sr. No.	Particulars	31.03.2012	31.03.2011
1.	Net profit for the year as per profit and loss accounts (Rs.)	5,62,25,558	3,15,97,235
2.	Weighted Average number of equity shares	80,00,000	2,103,562
3.	Nominal value per share (Rs.)	10	10
4.	Basic & Diluted Earnings/(Loss) per share	7.03	15.02

32 Related party transactions:

A) Related parties and their relationship

Key Management Personnel:

Mr. V. K. Sukumaran & Mrs. Sarita Sukumaran, - Promoters and directors of the Company.

Others:

Enterprises over which Key Management personnel are able to exercise significant influence:

- i) VKS Infraprojects Pvt. Ltd. and (ceased to be an associates in 2010-11)
- ii) Chaitanya Contractors & Engineers Pvt. Ltd. (ceased to be an associates in 2010-11)
- iii) Telecon Engineering Pvt. Ltd. (ceased to be an associates in 2010-11)

B) Transactions with related parties during the year ended 31st March,2012:

Nature of Transaction	Key Management Personnel	Others	Total
Directors Remuneration	25,00,000 (20,00,000)	- (-)	25,00,000 (20,00,000)
Returned back Advance payment given against investment in property	Nil (1,32,00,000)	- (-)	Nil (1,32,00,000)
Interest on Vehicle Loan	Nil (61,553)	- (-)	Nil (61,553)
Purchase of Fixed Assets including taxes	- (-)	Nil (11,14,27,479)	Nil (11,14,27,479)
Purchases of Goods including taxes	- (-)	Nil (7,52,59,165)	Nil (7,52,59,165)
Labour Charges Paid	- (-)	Nil (1,46,33,350)	Nil (1,46,33,350)

C) Balances with related parties during the year ended 31st March,2012:

Nature of Transaction	Key Management Personnel	Others	Total
Advance to Directors Mr. V.K. Sukumaran	11,27,183 (-82,84,791)	- (-)	11,27,183 (-82,84,791)
Payable to Directors Mrs. Sarita Sukumaran	93,560 (27,41,186)	- (-)	93,560 (27,41,186)

D) Disclosure of material transactions with related parties during the year ended 31st March,2012:

Particulars	2012	2011
<u>Purchase of Fixed Assets</u>		
VKS Infraprojects Pvt. Ltd.	-	11,14,27,479
<u>Purchases of Goods</u>		
VKS Infraprojects Pvt. Ltd.	-	5,06,50,235
Telecon Engineering Pvt. Ltd.	-	2,46,08,930
<u>Labour Charges</u>		
Chaitanya Contractors & Engineers Pvt. Ltd.	-	1,46,33,350

Note: Figures in brackets are of previous year.

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

**For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants**

**Devang Vaghani
Partner**

**Place: Mumbai
Date: August 27, 2012**

VKS PROJECTS LIMITED

Registered Office: 507 Sai Sangam, sector 15, CBD Belapur, Navi Mumbai – 400614.

Folio No.	
No. of shares held	

ATTENDANCE SLIP

I/We hereby record my/our presence at the **Annual General Meeting** of the Company held on **Monday, 26th November, 2012 at 10.30 a.m.** at “The Convention Hall, The Institution Of Engineers (India), Belapur Local Center, Plot No.106,Sector-15, CBD, Belapur, Navi Mumbai-400614.

NAME OF THE SHAREHOLDER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER	
NAME OF THE PROXY (IN BLOCK LETTERS)	
SIGNATURE OF PROXY	

Notes:

1. You are requested to sign and handover this slip at the entrance to the Meeting Venue.
2. If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

VKS PROJECTS LIMITED

Registered Office: 507 Sai Sangam, sector 15, CBD Belapur, Navi Mumbai – 400614.

Folio No.	
No. of shares held	

FORM OF PROXY

I/We..... of in the district of
..... being a member/members of **VKS PROJECTS LIMITED** hereby appoint
..... of in the district of or failing
him.....of in the district of
..... as my/our proxy to vote for me/us on my/our behalf at the **Annual General Meeting**
of the Company to be held on **Monday, 26th November, 2012 at 10.30 a.m. at** “The Convention Hall, The
Institution Of Engineers (India), Belapur Local Center, Plot No.106,Sector-15, CBD, Belapur, Navi Mumbai-
400614 . and at any adjournment thereof.

Signed this day of, 2012.



Signature: _____

N.B.: The Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

BOOK – POST

If undelivered please return to:

VKS Projects Limited

Registered Office: 507 Sai Sangam, sector 15, CBD Belapur, Navi Mumbai – 400614.

