

26th
ANNUAL REPORT
2015 - 16

VERTICAL INDUSTRIES LIMITED

(formerly known as LA MANSION GRANITES LIMITED)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

SRI P.JANARDHAN REDDY	- CHAIRMAN & MANAGING DIRECTOR
SMT S NAGA LAKSHMI	- DIRECTOR
SRI Y MALLIKHARJUNA RAO	- INDEPENDENT DIRECTOR
SRI MIKKILINENI SRIKANTH (FROM 14.08.2015)	- INDEPENDENT DIRECTOR
SMT MIKKILENENI KANAKAVALLI TAYARAMMA (FROM 14.08.2015)	- INDEPENDENT DIRECTOR

AUDITORS : P.S. Nagaraju & Co
Chartered Accountants
Plot No: 15, SaiPrabha, Arunodaya
Colony, Near Karnataka Bank
Silicon Valley Madhapur,
Hyderabad - 500081

CIN : L14102TG1990PLC011398

REGISTERED OFFICE : F-201, Krishna Kamala Residency,
Besides Satyasai Nigamagamam,
Srinagar Colony, Hyderabad - 500073

LISTED AT : The BSE Limited

REGISTRARS & SHARE TRANSFER AGENTS : M/s. Venture Capital and Corporate
Investment Private Limited
12-10-167, Bharat Nagar,
Hyderabad - 500018

SECRETARIAL AUDITORS : M/s. P. S. Rao & Associates
Company Secretaries
Flat No.10, 4th Floor, D. No.6-3-347/22/2
IshwaryaNilayam, Opp. Sai Baba Temple,
Dwarakapuri Colony, Punjagutta,
Hyderabad – 500 082, Telangana, India

NOTICE

Notice is hereby given that the **Twenty Sixth Annual General Meeting** of the members of the Company will be held on Wednesday, 31st Day of December, 2016 at 03:00 P.M. at the registered office of the company at 201, Krishna Kamala Residency, Besides Satyasai Nigamagamam, Srinagar Colony, Hyderabad – 500073 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2016 and the Statement of Profit and Loss Account and cash flow statement for the financial year ended on that date along with the Report of Directors and the Auditors thereon.
2. Re-appointment of Smt. S.N Lakshmi as Director who retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for reappointment..
3. Ratification of Appointment of M/s P.S. Nagaraju & Co, Chartered Accountants, Hyderabad, as Statutory Auditors of the Company for Financial Year 2016-17.

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 Sections 139, 141 and 142 of the Companies Act, 2013, the appointment of M/s P.S. Nagaraju & Co, Chartered Accountants, Hyderabad (ICAI Firm Registration No 0114477S), who were appointed as the Statutory Auditors of the Company till the conclusion of 29th Annual General Meeting, be and is hereby ratified and confirmed, on such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of all out of pocket expenses in connection with the audit of the accounts of the Company for the financial year ending 31st March, 2017.

**BY THE ORDER OF THE BOARD
For Vertical Industries Limited**

**Sd/-
P.Janadhan Reddy
Chairman & Managing Director**

Place: Hyderabad
Date: 06.12.2016

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/herself 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. A person cannot act as proxy for more than 50 members and holding in aggregate not more than ten percent of the total share capital of the company.
2. The Register of Members and the Share Transfer Books will remain closed from 26th December, 2016 to 31st December, 2016 (both days inclusive).
3. Members / Proxies are requested to bring their copies of Annual Report with them for the Annual General Meeting and the attendance slip duly filled in for attending the Meeting. No copies of the Annual Report will be distributed at the meeting.
4. Members are requested to quote their Registered Folio No or Demat Account No and Depository Participant Identification Number (DPID No) on all correspondence with the Company.
5. Members are requested to send all communication relating to shares to the Company's RTA, M/s Venture Capital and Corporate Investments Pvt. Ltd. 12-10-167, Bharat Nagar, Hyderabad – 500018.
6. 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 RTA, M/s Venture Capital and Corporate Investments Pvt. Ltd. 12-10-167, Bharat Nagar, Hyderabad – 500018.
7. The information (Pursuant to Regulation 36(3) of SEBI (Listing Obligation and Disclosure requirements) Regulation, 2015) with respect to the details of the Director seeking re-appointment in this Annual General Meeting is annexed.
8. All the documents referred to in the Notice will be available to the members at the registered office of the company between 10.30 A.M to 12.30 P.M on all working days from the date hereof up to the date of the Meeting.

**BY THE ORDER OF THE BOARD
For Vertical Industries Limited**

**Sd/-
P.Janadhan Reddy
Chairman & Managing Director**

Place: Hyderabad

Date: 06.12.2016

ADDITIONAL INFORMATION

(Pursuant to Regulation 36(3) of SEBI
(Listing Obligation and Disclosure requirements) Regulation, 2015)

Name of the Director	S.N Lakshmi
Date of Birth	12/06/1964
Date of Appointment on the Board	30/06/2005
Qualification, Experience & Expertise	She is a commerce graduate and has been associated with the Company since 30th June, 2005. She takes care of Marketing and HR polices of the Company.
Directorship in other public companies (Excluding foreign companies and section 25 Companies)	NIL
Shareholding	3,80,000, 4.87%

BY THE ORDER OF THE BOARD
For Vertical Industries Limited

Sd/-
P.Janardhan Reddy
Chairman & Managing Director

Place: Hyderabad
Date: 06.12.2016

DIRECTORS' REPORT

Your Directors hereby present the **Twenty Sixth Annual Report** together with the Audited Accounts of the company for the financial year ended 31st March, 2016.

Financial summary or highlights/Performance of the Company:

The financial highlights for the current year in comparison to the previous year are as under:

(Rupees in Lakhs)

PARTICULARS	Current Year (2015-16)	Previous year (2014-2015)
Total Revenue	4.90	4.60
Total Expenditure (before Financial Charges, Depreciation and Taxation)	5.13	7.34
Profit before Financial Charges, Depreciation and Taxation	-0.23	-2.74
Less: Depreciation	0.00	0.00
Less: Financial Charges	0.00	0.00
Profit Before Tax	-0.23	-2.74
Less: Provision for Tax & Deferred Tax	0.00	0.00
Profit After Tax	-0.23	-2.74

COMPANY PERFORMANCE:

During the year company has not undertaken any major commercial operations profit/ (loss) after tax stood at Rs. (0.23) lacs. The loss is on account of statutory and other expenses.

There is no change in the nature of business during the FY 2015-16

DIVIDEND:

Your Directors do not recommend any dividend for the financial year 2015-2016, in view of the accumulated losses.

TRANSFER TO RESERVES

Your Company did not transfer any amount to reserves

THE NAMES OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR:

Till date the Company doesn't have any subsidiaries/ associate companies and the Company does not have any joint ventures.

STATUTORY AUDITORS:

Pursuant to the provisions of Sections 139(2) of the Companies Act, 2013 the shareholders in their meeting held on 31st December, 2014 approved the appointment of M/s P.S. Nagaraju & Co, Chartered

Accountants, Hyderabad (ICAI Firm Registration No 0114477S), as the Statutory Auditors of the Company to hold office till the conclusion of 29th Annual General Meeting subject to ratification of shareholders in every Annual General Meeting. Accordingly, a resolution seeking Members' ratification on appointment of M/s P.S. Nagaraju & Co, Chartered Accountants, Hyderabad, as the Statutory Auditors of the Company for the financial year 2016-17 is included in Item No.3 of the Notice convening the Annual General Meeting.

INTERNAL AUDITORS:

The operations of the company are almost insignificant. The company is also going through severe financial crisis. In view of the same, the company has not appointed any outside agency to carry out Internal Audit.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. P.S. Rao & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is annexed herewith as "**Annexure III**" to this report.

REPLY TO QUALIFICATIONS IN SECRETARIAL AUDIT REPORT:

i) Company has not appointed CFO and Company Secretary as required under section 203 of Companies Act, 2013 and Regulation 6 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015):

With negligible operations, becoming difficult for the Company to attract suitable CFO and Company Secretary.

ii) The Company is irregular in filing various forms required to be filed under provisions of Companies Act, 2013

Due to constant changes in officers looking after the secretarial matters, there have been instances of delay in filing of forms.

DIRECTORS:

In accordance with the provisions of Section 152 of the Companies Act, 2013, Smt. S.N Lakshmi, Director of the Company retires by rotation and being eligible, has offered herself for re-appointment.

The details of various committees of the Board are given as **Annexure - V** and forms part of this report.

MEETINGS OF BOARD OF DIRECTORS

During the Financial year ended 31st March, 2016, Board of Directors met (4) Four times and gap between two Board meetings did not exceed 120 days.

28.05.2015	14.08.2015	14.11.2015	13.02.2016
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DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR:

A. Satyanarayana and P.V.V. Subrahmanyam, Directors of the Company resigned w.e.f 28.05.2015 and Sri Mikkilineni Srikanth and Smt Mikkilineni Kanakavalli Tayamma were appointed as Additional Directors under independent Director Category w.e.f 14.08.2015, whose appointment was regularized in the Annual General Meeting.

DECLARATION GIVEN BY INDEPENDENT DIRECTORS:

Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under the Companies Act, 2013.

FIXED DEPOSITS:

Your Company has not accepted any fixed deposits and as such no principal or interest was outstanding as on the date of the Balance sheet.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

MATERIAL CHANGES AND COMMITMENTS:

There are no material changes and commitments affecting the financial position of the company occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134 (5) of the Companies Act, 2013, your Directors confirm that to the best of their knowledge and belief and according to the information and explanation obtained by them,

- (i) that in the preparation of Annual Accounts for the financial year ended 31st March, 2016, 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 **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 on a going concern basis.
- (v) The Directors had laid down Internal Financial controls to be followed by the Company and that such internal financial Controls are adequate and were operating efficiently.

- (vi) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and Operating effectively.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy framed to deal with instance of fraud and mismanagement, if any in the Group. The details of the Policy are explained in the section Polices of the Company – “Annexure -VI” and also posted on the website of the Company <http://verticalindustries.in/>

RISK MANAGEMENT

The Company has risk management mechanism in place which mitigates the risk at appropriate situations and there are no elements of risk, which in the opinion of Board of Directors may threaten the existence of the Company.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

There were no contracts or arrangements with related parties as specified in section 188 (1) of the Act during the financial year 2015-16.

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

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 134(3) (m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are given as “Annexure – I” and forms part of this report.

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as “Annexure - II” to this report.

CORPORATE GOVERNANCE:

As per SEBI Circular dated 15.09.2014 vide Circular CIR/CFD/POLICY CELL/7/2014, Provisions of Corporate Governance are not applicable to your Company.

LISTING:

Your Company's shares are presently listed on The BSE Limited, Mumbai.

PERFORMANCE EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and Compliance Committees.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman & Managing Director of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgments, safeguarding the interest of the Company and its minority shareholders etc.

The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman & Managing Director and the Non Independent Directors

was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS.

The Company has in place proper and adequate internal control systems commensurate with the nature of its business, and size and complexity of its operations. Internal control systems comprising of policies and procedures designed to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedure, applicable laws and regulations, and that all assets and resources are acquired are used economically

PARTICULARS OF EMPLOYEES

Details pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as “Annexure - IV” to this report.

DETAILS ABOUT THE CORPORATE SOCIAL RESPONSIBILITY POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY

The Company does not meet the Criteria as specified in Section 135 of the Companies Act, 2013 regarding Corporate Social Responsibility.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

“The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the financial year 2015-16:

- No. of complaints received: Nil
- No. of complaints disposed off: Nil

ACKNOWLEDGEMENTS:

Your directors acknowledge the continued support from regulatory, government authorities, staff and all the stake holders for their support and cooperation.

**BY THE ORDER OF THE BOARD
For Vertical Industries Limited**

**Sd/-
P.Janadhan Reddy
Chairman & Managing Director**

Place: Hyderabad

Date: 06.12.2016

Annexure – I

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

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 134(3) (m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are given as below.

A. CONSERVATION OF ENERGY:**i. The steps taken or impact on conservation of energy:**

The operations of the Company are not power intensive. However it is very careful in using the power to reduce the cost of maintenance and conserve the resources.

ii. Steps taken by the Company for utilizing alternate sources of energy:

As the Company is not a power intensive Company, there are no requirements for utilizing of alternate sources of energy.

iii. The capital investment on energy conservation equipments:

The Company has not made any additional investments and has not proposed any amount for reduction of consumption of energy.

B. TECHNOLOGY ABSORPTION:

i) the efforts made towards technology absorption : NIL

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution : NIL

(iii) In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year), following information may be furnished:

(a) the details of technology imported : No technology imported during last 3 years

(b) the year of import : NA

(c) whether the technology been fully absorbed : NA

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof : NA

(iv) the expenditure incurred on Research and Development : NIL

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

Particulars	(Rs. In Lacs)	
	2015-16	2014-15
Foreign Exchange Earnings	NIL	NIL
Foreign Exchange Outgo	NIL	NIL

**BY THE ORDER OF THE BOARD
For Vertical Industries Limited**

**Sd/-
P.Janadhan Reddy
Chairman & Managing Director**

Place: Hyderabad
Date: 06.12.2016

Annexure – II**Form No. MGT-9****EXTRACT OF ANNUAL RETURN****As on the financial year ended on 31/03/2015**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN : L14102AP1990PLC011398
- ii) Registration Date : 18/06/1990
- iii) Name of the Company : VERTICAL INDUSTRIES LIMITED
- iv) Category / Sub-Category of the Company : Public Limited,
Company Limited by Shares
- v) Address of the Registered office and contact details : F, 201, Krishna Kamala Residency,
Besides Satysai Nigamagamam
Srinagar Colony, Hyderabad,
Telangana, 500073
- vi) Whether listed company : Yes
- vii) Name, Address and contact details of Registrar and Transfer Agent, if any : **M/s Venture Capital and Corporate Investments Private Limited**
12-10-167, Bharat Nagar,
Hyderabad, Telangana, 500018

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No	Name and Description of main products and services.	NIC Code of the product/service.	% to total turnover of the Company
1	Processing Granite Slabs and Tiles	08102	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

The Company doesn't have any Subsidiary or Associate Companies.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**(i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	0	2070000	2070000	26.55	0	2070000	2070000	26.55	-
b) Central Govt.or State Govt.	0		0	-	0		0	-	0
c) Bodies Corporates	0	0	0	-	0	0	0	-	0
d) Bank/FI	0	0	0	-	0	0	0	-	0
e) Any other	0	0	0	-	0	0	0	-	0
SUB TOTAL:(A) (1)	0	2070000	2070000	26.55	0	2070000	2070000	26.55	-
(2) Foreign									
a) NRI- Individuals	0	0	0	-	0	0	0	-	0
b) Other Individuals	0	0	0	-	0	0	0	-	0
c) Bodies Corp.	0	0	0	-	0	0	0	-	0
d) Banks/FI	0	0	0	-	0	0	0	-	0
e) Any other...	0	0	0	-	0	0	0	-	0
SUB TOTAL (A) (2)	0	0	0	-	0	0	0	-	0
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	0	2070000	2070000	26.55	0	2070000	2070000	26.55	-
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	0	0	0	-	0	0	0	-	0
b) Banks/FI	0	0	0	-	0	0	0	-	0

C) Cenntral govt	0	0	0	-	0	0	0	-	0
d) State Govt.	0	0	0	-	0	0	0	-	0
e) Venture Capital Fund	0	0	0	-	0	0	0	-	0
f) Insurance Companies	0	0	0	-	0	0	0	-	0
g) FIIS	0	0	0	-	0	0	0	-	0
h) Foreign Venture Capital Funds	0	0	0	-	0	0	0	-	0
i) Others (specify)	0	0	0	-	0	0	0	-	0
SUB TOTAL (B)(1):	0	0	0	-	0	0	0	-	0
(2) Non Institutions									
a) Bodies corporates									
i) Indian	375900	100000	475900	6.10	67800	100000	167800	2.15	(3.95)
ii) Overseas	0	0	0	-	0	0	0	-	0
b) Individuals	0	0	0	-	0	0	0	-	
i) Individual share holders holding nominal share capital upto Rs.1 lakhs	245500	2087500	2333000	29.93	388300	2066900	2455200	31.49	1.57
ii) Individuals share holders holding nominal share capital in excess of Rs. 1 lakhs	1028600	1829700	2858300	36.66	1327300	1729700	3057000	39.21	2.55
c) Others (specify)	58800	0	58800	0.75	46000	0	46000	0.59	(0.16)
SUB TOTAL (B)(2):	1708800	4017200	5726000	73.45	1829400	3896600	5726000	73.45	-
Total Public Shareholding (B)= (B)(1)+(B)(2)	1708800	4017200	5726000	73.45	1829400	3896600	5726000	73.45	-
C. Shares held by Custodian for GDRs & ADRs	0	0	0	-	0	0	0	-	-
Grand Total (A+B+C)	1708800	6087200	7796000	100.00	1829400	5966600	7796000	100.00	-

(ii) Shareholding of Promoters

S. No	Shareholder's Name	Shareholding at the beginning of the Year			Shareholding at the end of the Year			% Change in Share holding during the year.
		No. of Shares	% to Total Shares of the Company	% of Shares pledged / Encumbered to total shares	No. of Shares	% to Total Shares of the Company	% of Shares pledged / Encumbered to total shares	
1	P Janardhan Reddy	5,55,000	7.12	0	5,55,000	7.12	0	0
2	P LalithaDev	3,80,000	4.87	0	3,80,000	4.87	0	0
3	G Naga Padmini	3,85,000	4.94	0	3,85,000	4.94	0	0
4	G Ravinder Reddy	3,70,000	4.75	0	3,70,000	4.75	0	0
5	S Naga Lakshmi	3,80,000	4.87	0	3,80,000	4.87	0	0

(iii) Change in Promoters' Shareholding (please specify, if thereis no change) - No change

S. No	Name	Shareholding		Date	Increase Decrease in Share holding	Reason	Cumulative Shareholding during the year (01.04.2015 to 31.03.2016)	
		No. of Shares at the Beginning (01.04.2015) / end of the year (31.03.2016)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	P Janardhan Reddy	5,55,000	7.12	-	0	Nil Movement during the year	5,55,000	7.12
2.	P LalithaDev	3,80,000	4.87	-	0	Nil Movement during the year	3,80,000	4.87
3.	G Naga Padmini	3,85,000	4.94	-	0	Nil Movement during the year	3,85,000	4.94
4.	G Ravinder Reddy	3,70,000	4.75	-	0	Nil Movement during the year	3,70,000	4.75
5.	S Naga Lakshmi	3,80,000	4.87	-	0	Nil Movement during the year	3,80,000	4.87

(v) Shareholding of Directors and Key Managerial Personnel :

S. No	Name	Shareholding		Date	Increase Decrease in Share holding	Reason	Cumulative Shareholding during the year (01.04.2015 to 31.03.2016)	
		No. of Shares at the Beginning (01.04.2015) / end of the year 31.03.2016)	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1.	P Janardhan Reddy	5,55,000	7.12	-	0	Nil Movement during the year	5,55,000	7.12
2.	S N Lakshmi	3,80,000	4.82	-	0	Nil Movement during the year	3,80,000	4.82
3.	Y MallikharjunaRao	0	0	0	0	0	0	0
4.	Mikkilineni Srikanth	0	0	0	0	0	0	0
5.	M. Kanakavalli Tayamma	0	0	0	0	0	0	0

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount				
ii) Interest due but not paid	NIL	27,89,000	NIL	NIL
iii) Interest accrued but not due				
Total (i + ii + iii)	NIL	27,89,000	NIL	27,89,000
Change in Indebtedness during the financial year				
• Addition	NIL	NIL	NIL	NIL
• Reduction				
Net Change	NIL	NIL	NIL	NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

(i). Remuneration to Managing Director, Whole-time Directors and/or Manager:

S. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
1.	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 (b) Value of perquisites u/s 17(2) Income Tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	NIL			NIL
2.	Stock Option	NIL			NIL
3.	Sweat Equity	NIL			NIL
4.	Commission • As a % of profit • Others, specify	NIL			NIL
5.	Others please specify(Performance Pay)	NIL			NIL
	Total A	NIL			NIL
	Ceiling as per the Act(Section 197 of the Companies Act 2013 is not applicable.)	NIL			NIL

(ii) Remuneration to other directors: Nil

SNo.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
3.	Independent Directors • Fee for attending Board Committee Meetings • Commission • Others please specify	NIL	NIL	NIL	NIL	NIL
	Total (1)	NIL	NIL	NIL	NIL	NIL
4.	others Non Executive Directors • Fee for attending Board Committee Meetings • Commission • Others please specify	NIL	NIL	NIL	NIL	NIL
	Total (2)	NIL	NIL	NIL	NIL	NIL
	Total B= (1) + (2)	NIL	NIL	NIL	NIL	NIL
	Total Managerial Remuneration	NIL	NIL	NIL	NIL	NIL
	Overall Ceiling as per the Act	One Lakh per meeting per director				

(iii). REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

SNo.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO	Company Secretary	CFO	
1.	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 (b) Value of perquisites u/s 17(2) Income Tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	NIL	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL	NIL
4.	Commission				
	• As a % of profit				
5.	• Others, specify	NIL	NIL	NIL	NIL
	Others please specify	NIL	NIL	NIL	NIL
	Total A	NIL	NIL	NIL	NIL

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Annexure- III

**Form No. MR-3
SECRETARIAL AUDIT REPORT**

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]*
For The Financial Year Ended 31st March, 2016

To,
The Members,
Vertical Industries Limited,
201, Krishna Kamala Residency,
Besides Satyasai Nigamagamam,
Srinagar Colony, Hyderabad, Telangana

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s Vertical Industries Limited, (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2016 has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2016 according to the provisions of:
 - (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
 - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
 - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

2. Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company under the financial year under report:-
 - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (b) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
3. We have also examined compliance with the applicable Listing Regulations entered into by the Company with BSE Limited

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

i) Company has not appointed CFO and Company Secretary as required under section 203 of Companies Act, 2013 and Regulation 6 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015

ii) The Company is irregular in filing various forms required to be filed under provisions of Companies Act, 2013

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the year under report, the Company has not undertaken any event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above viz.

**For P.S. Rao & Associates
Company Secretaries**

**N Vanitha
Company Secretary
C.P. No.:10573**

Place: Hyderabad
Date: 06.12.2016

'ANNEXURE A'

To,
The Members,
Vertical Industries Limited
Hyderabad

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For P.S. Rao & Associates
Company Secretaries**

**N Vanitha
Company Secretary
C.P. No.:10573**

Place: Hyderabad
Date: 06.12.2016

Annexure-IV

Details pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The Company is going through a severe financial crisis coupled with a very low level of operations. As such there is no minimum number of employees to populate the data as required under section 197.

- i) **The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2015-16, ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year 2015-16, and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:**

NA

- ii) **The median remuneration of employees' of the Company during the financial year:**

NA

- iii) **The percentage increase in the median remuneration of employees in the financial year:**

NA

- iv) **The number of permanent employees on the rolls of Company as at March 31, 2016:**

NA

- v) **The explanation on the relationship between average increase in remuneration and the Company's performance:**

NA

- vi) **Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company in the period under review:**

NA

- vii) **a) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year on BSE limited:**

Particulars	31-Mar-16	31-Mar-15	Change (%)
Stock Price (₹)	6.91	11.75	-41.91
Market Cap (₹Crores)	53870360	91603000	-41.19
EPS	0	0	0
P/E	0	0	0

- b) Percent increase over/ decrease in the market quotations of the shares of the company as compared to the rate at which the company came out with the last public offer: Not Comparable as the company has not issued any shares after the initial public offer.**

- viii) **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

NA

- ix) **Comparison of each remuneration of the key managerial personnel against the performance of the Company:**

NA

- x) **The key parameters for any variable component of remuneration availed by the directors:**

NA

- xi) **The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:**

There are no such employees who receive remuneration in excess of the highest paid director during the year

- xii) **Statement of Particulars of Employees Pursuant to Provisions of Rule 5(2) of Section 197(12) of the Companies Act 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

There are no employees who are in receipt of remuneration more than Rs 8.50 Lacs per month or Rs 102.00 Lacs per annum;

COMMITTEES OF THE BOARD:

Currently, there are two Board Committees – Audit Committee, Nomination and Remuneration Committee.

The terms of reference of the Board Committees are determined by the Board from time to time. Meetings of each Board, Committee are convened by the Chairman & Managing Director of the respective Committees.

The role and composition of these Committees, including the number of meetings held during the financial year and the related attendance are provided below:

1. AUDIT COMMITTEE

The Audit Committee consists of 3 Independent Directors. It 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 Section 177 of the Companies Act, 2013 and Listing Regulations, to the extent applicable and required.

Details on composition of the Audit Committee and the attendance by each Member of the Audit Committee are as under:

Name of the Director	Category	No. of meetings held during the year	No. of meetings Attended
Sri Mikkilineni Srikanth (wef 14.08.2015)	Chairman	4	3
A Satyanrayana (Resigned wef 28.05.2015)	Chairman	4	1
P.V.V.Subramanyam (Resigned wef 28.05.2015)	Member	4	1
Y.Mallikharjuna Rao	Member	4	4
Smt Mikkilineni Kanakavalli Tayaramma (wef 14.08.2015)	Member	4	3

Meetings during the year:

During the Financial year ended 31st March, 2016, the Audit Committee met Four (4) times as follows, and all the members were present in each of such meetings.

28.05.2015	14.08.2015	14.11.2015	13.02.2016
------------	------------	------------	------------

Terms of Reference:

The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Regulations entered into with Stock Exchanges read with Section 177 of the Companies Act, 2013 and includes such other functions as may be assigned to it by the Board from time to time.

(i) Powers of Audit Committee:

- To investigate any activity within its terms of reference.
- To seek information from any employee
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

(ii) Role of the Audit Committee includes:

1. Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of auditors and fixation of audit fee.
3. Approval of payment to statutory auditors for any other services rendered by them.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
 - b. changes, if any, in accounting policies and practices and reasons for the same
 - c. major accounting entries involving estimates based on the exercise of judgment by management
 - d. significant adjustments made in the financial statements arising out of audit findings
 - e. compliance with listing and other legal requirements relating to financial statements
 - f. disclosure of any related party transactions
 - g. review of draft Auditors Report, in particular qualifications / remarks / observations made by the Auditors on the financial statements
 - i. Management Discussion and Analysis of financial conditions and results of operations
5. Review of Statement of significant related party transactions submitted by the management.
6. Review of management letters/letters of internal control weaknesses issued by the statutory auditors.
7. Review of internal audit reports relating to internal control weaknesses.
8. Review of appointment, removal and terms of remuneration of the Chief Internal Auditor.
9. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
10. Review of the financial statements of subsidiary Companies
11. Review and monitor the auditor's independence and performance and effectiveness of audit process
12. Approval or any subsequent modification of transactions of the Company with related parties

13. Scrutiny of inter-corporate loans and investments
14. Valuation of undertakings or assets of the Company, wherever it is necessary
15. Evaluation of internal financial controls and risk management systems
16. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors
17. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
18. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems
19. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
20. Discussion with internal auditors of any significant findings and follow up there on
21. Reviewing the risk management policies, practices and 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
22. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
23. To review the functioning of the Whistle Blower Mechanism
24. Approval of appointment / reappointment / remuneration of CFO (or any other person heading
25. the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate
26. Carrying out any other function as may be mentioned in the terms of reference of the Audit Committee
27. The Audit Committee discharges its functions and obligations on regular basis and on the occurrence of the events.

2. NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee has been formed in compliance with Listing Regulations and pursuant to Section 178 of the Companies Act, 2013 comprising of 3 Independent Directors.

Details of composition of the Nomination and Remuneration Committee and the attendance by each Member of the Nomination and Remuneration Committee are as under:

The committee comprises of the following members:

Name of the Director	Category
Smt Mikkilineni Kanakavalli Tayamma	Chairman
Y.Mallikharjuna Rao	Member
Sri Mikkilineni Srikanth	Member

Terms of Reference:

- Attraction and Retention strategies for employees.
- Determine the compensation (including salaries and salary adjustments, incentives / benefits, bonuses) and Performance targets of the Chairman & Managing Director, Managing Director, COO, CFO, CEO & other senior management personnel
- Review employee development strategies.
- Formulate a criteria for determining qualifications, positive attributes and independence of a director;
- Recommend to the Board a policy for the remuneration of directors, key managerial personnel and other employees;
- Identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Recommend the appointment of any director to executive or other employment/place of profit in the Company;
- Recommend the sitting fees to be paid to Non Executive Directors;

Shareholding of Non-Executive Director as on 31.03.2016:

Name of Director	No of Shares	%
Naga Lakshmi Sanikommu	3,80,000	4.87
Sri Mikkilineni Srikanth	NIL	NIL
Sr. Y.Mallikharjuna Rao	NIL	NIL
Smt Mikkilineni Kanakavalli Tayaramma	NIL	NIL

3. SHAREHOLDERS/ INVESTORS GRIEVANCE REDRESSAL COMMITTEE:

The Shareholder's /Investor Redressal committee has been formed in compliance with listing regulations and pursuant to Section 178(5) of the Companies Act 2013. The Stakeholders Relationship Committee consists of 3 Independent Directors.

Terms of reference

1. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
2. monitors expeditious redressal of investor grievance matters received from the stock exchanges, SEBI, registrar of companies, monitoring redressal of queries / complaints received from members relating to transfers, non-receipt of annual report, non receipt of dividend, redressal of grievances of shareholders, debenture holders and other security holders To approve, register, refuse to register transfer / transmission of shares and other securities;
3. To sub-divide, consolidate and / or replace any share or other securities certificate(s) of the Company;
4. To authorise affixation of common seal of the Company;
5. To issue duplicate share other security(ies) certificate(s) in lieu of the original share/ security(ies) certificate(s) of the Company;

6. To approve the transmission of shares or other securities arising as a result of death of the sole/any joint shareholder;
7. To review of dematerialization or rematerialization of the issued shares and other related matters;
8. To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s); and
9. Carrying out any other function contained in the listing regulations as and when amended from time to time

Composition

The committee comprises of the following members:

- Sri Y Mallikharjuna Rao - Chairman
- Sri Mikkilineni Srikanth - Independent Director
- Smt Mikkilineni Kanakavalli Tayaramma - Independent Director

The company has registered itself under SEBI Compliant Redressal System (**SCORES**) for faster and transparent processing of Investor Grievance. The details of Complaints receive and resolved during the year is as follows:

1	PENDING AT THE BEGINNING OF THE YEAR	1
2	RECEIVED DURING THE YEAR	0
3	DISPOSED OF DURING THE YEAR	0
4	REMAINING UNRESOLVED AT THE END OF THE YEAR	1

Annexure-V

POLICIES OF THE COMPANY:**1. Vigil Mechanism / Whistle Blower Policy**

The Whistle Blower (Vigil) mechanism provides a channel to the employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Codes of Conduct or policy and also provides for adequate safeguards against victimization of employees by giving them direct access to the Chairman & Managing Director of the Audit Committee in exceptional cases.

The Policy covers malpractices and events which have taken place / suspected to have taken place, misuse or abuse of authority, fraud or suspected fraud, violation of Company rules, manipulations, negligence causing danger to public health and safety, misappropriation of monies, and other matters or activity on account of which the interest of the Company is affected and formally reported by whistle blowers concerning its employees.

The Whistle Blower Policy of the Company is also posted on the website of the Company.

2. Related Party Transaction Policy.

Vertical Industries Limited (the Company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests.

Hence, keeping in view the frequency of transactions entered by the Company with the related parties, the Board has in accordance with the Companies Act, 2013 and Listing Regulations adopted a policy on related party transactions to ensure high level of transparency in all its business dealings, thereby promoting good corporate governance.

The Company has been entering into the transactions in the ordinary course of business and on arms length basis.

The Company also have a Code of Conduct for all employees, officers and directors of the Company, which emphasizes that all possible conflicts of interest should be avoided.

Therefore, it is found appropriate to adopt a policy regarding the review and approval of Related Party Transactions in order to set forth the procedures under which certain transactions must be reviewed, approved or ratified.

3. Nomination and Remuneration Policy**1. Introduction**

Vertical Industries Limited, believes that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. Towards this, Vertical Industries ensures constitution of a Board of Directors with an appropriate composition, size, diversified expertise and experience and commitment to discharge their responsibilities and duties effectively. Vertical Industries recognizes the importance of Independent Directors in achieving the effectiveness of the Board. Vertical aims to have an optimum combination of Executive, Non-Executive and Independent Directors.

Vertical also recognizes the importance of aligning the business objectives with specific and measureable individual objectives and targets. The Company has therefore formulated the remuneration policy for its Directors, Key Managerial Personnel and other employees keeping in view the following objectives:

- a) Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the Company successfully.
- b) Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks.
- c) Ensuring that remuneration involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

2. Scope :

This Policy sets out the guiding principles for the Nomination and Remuneration Committee for identifying persons who are qualified to become Directors and to determine the independence of Directors, in case of their appointment as independent directors of the Company and also for recommending to the Board the remuneration of the Directors, Key Managerial Personnel and other employees of the Company.

3. Terms and References:

In this Policy, the following terms shall have the following meanings:

- 3.1 "Director" means a Director appointed to the Board of a Company.
- 3.2 "Nomination and Remuneration Committee" means the committee constituted by Vertical's Board in accordance with the provisions of Section 178 of the Companies Act, 2013 and Listing Regulations.
- 3.3 "Independent Director" means a Director referred to in sub-section (6) of Section 149 of the Companies Act, 2013 and Listing Regulations.
- 3.4 "Key Managerial Personnel" means
 - (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-time Director;
 - (iv) the Chief Financial Officer; and
 - (v) such other officer as may be prescribed under the Companies Act, 2013

4. Selection of Directors and determining Directors' independence

4.1 Qualifications and criteria

- 4.1.1 The Nomination and Remuneration (NR) Committee, and the Board, shall review on an annual basis, appropriate skills, knowledge and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience that is relevant for the Company's global operations.
- 4.1.2 In evaluating the suitability of individual Board members, the NR Committee may take into account factors, such as:

General understanding of the Company's business dynamics, global business and social perspective; Educational and professional background Standing in the profession;

Personal and professional ethics, integrity and values;

Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.

4.1.3 The proposed appointee shall also fulfill the following requirements:

- Shall possess a Director Identification Number;
- Shall not be disqualified under the Companies Act, 2013;
- Shall give his written consent to act as a Director;
- Shall endeavour to attend all Board Meetings and wherever he is appointed as a Committee Member, the Committee Meetings;
- Shall abide by the Code of Conduct established by the Company for Directors and Senior Management Personnel;
- Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or
- other association of individuals including his shareholding at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;
- Such other requirements as may be prescribed, from time to time, under the Companies Act, 2013, Listing Regulations and other relevant laws.

4.1.4 The NR Committee shall evaluate each individual with the objective of having a group that best enables the success of the Company's business.

4.2 **Criteria of Independence**

4.2.1 The NR Committee shall assess the independence of Directors at the time of appointment / reappointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director.

4.2.2 The criteria of independence, as laid down in Companies Act, 2013 and Listing Regulations is as below:

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director

- a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b. (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c. who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

- d. none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e. who, neither himself nor any of his relatives—
- (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company;
 - or
 - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - (iii) holds together with his relatives two per cent or more of the total voting power of the company; or
 - (iv) is a Chief Executive or director, by whatever name called, of any non profit organization that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
 - or
 - (v) is a material supplier, service provider or customer or a lessor or lessee of the company.
- f. shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, corporate social responsibility or other disciplines related to the Company's business.
- g. shall possess such other qualifications as may be prescribed, from time to time, under the Companies Act, 2013.
- h. who is not less than 21 years of age.

4.2.3 The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Companies Act, 2013.

4.3 Other directorships / committee memberships

4.3.1 The Board members are expected to have adequate time and expertise and experience to contribute to effective Board performance. Accordingly, members should voluntarily limit their directorships in other listed public limited companies in such a way that it does not interfere with their role as directors of the Company. The NR Committee shall take into account the nature of, and the time involved in a Director's service on other Boards, in evaluating the suitability of the individual Director and making its recommendations to the Board.

4.3.2 A Director shall not serve as Director in more than 20 companies of which not more than 10 shall be Public Limited Companies.

4.3.3 A Director shall not serve as an Independent Director in more than 7 Listed Companies and not more than 3 Listed Companies in case he is serving as a Whole-time Director in any Listed Company.

4.3.4 A Director shall not be a member in more than 10 Committees or act as Chairman & Managing Director of more than 5 Committees across all companies in which he holds directorships. For the purpose of considering the limit of the Committees, Audit Committee and Stakeholders' Relationship Committee of all Public Limited Companies, whether listed or not, shall be included and all other companies including Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 shall be excluded.

5. Remuneration to Executive Directors, Key Managerial Personnel, Non-Executive Directors and other employees

5.1.1 The Board, on the recommendation of the Nomination and Remuneration (NR) Committee, shall review and approve the remuneration payable to the Executive Directors of the Company within the overall limits approved by the shareholders.

5.1.2 The Board, on the recommendation of the NR Committee, shall also review and approve the remuneration payable to the Key Managerial Personnel of the Company.

5.1.3 The remuneration structure to the Executive Directors and Key Managerial Personnel shall include the following components:

- (i) Basic Pay
- (ii) Perquisites and Allowances
- (iii) Commission (Applicable in case of Executive Directors)
- (iv) Retiral benefits
- (v) Annual Performance Bonus

5.1.4 The Annual Plan and Objectives for Executive Directors and Senior Executives shall be reviewed by the NR Committee and Annual Performance Bonus will be approved by the Committee based on the achievements against the Annual Plan and Objectives.

5.2 Remuneration to Non-Executive Directors

5.2.1 The Board, on the recommendation of the NR Committee, shall review and approve the remuneration payable to the Non- Executive Directors of the Company within the overall limits approved by the shareholders.

5.2.2 Non-Executive Directors shall be entitled to sitting fees for attending the meetings of the Board and the Committees thereof. The Non- Executive Directors shall also be entitled to profit related commission in addition to the sitting fees.

5.3 Remuneration to other employees

5.3.1 Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

Company did not pay any sitting fees or commission to Non-Executive Directors during the year 2015-16.

6. Meeting of Independent Directors

During the year under review, the Independent Directors met on 31st March, 2016, inter alia, to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board of Directors as a whole;
- Evaluation of the performance of the Chairman & Managing Director of the Company, taking into account the views of the Executive and Non-Executive Directors.
- Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the Meeting.

It is the general practice of the Company to notify the changes in all the applicable laws from time to time in every Board Meeting conducted.

7. Familiarization Programme

It is the general practice of the Company to notify the changes in all the applicable laws from time to time in every Board Meeting conducted and inform the Board members about the provisions and rules as applicable to the company from time to time.

Independent Auditors' Report To the Members of Vertical Industries Limited

Report on the Financial Statements:

1. We have audited the accompanying financial statements of Vertical Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating

the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion:

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its Loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order"), 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 explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial control over financial reporting of the Company and the operating effectiveness of such control, refer to our separate report in "Annexure A".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 1. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2016 on its financial position in its financial statements.

2. The Company has long-term contracts as at March 31, 2016, for which there were no material foreseeable losses. The Company did not have any derivative contract as at March 31, 2016.
3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2016.

For P.S. NAGARAJU & CO.
Chartered Accountants,
(Firm's Registration No: 011447S)

CA P S NAGARAJU
Partner
(Membership No: 210268)

Place: Hyderabad
Date: 28-05-2016

Annexure to the Independent Auditor's Report

- i.** In our opinion and according the information and explanations given to us, There are no Fixed Assets for the company.
- ii.** As explained to us, physical verification of inventory has been conducted by the management at reasonable intervals, No material discrepancies were noticed on such physical verification;
- iii.** In our opinion and according the information and explanations given to us, the Company has not granted nor taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act. Accordingly, the provisions of clause (iii) (a) and (b) of the Order are not applicable;
- iv.** In our opinion and according the information and explanations given to us, the Company has not granted nor taken any loans, investments, guarantees, and security which are covered under provisions of section 185 and 186 of the Companies Act, 2013;
- v.** In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of Section 73 to 76 of the Companies Act, 2013, and the rules framed thereunder;
- vi.** According to the information and explanations given to us, maintenance of cost records has not been prescribed by the central government the under sub-section (1) of section 148 of the Companies Act;
- vii.** According to the records of the Company and the information and explanations given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities. There are no undisputed statutory dues as referred to above as at 31st march, 2016 outstanding for a period of more than six months from the date they become payable;
- viii.** According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to banks or financial institutions or debenture holders;
- ix.** According to the records of the Company and the information and explanations given to us, moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised;
- x.** According to the information and explanations given to us, no fraud by the company or on the Company by its officers or employees has been noticed or reported during the year;
- xi.** According to the records of the Company and the information and explanations given to us, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- xii.** Nidhi company provisions are not applicable for the company;

- xiii. No transactions with the related parties as per sections 177 and 188 of Companies Act, 2013;
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year;
- xv. The company has not entered into any non-cash transactions with directors or persons connected with him under the provisions of section 192 of Companies Act, 2013;
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934;

For P. S. Nagaraju & Co.,
(Firm Reg. No: 011447S)
Chartered Accountants,

P. S. Nagaraju
Partner
Membership No: 210268

Place: Hyderabad
Date: 28th May, 2016.

ANNEXURE-A**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **Vertical Industries Limited** (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the company for the year ended on the date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial control based on the internal control over the financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records, and timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by Institute of Chartered Accounts of India (ICAI) and deemed to be prescribed under section 143(10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Control and, both issued by the Institute of Chartered Accounts of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Control Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Balance sheet as at 31st March 2016

(Amount in Rs)

Particulars	Note No.	As at 31st March, 2016	As at 31st March, 2015
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share Capital	A	77,960,000	77,960,000
b) Reserves and Surplus	B	(75,745,966)	(75,723,066)
2 Share application money pending for allotment		-	-
3 Non - Current liabilities			
a) Other Long - term borrowings	C	2,789,000	2,789,000
4 Current liabilities			
a) Trade payables	D	404,485	404,485
b) Other current liabilities	E	214,244	191,344
TOTAL		5,621,763	5,621,763
II. ASSETS			
1 Non-current Assets			-
2 Current assets			
a) Inventories	F	5,340,250	5,340,250
b) Cash and cash equivalents	G	9,540	9,540
c) Short-term loans and advances	H	271,973	271,973
TOTAL		5,621,763	5,621,763
Significant Accounting Policies & Practices			
The Notes form an integral part of these financial statements			

In terms of our report attached.

For P S NAGARAJU & CO.,Chartered Accountants
(Firm Reg. No.011447S)**For and on behalf of the Board of Directors****P Janardhan Reddy**
Chairman & Managing Director**CA P S NAGARAJU**Partner
(Membership No.210268)**S N Lakshmi**
Director

Place : Hyderabad

Date: 28-05-2016

Statement of Profit and Loss account for the year ended 31st March, 2016

(Amount in Rs)

Particulars	Note No.	For the Year ended 31st March, 2016	For the Year ended 31st March, 2015
I. Revenue from Operations	I	490,000	460,000
II. Other Income			-
III. Total Revenue (I +II)		490,000	460,000
IV. Expenses:			
Cost of Materials Consumed	J	-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	K	-	-
Employee Benefits Expense	L	85,000	106,000
Other Expenses	M	427,900	628,000
Total Expenses		512,900	734,000
V. Profit/(Loss) Before Exceptional and Extraordinary items and tax (III-IV)		(22,900)	(274,000)
VI. Exceptional Items & Extraordinary items		-	-
VII. Profit/(Loss) before tax (V - VI)		(22,900)	(274,000)
VIII. Tax Expenses			
1)Current tax		-	-
2)Deferred tax		-	-
IX. Profit for the year (VII - VIII)		(22,900)	(274,000)
X. Earning per equity share:			
Basic EPS		(0.00)	(0.04)
Diluted EPS		(0.00)	(0.02)
Weighted Avg. No. of Shares outstanding		7,796,000	7,796,000
Significant Accounting Policies			
The Notes form an integral part of these financial statements			

In terms of our report attached.

For P S NAGARAJU & CO.,
Chartered Accountants
(Firm Reg. No.011447S)

For and on behalf of the Board of Directors

P Janardhan Reddy
Chairman & Managing Director

CA P S NAGARAJU
Partner
(Membership No.210268)

S N Lakshmi
Director

Place : Hyderabad
Date: 28-05-2016

Cash Flow Statement for the Year Ended March 31st, 2016

(Amount in Rupees)

S. No	PARTICULARS	For the year ended March 31st, 2016	For the year ended March 31st, 2015
A.	Cash Flow from Operating Activities:		
	Net Profit before Tax	(22,900)	(274,000)
	Adjustments for;		
	Depreciation	-	-
	Interest Paid	-	-
	Assets Written Off	-	-
	Interest Receivable	-	-
	Operating Profit before Working Capital Changes	(22,900)	(274,000)
	Adjustments for :-		
	Decrease / (Increase) in current assets	-	149,374
	(Decrease) / Increase in Current Liabilities	22,900	117,844
	Decrease / (Increase) in Inventories	-	-
	Cash Generated from Operations	-	(6,782)
	Less: Interest on Working Capital	-	-
	Less: Extra Ordinary Items	-	-
	Less: Taxes Paid	-	-
	Net Cash Flow from Operating Activities	-	(6,782)
B	Cash Flow from Investing Activities		-
C	Cash Flow from Financing Activities		
	Increase / (Decrease) in Unsecured Loans	-	-
	Increase / (Decrease) in Long Term Borrowings	-	-
	Net Cash Flow (Used in) / From Financing Activities	-	-
	Net Increase in Cash and Equivalents		(6,782)
	Cash and Cash Equivalents (Opening Balance)	9,540	16,322
	Cash and Cash Equivalents (Closing Balance)	9,540	9,540

Auditor's Certificate

We have examined the above cash flow statement of Vertical Industries Limited, Hyderabad for the year ended 31st March, 2016. This statement has been prepared in accordance with the requirement of the listing regulations with the Stock Exchanges and is based on and in agreement with the corresponding figures of the profit and loss account and Balance sheet for the year ended 31st March, 2016.

In terms of our report attached.

For P S NAGARAJU & CO.,

Chartered Accountants
(Firm Reg. No.011447S)

CA P S NAGARAJU

Partner
(Membership No.210268)

For and on behalf of the Board of Directors

P Janardhan Reddy
Chairman & Managing Director

S N Lakshmi
Director

Place : Hyderabad

Date: 28-05-2016

1. Significant Accounting Policies

1.1 Preparation and presentation of financials statement:

a. BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP), the mandatory accounting standards issued by the Institute of Chartered Accountant of India and the provisions of the companies Act, 2013, as adopted consistently by the company. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

b. USE OF ESTIMATES

The presentation of financials statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of revenues and expenses during the reporting period. Differences between the actual and estimates are recognized in the period in which the results are known/ materialized.

1.2 Fixed Assets & Depreciation:

There are no fixed assets for the company. Hence AS-10 "Accounting for Fixed Assets" and AS-6 "Accounting for Depreciation" are not applicable to the company for this financial year.

1.3 Revenue recognition:

- a. Revenues/Incomes are generally accounted on accrual, as they are earned.
- b. Sale of goods is recognized on transfer of significant risks and rewards of ownership which is generally on the dispatch of goods.

1.4 Expenditure:

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities.

1.5 Borrowing costs

Interest and other borrowing costs attributable to qualifying assets are capitalized. Other interest and borrowing costs are charged to Statement of Profit & Loss.

1.6 Foreign currency transactions:

There is no foreign currency transaction for the company during the year; hence AS-11 "Accounting for foreign exchange" is not applicable for this year.

1.7 Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement and recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow or resources, Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized not disclosed in the financials statement.

1.8 Income Tax:

Provision for Income Tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between

the financial statement carrying amounts of existing assets and liabilities and there respective tax basis. The effect on deferred tax assets and liabilities of a change in tax rates is recognized using the tax rates and tax laws that have been enacted or substantially enacted by balance sheet date. Deferred tax assets are 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 assets can be realized.

1.9 Earnings per share:

- a. **Basic Earnings per Share:** In determining earnings per share, the company considers the net profit after tax and includes the post-tax effects of any extra-ordinary items. The number of shares used in computing the basic earning per share is the weighted average number of shares outstanding during the year.
- b. **Diluted Earnings per share** is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issues at a later date.

The number of shares and potential dilutive equity shares are adjusted for any bonus issues.

1.10 Employee Benefits

Gratuity:

Retirement Benefit in the form of Gratuity is considered as Defined Benefit Obligation and is provided for on the basis of an actuarial valuation using the projected unit credit method as at the date of Balance Sheet.

Notes forming part of Financial Statements

A. Share Capital

i) Details relating to Authorised, Issued, Subscribed and Paid up capital: (Amount in Rs.)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Authorized Share Capital; 1,00,00,000 (Previous year 10,00,000) Equity shares at Rs. 10/- each	10,00,00,000	10,00,00,000
Issued, Subscribed and Fully paid up Shares; 77,96,000 Equity shares at Rs. 10 each	7,79,60,000	7,79,60,000
Total	7,79,60,000	7,79,60,000

ii) Reconciliation Statement:

Particulars	No. of Shares
Number of shares outstanding as on 01st April, 2015.	77,96,000
Add: Additions to share capital on account of Fresh issue or bonus issue etc.,	-
Ded: Deductions from share capital on account of Shares bought back, redemption and etc.,	-
Number of shares outstanding as on 31st March, 2016	77,96,000

iii) Terms/rights attached to equity shares

The company has only one class of equity share having par value of Rs.10 per share. Each holder of the equity share is entitled to one vote per share. In the liquidation of the company, the holders of the equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts.

iv) Details of Share holders holding more than 5% shares in the company:

Name of the share holder	No. of Shares As on 01.04.2015	% of share holding	No. of Shares As on 31.03.2016	% of share holding
P. Janardhan Reddy	5,55,000	7.12%	5,55,000	7.12%
Total	5,55,000	7.12%	5,55,000	7.12%

B. Reserves and Surplus

Particulars	As at 31st March 2015	Additions	Deletions	As at 31st March 2016
Reserves: Capital Reserve	49,83,272	-	-	49,83,272
Surplus: Profit and Loss Account	(80,706,338)	(22,900)	-	(80,729,238)
Total	(75,723,066)	(22,900)	-	(75,745,966)

C. Other Long-Term Liabilities

(Amount in Rs..)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Loans:		
Loan From Others	2,789,000	2,789,000
Total	2,789,000	2,789,000

D. Trade Payables

Particulars	As at 31st March, 2016	As at 31st March, 2015
Creditors for Purchases:		
Sundry Creditors	4,04,485	4,04,485
Total	4,04,485	4,04,485

E. Other Current Liabilities

Particulars	As at 31st March, 2016	As at 31st March, 2015
Expenses Payable:		
Sundry Creditors for Expenses	1,26,400	126,400
Audit fee payable	87,844	64,944
Total	214,244	191,344

F. Inventories

Particulars	As at 31st March, 2016	As at 31st March, 2015
Closing Inventory of Raw materials, Work-in-Progress & Finished goods:		
Raw Material_Granite Raw Blocks	2,79,902	2,79,902
Work-in-Progress_Granite Slabs	91,806	91,806
Finished Goods_Granite Slabs	4,968,542	4,968,542
Total	5,340,250	5,340,250

G. Cash and Cash equivalents

Particulars	As at 31st March, 2016	As at 31st March, 2015
Cash Balances:		
Cash-in-hand	9,540	9,540
Cash Equivalents: (Balances in scheduled bank accounts)	-	-
Total	9,540	9,540

H. Short-term Loans and Advances

Particulars	As at 31st March, 2016	As at 31st March, 2015
Advances: Advance Recoverable in Cash or in Kind (Unsecured Considered Good) Customs & Excise Deposits-	271,973	271,973
Total	271,973	271,973

I. Revenue from Operations

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
Sale of Goods:		
Manufactures Granite Blocks	-	-
Cutting & Polishing of Granite Blocks	490,000	460,000
Total	490,000	460,000

J. Cost of Materials Consumed

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
Opening Inventory of Raw materials	279,902	279,902
Add: Purchase of Materials		-
Sub Total	279,902	279,902
Less: Closing Inventory of Raw materials	279,902	279,902
Total	-	-

K. Changes in inventories of finished goods, work-in-progress.

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
Opening Inventory of;		
Work-in-Progress	91,806	91,806
Finished items	4,968,542	4,968,542
Total (i)	5,060,348	5,060,348
Closing Inventory of;		
Work-in-Progress	91,806	91,806
Finished items	4,968,542	4,968,542
Total (ii)	50,60,348	50,60,348
Difference between total (i-ii)	-	-

N. Capital Commitments and Contingent Liabilities:

1. Estimated amount of unexecuted capital contracts Rs. NIL /-.
 2. Contingent liabilities Rs. Nil /-
- O. The Company has not dealt with any party as defined under the provisions of Micro, Small and Medium Enterprises Development Act, 2007. For the purpose of identification of such enterprises, the company has sent confirmations to all its suppliers. Based on responses received from Micro and Small enterprises so far and the supplier profile available with the Company, the management is of the opinion that there is no liability of interest on overdue payments to such suppliers
- P. Paise have been rounded off to the nearest rupees.
- Q. There is no, other additional information pursuant to the provisions of Schedule III of the Companies Act, 2013.

As per our report of even date

In terms of our report attached.

For P S NAGARAJU & CO.,
Chartered Accountants
(Firm Reg. No.011447S)

CA P S NAGARAJU
Partner
(Membership No.210268)

Place : Hyderabad
Date: 28-05-2016

For and on behalf of the Board of Directors

P Janardhan Reddy
Chairman & Managing Director

S N Lakshmi
Director

**FORM NO. MGT – 11
PROXY FORM**

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014]

CIN: L37200AP1993PLC016785

Name of the company : Vertical Industries Limited

Registered Office: 201, Krishna Kamala Residency ,Besides Satya sai
Nigamagamam, Srinagar Colony, Hyderabad – 500073

Name of the Member(s):

Registered Address:

Email ID:

Folio No. /Client ID:

DP ID:

We, being the member(s) of shares of the above named company, hereby appoint;

1. Name E-mail Id:.....
Address:.....
..... Signature: Or failing him
2. Name: E-mail Id:.....
Address:.....
..... Signature Or failing him
3. Name: E-mail Id:
Address:
.....Signature Or failing him

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 26th Annual General Meeting of the members of the company to be held on on Saturday, 31st Day of December, 2016 at 10.30 A.M. at the registered office of the company at 201, Krishna Kamala Residency, Besides Satya sai Nigamagamam, Srinagar Colony, Hyderabad - 500073.and at any adjournment thereof in respect of such resolutions as are indicated below:

1. Adoption of Statement of Profit and Loss, Balance Sheet, Reports of Board of Directors and Auditors for the year ended March 31, 2016.
2. Re-appointment of Sri P. Janardhan Reddy as director liable to retire by rotation.
3. Ratification of Appointment of M/s P.S. Nagaraju & Co, Chartered Accountants, Hyderabad, as Statutory Auditors of the Company for Financial Year 2016-17.

Signed this Day of 2016.

Signature of shareholder _____

Signature of Proxy holder(s) _____



Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

VERTICAL INDUSTRIES LIMITED

201, Krishna Kamala Residency, Besides Satya sai Nigamagmam,
Srinagar Colony, Hyderabad – 500073
CIN:L14102AP1990PLC011398

ATTENDANCE SLIP

(Please present this slip at the Meeting venue)

I hereby record my presence at the 26th Annual General Meeting of the members of the company to be held on Saturday, 31st Day of December, 2016 at 10.30 A.M. at the registered office of the company at 201, Krishna Kamala Residency, Besides Satya sai Nigamagmam, Srinagar Colony, Hyderabad - 500073.

Shareholders/Proxy's Signature _____

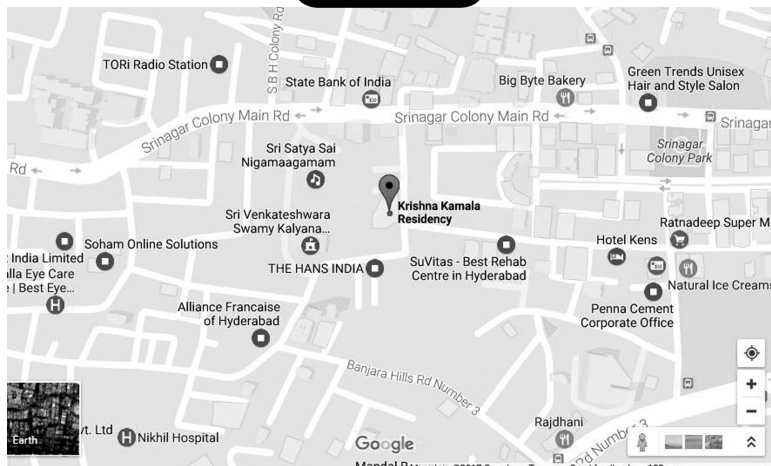
Shareholders/Proxy's full name _____
(In block letters)

Folio No./ Client ID _____

No. of shares held _____

Note: Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.

ROUTE MAP



If undelivered please return to :

VERTICAL INDUSTRIES LIMITED

201, Krishna Kamala Residency,
Besides Satya sai Nigamagamam,
Srinagar Colony, Hyderabad – 500073