

29th ANNUAL
REPORT
2011-12

CREATING NEW
BENCHMARKS



VRL LOGISTICS LIMITED

OUR VISION

To become the premier company that cuts across various business segments and emerges as the torchbearer of each segment that the Group ventures into.



OUR MISSION

To provide the highest quality service to our customers by continuously increasing cost efficiency and maintaining delivery deadlines. To encourage our employees / workforce to strive for quality and excellence in everything they do. To promote team work and create a work environment that encourages talent and brings out the best in our employees.



Head Office



CONTENTS

Company Information	1
Board of Directors	2
Financial Highlights and Key Customers	4
Chairman's Message	5
Overview of Business	7
Notice to Shareholders	14
Directors' Report	18
Auditors' Report	26
Balance Sheet	30
Profit and Loss Account	31
Cash Flow Statement	32
Notes to the Financial Statements	33
Balance Sheet Abstract and Business Profile.....	57

COMPANY INFORMATION

BOARD OF DIRECTORS

Vijay Sankeshwar
Chairman & Managing Director

Anand Sankeshwar
Managing Director

Darius Pandole
Nominee Director

J.S. Korlahalli
Director

Prabhakar Kore
Director

Sudhir Ghate
Director

C. Karunakara Shetty
Director

CHIEF FINANCIAL OFFICER
Sunil Nalavadi

COMPANY SECRETARY
Aniruddha Phadnavis

AUDITORS
M/s H.K. Veerbhadrappa & Co.
Chartered Accountants
Hubli

M/s Walker, Chandio & Co
Chartered Accountants
Mumbai

LEGAL ADVISOR
R.B. Gadagkar

CORPORATE OFFICE
Giriraj Annexe
Circuit House Road
Hubli – 580 029
Karnataka
Phone: 0836-2237511
Fax: 0836-2256612
E-mail: headoffice@vrllogistics.com

BANKERS
The Shamrao Vithal Co-Operative Bank Ltd.
Saraswat Co-operative Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
Kotak Mahindra Bank Ltd.
NKGSB Co-Operative Bank Ltd.
AXIS Bank
ING Vysya Bank
State Bank of Mysore
UCO Bank
Union Bank of India

BOARD COMMITTEES

AUDIT COMMITTEE
Sudhir Ghate – Chairman
J.S. Korlahalli
C. Karunakara Shetty
Darius Pandole

FINANCE COMMITTEE
Vijay Sankeshwar – Chairman
Anand Sankeshwar
J.S. Korlahalli

REMUNERATION COMMITTEE
J.S. Korlahalli – Chairman
C. Karunakara Shetty
Sudhir Ghate
Darius Pandole

FIXED DEPOSIT COMMITTEE
Vijay Sankeshwar – Chairman
Anand Sankeshwar
C. Karunakara Shetty
Darius Pandole

SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE
Sudhir Ghate – Chairman
C. Karunakara Shetty
J.S. Korlahalli
Darius Pandole

IPO COMMITTEE
Vijay Sankeshwar Chairman
Anand Sankeshwar
J.S. Korlahalli
Darius Pandole

SELECTION COMMITTEE
Sudhir Ghate
J.S. Korlahalli
Hosamani
Darius Pandole

REGISTERED OFFICE
18th KM, NH 4, Bangalore Road, Varur
Hubli – 581 207, Karnataka
Phone: 0836-2237613 Fax: 0836-2237614
E-mail: varurho@vrllogistics.com
Website: www.vrllogistics.com

REGISTRAR TO FIXED DEPOSIT SCHEME
Karvy Computer Share Private Ltd.
Plot No.17 to 24, Vittalrao Nagar, Madhapur
Hyderabad – 500 081

OUR BOARD OF DIRECTORS



Mr. Vijay Sankeshwar
Chairman & Managing Director



Mr. Anand Sankeshwar
Managing Director



Mr. J.S. Korlahalli
Non-Executive
Director



Dr. Prabhakar Kore
Non-Executive
Director



Mr. Sudhir Ghatge
Non-Executive
Director



Mr. C. Karunakara Shetty
Non-Executive
Director



Mr. Darius Pandole
Non-Executive
Nominee Director
(w.e.f. 21 April 2012)

Mr. Vijay Sankeshwar

Chairman & Managing Director and Promoter of the Company, he is actively involved in the day-to-day affairs of the Company. He holds a Bachelor's Degree in Commerce from Karnatak University, Dharwad. He was a former Member of Parliament and was elected from the Dharwad (North) constituency in the 11th, 12th and 13th Lok Sabha elections and is presently a sitting member of the Legislature Council of the State of Karnataka. He was a member of Several Central committees such as the Committee of Finance between 1996 and 1997, the Consultative Committee, Ministry of Surface Transport between 1996 and 2000 and the Committee of Transport and Tourism between 1998 and 2000. He has over three decades of experience in the transport industry. He has received various awards including the 'Udyog Ratna' in 1994 by the Institute of Economic Studies, New Delhi, Aaryabhat Award in 2002, Sir M. Visvesvaraya Memorial Award in 2007 and Transport Samrat in 2008. He started the Company in the year 1976 as a proprietary concern with a single truck and a big vision for his business.

Mr. Anand Sankeshwar

Managing Director and Promoter of the Company, he spearheads our marketing operations and is actively involved in the day-to-day affairs of the Company. He holds a Bachelor's Degree in Commerce from Karnatak University, Dharwad. He has more than two decades of experience in the transport industry. He has been awarded the 'Youth Icon' award in 2004 by Annual Business Communicators of India and 'Marketing Professional of the Year' in the year 2005 by the Indra Group of Companies. He was also awarded the Best 2nd Generation Entrepreneur by TIE Global, USA in 2010.

Mr. J.S. Korlahalli

A Non-Executive Director of the Company, is the president of Shri Krishna Shikshana Samsthe, Gadag. He is a member on the advisory committee of the Manorama Institute of Management Studies, Gadag, and is also a Managing Committee member of Adarsh Shikshana Samiti, Gadag. He has a post graduate degree in commerce from Karnatak University and is an outstanding academician. As an academician he holds several positions of honour such as Member of the Senate and Academic Council, Karnatak University and Member of the Board of Studies in Commerce and Management Studies, Karnatak University. He has over 45 years of experience in the industry.

Dr. Prabhakar Kore

A Non-Executive Director of the Company, is the Chancellor of Karnataka Lingayat Education University and the Chairman of Karnataka Lingayat Education Society. He is a Commerce graduate from Karnatak University and is involved in various activities such as Education, Agriculture, Co-operative endeavor, community building and politics. He is currently a Member of the Parliament from Belgaum, Karnataka. He is the recipient of several awards and recognitions such as "Life time achievement award for Education, Service and Commitment to Society by Veerashaiva Society of North America", "Suvarna Karnataka Rajyothsava Award" for outstanding contribution in the field of education by the Government of Karnataka and an Honorary Doctorate from the Karnatak University. He has over 38 years of experience in the industry.

Mr. Sudhir Ghate

A Non-Executive Director of the Company, holds a Bachelor's Degree in Commerce from Mysore University and is a fellow member of the Institute of Chartered Accountants of India. He was a partner at Ganesh and Sudhir, Chartered Accountants, Mangalore between 1982 and 1994. He is a Managing Director of Magnum Intergrafiks Private Limited, a national advertising, design and communication company accredited with the Indian News Paper Society, a member of Audit Bureau of Circulation and Advertising Agency Association of India. He was a member of National Council of Textiles Design, New Delhi between 2002 and 2004 and he is a member of the National Executive Committee of the Advertising Agency Association of India since 2004.

Mr. C. Karunakara Shetty

A Non-Executive Director of the Company, holds a post graduation degree in Commerce from Karnatak University, Dharwad and is also a Certified Associate member of Indian Institute of Bankers (CAIIB). He was employed with Vijaya Bank between 1974 and 1998. He has over 20 years of experience in the banking industry. Currently, he is the Managing Director of Bhagavathi Chits Private Limited, which is also a member of Bangalore Stock Exchange.

Mr. Darius Pandole

Mr. Darius Pandole is a Non-Executive Nominee Director of the Company. He has been a partner at New Silk Route Advisors Pvt. Ltd. since its inception in February 2006, and manages the firm's private equity investment operations. He has outstanding academic background. He has obtained degree in Arts (Economics) from Harvard and an MBA from the University of Chicago. In 1997, he joined the investment team at the IndOcean Fund (established by Chase Capital Partners and Soros Fund Management), amongst the first private equity funds to be established in India. In February 1999, he co-founded and served as managing director of IndAsia Fund Advisors Pvt. Ltd. He joined IDFC PE Ltd. in February 2003, and was the executive director, and later chief operating officer of this asset management company that managed the India Development Fund, an infrastructure focused private equity fund. He was a Indian junior national squash champion and has represented the country at various squash tournaments. He has been appointed as a Director on the Board of the Company w.e.f. 21 April 2012

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Particulars	Amount
Total Income	113527.83
EBIDTA	19792.33
PBT	6206.49
Net Profit	4105.88

OUR KEY CUSTOMERS

Apollo Tyres
Arvind Mills
Ashok Leyland
Asian Paints
AMW Ltd.
Bajaj Auto
Berger Paints
Bharati Airtel
Britannia Industries
Cadbury India
Cadila Pharma

Carrier Air Conditioner
Cipla
Colgate Palmolive
Emami
Eureka Forbes
Fleet Guards
Samsung Electronics
Glaxosmithkline
Glenmark Pharmaceuticals
Godrej & Boyce
Grasim Industries

Ingram Micro
ITC Food Division
JCB India
Johnson & Johnson
Kirloskar Oil Engines
Kalyani Steels
Larsen & Toubro
LG Electronics
Mahindra & Mahindra
Michelin Tyres
Monsanto

Mukand Steels
Neelkamal Industries
Pidilite Industries
Puma Sports India
Ranbaxy Lab
Raymonds
SKF
Tata Motors
Videocon
Valvoline
VIP (Blow Past)
Wipro

The above List of Customers is neither complete nor exhaustive; its purpose is merely to showcase VRL's customer engagements.



GENERAL
PARCEL



EXPRESS
CARGO



PASSENGER
SERVICE



COURIER
SERVICES



CAR CARRIER
SERVICES



TANKER
SERVICES



AVIATION



WIND ENERGY



CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I am pleased to present the annual report of VRL Logistics Limited (the "Company") for the financial year ended 31 March 2012.

The Company has crossed the mark of Rs.1000 crores in revenue during the year. Total revenues for the financial year 2011-12 clocked Rs.1135.28 crores as compared to Rs.892.92 crores for the earlier year. Profit after tax for the year stood at Rs.41.06 crores as against Rs.50.98 crores for the earlier year.

Financial year 2011-12 was the year of capacity addition, both in terms of fleet as well as related infrastructure. The Capital Expenditure plans of the Company formulated prior to the proposed public issuance were implemented in total despite the Company not proceeding with the said IPO due to unfavorable market conditions. The year witnessed a fleet addition of 343 trucks, majority of which are the higher capacity 20 tonner vehicles of Ashok Leyland make and a fleet addition of 134 buses which comprised of 60 high end Volvo Multi-axle vehicles as also 74 Sleeper / Seater vehicles. The fleet addition also included the addition of 102 Car carrying vehicles and 20 tankers for liquid transportation marking our entry into these new business verticals which involve relatively lesser manpower and infrastructure facilities such as transshipments / godowns etc. The total capital expenditure on fleet addition was Rs.90.89 crores during the year.

Apart from the same, new properties comprising of Land / Buildings were added at Belgaum, Raichur and Bangalore. The centralized vehicle maintenance facilities at Varur also were significantly expanded to accommodate the fleet increase for the future periods. Balance work was also completed on the Gadag and Bijapur properties of the Company. This infrastructure addition resulted in a financial outlay of Rs.59.52 crores.

The Fleet addition in the Passenger travel division of the Company is depictive of an aggressive approach adopted by us. The bus fleet addition warranted the establishment

of new routes as well as adding schedules on existing routes which involves an element of gestation. During this gestation period, the Company aggressively reduced prices on new routes to stifle competition. The same resulted in a severe pressure on the profitability margins of this business division and affected the Company as a whole too. This has resulted in lower profitability in financial year 2011-12. I however take pleasure in stating that this aggressive stance has started yielding positive results and the operations of the additional fleet have more or less stabilized at present. I expect the Company to greatly benefit from increased revenues and margins as a result of these actions in the years to come.

The Goods transportation business continued to remain exciting. The Company could increase its revenues on the back of increased volumes which in turn were enabled on account of the increased fleet. We are in the process of identifying and occupying key godowns to serve as transshipment hubs in places critical to our business. As was seen from the Bangalore transshipment example, which brought about significant business growth in the past, we propose to operate larger transshipment hubs at places such as Nagpur, Ahmedabad, Chennai, Vizag, Karur, Solapur and the like. The Express Cargo division continues to grow at a consistent pace and I anticipate a significant growth in the near future. The thought of our Company not being able to capitalize on the opportunities that lie ahead owing to fleet / infrastructure shortage cause a concern when I introspect the business of the Company. It would not be out of place to state here that the revenues of the Company have increased by over 27% when compared with the earlier year and this was despite the discouraging IIP and other economic indicators pervading the earlier fiscal.

Expenditures such as Toll costs, permit costs, tyre costs, etc. over which we cannot have control pose a great challenge as the movement in these costs is only northwards and not everything can be passed on to the end customer. I am however confident of the Company's

ability to sustain the operating margins which would be enabled by keeping a vigil over other costs and continually striving to develop internal efficiencies. The focus of our top management team for the coming year would be to trigger a significant growth in the tonnage being transported by us as also to capitalize on freight business which other industry players find difficult to manage. Our senior team has demonstrated success in enabling Corporate customers to save on their freight costs by implementing innovative methods of moving their cargo which is possible only because of our unique vehicle body design.

During the year, the validation exercise in respect of the power units generated by the Windmills upto December 2010 was completed. The Company could thereby recognize revenues from the sale of Certified Emission Reduction Units to the tune of Rs.10.14 crores. The Courier and Air Chartering businesses posted marginal growth in revenues and we intend to operate these divisions on the existing scale.

Overall, the business growth of the Company during the last year was satisfactory and I am confident that the depression of profit margins, which has resulted from a conscious entry strategy in the Passenger travel division, would be set right in the ensuing fiscal as the Company would reap benefits of fleet addition.

The IPO plans of the Company could not materialize owing to unfavorable market conditions. To augment the capital resources of the Company, a decision was taken to explore the option to raise equity on private placement basis. Accordingly, during the month of December 2011, the Company reached an understanding with NSR PE Mauritius LLC, a South-East Asia-focused private equity firm. NSR, which stands for New Silk Route, is an investor of repute and I believe that the financial partnership forged with them would help the Company scale new heights. I also expect the Company to benefit from their experience and expertise in various functional areas. The Company had entered into binding Shareholders Agreement & Share Purchase and Subscription Agreement. The said Private Equity deal involves a fresh investment of Rs.125 crores by NSR by way of 0.001% Compulsorily Convertible Participating Preference Shares (CCPPS), which would be convertible into equity shares of the Company based on the financials for the year 2012-13. The said deal also included a partial stake sale by Mr. Anand Sankeshwar, the Managing Director and existing shareholder of the Company. The positive outcome of Private Equity Investment in the company would further intensify the focus of VRL's Board and the entire management team to build on our market leading positions and practice strong corporate governance while

enhancing value for all our shareholders. The investment is not only about raising capital, which would help us meet our growth needs, but also build the foundation of a mutually beneficial lasting partnership.

Our commitment to growth, profitability and financial stability start with operating in and expanding into strategically chosen geographic markets while providing value-added services that benefit our customers. While selectively expanding our geographic footprint to meet our customers' needs, we aim to focus on creating the essential logistic infrastructure to help enable this growth. Today VRL is present in all the major cities with an unparalleled transshipment and branch network. We also aim to continuously build on our competitive market position by seeking opportunities for the development of new facilities in locations that enhance our current network and complement our customers' business and expansion plans. We would continue to scrutinize the business processes to remove all non-essential costs without compromising the safety, security, quality or punctuality of our operations. In my view this approach would equip the Company to suitably tackle the current high fuel price environment and sustain the current profit margins.

In recognition of our safety, technology, sustainability & Customer Service, the Company bagged Apollo Fleet of the Year Award and Frost & Sullivan's 2012 India Logistics voice of customer awards for achieving excellence in logistics. These awards are an apt recognition for our existing abilities which we would only strive to improve on in the days to come.

I maintain that the employees of VRL are its biggest strength of all and I thank one and all for their dedication, commitment and sincere contribution to the growth of the Company. The substantial enhancement in the emolument structure effected in the last year was an attempt to enable our employees to maintain their present standard of living in the backdrop of the ever growing inflationary trends encompassing almost all commodity prices. I am confident of the ever increasing support of all the employees in the Company's business endeavor in the days to come.

I also take this opportunity to express my heartfelt thanks to our customers, bankers, financial institutions, business associates and industry bodies as also governmental organizations for their support and co-operation.

With best wishes,

VIJAY SANKESHWAR
CHAIRMAN & MANAGING DIRECTOR

HUBLI
10 July 2012

OVERVIEW OF BUSINESS

GOODS TRANSPORTATION



Revenue 2011-12	: Rs.859 crores
Growth over previous year	: 20%
% of Operating revenue	: 77%
Service	: Provides total transportation solutions

VRL offers services for transportation of goods across India using a range of road transportation solutions to our customers, including less than truck load ("LTL") and full truck load ("FTL") out of which LTL business forms the bulk accounting for over 90% of the Goods Transport revenues.

The LTL business of VRL encompasses General Parcel transportation and Express Cargo. General Parcel business involves the movement of LTL consignments from point to point with the norm of Godown to Godown booking. Door pick-up and door delivery can be enabled in General Parcel at an extra charge. The express cargo business of our Company is done on a door to door basis and in a time bound manner. The latter commands a pricing premium owing to the time bound nature of movement of consignments.

Our goods transportation network spans across 21 States and 6 Union Territories and covers major cities and towns throughout India. We have an extensive network of operations with a combination of owned branches and franchisees which enable us to provide connectivity to certain remote locations as well.

We operate on a Hub-and-Spoke operating model, which gives us the flexibility to transport a broad range of parcel sizes for both regional and national customers while providing customers access to multiple destinations for delivery of their goods. This provides us the ability to offer customers a compelling value proposition and gives us a competitive advantage in sourcing freight. The goods transportation business operates with the aid of 44 transshipment hubs leading to reliable, timely and cost-effective cargo consolidation and transportation.

The entire business is catered by our in-house developed software. VRL has a strong team of software professionals which offer tailor made solutions to our user

requirements. Some of the important developments of our information technology division include:

1. Vehicle Maintenance Tracker
2. Vehicle Traffic Application
3. Consignment Delivery Application
4. Hub Application
5. Accounting package
6. Remote access to networked computers
7. RFID based driver attendance module
8. RFID based tyre tracking system
9. Online system for inventory management
10. Online system for ensuring compliance with vehicle
11. Documentation renewal requirements.

Our goods transportation business services numerous industries. We transport fast moving consumer goods and general commodities which includes food, textile, apparel, furniture, appliances, pharmaceutical products, rubber, plastics, metal and metal products, wood, glass and machinery and host of other commodities. We take pride in stating that "We transport anything (barring prohibited goods & commodities), from anywhere, to anywhere" on a LTL basis.

The Goods transport business also covers the business verticals of vehicle carrying and liquid transportation. VRL's vehicle fleet includes 102 car carrying vehicles and 20 tankers. The business activity has commenced during financial year 2011-12 and these business lines are expected to garner consistent revenues from the ensuing fiscal.

FTL business of the Company is mainly transacted to ensure optimum vehicle utilization. FTL contracts are entered into with certain major corporates for movement of vehicles to business origination centres.

PASSENGER TRANSPORTATION



Revenue 2011-12	: Rs.218 crores
Growth over previous year	: 62%
% of Operating revenue	: 19%
Service	: Passenger Travel

We are a private operator of passenger buses and our operations are focused on high density urban commuter markets, such as Bangalore, Mumbai, Ahmedabad, Hyderabad, Pune etc. We also connect metropolitan and tier-2 cities, such as Hubli, Bijapur, Dharwad, Belgaum, Hospet, Mangalore, Bagalkot, Shirdi, Gulbarga, etc.

Our passenger transportation business operates in the States of Karnataka, Maharashtra, Andhra Pradesh, Goa, Gujarat and Tamil Nadu plying over key routes across major towns and cities in these states. We facilitate the booking of tickets for our passengers through a wide network of agents as well as the internet through leading web based travel agents and the online ticket booking facility on our website.

We carried over 3.32 million passengers in Fiscal 2012.

This division caters to every kinds of passengers with Vehicle offering which include Seater buses, Sleeper buses, Volvo AC Seater buses, AC Sleeper buses, Volvo – normal vehicles and the latest Multi-axle buses to choose from based on one's travel and cost preference.

The total fleet of buses today stands at 449 vehicles, which represents one of the largest fleet in the private sector.

This division has pioneered certain unique features which have been later replicated by other majors such as Lady seat option (whereby only a female can occupy a seat besides another female or else the seat goes empty) as well as back up bus facility.

VRL has invested huge amounts in technology to keep abreast of the latest market trends and has continuously upgraded its technology. It has its in-house technology innovation team. Most of the hardware and software used is developed by its own IT Professionals. Customers can choose from a variety of online booking options offered through the Company's own website as well as the websites of other major players such as Redbus, Make My Trip etc.

The huge growth rate posted by this division is on account of the extensive fleet addition done during the financial year 2011-12.

WIND POWER GENERATION BUSINESS



Revenue 2011-12	: Rs.36 crores
Growth over previous year	: 51%
% of Operating revenue	: 3%
Service	: Sale of Power Units / Carbon Credits

The Company has diversified into wind power and operates Wind Turbine Generators (WTGs) having an aggregate capacity of 42.50 MW at Kappatgudda, Gadag district in the State of Karnataka. The said wind farm consists of 34 WTGs having individual capacity of 1.25 MW each. The turbines are of S66 technology developed by Suzlon and the power generated is sold to Hubli Electricity Supply Company Limited ("HESCOM") under a Power Purchase Agreements (PPAs).

The necessary registration of the our wind power project with the United Nations Framework Convention on

Climate Change (UNFCCC) is complete and necessary approvals for the trade of carbon credits have already been procured. We have entered into an agreement with Asian Development Bank (as trustee of the Asia Pacific Carbon Fund) for sale of CERs (Certified Emission Reduction Units – Carbon Credits). During the year, VRL earned Rs.10.14 crores from the sale of CERs.

The high revenue growth rate reported during this fiscal is on account of initial recognition of the CER sale revenue pursuant to completion of the validation exercise by the designated authorities.

OTHER BUSINESSES



Revenue 2011-12	: Rs.9 crores
Growth over previous year	: 30%
% of Operating revenue	: 1%
Service	: Air Chartering and Courier

The Company operates an air charter business since 2008 to provide services to individuals and corporate clients. The service is offered through a new Premier 1A aircraft from Hawker Beechcraft Inc., USA. The Premier 1A aircraft is a twin engine sophisticated aircraft with space for 2 pilots and 6 passengers. This aircraft has a Non Scheduled Operator Permit issued by the Director General of Civil Aviation (DGCA), Government of India.

We offer charter services, bulk-charters, wet-lease, or on any customized requirement and offer services to

individuals, corporate clients and key ministers / officials, etc. The said division had revenues of Rs.4.77 crores during the financial year 2011-12.

The Courier service is offered by the Company within Karnataka for time sensitive documents and parcels. The same is complemented by the excellent network of branches and offices of the Company in the State. The buses plying between various locations in the State are used for movement of these courier consignments. The said division had revenues of Rs.4.50 crores during the financial year 2011-12.

KEY MILESTONES



- 1976 – Commencement of Transport service through proprietary concern by Mr. Vijay Sankeshwar – commencement of business with single truck
- 1983 – Business converted into a private limited company by the name of Vijayanand Roadlines Private Limited
- 1992 – Commencement of Courier Service within the state of Karnataka
- 1994 – Vijayanand Roadlines Private Limited becomes a deemed Public Limited Company
- 1996 – Commencement of passenger transportation business
- 1997 – The status of the company changed from a deemed Public Limited company to Public Limited Company
- 2003 – Vijayanand Printers Limited becomes our wholly owned subsidiary
- 2003 – Entered in to LIMCA BOOK OF RECORDS as single largest fleet owner of commercial vehicles in the private sector in India
- 2004 – Commercial operation of gigantic infrastructure facility at Varur, Hubli
- 2005 – ISO 9001:2000 Certification for providing passengers travels service at Hubli, Bangalore, Belgaum (presently ISO 9001:2008)
- 2006 – Entire stake in Vijayanand Printers Limited divested to Times Group
- 2007 – Company diversified into power generation installed 34 Wind Turbine Generators with capacity of 1.25 MW each
- 2008 – Company entered into air charter business and purchased IA aircraft from Hawker Beechcraft Incorporation
- 2009 – UNFCCC approval for Company's wind power project – Eligible for carbon credits
- 2010 – Efforts of Company being recognized by way of several awards and recognitions
- 2011 – Foray into new logistics verticals – Car Carrying and Chemical Transportation
- 2012 –
 - CER Income recognized for the first time in accounts
 - Private Equity investment by NSR PE Mauritius LLC in the Company

AWARDS

APOLLO FLEET OF THE YEAR AWARDS



Apollo Fleet of the Year awards gives importance to initiatives taken by fleet operators towards Safety, Technology, Sustainability and Customer Service, unlike other awards in the genre, which place size and scale of operations above institutional leadership factors. These awards are Apollo's recognition of the best practices that exist within the Indian commercial transportation segment.

VRL Logistics Limited, with a fleet size of 3000+ vehicles, has a record of 98% customer complaint resolution and high level of radialisation, at around 60%, in comparison to 20% amongst commercial vehicle users, which enabled VRL winning the Apollo Fleet of the Year awards attesting to safety, technology, sustainability and customer service. In an award ceremony, held on 23 January, 2012, Satish Sharma, Chief, India Operations, Apollo Tyres Ltd, gave away the trophy for Apollo Fleet of the Year to VRL Logistics in Large Operator - HCV Category.

VOICE OF THE CUSTOMER AWARDS



Frost & Sullivan Best practices Awards identify exemplary achievements within a multitude of industries and functional disciplines. The Awards by Frost & Sullivan are given to companies and market participants that have made their mark in their respective industries. This could be through product innovation, creating or using new technologies, customer service, business development or competitive strategy. The 'Voice of the Customer Awards' for the Logistics Industry in India was instituted by Frost & Sullivan in the year 2003. It recognizes the best companies providing logistics support to various industry and achieving 'Excellence in Logistics'. Logistics Managers of key corporates in the country are approached for a survey based on which the winner is identified.

PROMOTERS' RECOGNITIONS



Mr. Vijay Sankeshwar was awarded the SARIGE RATNA Award in the year 1998



Mr. Vijay Sankeshwar was conferred with the SIR M. VISVESVARAYA MEMORIAL AWARD in 2007 for outstanding contribution to the economic social development of Karnataka



Mr. Vijay Sankeshwar was awarded the TRANSPORT SAMRAT – 2008 during the national convention for outstanding achievement in the field of transport Industry



Mr. Anand Sankeshwar was conferred with the ABCI award in the year 2005 from the Association of Business communicators of India



Mr. Anand Sankeshwar was awarded with the MARKETING PROFESSIONAL OF THE YEAR for marketing excellence by Indira Group of Institutes in 2006



Mr. Anand Sankeshwar was honoured by TIE (USA) in 2010 as the 'Best 2nd Generation Entrepreneur'



KEY STRENGTHS

Established & Reputed Brand

- Over three decades of brand history, commitment to quality, reliability and punctuality.
- Good relationship with business associates.
- Consistent enhancement of scale and scope on the back of strong belief in industry growth potential enabling better service to customers.
- VRL name synonymous with "service excellence".

Strong In-house Capabilities

- In-house body designing facility enabling maximum vehicle utilization.
- Vehicle repair and maintenance facility.
- Tie-ups with spare part suppliers resulting in cost savings.
- Dedicated research and development team.
- Information technology support for greater efficiency, better vehicle management and customer interface.

Large Size and Scale of Operations

- Multi-service transport and logistics provider with goods transport service present in 21 states and 6 Union Territories service across the length and breadth of India.
- Passenger transport business covering 116 cities with 81 branches, 701 franchises and 12 web agents across Karnataka, Maharashtra, Goa and Andhra Pradesh.
- Passenger Travel - Wide range of vehicles with 320 plus routes and around 9000 passengers per day.

Experienced Management Team

- Highly experienced management with sound industry Expertise.
- Active involvement of promoters in the management.
- Access to internally generated talent pool with requisite technical skills.

Integrated Business Model

- Range of complementary services forming a unique business framework.
- Diversified customer base leading to enhanced brand visibility.



VRL LOGISTICS LIMITED

Regd. Office: 18th KM, NH 4, Bangalore Road
Varur, HUBLI – 581 207, Karnataka

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of VRL Logistics Limited will be held on 3 August 2012 at 11a.m at the Registered Office of the Company, situated at 18th KM, NH 4, Bangalore Road, Varur, HUBLI – 581 207, Karnataka to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Financial Statements as at 31 March 2012 and the report of the Board of Directors and Auditors thereon.
2. To confirm interim dividend paid and to declare final dividend on Equity Shares for the year ended on 31 March 2012.
3. To declare a proportionate dividend on Compulsorily Convertible Participatory Preference Shares.
4. To appoint a Director in place of Shri J.S. Korlahalli, who retires from office by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Prabhakar Kore, who retires from office by rotation, and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. H.K. Veerbhadrappa & Co., Chartered Accountants, Hubli and M/s Walker, Chandio & Co., Chartered Accountants, Mumbai, be and are hereby appointed as the Joint Statutory Auditors of the Company for the financial year 2012-13, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS:

7. Appointment of Mr. Darius Pandole as director
To consider and thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution

“RESOLVED THAT a Notice having been received from a Member u/s 257 of the Companies Act, 1956, and pursuant to Clause, 248 of Articles of Association of the Company, Mr. Darius Pandole, be and is hereby appointed as a Non executive Nominee Director of the Company with immediate effect and that his office shall be subject to retirement by rotation.”

8. Revision in remuneration of Mr. Anand Sankeshwar, Managing Director

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

“RESOLVED THAT in partial modification of earlier resolution passed relating to the appointment and remuneration of Mr. Anand Sankeshwar, Managing Director of the Company and pursuant to the provisions of Sections, 198, 269, 309, 310 read with Schedule XIII of Companies Act, 1956 and subject to the approval of Central Government if necessary and such modifications the Central Government may suggest, the consent of the Company be and is hereby granted for revision / enhancement of the remuneration of Mr. Anand Sankeshwar, Managing Director, from Rs.15 lacs per month to Rs.16.5 lacs per month inclusive of perquisites, with effect from 1 April 2012, upto 31 March 2014 (the remaining period of his tenure).”

RESOLVED FURTHER THAT Mr. Vijay Sankeshwar, Chairman and Managing Director and Mr. Aniruddha Phadnavis, Company Secretary be individually authorised to take all steps necessary for giving effect to this resolution.”

By order of the Board of Directors

Aniruddha Phadnavis
General Manager (Finance) & Company Secretary

Registered Office:
18th KM, NH 4
Bangalore Road
Varur, HUBLI - 581 207
KARNATAKA
e-mail: aniruddha@vrllogistics.com

NOTES

1. The relevant Explanatory Statements pursuant to section 173 of the Companies Act, 1956, in respect of Special business under items 7 and 8 as set out in the Notice are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY (IES) TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. In terms of Article 145 of the Articles of Association of the Company, Mr. J.S. Korlahalli, Director and Dr. Prabhakar Kore, Director, retire by rotation and being eligible offer themselves for re-appointment. The Board of Directors of the Company recommends their re-appointment.
4. The Register of contracts maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the Company.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO.7

Pursuant to the Shareholders Agreement entered into with NSR PE Mauritius LLC, (NSR) on 15 December 2011, NSR have the right to appoint a Nominee on the Board and accordingly as nominated by NSR, Mr. Darius Pandole, a partner of NSR was appointed as a Director of the company by the Board of Directors at the meeting held on 21 April 2012 to represent NSR on the Board of the Company.

The Company being a Non Scheduled Air Transport Service provider, has obtained the relevant Security Clearance in respect of Mr. Darius Pandole from the Directorate General of Civil Aviation, Government of India vide letter dtd. 17 February 2012.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Darius Pandole holds office upto the date of forthcoming Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Nominee Director.

Mr. Pandole is a well known personality in the Indian Investment arena and his rich experience is expected to significantly add value to the Company's business.

Mr. Darius Pandole has been a partner at New Silk Route Advisors Pvt. Ltd. since its inception in February 2006, and manages the firm's private equity investment operations. He has an outstanding academic background. He has obtained degree in Arts (Economics) from Harvard and an MBA from the University of Chicago. In 1997, he joined the investment team at the IndOcean Fund (established by Chase Capital Partners and Soros Fund Management), amongst the first private equity funds to be established in India. In February 1999, he co-

founded and served as managing director of IndAsia Fund Advisors Pvt. Ltd. He joined IDFC PE Ltd. in February 2003, and was the executive director, and later chief operating officer of this asset management company that managed the India Development Fund, an infrastructure focused private equity fund.

He was the Indian junior national squash champion and has represented the country at various squash tournaments.

The Board of Directors of your Company is of the opinion that his appointment would be beneficial to the Company and hence recommends the Resolution placed at item no. 7 in the notice for your approval.

None of the Directors of the Company except Mr. Pandole is in any way concerned and interested in the resolution

ITEM NO.8

Taking into consideration the improved performance coupled with increased business activities of the company and the responsibilities cast on Mr. Anand Sankeshwar, Managing Director and as recommended by the Remuneration Committee, the Board of Directors at their Meeting held on 21 April 2012, revised the remuneration of Mr. Anand Sankeshwar from Rs.15 lacs per month to Rs.16.50 lacs per month w.e.f 1 April 2012.

The Remuneration Committee was also of the unanimous view that the same would ensure the continued retention of services of Mr. Anand Sankeshwar, considering his vast experience and strong ability to lead and expand the business of the Company.

All other terms and conditions relating to the appointment of Mr. Anand Sankeshwar as approved earlier by the members of the company shall remain unchanged.

Your Directors recommend this Resolution for members approval as a Special Resolution.

None of the other Directors are concerned or interested in this item of business except Mr. Vijay Sankeshwar and Mr. Anand Sankeshwar.

This may be treated as an abstract of the terms of the agreement between the company and Mr. Anand Sankeshwar for revision in his remuneration pursuant to Section 302 of the Companies Act, 1956.

INFORMATION REQUIRED AS PER SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION:

1. Nature of Industry

The Company is involved in logistics services mainly comprising of transportation of goods and transportation of passengers by road apart from courier service, wind power generation and air chartering business. The Company finds mention in the prestigious 'Limca Book of Records', as the largest fleet owner of commercial vehicles in the private sector in India

2. Date or expected date of commencement of commercial production.

The company is in business since 1983.

3. Financial Performance

(Rs. in lacs)

Year	Turnover	Profit before tax	Profit after tax
2008-09	65066.20	339.25	47.73
2009-10	71467.47	4447.30	2909.87
2010-11	89291.54	7044.80	5097.68
2011-12	113527.83	6206.49	4105.88

4. Foreign investments or collaborators, if any:

The Company, on 15 December 2011, has entered into binding Shareholders Agreement and Share Subscription and Purchase Agreement with New Silk Route PE Mauritius LLC (NSR), a Private Equity investor of repute, pursuant to the company offering 11046875 0.001% Compulsorily Convertible Participating Preference Shares for an aggregate consideration of Rs.125 Crores. The said investment is intended to be used for expansion of the Company's business and repayment of certain high cost debts.

II. INFORMATION ABOUT THE APPOINTEE

A. Back ground details

Mr. Anand Sankeshwar, aged 37 years, is a graduate in Commerce from Karnatak University, Dharwad. A man of vision, well-tuned to changing times and emerging trends in the business world, Anand Sankeshwar has been instrumental in scripting the success story of the company following in the footsteps of his illustrious father Vijay Sankeshwar, founder of VRL, who commenced transport business with just one lorry. The young consummate entrepreneur developed a passion for transportation business at the age of 14. Fore-sightedness, hard working nature, sincerity, dedication, positive attitude, innovative mind, commitment to business and to cap it all 'work is worship' culture have made Anand Sankeshwar a unique second generation entrepreneur. He acquired wide experience in the field of marketing and advertisement. He has more than 20 years of experience in transport industry and 7 years of experience in the media industry.

B. Past Remuneration

Up to the financial year 2011-12 Mr. Anand Sankeshwar's total remuneration was Rs.15 lacs p.m. inclusive of perquisites.

C. Recognition / Awards

Mr. Anand Sankeshwar was honoured with the prestigious 'Youth Icon' award by ABCI of Mumbai in 2005, 'Marketing Professional of the year 2006 by 'The Indira Group of Institutes' Pune and He was also honoured by TIE in 2010 as the "Best IInd Generation Entrepreneur". He was the brand ambassador for leading transport brands like Castrol, Toyota and Ashok Leyland. He is also the recipient of several other awards and recognition and has a standing of repute in the business world.

D. Job Profile and Suitability

Mr. Anand Sankeshwar is the Managing Director of the Company and subject to the superintendence, direction and control of the Board, the day today management and administration of the company is vested in him. He has demonstrated success during his stint as the Managing Director in the company as reflected in the phenomenal growth of the Company.

E. Remuneration Proposed

As set out in the resolution for item No.8.

F. Comparative remuneration profile with respect to Industry, size of the Company, profile of the Position and Persons

The Board of Directors consider the remuneration and perquisites proposed to be paid to Mr. Anand Sankeshwar to be commensurate with the duties and responsibilities required to be discharged by him at his position. The Board is of the view that the said increased remuneration would ensure the continued retention of his services in the company considering his valuable contribution to the company, his role in placing the company in pre-eminent position in the industry and his active role in the company. The proposed remuneration is reasonable and in line with the remuneration levels in the industry.

III. OTHER INFORMATION

G. Steps taken or proposed to be taken for Improvement:

The company has constructed new transshipments and booking and delivery offices at various places like Bangalore, Belgaum, Gadag, Bijapur and is also devising new strategies for reducing the costs of operation. The Company has acquired number of trucks, tankers and car carriers, etc for its Goods transport operations to increase its network and enter in to new line of business. The Company has also recently acquired High speed luxury Buses for expansion of its Passengers Transportation Business fleet.

H. Expected Increase in Productivity and Profit in measurable terms:

The company will strive to widen its customer base, increase market share and set up market initiatives

and look for overall growth as a part of its strategy for improved results in the years to come with the able partnership of NSR, the Company is expected to reach new heights in the existing business lines.

The operating turnover of the company represents a healthy average growth rate over the past decade. It would be the endeavor of the Company to maintain such healthy levels of growth in the years to come.

The business plan of the company for the next 3 years has been formalized. Based thereon, the company is expected to focus on improvement of its bottom line in the years to come. Increase in the business levels, the ongoing cost reduction and efficiency measures would contribute favorably towards the same. These measures are expected to substantially increase the productivity and profits of the company and the managerial remuneration is expected to be within the limits prescribed under the Companies Act, 1956 in the years to come.

IV. DISCLOSURES

I. The proposed remuneration package of the Managerial Personnel

As set out in the resolution for item No.8.

None of the directors other than Mr. Vijay Sankeshwar and Mr. Anand Sankeshwar are interested in the proposed resolution. Your directors recommend the resolution for members approval.

By order of the Board of Directors

Aniruddha Phadnavis
General Manager (Finance) & Company Secretary
Place: HUBLI
Date: 10 July 2012

Registered Office:
18th KM, NH 4
Bangalore Road
Varur, HUBLI – 581 207
KARNATAKA
e-mail: aniruddha@vrllogistics.com

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Ninth Annual Report together with the Audited Accounts of the Company for the year ended 31 March 2012.

(Rs. in lacs)

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
INCOME		
Income from Services	108558.95	85849.65
Sale of Power	2538.90	2346.73
Sale of Certified Emission Reduction units	1014.49	–
Other Income	1415.49	1095.16
Total	113527.83	89291.54
EXPENDITURE		
Costs of Materials Consumed	6654.30	5228.13
Employee Costs	12891.87	10448.23
Other Operating Costs	74189.33	56602.42
Finance Cost	6625.98	4874.64
Depreciation / Amortisation	6959.86	5093.32
Total	107321.34	82246.74
Profit before Tax	6206.49	7044.80
Taxation	2100.60	1947.11
Net Profit	4105.88	5097.68

1. DIVIDEND

During the financial year 2011-12, your Directors declared an interim dividend at the rate of 21% translating to Rs.2.10 per equity share of Rs.10/- each based on the provisional unaudited financial statement states for the half year ended 30 September 2011. You directors recommend a further Final Dividend at the rate of 6% to Equity Shareholders as well as proportionate dividend on the Compulsorily Convertible Participatory Preference Share holders (CCPPS) for the financial year 2011-12. Record date for the dividend would be 10 July 2012.

2. TRANSFER TO RESERVES

The Company has transferred an amount of Rs.410.59 lakhs to the General Reserve out of the current year's profits in compliance with the provisions prescribed under the Companies (Transfer of Profits to Reserves) Rules, 1975.

3. REVIEW OF OPERATIONS

Your Company has achieved a very healthy growth rate in terms of revenues. Your Company has achieved a turnover of Rs. 113527.83 lacs depicting an increase

of over 27% and earned a net profit of Rs.4105.88 lacs during the financial year 2011-12.

The profitability margins were however under pressure owing to significant increase in operating and employee costs as also increase finance costs owing to significant capital expenditure incurred during the year. The aggressive fleet increase in the passenger travel division also resulted in pressure on the margins as deployment of new vehicles and the stabilization of new routes involves an element of gestation till profitable operations can be sustained.

The Goods Transportation division clocked revenues of Rs.85850.63 lacs as against a corresponding revenue of Rs.71541.07 lacs for the previous year at a growth rate of 20%. The margins in this division were fairly stable. The Courier and Air Chartering divisions of the Company recorded revenues of Rs.449.80 lacs and Rs.477.33 lacs respectively.

The Passenger travel segment contributed Rs.21871.19 lacs as revenues during the year as against corresponding revenues of Rs.13441.68 lacs for the previous year at a growth rate of over 62%. The same

was enabled by a significant addition to the vehicle fleet. However, the operating costs for this division were significantly higher and these could not be entirely passed on the customers owing to the initial focus on setting up new routes and optimal deployment of buses, which would be critical for stabilization of operations at such increased level. Barring the addition of a few buses, the envisaged capital expenditure for this division is nearly complete and these are expected to boost the revenues and profits in the upcoming months.

Considerable capital expenditure has been incurred during the year which has enabled the growth in revenues and the Company expects to further post a healthy growth year on year on the strength of such fleet increase and infrastructure growth.

4. PRIVATE EQUITY INVESTMENT

The asset ownership business model of your Company is capital intensive requiring significant financial resources from time to time. Over a period, these requirements were being met through a combination of internal accruals and borrowings from Banks / Financial Institutions. In order to supplement the funding needs of the company and to maintain a prudent capital structure, your Company raised a sizeable quantum of funds for, inter alia, acquisition of additional fleet (Goods vehicles and Passenger Vehicles), purchase of land for construction of transshipment yards & godowns, repayment of high cost debts as also general corporate purposes from NSR PE Mauritius LLC, (NSR), a Private Equity Fund of repute.

Your Company, on 15 December 2011, had entered into a binding Share Subscription & Purchase Agreement as also a binding Shareholders Agreement to raise the funds through private Equity Investment from NSR.

The said transaction involves an investment of Rs.12500 lacs, by way of 11046875 nos. of 0.001% Compulsory Convertible Participatory Preference Shares (CCPPS) having face value of Rs.100/- each being issued at a price of Rs.113.15/- per share. Further, 4418750 existing Equity Shares held by Mr. Anand Sankeshwar, were also purchased by NSR as a part of the said PE transaction. The CCPPS issued by the Company would be converted into equity shares by way of an agreed upon conversion mechanism which would be based upon the financial statements of the Company as of 31 March 2013.

The said Private Equity transaction has been given effect to during the month of April 2012.

The Company would have a balanced capital structure pursuant to the said transaction. Also, the PE partner is expected to add significant value to the business processes of the Company and your directors expect the Company to benefit from the experience and expertise of the NSR team. Your Company aims to achieve new heights in business by working hand in hand with NSR in the years to come.

5. CHANGES TO SHARE CAPITAL

To accommodate the issuance of CCPPS to the PE Investor, it was necessary to effect a change in the authorized capital of the Company. The change in Authorised Share Capital was effected at the Extraordinary General Meeting of the Company during April 2012.

CHANGES TO AUTHORIZED SHARE CAPITAL

The Authorised Share Capital of the Company has been increased from Rs.125 crores to Rs.237 crores comprising of 125000000 (Twelve Crores Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten) each and 11200000 (One Crore Twelve Lakhs) compulsorily and mandatorily convertible participatory preference shares of Rs.100/- each.

CHANGES IN PAID-UP SHARE CAPITAL

In terms of the Shareholders' Agreement & Share Purchase & Subscription Agreement inter alia entered into between the Company and New Silk Route, the Company allotted 11046875 Compulsorily Convertible Participatory Preference Shares (CCPPS) of Rs.100/- each to NSR PE Mauritius LLC on 18 April 2012 at a premium of Rs.13.15/- per share.

6. CAPITAL EXPENDITURE

Financial year 2011-12 witnessed significant capital expenditure in your Company. A summary of the same is as under:

- Purchase of 343 goods transport vehicles
- Purchase of 102 Car Carrying vehicles
- Purchase of 20 Tankers for liquid / chemical transportation.
- Purchase of 60 Multi-axle Volvo buses
- Purchase of 74 Sleeper / Seater buses
- Purchase of properties for Goods transportation business at Bangalore, Belgaum and Raichur in the State of Karnataka

- Expansion of Vehicle Maintenance facility at Varur, Hubli

7. FIXED DEPOSITS

Your Company has not accepted any deposits from the Public during the current year. Deposits accepted which have matured and are unclaimed are being reflected under the head "Unclaimed Matured Deposits" in Note 9, Other Current Liabilities. Interest due on these deposits is also disclosed separately. Fixed Deposits of the Company stood at Rs.866.95 lacs as at the end of the financial year 2011-12, out of which Rs.15.55 lacs have matured and are unclaimed.

There were no overdue deposits. Your Company has complied with the provisions stipulated under the Companies Act, 1956, as applicable to such deposits.

8. DIRECTORS

a. Re-appointment

- Mr. Vijay Sankeshwar, Chairman & Managing Director of the Company was reappointed by the members at the Extraordinary General Meeting held on 31 January 2012 for further period of 5 years w.e.f. 01 January 2012.
- In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. J.S. Korlahalli and Dr. Prabhakar Kore retire by rotation owing to their tenure as directors being the longest and being eligible, they have offered themselves for re-appointment at the ensuing Annual General Meeting. The Board recommends their reappointment for consideration of the shareholders.

b. Appointment

Mr. Darius Pandole was inducted by the Board of Directors with the prior security clearance from Director General Civil Aviation on 21st April 2012. Pursuant to the provisions of the Section 260 of the Companies Act, 1956, Mr. Darius Pandole will hold office as such only upto conclusion of this ensuing Annual General Meeting. Mr. Darius Pandole is eligible for re-appointment as a Nominee Director of the Company liable to retire by rotation.. The company has received a notice along requisite fee from a member under Section 257 of the Companies Act, 1956, proposing the

candidature of Mr. Darius Pandole as Director of the company.

9. JOINT STATUTORY AUDITORS

M/S H.K. Veerbhadrappa & Co., Chartered Accountants, Hubli & M/s Walker, Chandiok & Co., Chartered Accountants, Mumbai, Joint Statutory Auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The company has received letters from them to the effect that their reappointment, if made, would be within the prescribed limits u/s 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment u/s 226 of the Companies Act, 1956.

Pursuant to the recommendations of the Audit Committee, the Board of Directors have, at their meeting held on 10 July 2012, recommended the re-appointment of the Joint Statutory Auditors and the same is subject to the approval of the shareholders of the Company, at the ensuing Annual General Meeting.

10. COST AUDITOR

In conformity with the circulars issued by the Central Government, the Company has appointed S.K. Tikare & Co., Cost Accountants, Dharwad, as the Cost Auditors for our Wind Power business for the year ending 31 March 2012. Pursuant to the recommendation of the Audit Committee, the Board at its meeting held on 10 July 2012 has retained his services for the financial year 2012-13.

11. RECONSTITUTION OF COMMITTEES

Pursuant to NSR's right to appoint a Director on the Board and Sub-Committees of the Board, the Audit Committee and Remuneration Committee was reconstituted by inducting therein Mr. Darius Pandole, NSR's nominee as a member and similarly other committees of the Board also have been suitably reconstituted to include therein Mr. Darius Pandole. The details of these two committees are as under:

a. Audit Committee

The following Directors are the members of the Audit Committee.

- | | | |
|-----------------------------|---|----------|
| 1. Mr. Sudhir Ghate | - | Chairman |
| 2. Mr. C. Karunakara Shetty | - | Member |
| 3. Mr. J.S. Korlahalli | - | Member |
| 4. Mr. Darius Pandole | - | Member |

In compliance with the provisions of Section 292A of the Companies Act, 1956, the members of the Audit possess significant knowledge, experience and expertise in Finance.

b. Remuneration Committee:

The following Directors are the members of the Remuneration Committees:

- | | |
|--------------------------|------------|
| 1. Mr. J.S. Korlahalli | - Chairman |
| 2. Mr. Sudhir Ghatge | - Member |
| 3. Mr. Karunakara Shetty | - Member |
| 4. Mr. Darius Pandole | - Member |

12. DETAILS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

The particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange earnings and expenditure are annexed hereto as Annexure "A" and forms part of this Report.

13. PARTICULARS OF EMPLOYEES

The particulars of employees of the company, in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are given in Annexure "B" to this report.

14. DIRECTORS RESPONSIBILITY STATEMENT

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

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

- b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;

- c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- d) They have prepared the annual accounts on a going concern basis.

15. ACKNOWLEDGMENTS AND APPRECIATION

The Directors take this opportunity to thank the Company's customers, fixed deposit holders, shareholders, suppliers, bankers, financial institutions and Central & State Governments for their consistent support to the Company. The Directors also wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to maintain its position in the industry in spite of increased competition.

For and on behalf of the Board

Vijay Sankeshwar
Chairman & Managing Director

Place: HUBLI
Date: 10 July 2012

ANNEXURE 'A' TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

FORM A CONSERVATION OF ENERGY

The Company has taken a conscious decision of going in for vehicles with lower fuel consumption. Also, we attempt to operate vehicles at optimum speed as per manufacturer recommendations to conserve and save fuel. We also conduct preventive maintenance for vehicles. Apart from this, during the year, the following measures were taken:

- Vehicles purchase decision is made only on considering all latest regulations relating to pollution control. Eg: Replacement of vehicles at Mumbai which are more than 8 years old with the latest Bharat Benz vehicles.
- The periodical maintenance of Company's vehicles is being done as per internal norms to ensure optimum fuel consumption.
- Drivers' training programs are being organized and conducted periodically to improve their driving skills to ensure better fuel efficiency and long life of vehicle.
- Long drain period lubricants are being used to economize fuel consumption.
- Usage of additives for lower emissions and fuel consumption
- Upgrading engines from 160 hp to 180 hp thereby increasing fuel efficiency
- Company has commenced garnering of solar energy. 2 branches of the Company and 4 mobile offices (check post control offices) are exclusively working on solar energy.

FORM B TECHNOLOGY ABSORPTION

DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY ETC.,

I. RESEARCH AND DEVELOPMENT

1. Specific Areas in which R & D is carried out by Company

- Implementation of providing Driver Cabin using tubular steel structure and Fibre reinforced glass material as paneling.
- Usage of FRP panels in buses for outer body in place of steel and aluminum.
- Introduction of point of sale machines for customer interface 150 units already functioning.
- Obtaining accounting data through SMS.
- Engine oil life enhanced from 75 k to 100 k. Testing engine oil which can last for a lifetime of a vehicle.

2. Benefits Derived out of above R&D.

- Drivers Cabin will become very light weight and strong. It is easy to repair / replace in case of accidents. Life of the Cabin will also be enhanced as it is non corrosive.

- Usage of FRP panels in buses will also result in slightly better fuel efficiency as also enhancing cabin life by elimination of corrosive materials.
- Usage of Point of sale machines would improve the staff efficiency and result in faster transaction time as well as convenience for customers.
- Obtaining data through SMS is resulting in faster processing of accounting data of remote locations
- R&D effort in engine oil results in cost savings. If successful, the experiment of the Company with a new variant of engine oil would eliminate replenishment of engine oil stocks.

3. Future plan of action

- It is the constant endeavor of the company to come up with innovative ideas and work methods to enhance utilization of owned assets and achieve cost reduction in every sphere of activity.

4. Expenditure on R&D

Expenditure on R & D

- | | |
|----------------|--------------------------------------------------------------------------------|
| a) Capital | } No Specific allocation is made expenditure as a percentage of total turnover |
| b) Recurring | |
| c) Total | |
| d) Total R & D | |

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards absorption, adaptation and innovation – NIL.
- Benefits derived as a result of the above efforts, e.g. products, improvement, cost reduction, product developments, import substitution etc. – NIL.

- In case imported technology (imported during the last 5 years reckoned from the beginning of the financial year). Following information may be furnished – NIL.

- Technology Imported.
- Year of import.
- Has technology been fully absorbed, areas where this has not taken place.
- If not fully absorbed, areas where this has not taken place reasons therefore and future plans of action.

III. FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

	Year Ended 31.03.2012	(Rs. in lacs) Year Ended 31.03.2011
A) Expenditure in foreign currency (accrual basis)		
Aircraft maintenance	18.08	43.67
Professional fees on sale of certified emission reductions units	12.32	-
Total	<u>30.40</u>	<u>43.67</u>
B) Earnings in foreign currency (accrual basis)		
Sale of certified emission reductions units	1014.49	-
Total	<u>1014.49</u>	<u>-</u>
C) Value of imported and indigenous materials		
Spare parts and components including tyres, flaps and re-treading		
- Imported	-	-
- Indigenous	-	-
- Amount	6654.30	5228.13
- Percentage	100%	100%
Total	<u>6654.30</u>	<u>5228.13</u>

ANNEXURE 'B' TO DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31 March 2012.

A. Employed throughout the year and were in receipt of remuneration of not less than Rs.60 lacs per annum

Sl. No.	Name	Designation	Remuneration (Rs. in lacs)	Qualification	Experience (Years)	Age	Date of commencement of Employment	Last Employment	Percentage of equity share held
1	Mr. Vijay Sankeshwar	Chairman & Managing Director	256.39	B.COM	36	62	01.08.1984	-	46%
2	Mr. Anand Sankeshwar	Managing Director	180.00	B.COM	21	37	01.12.1990	-	52%
3	Capt S.C. Mehta	Chief Pilot	61.62	Ex-NDA	43	64	01.01.2007	Senior GM (Flight operations) Taneja Aerospace & Aviation Ltd.	-

B. Employed for a part of the year and were in receipt of remuneration not less than Rs.5 lacs per month - Nil

Notes:

1. Remuneration shown above includes salary, perquisites, commission on profits and Company's contribution to Provident Fund but does not include Company's contribution to Gratuity Fund. The monetary value of perquisites is calculated in accordance with the provisions of the Income Tax Act, 1961 and Rules made thereunder.
2. Nature of Employment in the above cases is contractual.
3. Mr. Vijay Sankeshwar and Mr. Anand Sankeshwar are related to each other.

COMPLIANCE REPORT BY COST AUDITOR
[Pursuant to rule 2 and rule 5 of (Cost Accounting Records), Rules 2011]

We S.K. Tikare & Co., Cost Accountants, having been Appointed as Cost Accountant under rule 5 of the Companies (Cost Accounting Records) Rules, 2011 of VRL Logistics Ltd., having its Registered office at 18 Km, NH 4, Bangalore Road, Varur Hubli – 581 217 (hereinafter referred to as the Company), have examined the books of accounts prescribed under clause (d) of Sub section (1) of section 209 of the said Act, and other relevant records for the period/year 2011-12 and certify as under:

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of this Compliance Report.
2. In our opinion, proper Cost Records as per Companies (Cost Accounting Records) Rules 2011, prescribed under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956, have been maintained by the company so as to give a true and fair view of Cost of Generation of Power, Cost of Sales and Margin for the Windmill project of the company.
3. Detailed Unit-wise Cost Statements and schedules thereto in respect of the power units generated are kept in the Company.
4. In our opinion, the said books and records give the information as required under the Companies Act, 1956, in the manner so required.
5. In our opinion, the said books and records are in conformity with the Generally Accepted Cost Accounting Principles and Cost Accounting Standards issued by the Institute of Cost Accountants of India to the extent these are found to be Relevant and Applicable.

For S. K. TIKARE & CO.,
COST ACCOUNTANTS

Place: HUBLI
Date: 10 July 2012

S.K. TIKARE
(Mem. No. 20794)

AUDITORS' REPORT

To
The Members of VRL Logistics Limited

1. We have audited the attached Balance Sheet of VRL Logistics Limited (the 'Company') as at 31 March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
 - c) The financial statements dealt with by this report are in agreement with the books of account;
 - d) On the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - e) In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and 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, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
 - ii) the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

Walker, Chandio & Co
Chartered Accountants
16th Floor, Tower II
Indiabulls Finance Center
S.B. Marg, Elphinstone (W)
Mumbai – 400 013
Firm Registration No: 001076N

per Khushroo B. Panthaky
Partner
Membership No. F-42423

Date: 10 July 2012
Place: MUMBAI

H.K. Veerbhadrappa & Co
Chartered Accountants
4th Floor, Sumangala Complex
Lamington Road
Hubli – 580 020
Karnataka
Firm Registration No: 004578S

per Arvind Kubsad
Partner
Membership No. F-85618

Date: 10 July 2012
Place: HUBLI

Annexure to the Auditors' Report of even date to the members of VRL Logistics Limited,
on the financial statements for the year ended 31 March 2012

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- ii) a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.
- e) The Company had taken unsecured loans from two parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs.2,659.75 lacs and the year-end balance is Rs.155.64 lacs.
- f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.
- (g) In respect of loans taken, payment of the principal amount and interest is regular.
- iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v) a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 as applicable with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, in this regard.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products / services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- ix) a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in

respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

- b) The dues outstanding in respect of sales-tax, income-tax, customs duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of prior period expenses and expenses incurred towards construction of building	50.68	Assessment Year 2003-04	Karnataka High Court
	Notional interest on funds provided to Vijayanand Printers Limited	106.39	Assessment Year 2003-04	Karnataka High Court
	Revenue from sale of wind power considered as Section 80IA income, disallowance of communication expenses, Air Charter expenses, etc.	220.46	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)
Finance Act, 1994 (Service tax)	Service tax including interest thereon	514.40	April 2005 to February 2011	Deputy Commissioner (Appeals)
Central Excise Act, 1944	Excise duty on body building, scrap sales and interest thereon	1085.35	January 2003 to September 2011	Commissioner of Central Excise & Customs

- x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

- xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- xviii) During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

Walker, Chandiok & Co.
Chartered Accountants
Firm Registration No: 001076N

per Khushroo B. Panthaky
Partner
Membership No. F-42423

Date: 10 July 2012
Place: MUMBAI

H.K. Veerbhadrappa & Co.
Chartered Accountants
Firm Registration No: 004578S

per Arrvvind Kubsad
Partner
Membership No. F-85618

Date: 10 July 2012
Place: HUBLI

BALANCE SHEET AS AT 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Notes	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2	7070.00	7070.00
Reserves and surplus	3	8203.34	6393.07
		<u>15273.34</u>	<u>13463.07</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	4	40351.15	25273.23
Deferred tax liabilities (net)	5	9998.42	9230.05
Other long term liabilities	6	857.62	780.53
Long-term provisions	7	158.73	-
		<u>51365.92</u>	<u>35283.81</u>
CURRENT LIABILITIES			
Short-term borrowings	4	7290.32	8857.21
Trade payables	8	3545.39	2485.98
Other current liabilities	9	14565.46	12514.83
Short-term provisions	7	818.00	301.52
		<u>26219.17</u>	<u>24159.54</u>
Total		<u><u>92858.43</u></u>	<u><u>72906.42</u></u>
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	10	69419.64	49881.24
Intangible assets	11	37.54	116.85
Capital work-in-progress		1002.05	4025.42
Non-current investments	12	12.75	12.50
Long-term loans and advances	13	8769.71	7266.39
Other non-current assets	14	122.67	31.18
		<u>79364.36</u>	<u>61333.58</u>
CURRENT ASSETS			
Inventories	15	873.11	607.46
Trade receivables	16	7802.50	6873.78
Cash and bank balances	17	1360.03	1536.76
Short-term loans and advances	13	1636.45	1165.03
Other current assets	18	1821.98	1389.81
		<u>13494.07</u>	<u>11572.84</u>
Total		<u><u>92858.43</u></u>	<u><u>72906.42</u></u>

As per our report of even date attached

For Walker, Chandiok & Co.
Chartered Accountants

KHUSHROO B. PANTHAKY
Partner

Place : MUMBAI
Date : 10 July 2012

For H.K. Veerbhadrappa & Co.
Chartered Accountants

ARRVIND KUBSAD
Partner

Place : HUBLI
Date : 10 July 2012

For and on behalf of the Board of Directors

VIJAY SANKESHWAR
Chairman & Managing Director

ANIRUDDHA PHADNAVIS
General Manager (Finance) & Company Secretary

Place : HUBLI
Date : 10 July 2012

ANAND SANKESHWAR
Managing Director

SUNIL NALAVADI
Chief Financial Officer

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Notes	Year Ended 31.03.2012	Year Ended 31.03.2011
REVENUE			
Revenue from operations	19	112112.34	88196.38
Other income	20	1415.49	1095.16
Total revenue		<u>113527.83</u>	<u>89291.54</u>
EXPENSES			
Cost of materials consumed	21	6654.30	5228.13
Employee benefits expense	22	12891.87	10448.23
Finance costs	23	6625.98	4874.64
Depreciation and amortisation expense	24	6959.86	5093.32
Other expenses	25	74189.33	56533.30
Prior period items	26	-	69.12
Total expenses		<u>107321.34</u>	<u>82246.74</u>
Profit before tax		6206.49	7044.80
Tax expense			
Current tax (minimum alternate tax)		1256.44	1407.22
Less: Minimum alternate tax credit entitlement		(536.36)	(1104.80)
Deferred tax		768.37	1644.70
Tax adjustments pertaining to earlier years		612.16	-
Profit for the year		<u>4105.88</u>	<u>5097.68</u>
Basic and Diluted Earnings per share of face value Rs.10 each (in Rs.)	36	5.81	7.21
Notes to the financial statements	1 to 41		
The notes referred to above form an integral part of the financial statements			
As per our report of even date attached			

As per our report of even date attached

For Walker, Chandiok & Co.
Chartered Accountants

For H.K. Veerbhadrappa & Co.
Chartered Accountants

For and on behalf of the Board of Directors

KHUSHROO B. PANTHAKY
Partner

ARRVVIND KUBSAD
Partner

VIJAY SANKESHWAR
Chairman & Managing Director

ANAND SANKESHWAR
Managing Director

ANIRUDDHA PHADNAVIS
General Manager (Finance) & Company Secretary

SUNIL NALAVADI
Chief Financial Officer

Place : MUMBAI
Date : 10 July 2012

Place : HUBLI
Date : 10 July 2012

Place : HUBLI
Date : 10 July 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	6206.49	7044.80
Adjustments for:		
Depreciation and amortisation expense	6959.86	5093.32
Financial costs on long term borrowings	6482.14	4829.96
Interest income	(21.57)	(21.83)
Dividend on investments	(0.96)	(1.58)
Loss on sale of fixed assets (net)	3.25	148.20
Advances and bad debts written off	75.32	24.15
Provision for doubtful advances and debts	5.00	26.00
Rent income	(241.67)	(230.41)
Credit balance written back	(9.70)	-
Prior period expenses (net)	-	7.12
Operating profit before working capital changes	19458.16	16919.73
Adjustments for:		
(Increase)/decrease in trade receivables	(933.72)	(1985.73)
(Increase)/decrease in loans and advances	(961.54)	(361.97)
(Increase)/decrease in inventories	(265.65)	88.05
Increase/(decrease) in trade and other payables	528.40	1944.86
Cash generated from operating activities	17825.65	16604.94
Direct taxes paid (net of refunds)	(1573.31)	(1844.44)
Net cash generated from operations (A)	16252.34	14760.50
B. Cash flows from investing activities		
Purchase of fixed assets (including capital work in progress)	(23487.80)	(12474.32)
Capital advances	(847.46)	(1108.04)
Proceeds from sale of fixed assets	88.97	316.13
Purchase of investments	(0.25)	-
Interest received	24.81	4.07
Dividend on investments	0.96	1.58
Rent receipts	241.67	230.41
Net cash (used in) investing activities (B)	(23979.10)	(13030.17)
C. Cash flows from financing activities		
Proceeds from/(repayment of) public deposits (net)	(308.84)	76.48
Proceeds from/(repayment of) unsecured loans from corporates	(2460.00)	2505.00
Proceeds from short term borrowings (net)	893.11	1328.52
Share issue expenses	(435.41)	(216.77)
Proceeds from long term borrowings	30287.11	13793.70
Repayment of long term borrowings	(12340.78)	(11057.46)
Dividend paid and tax thereon	(1725.56)	(3714.05)
Financial Costs on long term borrowings	(6268.11)	(4742.51)
Net cash from/(used in) financing activities (C)	7641.52	(2027.09)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(85.24)	(296.76)
Cash and cash equivalents at the beginning of the year	1567.94	1864.70
Cash and cash equivalents at the end of the year	1482.70	1567.94
Cash and cash equivalents comprise:		
Cash balance on hand	359.71	235.68
Cheques / drafts in hand / transit	87.33	101.15
Balances with banks	1020.31	1216.17
Cash in transit	15.35	14.94
Cash and bank balances as at the end of the year	1482.70	1567.94
Restricted Cash		
Fixed deposit pledged with banks	231.71	190.13

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3 "Cash Flow Statements" notified under the Companies (Accounting Standards) Rules 2006.
- Figures in brackets represent outflows.

As per our report of even date attached

For Walker, Chandok & Co.
Chartered Accountants

KHUSHROO B. PANTHAKY
Partner

Place : MUMBAI
Date : 10 July 2012

For H.K. Veerbhadrappa & Co.
Chartered Accountants

ARRVVIND KUBSAD
Partner

Place : HUBLI
Date : 10 July 2012

For and on behalf of the Board of Directors

VIJAY SANKESHWAR
Chairman & Managing Director
ANIRUDDHA PHADNAVIS
General Manager (Finance) & Company Secretary
Place : HUBLI
Date : 10 July 2012

ANAND SANKESHWAR
Managing Director
SUNIL NALAVADI
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 SIGNIFICANT ACCOUNTING POLICIES

a) Basis for Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention on accrual basis using accounting principles generally accepted in India and comply with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, to the extent applicable and the provisions of the Companies Act, 1956, as applied consistently by the Company.

b) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c) Fixed Assets and Capital Work in progress

- i. Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation / amortization. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use.
- ii. Direct expenses as well as clearly identifiable indirect expenses, incurred during the period of construction of building and body building of vehicles are capitalized with the respective assets in accordance with the ratio determined and certified by Company's Management.
- iii. Assets acquired but not ready for use and stock of body building materials are classified under Capital work in progress and are stated at cost comprising direct cost and related incidental expenses.

d) Depreciation

- i. Depreciation on fixed assets is provided under the straight line method at the rates and in the manner specified under Schedule

XIV to the Companies Act, 1956, which also represents the useful life of the fixed assets.

- ii. Cost of leasehold land and leasehold improvements is amortized over the period of the lease or its useful life, whichever is lower.
- iii. Goodwill is amortized over a period of five years.
- iv. Software is amortized over a period of five years.
- v. Office Equipment forming part of Furniture, Fixtures and Office Equipment is depreciated over a period of fifteen years.
- vi. Depreciation on replaced vehicle bodies is restricted to the period that is co-terminus with balance working life of such vehicles.
- vii. Assets costing less than Rs.5,000 are fully depreciated on the date of purchase.

e) Leases

Operating Leases are those leases where the less or retains substantial risks and benefits of ownership of leased assets. Rentals in such cases are expensed with reference to lease terms and other considerations on a straight line basis.

f) Impairment of Assets

Management evaluates at regular intervals, using external and internal sources, the need for impairment of any asset. Impairment occurs where the carrying value of the asset exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its net realizable value on eventual disposal. Any loss on account of impairment is expensed as the excess of the carrying amount over the higher of the asset's net sales price or present value, as determined.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

g) Foreign Currency Transactions

- i. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction.
- ii. Monetary assets and liabilities denominated in foreign currencies at the year end are restated at the rate of exchange prevailing on the date of the Balance Sheet.
- iii. Any exchange difference on account of settlement of foreign currency transactions and restatement of monetary assets and liabilities denominated in foreign currency is recognized in the Statement of Profit and Loss.

h) Investments

Investments are classified into current investments and non-current investments. Current investments, i.e. investments that are readily realizable and intended to be held for not more than a year are valued at lower of cost and net realizable value. Any reduction in the carrying amount or any reversal of such reductions are charged or credited to the Statement of Profit and Loss.

Non-current investments are stated at cost. Provision for diminution in the value of these investments is made only if such decline is other than temporary, in the opinion of the Management.

i) Valuation of Inventories

Consumables and stores and spares are valued at lower of cost computed on First-in-First out basis or net realizable value. Obsolete, defective, unserviceable and slow / non moving stocks are duly provided for.

j) Recognition of Income and Expenditure

- i. Income and Expenditure is recognized on accrual basis and provision is made for all known losses and liabilities.
- ii. Revenue from Goods transport and Courier service is recognized when goods / documents are delivered to the customers.
- iii. Revenue from Bus operation is recognized upon commencement of journey of passengers.
- iv. Revenue from sale of power is recognized upon deposit of units of generated power at the grid of the purchasing electricity company.

v. Revenue from sale of eligible carbon credit units such as Verified / Certified Emission Reductions units (VERs) / (CERs) is recognized on completion of the validation process for units generated and entering of a definitive binding agreement for the sale of such units.

vi. Revenue from passenger air charter is recognized upon commencement of flight journey.

vii. Freight income related to unclaimed parcels is recognised on realization basis.

viii. Interest on deposits is recognized on time proportion basis.

ix. Dividend income is recognized when the right to receive the dividend is established.

x. Rent income is recognized on time proportion basis.

xi. Provision for expenses against trip advance is made on an estimated basis.

k) Employee Benefits

i. All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.

ii. The Company's contribution to Provident Fund is remitted to the office of the Regional Provident Fund Commissioner based on a fixed percentage of the eligible employees' salary and is charged to Statement of Profit and Loss. The Company has categorized its Provident Fund as a defined contribution plan since it has no further obligations beyond these contributions.

iii. The Company's liability towards gratuity and compensated absences, being defined benefit plans is accounted for on the basis of an independent actuarial valuation done as at the year end and actuarial gains / losses are charged to the Statement of Profit and Loss. Gratuity liability is funded by payments to the trust established for the purpose.

l) Borrowing Costs

Borrowing costs attributable to the acquisition and construction of qualifying assets are capitalized as part of the cost of such assets up to the date such

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

assets are ready for their intended use. Other borrowing costs are treated as revenue expenditure.

reasonably / virtually certain, as the case may be, to be realized.

m) Taxation

i. Tax expenses comprise current tax (amount of tax for the period determined in accordance with the Income Tax Regulations in India) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

ii. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is

iii. Tax credit is recognized in respect of Minimum Alternate Tax (MAT) as per the provisions of Section 115JAA of the Income Tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within the statutory time frame and is reviewed at each Balance Sheet date.

n) Provisions and Contingent Liabilities

Provisions are recognized in the financial statements in respect of present probable obligations, for amounts which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company. Such liabilities are disclosed by way of notes to the financial statements. No disclosure is made if the possibility of an outflow on this account is remote.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31 March 2012		As at 31 March 2011	
	Number	Amounts	Number	Amounts
2 SHARE CAPITAL				
Authorised share capital				
Equity shares of Rs.10 each	125000000	12500	125000000	12500
	<u>125000000</u>	<u>12500</u>	<u>125000000</u>	<u>12500</u>
Issued subscribed and fully paid up				
Equity shares of Rs.10 each	70700000	7070	70700000	7070
	<u>70700000</u>	<u>7070</u>	<u>70700000</u>	<u>7070</u>
Total	<u>70700000</u>	<u>7070</u>	<u>70700000</u>	<u>7070</u>
a) Reconciliation of share capital				
Balance at the beginning of the year	70700000	7070	70700000	7070
Add: Issued during the year	-	-	-	-
Balance at the end of the year	<u>70700000</u>	<u>7070</u>	<u>70700000</u>	<u>7070</u>
b) Terms/right attached to equity shares				
The Company has only one class of Equity shares having a par value of Rs.10/- per share. Each holder of Equity shares is entitled to one vote per share. Any fresh issue of Equity shares shall rank pari-passu with the existing shares.				
c) Shareholders holding more than 5% of the shares				

PARTICULARS	As at 31 March 2012		As at 31 March 2011	
	Number	% holding	Number	% holding
Equity shares of Rs.10 each				
Vijay Sankeshwar	33075000	46.78%	33075000	46.78%
Anand Sankeshwar	37197000	52.61%	37197000	52.61%
d) Details for shares issued for consideration other than cash				
Out of the above 50000000 equity shares of Rs.10 each were issued as fully paid up bonus shares in the financial 2006-07 by capitalisation of profits.				

PARTICULARS	As at	As at
	31.03.2012	31.03.2011
3 RESERVES AND SURPLUS		
Securities premium	630.00	630.00
General reserve		
Balance at the beginning of the year	1995.97	1486.20
Add: Transferred from Statement of Profit and Loss	410.59	509.77
Balance at the end of the year	<u>2406.56</u>	<u>1995.97</u>
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	3767.10	1652.46
Add: Transferred from Statement of Profit and Loss	4105.88	5097.68
Less: Interim dividend paid	1484.70	2121.00
Less: Tax on interim dividend	240.86	352.27
Less: Proposed final dividend on equity shares	424.20	-
Less: Proposed dividend on preference shares (refer note 40)	66.28	-
Less: Tax on proposed final dividend	79.57	-
Less: Transferred to general reserve	410.59	509.77
Balance at the end of the year	<u>5166.78</u>	<u>3767.10</u>
Total	<u>8203.34</u>	<u>6393.07</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
4 BORROWINGS				
Secured				
Term loans				
From banks	35724.36	-	22434.86	-
From Non-Banking Financial Companies (NBFCs)	16474.84	-	11818.01	-
Loans repayable on demand				
Working capital loan from banks	-	7235.32	-	6342.21
	<u>52199.20</u>	<u>7235.32</u>	<u>34252.87</u>	<u>6342.21</u>
Unsecured				
Loans and advances from related parties	-	45.00	-	2505.00
Loans and advances from others	-	10.00	-	10.00
Deposits from public	851.40	-	1161.19	-
	<u>851.40</u>	<u>55.00</u>	<u>1161.19</u>	<u>2515.00</u>
	<u>53050.60</u>	<u>7290.32</u>	<u>35414.06</u>	<u>8857.21</u>
Less: Current maturities of long-term debt (refer note 9)	12699.45	-	10140.83	-
Total borrowings	<u>40351.15</u>	<u>7290.32</u>	<u>25273.23</u>	<u>8857.21</u>
a) Details of guarantee for each type of borrowings				
Guaranteed by directors				
Term loans				
From banks	20585.88	-	14089.68	-
From NBFCs	1006.19	-	4950.14	-
Loans repayable on demand				
Working capital loan from banks	6235.32	-	6342.21	-

b) Nature of Security and terms of repayment for secured borrowings

Nature of Security	Terms of Repayment
--------------------	--------------------

Term loans from Banks are secured by:

- First charge by way of equitable mortgage on Land and Building.
- First charge by way of hypothecation of certain Lorries & Vans, Buses, Tankers, Cars and Autos acquired there against.
- First charge by way of Hypothecation of Plant and Machinery (Logistics Division), Furniture, Fixtures and Office Equipment.
- Collateral security by way of mortgage of Land and Building.
- First charge by way of hypothecation of 34 Wind Turbine Generators (WTGs) of Wind Power Project and first charge by way of hypothecation / assignment of receivables from the said Wind Power Project.

Repayable over the period of 5 years from the reporting date alongwith interest rate ranging between 9.40% p.a. to 16.50% p.a.

Term loans from NBFCs are secured by:

- First charge by way of hypothecation of certain number of Lorries and Vans, Buses, Autos and Cars
- First charge by way of equitable mortgage on Land and Building.

Repayable over the period of 5 years from the reporting date alongwith interest rate ranging between 8.50% p.a. to 14.60% p.a.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

Nature of Security	Terms of Repayment
Working capital loan from banks are secured by:	
i. First charge by way of hypothecation of Company's Inventories and Book Debts	Repayable within 1 year from the reporting date alongwith interest rate ranging between 13% p.a. to 14.25% p.a.
ii. First charge by way of hypothecation of certain lorries	
iii. Collateral security by way of equitable mortgage of Land and Building	
iv. Collateral security by way of pledge of deposits	
c) Terms of repayment for unsecured borrowings	
i. Loans and advances from related parties and others	Repayable on demand alongwith the interest rate of 11% p.a.
ii. Deposits from public	Repayable within 1 to 2 years from the reporting date alongwith the interest rate ranging between 11.50% p.a. to 12.50% p.a.

PARTICULARS	As at 31.03.2012	As at 31.03.2011
5 DEFERRED TAXES		
a) Liabilities		
i) Depreciation / Amortisation	(10274.61)	(9409.10)
Total	<u>(10274.61)</u>	<u>(9409.10)</u>
b) Assets		
i) Allowance for doubtful debts, advances and contingencies	47.37	39.00
ii) Disallowance under Income-tax Act, 1961	228.82	140.05
Total	<u>276.19</u>	<u>179.05</u>
Net deferred tax	<u>(9998.42)</u>	<u>(9230.05)</u>
6 OTHER LONG TERM LIABILITIES		
Deposits from agents and others	857.62	780.53
Total	<u>857.62</u>	<u>780.53</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
7 PROVISIONS				
Provisions for employee benefits (refer note (a) below)	158.73	145.28	-	212.57
Provision for lease equalisation	-	102.67	-	88.95
Proposed dividend	-	490.48	-	-
Corporate dividend tax	-	79.57	-	-
Total	158.73	818.00	-	301.52

a) Employee benefits

Gratuity is provided based on actuarial valuation for employees covered under the Group Gratuity Scheme. Few employees like drivers and hamaals are not covered under the Group Gratuity Scheme on account of very high attrition rates (specific to the industry and in their categories) and therefore gratuity payments made to them during each of the reporting periods are charged to the Statement of Profit and Loss of such periods. Further, no provision is made for compensated absences for drivers and hamaals on similar grounds and such compensated absences are charged to Statement of Profit and Loss in the reporting periods during which such payments are made.

i) Defined Contribution Plans: The amount recognised as an expense during the year is Rs.833.86 lacs (Previous year: Rs.706.47 lacs).

ii) Defined Benefit Plans (Gratuity scheme):

PARTICULARS	As at 31.03.2012	As at 31.03.2011
I. Changes in present value of obligations		
Present value of obligation as at the beginning of the year	741.23	679.73
Current service cost	53.17	123.06
Interest cost	61.26	52.73
Actuarial (gain) / loss on obligations	10.91	(73.21)
Benefits paid	(62.64)	(41.08)
Present value of obligation as at the end of the year	803.93	741.23
II. Changes in fair value of plan assets		
Fair value of plan assets at the beginning of the year	709.56	662.56
Expected return on plan assets	57.65	51.40
Actuarial gain / (loss) on plan assets	0.41	5.91
Contributions	-	30.77
Benefits paid	(62.64)	(41.08)
Fair value of plan assets at the end of the year	704.98	709.56
III. Fair value of plan assets		
Fair value of plan asset at the beginning of year	709.56	662.56
Actual return on plan assets	58.06	57.31
Contributions	-	30.77
Benefits paid	(62.64)	(41.08)
Fair value of plan assets at the end of year	704.98	709.56
Funded status	(98.95)	(31.67)
Excess of actual over estimated return on plan assets	0.41	5.91
IV. Actuarial gain / loss recognized		
Actuarial (gain) / loss for the year – Obligation	10.91	(73.21)
Actuarial (gain) / loss for the year – Plan assets	(0.41)	(5.91)
Total (gain) / loss for the year	10.50	(79.12)
Actuarial (gain) / loss recognized during the year	10.50	(79.12)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
V. Amounts recognised in the Balance Sheet		
Present value of obligation as at the end of the year	803.93	741.23
Fair value of plan assets as at the end of the year	704.98	709.56
Funded status	(98.95)	(31.67)
Net asset / (Liability) recognised in the Balance Sheet	(98.95)	(31.67)
VI. Expense recognised in Statement of Profit and Loss		
Current service cost	53.17	123.06
Interest cost	61.26	52.73
Expected return on plan assets	(57.65)	(51.40)
Net actuarial (gain) / loss recognized during the year	10.50	(79.12)
Expenses recognised in Statement of Profit and Loss	67.28	45.27
VII. Assumptions used		
Discount rate	8.50%	8.00%
Rate of increase in compensation levels	10% for 5 years and 5% thereafter	10% for 5 years and 5% thereafter
Rate of return on plan assets	8.50%	8.00%
Expected average remaining working lives of employees (years)	23.49	23.52

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Notes

- i) The gratuity expense has been recognized under Note 22.

PARTICULARS	As at 31.03.2012	As at 31.03.2011
8 TRADE PAYABLES		
Dues to micro, small and medium enterprises (refer note (a) below)	-	-
Dues to others	305.78	319.43
Employee related liabilities	1090.52	902.25
Other accrued liabilities	2149.09	1264.30
Total	3545.39	2485.98

- a) As of 31 March 2012, the Company had no reportable outstanding dues to any Micro, Small and Medium Enterprises as specified under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

PARTICULARS	As at 31.03.2012	As at 31.03.2011
9 OTHER CURRENT LIABILITIES		
Current maturities of long term debt (refer note 4)	12699.45	10140.83
Interest accrued but not due on borrowings	604.77	415.67
Interest accrued and due on borrowings	113.26	88.32
Unclaimed matured deposits	15.55	14.60
Interest accrued on unclaimed matured deposits	4.15	0.91
Advance from customers	310.39	175.26
Advance received towards certified emission reductions credits	328.23	1237.54
Advance for sale of land	160.11	160.11
Statutory dues	329.55	281.59
Total	14565.46	12514.83

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

10 TANGIBLE ASSETS

PARTICULARS	Freehold Land	Leasehold Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles Year	Aircraft	Leasehold improvements	Total
Gross block									
Balance as at 01 April 2010	2062.28	510.00	5685.42	22307.53	1626.88	30962.37	2546.10	85.92	65786.50
Additions	7.04	-	187.89	119.94	182.13	9088.79	-	17.18	9602.97
Disposals	(81.84)	-	(15.00)	(0.04)	(4.41)	(1000.31)	-	-	(1101.60)
Balance as at 31 March 2011	1987.48	510.00	5858.31	22427.43	1804.60	39050.85	2546.10	103.10	74287.87
Additions	4183.01	-	1768.97	314.79	244.67	19788.56	-	199.05	26499.05
Disposals	-	-	-	(5.46)	(2.56)	(383.10)	-	-	(391.12)
Balance as at 31 March 2012	6170.49	510.00	7627.28	22736.76	2046.71	58456.31	2546.10	302.15	100395.80
Accumulated depreciation and amortisation									
Balance as at 01 April 2010	-	80.25	605.73	3770.14	944.52	14317.46	303.52	18.34	20039.96
Depreciation charge	-	25.50	111.45	1173.75	141.97	3384.38	142.58	24.31	5003.94
Reversal on disposal of assets	-	-	(0.04)	(0.04)	(1.96)	(635.23)	-	-	(637.27)
Balance as at 31 March 2011	-	105.75	717.14	4943.85	1084.53	17066.61	446.10	42.65	24406.63
Depreciation charge	-	25.50	124.64	1183.39	210.48	5128.24	142.58	53.60	6868.43
Reversal on disposal of assets	-	-	-	(5.46)	(0.47)	(292.97)	-	-	(298.90)
Balance as at 31 March 2012	-	131.25	841.78	6121.78	1294.54	21901.88	588.68	96.25	30976.16
Net block									
Balance as at 31 March 2011	1987.48	404.25	5141.17	17483.58	720.07	21984.24	2100.00	60.45	49881.24
Balance as at 31 March 2012	6170.49	378.75	6785.50	16614.98	752.17	36554.43	1957.42	205.90	69419.64

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

11 INTANGIBLE ASSETS

PARTICULARS	Goodwill	Computer software	Total
Gross block			
Balance as at 01 April 2010	78.39	449.90	528.29
Additions	-	13.89	13.89
Disposals	-	-	-
Balance as at 31 March 2011	78.39	463.79	542.18
Additions	-	12.12	12.12
Disposals	-	-	-
Balance as at 31 March 2012	78.39	475.91	554.30
Accumulated depreciation and amortisation			
Balance as at 01 April 2010	78.39	257.56	335.95
Depreciation charge	-	89.38	89.38
Reversal on disposal of assets	-	-	-
Balance as at 31 March 2011	78.39	346.94	425.33
Depreciation charge	-	91.43	91.43
Reversal on disposal of assets	-	-	-
Balance as at 31 March 2012	78.39	438.37	516.76
Net block			
Balance as at 31 March 2011	0.00	116.85	116.85
Balance as at 31 March 2012	0.00	37.54	37.54

PARTICULARS	As at 31 March 2012 Trade	Others	As at 31 March 2011 Trade	Others
12 NON-CURRENT INVESTMENTS (Valued at cost unless stated otherwise)				
Unquoted				
Investments in Shares of Cooperative Banks				
Shri Basaveshwar Sahakari Bank Niyamit (5500 equity shares (Previous year: 5500 equity shares) of Rs.100 each fully paid up)	-	5.50	-	5.50
The Shamrao Vithal Co-operative Bank Limited (20000 equity shares (Previous year: 20000 equity shares) of Rs.25 each fully paid up)	-	5.00	-	5.00
NKGSB Co-operative Bank Limited (20000 equity shares (Previous year: 20000 equity shares) of Rs.10 each fully paid up)	-	2.00	-	2.00
The Saraswat Co-operative Bank Limited (2500 equity shares (Previous year: Nil equity shares) of Rs.10 each fully paid up)	-	0.25	-	-
	<u>-</u>	<u>12.75</u>	<u>-</u>	<u>12.50</u>
Aggregate amount of unquoted investments		12.75		12.50

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
13 LOANS AND ADVANCES				
Unsecured, considered good, unless otherwise stated				
Capital advances	2024.69	-	1177.23	-
	<u>2024.69</u>	<u>-</u>	<u>1177.23</u>	<u>-</u>
Security deposits				
- Considered good	1963.80	-	1647.20	-
- Considered doubtful	24.00	-	24.00	-
	1987.80	-	1671.20	-
Allowances for bad and doubtful deposits	24.00	-	24.00	-
	<u>1963.80</u>	<u>-</u>	<u>1647.20</u>	<u>-</u>
Loans and advances to related parties	-	3.08	-	16.71
Deposits with customs authorities and others	935.46	-	837.28	-
Minimum alternate tax credit entitlement	3515.27	-	2978.91	-
Advance tax and TDS receivable (net of tax provision)	330.49	-	625.77	-
Advance to suppliers	-	130.69	-	103.45
Expenses incurred towards availing certified emission reductions credits	-	40.56	-	193.42
Prepaid expenses	-	806.92	-	454.16
Other advances				
- Considered good	-	655.20	-	397.29
- Considered doubtful	-	33.00	-	33.00
	<u>4781.22</u>	<u>1666.37</u>	<u>4441.96</u>	<u>1181.32</u>
Allowances for bad and doubtful advances	-	33.00	-	33.00
	<u>4781.22</u>	<u>1633.37</u>	<u>4441.96</u>	<u>1148.32</u>
Total	<u>8769.71</u>	<u>1636.45</u>	<u>7266.39</u>	<u>1165.03</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
14 OTHER NON-CURRENT ASSETS		
Non-current bank balances (refer note 17)	122.67	31.18
Total	<u>122.67</u>	<u>31.18</u>
15 INVENTORIES (valued at lower of cost and net realizable value)		
Stores and spares	873.11	612.66
Less: Provision for slow and non moving items	-	5.20
Total	<u>873.11</u>	<u>607.46</u>
16 TRADE RECEIVABLES		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	7.23	18.56
Doubtful	<u>43.00</u>	<u>38.00</u>
	50.23	56.56
Less: Allowances for bad and doubtful debts	<u>43.00</u>	<u>38.00</u>
	<u>7.23</u>	<u>18.56</u>
Other debts		
Unsecured, considered good	7795.27	6855.22
	<u>7795.27</u>	<u>6855.22</u>
Total	<u>7802.50</u>	<u>6873.78</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	As at 31 March 2012		As at 31 March 2011	
	Current	Non-current	Current	Non-current
17 CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	359.71	-	235.68	-
Cheques, drafts on hand/transit	87.33	-	101.15	-
Balances with banks				
- in current accounts	752.60	-	916.53	-
- in deposit accounts (with maturity upto 3 months)	64.33	-	137.99	-
Cash in transit	15.35	-	14.94	-
	<u>1279.32</u>	<u>-</u>	<u>1406.29</u>	<u>-</u>
Other bank balances				
Deposits with maturity more than 3 months but less than 12 months	80.71	-	130.47	-
Bank deposits with maturity of more than 12 months	-	122.67	-	31.18
	<u>80.71</u>	<u>122.67</u>	<u>130.47</u>	<u>31.18</u>
Less: Amounts disclosed as other non-current assets (refer note 14)	-	122.67	-	31.18
Total	<u>1360.03</u>	<u>-</u>	<u>1536.76</u>	<u>-</u>
Fixed Deposit pledged with Banks:				
For working capital loan	210.71	-	190.13	-
For issue of guarantee in favour of customers	21.00	-	-	-
	<u>231.71</u>	<u>-</u>	<u>190.13</u>	<u>-</u>

PARTICULARS	As at		As at	
	31.03.2012		31.03.2011	
18 OTHER CURRENT ASSETS				
Unsecured, considered good:				
Interest accrued on bank deposits		14.52		17.76
"Assets held for sale (at lower of cost and net realisable value) [refer note 33]"		1155.28		1155.28
Unamortised share issue expenses		652.18		216.77
Total		<u>1821.98</u>		<u>1389.81</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
19 REVENUE FROM OPERATIONS		
Goods transport	85850.63	71541.07
Bus operations	21781.19	13441.68
Sale of power	2538.90	2346.73
Sale of certified emission reductions units	1014.49	-
Air chartering service	477.33	366.07
Courier service	449.80	500.83
Total	<u>112112.34</u>	<u>88196.38</u>
20 OTHER INCOME		
Interest income	21.57	21.83
Dividend income	0.96	1.58
Sale of scrap materials	925.99	683.84
Rent income	241.67	230.41
Interest on income tax refund	-	27.17
Credit balances written back	38.52	14.19
Miscellaneous income	186.78	116.14
Total	<u>1415.49</u>	<u>1095.16</u>
21 COST OF MATERIALS CONSUMED		
Stores and spares consumed	2907.50	2354.42
Tyres, flaps and re-treading	3746.80	2873.71
Total	<u>6654.30</u>	<u>5228.13</u>
22 EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	11489.50	9352.78
Contribution to provident and other defined contribution funds [refer note 7(a)]	833.86	706.47
Staff welfare expenses	568.51	388.98
Total	<u>12891.87</u>	<u>10448.23</u>
23 FINANCE COSTS		
Interest on loans	6,482.14	4,829.96
Bank charges	121.57	44.68
Interest on Income tax	22.27	-
Total	<u>6625.98</u>	<u>4874.64</u>
24 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets (refer note 10)	6868.43	5003.94
Amortisation of intangible assets (refer note 11)	91.43	89.38
Total	<u>6959.86</u>	<u>5093.32</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
25 OTHER EXPENSES		
Operating expenses		
Lorry hire	13374.47	11296.00
Vehicle operation-diesel cost	26769.34	19812.18
Vehicle running, repairs and maintenance (Net of insurance claims received)	8632.34	5780.47
Bridge and toll charges	4096.43	2945.45
Repairs and maintenance		
a. Plant and machinery	270.75	132.23
b. Buildings	468.43	347.85
c. Others	96.32	63.91
Electricity charges	241.32	208.79
Wind turbine generator operation and maintenance expenses	416.69	391.09
Rent	3984.61	3311.90
Rates and taxes	2531.45	1828.15
Insurance	258.32	254.28
Agency commission	4127.75	3168.77
Hamaali	4092.91	3250.67
Clearing and forwarding	2836.31	2133.56
Claims	260.12	182.65
Total	<u>72457.56</u>	<u>55107.95</u>
Administrative expenses		
Travelling and conveyance	285.76	306.47
Printing and stationery	317.71	289.57
Professional and legal expenses	317.89	91.63
Payment to auditor (refer details below)	24.05	22.73
Office expenses	92.73	76.39
Communication expenses	356.08	336.04
Advertisement and business promotion	163.49	76.00
Loss on sale / discard of Assets (net)	3.25	148.20
Foreign exchange difference	79.42	0.14
Advances and bad debts written off	75.32	24.15
Provision for doubtful advances and debts	5.00	26.00
Donation	1.74	3.22
Directors' sitting fees	3.20	2.70
Miscellaneous expenses	6.13	22.11
Total	<u>1731.77</u>	<u>1425.35</u>
Total	<u>74189.33</u>	<u>56533.30</u>
Payment to auditor		
As auditor:		
Statutory audit	21.34	19.85
Tax audit	2.25	1.10
In other capacity		
Other services	0.28	0.84
Reimbursement of expenses	0.18	0.94
Total	<u>24.05</u>	<u>22.73</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
26 PRIOR PERIOD ITEMS		
A) Prior period expenses		
Rent expenses	-	11.08
Compensated absences	-	146.00
Others	-	22.20
(A)	<u>-</u>	<u>179.28</u>
B) Prior period income		
Freight income	-	2.82
Recovery of Managerial remuneration excess paid earlier	-	111.92
Insurance	-	0.05
Interest	-	1.39
Others	-	1.10
(B)	<u>-</u>	<u>117.28</u>
(A-B)	<u>-</u>	<u>62.00</u>
Add: Tax effect on prior period adjustments	-	7.12
Total	<u><u>-</u></u>	<u><u>69.12</u></u>

PARTICULARS	As at 31.03.2012	As at 31.03.2011
27 CONTINGENT LIABILITIES NOT PROVIDED FOR		
A] Claims against the Company not acknowledged as Debts		
Income tax matters	485.01	1,020.10
Service tax matters - Others	514.40	514.40
Central Excise matters	1085.35	809.19
Customs Duty (refer note (c) below)	694.92	694.92
PF and ESIC matters	12.92	12.92
Other contractual matters	113.07	53.11
	<u>2905.67</u>	<u>3104.64</u>
B] Disputed claims pending in Courts	7199.47	6011.34
Total	<u><u>10105.14</u></u>	<u><u>9115.98</u></u>

Notes:

- The Company is in appeal against demands from Income Tax, Service Tax, Provident Fund and ESIC authorities.
- The above figures for contingent liabilities do not include amounts towards penalties that may devolve on the Company in the event of an adverse outcome as the same is subjective and not capable of being presently quantified.
- The Finance Act 2011, which received the assent of the President of India on 8 April 2011, has retrospectively exempted with effect from

1 April 2000, service tax levied on tour operators having a contract carriage permit for inter-state or intra state transportation of passengers. The Customs, Excise and Service Tax Appellate Tribunal (CESTAT) has directed the adjudicating authorities (Commissioner of Central Excise and Customs) to consider the assessee's claim for exemption and pass speaking orders after giving the assessee reasonable opportunities of being personally heard. Considering these developments, the management believes that there would be no liability to pay service tax on tour operator service based on demands raised earlier and accordingly has not disclosed the same as contingent liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

- d. Customs duty liability is in respect of alleged violation of terms and conditions of Non Scheduled Air Transport Service, as claimed by the Customs Department to the extent it can be quantified. The said department has issued a Show cause cum demand notice alleging violation of terms and conditions of Non Scheduled Air Transport Service and demanded, amongst others, customs duty on the import of aircraft and interest thereon. The Company had earlier availed of the exemption available under the Customs Act, 1962 (the 'Act') and was accordingly assessed to Nil duty under the Act. The Company has deposited the Customs duty, including interest thereon, without prejudice to further rights. These payments have been disclosed as deposits in the books of account. The Company has already filed the necessary response to the notice and expects a favourable order in this regard.
- e. Future cash outflows in respect of (A) above can be determined only on receipt of judgments / decisions pending with various forums / authorities.
- f. The amount disclosed in respect of (B) above pertains to the various cases of Motor Vehicle Accidents, Consumer disputes, Workmen compensation, etc. filed against the Company. A substantial portion of the expected liability / payment arising out of the same would devolve on third parties such as Insurance Companies, etc.
- 28 The Company has received a letter during the year from the Department of Stamps and Registration, Government of Karnataka, towards stamp duty payable on acknowledgment of delivery of a letter, article, document, parcel, package or consignment, given by the Company to the sender of such letter, article, document, etc. in accordance with the Karnataka Stamp Act, 1957 (Article - 1 (ii) of the Schedule). The Company has challenged the constitutional validity of the said provision before the Honourable High Court of Karnataka, Circuit Bench at Dharwad and subsequent to the Balance Sheet date, the Honourable Court has passed Interim Orders to deposit a sum of Rs.25 lacs pending disposal of the case. The quantum of Stamp Duty payable is yet to be arrived at by the Government. In the opinion of the management, no financial liability is expected to arise in this regard. The financial liability that may ultimately devolve upon the Company is currently not ascertainable and as such no amount has been included as contingent liability towards the same.
- 29 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs.5513.86 lacs (Previous year: Rs.1937.63 lacs).

- 30 In the opinion of the Management, Current Assets, Loans and Advances have a value on realization in the ordinary course of business, at least equal to the amounts at which they are stated.
- 31 The land whereat 34 Wind Turbine Generators (WTGs) are installed (at Kappatgudda, Gadag District, Karnataka) is leased to Suzlon Energy Limited by the Karnataka Forest Department. Consequently, Suzlon Energy Limited has transferred the lease in favour of the Company with requisite clearances from Karnataka Forest Department.
- 32 The Company has entered into Operating leases for godowns and office facilities and such leases are basically cancellable in nature.

Lease rental expense recognized in the Statement of Profit and Loss for the year ended 31 March 2012 in respect of the operating leases is Rs.3984.61 lacs (Previous year: Rs.3311.90 lacs)

Lease rental income recognized in the Statement of Profit and Loss for the year ended 31 March 2012 in respect of operating leases is Rs.241.67 lacs (Previous year: Rs.230.41 lacs).

Certain non-cancellable operating leases extend upto a maximum of five years from their respective dates of inception. Some of such lease agreements have a price escalation clause. Maximum obligations on long term non-cancellable operating leases in accordance with the rentals stated in the respective agreements are as under:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Not later than 1 year	1067.79	706.33
Later than 1 year but not later than 5 years	891.24	1198.36
Later than 5 years	-	-
Total	<u>1959.03</u>	<u>1904.69</u>

- 33 Other current assets as at 31 March 2012 include net book value of land at Gurgaon, Haryana aggregating Rs.1155.28 lacs which has been retired from active use and is held for disposal. In accordance with Accounting Standard 10, Accounting for Fixed Assets, items of fixed assets that have been retired from active use and held for disposal are stated at the lower of net book value and net realisable value. The net realisable value as per the agreement of sale dated 13 October 2010, entered into with the buyer is Rs.1600 lacs and therefore it is stated at its book value. Advance received in accordance with the aforesaid agreement is Rs.160 lacs. An amount of Rs.41 lacs has been incurred towards the sale process

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

including conversion of land into Non Agricultural Land and hence would be adjusted against the sale consideration when the entire transaction concludes, which is expected in the financial year 2012-13.

The Company had authorised the buyer to construct a warehouse on the said land and enter into lease deed on behalf of the Company. The buyer misused such authorisation and executed and registered a lease deed for the said property in favour of his wife for a period of 30 years. The Company has initiated legal proceedings against the buyer in the Civil and Criminal Court, Gurgaon (the 'Court') and the Court has granted a 'Status Quo Injunction' in respect of the said property and the aforesaid lessee is restrained from occupation of the said property. The management is confident of concluding the entire transaction in the financial year 2012-13 and recovering the balance consideration.

34 CERTIFIED EMISSION REDUCTIONS CREDITS

The Company earns income by trading complete amount of possible Green House Gas (GHG) emission reductions generated by its Windmill project. The Company's Clean Development Mechanism (CDM) project is registered with the United Nations Framework Convention on Climate Change (UNFCCC) and necessary approvals for the trade of carbon credits has been procured.

The Company has entered into an agreement dated 29 October 2009 with Asian Development Bank (ADB) (as trustee of the Asia Pacific Carbon Fund) amended vide 'Amendment and Restatement Agreement' dated 01 August 2011, for sale of Certified Emission Reductions (CERs), generated during the period March 2009 to December 2012 (delivery period). The Company has generated and delivered the relevant units of CERs in accordance with the aforesaid agreements as at 31 March 2012 and recognised revenue accordingly.

35 MANAGERIAL REMUNERATION

Managerial remuneration under Section 198 of the Companies Act, 1956, read along with provisions of Schedule XIII, paid / payable to the Directors is as under:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Salary and Allowances	405.00	407.57
Contribution to Provident and other funds*	0.09	0.09
Perquisites**	13.39	12.34
Directors' sitting fees	3.20	2.70
Commission on profits	18.00	25.20
Total	<u>439.68</u>	<u>447.90</u>

* The above figures exclude contribution to the approved Group Gratuity Fund which is actuarially determined.

** Value of perquisites has been determined in accordance with the provisions of Income Tax Act, 1961.

36 EARNINGS PER SHARE

The amount considered in ascertaining the Company's earnings per share constitutes the net profit / (loss) after tax and includes post tax effect of any exceptional / extra ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares which could have been issued on conversion of all dilutive potential shares.

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Net profit after tax attributable to equity shareholders	4105.88	5097.68
Weighted average number of shares outstanding during the period – Basic and diluted	70700000	70700000
Basic and diluted earnings per share (Rs.)	5.81	7.21
Nominal value per equity share (Rs.)	10.00	10.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

37 SEGMENT REPORTING

Reporting segments in accordance with Accounting Standard 17, Segment reporting, notified under the Companies (Accounting Standards) Rules, 2006, are Goods Transport, Bus Operations, Wind Power and Air Charter Business.

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
1. SEGMENT REVENUE		
(Net Sales / Income from external customers)		
a) Goods Transport	86300.43	72041.90
b) Bus Operations	21781.19	13441.68
c) Wind Power	3553.39	2346.73
d) Air Charter Business	477.33	366.07
Total	112112.34	88196.38
Un-allocable Revenue (Other Income)	1415.49	1095.16
Net Sales / Income	<u>113527.83</u>	<u>89291.54</u>
2. SEGMENT RESULTS		
(Profit before Interest and Taxation from each segment)		
a) Goods Transport	12232.64	10787.09
b) Bus Operations	374.12	1757.43
c) Wind Power	1698.31	772.23
d) Air Charter Business	(169.59)	(141.59)
	<u>14135.48</u>	<u>13175.16</u>
Less: Finance cost	(6625.98)	(4874.64)
Add / (Less) Other un-allocable expenditure		
net of un-allocable income	(1303.01)	(1255.72)
Profit before tax	6206.49	7044.80
3. OTHER INFORMATION		
ASSETS		
a) Goods Transport	37021.25	26286.09
b) Bus Operations	15418.64	10438.51
c) Wind Power	16682.64	18590.43
d) Air Charter Business	1979.93	2115.05
e) Un-allocable Assets	21755.97	15476.34
Total	92858.43	72906.42
4. LIABILITIES		
a) Goods Transport	4045.19	3374.57
b) Bus Operations	169.03	92.82
c) Wind Power	329.44	1238.62
d) Air Charter Business	15.34	15.87
e) Un-allocable Liabilities	73026.09	54721.47
Total	77585.09	59443.35

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

PARTICULARS	Year Ended 31.03.2012	Year Ended 31.03.2011
5. CAPITAL EXPENDITURE (including capital advances)		
Total cost incurred during the year to acquire segment assets		
a) Goods Transport	11800.52	5853.05
b) Bus Operations	6542.67	6330.62
c) Wind Power	-	-
d) Air Charter Business	-	-
e) Un-allocable Capital Expenditure	5992.07	1398.69
Total	<u>24335.26</u>	<u>13582.36</u>
6. SEGMENT DEPRECIATION/AMORTISATION		
a) Goods Transport	3357.70	2441.72
b) Bus Operations	1787.76	939.47
c) Wind Power	1140.40	1140.40
d) Air Charter Business	142.58	142.58
e) Un-allocable Depreciation / Amortisation	531.42	429.15
Total	<u>6959.86</u>	<u>5093.32</u>

Note: The Company operates only in India and therefore there are no separate geographical segments.

38 RELATED PARTY DISCLOSURES

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related, if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operating decisions. Parties are considered to be related if they are subject to common control or significant influence. List of related parties, as certified by the management, together with the transactions and related balances are given below:

a) Names of related parties and description of relationship:

- | | |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Key Management Personnel (KMP) and their relatives | a. Mr. Vijay Sankeshwar (Chairman & Managing Director)
b. Mr. Anand Sankeshwar (Managing Director)
c. Mrs. Vani Sankeshwar - relative of Director
d. Mrs. Lalitha Sankeshwar - relative of director
e. Mrs. Bharati Holkunde - relative of director |
| 2. Companies in which KMP or their relative has significant influence | a. Aradhana Trust
b. Shiva Agencies
c. Sankeshwar Minerals Private Limited
d. Sankeshwar Printers Private Limited
e. VRL Cements Limited
f. VRL Media Limited |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

- b) Disclosures of transactions between the Company and its related parties, along with outstanding balances as at 31 March 2012.

Nature of Transaction	Name	Nature of Relationship	Year Ended 31.03.2012	Year Ended 31.03.2011
Income Rent	Aradhana Trust	Companies in which KMP or relative has significant influence	9.60	9.00
	Shiva Agencies		29.62	23.79
	Sankeshwar Minerals Private Limited		3.62	2.54
	VRL Media Limited		1.14	-
Freight	Sankeshwar Minerals Private Limited	Companies in which KMP or relative has significant influence	2.63	1.54
	Shiva Agencies		-	9.24
Royalty	Sankeshwar Minerals Private Limited	Companies in which KMP or relative has significant influence	0.55	0.55
Reimbursements	Sankeshwar Minerals Private Limited	Companies in which KMP or relative has significant influence Total	17.98	19.40
			65.14	66.06
Expenditure				
Remuneration/ Commission	Mr. Vijay Sankeshwar	KMP	256.48	265.20
	Mr. Anand Sankeshwar	KMP	180.00	180.00
	Mrs. Vani Sankeshwar	KMP/ Relative of KMP	15.98	5.86
Printing and stationery	Sankeshwar Printers Private Limited	Company in which KMP or relative has significant influence	38.98	35.73
Repairs and Maintenance	Sankeshwar Printers Private Limited	Company in which KMP or relative has significant influence	-	2.24
Interest on Unsecured Loan	VRL Media Limited	Company in which KMP or relative has significant influence Total	153.61	94.57
	VRL Cements Limited		4.96	1.76
			650.01	585.36
Adjustment of remuneration paid in excess in earlier years	Mr. Vijay Sankeshwar	KMP	-	58.73
	Mr. Anand Sankeshwar	KMP	-	53.20
		Total	-	111.93

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

Nature of Transaction	Name	Nature of Relationship	Year Ended 31.03.2012	Year Ended 31.03.2011
Funding and Investment				
Payments				
Repayment - Unsecured loan	VRL Media Limited	Companies in which KMP or relative has significant influence	2460.00	-
		Total	2460.00	-
Receipts				
Unsecured loan taken	VRL Media Limited	Companies in which KMP or relative has significant influence	-	2460.00
	VRL Cements Limited		-	45.00
Rent deposits	Aradhana Trust		12.00	-
		Total	12.00	2505.00
Dividend Paid and Proposed	Mr. Vijay Sankeshwar Mr. Anand Sankeshwar* Mrs. Vani Sankeshwar Mrs. Lalitha Sankeshwar Mrs. Bharati Holkunde	KMP KMP KMP/ Relative of KMP Relative of KMP Relative of KMP	893.02 1004.13 11.01 0.57 0.04	992.25 1115.91 12.00 0.63 0.05
		Total	1908.77	2120.84
Balance as at year end:				
Assets:				
Receivables	Shiva Agencies Aradhana Trust Sankeshwar Minerals Private Limited VRL Media Limited Mrs. Vani Sankeshwar	Companies in which KMP or relative has significant influence KMP/ Relative of KMP	- - 1.94 1.14 -	2.17 9.00 7.28 - 0.43
		Total	3.08	18.88
Liabilities:				
Payables	VRL Media Limited VRL Cements Limited	Companies in which KMP or relative has significant influence	104.59 51.05	2545.11 46.58
Rent Deposits	Aradhana Trust		12.00	-
Proposed dividend	Mr. Vijay Sankeshwar Mr. Anand Sankeshwar* Mrs. Vani Sankeshwar Mrs. Lalitha Sankeshwar Mrs. Bharati Holkunde	KMP KMP KMP/ Relative of KMP Relative of KMP Relative of KMP	198.45 223.18 2.40 0.12 0.01	- - - - -
		Total	591.80	2591.69

*It includes Rs.26.51 lacs, which would be payable NSR - PE Mauritius, LLC (NSR) pursuant to transfer of 4418750 equity shares by Mr. Anand Sankeshwar to NSR, subsequent to the Balance Sheet date in the month of April 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(Rupees in Lacs, except for share data, and if otherwise stated)

39 ADDITIONAL INFORMATION PURSUANT TO REVISED SCHEDULE VI TO THE COMPANIES ACT, 1956

PARTICULARS	Year ended 31 March 2012		Year ended 31 March 2011	
	Quantity (in units)	Amount Rs. in lacs	Quantity (in units)	Amount Rs. in lacs
A) Generation of Energy				
Opening units	-		-	
Generated during the year (net of transmission loss)	74949978		69271073	
Less: Captive consumption	249177		227321	
Less: Sale of energy units	74700801	2538.90	69043752	2346.73
Closing units	-	-	-	-
B) Expenditure in foreign currency (accrual basis)				
Aircraft maintenance	-	18.08		43.67
Professional fees on sale of certified emission reductions units	-	12.32		-
Total	-	30.40		43.67
C) Earnings in foreign currency (accrual basis)				
Sale of certified emission reductions units	-	1014.49		-
Total	-	1014.49		-
D) Value of imported and indigenous materials				
Spare parts and components including tyres, flaps and re-treading				
- Imported	-	-	-	-
- Indigenous				
- Amount	-	6654.30	-	5228.13
- Percentage	-	100%	-	100%
Total	-	6654.30		5228.13

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(Rupees in Lacs, except for share data, and if otherwise stated)

40 SUBSEQUENT EVENTS

The Company has entered into a Share Purchase and Subscription Agreement and Shareholders' agreement dated 15 December 2011 with the promoters, other shareholders and NSR - PE Mauritius, LLC (the 'investor') partly amended vide First Amendment Agreement dated 27 March 2012, for issue and allotment of 11046875, 0.001% compulsorily and mandatorily convertible participatory preference shares (CCPPS) of face value of Rs.100 each of the Company at an issue price of Rs.113.15 per share, aggregating Rs.12500 lacs. The CCPPS shall be mandatorily and compulsorily converted into equity shares of Rs.10 each on 1 September 2013 in accordance with the conversion parameters specified in the agreements. The issue and allotment of CCPPS have been completed in the month of April 2012.

The Board of Directors of the Company have recommended a final dividend of 6% (Rs.0.60 per share of face value, Rs.10 each) to its equity shareholders for the financial year 2011-12. Pursuant to such equity dividend recommendation and in view of the participating nature of the CCPPS issued to the investor, a further provision of Rs.66.28 lacs is being made towards proportionate dividend payable on such CCPPS in accordance with the Shareholders' agreement entered into with the said Investor.

41 PREVIOUS YEAR FIGURES

The previous year's figures have been recast / regrouped / rearranged wherever considered necessary in accordance with Revised Schedule VI forming part of the Companies Act, 1956 and effective for the financial year commencing on or after 01 April 2011.

For Walker, Chandio & Co.
Chartered Accountants

For H.K. Veerbhadrappa & Co.
Chartered Accountants

For and on behalf of the Board of Directors

KHUSHROO B. PANTHAKY
Partner

ARRVVIND KUBSAD
Partner

VIJAY SANKESHWAR
Chairman & Managing Director

ANAND SANKESHWAR
Managing Director

ANIRUDDHA PHADNAVIS
General Manager (Finance) & Company Secretary

SUNIL NALAVADI
Chief Financial Officer

Place : MUMBAI
Date : 10 July 2012

Place : HUBLI
Date : 10 July 2012

Place : HUBLI
Date : 10 July 2012

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

0 0 5 2 4 7

State Code

0 8

Balance Sheet

3 1

Date

0 3

Month

2 0 1 2

Year

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

Public Issue

0 0 0 0 0 N I L

Rights Issue

0 0 0 0 0 N I L

Bonus Issue

0 0 0 0 0 N I L

Private Placement

0 0 0 0 0 N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

9 2 8 5 8 4 3

Total Assets

9 2 8 5 8 4 3

Sources of Funds

Paid-up Capital

7 0 7 0 0 0

Reserves & Surplus

8 2 0 3 3 4

Long term Borrowings

4 0 3 5 1 1 5

Short term Borrowings

7 2 9 0 3 2

Deferred Tax Liability

9 9 9 8 4 2

Share Application Money

0 0 0 0 0 N I L

Application of Funds

Net Fixed Assets

6 9 4 5 7 1 8

Non-current Investments

1 2 7 5

Current Assets

1 3 4 9 4 0 7

Misc. Expenditure

0 0 0 0 0 N I L

Accumulated Losses

0 0 0 0 0 N I L

Capital work in progress

1 0 0 2 0 5

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

1 1 3 5 2 7 8

Total Expenditure

1 0 7 3 2 1 3 4

+ -

✓

Profit (+)/Loss (-) before extra ordinary items of taxation

6 2 0 6 4 9

+ -

Profit (+)/Loss (-) Before Tax & After extra ordinary items

✓ 6 2 0 6 4 9

+ -

Profit (+) / Loss (-) After Tax

✓ 4 1 0 5 8 8

Earnings per Share in Rs.

5 . 8 1

Dividend Rate %

2 7

V. Generic Names of Three Products / Services of Company (as per mandatory terms)

Item Code No.

N I L

Product Description

G O O D S T R A N S P O R T

Item Code No.

N I L

Product Description

T R A V E L S S E R V I C E

Item Code No.

N I L

Product Description

W I N D P O W E R G E N E R A T I O N

Note: Classification of products / services under ITC Code being of a technical nature is not verified by the Auditors

For and on behalf of the Board

Place: HUBLI

Date: 10 July 2012

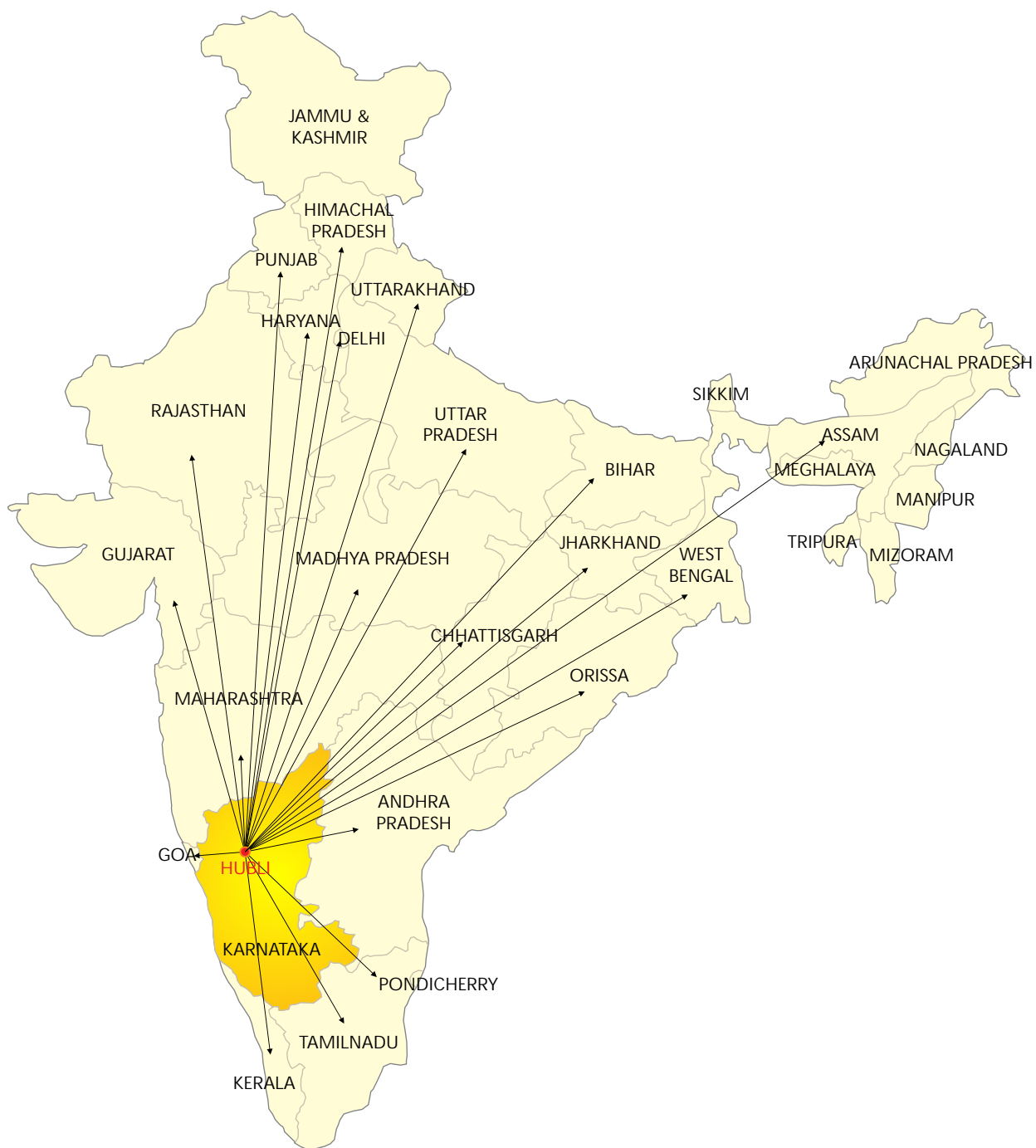
Vijay Sankeshwar

Chairman & Managing Director



VRL

COUNTRYWIDE NETWORK





VRL LOGISTICS LIMITED

Registered Office

18th KM, NH 4, Bangalore Road, Varur, HUBLI – 581 207
Karnataka, INDIA

Tel: +91 836 2237613 Fax: +91 836 2237614

E-mail: varurho@vrllogistics.com

Corporate Office

Giriraj Annexe, Circuit House Road, HUBLI – 580 029
Karnataka, INDIA

Tel: +91 836 2237511 / 12 Fax: +91 836 2256612

E-mail: headoffice@vrllogistics.com

Regional Office

No.4, Pampa Mahakavi Road, Chamarajpet
BANGALORE – 560 018. Karnataka, INDIA

Tel: +91 80 2699 2525 Fax: +91 80 2699 2626

E-mail: sbcmo@vrllogistics.com

www.vrllogistics.com

