



Largest fleet owner of
Commercial vehicles in India
in the Private Sector

SETTING NEW STANDARDS IN PERFORMANCE



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.

Hubballi



OUR MISSION

To provide the highest quality service to our customers by continuously improving upon cost efficiency and maintaining delivery deadlines. To encourage our workforce to continuously 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



QUALITY POLICY

We are committed to provide quality logistics services consistently at reasonable price and to continually improve the same to achieve customers delight on a sustained basis.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Dr. Vijay Sankeshwar
Chairman & Managing Director

Anand Sankeshwar
Managing Director

Darius Pandole
Nominee Director

J.S. Korlahalli
Independent Director

Dr. Prabhakar Kore
Independent Director

Sudhir Ghat
Director

C. Karunakara Shetty
Independent Director

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

CHIEF FINANCIAL OFFICER
Sunil Nalavadi

COMPANY SECRETARY
Aniruddha Phadnavis

VICE PRESIDENT (ACCOUNTS)
Raghavendra B. Malgi

STATUTORY AUDITORS
M/s H.K. Veerabhadrappa & Co.
Chartered Accountants
Hubballi

M/s Walker Chandiok & Co. LLP
Chartered Accountants
Mumbai

COST AUDITOR
Sanjay Tikare & Associates
Cost Accountants, Dharwad

LEGAL ADVISOR
R.B. Gadagkar

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
State Bank of Mysore
Syndicate Bank
Union Bank of India
Axis Bank
ING Vysya Bank

BOARD COMMITTEES

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

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

REMUNERATION COMMITTEE
J.S. Korlahalli – Chairman
C. Karunakar Shetty
Sudhir Ghat
Darius Pandole

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

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

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

SELECTION COMMITTEE
Sudhir Ghat – Chairman
J.S. Korlahalli
Subhash R. Hosamani
Darius Pandole

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE
Dr. Prabhakar Kore – Chairman
Anand Sankeshwar
C. Karunakar Shetty

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

PROMOTERS



Dr. Vijay Sankeshwar
Chairman & Managing Director



Mr. Anand Sankeshwar
Managing Director

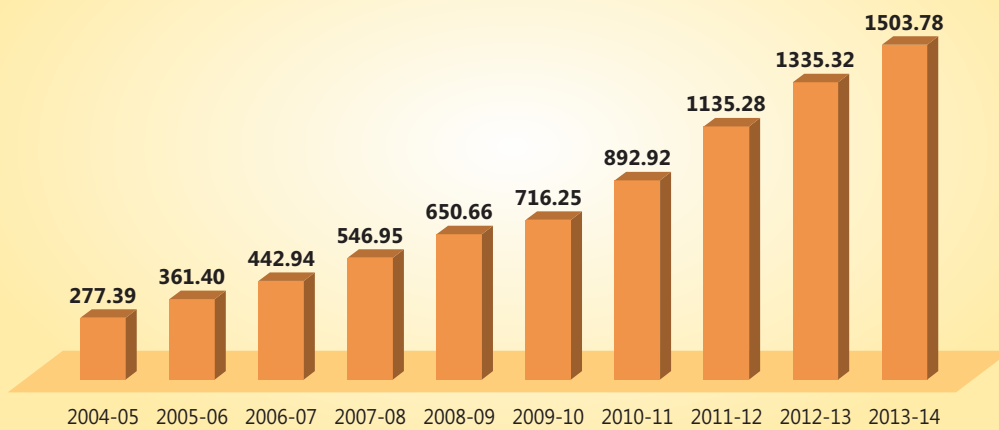


The leadership
Providing Proactive Solutions

KEY PERFORMANCE INDICATORS

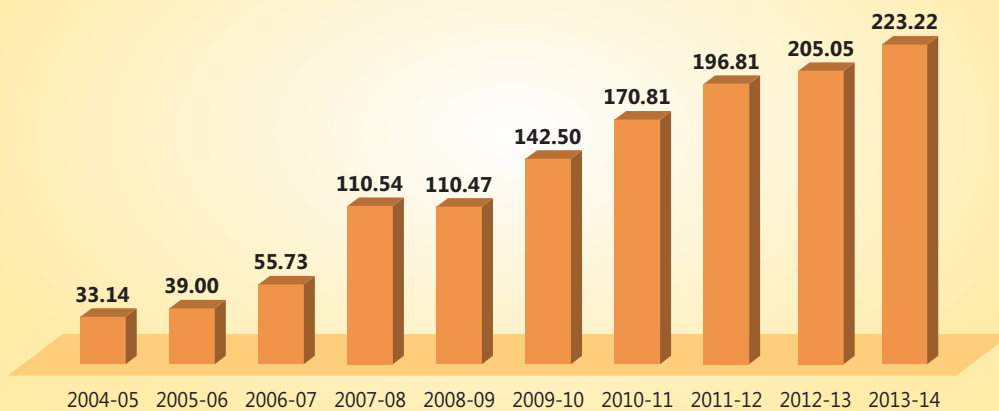
TURNOVER

(Rs. in Crores)



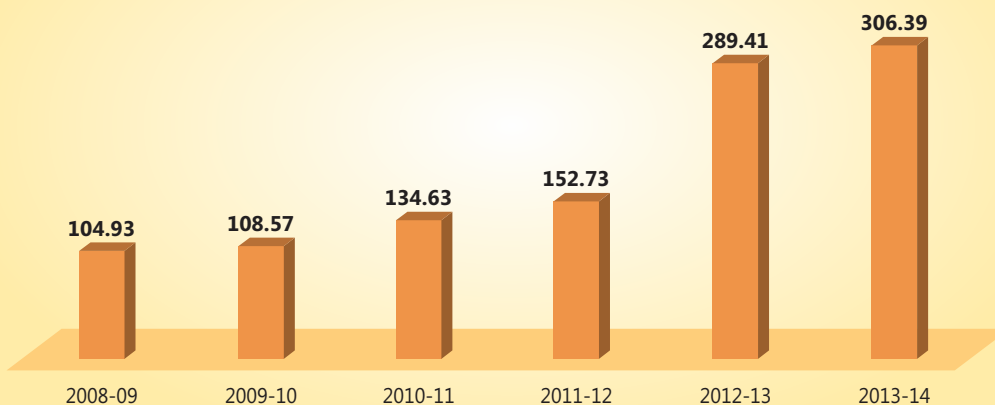
EBIDTA

(Rs. in Crores)



NETWORTH

(Rs. in Crores)



FINANCIAL HIGHLIGHTS 2013-14

(Rs. in lakhs)

Particulars	Amount
Total Income	150377.85
EBIDTA	22322.38
PBT	7676.78
Net Profit	5701.24



GENERAL
PARCEL



VRL
PRIORITY



PASSENGER
SERVICE



COURIER
SERVICES



CAR CARRIER
SERVICES



AVIATION



WIND ENERGY

OUR BOARD OF DIRECTORS

Drawing on expertise



Dr. Vijay Sankeshwar
Chairman &
Managing Director



Mr. Anand Sankeshwar
Managing Director



Mr. Darius Pandole
Nominee Director



Mr. Sudhir Ghatge
Director



Mr. J.S. Korlahalli
Independent Director



Dr. Prabhakar Kore
Independent Director



Mr. C. Karunakara Shetty
Independent Director

Dr. VIJAY SANKESHWAR

Chairman & Managing Director and Promoter of the Company, he is actively involved in the day-to-day affairs of the Company, as a Whole Time Director. 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 he was also a nominated member of the Legislature of the State of Karnataka. He was a member of Central Government 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 Logistics 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 the Transport Samrat in 2008. He was recently selected as the 'Transport Personality of the year' during the India Road Transportation Awards 2012 (IRTA). He was conferred with Honorary Doctorate by the Karnatak University Dharwad for his achievement in Industry. He has received various awards during the current year among them are Purushottam Award conferred by the Ramachandrapur Math, Shimoga, Chanakya Award conferred by the Public Relations Council of India are noteworthy.

Mr. ANAND SANKESHWAR

Managing Director and Promoter, he supervises our marketing and finance operations. He is actively involved in the day-to-day affairs of the Company, as a Whole Time Director. He holds a Bachelor's Degree in commerce from Karnatak University, Dharwad. He has 19 years 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 Indira Group of Companies. He was also awarded the Best 2nd Generation Entrepreneur by TiE Global, USA in 2010. He was honoured as an 'Inspirational leader of New India' at a recently concluded event during the year 2013 at Las Vegas, USA.

Mr. DARIUS PANDOLE

Mr. Darius Pandole is a Non-Executive Director of the Company. He has been a partner at a 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 a MBA from the University of Chicago. In 1997, he joined the investment team at Ind Ocean 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 funded and served as the Managing Director of Ind Asia 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 also the Indian Junior national squash champion and has represented the country at various squash tournaments.

Mr. SUDHIR GHATE

A Non-Executive Independent Director of the Company, he 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 the Chairman 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. J.S. KORLAHALLI

A Non-Executive Independent Director of the Company, he 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 has held 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 academia.

Dr. PRABHAKAR KORE

A Non-Executive Independent Director of the Company, he is a member of the Parliament, 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 a 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 four decades of experience in the industry.

Mr. C. KARUNAKARA SHETTY

A Non-Executive Independent Director of the Company, he holds a post graduation degree in commerce from Karnatak University, Dharwad and is also a Certified Associate member of Indian Institute of Banking (CAIIB). He worked 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.



CHAIRMAN'S SPEECH

I take pleasure in presenting the 31st Annual Report of the Company.

Performance

We have crossed the revenue figure of Rs.1500 crores (Rs.15 billion) during the year, thus recording a commendable growth rate of 12.61% when India's growth rate is below 5%. Profit before Tax is Rs.76.76 crores as compared to Rs.63.58 crores in the previous year. However, considering the deferred tax reversal on account of commencement of tax holiday period for the windmill division, the profit after tax is significantly lower at Rs.57.01 crores vis-à-vis Rs.80.29 crores for the earlier year.

Our financial performance during the year is the best in the peer group.

Last year input costs went up. The market is experiencing a severe cash crunch. The manufacturing segment and retailers who are our customer base are losing out on account of a decline in turnover. Despite this, we have bettered our performance. This speaks volumes for our effective management.

I have been a part of VRL's growth since its inception and firmly believe that business growth should never be achieved by taking undue risks, especially credit risk. Your Company has always been selective in accepting new business on credit terms and does have

a very robust internal mechanism to ensure that dues get collected and the Company does not have to resort to any material compromise in any manner. In comparison to industry players, VRLs receivables are much lower and we would ensure that these good practices continue to be sustained in the organization even if it would result in lower revenue growth. During the year, your management has taken a very stringent view of receivables and has clearly earmarked this as a focus area for the ensuing fiscal. VRL has already terminated its association with clients who did not discharge their payment obligations on time and has chosen to discontinue business with them. VRL has the lowest quantum of debtors in the whole industry.

The Passenger Division operations were satisfactory during the year with the introduction of lot of new routes. During the year, the Company commenced operations at Jalore, Binmal, Padukone, Athani, Mysore and several other destinations for the first time. Depending on the flow of business, a few routes have been discontinued but a majority of these continue to operate. VRL commenced Bangalore-Jodhpur daily service, which today represents the longest route catered to by a private bus operator in India. It is also noteworthy that several key long routes operated by this division such as Bangalore-Ahmedabad, Bangalore-Jodhpur and the like continue to operate at near full occupancy. The said

division recorded total revenues of Rs.309.13 crores as against a corresponding figure of Rs. 284.84 crores for the earlier fiscal.

The Windmill Division is performing steadily. The European Union is in turmoil, yet we could earn Rs.6.3 crores from selling Carbon Credit to EU through the Asian Development Bank.

The Courier and Air Chartering Divisions are steadily improving their performance.

The Courier Division clocked revenues of Rs.5.31 crores and this division earns revenue that complements the bus operations and goods transport divisions. The management would continue to operate this division at a similar level in the near future and would not seek an aggressive growth strategy for this vertical.

The Air Chartering Division achieved revenues of Rs 7.75 crores and the Company had to forego the tying up of aircraft for steady charter owing to scheduled maintenance activities and other flying. As such, the management has purchased a second-hand aircraft in the month of June from Force Motors at an attractive price and the addition of the said aircraft would enable the Company to cash in on attractive contracts which had to be hitherto missed owing to capacity constraints.

Innovative Management

We have invested more money and time in implementing IT. We are all set to roll out new in-house developed 'integrated ERP'. It has enabled quick reporting, good MIS and brought about transparency. We can see a paradigm shift in the extension of customer centric and customer-sensitive business solutions. IT implementation is the single largest contributor towards effective management.

It would be prudent to remember that we are in business principally because the wheel was invented followed by the Industrial and Agricultural revolutions. We now see an IT revolution, and hence it is important to understand that the implementation of in-house Information and Communication Technology has made us the market leader.

Awards

Our company has received several accolades. To cite a few, we received a certificate of excellence – INC India for excellence in Industry out of 500 selected Industries in the country.

We also received Service Provider of the Year – Luxury Coaches from Brand Academy.

Road Ahead

With the installation of a new government at the centre, every economist is spotting green shoots of economic recovery. Economic growth and our business growth are directly linked. We have a healthy balance sheet, an excellent network and a dedicated team to reap the benefits of recovery. We will continue to innovate and excel.

Thank You

All this has been possible with the constant support of all stakeholders. I would like to thank each one of you - customers, employees, bankers, shareholders, management team and associates.

Sincerely yours,

Dr. Vijay Sankeshwar

Chairman & Managing Director

OVERVIEW OF BUSINESS





GOODS TRANSPORTATION

BUSINESS

VRL LOGISTICS LTD is engaged in the business of providing goods and passenger transportation services and finds mention in the Limca Book of Records as the single largest single owner of commercial vehicles in the private sector in India.

The Company offers services for the transportation of goods across India using a range of road transportation solutions to our customers, including less than truck load ("LTL"), full truck load ("FTL") and priority services.

The goods transport business can broadly be divided into General Parcel and VRL Priority. General Parcel basically caters to godown to godown movement of consignments across the country and is mainly used by wholesalers, retailers and other non-corporate entities. VRL Priority caters to the door to door movement of consignments and this service is mainly availed by corporates.

FLEET

3300 plus vehicles owned by the Company complemented by a large number of outside vehicles used for goods transportation.

STRONG NETWORK

Our goods transportation network spans 27 States and 4 Union Territories and covers nearly all major cities and towns throughout India.

OUR BRANCHES

We have an extensive network of operations, with nearly 1000 branches and franchisees which enables us to provide connectivity to even remote locations. This branch network is further complemented by 48 strategically located transshipment hubs.

HUB AND SPOKE MODEL

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.

TECHNOLOGICALLY ADVANCED

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 documentation renewal requirements.
11. Online track and trace for consignments

STRONG CUSTOMER BASE

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, footwear and machinery.



PASSENGER TRANSPORTATION

BUSINESS

In the passenger transportation business we are a private operator of passenger buses and our operations are focused on high density urban commuter markets, such as Bangalore, Mumbai, Pune, Hyderabad, Ahmedabad, Jodhpur, Panjim and Jalore. We also connect metropolitan and tier-2 cities, such as Hubballi, Bijapur, Dharwad, Belgaum, Hospet, Mangalore, Bagalkot, Gulbarga and Bhatkal.

VRL has pioneered the country's largest commercial bus route from Bangalore – Jodhpur, a route of nearly 2000 km. which represents one of the longest route operated by any passenger service provider in the country.

Our passenger transportation business operates in the States of Karnataka, Maharashtra, Andhra Pradesh, Tamil Nadu, Gujarat, Rajasthan and Goa. 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. Passengers can avail very attractive discounts by booking their tickets online through the Company's own website.

FLEET

VRL operates exclusively through its owned fleet of nearly 475 buses which includes the latest state-of-the-art Multi Axle Volvo seater buses, Multi Axle Volvo I-shift sleeper buses, Isuzu seater buses, non-volvo A/c sleeper, sleeper buses and semi sleeper buses. VRL has the requisite bus offering to cater to a diverse customer base and hence witnesses un-paralled customer loyalty.

STRONG NETWORK

Our Passenger transportation network spans across 7 States and covers key major cities in these states.

OUR BRANCHES

This division operates through 107 Company owned branches, 765 franchisees including web agents and 1320 prepaid agencies across this network.

TECHNOLOGY

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. Usage of CC TV in buses to prevent any theft and to provide secured service to customers etc., are the technologically advanced services.



WIND POWER GENERATION BUSINESS

In 2006 we commenced our wind power business in southern India at Kappatgudda, Gadag district in the State of Karnataka by setting up a wind farm of 42.5 MW. The wind farm consists of 34 Wind Turbine Generators (WTGs) having individual capacity of 1.25 MW. The turbines are of S66 technology developed by

Suzlon Energy Limited and the power generated is sold to Hubballi Electricity Supply Company Limited ("HESCOM") under six 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 had entered into an agreement dated October 29, 2009 with Asian Development Bank (as trustee of the Asia Pacific Carbon Fund) for sale of CERs generated during the period March 2009 to December 2012. The Company has satisfied its entire obligation under the side agreement and presently is accumulating carbon credits.

During the year the revenue from sale of power was Rs.2501.42 lakhs and the revenue from sale of certified emission reduction units (CERs) was Rs.608.73 lakhs.



AIR CHARTER BUSINESS

We entered the air charter business in 2008 to provide services to individuals and corporate clients. We purchased 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.

CLIENT PROFILE AND PRODUCT

We offer charter services, bulk-charters, wet-lease, or on any customized requirement and offer services to individuals, corporate clients and Government of Karnataka.

Recently the Company has acquired a second hand Premier 1 aircraft from Force Motors, Pune. The acquisition of this aircraft is expected to strengthen the capacity to garner more chartering business owing to better aircraft availability for routine long term charters.



KEY PERFORMANCE INDICATORS

- 1976** Commencement of Goods Transport Service through proprietorship concern by Dr. Vijay Sankeshwar with single truck
- 1983** Business being 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 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 a wholly owned subsidiary
- 2003** Entry in to LIMCA BOOK OF RECORDS as the single largest fleet owner of commercial vehicles in the private sector in India
- 2004** Commercial operation of gigantic infrastructure facility at Varur, Hubballi
- 2005** ISO 9001:2000 Certification for providing passengers travels service at Hubballi, Bangalore, Belgaum (presently ISO 9001:2008)
- 2006** Entire stake in Vijayanand Printers Limited divested to Times Group
- 2007** Company diversified into power generation and installed 34 Wind Turbine Generators with capacity of 1.25 MW each
- 2008** Company entered into air charter business and purchased a brand new IA aircraft from Hawker Beechcraft Incorporation
- 2009** UNFCCC approval for Company's wind power project – Eligible for carbon credits
- 2010** Efforts of Company being recognised by way of several awards and recognitions
- 2011** Foray into New Logistics Verticals – Car Carrying and Liquid Transportation
- 2012** CER income recognised for the first time in accounts
- 2012** Private Equity investment by NSR PE Mauritius LLC in the Company
- 2013** Addition of one more Aircraft to the Air Charter business of the Company
- 2014**
 - Implementation of internally developed ERP named as "All in One"
 - Turnover crosses Rs.1500 crores

AWARDS

One of The
Fastest Growing
Indian Companies



A certificate of Excellence – INC India for excellence performance in Industry out of 500 selected Industries in the country during the year 2013

VRL Logistics has emerged as one of the fastest growing companies within India



Mr. Prabhu Salageri, Vice President (Travels) (Second from the Left) receiving the “World Travel Brands 2013 – Service Provider of the Year – Luxury Coaches”

Brands Academy confers every year an award for Passenger Transport provider which has achieved an enormous success by providing quality of service at reasonable rate to its customers. The said award conferred on to VRL Travels, a unit of VRL Logistics Limited for its value added service to its customers.

KEY AWARDS TO THE PROMOTERS



Doctorate: Issued by Karnatak University, Dharwad for outstanding performance in Industry and Social Development in the year 2013



Purushottam Award – Issued for his Outstanding achievement by Shree Raghaveshwar Bharati Swamiji, Ramachandrapur Math in the year 2013



Dr. Vijay Sankeshwar was awarded the SARIGE RATNA AWARD in the year 1998.



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



Dr. 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 conferred the award of INSPIRATIONAL LEADER OF NEW INDIA by Planman Media in 2013.



KEY STRENGTHS

Established and 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 27 states and 4 Union Territories across the length and breadth of India.
- Passenger transport business covering more than 125 cities with 80+ branches, more than 1000 agencies across Karnataka, Maharashtra, Goa, Andhra Pradesh, Tamil Nadu, Gujarat and Rajasthan.
- Passenger Travel - Wide range of vehicles with 350 plus routes and around 10000 passengers per day.

Experienced Management Team

- Highly experienced management with sound industry expertise.
- Active involvement of promoters in the day to day management.
- Access to internally generated talent pool with requisite technical skills.
- Opportunity to benefit from the value add that would be forthcoming from the expertise of our PE partners, M/s NSR PE Mauritius LLC.

Integrated Business Model

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

In house Information Technology

- “All in One” ERP system resulting in real time data processing, capturing and reporting.
- Integration with web agents and EFTS for passenger ticketing.
- Consignment tracking and tracing.

VRL LOGISTICS LIMITED

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

NOTICE

NOTICE is hereby given that the Thirty First Annual General Meeting of VRL Logistics Limited will be held on 18 July 2014 at 11.00 am. at the Registered Office of the Company, situated at 18th KM, NH 4, Bangalore Road, Varur, Hubballi – 581 207, Karnataka to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Financial Statements as at 31 March 2014 and the report of the Board of Directors and Auditors thereon.
2. To confirm interim dividend paid as a final dividend on Equity Shares for the year ended on 31 March 2014.
3. To appoint a Director in place of Mr. Darius Pandole, who retires from office by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration in compliance with the related provisions of the Companies Act 2013 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, Hubballi and M/s Walker Chandiok & Co. LLP, Mumbai, be and are hereby appointed as the Joint Statutory Auditors of the Company for the financial year 2014-15, 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

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

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013, or any statutory modification(s) or re-enactment thereof, approval of the Company be and is hereby accorded for the re-appointment of Mr. Anand Sankeshwar as a Managing Director of the Company, for a period of 5 (five) years with effect from 01 April 2014, at a monthly remuneration not exceeding Rs.16,50,000/- for an initial period of 3 (three) years, on such terms and conditions, as are set out in the draft agreement to be entered into with him, such draft agreement being initialed by the chairman for the purpose of identification and made available for inspection to the shareholders of the company at the registered of the company;

RESOLVED FURTHER THAT the said remuneration be payable as minimum remuneration, notwithstanding that in any financial year of the Company during the term of his office as a Managing Director, the Company may make no profits or the profits made are inadequate for the purposes of this resolution;

RESOLVED FURTHER THAT Dr. Vijay Sankeshwar, Chairman and Managing Director and Mr. Aniruddha Phadnavis, General Manager (Finance) and Company Secretary of the Company, be and are hereby severally authorized to take all steps necessary for giving effect to this resolution.”

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Dr. Prabhakar Kore (DIN 00509836), Director of the Company who retires by rotation at the Annual General Meeting and who has

furnished a declaration of independence for appointment as an independent director in the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from 01 April 2014 up to 31 March 2019.”

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013. Mr. J.S. Korlahalli (DIN 00528428), Director of the Company who retires by rotation at the Annual General Meeting and who has furnished a declaration of independence for appointment as an independent director in the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from 01 April 2014 up to 31 March 2019.”

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. C. Karunakara Shetty (DIN 05160349), who has furnished a declaration of independence for appointment as an independent director in the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from 01 April 2014 up to 31 March 2019.”

By order of the Board of Directors

Aniruddha Phadnavis

General Manager (Finance) & Company Secretary

Registered Office:

18th KM, NH 4, Bangalore Road

Varur, **Hubballi** – 581 207, KARNATAKA

e-mail: aniruddha@vrllogistics.com

NOTES

1. 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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is enclosed herewith.

2. Explanatory statement pursuant to section 102 of the Companies Act 2013, setting out details relating to the special business at the meeting is annexed hereto.
3. In terms of Article 145 of the Articles of Association of the Company, Mr. Darius Pandole, Director, retires by rotation and being eligible, offers himself for re-appointment. The Board of Directors of the Company recommend his re-appointment.
4. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.30 am to 6.00 pm) on all working days, up to and including the date of the Annual General Meeting of the Company.

EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013

Item No.5

APPOINTMENT OF MR. ANAND SANKESHWAR AS A MANAGING DIRECTOR OF THE COMPANY

The Board of Directors of the Company at its meeting held on 03 February 2014, subject to the approval of members at the ensuing general meeting, re-appointed Mr. Anand Sankeshwar as a Managing Director of the Company for period of five years w.e.f 01 April 2014 and fixed the remuneration for a period of first three years. The approval of members is sought to the terms, conditions and stipulations for such re-appointment of Mr. Anand Sankeshwar and the remuneration payable to him.

The particulars of the terms of re-appointment of and remuneration payable to Mr. Anand Sankeshwar are as under:

Salary

Salary of Rs.16,50,000/- (Rupees Sixteen Lakh Fifty Thousand Only) per month.

Perquisites

The following perquisites shall not be included in the computation of remuneration stated above:

- a. Contribution to provident Fund, Superannuation Fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b. Gratuity as per the rules of the company (which shall not exceed one half month's salary for each completed year of service).
- c. Earned leave with full pay or encashment as per rules of the company as applicable to other officers of the Company.

For the purpose of calculation of remuneration, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable.

Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites.

TERMS OF APPOINTMENT

A draft copy of the agreement to be entered into with Mr. Anand Sankeshwar is available for inspection on all the working days at the Registered Office of the company.

The terms as set out in the explanatory statement may also be treated as an abstract of the terms of the remuneration agreement between the Company and Mr. Anand Sankeshwar pursuant to Section 190 of the Companies Act, 2013.

The Board recommends the resolution as set out in Item No.5 for approval of the Members as a Special Resolution.

None of the directors other than Dr. Vijay Sankeshwar and Mr. Anand Sankeshwar being related to each other are concerned or interested in the proposed resolution. None of the key managerial personnel are interested in the said resolution. Mrs. Vani Sankeshwar, President, being related to Mr. Anand Sankeshwar, is interested in the said resolution. Your directors recommend the resolution for your approval.

INFORMATION REQUIRED AS PER SCHEDULE V OF THE COMPANIES ACT, 2013

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, courier service, wind power generation and air chartering business. The Company also operates a restaurant at Tumkur, Karnataka. 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 for over three decades.

3. Financial Performance

(based on audited financial statements) (Rs. in lakhs)

PARTICULARS	2011-12	2012-13	2013-14
Turnover	113527.83	133532.33	150377.85
Profit before tax	6206.49	6358.75	7676.78
Profit after tax	4105.88	8029.23	5701.24

4. Foreign investments or collaborators, if any

The Company, on December 15, 2011, has entered into binding Share Subscription and Purchase Agreement with New Silk Route PE Mauritius LLC (NSR), pursuant to which NSR holds 22.51% of the paid up equity share capital of the Company. No collaboration or technology transfer is envisaged from such shareholding and NSR is only a financial investor in the Company.

II. INFORMATION ABOUT APPOINTEE

A. Background details

Mr. Anand Sankeshwar, aged 39 years, is a graduate in Commerce from Karnatak University, Dharwad. He has associated with the Company since the last Twenty years and he was appointed as the Managing Director of the Company in year 2005. Apart from other function, he directly oversees the finance and marketing function of the Company. He is having 14 years of experience in media industry as well and is also a Managing Director in VRL Media Ltd which is carrying Printing and Publication of Kannada daily Newspaper under the brand name of "VIJAYAVANI" and has achieved remarkable growth in a short span of time.

B. Past Remuneration

For the financial year 2013-14 Mr. Anand Sankeshwar's total remuneration was Rs.16.50 lakhs p.m. inclusive of perquisites subject to the overall limit of remuneration drawn during the applicable financial year. As such no increase in the said remuneration is sought.

C. Recognition / Awards

Mr. Anand Sankeshwar was honored with 'Youth Icon Award' by Association of Business Communication of India of Mumbai in 2004 and also honored "Marketing Professional Award of the year 2005" by Indira Group of Institutes, Pune. He also honored the Best 2nd Generation Entrepreneur by TiE Global, USA in 2010. He was also recently chosen as the Inspirational Leader of New India by Planman Group at a gala event held in the USA.

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 with him.

E. Remuneration Proposed

As set out in the resolution for the Item No.5 and stated earlier, no increase in the remuneration is sought in respect of this re-appointment.

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

The Board of Directors considers 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 taking into account his invaluable contribution to the company, his role in placing the company in pre-eminent position in the industry and active role in strategically guiding the company. The proposed remuneration is reasonable and in line with the remuneration levels in the industry, across the country and benefits applicable to a similar position.

G. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any

Mr. Anand Sankeshwar has a pecuniary relation with the company to the extent of remuneration drawn by him and to the extent of dividend being paid on the shares held by him in the Company. M/s Shiva Agencies, which is a proprietary concern owned by Mr. Anand Sankeshwar, has taken the premises of the company on lease basis at Hubballi and Varur and the Company is in receipt of rent payable thereon.

Dr. Vijay Sankeshwar, who is related to Mr. Anand Sankeshwar, is the founder, Chairman and Managing Director of the Company and draws a remuneration of Rs.22,00,000/- per month and is also eligible for a commission at the rate of 0.50% of net profits of the Company.

Mrs. Vani Sankeshwar, who is related to Mr. Anand Sankeshwar, works as the President in the Company and draws a monthly remuneration of Rs.1,50,000/-.

Apart from the above, Mr. Anand Sankeshwar has no other pecuniary relation with the Company.

III. OTHER INFORMATION**Steps taken or proposed to be taken for Improvement**

The company has widened its operations to many states of the Country including Jammu and Kashmir and North Eastern States. The Company has also occupied newly constructed transshipment hubs, opened new booking and delivery offices at various places in the country and increased the capacity of existing transshipment locations such as Delhi, Bangalore, Chennai etc. The Company proposes to expand its reach in the Northern and Eastern places of the country to achieve significant growth. Also, the Company has decided to concentrate on the VRL Priority offering which provides a door to door delivery of consignments to customers. Metro Link is also a new product being offered to the customers for consignments weighing between 1 to 5 tons.

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.

The operating turnover of the company has already crossed Rs.1500 crores and is expected to nearly reach Rs.1700 crores for the ensuing financial year. The same represents a healthy average growth rate. It would be the endeavor of the Company to maintain such healthy levels of growth in the years to come which is also in line with the past growth record of the Company. In terms of profitability, the Company already enjoys the highest profit margins vis-à-vis other industry majors and focus on bettering the same would continue to remain a thrust area as well.

The business plan of the company for the next 3 years is being 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 would be within the limits prescribed under the Companies Act, 2013 in the years to come.

IV. DISCLOSURES**The proposed remuneration package of the Managerial Personnel**

As mentioned above.

Item No.6**APPOINTMENT OF DR. PRABHAKAR KORE AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

Dr. Prabhakar Kore, is an existing Non-Executive Independent Director of the Company. He joined the Board in the year 2009.

Dr. Prabhakar Kore, possesses a degree in Commerce. He is an eminent educationist and Chairman of KLE Society of Belgaum which is well-known for its service in the field of education. He is also the Chancellor of KLE University, Belgaum.

He has been conferred with an honorary Doctorate by the Karnatak University Dharwad, considering his contribution in various fields including education, industry and politics.

He is the promoter and director of Shivashakti Sugars Ltd, Chikkodi. Director in National Federation of Co-operative Sugar Factories, New Delhi, Shree Dhoodganga-Krishna Co-op Sugars Factory, Chikkodi, Indian Sugar & General Industry Export and Import Corporation Ltd, New Delhi etc.

He is a sitting Member of Parliament (Rajyasabha) and also a former Member of Legislative Council, Karnataka. His immense contribution to the society are commendable. He is rewarded with many awards conferred by reputed institutions, among them, Lifetime achievement award for education, service and commitment to society by Veershaiv Samaj of North America in New York, Suvarna Karnataka Rajostava Award 2006 for outstanding contribution in the field of Education by the Government of Karnataka are noteworthy.

Dr. Prabhakar Kore retires at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act 1956. In terms of section 149(4) of the Companies Act, 2013 and relevant rules framed there under Dr. Prabhakar Kore being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director of the Company for five consecutive years w.e.f 01 April 2014. A notice from a member proposing his candidature for the office of Independent Director has been received by the Company.

In the opinion of the Board, Dr. Prabhakar Kore fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Dr. Prabhakar Kore as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day.

Dr. Prabhakar Kore has also submitted a declaration to the effect that he does not have any pecuniary relation with the company as also its promoters as laid down under the Companies Act 2013.

The Board opines that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Dr. Prabhakar Kore as an Independent Director. Accordingly Board recommends the resolution in relation to appointment of Dr. Prabhakar Kore as an Independent Director, for the approval of members in general meeting by means of an ordinary resolution.

Except Dr. Prabhakar Kore, being the proposed appointee, none of the Directors and Key Managerial Personnel of the Company, nor their relatives are concerned or interested, financially or otherwise, in the said resolution as set out at Item No.6.

Item No.7

APPOINTMENT OF MR.J.S.KORLAHALLI AS AN INDEPENDENT DIRECTOR OF THE COMPANY

Mr. J.S. Korlahalli, is an existing Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in the year 2009, and is the chairman of the remuneration committee and a member of Audit Committee of the company.

Mr. J.S. Korlahalli is the president of Shri Krishna Shikshana Samsthe, Gadag and member on the Advisory Committee of Manorama Institute of Management Studies, Gadag, as also on the Management Committee of Adarsha Shikshana Samiti, Gadag. Mr. J.S. Korlahalli obtained Postgraduate in Commerce from Karnatak University Dharwad. He has outstanding academic background. He was rank holder throughout his college days bagging many prizes and merits scholarships.

Besides being associated with Adarsha Shikshana Samiti's college of commerce, Gadag since its inception in 1968 in different capacities, he held following positions of honors:

- Member of the Senate and Academic Council, Karnatak University.
- Member of the board of studies in Commerce and Management Studies Karnatak University.

He has distinction of being author and Co-author of books on Book Keeping and Accountancy, Marketing and salesmanship, Law and Practice of Income tax and Business English and Communication.

Mr. J.S. Korlahalli retires at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act 1956. In terms of section 149(4) of the Companies Act, 2013 and relevant rules framed there under, Mr. J.S. Korlahalli, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director of the Company for five consecutive years w.e.f 01-04-2014. A notice from a member proposing his candidature for the office of Independent Director has been received by the Company.

In the opinion of the Board, Mr. J.S. Korlahalli fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. J.S. Korlahalli as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day.

Mr. J.S. Korlahalli has also submitted a declaration to the effect that he does not have any pecuniary relation with the company as also its promoters as laid down under the Companies Act 2013.

Mr. J.S. Korlahalli's appointment as an Independent Director will benefit the company immensely and board considers it desirable to continue to avail his services. As such approval of the members is being sought by means of an ordinary resolution.

Except Mr. J.S. Korlahalli, being the proposed appointee, none of the Directors and Key Managerial Personnel of the Company, nor their relatives are concerned or interested, financially or otherwise, in the said resolution as set out at Item No.7.

Item No.8

APPOINTMENT OF MR. C. KARUNAKARA SHETTY AS AN INDEPENDENT DIRECTOR OF THE COMPANY

Mr. C. Karunakara Shetty, is an existing Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in the year 2005, and presently he is acting as member of Audit Committee, Remuneration Committee, Investors Grievances Committee and IPO Committee of the company.

Mr. C. Karunakara Shetty holds a Post Graduate Degree in Commerce from Karnatak University, Dharwad, and he is also a Certified Associate Member of Indian Institute of Banking (CAIIB). He served in Vijaya Bank for a period of 24 years and has enormous experience in Banking Industry. He was also a member of Bangalore Stock Exchange. Currently, he is the Managing Director of Bhagavati Chits Pvt Ltd, Bangalore.

Mr. C. Karunakara Shetty retires at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act 1956. In terms of section 149(4) of the Companies Act, 2013 and relevant rules framed there under Mr. C. Karunakara Shetty being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director of the Company for five consecutive years w.e.f 01.04.2014 and notice proposing his candidature for the office of Independent Director has been received by the Company.

In the opinion of the Board Mr. C. Karunakara Shetty fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. C. Karunakara Shetty as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day.

Mr. C. Karunakara Shetty has also submitted a declaration to the effect that he does not have any pecuniary relation with the company as laid down under the Companies Act 2013.

Board opines that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. C. Karunakara Shetty as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. C. Karunakara Shetty as an Independent Director, for the approval of members in general meeting means of an ordinary resolution.

Except Mr. C. Karunakara Shetty, being the proposed appointee, none of the Directors and Key Managerial Personnel of the Company, nor their relatives are concerned or interested, financially or otherwise, in the said resolution as set out at Item No.8.

DIRECTORS' REPORT

Dear Members,

The Board of Directors is pleased to present the Thirty First Annual Report of your Company together with the audited financial statements for the financial year ended 31 March 2014.

FINANCIAL RESULTS

(Rs. in crores)

PARTICULARS	Year ended 31 March 2014	Year ended 31 March 2013
INCOME		
Income from Services	1462.69	1292.35
Sale of Power	25.01	27.10
Sale of Certified Emission Reduction units	6.08	6.04
Other Income	9.99	9.83
TOTAL	1503.77	1335.32
EXPENDITURE		
Employee Costs	174.45	148.26
Operating Costs and Administration Cost	1091.17	962.65
Finance Cost	59.84	59.12
Depreciation / Amortization	86.62	82.34
Other Expenses	21.56	19.37
TOTAL	1433.64	1271.74
Profit before Tax before Exceptional Item & Tax	70.13	63.59
Exceptional Item	6.63	-
Profit before Tax	76.76	63.59
Taxation	19.75	(16.70)
Net Profit	57.01	80.29

OPERATING HIGHLIGHTS

During the last year your Company achieved record revenues of Rs.1,503.77 crores during the year as against previous year's turnover of Rs.1,335 crores depicting a growth rate of 12.61% and earned Profit before tax (PBT) of Rs.76.76 crores inclusive of an exceptional item of Rs.6.63 crores which represents the profit earned on the sale of land held by the Company at Manesar, Haryana. The corresponding PBT for the earlier year was Rs.63.59 crores. The profitability margin during the year was under pressure owing to the adverse economic scenario as well as considering the sporadic rise in input costs which could not be passed on to the customers in entirety.

The company's Goods Transport Division has achieved marginal growth rate of 14.22% as compared to previous year and the revenues for this division were Rs.1133.43 crores. The Bus Operations however witnessed a significant drop in margins despite 8.53% increase in the division revenues. The Company also earned revenues of Rs.31.35 crores from the sale of power generated through the windmills owned by the Company and out of the sale of certified emission reduction units.

During the year, the company has entered into the hotel business by acquiring an existing restaurant at Tumkur to provide food facility to its Bus passengers and earned revenue of Rs.1.02 crore during the year from the said operation. The said facility is intended to complement its Bus Operations division by providing good quality food to passengers at reasonable rates.

CAPITAL EXPENDITURE

During the Financial year 2013-14, the company has made significant investment in fixed assets. The summary of the same is as under:

- Purchase of vehicles for sum of Rs.88.14 crores for expansion of Vehicle fleet comprising of Lorries and buses as also cost incurred for refurbishment of existing vehicles.
- The Company incurred a sum of Rs.12.09 crores for expansion of aviation business by purchase of a second hand aircraft from M/s Force Motors Ltd, Pune.

- Purchase of land at Bellary worth Rs.2.51 crores for construction of transshipment hub.
- Acquisition of an existing restaurant at Tumkur at a cost of Rs.2.54 crores for providing food facilities to passengers of Travels business. The said cost also includes additional work done subsequent to such acquisition for setting up critical passenger facilities.

DIVIDEND

During the Financial year 2013-14, Your Directors declared first Interim Dividend on 08 November 2013 at the rate of 20% translating to Rs.2/- per Equity share as well as proportionate dividend on the 0.001% Compulsory Convertible Participatory Preference Shares (CCPPS) based on the provisional financial statements for the half year ended 30 September 2013. The company also made the payment of the applicable preference dividend on CCPPS upto the date of conversion thereof.

The Company also declared second Interim Dividend on 30 March 2014 at the rate of 20% translating to Rs.2/- per Equity share based on the Provisional Financial Statements dated 28 February 2014.

The directors recommend that the interim dividend so declared and paid be the final dividend for the financial year 2013-14.

TRANSFER TO RESERVES

The Company has transferred an amount of Rs.5.71 crores to the General Reserve out of current year's profits and the same is in compliance with the provisions prescribed under the Companies (Transfer of Profits to Reserves) Rules, 1975.

FIXED DEPOSITS

Your Company has not accepted any deposits from the Public during the current year. During the current year, the Company has refunded entire deposits of Rs.2.59 Crores, which were outstanding as at the end of the financial year 2012-13.

Your Company has complied with the provisions stipulated under the Companies Act, 1956, as applicable to public deposits.

DIRECTORS

In accordance with the provisions of new Companies Act, 2013, and the Articles of Association of the Company, Mr. J.S. Korlahalli and Dr. Prabhakar Kore retire by rotation owing to their present tenure as directors being the longest and being eligible, they offer themselves for re-

appointment at the ensuing Annual General Meeting. The Board recommends their reappointment for consideration of the shareholders. As per the provision of section 149(4) of the Companies Act, 2013, the company needs to appoint at least two directors as independent directors on Board of the Company. In compliance with the said provision, the Board proposes to re appoint Mr. J.S. Korlahalli, Dr. Prabhakar Kore as an Independent Directors of the Company who have submitted the declaration of Independence as required under the Act.

Considering the imminent IPO plans of the Company in the medium term and in order to comply with the provisions of listing agreement as applicable to listed companies, the Board recommends to the shareholders the appointment of Mr. C. Karunakara Shetty, existing independent director, as an Independent Director of the Company as per Companies Act 2013, who has submitted a declaration of independence as required under the Act. As required under the said act, the Company is also in the process of appointing a woman director on the Board and has initiated work towards obtaining the Security Clearance in her respect from the Ministry of Civil Aviation, which is mandatory for a Board appointment owing to the Company owning aircrafts.

AUDIT COMMITTEE

The Audit Committee comprises of four members of Non-Executive Directors. Mr. Sudhir Ghatge, is the Chairman of the Committee and Mr. J.S. Korlahalli, Mr. C. Karunakara Shetty and Mr. Darius Pandole are other members of the Committee. The Audit Committee met five times during the year on 27 May 2013, 10 July 2013, 07 August 2013, 08 November 2013 and 03 February 2013.

STATUTORY AUDITORS

In terms of section 139 of the Companies Act, 2013 and rules framed thereunder, appointment of Statutory Auditors of the Company is subject to rotation as determined considering the previous service, if any, in accordance with the provisions contained in the Act as well as rules made thereunder. The provisions further provide that firm of auditors shall be appointed for a maximum period of 10 years including the earlier service, if any.

Accordingly M/s H.K. Veerbhadrappa & Company, Chartered Accountants, Hubballi, the Joint Statutory Auditors of the Company would retire at the conclusion of the forthcoming Annual General Meeting and can continue in such capacity for a maximum period of three more years subject to ratification at every annual general

meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the provision prescribed limit and that they are not disqualified for re-appointment under Section 139 of the Companies Act, 2013.

Similarly, M/s Walker Chandiok & Co. LLP, Chartered Accountants, Mumbai, Joint Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment as such for a period of another six years subject to ratification at every annual general meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the provision prescribed and that they are not disqualified for re-appointment under Section 139 of the Companies Act, 2013.

Pursuant to the recommendations of the Audit Committee, the Board of Directors have, at their meeting held on 26 June 2014, recommended the reappointment of Joint Statutory Auditors and the same is subject to the approval of the shareholders of the Company, at the ensuing Annual General Meeting. The Company would propose the appointment of the two Joint Statutory Auditors for a period of one year at a time.

COST AUDITORS

In conformity with the Circulars issued by the Central Government, the Company has appointed M/s S.K. Tikare & Co., Cost Accountants, Dharwad, as the Cost Auditors for audit of cost accounting records for Wind Power Division for the year ended 31 March 2014. The Cost Audit Report would need to be submitted to the Central Government before the due date i.e. 30 September 2014.

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.

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.

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.

ACKNOWLEDGMENTS AND APPRECIATION

The Directors take this opportunity to thank the Company's customers, shareholders, Investors, 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.

For and on behalf of the Board

Dr. Vijay Sankeshwar
Chairman & Managing Director

Place: Hubballi

Date: 26 June 2014

ANNEXURE 'A' TO DIRECTORS' REPORT

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

FORM A CONSERVATION OF ENERGY

In line with the philosophy of the management, 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.

- 1) We have fitted high end water separators thereby the frequent blocking of fuel supply can be minimized improving the engine performance.
- 2) Usage of high end lubricant for the engine which helps us in increasing the drain period from the current 108000 kms to 150000 kms.

FORM B TECHNOLOGY ABSORPTION

DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY ETC.

RESEARCH AND DEVELOPMENT

I. RESEARCH AND DEVELOPMENT

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

- Development of new in house ERP system
- Experimentation with internal wiring in Volvo buses
- Developing a mechanism to protect A/c functioning in buses
- Temperature gauge for engine protection
- Fitment of Anti Collusion device
- GPS driven speedometer
- Night vision camera on buses

2. Benefits Derived out of above R&D

- The new ERP system has been implemented at a very low cost and involves only the salaries of our IT and support staff in terms of development cost. The said package incorporates the existing separate modules in operation for recording and processing of data thereby avoiding data redundancy and hardware costs significantly.
- The Company has around 130 Volvo buses. The internal wiring in these buses is complicated and subject to frequent wear and tear. The cost of replacement works out to Rs.2 lakhs per bus the Company has been successful in simplifying the wiring and reducing this cost to around Rs.20,000/- per bus without compromising on safety. Gradual implementation of the same is expected in the ensuing years. We have already fitted this on one bus and the same is under observation.
- Drivers tend to switch off ACs in during late night resulting in a lot of inconvenience to passengers. Efforts are on to develop a mechanism whereby the AC would remain operational as long as the engine without being able to be affected by driver intervention. The same has already been fitted on one bus and is being now implemented across the AC vehicle fleet.
- Efforts are on to develop a temperature gauge which will automatically shut the Engine upon reaching a certain cut-off temperature. This would result in reduced maintenance costs. This too has been successfully tested and is under implemented on owned vehicles.
- Fitment of ACD (Anti-Collision Device) – This is a radar fitted in front of a vehicle which monitors the vehicle in front and warns the driver of too close a proximity. It also cuts off accelerator at a pre-determined distance and applies brake to stop the vehicle. This has been fitted on 70 Volvo buses and we have decided to get the same fitted on all the buses in a phased manner.
- A GPS driven speedometer is being fitted on select vehicles. This helps in avoiding in the tampering of speedometer by the driver.
- Night vision cameras are fitted on about 250 buses to peep into the dark road and warn the driver through the monitor mounted in front of him while shifting to left lane to overtake. This allows the driver to take a decision to proceed or wait since otherwise the driver is blind till the whole bus is moved to the left. Many times this results in applying brakes due to obstruction on the road. This also reduces the fuel consumption due to less application of brakes.

3. Future plan of action

We have plans to shift over to Java platform for coding in-house software applications thereby reduce licensing costs substantially since this will allow us to shift to Linux OS. We plan to achieve this by the end of the calendar year 2015.

4. Expenditure on R&D

Expenditure on R & D

- | | | |
|----------------|---|---|
| a) Capital | } | No specific allocation is made in terms of R&D expenditure as a percentage of turnover. The same is an ongoing process and costs incurred on the same are expensed off. |
| 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

(Rs. in lakhs)

PARTICULARS	Year ended 31 March 2014	Year ended 31 March 2013
A) Expenditure in foreign currency (accrual basis)		
Aircraft maintenance	52.77	39.35
Purchase of Spares	62.46	Nil
Professional fees on sale of certified		
Emission reductions units	9.18	46.73
Total	124.40	86.08
(Apart from the above, USD Equivalent for a sum of Rs.972.83 Lakhs was remitted to M/s NSR-PE Mauritius LLC as their share of dividend).		
B) Earnings in foreign currency (Accrual basis)		
Sale of certified emission reductions units	608.73	603.65
Aircraft Charter Receipt	240.16	Nil
Total	848.89	603.65
C) Value of imported and indigenous materials Spare parts and components including Tyres, flaps and re-treading		
– Imported		
Amount	62.46	–
Percentage	0.66%	–
– Indigenous		
Amount	9,367.18	8,758.88
Percentage	99.34%	100%
Total	9,429.64	8,758.88

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 2014

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

Sl. No.	Name and Qualification	Age, Designation/ Nature of duties	Remuneration (in lakhs Rs.)	Exp. in Yrs.	Date of Joining	Previous employment/ position held of employment
1.	Dr. Vijay Sankeshwar B.Com	Age: 64 yrs, Chairman & Managing Director	297.53	39	01-08-1984	–
2.	Mr. Anand Sankeshwar B.Com	Age: 39 yrs, Managing Director	214.86	24	01-12-1990	–
3.	Capt. Manesh T. Gopal	Age: 46 yrs, Captain	60.00	3	01-05-2011	21 year Service in Indian Air Force

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

Sl. No.	Name and Qualification	Age, Designation/ Nature of duties	Remuneration (in lakhs Rs.)	Exp. in Yrs.	Date of Joining	Previous employment/ position held of employment
Nil						

Notes:

1. Remuneration shown above includes salary, perquisites, leave encashment and 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 there under.
2. Nature of Employment in the above cases is contractual.
3. Dr. Vijay Sankeshwar and Mr. Anand Sankeshwar are related to each other.

Walker Chandiok & Co. LLP

(formerly Walker, Chandiok & Co.)

Chartered Accountants

16th Floor, Tower II, Indiabulls Finance Centre

S.B. Marg, Elphinstone (W), Mumbai – 400 013

Maharashtra

H.K. Veerbhadrappa & Co.

Chartered Accountants

4th Floor, Sumangala Complex

Lamington Road

Hubballi – 580 020

Karnataka

INDEPENDENT AUDITORS' REPORT

To the Members of VRL Logistics Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of **VRL Logistics Limited**, ("the Company"), which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
 - ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. on the basis of written representations received from the directors, as at 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For Walker Chandiok & Co. LLP
Chartered Accountants
Firm Registration No.:
001076N/N500013

per Khushroo B. Panthaky
Partner
Membership No.: F-42423
Mumbai
26 June 2014

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

per Arrvind Kubsad
Partner
Membership No.: F-85618
Hubballi
26 June 2014

**Annexure to the Independent Auditors' Report of even date to the members of VRL Logistics Limited,
on the financial statements for the year ended 31 March 2014**

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 Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- 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 between physical inventory and book records 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 has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- 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 the 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 sale of power 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 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 income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in lakhs)	Amount paid under protest (Rs. in lakhs)	Period to which the amount relates (Assessment Year)	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of prior period expenses and expenses incurred towards construction of building	50.68	Nil	2003-04	Assessing officer (Post directions of Karnataka High Court)
	Notional interest on funds provided to Vijayanand Printers Limited	106.39	Nil	2003-04	Assessing officer (Post directions of Karnataka High Court)
	Demand of tax not deducted at source on body building charges, contribution to power evacuation facilities etc.	105.73	105.73	2007-08	Commissioner of Income Tax (Appeals)
	Demand of tax not deducted at source on body building charges	1.75	1.75	2008-09	Deputy Commissioner of Income Tax (TDS)
	Revenue from sale of wind power considered as Section 80IA income, disallowance of communication expenses, Air Charter expenses etc.	220.46	Nil	2008-09	Commissioner of Income Tax (Appeals)
	Disallowance of certain expenditure such as lease rent, amortisation of leasehold improvements, proportionate disallowance of aircraft expenditure with assumption that directors of the Company used Company's assets for personal purposes	14.11	Nil	2010-11	Commissioner of Income Tax (Appeals)
	Disallowance of certain expenditure such as amortisation of leasehold improvements, proportionate disallowance of aircraft expenditure with assumption that directors of the Company used Company's assets for personal purposes	14.31	Nil	2011-12	Commissioner of Income Tax (Appeals)

- 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) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, 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 by the Company.
- xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. 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.

For Walker Chandiok & Co. LLP Chartered Accountants Firm Registration No.: 001076N/N500013 per Khushroo B. Panthaky Partner Membership No.: F-42423 Mumbai 26 June 2014	For H.K. Veerbhadrappa & Co. Chartered Accountants Firm Registration No.: 004578S per Arrvind Kubsad Partner Membership No.: F-85618 Hubballi 26 June 2014
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BALANCE SHEET AS AT 31 MARCH 2014

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

PARTICULARS	Notes	As at 31 March 2014	As at 31 March 2013
Equity and liabilities			
Shareholders' funds			
Share capital	2	8553.62	18116.88
Reserves and surplus	3	22085.50	10823.97
		30639.12	28940.85
Non-current liabilities			
Long-term borrowings	4	25287.97	28516.25
Deferred tax liabilities (net)	5	8336.37	7759.93
Other long term liabilities	6	886.61	865.99
Long-term provisions	7	264.00	291.26
		34774.95	37433.43
Current liabilities			
Short-term borrowings	4	10942.49	9384.20
Trade payables	8	3866.39	3784.92
Other current liabilities	9	15315.88	13266.85
Short-term provisions	7	2229.36	3708.08
		32354.12	30144.05
Total		97768.19	96518.33
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	73936.35	71009.37
Intangible assets	11	97.20	20.09
Capital work-in-progress		1403.72	1402.84
Non-current investments	12	10.75	7.75
Long-term loans and advances	13	9074.66	9666.30
Other non-current assets	14	252.14	71.59
		84774.82	82177.94
Current assets			
Inventories	15	1347.58	968.42
Trade receivables	16	7770.14	8442.06
Cash and bank balances	17	1509.24	1543.63
Short-term loans and advances	13	2206.02	1952.03
Other current assets	18	160.39	1434.25
		12993.37	14340.39
Total		97768.19	96518.33

Notes to the financial statements

1 to 40

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For Walker Chandiok & Co. LLP

Chartered Accountants

Khushroo B. Panthaky

Partner

For H.K. Veerbhadrappa & Co.

Chartered Accountants

Arrvind Kubsad

Partner

For and on behalf of the Board of Directors

Vijay Sankeshwar

Chairman and
Managing Director

Sunil Nalavadi

Chief Financial Officer

Anand Sankeshwar

Managing Director

Aniruddha Phadnavis

General Manager (Finance)
and Company Secretary

Place: **Mumbai**

Date: 26 June 2014

Place: **Hubballi**

Date: 26 June 2014

Place: **Hubballi**

Date: 26 June 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	Notes	Year ended 31 March 2014	Year ended 31 March 2013
Revenue			
Revenue from operations	19	149378.51	132549.71
Other income	20	999.34	982.62
Total revenue		<u>150377.85</u>	<u>133532.33</u>
Expenses			
Operating expenses	21	109117.15	96264.71
Employee benefits expense	22	17445.91	14825.51
Finance costs	23	5984.00	5912.30
Depreciation and amortisation expense	24	8661.60	8233.59
Other expenses	25	2156.13	1937.47
Total expenses		<u>143364.79</u>	<u>127173.58</u>
Profit before exceptional item and tax		<u>7013.06</u>	<u>6358.75</u>
Add: Exceptional item	32	663.72	–
Profit before tax		<u>7676.78</u>	<u>6358.75</u>
Tax expense			
Current tax (minimum alternate tax)		1614.33	1280.84
Minimum alternate tax (MAT) credit entitlement		(215.23)	(327.38)
Deferred tax		576.44	(2238.49)
Tax adjustments pertaining to earlier years		–	(4.46)
MAT credit entitlement pertaining to earlier years		–	(380.99)
Profit for the year		<u>5701.24</u>	<u>8029.23</u>
Basic and Diluted Earnings per share of face value Rs.10 each (in Rs.)	35	7.19	11.36

Notes to the financial statements

1 to 40

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For Walker Chandiok & Co. LLP

Chartered Accountants

Khushroo B. Panthaky

Partner

For H.K. Veerbhadrappa & Co.

Chartered Accountants

Arrvind Kubsad

Partner

For and on behalf of the Board of Directors

Vijay Sankeshwar

Chairman and
Managing Director

Sunil Nalavadi

Chief Financial Officer

Anand Sankeshwar

Managing Director

Aniruddha Phadnavis

General Manager (Finance)
and Company Secretary

Place: **Mumbai**

Date: 26 June 2014

Place: **Hubballi**

Date: 26 June 2014

Place: **Hubballi**

Date: 26 June 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	Year ended 31 March 2014	Year ended 31 March 2013
A. Cash flows from operating activities		
Profit before tax	7676.78	6358.75
Adjustments for:		
Depreciation and amortisation expense	8661.60	8233.59
Interest expenses	5984.00	5912.30
Interest income	(27.34)	(32.18)
Dividend income	(0.99)	(2.92)
Loss on sale of fixed assets (net)	78.68	31.36
Advances and bad debts written off	118.03	0.90
Provision for doubtful advances and debts	25.00	43.00
Credit balance written back	(76.27)	(61.06)
Adjustment for Exceptional item	(663.72)	—
Operating profit before working capital changes	21775.77	20483.74
Adjustments for:		
(Increase) / decrease in trade receivables	657.92	(699.27)
(Increase) in loans and advances and other current assets	(364.69)	(1873.30)
(Increase) in inventories	(379.16)	(95.31)
Increase / (decrease) in trade payables, other liabilities and provisions	127.05	(92.74)
Cash generated from operating activities	21816.89	17723.12
Direct taxes paid (net of refunds)	(1490.70)	(1311.87)
Net cash generated from operations (A)	20326.19	16411.25
B. Cash flows from investing activities		
Purchase of fixed assets (including capital advance)	(10935.80)	(9140.68)
Proceeds from sale of fixed assets	1906.10	74.42
Encashment / (placement) of fixed deposits with bank	(109.53)	55.67
Sale / (purchase) of non-current investments	(3.00)	5.00
Interest received	34.67	18.91
Dividend income received	0.99	2.92
Net cash (used in) investing activities (B)	(9106.57)	(8983.76)
C. Cash flows from financing activities		
Proceeds from issue of shares (including securities premium)	—	12500.00
Share issue expenses	—	(104.88)
Repayment of public deposits (net)	(259.62)	(607.33)
Repayment of unsecured loans from corporates	—	(55.00)
Proceeds from short term borrowings (net)	1558.29	2148.88
Proceeds from long term borrowings	11926.31	9317.98
Repayment of long term borrowings	(12759.36)	(21079.68)
Dividend paid and tax thereon	(5635.94)	(3040.26)
Interest and processing fees paid	(6012.67)	(6319.01)
Net cash (used in) financing activities (C)	(11182.99)	(7239.30)
Net increase in cash and cash equivalents (A+B+C)	36.63	188.19
Cash and cash equivalents at the beginning of the year	1467.51	1279.32
Cash and cash equivalents at the end of the year	1504.14	1467.51
Cash and cash equivalents comprise:		
Cash on hand	366.25	376.89
Cheques / drafts in hand / transit	41.79	57.03
Balances with banks		
— in current accounts	1072.44	820.81
— in deposit accounts (with maturity upto 3 months)	5.00	188.81
Cash in transit	18.66	23.97
Cash and cash equivalents as per note 17 to the financial statements	1504.14	1467.51
Restricted Cash		
Fixed deposits pledged with banks	5.00	91.77

Notes:

1) 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.

2) Figures in brackets represent outflows.

As per our report of even date attached

For Walker Chandiok & Co. LLP

Chartered Accountants

Khushroo B. Panthaky

Partner

For H.K. Veerbhadrappa & Co.

Chartered Accountants

Arrvind Kubsad

Partner

For and on behalf of the Board of Directors

Vijay Sankeshwar

Chairman and
Managing Director

Sunil Nalavadi

Chief Financial Officer

Anand Sankeshwar

Managing Director

Aniruddha Phadnavis

General Manager (Finance)
and Company Secretary

Place: **Mumbai**

Date: 26 June 2014

Place: **Hubballi**

Date: 26 June 2014

Place: **Hubballi**

Date: 26 June 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Company overview

VRL Logistics Limited (the "Company") is in logistics services dealing mainly in domestic transportation of goods. Other businesses include bus operations, air chartering service, sale of power and sale of certified emission reductions (CER) units generated from operation of wind mills. The operations of the Company are spread all over the country through various branches.

1 Significant Accounting Policies

a) Basis for Preparation of Financial Statements

The financial statements, which have been prepared under the historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act'), read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

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 recognised prospectively in current and future periods.

All assets and liabilities have been classified as current and non-current as per normal operating cycle of the Company and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on nature of products / services, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

c) Fixed Assets and Capital Work in progress

- i. Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation / amortisation. 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 capitalised 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 amortised over the period of the lease or its useful life, whichever is lower.
- iii. Goodwill is amortised over a period of five years.
- iv. Software is amortised over a period of five years.
- v. 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.5000 are fully depreciated on the date of purchase.

e) Leases

Operating Leases are those leases where the lessor 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 realisable 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.

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 recognised 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 realisable and intended to be held for not more than a year are valued at lower of cost and net realisable 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 realisable value. Stock of tyres is valued based on specific identification method. Obsolete, defective, unserviceable and slow / non moving stocks are duly provided for.

j) Recognition of Income and Expenditure

- i. Income and Expenditure is recognised on accrual basis and provision is made for all known losses and liabilities.
- ii. Revenue from Goods transport and Courier service is recognised when goods / documents are delivered to the customers.
- iii. Revenue from Bus operation is recognised upon commencement of journey of passengers.
- iv. Revenue from sale of power is recognised 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 recognised 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 recognised upon commencement of flight journey.
- vii. Revenue from hotel operations is recognised upon rendering of service.
- viii. Freight income related to unclaimed parcels is recognised on realisation basis.
- ix. Interest on deposits is recognised on time proportion basis.
- x. Dividend income is recognised when the right to receive the dividend is established.
- xi. Rent income is recognised on time proportion basis.
- xii. Advertisement income is recognised when the related advertisement or commercial appears before the public.
- xiii. 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 and Employees State Insurance Scheme is determined based on a fixed percentage of the eligible employees' salary and charged to the Statement of Profit and Loss. The Company has categorised its Provident Fund and the Employees State Insurance Scheme 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 capitalised as part of the cost of such assets up to the date such assets are ready for their intended use. Other borrowing costs are treated as revenue expenditure.

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 recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation 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 reasonably / virtually certain, as the case may be, to be realised.
- iii. Tax credit is recognised 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 recognised 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 2014

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

PARTICULARS	As at 31 March 2014		As at 31 March 2013	
	Number	Amounts	Number	Amounts
2 SHARE CAPITAL				
Authorised share capital				
Equity shares of Rs.10 each	125000000	12500.00	125000000	12500.00
0.001% Compulsorily and mandatorily convertible participatory preference shares of Rs.100 each	11200000	11200.00	11200000	11200.00
	136200000	23700.00	136200000	23700.00
Issued, subscribed and fully paid up				
Equity shares of Rs.10 each	85536162	8553.62	70700000	7070.00
0.001% Compulsorily and mandatorily convertible participatory preference shares of Rs.100 each	—	—	11046875	11046.88
Total	85536162	8553.62	81746875	18116.88
a) Reconciliation of share capital				
Equity shares				
Balance at the beginning of the year	70700000	7070.00	70700000	7070.00
Add: Issued during the year	14836162	1483.62	—	—
Balance at the end of the year	85536162	8553.62	70700000	7070.00
Preference shares				
Balance at the beginning of the year	11046875	11046.88	—	—
Add: Issued during the year	—	—	11046875	11046.88
Less: Conversion of 0.001% Compulsorily and mandatorily convertible participatory preference shares	11046875	11046.88	—	—
Balance at the end of the year	—	—	11046875	11046.88

b) Rights / preferences / restrictions 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. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing General Meeting, except interim dividend.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts, if any, in proportion to the number of equity shares held by the shareholders."

c) Shareholders holding more than 5% of the shares

Equity shares of Rs.10 each	Number	% holding	Number	% holding
Dr. Vijay Sankeshwar	33075000	38.67%	33075000	46.78%
Mr. Anand Sankeshwar	32778250	38.32%	32778250	46.36%
NSR-PE Mauritius LLC	19254912	22.51%	4418750	6.25%
Compulsorily and mandatorily convertible participatory preference shares of Rs.100 each	Number	% holding	Number	% holding
NSR-PE Mauritius LLC	—	—	11046875	100.00%

d) Term of conversion of preference shares

Pursuant to conversion parameters specified in the Share Purchase and Subscription Agreement and Shareholder's agreement dated 15 December 2011 entered with the promoters, other shareholders and NSR – PE Mauritius, LLC (the 'investor'), the Company had issued 11046875, 0.001% compulsorily and mandatorily convertible participatory preference shares (CCPPS) of face value of Rs.100 each. These shares have been converted on 01 September 2013 in accordance with the conversion parameters specified in the agreements, into 14836162 Equity shares of Rs.10 each fully paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
3 RESERVES AND SURPLUS		
Securities premium account		
Balance at the beginning of the year	1326.06	630.00
Add: Premium on shares issued during the year	9563.26	1453.12
Less: Security issue expenses written off in terms of Section 78 of Companies Act, 1956	—	757.06
Balance at the end of the year	10889.32	1326.06
 General reserve		
Balance at the beginning of the year	3209.48	2406.56
Add: Transferred from Statement of Profit and Loss	570.12	802.92
Balance at the end of the year	3779.60	3209.48
 Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	6288.43	5166.78
Add: Transferred from Statement of Profit and Loss	5701.24	8029.23
Less: Interim dividend paid	1710.72	2125.42
Less: Interim dividend paid on preference shares	0.05	—
Less: Tax on interim dividend	290.74	344.80
Less: Proposed dividend on preference shares (refer note 38)	—	0.11
Less: Interim dividend declared on equity shares (refer note 38)	1710.72	—
Less: Tax on interim dividend declared	290.74	—
Less: Proposed dividend on equity shares (refer note 38)	—	2686.60
Less: Proposed participatory dividend on preference shares (refer note 38)	—	419.78
Less: Tax on proposed dividend	—	527.95
Less: Transferred to general reserve	570.12	802.92
Balance at the end of the year	7416.58	6288.43
	22085.50	10823.97

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014		As at 31 March 2013	
	Long term	Short term	Long term	Short term
4 BORROWINGS				
Secured				
Term loans				
From banks	28541.39	–	25789.39	510.00
From Non-Banking Financial Companies (NBFCs)	11063.05	–	14648.10	–
Loans repayable on demand				
Working capital loan from banks	–	10942.49	–	8874.20
	39604.44	10942.49	40437.49	9384.20
Unsecured				
Deposits from public	–	–	251.17	–
	39604.44	10942.49	40688.66	9384.20
Less: current maturities of long-term debt (refer note 9)	14316.47	–	12172.41	–
Total borrowings	25287.97	10942.49	28516.25	9384.20
a) Details of guarantee for each type of borrowings				
Guaranteed by directors				
Term loans				
From banks	10738.29	–	10695.63	–
From NBFCs	2180.13	–	3431.17	–
Loans repayable on demand				
Working capital loan from banks	–	10652.29	–	7874.23

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

Nature of Security	Terms of Repayment	
Term loans from Banks are secured by: <ul style="list-style-type: none">i) First charge by way of equitable mortgage on Land and Building.ii) First charge by way of hypothecation of certain Lorries & Vans, Buses, Tankers, Cars and Autos acquired there against.iii) First charge by way of Hypothecation of Plant and Equipments (Logistics Division), Furniture, Fixtures and Office Equipment.iv) Collateral security by way of mortgage of Land and Building.v) First charge by way of hypothecation of 10 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 14.50% p.a.	
Term loans from NBFCs are secured by: <ul style="list-style-type: none">i) First charge by way of hypothecation of certain number of Lorries and Vans, Buses, Autos and Cars.ii) First charge by way of equitable mortgage on Land and Building.		
Working capital loan from banks are secured by: <ul style="list-style-type: none">i) First charge by way of hypothecation of Company's Inventories and Book Debts.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.v) Hypothecation of Vehicles.		Interest rate ranging between 12.50% p.a. to 13.75% p.a.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
5 DEFERRED TAX LIABILITIES (NET)		
a) Liabilities		
Depreciation / Amortisation	8637.22	8054.03
Total	8637.22	8054.03
b) Assets		
Allowance for doubtful debts and advances	57.10	48.61
Provision for compensated absences and leave equalisation	116.47	120.18
Provision for bonus	127.28	125.31
Total	300.85	294.10
	8336.37	7759.93
6 OTHER LONG TERM LIABILITIES		
Deposits from agents and others	886.61	865.99
	886.61	865.99

PARTICULARS	As at 31 March 2014 Long term	Short term	As at 31 March 2013 Long term	Short term
7 PROVISIONS				
Provisions for employee benefits (refer note (a) below)	166.44	174.85	237.50	50.45
Provision for taxation (net of advance tax)	–	53.05	–	11.33
Provision for leave equalisation	97.56	–	53.76	11.86
Interim dividend declared (refer note 38)	–	1710.72	–	–
Tax on interim dividend declared	–	290.74	–	–
Proposed dividend (refer note 38)				
Equity	–	–	–	3106.38
Preference	–	–	–	0.11
Corporate dividend tax	–	–	–	527.95
	264.00	2229.36	291.26	3708.08

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.1186.38 lakhs (Previous year: Rs.1069.65 lakhs).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

ii) Defined Benefit Plans (Gratuity scheme and compensated absences):

PARTICULARS	Gratuity		Compensated absences	
	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2013
I. Changes in present value of obligations				
Present value of obligation as at the beginning of the year	859.88	803.93	287.95	205.06
Current service cost	63.64	53.89	60.93	88.27
Interest cost	74.47	62.83	19.69	16.02
Actuarial (gain) / loss on obligations	30.97	24.04	22.10	0.28
Benefits paid	(91.82)	(84.81)	(145.58)	(21.68)
Present value of obligation as at the end of the year	937.14	859.88	245.09	287.95
II. Changes in fair value of plan assets				
Fair value of plan assets at the beginning of the year	785.64	704.98	–	–
Expected return on plan assets	62.19	56.96	–	–
Actuarial gain / (loss) on plan assets	10.69	9.56	–	–
Contributions	74.24	98.95	145.58	21.68
Benefits paid	(91.82)	(84.81)	(145.58)	(21.68)
Fair value of plan assets at the end of the year	840.94	785.64	–	–
III. Actuarial gain / loss recognised				
Actuarial (gain) / loss for the year – Obligation	30.97	24.04	22.10	0.28
Actuarial (gain) / loss for the year – Plan assets	(10.69)	(9.56)	NA	NA
Total (gain) / loss for the year	20.28	14.48	22.10	0.28
Actuarial (gain) / loss recognized during the year	20.28	14.48	22.10	0.28
IV. Amounts recognised in the Balance Sheet				
Present value of obligation as at the end of the year	937.14	859.88	245.09	287.95
Fair value of plan assets as at the end of the year	840.94	785.64	–	–
Funded status	(96.20)	(74.24)	(245.09)	(287.95)
Net asset / (Liability) recognised in the Balance Sheet (refer note (ii) below)	(96.20)	–	(245.09)	(287.95)
V. Expense recognised in Statement of Profit and Loss				
Current service cost	63.64	53.89	60.93	88.27
Interest cost	74.47	62.83	19.69	16.02
Expected return on plan assets	(62.19)	(56.96)	–	–
Net actuarial (gain)/loss recognized during the year	20.28	14.48	22.10	0.28
Expense recognised in Statement of Profit and Loss	96.20	74.24	102.72	104.57
VI. Experience adjustments				
On plan liabilities: (gain) / loss	30.97	24.04	22.10	0.28
On plan assets: gain / (loss)	(10.69)	(9.56)	–	–
VII. The major category of plan assets as a percentage of total plan assets are as follows:				
i) Government Securities	20%	20%	NA	NA
ii) Gratuity scheme of Insurance Companies	33%	26%	NA	NA
iii) Special deposits	47%	54%	NA	NA
VIII. Assumptions used				
Discount rate	9.15%	8.25%	9.15%	8.25%
Rate of increase in compensation levels	6%	10% to 5%	6%	10% to 5%
Estimated rate of return on plan assets	8.00%	8.00%	NA	NA
Expected average remaining working lives of employees (years)	24.86	23.32	24.86	23.32
Attrition rate	5%	1%	5%	1%
Mortality rate	Indian assured lives (2006-2008) ultimate mortality table		Indian assured lives (2006-2008) ultimate mortality table	
Retirement age	60	58	60	58

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

Notes

- The gratuity and compensated absences expense has been recognized under Note 22.
- Net liability outstanding as at 31 March 2013 is Nil as the Company has discharged the liability to the credit of the Trust established for the purpose.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
8 TRADE PAYABLES		
Dues to micro, small and medium enterprises (refer note (a) below)	–	–
Dues to others	931.09	501.75
Employee related liabilities	1297.08	1187.33
Other accrued liabilities	1638.22	2095.84
	<u>3866.39</u>	<u>3784.92</u>

- a) There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31 March 2014. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the statutory auditors of the Company.

PARTICULARS	As at 31 March 2014	As at 31 March 2013
9 OTHER CURRENT LIABILITIES		
Current maturities of long term debt (refer note 4)	14316.47	12172.41
Interest accrued but not due on borrowings	286.79	312.21
Unclaimed matured deposits	–	8.45
Interest accrued on unclaimed matured deposits	–	3.26
Advance from customers and agents	216.91	238.51
Payables for capital expenditure	91.75	13.06
Advance for sale of land	–	160.11
Advance for sale of Wind Turbine Generators	25.00	–
Statutory dues	378.96	358.84
	<u>15315.88</u>	<u>13266.85</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

10 TANGIBLE ASSETS

PARTICULARS	Freehold	Leasehold Land	Buildings Land	Plant and	Furniture Equipment	Office and Fixtures	Vehicles Equipment	Aircraft	Leasehold Improvements	Total
Gross block										
Balance as at 01 April 2012	6170.49	510.00	7627.28	22736.76	827.33	1219.38	58456.31	2546.10	302.15	100395.80
Additions	2735.00	–	2511.47	377.80	70.81	300.09	3769.59	–	145.72	9910.48
Disposals	–	–	–	–	(4.63)	(0.57)	(282.31)	–	(5.97)	(293.48)
Balance as at 31 March 2013	8905.49	510.00	10138.75	23114.56	893.51	1518.90	61943.59	2546.10	441.90	110012.80
Additions	341.02	–	690.89	155.80	82.62	318.72	8814.20	1208.65	127.56	11739.46
Disposals	–	–	–	–	–	(0.09)	(729.98)	–	–	(730.07)
Balance as at 31 March 2014	9246.51	510.00	10829.64	23270.36	976.13	1837.53	70027.81	3754.75	569.46	121022.19
Accumulated depreciation										
Balance as at 01 April 2012	–	131.25	841.78	6121.78	534.62	759.92	21901.88	588.68	96.25	30976.16
Depreciation charge	–	25.50	210.65	1205.87	87.58	143.92	6202.53	142.58	82.19	8100.82
Adjustment	–	–	114.16	–	–	–	–	–	–	114.16
Reversal on disposal of assets	–	–	–	–	(0.79)	(0.13)	(180.82)	–	(5.97)	(187.71)
Balance as at 31 March 2013	–	156.75	1166.59	7327.65	621.41	903.71	27923.59	731.26	172.47	39003.43
Depreciation charge	–	25.50	273.31	1214.58	87.52	146.12	6601.03	189.79	108.85	8646.70
Adjustment	–	–	–	–	–	–	–	–	–	–
Reversal on disposal of assets	–	–	–	–	–	(0.03)	(564.26)	–	–	(564.29)
Balance as at 31 March 2014	–	182.25	1439.90	8542.23	708.93	1049.80	33960.36	921.05	281.32	47085.84
Net block										
Balance as at 31 March 2013	8905.49	353.25	8972.16	15786.91	272.10	615.19	34020.00	1814.84	269.43	71009.37
Balance as at 31 March 2014	9246.51	327.75	9389.74	14728.13	267.20	787.73	36067.45	2833.70	288.14	73936.35

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

11 INTANGIBLE ASSETS

Gross block	Goodwill	Computer software	Total
Balance as at 01 April 2012	78.39	475.91	554.30
Additions	–	1.16	1.16
Disposals	–	–	–
Balance as at 31 March 2013	78.39	477.07	555.46
Additions	–	92.01	92.01
Disposals	–	–	–
Balance as at 31 March 2014	78.39	569.08	647.47
Accumulated amortisation			
Balance as at 01 April 2012	78.39	438.37	516.76
Amortisation charge	–	18.61	18.61
Reversal on disposal of assets	–	–	–
Balance as at 31 March 2013	78.39	456.98	535.37
Amortisation charge	–	14.90	14.90
Reversal on disposal of assets	–	–	–
Balance as at 31 March 2014	78.39	471.88	550.27
Net block			
Balance as at 31 March 2013	0.00	20.09	20.09
Balance as at 31 March 2014	0.00	97.20	97.20

PARTICULARS	As at 31 March 2014	As at 31 March 2013
12 NON-CURRENT INVESTMENTS		
(Valued at cost unless stated otherwise)		
Trade, Unquoted		
Investments in equity shares of Co-operative Banks		
Shri Basaveshwar Sahakari Bank Niyamit (500 equity shares (Previous year: 500 equity shares) of Rs.100 each fully paid up)	0.50	0.50
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 (50000 equity shares (Previous year: 20000 equity shares) of Rs.10 each fully paid up)	5.00	2.00
The Saraswat Co-operative Bank Limited (2500 equity shares (Previous year: 2500 equity shares) of Rs.10 each fully paid up)	0.25	0.25
	10.75	7.75
Aggregate amount of unquoted investments	10.75	7.75

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014		As at 31 March 2013	
	Long term	Short term	Long term	Short term
13 LOANS AND ADVANCES				
Unsecured, considered good, unless otherwise stated				
Capital advances	48.14	–	866.01	–
	48.14	–	866.01	–
Security deposits				
– Considered good	3098.48	93.13	3210.87	–
– Considered doubtful	–	55.00	44.00	–
	3098.48	148.13	3254.87	–
Less: Allowances for bad and doubtful deposits	–	55.00	44.00	–
	3098.48	93.13	3210.87	–
Deposits with customs authorities and others	1012.23	–	988.47	–
Minimum alternate tax credit entitlement	4438.87	–	4223.64	–
Advance tax and TDS receivable (net of tax provision)	295.41	–	377.31	–
Advance to suppliers	–	166.03	–	67.64
Prepaid expenses	181.53	1259.88	–	1103.69
Other advances				
– Considered good	–	686.98	–	780.70
– Considered doubtful	–	33.00	–	33.00
	5928.04	2145.89	5589.42	1985.03
Allowances for bad and doubtful advances	–	33.00	–	33.00
	5928.04	2112.89	5589.42	1952.03
	9074.66	2206.02	9666.30	1952.03

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
14 OTHER NON-CURRENT ASSETS		
Non-current bank balances (refer note 17)	252.14	71.59
	<u>252.14</u>	<u>71.59</u>
15 INVENTORIES		
(valued at lower of cost and net realizable value)		
Raw materials	1.94	–
Stores and spares	1345.64	968.42
	<u>1347.58</u>	<u>968.42</u>
16 TRADE RECEIVABLES		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	–	37.53
Doubtful	80.00	66.00
	80.00	103.53
Less: Allowances for bad and doubtful debts	80.00	66.00
	<u>–</u>	<u>37.53</u>
Other debts		
Unsecured, considered good	7770.14	8404.53
	7770.14	8404.53
	<u>7770.14</u>	<u>8442.06</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
17 CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	366.25	376.89
Cheques, drafts on hand / transit	41.79	57.03
Balances with banks		
– in current accounts	1072.44	820.81
– in deposit accounts (with maturity upto 3 months)	5.00	188.81
Cash in transit	18.66	23.97
	<u>1504.14</u>	<u>1467.51</u>
Other bank balances		
Deposits with maturity more than 3 months but less than 12 months	5.10	76.12
Bank deposits with maturity of more than 12 months	252.14	71.59
	<u>257.24</u>	<u>147.71</u>
Less: Amounts disclosed as other non-current assets (refer note 14)	252.14	71.59
	<u>1509.24</u>	<u>1543.63</u>
Fixed Deposit pledged with banks		
For working capital loan	240.14	217.96
For issue of guarantee in favour of customers	22.10	31.45
	<u>262.24</u>	<u>249.41</u>
18 OTHER CURRENT ASSETS		
Unsecured, considered good		
Interest accrued on bank deposits	20.45	27.78
"Assets held for sale (at lower of cost and net realisable value) [refer note 32]"	–	1155.28
Other receivables	139.94	251.19
	<u>160.39</u>	<u>1434.25</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	Year ended 31 March 2014	Year ended 31 March 2013
19 REVENUE FROM OPERATIONS		
A) Sale of products		
Sale of power	2501.42	2710.65
Sale of certified emission reductions units	608.73	603.65
B) Sale of services		
Goods transport	112811.47	98780.84
Bus operations	30811.03	28483.77
Income from hotel operations	101.52	–
Air chartering service	775.11	417.26
Courier service	531.13	452.38
C) Other operating income		
Sale of scrap materials	1238.10	1101.16
	<u>149378.51</u>	<u>132549.71</u>
20 OTHER INCOME		
Interest income on fixed deposits with bank	27.34	32.18
Interest from customer on amount overdue	–	224.00
Dividend income from long term investment	0.99	2.92
Rent income	498.46	475.51
Interest on income tax refund	–	14.58
Credit balances written back	76.27	61.06
Foreign exchange difference	23.03	–
Advertisement income	195.41	115.88
Miscellaneous income	177.84	56.49
	<u>999.34</u>	<u>982.62</u>
21 OPERATING EXPENSES		
Lorry hire	14390.84	12852.59
Vehicle operation-diesel cost	40663.59	34290.89
Vehicle running, repairs and maintenance (Net of insurance claims received)	9802.73	10453.35
Stores and spares consumed	4472.98	3932.06
Tyres, flaps and re-treading	4956.66	4826.82
Bridge and toll charges	7788.43	6204.93
Repairs and maintenance		
a. Plant and equipments	454.17	262.39
b. Buildings	376.58	402.77
c. Others	200.65	104.09
Security charges	280.11	225.97
Electricity charges	320.19	289.01
Wind turbine generator operation and maintenance expenses	495.97	425.97
Rent	5981.19	4849.43
Vehicle taxes	3729.95	3289.56
Insurance	848.68	684.30
Agency commission	5383.32	4679.91
Hamaali	5126.83	4783.98
Clearing and forwarding	3660.73	3522.61
Claims	118.06	184.08
Hotel operating expenses	65.49	–
	<u>109117.15</u>	<u>96264.71</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	Year ended 31 March 2014	Year ended 31 March 2013
22 EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	15302.73	13005.00
Contribution to provident and other funds (refer note 7(a))	1282.59	1143.89
Staff welfare expenses	860.59	676.62
	<u>17445.91</u>	<u>14825.51</u>
23 FINANCE COSTS		
Interest expense	5947.22	5894.24
Other borrowing costs	36.78	18.06
	<u>5984.00</u>	<u>5912.30</u>
24 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets (refer note 10)	8646.70	8214.98
Amortisation of intangible assets (refer note 11)	14.90	18.61
	<u>8661.60</u>	<u>8233.59</u>
25 OTHER EXPENSES		
Travelling and conveyance	450.10	353.24
Printing and stationery	304.63	329.04
Professional and legal expenses	258.48	202.04
Payment to auditors (refer details below)	35.56	34.52
Office expenses	130.66	93.84
Communication expenses	402.45	341.03
Advertisement and business promotion	200.24	240.10
Interest on security deposit from agents	83.52	82.15
Loss on sale/discard of assets (net)	78.68	31.36
Foreign exchange difference	–	49.64
Advances and bad debts written off	118.03	0.90
Provision for doubtful advances and debts	25.00	43.00
Bank charges	47.13	73.21
Donation	5.34	3.53
Directors' sitting fees	4.26	2.82
Miscellaneous expenses	12.05	57.05
	<u>2156.13</u>	<u>1937.47</u>
Payment to auditors		
As auditor:		
Statutory audit	32.58	30.34
Tax audit	2.25	2.25
In other capacity		
Other services	0.50	0.62
Reimbursement of expenses	0.23	1.31
	<u>35.56</u>	<u>34.52</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
26 CONTINGENT LIABILITIES NOT PROVIDED FOR		
A) Claims against the Company not acknowledged as Debts		
Income tax matters	513.43	499.12
Central Excise matters	–	1085.35
Customs Duty (refer note (c) below)	694.92	694.92
PF and ESIC matters	12.92	12.92
Other contractual matters	273.50	184.63
	1494.77	2476.94
B) Disputed claims pending in Courts	529.19	478.05
Total	2023.96	2954.99

Notes:

- a. The Company is in appeal against demands from Income Tax, Provident Fund and ESIC authorities.
- b. The above figures for contingent liabilities do not include amounts towards penalties / interest 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.
- c. 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.
- d. Future cash outflows in respect of (A) above can be determined only on receipt of judgments / decisions pending with various forums / authorities.
- e. The amount disclosed in respect of (B) above represents the estimated liability based on

independent legal opinion obtained by the management in relation to the various cases of Motor Vehicle Accidents, Consumer disputes, Workmen compensation etc. filed against the Company.

- 27 The Department of Stamps and Registration, Government of Karnataka had issued a notice 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 by way of Writ Petition before the Honourable High Court of Karnataka, Circuit Bench at Dharwad. The Writ Petition came-up for hearing and subject to deposit of a sum of Rs.25 lakhs, the authorities have been directed not to take any coercive action and also to determine the Stamp Duty liability. The Company has paid the deposit of Rs.25 lakhs but the quantum of Stamp Duty payable is yet to be arrived at by the department. 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.
- 28 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs.1070.25 lakhs (Previous year: Rs.568.12 lakhs).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

29 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.

30 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.

31 The Company has entered into Operating lease agreements 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 2014 in respect of the operating leases is Rs.5981.19 lakhs (Previous year: Rs.4849.43 lakhs).

Lease rental income recognized in the Statement of Profit and Loss for the year ended 31 March 2014 in respect of operating leases is Rs.498.46 lakhs (Previous year: Rs.475.51 lakhs).

Certain non-cancellable operating leases extend upto a maximum of ten 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 2014	Year ended 31 March 2013
Not later than 1 year	1170.45	945.12
Later than 1 year but not later than 5 years	4340.77	1193.63
Later than 5 years	5212.26	12.51
Total	10723.48	2151.26

32 Other current assets as at 31 March 2013 included net book value of land at Gurgaon, Haryana aggregating Rs.1155.28 lakhs which had been retired from active use and was held for disposal. This land was accordingly stated at the lower of net book value and net realisable value as on 31 March 2013. During the year, the Company has entered into a sale deed

dated 29 October 2013 with respect to the land at Gurgaon for value aggregating Rs.1860 lakhs. An amount of Rs.41 lakhs was incurred towards the sale process including conversion of land into Non Agricultural Land. The profit on sale of the aforesaid land amounting to Rs.663.72 lakhs has been accounted as exceptional item in the Statement of Profit and Loss for the year ended 31 March 2014.

33 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 2014 and recognised revenue accordingly.

However, as per the 'Sale and Purchase of surplus CER's' clause in the aforesaid agreement, whenever the Company generates surplus CER's i.e. CER's in excess of the contract CER's on or before 31 December 2012, which has been later verified and certified, ADB shall have the right but not the obligation, to purchase the said surplus CER's from the Company. Correspondingly, ADB had procured 61366 CERs during the year, in accordance with the contract, and the balance 11563 (net of 2% CDM administration fees) CERs, which has been certified but not purchased by ADB, remains unrecognised in the books of account, the impact of which, as per the management, is not expected to be material to the financial statements.

Further, the certification of CERs generated during the period January 2013 to March 2014 is underway and hence is not quantifiable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

34 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 2014	Year ended 31 March 2013
Salary and Allowances	470.03	449.59
Contribution to Provident and other funds*	0.09	0.09
Perquisites**	14.52	12.41
Directors' sitting fees	4.26	2.82
Commission on profits	27.75	17.50
	516.65	482.41

*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.

35 EARNINGS PER SHARE

The amount considered in ascertaining the Company's earnings per share constitutes the net profit 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 2014	Year ended 31 March 2013
Net profit as per Statement of Profit and Loss	5701.24	8029.23
Less: Preference dividend and tax thereon	—	0.13
Net profit after tax attributable to equity shareholders	5701.24	8029.10
Weighted average number of shares outstanding during the period – Basic and Diluted	79317168	70700000
Basic and Diluted earnings per share (Rs.)	7.19	11.36
Nominal value per equity share (Rs.)	10.00	10.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

36 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, Sale of power and Air chartering service.

PARTICULARS	Year ended 31 March 2014	Year ended 31 March 2013
SEGMENT REVENUE		
(Net Sales / Income from external customers)		
a) Goods transport	113342.60	99233.22
b) Bus operations	30912.55	28483.77
c) Sale of power	3110.15	3538.30
d) Air chartering service	775.11	417.26
Total	148140.41	131672.55
Un-allocable revenue (Other income)	2237.44	1859.78
Net Sales / Income	150377.85	133532.33
SEGMENT RESULTS		
(Profit before Interest and Taxation from each segment)		
a) Goods transport	12169.81	10025.44
b) Bus operations	421.73	1871.53
c) Sale of power	1324.56	1707.45
d) Air chartering service	(186.55)	(251.33)
	13729.55	13353.09
Less: Finance costs	(5984.00)	(5912.30)
Less: Other un-allocable expenditure net of un-allocable income	(732.49)	(1082.04)
Profit before exceptional item and tax	7013.06	6358.75
OTHER INFORMATION		
ASSETS		
a) Goods transport	43953.57	41267.01
b) Bus operations	15373.43	17419.13
c) Sale of power	13704.21	14687.87
d) Air chartering service	3815.42	2513.35
e) Un-allocable assets	20921.56	20630.97
Total	97768.19	96518.33
LIABILITIES		
a) Goods transport	4419.86	4529.91
b) Bus operations	179.13	213.08
c) Sale of power	26.48	1.36
d) Air chartering service	20.32	16.13
e) Un-allocable liabilities	62483.28	62817.00
Total	67129.07	67577.48
CAPITAL EXPENDITURE		
(including capital advances)		
Total cost incurred during the year to acquire segment assets		
a) Goods transport	8153.71	3191.31
b) Bus operations	850.54	4330.87
c) Sale of power	—	—
d) Air chartering service	1208.65	—
e) Un-allocable capital expenditure	801.58	1631.56
Total	11014.48	9153.74
SEGMENT DEPRECIATION and AMORTISATION		
a) Goods transport	4118.42	4095.84
b) Bus operations	2653.30	2259.39
c) Sale of power	1140.40	1140.40
d) Air chartering service	189.79	142.58
e) Un-allocable Depreciation / Amortisation	559.69	595.38
Total	8661.60	8233.59

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

37 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:

Key Management Personnel (KMP) and their relatives	a. Dr. Vijay Sankeshwar (Chairman & Managing Director)
	b. Mr. Anand Sankeshwar (Managing Director)
	c. Mrs. Vani Sankeshwar (President) – relative of director
	d. Mrs. Lalitha Sankeshwar – relative of director
	e. Mrs. Bharati Holkunde – relative of director
Companies in which KMP or their relative have significant influence	a. Aradhana Trust
	b. Ayyappa Bhaktha Vrunda Trust
	c. Shiva Agencies
	d. Sankeshwar Minerals Private Limited
	e. Sankeshwar Printers Private Limited
	f. VRL Cements Limited
	g. VRL Media Limited
Enterprise having significant influence over the entity	NSR-PE Mauritius LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

(Rupees in lakhs, 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 2014

Nature of transactions	Name	Nature of relationship	Year ended 31 March 2014	Year ended 31 March 2013
Income				
Rent	Aradhana Trust	Companies in which KMP or relative have significant influence	9.60	9.60
	Shiva Agencies		30.18	30.18
	Sankeshwar Minerals Private Limited		4.47	4.47
	VRL Media Limited		209.84	208.69
Freight	Sankeshwar Minerals Private Limited	Companies in which KMP or relative have significant influence	5.40	3.74
	Shiva Agencies		75.30	–
	VRL Media Limited		294.71	126.81
Reimbursements	Sankeshwar Minerals Private Limited	Companies in which KMP or relative have significant influence	30.61	37.38
	VRL Media Limited		68.99	54.07
Advertising / Hoarding	VRL Media Limited	Companies in which KMP or relative have significant influence	12.59	11.74
		Total	741.69	486.68
Expenditure				
Remuneration / Commission	Dr. Vijay Sankeshwar	KMP	297.53	281.50
	Mr. Anand Sankeshwar	KMP	214.86	198.09
	Mrs. Vani Sankeshwar	KMP/Relative of KMP	18.00	18.00
Printing and stationery	Sankeshwar Printers Private Limited		17.44	34.96
Advertisement Expenses	VRL Media Limited		41.67	21.72
Interest on Unsecured Loan	VRL Media Limited		–	43.88
	VRL Cements Limited		–	0.89
		Total	589.50	599.04

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

Funding and Investment

Nature of transactions	Name	Nature of relationship	Year ended 31 March 2014	Year ended 31 March 2013
Repayment – Unsecured loan	VRL Media Limited	Companies in which	–	3000.00
	VRL Cements Limited	KMP or relative have	–	45.00
		significant influence		
		Total	–	3045.00

Payments

Repayment – Unsecured loan	VRL Media Limited	Companies in which	–	3000.00
	VRL Cements Limited	KMP or relative have	–	45.00
		significant influence		
		Total	–	3045.00

Receipts

Unsecured loan taken	VRL Media Limited	Companies in which	–	3000.00
		KMP or relative have	–	3000.00
		significant influence		
		Total	–	3000.00
Purchase of fixed assets	VRL Media Limited	Companies in which	–	8.58
		KMP or relative have		
		significant influence		
Dividend Paid and Proposed	Dr. Vijay Sankeshwar	KMP	1323.00	2116.80
	Mr. Anand Sankeshwar	KMP	1311.13	2097.80
	Mrs. Vani Sankeshwar	KMP/Relative of KMP	16.00	25.60
	Mrs. Lalitha Sankeshwar	Relative of KMP	0.84	1.35
	Mrs. Bharati Holkunde	Relative of KMP	0.07	0.12
	NSR-PE Mauritius LLC	Enterprise having		
		significant influence		
		over the entity	770.24	989.91
		Total	3421.28	5231.58

Balance as at year end

Assets

Receivables	Shiva Agencies	Companies in which	11.12	2.51
	Sankeshwar Minerals	KMP or relative have	3.25	3.20
	Private Limited	significant influence	35.02	68.46
	VRL Media Limited			
		Total	49.39	74.17

Liabilities

Payables	VRL Media Limited	Companies in which	–	1.41
	Sankeshwar Printers	KMP or relative have	1.48	–
	Private Limited	significant influence		
Rent Deposits	Shiva Agencies		0.09	–
	Aradhana Trust		3.36	12.00
Remuneration /	Dr. Vijay Sankeshwar	KMP	22.12	–
Commission payable	Mr. Anand Sankeshwar	KMP	11.07	–
Proposed dividend	Dr. Vijay Sankeshwar	KMP	661.50	1256.85
	Mr. Anand Sankeshwar	KMP	655.56	1245.57
	Mrs. Vani Sankeshwar	KMP/Relative of KMP	8.00	15.20
	Mrs. Lalitha Sankeshwar	Relative of KMP	0.42	0.80
	Mrs. Bharati Holkunde	Relative of KMP	0.04	0.07
	NSR-PE Mauritius LLC	Enterprise having		
		significant influence		
		over the entity	385.10	587.80
		Total	1748.74	3119.70

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

38 PROPOSED DIVIDEND

PARTICULARS	As at 31 March 2014	As at 31 March 2013
The final dividend proposed by the Company for the year is as follows:		
A) On Preference shares of Rs.100 each		
Amount of dividend proposed	—	0.11
Dividend per preference share	—	0.001
B) On Equity shares of Rs.10 each		
Amount of dividend proposed	—	2686.60
Dividend per equity share	—	3.80
Proposed participatory dividend on preference shares	—	419.78
The interim dividend declared by the Company for the year is as follows:		
On Equity shares of Rs.10 each		
Amount of interim dividend	1710.72	—
Dividend per equity share	2.00 [*]	—
There are no arrears of dividends relating to preference shares.		

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

Particulars	Year ended 31 March 2014		Year ended 31 March 2013	
	Quantity (in units)	Amount	Quantity (in units)	Amount
A) Generation of Energy				
Opening units	—		—	
Generated during the year (net of transmission loss)	73817429		79991660	
Less: Captive consumption	224509		242776	
Less: Sale of energy units	73592920	2501.42	79748884	2710.65
Closing units	—	—	—	—
B) Expenditure in foreign currency (accrual basis)				
Aircraft maintenance		52.77		39.35
Purchase of Spares		62.46		—
Professional fees on sale of certified emission reductions units		9.18		46.73
		124.41		86.08
C) Earnings in foreign currency (accrual basis)				
Sale of certified emission reductions units		608.73		603.65
Air chartering service		240.16		—
		848.89		603.65

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

PARTICULARS	As at 31 March 2014	As at 31 March 2013
D) Value of imported and indigenous materials		
Spare parts and components including tyres, flaps and re-treading		
– Imported		
– Amount	62.46	–
– Percentage	0.66%	–
– Indigenous		
– Amount	9367.18	8758.88
– Percentage	99.34%	100%
Total	9429.64	8758.88
E) Dividend remitted in foreign currency		
Number of non-resident shareholders	1	1
Number of shares held by them		
Equity shares	19254912	4418750
Preference shares	–	11046875
Final dividend		
Gross amount of dividend remitted	587.80	92.79
The financial year to which it relates	2012-13	2011-12
Interim dividend		
Gross amount of dividend remitted	385.14	402.11
The financial year to which it relates	2013-14	2012-13

40 PREVIOUS YEAR FIGURES

The previous year's figures have been recast / regrouped / rearranged wherever considered necessary.

For Walker Chandiok & Co LLP
Chartered Accountants
Khushroo B. Panthaky
Partner

For H.K. Veerbhadrappa & Co
Chartered Accountants
Arrvind Kubsad
Partner

For and on behalf of the Board of Directors

Vijay Sankeshwar
Chairman and
Managing Director

Anand Sankeshwar
Managing Director

Sunil Nalavadi
Chief Financial Officer

Aniruddha Phadnavis
General Manager (Finance)
and Company Secretary

Place: **Mumbai**
Date: 26 June 2014

Place: **Hubballi**
Date: 26 June 2014

Place: **Hubballi**
Date: 26 June 2014

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
---	---

0	3
---	---

2	0	1	4
---	---	---	---

Date Month Year

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

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

 Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

 Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

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

Total Liabilities

	9	7	7	6	8	1	9
--	---	---	---	---	---	---	---

 Total Assets

	9	7	7	6	8	1	9
--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

		8	5	5	3	6	2
--	--	---	---	---	---	---	---

 Reserves & Surplus

	2	2	0	8	5	5	0
--	---	---	---	---	---	---	---

 Long term Borrowings

	2	5	2	8	7	9	7
--	---	---	---	---	---	---	---

Short term Borrowings

	1	0	9	4	2	4	9
--	---	---	---	---	---	---	---

 Deferred Tax Liability

		8	3	3	6	3	7
--	--	---	---	---	---	---	---

 Share Application Money

					N	I	L
--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

	7	4	0	3	3	5	5
--	---	---	---	---	---	---	---

 Non-current Investments

				1	0	7	5
--	--	--	--	---	---	---	---

 Current Assets

	1	2	9	9	3	3	7
--	---	---	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

 Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

 Capital work in progress

		1	4	0	3	7	2
--	--	---	---	---	---	---	---

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

Turnover

1	5	0	3	7	7	8	5
---	---	---	---	---	---	---	---

 Total Expenditure

1	4	3	3	6	4	7	9
---	---	---	---	---	---	---	---

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

		7	0	1	3	0	6
--	--	---	---	---	---	---	---

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

		7	6	7	6	7	8
--	--	---	---	---	---	---	---

 + - Profit (+) / Loss (-) After Tax

		5	7	0	1	2	4
--	--	---	---	---	---	---	---

 Earnings per Share in Rs. Dividend Rate %

0	7	.	1	9	4	0
---	---	---	---	---	---	---

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

Item Code No. Product Description

N	I	L
---	---	---

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

Item Code No. Product Description

N	I	L
---	---	---

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

Item Code No. Product Description

N	I	L
---	---	---

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: **Hubballi**
Date: 26 June 2014

Dr. Vijay Sankeshwar
Chairman & Managing Director

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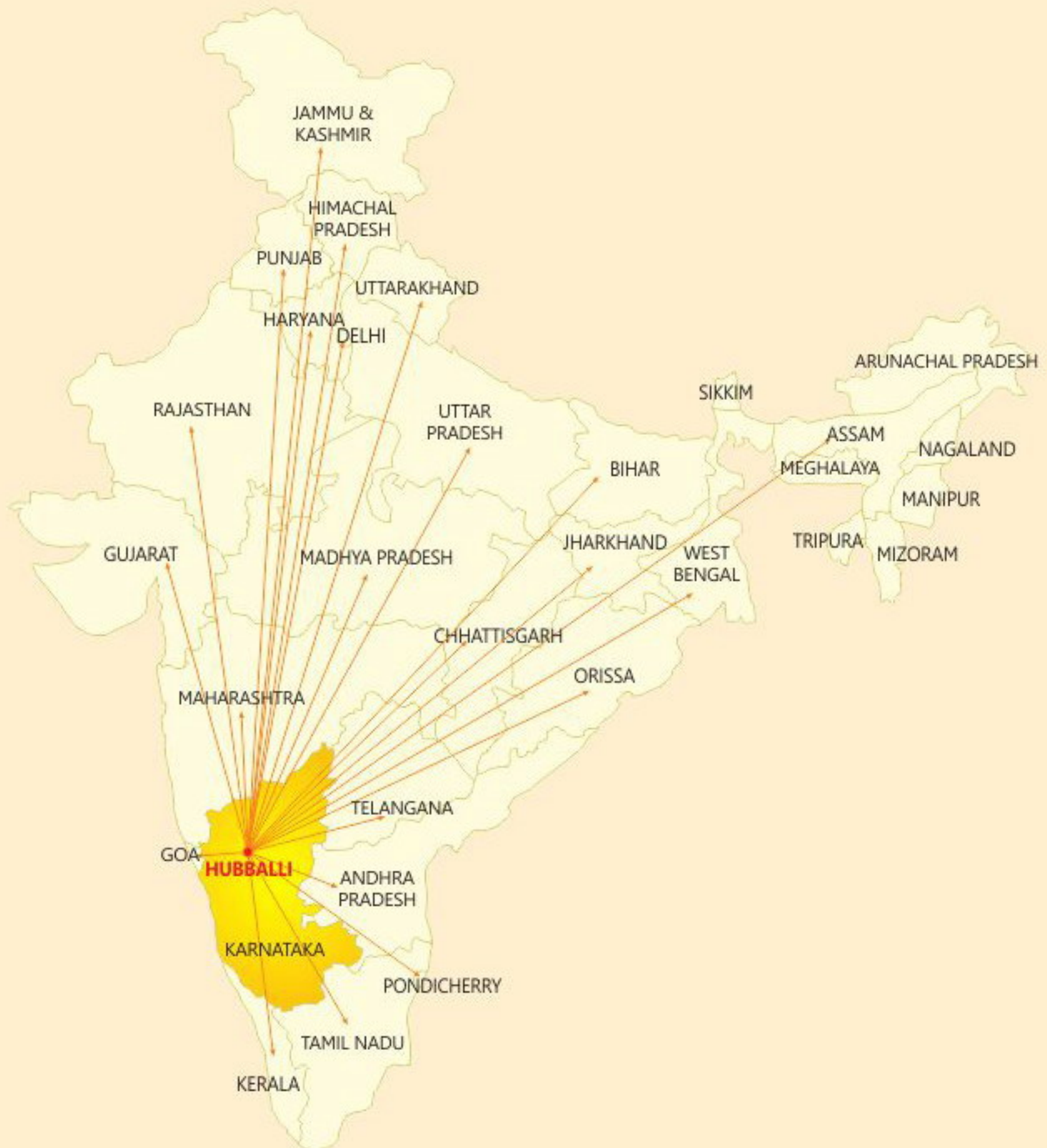


NOTES

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VRL

COUNTRYWIDE NETWORK





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