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**VIGNYAN INDUSTRIES LIMITED**

**(A subsidiary of BEML Limited, Bangalore)**

**B.H. Road, Tarikere- 577 228**



## FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>CAPITAL :</b>										
Equity Capital	278.97	278.97	278.97	278.97	278.97	278.97	278.97	278.97	278.97	278.97
Net Worth	812.64	730.87	904.12	713.32	584.50	540.32	429.59	356.34	343.32	342.12
Loan from BEML	-	-	-	-	-	19.46	38.93	58.38	97.29	97.29
Loans from Banks & Others	377.48	626.15	729.76	145.47	78.77	67.01	35.24	32.14	15.70	90.68
Gross Block	1655.34	1651.88	1626.69	693.75	687.38	646.91	612.78	578.66	472.29	461.99
Inventories	1502.85	895.04	737.81	530.80	565.20	554.87	390.91	348.05	286.73	312.24
Trade Receivables	3.34	-	75.84	66.03	146.18	19.36	31.57	142.41	172.59	179.30
Working Capital	(262.89)	(154.58)	583.26	455.41	376.72	337.49	229.78	145.78	231.95	294.81
Capital Employed	798.27	979.89	1769.23	760.32	702.20	639.60	528.86	435.84	456.31	530.09
<b>REVENUE :</b>										
<b>Sales</b>	<b>3920.77</b>	<b>3384.00</b>	<b>3591.34</b>	<b>3527.12</b>	<b>3328.89</b>	<b>2451.47</b>	<b>2881.06</b>	<b>2154.90</b>	<b>1504.54</b>	<b>1380.79</b>
Value of Production	4529.36	3569.98	3746.17	3564.53	3240.66	2617.14	2870.10	2178.11	1495.82	1349.10
Value Added	2214.37	1676.87	1982.12	1888.40	1705.86	1423.36	1558.59	1384.20	971.22	888.46
Profit before Depreciation & Interest	207.72	(13.09)	378.73	237.97	218.68	182.38	142.97	127.67	34.01	590.43
Depreciation & amortization expense	76.77	76.69	51.88	26.94	25.58	31.10	25.10	22.84	20.00	19.87
Profit before Interest & Tax	130.95	(89.78)	326.85	211.03	193.10	151.28	117.87	104.83	14.01	570.56
Financial expenses	66.31	70.36	34.96	5.06	9.12	6.81	11.07	11.95	11.49	5.79
<b>Profit before Tax</b>	<b>64.64</b>	<b>(160.14)</b>	<b>291.89</b>	<b>205.97</b>	<b>183.98</b>	<b>144.47</b>	<b>106.80</b>	<b>92.88</b>	<b>2.52</b>	<b>564.77</b>
Tax expense	(17.13)	13.10	120.83	74.64	71.79	40.90	40.90	50.85	1.32	(19.15)
Profit After Tax	81.77	(173.24)	171.06	131.33	112.19	103.57	65.90	42.03	1.20	583.92
Dividend (Excluding Tax)	-	-	20.92	20.92	13.95	-	-	-	-	-
<b>PRODUCTION (in MT)</b>	<b>4085</b>	<b>4120</b>	<b>4254</b>	<b>4276</b>	<b>3527</b>	<b>3362</b>	<b>3762</b>	<b>3168</b>	<b>2342</b>	<b>2338</b>
<b>SALES (in MT)</b>	<b>3608</b>	<b>3932</b>	<b>4095</b>	<b>4444</b>	<b>4054</b>	<b>3030</b>	<b>3649</b>	<b>3063</b>	<b>2323</b>	<b>2351</b>
<b>Power Consumed (in lakh units)</b>	<b>64.32</b>	<b>63.76</b>	<b>62.24</b>	<b>61.79</b>	<b>55.68</b>	<b>50.51</b>	<b>58.24</b>	<b>50.81</b>	<b>43.86</b>	<b>40.62</b>
<b>RATIOS :</b>										
Profit before Tax to Sales	1.65	(4.73)	8.13	5.84	5.53	5.89	3.71	4.31	0.17	40.90
Trade Receivables in No. of days of Sales	0.3	-	8	7	16	3	4	24	42	47
Inventory in No. of days of VoP	121	92	72	54	64	77	50	58	70	84



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**BOARD OF DIRECTORS\***

**Shri P Dwarakanath**

**Shri C Keshavamurthy**

**Shri M Pitchiah**

**Shri C N Durgesh**

**Shri V G Shanker**

**COMPANY SECRETARY**

**Shri S V Ravi Sekhar Rao**

\*As on 09.08.2012

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**Statutory Auditors**

M/s MSSV & Co.  
Chartered Accountants  
Bangalore

**Bankers**

State Bank of Mysore  
Tarikere & J.C. Road Branch  
Bangalore

**Registered Office and Works**

Haliyur Village  
B.H. Road, Tarikere – 577 228  
Phone : (08261) 222236, 222252, 222313 & 222314  
Fax : (08261) – 222357, 222594



## NOTICE

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NOTICE is hereby given that the 48<sup>th</sup> Annual General Meeting of Vignyan Industries Limited will be held on **Thursday, the 6<sup>th</sup> September, 2012 at 11.30 Hours** at the Registered Office of the Company at **Haliyur, B.H.Road, Tarikere - 577 228**, to transact the following business :

### I. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit and Loss and Cash Flow Statement for the year ended 31<sup>st</sup> March, 2012, the Balance Sheet as at that date and the Report of the Directors' and Auditors' thereon.
2. To elect a Director in place of Shri M Pitchiah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To elect a Director in place of Shri V G Shanker, who retires by rotation and being eligible, offers himself for re-appointment.
4. To fix the remuneration of the Auditors.

### II. SPECIAL BUSINESS

5. Appointment of Director :

To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that Shri P. Dwarakanath, be and is hereby appointed as Director of the Company with effect from 19.01.2012.”

By order of the Board  
For Vignyan Industries Limited

Place : Tarikere  
Date : 09.08.2012

**S V RAVI SEKHAR RAO**  
Company Secretary



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**Notes**

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1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy / proxies to attend and vote instead of himself / herself. The proxy need not be a member of the Company.
2. Proxy form is attached. The Proxy form should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
4. Shareholders are requested to address all correspondence in relation to share matters to the Company at the following address :  
**Vignyan Industries Limited**  
P.B.No. 4, Haliyur Village  
B.H. Road  
Tarikere - 577 228  
E-mail : vignyantarikere@sify.com
5. Members are requested to bring their copies of the Annual Report to the meeting.

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**Explanatory Statement pursuant to Section 173 of the Companies Act, 1956**

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**Item No. 5 - Appointment of Director :**

Shri P. Dwarakanath was nominated on the Board by BEML Limited with effect from 19.01.2012. Shri Dwarakanath is a Graduate in Mechanical Engineering from National Institute of Technology, Warangal. He joined BEML as a Management trainee in 1978 and held various important positions with assignments in the Company covering Rail & Metro and Defence Business. He was heading BEML, Bangalore Complex prior to taking over the charge of Director (Metro & Rail Business) on 01.03.2008. Further, he is given additional charge of Chairman and Managing Director of BEML Limited w.e.f. 12.06.2012 in place of Shri VRS Natarajan, who is placed under suspension.

Shri P Dwarakanath, being the appointee concerned, is considered to be interested in the respective resolution. The Board commends the resolution for the approval of the members.

By order of the Board  
For Vignyan Industries Limited

Place : Tarikere  
Date : 09.08.2012

**S V RAVI SEKHAR RAO**  
Company Secretary



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 48<sup>th</sup> Annual Report and the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2012.

### FINANCIAL RESULTS

(Value Rs. Lakhs)

Particulars	2011-12	2010-11
Sales	3920.77	3384.00
Value of Production	4529.36	3569.98
Value Added	2214.37	1676.87
Profit before Depreciation, Interest & Tax	207.72	(13.09)
Depreciation	76.77	76.69
Profit before Interest & Tax	130.95	(89.78)
Interest	66.31	70.36
Profit before Tax	64.64	(160.14)
Tax expense	(17.13)	13.10
Profit after Tax	81.77	(173.24)
Profit available for appropriation	523.50	441.72
Appropriations :		
Profit & Loss Account	523.50	441.72
Net worth	812.64	730.87

### PERFORMANCE

For the year 2011-12, your Company attained an all time high turnover of Rs.39.21 Crs, an increase of Rs.5.37 Crs registering a growth of 15.86% over the previous year. The Value of Production (VoP) stood at Rs.45.29 Crs, Profit Before Tax (PBT) at Rs. 0.65 Crs and Profit After Tax (PAT) at Rs.0.82 Crs as against VoP of Rs.35.70 Crs, PBT of Rs. (-) 1.60 Crs and PAT of Rs. (-)1.73 Crs over the previous financial year.

### FUTURE OUTLOOK

Your Company has drawn perspective plan for next five years starting from 2011-12 to 2015-16 with a total capital outlay of Rs.20 Crs, out of which, Rs.10 Crs would be invested in the first phase for balancing the production capacity and upgrading the existing facilities for improving overall performance of the Company. In the second phase, the plan would be reviewed and

investment of remaining Rs.10 Crs considered.

The order book position is comfortable for the financial year 2012-13 with further purchase orders along with schedules expected during the year from BEML Divisions. With this your Company is looking forward to better results.

### FIXED DEPOSITS

The Company has not accepted any deposits during the year and there is no unpaid deposits and / or interest on deposits as on 31.03.2012.

### MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises continue to get support and preference from your Company.

### MANPOWER

The manpower strength as on 31.03.2012 stood at 165 as against 179 during the previous year. This includes 17 from SC / ST categories.

### INDUSTRIAL RELATIONS

The Industrial Relations situation in the Company during the year was healthy and cordial.

### PARTICULARS OF EMPLOYEES

No employee of the Company has drawn remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

### RAJBHASHA

Efforts are being continuously made to implement the use of Hindi in official work.

### ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Additional information on conservation of energy,

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technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

### **QUALITY**

Your Company has obtained the accreditation from Bureau Veritas Quality International for the quality system and awarded ISO 9001:2008 Certificate effective 24.10.2011.

### **AUDITORS**

M/s MSSV & Co., Chartered Accountants, Bangalore, have been appointed by the Comptroller and Auditor General of India as Statutory Auditors for the year 2011-12.

Replies of the Board of Directors to the observations made in the report of the Auditors on the Accounts are given in the addendum to this report.

### **DIRECTORS**

Shri P Dwarakanath, CMD In-charge and Director (Metro & Rail Business) of BEML Limited was appointed as Director on the Board of the Company with effect from 19.01.2012 in place of Shri H S Prakash, who ceased to be a Director since he is deputed to VIL on full time basis. The Board placed on record its appreciation of the services rendered by Shri H S Prakash.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm :

1. that in the preparation of Annual Accounts, the applicable accounting standards have been followed and there has been no material departure.

2. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period.
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. that the Directors have prepared the annual accounts on a going concern basis.

### **ACKNOWLEDGEMENTS**

Your Directors express their appreciation to the Government of India, State Government of Karnataka, BEML Limited (the Holding Company and the major customer), other customers and the State Bank of Mysore for their valued support and guidance.

Your Directors wish to thank the Comptroller and Auditor General of India, the Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors, Suppliers, Shareholders for their valued support and co-operation.

The Directors take this opportunity to place on record their appreciation for the valuable contribution made and co-operation extended by the employees and officers at all levels for the progress of the Company.

For and on behalf of the Board of Directors

**P. Dwarakanath**  
Director



**Annexure to Directors' Report for the Financial Year 2011-12****CONSERVATION OF ENERGY****A. POWER****1. Load Management of Transformers :**

Hitherto, 1000 KVA transformer is connected to 1 ton induction furnace (standby to 2 ton induction furnace) and new fettling shed. Now, this is isolated and connected to 1 ton induction furnace only as dedicated transformer. New fettling shed is connected to existing 750 KVA transformer to which other auxiliary load of plant is connected.

By this change, the 1000 KVA transformer need to be energized only when the 1 ton induction furnace is in operation, as new fettling shed is supported by 750 KVA transformer, which runs continuously to support all the auxiliary load.

The above change will give a saving of Rs.3.20 lakhs per annum. However, the said benefit was realized only for 2 months (Feb-Mar, 2012) in the year 2011-12 since the isolation of transformer is done at the end of Jan, 2012. The savings achieved

for FY 2011-12 amounting Rs. 0.56 lakhs.

2. To have saving in power cost, 30 lakh units of power have been purchased from M/s. Bhorukha Power Corporation Limited, Bangalore. This has resulted in a saving of Rs. 7.80 lakhs.

**B. FUEL**

- i) Energy conservation measures taken :  
HSD is being used for Heat Treatment, Ladle Heating and Sand Drying instead of LDO. This has resulted in reduction in cost.
- ii) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :  
Nil
- iii) Impact measures at (i) above for reduction of energy consumption and consequent impact on the cost of production of goods :  
The measures at (i) above have resulted in better operational efficiency and cost reduction of the Company products.

**FORM – A (See Rule 2)****Form for disclosure of particulars with respect to Conservation of Energy :**

<i>POWER &amp; FUEL CONSUMPTION</i>	<i>Current Year 2011-12</i>	<i>Previous Year 2010-11</i>
<b>1. ELECTRICITY</b>		
a. Purchased (Units)	<b>64,09,170</b>	63,64,920
b. Total Amount (Rs.)	<b>3,63,37,130</b>	3,39,88,888
c. Rate / Unit (Rs.)	<b>5.67</b>	5.34
d. Own generation (Units)	<b>22,510</b>	11,110
i) Through Diesel Generator		
Units / Ltr of HSD Oil (Kwh)	<b>3.22 Kwh/Ltr</b>	2.77 Kwh/Ltr
Cost / unit (Only Diesel)	<b>Rs.14.24/ Kwh</b>	Rs. 15.55 /Kwh
ii) Through Steam Turbine / Generator	<b>Nil</b>	Nil
<b>2. COAL (Specify quantity &amp; where used)</b>	<b>Nil</b>	Nil
<b>3. FURNACE OIL</b>	<b>Nil</b>	Nil
<b>4. OTHER INTERNAL GENERATION</b>	<b>Nil</b>	Nil



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**FORM – B**

**A. RESEARCH AND DEVELOPMENT**

- i) Indigenous source developed for imported mixer blades having carbide tips for 20 tons/ hr continuous mixer. With this indigenization of mixer blades, one full set of 64 nos. not only working satisfactorily but also resulted in savings.
- ii) Use of water base zircon paint in place of spirit based zircon paint to reduce sand fusion of castings is implemented. This reduced processing time of castings. Delivery time of castings is also improved.
- iii) With the aid of 3D modeling (solid works), which is also pre-requisite for solidification simulation programme, shorter sampling time and faster development of new items are expected in future.



## ACCOUNTING POLICIES

### 1. Basis of Accounting :

The financial statements are prepared and presented under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India (GAAP), on the accrual basis of accounting, except as stated herein. GAAP comprises of the mandatory Accounting Standards (AS) covered by the Companies (Accounting Standard) Rules 2006 issued by the Central Government, to the extent applicable, and the provisions of the Companies Act, 1956 and these have been consistently applied.

### 2. Use of Estimates :

The preparation of the financial statements in conformity with GAAP requires that the Management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liability as on the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Although such estimates are made on a reasonable and prudent basis taking into account all available information, actual results could differ from these estimates and such differences are recognised in the period in which the results are ascertained.

### 3. Fixed Asset :

#### A. Capitalisation :

- a) The Fixed Assets are stated at cost.
- b) The cost of the Fixed Asset comprises its purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
- c) Expenditure on land Development is capitalised.
- d) Cost of leasehold land is amortised over the period of lease on pro-rata basis.
- e) Expenditure on reconditioning, rebuilding and major overhaul of an asset are capitalized if technical assessment indicates increase in future benefits from the existing assets beyond its previously assessed standards of performance (increase in capacity or life or efficiency or productivity).

### B. Depreciation :

Depreciation is charged on Straight Line Method basis at rates as per Schedule XIV of the Companies Act, 1956 (or such higher rates which in the opinion of the management are appropriate), calculated from the month following the month of capitalisation. Depreciation on additions or extensions to existing assets is provided so as to co-terminate with the life of the original asset if it becomes integral part of the existing asset or on useful life of the asset if it is capable of independent use.

### C. Borrowing Cost :

Borrowing Costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset are capitalised as part of the cost of the asset.

### D. Impairment of Assets :

The Company assesses the impairment of assets at each balance sheet date. The loss on account of impairment, if any, is accounted accordingly.

### 4. Intangible Assets :

#### a) Software :

The cost of software internally generated/purchased for internal use which is not an integral part of the related hardware is recognised as an Intangible Asset and is amortised on straight line method based on technical assessment for a period not exceeding ten years. Software which is an integral part of related hardware is capitalised along with the hardware.

#### b) Technical Know-how :

Expenditure on Technical Know-how is recognised as an Intangible Asset and amortised on straight line method based on technical assessment for a period not exceeding ten years.

For Sl.No. (a) & (b) above, amortization commences from the month following the month during which the asset is available for use.

**5. Inventory Valuation :**

- i) Raw materials, Components, Stores and Spare parts are valued at lower of Weighted Average Cost and estimated net realizable value.
- ii) Work-in-progress is valued at lower of cost of materials, labour & production overheads based on normative capacity and estimated net realizable value.
- iii) Finished stock is valued at lower of cost and estimated net realizable value.
- iv) Estimated costs are considered wherever actual costs are not available.
- v) The cost is adjusted for decline in value by writing down the value based on specific identification. Necessary provision is made for non-moving items.
- vi) Based on technical assessment, provision is made for revalidation/refurbishment of finished goods.
- vii) Scrap is valued at estimated net realizable value.

**6. Advances from customers :**

Advances from customers include advances/progress payments received as per letters of intent / sale contracts and are net after adjustments for sales accounted under respective contracts.

**7. Sales / Other Income :**

- i) Sales for products viz., equipments, aggregates, attachments and ancillary/dealership products is recognised when these are unconditionally appropriated to the valid sales contract or under dealership agreements.
- ii) Where sale prices are not established, sales are recognised provisionally at prices likely to be realised. Difference, if any, is accounted in the year of finalization of price.
- iii) Sales include excise duty wherever applicable but exclude sales tax.
- iv) Duty drawback claims on exports are accounted on preferring the claims.
- v) Claims for escalation are recognised on acceptance by the customer, unless the contract so provide.

**8. Employee Benefits :**

- i) Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- ii) Post employment and other long term employee benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable, determined using actuarial valuation techniques. Actuarial gain and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

**9. Accounting for Foreign Currency Transactions :**

- i) Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount the exchange rate at the time of the transaction.
- ii) The outstanding balances of monetary items relating to foreign currency transactions are stated in rupees by adopting the rate of exchange prevailing on the date of Balance Sheet.
- iii) Exchange rate differences consequent to restatement / settlement are recognised as income/expenditure.
- iv) In the case of forward exchange contracts, the premium or discount arising at the inception of the contract is accounted for over the life of the contract. Exchange differences on such a contract are recognised in the statement of profit or loss in the reporting period in which the exchange rate changes.

**10. Contractual Obligations :**

Warranty liability for contractual obligation in respect of equipments sold to customers is ascertained on the basis of an annual technical assessment.

**11. Research & Development :**

Research expenditure is charged off in the year of incurrence. The expenditure on development of



new products is capitalised or where the same is intended for sale, it is inventorised. Amortization of the capitalised expenditure is on straight line method based on technical assessment for a period not exceeding ten years. The amortization commences from the month following the month during which the asset is available for use.

Expenditure on fixed assets relating to Research & Development is capitalised.

**12. Prior Period Items :**

Prior period adjustments are those adjustments, which are over Rs. 1 lakh in each case, arising out of correction of errors and omissions made in the past years.

**13. Under / Over Absorption of Cost :**

Adjustments for under / over absorption of costs on jobs, is made only if the extent of under / over recovery exceeds one percent of turnover.

**14. Taxes on Income :**

The tax expense comprises of current tax and deferred tax. The provision for current tax is ascertained on the basis of assessable profits computed in accordance with provisions of the Income Tax Act, 1961. The deferred tax is recognised on all timing differences resulting from

the recognition of items in the financial statements and in estimating current income tax provision, subject to consideration of prudence in respect of deferred tax assets. The carrying amount of deferred tax asset/liability is reviewed at each balance sheet date.

**15. Leased Assets :**

Lease rentals recovered on assets given under operating leases are recognised in the Profit & Loss Account.

Initial direct costs are expensed on incurrence.

**16. Investments :**

Long-term investments are carried at cost. Permanent decline in the value of such investments is recognised and provided for. Current investments are carried at lower of cost and fair value.

**17. Others :**

- i) The cost of special tools and jigs is amortised over production based on technical assessment. The value is net as per books.
- ii) Hand tools are charged to expenses at the time of issue.
- iii) Expenditure on Voluntary Retirement Scheme is expensed in the year of incurrence.

This is the Accounting Policy referred to in our Report dated 9<sup>th</sup> July, 2012

For and on behalf of the Board of Directors

**For MSSV & Co.**  
**Chartered Accountants**  
FRN: 001987S

**D R VENKATESH**  
Partner  
Membership No.25087

Place: Bangalore  
Date: 9<sup>th</sup> July, 2012

**M PITCHIAH**  
Director

**P DWARAKANATH**  
Director

**S V RAVI SEKHAR RAO**  
Company Secretary

# **Annual Accounts** **2011 - 12**

**BALANCE SHEET****(Rs. in Lakhs)**

Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	1	278.97	278.97
(b) Reserves and surplus	2	533.67	451.90
(2) Share application money pending allotment			
(3) Non-current liabilities			
(a) Long-term borrowings	3	-	190.28
(b) Deferred tax liabilities (Net)	4	90.78	157.25
(c) Other Long term liabilities		-	-
(d) Long-term provisions	5	-	-
(4) Current liabilities			
(a) Short-term borrowings	3	377.48	435.87
(b) Trade payables	3	370.97	391.56
(c) Other current liabilities	3	1,022.07	309.39
(d) Short-term provisions	5	130.20	142.16
<b>TOTAL</b>		<b>2,804.14</b>	<b>2,357.38</b>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	6	1,061.16	1,134.47
(ii) Intangible assets		-	-
(iii) Capital work-in-progress	7	8.79	8.79
(iv) Intangible assets under development		-	-
(b) Non-current investments		-	-
(c) Deferred tax assets (net)		-	-
(d) Long-term loans and advances	9	96.36	89.72
(e) Other non-current assets	10	-	-
(2) Current assets			
(a) Current investments		-	-
(b) Inventories	11	1,502.85	895.04
(c) Trade receivables	8	3.34	-
(d) Cash and cash equivalents	12	1.37	0.28
(e) Short-term loans and advances	9	126.07	224.92
(f) Other current assets	10	4.20	4.16
<b>TOTAL</b>		<b>2,804.14</b>	<b>2,357.38</b>

Significant Accounting Policies and Notes form part of Financial Statements

This is the Balance Sheet referred to in our  
report dated 9<sup>th</sup> July, 2012

For and on behalf of the Board of Directors

For MSSV & Co.  
Chartered Accountants  
FRN: 001987S  
**D R VENKATESH**  
Partner  
Membership No.25087

**M PITCHIAH**  
Director

**P DWARAKANATH**  
Director

Place: Bangalore  
Date: 9<sup>th</sup> July, 2012

**S V RAVI SEKHAR RAO**  
Company Secretary

**STATEMENT OF PROFIT AND LOSS****(Rs. in Lakhs)**

Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
<b>Revenues:</b>			
Revenue from operations	13	3,920.77	3,384.00
Less: Excise Duty		388.58	315.78
		<u>3,532.19</u>	<u>3,068.22</u>
Other income	14	9.32	18.09
Total Revenue		<u>3,541.51</u>	<u>3,086.31</u>
<b>Expenses:</b>			
Consumption of Materials	15	2,314.99	1,893.11
Purchases of Traded Goods		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	16	(608.59)	(185.98)
Employee benefits expense	17	662.43	564.75
Financial expenses	18	66.31	70.36
Depreciation and amortization expense	6	76.77	76.69
Other expenses	19	961.77	827.52
<b>Total expenses</b>		<u>3,473.68</u>	<u>3,246.45</u>
Profit before exceptional and extraordinary items and tax		67.83	(160.14)
Add/ (Less) : Exceptional items		-	-
Profit before extraordinary items and tax		67.83	(160.14)
Add/ (Less) : Extraordinary Items		-	-
Profit before Prior Period Adjustment		67.83	(160.14)
Add / (Less) Prior Period Adjustment	20	(3.19)	-
<b>Profit before tax</b>		<u>64.64</u>	<u>(160.14)</u>
Tax expense:			
(1) Current tax		(49.34)	-
(2) Deferred tax		66.47	13.10
(3) Excess Provision of previous years Written back		-	-
Profit (Loss) for the period from continuing operations		<u>81.77</u>	<u>(173.24)</u>
Profit/(loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(loss) from discontinuing operations (after tax)		-	-
Profit (Loss) for the period		<u>81.77</u>	<u>(173.24)</u>
Earnings per equity share: (Rs)			
(1) Basic		29.31	(62.10)
(2) Diluted		29.31	(62.10)

Significant Accounting Policies and Notes form part of Financial Statements

This is the Profit and Loss Account referred to in our report dated 9<sup>th</sup> July, 2012

For and on behalf of the Board of Directors

**For MSSV & Co.**  
**Chartered Accountants**  
 FRN: 001987S

**D R VENKATESH**  
 Partner  
 Membership No.25087

Place: Bangalore  
 Date: 9<sup>th</sup> July, 2012

**M PITCHIAH**  
 Director

**P DWARAKANATH**  
 Director

**S V RAVI SEKHAR RAO**  
 Company Secretary





## CASH FLOW STATEMENT

(Rs. in Lakhs)

Particulars	For the year ended March 31, 2012		For the year ended March 31, 2011	
<b>A. Cash flow from operating activities</b>				
Net profit loss before tax and extraordinary items		64.64		(160.14)
Adjustments for				
Depreciation	76.77		76.69	
TDS no longer receivable	6.56		-	
Interest expense	66.31		70.36	
Other interest received	(3.33)		(3.34)	
Other non-operating non-cash adjustments		146.31		143.71
<b>Operating profit loss before changes in working capital</b>		210.95		(16.43)
Adjustments for				
Inventories	(607.81)		(157.23)	
Sundry debtors	(3.34)		-	
Other current assets	-		-	
Loans and advances	(17.76)		117.20	
Amounts due related parties	717.22		140.77	
Trade payables	(20.60)		176.61	
Other liabilities	(4.54)		-	
Provisions	42.45		-	
		105.62		277.35
<b>Cash from generated operations</b>		316.57		260.92
Direct taxes paid/refunded		(0.33)		(40.64)
<b>Net cash flow from/used in operating activities</b>		316.24		220.28
<b>B. Cash flow from investing activities</b>				
Purchase of tangible fixed assets	(3.46)		(25.19)	
Other interest	3.33		3.34	
<b>Net cash flow from/used in investing activities</b>		(0.13)		(21.84)
<b>C. Cash flow from financing activities</b>				
Proceeds from short-term borrowings	61.04		54.45	
Repayment of short-term borrowings	(309.71)		(158.06)	
Interest expense on bank borrowings	(66.31)		(70.36)	
Dividend paid for equity shares	-		(20.92)	
Dividend distribution tax paid on equity shares	-		(3.56)	
<b>Net cash flow from/used in financing activities</b>		(314.98)		(198.45)
Effect foreign exchange cash and cash equivalents		-		-
<b>Net increase decrease cash and cash equivalents</b>		1.13		(0.01)
<b>Cash and Cash Equivalents, Beginning Balance</b>		1.44		1.45
<b>Cash and Cash Equivalents, Ending Balance</b>		2.57		1.44

Significant Accounting Policies and Notes form part of Financial Statements

This is the Cash Flow Statement referred to in our report dated 9<sup>th</sup> July, 2012

For and on behalf of the Board of Directors

For MSSV & Co.  
Chartered Accountants  
FRN: 001987S

D R VENKATESH  
Partner  
Membership No.25087

M PITCHIAH  
Director

P DWARAKANATH  
Director

Place: Bangalore  
Date: 9<sup>th</sup> July, 2012

S V RAVI SEKHAR RAO  
Company Secretary

**NOTES TO BALANCE SHEET****Basis of Preparation of Accounts**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

**NOTE NO.1 : Share Capital****(Rs. in Lakhs)**

Particulars	As at 31st March 2012		As at 31st March 2011	
	Number	Amount	Number	Amount
<b>1. Share Capital</b>				
Authorised :				
Equity Shares of Rs.100 each	380,000	380.00	380,000	380.00
9.5% Redeemable Cum. Pref. Shares of 100 each	20,000	20.00	20,000	20.00
Issued :				
Equity Shares of Rs.100 each	283,500	283.50	283,500	283.50
Preference Shares	-	-		
Subscribed :				
Equity Shares of Rs.100 each	278,966	278.97	278,966	278.97
Preference Shares	-	-		
Paid-up :				
Equity Shares of Rs.100 each	278,966	278.97	278,966	278.97
Preference Shares	-	-	-	-
Forfeited Shares (amount originally paid) :				
Equity Shares of Rs.10 each	-	-	-	-
Preference Shares	-	-	-	-
<b>Total</b>	<b>278,966</b>	<b>278.97</b>	<b>278,966</b>	<b>278.97</b>

**Share Capital****NOTE NO.1B****Terms/Rights attached to equity shares**

The company has only one class of equity shares having a par value of Rs.100 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the company, the equity shareholders will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**NOTE NO. 1C****Schedule of Disclosure requirements for 5 years**

Particulars	Number of Shares				
	2011-12	2010-11	2009-10	2008-09	2007-08
Shares allotted as fully paid up pursuant to contracts without payment being received in cash	Nil	Nil	Nil	Nil	Nil
Shares allotted as fully paid up by way of bonus shares	Nil	Nil	Nil	Nil	Nil
Shares bought back	Nil	Nil	Nil	Nil	Nil

**NOTE NO.1D****Reconciliation of Opening and Closing Outstanding Shares****(Rs. in Lakhs)**

Particulars	As at 31st March 2012		As at 31st March 2011	
	Number of Shares	Amount	Number of Shares	Amount
Outstanding as on Opening Date	278,966	278.97	278,966	278.97
Add: Issued during the period				
- To general public	-	-	-	-
- To Employees	-	-	-	-
Less: Buy-back during the period (if any)	-	-	-	-
Outstanding as on Closing Date	278,966	278.97	278,966	278.97

**NOTE NO.1E****Equity Shares held by shareholders having 5% or more**

Particulars	As at 31st March 2012		As at 31st March 2011	
	Number of Shares	% of Holding	Number of Shares	% of Holding
<b>Name of the shareholder</b>				
BEML LIMITED (Holding Company)	269,376	96.56	269,376	96.56

**NOTE NO. 2 : Reserves & Surplus****(Rs. in Lakhs)**

Particulars	As at 31st March 2012		As at 31st March 2011	
		Total		Total
<b>Capital Reserve</b>				
Opening Balance	0.16	0.16	0.16	0.16
Additions during the year	-	-	-	-
Deductions during the year	-	-	-	-
<b>Closing Balance</b>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>
<b>Securities Premium Account</b>				
Opening Balance	0.02	0.02	0.02	0.02
Additions during the year	-	-	-	-
Deductions during the year	-	-	-	-
<b>Closing Balance</b>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>
<b>Capital Redemption Reserve</b>				
Opening Balance	10.00	10.00	10.00	10.00
Additions during the year	-	-	-	-
Deductions during the year	-	-	-	-
<b>Closing Balance</b>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
<b>Balance in the Statement of profit and Loss</b>				
Opening Balance	441.72	441.72	614.96	614.96
Additions during the year	81.77	81.77	(173.24)	(173.24)
Less: Appropriations	-	-	-	-
- Proposed dividend	-	-	-	-
- Tax on Dividend	-	-	-	-
- Transfer to General reserve	-	-	-	-
- Transfer to Bond Redemption Reserve	-	-	-	-
<b>Closing Balance</b>	<u>523.50</u>	<u>523.50</u>	<u>441.72</u>	<u>441.72</u>
<b>Total Reserves and Surplus</b>	<b>533.67</b>	<b>533.67</b>	<b>451.90</b>	<b>451.90</b>

**NOTE NO. 3 : Borrowings and Other Liabilities****(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non-Current	Total	Current	Non-Current	Total
<b>NON CURRENT / CURRENT LIABILITIES</b>						
<b>Loan from Banks (Secured)</b>						
Cash Credit	187.20	-	187.20	126.15	-	126.15
(secured by first charge by way of hypothecation Of inventories, Book Debts and all other movable Assets to the extent of Rs.2 crores ( previous year 1 Crore)						
Long Term Loans	190.28	-	190.28	309.72	190.28	500.00
(SBM has sanctioned a Medium Term Loan of Rs7.50 crores for which BEML Ltd., has given Corporate guarantee & First charge on the Fixed Assets and second charge on the Current Assets of the Company)						
<b>Advances and Deposits</b>						
Long term maturities of finance obliagtions	-	-	-	-	-	-
<b>Total Borrowings</b>	<b>377.48</b>	<b>-</b>	<b>377.48</b>	<b>435.87</b>	<b>190.28</b>	<b>626.15</b>



Particulars	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
<b>Trade payables</b>						
Due to Micro, Small & Medium Enterprises	-	-	-	33.44	-	33.44
Due to others	<u>370.97</u>	<u>-</u>	<u>370.97</u>	<u>358.12</u>	<u>-</u>	<u>358.12</u>
<b>Total Trade payables</b>	<u>370.97</u>	<u>-</u>	<u>370.97</u>	<u>391.56</u>	<u>-</u>	<u>391.56</u>
<b>Other Current / Non current Liabilities</b>						
Unclaimed dividends	1.20	-	1.20	1.15	-	1.15
Interest accrued but not due on Borrowings	-	-	-	4.95	-	4.95
Interest accrued and due on Borrowings	-	-	-	-	-	-
Duties & Taxes	42.42	-	42.42	-	-	-
Other payables	85.20	-	85.20	150.83	-	150.83
Deposits Received	31.86	-	31.86	11.69	-	11.69
Advances received from Customers						
From BEML Limited ( Holding Company)	857.99	-	857.99	140.77	-	140.77
From Others	3.40	-	3.40	-	-	-
<b>Total other current/non current liabilities</b>	<u>1,022.07</u>	<u>-</u>	<u>1,022.07</u>	<u>309.39</u>	<u>-</u>	<u>309.39</u>

### Micro, Small and Medium Enterprises

The information under MSMED Act, has been disclosed only to the extent such vendors have been identified by the company based on the certificates produced by them.

### NOTE NO. 4 : Deferred Tax Assets / Liabilities

(Rs. in Lakhs)

Particulars	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
<b>Details of Deferred Tax Liabilities (DTL)</b>						
Related to Fixed Assets	-	149.96	149.96	-	153.84	153.84
Special Tools & Jigs	-	-	-	-	-	-
Effect on change in valuation	-	-	-	-	3.41	3.41
Provision for doubtful debts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total DTL (A)</b>	<u>-</u>	<u>149.96</u>	<u>149.96</u>	<u>-</u>	<u>157.25</u>	<u>157.25</u>
<b>Details of Deferred Tax Assets (DTA)</b>						
Leave Encashment	-	0.34	0.34	-	-	-
Effect on change in valuation	-	23.05	23.05	-	-	-
Gratuity Liability	-	18.78	18.78	-	-	-
Provision for doubtful debts	<u>-</u>	<u>17.01</u>	<u>17.01</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total DTA (B)</b>	<u>-</u>	<u>59.18</u>	<u>59.18</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Total (A-B)</b>	<u>-</u>	<u>90.78</u>	<u>90.78</u>	<u>-</u>	<u>157.25</u>	<u>157.25</u>
<b>DTA(net)</b>	-	-	-	-	-	-
<b>DTL(net)</b>	-	90.78	90.78	-	157.25	157.25

**NOTE NO. 5 : Provisions**
**(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
<b>Provision for employee benefits</b>						
Provision for Gratuity	60.76	-	60.76	15.62	-	15.62
Provision for Leave Salary	1.11	-	1.11	3.80	-	3.80
<b>Provision-others</b>						
Provision for Tax	68.33	-	68.33	122.74	-	122.74
Others	-	-	-	-	-	-
<b>Total</b>	<b>130.20</b>	<b>-</b>	<b>130.20</b>	<b>142.16</b>	<b>-</b>	<b>142.16</b>

**NOTE NO. 6 : Fixed Assets**
**(Rs. in Lakhs)**

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 31.03.2011	Additions During the Year	Deduction / Re-classification & Adjustments During the Year	Inter division Transfers	As at 31.03.2012	As at 31.03.2011	For the Year During the Year	Deduction / Re-classification & Adjustments During the Year	Inter division Transfers	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
<b><u>Tangible Assets</u></b>												
Land												
Free Hold	0.56	-	-	-	0.56	-	-	-	-	-	0.56	0.56
Lease Hold	-	-	-	-	-	-	-	-	-	-	-	-
Roads & Drains	1.37	-	-	-	1.37	0.85	0.04	-	-	0.90	0.47	0.51
Water Supply Installations	4.38	-	-	-	4.38	3.59	0.80	-	-	3.67	0.71	0.79
Buildings	154.87	-	-	-	154.87	57.58	4.62	-	-	62.20	92.67	97.29
Railway sidings	-	-	-	-	-	-	-	-	-	-	-	-
Plant, Machinery and Equipment	1,417.73	-	-	-	1,417.73	399.25	68.74	-	-	467.99	949.74	1,018.48
Electrical Installation	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures	12.92	-	-	-	12.92	7.46	0.60	-	-	8.05	4.87	5.47
Vehicles	23.48	-	-	-	23.48	15.98	1.37	-	-	17.35	6.13	7.50
Office Equipment	36.57	3.46	-	-	40.02	32.70	1.32	-	-	34.02	6.01	3.87
<b>Total Tangible Assets</b>	<b>1,651.88</b>	<b>3.46</b>	<b>-</b>	<b>-</b>	<b>1,655.34</b>	<b>517.40</b>	<b>76.77</b>	<b>-</b>	<b>-</b>	<b>594.17</b>	<b>1,061.16</b>	<b>1,134.47</b>
Previous year	1,626.69	25.19	-	-	1,651.88	440.71	76.79	-	-	517.40	1,134.47	1,185.97

**NOTE NO.7 : Capital WIP**
**(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
Building under construction	-	-	-	-	-	-
Machinery under erection	-	8.79	8.79	-	8.79	8.79
Equipment under inspection and in transit	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>8.79</b>	<b>8.79</b>	<b>-</b>	<b>8.79</b>	<b>8.79</b>

**NOTE NO.8 : Trade Receivables**
**(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
<b>Trade Receivables/Sundry Debtors</b>						
Outstanding for period less than six months						
Considered Good	3.34	-	3.34	-	-	-
Considered doubtful	-	-	-	-	-	-
Outstanding for period more than six months						
Other Debts considered good	-	-	-	-	-	-
Considered doubtful	55.05	-	55.05	-	-	-
<b>Total</b>	<b>58.39</b>	<b>-</b>	<b>58.39</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less : Allowance for bad and doubtful debts	55.05	-	55.05	-	-	-
<b>Total</b>	<b>3.34</b>	<b>-</b>	<b>3.34</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Particulars of Trade Receivables/Sundry Debtors</b>						
(i) Considered Good & secured	-	-	-	-	-	-
(ii) Considered Good & unsecured	3.34	-	3.34	-	-	-
(iii) Considered Doubtful & provided for	55.05	-	55.05	-	-	-
<b>Total</b>	<b>58.39</b>	<b>-</b>	<b>58.39</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE NO.9 : Loans & Advances**
**(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
Capital Advances	-	33.54	33.54	-	33.54	33.54
Security Deposits	-	56.31	56.31	-	56.31	56.31
Loans and advances given to related parties	-	-	-	-	-	-
Other Loans and advances						
Staff advance	4.26	-	4.26	4.32	-	4.32
MAT Credit	-	-	-	33.00	-	33.00
Other Advances	-	0.11	0.11	-	0.11	0.11
Registrar of City Civil Court	-	6.65	6.65	-	-	-
TDS receivable from the deductees	0.97	-	0.97	-	-	-
Inter Corporate Loan	-	-	-	-	-	-
Balances with Govt. departments for Customs Duty, Excise Duty etc including receivables	-	-	-	10.47	-	10.47
Excise Duty Receivable on Sales Rejections	14.47	-	14.47	-	-	-
VAT Receivable on Sales Rejections	7.54	-	7.54	-	-	-
Advances recoverable in cash or in kind for value to be received	4.14	1.00	5.14	10.14	1.00	11.14
Advance Payment of Taxes	74.04	-	74.04	151.01	-	151.01
Pre paid expenses & Other advances	20.65	-	20.65	15.98	-	15.98
<b>Total</b>	<b>126.07</b>	<b>97.61</b>	<b>223.68</b>	<b>224.92</b>	<b>90.96</b>	<b>315.88</b>
Less : Provision for doubtful advances	-	1.25	1.25	-	1.25	1.25
<b>Total</b>	<b>126.07</b>	<b>96.36</b>	<b>222.43</b>	<b>224.92</b>	<b>89.72</b>	<b>314.64</b>
<b>Particulars of Loans &amp; Advances (summary)</b>						
(i) Considered Good & secured	-	-	-	-	-	-
(ii) Considered Good & unsecured	126.07	96.36	222.43	224.92	89.72	314.64
(iii) Considered Doubtful & provided for	-	1.25	1.25	-	1.25	1.25
<b>Total</b>	<b>126.07</b>	<b>97.61</b>	<b>223.68</b>	<b>224.92</b>	<b>90.97</b>	<b>315.88</b>

**NOTE NO.10 : Other Assets****(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
Bank Balances ( Non Current) - Dividend A/c	1.20	-	1.20	1.16	-	1.16
Interest Accrued on Mescom deposits	3.00	-	3.00	3.00	-	3.00
<b>Total</b>	<b>4.20</b>	<b>-</b>	<b>4.20</b>	<b>4.16</b>	<b>-</b>	<b>4.16</b>

**Particulars of Trade Receivables/Sundry Debtors**

(i) Considered Good & secured	-	-	-	-	-	-
(ii) Considered Good & unsecured	4.20	-	4.20	4.16	-	4.16
(iii) Considered Doubtful & provided for	-	-	-	-	-	-
<b>Total</b>	<b>4.20</b>	<b>-</b>	<b>4.20</b>	<b>4.16</b>	<b>-</b>	<b>4.16</b>

**NOTE NO.11 : Inventories****(Rs. in Lakhs)**

Nature	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
Finished Goods with customers	112.18	-	112.18	-	-	-
Raw materials & Components	100.07	-	100.07	109.95	-	109.95
Stores and Spares	98.49	-	98.49	90.61	-	90.61
Work-in-Progress	1,182.54	-	1,182.54	686.13	-	686.13
Canteen Materials	0.29	-	0.29	0.29	-	0.29
Patterns	6.54	-	6.54	6.54	-	6.54
Fuel	1.95	-	1.95	0.76	-	0.76
Constuction Material	0.79	-	0.79	0.76	-	0.76
<b>Total</b>	<b>1,502.85</b>	<b>-</b>	<b>1,502.85</b>	<b>895.04</b>	<b>-</b>	<b>895.04</b>
<b>Less: Provision for obsolescence</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,502.85</b>	<b>-</b>	<b>1,502.85</b>	<b>895.04</b>	<b>-</b>	<b>895.04</b>

**NOTE NO.12 : Cash and Cash Equivalents****(Rs. in Lakhs)**

Particulars	As at 31st March 2012			As at 31st March 2011		
	Current	Non- Current	Total	Current	Non- Current	Total
Bank balance with banks						
In Current Accounts	-	-	-	-	-	-
In Deposit Accounts	-	-	-	-	-	-
Bank deposits with maturities of more than 12 months -	-	-	-	-	-	-
Cheques, drafts on hand	-	-	-	-	-	-
Cash on hand	1.37	-	1.37	0.28	-	0.28
<b>Total</b>	<b>1.37</b>	<b>-</b>	<b>1.37</b>	<b>0.28</b>	<b>-</b>	<b>0.28</b>





## NOTES TO STATEMENT OF PROFIT AND LOSS

## NOTE NO.13 : Revenue from Operations

(Rs. in Lakhs)

Particulars	For the Year ended 31 March, 2012	For the Year ended 31 March, 2011
(a) sale of products;		
Sale of Castings (net of rejected castings)	3,898.29	3,381.63
Others	-	-
	<u>3,898.29</u>	<u>3,381.63</u>
(b) Other operating revenues.		
Export incentives	-	-
Sale of Scrap	22.48	2.37
	<u>22.48</u>	<u>2.37</u>
Total Operating Revenue	<u>3,920.77</u>	<u>3,384.00</u>
Excise Duty	<u>388.58</u>	<u>315.78</u>

## NOTE NO.14 : Other Income

(Rs. in Lakhs)

Particulars	For the Year ended 31 March, 2012	For the Year ended 31 March, 2011
Interest Income		
- From Bank	-	-
- From Deposits	3.33	3.34
- Others	-	-
Dividend Income	-	-
Rent	0.06	0.06
Miscellaneous income	4.43	-
Provisions written back	-	-
- Doubtful debts & Advances	-	-
- Others	1.48	-
Foreign exchange fluctuation	0.02	0.50
Other non-operating income (net of expenses directly attributable to such income)	-	14.19
<b>Total</b>	<b>9.32</b>	<b>18.09</b>

**NOTE NO.15 : Details of Consumption of Materials****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Year ended 31 March, 2012</b>	<b>For the Year ended 31 March, 2011</b>
Opening Stock		
- Raw Material	109.95	100.73
- Spares	90.61	103.19
	<u>200.56</u>	<u>203.92</u>
Add: Purchases		
- Raw Material	1,448.40	1,015.47
- Spares	864.59	874.28
	<u>2,312.99</u>	<u>1,889.75</u>
Closing stock		
- Raw Material	100.07	109.95
- Spares	98.49	90.61
	<u>198.56</u>	<u>200.56</u>
<b>Total Consumption of Material</b>	<b>2,314.99</b>	<b>1,893.11</b>

**NOTE NO.16 : Changes in Inventories of Finished Goods,  
Work in Progress and Stock in Trade****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Year ended 31 March, 2012</b>	<b>For the Year ended 31 March, 2011</b>
Work-in-progress - Castings		
Opening Stock	686.13	500.15
Closing Stock	1,182.54	686.13
(Increase) / Decrease (A)	<u>(496.41)</u>	<u>(185.98)</u>
Finished Goods		
Opening Stock	-	-
Closing Stock	112.18	-
(Increase) / Decrease(B)	<u>(112.18)</u>	<u>-</u>
<b>Total (A+B)</b>	<b>(608.59)</b>	<b>(185.98)</b>

**NOTE NO. 17 : Employee Benefits Expense****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Year ended 31 March, 2012</b>	<b>For the Year ended 31 March, 2011</b>
Salaries, Wages & Bonus	482.84	444.28
Leave Salary	15.11	2.87
Contribution to:		
- Gratuity Fund	61.52	17.41
- Provident Fund and Other Funds	39.04	33.60
Staff welfare expenses	63.92	66.59
<b>Total</b>	<b>662.43</b>	<b>564.75</b>

**A. Accounting Standard 15 (Revised) (Employee Benefits)****a. Leave Salary**

This is a funded defined benefit plan categorized under other long term employee benefits in terms of Revised Accounting Standard 15. The defined benefit obligation for compensated absence has been actuarially valued and liability provided accordingly.

	Current year	Previous year
<b>1 Changes in the Present value of obligation</b>		
Present value of obligation at beginning of the year	32.78	29.00
Interest Cost	2.72	2.32
Current Service Cost	2.08	7.44
Benefits Paid	(13.55)	(2.69)
Actuarial (gain)/loss on obligations	13.44	(3.29)
Present value of obligation at the end of the year	37.47	32.78
<b>2 Changes in the Fair value of Plan assets</b>		
Fair value of plan assets at beginning of the year	28.98	29.15
Expected return on plan assets	3.14	2.52
Contributions	17.80	0.00
Benefits paid	(13.55)	(2.69)
Actuarial (gain)/loss on plan assets	-	-
Fair value of plan assets at the end of the year	36.37	28.98
<b>3 Reconciliation of obligations and fair value of plan assets</b>		
Present value of obligation at the end of the year	37.47	29.15
Fair value of plan assets at the end of the year	36.37	28.98
Funded Status	(1.11)	3.80
Liability Existing	-	-
Liability recognized during the year	1.11	3.80
<b>4 Expenses recognized during the year</b>		
Current Service Cost	2.08	7.44
Interest Cost	2.72	2.32
Expected return on plan assets	(3.14)	(2.53)
Actuarial (gain)/loss on obligation	13.44	(3.29)
Actuarial (gain)/loss on plan assets	-	-
Contributions	17.80	0.00
Net Cost	15.11	3.94
<b>5 Investment Details</b>	%	%
GOI Bonds	-	-
Others	-	-
Investment with LIC	-	-
<b>6 Actuarial Assumption</b>	Leave Salary	
	Current year	Previous year
	(Funded)	(Funded)
Mortality Table (LIC)	1994-96	1994-96
	(Ultimate)	(Ultimate)
Discount rate	8.30%	8.00%
Rate of return on plan assets	9.25%	9.25%
Rate of escalation salary	3.50%	3.50%

The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary.

**b. Gratuity**

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

<b>Changes in the Present value of obligation</b>	<b>Current year</b>	<b>Previous year</b>
Present value of obligation at beginning of the year	312.05	288.13
Interest Cost	25.90	23.05
Current Service Cost	12.02	8.01
Benefits Paid	(42.88)	(19.12)
Actuarial (gain)/loss on obligations	50.62	11.98
Present value of obligation at the end of the year	357.71	312.05
<b>Changes in the Fair value of Plan assets</b>		
Fair value of plan assets at beginning of the year	296.44	258.94
Expected return on plan assets	27.03	25.63
Contributions	16.37	30.99
Benefits paid	(42.88)	(19.12)
Actuarial (gain)/loss on plan assets	-	-
Fair value of plan assets at the end of the year	296.96	296.44
<b>Reconciliation of obligations and fair value of plan assets</b>		
Present value of obligation at the end of the year	357.72	312.05
Fair value of plan assets at the end of the year	296.95	296.44
Funded Status	(60.76)	(15.62)
Liability Existing	-	-
Liability recognized during the year	60.76	15.62
<b>Expenses recognized during the year</b>		
Current Service Cost	12.02	8.01
Interest Cost	25.90	23.05
Expected return on plan assets	(27.02)	(25.63)
Actuarial (gain)/loss on obligation	50.62	(11.98)
Actuarial (gain)/loss on plan assets	-	-
Contributions	-	-
<b>Net Cost</b>	61.52	11.98
<b>Investment Details</b>	<b>%</b>	<b>%</b>
GOI Bonds	-	-
Others	-	-
Investment with LIC	-	-
<b>Actuarial Assumptions</b>	<b>Gratuity</b>	
	<b>Current year</b>	<b>Previous year</b>
	<b>(Funded)</b>	<b>(Funded)</b>
Mortality Table (LIC)	1994-96	1994-96
	<b>(Ultimate)</b>	<b>(Ultimate)</b>
Discount rate	8.30%	8.00%
Rate of return on plan assets	9.25%	9.25%
Rate of escalation salary	3.50%	3.50%

The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary.

**NOTE NO.18 : Financial Expenses****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Year ended 31 March, 2012</b>	<b>For the Year ended 31 March, 2011</b>
Interest expense		
- Interest to Banks	-	-
- On Cash Credit & Short term Loans	22.95	7.14
- On Long Term Loans	43.36	63.22
Net gain/loss on foreign currency transactions and Translation on borrowing	-	-
<b>Total Interest Cost</b>	<b>66.31</b>	<b>70.36</b>

**NOTE NO.19 : Other Expenses****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Year ended 31 March, 2012</b>	<b>For the Year ended 31 March, 2011</b>
Machining / Fettling Charges	170.30	127.39
Power and fuel	486.51	452.22
Moulding Charges	165.69	184.39
Repairs & Maintenance	-	
Plant & Machinery	6.57	7.13
Buildings	1.27	8.66
Others	2.73	10.36
Stationary	1.21	1.70
Insurance	1.74	1.90
Rates & Taxes	3.43	1.87
Bank Charges	2.29	0.38
Postage, Telegram, Telephones and Telex	4.07	4.90
Selling Expenses	0.18	0.19
Remuneration to Auditors (excluding service tax)	0.87	0.84
Legal & Professional Charges	12.84	6.65
Traveling Expenses	7.20	6.31
Publicity & Public Relations	0.32	0.13
Irrecoverable amounts from Government	11.96	0.66
Directors Expenses	0.29	0.33
Vehicle Maintenance	7.21	6.23
Board meeting Expenses	0.27	0.51
Guest House Maintenance	0.28	0.38
License / Inspection / Testing charges	1.42	0.96
Subscription to periodicals	0.31	0.18
Xerox charges	1.22	1.15
ISO Certification charges	2.41	-
Miscellaneous expenses	1.79	2.10
Provision for doubtful debts	55.05	
Amount No Longer Receivable	12.34	-
<b>Total</b>	<b>961.77</b>	<b>827.52</b>

**a. Accounting Standard 11 (Foreign Exchange Fluctuations)**

Effect of Foreign Currency fluctuation included in the Statement of Profit and Loss is Rs.1,992/-

**b. Break up of Remuneration to Auditors (Schedule 21):**

<b>Statutory Auditors</b>	<b>Current Year</b>	<b>Previous Year</b>
(a) Towards Statutory Audit Fee	<b>0.50</b>	0.45
(b) Half yearly Limited review	<b>0.23</b>	0.23
(c) Travel & out of pocket expenses	<b>0.14</b>	0.16
(d) Service tax	<b>0.07</b>	0.07
<b>Total</b>	<b>0.94</b>	0.91

**NOTE NO. 20 : Prior Period Items****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the Year ended 31 March, 2012</b>	<b>For the Year ended 31 March, 2011</b>
<b>Income</b>	-	-
<b>Expenditure</b>	-	-
Employer contribution to PF	<b>2.28</b>	-
Employer contribution to Pension Scheme	<b>0.91</b>	-
	<b>3.19</b>	-
<b>Net Income / (Expenditure)</b>	<b>(3.19)</b>	-

**OTHER DISCLOSURES****NOTE NO. 21 : Earning Per Share**

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Profit /(Loss) for the period (Rs. in Lakhs)	<b>81.77</b>	(173.24)
Weighted Average Number of Shares (in Numbers)	<b>278,966</b>	278,966
Face Value Rs. 10/- Per Share (Amount in Rs.)	-	-
Earnings Per Share - Basic	<b>29.31</b>	(62.10)
- Diluted	<b>29.31</b>	(62.10)

**NOTE NO. 22 : Related Party Transactions****1. Accounting Standard 18 (Related Party Transactions)**

Name of the Holding Company - BEML Limited

Details of Transactions

**(Rs. in Lakhs)**

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Sales *	<b>3,967.77</b>	3,745.34
Purchases *	<b>1,448.53</b>	974.63
Machining & Fettling Charges paid	-	-
Dividends Received	-	-
Salaries charged to VIL for BEML deputed personnel	<b>75.41</b>	44.50
Corporate Guarantee given to Bankers	<b>750.00</b>	750.00
Amount payable towards supplies - Closing balance	<b>857.99</b>	140.77

\*(Taking into account rejections &amp; VAT)

**ii. Remuneration to key management personnel**

Name	Sitting Fee (Rs.)	Remuneration (Rs.)	Designation
Sri V. RS. Natarajan	-	Nil	Nominee Director
Sri Channagiri Keshavamurthy	20,000	Nil	Director
Sri Vishwanathan Gourishanker	-	Nil	Nominee Director
Sri P. Dwarakanath	-	Nil	Nominee Director
Sri M. Pitchiah	-	Nil	Director
Sri C. N. Durgesh	-	Nil	Director

**NOTE NO.23 : Commitments & Contingent Liabilities****a. Commitments, Guarantees etc.****(Rs. in Lakhs)**

Particulars	Current Year	Previous Year
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-
Letters of Credit issued by banks on behalf of the Company	-	-
Earnings in foreign exchange on account of Export (FOB basis) / Other income	-	-
Expenditure in foreign currency royalty, know-how, professional consultancy, consultation fee and others	-	-
Probable contingent liability that may arise out of dispute between the company and M/s Sharadha Engineering Works Private Limited not provided in the books of accounts is Rs.8,86,000/-. Now the case is under Arbitration proceedings.		

**NOTE NO. 24**

Sundry Creditors, Sundry Debtors and Loans and Advances are subject to confirmation , reconciliation or adjustment, if any.

**NOTE NO. 25**

Warranty Liability for contractual obligations has not arised during the year.

**NOTE NO. 26**

The Accounts approved by Board of Directors on 25.05.2012 were revised in the light of observations made by C&AG under section 619(4) of the Companies Act, 1956. Pursuant to the revision of Accounts the changes effected are as under :

**I. Statement of profit & loss Account:**

- Prior period expenditure decrease by Rs. 55.05 lakhs
- Provision for Trade receivables increase by Rs. 55.05 lakhs.
- Provision for Tax decrease by Rs. 17.01 lakhs
- Profit after Tax increase by Rs. 17.01 lakhs

**II. Balance Sheet:**

- Trade receivables increase by Rs. 55.05 lakhs
- Provision for Trade receivables increase by Rs. 55.05 lakhs.
- Deferred Tax Liability decrease by Rs. 17.01 lakhs.

**NOTE NO.27**

Previous year figures have been reclassified/regrouped wherever necessary to meet the requirements of revised Schedule VI.



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## AUDITORS' REPORT

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To the Members of Vignyan Industries Limited,

1. Pursuant to the observations made by Comptroller & Auditor General of India under section 619(4) of the Companies Act, 1956, the accounts adopted by the Board of Directors on 25<sup>th</sup> May 2012 have been revised. The impact of the revision is stated in Note No. 26 forming part of accounts. This report supersedes our earlier Report dated May 25, 2012. The report is revised to incorporate the observations made by Comptroller & Auditor General of India, in paragraph 2(a) to 2(c) of Annexure to the Auditor's Report.
2. We have audited the attached Balance Sheet of M/s Vignyan Industries Limited, Tarikere, as at March 31, 2012 and also Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. *As required by the Companies (Auditor's Report) Order 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose, in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.*
5. Without qualifying our opinion we draw attention to Note No.24 of regarding the fact that the balance of Sundry Creditors, Loans and Advances are subject to confirmation, reconciliation or adjustment, if any.
6. Further to our comments, 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 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 Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
  - d) In our opinion the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the mandatory Accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) Section 274 (1) (g) of the Companies Act, 1956 is not applicable to a Government Company. Hence, reporting on any Director being disqualified to be appointed as a Director u/s 274 (1) (g) of the Companies Act, 1956 does not arise.





- f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act nor has it issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the company.
7. Further to observation in paragraph 4 above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes on accounts give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India;
- a) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
- b) in so far it relates to the Statement of Profit and Loss, of the profit of the company for the year ended on that date; and,
- c) in so far as it relates to the Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

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**For MSSV & Co.,**  
**Chartered Accountants**  
FRN: 001987S

**D R Venkatesh**  
**Partner**  
Membership No.25087

**Place : Bangalore**  
**Date : 9<sup>th</sup> July, 2012**

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**ANNEXURE TO AUDITOR'S REPORT** Referred to in paragraph 4 of our report

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Based upon the information and explanation furnished to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that:

1. In respect of Fixed Assets:

- a) The company has maintained proper records showing full particulars including quantitative details and situation of all fixed assets.
- b) As explained to us, during the year fixed assets have been physically verified by the management, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. As explained to us, no material discrepancies were noticed on such physical verification.
- c) The company has not disposed off substantial part of fixed assets during the year and therefore do not affect the going concern assumption.

2. In respect of its inventories:

- a) As explained to us, inventories (except work-in-progress) lying in the premises have been physically verified by the management during the year. In our opinion, frequency of verification is reasonable.

***As explained to us, the physical verification of stock lying at the customer's premises and work-in-progress has not been conducted during the year. Therefore commenting on frequency of physical verification does not arise.***

- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business ***except as stated in Paragraph 2(a) above.***
- c) The Company is maintaining proper records of inventory situated at company's premises. As explained to us, there was no material discrepancies noticed on physical verification of inventory (**except work-in-progress**) conducted at company's premises as compared to the book records.

***In our opinion, company has not maintained the proper records of inventory lying at customer's premises. However, the stock lying at BEML Divisions amounting to Rs.134.24 lakhs as certified by the management. In the absence of physical verification and proper records, commenting on discrepancy does not arise.***

- 3. Company has transactions with its holding company for purchase and sale of goods. Since both the companies are Public Limited Companies, Section 297 of the Companies Act, 1956 is not applicable. As informed to us, there are no transactions coming within the preview of Section 297 or 299 and required to be entered in the register maintained under section 301 of the Companies Act, 1956. Hence commenting on Paragraph 3(a) to 3(g) of Companies (Auditors Report) Order 2003 (as amended) does not arise.
- 4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and rendering of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.



**ANNEXURE Contd.....**

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***In our opinion, the internal control system relating to sale of goods requires strengthening in respect of timely recording of rejections.***

5. Company has transactions with its holding company for purchase and sale of goods. Since both the companies are Public Limited Company, Section 297 of the Companies Act, 1956 is not applicable. Hence commenting on the entry in the register maintained under section 301 and prices which are reasonable having regard to prevailing market prices at the relevant time does not arise.
6. According to information and explanation given to us, the company has not accepted any deposits under the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
7. The company appointed the internal auditor and he has submitted the report upto September 30, 2011. ***In our opinion, the company's internal audit function needs to be strengthened.***
8. ***As explained to us, maintenance of Cost Records has been prescribed by the Central Government vide notification no GSR 429 (E) dated 3<sup>rd</sup> June 2011 with effect from 01.04.2011. We have been informed that the company is in the process of maintaining the cost accounting records.***
9. In respect of statutory dues:
  - a. According to the records of the Company, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Service Tax, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. ***However there are some delays in paying the tax deducted at source, central excise to the concerned authorities.***

Further, since the Central Government has till date not prescribed the amounts of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, excise duty, provident fund, investor education and protection fund, service tax and cess were outstanding at the year end for a period more than six months from the date they become payable.
  - b. According to the information and explanations given to us, there are no dues of the sales tax, income tax, custom duty, excise duty, service tax and cess which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has no accumulated losses and has not incurred the cash loss during the financial year covered by our audit. Company has incurred cash losses of Rs.83.45 lakhs immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or banks.
12. According to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore the



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**ANNEXURE Contd.....**

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provisions of Paragraph 4 (xiii) of the Companies (Auditors Report) Order, 2003 (as amended) are not applicable to the Company.

14. The company is not dealing in or trading in shares, securities or other investments. Hence commenting on Paragraph 4(xiv) of the Companies (Auditor's Report) Order 2003 (as amended) does not arise.
15. According to information and explanation given to us, the company has not given the guarantee for the loans taken by others from banks or financial institutions.
16. According to information and explanation given to us, during the financial year covered by our audit, company has not taken any term loan. Hence commenting on application of the term loan does not arise.
17. According to the information and explanations given to us and overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. 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 Companies Act, 1956. Hence commenting on the prejudicial of issue price to the interest of the company does not arise.
19. During the year, the Company has not issued any Debentures. Hence commenting on the creation of security does not arise.
20. The Company has not raised any money by way of public issue during the year. Hence verification of the end use of the same does not arise.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that no fraud on or by the company has been noticed during the course of our audit.

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**For MSSV & Co.,**  
**Chartered Accountants**  
FRN: 001987S

**D R Venkatesh**  
**Partner**  
Membership No.25087

**Place : Bangalore**  
**Date : 9<sup>th</sup> July, 2012**

**ADDENDUM TO THE DIRECTORS' REPORT****Company replies to observations of Statutory Auditors in their Audit Report**

Para No.	Auditor's Observation	Company's Reply
5.	Without qualifying our opinion we draw attention to Note No.24 of regarding the fact that the balance of Sundry Creditors, Loans and Advances are subject to confirmation, reconciliation or adjustment, if any.	While the Company has sought confirmation of balances, there was response from few parties. Efforts will be continued in FY 2012-13 to obtain confirmation of balances.

**Company replies to observations of Statutory Auditors in their Annexure to Audit Report**

Para No.	Auditor's Observation	Company's Reply
2.	<p>In respect of its inventories:</p> <p>a) As explained to us, inventories (except work-in-progress) lying in the premises have been physically verified by the management during the year. In our opinion, frequency of verification is reasonable.</p> <p><i>As explained to us, the physical verification of stock lying at the customer's premises and work-in progress has not been conducted during the year. Therefore commenting on frequency of physical verification does not arise.</i></p> <p>c) The Company is maintaining proper records of inventory situated at company's premises. As explained to us, there was no material discrepancies noticed on physical verification of inventory (<b>except work-in-progress</b>) conducted at company's premises as compared to the book records.</p> <p><i>In our opinion, company has not maintained the proper records of inventory lying at customer's premises. However, the stock lying at B E M L Divisions amounting to Rs.134.24 lakhs as certified by the management. In the absence of physical verification and proper records, commenting on discrepancy does not arise.</i></p>	<p>Confirmation was received from the customers for the stock lying at their premises.</p> <p>Company will take action for physical verification of work-in progress in FY 2012-13.</p> <p>Company will take action for physical verification of work-in progress in FY 2012-13.</p> <p>Confirmation was received from the customers for the stock lying at their premises. Detailed records were available with the company as well as with B E M L Divisions based on which the confirmation was received.</p>

## Company replies to observations of Statutory Auditors in their Annexure to Audit Report

Para No.	Auditor's Observation	Company's Reply
4.	<p>In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and rendering of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.</p> <p><i>In our opinion, the internal control system relating to sale of goods requires strengthening in respect of timely recording of rejections.</i></p>	Company will take action to strengthen internal control system relating to sales of goods and recording rejections.
7.	<p>The company appointed the internal auditor and he has submitted the report upto September 30, 2011. <i>In our opinion, the company's internal audit function needs to be strengthened.</i></p>	Audit observation is noted for compliance.
8.	<p><i>As explained to us, maintenance of Cost Records has been prescribed by the Central Government vide notification no GSR 429 (E) dated 3<sup>rd</sup> June 2011 with effect from 01.04.2011. We have been informed that the company is in the process of maintaining the cost accounting records.</i></p>	Company has taken necessary action for compliance.
9.	<p>In respect of statutory dues:</p> <p>a) According to the records of the Company, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Service Tax, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. <i>However there are some delays in paying the tax deducted at source, central excise to the concerned authorities.</i></p> <p>Further, since the Central Government has till date not prescribed the amounts of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.</p> <p>According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, excise duty, provident fund, investor education and protection fund, service tax and cess were outstanding at the year end for a period more than six months from the date they become payable.</p>	Timely payment of tax deducted at source and central excise to the authorities concerned will be ensured.

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF M/s. VIGNYAN INDUSTRIES LIMITED FOR THE YEAR ENDED 31<sup>st</sup> March 2012.**

The preparation of financial statements of **M/s Vignyan Industries Limited**, for the year ended 31<sup>st</sup> March, 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 25.5.2012 and their **revised report dated 9.7.2012**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **Vignyan Industries Limited, for the year ended 31<sup>st</sup> March, 2012**. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. In view of **the revision made in the financial statements by the management, as indicated in the Notes forming part of Accounts vide Note No.26 and the revision in the Auditors' Report vide para 2 (c), as a result of my audit observations highlighted during supplementary audit**, I have no further comments to offer upon or supplement to the Statutory Auditors' Report, under Section 619(4) of the Companies Act, 1956.

**For and on the behalf of the  
Comptroller & Auditor General of India**

**Bangalore  
Dated : 10 July, 2012**

**C.H. Kharshiing, I.A.A.S.  
Pr. Director of Commercial Audit  
& Ex-officio Member, Audit Board, Bangalore.**



**VIGNYAN INDUSTRIES LIMITED**

B.H. Road, Tarikere – 577 228

**ATTENDANCE SLIP**

**48<sup>TH</sup> ANNUAL GENERAL MEETING**

I hereby record my presence at the 48<sup>th</sup> Annual General Meeting held on Thursday, the 6<sup>th</sup> September, 2012 at 11.30 hours at the Registered Office of the Company at Haliyur, B.H. Road, Tarikere Post.

Name : Sri / Smt ..... Folio No.....  
(Signature of the Shareholder(s) / Proxy Present)

Address : .....  
.....

Note : 01. Only Shareholders or proxies will be allowed to attend the meeting.  
02. This attendance slip and copy of the annual report should be brought to the meeting.



**PROXY FORM**

**VIGNYAN INDUSTRIES LIMITED, B.H. ROAD, TARIKERE- 577 228**

I/We.....of.....being a member / members of Vignyan Industries Limited hereby appoint ..... of ..... or failing him / her..... of ..... as my / our proxy to attend and vote for me / us on my / our behalf at the 48<sup>th</sup> Annual General Meeting of the Company to be held on 6<sup>th</sup> September, 2012 and / or any adjournment thereof.

Signed by the said .....

<p><b>L.F.</b> _____</p> <p><b>No. of Shares</b> _____</p>
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<p><b>Affix Revenue Stamp</b></p>
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**Note :** The proxy form must be returned so as to reach the Registered Office of the company not less than 48 hours before the time for holding the aforesaid meeting.