

VIGNYAN INDUSTRIES LIMITED
TARIKERE

ANNUAL REPORT
2012-2013

SCHEDULE OF ANNUAL GENERAL MEETING:		
06.09.2013 (Friday)	11.30 HOURS	Registered Office P B No.4, Haliyur B H Road Tarikere – 577 228

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Board of Directors*

Shri C N Durgesh
Chairman of the Board

Shri Pradeep Swaminathan
Nominee Director

Prof. S Sadagopan
Independent Director

Shri G Sudhindra
Independent Director

Shri S S Verma
Independent Director

*As on 07.08.2013

Company Secretary

Shri S V Ravi Sekhar Rao

Statutory Auditors

M/s H S Shivaram & Co.,
Chartered Accountants
Bangalore

Bankers

State Bank of Mysore
Tarikere
Chikmagalur Dist.

Registered Office and Works

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

Corporate Vision, Mission and Objectives

A) VISION :

Transforming the organization to be a leading player in the manufacture and supply of Ferrous Castings, Stainless Steel Castings primarily to sectors such as Mining & Construction, Rail & Metro, Defence and Aerospace.

B) MISSION :

To manufacture and supply castings of high integrity and provide metallurgical solutions to all our customers, with a thrust on profitability.

C) OBJECTIVES:

- 1) To increase the Production by 10 % over 2011-12.
- 2) Rejection to be reduced from 7% to 4%.



Chairman's Letter.....

Dear Shareholders,

The year 2012-13 was a challenging year due to market recession experienced by Mining & Construction sector which affected the off-take by your holding company, BEML Limited to a larger extent.

Your Company has achieved a turnover of ` 27.47 Crs and value of production of ` 25.67 Crs as against turnover of ` 39.21 Crs and value of production of ` 45.29 Crs during the previous year. The Company has incurred a loss of ` 2.28 Crs as against profit before tax of ` 0.65 Crs during the previous year. The major reason for the low performance was poor demand for the castings from customers due to market recession and also non-availability of power and foundry grade sand.

Your Company is planning to explore the opportunities to supply various casting requirements to customers other than mining & construction business of BEML. Accordingly, defence business related steel castings like Track Shoes for T-72, ARVs, BMP, etc., are planned for development and production by VIL. In the area of rail business, steps are being taken to focus on the opportunities for castings like Axle Box housing, Buffer Assembly, etc., in good numbers to improve the performance level of the Company.

The order book position is comfortable for the financial year 2013-14 with further purchase orders along with schedules are expected during the year from BEML Divisions. In order to avoid over dependency on BEML Units, your Company has accorded priority towards scouting for business opportunities with external customers. Your Company is confident that the efforts being put-in in this direction will fructify soon. With these plans and priorities, your Company is looking forward to achieve better results during the current financial year.

Your Company has implemented Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises. A report on Corporate Governance as required under the said Guidelines is included in the Annual Report.

To conclude, on behalf of the Company, I express my gratitude to the holding company and our most valued customer, M/s BEML Limited and to my colleagues on the Board for their valued advice, guidance and support. I am also thankful to other Customers, Bankers, Auditors and other Stakeholders for their support and cooperation.

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

With warm regards,

C N Durgesh
Chairman of the Board

Financial Highlights

	(Lakhs)									
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
CAPITAL :										
Equity Capital	278.97	278.97	278.97	278.97	278.97	278.97	278.97	278.97	278.97	278.97
Net Worth	542.12	812.64	730.87	904.12	713.32	584.50	540.32	429.59	356.34	343.32
Loan from BEML	-	-	-	-	-	-	19.46	38.93	58.38	97.29
Loans from Banks & Others	152.17	377.48	626.15	729.76	145.47	78.77	67.01	35.24	32.14	15.70
Gross Block	1657.16	1655.34	1651.88	1626.69	693.75	687.38	646.91	612.78	578.66	472.29
Inventories	1482.38	1502.85	895.04	737.81	530.80	565.20	554.87	390.91	348.05	286.73
Trade Receivables	0.45	3.34	-	75.84	66.03	146.18	19.36	31.57	142.41	172.59
Working Capital	(485.45)	(262.89)	(154.58)	583.26	455.41	376.72	337.49	229.78	145.78	231.95
Capital Employed	500.64	724.23	979.89	1769.23	760.32	702.20	639.60	528.86	435.84	456.31
REVENUE :										
Sales	2747.03	3920.77	3384.00	3591.34	3527.12	3328.89	2451.47	2881.06	2154.90	1504.54
Value of Production	2567.28	4529.36	3569.98	3746.17	3564.53	3240.66	2617.14	2870.10	2178.11	1495.82
Value Added	1255.35	2214.37	1676.87	1982.12	1888.40	1705.86	1423.36	1558.59	1384.20	971.22
Profit before Depreciation & Interest	(104.82)	207.72	(13.09)	378.73	237.97	218.68	182.38	142.97	127.67	34.01
Depreciation & amortization expense	76.90	76.77	76.69	51.88	26.94	25.58	31.10	25.10	22.84	20.00
Profit before Interest & Tax	(181.72)	130.95	(89.78)	326.85	211.03	193.10	151.28	117.87	104.83	14.01
Financial expenses	46.10	66.31	70.36	34.96	5.06	9.12	6.81	11.07	11.95	11.49
Profit before Tax	(227.82)	64.64	(160.14)	291.89	205.97	183.98	144.47	106.80	92.88	2.52
Tax expense	42.70	(17.13)	13.10	120.83	74.64	71.79	40.90	40.90	50.85	1.32
Profit after Tax	(270.52)	81.77	(173.24)	171.06	131.33	112.19	103.57	65.90	42.03	1.20
Dividend (Excluding Tax)	-	-	-	20.92	20.92	13.95	-	-	-	-
PRODUCTION (in MT)	1974	4085	4120	4254	4276	3527	3362	3762	3168	2342
SALES (in MT)	2181	3608	3932	4095	4444	4054	3030	3649	3063	2323
Power Consumed (in lakh units)	36.79	64.32	63.76	62.24	61.79	55.68	50.51	58.24	50.81	43.86
RATIOS :										
Profit before Tax to Sales	(8.29)	1.65	(4.73)	8.13	5.84	5.53	5.89	3.71	4.31	0.17
Trade Receivables in No. of days of Sales	0.1	0.3	-	8	7	16	3	4	24	42
Inventory in No. of days of VoP	211	121	92	72	54	64	77	50	58	70



Notice

NOTICE is hereby given that the 49th Annual General Meeting of M/s Vignyan Industries Limited will be held on **Friday, the 6th September, 2013 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 31st March 2013, 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 C N Durgesh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To fix the remuneration of the Auditors.

II. SPECIAL BUSINESS

4. Appointment of Directors :
 - a. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that Shri S S Verma, be and is hereby appointed as Director of the Company with effect from 27.11.2012.”
 - b. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that Shri Pradeep Swaminathan, be and is hereby appointed as Director of the Company with effect from 28.03.2013.”
 - c. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that Prof. S Sadagopan, be and is hereby appointed as Director of the Company with effect from 28.03.2013.”
 - d. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that Shri G Sudhindra, be and is hereby appointed as Director of the Company with effect from 28.03.2013.”



5. Alteration of Articles of Association – Buy-back of Shares :

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company, be and is hereby amended by inserting the following Article 16(a) after Article 16 as under :

16(a). The Company may, subject to the applicable provisions of the Companies Act and SEBI Regulations, purchase its fully paid shares or other specified securities (hereinafter referred to 'Buy Back') out of its free reserves or the securities premium account or the proceeds of any shares or other specified securities issued specially for the purpose of buy back or any other mode as may be permitted from time to time."

6. Alteration of Articles of Association – Increase in sitting fee of Non-official (Independent) Directors:

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article No.7 of the Articles of Association of the Company, be and is hereby amended as under :

7. Each Non-official (Independent) Director, not being a nominee of Government / CPSEs, shall be paid out of the funds of the Company a fee for his services not exceeding ` 10,000/- (Rupees ten thousand only) as may be determined by the Directors from time to time for every Meeting of the Board or its Committee thereof and that an additional sitting fee of ` 5000/- (Rupees five thousand only) per meeting held on the same day following the first meeting on that day, in addition to travelling, stay and other incidental expenses actually incurred by him."

By order of the Board
For Vignyan Industries Limited

Place : Tarikere
Date : 07.08.2013

S V RAVI SEKHAR RAO
Company Secretary

Notes

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.

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

Item No. 4 - Appointment of Directors :

a. Shri S S Verma – Independent Director

Shri Verma is a Bachelor of Engineering, Gold medalist from M.M.M. Engineering College, Gorakhpur University in 1974.

He joined Bhilai Steel Plant of M/s Steel Authority of India Limited as a Junior Manager in 1975 and rose to the level of General Manager (Electrical). Thereafter, he was promoted as Executive Director (Projects), Rourkela Steel Plant in May, 2008.

He has about 37 years of experience in operation, maintenance and project management. Known for a result oriented, visionary officer having experience in formulating and implementing business plans, equipment selection, capacity planning, implementation of project, production, process control, EPCM contracts, quality assurance. He has made a significant contribution in setting new bench marks in production and productivity in rails and structural mill and encouraging innovations in technology, maintenance and operation practices in central electrical organisation.

He has attended various training programmes like Course on e-governance at Seoul, South Korea in 2005, Advanced Management Development Programme in South Africa, Brazil, and Chile

coordinated by IIM, Kolkata in 2006, and visited Austria, Sweden and France in 2001 for Long Rail Complex of Rail Mill of BSP, Bhilai.

He is also a visiting faculty to Engineering colleges, Management Training Institute (MTI) of SAIL on Innovation & Creativity, Project management, etc. He is Life Fellow and Chartered Engineer from Institution of Engineers (India) in 2000.

He is the recipient of the following awards and accolades -

- (a) National Research and Development Corporation (NRDC), Government of India Award for development of automation of Rolling stands of Plate Mill.
- (b) Scroll of honour and medal from MD(BSP) for development of Thick Web Asymmetric Rail.
- (c) Scroll of honour and Eminent Engineer Award from Institute of Engineers (India).
- (d) Apex, Suggestion, Jawahar and Nehru Awards at unit level.

Presently, Shri Verma is the Executive Director of Visvesvaraya Iron and Steel Plant (VISP) at Bhadravati in Shimoga district. He was earlier Executive Director (Projects) in Rourkela Steel Plant. He is nominated as Director on the Board of VIL on 27.11.2012.

b. Shri Pradeep Swaminathan - Nominee Director

Shri. Swaminathan is a Bachelor of Science in Physics and a Chartered Accountant. He is also a Management Accountant from Chartered Institute of Management Accountant (CIMA), London. He is having 30 years of rich experience in management accounting field. He started his career in M/s Tata Steel Limited during 1984. He successfully handled treasury management, MIS, Project evaluation and audit functions. He played a key role in establishment of M/s Tata Steel KNZ Pty Ltd, a Greenfield project for manufacture of ferrochrome in Richards Bay, South Africa. As CFO, he was responsible for project evaluation and interaction with the banks to raise funds.

He joined BEML Limited as Chief General Manager (Finance) during 2010. In 2011, he was elevated as Executive Director (Finance). He is looking after treasury, financing new initiatives, MIS, Audit, Marketing Finance, Indirect Taxation, etc. Further, he is selected as the Director (Finance) of BEML Limited and expected to take charge on 01.10.2013.

He is nominated as Director on the Board of VIL on 28.03.2013.

c. Prof. S Sadagopan – Independent Director

Prof. S Sadagopan is currently the Director of IIIT-Bangalore. He is a product of Madras University, India and Purdue University, USA. He taught for 30 plus years at IIT-Kanpur, IIM-Bangalore, IIT-Madras and IIIT-Bangalore in addition to short teaching assignments at RUTGERS, USA and AIT, Bangkok.

He has authored seven books, several book chapters and papers.

He is a Fellow of IEE (UK), Computer Society of India and Institution of Engineers (India). He is a Senior Member of IEEE and ACM. He was a Fulbright Fellow in 1995.

He consults widely to corporations in the automotive, power, oil, software services, banking and the social sector. He lectures extensively on all aspects of IT and invited by corporations, universities and foundations both in India and abroad. He has travelled widely across all the continents.

He serves on the Boards of BEML, KBITS and KEONICS. Earlier he was on the Board of Bharat Electronics, Neyveli Lignite Corporation, Indian Renewable Energy Agency, NMDC and Bank of India. He is on the Board of IIIT-Gwalior, IIIT-Bhubaneswar, ISIM-Mysore, earlier he was on the Board of IIIT-Delhi, IGNOU and VIT University.

He serves as a Member of the International World Wide Web Conference Committee (IW3C2), Karnataka Knowledge Commission, and ACM India Council. He was the General Chair for World Wide Web (WWW) Conference 2011 and International Conference on Global Software Engineering (ICGSE) 2007. He is nominated as Independent Director on the Board of VIL on 28.03.2013.

d. Shri G Sudhindra – Independent Director

Shri Sudhindra is a Bachelor of Commerce and 1987 batch Chartered Accountant. He is also a Graduate Cost & Works Accountant in 1990 and acquired post qualification course on Information Systems Audit (DISA) in 2002.

He started practice immediately after acquiring qualification as a partner in the firm M/s Rao Associates. Currently he is the Managing Partner in the firm.

He has rich experience in Statutory Central Audit of Public Sector Undertakings, Private Sector Companies and Public Sector Banks. Areas of expertise, apart from Company Audits include Direct Tax, International Taxation, FEMA related matters.

He has presented many papers and delivered lectures on audit and income tax in seminars. He is nominated as Independent Director on the Board of VIL on 28.03.2013.

S/Shri S S Verma, Pradeep Swaminathan, Prof. S Sadagopan and G Sudhindra, being the appointees concerned to be interested in the respective resolutions. The Board commends the resolutions for the approval of the members.

Item No.5 - Alteration of Articles of Association – Buy back of shares:

Department of Public Enterprises vide Office Memorandum F.No.DPE/14(24)/2011-Fin dated 26th



March, 2012 advised all the administrative ministries to instruct CPSEs under their administrative control to take necessary steps to implement the guidelines on buy back of shares and submit compliance report on such implementation. The said guidelines stipulate amendment to the Articles of Association by the CPSE concerned to provide for buy back of shares in case such provision does not exist in its Articles.

The Articles of Association of the Company does not contain the provisions for buy back of shares. Hence, it is proposed to amend the Articles of Association of VIL by inserting Article 16(a) after Article 16. The said proposal was approved by the Board at its 280th Meeting held on 20.05.2013 which would enable the Company to buy back its shares as per the provisions of the Companies Act and SEBI Regulations as amended from time to time.

None of the Directors is interested or concerned in the resolution. The Board commends the resolution for the approval of the members.

Item No.6 - Alteration of Articles of Association – Increase in sitting fee of Non-official (Independent) Directors:

The existing Article No.7 of the Articles of Association of the Company enables to pay ` 5,000/- towards sitting fee to Directors for attending the Board / Committee Meetings. The said fee was increased from ` 2,000/- to ` 5,000/- by the Board at its 255th meeting held on 06.06.2007 and subsequently, it was approved by the shareholders at the 43rd AGM held on 08.08.2007. In terms of the provisions of the Companies Act, 1956, your Company can pay the sitting fee upto ` 10,000 per Director per sitting for Board / Committee meeting. Considering the time and effort taken by the Directors relating to Board matters of the Company and responsibility taken by the Non-official (Independent) Directors, it is proposed to enhance the sitting fee from ` 5,000/- to ` 10,000/- per meeting of Board / Committee. However, in case where more than one meeting is scheduled on same day they will be paid a sitting fee of ` 10,000 for the first meeting and ` 5,000 for each of the following meeting/s.

The proposal above mentioned has been considered and recommended by the Board at its 281st meeting held on 06.08.2013 for the approval of shareholders.

None of the Directors is interested or concerned in the resolution except the Non-official (Independent) Directors who are entitled to receive sitting fee.

By order of the Board
For Vignyan Industries Limited

S V RAVI SEKHAR RAO
Company Secretary

Place : Tarikere
Date : 07.08.2013

Details of Director seeking re-appointment as required under DPE Guidelines on Corporate Governance :**Shri C N Durgesh, Director :**

Shri C N Durgesh is a Mechanical Engineer from College of Engineering, Anantapur affiliated to Jawaharlal Nehru Technological University, Hyderabad. He is also Master of Technology in Industrial Engineering from S V U College of Engineering, Tirupati, affiliated to Sri Venkateshwara University, Tirupati. He joined M/s Ashok Leyland Limited during August, 1979 and worked in the areas of production of axles, gear boxes, engines meant for medium passenger and goods vehicles. Then he joined M/s BEML Limited during May, 1987 and worked in various production units and rose to the level of Executive Director and Chief of KGF Complex. He was appointed as Director (Mining & Construction) on the Board of BEML Limited with effect from 18.03.2011. He is also nominated on the Board of M/s BEML Midwest Limited, a JV of BEML and M/s MAMC Industries Limited, a subsidiary of BEML.



Directors' Report

Your Directors have pleasure in presenting the 49th Annual Report and the Audited Accounts of the Company for the financial year ended 31st March, 2013.

FINANCIAL RESULTS

(Value ` Lakhs)

Particulars	2012-13	2011-12
Sales	2747.03	3920.77
Value of Production (VoP)	2567.28	4529.36
Value Added	1255.35	2214.37
Profit before Depreciation, Interest & Tax	(104.82)	207.72
Depreciation	76.90	76.77
Profit before Interest & Tax	(181.72)	130.95
Interest	46.10	66.31
Profit before Tax (PBT)	(227.82)	64.64
Tax expense	42.70	(17.13)
Profit after Tax	(270.52)	81.77
Profit available for appropriation	252.98	523.50
Appropriations :		
Profit & Loss Account	252.98	523.50
Net worth	542.12	812.64

TURNOVER AND PROFITABILITY

During the year under review, your Company achieved the turnover of ` 27.47 Crs as against ` 39.21 Crs, which works out to reduction in turnover of 30% over the previous year. The VoP stood at ` 25.67 Crs and incurred loss of ` 2.28 Crs as against VoP of ` 45.29 Crs and PBT of ` 0.65 Crs over the previous financial year. The prime reason for the low performance was poor demand for the castings from customers due to market recession and non-availability of power and foundry grade sand.

FUTURE OUTLOOK

The Company is planning to explore the opportunities to supply various casting requirements to customers other than mining &

construction business of BEML. Accordingly, defence business related steel castings like Track Shoes for T-72, ARVs, BMP, etc., would be developed and produced by VIL. In the area of rail business, steps are being taken to focus on huge opportunities for castings like Axle Box, Buffer Assembly, etc., to improve the performance level of the Company.

ORDER BOOK POSITION

The order book position is comfortable for the financial year 2013-14 with further purchase orders along with schedules expected during the year from BEML Limited. With this your Company is looking forward for achieving better results.

QUALITY

Your Company continues to enhance its quality activities by identifying the problems, arriving at suitable solutions for implementation in order to improve the quality of work / service to the customers delight.

CONTRIBUTION TO EXCHEQUER

The Company's contribution to exchequer was in the order of ` 439.85 lakhs during the year by way of Excise Duty, Customs Duty, Sales Tax, Income Tax, Wealth Tax, Service Tax, Cess, etc.

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 31.03.2013.

CORPORATE GOVERNANCE

The Company has implemented the Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises vide OM

No.18(8)/2005-GM dated 14.05.2010. A report on Corporate Governance as required under the said Guidelines is annexed to this report.

MICRO, SMALL AND MEDIUM ENTERPRISES

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

RAJBHASHA

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

MANPOWER

The manpower strength as on 31.03.2013 stood at 146 including 16 personnel from SC/ST categories, as against 165 during the previous year.

HUMAN RESOURCES DEVELOPMENT & INDUSTRIAL RELATIONS

The HR Department identified several thrust areas for continuously updating technical / professional knowledge and skills of employees and brings about attitudinal changes in fostering a performance driven work culture in all areas of operations particularly at shop floors. During the year, the Company organized several in-house training programs covering 2,434 man-days.

The overall industrial relation situation in the Company was cordial during the year.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Corporate Social Responsibility (CSR) and Sustainable Development (SD) are an integral

part of the Company's corporate philosophy, integrating business processes with social processes. Your Company is fully committed towards CSR and SD. In terms of the MoU commitments, the following thrust areas are focused for the CSR and SD projects :

CSR Projects :

- (1) Preservation of environment / ecology through Afforestation / Horticulture
- (2) Organizing medical check-up for Senior Citizens
- (3) Computers for Government school
- (4) Sponsoring of books / course material to Government library
- (5) Scholarship to meritorious students
- (6) Conducting blood donation camps

SD Projects :

- (1) Recycling of Sand
- (2) Use of CFL bulbs in foundry - 20 nos.
- (3) Rainwater harvesting at one location
- (4) Solar lights / lamp post at security at two locations

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.

ENVIRONMENT AND POLLUTION CONTROL

In order to protect the environment in and around the foundry premises, tree plantation were undertaken. Saplings of various species of avenue tree/flower bearing trees were planted in the vacant lands belonging to the Company for maintaining ecological balance in the surrounding locations. Further, measures have

also been taken to protect the existing flora and fauna from any basic interference.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Additional information on conservation of energy, 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.

STATUTORY AUDITORS

M/s H S Shivaram & Co., Chartered Accountants, Bangalore, have been appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the year 2012-13.

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.

COST ACCOUNTANTS

Your Company has appointed M/s Rao, Murthy & Associates, Cost Accountants, Bangalore, for preparing, certifying and submitting the Compliance Report for the year 2012-13 as required under the Companies (Cost Accounting Record) Rules, 2011.

DIRECTORS

Shri S S Verma, Executive Director, Visveswaraiah Iron & Steel Plant, a Unit of M/s Steel Authority of India Limited (SAIL), has been appointed as Nominee Director on the Board of the Company in place of Shri V G

Shankar, who ceased to be Director consequent upon his transfer to other Unit of M/s SAIL. Shri Pradeep Swaminathan, Executive Director (Finance), BEML Limited, is appointed as Director on the Board of the Company with effect from 28.03.2013. Further, Prof. S. Sadagopan, Independent Director of BEML Limited and Shri G. Sudhindra, Chartered Accountant, M/s Rao Associates, have been nominated as Independent Directors on the Board of the Company with effect from 28.03.2013. The earlier nominations of Shri P Dwarakanath, Shri M. Pitchiah and Shri C. Keshava Murthy on the Board of VIL have been withdrawn with effect from 28.03.2013.

The Board placed on record its appreciation for the services rendered by S/Shri P. Dwarakanath, M. Pitchiah, C. Keshavamurthy and V G Shankar.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm:

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departure ;
- ii) that the selected accounting policies were applied consistently and the Directors 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 as at 31st March, 2013 and of the Profit or Loss of the Company for the year ended on that date ;
- iii) that proper and sufficient care has been taken 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 ; and

- iv) that the annual accounts have been prepared 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 and Shareholders for their valued support and co-operation.

The Directors take this opportunity to place on record the 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

C.N. Durgesh
Chairman of the Board

Annexure to Directors' Report for the Financial Year 2012-13

CONSERVATION OF ENERGY

A. POWER

1. Load Management of Transformers :

With 1000 KVA transformer connected to 1 ton induction furnace (standby to 2 ton induction furnace). 1000 KVA transformer is energized only when the 1 MT Induction Furnace is in operation. This change for 2012-13 has resulted in saving of 68,160 Units of energy amounting ` 3,68,065/-

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 :

B. FUEL

- i) Energy conservation measures taken :
HSD is being used for Heat Treatment, Ladle Heating and Sand Drying instead

The measures at (i) above have resulted in better operational efficiency containing cost of the Company products.

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

<i>POWER & FUEL CONSUMPTION</i>	<i>Current Year 2012-13</i>	<i>Previous Year 2011-12</i>
1. ELECTRICITY		
a. Purchased (Units)	36,61,740	64,09,170
b. Total Amount (`)	2,46,04,945	3,63,37,130
c. Rate / Unit (`)	6.72	5.67
d. Own generation (Units)	17,410	22,510
i) Through Diesel Generator		
Units / Ltr of HSD Oil (Kwh)	3.22 Kwh/Ltr	3.22 Kwh/Ltr
Cost / unit (Only Diesel)	` 15.53/Kwh	` 14.24/Kwh
ii) Through Steam Turbine / Generator	Nil	Nil
2. COAL (Specify quantity & where used)	Nil	Nil
3. FURNACE OIL	Nil	Nil
4. OTHER INTERNAL GENERATION	Nil	Nil

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.
- ii) 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.

B. FOREIGN EXCHANGE EARNINGS & OUTGO : Nil

Report on Corporate Governance

As per the guidelines issued by the Department of Public Enterprises, Government of India, a Report on compliance with the provisions on Corporate Governance is placed as under :

COMPANY'S PHILOSOPHY

The Company's philosophy of Corporate Governance is based on the principles of honesty, integrity, accountability, adequate disclosures and legal / statutory compliances, to protect, promote and safeguard the interests of all its stakeholders. It is the constant endeavour of the Company to adopt and maintain the best standards of ethics in all spheres of business activities. It strives for maximum level of transparency in decision making and avoids conflict of interest. In keeping with its professional approach, the Company is implementing the precepts of Corporate Governance in letter and spirit.

BOARD OF DIRECTORS

Composition

As at March 31, 2013, the Board consisted of 5 Non-Official Directors including two Directors represented by the holding company and three Independent Directors.

Meetings and Attendance

During the year under review, your Board met five times on 25.05.2012, 06.09.2012, 27.11.2012, 31.01.2013 and 15.02.2013. Requirements on number and frequency of meetings were complied in full.

The details of attendance of the Directors at the Board Meetings, Annual General Meeting (AGM) and the number of directorships / committee memberships held by them in Companies other than VIL, during 2012-13 etc., are given below:

Sl. No.	Name of the Director (Director Identification No.)	Designation & Category	Attendance at board meetings/Total meetings after appointment as Director	Whether attended last AGM (Yes/No)	No. of other director- ships held	Number of Committee memberships across all companies
1	Shri. C N Durgesh (DIN 03487810)	Chairman of the Board, Non-Executive	5/5	Yes	3	1
2	Shri Pradeep Swaminathan ¹ (DIN 06565229)	Director, Non-Executive	--	--	--	--
3	Prof. S. Sadagopan ¹ (DIN 00118285)	Director, Non-Executive	--	--	--	--

Sl. No.	Name of the Director (Director Identification No.)	Designation & Category	Attendance at board meetings/Total meetings after appointment as Director	Whether attended last AGM (Yes/No)	No. of other directorships held	Number of Committee memberships across all companies
4	Shri G. Sudhindra ¹ (DIN 06565237)	Director, Non-Executive	--	--	--	--
5	Shri S S Verma ² (DIN 01613073)	Director, Non-Executive	0/3	No	--	--
6	Shri V G Shankar ³ (DIN 01386171)	Director, Non-Executive	0/1	No	--	--
7	Shri V.R.S. Natarajan ⁴ (DIN 00074698)	Chairman, Non-Executive	1/1	No	3	--
8	Shri P. Dwarakanath ⁵ (DIN 02107805)	Chairman, Non-Executive	5/5	Yes	2	--
9	Shri M. Pitchiah ⁵ (DIN 01178891)	Director, Non-Executive	5/5	Yes	3	--
10	Shri C Keshavamurthy ⁵ (DIN 01993918)	Director, Non-Executive	2/5	No	1	--

1. Appointed as Directors w.e.f. 28.03.2013

4. Ceased to be Director on 30.09.2012

2. Appointed as Nominee Director w.e.f. 27.11.2012

5. Ceased to be Directors w.e.f. 28.03.2013

3. Ceased to be Director on 06.09.2012

Directors retiring by rotation

Shri C N Durgesh will be retiring by rotation and being eligible, offer himself for re-appointment in the ensuing AGM. His brief resume is attached to the notice of 49th AGM. The Board commends the re-appointment of the said retiring director.

Directors' Shareholding

In terms of Article 5 of Articles of Association of the Company, each Director holds qualification shares of the face value of ` 5,000 jointly with

BEMLLimited.

Code of Conduct

The Company has formulated "Code of Business Conduct and Ethics for Board members and senior management" for better Corporate Governance and fair / transparent practices. A copy of the same has been circulated to all concerned. The Board members and senior management personnel, i.e., Directors, Executive Directors, Chief General Managers and General Managers, have affirmed their compliance with the code for the year 2012-13.

A declaration to this effect signed by the Chairman of the Board is placed as under :

To the Members of M/s. Vignyan Industries Limited,

I, C. N. Durgesh, Chairman of the Board hereby declare that the Board of Directors and Senior Management personnel have affirmed their compliance with the Code of Conduct of the Company for the financial year ended 31.03.2013.

On behalf of the Board of Directors

*Bangalore
Dated : 20.05.2013*

*C. N. Durgesh
Chairman of the Board*

Training of Directors

A policy on training for new Board members has been implemented. As part of this, training is imparted to them on business model of the Company including risk profile of the business, corporate governance, responsibility of respective directors and the manner in which such responsibilities are to be discharged.

GENERAL BODY MEETINGS

Details of last three Annual General Meetings are as follows:

Year	Location	Date & Time
2011-12	Registered office at Tarikere	06.09.2012 at 11.30 hrs
2010-11	Registered office at Tarikere	25.08.2011 at 11.30 hrs
2009-10	Registered office at Tarikere	06.08.2010 at 12.00 hrs

During the last three years, no special resolution was passed and no resolution was put through postal ballot in the last year.

DISCLOSURES

- During the year 2012-13, no materially significant related party transactions

have been entered into by the Company with the directors or management or their relatives that may have a potential conflict with the interest of the Company. Details of related party transactions as per Accounting Standard-18 issued under the Accounting Standards Rules, 2006 are given in Note No.25 (B) of the Notes forming part of Accounts. All the transactions covered under related party transactions were fair, transparent and at arms length basis.

- Senior management personnel have affirmed to the Board that their personal interest in all material financial and commercial transactions had no potential conflict with the interest of the Company at large.

➤ Remuneration of Directors

Non-official (Independent) Directors were paid a sitting fee of ₹ 5,000/- per



meeting of the Board/Committee of the Board attended. Conveyance for attending Board / Committee meetings is reimbursed by the Company at actuals. Details of sitting fees paid to the Independent Directors during the year 2012-13 are given below:

<i>Name of the Director</i>	<i>Sitting fee (Amount `)</i>
Shri C Keshavamurthy	15,000.00

Neither there is payment of commission to Directors nor is any stock option scheme in place for them.

GENERAL SHAREHOLDER INFORMATION

- (i) The Forty Ninth Annual General Meeting for the year 2012-13 is scheduled on 06.09.2013 at 11.30 Hours, at the Registered Office of the Company at Tarikere.
- (ii) Share Transfer System
The shares are transferred in physical

form only. All the requests for share transfers, transmissions, issue of duplicate share certificates, change of address, etc., will be approved by the Share Transfer Committee / Board and accordingly, communication will be sent to the shareholders after completing the formalities.

(iii) Shareholding pattern as on 31.03.2013:

<i>Category</i>	<i>No. of Shares</i>	<i>% to equity</i>
BEML Limited	2,69,376	96.56
Individuals	9,590	3.44
Total	2,78,966	100.00

(iv) Address for correspondence :

Head - VIL,
M/s. Vignyan Industries Limited,
PB No.4, Haliyur, B.H. Road,
Tarikere – 577 228, Karnataka State
e-mail ID : vignyantarikere@sify.com

Significant 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 Assets:

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) 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).
- (e) Jigs and fixtures of unit value of ` 0.50 lakhs and above are capitalized and those with unit value below ` 0.50 lakhs are charged off in the year of incurrence.

B) Depreciation:

- (a) 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.
- (b) For Assets whose unit cost does not exceed ` 5000/- depreciation is provided at the rate of hundred percent in the year of capitalization.

(c) Cost of leasehold land is amortised over the period of lease on pro-rata basis.

(d) Jigs & Fixtures which are capitalized are depreciated over a period of three years.

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. Advance 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, spares and ancillary products is recognised when risks and rewards of ownership pass on to the customer as per contractual terms.
- (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 as per escalation formula provided in the contract. If the contract does not provide for escalation, claim for the same is recognised on acceptance by the customer.

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. Foreign Currency:

- i) Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount, the exchange rate prevailing as on the date of 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 capitalized 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 ₹ 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. Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognized when

- A present obligation arises as a result of past events.
- It is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

Provisions are determined based on the best estimates required to fulfill the obligations on the balance sheet date. Provisions are reviewed at each balance sheet date and

adjusted to reflect the current best estimates.
Contingent Liabilities are not recognized but are disclosed in the notes.

Contingent Assets are neither recognized nor disclosed in the financial statements.

18. Others:

- (i) Special Tools up to the unit value of ₹ 5000 are charged off in the year of

incurrence and those above unit value of ₹ 5000 are amortized over a period of three years.

- (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.



Annual Accounts 2012 - 13



Balance Sheet

(₹ in Lakhs)

Particulars	Note No.	As at 31 March, 2013	As at 31 March, 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	278.97	278.97
(b) Reserves and surplus	2	263.15	533.67
(2) Share application money pending allotment		-	-
(3) Non-current liabilities			
(a) Long-term borrowings	3	-	-
(b) Deferred tax liabilities (Net)	4	133.48	90.78
(4) Current liabilities			
(a) Short-term borrowings	5	152.17	187.20
(b) Trade payables	6	304.55	370.97
(c) Other current liabilities	7	1,427.80	1,212.35
(d) Short-term provisions	8	153.51	130.20
TOTAL		2,713.63	2,804.14
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	986.09	1,061.16
(ii) Capital work-in-progress	10	-	8.79
(b) Long-term loans and advances	11	174.96	170.40
(2) Current assets			
(a) Inventories	12	1,482.38	1,502.85
(b) Trade receivables	13	0.45	3.34
(c) Cash and cash equivalents	14	1.36	2.57
(d) Short-term loans and advances	15	64.11	52.03
(e) Other current assets	16	4.28	3.00
TOTAL		2,713.63	2,804.14

Note nos. 1 to 25 and Accounting Policies annexed herewith forms part of this financial statements.

As per our report of even date attached
For **H.S. SHIVARAM & CO.**
Chartered Accountants

For and on behalf of the Board of Directors

H.S.SHIVARAM
Membership No: 021369

PRADEEP SWAMINATHAN
Director

C.N.DURGESH
Chairman of the Board

Place: TARIKERE
Date: 22.05.2013

S.V.RAVI SEKAR RAO
Company Secretary



Statement of Profit and Loss

(₹ in Lakhs)

Particulars	Note No.	For the Year ended 31 March, 2013	For the Year ended 31 March, 2012
Revenues:			
Revenue from operations	17	2,450.04	3,532.19
Other income	18	61.33	9.32
Total Revenue		2,511.37	3,541.51
Expenses:			
Cost of materials consumed	19	1,311.93	2,314.99
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	20	179.75	(608.59)
Employee benefits expense	21	582.78	662.43
Finance costs	22	46.10	66.31
Depreciation and amortization expense	9	76.90	76.77
Other expenses	23	495.53	961.78
Total expenses		2,693.00	3,473.68
Profit/ (Loss) before exceptional, extraordinary and prior period items and tax		(181.63)	67.83
Add/ (Less) : Exceptional items		-	-
Profit/(Loss)before extraordinary items and tax		(181.63)	67.83
Add/ (Less) : Extraordinary Items		-	-
Profit/(Loss) before Prior Period Adjustment		(181.63)	67.83
Add / (Less) Prior Period Adjustment	24	(46.19)	(3.19)
Profit/ (Loss) before tax		(227.82)	64.64
Tax expense:			
(1) Current tax		-	(49.33)
(2) Deferred tax		(42.70)	66.47
(3) Excess Provision of previous years Written back.		-	-
Profit /(Loss) for the period		(270.52)	81.77
Earnings per equity share: (₹)			
(1) Basic & Diluted	25A	(96.97)	29.31

Note nos. 1 to 25 and Accounting Policies annexed herewith forms part of this financial statements.

As per our report of even date attached
For **H.S. SHIVARAM & CO.**
Chartered Accountants

For and on behalf of the Board of Directors

H.S.SHIVARAM
Membership No: 021369

PRADEEP SWAMINATHAN
Director

C.N.DURGESH
Chairman of the Board

Place: TARIKERE
Date: 22.05.2013

S.V.RAVI SEKAR RAO
Company Secretary

**Cash Flow Statement**

(₹ in Lakhs)

Particulars	For the Year ended 31 March, 2013		For the Year ended 31 March, 2012	
	Sub items	Main items	Sub items	Main items
A. Cash flow from operating activities				
Net profit/(loss) before tax and extraordinary items		(227.81)		64.64
<i>Adjustments for</i>				
Depreciation	76.89		76.77	
TDS no longer receivable	-		6.56	
Interest expense	46.10		66.31	
Other interest received	(4.75)		(3.33)	
Other non-operating non-cash adjustments		118.24		146.31
Operating profit/(loss) before changes in working capital		(109.57)		210.95
<i>Adjustment for</i>				
Inventories	20.47		(607.81)	
Sundry debtors	2.89		(3.34)	
Other current assets	(1.28)		-	
Loans and advances	(16.39)		(17.76)	
Amounts due related parties	491.66		717.22	
Trade payables	(66.53)		(20.60)	
Other liabilities	(86.07)		(4.54)	
Provisions	32.10		42.45	
		376.85		105.62
Cash from generated operations		267.28		316.57
Direct taxes paid/refunded		-		(0.33)
Net cash flow from/used in operating activities		267.28		316.24
B. Cash flow from investing activities				
Purchase of tangible fixed assets	(1.83)		(3.46)	
Other interest	4.75		3.33	
Net cash flow from/used in investing activities		2.92		(0.13)
C. Cash flow from financing activities				
Proceeds from short-term borrowings	(35.03)		61.04	
Repayment of short-term borrowings	(190.28)		(309.71)	
Interest expense on bank borrowings	(46.10)		(66.31)	
Dividend paid for equity shares	-		-	
Dividend distribution tax paid on equity shares	-		-	
Net cash flow from/used in financing activities		(271.41)		(314.98)
Effect foreign exchange cash and cash equivalents				-
Net increase decrease cash and cash equivalents		(1.21)		1.13
Cash and Cash Equivalents, Beginning Balance		2.57		1.44
Cash and Cash Equivalents, Ending Balance		1.36		2.57

Significant Accounting Policies and Notes form part of Financial Statements

For and on behalf of the Board of Directors

For **H.S. SHIVARAM & CO.**
Chartered Accountants

H.S.SHIVARAM
Membership No: 021369

PRADEEP SWAMINATHAN
Director

C.N.DURGESH
Chairman of the Board

Place: TARIKERE
Date: 22.05.2013

S.V.RAVI SEKAR RAO
Company Secretary

Notes forming part of Financial Statements

Basis of Preparation of Accounts

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 revised 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 realisation in and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current-non current classification of assets and liabilities.

Note No. 1 : Share Capital

(` in Lakhs)

Particulats	As at 31st March 2013		As at 31st March 2012	
	Number	Amount	Number	Amount
Authorised :				
Equity Shares of ` 100 each	380,000	380.00	380,000	380.00
9.5% Redeemable cum Preference Share at ` 100 each	20,000	20.00	20,000	20.00
Issued :				
Equity Shares of ` 100 each	283,500	283.50	283,500	283.50
Subscribed :				
Equity Shares of ` 100 each	278,966	278.97	278,966	278.97
Paid-up :				
Equity Shares of ` 100 each	278,966	278.97	278,966	278.97
Share Capital	278,966	278.97	278,966	278.97

Note No. 1B

Terms/Rights attached to equity Shares

The company has only one class of equity shares having a par value of ` 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. 1D

(` in Lakhs)

Reconciliation of Opening and Closing Outstanding Shares	As at 31st March 2013		As at 31st March 2012	
Particulars	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				
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	As at 31st March 2013		As at 31st March 2012	
Name of the shareholder	Number of Shares	%	Number of Shares	%
BEML Limited (Holding Company)	269,376	96.56	269,376	96.56

Note No. 2 : Reserves & Surplus

(' in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Capital Reserve		
Opening Balance	0.16	0.16
Additions during the year	-	-
Deductions during the year	-	-
Closing Balance	0.16	0.16
Securities Premium Account		
Opening Balance	0.02	0.02
Additions during the year	-	-
Deductions during the year	-	-
Closing Balance	0.02	0.02
Capital Redemption Reserve		
Opening Balance	10.00	10.00
Additions during the year	-	-
Deductions during the year	-	-
Closing Balance	10.00	10.00
Balance in the Statement of profit and Loss		
Opening Balance	523.50	441.72
Additions during the year	(270.52)	81.77
Less: Appropriations	-	-
Closing Balance	252.98	523.50
Reserves and Surplus	263.15	533.67

**Note No. 3 : Long Term Borrowings**

(₹ in Lakhs)

NON CURRENT / CURRENT LIABILITIES Particulars	As at 31st March 2013		As at 31st March 2012	
	Secured	Unsecured	Secured	Unsecured
Term Loans				
Secured from banks				
Long Term Loans (Ref Note 7 below)	-	-	-	-
(SBM has sanctioned a MEDIUM Term Loan of ₹ 7.50 crores for which BEML Limited has given corporate guarantee & first charge on the fixed Assets and second charge on the Current Assets of the company)				
Total	-	-	-	-

Note No. 4 : Deferred Tax (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Deferred Tax Liabilities (DTL)		
Related to Fixed Assets	152.10	149.96
Effects on change in valuation	7.70	-
Total DTL (A)	159.80	149.96
Deferred Tax Assets (DTA)		
Leave Encashment	0.77	0.34
Gratuity Liability	25.55	18.78
Effects on change in valuation	-	23.05
Provision for doubtful debts	-	17.01
Total DTA (B)	26.32	59.18
Net Total (A-B)	133.48	90.78

Note No. 5 : Short Term Borrowings

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Loan from Banks (Secured)		
Cash Credit	152.17	187.20
(Secured by first charge by way of hypothecation of inventories, book debts and all other movable assets to the extent of ₹ 2.00 crores)		
Total	152.17	187.20

Note No. 6 : Trade Payables

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Trade payables		
Due to Micro, Small & Medium Enterprises	-	-
Due to others	304.55	370.97
Total Trade payables	304.55	370.97

Micro, Small and Medium Enterprises

Dues to MSME is NIL

Note No. 7 : Other Current Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Current maturities of long term debts (Refer Note no. 3 above)	-	190.28
Unclaimed dividends	1.20	1.20
Other Payables		
a. Staff related dues	42.51	85.21
b. Statutory dues	15.65	42.42
c. Deposits & EMD received	18.70	31.86
d. From BEML Limited (Holding Company)	1,349.65	857.99
e. Other dues	0.09	3.40
Total	1,427.80	1,212.35

Note No. 8 : Short Term Provisions

(₹ in Lakhs)

Nature	As at 31st March 2013	As at 31st March 2012
Provision for employee benefits		
for Gratuity	82.68	60.76
for Leave Salary	2.50	1.11
Provision-others		
Provision for Tax	68.33	68.33
Total	153.51	130.20

Note No. 9 : Fixed Assets

(₹ in Lakhs)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 31.3.2012	Additions During the Year	Deduction / Re-classification & Adjustments During the Year	Inter division Transfers During the Year	As at 31.3.2013	As at 31.3.2012	For the Year	Deduction / Re-classification & Adjustments During the Year	Inter division Transfers During the Year	As at 31.3.2013	As at 31.3.2013	As at 31.3.2012
Tangible Assets												
Land												
Free Hold	0.56	-	-	-	0.56	-	-	-	-	-	0.56	0.56
Roads & Drains	1.37	-	-	-	1.37	0.90	0.04	-	-	0.94	0.43	0.47
Water Supply Installations	4.38	-	-	-	4.38	3.67	0.08	-	-	3.75	0.63	0.71
Buildings	154.87	-	-	-	154.87	62.20	4.62	-	-	66.82	88.05	92.67
Plant, Machinery and Equipment	1,417.73	1.83	-	-	1,419.56	467.99	68.80	-	-	536.79	882.77	949.74
Furniture & Fixtures	12.92	-	-	-	12.92	8.05	0.60	-	-	8.65	4.27	4.87
Vehicles	23.48	-	-	-	23.48	17.35	1.37	-	-	18.72	4.76	6.13
Office Equipment	40.02	-	-	-	40.02	34.02	1.38	-	-	35.40	4.62	6.01
Total Tangible Assets	1,655.33	1.83	-	-	1,657.16	594.18	76.89	-	-	671.07	986.09	1,061.16
Previous Year	1,651.88	3.46	-	-	1,655.34	517.40	76.77	-	-	594.18	1,061.16	1,134.47

Note No. 10 : Capital Work-in-Progress

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Building under construction	-	-
Machinery under erection	8.79	8.79
Total	8.79	8.79
Less : Provision for doubtful Advance	8.79	-
Total	-	8.79

Note No. 11 : Long-Term Loans and Advances

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Unsecured, considered good		
Capital Advances	33.54	33.54
Security Deposits	55.57	56.31
Other Loans and Advances [see note (a) below]	7.48	7.76
Advance Payment of Taxes	78.37	74.04
Sub-total	174.96	171.65
Doubtful		
Other Loans and Advances	-	1.25
Less : Provision for doubtful advances	-	(1.25)
Total	174.96	170.40

Note No. 12 : Inventories

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Raw materials & Components	282.40	100.07
Stores and Spares	72.99	98.49
Work-in-Progress	983.00	1,182.54
Finished Goods	119.00	112.18
Excise Duty on Finished Goods	12.97	-
Patterns	11.73	6.54
Canteen Materials	0.29	0.29
Fuel	-	1.95
Construction Materials	-	0.79
Total	1,482.38	1,502.85

Note No. 13 : Trade Receivables

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Unsecured, considered good		
Outstanding for period exceeding six months		
Others	0.45	3.34
Unsecured, considered doubtful		
Outstanding for period exceeding six months	-	55.05
Allowance for bad and doubtful debts	-	55.05
Total	0.45	3.34

Note No. 14 : Cash and Cash Equivalents

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Balances with Banks*	1.25	1.20
Cash on hand	0.11	1.37
Total	1.36	2.57

* Balances with banks include unclaimed dividend account balances of ₹ 1.25 Lakhs
(Previous year ₹ 1.20 Lakhs)

NOTE NO. 15 : Short Term Loans and Advances

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
<u>Unsecured, Considered good</u>		
Balances with Govt. departments for Customs Duty, Excise Duty etc including receivables	23.70	22.01
<u>Other Loans and advances</u>		
Staff advance	7.96	4.26
Pre paid expenses & Other advances	30.98	20.65
Advances recoverable in cash or in kind for value to be received	-	4.14
TDS receivable from the deductees	1.47	0.97
Sub-Total	64.11	52.03
<u>Doubtful</u>		
Other Loans and advances	-	-
Less : Provision for doubtful advances	-	-
Sub-Total	-	-
Total	64.11	52.03

Note No. 16 : Other Current Assets

(₹ in Lakhs)

Particulars	As at 31st March 2013	As at 31st March 2012
Interest Accrued on Mescom Deposit	4.28	3.00
Total	4.28	3.00

Notes to Statement of Profit and Loss**Note No. 17 : Revenue from Operations**

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
(a) sale of products;		
Sale of Castings (net of rejected casting)	2,747.03	3,920.77
Revenue Including Excise Duty	2,747.03	3,920.77
Less :Excise Duty	296.99	388.57
Revenue from Operations	2,450.04	3,532.19

Note No. 18 : Other Income

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Interest Income		
- Others	5.79	3.33
Dividend Income	-	-
Rent	0.05	0.06
Miscellaneous Income	0.44	4.43
Provision written back		
- Doubtful debts & Advances	55.05	-
- Others	-	1.48
Foreign exchange Gain	-	0.02
Total	61.33	9.32

Note No. 19 : Cost of Materials Consumed

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Opening Stock		
- Raw Material & components	198.56	200.56
	198.56	200.56
Add: Purchases		
- Raw Material & components	1,468.76	2,312.99
	1,468.76	2,312.99
Closing stock		
- Raw Material & components	355.39	198.56
	355.39	198.56
Total Consumption of Materials	1,311.93	2,314.99


Note No. 20 : Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade

(` in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
<u>Opening Stock</u>		
Work-in-progress	1,182.54	686.13
Finished Stock	112.18	-
	1,294.72	686.13
<u>Closing Stock</u>		
Work-in-progress	983.00	1,182.54
Finished Stock	131.97	112.18
	1,114.97	1,294.72
<u>Increase / (Decrease)</u>		
Work-in-progress	199.54	(496.41)
Finished Stock	(19.79)	(112.18)
Total	179.75	(608.59)

Note No. 21 : Employee Benefits Expense

(` in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Salaries, wages & Bonus	442.35	482.84
Leave Salary	16.60	15.11
<u>Contribution to:</u>		
- Gratuity Fund	33.92	61.52
- Provident Fund and Other Funds	43.02	39.05
Staff welfare expenses	46.90	63.92
Total Employee Benefits	582.78	662.43

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.

(₹ in Lakhs)

Changes in the Present value of obligation	Current year	Previous year
Present value of obligation at beginning of the year	37.47	32.78
Interest Cost	3.08	2.72
Current Service Cost	1.95	2.08
Benefits Paid	(7.36)	(13.55)
Actuarial (gain)/loss on obligations	5.03	13.44
Present value of obligation at the end of the year	40.18	37.47
Changes in the Fair value of Plan assets		
Fair value of plan assets at beginning of the year	36.37	28.98
Expected return on plan assets	3.58	3.14
Contributions	10.09	17.80
Benefits paid	(7.36)	(13.55)
Actuarial (gain)/loss on plan assets	-	-
Fair value of plan assets at the end of the year	42.68	36.37
Reconciliation of obligations and fair value of plan assets		
Present value of obligation at the end of the year	40.18	37.47
Fair value of plan assets at the end of the year	42.68	36.37
Funded Status	(2.50)	(1.11)
Liability Existing	-	-
Liability recognized during the year	2.50	1.11
Expenses recognized during the year		
Current Service Cost	1.95	2.08
Interest Cost	3.08	2.72
Expected return on plan assets	(3.58)	(3.14)
Actuarial (gain)/loss on obligation	5.03	13.44
Actuarial (gain)/loss on plan assets	-	-
Contributions	-	-
Net Cost	6.47	15.11
Investment Details	%	%
Investment with LIC	100	100
Actuarial Assumptions	Leave Salary	
	Current year	Previous year
	(Funded)	(Funded)
Mortality Table (LIC)	1994-96	1994-96
	(Ultimate)	(Ultimate)
Discount rate	8.25%	8.30%
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.

(₹ in Lakhs)

Changes in the Present value of obligation	Current year	Previous year
Present value of obligation at beginning of the year	357.72	312.05
Interest Cost	29.43	25.90
Current Service Cost	11.61	12.02
Benefits Paid	(73.98)	(42.88)
Actuarial (gain)/loss on obligations	28.68	50.62
Present value of obligation at the end of the year	353.46	357.72
Changes in the Fair value of Plan assets		
Fair value of plan assets at beginning of the year	296.95	296.44
Expected return on plan assets	24.48	27.03
Contributions	23.33	16.37
Benefits paid	(73.98)	(42.88)
Actuarial (gain)/loss on plan assets	-	-
Fair value of plan assets at the end of the year	270.78	296.95
Reconciliation of obligations and fair value of plan assets		
Present value of obligation at the end of the year	353.46	357.72
Fair value of plan assets at the end of the year	270.78	296.95
Funded Status	(82.68)	(60.76)
Liability Existing	-	-
Liability recognized during the year	82.68	60.76
Expenses recognized during the year		
Current Service Cost	29.43	12.02
Interest Cost	11.61	25.90
Expected return on plan assets	(24.48)	(27.03)
Actuarial (gain)/loss on obligation	28.68	50.62
Actuarial (gain)/loss on plan assets	-	-
Contributions	-	-
Net Cost	45.25	61.52
Investment Details	%	%
Investment with LIC	100	100
Actuarial Assumptions	Gratuity	
	Current year	Previous year
	(Funded)	(Funded)
Mortality Table (LIC)	1994-96	1994-96
	(Ultimate)	(Ultimate)
Discount rate	8.25%	8.30%
Rate of return on plan assets	9.25%	9.25%
Rate of escalation salary	3.50%	3.50%

c. 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. 22 : Finance Costs

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Interest expense		
- Interest to Banks		
On Cash Credit & Short term Loans	25.38	22.41
On Long Term Loans	20.73	43.89
Total Interest Cost	46.10	66.31

Note No . 23 : Other Expenses

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Machining / Fettling charges	75.05	170.30
Power and fuel	246.05	486.51
Moulding Charges	27.75	165.69
<u>Repairs and Maintenance</u>		
Plant & Machinery	3.35	6.57
Building	0.56	1.27
Others	1.82	2.73
Stationery	0.49	1.21
Insurance	1.42	1.74
Rates and Taxes	2.39	3.43
Bank Charges	-	2.29
Postage , Telegram, Telephone and Telex	4.51	4.07
Selling Expenses	0.38	0.18
Remuneration to Auditors	0.85	0.86
Legal and Professional Charges	10.83	12.84
Travelling Expenses	5.84	7.20
Publicity & Public Relation	-	0.32
Irrecoverable amounts from Government Authorities	-	11.96
Directors Expenses	0.15	0.29
Vehicle Maintenance	7.07	7.21
Board meeting Expenses	0.25	0.27
Guest House Maintenance	0.20	0.28
Licence/Inspection/Testing Charges	-	1.42
Subscription to Periodicals	-	0.31
Xerox Charges	-	1.22
ISO Certification Charges	-	2.41
Miscellaneous Expenses	77.28	1.79
Provision for doubtful debts	8.79	55.05
Amount No longer Receivable	-	12.34
Sales Tax on SRN	7.54	-
ED on FGI	12.97	-
Total Other Expenses	495.53	961.78


a. Accounting Standard 11- (Foreign Exchange Fluctuations)

Effect of Foreign Currency Fluctuation included in the Miscellaneous Expenses for the year is ₹ 0.27 lakhs (Dr) (Previous Year ₹ 0.02 Lakhs (Cr) Foreign Exchange Gain)

b. Break up of Remuneration to Auditors

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
(a) Towards Audit Fee	0.50	0.50
(b) Half yearly Limited review	0.25	0.23
(c) Travel & out of pocket expenses	0.10	0.14
(d) Service tax	-	0.07
Total	0.85	0.94

Note No.24 : Prior Period Items

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Expenditure		
Employer Contribution to PF	-	2.28
Employer Contribution to Pension Scheme	-	0.91
Previous year Income tax	12.50	-
Performance Incentive	1.66	-
Previous year expenses trd by HQ	8.90	-
Excess salary for 2011-12 credit	(2.22)	-
Defects & spoilages	25.35	-
Net income / (Expenditure)	46.19	3.19

Note No.25 : Other Disclosures
Notes to Profit and Loss Account
A. Basic/ Diluted Earnings Per Equity Share

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Net Profit / (Loss) after Tax (₹ Lakhs)	(270.52)	81.77
Average Number of Shares	278,966	278,966
Earnings Per Share (Basic and Diluted)		
– Face Value ₹ 10/- Per Share (₹)	(96.97)	29.31

B. Accounting Standard 18 - (Related Party Transactions)

Name of the Holding Company M/s. BEML Limited

Details of Transactions

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2013	For the Year ended 31st March 2012
Sales	2,856.64	3,967.77
Purchases	930.10	1,448.53
Salaries charged to VIL for BEML personnel deputed	77.30	75.41
Corporate Guarantee given to Bankers	750.00	750.00
Amount payable towards suppliers - Closing Balance	1,349.65	857.99

C. Commitments & Contingent liabilities

Probable contingent liability that may arise out of dispute between the company and M/s Sharada Engineering Works Private Limited not provided in the books of account is ₹ 8,86,000/-. Now the case is under Arbitration proceedings.



Independent Auditors' Report

To the Members of Vignyan Industries Limited,

Pursuant to the Observations made by the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956, the report is revised to incorporate the observations in Paragraph 2(a) to 2(c), 4 and 7 of Annexure to the Independent Auditor's Report. This report is in Supersession of our earlier report dated 22/5/2013 & 10/6/2013, We state as below:

We have audited the accompanying financial statements of Vignyan Industries Limited, Tarikere (The Company) which comprise the Balance Sheet as at March 31, 2013, 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 annexed thereto.

Management responsibility for the Financial Statements:

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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). 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.

Auditor's Responsibility:

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. These 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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. 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.

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

Opinion:

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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31st, 2013;
- (b) in the case of the statement of Profit and Loss of the profit/loss for the year ended on that date; and
- (c) 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:

1. 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.
2. 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) Being a Government Company, the provisions of section 274 (1) (g) of the Companies Act 1956, relating to the disqualification of directors, is not applicable to the Company in terms of notification No GSR 829(E) dated 21/10/2003.
 - (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 Companies Act, 1956 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.

For H.S Shivaram & Co.

H.S. Shivaram

Chartered Accountants

Firm Registration Number: 05298S

Membership No.021369

Place: Bangalore

Date: 18/06/2013



Annexure to Independent Auditors' Report of Vignyan Industries Ltd for the year 2012-13

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.
- b) In our opinion and according to the information and explanations given to us, the procedure followed for physical verification of inventory by the management is reasonable and adequate in relation to the size and nature of business of the Company.

We find that accounting entries for the differences between Physical Verification and Books of accounts was not made as on 31/3/2013 and the impact of the differences was not assessed by the Company.

- c) The Company is maintaining proper records of inventory.
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) is not necessary.
4. The Company has adequate internal control procedure with the size and nature of business for purchase of inventory, fixed assets and sale of goods. On verification of Supplier Bills and Purchase orders done on test check basis, we find that Liquidated damages for delayed delivery is not deducted though specified in the relevant Purchase Orders.

5. 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. 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 is not required.
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. Apart from its own Internal Audit Department, the Company has appointed an external firm of Chartered Accountants which has carried out the Transaction Audit for FY 2012-13. In our opinion the Company has an adequate Internal Audit System which is commensurate with the size of the company and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the rules made by the Central Government and we report that, prima facie, the prescribed records have been maintained. We are not required to and accordingly have not made a detailed examination of the cost 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 regularly deposited with the appropriate 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 loss and has not incurred cash loss during the financial year covered by our audit.



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. The Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore the 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 Paragraph 4(xiv) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable.
15. According to information and explanation given to us, the company has not given any 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.
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.
19. During the year, the Company has not issued any Debentures.
20. The Company has not raised any money by way of public issue during the year.
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.

For H.S Shivaram & Co

H.S. Shivaram

Chartered Accountant

Firm no: 05298S

Membership No.021369

Place : Bangalore

Date : 18/06/2013

Addendum to the Directors' Report

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.</p> <p>b) In our opinion and according to the information and explanations given to us, the procedure followed for physical verification of inventory by the management is reasonable and adequate in relation to the size and nature of business of the Company.</p> <p>We find that accounting entries for the differences between Physical Verification and Books of accounts was not made as on 31/3/2013 and the impact of the differences was not assessed by the Company.</p>	<p>Company will take action for physical verification of work-in-progress in FY 2013-14.</p> <p>Reconciliation has been completed and the differences are not material. However, the same will be accounted for in the books of accounts during FY 2013-14.</p>
4.	<p>The Company has adequate internal control procedure with the size and nature of business for purchase of Inventory, fixed assets and sale of goods. On verification of supplier bills and purchase orders done on test check basis, we find that Liquidated Damages for delayed delivery is not deducted though specified in the relevant purchase orders.</p>	<p>Delivery schedule indicated in the Purchase Orders is in line with the Production Plan based on the targets fixed by the Company. Delayed deliveries from vendors have not affected the production because of continued revisions in the Production Plan due to change in customer requirements. This has infact helped in better inventory control and deferment of payments, easing out the cash flow. In view of these factors LD</p>



Para No.	Auditor's Observation	Company's Reply
		<p>clause was not operated.</p> <p>However, where applicable amendment to purchase order will be considered, so as to regularize the changes in delivery schedules which are specified in purchase orders.</p>

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 31st March 2013

The preparation of financial statements of **M/s Vignyan Industries Limited**, for the year ended 31st March, 2013 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 Independent Auditors Report dated 22.5.2013 and their revised report dated 10.6.2013 and 18.06.2013.**

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 **M/s.Vignyan Industries Limited, for the year ended 31st March 2013.** 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 in the Independent Auditors' Report vide para 2 (a) to 2(c), 4 and 7 of Annexure to Independent Auditors Report, 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**

**V.K. GIRIJAVALLABHAN, I.A.A.S.
Pr. Director of Commercial Audit
& Ex-officio Member, Audit Board, Bangalore.**

**Bangalore
Dated: 27.6.2013**


VIGNYAN INDUSTRIES LIMITED

B.H. Road, Tarikere – 577 228

ATTENDANCE SLIP
49TH ANNUAL GENERAL MEETING

I hereby record my presence at the 49th Annual General Meeting held on Friday, the 6th September, 2013 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.

VIGNYAN INDUSTRIES LIMITED

B.H. Road, Tarikere – 577 228

PROXY FORM

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 49th
Annual General Meeting of the Company to be held on Friday, the 6th September, 2013 and / or any
adjournment thereof.

Signed by the said

L.F. _____

No. of Shares _____

Affix
Revenue
Stamp

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.