

VIGNYAN INDUSTRIES LIMITED
TARIKERE

ANNUAL REPORT
2013-2014

SCHEDULE OF ANNUAL GENERAL MEETING:

27.08.2014
(Wednesday)

11.30
HOURS

Registered Office
P B No.4, Haliyur
B H Road
Tarikere – 577 228

CONTENTS	Page No.
Board of Directors	1
Corporate Vision, Mission and Objectives	1
Chairman's Letter	2
Financial Highlights	3
Notice	4
Board's Report	7
Report on Corporate Governance including Management Discussion and Analysis Report	13
Significant Accounting Policies	23
Balance Sheet	28
Statement of Profit and Loss	29
Cash Flow Statement	30
Notes forming part of Financial Statement	31
Independent Auditors' Report	44
Comments of the Comptroller & Auditor General of India	50
Admission Slip	51
Proxy Form	52



BOARD OF DIRECTORS

Shri C N Durgesh
Chairman of the Board

Prof. S Sadagopan
Independent Director

Shri G Sudhindra
Independent Director

Dr. S Venkateswaran
Independent Director

Shri Pradeep Swaminathan
Nominee Director

Company Secretary

Shri S V Ravisekhar 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 and Defence.

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 achieve minimum 10% increase in production over previous year.
- 2) To reduce rejection of castings by minimum 2% over previous year.



CHAIRMAN'S LETTER.....

Dear Shareholders,

The year 2013-14 continued to be a challenging year due to sluggish market conditions in industrial sector especially in the Mining & Construction business which affected the off-take by your holding company, M/s BEML Limited, to some extent. However, your Company has achieved a turnover of ` 36.75 Crs and value of production of ` 30.73 Crs as against ` 27.47 Crs and ` 25.67 Crs, registering a growth of about 34% in turnover and 20% in value of production respectively over the previous year. However, the Company suffered the loss of ` 1.45 Crs as against the loss of ` 2.28 Crs made during the previous year. One of the reasons for the reduction in profit margin was the corrective actions effected in adjustment of difference in the work-in-progress inventories.

Your Company is planning to explore the opportunities to supply various casting requirements to customers other than Mining & Construction business customers. Accordingly, special grade steel required for Track Shoe casting used in T-72 Tank Chain Assembly relating to Defence business is developed during the year. Company has supplied pilot batch castings which is undergoing machining trials. Further, efforts are being taken to secure more orders for supply of castings like Side Buffer Assembly, etc., relating to Rail business requirements.

Your Company is planning to explore business opportunities with a view to expand the customer base. In this process, an order from M/s Mishra Dhatu Nigam Ltd., Hyderabad, a Defence PSU, is materialized for supply of U-2 grade High Manganese steel castings of about 800 MTs valuing ` 10.82 Crs. Efforts are being made to get business for supply of Tooth points used in bucket assembly for Bucket Wheel Excavators manufactured by M/s Neyveli Lignite Corporation Limited to improve the performance level of the Company.

The order book position is comfortable for the financial year 2014-15 with further purchase orders along with schedules expected during the year from the 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-2010 issued by the Department of Public Enterprises, Government of India. A report on Corporate Governance along with Management Discussion and Analysis Report 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 co-operation.

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)									
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
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	445.33	542.12	812.64	730.87	904.12	713.32	584.50	540.32	429.59	356.34
Loan from BEML	-	-	-	-	-	-	-	19.46	38.93	58.38
Loans from Banks & Others	187.07	152.17	377.48	626.15	729.76	145.47	78.77	67.01	35.24	32.14
Gross Block	1657.16	1657.16	1655.34	1651.88	1626.69	693.75	687.38	646.91	612.78	578.66
Inventories	926.77	1482.38	1502.85	895.04	737.81	530.80	565.20	554.87	390.91	348.05
Trade Receivables	-	0.45	3.34	-	75.84	66.03	146.18	19.36	31.57	142.41
Working Capital	(558.30)	(485.45)	(262.89)	(154.58)	583.26	455.41	376.72	337.49	229.78	145.78
Capital Employed	351.41	500.64	724.23	979.89	1769.23	760.32	702.20	639.60	528.86	435.84
REVENUE :										
Sales	3675.12	2747.03	3920.77	3384.00	3591.34	3527.12	3328.89	2451.47	2881.06	2154.90
Value of Production	3073.11	2567.28	4529.36	3569.98	3746.17	3564.53	3240.66	2617.14	2870.10	2178.11
Value Added	1447.64	1255.35	2214.37	1676.87	1982.12	1888.40	1705.86	1423.36	1558.59	1384.20
Profit before Depreciation & Interest	(46.16)	(104.82)	207.72	(13.09)	378.73	237.97	218.68	182.38	142.97	127.67
Depreciation & amortization expense	76.38	76.90	76.77	76.69	51.88	26.94	25.58	31.10	25.10	22.84
Profit before Interest & Tax	(122.54)	(181.72)	130.95	(89.78)	326.85	211.03	193.10	151.28	117.87	104.83
Financial expenses	22.23	46.10	66.31	70.36	34.96	5.06	9.12	6.81	11.07	11.95
Profit before Tax	(144.77)	(227.82)	64.64	(160.14)	291.89	205.97	183.98	144.47	106.80	92.88
Tax expense	47.97	(42.70)	(17.13)	13.10	120.83	74.64	71.79	40.90	40.90	50.85
Profit after Tax	(96.80)	(270.52)	81.77	(173.24)	171.06	131.33	112.19	103.57	65.90	42.03
Dividend (Excluding Tax)	-	-	-	-	20.92	20.92	13.95	-	-	-
PRODUCTION (in MT)	2326	1974	4085	4120	4254	4276	3527	3362	3762	3168
SALES (in MT)	2726	2181	3608	3932	4095	4444	4054	3030	3649	3063
Power Consumed (in lakh units)	41.93	36.79	64.32	63.76	62.24	61.79	55.68	50.51	58.24	50.81
RATIOS :										
Profit before Tax to Sales	(3.94)	(8.29)	1.65	(4.73)	8.13	5.84	5.53	5.89	3.71	4.31
Trade Receivables in No. of days of Sales	-	0.1	0.3	-	8	7	16	3	4	24
Inventory in No. of days of VoP	110	211	121	92	72	54	64	77	50	58



NOTICE

NOTICE is hereby given that the 50th Annual General Meeting of M/s Vignyan Industries Limited will be held on **Wednesday, the 27th August, 2014 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 31.03.2014, the Balance Sheet as at that date and the Report of the Board of 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 Director:

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

“RESOLVED that Dr. S. Venkateswaran, who was appointed as an Additional Director of the Company with effect from 25.01.2014 by the Board of Directors and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

By order of the Board
For Vignyan Industries Limited

Tarikere
19.07.2014

S V RAVISEKHAR 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 on poll instead of himself / herself. The proxy need not be a member of the Company.
2. A proxy shall not act on behalf of more than 50 members.
3. The prescribed 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.
4. A Statement pursuant to Section 102 of the Companies Act, 2013, in respect of special business is annexed hereto.
5. Shareholders are requested to address all correspondence relating to share matters to the Company at the following address :

Vignyan Industries Limited

Haliyur Village

B.H. Road

Tarikere - 577 228

E-mail : vil@beml.co.in

6. Members are requested to bring their copies of the Annual Report to the meeting.
7. Pursuant to Section 124(5) of the Companies Act, 2013, the unpaid dividends that are due for transfer to the Investor Education and Protection Fund are as under:

<i>Dividend</i>	<i>Date of Declaration</i>	<i>For the year</i>	<i>Due for transfer on</i>
Final	15.09.2008	2007-08	20.10.2015
Final	13.08.2009	2008-09	17.09.2016
Final	06.08.2010	2009-10	10.09.2017

Members who have not encashed their dividend warrants / cheques pertaining to the aforesaid years may approach the Company for obtaining payments thereof at least 20 days before they are due for transfer to the said fund.

Statement pursuant to Section 102 of the Companies Act, 2013**Item No. 4 - Appointment of Director:****Dr. S. Venkateswaran - Independent Director**

Dr. S. Venkateswaran is a Mechanical Engineer and holds double-doctorate with a specialization in foundry business.

Dr. Venkateswaran carries a rich mix of academic and industrial experience. Presently he is the Principal of BMS Evening College of Engineering, Basavanagudi, Bangalore. Further, he was the Principal of BMS Institute of Technology, Yelahanka, Bangalore, during June 2008 to February 2014. He also served as Professor and HoD, Department of Mechanical Engineering in BMS Institute of Technology. Prior to his academic and teaching experience, he served for various industrial organizations for about 18 years including exposure to foundry line of business. His first employment was with M/s BEML during 1983-85 as Development Engineer, R&D Department. He has widely travelled and participated in the national and international conferences and published various technical papers in the professional journals.

Dr. Venkateswaran, being the appointee concerned, is considered to be interested in the resolution. The Board commends the resolution for the approval of the members.

By order of the Board
For Vignyan Industries Limited

Tarikere
19.07.2014

S V RAVISEKHAR RAO
Company Secretary



BOARD'S REPORT

Your Directors have pleasure in presenting the 50th Annual Report and the Audited Accounts of the Company for the financial year ended 31.03.2014.

FINANCIAL RESULTS

(Value ` Lakhs)

Particulars	2013-14	2012-13
Sales	3675.12	2747.03
Value of Production (VoP)	3073.11	2567.28
Value Added	1447.64	1255.35
Profit before Depreciation, Interest & Tax	(46.16)	(104.82)
Depreciation	76.38	76.90
Profit before Interest & Tax	(122.54)	(181.72)
Interest	22.23	46.10
Profit before Tax (PBT)	(144.77)	(227.82)
Tax expense	47.97	(42.70)
Profit after Tax	(96.80)	(270.52)
Profit available for appropriation	156.18	252.98
Appropriations :		
Profit & Loss Account	156.18	252.98
Net worth	445.33	542.12

TURNOVER AND PROFITABILITY

During the year under review, your Company achieved the turnover of ` 36.75 Crs as against ` 27.47 Crs, which works out to an increase in turnover of 33.78% over the previous year. The Value of Production (VoP) stood at ` 30.73 Crs and Loss of ` 1.45 Crs as against VoP of ` 25.67 Crs and Loss of ` 2.28 Crs over the previous financial year. One of the reasons for the reduction in profit margin was the corrective actions effected in adjustment of difference in the work-in-progress inventories. Further, breakdown of equipments like induction furnace, EoT crane, air compressor, apart from frequent and unscheduled power cut which affected the fettling and proof machining of castings available with the sub-contractors, also impacted the operations of the Company.

FUTURE OUTLOOK

Your Company is planning to explore new avenues for marketing its products so that the dependence on BEML could be reduced progressively over the periods. Further, various types of steel castings used in Track Shoes for T-72, ARVs, BMP, etc., relating to Defence business and Axle Box, Buffer Assembly, etc., relating to Rail business are planned for development and production by the Company. Further, your Company is exploring opportunities to manufacture and supply high manganese U-2 steel castings in order to improve the performance level of the Company.

The order book position is comfortable for the financial year 2014-15 with further purchase orders along with schedules expected during the year from the customers. With this your Company is looking forward for achieving better results during the financial year 2014-15.

PERFORMANCE vis-à-vis MoU

Performance of your Company, in terms of the Memorandum of Understanding signed with the holding company-M/s BEML Limited and submitted with the Department of Defence Production, Ministry of Defence, Government of India, was rated as "Fair" for the financial year 2012-13 and the rating based on self-evaluation for the financial year 2013-14 is expected to be "Good".

QUALITY

Your Company had obtained the accreditation from Bureau Veritas Quality International for the quality system and awarded ISO 9001:2008 certification. Further, your Company was certified as Class 'A' foundry by Research Design and Standards Organization which enabled the Company to supply castings to

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

FINANCE

The working capital requirements were met out of internal resources and credit facilities availed from Bank. There was no overdue installment of principal and / or interest to the Bank.

The Company's contribution to exchequer was in the order of ` 586.77 lakhs during the year by way of Excise Duty, Customs Duty, Sales Tax, Service Tax, Cess, Income Tax, 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 31.03.2014.

MICRO AND SMALL ENTERPRISES

The Micro and Small Enterprises continue to get support and preference from your Company. The Company procured items worth ` 49.43 lakhs constituting about 3.13% of the total procurement value of ` 1580.40 lakhs from the said category of enterprises during the year.

CORPORATE GOVERNANCE

The Company has implemented the Guidelines on Corporate Governance for CPSEs-2010 issued by the Department of Public Enterprises, Government of India.

A report on Corporate Governance and Management Discussion and Analysis Report along with a Compliance Certificate from the Auditors as required under the said Guidelines is

annexed to this report.

RAJBHASHA

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

MANPOWER

The manpower strength of the Company as on 31.03.2014 stood at 127 as against 146 during the previous year. This includes 12 persons from SC / ST categories.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The HR Department identified several thrust areas for continuously updating technical / professional knowledge and skills of employees towards fostering a performance driven work culture in all areas of operations particularly at shop floors. During the year, the Company organised several in-house training programs covering 2,739 man-days.

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

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Corporate Social Responsibility and Sustainability (CSRS) are an integral part of the Company's corporate philosophy, integrating business processes with social processes. Your Company is fully committed towards CSRS.

The major projects successfully completed during the year 2013-14 towards fulfilling its obligations and achieving its goals in the area of CSRS are as follows:

- (1) To preserve the environment/ecology through afforestation/horticulture, 3000



saplings were planted in and around the foundry premises.

- (2) Sponsored Ear Phones to the students of Taranga Deaf Children Primary School, located at Bhadravati.
- (3) Sponsored books / course material to Government High School, Tarikere.
- (4) Conducted awareness programme to 163 employees and officers on Fire, Safety and First Aid.
- (5) Installed 25 nos. of CFL bulbs in foundry which resulted in conservation of energy.
- (6) Rainwater harvesting completed.
- (7) Recycling of sand was achieved at 38% during the year.

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 in the vicinity of the foundry.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo 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 which shall form part of this report.

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.

STATUTORY AUDITORS

M/s H S Shivaram & Co., Chartered Accountants, Bangalore, have been appointed as Statutory Auditors of the Company for the financial year 2013-14 by the Comptroller and Auditor General of India.

Reply of the Board of Directors to the observation made in the report of the Auditors on the Accounts is given in the addendum to this report.

COST ACCOUNTANTS

Your Company has appointed M/s Murthy & Co. LLP, Cost Accountants, Bangalore, for preparing, certifying and submitting the Compliance Report for the year 2013-14 as required under the Companies (Cost Accounting Record) Rules, 2011.

DIRECTORS

(i) Change of Directors:

Dr. S Venkateswaran, Principal, BMS Evening College of Engineering, Bangalore, has been appointed as Independent Director on the Board of the Company with effect from 25.01.2014 in place of Shri S S Verma, who ceased to be Director consequent upon his resignation from the services with M/s Steel Authority of India Limited.

(ii) No. of meetings of Board:

During the year, five meetings were held on 20.05.2013, 06.08.2013, 22.11.2013, 18.12.2013, and 25.01.2014. In terms of Section 285 of the Companies Act, 1956 and Para 3.3.1 of the DPE Guidelines, requirements on number and frequency of meetings were complied in full.

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 31.03.2014 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 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

C.N. Durgesh
Chairman of the Board

Annexure to Board's Report for the Financial Year 2013-14
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 2013-14 has resulted in the saving of 24,985 Units of energy amounting to ` 1,67,649/-.

2. Use of CFL bulbs in place of 40w florescent lamp has resulted in saving of 905 units amounting to ` 6,073/- at the rate of 6.71 per unit of energy.

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 helped containing cost of the 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 2013-14</i>	<i>Previous Year 2012-13</i>
1. ELECTRICITY		
a. Purchased (Units)	41,77,734	36,61,740
b. Total Amount (°)	2,80,20,263	2,46,04,945
c. Rate / Unit (°)	6.71	6.72
d. Own generation (Units)	15,330	17,410
i) Through Diesel Generator		
Units / Ltr of HSD Oil (Kwh)	3.22 Kwh/Ltr	3.22 Kwh/Ltr
Cost / unit (Only Diesel)	` 17.75/Kwh	` 15.53/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. TECHNOLOGY ABSORPTION**

- 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 is implemented to reduce sand fusion of castings. 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.

B. FOREIGN EXCHANGE EARNINGS & OUTGO : Nil

REPORT ON CORPORATE GOVERNANCE

In terms of the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for CPSEs-2010, a Report on compliance with the provisions relating to Corporate Governance is provided as under:

1. 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, and to protect, promote and safeguard the interests of all its stakeholders. It is the constant endeavour of the Company to adopt and maintain the highest 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.

2. BOARD OF DIRECTORS

(i) Composition

As at March 31, 2014, the Board consisted of 5 Non-Official Directors including two nominees of the holding company and three Independent Directors.

(ii) Meetings and Attendance

During the year under review, your Board met five times on 20.05.2013, 06.08.2013, 22.11.2013, 18.12.2013, and 25.01.2014. In terms of Para 3.3.1 of the DPE Guidelines, 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 2013-14 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 directorships held	Number of Committee membership across all companies
1	Shri. C N Durgesh (DIN 03487810)	Chairman of the Board, Non-Executive	5/5	Yes	1	1
2	Shri P Swaminathan (DIN 06565229)	Director, Non-Executive	5/5	Yes	1	2
3	Prof. S Sadagopan (DIN 00118285)	Director, Non-Executive	5/5	Yes	4	1
4	Shri G Sudhindra (DIN 06565237)	Director, Non-Executive	5/5	Yes	--	1
5	Dr.S Venkateswaran ¹ (DIN 06822317)	Director, Non-Executive	1/1	No	--	--
6	Shri S S Verma ² (DIN 01613073)	Director, Non-Executive	0/2	No	--	--

1. Appointed as Independent Director w.e.f. 25.01.2014.
2. Ceased to be Director on 24.09.2013.

(iii) 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. The Board commends the re-appointment of the said retiring director.

(iv) 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 BEML Limited.

(v) Review of Compliance of Laws

In terms of Para 3.3.3 of the DPE Guidelines, the Board reviewed the compliance reports relating

to various laws applicable to the Company for the year 2013-14 and noted that there were no instances of non-compliances.

(vi) 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, Chief General Manager and General Manager, have affirmed their compliance with the code for the year 2013-14. A declaration to this effect signed by the Chairman of the Board in terms of Para 3.4.2 of the DPE Guidelines, is placed as under :

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

I, C. N. Durgesh, Chairman of the Board of the Company, 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 31.03.2014.

On behalf of the Board of Directors

*Bangalore
23.05.2014*

*Sd/-
C. N. Durgesh
Chairman of the Board*

(vii) Training of new Board Members

In terms of Para 3.7 of the DPE Guidelines, a policy on training for new Board members has been put in place. 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.



3. BOARD COMMITTEES

(i) Audit Committee

In terms of Chapter 4 of the DPE Guidelines on Corporate Governance, the Audit Committee constituted by the Board has been complying with the terms of reference as enumerated under the applicable provisions of the Companies Act and DPE Guidelines on Corporate Governance as amended from time to time, in addition to complying with the directives of the Board of Directors, Department of Defence Production, and Central Vigilance Commission.

During the year 2013-14, the Audit Committee met three times on 06.08.2013, 22.11.2013 and 25.01.2014 and the frequency of meetings were complied with in full. Members of Audit Committee and the details of their attendance in the meetings are given below:

S.No.	Name of the Director	Category	Attendance
Chairman:			
1	Shri G. Sudhindra	Independent Director	3/3
Members:			
2	Prof. S Sadagopan	Independent Director	3/3
3	Shri Pradeep Swaminathan	Nominee Director	3/3
4	Shri S S Verma*	Independent Director	0/1

* Part of the year

The Company Secretary acts as Secretary of the Committee. The Chairman of the Audit Committee attended the 49th AGM for replying to the shareholder queries relating to the accounts of the Company.

(ii) Remuneration Committee

In terms of Chapter 5 of the DPE Guidelines on Corporate Governance, the Remuneration Committee of the Board is constituted as under:

S.No.	Name of the Director	Category
Chairman:		
1	Prof. S Sadagopan	Independent Director
Members:		
2	Shri G. Sudhindra	Independent Director
3	Shri Pradeep Swaminathan	Nominee Director

As per the terms of reference, the Remuneration Committee will decide the annual bonus / variable pay pool and policy for its distribution across the executives and non-unionized supervisors within the prescribed limits.

(iii) Share Transfer Committee

Share Transfer Committee is constituted with the following members for attending to the requests of members for transfer / transmission of shares, deletion of name, issue of duplicate share certificates, etc.:

S.No.	Name of the Director	Category
Chairman:		
1	Shri C N Durgesh	Nominee Director
Member:		
2	Shri Pradeep Swaminathan	Nominee Director

Company Secretary acts as the Compliance Officer.

4. GENERAL BODY MEETINGS

Details of last three Annual General Meetings are as follows:

Year	Location	Date & Time
2012-13	Registered office at Tarikere	06.09.2013 at 11.30 hrs
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

During the year, a special resolution was passed at the 49th Annual General Meeting held on 06.09.2013 for altering the Articles of Association by way of inserting Article No.16(a) relating to Buy-back of Shares in compliance with the directives of DPE. No special resolution was put through postal ballot during the year under review.

5. DISCLOSURES

In terms of Chapter 7 of the DPE Guidelines on Corporate Governance, the following

disclosures are made:

- During the year 2013-14, 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.
- The Company's financial statements have been prepared based on the applicable Accounting Standards issued by the Institute of Chartered Accountants of India from time to time.
- Remuneration of Directors:

Independent Directors are paid sitting fee of `10,000/- per meeting of the Board/Committee of the Board attended and if they, attend more than one meeting (Board/Committee) on the same day, the sitting fee payable for each of such additional meeting would be `5,000/- Conveyance for attending Board / Committee meetings is met by the Company. Details of sitting fees paid to the Independent Directors during the year 2013-14 are given below:

S.No.	Name of the Director	Sitting fee (Amount `)
(i)	Prof S Sadagopan	55,000
(ii)	Shri G Sudhindra	55,000
(iii)	Dr. S Venkateswaran	10,000
	Total	1,20,000

Nominee Directors of holding company are not paid any sitting fee. Neither there is payment of commission to Directors nor is any stock option scheme in place for them.

- There were no cases of non-compliances by the Company and no penalties or strictures were imposed on the Company by any statutory authority, or any matter related to any guidelines issued by the Government, during the last three years.
- 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.

6. GENERAL SHAREHOLDER INFORMATION

- (i) The 50th Annual General Meeting for the year 2013-14 is scheduled on 27.08.2014 at 11.30 a.m., at the Registered Office of the Company at Tarikere.
- (ii) Share Transfer System:

The shares are issued and dealt 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 and accordingly, communication will be sent to the shareholders after completing the transaction.

(iii) Shareholding pattern as on 31.03.2014:

Category	No. of Shares	% to equity
BEML Limited	2,69,376	96.56
Individuals	9,590	3.44
TOTAL	2,78,966	100.00

(iv) Address for correspondence:

M/s. Vignyan Industries Limited
Haliyur Village, B.H. Road
Tarikere – 577 228, Karnataka State
e-mail ID : vil@beml.co.in

(v) Unclaimed Dividends:

Under the provisions of the Companies Act, 1956, any amount that remains unclaimed in the Unpaid Dividend Account of the Company for a period of 7 years from the date of transfer to the said account, has to be transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government.

The unclaimed dividend amount for the respective years is as under:

Dividend	Date of Declaration	For the year	Unclaimed as on 31.03.2014 (₹ in lakhs)	Due for transfer on
Final	15.09.2008	2007-08	0.29	20.10.2015
Final	13.08.2009	2008-09	0.43	17.09.2016
Final	06.08.2010	2009-10	0.44	10.09.2017
Total			1.16	

Members who have not encashed the dividend cheques / warrants issued by the Company may write to the Company and follow the procedure for claiming such unclaimed dividend amount.

7. COMPLIANCE

- (i) Your Company submitting quarterly compliance report on Corporate Governance as per prescribed format with the Ministry of Defence (MoD) within 15 days from the close of quarter.
- (ii) Further, your Company submitting a grading report on the compliance with the Corporate Governance with MoD on quarterly and annual basis and with the Department of Public Enterprises on annual basis. As per the grading report for the year 2013-14, your Company was rated as 'Good' in adhering to the corporate governance prescribed standards with a composite score of 61 marks constituting 68.54%.

Management Discussion and Analysis Report

(In terms of Para 7.5 of the DPE Guidelines on Corporate Governance for CPSEs-2010)

(i) Industry structure and developments:

Your Company was incorporated on 25.09.1963 by private promoters. M/s BEML Limited took over the management during October 1984 upon its acquiring 69% of the paid-up share capital of the Company. Presently, 96.56% of the paid-up capital of the Company is held by BEML. The Company manufactures steel castings suitable for engineering, mining, railways and infrastructure industries.

Organization:

Your Company supplies steel castings of various specifications mainly to the Holding Company, M/s BEML Limited. To meet the increased demand for steel castings, the Company had modernised the foundry and commissioned “NO BAKE PROCESS” during August 2009 by installing Fast Loop Moulding System in place of batch process moulding (Co₂). The Company's manpower strength stood at 127 as on 31.03.2014.

Developments and Performance during 2013-14:

During 2013-14, the GDP of the Indian economy shown decreasing trend remaining at 5% as compared to 6.5% in the previous year. The manufacturing sector, specifically mining and quarrying, construction is witnessing a pressure on their growth rates due to overall sluggishness prevailing in the economy. The continuing global economic slowdown and the high domestic interest rate are having its impact on the performance of all major manufacturing industries which ultimately impacted the GDP. However, your Company registered a turnover of ` 36.75 crores as against ` 27.47 crores in the previous year.

(ii) Strengths and Weaknesses:

(a) Strengths:

- Strong presence in the domestic market.
- Capable to adapt easily to the changing market conditions.
- Ready to adopt latest technology.
- Technology for reclaims of sand under No-bake process.

(b) Weakness:

Infrastructure for precision machining of castings is not available in and around the foundry as most of the customers wants castings in ready to use / machinable condition.

- Company could not tap export market.
- Severe competition specifically from foundries located in SEZ area.
- Foundry is located in agriculture belt often has low unskilled / semiskilled workers due to higher labour cost paid in cash crops.

(iii) Opportunities and Threats:

(a) Opportunities:

- Good scope for export of castings to the European countries.
- Good potential in domestic market in other than Mining & Construction segment.
- Market can be increased under common brand name and publicity through various means like common brochures, catalogues, CDs and through web-sites.

- The strict environmental policies of the European government makes users to look forward sources in India.

(b) **Threats:**

- Foundries from China and South Korea Countries could be a strong competitor and making rapid technological advancements and competitive in terms of quality and delivery schedule.
- Growing environmental concerns regarding pollution emitted by foundries may bring legal complication and also results in closure of units.

(iv) **Segment-wise or Product-wise performance during 2013-14:**

The Company is operating in one segment of business and hence the product performance is furnished under Sl. No. (viii) of this report.

(v) **Outlook:**

The world economy is stabilizing from the recession and your Company anticipates notable growth in all parameters in future, even though, weak European economy and slowdown in industrial growth rate continues to be a matter of concern.

However, efforts are on to explore new avenues for business so that the dependence on BEML could be reduced progressively over the period. In the meanwhile, various types of steel castings used in Track Shoes for T-72, ARVs, BMP, etc., relating to Defence business and Axle Box, Buffer Assembly, etc., relating to Rail business are planned for development and production by the Company. Further, your Company is exploring opportunities to manufacture and supply high manganese U-2 steel castings in

order to improve the performance level of the Company.

The above strategies will help the Company to achieve ` 42.26 Crs by 2017-18 as envisaged in the perspective plan and probably scale much higher levels in the days to come.

(vi) **Risks and Concerns:**

The Company follows a system of making all major business decisions after a thorough discussion and analysis of risks and returns involved. Through this approach it strives to identify opportunities that enhance organizational values while managing or mitigating risks that can adversely impact the Company's future performance. The major concerns faced by the Company are:

- (a) Uncertainty, especially in Mining sector, due to delay in resolving environmental and social issues.
- (b) Higher level of input costs.
- (c) Innovative marketing strategies to counter competition.
- (d) Retaining skilled manpower.

However, all action plans and strategies are put in place to address the above challenges and to ensure the business with reasonable growth as in the past.

(vii) **Internal control systems and their adequacy:**

The Company has an internal control system designed to provide assurance regarding optimisation and safeguarding of resources, quality and reliability of financial and operational information, compliance with

applicable statutes and corporate policies. It is the Company's endeavour to align all its processes and controls with industry best practices.

The internal audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operations. The internal audit department performs risk based audits, based on an internal and transaction audit plan, which would be reviewed in consultation with the statutory auditors and the audit committee.

Your Company has implemented an enterprise-wide ERP. It has an end-to-end SAP platform that provide a robust foundation to address several emerging business needs.

(viii) Discussion on financial performance with respect to operational performance:

(₹ Lakhs)

Particulars	2013-14	2012-13
a) Sales	3675.12	2747.03
b) Value of Production (VoP)	3073.11	2567.28
c) Profit before Tax	(144.77)	(227.82)
d) Profit after Tax	(96.80)	(270.52)
e) Networth	445.33	542.12
f) Inventory	926.77	1482.38
g) Trade Receivables	--	0.45
Total inventory in no. of days of VoP (f/b*365)	110	211
Trade Receivables / Sales in days (g/a*365)	--	0.06
% Profit before Tax to Sales (c/a*100)	(3.94)	(8.29)
% Profit after Tax to Networth (d/e*100)	(21.74)	(49.90)

Your Company achieved a turnover of ₹ 36.75 Crs as against ₹ 27.47 Crs in the previous year, posting a growth of 33.78%. The Value of Production is ₹ 30.73 Crs as against ₹ 25.67 Crs in the previous year. The Loss was ₹ 1.45 Crs as against loss of ₹ 2.28 Crs incurred during the previous financial year. One of the reasons for the reduction in profit margin was the corrective actions effected in adjustment of difference in the

work-in-progress inventories. Further, breakdown of equipments like induction furnace, EoT crane, air compressor, apart from frequent and unscheduled power cut which affected the fettling and proof machining of castings available with the sub-contractors, also impacted the operations of the Company.

(ix) Material developments in Human Resources, Industrial Relations front including number of people employed:

The Company intensified focus on training and development of manpower. Training and development at middle management levels were in focus during the year. A company-wide associate survey was undertaken to obtain feedback on various aspects of HR, covering all employees. The Company intensified its communication with all levels and categories of employees by way of different internal forums. The Company also continued to excel in the field of training apprentices and workmen.

The industrial relations has been harmonious and cordial during the year. The manpower strength as of 31.03.2014 stood at 127 as against 146 during previous year. During the year, 2,739 man-days of training were imparted to sharpen their skills and update their knowledge of employees.

(x) Environmental Protection and Conservation, Technological conservation, Renewable energy developments, Foreign Exchange conservation:

Relevant information in this regard is disclosed in the Board's Report.

(xi) Corporate Social Responsibility and Sustainability (CSRS):

The details of CSRS activities undertaken by the



Company during the year are furnished in the Board's Report.

Cautionary Statement - Certain statements made in the Management Discussion and Analysis Report related to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results

may differ from such expectations, projections and so on whether expressed or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on over which the Company does not have any direct control.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identity No. : U51101KA1963PLC001510
Nominal Capital : ` 400 Lakhs

To the members of M/s Vignyan Industries Limited

I have examined all the relevant records of Vignyan Industries Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under DPE Guidelines on Corporate Governance for CPSEs-2010 for the year ended 31st March, 2014. I have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

On the basis of my examination of the records produced and the explanations and information furnished, I certify that the Company has complied with mandatory requirements of the DPE Guidelines on Corporate Governance for CPSEs-2010.

For Velichety & Co.,
Chartered Accountants

CA. V. Vijaya Raghava Rao
Partner
M.No.: 028453
FRN.: 004588S

Bangalore
May 19, 2014



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 2013 - 14

**BALANCE SHEET**

(₹ in Lakhs)

Particulars	Note No.	As at 31 March, 2014	As at 31 March, 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	278.97	278.97
(b) Reserves and surplus	2	166.36	263.15
(2) Share application money pending allotment		-	-
(3) Non-current liabilities			
(a) Long-term borrowings	3	-	-
(b) Deferred tax liabilities (Net)	4	85.51	133.48
(4) Current liabilities			
(a) Short-term borrowings	5	187.07	152.17
(b) Trade payables	6	292.82	304.55
(c) Other current liabilities	7	849.61	1,427.80
(d) Short-term provisions	8	185.92	153.51
TOTAL		2,046.26	2,713.63
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	909.71	986.09
(ii) Capital work-in-progress	10	-	-
(b) Long-term loans and advances	11	179.43	174.96
(2) Current assets			
(a) Inventories	12	926.77	1,482.38
(b) Trade receivables	13	-	0.45
(c) Cash and cash equivalents	14	1.48	1.36
(d) Short-term loans and advances	15	24.62	64.11
(e) Other current assets	16	4.25	4.28
TOTAL		2,046.26	2,713.63

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 Board

Bangalore
23.05.2014

S.V.RAVISEKHAR RAO
Company Secretary

**STATEMENT OF PROFIT AND LOSS**

(` in Lakhs)

Particulars	Note No.	For the Year ended 31 March, 2014	For the Year ended 31 March, 2013
Revenues:			
Revenue from operations	17	3,272.25	2,450.04
Other income	18	19.69	61.33
Total Revenue		3,291.94	2,511.37
Expenses:			
Cost of materials consumed	19	1,625.47	1,311.93
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	602.01	179.75
Employee benefits expense	21	591.45	582.79
Finance costs	22	22.23	46.10
Depreciation and amortization expense	9	76.38	76.90
Other expenses	23	523.27	495.53
Total expenses		3,440.81	2,693.00
Profit/(Loss) before exceptional, extraordinary and prior period items and tax		(148.87)	(181.63)
Add/(Less) : Exceptional items		-	-
Profit/(Loss) before extraordinary items and tax		(148.87)	(181.63)
Add/(Less) : Extraordinary Items		-	-
Profit/(Loss) before Prior Period Adjustment		(148.87)	(181.63)
Add/(Less) Prior Period Adjustment	24	4.10	(46.19)
Profit/(Loss) before tax		(144.77)	(227.82)
Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		47.97	(42.70)
(3) Excess Provision of previous years Written back.		-	-
Profit /(Loss) for the period		(96.80)	(270.52)
Earnings per equity share: (`)			
(1) Basic & Diluted	25	(34.70)	(96.97)

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 Board

Bangalore
23.05.2014

S.V.RAVISEKHAR RAO
Company Secretary

**CASH FLOW STATEMENT**

(₹ in Lakhs)

Particulars	For the Year ended 31 March, 2014		For the Year ended 31 March, 2013	
	Sub items	Main items	Sub items	Main items
A. Cash flow from operating activities				
Net profit loss before tax and extraordinary items		(144.77)		(227.81)
<i>Adjustments for</i>				
Depreciation	76.38		76.89	
Interest expense	22.23		46.10	
Other interest received	(4.72)		(4.75)	
Other non-operating non-cash adjustments		93.89		118.24
Operating profit / loss before changes in working capital		(50.88)		(109.57)
<i>Adjustment for</i>				
Inventories	555.61		20.47	
Sundry debtors	0.45		2.89	
Other current assets	0.03		(1.28)	
Loans and advances	35.03		(16.39)	
Amounts due related parties	(586.72)		491.66	
Trade payables	(11.73)		(66.53)	
Other liabilities	8.53		(86.07)	
Provisions	32.41		32.10	
		33.61		376.85
Cash from generated operations		(17.27)		267.28
Direct taxes paid/refunded		-		-
Net cash flow from/used in operating activities		(17.27)		267.28
B. Cash flow from investing activities				
Purchase of tangible fixed assets	-		(1.83)	
Other interest	4.72		4.75	
Net cash flow from/used in investing activities		4.72		2.92
C. Cash flow from financing activities				
Proceeds from short-term borrowings	34.90		(35.03)	
Repayment of short-term borrowings	-		(190.28)	
Interest expense on bank borrowings	(22.23)		(46.10)	
Net cash flow from/used in financing activities		12.67		(271.41)
Net increase decrease cash and cash equivalents		0.12		(1.21)
Cash and Cash Equivalents, Beginning Balance		1.36		2.57
Cash and Cash Equivalents, Ending Balance		1.48		1.36

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 BoardBangalore
23.05.2014**S.V.RAVISEKHAR RAO**
Company Secretary



NOTES FORMING PART OF FINANCIAL STATEMENT

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.

Figures are grouped and regrouped where ever required.

Note No. 1 : Share Capital

(` in Lakhs)

Particulars	As at 31st March 2014		As at 31st March 2013	
	Number	Amount	Number	Amount
Authorised :				
Equity Shares of ` 100 each	380,000	380.00	380,000	380.00
9.5% Redeemable cum Preference Shares 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 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 2014		As at 31st March 2013	
Particulars	Number of Shares	Amount	Number of Shares	Amount
Outstanding as on Opening Date	278,966	278.97	278,966	278.97
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 2014		As at 31st March 2013	
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 2014	As at 31st March 2013
Capital Reserve		
Opening Balance	0.16	0.16
Closing Balance	0.16	0.16
Securities Premium Account		
Opening Balance	0.02	0.02
Closing Balance	0.02	0.02
Capital Redemption Reserve		
Opening Balance	10.00	10.00
Closing Balance	10.00	10.00
Balance in the Statement of Profit and Loss		
Opening Balance	252.98	523.50
Additions during the year	(96.80)	(270.52)
Closing Balance	156.18	252.98
Reserves & Surplus	166.36	263.15

Note No. 4 : Deferred Tax (Net)

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Deferred Tax Liabilities (DTL)		
Related to Fixed Assets	102.63	152.10
Effects on change in valuation	19.21	7.70
Total DTL (A)	121.84	159.80
Deferred Tax Assets (DTA)		
Leave Encashment	0.06	0.77
Gratuity Liability	36.27	25.55
Total DTA (B)	36.33	26.32
Net Total (A-B)	85.51	133.48

Note No. 5 : Short Term Borrowings

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Loan from Banks (Secured)		
Cash Credit	187.07	152.17
(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	187.07	152.17

Note No. 6 : Trade Payables

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Trade Payables		
Due to others	292.82	304.55
Total Trade Payables	292.82	304.55

Micro, Small and Medium Enterprises

Dues to MSME is NIL

Note No. 7 : Other Current Liabilities

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Unclaimed dividends	1.16	1.20
Other Payables		
a. Staff related dues	42.98	42.51
b. Statutory dues	24.29	15.65
c. Deposits & EMD received	18.16	18.70
d. BEML Limited (Holding Company)	762.93	1,349.65
e. Other dues	0.09	0.09
Total	849.61	1,427.80

Note No. 8 : Short Term Provisions

(₹ in Lakhs)

Nature	As at 31st March 2014	As at 31st March 2013
Provision for employee benefits		
for Gratuity	117.38	82.68
for Leave Salary	0.21	2.50
Provision-others		
Provision for Tax	68.33	68.33
Total	185.92	153.51

Movement in Provision

(₹ in Lakhs)

Particulars	As at 01.04.13	Additions	Utilisations	As at 31.03.14
Gratuity	82.68	47.51	12.81	117.38
Leave Salary	2.50	7.62	9.91	0.21
Total	85.18	55.13	22.72	117.59

Note No. 9 : Fixed Assets

(₹ in Lakhs)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 31.3.2013	Additions During the Year	Deduction / Re- classification & Adjustments During the Year	Inter division Transfers During the Year	As at 31.3.2014	As at 31.3.2013	For the Year During the Year	Deduction / Re- classification & Adjustments During the Year	Inter division Transfers During the Year	As at 31.3.2014	As at 31.3.2014	As at 31.3.2013
Tangible Assets												
Land												
Free Hold	0.56	-	-	-	0.56	-	-	-	-	-	0.56	0.56
Roads & Drains	1.37	-	-	-	1.37	0.94	0.03	-	-	0.97	0.40	0.43
Water Supply Installations	4.38	-	-	-	4.38	3.75	0.18	-	-	3.93	0.45	0.63
Buildings	154.87	-	-	-	154.87	66.82	4.64	-	-	71.46	83.41	88.05
Plant, Machinery and Equipment	1,419.56	-	-	-	1,419.56	536.79	66.58	-	-	603.37	816.19	882.77
Furniture & Fixtures	12.92	-	-	-	12.92	8.65	0.59	-	-	9.24	3.68	4.27
Vehicles	23.48	-	-	-	23.48	18.72	1.36	-	-	20.08	3.40	4.76
Office Equipment	40.02	-	-	-	40.02	35.40	3.00	-	-	38.40	1.62	4.62
Total Tangible Assets	1,657.16	-	-	-	1,657.16	671.07	76.38	-	-	747.45	909.71	986.09
Previous Year	1,655.33	1.83	-	-	1,657.16	594.18	76.90	-	-	671.07	986.09	1,061.16

Note No. 10 : Capital Work-in-Progress

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Building under construction	-	-
Machinery under erection	8.79	8.79
Total	8.79	8.79
Less : Provision for doubtful advance	8.79	8.79
Total	-	-

Note No. 11 : Long-Term Loans and advances

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Unsecured, considered good		
Capital Advances	33.54	33.54
Security Deposits	55.57	55.57
Other Loans and Advances	7.35	7.48
Advance Payment of Taxes	82.97	78.37
Total	179.43	174.96

Note No. 12 : Inventories

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Raw materials & Components	352.00	282.40
Stores and Spares	47.20	72.99
Work-in-Progress	448.32	983.00
Finished Goods	64.64	131.97
Patterns	14.32	11.73
Canteen Materials	0.29	0.29
Total	926.77	1,482.38

- a. Negative work orders amounting to NIL (Previous Year ₹ 25.73 Lakhs) were reduced to arrive at the closing value of Work in progress.
- b. Work-in-Progress includes materials lying with sub contractors ₹ 14.97 Lakhs for which confirmation from the parties have been obtained fully.
- c. The closing stock of work-in-progress and finished goods are stated at lower of standard cost, which approximates to actuals, and net realisable value. The difference between the actual cost of production and the standard cost is not material.
- d. The inventory does not include the value of materials received free of cost from customers and held in trust for utilisation in manufacture of their products.

Note No. 13 : Trade Receivables

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Unsecured, considered good		
Outstanding for period exceeding six months	-	-
Others > 6 months	-	0.45
Total	-	0.45

Note No. 14 : Cash and Cash Equivalents

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Balances with Banks*	1.30	1.25
Cash on hand	0.18	0.11
Total	1.48	1.36

* Balances with banks include unclaimed dividend account balances of ₹ 1.16 Lakhs

Note No. 15 : Short Term Loans and Advances

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
<u>Unsecured, Considered good</u>		
Balances with Govt. departments for Customs Duty, Excise Duty etc including receivables	5.54	23.70
Other Loans and advances		
Staff advance	5.56	7.96
Pre paid expenses & Other advances	11.93	30.98
Advances recoverable in cash or in kind for value to be received	0.12	-
TDS receivable from the deductees	1.47	1.47
Total	24.62	64.11

Note No. 16 : Other Current Assets

(₹ in Lakhs)

Particulars	As at 31st March 2014	As at 31st March 2013
Interest accrued on Mescom Deposit	4.25	4.28
Total	4.25	4.28

Notes to Statement of Profit and Loss

Note No. 17 : Revenue from Operations

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
(a) Sale of products; Sale of Castings (net of rejected castings)	3,675.12	2,747.03
Revenue including Excise Duty	3,675.12	2,747.03
Less :Excise Duty	402.87	296.99
Revenue from Operations	3,272.25	2,450.04

Note No. 18 : Other Income

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Interest Income		
- Others	-	5.79
Rent	-	0.05
Miscellaneous Income	19.69	0.44
Provision written back		
- Bad and Doubtful debts	-	55.05
Total	19.69	61.33

Note No. 19 : Cost of Materials Consumed

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Opening Stock		
- Raw Material & components	355.39	198.56
	355.39	198.56
Add: Purchases		
- Raw Material & components	1,669.28	1,468.76
	1,669.28	1,468.76
Closing stock		
- Raw Material & components	399.20	355.39
	399.20	355.39
Total Consumption of Materials	1,625.47	1,311.93

* This includes adjustment of differences in WIP between physical stock and book record amounting to ₹ 286.40 lakhs and relating to past periods.

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 2014	For the Year ended 31st March 2013
<u>Opening Stock</u>		
Work-in-progress	983.00	1,182.54
Finished Stock	131.97	112.18
	1,114.97	1,294.72
<u>Closing Stock</u>		
Work-in-progress	448.32	983.00
Finished Stock	64.64	131.97
	512.96	1,114.97
<u>Increase / (Decrease)</u>		
Work-in-progress	534.68	199.54
Finished Stock	67.33	(19.79)
Total	602.01	179.75

Note No. 21 : Employee benefits expense

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Salaries, Wages & Bonus	430.39	442.35
Leave Salary	7.62	16.60
<u>Contribution to:</u>		
- Gratuity Fund	47.51	33.92
- Provident Fund and Other Funds	31.62	43.02
Staff welfare expenses	74.31	46.90
Total Employee benefits	591.45	582.79

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	40.18	37.47
Interest Cost	3.62	3.08
Current Service Cost	1.90	1.95
Benefits Paid	(8.58)	(7.36)
Actuarial (gain)/loss on obligations	0.13	5.03
Present value of obligation at the end of the year	37.25	40.18
Changes in the Fair value of Plan assets		
Fair value of plan assets at beginning of the year	42.68	36.37
Expected return on plan assets	3.33	3.58
Contributions	0.03	10.09
Benefits paid	(8.58)	(7.36)
Actuarial (gain)/loss on plan assets	-	-
Fair value of plan assets at the end of the year	37.46	42.68
Reconciliation of obligations and fair value of plan assets		
Present value of obligation at the end of the year	37.24	40.18
Fair value of plan assets at the end of the year	37.45	42.68
Funded Status	(0.21)	(2.50)
Liability recognized during the year	0.21	2.50
Expenses recognized during the year		
Current Service Cost	1.90	1.95
Interest Cost	3.62	3.08
Expected return on plan assets	(3.33)	(3.58)
Actuarial (gain)/loss on obligation	0.13	5.03
Contributions	5.30	10.13
Net Cost	7.62	16.60
Investment Details	%	%
Investment with LIC	100	100
Leave Salary		
Actuarial Assumptions	Current year	Previous year
	(Funded)	(Funded)
Mortality Table (LIC)	2006-08	1994-96
	(Ultimate)	(Ultimate)
Discount rate	9.00%	8.25%
Rate of return on plan assets	8.75%	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	353.46	357.72
Interest Cost	31.81	29.43
Current Service Cost	10.29	11.61
Benefits Paid	(94.92)	(73.98)
Actuarial (gain)/loss on obligations	11.88	28.68
Present value of obligation at the end of the year	312.52	353.46
Changes in the Fair value of Plan assets		
Fair value of plan assets at beginning of the year	270.78	296.95
Expected return on plan assets	19.28	24.48
Contributions	-	23.33
Benefits paid	(94.92)	(73.98)
Fair value of plan assets at the end of the year	195.14	270.78
Reconciliation of obligations and fair value of plan assets		
Present value of obligation at the end of the year	312.52	353.46
Fair value of plan assets at the end of the year	195.14	270.78
Funded Status	(117.38)	(82.68)
Liability recognized during the year	117.38	82.68
Expenses recognized during the year		
Interest Cost	31.81	29.43
Current Service Cost	10.29	11.61
Expected return on plan assets	(19.28)	(24.48)
Actuarial (gain)/loss on obligation	11.88	28.68
Contributions	12.81	(11.33)
Net Cost	47.51	33.92
Investment Details	%	%
Investment with LIC	100	100
Actuarial Assumptions	Gratuity	
	Current year	Previous year
	(Funded)	(Funded)
Mortality Table (LIC)	2006-08	1994-96
	(Ultimate)	(Ultimate)
Discount rate	9.00%	8.25%
Rate of return on plan assets	8.75%	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 2014	For the Year ended 31st March 2013
Interest expense		
- Interest to Banks		
On Cash Credit & Short term Loans	22.23	25.37
On Long Term Loans	-	20.73
Total Interest Cost	22.23	46.10

Note No. 23 : Other expenses

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Machining / Fettling charges	104.67	75.05
Power and fuel	280.20	246.05
Moulding Charges	38.84	27.75
<u>Repairs and Maintenance</u>		
Plant & Machinery	4.29	3.35
Building	0.10	0.56
Others	1.76	1.82
Stationery	1.47	0.49
Insurance	1.45	1.42
Rates and Taxes	3.04	2.39
Postage, Telegram, Telephone and Telex	5.64	4.51
Selling Expenses	19.93	0.38
Remuneration to Auditors	1.01	0.85
Legal and Professional Charges	3.23	10.83
Travelling Expenses	6.61	5.84
Directors Expenses	1.20	0.15
Vehicle Maintenance	4.88	7.06
Board meeting Expenses	-	0.25
Guest House Maintenance	0.16	0.20
Expenses on CSR Activities	0.48	-
Miscellaneous Expenses	38.92	77.28
Provision for doubtful debts	-	8.79
Sales Tax on SRN	-	7.54
ED on FGI	5.39	12.97
Total Other expenses	523.27	495.53

b. Break up of Remuneration to Auditors

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
(a) Towards Audit Fee	0.60	0.50
(b) Half yearly Limited Review	0.30	0.25
(c) Travel & out-of-pocket expenses	0.11	0.10
Total	1.01	0.85

Note No. 24 : Prior Period Items

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Expenditure		
Previous Year Property Tax	1.72	-
Previous year income	(5.82)	-
Previous year Income tax	-	12.50
Performance Incentive	-	1.66
Previous year expenses transferred by HQ	-	8.90
Excess salary for 2011-12 credit	-	(2.22)
Defects & spoilages	-	25.35
Net income / (Expenditure)	(4.10)	46.19

Note No. 25 : Other Disclosures

Notes to Statement of Profit and Loss

A. Basic/ Diluted Earnings Per Equity Share

(₹ in Lakhs)

Particulars	For the Year ended 31st March 2014	For the Year ended 31st March 2013
Net Profit / (Loss) after Tax (₹ Lakhs)	(96.80)	(270.52)
Average Number of Shares	278,966	278,966
Earnings Per Share (Basic and Diluted)		
– Face Value ₹ 100/- Per Share (₹)	(34.70)	(96.97)



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 2014	For the Year ended 31st March 2013
Sales	3,858.02	2,856.64
Purchases	925.43	930.10
Salaries charged to VIL for BEML personnel deputed	58.57	77.30
Corporate Guarantee given to Bankers	-	750.00
Amount payable towards suppliers - Closing Balance	762.93	1,349.65

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

We have audited the accompanying financial statements of Vignyan Industries Limited, Tarikere ("The Company") which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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, 2014;
- (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

Bangalore

23/5/2014

Annexure to Independent Auditors' Report of Vignyan Industries Ltd for the year 2013-14

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 proper records to show particulars of all fixed assets. As explained to us, fixed assets have been physically verified during the year.
- b) 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 lying in the premises have been physically verified by the management during the year.
- b) During the year the Company has carried out Physical Verification of Work-in-progress. The differences in Physical and ERPSAP has been accounted in the books of accounts.

In respect of other Inventories, the Company is following Perpetual Inventory verification system.

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.

- 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 purview 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.
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 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 to carry out Transaction Audit for the year 2013-14.

The Company has not obtained transaction auditor's quarterly reports before due dates. Verification, if the audit is done as per scope given is also not adhered to by the Company.

Subject to the above, the Internal Audit System 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 generally 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 (Auditor's 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 Accountants

Firm no: 05298S

Membership No.021369

Bangalore

23/5/2014



ADDENDUM TO THE BOARD'S REPORT

Company's reply to observation of Statutory Auditors in their Annexure to Audit Report:

Para No.	Auditor's Observation	Company's Reply
7.	<p>Apart from its own Internal Audit Department, the Company has appointed an external firm of Chartered Accountants to carry out Transaction Audit for the year 2013-14.</p> <p><i>The Company has not obtained transaction auditor's quarterly reports before due dates. Verification, if the audit is done as per Scope given is also not adhered to by the Company.</i></p> <p>Subject to the above, the Internal Audit System is commensurate with the size of the Company and the nature of its business.</p>	<p>Noted, corrective action as desired by Auditors for due date adherence and as per scope of transaction audit will be improved in Financial Year 2014-15.</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, TARIKERE FOR THE YEAR ENDED 31st March 2014.

The preparation of financial statements of **M/s. Vignyan Industries Limited** for the year ended 31st March, 2014 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 Standards on Auditing 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 23 May 2014.

I, on the 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 31 March 2014. 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. On the basis of my audit nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to 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, IA&AS)
Pr. Director of Commercial Audit
& Ex-officio Member, Audit Board, Bangalore.

Bangalore
Dated: 18 June 2014



VIGNYAN INDUSTRIES LIMITED

(CIN : U51101KA1963PLC001510)

Registered office : Haliyur Village, B.H. Road, Tarikere – 577 228

ADMISSION SLIP

50th ANNUAL GENERAL MEETING

I hereby record my presence at the 50th Annual General Meeting held on **Wednesday, the 27th August 2014 at 11.30 Hours** at the Registered Office of the Company at Haliyur, B.H. Road, Tarikere Post.

Regd. Folio No.....

No. of shares held

Name : Shri / Smt

(Name of the Shareholder / Proxy Present)

Address :

.....

Member / Proxy's signature

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**

(CIN : U51101KA1963PLC001510)

Registered office : Haliyur Village, B.H. Road, Tarikere – 577 228

PROXY FORM

I/We, being the member(s) of shares of Vignyan Industries Limited, hereby appoint:

(1) Name.....Address.....
.....

E-Mail IDPhone.....

(2) Name.....Address.....
.....

E-Mail IDPhone.....

and whose signature(s) are appended below as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 50th Annual general meeting of the Company, to be held on **Wednesday, the 27th August 2014 at 11.30 Hours** at Tarikere and at any adjournment thereof in respect of such resolutions as are indicated below:

<i>Resolutions</i>	<i>Votes for</i>	<i>Votes Against</i>
1. Adoption of Audited Financial Statements for the year 2013-14		
2. Re-election of Shri C.N. Durgesh, as Director		
3. Fixation of remuneration of the Statutory Auditors		
4. Appointment of Dr. S Venkateswaran as an Independent Director		

Date:

Signature of ShareholderAffix
Revenue
Stamp_____
Signature of First Proxy Holder Signature of Second Proxy Holder

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