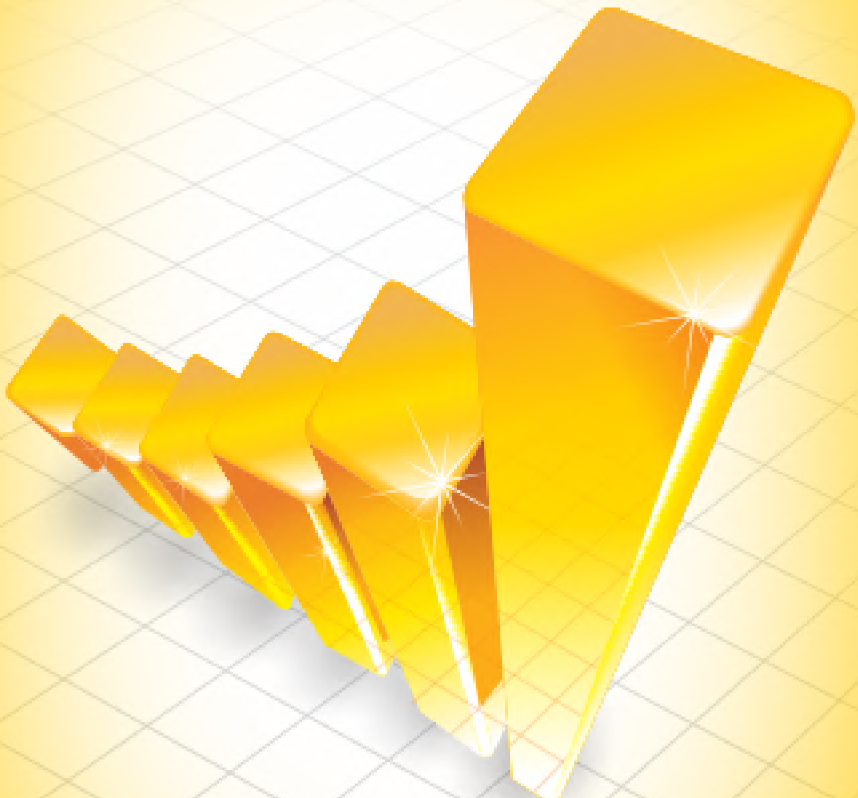
28th

ANNUAL REPORT

2010-11



Soaring High with Confident Performance

VRL LOGISTICS LIMITED

OUR VISION

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

OUR MISSION

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

Head Office

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COMPANY INFORMATION

BOARD OF DIRECTORS
Vijay Sankeshwar
Chairman & Managing Director

Anand Sankeshwar
Managing Director

J.S. Korlahalli
Director

Prabhakar Kore
Director

Sudhir Ghate
Director

C. Karunakara Shetty
Director

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

COMPANY SECRETARY
Aniruddha Phadnavis

LEGAL ADVISOR
R.B. Gadagkar

AUDITORS
Walker, Chandiok & Co.
Chartered Accountants
Mumbai

M/S H.K. Veerbhaddrappa & Co.
Chartered Accountants
Hubli

BANKERS
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
Kotak Mahindra Bank Ltd.
NKGSB Co-Operative Bank Ltd.
State Bank of India
State Bank of Mysore
Syndicate Bank
Shamrao Vithal Co-Operative Bank Ltd.
UCO Bank
Union Bank of India
Axis Bank
ING Vysya Bank

BOARD COMMITTEES

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

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

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

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

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

SHARE HOLDERS AND INVESTORS GRIEVANCE COMMITTEE
Sudhir Ghate – Chairman
C. Karunakara Shetty
J.S. Korlahalli

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

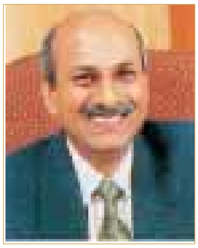
REGISTRAR TO FIXED DEPOSIT SCHEME
KARVY COMPUTER SHARE PRIVATE LTD.
Plot No.17 to 24, Vittalrao Nagar, Madhapur
Hyderabad – 500 081

OUR BOARD OF DIRECTORS

Mr. Vijay Sankeshwar
Chairman & Managing Director

Mr. Anand Sankeshwar
Managing Director

Mr. J.S. Korlahalli
Independent Director



Mr. Prabhakar Kore
Independent Director

Mr. Sudhir Ghate
Independent Director

Mr. C. Karunakara Shetty
Independent Director

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Particulars	Amount
Total Income	89291.54
EBIDTA	17081.88
PBT	7113.92
Net Profit	5097.68

OUR KEY CUSTOMERS

Apollo Tyres
Arvind Mills
Ashok Leyland
Asian Paints
AMW Ltd.
Bajaj Auto
Bell Ceramics
Berger Paints
Bharati Airtel
Britannia Industries
Cadbury India
Cadila Pharma
Carrier Air Conditioner
Cipla
Colgate Palmolive
Emami
Eureka Forbes
Fleet Guards
Samsung Electronics
Glaxosmithkline
Glenmark Pharmaceuticals
Godrej & Boyce
Grasim Industries
Ingram Micro
ITC Food Division
JCB India
Johnson & Johnson
Kirloskar Oil Engines
Kalyani Steels
Larsen & Toubro
LG Electronics
Mahindra & Mahindra
Michelin Tyres
Monsanto
Motorola India
Mukand Steels
Nestle India
Neelkamal Industries
Pedilite Industries
Puma Sports India
Ranbaxy Lab
Raymonds
SKF
Tata Motors
Videocon
Valvoline
VIP (Blow Past)
Wipro

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

GENERAL PARCEL

EXPRESS CARGO

PASSENGER SERVICE

COURIER SERVICES

CAR CARRIER SERVICES

TANKER SERVICES

AVIATION

WIND ENERGY

CHAIRMAN'S MESSAGE

I take pleasure in placing before you this report detailing the encouraging performance of VRL Logistics Limited. The last financial year witnessed robust growth in revenues and profitability. The current financial results represent a strong operational performance by the Company. I would like to take this opportunity to highlight the progress of the Company during the financial year 2010-11.

The Company earned total revenues of Rs. 892.92 crores and recorded profits after tax to the tune of Rs.50.97 crores as against corresponding revenues of Rs. 714.67 crores and profits after tax of Rs.29.10 crores for the earlier financial year. The same translates to a revenue growth of 25% driven by higher volumes and complemented by the consolidation measures initiated by the Company during the earlier fiscal. I am confident of the Company scaling greater heights in the years to come.

The performance of the General Parcel and Express Cargo business has been very encouraging and these business lines are the principal driving forces for the volume growth witnessed by the Company. The current year saw an addition of significant number of higher capacity vehicles which successfully catered to the growing volumes accepted for transportation. In house body designing facilities as well as in-house maintenance of vehicles ensured the optimal utilization of the Company owned vehicles. Whereas the country today faces a severe driver availability crunch, operations of the Company were not hampered on account its driver friendly policies. With its unique operating and marketing functioning, the Company is able to generate freight from North – South and vice versa. The same ensures optimum utilization of vehicles. The Company's asset ownership based business model complemented by its Hub-and-Spoke distribution strategy ensures optimum asset utilization and resource sweating. I strongly believe that the same is the best business model to cater to the parcel movement across the country. We continuously strive to improve our service delivery and customer experience and we have implemented practices within our organization which we believe are the best in the industry. We are one of the few transportation majors who ensure consistent operating practices across the board enabled by an in-house developed Procedure Manual which is reviewed and updated on an ongoing basis. I am sure that the present conscious service oriented philosophy, which has been percolated across all employee levels in the Company, would lead to a further significant growth in garnering freight and serving customers to a much larger extent.

The Company has recently forayed into the attractive business of automobile transportation. The present endeavor in this direction would be limited to the extent of carriage of cars. The Company has completed negotiations with leading automobile manufacturers and related entities for garnering sizeable business within this space. Initially, the Company would cater to this business segment with a fleet of 100 car carrying vehicles. A limited presence has also been established in the arena of chemical transportation. The Company has acquired a few tankers and would be acquiring around 20 tanker vehicles for the transportation of ethanol, Rectified spirit and other chemicals as there is a strong growth potential in this domain. These business lines will entail fresh capex and the Company would strive to finance these costs in a prudent manner. I am confident of the success of these new business lines. I also eagerly await the implementation of the proposed GST, which I am sure would translate into unprecedented volume growth for organized logistics players like us.

Our efforts to focus on the attractive passenger transportation business yielded sound results in terms of higher business volumes. This business division also saw an entry into Andhra Pradesh, a new geographical territory. It would be the endeavor of the Company to consolidate its existing service locations as well as venture into attractive newer geographies in the country. The present bus fleet of the Company has been further augmented by newer vehicles including Multi-axle vehicles of Volvo make which offer a very smooth, pleasant and comfortable journey to passengers over longer distances. Also, these vehicles offer benefits to the Company such as higher seating capacity and a reduced transit timeframe. It would also not be out of place to mention here that the order placed by us is the single largest order received for such buses by Volvo. Significant additions to the Seater, AC Sleeper and Non AC Sleeper buses have also been made. The recent budgetary amendment relating to exemption from Service Tax for bus operators has provided a big relief to this industry as a whole. Doing business in this arena is advantageous as it offers immediate cash realizations as well as higher profit margins. The Company is expected to witness sizeable growth in the passenger transportation business in the years to come.

Windmill revenue in the current fiscal was considerably lower than that for the corresponding earlier fiscal and the same was a result of the lower wind footfall across the country. Though the same is a natural phenomena, it results in a marginal pressure on the cash flows and thereby on the debt servicing obligations. However, the Company has ensured that its debt servicing obligations were met well within time. Upon the Company's signing a CER Purchase Agreement (CERPA) with the Asian Development Bank, the Company received an upfront advance amount of Rs.1237.54 lacs, which was applied towards the project debt. The Company would also exercise its impending option of tax holiday in the next fiscal to ensure optimum utilization of the taxation benefit. Profits arising from this business line would be tax free for the next 10 years and the gradual decline in the debt attributable to this project would ensure a fantastic return on the capital employed on this project.

The performance of Air Chartering and Courier divisions was encouraging during the last year. The Company would be able to synergize its present operations and the courier business to operate on a cost-competent model.

The year that went by was not without challenges. Significant volatility was seen in certain input costs, especially rubber and diesel. Lease rentals for premises occupied by the Company continued to point northwards. A significant increase in toll costs was seen on account of increase in toll rates on existing tolled roads as well as owing to additions in the road network under toll. Significant escalation in the employee remuneration, especially to the one related to drivers and hamals, was necessitated on account of severe inflationary pressure on the basic amenities in the country. Rising fuel costs as well as interest rates have exerted considerable pressure on the margins and passing on all incremental costs to customers may not always be feasible to remain competitive. Interest rates are on the rise and presently there appears no likelihood of their easing down. The Company will evolve a suitable strategy to address these concerns.

The latter part of this year also witnessed a major change in applicable legislation by the introduction of the new Carriage by Road Act, 2007, which was made effective March 1, 2011. The erstwhile Carriers Act has since been repealed. Thereby, the Company has taken the mandated initial steps towards compliance of the act. Whereas the Company is in a position to effectively implement the same, there is severe resistance for the implementation of this act from leading industry bodies to which we belong. The Company would need to draw a delicate line of balance to ensure compliance with this legislation in accordance with its philosophy of 'in spirit legal compliances' as well as appeasing the industry bodies and participating in the collective effort of improvements, reliefs and modifications sought to ensure that the new law benefits our industry, which I believe is a neglected industry.

As a measure of part financing the proposed capex plans of the company as well as to ensure faster growth and retire certain high cost debt, the Company has planned for an Initial Public Offering (IPO) of equity shares through the book building route. Accordingly, the Company has engaged SBI Capital Markets Limited as its sole Book Running Lead Manager. A Draft Red Herring Prospectus (DRHP) was filed with the Securities and Exchange Board of India (SEBI) and the same has been cleared by SEBI. Though the Company is presently fully equipped to launch its offering, it has been felt apt to hold on to such a step as the present sentiment in the primary markets is weak. The SEBI approval is valid upto March 10, 2012 and the Company would launch its IPO within such time. Upon completion, such fund infusion would propel the business and profitability growth and all concerned stakeholders would benefit immensely.

I believe that the Company's employees are its biggest strength and I take this opportunity to thank all our staff for their dedication, hard work and support without which scaling such newer heights would not have been possible. The credit for the Company being regarded as one of the best companies in the country in the logistics space goes to our employees and I seek their involvement to grow together in the years to come.

I express my gratitude, on behalf of the Company as well as on my behalf, to our valuable customers, bankers, financial institutions, business associates and industry bodies for their co-operation and support.

With best wishes,

VIJAY SANKESHWAR
CHAIRMAN & MANAGING DIRECTOR

Hubli
June 1, 2011

THE VRL SAGA

The achievements made by VRL till date are commendable and attaining such stunning success wasn't easy. Along the way, VRL endured formidable challenges and took bold steps to retain its success. It created a palpable differential for itself by arrogating a niche and a 'hard to emulate' segment of Parcel Transportation in the country.

Infrastructure, Reach & People

VRL's growth is attributed to the Company's unique business model and the huge investments that VRL has made in building and infrastructure that is unmatched in the entire country. The figures make impressive reading: around 850 branches and franchisees' to cater to the ever–growing customer demands with operations in 21 States and 6 Union Territories. Our infrastructure facilities are capable of handling growth and expansion. We offer a range of services that are complementary to each other and thus constitute a unique business framework.

The business model of the company is based on asset ownership model. The Company owns the single largest fleet of commercial vehicles in India's private sector. VRL has adopted a hub and spoke distribution model for delivery of consignments, which entails establishment of several transhipment hubs and re-distribution of consignments therefrom to their respective destinations. This ensures significant cost savings, rationalization of routes covered by vehicles and optimum utilization of resources including vehicles, manpower etc. The present movement of goods is routed through 44 transhipment hubs strategically located across the country.

VRL Logistics Limited finds mention in the Limca Book of Records as being the largest owner of commercial vehicles in India's Private Sector. The company also has vehicles for internal use such as Fork Lifts, Cranes, Staff Buses, Water Tankers, Diesel Tanker, Tractors, etc.

VRL also owns an Aircraft - Premier 1A, Hawker Beechcraft make, with a carrying capacity of 6 passengers. The same is deployed for Air Chartering.

The Company has installed 34 Wind Turbine Generators (WTGs) having individual capacity of 1.25 MW each aggregating to 42.50 MW located at Gadag district of Karnataka. VRL has entered into Power Purchase Agreement with Hubli Electricity Supply Company Limited (HESCOM), for the sale of such power generated.

At the core of the group's transport business is its gigantic 43 acre transport-cum-warehouse complex at Varur, Hubli. This unique facility has all the essential back-up services under one roof. The said complex houses the Administrative Complex, Transhipment facility, Workshop Sheds for Vehicle Maintenance, Weigh Bridge, Diesel Bunk, Utility Areas, Vehicle Parking Area, etc.

The Company has developed strong in-house capabilities over a period of time which enables it to improve the efficiency of owned vehicles as also the overall service delivery model. Our in-house body designing facility enables us to build the body structures for our vehicles based on our specifications, thereby maximizing utilisation of space and minimizing the body weight by using light metal like aluminium along with steel, rather than steel alone. The in-house competency also includes vehicle repair and maintenance facility at Varur where we focus on carrying on preventive maintenance measures to minimize the events of breakdown or damage to vehicles.

A dedicated research and development team works on the design and re-engineering of vehicle components with an aim of reducing operating cost of the fleet and enhance performance thereof. This leads to better utilization of vehicle capacities for each trip undertaken, which leads to a more efficient delivery model, enhanced revenue generation besides improved operating life of the vehicle, better scrap realization etc. We also benefit from the cost advantages of internalizing these activities.

The Company regularly conducts training programmes to increase the efficiency in the work and to reduce wastage in various functions of operations such as conducting driving training programme to improve skills of driving. HR policies at VRL have ensured that the 12,000 plus employees of the company feel a sense of belonging, togetherness and ownership with the organization. Company has a strong dedicated operations team monitoring handling of cargo and ensuring on time deliveries with an impeccable efficiency.

Technology

The information technology division located at Varur oversees the information technology requirements of the Company including computerization of branches, hubs and offices. VRL has developed its own GPS based tracking device which has been installed in select long route vehicles. In addition to keeping track of the movement of the vehicles, the GPS system

also tracks the time spent by the vehicle when not in motion, the location where it has stopped in addition to tracking the pre assigned route to be followed by the vehicle. VRL also has an online cargo tracking system, which helps customers in locating movement of parcels on a real time basis as also an online system for booking of tickets for Passenger Travel.

VRL has invested huge amounts in technology to keep abreast of the latest market trends and has continuously upgraded its technology. It has its in-house technology innovation team. Most of the hardware and software used is developed by its own IT Professionals. The company received ISO 9001:2000 Certification in 2005, for its passengers travel division and ISO 9001:2000 certification for its logistics services in 2006. ISO certificate has been regularly renewed and the Company presently holds ISO 9001:2008 certificate.

The IT team has integrated the back-office operations and core business, while enhancing business intelligence and customer relationship management. Today, VRL's competitive edge revolves around providing a web-based application to customers to facilitate consignment tracking, order booking and a host of other facilities.

Highlights

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

- Vehicle Maintenance Tracker
- Vehicle Traffic Application
- Consignment Delivery Application
- Hub Application
- On line bus ticket booking system
- Accounting package
- Remote access to networked computers
- RFID based driver attendance module
- RFID based tyre tracking system
- Online system for inventory management
- Online system for ensuring compliance with vehicle documentation renewal requirements.

KEY MILESTONES

1976 – Commencement of Transport services through a proprietary concern by Mr. Vijay Sankeshwar – Commencement of business with a single truck.

1983 – Business converted into a Private Limited Company by the name of Vijayanand Roadlines Private Limited.

1992 – Commencement of Courier Service within the state of Karnataka.

1994 – Vijayanand Roadlines Private Limited, becomes a deemed Public Limited Company.

1997 – The status of the Company changed from a deemed Public Limited Company to a Public Limited Company.

2003 – Vijayanand Printers Limited becomes a wholly owned subsidiary.

2003 – Entered into LIMCA BOOK OF RECORDS as single largest fleet owner of commercial vehicles in the private sector in India.

2004 – Commercial Operation of Gigantic infrastructure facility at Varur, Hubli.

2005 – ISO 9001:2000 Certificate for providing Passengers Travels service at Hubli, Bangalore, Belgaum (presently ISO 9001:2008).

2006 – Entire stake in Vijayanand Printers Limited divested to Times Group.

2007 – Company diversified into power generation – installed 34 Wind Turbine Generators with capacity of 1.25 MW each.

2007 – Company entered into the air charter business and purchased 1A aircraft from Hawker Beechcraft Incorporation.

2009 – UNFCCC approval for Company's Wind Power Project.

2010 – Efforts of the Company recognized by way of several awards and recognition.

2011 – Foray into new logistics verticals - Car Carrying and Chemical Transportation.

AWARDS

INDIA ROAD TRANSPORTATION AWARDS

THE NEW ERA AWARD BY OTHER WAYS MANAGEMENT AND CONSULTING ASSOCIATION, PARIS

In line with the past years, VRL Logistics Limited received the following awards:

- **The National Award for "Environmental Conservation" at the CEAT India Road Transportation Awards 2010**
- **The Regional Award for "Operational Excellence" at the CEAT India Road Transportation Awards 2010**

CEAT India Road Transportation Awards sought to reward excellence and innovative thinking in the various aspects of road transportation. It attemped to ensure fair play in the selection of award winners and did not have parameters of size and scale and the only consideration for winning was the power of innovation. The parameters for evaluation were innovativeness, impact, sustainability and replicability. Ernst & Young were the process advisors and official tabulators for the said awards.
(Source: www.cirta.co.in)

- **The New Era Award for "Technology, Innovation and Quality" by Otherways Management Association, France, 2010**

As the name suggests, the said award is for Quality and Innovation and recognizes the industry leaders within their countries.
(Source: www.otherwaysme.com)

RECOGNITION

In the past, VRL and its promoters have been recognized by the industry and its customers as being dedicated to customer delight. They have shown their immense appreciation and demonstrated belief by way of the following:

Mr. Vijay Sankeshwar was conferred with the following awards:

- 'UDYOG RATNA' in 1994 for excellence in business
- 'SARIGE RATNA' award in the year 1998
- ' VISVESVARAYYA NAVARATNA' award in 2003
- 'PATRIKODYAMA & SAMAJIKA SEVA PURASKAR' for the excellent contribution in the news paper industry and social service
- 'SIR M VISVESVARAYYA MEMORIAL AWARD' IN 2007 for outstanding contribution to the economic and social development of Karnataka

Mr. Anand Sankeshwar was conferred with the following awards:

- ABCI Award in the year 2005 from the Association of Business Communicators of India
- 'MARKETING PROFESSIONAL OF THE YEAR' for marketing excellence by Indira Group of Institutes in 2006
- 'BEST SECOND GENERATION ENTREPRENEUR AWARD' IN 2010 from TiE Global, USA

KEY STRENGTHS

Established & Reputed Brand

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

Strong In-house Capabilities

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

Large Size and Scale of Operations

- Multi-service transport and logistics provider with goods transport service present in 21 states and 6 Union Territories service across the length and breadth of India.
- Passenger transport business covering 91 cities with 54 branches, 565 franchises and 11 web agents across Karnataka, Maharashtra, Goa and Andhra Pradesh.
- Passenger Travel - Wide range of vehicles with 270 plus routes and around 6500 passengers per day.

Experienced Management Team

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

Integrated Business Model

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

VRL LOGISTICS LIMITED

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 28th Annual General Meeting of the Company will be held on 6th August, 2011 at 11.00 a.m at the Registered Office of the Company, situated at 18th KM, NH4, Bangalore Road, Varur, **HUBLI** – 581 207, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements as at 31st March 2011 and the report of the Directors and the Auditors thereon.
2. To confirm interim dividend for the financial year ended 31st March 2011 as the final dividend for the year.
3. To appoint Directors in place of Mr. C. Karunakara Shetty and Mr. Sudhir Ghate who retire by rotation and being eligible, offer themselves for re-appointment.
4. To appoint auditors to hold office from conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration and if thought fit, or without modification(s), pass the following resolution :

"RESOLVED THAT M/s H. K. Veerbhaddarappa & Co., Chartered Accountants, Hubli and M/s Walker, Chandiok & Co., Chartered Accountants, Mumbai be and are hereby re-appointed as the Joint Statutory Auditors of the company to hold office from conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors."

SPECIAL BUSINESS:

5. VARIATION IN THE TERMS OF APPOINTMENT OF MRS.VANI SANKESHWAR, PRESIDENT

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

"RESOLVED THAT pursuant to the partial modification of the resolution passed in the 27th Annual General Meeting held on 6th July, 2010, Section 314 of the Companies Act, 1956, Director's Relatives (Office or place of Profit) Rules, and other applicable provisions if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to increase the monthly salary payable to Mrs.Vani Sankeshwar, President, from Rs.49,000/- p.m. to Rs.1,50,000/- p.m. w.e.f 1st June 2011

RESOLVED FURTHER THAT all other terms and conditions of her appointment shall remain unchanged

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and are hereby authorized to do all acts, deeds, matters and things as may be necessary, expedient, usual and proper."

6. ISSUE OF EQUITY SHARES PURSUANT TO INITIAL PUBLIC OFFERING

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

A. ISSUE OF FRESH SHARES

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as the "Act") (including any statutory modification or re-enactment thereof for the time being in force), read with the Memorandum of Association and Articles of Association of the Company and the Listing Agreements to be entered into with the respective Stock Exchanges, where the Company's equity shares are proposed to be listed and subject to the approval to the extent necessary of the Government of India, Securities and Exchange Board of India ("SEBI"), Foreign Investment Promotion Board ("FIPB"), Reserve Bank of India ("RBI") and all other concerned statutory and other authorities and to the extent necessary, such other approvals, consents, permissions, sanctions and the like, as may be necessary, and subject to such conditions and modifications as may be prescribed, stipulated or imposed by any of them while granting such approvals, consents, permissions, sanctions and the like, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall include a duly authorized Committee for the time being exercising the powers conferred upon it by the Board), consent of the members in this General Meeting be and is hereby granted, and the Board be and is hereby authorized to create, offer, issue and allot equity shares of the face value of Rs. 10/- (Rupees ten only) each, ranking pari-passu with the existing equity shares of the Company ("the Equity Shares"), at par or at a premium, so however that the total amount to be raised including amount of securities premium by such offerings shall not exceed Rs.500 Crores to such person or persons, who may or may not be the Members of the Company and as the Board may at its sole discretion decide, including one or more of the Members, Promoters (that is to say persons in present management and control of the Company) and their associates, directors, friends, relatives and associates, foreign / resident investors, foreign institutional investors ("FIIs"), sub-account of FIIs, foreign venture capital investors, venture capital funds, Indian and/or multilateral and bilateral financial institutions, Mutual Funds, State Industrial Development Corporations, Insurance Companies, Provident Funds, Pension Funds, Development Financial Institutions, Non Resident Indians, Qualified Institutional Buyers, employees and/or workers of the Company (through a reservation in the Public Issue or otherwise), in or out of India, or the Promoters, members of group companies, Indian public, bodies corporate, any other company/companies, private or public or other body corporate(s) or entities whether incorporated or not, authorities and such other persons in one or more combinations thereof and/or any other categories of investors, whether they be holders of equity shares of the Company or not, and/or through issue of offer documents ("Initial Public Offer" or "IPO"), Pre IPO placement or under Preferential Offer/ Allotment regulations of SEBI, through the Book Building Process, in one or more tranches and in the manner, and on the terms and conditions as the Board may in its absolute sole discretion decide including the price at which the equity shares are to be issued, at par or at premium and for cash or other consideration and the decision to determine the category or categories of investors to whom the offer, issue and allotment/transfer shall be made to the exclusion of all other categories of investors on such terms and conditions as may be finalized by the Board and that the Board may finalize all matters incidental thereto as it may in its absolute discretion think fit;

B. OFFER FOR SALE

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to invite the existing shareholders of the Company to participate in the public issue, to offer for sale, equity shares at price determined in the Issue for an amount as may be determined by the Board, as offer for sale subject to compliance with the applicable laws and regulations; along with the aforesaid fresh issue of equity shares, on such terms and conditions as the Board may, in consultation with its advisors deem fit, including the number of equity shares to be issued, the price at which such shares will be issued, the manner, including through the book building route, as may be determined by the Board in consultation with the advisors appointed in this regard, and time of such issue; and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit in this regard and further to finalize and execute all documents and writings as may be necessary, proper, desirable or expedient."

C. APPOINTMENT OF INTERMEDIARIES

"**RESOLVED FURTHER THAT** the Board, including any Committee or Sub- Committee, be and is hereby authorized to enter into and execute all such arrangements/agreements with any Lead Managers/ Underwriters/ guarantors/ Depository(ies)/ Solicitors/ Custodians/ Advisors and all such agencies as may be involved or concerned in such offering and to remunerate all such agencies as may be involved in cash or otherwise including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of Equity Shares and other expenses, if any or the like

RESOLVED FURTHER THAT the Board, including any Committee or Sub- Committee, be and is hereby authorized to enter into and execute all such arrangements/tripartite agreements with NSDL (National Securities Depository Limited), CDSL (Central Depository Services (India) Limited) and any Registrar and Share Transfer agent, and to remunerate the said agencies, in cash or otherwise including by way of payment of commission, brokerage, fees, expenses incurred in relation to the said arrangements and other expenses, if any or the like."

D. GENERAL MATTERS – ISSUE OF SECURITIES

"**RESOLVED FURTHER THAT** all the new Equity Shares as aforesaid to be issued and allotted in the manner aforesaid shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu inter-se in all respects with the then existing equity shares of the Company

RESOLVED FURTHER THAT in terms of Section 81(1A) and all other applicable provisions of the Act and the SEBI Regulations, consent of the members in this General Meeting be and is hereby granted, and the Board be and is hereby authorised at its option to issue and retain such a percentage of the aggregate equity shares issued pursuant to the above resolution as a 'Green Shoe Option' and that the Board be and is hereby authorized to enter into a Stabilization Agreement or execute any other deed, document, writing or the like in this regard, if necessary."

RESOLVED FURTHER THAT the Board, including any Committee or Sub- Committee be and is hereby authorized to make any alteration, addition or vary any of the above said clauses, in consultation with the Book Running Lead Manager or SEBI or such other authorities as may be required, and without prejudice to the generality of the aforesaid, deciding the exact Issue structure and terms and conditions of the issue

RESOLVED FURTHER THAT pursuant to the applicable provisions of the Foreign Exchange Management Act (FEMA), 1999, the Act, all other applicable laws, rules, regulations, guidelines, such approvals, consents and permissions of the Government of India, the Reserve Bank of India ("RBI") and any other appropriate authorities, institutions or bodies as may be necessary and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board, consent of the Company be and is hereby accorded for investment in the equity shares of the Company by Foreign Institutional Investors (FIIs) including their sub-accounts registered with the Securities and Exchange Board of India (SEBI) up to the sectoral caps as applicable or upto such other limits as may be permitted by law and approved by the Board of Directors of the Company

RESOLVED FURTHER THAT over subscription to such an extent of the Issue be retained as may be determined by the Board for the purpose of rounding off while finalizing the basis of allotment

RESOLVED FURTHER THAT such of these equity shares to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute sole discretion may think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Funds/ Foreign Institutional Investors/ Bodies Corporate/ such other persons or otherwise as the Board may in its absolute sole discretion decide

RESOLVED FURTHER THAT for the purpose of giving effect to these resolutions, the Board be and is hereby authorized, on behalf of the Company, to decide and approve the terms and conditions of the Issue, including but not limited to reservations for employees or other permitted categories, and shall be entitled to vary, modify or alter any of the terms and conditions, including the size of the Issue, as it may consider expedient and to do all such acts, deeds, matters and things, as it may in its absolute sole discretion deem necessary, proper, desirable and to settle any question, difficulty or doubt that may arise in regard to the above offer, issue and allotment and utilisation of the proceeds of the Issue, to liaise with regulatory authorities and further to do all such acts, deeds, matters and things and to negotiate and finalize all such deeds, documents and writings as may be necessary, desirable or expedient to give effect to the above resolution and to make such modifications without being required to seek further consents or approval of the Members and that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution

RESOLVED FURTHER THAT the Board be and is hereby authorized on behalf of the Company, at its discretion, to make available for allocation/allotment, a portion of the Issue as Pre IPO Placement and / or to anchor investors being qualified institutional buyers in accordance with the SEBI Regulations ("Anchor Investors") or other applicable laws, regulations, policies or guidelines or as may otherwise be permitted by SEBI; and to take any and all action in connection with any allocation/ allotment to Anchor Investors as may be decided by the Board in its absolute discretion, including without limitation, to negotiate, finalize and execute any document or agreement, and any amendments, supplements, notices or corrigenda thereto; seek any consent or approval required or necessary; give directions or instructions and do all such acts, deeds, matters and things as the Board may, from time to time, in its absolute discretion, deem necessary, proper, or desirable; and settle any question, difficulty, or doubt that may arise with regard to or in relation to the foregoing, without being required to seek further consents or approvals of the Members and the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

E. GENERAL POWERS & DELEGATION OF POWERS

"RESOLVED FURTHER THAT the Board and/or any Committee of the Board, be and is hereby authorised to take such action, give such directions, as may be necessary or desirable to give effect to this resolution and to do all such acts, matters, deeds and things, including but not limited to the allotment of Equity Shares against the valid applications received in the Initial Public Offering, as are in the best interests of the Company

RESOLVED FURTHER THAT Mr. Vijay Sankeshwar, Chairman & Managing Director of the Company and/or Mr. Anand Sankeshwar, Managing Director of the Company and/or Mr. Aniruddha Phadnavis, Company Secretary of the Company and / or Mr. Sunil Nalavadi, Chief Financial Officer of the Company be and are hereby severally authorized to execute and sign the documents including consent letter, power of attorney, certificates etc., as may be required in connection with the above

RESOLVED FURTHER THAT for the purposes of giving effect to this resolution, the Board may carry out all the requisite activities either by itself or through a committee, named the 'IPO Committee', consisting of such members as deemed fit by the Board

RESOLVED FURTHER THAT any of the Directors or member(s) of the Committee and/or the Company Secretary be and is hereby authorized severally to file the required forms with the Registrar of Companies, and to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this resolution and to settle any question or difficulty that may arise with regard to the aforesaid purpose and which it may deem fit in the interest of the Company."

By order of the Board of Directors

Aniruddha Phadnavis
General Manager (Finance) & Company Secretary

1st June 2011

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

NOTES

1. The relevant Explanatory Statements pursuant to section 173 of the Companies Act, 1956, in respect of special business under items 5 and 6 set out in the Notice are annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

3. In terms of Article 145 of the Articles of Association of the Company, Mr. Sudhir Ghate, Director and Mr. Karunakara Shetty, Director, retire by rotation and being eligible offer themselves for re-appointment. The Board of Directors of the Company commend their re-appointment.

4. The Register of contracts maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the company.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO.5

The Members of the Company at the Annual General Meeting held on 6th July 2010 had approved the appointment of Mrs. Vani Sankeshwar, as "President" at a salary of Rs. 49,000/-p.m. During the year 2010-11, the responsibilities of Mrs.Vani Sankeshwar have considerably increased. In due recognition of her significant contribution, the board recommends a revision in the compensation payable to her from Rs.49,000/- p.m. to Rs.1,50,000/-p.m. w.e.f 1st June 2011.

The Board of Directors recommends the adoption of the Resolution at item no.5 of the Notice.

No director is in any way concerned or interested in the Resolution at item no.5 of the Notice except Mr. Anand Sankeshwar and Mr. Vijay Sankeshwar.

ITEM NO.6

Members at the Extraordinary General meeting held on 23.09.2010 had given their approval for the issuance of shares to the public within a period of 12 months from the date of their passing the resolution at that meeting.

The company has filed the Red Herring Prospectus on 27th April, 2011 with SEBI and has received observations on the same against which the company has also filed its response. After receiving the final SEBI approval for the issue, the company would approach the office of the Registrar of Companies, Karnataka, for clearance of the Red Herring Prospectus and would, upon receiving such clearance, launch the Public Issue.

The Company anticipates a delay in the issue launch owing to the increased volatility in the markets conditions as well as the poor sentiment presently pervading the primary capital market. The company is confident of launching its IPO in the near future, however, as the approval of the members remains valid only upto 22nd September, 2011, it is felt that obtaining this resolution would be necessary in the event of the issue materializing after that date.

Hence approval of the members for issue of shares is being sought by means of a special resolution.

The Board of Directors recommends the adoption of the Resolution at item no.6 of the Notice.

None of the Directors of the company are directly or indirectly interested or concerned in this resolution except to the extent of their shareholding.

NECESSARY INFORMATION PERTAINING TO THE PROPOSED PREFERENTIAL ALLOTMENT IN TERMS OF THE REGULATION 73(1) OF SEBI (ICDR) REGULATIONS, 2009, AND UNDER THE UNLISTED PUBLIC COMPANIES (PREFERENTIAL ALLOTMENT RULES), 2003, IS SET OUT BELOW:

(a) The relevant date for the purpose of pricing of the Equity Shares shall be the date on which the price is determined on the basis of bids received under the initial public offer in accordance with the SEBI Regulations.

(b) **The object(s) of the issue:** The object of the proposed initial offering of equity shares to the public is to meet the funding requirements of the company for acquisition of Vehicles (Goods vehicles and Passenger Vehicles), for the acquisition of Land and construction of Transhipment yards and/or Godowns for Goods transport operation, for the repayment of High cost Debt, general corporate purposes and IPO Expense requirements in order to expand existing business lines and enhance infrastructure facilities.

(c) The class or classes or persons to whom the allotment is proposed to be made are Qualified Institutional Buyers, including Anchor Investors, Retail Individual Investors, Non Institutional Investors, Employees, if applicable, as defined under the SEBI Regulations and such other eligible entities as may be covered under the applicable Securities Laws.

(d) **Intention of Promoters/Directors/Key Management persons to subscribe to the offer:** The Company will not make an offer to any of the Promoters, Directors or key managerial personnel in this IPO. However, the Directors and the key managerial personnel may apply for shares in the employee reservation portion, or in the other categories of the IPO in accordance with the SEBI Regulations.

(e) **Shareholding pattern of Promoters and other classes of shares, before and after the preferential allotment would be as under:**

Name of the Shareholder	Before the Issue		After the Issue	
	No. of Equity Shares	%	No. of Equity Shares*	%
Promoters				
Mr. Vijay Sankeshwar	33075000	46.7822	[•]	[•]
Mr. Anand Sankeshwar	37197000	52.6124		
Sub Total (A)	**70272000**	**99.3946**	[•]	[•]
Promoter Group				
Mrs. Lalitha Sankeshwar	21000	0.0297	[•]	[•]
Mrs. Vani Sankeshwar	400000	0.5658		
Mrs. Bharati Holkunde	1750	0.0025		
Sub Total (B)	**422750**	**0.5979**	[•]	[•]
Others				
Mr. K.N. Umesh	1750	0.02	[•]	[•]
Mr. L. Ramanand Bhat	1750	0.02		
Mr. Y.M. Honnalli	1750	0.02		
Sub Total (C)	**5250**	**0.06**	[•]	[•]
Issue to the Public (D)	**NIL**	**NIL**	[•]	[•]
Total (A+B+C+D)	**70700000**	**100**	[•]	[•]

The above is an indicative pattern and depends on actual allotment of shares in the IPO in accordance with the SEBI Regulations. Therefore, the percentage holding of each category may vary.

(f) **Proposed time within which the allotment shall be completed:** This resolution shall be acted upon within a period of 12 months. As the shares in the IPO are being offered in accordance with the SEBI Regulations, the allotment shall be completed within the time limit prescribed by SEBI.

(g) **Whether a change in control is intended or expected:** No change of control in the management of the Company is intended or expected pursuant to the preferential allotment.

Approval of the Members is sought to issue equity shares on a preferential basis under Section 81(1A) of the Companies Act, 1956 and under Unlisted Public Companies (Preferential Allotment) Rules, 2003, as per details mentioned above.

The resolution at item No. 6 of the notice is recommended to the shareholders for passing as a Special Resolution authorizing the Board of Directors (which shall include and deem to include a duly authorized Committee or a sub-Committee of the Board of Directors) to decide the terms and conditions of the issue, objects of the issue, the number of shares to be issued, the price of the issue i.e. at par or at premium, the category or categories of investors to whom the offer, issue and allotment, shall be made, to decide as to whether there would be an offer for sale and the quantum of offer for sale and to finalize all matters incidental thereto as it may in its absolute discretion think fit.

None of the Directors are concerned or interested in the proposed resolutions except to the extent, they either subscribe to the shares in IPO or sell shares held by them in the proposed public offering.

The Board recommends the resolution for approval of the members as a special resolution.

By order of the Board of Directors

Aniruddha Phadnavis
General Manager (Finance) & Company Secretary

1st June, 2011

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

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Eighth Annual Report of your Company along with the Audited statement of accounts for the year ended 31st March 2011.

(Rs. in Lacs)

PARTICULARS		Year Ended 31.03.2011	Year Ended 31.03.2010
INCOME			
Income from Services		85849.65	67760.48
Sale of Power		2346.73	2636.29
Sale of Verified Emission Reduction units		-	202.16
Other Income		1095.16	868.54
	Total	**89291.54**	71467.47
EXPENDITURE			
Operating Expenses		60336.08	46759.02
Employee Cost		10448.23	8982.43
Administrative Expenses		1425.35	1475.20
Finance Cost		4874.64	5161.31
Depreciation / Amortisation		5093.32	4642.21
	Total	**82177.62**	67020.17
Profit before Tax and Prior Period Adjustments		**7113.92**	4447.30
Provision for Tax			
Current Tax (Minimum Alternate Tax)		1407.22	753.36
Interest on Current Tax		-	23.10
Deferred Tax		1644.70	1499.98
Minimum Alternate Tax Credit Entitlement		(1104.80)	(753.36)
Tax Adjustments pertaining to earlier years		-	1.67
Profit After Tax but before Prior Period Adjustments		**5166.80**	2922.55
Prior period adjustments			
Other expenses (net of tax)		69.12	12.68
(Refer note B(21) in schedule 19)			
Net Profit		**5097.68**	2909.87
Balance brought forward from previous year		1652.46	1597.81
Profit available for appropriation		**6750.14**	4507.68
Appropriations			
Transfer to General Reserve		509.77	290.99
Interim dividend		2121.00	2191.70
Tax on interim dividend		352.27	372.53
Balance carried forward to Balance Sheet		**3767.10**	1652.46

DIVIDEND

Your Directors declared an Initial Interim Dividend of 5% translating to Rs.0.50 per equity share of Rs.10/- each based on the un-audited provisional financial results for the quarter ending June 30, 2010.

The Board declared second interim dividend of 25% translating to Rs.2.50 per equity share of Rs.10/- each based on the audited financial results for the half year ended September 30, 2010.

The total payout including dividend tax works out to Rs.2473.27 lacs. Directors recommend that the interim dividend so declared be the final dividend for the financial year 2010-11.

TRANSFER TO RESERVES

The company has transferred an amount of Rs.509.77 lacs to the General Reserve out of the current year's profits and the same is in compliance with the provisions prescribed under the Companies (Transfer of Profits to Reserves) Rules, 1975.

REVIEW OF OPERATIONS

During the year 2010-11 VRL Logistics Limited delivered a sterling performance.

For the financial year ended 31st March 2011, total revenues of the Company were Rs.89291.54 lacs as against Rs.71467.47 lacs for the corresponding previous year translating to a growth rate of 25 %. Profit before tax was Rs.7113.92 lacs as compared to Rs.4447.30 lacs for the previous year. This increase was primarily on account of the increased business volume despite a relatively weaker performance by the wind power assets of the company. Net profit after tax stood at Rs.5097.68 lacs vis-à-vis Rs.2909.87 lacs for the previous year. Earning per share increased from Rs.4.12 per share for the previous year to Rs.7.21 for the current fiscal.

Income from Goods Transportation Service recorded revenues of Rs.71541.07 lacs as against a corresponding figure of Rs.57954.41 lacs for the previous year. This growth is to the tune of 23.44% driven by growth in business volumes. All the business divisions such as General Cargo, Express Cargo and Maruti Parcel Service recorded volume growth. Considerable fleet addition was seen in the Goods Transportation segment of the Company.

Revenues from Bus Operation Service were Rs.13441.68 lacs as against Rs.9320.88 lacs for the previous fiscal. The same translate to a growth of 44.31% vis-à-vis the previous year. Higher revenues were the result of capacity addition enabled by aggressive capex in this division. Higher capacity multi-axle vehicles have been added in significant numbers and these yield higher revenues per vehicle. Luggage collection revenues also recorded an increase during the current fiscal. The newer routes commenced by the Company as well as increased frequency on existing routes are gradually stabilizing and would result into higher business volumes for this division.

The performance of the wind power assets was relatively disappointing as against the corresponding previous years. Net generation of electricity was 690.44 lac KWH units as against a corresponding previous year generation of 775.60 lac KWH units. The same was a result of the weakened wind pattern at the wind farm. Machine availability and Grid availability was satisfactory and the reduced generation arose from a natural phenomenon. No revenues accruing out of carbon credits were recognized during the year. An advance amount of Rs.1237.54 lacs has been received from Asian Development Bank (ADB) against proposed upfront sale of carbon credits. The Company has signed a Certified Emission Reduction (CER) Purchase Agreement with ADB and the said advance amount received from them has been classified as a current liability in the books of accounts. Revenue would be recognized against this advance upon delivery of CER units to ADB.

Air Chartering revenue for the year was Rs.366.07 lacs as against Rs.166.39 lacs for the corresponding previous fiscal. The flying hours also increased and the Company benefited from a strategic marketing tie-up entered into by it apart from its direct marketing efforts.

Similarly, the performance of the courier business of the Company was encouraging. Revenues for the current fiscal were Rs.500.83 lacs as against Rs.318.80 lacs for the previous year.

Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) of Logistics Division remained comparable with that of the previous year. It would be the conscious endeavor of the management to sustain these margins and strive for a sustainable improvement in these.

CAPITAL EXPENDITURE

The Company incurred capital expenditure to the tune of Rs.9616.86 lacs. Significant capex included the following

- Additional shed near Davangere transshipment hub
- New branch office for the Passenger transportation division at Pune
- Accomodation for hamals at Varur, Hubli
- 28 Multi-axle Volvo buses
- 118 Sleeper and Seater buses
- 47 goods transportation vehicles with a carrying capacity of 20 tons
- 110 other trucks and LCVs for goods transportation business

During the year, the Company disposed off its land at Solapur, Maharashtra, as the same was too small for the Company's envisaged transshipment hub at Solapur. The land owned by the Company at Gurgaon is also classified as an asset held for sale as an agreement for sale has been executed for the sale of the said land. The said land is being disposed off as the same is also envisaged to be smaller vis-à-vis the Company's requisition at Delhi/ NCR for a transshipment hub.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Mr. C. Karunakara Shetty and Mr. Sudhir Ghate retire by rotation at the ensuing Annual

General Meeting and being eligible offer themselves for re-appointment. The Board has recommended their re-appointment for the consideration of the shareholders.

STATUTORY AUDITORS

Vide a special resolution passed at the extra-ordinary general meeting of the Company held on September 23, 2010, M/s Walker Chandiok and Co., Chartered Accountants, Mumbai, were appointed as Joint Statutory Auditors along with M/s H. K. Veerbhaddrappa & Co., Hubli, the then existing Statutory Auditors of of your Company. Their appointment was made in view of the proposed Initial Public Offering plans of the Company. The Joint Statutory Auditors of the Company would hold office till the conclusion of the forthcoming Annual General Meeting of the Company.

The existing statutory auditors have confirmed their eligibility and willingness to accept the office of Statutory Auditors if re-appointed, pursuant to Section 224 of the Companies Act, 1956. Pursuant to the recommendation of the Audit Committee at their meeting held on 01.06.2011, re-appointment of M/s H.K. Veerbhaddrappa & Co., Hubli and M/s Walker, Chandiok & Co., Chartered Accountants, Mumbai, has been recommended by the Board of Directors, as Joint Statutory Auditors of your Company for the financial year 2011-12.

FIXED DEPOSITS

Fixed Deposits raised by the Company stood at Rs.1175.79 lacs as at the end of the financial year 2010-11, out of which Rs.14.60 lacs have matured and are unclaimed. There were no overdue deposits. Your Company has complied with the provisions stipulated under the Companies Act, 1956, as applicable to such deposits.

SHAREHOLDER'S RESOLUTION

Members, at the Extraordinary General meeting held on 23.09.2010, had given their approval for the issuance of shares to the public within a period of 12 months from the date of their passing the resolution at that meeting.

The company has filed its Red Herring Prospectus on 27th April 2011 with SEBI and has received observations on the same against which the company has also filed its response. After receiving the final SEBI approval for the issue, the company would approach the office of the Registrar of Companies, Karnataka, for clearance of the said Red Herring Prospectus and would, upon receiving such clearance, launch the Public Issue.

The expenses incurred on the IPO proposed would be set off against the securities premium expected to be raised from the public issue. As such, the expenses incurred on the same have been classified under Loans and Advances.

The Company anticipates a delay in the issue launch owing to the increased volatility in the markets conditions as well as the poor sentiment presently pervading the primary capital market. The company is confident of launching its IPO in the near future, as the Company has the option of launching its Public Issue till March 10, 2012. As the approval of the members' remains valid only upto 22nd September, 2011, a fresh approval from the members is sought in this regard at the forthcoming Annual General Meeting.

IPO GRADING

CRISIL has assigned a grade of 3/5 to the proposed initial public offer (IPO) of our Company, which indicates that the fundamentals of the IPO are average relative to other listed equity securities in India. The assigned grade reflects VRL's position as one of the leading players in the domestic freight transportation business and the robust outlook for the logistics sector. There has been an improvement in the grading obtained by the Company as against the grading it obtained during the aborted IPO attempt earlier.

CORPORATE GOVERNANCE

The company is in compliance with the requirements of corporate governance contained in the listing agreements of NSE/BSE specifically with regards to broad basing of board and constitution of committees such as Audit Committee, Remuneration Committee, IPO Committee and Investor/ Shareholders Grievance Committee. Currently the board has 6 Directors (including four independent directors), and the Chairman of the Board (promoter) is an executive director.

AUDIT COMMITTEE

The Board of Directors, at their meeting dated 23rd September 2010, have changed the terms of reference of the Audit Committee to meet with the requirements of Section 292A of the Companies Act, 1956, SEBI Regulations and the Listing Agreements with the Stock Exchanges.

The Audit Committee has been constituted in accordance with the requirements of the provisions of Section 292A of Companies Act, 1956 and Clause 49 of the Listing Agreement with majority of the members having requisite financial knowledge, experience and expertise in finance.

ROAD AHEAD

The Company would strive to generate increased business volume and consolidate its position as the leading logistics player within the Road Transportation sector. The Company also plans to increase its presence in the passenger transportation business and foray into newer geographies in the days to come. The Company would also expedite the validation exercise and other formalities necessary to effectualize the delivery of carbon credits generated by its windmills. The Company would also undertake operations in the vehicle transportation and chemical transportation businesses in order to cover newer segments within the goods transportation domain.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND EXPENDITURE

The particulars regarding conservation of energy, foreign exchange earnings and expenditure & technology absorption as stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors' Rules, 1988) are annexed hereto as Annexure "A" and form part of this report.

PARTICULARS OF EMPLOYEES

In terms of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees)Amendment Rules, 2011, the particulars of employees drawing sixty lac rupees for the Financial Year or five lac rupees and above per month of the Company, are set out in the Annexure "B" to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, the Directors confirm:

1. That in the preparation of the Accounts for the Financial Year ended 31st March, 2011, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review;

3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. That the Directors have prepared the accounts for the financial year ended 31st March 2011 on a 'going concern' basis.

ACKNOWLEDGMENT

The Directors place on record their appreciation for the assistance, help and guidance provided to the Company by Banks, Financial Institutions, Government authorities and its valued customers from time to time. The Directors also place on record their gratitude to employees and shareholders for their continued support and confidence in the management of the Company

For and on behalf of the Board of Directors

Vijay Sankeshwar
Chairman & Managing Director

Place: Hubli
Date: 1st June 2011

ANNEXURE 'A' TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

Company has taken a conscious decision of going in for vehicles with lower specific fuel consumption. Also we attempt to run vehicles at optimum speed as per manufactures recommendations to conserve and save fuel. We also conduct preventive maintenance for vehicles.

In this regard, the following measures were taken:

- Vehicles were purchased carefully considering all latest regulations relating to pollution control.
- The periodical maintenance of Company's vehicles was done as per internal norms to ensure optimum fuel consumption.
- Drivers' training programs are being organized and conducted periodically to improve their driving skills and better fuel efficiency and long life of vehicle.
- Drivers are also trained to identify potential signs of trouble in a vehicle to ensure that same may be treated at the earliest.
- Long drain period lubricants are being used to economise on fuel consumption.
- Usage of certain additives for to lower emissions and fuel consumption.

B. TECHNOLOGY ABSORPTION

FORM B

DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY ETC., RESEARCH AND DEVELOPMENT

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

- Design and development of Driver Cabin using tubular steel structure and Fibre reinforced glass material as paneling.
- Development of separate Air cleaner for Air compressor for higher horse power engines.
- Trials are being carried out for higher grade engine oil under the observation of oil manufacturers.

2. Benefits Derived out of above R & D.

- Drivers Cabin will become very light weight and strong. It is easy to repair / replace in case of accidents. Life of the Cabin will also be enhanced as it is non corrosive.
- Enhances the life of Air compressor and avoids the choke ups in the Air line due to carbon deposits.
- Enhancing the oil change intervals and resulting in reducing the maintenance costs.

3. Future plan of action

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

4. Expenditure on R & D

Expenditure on R & D

a) Capital
b) Recurring
c) Total
d) Total R & D expenditure as a percentage of total turnover

} No Specific allocation is made

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards absorption, adaptation and innovation – NIL.
2. Benefits derived as a result of the above efforts, e.g. products, improvement, cost reduction, product developments, import substitution etc. – NIL.
3. In case imported technology (imported during the last 5 years reckoned from the beginning of the financial year). Following information may be furnished – NIL.
   a) Technology Imported.
   b) Year of import.
   c) Has technology been fully absorbed, areas where this has not taken place.
   d) If not fully absorbed, areas where this has not taken place reasons therefore and future plans of action.

ANNEXURE 'B' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2011.

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

Sl. No.	Name	Designation	Remuneration (Rs. in lacs)	Qualification	Experience (Years)	Age	Date of commencement of Employment	Last Employment	Percentage of equity share held
1	Mr. Vijay Sankeshwar	Chairman & Managing Director	265.20	B.COM	35	61	01.08.1984	-	46%
2	Mr. Anand Sankeshwar	Managing Director	180.00	B.COM	20	36	01.12.1990	-	52%
3	Capt S.C. Mehta	Chief Pilot	61.62	Ex-NDA	42	63	01.01.2007	Senior GM (Flight operations) Taneja Aerospace & Aviation Ltd.	-

Notes:

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

AUDITORS' REPORT

To,

The Members of VRL Logistics Limited

1. We have audited the attached Balance Sheet of **VRL Logistics Limited** (the 'Company') as at 31 March 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to above, we report that :

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. The financial statements dealt with by this report are in agreement with the books of account;

   d. On the basis of written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

      i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;

      ii) the Profit and Loss Account, of the profit for the year ended on that date; and

      iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

Walker, Chandiok & Co	**H.K. Veerbhaddrappa & Co**
Chartered Accountants	Chartered Accountants
Engineering Centre,	4th Floor, Sumangala Complex
6th Floor, 9 Matthew Road	Lamington Road
Opera House	Hubli 580020
Mumbai 400 004	Karnataka
Firm Registration No: 001076N	Firm Registration No: 004578S
per **Khushroo B. Panthaky**	per **Arrvvind Kubsad**
Partner	Partner
Membership No. F-42423	Membership No. F-85618
Date: 2nd June 2011	Date: 1st June 2011
Place: Mumbai	Place: Hubli

ANNEXURE TO THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF VRL LOGISTICS LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (b) to (d) of the Order are not applicable.

(e) The Company had taken loans from 2 (two) companies covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs.2591.69 lacs and the year-end balance was Rs.2591.69 lacs.

(f) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.

(g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) In our opinion, the Company has complied with the provisions of sections 58A and Sec 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues, as applicable, have been regularly deposited with the appropriate authorities.

No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

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

Name of the statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of prior period expenses and expenses incurred towards construction of building	50.68	Assessment Year 2003-04	Karnataka High Court
	Notional interest on funds provided to Vijayanand Printers Limited	106.39	Assessment Year 2003-04	Karnataka High Court
	Revenue from sale of wind power considered as Section 80IA income by Income-tax authorities	326.99	Assessment Year 2007-08	Appellate Tribunal, Bangalore
	Demand of tax not deducted at source on body building charges, contribution to power evacuation facilities, etc.	297.90	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)
	Revenue from sale of wind power considered as Section 80IA income, disallowance of communication expenses, Air Charter expenses, etc.	220.46	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)
	Demand of tax not deducted at source on body building charges	17.68	Assessment Year 2008-09	Deputy Commissioner of Income Tax (TDS)
Finance Act, 1994 (Service tax)	Service tax including interest thereon	514.40	April 2005 to February 2011	Deputy Commissioner (Appeals)
Central Excise Act, 1944	Excise duty on body building, scrap sales and interest thereon	809.19	April 2003 to December 2010	Commissioner of Central Excise & Customs

(x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or bank during the year. The Company has no dues payable to debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

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

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

Walker, Chandiok & Co.	**H.K. Veerbhaddrappa & Co.**
Chartered Accountants	Chartered Accountants
Firm Registration No: 001076N	Firm Registration No: 004578S
per **Khushroo B. Panthaky**	per **Arrvvind Kubsad**
Partner	Partner
Membership No. F-42423	Membership No. F-85618
Date: 2nd June 2011	Date: 1st June 2011
Place: Mumbai	Place: Hubli

BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS	Schedule No	As At 31.03.2011	As At 31.03.2010
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	7070.00	7070.00
Reserves and Surplus	2	6393.07	3768.66
Loan Funds			
Secured Loans	3	40796.98	36732.22
Unsecured Loans	4	3779.19	1109.87
Deferred Tax Liability (Net)		9230.05	7585.35
(Refer note B(18) in schedule 19)			
	Total	**67269.29**	56266.10
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	75985.33	67470.07
Less: Depreciation / Amortisation		24831.96	20375.91
Net Block		**51153.37**	47094.16
Capital Work in Progress (including Capital Advances)		5202.65	1237.15
		56356.02	48331.31
Investments	6	**12.50**	12.50
Current Assets Loans and Advances			
Inventories	7	607.46	695.51
Sundry Debtors	8	6873.78	4914.05
Cash and Bank Balances	9	1585.69	1864.69
Loans and Advances	10	7470.97	5500.94
		16537.90	12975.19
Less: Current Liabilities and Provisions			
Liabilities	11	5335.61	3815.18
Provisions	12	301.52	1237.72
		5637.13	5052.90
Net Current Assets			
		10900.77	7922.29
	Total	**67269.29**	56266.10
Significant accounting policies and notes to the financial statements	19		

The schedules referred to above form an integral part of the Balance Sheet.

As per our attached report of even date

For **Walker, Chandiok & Co.**
Chartered Accountants

KHUSHROO B. PANTHAKY
Partner

Place : Mumbai
Date : 2nd June 2011

For **H.K. Veerbhaddrappa & Co.**
Chartered Accountants

ARRVVIND KUBSAD
Partner

Place : Hubli
Date : 1st June 2011

For and on behalf of the Board of Directors

VIJAY SANKESHWAR
Chairman & Managing Director

ANAND SANKESHWAR
Managing Director

ANIRUDDHA PHADNAVIS
General Manager (Finance) and Company Secretary

Place : Hubli
Date : 1st June 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS	Schedule No	Year Ended 31.03.2011	Year Ended 31.03.2010
INCOME			
Income from Services	13	85849.65	67760.48
Sale of Power		2346.73	2636.29
Sale of Verified Emission Reduction units		-	202.16
Other Income	14	1095.16	868.54
	Total	**89291.54**	71467.47
EXPENDITURE			
Operating Expenses	15	60336.08	46759.02
Employee Cost	16	10448.23	8982.43
Administrative Expenses	17	1425.35	1475.20
Finance Cost	18	4874.64	5161.31
Depreciation / Amortisation		5093.32	4642.21
	Total	**82177.62**	67020.17
Profit before Tax and Prior Period Adjustments		**7113.92**	4447.30
Provision for Tax			
Current Tax (Minimum Alternate Tax)		1407.22	753.36
Interest on Current Tax		-	23.10
Deferred Tax		1644.70	1499.98
Minimum Alternate Tax Credit Entitlement		(1104.80)	(753.36)
Tax Adjustments pertaining to earlier years		-	1.67
Profit After Tax but before Prior Period Adjustments		**5166.80**	2922.55
Prior period adjustments			
Other expenses (net of tax)		69.12	12.68
(Refer note B(21) in schedule 19)			
Net Profit		**5097.68**	2909.87
Balance brought forward from previous year		1652.46	1597.81
Profit available for appropriation		**6750.14**	4507.68
Appropriations			
Transfer to General Reserve		509.77	290.99
Interim dividend		2121.00	2,191.70
Tax on interim dividend		352.27	372.53
Balance carried forward to Balance Sheet	**Total**	**3767.10**	1652.46
Basic and Diluted Earnings per share of face value of Rs.10 each (in Rs.)(Refer note B(19) in schedule 19)		7.21	4.12

Significant accounting policies and notes to the financial statements 19

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our attached report of even date

For **Walker, Chandiok & Co.**
Chartered Accountants

KHUSHROO B. PANTHAKY
Partner

Place : Mumbai
Date : 2nd June 2011

For **H.K. Veerbhaddrappa & Co.**
Chartered Accountants

ARRVVIND KUBSAD
Partner

Place : Hubli
Date : 1st June 2011

For and on behalf of the Board of Directors

VIJAY SANKESHWAR
Chairman & Managing Director

ANAND SANKESHWAR
Managing Director

ANIRUDDHA PHADNAVIS
General Manager (Finance) and Company Secretary

Place : Hubli
Date : 1st June 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

(Rs. in Lacs)

	PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit Before Tax and Prior Period Adjustments	**7113.92**	4447.30
	Adjustments for :		
	Depreciation	5093.32	4642.21
	Financial Costs on long term borrowings	4829.96	5080.64
	Interest Income	(21.83)	(15.93)
	Dividend on Investments	(1.58)	(1.76)
	(Profit)/Loss on sale of Fixed Assets (Net)	148.20	155.37
	Advances and Bad Debts Written off	24.15	91.28
	Provision for doubtful advances and debts	26.00	74.20
	Rent Income	(230.41)	(229.93)
	Prior period expenses (Net)	(62.00)	(12.68)
	Operating Profit Before Working Capital Changes	**16919.73**	14230.70
	Adjustments For:		
	(Increase) / Decrease in Sundry Debtors	(1985.73)	(467.59)
	(Increase) / Decrease in Loans and Advances	(361.97)	(743.71)
	(Increase) / Decrease in Inventories	88.05	(14.37)
	Increase / (Decrease) in Trade and Other Payables	1944.86	1841.26
	Cash Generated from Operating Activities	**16604.94**	14846.29
	Direct Taxes Paid (net of refunds)	(1844.44)	(24.77)
	Net Cash generated from Operations (A)	**14760.50**	14821.52
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets (including Capital work in progress)	(13582.36)	(5099.26)
	Proceeds from Sale of Fixed Assets	316.13	1363.84
	Interest Received	21.83	15.93
	Dividend on Investments	1.58	1.76
	Rent Receipts	230.41	229.93
	Net Cash (Used in) Investing Activities (B)	**(13012.41)**	(3487.80)
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Public Deposits (net)	76.48	1050.73
	Proceeds from Unsecured loans from corporates	2505.00	-
	Initial Public Offer expenses	(216.77)	-
	Proceeds from long term borrowings	13793.70	7098.08
	Repayment of long term borrowings	(11057.46)	(13415.96)
	Proceeds/(Repayment) of short term borrowings (net)	1328.52	1209.55
	Dividend paid and tax thereon	(3714.05)	(2564.23)
	Financial Costs on long term borrowings	(4742.51)	(5238.37)
	Net Cash (Used in) Financing Activities (C)	**(2027.09)**	(11860.20)
	Net Increase/(Decrease) in Cash and Cash Equivalents (A) + (B) + (C)	**(279.00)**	(526.48)
	Cash and Cash Equivalents as at the beginning of the year	**1864.69**	2391.17
	Cash and Cash Equivalents as at the end of the year	**1585.69**	1864.69
	Cash and Cash Equivalents comprise:		
	Cash balance on hand	250.62	239.16
	Cheques in hand/transit	101.15	98.46
	Balances with Scheduled Banks	1233.92	1527.07
	Cash and bank balances as at the end of the year	**1585.69**	1864.69

NOTES : 1] The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3 Cash Flow Statements notified under the Companies (Accounting Standards) Rules 2006.

2] Figures in brackets represent outflows.

As per our attached report of even date

For **Walker, Chandiok & Co.**
Chartered Accountants

KHUSHROO B. PANTHAKY
Partner

Place : Mumbai
Date : 2nd June 2011

For **H.K. Veerbhaddrappa & Co.**
Chartered Accountants

ARRVVIND KUBSAD
Partner

Place : Hubli
Date : 1st June 2011

For and on behalf of the Board of Directors

VIJAY SANKESHWAR
Chairman & Managing Director

ANAND SANKESHWAR
Managing Director

ANIRUDDHA PHADNAVIS
General Manager (Finance) and Company Secretary

Place : Hubli
Date : 1st June 2011

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
SCHEDULE 1			
CAPITAL			
1 **Authorised:**			
12,50,00,000 Equity Shares of Rs.10 each		12500.00	12500.00
	Total	**12500.00**	12500.00
2 **Issued Subscribed and Paid up:**			
7,07,00,000 Equity Shares of Rs.10 each		7070.00	7070.00
		7070.00	7070.00
Notes :			
Of the above equity shares :			
a) 1,97,48,000 equity shares of Rs.10 each were issued as fully paid up bonus shares by capitalisation of Capital Reserves.			
b) 5,00,00,000 equity shares of Rs.10 each were issued as fully paid-up bonus shares by capitalisation of profits.			
SCHEDULE 2			
RESERVES AND SURPLUS			
General Reserve:			
As per last Balance Sheet		1486.20	1195.21
Add: Transferred from Profit and Loss Account		509.77	290.99
	(A)	**1995.97**	1486.20
Securities premium	**(B)**	**630.00**	630.00
Profit and Loss Account	**(C)**	**3767.10**	1652.46
	(A+B+C)	**6393.07**	**3768.66**

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
SCHEDULE 3			
SECURED LOANS			
Term loans from Banks:			
Rupee Term Loans		22628.55	21701.17
	(A)	**22628.55**	21701.17
Working Capital Loan from Banks		6342.21	5013.69
	(B)	**6342.21**	5013.69
Others:			
Rupee Term Loans		11826.22	10017.36
	(C)	**11826.22**	10017.36
	Total (A+B+C)	**40796.98**	36732.22

Notes:

Term Loans from Banks are secured by:

i. First charge by way of equitable mortgage on Land and Building.

ii. First charge by way of hypothecation of certain Lorries & Vans, Buses, Tankers, Cars and Autos acquired there against.

iii. First charge by way of Hypothecation of Plant and Machinery (Logistics Division), Furniture, Fixtures and Office Equipment.

iv. Collateral security by way of mortgage of Land and Building.

v. Personal guarantee of whole time directors.

vi. First charge by way of hypothecation of 34 Wind Turbine Generators (WTGs) of Wind Power Project and first charge by way of hypothecation / assignment of receivables from the said Wind Power Project.

Working Capital Loan from Banks are secured by:

i. First charge by way of hypothecation of Company's Inventories and Book Debts.

ii. First charge by way of hypothecation of certain lorries.

iii. Collateral security by way of equitable mortgage of Land and Building and personal guarantees of whole time directors.

Loans from Others are secured by:

i. First charge by way of hypothecation of certain number of Lorries and Vans, Buses, Autos, Cars and Aircraft.

ii. Personal guarantees of whole time directors.

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
SCHEDULE 4			
UNSECURED LOANS			
Deposits from Public {(Repayable within one year Rs.250.36 lacs (Previous Year Rs.335.45 lacs)}		1175.79	1099.31
Loan from corporates {(Repayable within one year Rs.2505.00 lacs (Previous Year Rs. Nil)}		2515.00	10.00
Interest Accrued and Due		88.40	0.56
	Total	**3779.19**	1109.87

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE 5 – FIXED ASSETS

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.04.2010	Additions / Adjustments	Deductions / Adjustments	As At 31.03.2011	As At 01.04.2010	For the Year	Deletions / Adjustments	As At 31.03.2011	As At 31.03.2011	As At 31.03.2010
A. Tangible Assets										
1. Own Assets										
Freehold Land	2062.28	7.04	(81.84)	1987.48	-	-	-	-	1987.48	2062.28
Freehold Land held for disposal (Refer note B(12) in schedule 19)	1155.28	-	-	1155.28	-	-	-	-	1155.28	1155.28
Building	5685.42	187.89	(15.00)	5858.31	605.73	111.45	(0.04)	717.14	5141.17	5079.69
Plant and Machinery	22307.53	119.94	(0.04)	22427.43	3770.14	1173.75	(0.04)	4943.85	17483.58	18537.39
Furniture Fixtures and Office Equipment	1626.88	182.13	(4.41)	1804.60	944.52	141.97	(1.96)	1084.53	720.07	682.36
Vehicles	30962.37	9088.79	(1000.31)	39050.85	14317.46	3384.38	(635.23)	17066.61	21984.24	16644.91
Aircraft	2546.10	-	-	2546.10	303.52	142.58	-	446.10	2100.00	2242.58
Sub-total (a)	**66345.86**	**9585.79**	**(1101.60)**	**74830.05**	**19941.37**	**4954.13**	**(637.27)**	**24258.23**	**50571.82**	**46404.49**
2. Assets taken on lease and leasehold improvements										
Leasehold Land	510.00	-	-	510.00	80.25	25.50	-	105.75	404.25	429.75
Leasehold Improvements	85.92	17.18	-	103.10	18.34	24.31	-	42.65	60.45	67.58
Sub-total (b)	**595.92**	**17.18**	**-**	**613.10**	**98.59**	**49.81**	**-**	**148.40**	**464.70**	**497.33**
Total Tangible Assets (a + b)=A	**66941.78**	**9602.97**	**(1101.60)**	**75443.15**	**20039.96**	**5003.94**	**(637.27)**	**24406.63**	**51036.52**	**46901.82**
B. Intangible Assets										
Goodwill	78.39	-	-	78.39	78.39	-	-	78.39	-	-
Software	449.90	13.89	-	463.79	257.56	89.38	-	346.94	116.85	192.34
Total Intangible Assets (B)	**528.29**	**13.89**	**-**	**542.18**	**335.95**	**89.38**	**-**	**425.33**	**116.85**	**192.34**
GRAND TOTAL (A + B)	**67470.07**	**9616.86**	**(1101.60)**	**75985.33**	**20375.91**	**5093.32**	**(637.27)**	**24831.96**	**51153.37**	**47094.16**
Previous Year	**65620.02**	**4125.05**	**(2275.00)**	**67470.07**	**16489.49**	**4642.21**	**(755.79)**	**20375.91**	**47094.16**	

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
SCHEDULE 6			
INVESTMENTS			
LONG TERM (at cost) :			
TRADE AND UNQUOTED			
IN EQUITY SHARES FULLY PAID UP			
Shri Basaveshwar Sahakari Bank Niyamit		5.50	5.50
(5,500 equity shares (Previous Year: 5,500 equity shares) of Rs.100 each fully paid up)			
The Shamrao Vithal Co-op. Bank Limited		5.00	5.00
(20,000 equity shares (Previous Year: 20,000 equity shares) of Rs.25 each fully paid up)			
NKGSB Co-op. Bank Limited		2.00	2.00
(20,000 equity shares (Previous Year: 20,000 equity shares) of Rs.10 each fully paid up)			
	Total	**12.50**	12.50
SCHEDULE 7			
INVENTORIES			
(As Verified, Valued and Certified by the Management)			
Spares, Oil & Diesel, Tyres, etc.		612.66	700.71
Less: Provision for Slow and Non Moving Items		5.20	5.20
	Total	**607.46**	695.51
SCHEDULE 8			
SUNDRY DEBTORS			
Unsecured, Considered good, unless otherwise stated			
Debts outstanding for a period exceeding six months			
- Considered good		212.21	12.36
- Considered doubtful		38.00	12.00
		250.21	24.36
Other debts - considered good		6661.57	4901.69
		6911.78	4926.05
Less: Provision for doubtful debts		38.00	12.00
	Total	**6873.78**	4914.05
SCHEDULE 9			
CASH AND BANK BALANCES			
Cash Balance on Hand		250.62	239.16
Cheques in Hand/Transit		101.15	98.46
Balances with Scheduled Banks			
- In Current Accounts		916.53	1281.69
- In Term Deposit Accounts		317.39	245.38
	Total	**1585.69**	1864.69

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS	As At 31.03.2011	As At 31.03.2010
SCHEDULE 10		
LOANS AND ADVANCES		
Unsecured, Considered good unless otherwise stated		
Deposits with Customs Authorities	694.92	688.05
Expenses incurred towards availing Certified Emission Reduction Credits	193.42	55.82
Advances recoverable in cash or in kind or for value to be received (Refer note B (11) in schedule 19)		
- Considered good	2977.95	2567.83
{Includes Rs.Nil due from a Director (Previous Year Rs.2.31 lacs) maximum amount outstanding during the year - Rs.2.31 lacs (Previous Year Rs.2.31 lacs)}		
- Considered doubtful	57.00	57.00
	3034.95	2624.83
- Less: Provision for doubtful advances	57.00	57.00
	2977.95	2567.83
Advance Fringe Benefits Tax	-	4.83
Advance tax and TDS Receivable (Net of Tax Provision)	625.77	322.91
Minimum Alternate Tax Credit Entitlement	2978.91	1861.50
Total	**7470.97**	5500.94
SCHEDULE 11		
LIABILITIES		
Sundry Creditors		
- Dues to Micro Small and Medium Enterprises	-	-
- Others	479.54	638.73
[Includes Rs. Nil due to director (Previous Year Rs.10.09 lacs)]		
	479.54	638.73
Advance from customers	175.26	-
Advance received towards Certified Emission Reduction Credits (Refer note B(13) in schedule 19)	1237.54	-
Deposits from Agents and Others	780.53	762.61
Outstanding Expenses	2259.73	1858.07
Interest Accrued but not due on loans	121.42	121.81
Other liabilities	281.59	433.96
Total	**5335.61**	3815.18
SCHEDULE 12		
PROVISIONS		
Provision for Taxation (net)	-	119.46
Proposed Dividend	-	1060.50
Provision for Gratuity	31.67	17.17
Gratuity Provision for Compensated Absences	180.90	-
Provision for Lease Equalization	88.95	40.59
Total	**301.52**	1237.72

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
SCHEDULE 13			
INCOME FROM SERVICES			
Goods Transport		71541.07	57954.41
Air Chartering Service		366.07	166.39
Courier Service		500.83	318.80
Bus Operation		13441.68	9320.88
	Total	**85849.65**	67760.48
SCHEDULE 14			
OTHER INCOME			
Interest on Deposits		21.83	15.93
(Tax deducted at source Rs.0.39 lacs, Previous year Rs.0.02 lacs)			
Dividend		1.58	1.76
Rent Income (Gross)		230.41	229.93
(Tax Deducted at Source Rs.19.24 lacs, Previous year Rs.0.44 lacs)			
Sale of Scrap Materials		683.84	546.87
Interest on Income Tax Refund		27.17	11.62
Credit Balances written back		14.19	4.25
Miscellaneous Income		116.14	58.18
	Total	**1095.16**	868.54
SCHEDULE 15			
OPERATING EXPENSES			
Lorry Hire		11296.00	8255.09
Vehicle Operation-Diesel Cost		19812.18	15284.14
Vehicle Running, Repairs and Maintenance		8134.89	6034.34
(Net of Insurance Claims received)			
{Includes stores and spares consumed Rs.2354.42 lacs (Previous year: Rs.2231.11 lacs)}			
Bridge and Toll Charges		2945.45	2228.56
Tyres, Flaps and Re-treading		2873.71	2002.87
Repairs and Maintenance			
a. Plant and Machinery		132.23	88.36
b. Buildings		347.85	285.46
c. Others		63.91	54.36
Electricity Charges		208.79	175.09
Wind Turbine Generator Operation and Maintenance expenses		391.09	393.86
Rent		3311.90	2942.17
Rates and Taxes		1828.15	1574.41
Insurance		254.28	340.57
Agency Commission		3168.77	2620.42
Hamali		3250.67	2608.78
Clearing and Forwarding		2133.56	1590.71
Claims		182.65	279.83
	Total	**60336.08**	46759.02

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2011

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
SCHEDULE 16			
EMPLOYEE COST			
Payments to and provisions for Employees			
(including Managerial Remuneration)			
Salaries, Wages and Bonus		9305.77	7912.04
Contribution to Provident Fund and Other Funds		753.48	766.32
Staff and Labour welfare expenses		388.98	304.07
	Total	**10448.23**	8982.43
SCHEDULE 17			
ADMINISTRATIVE EXPENSES			
Travelling and Conveyance		306.47	225.46
Printing and Stationery		289.57	257.46
Professional and Legal Expenses		91.63	153.63
Auditors' Remuneration (Refer note B(17) in schedule 19)		22.73	7.38
Office expenses		76.39	60.72
Communication Expenses		336.04	359.02
Advertisement and Business Promotion		76.00	78.32
Loss on sale/discard of Assets (Net)		148.20	155.37
Foreign Exchange Difference		0.14	-
Advances and Bad Debts written off		24.15	91.28
Provision for doubtful advances and debts		26.00	74.20
Donation		3.22	4.94
Directors' Sitting Fees		2.70	1.80
Other Expenses		22.11	5.62
	Total	**1425.35**	1475.20
SCHEDULE 18			
FINANCE COST			
Interest on :			
a. Fixed loans		4612.08	4963.90
b. Others		217.88	116.74
(Including Interest on Public Deposits Rs. 162.11 lacs,			
Previous year Rs. 64.69 lacs)			
Finance Charges		44.68	80.67
	Total	**4874.64**	5161.31

SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1) Basis for Preparation of Financial Statements

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

2) Use of Estimates

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

3) Fixed Assets and Capital Work in Progress

a) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation / amortization. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, upto the point the asset is ready for its intended use.

b) Direct expenses as well as clearly identifiable indirect expenses, incurred during the period of construction of building and body building of vehicles are capitalized with the respective assets in accordance with the ratio determined and certified by Company's Management.

c) Capital Advances in respect of assets to be acquired or towards assets under construction and assets acquired but not ready for use, as also the stock of body building materials are classified under Capital Work in Progress.

4) Depreciation

a) Depreciation on fixed assets is provided under the straight line method at the rates and in the manner specified under Schedule XIV to the Companies Act, 1956, which also represents the useful life of the fixed assets.

b) Cost of leasehold land and leasehold improvements is amortized over the period of the lease or its useful life, whichever is lower.

c) Goodwill is amortized over a period of five years.

d) Software is amortized over a period of five years.

e) Office Equipment forming part of Furniture, Fixtures and Office Equipment is depreciated over a period of fifteen years.

f) Depreciation on replaced vehicle bodies is restricted to the period that is co-terminus with balance working life of such vehicles.

g) Assets costing less than Rs. 5,000 are fully depreciated on the date of purchase.

5) Leases

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

6) Impairment of Assets

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

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

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

7) Foreign Currency Transactions

a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction.

b) Monetary assets and liabilities denominated in foreign currencies at the year end are restated at the rate of exchange prevailing on the date of the Balance Sheet.

c) Any exchange difference on account of settlement of foreign currency transactions and restatement of monetary assets and liabilities denominated in foreign currency is recognized in the Profit and Loss Account.

8) Investments

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

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary, in the opinion of the Management.

9) Valuation of Inventories

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

10) Recognition of Income and Expenditure

a) Income and Expenditure is recognized on accrual basis and provision is made for all known losses and liabilities.

b) Revenue from Goods transport and Courier service is recognized when goods / documents are delivered to the customers.

c) Revenue from Bus operation is recognized upon commencement of journey of passengers.

d) Revenue from sale of power is recognized upon deposit of units of generated power at the grid of the purchasing electricity company.

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

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

g) Freight income related to unclaimed parcels is recognised on actual basis.

h) Interest on deposits is recognized on time proportion basis.

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

j) Rent income is recognized on time proportion basis.

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

11) Employee Benefits

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

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

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

12) Borrowing Costs

Borrowing costs attributable to the acquisition and construction of qualifying assets are capitalized as part of the cost of such assets upto the date such assets are ready for its their intended use. Other borrowing costs are treated as revenue expenditure.

13) Taxation

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

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

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

14) Provisions and Contingent Liabilities

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

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

SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

B. NOTES TO ACCOUNTS

1) Contingent Liabilities not provided for (Rs. in Lacs)

PARTICULARS	As at 31.03.2011	As at 31.03.2010
A] Claims against the Company not acknowledged as Debts.		
• Income tax matters	1020.10	484.06
• Service tax matters- Tour Operator Service (Refer note c below)	-	4,154.20
• Service tax matters- Others	514.40	-
• Central Excise matters	809.19	657.50
• Customs Duty (Refer note d below)	694.92	688.05
• PF and ESIC matters	12.92	26.88
• Sales Tax Matters	-	14.43
• Other contractual matters	53.11	53.34
	3104.64	6,078.46
B] Disputed claims pending in Courts	6011.34	5,217.49
Total	**9115.98**	11,295.95

Notes:-

a. Company is in appeal against demands from Income Tax, Service Tax, Sales Tax, Provident Fund and ESIC authorities.

b. The above figures for contingent liabilities do not include amounts towards penalties that may devolve on the Company in the event of an adverse outcome as the same is subjective and not capable of being presently quantified.

c. The Finance Act, 2011, which received the assent of the President of India on 8.4.2011, has retrospectively exempted with effect from 1.4.2000, service tax levied on tour operators having a contract carriage permit for inter-state or intra-state transportation of passengers. Consequently, the liability of the Company to pay service tax on tour operator service based on demands raised earlier no longer exists and accordingly has not been disclosed as contingent liability.

d. Customs duty liability is in respect of alleged violation of terms and conditions of Non Scheduled Air Transport Service, as claimed by the Customs Department to the extent it can be quantified. The said department has issued a Show cause cum demand notice alleging violation of terms and conditions of Non Scheduled Air Transport Service and demanded, amongst others, customs duty on the import of aircraft and interest thereon. The Company had earlier availed of the exemption available under the Customs Act, 1962 (the 'Act') and was accordingly assessed to Nil duty under the Act. The Company has deposited the Customs duty, including interest thereon, without prejudice to further rights. These payments have been disclosed as deposits in the books of account. The Company has already filed the necessary response to the notice and expects a favourable order in this regard.

e. Future cash outflows in respect of (A) above can be determined only on receipt of judgments/decisions pending with various forums/authorities.

f. The amount disclosed in respect of (B) above pertains to the various cases of Motor Vehicle Accidents, Consumer disputes, Workmen compensation, etc. filed against the Company. A substantial portion of the expected liability / payment arising out of the same would devolve on third parties such as Insurance Companies, etc.

2) The Company has received a demand during the year from Deputy Inspector General of Registration (Vigilance), Government of Karnataka, Stamps and Registration Department towards stamp duty on acknowledgment of delivery of a letter, article, document, parcel, package or consignment, given by the Company to the sender of such letter, article, document, etc. in accordance with the Karnataka Stamp Act, 1957 (Article-1 (ii) of the Schedule). The Company is in the process of filing necessary appeals against the same. In the opinion of the management, no financial liability is expected to arise in this regard. The financial liability that may ultimately devolve upon the Company is currently not ascertainable.

3) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.1937.63 lacs (Previous Year Rs.1565.70 lacs).

4) As of March 31, 2011, the Company had no reportable outstanding dues to any Micro, Small and Medium Enterprises as specified under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

5) In the opinion of the Management, Current Assets, Loans and Advances have a value on realization in the ordinary course of business, at least equal to the amounts at which they are stated.

6) The land whereat 34 Wind Turbine Generators (WTGs) are installed (at Kappatgudda, Gadag District, Karnataka) is leased to Suzlon Energy Limited by the Karnataka Forest Department. Consequently, Suzlon Energy Limited has transferred the lease in favour of the Company with requisite clearances from Karnataka Forest Department.

7) The Company has entered into Operating leases for godowns and office facilities and such leases are basically cancellable in nature.

Lease rental expense recognized in the Profit and Loss Account for the year ended March 31, 2011 in respect of the operating leases is Rs.3311.90 lacs (Previous year Rs.2942.17 lacs).

Lease rental income recognized in the Profit and Loss Account for the year ended March 31, 2011 in respect of operating leases is Rs. 230.41 lacs (Previous year Rs.229.93 lacs).

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

	As at 31.03.2011	As at 31.03.2010
Not later than 1 year	679.80	559.68
Later than 1 year but not later than 5 years	1019.15	1468.08
Later than 5 years	-	-
Total	**1698.95**	2027.76

8) Capital work-in-progress includes capital advances paid.

9) During the year ended March 31, 2011, the Company has recognized liability amounting to Rs.180.90 lacs on account of compensated absences in accordance with the actuarial valuation carried out as at March 31, 2011. The charge for compensated absences amounting to Rs.146 lacs for the period upto March 31, 2010 (included above) has been classified as "Prior period adjustments" in these financial statements.

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

11) Expenses incurred in connection with the proposed Initial Public Offering (IPO) of equity shares of the Company amounting to Rs.216.77 lacs have been currently

disclosed as 'Advances recoverable in cash or in kind or for value to be received' pending completion of the IPO process. The Company has received the initial clearances from Securities Exchange Board of India (SEBI) and based on such clearances, the IPO process should be completed by March 2012. These expenses will be adjusted against the securities premium that is expected to arise out of the proposed IPO proceeds.

12) Fixed assets as at March 31, 2011 include net book value of land at Gurgaon aggregating Rs.1155.28 lacs which has been retired from active use and is held for disposal. In accordance with Accounting Standard 10, Accounting for Fixed Assets, items of fixed assets that have been retired from active use and held for disposal are stated at the lower of net book value and net realisable value. The net realisable value as per the agreement of sale dated October 13, 2010, entered into with the buyer is Rs.1600 lacs and therefore it is stated at its book value. Advance received in accordance with the aforesaid agreement is Rs.160 lacs.

13) Certified Emission Reduction Credits

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

The Company has entered into an agreement dated October 29, 2009 with Asian Development Bank (ADB) (as trustee of the Asia Pacific Carbon Fund) for sale of Certified Emission Reductions (CERs) which would be generated during the period March 2009 to December 2012 (delivery period). The Company has received part advance (net of CDM administrative fee @2%) of Rs.1237.54 lacs (USD 27,09,716) towards expected sale of 318,388 CERs during the delivery period. In accordance with the said agreement and subsequent correspondences in this regard, 1,35,800 CERs had to be generated by December 31, 2010 and have to be delivered by November 30, 2011. As at December 31, 2010, the Company has generated 1,29,493 CERs on a cumulative basis. The management believes that no penal consequences would arise on account of short delivery of the CERs.

The accrual of CER credits has not been currently recognized in the financial statements since the risks and rewards in respect of these CERs are yet to be transferred in accordance with prudent accounting policy adopted by the Company on the subject matter.

14) Staff benefits cost in accordance with Accounting Standard 15 (Revised)

a) **Defined Contribution Plans:** The amount recognized as an expense during the year is Rs.486.85 lacs (Previous year Rs.478.96 lacs).

b) **Defined Benefit Plans:**

(Rs. in Lacs)

	PARTICULARS	March 31, 2011	March 31, 2010
1.	**Assumptions**		
	Discount Rate	8.00%	8.00%
	Rate of increase in Compensation levels	10% for 5 years & 5% thereafter	10% for 5 years & 5% thereafter
	Rate of Return on Plan Assets	8.00%	8.00%
	Expected Average remaining working lives of employees (years)	23.52	22.00
2.	**Table showing Changes in Present Value of Obligations**		
	Present Value of Obligation as at the beginning of the year	679.73	518.84
	Interest Cost	52.73	39.41
	Current Service Cost	123.06	135.95
	Benefits paid	(41.08)	(52.46)
	Actuarial (gain)/ loss on obligations	(73.21)	37.99
	Present Value of Obligation as at the end of the year	741.23	679.73

3. Table showing Changes in Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	662.56	448.63
Expected Return on Plan Assets	51.40	41.91
Contributions	30.77	202.97
Benefits Paid	(41.08)	(52.46)
Actuarial Gain /(loss) on Plan Assets	5.91	21.51
Fair Value of Plan Assets at the end of the year	709.56	662.56
4. Table showing Fair Value of Plan Assets		
Fair value of plan asset at the beginning of year	662.56	448.63
Actual return on plan assets	57.31	63.42
Contributions	30.77	202.97
Benefits Paid	(41.08)	(52.46)
Fair value of plan assets at the end of year	709.56	662.56
Funded Status	(31.67)	(17.17)
Excess of actual over estimated return on plan assets	5.91	21.51
5. Actuarial gain / loss recognized		
Actuarial (gain)/loss for the year – Obligation	(73.21)	37.99
Actuarial (gain)/loss for the year – Plan Assets	(5.91)	(21.51)
Total (gain) / loss for the year	(79.12)	16.48
Actuarial (gain) / loss recognized during the year	(79.12)	16.48
Unrecognized actuarial (gains) / losses at the end of year	-	-
6. Amounts recognized in the Balance Sheet		
Present Value of Obligation as at the end of the year	741.23	679.73
Fair Value of Plan Assets as at the end of the year	709.56	662.56
Funded Status	(31.67)	(17.17)
Unrecognized Actuarial (gains) / losses	-	-
Net Asset / (Liability) Recognized in Balance Sheet	(31.67)	(17.17)
7. Expense recognized in Statement of Profit and Loss		
Current Service Cost	123.06	135.95
Interest Cost	52.73	39.41
Expected Return on Plan Assets	(51.40)	(41.91)
Net actuarial (gain)/ loss recognized during the year	(79.12)	16.48
Expenses recognized in Statement of Profit and Loss	45.27	149.93

15) Segment Reporting

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

(Rs. in Lacs)

PARTICULARS		Year Ended 31.03.2011	Year Ended 31.03.2010
1 SEGMENT REVENUE			
(Net Sales to/Income from each segment from external customers)			
a) Goods Transport		72041.90	58273.21
b) Bus Operations		13441.68	9320.88
c) Wind Power		2346.73	2838.45
d) Air Charter Business		366.07	166.39
	Total	**88196.38**	70598.93
Un-allocable Revenue (Other Income)		1095.16	868.54
Net Sales/Income from Operation		**89291.54**	71467.47
2 SEGMENT RESULTS			
(Profit before Interest and Taxation from each segment)			
a) Goods Transport		10787.09	8885.02
b) Bus Operations		1757.43	1159.23

c) Wind Power		772.23	1248.13
d) Air Charter Business		(141.59)	(239.84)
	Total	**13175.16**	11052.54
Less: Finance cost		(4874.64)	(5161.31)
Add/(Less) Other un-allocable expenditure net of un-allocable income		(1186.60)	(1443.93)
Profit before Tax and Prior Period Adjustments		**7113.92**	4447.30
3 OTHER INFORMATION			
ASSETS			
a) Goods Transport		25604.60	19824.28
b) Bus Operations		10621.96	5064.57
c) Wind Power		17989.38	19767.49
d) Air Charter Business		2811.62	2936.96
e) Un-allocable Assets		15878.86	13725.70
	Total	**72906.42**	61319.00
LIABILITIES			
a) Goods Transport		3458.70	2525.09
b) Bus Operations		237.46	202.80
c) Wind Power		1239.54	0.68
d) Air Charter Business		14.99	10.05
e) Un-allocable Liabilities		54492.66	47741.72
	Total	**59443.35**	50480.34
CAPITAL EXPENDITURE			
Total cost incurred during the year to acquire segment assets			
a) Goods Transport		5853.05	2364.81
b) Bus Operations		6330.62	2131.69
c) Wind Power		-	-
d) Air Charter Business		-	-
e) Un-allocable Capital Expenditure		1398.69	581.70
	Total	**13582.36**	5078.20
SEGMENT DEPRECIATION/AMORTIZATION			
a) Goods Transport		2441.72	2338.18
b) Bus Operations		939.47	589.78
c) Wind Power		1140.40	1140.40
d) Air Charter Business		142.58	142.58
e) Un-allocable Depreciation / Amortization		429.15	431.27
	Total	**5093.32**	4642.21

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

16) Managerial Remuneration:

a) Managerial remuneration under Section 198 of the Companies Act, 1956, read along with provisions of Schedule XIII, paid / payable to the Directors is as under. (Rs. in lacs)

PARTICULARS		**Year Ended 31.03.2011**	**Year Ended 31.03.2010**
Salary and Allowances		407.57	412.89
Contribution to Provident and other Funds*		0.09	0.09
Perquisites**		12.34	29.76
Directors' sitting fees		2.70	1.80
Commission on profits		25.20	14.50
	Total	**447.90**	459.04

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

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

b) Computation of net profits u/s 349 of the Companies Act, 1956 for calculation of remuneration payable to Whole Time Directors:

(Rs. in Lacs)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
Profit before tax as per Profit and Loss Account	7113.92	4447.30
Add : Managerial remuneration	447.90	459.04
Add: Provision for doubtful debts and advances	26.00	74.20
Add: Loss on sale of Fixed Assets (Net)	148.20	155.37
Profits for Computation of Directors' remuneration	7736.02	5135.91
Maximum Remuneration of Whole-time Directors under provisions of the Companies Act, 1956 @ 10%	773.60	513.59

17) Payment to Auditors:

(Rs. in Lacs)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
Statutory audit fees	19.85	3.31
Tax audit fees	1.10	1.10
Other services	0.84	0.59
Out of pocket expenses	0.94	2.38
Total	**22.73**	7.38

The above remuneration does not include Rs. 31.12 lacs payable to the auditors towards professional services in connection with the proposed Initial Public Offer of equity shares of the Company. This amount has been disclosed under 'Expenses incurred in connection with IPO' and classified under 'Advances recoverable in cash or in kind or for value to be received' and will be adjusted against securities premium in the subsequent period.

18) Deferred Tax:

The Company has accounted for Deferred Tax Asset (DTA)/ Liability (DTL) in accordance with Accounting Standard 22, "Accounting for Taxes on Income" as notified under the Companies (Accounting Standards) Rules, 2006. The details are as under:

(Rs. in Lacs)

PARTICULARS	DTA / DTL As At 01.04.2010	DTA / DTL Arising During the Year	DTA / DTL As At 31.03.2011
(a) **Liabilities**			
Depreciation (net)	(9914.85)	505.75	(9409.10)
(b) **Assets**			
i) Allowance for doubtful debts, advances and contingencies	25.25	13.75	39.00
ii) Unabsorbed depreciation	2229.60	(2229.60)	-
iii) Sec. 43B disallowances under Income Tax Act, 1961	74.65	65.40	140.05
Deferred Tax (Liability) / Asset	**(7585.35)**	**(1644.70)**	**(9230.05)**

19) Computation of Earnings Per Share (Basic / Diluted)

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

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
Net profit/(loss) after tax attributable to equity shareholders (Rs. in lacs)	5097.68	2909.87
Weighted average number of shares outstanding during the year – Basic and diluted	70700000	70700000
Basic and diluted earnings per share (Rs.)	7.21	4.12
Nominal value per equity share (Rs.)	10.00	10.00

20) Related Party Disclosures

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

Names of Related Parties and description of relationship:

1. Key Management Personnel (KMP) and their relatives
   a. Mr. Vijay Sankeshwar (Chairman & Managing Director)
   b. Mr. Anand Sankeshwar (Managing Director)
   c. Mrs. Vani Sankeshwar - relative of director (President with effect from December 01, 2009)
   d. Mr. R.P. Raichur (Director Finance and Company Secretary) (Upto 14 November 2009)
   e. Mrs. Lalitha Sankeshwar - relative of director
   f. Mrs. Bharati Holkunde - relative of director

2. Companies in which KMP or their relatives has significant influence
   a. Aradhana Trust
   b. Shiva Agencies
   c. Sankeshwar Minerals Private Limited
   d. Sankeshwar Printers Private Limited
   e. VRL Cements Limited
   f. VRL Media Limited

b) **Disclosures of transactions between the Company and its related parties, along with outstanding balances as at March 31, 2011.**

(Rs. in Lacs)

Nature of Transaction	Name	Nature of Relation	Amount	
			31.03.2011	**31.03.2010**
Income				
Rent	Aradhana Trust	Companies in which	9.00	9.00
	Shiva Agencies	KMP or relative has	23.79	18.28
	Sankeshwar Minerals Private Limited	significant influence	2.54	2.54
Freight	Sankeshwar Minerals Private Limited	Company in which KMP or relative has significant influence	1.54	1.60
	Shiva Agencies		9.24	-
Royalty	Sankeshwar Minerals Private Limited	Company in which KMP or relative has significant influence	0.55	0.55
Reimbursements	Sankeshwar Minerals Private Limited	Company in which KMP or relative has significant influence	19.40	17.90
		Total	**66.06**	**49.87**
Expenditure				
Remuneration/Commission	Mr. Vijay Sankeshwar	KMP	265.20	210.00
	Mr. Anand Sankeshwar	KMP	180.00	180.00
	Mr. R.P.Raichur	KMP (erstwhile)	-	23.08
	Mrs. Vani Sankeshwar	KMP/ Relative of KMP	5.86	1.96
Printing and Stationery	Sankeshwar Printers Private Limited	Company in which KMP or relative has significant influence	35.73	34.20
Repairs and Maintenance	Sankeshwar Printers Private Limited	Company in which KMP or relative has significant influence	2.24	-
Interest on Unsecured Loan	Mr. R.P. Raichur	KMP (erstwhile)	-	0.10
	VRL Media Limited	Companies in which KMP or relative has significant influence	94.57	-
	VRL Cements Limited		1.76	-
		Total	**585.36**	**449.34**
Adjustment of remuneration paid in excess in earlier years	Mr. Vijay Sankeshwar	KMP	58.73	-
	Mr. Anand Sankeshwar	KMP	53.20	-
		Total	**111.93**	-

(Rs. in Lacs)

Nature of Transaction	Name	Nature of Relation	Amount	
			31.03.2011	31.03.2010
Funding and Investment				
Payments				
Repayment – Unsecured loan	Mr. R.P. Raichur	KMP (erstwhile)	-	1.00
Advance given	Mrs. Vani Sankeshwar	KMP/ Relative of KMP	-	6.30
Purchase of land	Mr.Vijay Sankeshwar	KMP	-	35.61
		Total	**-**	42.91
Receipts				
Unsecured loan taken	VRL Media Limited	Companies in which KMP or relative has significant influence	2460.00	-
	VRL Cements Limited		45.00	-
Sale of Property	Mr. Vijay Sankeshwar	KMP	-	994.33
		Total	**2505.00**	994.33
Dividend Paid	Mr. Vijay Sankeshwar	KMP	992.25	1025.30
	Mr. Anand Sankeshwar	KMP	1115.91	1153.20
	Mrs. Vani Sankeshwar	KMP/ Relative of KMP	12.00	12.40
	Mrs. Lalitha Sankeshwar	Relative of KMP	0.63	0.70
	Mrs. Bharati Holkunde	Relative of KMP	0.05	0.10
		Total	**2120.84**	2191.70
Balance as at the year end:				
Assets:				
Receivables	Shiva Agencies	Companies in which KMP or relative is a director	2.17	-
	Aradhana Trust		9.00	-
	Sankeshwar Minerals Private Limited		7.28	1.53
	Sankeshwar Printers Private Limited		-	-
	Mr. Vijay Sankeshwar	KMP	-	2.31
	Mrs. Vani Sankeshwar	KMP/ Relative of KMP	0.43	6.30
		Total	**18.88**	10.14
Liabilities:				
Payables	Mr. Vijay Sankeshwar	KMP	-	-
	VRL Media Limited	Companies in which KMP or relative is a director	2545.11	-
	VRL Cement Limited		46.58	-
		Total	**2591.69**	

21) Prior period adjustments (Net) comprise the following:-

(Rs. in Lacs)

PARTICULARS		As At 31.03.2011	As At 31.03.2010
(A) Prior Period Expenses			
Rent expense		11.08	2.78
Compensated Absences		146.00	-
Interest		-	0.11
Others		22.20	10.55
	(A)	**179.28**	13.44
(B) Prior Period Income			
Freight Income		2.82	0.52
Recovery of Managerial Remuneration excess paid earlier		111.92	-
Insurance		0.05	0.24
Interest		1.39	-
Others		1.10	-
	(B)	**117.28**	0.76
	(A - B)	**62.00**	12.68
Add: Tax effect on prior period adjustments		7.12	-
	Total	**69.12**	12.68

22) Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956:

PARTICULARS	31.03.2011		31.03.2010	
	Quantity (in units)	Amount (Rs. in Lacs)	Quantity (in units)	Amount (Rs. in Lacs)
A) Generation of Energy				
Opening units	-		-	
Generated during the year (net of transmission loss)	6,92,71,073		7,78,14,064	
Less: Captive consumption	2,27,321		2,54,196	
Less: Sale of energy units	6,90,43,752	2346.73	7,75,59,868	2636.29
Closing units		**2346.73**		2636.29
B) Expenditure in foreign currency				
Aircraft Maintenance	-	43.67	-	48.37
Boarding Expenses	-	-	-	3.60
		43.67		51.97
C) Value of imported and indigenous materials				
Spare Parts and Components including tyres, flaps and re-treading				
Imported (including Customs Duty) (Nil)	-	-	-	-
Indigenous (100%)	-	5228.13	-	4233.98
		5228.13		4233.98

23) The financial statements of the Company for the year ended March 31, 2010 were audited and reported solely by the joint statutory auditors, M/s H. K. Veerbhaddrappa & Co., Chartered Accountants. Previous year figures have been regrouped or rearranged, wherever considered necessary to make them comparable with those of the current year.

Signatures to Schedules 1 to 19

For and on behalf of the Board of Directors

Vijay Sankeshwar Chairman and Managing Director	**Anand Sankeshwar** Managing Director	**Aniruddha Phadnavis** General Manager (Finance) and Company Secretary

Place: Hubli
Date: 1st June 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 0 0 5 2 4 7 State Code 0 8

Balance Sheet 3 1 (Date) 0 3 (Month) 2 0 1 1 (Year)

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

Public Issue	Rights Issue	Bonus Issue
NIL	NIL	NIL
Private Placement		
NIL		

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

Total Liabilities	Total Assets
6726929	6726929

Sources of Funds

Paid-up Capital	Reserves & Surplus	Secured Loans
707000	639307	4079698
Unsecured Loans	**Deferred Tax Liability**	**Share Application Money**
377919	923005	NIL

Application of Funds

Net Fixed Assets	Investments	Net Current Assets
5115337	1250	1090077
Misc. Expenditure	**Accumulated Losses**	**Capital work in progress**
NIL	NIL	520265

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

Turnover	Total Expenditure	+ / –	Profit (+)/Loss (–) before extra ordinary items of taxation
8929154	8217762	✓ (+)	711392

+ / –	Profit (+)/Loss(–) Before Tax & After extra ordinary items	+ / –	Profit (+) / Loss (–) After Tax	Earnings per Share in Rs.	Dividend Rate %
✓ (+)	711392	✓ (+)	509768	7.21	30

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

Item Code No.	Product Description
NIL	GOODS TRANSPORT
NIL	TRAVELS SERVICE
NIL	WIND POWER GENERATION

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

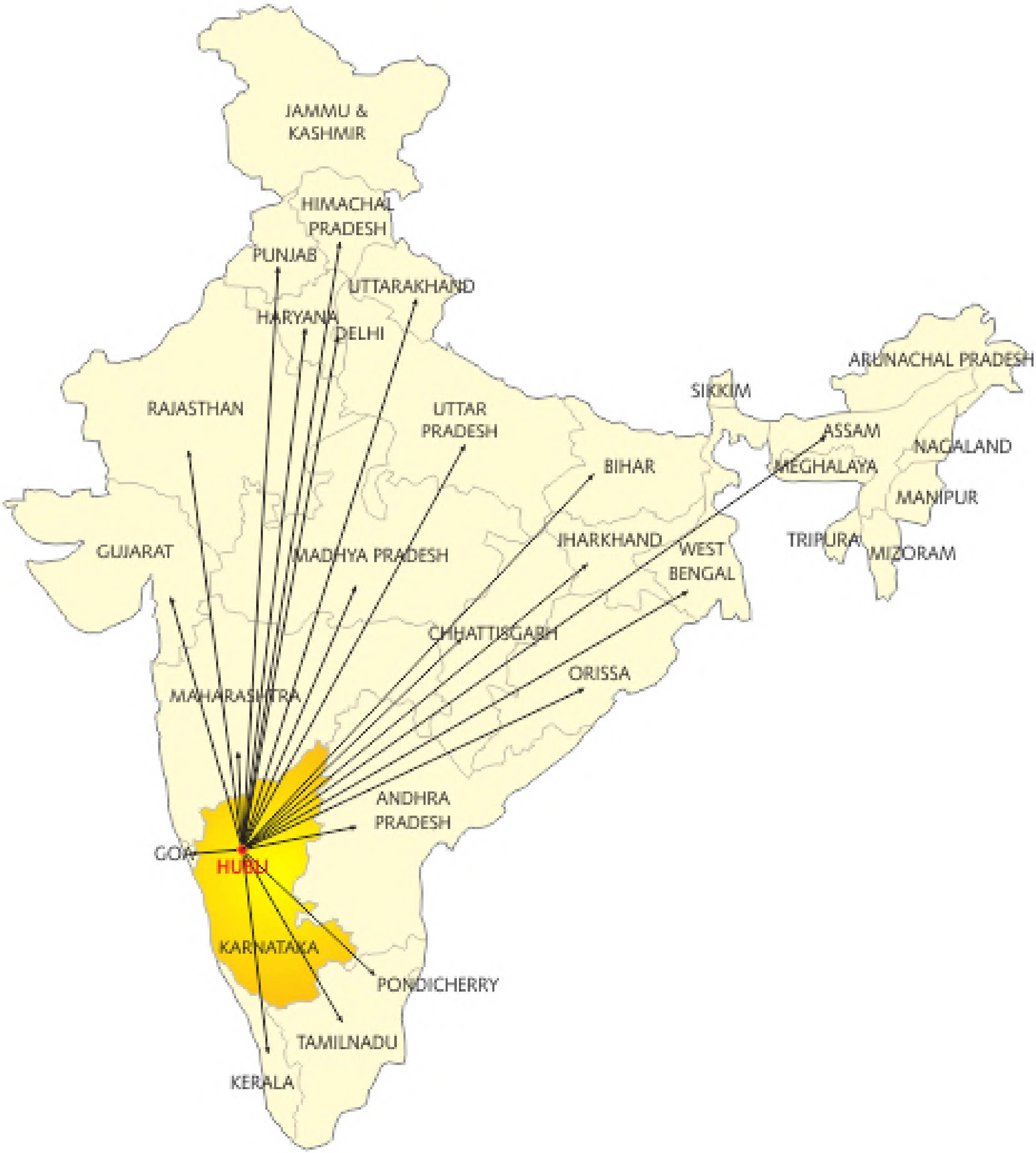
For and on behalf of the Board

Place: Hubli
Date: 1st June 2011

Vijay Sankeshwar
Chairman & Managing Director

VRL

COUNTRYWIDE NETWORK



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