

ANNUAL REPORT 2016-17



OUR VISION

To become the Premier Company that cuts across various segments and emerges as the torchbearer of each segment that it 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 workforce to continuously strive for quality and excellence in everything they do. To promote team work and create work environment that encourages talent and brings out the best in our employees.

QUALITY POLICY

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

Hubballi Head Office



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DISCLAIMER

This Annual Report may contain certain forward looking statements about the Company. Although the Company believes its expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. These forward looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from those in such statements, certain of which are beyond the control of the Company including, among other things, changes in general economic conditions, exchange rate fluctuations, fuel price fluctuations, the impact of business conditions in the Indian market, including those related to competition, price controls and price reductions, exposure to environmental liability and the like.

COMPANY INFORMATION

BOARD OF DIRECTORS

Dr. Vijay Sankeshwar
Chairman and Managing Director

J S Korlahalli
Independent Director

Mrs. Medha Pawar
Independent Director

Dr. Raghottam Akamanchi
Non-executive Director

Anand Sankeshwar
Managing Director

Dr. Prabhakar Kore
Independent Director

Dr. Anand Pandurangi
Independent Director

Ramesh Shetty
Non-executive Director

K N Umesh
Whole Time Director

C Karunakara Shetty
Independent Director

Shankarasa Ladwa
Independent Director

Dr. Ashok Shettar
Non-executive Director

Sunil Nalavadi
Chief Financial Officer

Aniruddha Phadnavis
Company Secretary

BOARD COMMITTEES

AUDIT COMMITTEE
Shankarasa Ladwa - Chairman
J S Korlahalli
C Karunakara Shetty
Mrs. Medha Pawar

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

STAKEHOLDERS RELATIONSHIP COMMITTEE
C Karunakara Shetty - Chairman
J S Korlahalli
Shankarasa Ladwa

NOMINATION & REMUNERATION COMMITTEE
J S Korlahalli - Chairman
C Karunakara Shetty
Dr. Anand Pandurangi
Dr. Ashok Shettar

SHARE TRANSFER COMMITTEE
C Karunakara Shetty - Chairman
J S Korlahalli
Shankarasa Ladwa
Mrs. Medha Pawar

CSR COMMITTEE
Dr. Prabhakar Kore - Chairman
Anand Sankeshwar
C Karunakara Shetty
Mrs. Medha Pawar

RISK MANAGEMENT COMMITTEE
Dr. Vijay Sankeshwar - Chairman
Anand Sankeshwar
J S Korlahalli
Shankarasa Ladwa
K. N. Umesh
L. R. Bhat - Chief Technical Officer
Sunil Nalavadi - Chief Financial Officer

ADMINISTRATION COMMITTEE
Dr. Vijay Sankeshwar - Chairman
Anand Sankeshwar
Mrs. Medha Pawar
Dr. Raghottam Akamanchi

REGISTERED OFFICE
RS. No.351 /1, Varur, post Chabbi,
Taluk Hubballi, District Dharwad,
Hubballi - 581 207 (18th KM, NH 4,
Bengaluru Road, Varur), Karnataka
Phone: 0836-2237613,
Fax: 0836-2237614
E-mail: varurho@vrllogistics.com
Website: www.vrlgroup.in

AUDITORS

STATUTORY AUDITORS
M/s Walker, Chandiok & Co, LLP
Chartered Accountants
Mumbai

COST AUDITOR
M/s S K Tikare & Co,
Cost Accountants, Dharwad

BANKERS

SVC Co-Operative Bank Ltd.
Saraswat Co-operative Bank Ltd.
ICICI Bank Ltd.
HDFC Bank Ltd.
Kotak Mahindra Bank Ltd.
ING Vysya Bank Ltd.
Axis Bank
Yes Bank Ltd.

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

SECRETARIAL AUDITOR

Mr. R Parthasarathi
Company Secretary
Bengaluru

REGISTRAR & TRANSFER AGENTS

Karvy Computer Share Private Ltd.
Karvy Selenium Tower B,
Plot No. 31 & 32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad - 500 032

LEGAL ADVISOR

R B Gadagkar
Advocate



CHAIRMAN'S MESSAGE



Dear Shareholders,

The year gone by presented many challenges and we had to work hard to overcome these. We however remained firm and consistent in our business approach. The economic situation was sluggish and there was no volume growth in the market.

We follow the best practices internally and that is the reason we could easily overcome the challenges that demonetization presented. We did not face any setbacks and could easily overcome the situation despite a majority of our revenues comprising of small billings which was possible only because of our compliant organizational culture. Demonetization however affected the passenger traffic in the latter half of the last year. There is a lot of hue and cry over GST. Its implementation is imminent and I foresee that immediately upon such implementation there could be a considerable confusion and chaos in the markets. I opine that businesses would need to wait for a while to actually see the perceived benefits of GST becoming a reality. A lot depends on the sincerity and approach of the concerned regulators in implementing and monitoring it. In the long run though the same would definitely benefit the organized businesses.

The year gone by saw a drop in the profitability of our Company. The same was mainly attributable to the fuel price increase and the unhealthy competition faced by us in the passenger bus business. Efforts are on internally to identify sustainable supply sources for bio-diesel. We have developed an adequate in house mechanism to pass the fuel price fluctuations which would henceforth be on a day to day basis. I also do not foresee the competition in the passenger bus division to sustain in the long run and we have initiated remedial measures to ensure that the performance of the said division does not deteriorate any further.

On the capex front, we would continue to add to our fleet and infrastructure with a long term perspective. We are geared up for the GST implementation and would await the stabilization of the GST regime to suitably direct our business growth strategy.

Lastly, I wish to place on record my sincere appreciation of all our employees at all levels for their wholehearted dedication and efforts. I also thank all the stakeholders - Investors, Customers, Suppliers, Bankers, Government authorities, Regulators and the management team including the Co-Directors on the Board for their continued association with VRL.

I look forward to a bright future ahead for the Company.

Sincerely,

DR. VIJAY SANKESHWAR
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Thirty Fourth Annual Report of your Company together with the Audited Financial Statements for the financial year ended 31st March 2017.

1. SUMMARY OF FINANCIAL RESULTS

(₹ in lakhs)

Particulars	Year Ended 31 st March, 2017	Year Ended 31 st March, 2016
Total Income	1,81,238.33	1,73,120.09
Profit Before Finance Charges and Depreciation	22,748.13	27,932.10
Finance Charges	2,400.21	3,162.79
Provision for Depreciation	9,817.85	8,969.54
Net Profit Before Tax (incl. exceptional income)	10,530.07	15,799.77
Tax Expense	3,482.81	5,375.68
Net Profit After Tax	7,047.26	10,424.09
Other comprehensive income	75.98	(301.58)
Interim Dividend on Equity Shares	(3,649.74)	(4,562.17)
Tax on Interim Dividend	(743.00)	(928.75)
Transfer to General Reserve	(704.73)	(1,023.13)
Surplus carried to Balance Sheet	2,025.77	3,608.46

2. OPERATING HIGHLIGHTS / STATE OF COMPANY'S AFFAIRS

The Company has prepared the Financial Statements under Indian Accounting Standards (Ind AS) for the first time. The details of various adjustments to the Financial Statement necessitated from such implementation have been covered in the Notes to the Financial Statements.

During the year under consideration, your Company had a gross income of ₹ 1,81,238.33 lakhs as against previous year's gross income ₹ 1,73,120.09 lakhs depicting a growth rate of 4.69%. The Company has earned a Profit Before Tax (PBT) of ₹ 10,530.07 lakhs as against the Profit Before Tax of ₹ 15,799.77 lakhs in the previous year.

The Company's Goods Transport Division achieved a turnover of ₹ 1,42,615.26 lakhs thereby registering a growth rate of 5% as compared to the previous year. The growth in other verticals including bus operations was marginal. However, the dip in Net profits as compared to the previous year was mainly due to unhealthy competition in passenger transport, marked increase in diesel cost and non availability of bio diesel which resulted in erosion of margins. During the year the Company earned a net profit of ₹ 7,047.26 lakhs. The Company has initiated cost cutting and other remedial measures to arrest this decline.

3. SHARE CAPITAL

The Paid Up Equity Share Capital as at 31st March 2017 stood at ₹ 9,124.35 Lakhs. During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on 31st March 2017, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

4. CHANGE IN THE NATURE OF BUSINESS

There is no change in nature of business of the Company. Your Company continues to be one of the leading Logistics service providers in the country. The service offering of the Company in the Logistics space are Goods transport, Passenger transport and Courier services apart from Transport of passengers by air and Wind Power Generation verticals.

5. CAPITAL EXPENDITURE

During the Financial Year 2016-17, the company has incurred a capital expenditure of ₹ 7,856.14 lakhs. Out of the same, an amount of ₹ 6,157.01 lakhs was invested on fleet addition. Other capex components included the cost incurred on additions to Buildings, Plant & Equipment, Office Equipment, Leasehold Improvements and Furniture & Fittings.

6. DIVIDEND

During the Financial year 2016-17, your directors declared Interim Dividend at the rate of 40% translating to ₹ 4.00 per equity share. The Board recommends no further dividend and proposes that the interim dividend so declared and paid be treated as the final dividend for the financial year 2016-17.

7. TRANSFER OF UNPAID AND UNCLAIMED AMOUNT TO IEPF

During the year under consideration, no amount was due for transfer to IEPF as per section 125 of the Companies Act, 2013.

The details of unclaimed dividend and IPO share application money along with their due dates for transfer to IEPF is provided in the Corporate Governance Report which forms part of this Annual Report.

8. TRANSFER TO RESERVES

The Company has transferred an amount of ₹ 704.73 lakhs to the General Reserve out of current year's profits.

9. SUBSIDIARY COMPANIES

The Company does not have any subsidiary.

10. FIXED DEPOSITS

The Company has not accepted any deposits during the year within the meaning of Section 73 of the Companies Act, 2013 and the Rules made thereunder.

11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013.

Details of investments made by the Company are given in the notes to the Financial Statements.

12. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called as SEBI Listing Regulations) read with Schedule V thereto, is presented in a separate section forming part of this Annual Report.

13. BUSINESS RESPONSIBILITY REPORT

Securities Exchange Board of India vide its notification no. SEBI/LAD-NRO/GN/2015-16/27 dated 22nd December 2015 has amended the SEBI Listing Regulations mandating the top five hundred listed companies to include a report on business responsibility. The same forms part of this Annual Report.

14. CORPORATE GOVERNANCE

The Company is committed to maintain the steady standards of corporate governance and adhere to the corporate governance requirements set out under extant law. The report on corporate governance as stipulated under Regulation 34 of the SEBI Listing Regulations read with Schedule V thereto forms part of this Annual Report. The requisite certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Regulations, as also the related certificate from CEO/ CFO are attached to the report on corporate governance.

15. BOARD'S COMPOSITION AND INDEPENDENCE

The composition of the Board is in conformity with Section 149 of the Companies Act, 2013 and Regulation 17 of the SEBI Listing Regulations, which stipulates that the Board should have optimum combination of executive and non-executive directors with at least one woman director and at least 50% of the Board should consist of independent directors, as the Chairman of our Board is an executive director.

As on 31st March 2017, the Board comprised of twelve Directors. Out of these, two are Executive Directors - Chairman & Managing Director and Managing Director, who are also the Promoters of the Company.

Of the ten Non-Executive Directors, six are Independent Directors including one Woman Director who is an Independent Director. All the Directors possess the requisite qualifications, expertise and experience in general corporate management, finance, banking, laws and other allied fields enabling them to contribute effectively in their capacity as Directors of the Company.

None of the Directors of the Company are related to each other except Dr. Vijay Sankeshwar, Chairman & Managing Director (CMD) and Mr. Anand Sankeshwar, Managing Director (MD).

All Independent Directors have given due declarations that they meet the criteria of independence as laid down under Section 149(7) of the Companies Act, 2013 and under extant provisions of the SEBI Listing Regulations.

16. NUMBER OF MEETINGS OF THE BOARD

During the year four board meetings were held, details of which are provided in the Corporate Governance Report. The intervening gap between the meetings was in compliance with the related provisions of the Companies Act, 2013.

17. DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

a) Inductions

There was no change in Directors during the year under consideration. During the current year Mr. K N Umesh was appointed as an Additional Director who holds office upto the date of Annual General Meeting (AGM). He was also appointed as a Whole Time Director subject to the approval of members. A Notice has been received from a member for his appointment as a Director at the AGM. The Board recommends his appointment as a Whole Time Director at the AGM. The said appointment was made in compliance with Regulation 17 of SEBI Listing Regulations with respect to composition of Board as Mr. S R Prabhu has resigned from his office as a Director w.e.f. 19th May 2017.

b) Retirement/Re-appointment

The tenure of Dr. Vijay Sankeshwar, Chairman & Managing Director concluded on 31st December 2016 and pursuant to recommendation by Nomination and Remuneration committee, the Board of Directors at their meeting held on 27th October 2016 re-appointed him as the Chairman and Managing Director of the Company w.e.f. 1st January 2017 for a period of 5 years. The said re-appointment needs approval of Shareholders at the 34th AGM of the Company. Accordingly a resolution alongwith explanatory statement as required under the extant provisions of the Companies Act, 2013 is provided in Notice of the 34th AGM. Board recommends the re-appointment of Dr. Vijay Sankeshwar as the Chairman and Managing Director of the Company.

Dr. Ashok Shettar, Non-Executive Director, retires by rotation owing to his tenure being the longest amongst retiring directors and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Mr. Ramesh Shetty, Non-Executive Director, though being eligible has expressed unwillingness to continue as Director of the Company. Board is in receipt of a notice under Section 160 of the Companies Act, 2013 alongwith the requisite deposit from a member of the Company proposing the candidature of Mr. L R Bhat for the office of Director. Board recommends the appointment of Mr. L R Bhat as a Whole Time Director, liable to retire by rotation.

None of the Independent Directors will retire at the ensuing AGM.

c) Resignation

The Company was in receipt of resignation letter dated 04th May 2015 wherein Mr. S R Prabhu, Non-Executive Director of the Company had requested the Board to relieve him from duties as Director of the Company w.e.f. 19th May 2017. The Board at the meeting held on 19th May 2017 accepted the resignation and placed on record its appreciation for his support as well as his valuable contribution for the functioning of the Board.

18. STATUTORY DISCLOSURES

None of the Directors of your Company are disqualified as per provisions of Section 164(2) of the Companies Act, 2013. Your Directors have made necessary disclosures, as required under various provisions of the Companies Act, 2013 and SEBI Listing Regulations.

19. COMMITTEES OF THE BOARD

The Board has the following committees:

- a. Audit Committee
- b. Nomination and Remuneration Committee
- c. Corporate Social Responsibility Committee
- d. Stakeholders Relationship Committee
- e. Risk Management Committee
- f. Administration Committee
- g. Share Transfer Committee
- h. Finance Committee

Details such as terms of reference, powers, functions, meetings, membership of committee, attendance of Directors etc. are dealt with in Corporate Governance Report forming part of this Annual Report.

Board has accepted all the recommendations made by the Audit Committee during the year.

20. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations, the Board has carried out an evaluation of its own performance, the Directors (including Independent Non Executive and Executive Directors) individually, the performance of its Chairman as well as the evaluation of the working of its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report which forms part of this Annual Report.

21. BOARD DIVERSITY

A diverse Board enables efficient functioning through differences in perspective and skill and also fosters differentiated thought processes at the back of varied industrial and management expertise, gender and knowledge. The Board recognizes the importance of a diverse composition and has adopted a Board Diversity policy which sets out the approach to diversity.

The said policy can be accessed thru the following link.

http://vrlgroup.in/vrl_investor_desk.aspx?display=policies

22. DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- i) In the preparation of the annual accounts, the applicable accounting standards (IndAS) have been followed along with proper explanation relating to material departures.
- ii) 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 or loss of the Company for that period.
- iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The directors have prepared the annual accounts on a going concern basis.
- v) The directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- vi) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

Based on the framework of internal financial controls established and maintained by the Company, reviews performed by the Management in concurrence with the Audit Committee, your Board is of the opinion that the Company's internal controls were adequate and effective as on 31st March 2017.

23. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the Financial Year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large.

All related party transactions pre-cleared by the Audit Committee and these are placed before the Audit Committee as also to the Board for approval. Omnibus approval was obtained semi annually for transactions which are of recurring nature. A statement containing details of all transactions entered into pursuant to omnibus approval are placed before the Audit Committee and the Board for review and approval on a quarterly basis.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board of Directors of the Company can be viewed on the website of the Company thru the following link.

http://vrlgroup.in/investor_download/RPT%20Policy.pdf

There were no material significant related party transactions entered between the Company, Directors, Key Managerial Personnel or their relatives. All the contracts/arrangements/transactions entered into by the Company with the related parties during the Financial Year 2016-17 were in the ordinary course of business and on an arm's length basis. In our opinion there were no "material" transactions that warrant a disclosure in this report.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) along with the justification for entering into such contract or arrangement in Form AOC-2 does not form a part of this report.

24. NOMINATION AND REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee, framed a policy for selection and appointment of Directors, Senior Management and their remuneration including criteria for determining qualifications, positive attributes and other matters provided under sub section (3) of section 178 of the Companies Act, 2013. The Remuneration Policy is stated in the Corporate Governance Report and also annexed to this report as Annexure A. The said policy alternatively can also be accessed on the website of the Company at the following link:

http://vrlgroup.in/investor_download/Nomination_Remuneration%20Policy.pdf

25. CODE OF CONDUCT

The Board of Directors have approved a Code of Conduct which is applicable to the members of the Board and specified employees in the course of day to day business operations of the Company. The Company believes in “Zero Tolerance” against bribery, corruption and unethical dealings / behavior in any form and the Board has laid down directives to counter such acts. The code of conduct has also been placed on the Company’s website. The Code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The Code gives guidance on the expected behaviour from an employee in a given situation and the reporting structure. All the Board Members and the Senior Management personnel have confirmed compliance with the Code.

26. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism Policy to deal with instances of fraud and mismanagement, if any. Staying true to our core values being committed to high standards of Corporate Governance and stakeholder responsibility, the said policy ensures that strict confidentiality is maintained in respect of whistle blowers whilst dealing with concerns and also specified that no discrimination will be meted out to any person for a genuinely raised concern and also provides a direct access to the Chairman of the Audit Committee. During the year under review none of the personnel have been denied access to the Chairman of Audit Committee.

The Vigil Mechanism policy is available on the website of the Company and can be accessed at the following link.

http://vrlgroup.in/investor_download/vigil_Mechanism.pdf

27. PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Insiders with a view to regulate trading in securities by the Directors and certain designated employees of the Company. The Code requires pre-clearance for dealing in the Company’s shares and prohibits the purchase or sale of Company shares by the Directors and designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the trading window is closed. The Board is responsible for implementation of the Code.

The said code is available on the website of the Company and can be accessed at the following link.

http://vrlgroup.in/vrl_investor_desk.aspx?display=policies

28. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. The Board of the Company had laid down policies, guidelines, procedures and structure to enable implementation of appropriate internal financial controls across the Company. These control processes enable and ensure the orderly and efficient conduct of Company’s business, including safeguarding of assets, prevention and detection of frauds and errors, the accuracy and completeness of the Accounting records and timely preparation & disclosure of financial statements. These controls also identify the risks and provides for means to minimize / mitigate the risks affecting the business of the Company as a whole. Auditors, as required under the Companies Act, 2013, have also certified that these internal financial controls are in order and effective in mitigating the risks.

The Company’s internal audit department enables the management to mitigate the risks and prevent non-compliance of laws which would affect the financial position of the Company. The scope and authority of the Internal Audit function is well defined and to maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board as well as directly to the Chairman & Managing Director. The internal audit department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the internal audit report from time to time, the management undertakes corrective actions in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee.

29. BUSINESS RISK MANAGEMENT:

Pursuant to section 134 (3) (n) of the Companies Act, 2013 & Regulation 21 of the SEBI Listing Regulations, the Company has constituted a risk management committee. The details of the committee and its terms of reference are set out in the corporate governance report forming part of this Annual Report. The material risks affecting Company are identified along with related mitigation measures and elaborated in the risk management policy of the Company which has also been hosted on the website of the Company and can be accessed at the following link.

http://vrlgroup.in/investor_download/Risk%20Management%20Policy.pdf