

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Twenty Eighth Annual General Meeting of the Members of VENLON ENTERPRISES LIMITED will be held on Saturday the 29<sup>th</sup> September, 2012 at 4.30 PM at Hotel Dasaprakash Paradise, Yadavagiri, Mysore-570 020 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2012, audited cash flow statement as on that date and audited Profit and Loss account for the year ended as on that date and reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Smt Saroj Datwani who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Shri K.V. Chitalia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

Place: Mysore

Date: 30/05/2012

By Order of the Board

  
**Chand D. Datwani**  
Chairman

**Registered Office:**

Plot No: 26(P)

Belavadi Industrial area

Hunsur Road,

Mysore -570018

**NOTES :**

1. A member entitled to attend and vote in the above meeting is entitled to appoint one or more proxies to attend and vote instead of him and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of members and the Share Transfer Books in respect of the equity shares of the company will remain closed from 22/09/2012 to 29/09/2012 (both days inclusive).
3. Members are requested to notify change in address, if any, immediately to M/s Computech Sharecap Ltd., Registrars and Share Transfer Agents situated at 147, 3rd Floor, M.G.Road, opposite Jehangir Art Gallery, Fort, Mumbai - 400 023, Quoting folio number / demat particulars.
4. All documents referred to in the above notice are open for inspection at the Registered Office of the Company between 10 a.m. and 1.00 p.m. on all working days upto the day of the Annual General Meeting.
5. Shareholders desiring any information as regards Accounts are requested to write to the Registered Office at an early date so as to enable the Management to keep the information ready.
6. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting and hand it over at the entrance of the hall.
7. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
8. Provision of Section 192A of the Companies Act, 1956 is complied as and where applicable.

**Place:** Mysore

**Date:** 30<sup>th</sup> May 2012

By Order of the Board

**Chand D. Datwani**  
Chairman

**Registered Office:**

Plot No: 26(P)

Belavadi Industrial area

Hunsur Road,

Mysore -570018

**DIRECTORS' REPORT****To the Members of Venlon Enterprises Limited**

Dear Members,

Your Directors have pleasure in presenting the 28<sup>th</sup> Annual Report on the Business and Operations of the Company and Financial Results for the year ended 31st March 2012.

**FINANCIAL RESULTS****(Rs. In Lacs)**

		<b>Current Year</b>	<b>Previous Year</b>
		31 <sup>st</sup> Mar 2012	31 <sup>st</sup> Mar 2011
01.	Income from Operations		
	a) Net Sales / Income from Operation	3,077.27	10,500.09
	b) Other Operating Income	17.35	-
	<b>Total Income</b>	<b>3,094.62</b>	<b>10,500.09</b>
02.	Expenditure		
	a) Cost of Materials consumed	1,790.66	6,803.10
	b) Purchases of Stock-in-trade	94.38	2.13
	c) Changes in Inventories of finished Goods, Work-in-Progress and Stock-in-trade	32.72	118.45
	d) Employee Benefits Expenses	410.06	260.99
	e) Depreciation and amortization expenses	239.01	643.24
	f) Other Expenses	743.55	1,724.23
	<b>Total Expenditure</b>	<b>3,310.38</b>	<b>9,552.14</b>
03.	Profit / (Loss) from Operations before Other Income and Finance Costs	(215.76)	947.95
04.	Other Income	128.54	80.61
05.	Profit/(Loss) before Finance Costs	(87.22)	1,028.56
06.	Finance costs	985.52	273.75
07.	Exceptional Items	-	-
08.	Profit / Loss before Tax	(1,072.74)	754.81
09.	Tax Expenses (Reversal of Deferred Tax)	(325.71)	351.81
10.	Net Profit / (Loss) for the year after Tax	(747.03)	403.00

**Note:** Figures in bracket indicate loss. Previous year's figures have been regrouped/reclassified wherever necessary.

**DIVIDEND:**

Since the unabsorbed loss has not been fully wiped off, the Directors have not recommended any dividend for the year.

**PROFITABILITY:**

Market/economic conditions are very fluid and inspite of our best efforts we have been hit by exorbitantly high crude prices affecting our energy cost due to frequent increases in furnace oil price which is our prime source of energy. Quality of power supply from KEB is very poor and cannot be used for our highly automated digitalized operations. Efforts are being exerted to correct the same with little success presently, but we are confident that with our continuous efforts, the profitability will bounce back with ever changing scenario.

**FINANCE AND TAXATION:**

Existing working capital limits with State Bank of India and Corporation Bank are operative during the current year. The working capital limits sanctioned by the aforesaid banks are adequate.

Income tax assessment for the assessment years 2009-10 is complete. That of 2010-11 is in progress.

**INSURANCE:**

The Company has adequately insured all its movable and immovable assets.

**FIXED DEPOSITS:**

During the year under review, the Company has not accepted any Fixed Deposits from the Public.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTFLOW:**

As required by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are given in the annexure forming part of this Report.

**INDUSTRIAL RELATIONS:**

Your Directors are pleased to record the appreciation and sense of commitment shown by our employees at all levels and acknowledges their contribution towards sustained progress of the Company. The relations between Management and Employees are good.

**DIRECTORS:**

The Board consists of five directors of whom three are independent directors. Particulars of Retiring Directors for re-appointment is disclosed in Corporate Governance report.

**LISTING AGREEMENT WITH STOCK EXCHANGES:**

Listing agreement with Bangalore Stock Exchange Ltd., Bangalore and The Bombay Stock Exchange Ltd, Mumbai continue to be listed and the Company has been regular in paying requisite fees to them.

**COMPANY SECRETARY:**

The Company advertised for a suitable candidate in a leading English newspaper in Mysore on 25.05.2009. Only one candidate applied for the interview. He did not possess the requisite qualification. Upon calling for interview he did not appear. Continuous efforts are being made in this respect to identify a suitable candidate.

**AUDITORS:**

M/s Rau & Nathan, Chartered Accountants, (Firm No: 003178S) Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

**PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956:**

The particulars are furnished in Annexure B and forms part of Directors' Report.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

As required under section 217(2AA) of the Companies Act, 1956 (this act), it is hereby declared:

- (i) That in the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures;
- (ii) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;

- (iii) That 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) That the directors have prepared the annual accounts on a going concern basis.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **A) Industry structure and development:**

As reported last year the polyester film industry is well developed in the country. Despite the fact that the Company is a small player, the built in structure is stable and steady. Shareholders kind attention is invited to Directors Report.

### **B) Outlook for the Company:**

With the current economic situation being unstable, the company is targeting stabilization and upon improvement of global energy equation further suitable path shall be carved out.

### **C) Segment-wise or product wise performance:**

The Company has the following major segments:

- Film
- Formaldehyde and Para Formaldehyde
- Wind Mill

Performance Results are indicated in Audited NOTES ON ACCOUNTS

### **D) Risks and concerns:**

Since the Plants are steady, the Company foresees no threats.

### **E) Internal Control systems and their adequacy:**

The external auditors in their report have been observing as under:

“In our opinion and according to the information and explanation given to us there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services.”

### **F) Discussion on financial performance with respect to operational performance:**

The Company has incurred a loss of Rs. 747.03 Lakhs, after tax. Financial and operational performance have been disclosed in Director's report.

**G) Material developments in Human Resources/ Industrial Relations front, including number of people employed:**

The Company continues to give thrust for human resource development, team building and skill development.

A full-fledged personnel department is functioning under Executive Director. There is a weekly manager's meet to co-ordinate the activity.

Number of employees: 103 permanent.

**Cautionary Statement**

*Statements in this "Management Discussion and Analysis" contain forward looking statements which may be identified by the use of words in that directions or connoting the same. All statements that address expectations or projections about the future, including, but not limited to statements about the company's strategy for growth, product development, market position, expenditures and financial results are forward looking statements.*

*These are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements, on the basis of any subsequent development, information or events.*

**CERTIFICATE OF STATUTORY AUDITORS AS REGARDS COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE:**

The Certificate of the Auditors of the Company in regard to this matter forms part of this Annual Report.

**DEMATERIALISATION OF COMPANY'S EQUITY SHARES:**

The Company's Equity Shares have been activated for dematerialisation with Central Depository Services (India) Limited and with that of National Securities Depository Limited.

Particulars of the Registrar and Share Transfer Agent (RTA) where dematerialization request forms along with the physical certificates will be accepted is as follows:

M/s. Computech Sharecap Limited  
147, Mahatma Gandhi Road,  
3rd Floor, Jehangir Art Gallary  
Fort, Mumbai - 400 023.

The ISIN number of the scrip is: INE204D01022

**.ACKNOWLEDGEMENTS:**

Your Directors place on record their sincere appreciation of the services rendered by State Bank of India, Corporation Bank and ICICI Bank. Your Directors wish to place on record the valued support and cooperation of Shareholders, Customers and Suppliers of the Company.

**For and on behalf of the Board of Directors**

  
**CHAND D. DATWANI**  
**Chairman**

**Mysore**  
**30<sup>th</sup> May 2012**

**A. CONSERVATION OF ENERGY**

We have been hit by exorbitantly high crude prices affecting our energy cost due to frequent increases in furnace oil price which is our prime source of energy. Quality of power supply from KEB is very poor and cannot be used for our highly automated digitalized operations. However, efforts are being exerted to correct the same.

**B. TECHNOLOGY ABSORPTION**

(i) Extensive Research and Development activity has enabled the Company to further improve the Polyester Film (Both in Sheet and Roll form) and PET Chips quality conforming to International specifications.

There was no significant Research and Development activity during the year.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign exchange earnings : Rs. 157.24 Lacs

Foreign exchange outgo : Rs 61.98 Lacs



**FORM A (See Rule 2)**

Form of Disclosure of Particulars with respect to Conservation of Energy

	<b>Current Year</b>	<b>Previous Year</b>
	2011-12	2010-11
A. Power purchased from Electricity Board	NIL	NIL
Total Cost	NIL	NIL
Cost per KWH (Rs.)	N.A.	N.A.
B. Captive power generation by Gensets (Unit KWH Lacs)	26.19	91.14
Total Cost (Rs. Lacs)	307.97	666.57
Cost per KWH (Rs.)	11.76	7.31
C. Furnace Oil Consumed (KL)	1560	2186
Cost of furnace oil consumed (Rs. Lacs)	508.54	563.14

**Annexure "B" to Directors' Report**

Particulars of Employees under 217(2A) read with Companies (particulars of employees Rules), 1975, as amended.

There are no employees who are in receipt of remuneration in the aggregate at the rate of not less than Rs. 24,00,000/- per annum or Rs. 2,00,000/- per month in respect of part of the year during the year under audit.

For and on behalf of the Board of Directors

  
**CHAND D. DATWANI**  
Chairman

Mysore  
30<sup>th</sup> May, 2012

## Corporate Governance Report for the year 2011-12

(As required under Clause 49 of the Listing Agreement entered into with the  
Stock Exchanges)

### 1. Company's philosophy on Corporate Governance

Corporate Governance is an integral part of the values, ethics and the best business practices followed by the company. The core values of the Company are :

- Commitment to excellence and customer satisfaction
- Maximizing long-term shareholder's value
- Socially valued enterprise
- Caring for people and environment
- Integrity including intellectual honesty, openness, fairness and trust

### 2. Board of Directors

The names and categories of the Directors on the Board, and their attendance at the Board Meetings during the year is given below:

Name	Category	Date of last A.G.M	No. of Board Meetings	No. of other Directorship	No. of other Committee Membership
		30/09/11	Attended / Held	(In public Companies)	
Mr. Chand D Datwani	Chairman & Managing Director Non-Independent-Executive	Present	4/4	NIL	1
Mrs. Saroj C Datwani	Whole Time Director Non-Independent - Executive	Absent	4/4	NIL	NIL
Mr. K.V.Chitalia	Independent Non-Executive	Absent	4/4	1	2
Mr. S.V.Jain	Independent Non-Executive	Absent	3/4	1	2
Mr.S.Bhyrappa	Independent Non-Executive	Present	4/4	NIL	3

Note: No significant queries were raised on Accounts at the AGM held on 30/9/2011.

**Brief Resume of Managing and Whole time Directors:**

**Mr. Chand Datwani**

Financially literate promoter director and is the Managing Director of the Company.

**Smt Saroj Datwani**

She is a post Graduate in M.A. Psychology and is in charge of administration and HRD of the Company as a whole and she is also Compliance Officer of the Company.

**3. Retiring Directors eligible for Re-appointment:**

Shri Saroj Datwani and Shri K.V. Chitalia retire and are eligible for re-appointment.

Their brief resume is as follows: Shri K.V. Chitalia is an acute businessmen and is the Chairman of audit and remuneration committee.

That of Smt Saroj Datwani is provided herein above.

**4. Audit Committee**

The Board reconstituted the Audit Committee on 30/06/2009. The terms of reference of the Audit Committee broadly are as under:

- a) To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the Accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors
- b) To review compliance with internal control systems
- c) To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board
- d) To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report
- e) Recommending the appointment of Statutory Auditors.
- f) Others (As covered in Clause 49 (II)(D) of the listing agreement)

The composition of the Audit Committee and the details of meetings attended by the Members are given below:

NAME OF MEMBER	CATEGORY	NO. OF MEETINGS	
		HELD	ATTENDED
Mr. K.V. Chitalia, Chairman	Independent Non- Executive	4	4
Mr. S.V.Jain, Member	Independent Non- Executive	4	3
Mr. S. Bhyrappa, Member	Independent Non- Executive	4	4
Mr. Chand Datwani Invitee	Managing Director	4	4

Four Audit Committee Meetings were held during the year 2011-12. The said meetings were held on the following dates:

31/5/2011, 30/7/2011, 31/10/2011 and 31/01/2012

Audit Committee meetings are attended by Managing Director, Statutory Auditor, Internal Auditor and the Deputy Officer (Accounts) of the Company.

### 5. Remuneration Committee

The Board reconstituted the Remuneration Committee on 30/06/2007. The terms of reference to the committee are as per the requirements of Clause 49 of the Listing Agreement.

The composition of the revised Remuneration Committee is given below:

NAME OF MEMBER	CATEGORY
Mr. K.V. Chitalia, Chairman	Independent Non-Executive
Mr. S.V.Jain, Member	Independent Non-Executive
Mr.S Bhyrappa, Member	Independent Non-Executive

Remuneration Committee met on 31/5/2011 and recommended revised Remuneration package to Managing Director and Executive Director per notice of meeting dated 31/05/2011.

### Remuneration Policy

The Company has adhered to provisions of Schedule XIII of the Companies Act, 1956 while fixing the remuneration package to its Managing Director and Executive Director.

### Details of remuneration for 2011-12

Name Of The Director	Remuneration (PA)	Sitting fee	TENNURE
Mr. Chand D Datwani Chairman & Managing Director. Promoter.	Rs.11.76 lacs	Nil	Upto 30.03.2015
Mrs. Saroj C Datwani Promoter-Non Executive	Rs.6.72 lacs	Nil	Upto 30.03.2015
Mr. S.V. Jain Independent-Non Executive	Nil	Nil	Liabe for retirement by rotation.
Mr. K.V. Chitalia Independent-Non Executive	Nil	Nil	Liabe for retirement by rotation.
Mr. S.Bhyrappa Independent-Non Executive	Nil	Rs. 22000	Liabe for retirement by rotation.

Disclosure of shares held by Non –Executive Directors in the Company as on 31/03/2012

Mr. K.V.Chitalia 12908 Shares of Rs 5/- each.

Mr. S.V.Jain 22320 Shares of Rs 5/- each.

Mr. S. Bhyrappa – Nil.

**6. Shareholders and grievances Committee**

The composition of the Investor Grievance Committee which also approves share transfer is given below:

NAME OF MEMBERS	CATEGORY
Mr. S.Bhyrappa Chairman	Independent Non-Executive
Mr. Chand D Datwani, Member	Promoter & Managing Director

Scope:

- i) To approve transfer and transmission of shares in Physical form.
- ii) To oversee redressal of complaints.
- iii) To approve Remat of Shares

Meetings were held on: 18/4/2011, 12/4/2011, 28/4/2011, 9/5/2011, 16/5/2011, 23/9/2011, 1/10/2011, 17/10/2011, 15/11/2011 and 15/2/2012. Both Directors attended all the meetings.

**Name & designation of Compliance Officer :**

Smt. Saroj Datwani, Executive Director (Compliance)

**7. General Body Meetings**

a) Location and time, where last three Annual General Meetings (AGM) were held:

Date of A.G.M.	Type of Meeting	Location and Time
30/09/2009	AGM	Hotel Dasaprakash Paradise, Mysore, 4-30 pm
20/10/2009	EGM	Registered Office 12 Noon, Further issue of Equity shares u/s 81(1A) of the Companies Act 1956.
30/09/2010	AGM	Hotel Dasaprakash Paradise, Mysore, 4-30 pm
30/09/2011	AGM	Hotel Dasaprakash Paradise, Mysore, 4-30 pm

**b) Investor Complaints:**

No. of complaints received from Shareholders from 1.4.2011 to 31.3.2012	One
No. of complaints not solved to the satisfaction of the Shareholders	One
Pending	One

Note: Solved in April 2012.

**8. Disclosures**

- Disclosures on materially significant related party transactions i.e. Transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of Company at large.

Nil.

- Details of non –compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

Nil.

**9. Means of communication**

1) Quarterly Results are normally published in Financial Express and Mysore Diganta.

Any website, where displayed – On company website:

[www.venlonenterprises.com](http://www.venlonenterprises.com)

Whether it also displays official news releases and presentation made to intuitional investors or to the analysts – N.A.

Whether MD&A is a part of annual report or not – Yes

2) Company's Email ID to receive complaints and grievances from investors is [gdrvenlon@gmail.com](mailto:gdrvenlon@gmail.com).

**10. General Shareholder information**

**AGM: Date, time and venue:** 29.09.2012 at Hotel Dasaprakash Paradise, Yadavagiri, Mysore – 570 020 at 4.30 PM.

**Financial Calendar:**

Year ending – March 31<sup>st</sup>

**Book Closure:** 22/09/2012 to 29/09/2012 (both days inclusive)

**Listing on Stock Exchanges:**

1. Bombay Stock Exchange Limited, Mumbai  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400 001
2. Bangalore Stock Exchange Limited,  
#51, Stock Exchange Towers, 1<sup>st</sup> Cross, J.C. Road,  
Bangalore – 560 027

**Stock Code:**

Stock Exchange Mumbai: 524038

**Market Price Data:**

Month	High (Rs.)	Low (Rs.)
Apr – 11	10.10	7.55
May – 11	8.65	7.30
Jun – 11	7.69	6.28
Jul – 11	7.30	6.12
Aug – 11	6.16	4.53
Sep – 11	5.54	4.26
Oct – 11	5.32	4.03
Nov – 11	4.61	3.99
Dec – 11	4.20	4.00
Jan – 12	5.17	3.13
Feb – 12	5.00	4.55
Mar – 12	4.54	3.20



**Registrar and Transfer Agents:**

M/s Computech Sharecap Limited  
147, 3<sup>rd</sup> Floor, M.G. Road,  
Opp. Jehangir Art Gallery  
Fort, Mumbai – 400 023

**Share Transfer System:**

Share Transfer in physical form can be lodged with the Share Transfer Agents at the abovementioned address.

The transfers are normally processed within the stipulated time from the date of receipt of the documents if complete in all respects. Share Transfer Committee of the Board approves the transfers, if the shares are in Physical Form.

Insider trading norms are adhered and reported to stock exchanges upon information from the concerned.

**DISTRIBUTION SCHEDULE**

Number of Shares	Number of Shareholders	Share Holders Percentage	Number of shares held	Shareholding Percentage
1-50	136	2.87	2555	0.00
51-100	183	3.86	16988	0.03
101-200	765	16.12	142083	0.27
201-300	105	2.21	28882	0.06
301-400	2083	43.89	751922	1.44
401-500	210	4.43	103725	0.20
501-1000	587	12.37	465484	0.89
1001 & above	676	14.25	50730855	97.11
TOTAL	4745	100.00	52242494	100

**Dematerialization of shares and liquidity:**

Shares in physical form can be de-materialized and dealt on NSDL/CDSL. As on 31<sup>st</sup> March, 2012, 97% of Shares were held in dematerialized form and the rest in physical form.

**Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:**

None

**Plant Locations:**

Plot No. 26(P), Belavadi Industrial Area, Hunsur Road, Mysore – 570 018

**Address for correspondence:**

Plot No. 26(P), Belavadi Industrial Area, Hunsur Road, Mysore – 570 018

**Share Holding Pattern as on 31/03/2012 :**

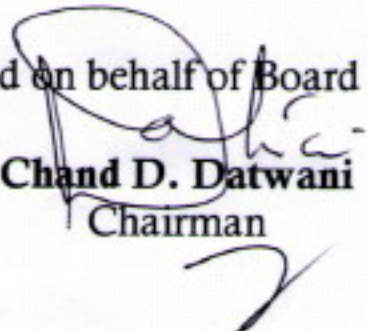
	Category	No of Shares Held	Percentage of Share Holding
<b>A</b>	<b>Promoters Holding</b>		
1	Promoters		
	Indian Promoters	1109520	2.13
	Foreign Promoters	30432390	58.25
	<b>Sub-Total</b>	<b>31541910</b>	<b>60.38</b>
<b>B.</b>	<b>Non-Promoters Holding</b>		
3	Institutional Investors		
	a. Mutual Funds & UTI	5000	0.01
	b. Banks, Financial Institutions, Insurance Companies (Central/State Govt Institutions/ Non Government Institutions)	6840	0.01
	c. Foreign Institutional Investors	4695	0.01
	<b>Sub-Total</b>	<b>16535</b>	<b>0.03</b>
	<b>Others</b>		
	a. Indian and foreign Corporate Bodies	15721348	30.09
	b. Indian Public	4887432	9.36
	c. NRI	75269	0.14
	<b>Subtotal</b>	<b>20684049</b>	<b>39.59</b>
	<b>Grand Total</b>	<b>52242494</b>	<b>100.00</b>

**Declaration:**

I, Chand D. Datwani Chairman and Managing Director hereby declare that all the Board Members and Senior Management personnel have complied with code of conduct adopted by the Company.

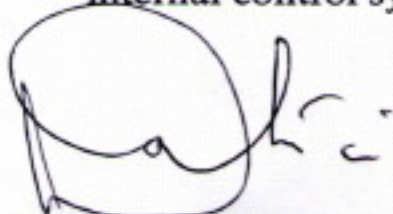
Place: Mysore  
Date: 30/05/2012

For and on behalf of Board of Directors

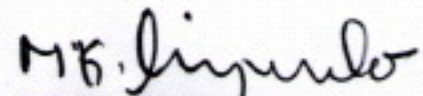
  
**Chand D. Datwani**  
Chairman

### CEO/CFO CERTIFICATION

- a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2012 and to the best of our knowledge and belief:
- i. These statements do not contain any materially untrue statements or any material fact or statements that might be misleading.
  - ii. These statements together present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b) There are to the best of our knowledge and belief no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and have disclosed to the auditors and the audit committee, deficiencies in design or operation of internal control, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies are adequate.
- d) We have indicated to the auditors and the audit committee:
- i. Significant changes in the internal control systems during the year.
  - ii. Significant changes in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements: and
  - iii. There are no instances of significant fraud of involving either the management or employees having a significant role in the company's internal control systems, with respect to financial reporting.



**Chand D Datwani**  
Chairman and Managing Director



**M.K. Shivegowda**  
Deputy Officer (Accounts)

Place: Mysore  
Date: 30/05/2012

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RAU & NATHAN  
Chartered Accountants

3046, Gokulam Park Road,  
V.V.Mohalla, Mysore-570 002.  
Tel: 0821-4263314  
Email: envee2006@gmail.com

**AUDITORS' REPORT TO THE MEMBERS OF VENLON ENTERPRISES LIMITED**

- 1) We have audited the attached Balance Sheet of VENLON ENTERPRISES LIMITED ('the Company') as at 31st March 2012, the Profit and Loss Statement and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, 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 issued by the Central Government 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 matter specified in Paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in Paragraph 3, 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 the law have been kept by the Company so far as appears from our examination of those books.
  - c. The attached Balance Sheet, the Profit and Loss Statement and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, Profit and Loss Statement and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Act, except treatment of inter Divisional transfers as referred to note number 31(j) of additional notes / disclosures to the financial statements.



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- e. On the basis of the written representation received from the directors, as at 31<sup>st</sup> March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31<sup>st</sup> March 2012 from being appointed as directors in terms of Clause (g) of Sub Section (1) of Section 274 of the Act.

Further to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2012;
- ii) in the case of the Profit and Loss Statement, of the loss for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAU & NATHAN  
Chartered Accountants  
Firm Registration # 003178S

*N. Vaidyanathan*

N. VAIDYANATHAN  
Partner.  
Membership # 22573

PLACE: MYSORE  
DATE: 30<sup>th</sup> May 2012



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## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Venlon Enterprises Limited for the year ended 31<sup>st</sup> March 2012.

We report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
  
(b) The fixed assets are physically verified by the management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
  
(c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year. And therefore, do not affect the going concern assumption.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.  
  
(b) In our opinion, 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) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records which has been properly dealt with in the books of account were not material.
3. (a) The Company has not granted unsecured loans to Companies covered in the register maintained under Section 301 of the Companies Act, 1956.  
  
(b) The Company has taken unsecured loans from two Companies/other parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs.473.96 lacs and the year-end balances of such loan aggregates to Rs.441.83 lacs respectively.  
  
(c) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.  
  
(d) The company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, where applicable.



4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems which 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. Further, on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.  
  
(b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA or any other Relevant Provisions of the Companies Act, 1956 and the rules framed there under. No order has been passed by National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuance to the Rules made by the Central Government, the maintenance of cost records has been prescribed 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 in respect of Formaldehyde & Polyester Chips. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities, except income tax (TDS) where there has been a slight delay. The Company has since remitted the income tax (TDS).



- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and Cess which have not been deposited on account of any dispute.
10. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. Further, the Company incurred cash losses during the financial year covered by our audit. It has not incurred cash loss during the immediately preceding financial year.
  11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company has not issued any debentures.
  12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
  14. In our opinion, the Company is not a dealer or trader or trader in shares, securities, debentures and other investments.
  15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
  16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
  17. On the basis of overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.
  18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.



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19. The company has not issued any debentures.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor we have been informed of any such case by the management.

PLACE: MYSORE  
DATE: 30<sup>th</sup> May 2012

For RAU & NATHAN  
Chartered Accountants  
Firm Registration # 003178S

*N. Vaidyanathan*  
N. VAIDYANATHAN  
Partner.  
Membership # 22573



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**RAU & NATHAN**  
Chartered Accountants

3046, Gokulam Park Road,  
V.V.Mohalla, Mysore-570 002.  
Tel: 0821-4263314  
Email: [envee2006@gmail.com](mailto:envee2006@gmail.com)

**Compliance Certificate on Corporate Governance**

**To the Members of Venlon Enterprises Limited**

We have examined the compliance of the conditions of Corporate Governance by Venlon Enterprises Limited (the Company) for the year ended 31 March, 2012 as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March 2012, no investor grievances are pending against the Company as at 30<sup>th</sup> May 2012 as per the records maintained by the Company and presented to the Investor/Shareholders Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

PLACE: Mysore  
DATE: 30<sup>th</sup> May, 2012

**For RAU & NATHAN**  
Chartered Accountants  
Firm Registration # 003178S

*N. Vaidyanathan*  
**N. VAIDYANATHAN**  
Partner  
Membership No.22573



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**RAU & NATHAN**  
Chartered Accountants

3046, Gokulam Park Road,  
V.V.Mohalla, Mysore-570 002.  
Tel: 0821-4263314  
Email: [envee2006@gmail.com](mailto:envee2006@gmail.com)

**Chartered Accountants' Certificate**

Rule 4 (a) of the Companies (Disqualification of Directors Under Section 274(1) (g) of the Companies Act 1956) Rules 2003

To,

The Board of Directors of Venlon Enterprises Limited

In terms of Rule 4(a) of the Companies (Disqualification of Directors under section 274(1) (g) of the Companies Act, 1956) Rules, 2003, we Messrs.Rau & Nathan, Chartered Accountants, based on our examination of the books and records of the company, carried out in accordance with the requirements of the Guidance Note on Section 227(3)(e) and (f) of the Companies Act, 1956, issued by the Institute of Chartered Accountants of India, do hereby certify that none of the directors of the Company, i.e., Venlon Enterprises Limited as at 31<sup>st</sup> March 2012 is disqualified for appointment as a director in the aforementioned company in terms of clause (g) of sub section (1) of section 274 of the Companies Act 1956.

**For RAU & NATHAN**  
Chartered Accountants  
Firm Registration # 003178S

*N. Vaidyanathan*

**N. VAIDYANATHAN**  
Partner  
Membership No.22573

PLACE: Mysore  
DATE: 30<sup>th</sup> May, 2012



**VENLON ENTERPRISES LIMITED  
BALANCE SHEET AS AT 31ST MARCH 2012**

PARTICULARS	Note Number	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. SHARE HOLDERS FUNDS</b>			
(a) Share Capital	2	261,212,470	261,212,470
(b) Reserves and Surplus	3	82,557,124	159,126,601
<b>2. SHARE APPLICATION MONEY PENDING ALLOTMENT</b>			
	3A	-	-
<b>3. NON CURRENT LIABILITIES</b>			
(a) Long Term Borrowings	4	679,157,673	602,967,130
(b) Deferred Tax Liabilities (Net)		15,035,973	47,607,700
(c) Other Long Term Liabilities	5	-	-
(d) Long Term Provisions	6	93,351	73,852
<b>4. CURRENT LIABILITIES</b>			
(a) Short Term Borrowings	7	114,559,187	160,706,951
(b) Trade Payables	8	13,160,701	7,803,905
(c) Other Current Liabilities	9	5,405,391	5,340,269
(d) Short Term Provisions	10	2,332,338	18,931,218
<b>TOTAL</b>		<b>1,173,514,208</b>	<b>1,263,770,097</b>
<b>B. ASSETS</b>			
<b>1. NON CURRENT ASSETS</b>			
<i>(a) Fixed Assets</i>			
(i) Tangible Assets	11	929,926,407	948,854,851
(ii) Intangible Assets	12	51,895	-
(iii) Capital Work in Progress		25,270,674	3,211,942
(iv) Intangible Assets under Development		-	-
(b) Non Current Investments	13	2,727,968	2,727,968
(c) Deferred Tax Assets (Net)		-	-
(d) Long Term Loans and Advances	14	1,288,385	3,864,130
(e) Other Non Current Assets	15	-	-
<b>2. CURRENT ASSETS</b>			
(a) Current Investments	16	-	-
(b) Inventories	17	127,147,352	123,199,969
(c) Trade Receivables	18	16,389,224	16,552,765
(d) Cash and Bank Balances	19	57,411,984	139,172,306
(e) Short Term Loans and Advances	20	10,103,794	23,312,308
(f) Other Current Assets	21	3,196,525	2,873,858
<b>TOTAL</b>		<b>1,173,514,208</b>	<b>1,263,770,097</b>

Significant Accounting Policies and Notes on Financial Statements

As per our report of even date attached  
For RAU & NATHAN  
Chartered Accountants

*Vaidyanathan*  
**N. VAIDYANATHAN**  
Partner, Membership No. 22573  
Mysore  
30th May 2012



1 to 31  
For and on behalf of the Board of Directors

*Chand D. Datwani*  
**CHAND.D. DATWANI**  
Chairman & Managing Director

*S. Bhyrappa*  
**S. Bhyrappa**  
Director

**VENLON ENTERPRISES LIMITED**  
**PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012**

PARTICULARS	Note Number	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>1. REVENUE FROM OPERATIONS</b>	22	327,653,019	1,136,994,886
Less : Excise Duty		18,189,541	82,933,963
Net Revenue from Operations		309,463,478	1,054,060,923
<b>2. OTHER INCOME</b>	23	12,854,047	1,198,977
		12,854,047	1,198,977
<b>3. TOTAL REVENUE [ 1 + 2 ]</b>		<b>322,317,525</b>	<b>1,055,259,901</b>
<b>4. EXPENSES</b>			
Cost of Material Consumed	24	179,066,939	600,082,841
Purchases of Stock in Trade	25	9,438,136	213,252
Changes in Inventories of Finished Goods, WIP & Stock in Trade	26	3,271,948	11,222,414
Employee Benefit Expenses	27	41,006,827	36,063,754
Finance Cost	28	98,552,371	27,375,171
Depreciation and Amortization Expenses	11 & 12	23,900,746	64,324,167
Other Expenses	29	74,355,089	240,496,960
<b>Total Expenses</b>		<b>429,592,056</b>	<b>979,778,561</b>
<b>5. PROFIT / (LOSS) BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX [3-4]</b>		(107,274,532)	75,481,340
<b>6. EXCEPTIONAL ITEMS</b>		-	-
<b>7 PROFIT / (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX [5-6]</b>		(107,274,532)	75,481,340
<b>8. EXTRAORDINARY ITEMS</b>		-	-
<b>9. PROFIT / (LOSS) BEFORE TAX [ 7 - 8 ]</b>		(107,274,532)	75,481,340
<b>10. TAX EXPENSES</b>			
1. Current Tax [MAT]		-	15,678,521
Less: MAT Credit entitlement		-	-
Net Current Tax		-	15,678,521
2. Deferred Tax		(32,571,727)	19,502,423
<b>11. PROFIT / [ LOSS] FOR THE PERIOD FROM CONTINUING OPERATIONS [9-10]</b>		(74,702,805)	40,300,396
<b>12. PROFIT / [LOSS] FROM DISCONTINUING OPERATIONS</b>		-	-
<b>13. TAX EXPENSES OF DISCONTINUING OPERATIONS</b>		-	-
<b>14. PROFIT / [LOSS] FROM DISCONTINUING OPERATIONS [AFTER TAX] [12-13]</b>		-	-
<b>15. PROFIT / [LOSS] FOR THE PERIOD [11+14]</b>		(74,702,805)	40,300,396
<b>16. EARNING PER EQUITY SHARE ( Basic and Diluted)</b>	30	(1.43)	0.77

Significant Accounting Policies and Notes on Financial Statements

As per our report of even date attached  
 For RAU & NATHAN  
 Chartered Accountants

*Vaidyanathan*  
**N. VAIDYANATHAN**  
 Partner, Membership No. 22573  
 Mysore  
 30th May 2012



1 to 31

For and on behalf of the Board of Directors

*Chand B. Datwani*  
**CHAND B. DATWANI**  
 Chairman & Managing Director

*S. Bhyrappa*  
**S. Bhyrappa**  
 Director

	Note	For the year ended 31 March, 2012	For the year ended 31 March, 2011
<b>Cash flow from operating activities</b>			
<b>Profit before tax from continuing operations</b>			
Profit before tax		(107,274,532)	75,481,340
Depreciation/ amortization on continuing operation		23,900,746	64,324,167
Profit on sale of current investments (other than trade)		-	2,811,630
Interest Income		(12,046,161)	(4,673,312)
Dividend income		(18,127)	(19,435)
Loss/ (profit) on sale of fixed assets		4,889	3,108,783
Bad debts / advances written off		1,062,308	-
Unrealized foreign exchange loss		76,496,402	1,416,657
Interest expense		22,055,969	25,958,514
<b>Operating profit before working capital changes</b>		<b>4,181,494</b>	<b>168,408,345</b>
Movements in working capital :			
Increase/ (Decrease) in trade payables		5,356,796	(58,258,071)
Increase/ (decrease) in other current liabilities		65,122	(741,705)
Decrease/ (increase) in trade receivables		(898,767)	4,073,603
Decrease / (increase) in inventories		(3,947,383)	39,904,681
Decrease / (increase) in other current assets		(322,667)	(2,873,858)
Decrease / (increase) short term loans and advances		13,208,514	17,962,985
Increase / (Decrease) in long term provisions		19,499	73,852
Increase / (decrease) in short-term provisions		(16,598,880)	18,386,007
Cash generated from / (used in) operations		<b>1,063,727</b>	<b>186,935,840</b>
Direct taxes paid (net of refunds)		-	(15,678,521)
<b>Net cash flow from/ (used in) operating activities (A)</b>		<b>1,063,727</b>	<b>171,257,319</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets, including CWIP and capital advances		(28,970,095)	(44,460,956)
Long term Loans and advances		2,575,745	(3,864,130)
Proceeds from sale of fixed assets		15,604	38,290,853
Purchase of Non-current investments		-	(2,811,630)
Proceeds from sale/maturity of current investments		1	330,500
Investments in bank deposits		-	(113,509,000)
Redemption/ maturity of bank deposits		86,500,000	-
Interest received		12,046,161	4,673,312
Dividends received		18,127	19,435
<b>Net cash flow from/ (used in) investing activities (B)</b>		<b>72,185,543</b>	<b>(121,331,617)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		76,190,543	(58,845,426)
Proceeds from short-term borrowings		-	37,603,846
Repayment of short-term borrowings		(46,147,764)	-
Foreign Exchange loss		(76,496,402)	(1,416,657)
Interest paid		(22,055,969)	(25,958,514)
<b>Net cash flow from/ (used in) in financing activities (C)</b>		<b>(68,509,592)</b>	<b>(48,616,751)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A + B + C)</b>		<b>4,739,678</b>	<b>1,308,951</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,167,306</b>	<b>1,858,355</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>7,906,984</b>	<b>3,167,306</b>
<b>Components of cash and cash equivalents</b>			
Cash on hand		55,853	67,222
With banks- on current account		2,351,132	3,100,084
- on deposit account		5,500,000	-
<b>Total cash and cash equivalents</b>	19**	<b>7,906,984</b>	<b>3,167,306</b>
Summary of significant accounting policies	1		

As per our report of even date attached  
For RAU & NATHAN  
Chartered Accountants  
*N. Vaidyanathan*  
N. VAIDYANATHAN  
Partner, Membership No. 22573  
Mysore  
30th May 2012



For and on behalf of the Board of Directors  
*Chand D. Datwasi*  
CHAND.D. DATWASI  
Chairman & Managing Director  
*S. Bhyrappa*  
S. Bhyrappa  
Director

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Financial Statements are prepared on the historical cost convention (except for revaluation of Plant and Machinery), in accordance with applicable Accounting Standards and the relevant provisions of the Companies Act, 1956.

**Use of Estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

**Revenue Recognition**

All income and expenditure are accounted on accrual basis.

Sale of goods are recognised upon passage of title to the customers which generally coincides with their delivery. Revenue from job work charges for materials lying in stock, pending despatches at the year end, are accounted for on accrual basis.

**Fixed Assets**

Fixed Assets are stated at cost or revalued amounts, as the case may be, less accumulated depreciation and provision for impairment, if any. The cost includes expenditure incurred in the acquisition and construction / installation and other related expenses in bringing the asset to working condition for its intended use. In respect of qualifying assets, related pre operational expenses including borrowing costs are also capitalised. In case of revaluation of fixed assets, the original cost as written up by the valuer, is considered in the account and the differential amount is transferred to revaluation reserve.

Costs relating to acquisition of Software are capitalised as "Intangible Assets"

**Depreciation**

Depreciation on Fixed Assets other than Special tools, Jigs, Fixtures included under the head Plant & Machinery and Software has been provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis from the date of additions and/or Special tools, Jigs & Fixtures are written off over a period of three years based on Technical estimate. Software is amortised on straight line basis over a period of three years.

**Investments**

Long Term Investments are stated at cost. Provision for diminution in value is made if the decline in value is other than temporary.



**VENLON ENTERPRISES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Contd)**

**Foreign Currency Transactions**

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.

**Transaction**

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognized in the profit and loss account.

Non monetary items are stated in the balance sheet using the exchange rate at the date of the transaction.

**Derivative instruments**

The Company's exposure to foreign currency fluctuations relates to foreign currency assets, liabilities and forecasted cash flows. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into forward exchange contracts, where the As per Accounting Standard ('AS') 11 - The Effects of Changes in Foreign Exchange Rates', the premium or the discount on forward exchange contracts not relating to firm commitments or highly probable forecast transactions and not intended for trading or speculation purpose is amortized as expense or income over the life of the contract. All other derivatives, which are not covered by AS 11, are measured using the mark-to-market principle and losses, if any, are

**Inventories**

(i) Inventories are valued as follows:

Stores, Spares, Packing Materials, Raw Materials, Finished Goods and Stock in Process - at lower of cost and net

(ii) Cost of Raw Materials, Stores, Spares and Packing Materials is determined on weighted average basis. Cost of Finished Goods and Stock in Process is determined by considering materials, labour and other related direct expenses.

**VENLON ENTERPRISES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Contd)**

**Customs Duty and Excise Duty**

Customs Duty and Excise Duty have been accounted for on the basis of both payments made in respect of goods cleared as well as provision made for goods lying in bonded warehouse. Such provision is included in the valuation of closing stocks of respective materials and goods.

**Retirement & other employee benefits**

Short term employee benefits are accounted in the period during which the services have been rendered.

The Company's contribution to the Provident Fund is remitted to a trust established for this purpose based on fixed percentage of the eligible employees' salary and charged to Profit & Loss Account. The company is generally liable for annual contributions and any shortfall in the fund assets, based on the Government specified minimum rate of return and recognises such contribution and shortfall, if any, as an expense in the year incurred.

Superannuation benefits to employees, a defined contribution plan, as per company's scheme, have been funded with Life Insurance Corporation of India and the contribution is charged to Profit & Loss Account, when the contribution to the fund is

The Company's liability towards Gratuity, Pension to certain categories of employees and long term employee Compensated Leave Encashment being defined benefit plans are accounted for based on Actuarial valuation done at the year end using the Projected Unit Credit Method. Actuarial gains and losses are charged to Profit & Loss Account. Gratuity liability is funded to the trust established for the purpose.

**Income Taxes**

Tax expense comprises of both current and deferred taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference and which are capable of reversal in subsequent periods are recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward unabsorbed depreciation and tax losses, deferred Tax assets are recognised only to the extent there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

**Borrowing costs**

Interest and other borrowing costs attributable to the acquisition of or construction of qualifying assets till the date of commercial use of the assets are capitalised. All other borrowing costs are charged to revenue.

**Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>2. SHARE CAPITAL</b>		
Authorized Share Capital 5,30,00,000 Equity Shares of Rs.5 each (Previous Year 5,30,00,000 Equity Shares of Rs.5 each)	265,000,000	265,000,000
Issued, Subscribed and Paid up capital 5,22,42,494 Equity Shares of Rs.5 each (Previous Year 5,22,42,494 Equity Shares of Rs.5 each)	261,212,470	261,212,470
<b>Total Issued, Subscribed and Paid up capital</b>	<b>261,212,470</b>	<b>261,212,470</b>

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

	31st March 2012		31st March 2011	
	Nos.	Amount	Nos.	Amount
<b>Equity shares</b>				
At the beginning of the period	52,242,494	261,212,470	52,242,494	261,212,470
Outstanding at the end of the period	52,242,494	261,212,470	52,242,494	261,212,470

**(b) Terms/ rights attached to equity shares**

- i. The Company has only one class of equity shares having a par value of Rs. 5/- per share. Each holder of equity share is entitled to one vote per share.
- ii. During the current year, the amount of dividend per share recognized as distribution to equity shareholders was Rs.NIL. (Previous year Rs.NIL)
- iii. In event of liquidation of the Company, the holders of equity shares would be entitled to receive remaining assets of the Company, after distribution of all preferential
- iv. Of the above, 3,04,32,390 equity shares of Rs.5/- each fully paid up has been allotted to non-residents pursuant to EGM approval on 20th October 2009 on non-repatriation basis and is non-transferrable until 23rd October 2012.

**(c) Details of shareholders' holding more than 5% shares in the Company**

	31st March 2012		31st March 2011	
	Nos.	% Holding	Nos.	% Holding
<b>Equity shares of Rs.5/- each fully paid</b>				
Arun Daulatram Datwani (Non-resident Indian)	15,216,195	29.13%	15,216,195	29.13%
Dasa Daulatram Datwani (Non-resident Indian)	15,216,195	29.13%	15,216,195	29.13%
Krishna Enterprises Limited	15,375,128	29.43%	15,375,128	29.43%

**(d) details of bonus shares and preferential allotments made for the period of 5 years immediately before the date of Balance Sheet**

	On October 23, 2009	
	Nos.	Amount Received
Preferential allotment	30,432,390	152,161,950
Bonus shares allotted	nil	nil
	<b>30,432,390</b>	<b>152,161,950</b>

**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>3. RESERVES AND SURPLUS</b>		
(a) Capital Reserve	76,500	76,500
(b) Capital Redemption Reserve	-	-
(c) Securities Premium Account	32,513,632	32,513,632
(d) Debenture Redemption Reserve	-	-
(e) Revaluation Reserve	131,242,899	133,109,572
(f) Share Options Outstanding Account	-	-
(g) Other Reserves	-	-
(h) Surplus / (Deficit) in Profit and Loss Statement		
As per last year financial statement	(6,573,103)	(46,873,499)
Add : Surplus / (deficit) for the year	(74,702,805)	40,300,396
	(81,275,908)	(6,573,103)
<b>Total Reserves and Surplus</b>	<b>82,557,124</b>	<b>159,126,601</b>
<b>3A. SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	-	-
<b>4. LONG TERM BORROWINGS</b>		
(i) Bonds / Debentures		
Secured	-	-
Unsecured	-	-
(ii) Term Loans		
(a) Banks		
Secured	-	59,366
Unsecured	-	-
(b) Other Parties		
Secured	44,038	290,531
Unsecured	679,113,635	602,617,233
(iii) Deferred Payment Liabilities	-	-
(iv) Deposits	-	-
(v) Loans and Advances from related Parties	-	-
(vi) Long term maturities of finance lease obligations	-	-
(vii) Other Loans and Advances	-	-
<b>Total Long Term Borrowings</b>	<b>679,157,673</b>	<b>602,967,130</b>

- (a) Term loan from ICICI bank is secured by hypothecation of vehicle. The loan carries an interest rate of 10.92% p.a. and repayable in 59 Equated Monthly Installments beginning from 10th February 2008
- (b) Term loan from Tata Capital Limited is secured by hypothecation of vehicle and carries an interest rate of 12.27% p.a. and is repayable in 60 Equated Monthly Installments beginning from 31st May 2008
- (c) The interest free unsecured term loan from other parties is repayable in 10 equated annual installments commencing from 31st March 2017

**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>5. OTHER LONG TERM LIABILITIES</b>		
(a) Trade Payables	-	-
(b) Others	-	-
<b>Total Other Long Term Liabilities</b>	<b>-</b>	<b>-</b>
<b>6. LONG TERM PROVISIONS</b>		
(a) Provisions for Employee Benefits	93,351	73,852
(b) Others	-	-
<b>Total Long Term Provisions</b>	<b>93,351</b>	<b>73,852</b>
<b>7. SHORT TERM BORROWINGS</b>		
(a) Loans repayable on demand from		
(i) Banks		
Secured	8,122,635	53,093,066
Unsecured	-	-
(ii) Other Parties	-	-
Secured	-	-
Unsecured	106,436,552	107,613,885
(b) Loans and advances from related parties	-	-
(c) Deposits	-	-
(d) Other Loans and Advances	-	-
<b>Total Short Term Borrowings</b>	<b>114,559,187</b>	<b>160,706,951</b>

- (i) Cash credit from banks are secured:
- (a) by way of first Paripassu charge, on hypothecation of Company's entire stock-in-trade consisting of raw materials, stock-in-process, finished goods, consumables stores and spares and receivables/book debts, both present and future,
- (b) by way of first paripassu charge, on hypothecation of all existing and future movable assets and other fixed assets i.e., the plant and machinery at the company's existing plant at Belavadi Industrial Area, Mysore.
- (c) by way of first paripassu charge, on Equitable mortgage of factory Land and Building belonging to the company at Belavadi Industrial Area, Mysore, and
- (d) further secured by personal guarantee of the Chairman & Managing Director and the Executive Director.
- (e) Cash credit from banks carry interest rate @ 14.25% - 15.25% p.a.
- (ii) The Loans from other parties are received from Chairman & Managing Director, Executive Director of the Company and other entities in which the directors are interested at the interest rate of 13.5% p.a. & is repayable on demand.

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**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>8. TRADE PAYABLES</b>		
Goods indigenous	10,438,078	2,731,509
Services	2,722,623	5,072,397
<b>Total Trade Payables</b>	<b>13,160,701</b>	<b>7,803,905</b>

Payments to Suppliers as defined under the Micro, Small & Medium Enterprise Development Act, 1996, (The Act) are generally made in accordance with the agreed credit terms. The amount, if any, overdue as on 31.03.2012 has not been ascertained, and hence no disclosure has been made

<b>9. OTHER CURRENT LIABILITIES</b>		
(a) Current Maturities of Long term debt	305,854	290,510
(b) Current Maturities of Finance Lease Obligations	-	-
(c) Interest Accrued but not due on borrowings	-	-
(d) Interest Accrued & due on borrowings	-	-
(e) Income received in advance	-	-
(f) Un paid dividends	-	-
(g) Share Application money received and due for refund and interest accrued thereon	-	-
(h) Unpaid Matured Deposits and Interest Accrued	-	-
(i) Unpaid Matured Debentures and Interest Accrued	-	-
(j) Others	5,099,537	5,049,759
<b>Total Current Liabilities</b>	<b>5,405,391</b>	<b>5,340,269</b>

Current Maturities of Long Term Debt represents vehicle loan borrowed from ICICI Bank and Tata Capital Limited, respectively  
(a) Term loan from ICICI bank is secured by hypothecation of vehicle. The loan carries an interest rate of 10.92% p.a. and repayable in 59 Equated Monthly Installments beginning from 10th February 2008  
(b) Term loan from Tata Capital Limited is secured by hypothecation of vehicle and carries an interest rate of 12.27% p.a. and is repayable in 60 Equated Monthly Installments beginning from 31st May 2008

<b>10. SHORT TERM PROVISION</b>		
(a) Provisions for Employee Benefits	2,329,823	3,252,697
(b) Others	2,515	15,678,521
<b>Total Short Term Provisions</b>	<b>2,332,338</b>	<b>18,931,218</b>

SCHEDULE OF FIXED ASSETS

SCHEDULE 11 & 12

Particulars	Gross Block					Depreciation				Rupees Net Block	
	As at 01.04.2011	Additions	Additions through business combinations separately	Disposal	As at 31.03.2012	Up to Last Year	For the year	Withdrawn	Total	As at 31.03.2012	As at 31.03.2011
	<b>11. TANGIBLE ASSETS</b>										
Land-Freehold	5,607,335	-	-	-	5,607,335	-	-	-	-	5,607,335	5,607,335
Buildings	193,375,249	257,136	-	-	193,632,385	63,186,759	6,457,008	-	69,643,767	123,988,618	130,188,490
Plant and Equipment	1,191,484,794	6,567,779	-	42,300	1,198,010,273	382,191,758	18,440,589	21,807	400,610,540	797,399,733	809,293,036
Electrical Installation	15,104,971	-	-	-	15,104,971	14,785,721	26,007	-	14,811,728	293,243	319,250
Furniture & Fixtures	4,436,617	26,448	-	-	4,463,065	4,157,063	93,463	-	4,250,527	212,538	279,553
Vehicles	10,400,462	-	-	483,225	9,917,237	7,233,277	742,246	483,225	7,492,298	2,424,939	3,167,184
<b>TOTAL</b>	<b>1,420,409,428</b>	<b>6,851,363</b>	<b>-</b>	<b>525,525</b>	<b>1,426,735,266</b>	<b>471,554,579</b>	<b>25,759,313</b>	<b>505,032</b>	<b>496,808,860</b>	<b>929,926,406</b>	<b>948,854,848</b>
Previous Year	1,384,198,673	41,249,014	-	5,038,259	1,420,409,428	416,648,992	55,935,063	1,029,476	471,554,579	948,854,848	967,549,682
<b>12. INTANGIBLE ASSETS</b>											
Computer Software	-	60,000	-	-	60,000	-	8,105	-	8,105	51,895	-
<b>TOTAL</b>	<b>-</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>-</b>	<b>8,105</b>	<b>-</b>	<b>8,105</b>	<b>51,895</b>	<b>-</b>
Previous Year	-	-	-	-	-	-	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>1,420,409,428</b>	<b>6,911,363</b>	<b>-</b>	<b>525,525</b>	<b>1,426,795,266</b>	<b>471,554,579</b>	<b>25,767,418</b>	<b>505,032</b>	<b>496,816,965</b>	<b>929,978,301</b>	<b>948,854,848</b>
PREVIOUS YEAR GRAND TOTAL	1,384,198,673	41,249,014	-	5,038,259	1,420,409,428	416,648,992	55,935,063	1,029,476	471,554,579	948,854,848	967,549,682

1) Gross block includes Rs.27,35,70,775/- which represents additions due to revaluation.

Year of Revaluation Additions on Revaluation (Rs.)

1992-93 83,948,258 (a)

1997-98 134,709,985 (b)

2001-02 54,912,531 (c)

273,570,774

(a) Revaluation of Factory building and Plant and machinery at Mysore

(b) Revaluation of Imported Plant and Machinery of Polyester Film Plant at Mysore.

(c) Revaluation BOPP plant of Polyester Film Plant at Mysore.

2) Depreciation on original cost (including additions) is Rs. 23,900,746

Depreciation on revalued portion- Rs. 1,866,673 is debited to capital Reserve for revaluation.

3) Depreciation is provided on Straight Line Method at rates specified in Schedule XIV, Companies Act, as amended.

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**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>13. NON CURRENT INVESTMENTS</b>		
(a) Equity Instruments	227,968	227,968
<b>Total Equity Instruments</b>	<b>227,968</b>	<b>227,968</b>
(b) Mutual Funds		
SBI Mutual funds	2,500,000	2,500,000
<b>Total Mutual funds</b>	<b>2,500,000</b>	<b>2,500,000</b>
<b>Total Non Current Investments</b>	<b>2,727,968</b>	<b>2,727,968</b>

**(a) Particulars of Investments in Equity Shares (Quoted, Non Trade at cost)**

Name of the Company	Number of Equity Shares Fully Paid up	Amount
Garware Polyester Limited	50	
Rollainers Limited	55	
Tamilnadu Telecommunication Limited	100	
ITC Limited	3,100	
Mukund Felpack Limited	-	
Canbay Polyfilms Limited	100	
Leela Packaging Limited	100	
Annapurna Foils Limited	100	
Upcom Cables Limited	-	
Finolex Cables Limited	600	
Essel Propack Limited	80	
Gujarath Telephone Cables Limited	85	
RPG Cables Limited	50	
EID Parry (I) Limited	750	
MM Rubber Company	50	
Comandal Fertilizers Limited	16	
Elpro Packaging Limited	100	
Comandal International Limited	160	
Sakamichi Tapes Limited	800	
<b>Total</b>	<b>6296</b>	<b>227,968</b>

The Aggregate Market Value of Investments in Equity Shares as at 31.03.2012 is Rs.9,28,132 ( PY Rs. 3,48,858 )

(b) Net Asset Value of SBI Capital Protection Oriented Fund Series II as at 31.03.2012 is Rs.10.7426  
Market Value of Investments in Mutual fund as at 31.03.2012 is Rs.2,685,650

(c) In view of the Company's long term investment strategy no provision is considered necessary in respect of diminution, if any, in the Market value of securities held by the Company

<b>14. LONG TERM LOANS AND ADVANCES</b>		
(a) Security Deposits		
Secured, considered good		
Unsecured, considered good	1,288,385	3,864,130
Doubtful		
(b) Other Loans and Advances		
Secured, considered good		
Unsecured, considered good		
Doubtful		
<b>Total Long term loans and advances</b>	<b>1,288,385</b>	<b>3,864,130</b>

Security deposit includes Rs. Nil ( Previous year Rs.34,76,160 ) due from a Company in which the directors are interested.  
Maximum Balance outstanding at any time during the year was Rs. Nil ( Previous year Rs. 34,76,160 )

<b>15. OTHER NON CURRENT ASSETS</b>		
	-	-
	-	-



**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>16. CURRENT INVESTMENTS</b>	-	-
<b>17. INVENTORIES (Valued at lower of cost and net realizable value)</b>		
(a) Raw Materials	9,176,706	8,970,155
(b) Work in Progress	47,248,384	50,672,544
(c) Finished Goods	22,664,475	21,607,263
(d) Stock in Trade ( For Trading Goods)	-	726,105
(e) Stores & Spares	47,751,522	40,785,214
(f) Loose Tools	306,265	317,295
(g) Others	-	121,394
<b>Total Inventories</b>	<b>127,147,352</b>	<b>123,199,969</b>
<b>18. TRADE RECEIVABLES</b>		
(i) Outstanding for a period exceeding six months from the date they are due for payment		
Secured, Considered Good		
Unsecured, Considered Good	16,389,224	4,725,292
Doubtful	1,062,308	-
<b>Sub Total</b>	<b>17,451,532</b>	<b>4,725,292</b>
Less : Provision for bad and doubtful debts	1,062,308	-
	<b>16,389,224</b>	<b>4,725,292</b>
(ii) Others		
Secured, Considered Good	-	-
Unsecured, Considered Good	-	11,827,473
Doubtful	-	-
	-	<b>11,827,473</b>
<b>Total Trade Receivables</b>	<b>16,389,224</b>	<b>16,552,765</b>
<b>19. CASH AND BANK BALANCES</b>		
(i) Cash and Cash Equivalents		
a) Balances With Banks - In current accounts	2,351,132	3,100,084
b) In deposit account with original maturity of less than 3 months	5,500,000	-
c) Cheques, Drafts on Hand	-	-
d) Cash on Hand	55,853	67,222
(ii) Other Bank Balances	-	-
(a) In deposit account with original maturity of more than 3 months but less than 12 months	34,005,000	120,505,000
(b) Balances with Banks - Held as Margin Money or Security Deposit against borrowings, Guarantee / Other Commitments	15,500,000	15,500,000
(c) Bank Deposits more than 12 months Maturity	-	-
<b>Total Cash and Bank Balances</b>	<b>57,411,984</b>	<b>139,172,306</b>

(a) Fixed Deposits of Rs Rs. 15,000,000 ( P Y Rs.15,000,000 ) with bank represents security deposits against borrowings  
(b) Fixed Deposits of Rs Rs. 5,00,000 ( P Y Rs.5,00,000) with bank represents margin money against guarantee issued.  
(c) The balance in operative bank accounts have been reconciled, while the balance in non-operative bank accounts are subject to reconciliation.

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**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>20. SHORT TERM LOANS AND ADVANCES</b>		
(a) Loans and Advances to related parties		
Secured, Considered Good	-	-
Unsecured, Considered Good	-	-
Doubtful	-	-
(b) Others		
Secured, Considered Good	-	-
Unsecured, Considered Good	10,103,794	23,312,308
Doubtful	-	-
<b>Total Short term loans and advances</b>	<b>10,103,794</b>	<b>23,312,308</b>
<b>21. OTHER CURRENT ASSETS</b>	3,196,525	2,873,858
	<b>3,196,525</b>	<b>2,873,858</b>
<b>22. REVENUE FROM OPERATIONS</b>		
Other than Finance Company		
i) Sale of Products	323,101,779	1,133,721,039
ii) Sale of Services	-	-
iii) Other Operating Revenues	4,551,240	3,273,847
<b>Total</b>	<b>327,653,019</b>	<b>1,136,994,886</b>
Less: Excise Duty	18,189,541	82,933,963
<b>Total Revenue from Operations</b>	<b>309,463,478</b>	<b>1,054,060,923</b>
<b>23. OTHER INCOME</b>		
(i) Interest Income	12,046,161	4,673,312
(ii) Dividend Income	18,127	19,435
(iii) Net Gain or Loss on Sale of Investments	-	(2,811,630)
(iv) Other Non Operating Income	789,758	(682,139)
<b>Total Other Income</b>	<b>12,854,047</b>	<b>1,198,977</b>
<b>24. COST OF MATERIALS CONSUMED</b>		
RAW MATERIALS		
Opening Stock	5,654,474	13,367,251
Add: Purchases	177,931,661	592,370,064
Less: Closing Stock	4,519,196	5,654,474
	<b>179,066,939</b>	<b>600,082,841</b>
<b>25. PURCHASE OF STOCK IN TRADE</b>		
Cost of traded goods	9,438,136	213,252
	<b>9,438,136</b>	<b>213,252</b>
<b>26. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS &amp; STOCK IN TRADE</b>		
Closing stock	22,664,475	21,607,263
Less: Opening Stock	21,607,263	28,276,428
(Decrease) / Increase in finished goods	1,057,212	(6,669,165)
WORK IN PROGRESS		
Closing stock	47,248,384	50,672,544
Less: Opening Stock	50,672,544	55,356,682
(Decrease) / Increase in Work in progress	(3,424,160)	(4,684,138)
Differential excise duty on opening and closing stock of finished goods	783,606	(622,689)
Goods in Transit		
Closing stock	-	121,394
Less: Opening Stock	121,394	613,194
(Decrease) / Increase in Goods in transit	(121,394)	(491,800)
<b>Total changes in Inventories of finished goods, work in progress &amp; Stock in Trade</b>	<b>3,271,948</b>	<b>11,222,414</b>

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**VENLON ENTERPRISES LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

PARTICULARS	As At 31st March 2012 Rupees	As At 31st March 2011 Rupees
<b>27. EMPLOYEE BENEFITS EXPENSES</b>		
(i) Salaries & Wages	33,792,437	29,109,704
(ii) Contribution to Provident & Other Funds	5,427,934	4,601,198
(iii) Expenses on ESOP & ESPP	-	-
(iv) Staff Welfare Expenses	1,786,456	2,352,852
<b>Total Employee Benefit Expenses</b>	<b>41,006,827</b>	<b>36,063,754</b>
<b>28. FINANCE COSTS</b>		
(i) Interest Expenses	22,055,969	25,958,514
(ii) Other Borrowing Costs	-	-
(iii) Net (gain) or loss on Foreign Currency Transactions / Translations	76,496,402	1,416,657
<b>Total Finance Cost</b>	<b>98,552,371</b>	<b>27,375,171</b>
<b>29. OTHER EXPENSES</b>		
(i) Consumption of Stores and Spares Parts	14,692,109	56,860,405
(ii) Power and Fuel	30,267,183	80,343,898
(iii) Packing material consumed	1,904,997	7,692,150
(iv) Rent	2,286,883	2,805,844
(v) Repairs to Buildings	479,588	423,681
(vi) Repairs to Machinery	1,664,660	9,201,473
(vii) Insurance	1,542,282	1,493,729
(viii) Rates and Taxes excluding Taxes on Income	859,282	3,261,459
(ix) Administration and selling expenses	20,275,608	77,632,525
(x) Miscellaneous Expenses	252,498	674,296
(xi) Remuneration to statutory auditors - for audit	130,000	107,500
<b>Total Other Expenses</b>	<b>74,355,089</b>	<b>240,496,960</b>
<b>30. EARNINGS PER SHARE</b>		
Profit / (Loss) after taxation, refund of income tax and before exceptional item	(74,702,805)	40,300,396
Profit / (Loss) after taxation, refund of income tax and exceptional item	(74,702,805)	40,300,396
Number of equity shares ( Face Value Rs.5/- )	52,242,494	52,242,494
Earnings per share in Rupees		
Before exceptional item	(1.43)	0.77
After exceptional item	(1.43)	0.77



**VENLON ENTERPRISES LIMITED**

**NOTE 31: OTHER ADDITIONAL NOTES / INFORMATION**

**K** The Company is mainly engaged in the following segments:

- a. Film
- b. Formaldehyde
- c. Wind Mill
- d. Paraformaldehyde

Segment Revenue	Film	Formaldehyde & Paraformaldehyde	Windmill	Others	Total
Sales	774	1,042	392	107	2,315
Intersegment Transfer	267	512			779
Total	1,042	1,554	392	107	3,095
Segment Results	(446)	(108)	326		(228)
Less: Interest					(986)
Less: Other Unallocable expenditure					141
Profit before tax					(1,073)
Net assets	5,970	2,141	1,189		9,300

**L** Statutory Auditors' Remuneration

	2011-12	2010-11
a. Audit fees	130,000	80,000
b. Other Services	-	10,000
c. For Audit under KVAT Act	-	7,500
d. Out of Expenses	-	10,000
Sub-total	130,000	107,500
e. Service tax	16,068	11,073
<b>TOTAL</b>	<b>146,068</b>	<b>118,573</b>

**M** Confirmation from certain parties for amounts due to them/amount due from them as per accounts of the Company has not been received. Necessary adjustment, if any will be made when the accounts are reconciled/settled.

**N** Excise Duty approximately Rs.28.01 lacs (Previous year Rs.20.17 lacs) on stock awaiting clearance has been considered in valuation of finished goods.

**O** The Income tax assessments of the company have been completed upto the Assessment year 2010-11. There are no demands outstanding. In view of loss for assessment year 2012-13, the company has been advised that there is no liability to income tax and accordingly no provision has been made.

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**VENLON ENTERPRISES LIMITED**

**NOTE 31: OTHER ADDITIONAL NOTES / INFORMATION**

**P Sales Turnover**

	2011-12		2010-11	
	Quantity (in Tonnes)	Value (Rs in lakhs)	Quantity (in Tonnes)	Value (Rs in lakhs)
Polyester Film* \$	352	661	4,509	5,595
PET Chips \$\$	2,200	.44	17	13
Metalised Film**	279	346	1,959	3,560
Formaldehyde \$\$\$	4,898	1,046	11,676	1,068
Paraformaldehyde	1,059	445	2,011	706
Windmill	-	392	-	185
Others***	-	204	-	243

- \* Includes scrap sales amounting to Rs.0.86 Lacs. (P.Y. Nil)
- \*\* Includes scrap sales amounting to Rs.7.69 Lacs (P.Y. Nil)
- \*\*\* Includes scrap sales amounting to Rs.17.72 Lacs (P.Y. Nil)

\$ Polyester film includes 240 Tonnes (P.Y.2046 Tonnes) of Films valued Rs.266.94 Lacs (P.Y.Rs. 1848 Lacs) which are captively produced and consumed.

\$\$ PET Chips includes 2 Tonnes of Opening Stock (P.Y. 17 Tonnes) of Chips valued Rs.0.44 Lacs (P.Y.Rs.13 Lacs) Which are captively produced and consumed.

\$\$\$ Formaldehyde includes 4,135 Tonnes (P.Y. 4562 Tonnes ) of Formaldehyde valued Rs.511.95 Lacs (P.Y. Rs. 357 Lacs) which are captively produced and consumed.

**Q Closing Stock of Finished Goods**

	2011-12		2010-11	
	Quantity (in Tonnes)	Value (Rs in lacs)	Quantity (in Tonnes)	Value (Rs in lacs)
Polyster Film	164.08	143.93	123.68	123.25
PET Chips	-	-	2.22	.49
Metalised Film	49.31	57.56	57.07	77.98
Paraformaldehyde	96.48	53.17	49.22	14.36

**R Consumption of Raw Materials (As verified, value and certified by management)**

	2011-12		2010-11	
	Quantity (in Tonnes)	Value (Rs in lacs)	Quantity (in Tonnes)	Value (Rs in lacs)
PET Chips *	423	310	4,690	3,000
Methanol \$	3,491	701	5,427	707

- \* PET Chips includes 2 Tonnes of Opening stock (P.Y. 17 Tonnes) of Chips Valued at Rs.0.44 Lacs (P.Y. Rs.13 Lacs) Which are captively produced and consumed.

\$ Methonal includes NIL Tonnes (P.Y. NIL Tonnes) of Methonal valued at Rs. NIL (P.Y.Rs. NIL Lacs), which ate captive produced and consumed.

## NOTE 31: OTHER ADDITIONAL NOTES / INFORMATION Contd..

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S Related Party Disclosure:A. Relationships:

## 1. Subsidiaries

## 2. Key Management Personnel (KMP) and their Relatives

**Directors :**

Mr. Chand D Datwani

Mrs. Saroj C Datwani

**Relatives of Directors :**

Ms. Abha Datwani

## 3. Other Related Parties (in which either of the directors or their relatives have significant influence)

Divine Poly Plastic Pvt. Ltd.

Venlon Investments Pvt. Ltd.

Father &amp; Son Investments Pvt. Ltd.

C and A Real Estate Pvt. Ltd.

Saroj Residency Pvt. Ltd.

Father &amp; Son Overseas Pvt. Ltd.

Abha Finance Pvt. Ltd.

Sanchit Realtors Pvt. Ltd.

B. Nature of transactions:

The following transactions were carried out with the related parties mentioned in A above, in the ordinary course of business.

	Rs in lakhs					
	Subsidiaries		KMP & Relatives		Other Related parties	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>1 Interest Paid</b>						
a. Mr. Chand D Datwani			57.39	44.38		
b. Mrs. Saroj C Datwani			4.03	4.02		
c. Ms. Abha Datwani			3.92	3.53		
d. Companies in which directors are interested					81.47	71.82
			<b>65.34</b>	<b>51.93</b>	<b>81.47</b>	<b>71.82</b>
<b>2 Remuneration to Directors &amp; their Relatives</b>						
<b>a. Director's salary</b>						
Mr. Chand D Datwani	-	-	10.50	10.50	-	-
Mrs. Saroj C Datwani	-	-	6.00	6.00	-	-
			<b>16.50</b>	<b>16.50</b>		
<b>b. Provident Fund (12% of salary)</b>						
Mr. Chand D Datwani	-	-	1.26	1.26	-	-
Mrs. Saroj C Datwani	-	-	.72	.72	-	-
			<b>1.98</b>	<b>1.98</b>		
			<b>18.48</b>	<b>18.48</b>		
<b>3 Outstanding Balances</b>						
<b>a. Loans Payable</b>						
a. Mr. Chand D Datwani	-	-	419.02	416.38	-	-
b. Mrs. Saroj C Datwani	-	-	2.28	33.95	-	-
c. Ms. Abha Datwani	-	-	30.66	28.64	-	-
d. Companies in which directors are interested	-	-	-	-	591.87	597.17
			<b>451.97</b>	<b>478.97</b>	<b>591.87</b>	<b>597.17</b>

No amount has been provided as doubtful debts or advances / written off or written back in the year in respect of debts due from / to above related parties.

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**VENLON ENTERPRISES LIMITED**

**NOTE 31: OTHER ADDITIONAL NOTES / INFORMATION Contd..**

31st March, 2012

31st March, 2011

T Value of Raw Materials consumed and percentage to the total:  
(As certified by management)

	<u>Rupees in lakhs</u>	<u>% to Total</u>	<u>Rupees in lakhs</u>	<u>% to Total</u>
Indigenous	1,011.33	100.00	6,000.83	100.00
Imported	-	-	-	-
	<b>1,011.33</b>	<b>100.00</b>	<b>6,000.83</b>	<b>100.00</b>

U Value of Stores, Spares & Components consumed and percentage to the total:  
(As certified by management)

Stores & Spare Parts

Indigenous	137.86	83.06	538.08	83.36
Imported	28.11	16.94	107.44	16.64
	<b>165.97</b>	<b>100.00</b>	<b>645.52</b>	<b>100.00</b>



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## NOTE 31: OTHER ADDITIONAL NOTES / INFORMATION Contd..

	March 31, 2012	Rupees in lakhs March 31, 2011
<b>V Value of Imports on CIF Basis:</b>		
1. Raw Materials	-	-
2. Spare Parts	49.51	129.29
3. Capital Goods	-	-
<b>W Expenditure in Foreign Currency:</b>		
1. Royalty	-	-
2. Knowhow	-	-
3. Professional & Consultation Fees	-	-
4. Interest	-	-
5. Others	12.47	16.38
a. Travelling		
<b>X Earnings in Foreign Currency -</b>		
1. Export of goods on F.O.B. basis	157.24	2.41
2. Royalty, Knowhow, Professional & Consultation Fees	-	-
3. Interest & Dividend	-	-
2. Others (Specify)	-	-
<b>Y</b> The amount remitted during the year in foreign currencies on account of dividends		
Total number of Non Resident shareholders	-	-
Total number of shares held	-	-
Year to which the dividends related	-	-
<b>Z</b> Previous years figures have been regrouped, rearranged, reclassified and restated wherever necessary.		
<b>ZA</b> The Central Government vide notification SO. 447 (E) dated February 28, 2011, has revised the Schedule VI under the Companies Act, 1956 and the same has become applicable for the Financial Statements to be prepared for the financial year commencing on or after April 1, 2011. Accordingly, the Company has reclassified the previous year figures to conform to this year's classification. The adoption of the revised Schedule VI does not impact the recognition and measurement principles followed for the presentation of the Financial Statements.		

Signatures to the Notes to the Financial Statements 1 to 31 which form an integral part of the Financial Statements.

As per our Report of even date attached

For RAU & NATHAN  
Chartered Accountants

N. Vaidyanathan  
Partner  
Membership # 22573

Mysore, Dated: 30th May, 2012



*Chand. D. Datwani*  
CHAND. D. DATWANI

Chairman & Managing Director

*S. Bhyrappa*

S. BHYRAPPA  
Director