

# VARUN



Go Green

40th annual report  
2010-2011

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***VARUN SHIPPING COMPANY LIMITED***

# Go Green

Just as a trickle of tiny drops forms an ocean, a series of initiatives helps to conserve the environment around us. As a maritime company, Varun Shipping appreciates this concept and follows policies and practices to ensure that all vessels owned and/or operated by it comply with national and international laws and regulations relating to protection and conservation of the marine environment.

All vessels owned and/or operated by Varun Shipping duly comply with statutory requirements relating to disposal of various residues causing marine pollution, such as oil, chemicals, sewage and garbage. We also endeavor to control environmental pollution caused by release of exhaust emissions, cargo vapour emissions, chlorofluorocarbons (CFCs), ozone-depleting substances (ODS), halons and other volatile organic compounds into the atmosphere. Low sulphur fuels are also used in designated sea areas in accordance with international maritime regulations.

Our commitment to a greener future is manifested in positive measures which we have undertaken to conserve energy, which include improving the design of conventional diesel engines, a conscious drive to reduce specific fuel consumption, implementation of waste heat recovery systems in diesel propulsion plants, extensive use of thermal insulation, slow steaming to reduce emission of harmful greenhouse gases and monitoring, maintenance and dry docking of vessels from time to time. These measures are in keeping with our commitment towards achieving a greener and cleaner environment.

The “Green Passport” is an innovative environmental conservation document in the shipping industry which is envisaged to accompany a ship throughout its working life. It includes an inventory of all materials which are potentially hazardous to human health and environment which are used in the construction of a ship. The builders and/or owners of vessels bear the onus of maintaining the accuracy of “Green Passport”, including vessels’ deliveries to the recycling yard at the end of their useful lives. Varun Shipping strongly supports this concept.



As the world is facing global warming, every individual and every organisation is required to make a conscious effort to sail towards a greener future. Varun Shipping, too, is contributing to achieve this global objective. The image of a leaf symbolises a ‘green’ ship and the efforts we are putting in to save the environment, and the clear water and air represent endless possibilities, giving hope that it is never too late to turn over a new leaf and make the world a better place to live in.

# Varun Shipping Company Limited

## Board of Directors

Mr. Arun Mehta  
*Chairman & Managing Director*

Mr. Yudhishtir D. Khatau  
*Vice Chairman & Managing Director*

Mr. C. M. Maniar

Mr. Praveen Singh

Dr. A. K. Bhattacharya

Mr. Khurshed M. Thanawalla

Ms. Manali Parekh  
*Vice president – Corporate Affairs,  
Secretarial & Legal and Company Secretary*

## Registered Office

Laxmi Building,  
6, Shoorji Vallabhdas Marg,  
Ballard Estate,  
Mumbai 400 001.

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## Auditors

Messrs Sorab S. Engineer & Co.,  
Chartered Accountants,  
Ismail Building,  
381, Dr. D. Naoroji Road,  
Mumbai 400 001.

## Bankers

State Bank of India  
Bank of India  
ICICI Bank Limited  
Axis Bank Limited  
Bank of Baroda

## Registrars & Transfer Agents

Datamatics Financial Services Limited,  
Plot No. A-16 & A-17,  
Part - B, Crosslane,  
MIDC, Andheri (East),  
Mumbai 400 093.



# Corporate Landmarks

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**1973**

The Company commenced operations with the acquisition of one product tanker.

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**1983-84**

The Company's first diversification programme- entered into support services for oil exploration with the acquisition of Anchor Handling and Towing Supply Vessels (AHTS).

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**1986**

The Company's shares were listed on the Stock Exchanges.

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**1995**

The Company promoted a wholly owned subsidiary company in Singapore, VSC International Pte Ltd.

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## 1996

The Company acquired its first LPG carrier making it the first private sector Indian company to commercially operate LPG carriers. Since then, the Company has become the largest owner of LPG carriers in India and has established a leadership position globally.

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## 2005

In 2005, the Company diversified into transportation of crude oil with acquisition of two modern Aframax crude oil tankers. Since then, the Company acquired its third modern, double hull Aframax crude oil tanker in 2007.

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## 2007

The Company acquired a Very Large Gas Carrier (VLGC), which is the largest LPG Carrier in the Indian fleet.

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## 2007-09

In 2007, the Company acquired two modern highly sophisticated AHTS vessels. With the acquisition of three more large AHTS vessels in 2008 and 2009, Company established its leadership position in the large AHTS sector in the Asian region.



# Directors' Report

Your Directors have pleasure in presenting the Fortieth Annual Report together with the audited statements of account of the Company for the year ended 31st March, 2011.

(Figures in millions of Rupees)

	Current Year ended 31.03.2011	Previous Year ended 31.03.2010
<b>PROFIT BEFORE TAX</b>	<b>168.22</b>	<b>538.86</b>
Less: Provision for Taxation		
Current Tax	<b>33.52</b>	413.58
Excess provision of Income-Tax for prior years written back	<b>(12.78)</b>	-
Fringe Benefit Tax	-	(0.25)
<b>PROFIT AFTER TAX</b>	<b>147.48</b>	<b>125.53</b>
Add : Surplus brought forward from previous year	<b>934.92</b>	<b>949.33</b>
Amount available for appropriation	<b>1082.40</b>	<b>1,074.86</b>

Your Directors have recommended payment of dividend of Rs.0.80 per equity share for the year ended 31st March, 2011, which will absorb Rs.120.01 million. Additional amount of Rs.19.47 million will be absorbed towards dividend tax. After the above appropriations, your Directors propose to carry forward a balance of Rs.942.92 million in the Profit and Loss Account.

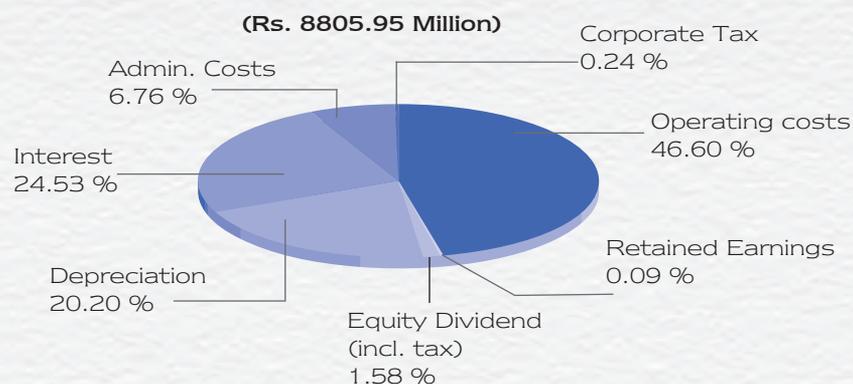
Freight and charter hire income was Rs.4,914.27 million compared to Rs. 6,662.23 million for the year ended 31st March, 2010. Profit before tax was Rs.168.22 million for the year ended 31st March, 2011 as against Rs. 538.86 million during the preceding year. Net profit after tax was Rs.147.48 million for the year ended 31st March, 2011 as against Rs.125.53 million during the preceding year.

In order to reduce the incidence of tax, the Company has decided to opt out of tonnage tax system with effect from assessment year 2011-2012 (corresponding financial year 2010-2011) and be assessed under normal income tax.

During the financial year under review, the Company set up and invested in the following joint venture companies in Singapore and Cyprus :

- i) Varun Asia Pte. Ltd. in Singapore and acquired 19,600 shares aggregating USD 19,600, which forms 49 per cent of the paid up capital of the joint venture company.
- ii) Ocean Race Shipping Company Limited in Cyprus and acquired 490 shares aggregating Euro 490, which forms 49 per cent of the paid up capital of the joint venture company.
- iii) Varun Cyprus Limited in Cyprus and acquired 490 shares aggregating USD 490, which forms 49 per cent of the paid up capital of the joint venture company.
- iv) Sea Fidelity Shipping Company Limited in Cyprus and acquired 490 shares aggregating Euro 490, which forms 49 per cent of the paid up capital of the joint venture company.

## DISTRIBUTION OF REVENUE



In addition to the above, in April, 2011 the Company also promoted and established a new Company in India, namely Varun Gas Infrastructure Limited. The Company will be initially acquiring 999,994 equity shares of Rs.10 each aggregating Rs.9,999,940, which forms 100 per cent of the paid up capital of the newly formed company thereby making it Company's subsidiary.

During the financial year ended 31st March, 2011 Company sold Maharshi Shubhatreya to its associate company Tarun Shipping and Industries Limited and has thereafter taken the said vessel on bareboat charter. During the financial year ended 31st March, 2011 the Company sold two of its crude oil tankers, namely Amba Bhakti and Amba Bhavanees to its joint venture company, namely Varun Asia Pte. Ltd., Singapore, on bareboat charter cum demise basis. During the financial year ended 31st March, 2011 the company sold two of its AHTS vessels, namely Subhiksha and Sudaksha on bareboat charter cum demise basis to its joint venture company, namely Varun Cyprus Limited, Cyprus.

The Company presently owns and/or operates a well diversified fleet of 21 vessels. The LPG carrier fleet presently owned by the company is the largest in India in terms of both fleet size and cargo carrying capacity. In November, 2010 the Company received "The Safety at Sea Award" at the Lloyd's List Middle East & Indian Sub-continent Awards-2010 ceremony, held at Dubai.

In September, 2010 Mr. Yudhishtir D. Khatau, Vice Chairman & Managing Director received "Young Entrepreneur of the Year" award at the All India Maritime and Logistics Awards 2010 ceremony, held at Mumbai.

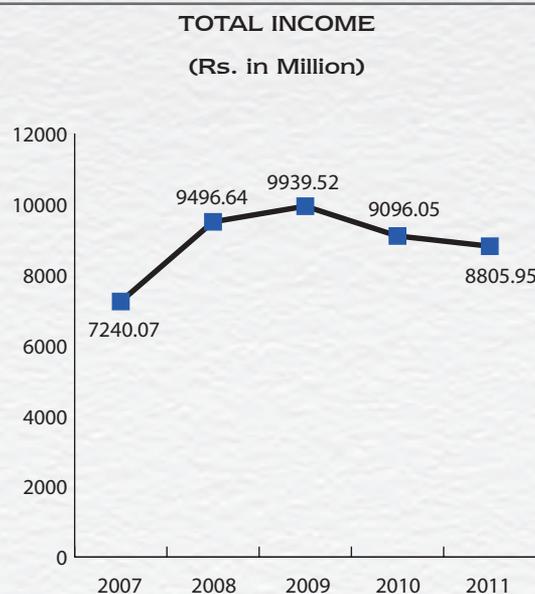
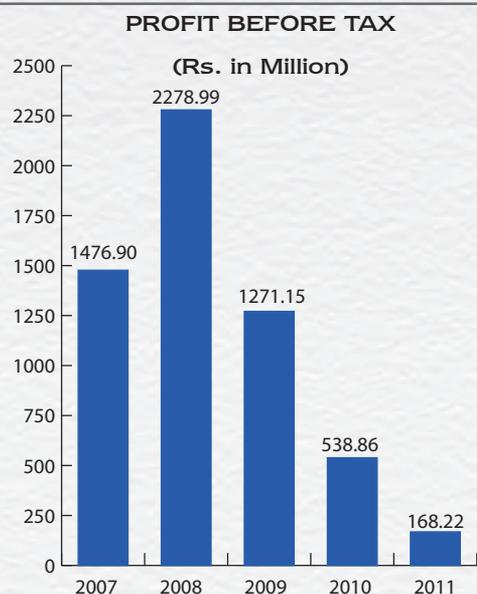
In October, 2010 Mr. Arun Mehta, Chairman & Managing Director received "Lifetime Achievement Award" at the Lloyds' List Asia Awards- 2010 ceremony, held at Singapore.

**Management Discussion and Analysis :**

**(a) Industry Structure and Development :**

Transportation by sea is the leading and also most preferred mode of transportation the world over. The international shipping industry transports hydrocarbons and bulk commodities in wet bulk, dry bulk, liquefied gas, bulk chemicals and container sectors. Further, specialized vessels are also used to carry passengers, automobiles and project cargoes the world over. In addition thereto, offshore support vessels are used to provide services to offshore oil and gas exploration and production industry. The Company owns and/or operates a well diversified fleet of 21 vessels, in the oil, gas and offshore support services sector.

According to Platou Report-2011 the close correlation between the world economy and world shipping is well-known. In the period 2003-2010, as much as 80 percent of the annual variations in tonnage



demand could be explained by the variations in global economic growth. The remaining 20 percent must be explained by factors not correlated with economic growth. Such factors can be random and temporary such as abnormal weather conditions, strikes, non-cyclical inventory fluctuations and changed sailing routes to avoid sea pirates, which are difficult and even impossible, to predict.

The global economy seemed to be on a recovery path from the economic crisis but the key constraints need to be addressed such as banking problems and high unemployment in advanced economy and risks of overheating in emerging markets.

According to Platou Report-2011, the improved economic recovery contributed strongly to the extraordinarily high growth of 11-12 per cent in tonnage demand for the world merchant fleet. However, this impressive growth rate must also be regarded in light of the very low 2009 base line.

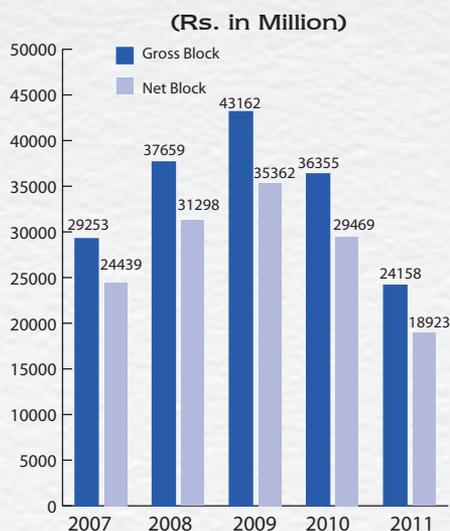
According to Platou Report -2011, after underlying growth in total tonnage demand of 8 percent annually in the years 2002-08, demand fell by 3 percent in 2009, and the sound market balance through many years collapsed. The utilization rate fell from 90 percent in 2008 to only 82 percent in 2009. This indicates an overcapacity not seen since the 1980's. The growth in tonnage demand in 2010, together with the somewhat moderated fleet growth, lifted the utilization rate from 82 to 85 percent.

According to Platou Report.-2011, ordering activity recovered strongly in 2010 a tripling from year before. Deliveries were even higher resulting in a declining order book. During 2010, demand for new tonnage was significantly higher compared with the low activity seen in the aftermath of the financial crisis.

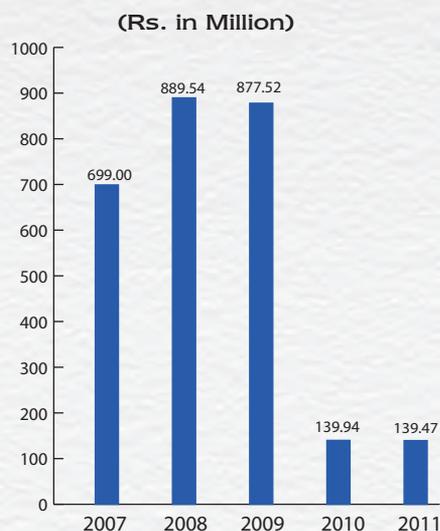
According to Platou Report 2011, despite the strongest ton-mile growth in seaborne oil trade since the late 1980s, the year 2010 was a relatively weak year for tanker owners. Most tankers delivered after 2006 were ordered at building prices requiring higher freight rates than those obtained in 2010. The very weak starting point after the dramatic downturn in 2009 is responsible for this. A sudden decline in floating storage during the summer resulted in a sharp drop in freight rates. Oil consumption increased by 3 percent and seaborne oil trade in terms of ton-miles showed the strongest growth since the late 1980s. The fleet growth of 5 percent was somewhat higher than expected due to fewer removals of single-hull tankers than anticipated. Despite the brisk rise in tonnage demand, the utilization rate for the total tanker fleet recovered only marginally from 85 to 86 percent, significantly below the 90 percent level that we define as full capacity utilization.

While LPG markets during the first half of 2010 were difficult, they started improving during the second half. The improvement in global economy has had a positive effect on LPG demand, leading to an

#### GROSS AND NET BLOCK



#### EQUITY DIVIDEND



improvement in both utilization and charter rates. Both Asia and Middle East have exhibited strong growth in LPG demand. Asia is the largest LPG consuming region in the world and the demand for LPG is growing in this region. The Middle East is also becoming a significant LPG demand centre due to increased LPG requirement of growing petrochemical industry and continuous growth in residential and commercial sectors. Further, there is a trend of increase in consumption in Latin America. Seaborne LPG flows are predicted to grow 47 per cent over 2008-2016. The VLGC markets improved mainly due to increase in Middle East export LPG due to the start-up of LNG trains.

According to Platou Report-2011, although much of the Offshore Supply Vessel (OSV) industry was still dominated by an overhang of tonnage ordered prior to the financial crisis, bright spots emerged in 2010. We saw activity in the OSV industry begin to increase last year on the back of rising oil prices and Exploration & Production (E&P) spending. However, the higher activity in the OSV markets was uneven and benefited large Platform Support Vessels (PSV) the most.

Although demand rose substantially, the market had to absorb many new deliveries, while scrapping and removals were basically insignificant. Nearly 250 AHTS vessels were delivered in 2010, increasing the AHTS fleet by 15 per cent. The PSV fleet is estimated to have grown by 11 per cent as nearly 90 PSVs entered the market. The fleet grew considerably less than anticipated, however, because many of the expected deliveries were delayed (and in some cases cancelled).

The Deepwater Horizon accident in the Macondo Exploration Well for BP in the Gulf of Mexico in April, 2010 seriously brought into question the safety routines of operators and contractors and heightened environmental concerns within the offshore, oil and gas sector. It served as a reminder to oil and gas companies that new clean designs and environmentally friendly vessels is the way forward.

**(b) Opportunities and Threats :**

Indian flag ships have a 'Right of First Refusal' for any cargo of Indian Public Sector Undertakings which are imported into India. This enables an Indian company to ensure better utilization of its vessels in Indian trade. Further, as per recent Shipping Development Circular, Indian companies acquiring vessels on Bareboat Charter cum Demise (BBCD) basis will have right of second refusal (i.e. after first right of refusal) over foreign flag vessels. This will encourage the Indian ship owners to acquire more vessels on BBCD basis.

Indian LPG consumption per capita is very less compared to other countries. There is a tremendous growth prospect for LPG consumption/demand in India in future. With Vision 2015 of the Government of India, the Rajiv Gandhi Gramin Vitrak Scheme, LPG penetration in the rural areas will improve. This scheme aims to enhance LPG usage in India with the number of connections increasing from almost 110 million to 165 million by 2015. This is likely to generate additional demand for import of LPG into India.

The freight rates are mainly determined by the fine balance between future demand and supply of vessels. The recent deliveries of new building orders resulting in a younger and larger world fleet coupled with expected new deliveries, may impact the freight rate if demand for vessels does not grow at the same rate.

Imposition of several taxes is an impediment to healthy growth of the Indian shipping industry. In order to be globally competitive, it is essential that these taxes are rationalized to ensure that Indian shipping companies have a level playing field in the international arena.

Also, Indian shipping companies are adversely affected due to drifting of qualified seafarers from Indian ships to foreign ships, due to peculiar taxation problems of discrimination faced by Indian seafarers.

**(c) Segment-wise Performance**

The Company is engaged only in the business of shipping and there are no separate reportable segments.

The Company together with its associates, owns and/or operates a fleet of eleven LPG carriers, including eight mid-size Gas Carriers (MGC's), one Large Gas Carrier (LGC) and two Very Large



Gas Carriers (VLGC's), which have been deployed on a mix of time charters and spot charters with charterers such as Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, Reliance Industries Limited and Pertamina.

In the crude oil sector, the Company owns and/or operates three double hull Aframax crude oil tankers, which are placed in the Sigma Tanker Pool, trading globally. The benefit of working in the pool is that earnings of group of vessels owned by different owners are pooled together and distributed amongst various owners.

In the offshore support services sector, the company owns and/or operates a fleet of seven Anchor Handling Towing and Supply (AHTS) vessels which are deployed on time charters and spot charters. The Company has committed its 3 large AHTS Vessels on time charter to Petrobras, Brazil for a firm period of four years with four extension options of one year each. The other 2 large AHTS Vessels are working in the North Sea spot market.

**(d) Outlook :**

According to Platou Report-2011 the predicted global economic growth of 4.4 percent in 2011 and 4.5 percent in the subsequent years will according to simplistic model, result in a tonnage demand growth of 8 percent in 2011 and 8 percent in the following years. If that proves to be the case, the industry will almost be back to the growth pattern it achieved in the best years before the financial crisis emerged and so this apparently looks promising. The problem is a weak start combined with an oversized order book for important shipping markets.

According to Platou Report-2011, world GDP is expected to remain at a healthy level also in 2011, which should result in continued high growth in tonnage demand. Fleet growth is also expected to remain high because of the large order book, which should result in a relative low utilization rate of the world merchant fleet. Ordering activity in 2011 is expected to remain below the building capacity, putting some pressure on new building prices.

According to Platou Report-2011 for tanker markets, a fleet growth of 7 percent is expected from 2010 to 2011 based on an annual average. Most likely, there will be another year with a brisk trend in seaborne oil trade in volume terms and transport distances. Higher OPEC output will normally lead to longer transport distances, but on the negative side, reduction in floating storage is predicted. It seems likely that the weak market conditions of the second half of 2010 will continue into 2011. However, continued increase in bunker prices and lower optimum speed may lead to higher tonnage demand growth and improved freight rates.

In the LPG sector as the supply-demand gap narrows, time charter rates are likely to improve. It is likely that Very Large Gas Carrier (VLGC) rates will improve further due to support from further increase of LPG production from the new projects in Middle East, crude production increases and very limited fleet expansion which is also likely to result in supporting higher Large Gas Carrier (LGC) rates. In case of Medium Gas Carrier (MGC), the growth in trade will balance out the recent fleet addition. It appears that new buildings orders may be placed for VLGC as the market fundamentals are very strong. The growth in seaborne trade of ammonia for fertilizers is likely to result in an increase in demand for LGC and MGC vessels and corresponding increase in freight rates.

According to Douglas Westwood report on Global Offshore Prospects released in November 2010, the world will increasingly rely on offshore and deepwater. Deepwater oil production is set to grow from 3% in 2002 to 10% by 2012. After 2015, deepwater is the only sector to continue to grow. Deepwater production to grow 99% (shallow water 20%). Deepwater investment is likely to be USD137 billion over the next five years.

**(e) Risks and Concerns:**

Shipping industry being global in nature is prone to several risks and uncertainties including international competition, state of global economy, marine mishaps and accidents, force majeure such as earthquakes, volcanic eruptions, etc amendments in Government policies, rules and regulations, new

regulatory compliances, port state control, increase in financial costs, exchange rate fluctuations, changes in tax laws, acts of terrorism, wars, piracy, arrest of vessel by maritime claimants, shortage of qualified seafarers, global recession etc.

According to Platou Report-2011, piracy on the high seas has increased dramatically. According to the International Maritime Bureau (IMB), 445 ships were attacked in 2010, 53 ships were hijacked, 1181 seafarers were taken hostage and eight were killed. While attacks off the coast of Somalia remain high, the number of incidents in the Gulf of Aden more than halved last year with the help of naval forces from around the world. Somali pirates are now operating as far south as the Mozambique Channel and as far east as 72° East longitude, which is close to India. During the last few months, there have also been some cases of ships being attacked by pirates close to the Indian coast in the Arabian Sea and in few cases, some of the pirates have also been arrested by the authorities concerned.

The Company endeavours to counteract these risks by adopting certain measures like diversifying its marine assets, employing vessels on time charter contracts and pool arrangements, complying with international ship management practices and also insuring against various maritime risks with hull and machinery underwriters and Protection and Indemnity Clubs. The company is giving special emphasis on training of its floating staff.

The Board of Directors periodically reviews and assesses the adequacy of the risk assessment and minimization procedures so that various risks can be assessed and minimized through well defined framework / procedures.

**(f) Internal Control Systems and their adequacy :**

The Company has proper and effective internal control systems commensurate with its size of operations in order to ensure that all systems and procedures are functioning satisfactorily. Internal audit function is carried out by the Chief Internal Auditor on a regular basis.

The Audit Committee of the Board of Directors regularly reviews the effectiveness and adequacy of the internal control systems to monitor due and proper implementation thereof and for due compliance with various applicable laws, rules and regulations, accounting standards and regulatory guidelines.

**(g) Discussion on financial performance with respect to operational performance :**

The details of the financial performance of the company have already been dealt with in the earlier part of the report.

**(h) Human Resources :**

The relations between the employees and the company remained cordial throughout the year. The company had 102 shore based staff and 584 floating staff employees as on 31st March, 2011. The committed shore based staff provides its prompt and efficient support and guidance to the floating staff on a continuous basis, which helps to maintain effective performance and operational efficiency at all times. The company continues to focus on safety and training and development of the employees.

The company continues to conduct post-sea training programme for its marine officers. The company under the said programme imparted 2,760 man-days of training. Further, under its expanded Trainee Marine Engineer (TME) and Deck Cadet Programme, the company on an average trained 54 TMEs and Deck Cadets on its fleet during each month. These programmes are helping the company to build up an efficient and well qualified cadre of experienced seafarers for its fleet.

**(i) Social Responsibility:**

As a socially responsible corporate citizen, the company continues to support a wide spectrum of community initiatives through NGOs as well as programmes for health, education and environment.

Total foreign exchange earned and saved including deemed earnings of the company for the year ended 31st March, 2011 was Rs. 4,858.77 million and the foreign exchange used was Rs. 6,211.70 million.



As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm to the best of their knowledge and belief that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company 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 the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the annual accounts on a going concern basis.

As required by the Listing Agreement with Stock Exchanges on which shares of the company are listed, a Report on Corporate Governance together with the certificate from the Auditors of the Company regarding compliance with Corporate Governance is attached to this report.

Mr.Charles Cayzer resigned as a Director of the Company with effect from 27th August, 2010. The Board places on record its deep appreciation of the advice and guidance given by Mr. Cayzer during his tenure as a Director of the Company.

Mr.C.M. Maniar and Dr. A. K. Bhattacharya retire by rotation and being eligible, offer themselves for re-appointment. Separate resolutions are being proposed for their respective re-appointments.

You are requested to appoint Auditors of the company and fix their remuneration. The retiring Auditors Messrs. Sorab S. Engineer & Co. being eligible, offer themselves for re-appointment.

The Company had sought approval of Central Government for waiver of excess remuneration paid to Mr.Arun Mehta and Mr.Yudhishthir D. Khatau as approved by the shareholders for the financial year ended 31st March, 2010 as mentioned in the previous year's Directors' Report, which approval has since been received.

As required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Vice President – Corporate Affairs, Secretarial & Legal and Company Secretary at the registered office of the Company.

Your Directors express their thanks to all the officers of the Ministry of Shipping, Directorate General of Shipping, Ministry of Petroleum and Natural Gas, oil companies and charterers for the valuable help and co-operation extended by them to the company. Your Directors also thank the banks for their continued support to the company. Your Directors also thank the shareholders of the Company for their sustained confidence reposed in the company and its management. Last but not the least, your Directors express their deep appreciation for the sincere and hard work put in by the floating as well as the shore based officers and staff of the Company.

On behalf of the Board of Directors

**ARUN MEHTA**

*Chairman and Managing Director*

*Mumbai, May 26, 2011*

# Corporate Governance Report

## 1. Company's Philosophy on Code of Governance

Corporate Governance is a combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the Company. The Company believes that good corporate governance contemplates that corporate actions balance the interests of all stakeholders and satisfy the tests of accountability, transparency and fair play. The Company believes that all its operations and actions must be directed towards enhancing overall shareholder value.

## 2. Board of Directors

Presently, the Board of Directors consists of six Directors.

The composition of the Board of Directors, attendance of Board of Directors at Board Meetings and Annual General Meeting and other relevant details are given below:

Name of the Director	Category	No. of Board meetings attended	Attendance at the previous Annual General Meeting held on 4.8.2010	No. of other Directorships *	No. of memberships of other Board Committees **	No. of other Committees of which the Director is a Chairperson**
Mr.Arun Mehta	Executive	5	Present	1	Nil	Nil
Mr.Yudhishtir D. Khatau	Promoter Executive	4	Present	11	Nil	Nil
Mr.C.M.Maniar	Independent Non-Executive	4	Present	16	7	Nil
Mr.Praveen Singh	Independent Non-Executive	5	Present	1	Nil	Nil
Dr.A.K.Bhattacharya	Independent Non-Executive	5	Present	Nil	Nil	Nil
Mr.Charles Cayzer ***	Independent Non-Executive	Nil	Absent	N.A.	Nil	Nil
Mr.Khurshed M. Thanawalla	Independent Non-Executive	3	Present	17	4	2

\* Includes directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 but excludes alternate directorships. Number of directorships is as at 31st March, 2011.

\*\* Only covers membership/chairmanship of Audit Committee and Shareholders/Investors Grievance Committee.

\*\*\* Resigned with effect from 27th August, 2010.

During the financial year ended 31st March, 2011, five Board meetings were held on 21st May, 2010, 5th August, 2010, 9th November, 2010, 24th December, 2010 and 11th February, 2011.

## 3. Audit Committee

The terms of reference of the Audit Committee are given below:

1. To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems.
2. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgement by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in the draft audit report.



6. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
7. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
8. Reviewing or approving all related party transactions to ensure they are conducted on an arm's length basis, that is, the transaction terms and prices are not more favourable to the related party than if they were transacted with a third party and will not be prejudicial to the interest of Company and its minority shareholders.
9. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
10. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
11. Discussion with internal auditors on any significant findings and follow up there on.
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
13. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
14. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
15. To review :
  - (a) Management discussion and analysis of financial condition and results of operations;
  - (b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - (c) Management letters/letters of internal control weaknesses issued by the statutory auditors;
  - (d) Internal audit reports relating to internal control weaknesses; and
  - (e) The appointment, removal and terms of remuneration of the chief internal auditor.
16. To review the financial statements, in particular the investments made by the unlisted subsidiary company, if any.
17. To approve appointment of Chief Financial Officer (CFO) (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

The Audit Committee comprises of three independent non-executive Directors namely Mr.Praveen Singh, Dr.A.K.Bhattacharya and Mr.C.M.Maniar and the members meet the requirements of clause 49 of the Listing Agreement. Mr.Praveen Singh is the Chairman of the Audit Committee.

During the financial year ended 31st March, 2011, four Audit Committee Meetings were held on 20th May, 2010, 4th August, 2010, 9th November, 2010 and 11th February, 2011. All members of the Committee were present at each of the four meetings except Mr.C.M.Maniar, who did not attend the meeting held on 9th November, 2010.

Ms.Manali Parekh assumed the role of Secretary to the Audit Committee.

#### **4. Remuneration Committee**

The Remuneration Committee comprises of three independent non-executive Directors, namely, Mr.C.M.Maniar, Mr.Praveen Singh and Mr.Khurshed M. Thanawalla. The Chairman of the Committee is Mr.Khurshed M. Thanawalla.

During the financial year ended 31st March, 2011 one Remuneration Committee meeting was held on 21st May, 2010. All members of the committee were present at the said meeting.

The Remuneration Committee inter-alia determines the company policy on specific remuneration package for Executive Directors including pension rights and any compensation payment.

The remuneration of the Executive Directors is decided by the Board of Directors based on the recommendation of the Remuneration Committee.

The Company has no pecuniary relationship or transactions with its non-executive Directors other than payment of sitting fees to them for attending Board and Committee meetings, payment of commission, if any, which has been approved by the shareholders, payment of dividend on equity shares held by the Directors in the Company and payment of professional fees, if any, paid to a firm in which one of the non-executive Directors is a partner.

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining high calibre talent. The criteria for making payment of remuneration to non-executive Directors is based on their roles and responsibilities and their contribution to the Company. The remuneration of non-executive Directors is already approved by shareholders. Distribution of this remuneration amongst non-executive Directors is determined by the Chairman in consultation with the Vice Chairman.

Details of remuneration of Directors during the year ended 31st March, 2011 are given below :

### Executive Directors

(Amount in Rs.)							
Name of the Director	Salary and Allowances	Commission	Contribution to Provident & Superannuation Funds	Gratuity	Other Perquisites	Sitting Fees	Total
Mr.Arun Mehta	15,600,000	–	2,916,000	900,000	1,205,207	–	20,621,207
Mr.Yudhishtir D. Khatau	9,600,000	–	2,592,000	800,000	914,842	–	13,906,842

### Non-Executive Directors

(Amount in Rs.)							
Name of the Director	Salary and Allowances	Commission	Contribution to Provident & Superannuation Funds	Gratuity	Other Perquisites	Sitting Fees *	Total
Mr.C.M.Maniar	–	–	–	–	–	45,000	45,000
Mr.Praveen Singh	–	–	–	–	–	55,000	55,000
Dr.A.K.Bhattacharya	–	–	–	–	–	45,000	45,000
Mr.Charles Cayzer	–	–	–	–	–	–	–
Mr.Khurshed M. Thanawalla	–	–	–	–	–	20,000	20,000

\* Including Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee meetings

Mr.Arun Mehta was re- appointed as Vice Chairman & Managing Director (re-designated as Chairman & Managing Director w.e.f. 2nd December, 2008) for a period of five years with effect from 3rd October, 2008. The Company had entered into agreement dated 1st August, 2008 with Mr. Arun Mehta for his said re-appointment, which was supplemented by a Supplemental Agreement dated 5th August, 2010 varying the terms of remuneration payable to him. Mr. Yudhishtir D. Khatau was re-appointed as Managing Director ( re -designated as Vice –Chairman & Managing Director w.e.f 2nd December, 2008) for a period of five years with effect from 25th August,2007. The Company had entered into agreement dated 16th August, 2007 with Mr. Yudhishtir D. Khatau for his said re-appointment, which was supplemented by a Supplemental Agreement dated 5th August, 2010 varying the terms of remuneration payable to him. In terms of the said agreements, Mr. Arun Mehta and Mr. Yudhishtir D. Khatau may resign from their offices upon giving three months notice in writing to the company of their intention to do so and their services can be terminated by the company by giving them three months notice in writing or by paying them three months remuneration in lieu thereof.

The Company does not have any Stock Option Scheme.

During the year, the Company paid professional fees amounting to Rs.1,20,586 to M/s.Crawford Bayley & Co., Advocates and Solicitors, a firm in which Mr.C.M.Maniar, one of the non-executive Directors of the Company, is a senior partner.

The number of shares held in their own names by non-executive Directors in the Company is given below:

Name of the Director	No. of Shares held as on 31st March 2011	% of holding of the paid up capital
Mr.C.M.Maniar	3,000 *	0.00
Mr.Praveen Singh	–	–
Dr.A.K.Bhattacharya	5,000	0.00
Mr.Khurshed M. Thanawalla	34,230	0.02

\* Out of 3,000 equity shares, 2,850 equity shares are held by Mr. Maniar as first named holder jointly with his wife and daughter and 150 equity shares are held by Mr.Maniar as second named holder jointly with his wife and daughter.



## 5. Shareholders/Investors Grievance Committee

The Shareholders/Investors Grievance Committee consists of four members and is headed by Mr.C.M.Maniar, an independent non-executive Director.

Ms Manali Parekh, Vice President – Corporate Affairs, Secretarial & Legal and Company Secretary is the Compliance Officer and the Secretary to the Committee.

During the financial year ended 31st March, 2011, 112 complaints were received from the shareholders/investors in addition to 2 unresolved complaints carried forward from previous year. All the complaints were replied/resolved to the satisfaction of the shareholders/investors barring 2 unresolved complaints against which necessary actions from banks are awaited.

All valid requests for share transfers received during the financial year ended 31st March, 2011 have been acted upon by the Company/Datamatics Financial Services Limited, Registrar and Transfer Agents of the Company and no transfers were pending as on 31st March, 2011.

## 6. General Body Meetings

The previous three Annual General Meetings of the Company were held at 11.00 a.m. on 1st August, 2008, 28th July, 2009 and 4th August, 2010. The first meeting was held at Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Marg, New Marine Lines, Mumbai – 400020 whereas the second and third meetings were held at Y.B.Chavan Centre, General Jagannath Bhonsle Marg, Sachivalaya, Mumbai 400021.

Special Resolutions relating to re-appointment of Mr.Arun Mehta as Vice Chairman & Managing Director (re-designated as Chairman & Managing Director w.e.f 2nd December 2008) for a period of five years and payment of remuneration to him and payment of commission to non-executive Directors of the Company were passed at the Annual General Meeting held on 1st August, 2008. Special Resolutions relating to re-appointment of and payment of remuneration to Mr.Haider Nawaz, ratification and confirmation of payment of excess remuneration to Mr.Arun Mehta, Chairman & Managing Director and Mr.Yudhishthir D. Khatau, Vice Chairman & Managing Director for the financial year ended 31st March, 2010 and variation in terms of minimum remuneration, payable to Mr.Arun Mehta, Chairman & Managing Director and Mr.Yudhishthir D. Khatau, Vice Chairman & Managing Director for the period from 1st April, 2010 to 31st March, 2012 were passed at the Annual General Meeting held on 4th August, 2010. No Special Resolution was passed during the financial year ended 31st March, 2011 through postal ballot. There is likely to be a proposal to seek shareholders' consent through postal ballot for making loans and/or giving guarantees and/or providing securities and/or making investments in terms of Section 372 A of the Companies Act, 1956.

The Company follows the procedure as prescribed under Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 as amended for conducting postal ballot.

## 7. Disclosures

- a) There were no materially significant related party transactions that may have had potential conflict with the interests of the Company, at large.
- b) In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India.
- c) The Company has complied with the requirements of Stock Exchanges, Securities and Exchange Board of India and other statutory authorities on matters relating to capital markets during the last three years and consequently no penalties, strictures have been imposed on the Company by these authorities.
- d) The Company has not adopted a Whistle Blower policy.
- e) The Company has complied with mandatory requirements of Clause 49 of the Listing Agreement and has not adopted the non-mandatory requirements specified under Clause 49 other than constitution of a Remuneration Committee.

## 8. Means of Communication

As half yearly results as well as quarterly and annual results are published in newspapers, submitted to the Stock Exchanges in accordance with the Listing Agreement and also hosted on Company's website [www.varunship.com](http://www.varunship.com), the half yearly reports are not sent to each household of shareholders. These results are normally published in Free Press Journal and Navshakti.

The official news releases are intimated to the Stock Exchanges and also displayed on the Company's website. As and when presentations are made to Analysts, the same are hosted on the Company's website.

The Management Discussion and Analysis forms a part of the Directors' Report in the Annual Report.

## 9. General Shareholder Information

### 40th Annual General Meeting :

Date, Time and Venue	Thursday, 11th August, 2011 at 11.00 a.m. at Y.B.Chavan Centre, General Jagannath Bhonsle Marg, Sachivalaya, Mumbai – 400021
Financial Year :	1st April, 2010 to 31st March, 2011
Financial Reporting for	
Quarter ended June, 2010	5th August, 2010
Quarter ended September, 2010	9th November, 2010
Quarter ended December, 2010	11th February, 2011
Annual Results for the year ended 31st March 2011	26th May, 2011
Date of Book Closure	Monday, 1st August, 2011 to Thursday, 11th August, 2011 (both days inclusive)
Dividend Payment Date	On or after 16th August, 2011

### Listing on Stock Exchanges:

The Company's equity shares are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 and National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai– 400051. Annual listing fees are being paid to each of the said stock exchanges as and when they fall due for payment.

### Stock Codes

	Equity Shares (Physical form)	Equity Shares (Demat Form)
Bombay Stock Exchange Limited	465	500465
National Stock Exchange of India Limited	–	VARUNSHIP

### ISIN

The Company's equity shares form part of SEBI's compulsory demat segment bearing ISIN No. INE702A01013. All the equity shares have been admitted for dealing by both National Securities Depository Limited and Central Depository Services (India) Limited.

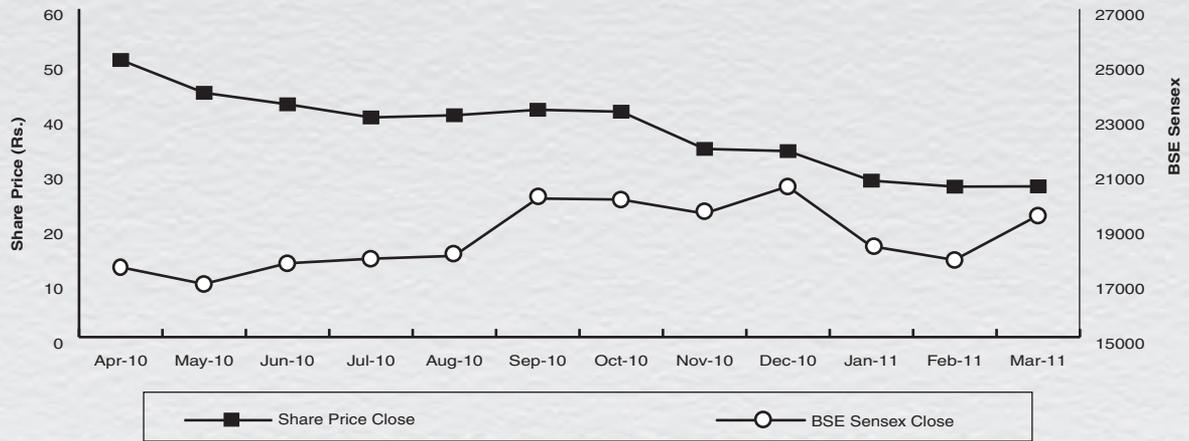
### Stock Prices

The monthly high and low quotations of equity shares traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited are as follows :

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	53.20	50.15	53.10	50.05
May, 2010	50.65	44.15	50.45	44.20
June, 2010	43.85	41.90	43.90	41.70
July, 2010	43.95	40.05	43.95	40.10
August, 2010	47.55	40.40	47.65	40.30
September, 2010	42.95	40.75	42.85	40.80
October, 2010	43.35	41.20	43.30	41.25
November, 2010	44.00	34.20	44.20	34.20
December, 2010	37.10	32.80	37.00	32.90
January, 2011	35.20	28.60	35.05	28.50
February, 2011	29.60	25.55	29.60	25.40
March, 2011	27.70	26.05	27.65	25.95



**Performance of Company's share price in comparison to BSE and NSE index**



[Source: [www.bseindia.com](http://www.bseindia.com) ; [www.nseindia.com](http://www.nseindia.com) ]

**Registrars and Transfer Agents:**

Datamatics Financial Services Limited,  
 Plot No.A-16 & A-17,  
 Part "B" Crosslane, MIDC  
 Andheri (East), Mumbai – 400093  
 Tel : + 91 22 6671 2151-2160  
 Fax : + 91 22 2821 3404  
 E-mail : [vsinvestors@dfssl.com](mailto:vsinvestors@dfssl.com)

**Share Transfer System :**

Applications for transfer of shares in physical form are processed by the Company's Registrars and Transfer Agents, Datamatics Financial Services Limited. The Share Transfer Committee constituted for transfer/transmission of shares, issue of duplicate share certificates and allied matters considers and approves the share transfers once in a fortnight subject to transfer instruments being valid and complete in all respects.

Demat requests are generally processed and completed within an average period of 14 days from the date of receipt provided they are otherwise in order.



## Distribution of Shareholding as on 31st March, 2011

No. of Equity Shares held	Shareholders		Shares	
	Nos.	%	Nos.	%
Upto 500	76,420	82.04	12,748,260	8.50
501 to 1000	8,656	9.29	7,029,180	4.69
1001 to 2000	4,259	4.57	6,476,686	4.32
2001 to 3000	1,384	1.49	3,543,720	2.36
3001 to 4000	639	0.69	2,286,052	1.52
4001 to 5000	474	0.51	2,242,686	1.50
5001 to 10000	727	0.78	5,242,688	3.49
10001 to 50000	487	0.52	9,440,640	6.29
50001 and above	104	0.11	100,997,861	67.33
<b>Total</b>	<b>93,150</b>	<b>100.00</b>	<b>150,007,773</b>	<b>100.00</b>

Category	No. of Shares	% of Shareholding
Promoters/Persons acting in concert	59,907,423	39.94
Venture Capital Fund	1,500,000	1.00
Insurance Companies	10,050,528	6.70
Foreign Institutional Investors/Foreign MFs	13,858,436	9.24
Other Institutions/Banks/MFs	223,070	0.15
Bodies Corporate	8,067,760	5.38
Non-Residents	5,286,926	3.52
Indian Public	51,113,630	34.07
<b>Total</b>	<b>150,007,773</b>	<b>100.00</b>

### Promoter Group Disclosures

The promoter of the Company is Yudhishtir D. Khatau Group which is controlled by Mr. Yudhishtir D. Khatau.

For the purposes of inter-se transfer of shares under Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the following persons/entities/individuals are included in the "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969):

Sr. No.	Name of the Person/Entities
1	Mr. Yudhishtir D. Khatau
2	Varun Corporation Limited (formerly known as Khatau International Limited)
3	Tarun Shipping and Industries Limited
4	Sunbeam Talc Private Limited
5	Realpoint (Mauritius) Limited
6.	Azure Seas Logistics
7.	Mountview Investments Limited

### Dematerialisation of Shares and liquidity:

97.66 % of the equity shares have been dematerialized as on 31st March, 2011.

The Company's shares are regularly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

### Outstanding GDRs/ADRs/Warrants or any Convertible Instruments :

There are no outstanding GDRs/ADRs/Warrants or any other Convertible Instruments.

### Plant Locations:

The Company does not have any plants since it is engaged in the business of shipping.

### Address for Correspondence :

#### With the Registrars and Transfer Agents

Datamatics Financial Services Limited,  
Plot No.A-16 & A-17,  
Part "B" Crosslane, MIDC  
Andheri (East),  
Mumbai - 400093  
Tel : + 91 22 6671 2151-2160  
Fax : + 91 22 2821 3404  
E-mail : vsinvestors@dfssl.com

#### With the Company

Varun Shipping Company Limited,  
Laxmi Building,  
6, Shoorji Vallabhdas Marg,  
Ballard Estate,  
Mumbai – 400001.  
Tel : + 91 22 6635 0100-09  
Fax : + 91 22 6635 0274  
E-mail: secretarial@varunship.com  
E-mail of grievance redressal division :  
investors@varunship.com



**DECLARATION BY THE CHAIRMAN & MANAGING DIRECTOR AND VICE CHAIRMAN & MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of Varun Shipping Company Limited

We, Arun Mehta, Chairman & Managing Director and Yudhishtir D. Khatau, Vice Chairman & Managing Director, to the best of our knowledge and belief, do hereby declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2011.

**ARUN MEHTA**

*Chairman & Managing Director*

*Mumbai: May 26, 2011*

**YUDHISHTHIR D. KHATAU**

*Vice Chairman & Managing Director*

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**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,

The Members of Varun Shipping Company Limited

We have examined the compliance of the conditions of Corporate Governance by Varun Shipping Company Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of 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 and the representations made by the Directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We 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.

For **SORAB S. ENGINEER & CO.**

*Chartered Accountants*

Firm Registration Number : 110417W

**M.P. ANTIA**

*Partner*

*Membership No. 7825*

*Mumbai: May 26, 2011*

# Report of the Auditors *to the members of Varun Shipping Company Limited*

We have audited the attached Balance Sheet of VARUN SHIPPING COMPANY LIMITED, as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement 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.

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

1. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f. *Subject to our comments in Annexure referred to in Paragraph 1*, 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 Companies Act, 1956 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 31st March, 2011
    - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **SORAB S. ENGINEER & CO.**  
*Chartered Accountants*  
Firm Registration Number : 110417W

**M.P. ANTIA**  
*Partner*  
Membership No. 7825

Mumbai: May 26, 2011



# Annexure to the Auditor's Report

Annexure referred to in Para 1 of our report of even date to the members of Varun Shipping Company Limited

- i a) The Company is maintaining proper records of its fixed assets except Furniture and Fixtures.
- b) The fixed assets have been physically verified by the Management during the year at reasonable intervals and no material discrepancies were noticed.
- c) According to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year.
- ii The Company owns and operates ships and hence a comment on inventory does not apply in this case. The Company does purchase stores and spare parts for its ships, which are directly treated as consumed as and when supplied to its ships. Stocks of bunkers have been physically verified by the Management.
- iii In respect of loans, secured or unsecured, granted or taken by the Company to / from Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
  - a. The Company has granted unsecured loans to five companies covered in the register maintained under Section 301 of the Companies Act, 1956. In respect of the said loans, the maximum balance outstanding at any time during the year is Rs. 5,657,644,500 and the year end balance is Rs. 3,812,057,000.
  - b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans, are not, *prima facie*, prejudicial to the interest of the company.
  - c. In respect of the said loans the borrower has been regular in payment of the interest as stipulated. The terms of arrangement do not stipulate any repayment schedule and is repayable on demand. Accordingly, paragraph 4(iii)(c) of the Order is not applicable to the Company in respect of repayment of the principal amount.
  - d. There is no overdue amount of more than rupees one lakh in respect of the loans granted to companies listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(d) of the Order is not applicable.
  - e. The Company has not taken any loans, secured or unsecured from Companies, Firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraphs 4(iii)(e) to 4(iii)(g) of the Order are not applicable.
- iv In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, spare parts and fixed assets. During the course of our audit, we have not observed any major weaknesses in internal control system of the Company.
- v a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under 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, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi According to the information and explanations given to us, the Company has not accepted fixed deposits from public and hence, provisions of sections 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not applicable.
- vii In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- viii Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub section (1) of section 209 of the Companies Act, 1956.
- ix (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, investor education and protection fund, employees' state Insurance, income-tax, sales-tax, wealth-tax, customs duty, cess and

other statutory dues applicable to it, except for the payment of Service Tax amounting to Rs. 84,324,275, which is outstanding on 31st March, 2011 for a period of more than six months, as the liability for the same has not been accepted by the receivers of the services rendered by the Company.

There were no dues on account of cess payable under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government of India.

(b) According to the records of the Company, as at 31st March, 2011, the following are the particulars of disputed dues on account of various matters which have not been deposited:

Name of the Statute	Nature of demand	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Tamil Nadu General Sales Tax Act, 1959	Commercial Tax	83,284,324	1993- 1997	Madras High Court
The Income Tax Act, 1961	Income Tax	90,619,892	2007- 2008	CIT (A), Mumbai

- x The Company does not have any accumulated losses. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi Based on our audit procedures and on the information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- xii In our opinion and according to the information and explanations given by the Management, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or any other securities.
- xiii In our opinion the Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv In our opinion the Company is not dealing in or trading in shares, securities, debentures and any other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable.
- xv In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks are not *prima facie* prejudicial to the interest of the Company.
- xvi On the basis of the records examined by us, and relying on the information compiled by the Company for co-relating the funds raised to the end-use of term loans, we state that the Company has, *prima facie*, applied the term loans for the purpose for which they were obtained.
- xvii According to the information and explanations given to us and on an overall examination of the financial statements and after placing reliance on the reasonable assumptions made by the Company for classification of Short-term and Long-term usage of the funds, we are of the opinion that, *prima facie*, no funds raised on short-term basis have been utilized for long-term investment.
- xviii According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly paragraph 4(xviii) of the Order is not applicable.
- xix According to the information and explanations given to us, the Company has not issued any debentures during the year. Accordingly paragraph 4(xix) of the Order is not applicable.
- xx The Company has not raised any money by public issues during the year. Accordingly paragraph 4(xx) of the Order is not applicable.
- xxi Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **SORAB S. ENGINEER & CO.**  
Chartered Accountants  
Firm Registration Number : 110417W

**M.P. ANTIA**  
Partner  
Membership No. 7825

Mumbai: May 26, 2011



**VARUN SHIPPING COMPANY LIMITED**

# Balance Sheet as at 31st March, 2011

	Schedule No.	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>LIABILITIES:</b>			
Share Capital	A	1,500,077,730	1,500,077,730
Reserves and Surplus	B	6,627,509,315	6,619,506,071
Secured Loans	C	26,340,047,937	27,018,453,862
Unsecured Loans	D	696,500,000	375,000,000
Foreign Currency Monetary Item Translation Difference		63,991,846	52,614,112
Current Liabilities and Provisions	E	2,635,987,583	1,697,224,762
		<b>37,864,114,411</b>	<b>37,262,876,537</b>
<b>ASSETS:</b>			
Gross Block		24,157,739,048	36,354,549,079
Less: Depreciation		(5,234,696,410)	(6,885,505,224)
Net Block	F	18,923,042,638	29,469,043,855
Finance Lease Receivable/(Payable) -(Net)	G	10,846,530,070	(20,473,025)
Investments	H	273,219,093	422,293,195
Current Assets, Loans & Advances	I	7,821,322,610	7,392,012,512
		<b>37,864,114,411</b>	<b>37,262,876,537</b>

For Notes forming part of accounts, please see Schedule "N"

As per our Report annexed

For and on behalf of  
**SORAB S. ENGINEER & CO.**  
 Chartered Accountants  
 Firm Registration Number : 110417W

**M.P. ANTIA**  
 Partner  
 Membership No. 7825

Mumbai: May 26, 2011

For and on behalf of the Board

**ARUN MEHTA**  
 Chairman & Managing Director

**MANALI PAREKH**  
 Vice President - Corporate Affairs,  
 Secretarial & Legal and Company Secretary

Mumbai: May 26, 2011

**YUDHISHTHIR D. KHATAU**  
 Vice Chairman & Managing Director

# Profit and Loss Account for the year ended 31st March, 2011

	Schedule No.	31.03.2011 Rupees	31.03.2010 Rupees
<b>INCOME:</b>			
Income from Operations		4,914,266,360	6,662,226,855
Profit / (Loss) on sale of Ships and other Assets		3,454,207,492	2,304,240,549
Other Income	J	437,480,137	59,477,673
		<b>8,805,953,989</b>	<b>9,025,945,077</b>
<b>EXPENDITURE:</b>			
Operating Costs	K	4,103,272,449	3,672,893,978
Administration Costs	L	595,405,651	587,368,137
Interest and Finance Cost	M	2,160,130,617	1,931,994,297
Depreciation		1,778,925,086	2,364,932,820
		<b>8,637,733,803</b>	<b>8,557,189,232</b>
<b>Profit Before Exceptional Item</b>		<b>168,220,186</b>	<b>468,755,845</b>
Exceptional Item		–	70,105,818
<b>Profit Before Tax</b>		<b>168,220,186</b>	<b>538,861,663</b>
Current Tax		33,524,000	413,585,000
Excess provision of income tax for prior years written back		(12,781,285)	–
Fringe Benefit tax (excess provision for previous year)		–	(252,625)
<b>Profit After Tax</b>		<b>147,477,471</b>	<b>125,529,288</b>
Add : Balance brought forward from the previous year		934,918,388	949,333,775
Balance Available For Appropriations		<b>1,082,395,859</b>	<b>1,074,863,063</b>
<b>APPROPRIATIONS:</b>			
Dividend and tax on distributed profits of previous year		–	6,925
Transfer to General Reserve		–	–
Proposed Final Dividend-Equity shares		120,006,218	120,006,218
Tax on Proposed Final Equity Dividend		19,468,009	19,931,532
Balance carried to Balance Sheet		942,921,632	934,918,388
		<b>1,082,395,859</b>	<b>1,074,863,063</b>
<b>EARNING PER SHARE:</b>			
Basic		0.98	0.84

For Notes forming part of accounts, please see Schedule “N”

As per our Report annexed

For and on behalf of the Board

For and on behalf of

**SORAB S. ENGINEER & CO.**

Chartered Accountants

Firm Registration Number : 110417W

**ARUN MEHTA**

Chairman & Managing Director

**M.P. ANTIA**

Partner

Membership No. 7825

**MANALI PAREKH**

Vice President - Corporate Affairs,

Secretarial & Legal and Company Secretary

**YUDHISHTHIR D. KHATAU**

Vice Chairman & Managing Director

Mumbai: May 26, 2011

Mumbai: May 26, 2011



# Schedules forming part of the Balance Sheet as at 31st March, 2011

	As At 31.03.2011 Rupees	As At 31.03.2010 Rupees
<b>SCHEDULE "A"</b>		
<b>SHARE CAPITAL:</b>		
<b>Authorised:</b>		
300,000,000 Equity Shares of Rs. 10 each	<b>3,000,000,000</b>	3,000,000,000
2,000,000 Preference shares of Rs. 100 each	<b>200,000,000</b>	200,000,000
	<b><u>3,200,000,000</u></b>	<b><u>3,200,000,000</u></b>
<b>Issued,Subscribed and Paid-up:</b>		
150,007,773 (Previous year 150,007,773) Equity Shares of Rs. 10 each	<b>1,500,077,730</b>	1,500,077,730
	<b><u>1,500,077,730</u></b>	<b><u>1,500,077,730</u></b>
Out of the above 7,20,000 Equity Shares of Rs. 10 each were issued as fully paid-up Bonus Shares by Capitalisation of reserves in earlier years.		
<b>SCHEDULE "B"</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Share Premium:</b>		
As per last Balance Sheet	<b>2,661,447,207</b>	2,661,447,207
<b>General Reserve:</b>		
As per last Balance Sheet	<b>1,527,200,000</b>	962,200,000
<i>Add:</i> Transferred from Reserve under Section 33AC of the Income-tax Act 1961 (utilised) account:	-	390,000,000
<i>Add:</i> Transferred from Tonnage Tax Reserve under Section 115VT of the Income-tax Act 1961 (utilised) account	-	175,000,000
	<b><u>1,527,200,000</u></b>	<b><u>1,527,200,000</u></b>
<b>Capital Reserve:</b>		
As per last Balance Sheet	<b>5,940,476</b>	5,940,476
<b>Capital Redemption Reserve:</b>		
As per last Balance Sheet	<b>200,000,000</b>	200,000,000
<b>Reserve under Section 33AC of the Income-tax Act 1961 (utilised) account:</b>		
As per last Balance Sheet	-	390,000,000
<i>Less:</i> Transferred to General Reserve	-	390,000,000
	-	-
<b>Tonnage Tax Reserve under Section 115VT of the Income-tax Act 1961:</b>		
As per last Balance Sheet	<b>200,000,000</b>	200,000,000
<b>Tonnage Tax Reserve under Section 115VT of the Income-tax Act 1961 (utilised) account</b>		
As per last Balance Sheet	<b>1,090,000,000</b>	1,265,000,000
<i>Less:</i> Transferred to General Reserve	-	175,000,000
	<b><u>1,090,000,000</u></b>	<b><u>1,090,000,000</u></b>
Surplus being balance in Profit and Loss Account	<b>942,921,632</b>	934,918,388
	<b><u>6,627,509,315</u></b>	<b><u>6,619,506,071</u></b>

# Schedules forming part of the Balance Sheet as at 31st March, 2011

	As At 31.03.2011 Rupees	As At 31.03.2010 Rupees
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS:</b>		
<b>Term Loans from a Financial Institution:</b>		
Secured by a charge on one of the Company's ships	-	200,000,000
Secured by a charge on one of the Company's ships and personal guarantee of a Director	500,000,000	-
Secured by a charge on Company's property	450,000,000	-
<b>Term Loans from Banks:</b>		
Secured by a charge on some of the Company's ships and receivables thereof	15,725,049,261	18,604,625,537
Secured by a charge on receivables of one of the Company's ships	618,135,321	747,742,046
Secured by a charge on some of the Company's ships and personal guarantee of a Director	2,420,000,000	1,600,000,000
Secured by a charge on one of the Company's ships, receivables thereof and a Director's guarantee	930,676,090	1,141,233,358
Secured by a charge on some of the Company's ships	5,548,227,335	4,692,182,130
Overdraft facility with a bank secured by a charge on one of the Company's ships and personal guarantee of a Director	134,212,117	25,302,404
Overdraft facility with a bank to be secured by a charge on one of the Company's ships	13,747,813	7,368,387
	<b>26,340,047,937</b>	<b>27,018,453,862</b>
<b>SCHEDULE "D"</b>		
<b>UNSECURED LOANS:</b>		
From Bank	100,000,000	-
From Others	596,500,000	375,000,000
	<b>696,500,000</b>	<b>375,000,000</b>
<b>SCHEDULE "E"</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>		
<b>A. CURRENT LIABILITIES:</b>		
Sundry creditors (Refer note 16)	843,068,331	477,091,155
Advance received from customers	25,198,684	53,323,585
Other liabilities	326,954,325	345,728,447
Due to Associate companies	1,078,750,101	48,446,824
Unclaimed dividend (Refer note 18)	23,906,656	25,203,958
Interest accrued but not due on loans	85,497,695	117,604,870
	<b>2,383,375,792</b>	<b>1,067,398,839</b>
<b>B. PROVISIONS:</b>		
Provision for Gratuity	76,199,862	77,359,672
Provision for leave encashment	36,937,702	46,931,396
Provision for Taxation (Net of TDS) (Previous year Rs 131,256,179)	-	365,597,105
Proposed Equity Dividend	120,006,218	120,006,218
Tax on Proposed Equity Dividend	19,468,009	19,931,532
	<b>252,611,791</b>	<b>629,825,923</b>
	<b>2,635,987,583</b>	<b>1,697,224,762</b>

## SCHEDULE "F" FIXED ASSETS :

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION		IMPAIRMENT	NET BLOCK After Depreciation and Impairment	
	AS AT 31.03.2010 Rs.	ADDITIONS Rs.	DEDUCTIONS Rs.	AS AT 31.03.2011 Rs.	FOR THE YEAR Rs.	AS AT 31.03.2011 Rs.	AS AT 31.03.2011 Rs.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
FLEET	35,979,403,462	93,536,945 **	12,291,336,603	23,781,603,804	1,763,989,083	4,828,662,088	220,051,000	18,732,890,716	29,265,495,315
LAND	160,565	-	-	160,565	-	-	-	160,565	160,565
PREMISES *	252,750,000	-	-	252,750,000	9,093,266	79,977,937	-	172,772,063	181,865,329
FURNITURE & FIXTURES	49,661,332	24,500	-	49,685,832	1,386,724	42,983,322	-	6,702,510	8,064,734
OFFICE EQUIPMENTS	64,110,264	1,542,743	603,444	65,049,563	3,672,357	56,775,991	-	8,273,572	10,456,872
VEHICLES	8,463,456	25,828	-	8,489,284	783,656	6,246,072	-	2,243,212	3,001,040
TOTAL	36,354,549,079	95,130,016	12,291,940,047	24,157,739,048	1,778,925,086	5,014,645,410	220,051,000	18,923,042,638	29,469,043,855
31.03.2010	43,161,731,471	4,246,075,642	11,053,258,034	36,354,549,079	2,364,932,820	6,665,454,224	220,051,000	29,469,043,855	

\* Premises include 21,182 Equity Shares (previous year 21,182) of Rs. 100 each of M/s. Khatau Industries Private Limited Cost Rs. 230,000,000 (previous year Rs. 230,000,000) with a right to occupy and use of certain commercial premises.

\*\* For additions and deletions from fleet (Refer note 15)



# Schedules forming part of the Balance Sheet as at 31st March, 2011

	As At 31.03.2011 Rupees	As At 31.03.2010 Rupees
<b>SCHEDULE "G"</b>		
<b>FINANCE LEASE OBLIGATION:</b>		
Finance Lease Hire Receivable	11,462,365,957	753,314,673
Less: Finance Lease Hire Payable	615,835,887	773,787,698
(Refer note 17)		
	<b>10,846,530,070</b>	<b>(20,473,025)</b>
<b>SCHEDULE "H"</b>		
<b>Investments (long term) - at cost:</b>		
Unquoted, fully paid up		
<b>Investments in Associates:-</b>		
Equity shares of Singapore \$ 1 each of VSC International Pte. Ltd. Subscribed during the year Nil (Previous year 6,376,750 shares)		
Sold during the year Nil (Previous year 5,788,198 shares)		
Balance as on 31.03.2011-5,561,208 shares (Previous year 5,561,208 shares)	188,243,195	188,243,195
8,400,000 (previous year 8,400,000) Equity Shares of Rs. 10 each of Tarun Shipping and Industries Limited	84,000,000	84,000,000
Varun Asia Pte Ltd - Subscribed during the year 19,600 shares of US\$ 1 each (Previous year Nil)	893,564	-
Ocean Race Shipping Company Ltd - Subscribed during the year 490 shares of Euro 1 each (Previous year Nil)	29,184	-
Varun Cyprus Ltd - Subscribed during the year 490 shares of US\$ 1 each (Previous year Nil)	22,388	-
Sea Fidelity Shipping Company Limited - Subscribed during the year 490 shares of Euro 1 each (Previous year Nil)	30,762	-
<b>Other Investments:-</b>		
Nil (Previous year 2,000) Equity shares of Rs. 25 each of Shamrao Vithal Co-op. Bank Limited	-	50,000
Investment in Mutual Fund (SBI-Magnum Insta Cash Fund-Daily Dividend Option) (Refer note 14)	-	150,000,000
	<b>273,219,093</b>	<b>422,293,195</b>
<b>SCHEDULE "I"</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES:</b>		
<b>A. Current Assets:</b>		
Interest Accrued but not due on Deposits	340,812	1,184,191
Stock of Bunkers (Certified as to quantity and value by the Management)(at cost)	63,490,747	159,808,064
Sundry Debtors (Unsecured - considered good)		
Debts outstanding for more than six months	352,032,215	318,690,051
Other Debts	<u>1,074,021,620</u>	<u>3,000,549,837</u>
	<b>1,426,053,835</b>	<b>3,319,239,888</b>
Included in Other Debts are dues from the companies under the same management Rs. 686,170,953 (Previous year - Rs. 2,318,005,306)(Refer note 7)		
Cash & Bank Balances:		
Cash on hand	742,518	489,879
With Scheduled Banks:		
In Fixed Deposit Account	7,059,622	24,624,257
(Including margin against bank guarantees - (Previous year Rs. 41.00 lakhs))		
In Current Account	<u>154,317,697</u>	<u>315,494,883</u>
	<b>161,377,319</b>	<b>340,119,140</b>
	<b>162,119,837</b>	<b>340,609,019</b>
<b>B. Loans &amp; Advances (Unsecured)</b>		
<b>Considered Good:</b>		
Advances recoverable in cash or kind	1,067,972,781	1,282,049,688
Deposits given to Companies under the Same Management (Refer note 8)	1,191,900,000	60,000,000
Advances paid to suppliers and agents	27,261,075	17,553,170
Loans given to Companies under the Same Management (Refer note 8)	3,812,057,000	2,211,370,000
Advance payment of taxes (Net of provision of Rs. 3,35,28,000)	69,928,032	-
Security & Other Deposits	198,491	198,491
	<u>6,169,317,379</u>	<u>3,571,171,349</u>
	<b>7,821,322,610</b>	<b>7,392,012,512</b>

# Schedules forming part of the Profit & Loss Account for the year ended 31st March, 2011

	Rupees	31.03.2011 Rupees	31.03.2010 Rupees
<b>SCHEDULE "J"</b>			
<b>OTHER INCOME:</b>			
Ship Management Fee		32,460,345	4,230,433
Dividend received		2,182,154	2,588,493
Interest earned on finance lease		176,931,386	-
Other Interest (Tax Deducted at Source Rs. 6,425,599 - Previous year Rs. 3,074,698)		225,846,901	51,757,897
Miscellaneous Income		59,351	900,850
		<b>437,480,137</b>	<b>59,477,673</b>
<b>SCHEDULE "K"</b>			
<b>OPERATING COSTS:</b>			
Wages, Bonus and other expenses of Floating Staff		728,949,215	854,024,968
Contribution to Provident Fund		7,679,472	9,461,850
Stores, Lubricants & Victualling Expenses		269,627,066	385,042,490
Other Direct Floating Staff Cost		102,088,270	116,700,010
Floating Staff Welfare Expenses		14,028,014	15,619,225
Bunkers & Water		677,388,512	676,439,611
Agency Fees & Port Expenses		145,714,970	200,120,884
Repairs & Maintenance including Spares and Survey		706,758,469	665,179,434
Fleet Insurance & Protection Club Fees		152,580,078	180,574,977
Charter Hire Expenses		1,216,990,214	459,402,909
Brokerage & Commission		39,781,758	43,768,716
Miscellaneous Expenses		41,686,411	66,558,904
		<b>4,103,272,449</b>	<b>3,672,893,978</b>
<b>SCHEDULE "L"</b>			
<b>ADMINISTRATION COSTS:</b>			
Salaries, Bonus & Gratuity		237,600,554	293,273,382
Contribution to Provident Fund and Superannuation Fund		23,509,294	20,681,816
Staff Welfare Expenses		4,494,949	5,704,648
Rent		10,854,462	9,935,674
Rates and taxes		16,529,456	12,334,945
Brokerage & Commission		5,365,167	2,004,562
Directors' Fees		165,000	215,000
Managerial Remuneration (See Note 10)		34,528,049	34,837,264
Audit Fees	1,000,000		1,000,000
For tax audit and other certificates	1,574,000		1,503,330
		<b>2,574,000</b>	<b>2,503,330</b>
Repairs and Maintenance -			
Buildings	11,257,642		9,461,503
Others	22,372,779		23,233,870
		<b>33,630,421</b>	<b>32,695,373</b>
Foreign Currency Monetary Item Translation Difference		(35,062,156)	(450,207)
Miscellaneous Expenses		255,433,339	166,061,525
Insurance		5,783,116	7,570,825
		<b>595,405,651</b>	<b>587,368,137</b>
<b>SCHEDULE "M"</b>			
<b>INTEREST AND FINANCE COST:</b>			
On Fixed Loans		2,086,717,008	1,892,645,815
On Others		73,413,609	39,348,482
		<b>2,160,130,617</b>	<b>1,931,994,297</b>



## SCHEDULE "N"

### NOTES FORMING PART OF ACCOUNTS.

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### (a) CONVENTION

The accounts are prepared under the historical cost convention and as a going concern. Fixed assets are included at the cost incurred at the date of acquisition.

##### (b) FOREIGN EXCHANGE TRANSACTIONS

Loans in foreign currency from banks and financial institutions for acquisition of fixed assets are converted at the rate of exchange prevailing on the date of Balance Sheet. However, where there are outstanding forward cover contracts, loans are translated at the rate under the said covers.

Government of India, Ministry of Corporate Affairs vide Notification No.GSR 225(E) dated 31st March, 2009 issued Companies (Accounting Standards) Amendment Rules 2009 as amended on 11th May, 2011, with effect from Accounting Year commencing on or after 7th December, 2006.

In terms of the notification referred above, exchange differences arising on reporting of long term foreign currency loans, so far as they relate to acquisition of depreciable capital assets, is added to or deducted from the cost of the asset and depreciated over the balance life of the asset and in other cases it is accumulated in a "Foreign Currency Monetary Items Translation Difference Account" and amortized over balance period of such long term liability but not beyond 31st March, 2012. Current assets and current liabilities are converted at the rate prevailing on the Balance Sheet date and the net result is taken into Profit & Loss account.

Gains or Losses on other foreign exchange transactions during the year are credited / debited to Profit & Loss Account.

##### (c) IMPAIRMENT OF ASSETS

The Company reviews the carrying values of tangible assets for any possible impairment at each balance sheet date. Impairment loss, if any, is recognised in the year in which impairment takes place.

##### (d) CAPITALISATION OF EXPENSES

- i) Interest and other expenses incurred on amounts borrowed for the company's expansion programme are carried forward and allocated to the cost of assets acquired.
- ii) In addition operating costs of newly acquired ships till the first load port or commencement of first commercial voyage in case of offshore assets are added to the cost of assets. These expenses include initial bunkers, stores, spares, interest, floating staff salaries and wages, travelling of personnel and other incidental expenses.

##### (e) DEPRECIATION

Depreciation is provided on ships on straight line basis at the rates provided in Schedule XIV to the Companies Act, 1956, or such higher rates as have been determined by technical evaluation of the balance useful life for each ship. Depreciation on other assets is provided on the written down value method at the rates specified in Schedule XIV to the Companies Act, 1956.

##### (f) TREATMENT OF MAJOR REPAIRS

All major repairs including special survey expenses carried out on vessels are written off to the revenue in the year of incurring the expenses. However, where such expenses are of the nature of capital expenses, the same are added to the cost of the vessel concerned.

##### (g) LEASE RENTALS AND BAREBOAT CHARTER EXPENSES

Assets acquired under finance lease from 1st April, 2001 are accounted in accordance with Accounting Standard 19 issued by the Institute of Chartered Accountants of India. Similarly assets given on long term bare boat charter basis is considered as finance lease for the purpose of accounts.

# Schedules forming part of Accounts

## (h) STORES AND SPARES

Stores and spares purchased are directly issued to ships and the values of such purchases are charged to the expenses account as consumed.

## (i) REVENUE RECOGNITION

Income from time and voyage charters is recorded on the basis of rates contracted with charterers. For voyages in progress at the year end, the estimated net earnings are divided proportionately over the total number of days taken to complete the voyage and credit is taken for the net earnings falling within the accounting period.

Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of the ultimate collection.

## (j) EMPLOYEE BENEFITS

For defined benefit plans, in case of shore staff and ships' officers on Company's roster, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur.

In the case of ships' crew members, gratuity is accounted for on cash basis and is insignificant in value.

## (k) PROVISION FOR DOUBTFUL DEBTS/ADVANCES

Specific provisions for doubtful debts are made by provisions charged to current revenue. The determination of the balance of the provision is based on evaluation of individual advances.

## (l) SHARE ISSUE EXPENSES

The Company follows the practice of adjusting expenses in connection with the issue of shares/convertible debentures against share premium.

## (m) CONTINGENT LIABILITIES

The following are considered as contingent liabilities by the company and disclosed by way of Notes to the accounts: -

- i) Guarantees executed by the company's bankers.
- ii) Demands received from statutory authorities but not accepted by the company.
- iii) Claims against the company not acknowledged as debts.
- iv) Estimated amount of contracts remaining to be executed on capital account and not provided for.
- v) Corporate guarantee issued by the company on behalf of associate companies.

	<b>31.03.2011</b>	31.03.2010
	<b>Rupees</b>	Rupees
<b>2. CONTINGENT LIABILITIES:</b>		
a) On account of guarantees executed by the Company's bankers secured by charge on some of the Company's vessels and fixed deposits of Rs. 70.60 lacs (Previous year Rs. 246.24 lacs).	<b>38,850,000</b>	65,357,000
b) Claims against the Company not acknowledged as debts.	<b>84,844,898</b>	100,311,817
c) Corporate guarantees to the banks on behalf of VSC International Pte. Ltd. Singapore and Ocean Race Shipping Company Limited, Cyprus, in respect of loans taken by them for acquisition of ships.	<b>2,480,295,000</b>	1,714,940,000
d) Deputy Commissioner (CT) Chennai had raised a demand for Rs. 83,284,324 for earlier years on account of levy of Commercial tax on Charter-hire in respect of some of our ships. The Company was in appeal against the same and the Appellate authority has given the ruling in favour of the		



## Schedules forming part of Accounts

Company. However the Deputy Commissioner (CT) Chennai had preferred an appeal against the same with Sales Tax Appellate Tribunal Chennai.

The Appellate Tribunal vide its Order dated 10th November, 2008, has allowed the Appeal filed by the Revenue and has given the ruling in favour of the department. Company has been advised that this demand is not sustainable and accordingly Company has filed an Appeal against the said Order in the Madras High Court. Hence no provision has been made in the accounts.

e) The Income Tax Officer has raised demand for Rs. 9.06 crores towards additional liability for Minimum Alternate Tax along with additional interest on account of disallowance of provision of Rs. 50 crores towards fluctuation in the exchange rate parity and provision for impairment of Rs. 12.62 crores. The Company has been advised that the demand is not sustainable and filed an Appeal against the said Order. Hence no provision has been made in the accounts.

3. Income from operations includes Rs.6.28 crores on account of services provided by two of the company's vessels for ship to ship transfer of cargo and towing operation due to fire on board Maharshi Yamadeva, which is recoverable as per General Average Clause under Marine Hull Policy.
4. The Company has not entered into any derivative transactions by way of currency and/or interest rate swap.
5. Government of India, Ministry of Corporate Affairs vide Notification No.GSR 225(E) dated 31st March, 2009 issued Companies (Accounting Standards) Amendment Rules 2009.

In terms of the said notification referred above, exchange differences arising on reporting of long term foreign currency loans, so far as they relate to acquisition of depreciable capital assets, was required to be added to or deducted from the cost of the asset and depreciated over the balance life of the asset and in other cases it was required to be accumulated in a "Foreign Currency Monetary Items Translation Difference Account" and amortized over balance period of such long term liability but not beyond 31st March, 2011. The Government of India vide its notification dated 11th May, 2011, has extended the period upto 31st March, 2012.

Accordingly, gain arising due to change in exchange rate on foreign currency loans relating to acquisition of depreciable Capital asset amounting to Rs. 952.64 lacs are deducted (Previous year Rs. 26,831.82 lacs) from the cost of such Capital Assets and in respect of other long term loans, gain of Rs. 635.44 lacs (Previous year Rs. 1,774.29 lacs) has been transferred to Foreign Currency Monetary Items Translation Difference Account.

6. The Company has not incurred an impairment loss during the year (Previous year Rs. Nil in respect of certain ships) in accordance with the Accounting Standard (AS 28). In the opinion of the management, the book value of these assets broadly reflect the earnings expectation from them.
7. Included in other debts are dues from the following companies under the same Management:

Sr.No.	Name of the Company	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)	Maximum balance during the year (Rs.)
1	VSC International Pte. Ltd.	227,420,968	2,105,525,451	2,117,922,218
2	Realpoint (Mauritius) Ltd.	–	212,479,855	212,479,855
3	Varun Asia Pte. Ltd.	117,671,068	–	118,098,907
4	Varun Cyprus Ltd.	165,407,001	–	203,029,773
5	Ocean Race Shipping Co. Ltd.	126,152,442	–	126,984,839
6	Tarun Shipping and Industries Ltd.	49,519,474	–	1,450,000,000

# Schedules forming part of Accounts

8. Included in advances recoverable in cash or kind are deposit and advances due from the following companies under the same Management.

Sr.No.	Name of the Company	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)	Maximum balance during the year (Rs.)
<b>Deposits</b>				
1	Tarun Shipping and Industries Ltd.	1,191,900,000	60,000,000	1,268,430,000
<b>Unsecured Loans</b>				
1	VSC International Pte. Ltd.	2,654,586,000	2,211,370,000	4,385,137,500
2	Varun Asia Pte. Ltd.	156,415,000	–	156,415,000
3	Varun Cyprus Ltd.	375,396,000	–	378,546,000
4	Ocean Race Shipping Co. Ltd.	625,660,000	–	737,546,000
		<b>3,812,057,000</b>	<b>2,211,370,000</b>	

9. Disclosure requirements under Revised Accounting Standard 15 on Employee benefits:

a) Defined Contribution Plan

Provision for defined contribution plan viz. Provident Fund and Superannuation Fund

b) Defined Benefit Plans

The Company offers to its employees defined benefit plans in the form of Gratuity and Leave encashment.

No fund is created for payment of gratuity and leave wages and the company would pay the same out of its own funds as and when the same becomes payable.

c) Amount to be recognised in Balance Sheet

	Period Ended 31.03.2011 (in Rs.)	Period Ended 31.03.2010 (in Rs.)
Present Value of Unfunded gratuity Obligations	76,454,698	77,359,672
Unrecognised past service cost	254,836	–
Amounts provided in Balance Sheet	76,199,862	77,359,672

d) Gratuity Expense to be recognised in statement of Profit & Loss Account

	Period Ended 31.03.2011 (in Rs.)	Period Ended 31.03.2010 (in Rs.)
Current Service Cost	4,743,602	7,910,994
Interest on Defined Benefit Obligation	5,082,953	6,115,721
Net Actuarial Losses/(Gains) Recognised in Year	(8,347,985)	(26,621,536)
Past Service Cost	674,601	1,570,109
<b>Total, included in "Employee Benefit Expense"</b>	<b>2,153,171</b>	<b>(11,024,712)</b>



# Schedules forming part of Accounts

## e) Reconciliation of Benefit Obligation & Plan Assets for the period

	Period Ended 31.03.2011 (in Rs.)	Period Ended 31.03.2010 (in Rs.)
<b>Change in Defined Benefit Obligation</b>		
Opening Defined Benefit Obligation	77,359,672	92,681,088
Current Service Cost	4,743,602	7,910,994
Interest Cost	5,082,953	6,115,721
Actuarial Losses/(Gain)	(8,347,985)	(26,621,536)
Past Service Cost	929,437	1,570,109
Benefit paid	(3,312,981)	(4,296,704)
Closing Defined Benefit Obligation	<u>76,454,698</u>	<u>77,359,672</u>
<b>Change in Fair Value of Assets</b>		
Contributions by Employer	3,312,981	4,296,704
Benefit paid	(3,312,981)	(4,296,704)

## f) Summary of Principal Actuarial Assumptions

	Period Ended 31.03.2011	Period Ended 31.03.2010
Discounted rate (p.a)	7.90%	7.85%
Expected Rate of Return on Assets (p.a.)	0%	0%
Future Salary Escalation Rate (p.a.)	7%	7%
Mortality Rate	LIC 1994-96	LIC 1994-96

	31.03.2011 Rupees	31.03.2010 Rupees
<b>10. (a) Managerial Remuneration</b>		
Salary and Allowances	25,200,000	25,200,000
Commission	-	-
Contribution to Provident & Superannuation Funds	5,508,000	5,508,000
Gratuity	1,700,000	1,700,000
Other Perquisites	2,120,049	2,429,264
	<u>34,528,049</u>	<u>34,837,264</u>
Estimated value of perquisites as per Income Tax Rules	5,200,047	5,894,266
<b>(b) Computation of the commission payable to the Directors</b>		
Profit before taxation as per the Profit & Loss Account	168,220,186	538,861,664
Add: Depreciation charged in the accounts	1,778,925,086	2,364,932,820
Managerial Remuneration	34,528,049	34,837,264
Directors' Fees	165,000	215,000
	<u>1,981,838,321</u>	<u>2,938,846,748</u>
Less: Depreciation under Section 350 of the Companies Act, 1956	1,778,925,086	2,364,932,820
Balance	202,913,235	573,913,928
Less: Capital profit on sale of assets	446,772,536	300,050,805
Less: Profit on sale of investment	-	70,105,818
Net Profit under Section 198 of the Companies Act, 1956.	<u>(243,859,301)</u>	<u>203,757,306</u>
10% of the net profits of the company as per section 349	-	20,375,730

- (c) The remuneration to the Directors is approved by the shareholders of the Company. However, due to inadequate profit during the year, the remuneration paid is within the limit as per the approval given by the Government of India, Ministry of Corporate Affairs vide its approval dated December 28, 2010.

# Schedules *forming part of Accounts*

## 11. Taxation:

The Company has decided to opt out of the tonnage tax scheme from the Assessment Year 2011-12 and therefore the provisions of Chapter XII-G of the Income Tax Act, 1961 are not applicable in computing the taxable income. Hence, provision for taxation is made on the basis of general provisions of the Income Tax Act.

	<b>31.03.2011</b>	31.03.2010
	<b>Rupees</b>	Rupees
<b>12. Earnings per share:</b>		
Profit after taxation as per Profit & Loss Account	<b>147,477,471</b>	125,529,289
Profit attributable to equity shareholders	<b>147,477,471</b>	125,529,289
Weighted Average number of Equity Shares for Earnings Per Share Computation		
A) For Basic Earnings Per Share	<b>150,007,773</b>	150,007,773
B) For Diluted Earnings Per Share :	-	-
No. of shares for Basic Earning Per Share as per A	<b>150,007,773</b>	150,007,773
Add : outstanding shares deemed to be issued	-	-
No. of Shares for Diluted Earnings Per Share	<b>150,007,773</b>	150,007,773
Basic EPS	<b>0.98</b>	0.84

## 13. Related Party Disclosures

Related Party disclosures as required by AS-18 are given below

### A) Relationships

#### 1) **Associate Company:-**

- a. VSC International Pte. Ltd.
- b. Tarun Shipping and Industries Ltd.
- c. Varun Asia Pte. Ltd.
- d. Ocean Race Shipping Company Ltd.
- e. Varun Cyprus Limited.
- f. Sea Fidelity Shipping Company Limited.

#### 2) **Companies under common control of the Promoters:-**

- a) Companies with which transactions have taken place during the period.
  - i) Varun Corporation Ltd.
  - ii) Realpoint (Mauritius) Ltd.
- b) Companies with which no transactions have taken place during the period.
  - i) Sunbeam Talc Pvt. Ltd.
  - ii) Yuka Plantations Pvt. Ltd.

#### 3) **Key Management Personnel:**

- 1) Mr. Arun M. Mehta
- 2) Mr. Y.D. Khatau



# Schedules *forming part of Accounts*

**B) (1)** The following transactions were carried out in the ordinary course of business with parties referred to in A (1) and (2)(a) above.

Transactions during the year	VSC International Pte. Ltd.	Tarun Shipping and Industries Limited	Varun Asia Pte. Ltd.	Varun Cyprus Ltd.	Ocean Race Shipping Company Ltd.	Sea Fidelity Shipping Company Limited	Varun Corporation Ltd.	Realpoint (Mauritius) Ltd.
<b>Nature of Transactions (Excluding reimbursements)</b>								
Investment by subscribing to the Equity Capital of Sale Consideration received for ships sold to	-	-	893,564	22,388	29,184	30,762	-	-
Vessel sold on Finance lease basis to	-	1,450,000,000	-	-	-	-	-	-
Amount due on Sale of Investment realised from	-	-	-	-	-	-	-	212,479,855
Amount due on Sale of Vessels realised from	2,030,850,000	-	-	-	-	-	-	-
Bare Boat Charter Deposit given to Bare Boat Charter	-	1,253,000,000	-	-	-	-	-	-
Deposit recovered from	-	121,100,000	-	-	-	-	-	-
Loan given to	2,109,197,500	-	157,617,500	-	632,872,500	378,546,000	-	-
Advance received towards expenses from	-	-	-	-	-	134,917,500	-	-
Loan recovered from	1,556,298,500	-	-	-	-	-	-	-
Dividend received on Investment from	1,851,463	-	-	-	-	-	-	-
Interest on short term loan given to Ship Management	204,846,864	-	814,475	-	13,259,674	703,868	-	-
Fees charged to	12,996,970	699,825	4,147,905	4,069,490	3,610,200	201,105	-	-
Hire charges for vessels chartered in from	410,694,548	518,599,780	-	-	-	-	-	-
Hire charges for vessels chartered out to	-	202,511,150	114,888,045	90,452,560	-	-	-	-
Payment made for air ticket expenses to Corporate Guarantee given to Banks for loan raised by	-	-	-	-	-	-	92,598,909	-
	-	-	-	-	782,075,000	-	-	-
<b>Balance outstanding as at the year end :</b>								
Investments in Equity Shares of	188,243,195	84,000,000	893,564	22,388	29,184	30,762	-	-
Loan Recoverable from	2,654,586,000	-	156,415,000	-	625,660,000	375,396,000	-	-
Bare Boat Charter Deposit recoverable from	-	1,191,900,000	-	-	-	-	-	-
Finance Lease receivable from	-	562,474,957	5,447,711,000	5,452,180,000	-	-	-	-
Amount payable for Air tickets expenses to	-	-	-	-	-	-	14,235,784	-
Finance lease payable to Corporate Guarantee given to Banks for loan raised by	615,835,887	-	-	-	-	-	-	-
	1,698,220,000	-	-	-	782,075,000	-	-	-

Transactions during the year	VSC Intl Pte. Ltd .	Tarun Shipping Company Limited	Varun Asia Pte. Ltd.	Varun Cyprus Ltd .	Ocean Race Shipping Company Ltd.	Sea Fidelity Shipping Company Limited	Varun Corporation Ltd.	Realpoint (Mauritius) Ltd.
<b>Transactions on reimbursement basis</b>								
Operating Expenses incurred on their behalf	383,528,999	46,472,735	49,809,194	79,723,454	109,536,742	4,389,310	-	-
Freight Hire Charges received on their behalf	925,394,325	8,791,920	101,091,764	101,235,889	323,252,973	-	-	-
<b>Balance outstanding as at the year end</b>								
Amount receivable towards Expenses incurred on their behalf (Net)	-	-	44,262,377	65,945,707	-	-	-	-
Amount payable towards Hire Charges received on their behalf (Net)	176,622,153	30,602,585	-	-	193,156,403	-	-	-

(2) Details of transactions relating to Key Management Personnel mentioned in A (3) above are as under:

Remuneration: Rs. 39,728,096 (for details refer note No. 10 (a)).

(3) Details of sitting fees paid to non executive Directors are given in the report on corporate governance.

14. Particulars of Investments purchased and sold during the financial year ended 31/03/2011

Name of the mutual fund	Face value	Rs.	Number of units	Purchase cost (Rs.)
Tata Treasury Manager Fund – SHIP - Daily Dividend	1,000		49,489.413	50,000,000
Birla Sunlife Savings Fund – Institutional Plan	10		4,996,602.310	50,000,000
LIC MF Savings Plus Fund – Institutional Plan	10		5,000,000.000	50,000,000
SBI PSU Fund	10		2,000,000.000	20,000,000
SBI Magnum Insta Cash Fund-Daily Dividend Reinvest	10		5,373,038.095	90,000,000
Kotak Floater Long Term-Daily Dividend Reinvestment	10		4,960,415.880	50,000,000

15. An amount of Rs. 95,264,426 (Previous year Rs. 2,683,182,096) towards decrease in rupee liability consequent to conversion of foreign currency loans at year end in respect of foreign currency loans for acquisition of assets has been deducted from the cost of fixed assets.

16. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006, to whom the Company owes on account of principal amount together with the interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

17. A) **FINANCE LEASE HIRE PAYABLE:**

The details of lease hire payments outstanding as on 31st March, 2011 are as under:

	Outstanding as on 31.03.2011 (In Rupees)		Outstanding as on 31.03.2010 (In Rupees)	
	Total minimum lease payments	Present value of lease payments	Total minimum lease payments	Present value of lease payments
Due				
Within one year	179,206,900	149,265,896	188,868,599	151,888,535
Later than 1 year and not later than 5 years	518,055,597	466,569,991	698,582,208	621,899,163
<b>Total</b>	<b>697,262,497</b>	<b>615,835,887</b>	<b>887,450,807</b>	<b>773,787,698</b>



**B) FINANCE LEASE HIRE RECEIVABLES:**

The details of lease hire receivables as on 31st March, 2011 are as under:

	Outstanding as on 31.03.2011 (In Rupees)		Outstanding as on 31.03.2010 (In Rupees)	
	Total minimum lease payments	Present value of lease payments	Total minimum lease payments	Present value of lease payments
Due				
Within one year	<b>11,541,103,893</b>	<b>11,015,729,326</b>	181,572,332	167,899,258
Later than 1 year and not later than 5 years	<b>501,871,660</b>	<b>446,636,631</b>	661,417,648	585,415,415
<b>Total</b>	<b>12,042,975,553</b>	<b>11,462,365,957</b>	842,989,980	753,314,673

18. No amounts referred to in clauses (a) to (d) of Section 205C(2) of the Companies Act, 1956 have remained unclaimed for a period of seven years from the date they became due for payment.
19. The Company is engaged only in shipping business and there are no separate reportable segments as per Accounting Standard 17.
20. (a) Vide notification dated 8th February, 2011 issued by Ministry of Corporate Affairs, Government of India, shipping companies have been exempted from furnishing the details as required by Para 4D(a), (b), (c) and (e) of Part II to Schedule VI of the Companies Act, 1956.

	31.03.2011 Rupees	31.03.2010 Rupees
(b) Dividend remitted in foreign currency		
Final Dividend (2010)	<b>1,322,160</b>	2,479,050
No. of shares -1,652,700 (Previous year -1,652,700)		
No. of non resident shareholders- 11 (Previous year -11)		

21. Previous year's figures are regrouped wherever necessary.

As per our Report annexed

For and on behalf of

**SORAB S. ENGINEER & CO.**

Chartered Accountants

Firm Registration Number : 110417W

**M. P. ANTIA**

Partner

Membership No. 7825

Mumbai: May 26, 2011

For and on behalf of the Board

**ARUN MEHTA**

Chairman & Managing Director

**MANALI PAREKH**

Vice President - Corporate Affairs,

Secretarial & Legal and Company Secretary

Mumbai: May 26, 2011

**YUDHISHTHIR D. KHATAU**

Vice Chairman & Managing Director

# Cash Flow Statement for the year ended 31st March, 2011

		31.03.2011 Rupees	31.03.2010 Rupees
<b>A. Cash Flow From Operating Activities:</b>			
<b>Net Profit Before Tax</b>		168,220,186	538,861,664
Adjustments For:			
Depreciation		1,778,925,086	2,364,932,820
Dividend Income		(2,182,154)	(2,588,493)
Interest Income		(402,778,287)	(51,757,897)
Interest Expenses		2,160,130,617	1,931,994,297
(Profit)/Loss on Sale of Investment		269,450	(70,105,818)
(Profit)/Loss on Sale of Assets		(3,454,476,942)	(2,304,240,549)
<b>Operating Profit Before Working Capital Changes</b>		248,107,956	2,407,096,024
Adjustments for:			
Trade and other Receivables		2,458,468,068	(2,907,319,516)
Inventories		96,317,318	(27,699,984)
Foreign Currency Monetary Item Translation Difference		11,377,734	69,143,314
Trade Payables		1,338,227,926	(372,695,045)
<b>Cash Generated From Operations</b>		4,152,499,002	(831,475,207)
Direct Taxes		(456,267,852)	(43,467,806)
<b>Net Cash From Operating Activities</b>	A	3,696,231,150	(874,943,013)
<b>B. Cash Flow From Investing Activities:</b>			
Purchase/Additions to Fixed Assets		(95,130,016)	(4,246,075,642)
Sale Of Fixed Assets		1,475,323,089	10,077,891,801
Purchase Of Investments		(975,898)	(365,848,750)
Sale Of Investments		149,780,550	221,152,575
Loans/Deposits to Companies Under Same Management		(2,732,587,000)	(2,211,370,000)
Increase in Finance Lease Obligation (Net)		(25,643,095)	20,473,025
Interest Received		42,708,653	51,132,776
Dividend Received		2,182,154	2,588,493
<b>Net Cash Used In Investing Activities</b>	B	(1,184,341,563)	3,549,944,278
<b>C. Cash Flow From Financing Activities:</b>			
Proceeds From Borrowings (Net)		(356,905,925)	(1,074,935,179)
Dividends Paid - On Equity Shares Including Tax		(141,235,052)	(255,552,754)
Interest Paid		(2,192,237,792)	(1,935,179,937)
<b>Net Cash Used In Financing Activities</b>	C	(2,690,378,769)	(3,265,667,870)
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	A+B+C	(178,489,182)	(590,666,605)
Cash and cash equivalents at the beginning of the year		340,609,019	931,275,624
Cash and cash equivalents at the end of the year		162,119,837	340,609,019
Closing of the year		(178,489,182)	(590,666,605)

For and on behalf of

**SORAB S. ENGINEER & CO.**

Chartered Accountants

Firm Registration Number : 110417W

**M. P. ANTIA**

Partner

Membership No. 7825

Mumbai: May 26, 2011

For and on behalf of the Board

**ARUN MEHTA**

Chairman & Managing Director

**MANALI PAREKH**

Vice President - Corporate Affairs,  
Secretarial & Legal and Company Secretary

Mumbai: May 26, 2011

**YUDHISHTHIR D. KHATAU**

Vice Chairman & Managing Director



# Balance Sheet Abstract *and Company's General Business Profile*

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

## I. Registration Details

Registration No.

State Code

Balance Sheet Date

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

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement	<input type="text" value="Nil"/>

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

Total Liabilities	<input type="text" value="37,864,114"/>	Total Assets	<input type="text" value="37,864,114"/>
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### Sources of Funds

Paid-up Capital	<input type="text" value="1,500,078"/>	Reserves & Surplus	<input type="text" value="6,627,509"/>
Secured Loans	<input type="text" value="26,340,048"/>	Unsecured Loans	<input type="text" value="696,500"/>
Finance Lease Receivable	<input type="text" value="10,846,530"/>	Foreign Currency Monetary Item Translation Difference	<input type="text" value="63,992"/>

### Application of Funds

Net Fixed Assets	<input type="text" value="18,923,043"/>	Investments	<input type="text" value="273,219"/>
Net Current Assets	<input type="text" value="5,185,335"/>	Misc. Expenditure	<input type="text" value="Nil"/>
Accumulated Losses	<input type="text" value="Nil"/>		

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

Turnover	<input type="text" value="8,805,954"/>	Total Expenditure	<input type="text" value="8,637,734"/>
Profit before tax	<input type="text" value="168,220"/>	Profit after tax	<input type="text" value="147,477"/>
Earnings per Share in Rs.	<input type="text" value="0.98"/>	Dividend Rate %	<input type="text" value="8"/>

## V. Generic Names of Three Principal Products/Services of Company

(as per monetary terms)

Item Code No. (ITC Code)

Product Description



# VARUN SHIPPING COMPANY LIMITED

Registered Office : Laxmi Building, 6, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai 400 001.

## ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall. It helps us to make proper arrangements. Failure to bring this Attendance Slip will create unnecessary inconvenience to you.

Please write below

Registered	Shares
Folio No.	held
DPID No.	
Client ID No.	

\_\_\_\_\_  
(Please write your name in BLOCK letters)

I hereby record my presence at the 40th ANNUAL GENERAL MEETING of the Company held at Y. B. Chavan Centre, General Jagannath Bhosale Marg, Sachivalaya, Mumbai 400 021 on Thursday, the 11th August, 2011 at 11.00 a.m.



\_\_\_\_\_  
Member's/Proxy's Signature

(To be signed at the time of handing over this slip)

Notes :

- Members/Proxyholders are requested to bring their copies of the Annual Report with them at the Meeting.
- Please carry with you this Attendance Slip and hand over the same duly signed at the space provided, at the entrance of the Meeting Hall.



# VARUN SHIPPING COMPANY LIMITED

Registered Office : Laxmi Building, 6, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai 400 001.

## PROXY FORM

Registered	Shares
Folio No.	held
DPID No.	
Client ID No.	

I/We.....of.....

being a Member/Members of the above-named Company, hereby appoint.....

.....of.....

or failing him/her.....of.....

as my/our Proxy to vote for me/us and on my/our behalf at the 40th ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 11th August, 2011 and at any adjournment thereof.

Signed this .....day of..... 2011.

Signed by the said .....

Affix Re. 1/- Revenue Stamp
--------------------------------------

Note : The Proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.



# Awards and Recognitions



**2010**  
 "The Safety at Sea Award"  
 Varun Shipping Company Ltd.



**2010**  
 "Lifetime Achievement Award"  
 Mr. Arun Mehta



**2010**  
 "Young Entrepreneur  
 of the Year"  
 Mr. Yudhishthir D. Khatau



**2010**  
 "Young Entrepreneur  
 of the Year"  
 Mr. Yudhishthir D. Khatau



**2009**  
 "The Energy Award"  
 Varun Shipping Company Ltd.



**2009**  
 "Training and  
 Crewing Award"  
 Varun Shipping Company Ltd.



**2009**  
 "The Tanker  
 Operator Award"  
 Varun Shipping Company Ltd.



**2009**  
 "Seatrade Young Person  
 in Shipping - 2009"  
 Mr. Yudhishthir D. Khatau



**2009**  
 "Overall Best Managed Company  
 in India - Small Cap"  
 Varun Shipping Company Ltd.



**2008**  
 "Marine and Offshore  
 Services Award"  
 Varun Shipping Company Ltd.



**2008**  
 "Entrepreneur of  
 the Year"  
 Mr. Yudhishthir D. Khatau



**2008**  
 "Ship of the Year  
 (Indian Flag in Foreign Trade)"  
 LPG/C Maharshi Krishnatreya



**2007**  
 "Policy Maker of the Year"  
 Mr. Yudhishthir D. Khatau



**2006**  
 "Personality of the Year"  
 Mr. Yudhishthir D. Khatau



**2006**  
 "Varuna" Award  
 Mr. Arun Mehta



**2006**  
 "Fastest Expanding Indian  
 Shipping Company"  
 Varun Shipping Company Ltd.

# The Fleet Composition

(As on 31st March, 2011)

NAME	TYPE	YEAR OF BUILD	YARD WHERE BUILT	GRT	CBM	STATUS
MAHARSHI BHARDWAJ	GAS CARRIER	1992	SOUTH KOREA	43635	76644	OWNERSHIP
MAHARSHI VAMADEVA	GAS CARRIER	1991	U.K.	34974	57206	OWNERSHIP
MAHARSHI MAHATREYA	GAS CARRIER	1991	SOUTH KOREA	23878	35559	OWNERSHIP
MAHARSHI KRISHNATREYA	GAS CARRIER	1991	SOUTH KOREA	23878	35559	OWNERSHIP
MAHARSHI VISHWAMITRA	GAS CARRIER	1992	JAPAN	44704	78502	ON MANAGEMENT
MAHARSHI BHAVATREYA	GAS CARRIER	1991	SOUTH KOREA	23878	35559	ON MANAGEMENT
MAHARSHI DEVATREYA	GAS CARRIER	1990	SOUTH KOREA	23878	35559	ON MANAGEMENT
MAHARSHI SHIVATREYA	GAS CARRIER	1984	NORWAY	15399	24050	ON MANAGEMENT
MAHARSHI DATTATREYA	GAS CARRIER	1983	NORWAY	15709	24054	ON MANAGEMENT
MAHARSHI LABHATREYA	GAS CARRIER	1982	NORWAY	15405	24046	ON CHARTER
MAHARSHI SHUBHATREYA	GAS CARRIER	1982	JAPAN	29240	43670	ON CHARTER

NAME	TYPE	YEAR OF BUILD	YARD WHERE BUILT	GRT	DWT	STATUS
AMBA BHARGAVI	CRUDE OIL TANKER	2006	KOREA	57243	106004	OWNERSHIP
AMBA BHAVANEE	CRUDE OIL TANKER	2003	JAPAN	58136	107081	ON MANAGEMENT
AMBA BHAKTI	CRUDE OIL TANKER	1997	JAPAN	56127	106597	ON MANAGEMENT

NAME	TYPE	YEAR OF BUILD	YARD WHERE BUILT	BP	BHP	STATUS
SUCHANDRA	AHTS*	2009	NORWAY	193	17200	OWNERSHIP
SUBHADRA	AHTS*	2008	NORWAY	188	17200	OWNERSHIP
SUVARNA	AHTS*	2002	CHINA	201	17300	OWNERSHIP
SUBHIKSHA	AHTS*	2001	CHINA	192	16565	ON MANAGEMENT
SUDAKSHA	AHTS*	2001	CHINA	199	16565	ON MANAGEMENT
NEEL AKASH	AHTS *	1984	JAPAN	60	5200	ON CHARTER
NEEL KAMAL	AHTS *	1983	JAPAN	60	5200	ON CHARTER

\* Anchor Handling Towing and Supply Vessel



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