

D I V E R S I T Y

T H R O U G H

G R O W T H



*“Change is inevitable...growth is intentional.  
If we do not grow and progress continually,  
words such as improvement, achievement and success  
have no meaning”*

– BENJAMIN FRANKLIN

**Disclaimer**

In this annual report we have disclosed forward looking information to enable investors to comprehend our prospects and programs. This report and other statements, written and oral, that we periodically make contain forward looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'project', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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# CORPORATE INFORMATION

## Board Committees

### Audit Committee

Shri S. Rajagopal, Chairman  
Shri D. K. Mukhopadhyay  
Shri S. K. Srivastav  
Shri K.L. Gopalakrishna  
Shri Kiran N. Mehta

### Shareholders'/Investors' Grievances Committee

Shri S. K. Srivastav, Chairman  
Shri S. Rajagopal  
Shri D. K. Mukhopadhyay

### Remuneration Committee

Shri D. K. Mukhopadhyay, Chairman  
Shri S. Rajagopal  
Shri S. K. Srivastav

### Committee of Directors

Shri Kiran N. Mehta, Chairman  
Shri Kailash S. Agarwal

### Compliance Officer

Shri Kiran N. Bade  
Vice President (Legal) & Company Secretary

### Auditors

M/s. Chunnilal & Company  
Chartered Accountants

### Bankers

Indian Bank  
UCO Bank  
Syndicate Bank  
Central Bank of India  
State Bank of Travancore  
State Bank of India  
United Bank of India  
Bank of India

### Registrar & Transfer Agents

Bigshare Services Private Limited  
E-2/3, Ansa Industrial Estate  
Sakivihar Road, Sakinaka  
Andheri (East), Mumbai – 400 072  
Tel : +91 22 2847 0652, 4043 0200  
Fax : +91 22 2847 5207  
Email : info@bigshareonline.com  
Website : www.bigshareonline.com

### Registered Office

13, Shankheshwar Darshan, A. G. Pawar Cross Lane  
Byculla (East), Mumbai – 400 027  
Tel : +91 22 2372 7400  
Fax : +91 22 2374 8686  
Email : investor\_relation@varun.com  
Website : www.varun.com

### Plants

Stainless Steel Kitchenware and  
Houseware Manufacturing Plant, Vasai  
S. No. 14/3, Village Waliv  
Vasai – Vajreshwari Road  
Taluka Vasai, Vasai (East)  
District Thane – 401 208, Maharashtra  
Tel : +91 250 245 1782 / 245 3432  
Fax : +91 250 245 1781 / 245 3434

Stainless Steel Sheet Re-rolling Mill, Jodhpur  
E-371, Marudhar Industrial Estate  
Phase II, Basni, Jodhpur – 342 005, Rajasthan  
Tel : 0291 274 6622 / 33  
Fax : 0291 274 6644

### Wind Power Sites

Village Soda Mada, Jaisalmer, Rajasthan  
Village Hansuwa Gorera, Jaisalmer, Rajasthan  
Village Jaisalmer, Dist. Jaisalmer, Rajasthan

### Fourteenth Annual General Meeting

Day : Thursday  
Date : 9th September 2010  
Time : 4.00 p.m.  
Venue : Walchand Hirachand Hall, 4th Floor  
Indian Merchants' Chamber  
IMC Building, IMC Marg, Churchgate  
Mumbai – 400 020

*“How much you have grown that is not success...  
how many challenges you have overcome to grow that is success”*



The last two years of global recession have been years of challenge for businesses across the world. The companies that survived and grew are those that were able to re-invent themselves and be flexible. Where we stand today is not what matters... where we plan to go that counts.

Like most exporters Varun has felt the heat of the economic slowdown but was able to maintain profitability by cutting down on its operational costs and other overheads. Varun's customers are loyal and have honoured their commitment and we also worked harder to improve customer satisfaction through round the clock service, better quality, better designs, better delivery schedules and all at attractive prices.

Raw material prices are critical for the success of stainless steel products hence we are concentrating on backward integration and expansion of capacities at our Jodhpur plant. We are also planning to set up two new plants-one in Jodhpur, Rajasthan and the other in Bagalkote in Karnataka which will contribute in a big way to our profitability.

At our last AGM we had announced our business alliance with the Republic of Madagascar and our acquisition of assets in Oil, Natural Gas and most important, uranium. I am happy to inform you that feasibility and other studies are on and we are optimistic of this alliance taking the Company to great heights.

While the rest of the world is still limping back to normalcy, India is on a quick road to recovery and we are hopeful of greater growth this year. Varun will miss no opportunity to grow and win in the competitive market. We are committed and confident that our new businesses will contribute to our Company's profitability.

I wish to personally thank our Board of Directors for their constant and valuable guidance and support and my team comprising highly dedicated and qualified professionals who make our success possible.

We are committed to create value for ourselves and our stakeholders and look forward to your continued support.

With Best Regards

**Kiran Mehta**  
Chairman & Managing Director

# OUR ROOTS

**1989**

*Two visionaries Kiran Mehta and Kailash Agarwal started a trading company*

**1995**

*Varun Continental gains iconic status as a steelware exporter winning annual awards and accolades.*

**2005**

*Company's name changed to Varun Industries Limited*

**2006**

*Company makes its foray in Oil & Natural Gas and Wind Energy*

**2007**

*Company is listed on Bombay Stock Exchange and National Stock Exchange*

**2008**

*Awarded Rig Drilling Contract by ONGC*

**2009**

*Foray into- Madagascar- Uranium, Oil & Gas Rig Drilling work commenced*

**2010**

*Commodity Trading begins  
Work in Madagascar commenced*

*“Tall strong trees have tough roots  
that grow amidst rocks”*

## VISION

To be perceived as a world class organization setting new benchmarks in quality, service, operational efficiencies and ethics resulting in market leadership in all our areas of activity. We want to be the preferred partner to all our stakeholders- customers, shareholders, associates, employees and community at large.

## OUR VALUES

In the business world of constant change, we ensure that our principles and values remain uncompromised- they are our strength, our spirit and the guiding light.

Our Values are Excellence, Customer focus, Innovation, Integrity, Team Spirit and Respect.

## ENVIRONMENT HEALTH & SAFETY (EHS)

Respect for the planet is a priority at Varun along with its commitment to health and safety of its employees and the communities located around its areas of operation.

The Company has a formal EHS policy in place for all its employees and a more relevant one for its rig drilling crews.

This year, the Company chose an eco-friendly theme for its Annual Report to



coincide with the 2010 International Year of Biodiversity. With its foray into Madagascar and its diversity of activities, Varun's role in protecting the island's biodiversity is crucial and a major commitment.

Varun has since its inception conformed to all the prescribed environmental and safety norms at its manufacturing facilities. Energy conservation and responsible disposal of effluents is practiced at its plants. Stainless steel itself is an eco friendly metal being 100% recyclable with 50% directly manufactured from scrap.

Varun's diversification into Wind (Clean and Renewable) Energy is in agreement with its commitment to a green planet. It has acquired uranium reserves in Madagascar which it hopes to supply to the Indian Government to alleviate some of the nation's energy crisis. Nuclear Energy is not renewable but clean and hence is in consonance with the company's commitment to eco-friendly business practices.

## CORPORATE SOCIAL RESPONSIBILITY

Through the decades Varun's Management has unobtrusively supported various charitable causes. The major areas of focus are health, education, improvement of the quality of life and elimination of poverty particularly in Jodhpur and other parts of rural India.



Employee involvement is now encouraged through blood donation drives and participation at the popular Mumbai marathon supporting several NGOs.

Its business alliance with the Republic of Madagascar gives responsibility to the community a new dimension. Varun sees an opportunity to provide employment for thousands and will also take every precaution to minimize any detrimental effect of its activities on the island and the Malagasy people.



## OUR MAIN STEM (STEEL)

Our strength is in steel and Varun will optimize on this area of core competence. We are committed to enlarge our global footprint and make a mark in the domestic market through unmatched quality, customization and price rationalization.

- Varun's exports have always been a thriving business winning accolades from the Export council and other organizations. Our strength has been market excellence – a combination of the right geographies, right price and right attitude to win and retain loyal customers inspite of economic slowdown. With Varun Mehta (Whole Time Director since 31st October 2009) now heading the division youth and vibrancy will be infused.
- Varun Exports division participated in several International Trade fairs including the ConsumExpo 2010 in Moscow, Birmingham UK Spring Fair 2010 and the Hong Kong Fair 2010. Participation allows us to showcase our steelware to thousands of interested buyers from across the world and to understand the latest trends prevalent in different countries and markets.
- Varun participated in Indinox 2010 (India's first and largest steel fair) held in Ahmedabad in January. It showcased its corporate identity highlighting on its



*All growth depends upon activity.  
There is no development  
physically or intellectually  
without effort and  
effort means work*





steel competence and plans for further expansion and backward integration. Varun Industries Limited was presented an award by the Steel Industry in recognition of its consistent efforts to take the export of stainless steel ware to new heights.

- Varun's Retail division is re-inventing itself to become more profitable. It has now moved from the concept of exclusive boutique stores to shop-in-shop and mall-in-mall for pan India exposure, cost effectively. The shop-in-shop concept has taken off with stores in Varanasi and Nasik. We have an agreement with Treasure Showcase for participating in their 20 malls across India. Two outlets are already operational – in Indore and

Lucknow to be followed by several more. Franchise negotiations are on too. The focus will also now be on special segments of fast moving items to meet the bulk demands from corporate organizations and government

- Steel ware production is highly vulnerable to fluctuating raw material costs, supply and quality and hence Varun opted for backward integration by setting up a Stainless Steel Re-Rolling Plant in Jodhpur to manufacture sheets to be used at its plant in Vasai. The sheets have found a thriving market motivating the Company to plan for further expansion.

- Further backward integration is planned by setting up state-of-the-art steel plant to manufacture flats, angles, rods and other products in Rohat, Jodhpur. The plant is to be set up in two phases and the first phase is expected to cost Rs. 230 crore and land of 150 acres has been obtained and the procedures for obtaining various approvals and licences are underway.
- Varun's application to set up a steel plant in Bagalkote, Karnataka has been approved by the government. Through a Memorandum of Understanding Varun has been allotted 500 acres of land to set up this unit which is estimated to cost Rs. 304 crore.



## BRANCHES OF POSSIBILITY



*“Growth means change  
...stepping from the known to the unknown”.*



Varun has in the last five years evolved from a company with a single revenue source (steelware exports) to a multi dimensional global conglomerate exploring opportunities promising high growth with sustainable profitability that include renewable and clean energy, oil and gas, mining and commodity trading.

- **Varun Petroleum** division offers integrated services for all phases upstream, midstream and downstream and also tailor made solutions in the field of oil, drilling and work over services on outsourced or collaborative basis. The Company



has recently commissioned rig drilling and work over services very successfully in Assam and is looking to expand its fleet of rigs to enable it to compete more effectively in this market. Varun has also been recognized by the International Association of Drilling Contractors.

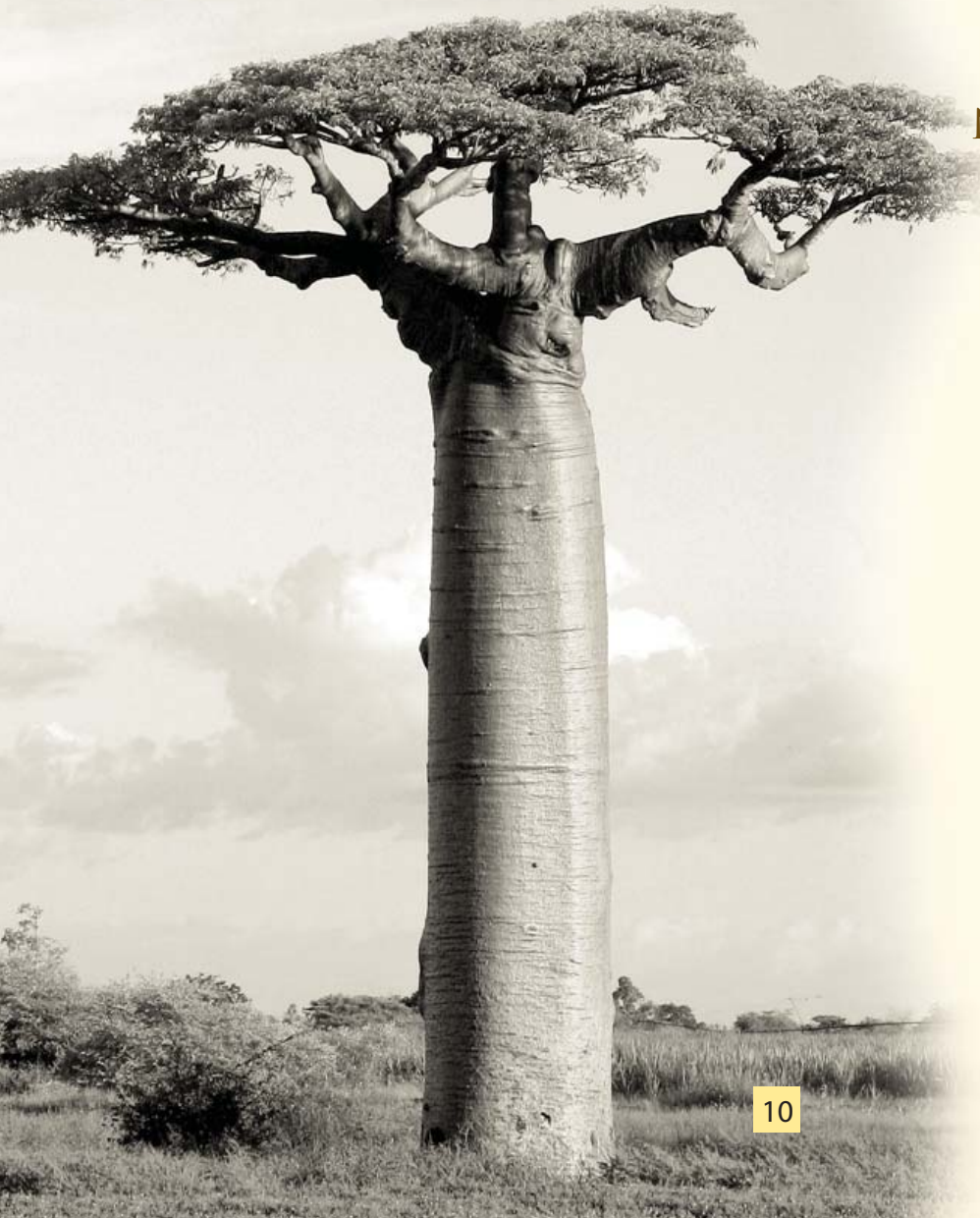
- Varun has signed a MOU with the Government of Karnataka to set up a new plant this also makes Varun eligible for preferential allotments of mining licences in Karnataka giving its mining efforts a boost and opening up a new area for business development.



- Varun has entered into a Memorandum of Understanding with Mysore Sales International Limited (MSIL) a Government of Karnataka Company by which the Companies will identify geographical territories and commodities of mutual interest and develop export/import opportunities for the same. The commodities will include coal, iron ore, cash crops edible and crude oil etc. MSIL will assist Varun to procure export orders for iron ore etc and



also in its wholesale and retail activities for steelware and other commodities. Varun will assist MSIL with import of commodities.



## NEW SOIL... NEW SEEDS

The Varun Group has understood that to grow it must cross boundaries and look at emerging economies for opportunities. In order to acquire major interest in the areas of uranium and oil and natural gas Varun has recently set up three subsidiaries in Mauritius:

- **Varun Holdings Limited**
- **Varun Mines & Minerals Limited**
- **Varun Petroleum Limited**

Varun Petroleum, Mauritius has entered into an Agreement to acquire majority shares in Varun Petroleum SARL, Madagascar.

Varun Mines & Minerals Limited has entered into Agreements to acquire Madagascar Energy Corporation and Varun International SARL, Madagascar.



### URANIUM PROSPECTS

The Varun Group has acquired 1011 blocks (100 in process) covering approximately 6900 sq. kms and with estimated reserves of 17,00,000 tons of uranium, 43,50,000 tons of thorium and traces of gold for the purpose of exploration, exploitation and out put sale.

The preliminary work has been completed and the evaluation of Reserves will commence shortly. The Group is optimistic of completion of the Exploration phase before the generally estimated 2-5 years.



The continuous need for clean alternative fuels to meet the growing energy demands has resulted in several countries of the world racing to be part of uranium exploration in the few remaining mineral rich countries. India particularly is looking for suppliers and the Varun Group sees itself as a forerunner among Indian companies in the mining and production of uranium.



### OIL & NATURAL GAS PROSPECTS

Varun Group has acquired block 3101 covering approx. 6800 sq. kms. This block is located in the confirmed petroleum province of Madagascar.

Varun also has an offshore Natural Gas block measuring 13,200 sq. kms on the basin of the Indian Ocean which is possibly among the largest in the world

Geophysical and Geological inhouse studies have been completed and the prognostics are promising.

### GEMS & PRECIOUS METALS

New deposits for rare earth element and ilmenite bearing heavy sand have been located near fort Dauphine South Madagascar. Gold and platinum bearing alluvium have also been located. Ruby and sapphire occurrence have also been identified in the area of Ambohitsozo Ihozy, North Madagascar.

# OUR BOARD OF DIRECTORS

The Board of Directors comprise veterans from diverse fields primarily Banking and Legal. They have held top positions and been instrumental in initiating change and progress in their respective organizations and in the related industry.



**Kiran Mehta**  
*Founder Chairman &  
 Managing Director*

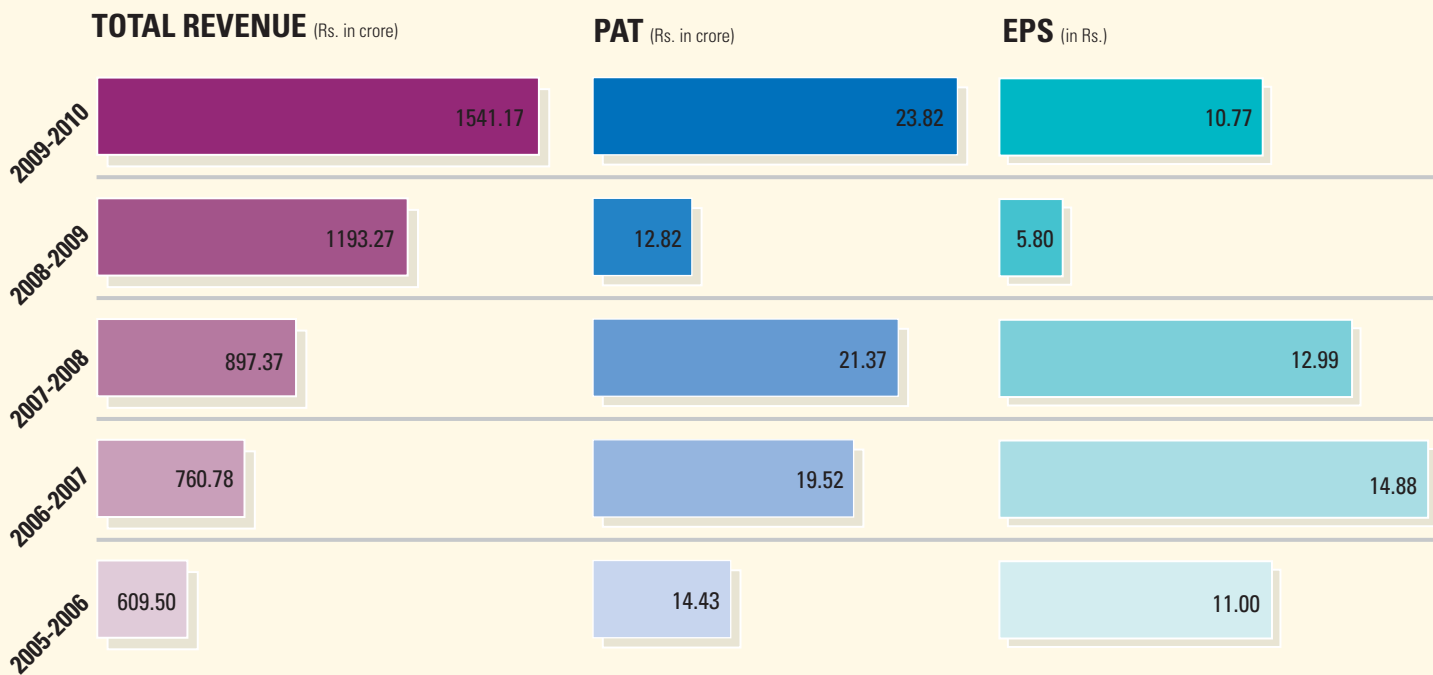


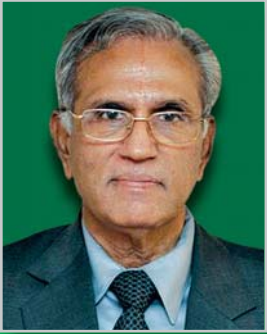
**Kailash Agarwal**  
*Co-founder and Managing  
 Director*



**Varun Mehta**  
*Whole Time Director*

## FINANCIAL HIGHLIGHTS





**S. Rajagopal**  
Director



**D.K. Mukhopadhyay**  
Director

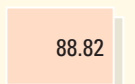
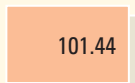


**S.K. Srivastav**  
Director

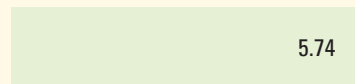
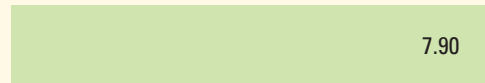


**K.L. Gopalakrishna**  
Director

**NET WORTH** (Rs. in crore)



**EBITDA MARGIN** (in %)



# MANAGEMENT DISCUSSION & ANALYSIS

## Overview

Varun Industries Limited has evolved into a global conglomerate with several associate companies and multidimensional business interests that include energy - oil, natural gas, uranium and wind, mining, gems and jewelry, agro products and trading, besides its area of core competence - stainless steel cookware, houseware, kitchenware, tableware etc.

The Company's strength is in steel and it has grown from manufacturer of steel ware to also manufacturing stainless steel raw materials (sheets). Further, it has plans to set up plants to manufacture flats, rounds and angles. The initiative is a part of the Company's backward integration plan to be self sufficient in raw material supply and thereby improve its competitive edge in terms of quality and pricing which would catapult the Company into the league of major steel manufacturers.

The Company made its foray into oil and natural gas as a supplier of rig, drilling, maintenance, workover and related services to large oil and gas companies. Varun Petroleum Limited, Mauritius, a subsidiary of the Company, had entered into an agreement to acquire majority shares of Varun Petroleum SARL, Madagascar. Varun Petroleum SARL has acquired blocks (oil, natural gas and uranium) in Madagascar through an 80-20 production sharing contract with OMNIS (Madagascar) which gives it the right to explore, exploit and sell those products.

## Industry Structure & Development

Stainless steel has now found new usage in areas like infrastructure, public transport, automobiles etc. and continues to replace less durable products resulting in substantial increase in demand for stainless steel raw materials like flats, angles and rounds.

Indian stainless steel products (cookware, kitchenware, tableware, houseware and hospitality, gifts and other items) are now preferred to Chinese products due to better quality and delivery schedules, resulting in growing demand from international markets.

Exploration and production of oil and gas is critical for India's energy security and economic growth. The demand for energy will always outstrip supply. 60% of the energy is derived from oil and natural gas making these the most indispensable sources of fuel. The demand for clean renewable energy with uranium as the front runner (because of acute shortage) is unmatched in India and globally. Wind energy also has good growth prospects.

## Opportunities and threats

Internationally, due to their durability, good looks, easy maintenance and cost effectiveness, use of stainless steel ware in homes, hotels and other public places has gained popularity and is anticipated to grow rapidly.

The Company aims to exploit this opportunity to the fullest and will be setting up two new stainless steel plants to manufacture flats, rods, angles and other high demand products at Jodhpur, Rajasthan and Bagalkote district of Karnataka.

Oil and natural gas are the most indispensable sources of energy and exploration will be a continuous process resulting in increased demand for rig drilling and related services.

The exploration and exploitation of oil, natural gas and uranium have long gestation period but with proper planning it can be reduced. However, the benefits are unimaginable in the discovery of oil, natural gas and uranium offering huge and sustainable profits.

## Outlook, Risks & Concerns

The Company has the capability of producing stainless steel ware to suit the budgets and tastes of customers across the globe and hence is optimistic of growth in both exports and domestic market. It also enjoys customer loyalty and a large percentage of its export business comes from long standing customers.

With expansion of its Re-rolling Stainless Steel Plant and setting up of new steel plants in Rajasthan and Karnataka, the Company will be less vulnerable to fluctuations in raw material prices, quality or supply. With steel usage spiraling, the Company is confident of good sales for the flats, angles, rounds and other value added products scheduled to be manufactured.

Varun Group has an excellent alliance with the Republic of Madagascar which is an investor friendly country, fairly stable and safe. The Government of Madagascar is keen to increase the GDP of the country and Varun sees itself as partnering these efforts by providing job opportunities to thousands of the Malagasy people. The Company will however have to preserve the biodiversity of that country and ensure that its exploration activities do not harm the ecology or the health and safety of people.

## Internal control systems and their adequacy

Adequate internal controls and checks are in place through various management committees comprising independent directors as Chairmen of such committees. The audit program on the working of each department and segment was introduced during the year. The audit reports are placed before the Management Committee for review and guidance. The audit committee is also reviewing effectiveness of controls and compliance with regulatory guidelines.

## Material developments in human resources/industrial relations, number of persons employed

The Company considers its human resources as its most valuable asset and invests in health and safety at the work place, training programs, health and insurance schemes and other benefits to ensure that its team is happy and the attrition rate is low. The employee strength as on 31<sup>st</sup> March 2010 was 192.



# DIRECTORS' REPORT

## To the Members,

Your Directors have pleasure in presenting their Fourteenth Annual Report on the business and operations of your Company for the year ended 31<sup>st</sup> March 2010. A detailed Management Discussion and Analysis report forms part of this Annual Report.

## 1. FINANCIAL RESULTS

	(Rs. in crore)	
	Year ended 31 <sup>st</sup> March 2010	Year ended 31 <sup>st</sup> March 2009
Income	1,541.17	1,193.27
Profit Before Tax	35.83	20.07
Less: Provision for Taxation	12.01	7.25
Profit after Tax	23.82	12.82
Add: Balance brought forward	45.77	35.54
Disposable Profit	69.59	48.36
<b>Appropriations:</b>		
Transfer to General Reserve	1.19	0.00
Proposed Dividend	3.32	2.21
Tax on Dividend	0.55	0.38
Balance carried to Balance Sheet	64.53	45.77

## 2. PERFORMANCE REVIEW

A global slow down was witnessed by the world economy during the last two years; however, India has emerged relatively unscathed from the global financial crisis. The country recorded a healthy GDP growth rate of 7.2%. Several macro economic indicators revived especially during the second half of the financial year. The manufacturing industry grew at 8.9% during the year.

In spite of the volatile financial and currency markets, your Company achieved a better performance. Markets improved slowly, but reduction in export incentives had an adverse impact on export realization. Efforts were made to contain costs, as a result of which, your Company recorded higher operative profit. It has also undertaken diversification programmes which will bring about overall growth in its business and profitability.

With a better monsoon in the offing, the per capita income is likely to grow, which will have a positive impact on the business environment.

During the year under review, your Company recorded an income of Rs. 1,541.17 crore, as against Rs. 1,193.27 crore in the previous year, representing an increase of 29%. The profit before tax was higher by 79% at Rs. 35.83 crore as against Rs. 20.07 crore for the previous year. The profit after tax at Rs. 23.82 crore was higher by 86% as against Rs. 12.82 crore for the previous year.

## 3. FINANCIAL RESOURCES

### a) Convertible Equity Warrants

On 27<sup>th</sup> August 2009, the Board of Directors allotted 70,00,000 warrants convertible into equal number of equity shares at a price of Rs. 43.20 per warrant. The details of the said allotment are as under:

S. No.	Names of warrant allottees	No. of warrants	Amount paid per warrant on application (@25% of Rs. 43.20 per warrant)
1.	Shri Kiran N. Mehta	41,40,803	Rs. 4,47,20,673/-
2.	Shri Kailash S. Agarwal	28,59,197	Rs. 3,08,79,328/-
	<b>TOTAL</b>	<b>70,00,000</b>	<b>Rs. 7,56,00,001/-</b>

The said warrants can be converted into equal number of equity shares within 18 months from the date of allotment. If the option to convert the warrants into equity shares is not so exercised, the money paid on application shall be forfeited. The application money was utilised for the purpose for which it was raised, namely, working capital requirements.

#### b) Utilization of internal accruals and IPO proceeds

The Company had, vide its Prospectus dated 9<sup>th</sup> October 2007, made an Initial Public Offering (IPO) of 90,00,000 Equity Shares of the face value of Rs. 10/- each at a premium of Rs. 50/- per share. The amount of internal accruals and IPO proceeds was finally utilised as follows, for which, your approval is being sought at the Forthcoming Annual General Meeting:-

(Rupees in Lac)

S. No	Particulars	Utilization–Projected, as per Prospectus	Utilization–Actual, as on 31-3-2010
(i)	Brand Building and launching of products in the domestic markets	1,000	647.50
(ii)	Margin money for Working Capital requirements	4,074	3,967.02
(iii)	Public Issue Expenses	450	550.17
(iv)	Investments/Deposits/Working capital	—	360

#### 4. PROJECTS

##### a) Stainless Steel Kitchenware/Houseware Manufacturing Plant & Warehouse Project

At the state-of-the art manufacturing facility set up by the Company at Vasai, further expansion of the facilities is being undertaken. This will allow the Company to focus more on customization and enhancement of quality and also improve upon the supply chain efficiency which is very vital to give the Company a competitive edge in the export market.

The Retail division is re-inventing itself to be more cost effective and to widen its exposure pan India. Varun is now opting for the concept of shop-in-shop and mall-in-mall rather than its own boutique stores. It will also focus on institutional and bulk sales, while concentrating on fast moving items.

##### b) Backward Integration Projects

###### i) Jodhpur, Rajasthan

The second phase of expansion was successfully implemented at the Company's Steel Re-Rolling Plant at Jodhpur, thereby increasing the capacity to 18,000 tonnes per annum. The Re-Rolling facilities consist of two Hot Rolling Mills, three Annealing Furnaces and 21 Cold Rolling Mills. The plant which was set up as a step towards backward integration to manufacture sheets exclusively for captive use has also started selling Re-Rolling products which has received an encouraging market demand.

As a step towards further backward integration, the Board of Directors have approved setting up a new state-of-the-art Stainless Steel cum Alloy steel complex at Rohat, Jodhpur to manufacture flats, structurals, angles, rounds, wire rods, channels and long products. The plant will be set up in two phases. The cost of the first phase is estimated at Rs. 230 crore, which will have a capacity of 1,20,000 MT per annum. Land to the extent of 150 acres has already been acquired and at present actions have been initiated to obtain various licenses and approvals.

###### ii) Bagalkote, Karnataka

The Company had made an application to the Government of Karnataka to set up a Steel Plant at Bagalkote, which was approved at a high level Steering Committee of the Government. The cost of the Plant is estimated at Rs. 304 crore. The Government of Karnataka has also allotted to the Company land admeasuring 500 acres at Bagalkote to set up the unit.

The Company is committed to optimize on its core area of competence which is steel and these plants will catapult it into the elite league of large steel manufacturers.

##### c) Power Generation

Wind power generation resulted in income of Rs. 2.82 crore during the year. The Company plans to set up a few more windmills during the year.

##### d) Iron Ore Mining

The Memorandum of Understanding signed with the Government of Karnataka for setting up a plant there makes the Company eligible for preferential allotments of mining licenses in the state of Karnataka.

#### e) Oil & Natural Gas

The charter hire contract for a mobile drilling rig with ONGC is running smoothly. Maintenance contract with ONGC for Ankleshwar and Karaikal sites is also running smoothly. The Company is making efforts to secure business from ONGC, GAIL and IOC for supply of materials and services.

#### f) International Ventures

The Varun Group has understood that to grow, it must cross boundaries and look at emerging economies for opportunities.

In order to acquire major interest in the areas of uranium, oil and natural gas, the Company has recently set up three subsidiaries in Mauritius, namely:

- Varun Holdings Limited
- Varun Mines & Minerals Limited
- Varun Petroleum Limited

Varun Petroleum Limited, Mauritius has entered into an Agreement to acquire majority shares in Varun Petroleum SARL, Madagascar.

Varun Mines & Minerals Limited has entered into Agreements to acquire majority shares in Madagascar Energy Corporation and Varun International SARL, Madagascar.

#### Uranium prospects

The Varun Group has acquired majority shares in certain companies which are engaged in exploration, exploitation and out-put sale of 1,011 blocks (100 in process) covering about 6,900 sq. kms., with estimated reserves of 17,00,000 tons of uranium, 43,50,000 tons of thorium and traces of gold and gems.

The preliminary research work has been completed and the evaluation of reserves will commence shortly. The Group is optimistic of completion of the exploration phase before the estimated 3-5 years.

The demand for uranium is outstripping supply and the continuous need for alternative fuels to meet the tremendous energy demands has resulted in several companies across the world racing to be part of uranium exploration in the few remaining mineral rich countries. India in particular, is looking for suppliers and the Varun Group sees itself as a forerunner among Indian companies in the mining and production of uranium.

#### Oil & Natural Gas Prospects

Varun Group has acquired majority shares in certain companies which have acquired block 3101 covering about 6,800 sq. kms. in the highly prospective Morondava Basin which has established hydrocarbon reserves and oil production.

Varun also has an offshore Natural Gas block admeasuring 13,200 sq. kms. on the basin of the Indian Ocean which is possibly among the largest in the world.

#### Joint Venture in the Republic of Poland

Recently, it has been decided to form a Joint Venture company by the name Varun Sp. Zoo in the Republic of Poland in which the Company would hold 50% share capital. The new venture would undertake export-import of several items including stainless steel kitchenware, hardware, tools, cookware sets, non-stick, electronics and electrical items etc.

### 5. DIVIDEND

Your Directors have recommended a dividend of Rs.1.50/- per share, on 2,21,13,945 fully paid equity shares of Rs. 10/- each. The total cash outflow on account of the dividend including tax thereon would be Rs. 3.87 crore.

### 6. SUBSIDIARY COMPANIES

Earlier, the Company had four subsidiaries in India, viz., Varun Jewels Private Limited, Shri Sai Jewels Private Limited, Varun Petroleum Corporation Private Limited and Varun Minerals Corporation Private Limited. Recently, the Company acquired the entire equity share capital of Nagina Hotel Private Limited, thereby making it a wholly owned subsidiary. The said company was amalgamated with the Company w.e.f. 1<sup>st</sup> January 2010, as per the orders of the Hon'ble Bombay High Court.

The Company has three wholly owned subsidiaries in Mauritius viz., Varun Holdings Limited, Varun Mines & Minerals Limited and Varun Petroleum Limited.

Varun Petroleum Limited, Mauritius, had entered into an agreement to acquire majority shares in Varun Petroleum SARL, Madagascar. Further, Varun Mines & Minerals Limited, Mauritius, had entered into agreements to acquire majority shares in Madagascar Energy Corporation, Madagascar and Varun International SARL, Madagascar.

In terms of approval granted by the Government of India pursuant to Section 212(8) of the Companies Act, 1956, the Balance Sheets, Profit and Loss Accounts and Reports of the Board of Directors and Auditors of the subsidiaries have not been attached to the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company. As directed by the Central Government, the financial data of the subsidiaries is furnished under the heading 'Information on the financials of the subsidiary companies', forming part of the Annual Report.

A Statement containing particulars pursuant to the provisions of Section 212(1)(e) of the Companies Act, 1956, in respect of the above subsidiaries forms part of this Annual Report. In compliance with Clause 32 of the Listing Agreement, audited consolidated financial statements of the Company and its subsidiaries also form part of this Annual Report.

## **7. CORPORATE GOVERNANCE**

A Report on Corporate Governance as per the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report.

As per the requirements of the said Clause, a Certificate from the Auditors, M/s. Chunnilal & Company, confirming compliance with the conditions of Corporate Governance is annexed to this Report.

## **8. DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of the provisions of Section 217(2AA) of the Act, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that year;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors had prepared the annual accounts on a 'going concern' basis.

## **9. DIRECTORS**

Shri S. Rajagopal retires by rotation at the 14<sup>th</sup> Annual General Meeting and is eligible for re-appointment.

Shri D. K. Mukhopadhyay, who retires by rotation at the 14<sup>th</sup> Annual General Meeting, is not seeking re-appointment. It is proposed not to fill-in the casual vacancy caused by his retirement at the said meeting or any adjournment thereof.

The Board places on record its sincere appreciation of the valuable advice and guidance rendered by Shri Mukhopadhyay during his association with the Company.

Pursuant to the provisions of Section 260 of the Act and Article No. 115 of the Articles of Association, Shri Varun Mehta was appointed as an additional director and Whole Time Director with effect from 31<sup>st</sup> October 2009 and holds office up to the date of the forthcoming Annual General Meeting. The Company has received notices from members proposing his appointment as a director.

As stipulated by Clause 49 of the Listing Agreement, brief profiles of the Directors seeking appointment/re-appointment, nature of their expertise in specific functional areas and names of companies in which they are directors are provided in the Corporate Governance Report forming part of the Annual Report.

## **10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Pursuant to the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo, are given in Annexure 'A' to this Report.

## **11. FIXED DEPOSITS**

The Company has not accepted fixed deposits.

## 12. AUDITORS

M/s. Chunnilal & Company, Chartered Accountants, Statutory Auditors, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

## 13. PARTICULARS OF EMPLOYEES

Information as prescribed by Section 217(2A) of the Act, read with Companies (Particulars of Employees) (Amendment) Rules, 2002 is given as an annexure to this Report. However, pursuant to the provisions of Section 219(1)(b)(IV) of the Act, the Report and Accounts are being circulated to all the members without the said annexure. Members interested in the said information may write to the Company Secretary at the registered office of the Company.

## 14. ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation of the assistance and co-operation received from the banks, financial institutions, Government authorities, customers, vendors and investors during the year under review. Your Directors also wish to place on record their appreciation of the committed services of the executives, staff and workers of the Company.

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

**Kiran N. Mehta**  
*Chairman & Managing Director*

Mumbai, 22<sup>nd</sup> July 2010

**Registered Office:**

13, Shankheshwar Darshan,  
A. G. Pawar Cross Lane,  
Byculla (East),  
Mumbai – 400 027

# Annexure 'A' to the Directors' Report

Pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

## A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

1. Variable Frequency Drives (VFD) were provided for all rolling mills, blowers & furnaces to reduce energy consumption.
2. Installation of Air cooling system for Electric panels to minimize the breakdown of VFD & other electric parts.
3. Use of Energy efficient Gear Oil in Gear Box.
4. Installation of Power Capacitor to improve power factor.
5. Regular checking of current of all capacitors and their timely replacement.
6. Replacement of 40W tube lights by slim 28W tube lights to reduce power consumption.
7. Timely maintenance of machinery & equipments to ensure that energy consumption is minimal.
8. Replacement of under loaded/overloaded motors with proper size motors and installation of high efficiency AC Motors.
9. Installation of Copper Cables for control & power system thereby achieving energy efficiency and low maintenance.
10. Load wise minimize using maximum demand.
11. Prevented idle running of motors by providing limit switches for auto cut off.
12. Avoided repeated rewinding of motors as rewound motors have an efficiency loss of upto 5%.
13. Maintenance of DG sets by regular checkup of injection pumps, nozzles, filters and engine oil etc. thereby achieving maximum efficiency.
14. Installation of Air Conditioners having automatic temperature cut-off.
15. Use of electronic ballast in place of conventional chokes, thereby saving energy upto 20%.

b) Additional investments and proposals for reduction of energy consumption being implemented:

N.A.

c) Impact of measures in a) & b):

The above energy conservation measures undertaken by Vasai & Jodhpur Plants have ensured uninterrupted power supply and improvement in quality of power productivity. Further, power consumption per tonne of saleable stainless steel has also reduced. Our efforts continue to further optimize energy productivity & efficiency.

d) Total energy consumption and energy consumption per unit of production:

Details are given in Form A

**FORM 'A'**  
**(See Rule 2)**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

		Year ended 31 <sup>st</sup> March 2010	Year ended 31 <sup>st</sup> March 2009
<b>A. POWER &amp; FUEL CONSUMPTION</b>			
<b>1. Electricity</b>			
a) Purchased Units	Thousand KWH	<b>2,902.33</b>	2,311.53
Total amount	Rs. in Thousand	<b>13,514.11</b>	10,750.47
Rate/unit (KWH)	Rs.	<b>4.66</b>	4.65
<b>b) Own Generation</b>			
i) Through Diesel Generator (HSD)			
Units	Thousand KWH	<b>69.88</b>	180.67
Total Amount	Rs. in Thousand	<b>904.94</b>	1,999.08
Cost/Unit (KWH)	Rs.	<b>12.95</b>	11.06
ii) Through Generator (furnace oil)			
Units	Thousand KWH	—	—
Units per liter of furnace oil	KWH	—	—
Cost/Unit (KWH)	Rs.	—	—
iii) Through Generator (gas)			
Units	Thousand KWH	—	—
Units per M3 of Natural gas	KWH	—	—
Cost/Unit (KWH)	Rs.	—	—
<b>2. Coal</b>			
<b>3 i) Furnace oil (Hot Mill)</b>			
Quantity	KL	<b>306.46</b>	198.09
Total amount	Rs. in Thousand	<b>7,876.18</b>	4,948.36
Rate/unit (KL)	Rs.	<b>25.70</b>	24.98
<b>ii) CBFS oil (Hot &amp; Cold Furnace)</b>			
Quantity	KL	<b>525.83</b>	392.32
Total amount	Rs. in Thousand	<b>14,169.58</b>	10,642.02
Rate/unit (KL)	Rs.	<b>26.95</b>	27.13
<b>4. Natural gas</b>			
Quantity	Cu.mts.	—	—
Total amount	Rs. in Thousand	—	—
Rate/unit (Cu.mt.)	Rs.	—	—

**B. CONSUMPTION PER UNIT OF PRODUCTION: (Per MT)**

	<b>Unit</b>	<b>2009-10</b>	2008-09
Electricity/Own Generation	KWH	<b>287.14</b>	281.76
Furnace Oil	Liters	<b>34.88</b>	32.01
CBFS Oil	Liters	<b>59.85</b>	63.40

**B. TECHNOLOGY ABSORPTION: N.A.**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	(Rs. In Lac)	
	Year Ended 31 <sup>st</sup> March 2010	Year Ended 31 <sup>st</sup> March 2009
<b>A. Total Foreign Exchange Earned:</b>		
i) FOB Value of exports	1,42,544.93	77,138.04
ii) Rig Hiring Charges	1,158.10	—
<b>Total</b>	<u>1,43,703.03</u>	<u>77,138.04</u>
<b>B. Total Foreign Exchange Used:</b>		
i) On Import of Raw Material/Finished Goods	11,137.33	4,476.60
ii) On Import of Capital Goods, Spares and Components	21.97	2,351.59
iii) Expenditure in Foreign Currencies for business travels, subscription, commission on exports etc.	61.53	68.03
<b>Total</b>	<u>11,220.83</u>	<u>6,896.22</u>

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

Mumbai, 22<sup>nd</sup> July 2010

**Kiran N. Mehta**  
*Chairman & Managing Director*



# CORPORATE GOVERNANCE REPORT

## 1. Company's Philosophy on Corporate Governance:

Good corporate governance makes good business sense. It increases the confidence of stakeholders in the company. Over the last few years, governance process and systems have been religiously followed and improved upon at Varun. Apart from complying with the statutory requirements, Varun is making continuous efforts towards improving transparency, disclosures and promotion of ethics at work-place. It continues to be committed to the principles of integrity, ethics, equity, fairness, transparency and accountability.

The Board of Directors is at the core of corporate governance practices and strives to protect the long-term interests of all the stakeholders.

The Company has implemented all the mandatory requirements of Clause 49 of the Listing Agreement.

Certain non-mandatory requirements, such as circulation of half-yearly financial performance to the members, training of Board members and mechanism for performance evaluation of non-executive directors have not been implemented.

All Board members and senior management personnel have affirmed compliance with the Code of Business Conduct & Ethics which is posted on the website of the Company.

## 2. Board of Directors:

S. No.	Name of the director	Whether Promoter/ Executive/ Independent	No. of Board Meetings held during the year		Attendance at the last Annual General Meeting	Number of Directorships of other companies	Member/ Chairman of Committees other than those of the Company
			Held	Attended			
1.	Shri Kiran N. Mehta, <i>Chairman &amp; Managing Director</i>	P. & E. D.	8	6	Yes	12	0/1
2.	Shri Kailash S. Agarwal, <i>Managing Director</i>	P. & E. D.	8	5	Yes	9	1/0
3.	Shri D. K. Mukhopadhyay, <i>Director</i>	I.D.	8	8	Yes	-	-
4.	Shri S. Rajagopal, <i>Director</i>	I.D.	8	8	Yes	15	5/1
5.	Shri S. K. Srivastav, <i>Director</i>	I.D.	8	8	Yes	5	-
6.	Shri K. L. Gopalakrishna, <i>Director</i>	I.D.	8	8	Yes	1	-
7.	Shri Varun Mehta <i>Additional Director and Whole Time Director</i> (w .e .f. 31 <sup>st</sup> October 2009)	P. & E. D.	3	3	No	7	-

Notes: -

a. P. & E.D.: Promoter Executive Director, I.D.: Independent Director.

b. Shri Kiran N. Mehta and Shri Varun Mehta are related to each other. None of the other directors are related to each other.

## Board Meetings

Being the apex body, the Board plays a pivotal role in ensuring good corporate governance. Board members provide valuable advice to the Management. Detailed notes providing information on related subjects are circulated with agenda papers. Detailed presentations are made to the Board on important matters, such as diversification plans, financial results, new projects, risk management, etc. Business heads are invited to make presentations pertaining to their units. Minutes of the meetings of the Board are circulated to all Directors and confirmed at the subsequent Board meeting. Copies of the minutes of the meetings of the Committees of Directors are also circulated to the Board.

### Details of Board Meetings

Board meetings were held at least once in every quarter and the time gap between two meetings did not exceed four months. During the year, eight Board meetings were held on 6<sup>th</sup> May 2009, 20<sup>th</sup> June 2009, 5<sup>th</sup> July 2009, 23<sup>rd</sup> July 2009, 27<sup>th</sup> August 2009, 31<sup>st</sup> October 2009, 24<sup>th</sup> December 2009 and 31<sup>st</sup> January 2010.

### Remuneration paid to Executive Directors during the year ended 31<sup>st</sup> March 2010

(In Rupees)

Particulars of Remuneration (Fixed Component)	Shri Kiran N. Mehta, Chairman & Managing Director	Shri Kailash S. Agarwal, Managing Director	Shri Varun Mehta, Additional Director & Whole Time Director (w.e.f. 31 <sup>st</sup> October 2009)
Salary	90,00,000	60,00,000	12,58,065
Commission	39,68,631	39,68,631	-
Other Allowances	60,00,000	40,00,000	2,09,679
House Rent Allowance	-	-	6,29,032
Provident Fund	9,360	9,360	4,680
<b>Total</b>	<b>1,89,77,991</b>	<b>1,39,77,991</b>	<b>21,01,456</b>

Note: -

Shri Kiran N. Mehta, Chairman & Managing Director, Shri Kailash S. Agarwal, Managing Director and Shri Varun Mehta, Additional Director and Whole Time Director are in the whole time employment of the Company and their employment is contractual in nature. Shri Kiran N. Mehta and Shri Kailash S. Agarwal hold office up to 31<sup>st</sup> March 2014. Shri Varun Mehta holds office upto 30<sup>th</sup> October 2014.

### Remuneration paid to Non-Executive Directors during the year ended 31<sup>st</sup> March 2010

S. No.	Name of the Director	No. of equity shares held	Sitting fees (Rupees)
1.	Shri D. K. Mukhopadhyay	Nil	2,65,000/-
2.	Shri S. Rajagopal	Nil	2,65,000/-
3.	Shri S. K. Srivastav	Nil	2,65,000/-
4.	Shri K. L. Gopalakrishna	Nil	1,60,000/-

### Brief Profiles and other Directorships of Directors seeking appointment / re-appointment: -

#### Shri S. Rajagopal – Independent Director

Shri S. Rajagopal, 70, former Chairman & Managing Director of Bank of India has contributed immensely to the improvement of the Indian banking system. Having been on the board of various Corporates and development funds of India and abroad, Shri Rajagopal has in-depth knowledge of commerce, industry, finance and insurance. Shri Rajagopal is also an Advocate with specialization in company matters.

Shri Rajagopal has a brilliant academic record and holds Master's degree in Economics, Degrees in Commerce & Law, besides professional qualification from Indian Institute of Bankers. As the Chairman of Committee of Economists of Indian Bank Association, he conducted studies on tyre, sugar, granite, electronics and film industry among others. He is closely associated with Academics and is currently a member of the Court of Banaras Hindu University.

He is the Chairman of the Audit Committee and member of the Shareholders'/Investors' Grievances Committee and the Remuneration Committee of the Company.

He does not hold any equity share in the Company.

Given below are his other directorships: -

S. No.	List of other Directorships	Chairman/Member of the Committees of the Board of the companies in which he is a Director
1.	GMR Energy Limited, <i>Independent Director</i>	Member of Audit Committee & Chairman of Remuneration Committee
2.	GMR Tambaram–Tindivanam Expressway Private Limited, <i>Independent Director</i>	Chairman of Audit Committee & Member of Committee for monitoring reduction of preference capital
3.	GMR Tuni–Anakapalli Expressways Private Limited, <i>Independent Director</i>	Chairman of Audit Committee & Member of Committee for monitoring reduction of preference capital
4.	Srei Infrastructure Finance Limited, <i>Independent Director</i>	Member of Audit Committee
5.	Srei Venture Capital Limited, <i>Independent Director</i>	None
6.	SP Apparels Limited, <i>Independent Director</i>	Member of Audit Committee
7.	Zylog Systems Limited, <i>Independent Director</i>	Chairman of Audit Committee & Member of Remuneration Committee
8.	National Trust Housing Finance Limited, <i>Independent Director &amp; Non-Executive Chairman</i>	Member of Audit Committee
9.	Wisdomleaf IT Technologies Private Limited, <i>Independent Director</i>	None
10.	GMR Hyderabad Vijayawada Expressways Private Limited, <i>Independent Director</i>	Chairman of Audit Committee & Member of securities Issue, Allotment & Transfer Committee
11.	GMR Kamalanga Energy Limited, <i>Independent Director</i>	Member of Audit Committee & Remuneration Committee
12.	GMR Chhattisgarh Energy Private Limited, <i>Independent Director</i>	Member of Remuneration Committee
13.	Career Cubicle Technologies Private Limited, <i>Independent Director</i>	None
14.	Zylog Systems (India) Limited, <i>Independent Director</i>	None
15.	Vivek Limited, <i>Independent Director</i>	None

#### **Shri D. K. Mukhopadhyay-Independent Director**

Shri D. K. Mukhopadhyay, who retires by rotation at the 14<sup>th</sup> Annual General Meeting, is not seeking re-appointment. It is proposed not to fill-in the casual vacancy caused by his retirement at the said meeting or any adjournment thereof.

#### **Shri Varun Mehta-Whole Time Director**

Shri Varun Mehta, 24, who is the elder son of Shri Kiran N. Mehta, Chairman & Managing Director, had been carrying on his own successful business in China and Dubai before joining the Company. He holds a Bachelor's degree in Business Administration from the Mumbai University. He is blessed with innate leadership and organizational skills contemplated with specialised Management education. As an ardent devotee of Shri Sai Baba, he is engaged in charitable and philanthropic activities. He has been conferred an award by the Red Cross Society in recognition of his efforts and contribution to their charitable activities.

He heads the International Marketing Division of the Company and is responsible for streamlining and strengthening the international marketing activities of the Varun Group.

He does not hold any equity share in the Company.

Given below are his other directorships: -

S. No.	List of other Directorships	Chairman/Member of the Committees of the Board of the companies in which he is a Director
1.	Varun Incorporation Limited, China	None
2.	Varun Incorporation Limited, Hong Kong	None
3.	Varun Petroleum SARL, Madagascar	None
4.	Varun Agriculture SARL, Madagascar	None
5.	Varun International SARL, Madagascar	None
6.	Madagascar Energy Corporation, Madagascar	None
7.	Madagascar Agriculture Corporation SARL, Madagascar	None

He was a director of Nagina Hotel Private Limited, an erstwhile wholly owned subsidiary, which was amalgamated with the Company w.e.f. 1<sup>st</sup> January 2010 as per orders of the Hon'ble Bombay High Court.

### 3. Audit Committee:

The Audit Committee comprises of Shri S. Rajagopal (Chairman), Shri D. K. Mukhopadhyay, Shri S. K. Srivastav, independent directors and Shri Kiran N. Mehta, Chairman & Managing Director. Shri K. L. Gopalakrishna, an independent director, was appointed a member of the Committee on 14<sup>th</sup> May 2010. Shri Kiran N. Bade, Vice President (Legal) & Company Secretary, is the Secretary of the Committee. The Group Advisor, Heads of the finance and accounts functions and Statutory Auditors are invited at its meetings. The Audit Committee acts as the link amongst the statutory auditor, internal auditor, Board of Directors and the Management. It addresses to matters pertaining to adequacy of internal controls, reliability of financial statements/management information, adequacy of provisions for liabilities, whether audit tests and checks are appropriate and scientifically carried out and that they were aligned with the business needs and realities, adequacy of disclosures and compliance with all relevant statutes and other facets vital to the Company's operations. The Committee performs the functions enumerated in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The matters deliberated upon by the Committee include: -

1)	Overseeing and reviewing the Company's financial reporting process.
2)	Fixation of audit fees and approval of various payments to statutory auditors for other services rendered by them.
3)	Reviewing with the management and auditors, the financial statements before submission to the Board for approval, with particular reference to:
a)	Confirmation of matters enumerated in the Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956.
b)	Major accounting entries involving estimates based on the exercise of judgment by management.
c)	Significant adjustments in the financial statements, arising out of audit findings.
d)	Compliance with listing and other legal requirements.
e)	Disclosure of related party transactions.
f)	Qualifications in the draft audit report, if any.
4)	Reviewing with the management, performance of statutory auditors.
5)	Discussion with statutory auditors about the nature and scope of audit.

The Committee also reviews other matters as required by the Listing Agreement and other laws, rules and regulations.

#### Details of Audit Committee Meetings

During the year, five meetings of the Audit Committee were held on 6<sup>th</sup> May 2009, 20<sup>th</sup> June 2009, 23<sup>rd</sup> July 2009, 31<sup>st</sup> October 2009 and 31<sup>st</sup> January 2010 and the attendance was as follows: -

S. No.	Name of the director	No. of Meetings	
		Held	Attended
1.	Shri S. Rajagopal	5	5
2.	Shri D. K. Mukhopadhyay	5	5
3.	Shri Kiran N. Mehta	5	3
4.	Shri S. K. Srivastav	5	5

#### 4. Shareholders'/Investors' Grievances Committee:

The Shareholders'/Investors' Grievances Committee comprises of independent directors, namely, Shri S. K. Srivastav (Chairman), Shri D. K. Mukhopadhyay and Shri S. Rajagopal. Shri Kiran N. Bade, Vice President (Legal) & Company Secretary, is the Compliance Officer.

The Committee reviews matters relating to investors' complaints, communication with members, regulatory compliances, etc.

During the year, the Company received 14 complaints from investors, which were resolved within one month of their receipt. No investor complaint was pending/unattended as on 31<sup>st</sup> March 2010.

No request for dematerialization/rematerialisation remained unattended for more than two weeks.

#### Details of the Shareholders'/Investors' Grievances Committee Meetings

During the year, one meeting of the Shareholders'/Investors' Grievances Committee was held on 31<sup>st</sup> October 2009, which was attended by all the Committee members.

#### 5. Remuneration Committee:

The Remuneration Committee comprises of Shri D. K. Mukhopadhyay (Chairman), Shri S. Rajagopal and Shri S. K. Srivastav, independent directors. The Committee is formed to perform, inter alia, the functions specified in Clause 49 of the Listing Agreement and Schedule XIII of the Companies Act, 1956. The Company's remuneration policy is in line with the general trend in export houses. Factors such as the key position, experience and expertise, leadership qualities, responsibilities shouldered by the individual, as also the volume of the Company's business and profits earned by it are taken into consideration while fixing remuneration packages of Executive Directors.

During the year, one meeting of the Remuneration Committee was held on 31<sup>st</sup> October 2009, which was attended by all the Committee members.

#### 6. Committee of Directors:

The Committee of Directors comprises of Shri Kiran N. Mehta (Chairman) and Shri Kailash S. Agarwal. The Committee deals with all matters pertaining to the day-to-day operations of the Company, except those to be specifically transacted by the Board of Directors.

The Committee inter alia, deals with approval of various credit facilities granted by the Bankers, execution of documents, opening and closing of Bank Accounts, changes in signatories authorized to operate the same, issue of Power of Attorneys to various executives of the Company for carrying out Company's work, matters related to shares, including transfers, issue of duplicate share certificates, dematerialization and rematerialisation of share certificates, etc.

#### Details of meetings of the Committee of Directors

During the year, 28 meetings of the Committee of Directors were held on 17<sup>th</sup> April 2009, 6<sup>th</sup> May 2009, 12<sup>th</sup> May 2009, 29<sup>th</sup> May 2009, 1<sup>st</sup> June 2009, 15<sup>th</sup> June 2009, 1<sup>st</sup> July 2009, 31<sup>st</sup> July 2009, 4<sup>th</sup> August 2009, 22<sup>nd</sup> August 2009, 25<sup>th</sup> August 2009, 28<sup>th</sup> August 2009, 1<sup>st</sup> September 2009, 7<sup>th</sup> September 2009, 21<sup>st</sup> September 2009, 25<sup>th</sup> September 2009, 6<sup>th</sup> October 2009, 14<sup>th</sup> October 2009, 24<sup>th</sup> October 2009, 27<sup>th</sup> October 2009, 23<sup>rd</sup> November 2009, 30<sup>th</sup> November 2009, 10<sup>th</sup> December 2009, 29<sup>th</sup> December 2009, 13<sup>th</sup> January 2010, 3<sup>rd</sup> February 2010, 15<sup>th</sup> February 2010 and 19<sup>th</sup> March 2010, which were attended by both the Committee members.

## 7. General Body Meetings:

Details of the last three Annual General Meetings are given below: -

Year	Day, Date and Time	Location	No. of Special Resolutions passed
2006-07	Monday, 16 <sup>th</sup> July 2007 at 11.00 a.m.	Registered Office of the Company	Nil
2007-08	Tuesday, 23 <sup>rd</sup> September 2008 at 4.00 p.m.	Walchand Hirachand Hall, 4 <sup>th</sup> Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020	Nil
2008-09	Thursday, 27 <sup>th</sup> August 2009 at 4.00 p.m.	-do-	One

No business was required to be transacted through postal ballot at the above meetings and none is required to be transacted through postal ballot at the forthcoming Annual General Meeting.

## 8. Disclosure:

- There are no materially significant transactions with the related parties, viz. Promoters, Directors or the Management, or relatives, conflicting with the Company's interest. Suitable disclosures as required by the Accounting Standard (AS 18) have been made in the Annual Report.
- There are no pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company, which have potential conflict with the interests of the Company.
- During the year under review, no penalties have been imposed or strictures passed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets.
- A mechanism is in place to inform the Board about the Risk Assessment and Minimisation procedures and periodical reviews to ensure that the Management controls risks.
- Pursuant to the provisions of sub-clause V of the revised Clause 49 of the Listing Agreement, the Chairman & Managing Director and the Chief Financial Officer have issued a certificate to the Board, on the accounts for the year ended 31<sup>st</sup> March 2010.
- The Company has placed before the Audit Committee and the Board of Directors particulars of utilization of proceeds received from IPO pursuant to Clause 49(IV) (D), 43 & 43A of the Listing Agreement and the details of the same were published in newspapers along with financial results of the Company.

## 9. Means of Communication:

Quarterly, half-yearly and annual financial results of the Company are communicated to the stock exchanges immediately after the Board takes them on record and thereafter published in prominent Marathi (Mumbai Lakshadeep), English & Gujarati (Economic Times) newspapers. The results are also posted on the Company's website namely, [www.varun.com](http://www.varun.com).

## 10. General Information:

- Company Registration Details:** The Company is registered in the State of Maharashtra. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs is L28990MH1996PLC097945.
- Annual General Meeting:** The 14<sup>th</sup> Annual General Meeting will be held on Thursday, 9<sup>th</sup> September 2010 at 4.00 P. M. at Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020.

### ❖ Financial Calendar:

First quarter results	:	July 2010
Second quarter results	:	October 2010
Third quarter results	:	January 2011
Annual results	:	June 2011
Annual General Meeting	:	August / September 2011

- Book Closure:** The Register of Members and the Share Transfer Register will remain closed from Friday, 3<sup>rd</sup> September 2010 to Thursday, 9<sup>th</sup> September 2010, both days inclusive.

Dividend for the year ended 31<sup>st</sup> March 2010, if declared at the Annual General Meeting, shall be paid to:

- beneficial owners at the end of business day on Thursday, 2<sup>nd</sup> September 2010 as per lists furnished by NSDL and CDSL in respect of shares held in electronic form; and
- persons whose names would appear on the Register of Members as at the end of the business day on Thursday, 2<sup>nd</sup> September 2010 in respect of shares held in physical form.

❖ **Dividend Payment Date:** Dividend, if declared, shall be paid within the prescribed time limit. Dividend shall be remitted through National Electronic Clearing Service (NECS) at approved locations, wherever NECS details are available and in other cases, through warrants payable at par.

❖ **Shares Listed At:**

The equity shares of the Company are listed at:

<b>Bombay Stock Exchange Limited (BSE)</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai Samachar Marg, Mumbai - 400 001.	<b>National Stock Exchange of India Ltd (NSE)</b> Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
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❖ **Stock Codes:**

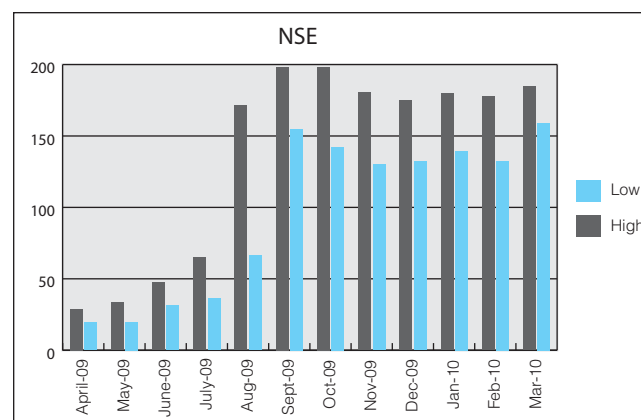
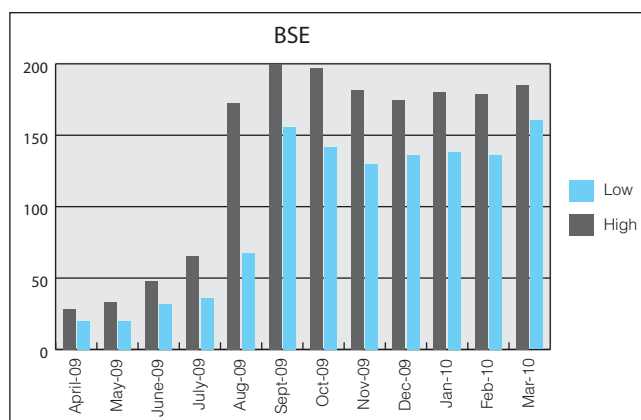
Bombay Stock Exchange Limited (BSE)	532917
National Stock Exchange of India Limited (NSE)	VARUN
Demat ISIN Number in NSDL & CDSL for Equity Shares	INE032G01012

❖ **Market Price Data**

The Equity Shares of the Company are traded in B group.

The market price data covering the period April 2009 to March 2010 is given below:

	BSE				NSE			
	(Rs.)		(Rs.)		(Rs.)		(Rs.)	
Month	High	Date	Low	Date	High	Date	Low	Date
April- 09	28.65	16-04-09	19.70	06-04-09	28.80	16-04-09	19.50	01-04-09
May-09	33.50	28-05-09	20.00	14-05-09	33.50	28-05-09	19.85	14-05-09
June-09	47.95	30-06-09	31.70	16-06-09	47.30	30-06-09	31.40	16-06-09
July-09	65.30	31-07-09	36.25	13-07-09	64.90	31-07-09	36.30	13-07-09
Aug-09	172.55	28-08-09	67.25	03-08-09	171.35	28-08-09	66.50	03-08-09
Sept-09	199.60	04-09-09	156.05	09-09-09	198.40	14-09-09	155.00	09-09-09
Oct-09	196.80	09-10-09	141.80	29-10-09	198.15	09-10-09	142.40	29-10-09
Nov-09	181.70	16-11-09	130.10	27-11-09	180.50	16-11-09	130.00	27-11-09
Dec-09	174.35	31-12-09	136.00	08-12-09	174.80	31-12-09	131.95	08-12-09
Jan-10	180.00	08-01-10	138.15	29-01-10	179.80	08-01-10	139.50	29-01-10
Feb-10	179.00	23-02-10	135.90	16-02-10	177.70	17-02-10	132.40	05-02-10
Mar-10	185.00	04-03-10	160.30	22-03-10	184.80	05-03-10	159.00	22-03-10



## Trading Volumes

The traded volumes of shares at BSE and NSE were as follows: -

Month	BSE (Shares)	NSE (Shares)	Total (Shares)
April-09	2434371	1951495	4385866
May-09	3076450	3062686	6139136
June-09	2188869	1632677	3821546
July-09	2654981	975762	3630743
Aug-09	6677414	3132569	9809983
Sept-09	6409343	5696467	12105810
Oct-09	3544401	2460207	6004608
Nov-09	1585128	1165892	2751020
Dec-09	1921480	1677049	3598529
Jan-10	1422993	1585995	3008988
Feb-10	4571026	6545234	11116260
Mar-10	3038303	3196643	6234946
<b>Total</b>	<b>39524759</b>	<b>33082676</b>	<b>72607435</b>

### ❖ Performance in comparison to broad-based indices such as BSE/NSE Sensex (Month-end closing)

Varun share price compared with BSE Sensex and NSE Nifty

Month	BSE		NSE	
	Share Price	Sensex	Share Price	S&P CNX Nifty
April-09	22.65	11,403.25	22.50	3473.95
May-09	31.70	14,625.25	31.65	4448.95
June-09	46.80	14,493.84	46.50	4291.10
July-09	65.30	15,670.31	64.90	4636.45
Aug-09	165.75	15,666.64	166.55	4662.10
Sept-09	190.05	17,126.84	190.10	5083.95
Oct-09	151.35	15,896.28	148.95	4711.70
Nov-09	143.85	16,926.22	143.15	5032.70
Dec-09	168.30	17,464.81	168.70	5201.05
Jan-10	143.60	16,357.96	143.20	4882.05
Feb-10	168.60	16,429.55	167.75	4922.30
Mar-10	168.85	17,527.77	169.05	5249.10

### ❖ Registrar and Transfer Agent

Bigshare Services Private Limited,  
E/2, Ansa Industrial Estate,  
Sakivihar Road, Sakinaka,  
Andheri (East) – 400 072  
Tel: +91-22-28470652, 40430200  
Fax: +91-22-2847 5207  
e-mail: info@bigshareonline.com  
Website: www.bigshareonline.com



❖ **Share Transfer System:**

During the year ended 31<sup>st</sup> March 2010, the Company had received one request for transfer of shares held in physical form. More than 99% of the Equity Shares of the Company are held in Dematerialized form. The Board of Directors has delegated the powers of approving the transfer of shares, issue of duplicate share certificates and other share related matters to the Committee of Directors.

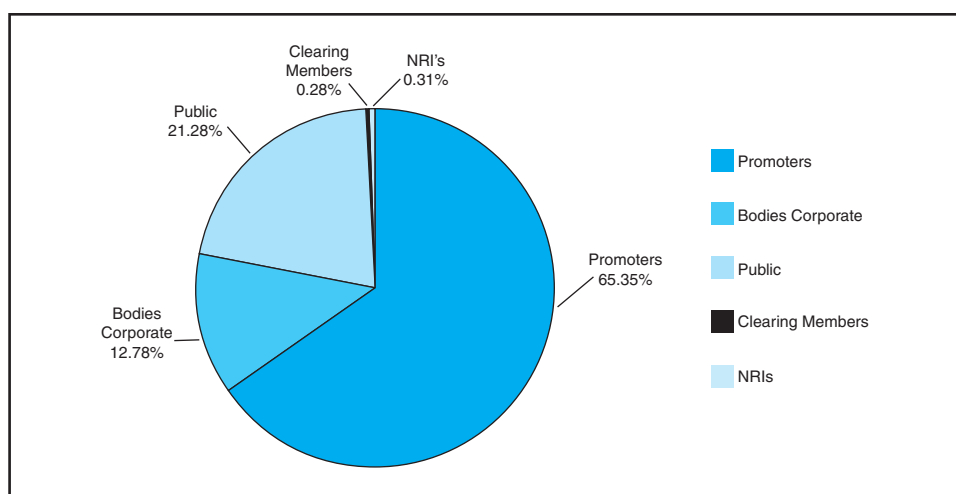
❖ **Shareholding Profile as on 31<sup>st</sup> March 2010:**

i) Distribution of Shareholding:

Range (In Rupees)			Holders	% of Total Holders	Total capital in Rupees	% of Total Capital
1	-	500	3140	27.69	943580	0.43
501	-	1000	5458	48.14	5355040	2.42
1001	-	2000	913	8.05	1627240	0.74
2001	-	3000	356	3.14	979780	0.44
3001	-	4000	178	1.57	673110	0.30
4001	-	5000	336	2.96	1649220	0.75
5001	-	10000	385	3.40	3220550	1.46
10001	and above		572	5.05	206690930	93.46
<b>Total</b>			<b>11,338</b>	<b>100</b>	<b>221139450</b>	<b>100</b>

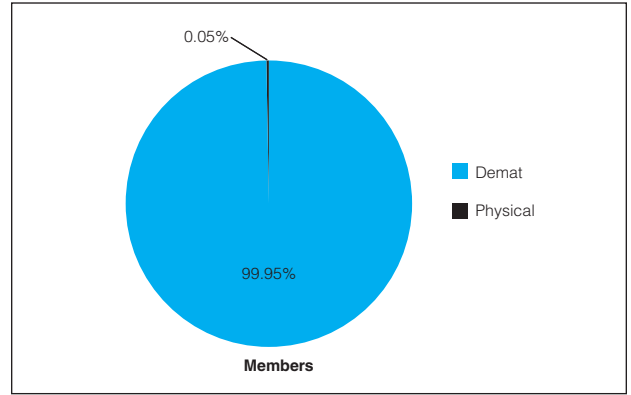
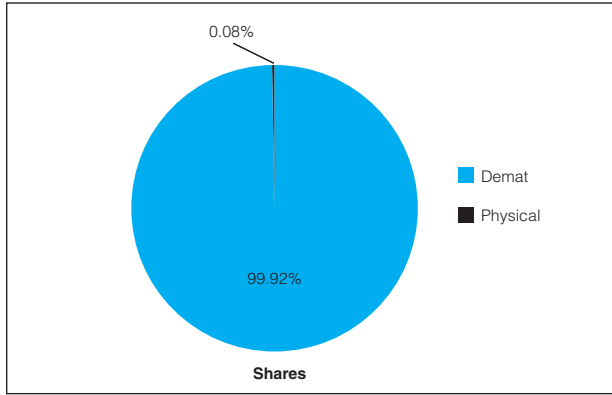
ii) Shareholding Pattern

Category of members	% of shares held
Promoters	65.35
Bodies Corporate	12.78
Public	21.28
Clearing Members	0.28
NRIs	0.31
<b>Total</b>	<b>100.00</b>



iii) Holding Profile

Mode	Demat	(%)	Physical	(%)	Total
Shares	22095541	99.92%	18404	0.08%	22113945
Members	11332	99.95%	6	0.05%	11338



❖ **Dematerialization of Shares and Liquidity**

The Company's shares are traded compulsorily in dematerialized form and are available for trading with both the depositories, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

❖ **Secretarial Audit Report**

In accordance with SEBI guidelines, quarterly Secretarial Audit is undertaken by a Practicing Company Secretary for reconciling the total admitted capital with the records of the depositories, viz. NSDL and CDSL.

The Secretarial Audit Report inter alia, certifying that the shares in demat mode and in physical form tally with the issued/paid up capital, the Register of Members is duly updated, etc; is submitted to BSE and NSE on a quarterly basis. The said report is also placed before the meetings of Board of Directors and Investors' Grievances Committee.

❖ **Code of Conduct for prevention of Insider Trading**

The Code of Conduct pursuant to the provisions of the SEBI (Prohibition of Insider Trading) Regulations 1992 has been followed in law and spirit. Continual disclosures, trading window closures and other requirements envisaged under the Code are being complied with in true spirit.

❖ **Status of Unclaimed Dividend**

Given below is the status of unclaimed dividend: -

Year of dividend	Date of declaration of dividend	Date of transfer to unpaid/unclaimed dividend account	Due date for transfer to IEPF
31 <sup>st</sup> March 2008	23 <sup>rd</sup> September 2008	30 <sup>th</sup> October 2008	29 <sup>th</sup> October 2015
31 <sup>st</sup> March 2009	27 <sup>th</sup> August 2009	3 <sup>rd</sup> October 2009	2 <sup>nd</sup> October 2016

❖ **Plant Locations**

The Company's plants are located at:

**(a) Stainless Steel Kitchenware and Houseware Manufacturing Plant, Vasai**

S. No. 14/3, Village Valiv,  
 Vasai - Vajreshwari Road, Taluka Vasai,  
 Vasai (East), District Thane - 401 208, Maharashtra  
 Tel: +0250-245 1782 / 245 3432  
 Fax: +0250-245 1781/245 3434

**(b) Stainless Steel Sheet Re-rolling Mill, Jodhpur**

E-371, Marudhar Industrial Estate, Phase II, Basni,  
Jodhpur (Rajasthan) – 342 005  
Tel: +91-291-274 6622/33  
Fax: +91-291-274 6644

In addition to the above, steps are being taken for setting up a new state-of-the-art Stainless Steel cum Alloy steel complex at Rohat, Jodhpur to manufacture flats, structurals, angles, rounds, wire rods, channels and long products at a cost of about Rs. 230 crore.

Further, the Company's application to the Government of Karnataka to set up a Steel Plant at Bagalkote was approved at a high level Steering Committee of the Government. The cost of the Plant is estimated at Rs. 304 crore. The Government of Karnataka has also allotted to the Company land admeasuring 500 acres at Bagalkote to set up the unit.

❖ **Contact Persons for Enquiries**

Shri Kiran N. Bade  
Email: investor\_relation@varun.com

❖ **Address for Correspondence**

**Varun Industries Limited**

Registered Office: 13, Shankheshwar Darshan, A. G. Pawar Cross Lane, Byculla – East, Mumbai – 400 027

Tel: +91 22 2372 7400  
Fax: +91 22 2374 8686

❖ **Exclusive email id for investor grievance**

Pursuant to Clause 47(f) of the Listing Agreement, the following dedicated e-mail id has been designated for communicating investors' grievances:

investor\_relation@varun.com

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

**Kiran N. Mehta**  
*Chairman and Managing Director*

Mumbai, 22<sup>nd</sup> July 2010

# DECLARATION PURSUANT TO CLAUSE 49 I (D) (II) OF THE LISTING AGREEMENT

In accordance with Clause 49 of the Listing Agreement, I hereby declare that the Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct as applicable to them respectively, for the year ended 31<sup>st</sup> March 2010.

For **Varun Industries Limited**

**Kiran N. Mehta**  
*Chairman & Managing Director*

22<sup>nd</sup> July 2010

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

**To the members of Varun Industries Limited.**

We have examined the compliance of corporate governance by Varun Industries Limited ("the Company"), for the year ended on 31<sup>st</sup> March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

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

For **CHUNNILAL & COMPANY**  
CHARTERED ACCOUNTANTS  
Firm Registration No. 101947 W

**(CA. Chunnilal Choudhary)**  
Proprietor  
Membership No. 037784

Mumbai  
22<sup>nd</sup> July 2010

# AUDITORS' REPORT

To  
**The Members of  
Varun Industries Limited**

- 1) We have audited the attached Balance Sheet of **Varun Industries Limited** as at 31<sup>st</sup> March 2010 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.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto (together referred to as 'the Order') 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.
- 4) Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books;
  - 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, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of representations made by the Directors and taken on record by the Board of Directors and the information and explanations given to us, none of the directors is disqualified as on 31<sup>st</sup> March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on said date;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the Company's Accounting Policies and Notes thereto, 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 31<sup>st</sup> March 2010;
    - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**CA. Chunnilal Choudhary**

Partner  
M. No.: 037784

Place: Mumbai.  
Dated: 22<sup>nd</sup> July 2010

# ANNEXURE TO AUDITORS' REPORT

## Re: VARUN INDUSTRIES LIMITED

### Referred in para 3 of our report of even date:

- i. In respect of its Fixed Assets: -
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) The fixed assets have been physically verified during the year by the management at a regular interval which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - c) During the year, Company has disposed off certain fixed assets which are not substantial or major part of fixed assets. Therefore, it has no effect on the going concern status of the Company.
- ii. In respect of its Inventories: -
  - a) As explained to us, the inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion, and according to the information and explanations given to us, the procedure of physical verification of inventory, followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion, and according to the information and explanations given to us and on the basis of our examination of the record of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
- iii. (a) The Company has granted unsecured loans to its subsidiary companies which are covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 130.76 lac and the year-end balance of such loans was Rs. 130.76 lac.
  - (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
  - (c) The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion, and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. According to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section;
- vi. In our opinion and according to the information & explanations given to us, the Company has not accepted any deposits from the public and therefore the provisions of Section 58A and 58AA of the Companies Act, 1956 & Rules there under are not applicable to the Company;
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business;
- viii. We have broadly reviewed the records made and maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under the provisions of Section 209(1) (d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are made applicable, are of the opinion that, prima-facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate or complete;
- ix. In respect of Statutory dues.
  - a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of the account in respect of undisputed statutory dues including Provident Fund, Income Tax, Service Tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the company did not have any dues on account of Employees' State Insurance, Sales-Tax, Wealth-Tax, Custom Duty, Excise Duty, Cess and Investor Education and Protection fund.

- b) According to the information & explanations given to us, there were no undisputed amounts payable in respects of Provident Fund, Sales Tax, Customs Duty, Excise Duty, Income Tax and other material statutory dues were in arrears as at 31<sup>st</sup> March 2010 for a period of more than six months from the date they became payable.
- c) According to information and explanations given to us, other than Income Tax aggregating to Rs. 10.11 lac for the Assessment Year 2006-2007, there are no dues of, Provident Fund, Wealth Tax, Service Tax and other Material statutory dues which have not been deposited with the appropriate authorities on account of any dispute. As per the information available with us and explanations given by the company, applications for rectification are made with Income Tax Department.
- x. The Company does not have accumulated losses as at the end of the year and the Company has not incurred any cash losses in the current and the immediately preceding financial year.
- xi. Based on our audit procedure and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions/banks.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- xiv. a) Based on the records examined by us and according to the information and explanations given to us, we are of the opinion that the company is maintaining proper record of the transactions and contracts of dealing in shares and securities and timely entries have been made in these records.
- b) Based on our audit procedures and to the best of our knowledge and belief and according to the information and explanations given to us, the shares and securities have been held by the company in its own name.
- xv. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the company.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, term loan availed by the company was, prima facie, applied by the company during the year, for which the loan was obtained.
- xvii. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- xviii. The Company has made preferential allotment of convertible Equity Share Warrants to Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal, both parties covered in the register maintained under section 301 of the Companies Act, 1956, during the year. These allotments have been made in accordance with Preferential Issue Guidelines issued by Securities & Exchange Board of India ("SEBI") contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines), 2000 as amended (the "Guidelines"/ "SEBI Guidelines"). In our opinion, the price at which the convertible Equity Share Warrants have been issued is not prejudicial to the interest of the Company.
- xix. According to the information and explanations given to us and records examined by us, there were no debentures issued during the year so the question of charge does not arise.
- xx. The Company has not raised money by making any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**CA. Chunnilal Choudhary**

Partner  
Membership No. 037784

Place: Mumbai

Dated: 22<sup>nd</sup> July 2010

# BALANCE SHEET

## as at 31<sup>st</sup> March 2010

Schedule	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>I. SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
a) Share Capital	2,211.39	2,211.39
b) Equity Share Warrants	756.00	-
c) Reserves and Surplus	38,284.94	35,778.96
	<u>41,252.33</u>	<u>37,990.35</u>
<b>Loan Funds</b>		
Secured Loans	74,185.08	59,446.71
Unsecured Loans	8,812.98	7,765.87
<b>Deferred Tax Liability</b>	965.84	970.19
<b>Total Funds Employed</b>	<u>125,216.23</u>	<u>106,173.12</u>
<b>II. APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
a) Gross Block	44,193.68	34,667.36
b) Less: Depreciation	5,659.87	3,161.37
c) Net Block	38,533.81	31,505.99
d) Capital Work-in-Progress & Advances	339.98	4,931.89
	<u>38,873.79</u>	<u>36,437.88</u>
<b>Investments</b>	742.64	732.25
<b>Current Assets, Loans and Advances</b>		
a) Inventories	9,992.75	10,126.83
b) Sundry Debtors	68,192.71	44,805.34
c) Cash and Bank Balances	6,092.39	5,362.84
d) Other Current Assets	999.64	1,116.39
e) Loans and Advances	15,337.11	10,639.99
	<u>100,614.60</u>	<u>72,051.39</u>
<b>Less: Current Liabilities &amp; Provisions</b>		
a) Sundry Creditors	14,356.42	2,582.66
b) Other Liabilities	533.81	425.44
c) Provisions	124.57	40.30
	<u>15,014.80</u>	<u>3,048.40</u>
<b>Net Current Assets</b>	<u>85,599.80</u>	<u>69,002.99</u>
<b>Total Funds Utilised</b>	<u>125,216.23</u>	<u>106,173.12</u>

Notes on Accounts forming part of this Balance Sheet 21

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**

Partner  
(Membership No. 037784)

Place: Mumbai

Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**

Chairman & Managing Director

**KAILASH S. AGARWAL**

Managing Director

**KIRAN N. BADE**

V.P.(Legal) & Company Secretary



# PROFIT AND LOSS ACCOUNT

## for the year ended 31<sup>st</sup> March 2010

	Schedule	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>INCOME</b>			
Income from Operations	14	155,943.00	122,042.86
		<u>155,943.00</u>	<u>122,042.86</u>
<b>EXPENDITURE</b>			
Cost of Good Sold	16	136,508.01	105,694.42
Personnel Cost	17	1,341.79	1,057.20
Administrative & Other Expenses	18	1,652.20	1,618.67
Selling & Distribution Expenses	19	1,101.51	2,334.15
Interest & Financial Charges	20	8,085.61	5,511.02
Depreciation	4	1,844.80	1,104.88
		<u>150,533.92</u>	<u>117,320.34</u>
<b>Profit from Operations</b>		5,409.08	4,722.52
<b>Add/(Less): Other Income</b>	15	(1,825.80)	(2,715.85)
<b>Profit Before Tax</b>		3,583.28	2,006.67
<b>Provision For:</b>			
Income Tax		1,200.00	675.00
Income Tax (Earlier Years)		0.05	19.20
Deferred Tax		(3.35)	(7.98)
Fringe Benefit Tax		-	35.00
Wealth Tax		4.85	3.50
<b>Profit After Tax</b>		<u>2,381.73</u>	<u>1,281.95</u>
Balance Brought Forward		4,577.37	3,554.14
<b>Balance Available For Appropriation</b>		<u>6,959.10</u>	<u>4,836.09</u>
<b>APPROPRIATION</b>			
Proposed Dividend		331.71	221.14
Provision for Tax on Dividend		55.09	37.58
Transfer to General Reserve		119.09	-
<b>Balance Carried Forward</b>		<u>6,453.21</u>	<u>4,577.37</u>
<b>Earning per Share</b>			
Earning per Share (Basic and Diluted) (Rs.)		10.77	5.80
Face Value of Shares Rs. 10/- each (Refer Note 10 of Schedule 21B)			
Notes on Accounts forming part of this Profit and Loss Account	21		

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**

Partner  
(Membership No. 037784)

Place: Mumbai

Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**

Chairman & Managing Director

**KAILASH S. AGARWAL**

Managing Director

**KIRAN N. BADE**

V.P.(Legal) & Company Secretary

# CASH FLOW STATEMENT

## for the year ended 31<sup>st</sup> March 2010

	Year Ended 31st March 2010 (Rs. in lac)	Year Ended 31st March 2009 (Rs. in lac)
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before tax and Extraordinary items	3,583.28	2,006.67
<b>Adjustment for:</b>		
Depreciation w/off	1,844.80	1,104.88
Interest and Finance Charges	8,085.61	5,511.02
(Profit)/Loss on sale of Current Investment	(7.76)	-
(Profit)/Loss on sale/discard of Fixed Assets	28.80	4.02
Diminution in Value of Current Investments	(3.34)	12.66
Dividend Received	(0.14)	(0.21)
Rent Received	(59.51)	(51.05)
Interest Received	(472.23)	(357.82)
<b>Operating Profit before working Capital Changes</b>	<b>12,999.51</b>	<b>8,230.17</b>
<b>Adjustment for:</b>		
(Increase)/Decrease in Inventories	134.08	411.40
(Increase)/Decrease in Trade & Other Receivables	(23,387.37)	(17,209.27)
(Increase)/Decrease in Other Current Assets	(4,851.98)	(97.36)
Increase/(Decrease) in Payables, Provisions & Working Capital finance	28,879.84	13,708.59
<b>Cash generated from Operations</b>	<b>13,774.08</b>	<b>5,043.53</b>
Direct Taxes Paid	(935.66)	(690.32)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES [A]</b>	<b>12,838.42</b>	<b>4,353.21</b>
<b>B. Cash Flow from Investing Activities</b>		
Acquisition of Fixed Assets including Capital WIP	(1,869.18)	(4,951.30)
(Increase)/Decrease in Investment	(7.05)	312.95
Proceeds on Sale of Fixed Assets	484.42	10.76
Profit on sale of Current Investments	7.76	-
Interest Received	459.33	318.92
Amount Invested in Fixed Deposit	(1,284.37)	280.89
Rent Received	59.51	51.05
Dividend Received	0.14	0.21
Adjustment on account of Amalgamation of Subsidiary	(2,928.82)	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES [B]</b>	<b>(5,078.26)</b>	<b>(3,976.52)</b>

# CASH FLOW STATEMENT

## for the year ended 31<sup>st</sup> March 2010 (Contd.)

	Year Ended 31st March 2010 (Rs. in lac)	Year Ended 31st March 2009 (Rs. in lac)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Equity Share Warrants	756.00	-
Repayment of Long Term Loans	(1,786.66)	(731.45)
Proceeds from Long Term Loans	-	1,946.12
Proceeds from Unsecured Loans	1,047.11	4,468.99
Dividend including Distributed Tax	(258.72)	(388.08)
Interest and Finance Charges Paid	(8,085.61)	(5,511.02)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>(8,327.88)</b>	<b>(215.44)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(567.72)</b>	<b>161.25</b>
CASH/CASH EQUIVALENTS AS ON 01.04.2009	645.75	484.50
<b>CASH/CASH EQUIVALENTS AS ON 31.03.2010</b>	<b>78.02</b>	<b>645.75</b>

**Notes:**

- Cash and cash equivalents include:
 

Cash in hand	12.24	9.58
Balance with scheduled banks	65.78	636.17
Total Cash and cash equivalents include	78.02	645.75
- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**

Partner  
(Membership No. 037784)

Place: Mumbai

Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**

Chairman & Managing Director

**KAILASH S. AGARWAL**

Managing Director

**KIRAN N. BADE**

V.P.(Legal) & Company Secretary

## Schedules forming part of Balance Sheet as at 31<sup>st</sup> March 2010

	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised:</b>		
3,00,00,000 (P.Y. 3,00,00,000) Equity Shares of Rs.10/- each	<u>3,000.00</u>	<u>3,000.00</u>
<b>Issued, Subscribed and Paid-up:</b>		
2,21,13,945 (P.Y. 2,21,13,945) Equity Shares of Rs.10/- each fully paid-up	<u>2,211.39</u>	2,211.39
Of the above:		
(1) 15,96,100 Equity shares have been issued as fully paid up for consideration other than cash		
(2) 1,14,73,700 Equity shares have been issued as fully paid up Bonus Shares by capitalisation of General Reserve		
	<u>2,211.39</u>	<u>2,211.39</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
<b>Revaluation Reserve</b>		
Opening Balance	20,405.53	21,026.13
Adjustment on account of amalgamation of NHPL*	3,446.81	-
Less: Depreciation on Revaluation amount	<u>606.36</u>	<u>620.60</u>
	23,245.98	20,405.53
<b>Securities Premium Account</b>		
Opening Balance	3,950.40	3,950.40
<b>General Reserve</b>		
Opening Balance	6,845.66	7,027.70
Add: Transfer from P & L Account	119.09	-
Adjustment on account of amalgamation of NHPL*	(2,329.40)	-
Less: Deducted as per amended AS-11	<u>-</u>	<u>182.04</u>
(*Refer Note 3 of Schedule 21 B)	4,635.35	6,845.66
<b>Profit and Loss Account</b>		
	<u>6,453.21</u>	<u>4,577.37</u>
	<u>38,284.94</u>	<u>35,778.96</u>
<b>SCHEDULE 3 - SECURED LOANS</b>		
Term Loan	4,764.02	7,004.57
Export Packing Credit	11,389.51	12,549.54
FDBP/FDUBP	44,383.02	31,653.69
Cash Credit / ODBD	7,530.82	6,486.03
Short Term Loan	5,648.91	1,272.14
Vehicle Loan	468.80	480.74
	<u>74,185.08</u>	<u>59,446.71</u>

# Schedules forming part of Balance Sheet as at and the Profit and Loss Account for the year ended 31<sup>st</sup> March 2010

## SCHEDULE 4 - FIXED ASSETS

(Rs. in lac)

DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK				
	As at 01.04.2009	Adjustment on Account of Amalgamation	Additions	Deductions/ Adjustment	As at 31.03.2010	Up to 01.04.2009	Adjustment on Account of Amalgamation	For the Period	Deduction/ Adjustment	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
Freehold Land	11,988.00	0.22	88.90	-	12,077.12	-	-	-	-	-	12,077.12	11,988.00
Leasehold Land *	4,476.34	-	-	32.29	4,444.05	105.92	-	67.10	-	173.02	4,271.03	4,370.42
Buildings	10,205.11	3,648.65	604.90	127.53	14,331.13	1,487.89	3.94	925.02	-	2,416.85	11,914.28	8,717.22
Plant and Machinery	3,109.86	-	1,031.95	145.14	3,996.67	548.26	-	431.64	0.04	979.86	3,016.81	2,561.60
Furniture, Fixtures & Office Equipments	857.43	479.03	644.77	47.56	1,933.67	223.48	77.78	185.38	11.48	475.16	1,458.51	633.95
Computer	166.40	2.58	20.77	2.60	187.15	99.98	1.15	30.65	1.71	130.07	57.08	66.42
Vehicles	1,219.77	-	97.70	32.67	1,284.80	284.50	-	245.61	22.30	507.81	776.99	935.27
Oil Rig	-	-	3,455.60	-	3,455.60	-	-	431.32	-	431.32	3,024.28	-
Wind Power Project	2,644.45	-	-	160.96	2,483.49	411.34	-	134.44	-	545.78	1,937.71	2,233.11
<b>Total</b>	<b>34,667.36</b>	<b>4,130.48</b>	<b>5,944.59</b>	<b>548.75</b>	<b>44,193.68</b>	<b>3,161.37</b>	<b>82.87</b>	<b>2,451.16</b>	<b>35.53</b>	<b>5,659.87</b>	<b>38,533.81</b>	<b>31,505.99</b>
Capital Work-in-Progress** (Inclusive of Capital Advance)	-	-	-	-	-	-	-	-	-	-	339.98	4,931.89
<b>Total</b>	<b>34,667.36</b>	<b>4,130.48</b>	<b>5,944.61</b>	<b>548.77</b>	<b>44,193.68</b>	<b>3,161.37</b>	<b>82.88</b>	<b>2,451.16</b>	<b>35.55</b>	<b>5,659.87</b>	<b>38,873.79</b>	<b>36,437.88</b>
Previous Year	32,772.33	-	1,930.56	35.53	34,667.36	1,456.64	-	1,725.48	20.75	3,161.37	36,437.88	-

\*Assignment of lease in favour of company is under process of confirmation by Mumbai Port Trust

\*\*Capital Work-in-Progress includes expenditure incurred during construction period pending allocation aggregating Rs. 62.71 lacs (P.Y. 290.22 lacs)

## Schedules forming part of Balance Sheet as at 31<sup>st</sup> March 2010

	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>SCHEDULE 5 - INVESTMENT</b>		
<b>LONG TERM (Non Quoted)</b>	726.00	726.00
<b>CURRENT (Quoted, Non Trade)</b> (Refer Note 12 of Schedule 21B)	16.64	6.25
	<b>742.64</b>	<b>732.25</b>
<b>SCHEDULE 6 - INVENTORIES</b>		
(As taken, valued and certified by the management)		
Raw Material	1,496.65	3,141.81
Work-in-Process	412.09	221.18
Finished Goods		
- At Warehouse	7,802.78	6,501.15
- Stock-in-Transit	28.73	7.48
	<b>7,831.51</b>	<b>6,508.63</b>
Packing Material, Stores & Spares	252.50	255.21
	<b>9,992.75</b>	<b>10,126.83</b>
<b>SCHEDULE 7 - SUNDRY DEBTORS</b>		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	67,625.72	38,149.40
Others	1,563.00	9,780.34
	<b>69,188.72</b>	<b>47,929.74</b>
<b>Less : Advances from Customers</b>	<b>996.01</b>	<b>3,124.40</b>
	<b>68,192.71</b>	<b>44,805.34</b>
<b>SCHEDULE 8 - CASH AND BANK BALANCES</b>		
Cash in Hand	12.24	9.57
<b>Balances with Scheduled Banks</b>		
In Current Accounts	65.78	636.17
In Fixed Deposits (Including Accrued Interest)	6,014.37	4,717.10
	<b>6,092.39</b>	<b>5,362.84</b>
<b>SCHEDULE 9 - OTHER CURRENT ASSETS</b>		
Export Incentives & Wind Power Receivables	445.66	184.34
Deposits (Refer Note 9 (b)(ii) of Schedule 21B)	203.69	313.79
Advance Tax & TDS (Net of Provision)	288.51	560.12
Prepaid Expenses	46.16	45.40
Service Tax Receivable	9.19	8.57
CENVAT/VAT Credit Receivable	6.42	4.17
	<b>999.64</b>	<b>1,116.39</b>

## Schedules forming part of Balance Sheet as at 31<sup>st</sup> March 2010

	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>SCHEDULE 10 - LOANS AND ADVANCES</b>		
(Unsecured, Considered good)		
a) Advances recoverable in cash or in kind or for value to be received	443.69	934.31
b) Advance to Suppliers	14,796.25	9,639.74
c) Advance for Expenses	32.92	60.82
d) Loans to Staff	64.25	5.12
	15,337.11	10,639.99
<b>SCHEDULE 11 - SUNDRY CREDITORS</b>		
<b>Sundry Creditors</b>		
For Raw Material & Finished Goods	13,875.07	1,989.16
For Packing Materials	93.31	95.08
For Capital Expenditure	10.86	61.50
For Others	377.18	436.92
	14,356.42	2,582.66
<b>SCHEDULE 12 - OTHER LIABILITIES</b>		
Other Liabilities - Statutory	121.68	141.29
- Others	25.33	25.43
Proposed Dividend & Dividend Tax	386.80	258.72
	533.81	425.44
<b>SCHEDULE 13 - PROVISIONS</b>		
For Expenses	124.57	40.30
	124.57	40.30

## Schedules forming part of Profit and Loss Account for the year ended 31<sup>st</sup> March 2010

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 14 - INCOME FROM OPERATIONS</b>		
Sales	153,202.99	119,147.18
Sale of Wind Power	281.70	303.94
Export Incentives	1,637.69	2,567.85
Rig Hiring and O&M Services (Net)	820.62	23.89
	<u>155,943.00</u>	<u>122,042.86</u>
<b>SCHEDULE 15 - OTHER INCOME</b>		
Profit on Sale of Current Investment	7.76	-
Dividend Received	0.14	0.21
Rent Received	59.51	51.05
Interest Received	472.23	357.82
Foreign Exchange Fluctuation Gain / (Loss)	(2,365.44)	(3,124.93)
	<u>(1,825.80)</u>	<u>(2,715.85)</u>
<b>SCHEDULE 16 - COST OF GOOD SOLD</b>		
<b>a) Raw Materials Consumed</b>		
Opening Stock	3,141.81	1,616.54
Add : Purchases	7,358.45	8,777.77
	<u>10,500.26</u>	<u>10,394.31</u>
Less: Closing Stock	1,496.65	3,141.81
	<u>9,003.61</u>	<u>7,252.50</u>
<b>b) Packing Materials &amp; Stores Consumed</b>		
Opening Stock	255.21	196.61
Add : Purchases	1,012.66	1,316.77
	<u>1,267.87</u>	<u>1,513.38</u>
Less: Closing Stock	252.50	255.21
	<u>1,015.37</u>	<u>1,258.17</u>
<b>c) Manufacturing Expenses</b>		
Excise Duty on Finished Goods (Provision)	996.59	1,371.85
	-	(26.66)
Increase (Decrease)	<u>996.59</u>	<u>1,345.19</u>
<b>d) Work in process</b>		
Opening Stock	221.18	186.17
Less: Closing Stock	412.09	221.18
	<u>(190.91)</u>	<u>(35.01)</u>
<b>e) Finished Goods</b>		
Opening Stock	6,508.63	8,538.91
Add : Purchases	127,006.23	93,843.30
	<u>133,514.86</u>	<u>102,382.21</u>
Less: Closing Stock	7,831.51	6,508.64
	<u>125,683.35</u>	<u>95,873.57</u>
	<u>136,508.01</u>	<u>105,694.42</u>



## Schedules forming part of Profit and Loss Account for the year ended 31<sup>st</sup> March 2010

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 17 - PERSONNEL COST</b>		
Salaries, Wages & Bonus	760.20	727.67
Contribution to Provident and Other Funds	60.75	50.23
Staff Welfare & Food & Bvgs. Expenses	72.46	61.10
Professional Fees	22.36	8.11
Contractual Remuneration	75.68	73.85
Directors Remuneration	270.97	136.24
Commission to Directors	79.37	-
	<b>1,341.79</b>	<b>1,057.20</b>
<b>SCHEDULE 18 - ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	254.33	309.41
Tour & Travelling Expenses	212.49	231.72
Conveyance & Vehicle Expenses	114.93	105.93
Octroi & Freight Inward	145.42	191.45
Communication Expenses	56.17	74.87
Printing & Stationery	40.70	34.58
Repair & Maintenance	126.42	113.81
Insurance Charges	19.75	21.58
ECGC Premium	140.93	187.64
Power, Fuel & Water Charges	43.13	41.12
Legal & Professional Charges	380.36	241.50
Membership & Subscription	4.68	14.75
Donation	56.52	8.78
Director Sitting Fees	9.55	6.05
Auditors Remuneration	18.00	11.03
Internal Audit Fees	2.48	2.04
Loss on Sale/Discard of Fixed Assets	28.80	4.02
Diminution in Value of Current Investments	(3.34)	12.67
Sundry Balances W/off	0.23	4.91
Miscellaneous Expenses	0.65	0.81
	<b>1,652.20</b>	<b>1,618.67</b>
<b>SCHEDULE 19 - SELLING AND DISTRIBUTION EXPENSES</b>		
Advertisement and Sales Promotion	371.09	299.21
Freight & Forwarding Charges	438.89	1,777.57
Sales Tax	221.89	123.03
Commission	69.64	134.34
	<b>1,101.51</b>	<b>2,334.15</b>
<b>SCHEDULE 20 - INTEREST AND FINANCIAL CHARGES</b>		
Bank Interest	6,754.79	4,300.88
Bank Charges & Commission	1,330.82	1,210.14
	<b>8,085.61</b>	<b>5,511.02</b>

## **SCHEDULE 21: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **1) ACCOUNTING CONVENTION**

The Company prepares its Financial Statements on accrual basis in accordance with generally accepted Accounting Principles and complies with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956.

#### **2) FIXED ASSETS**

Fixed Assets are stated at cost of acquisition or construction, which comprise all related expenses upto acquisition and installation of the fixed assets or at revalued amounts wherever such assets have been revalued less accumulated depreciation.

#### **3) DEPRECIATION**

Depreciation on fixed assets except Leasehold Land and Wind Power Projects have been provided on Written- Down Value method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Amount paid on Leasehold Land has been amortised over the period of lease. Depreciation on Wind Power Projects have been spread over to 20 years period and written off proportionately for the year. Depreciation on addition and deduction of fixed assets is calculated on Pro-Rata basis. Depreciation related to revaluation amount of Fixed Assets has been calculated at the same rate of depreciation of the asset and deducted from Revaluation Reserve.

#### **4) INVESTMENTS**

- a) Long term investments are stated at cost. In case, there is a permanent diminution in the value of any investment, a provision for the same is made in the accounts.
- b) Quoted current investments are stated at the lower of cost or market value.

#### **5) INVENTORIES**

Inventories are carried at the lower of cost (including tax, if any) or net realizable value. The methods of determination of cost for various categories are as under:

- i) Raw Material : First In First Out basis
- ii) Packing Goods, Stores & Spares : First In First Out basis
- iii) Work-in-process : At Works Cost basis
- iv) Finished Goods : First In First Out basis

#### **6) REVENUE RECOGNITION**

- a. Sale of Goods is recognized at the same time of dispatch of goods to customers.
- b. Export Incentives i.e. Duty Draw Back or DEPB is recognized on accrual basis.
- c. Purchase cost of Finished Goods and Packing Goods has been arrived at after deducting Returns, discount etc.
- d. Interest Income is recognised on time proportion basis.

#### **7) FOREIGN EXCHANGE TRANSACTION / TRANSLATION**

The Company has complied with AS-11 issued by ICAI as regards the provisions in respect of its Foreign Exchange Transactions. Transactions in foreign currency are recorded at the exchange rate in force at the time transactions are effected. Exchange differences arising on settlement of foreign currency transactions are recognised in the Profit & Loss Account.

Monetary items denominated in foreign currency are restated using the exchange rate prevailing at the date of the Balance Sheet and the resulting net exchange difference is recognised in the Profit & Loss Account.

Forward Contracts are accounted on the basis of their settlement and the resultant realised gain/loss on settlement is recognised in the Profit & Loss Account.

The Company has opted for accounting the exchange difference of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 notified on 31st March 2009. Accordingly, the exchange gain/loss relating to long term foreign currency monetary items has been deducted / added to the cost of fixed assets.

## 8) DEFERRED TAX

The Deferred Tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws enacted or subsequently enacted as of the Balance Sheet date. Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## 9) RETIREMENT BENEFITS

- (a) Under Provident Fund and E.S.I. Scheme, Company's contribution accruing during the accounting year has been charged to Profit & Loss account.
- (b) Encashment of leave lying to the credit of employees is not provided for on actuarial basis. It is accounted on cash basis. Therefore, it is not possible to ascertain the liability at the end of the accounting year.
- (c) Liabilities in respect of gratuity of employees are funded under the employees' group gratuity scheme with the LIC.

## 10) BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets in accordance with the Accounting Standard 16 on "Borrowing Costs". All other borrowing costs are charged to revenue.

## B. NOTES TO ACCOUNTS:

### 1) EQUITY SHARE WARRANTS

In terms of approval of the members of the Company and as per applicable statutory provisions including SEBI (Disclosure and Investor Protection) Guidelines 2000, the Company on 27<sup>th</sup> August 2009, has issued 70,00,000 Equity Share Warrants on preferential basis to promoters entitling them to apply for equivalent number of fully paid up equity shares of Rs. 10/- each of the Company, at a price of Rs. 43.20 per equity share. The warrant holders have a right to apply for equity shares within 18 months from the date of allotment of such equity share warrants. Subscribers have deposited non-refundable amount of Rs. 7,56,00,001/-, equivalent to 25% of total consideration which is shown as Equity Share Warrants in the Balance Sheet, pending exercise thereof.

The amount so received has been utilized for the purpose for which it was raised, namely, working capital requirements of the Company.

### 2) SECURED LOANS

- i) Term Loan from bank for Vasai Plant is secured by way of first charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased and to be purchased by availing such term loan and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Company.
- ii) Term Loan from bank for Jodhpur Plant is secured by way of first charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased and to be purchased by availing such term loan and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Jodhpur plant of the Company.
- iii) Term Loans from bank for Wind Power Projects are secured by way of exclusive charge on the Fixed Assets of the Wind Power Project, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- iv) Term Loans from bank for Oil Rig is secured by way of exclusive charge on the Fixed Assets of the Oil Rig and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- v) Export Packing Credit and FDBP Credit Limits are secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors and Fixed Deposits under lien with bank and second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vi) Cash Credit Limit of the Company is secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors and Fixed Deposits under lien with bank and second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vii) Vehicle Loans are secured by way of hypothecation of the respective vehicles.
- viii) Short Term Loan is secured by first charge on the current assets and second charge on the fixed assets of plant at Vasai and Jodhpur and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

### 3) AMALGAMATION

- (i) During the year, the Company has amalgamated with itself its wholly owned subsidiary viz. Nagina Hotel Pvt. Ltd. vide scheme of Amalgamation w.e.f. 1<sup>st</sup> January 2010. The said scheme of Amalgamation has been approved by the Honorable High Court of Mumbai vide its order passed on 25<sup>th</sup> June 2010. All the assets & liabilities of the said subsidiary have been vested with the Company at Book Values and the same have been accounted for in accordance with AS-14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India.
- (ii) Current year figures are after amalgamation of its 100% subsidiary (Nagina Hotel Pvt. Ltd.) w.e.f. 1<sup>st</sup> January 2010. Previous year figures are not comparable to that extent.

### 4) REMUNERATION TO DIRECTORS

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
Managerial Remuneration	270.97	136.24
Perquisites	0.00	48.33
Contribution to provident fund	0.22	0.32
Sitting Fees	9.55	6.05
Commission to Directors	79.37	—
<b>Total</b>	<b>360.11</b>	<b>190.94</b>

\*The above Remuneration excluding sitting fees has been paid to the Chairman & Managing Director, Managing Director and Whole-time Director in accordance with Schedule XIII of the Companies Act, 1956 read with Section 198 & 309 of the Companies Act, 1956.

### 5) REMUNERATION TO AUDITORS:

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
Statutory Audit	11.00	5.00
Tax Audit Fees	3.00	3.00
Taxation, Special certificates & Reports	2.00	1.50
Reimbursement of out-of pocket expenses	0.32	0.50
Service Tax	1.68	1.03
<b>Total</b>	<b>18.00</b>	<b>11.03</b>

### 6) DEFERRED TAX LIABILITY

- (i) Pursuant to the Accounting Standard 22 relating to "Accounting for Taxes on Income", the company has recognized net Deferred Tax Liability / (Asset) to the extent of Rs. (3.35) lac {Previous Year Rs. (7.98) lac}.
- (ii) Deferred Tax Liability (net) at the year ended comprise timing differences on account of:

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
<b>Liability:</b>		
Fixed Assets	<b>(965.84)</b>	(970.20)
Net Deferred Tax Assets/(Liabilities)	<b>(965.84)</b>	(970.20)

**7) RELATED PARTIES DISCLOSURE (As per Accounting Standard 18):**

**a) List of Related Parties:**

**i) Key Management Personnel**

Mr. Kiran N. Mehta - Chairman & Managing Director  
 Mr. Kailash S. Agarwal - Managing Director  
 Mr. Varun K. Mehta - Director

**ii) Relatives of Key Management Personnel**

(With whom company has entered into transactions during the year)

Mr. Karunesh S. Agarwal

**iii) Enterprises over which Key Managerial person have significant influence**

K.K. Enterprises  
 Varun Earthtech Limited  
 Varun Real Estate (I) Pvt. Ltd.  
 Varun Capital Market Advisory Pvt. Ltd.  
 Saishree Mines and Minerals India Pvt. Ltd.  
 Varun Incorporation Ltd., China  
 Varun Incorporation Ltd., Hong Kong  
 Varun Petroleum SARL, Madagascar  
 Varun Agriculture SARL, Madagascar  
 Varun International SARL, Madagascar  
 Varun Global Agriculture SARL, Madagascar  
 Madagascar Energy Corporation, Madagascar  
 Madagascar Agriculture Corp. SARL, Madagascar

**iv) Subsidiary Companies:-**

Shri Sai Jewels Pvt. Ltd.  
 Varun Jewels Pvt. Ltd.  
 Varun Petroleum Corporation Pvt. Ltd.  
 Varun Minerals Corporation Pvt. Ltd.  
 Varun Holdings Ltd., Mauritius  
 Varun Mines & Minerals Ltd., Mauritius  
 Varun Petroleum Ltd., Mauritius

**b) Related Party Transactions:**

(Rs. in lac)

Nature of Transaction	Key Management Personnel		Relatives		Subsidiaries		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Remuneration	270.97	136.24	—	—	—	—	270.97	136.24
Commission	79.37	—	—	—	—	—	79.37	—
Ex-gratia & Leave encashment	—	26.17	—	16.47	—	—	—	42.64
Salary	—	—	1.10	20.53	—	—	1.10	20.53
Contribution to Provident Fund	0.23	0.32	0.09	0.21	—	—	0.32	0.53
Rent Paid	6.20	6.20	—	—	—	—	6.20	6.20
Loan Given	—	—	—	—	130.76	9.32	130.76	9.32

Disclosure as per Clause 32 of the listing agreement:-

Sr. No.	Name of the Wholly owned Subsidiary Company	Loan amount outstanding at year end	Maximum amount outstanding during the year
(i)	Varun Minerals Corpn. Pvt. Ltd.	4.66 lac	4.66 lac
(ii)	Varun Petroleum Corpn. Pvt. Ltd.	112.72 lac	112.72 lac
(iii)	Varun Holdings Ltd., Mauritius	4.46 lac	4.46 lac
(iv)	Varun Mines & Min. Ltd., Mauritius	4.46 lac	4.46 lac
(v)	Varun Petroleum Ltd., Mauritius	4.46 lac	4.46 lac

#### 8) SEGMENT REPORTING (As per AS-17)

During the financial year 2009-10 petroleum division of the company started operation and generating revenue. Accordingly, results of the company have been stated as per Accounting Standard 17 "Segment Reporting":-

##### a. PRIMARY BUSINESS SEGMENT(F.Y. 2009-10)

(Rs. in lac)

Particulars	Merchandise Sale	Petroleum	Wind Power	Total
<b>Revenue</b>				
External Sales	154,840.67	820.62	281.70	<b>155,943.00</b>
Inter Segment Sales	-	-	-	-
Other Income	(1,825.80)	-	-	<b>(1,825.80)</b>
<b>Total Revenue</b>	<b>153,014.87</b>	<b>820.62</b>	<b>281.70</b>	<b>154,117.19</b>
<b>Segment Results (PBIT)</b>	<b>11,296.64</b>	<b>268.12</b>	<b>104.14</b>	<b>11,668.89</b>
Interest Expenses				<b>8,085.61</b>
Income Tax				<b>1,201.56</b>
<b>Net Profit After Tax</b>				<b>2,381.72</b>
<b>Other Information</b>				
<b>Segment Assets</b>	<b>134,925.99</b>	<b>3,353.73</b>	<b>1,951.31</b>	<b>140,231.04</b>

##### b. SECONDRY GEOGRAPHICAL SEGMENT (F.Y. 2009-10)

(Rs. In lac)

Particulars	Within India	Outside India	Total
Revenue	11,468.17	144,474.83	155,943.00
Segment Assets			140,231.04

#### 9) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

##### a. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for Nil (P.Y. Rs. 62.00 lac).

##### b. Contingent Liabilities

- The Income Tax assessments of the Company have been completed up to Assessment Year 2006-07. The disputed demand outstanding up to the said Assessment Year is Rs. 10.11 lac. The applications for rectification are pending with Income Tax Department. After rectification demand will not be sustainable, so no provision is required.
- Deposits in Schedule 9 of Balance Sheet include Rs. 1.00 Crore deposited with Custom Department against the fine and penalty levied by them. However, an appeal has been filed with Customs, Excise & Service Tax Appellate Tribunal, West Zone, Mumbai for refund of the deposit and management is hopeful for favourable decision.
- Corporate Guarantee issued in favour of banks for their credit facility to M/s Varun Jewels Pvt. Ltd. of Rs. 10,900.00 lac.

- iv) Corporate Guarantee issued in favour of banks for their credit facility to M/s Shri Sai Jewels Pvt. Ltd. of Rs. 2,400.00 lac.
- v) Corporate Guarantee issued in favour of bank for credit facility to M/s K.K. Enterprises of Rs. 1,200.00 lac.

#### 10) EARNING PER SHARE (As per AS-20)

PARTICULARS	2009-10	2008-09
Net Profit After Tax (Rs. in lac)	2,381.72	1,281.95
No. of Shares at the beginning of the year	2,21,13,945	2,21,13,945
No. of Shares (Weight Average)/ available at the end of the year	2,21,13,945	2,21,13,945
Earning Per Share (Basic and Diluted) Rs.	10.77	5.80

- 11) The Company has opted for accounting the exchange difference of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 notified on 31<sup>st</sup> March 2009. Accordingly, the Exchange Gain of Rs. 465.83 lac (Prev. Year Exchange Loss of Rs. 1065.02 lac) relating to long term foreign currency monetary items has been deducted from the cost of respective fixed assets.

#### 12) Details of Investments:

LONG TERM (Non Quoted)	(Rs. in lac)
<b>Saishree Mines &amp; Minerals India Pvt. Ltd.</b>	3.00
30,000 (P.Y.- 30,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Shri Sai Jewels Pvt. Ltd.</b>	51.00
5,10,000 (P.Y.- 5,10,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Varun Jewels Pvt. Ltd.</b>	670.00
67,00,000 (P.Y.- 67,00,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Varun Minerals Corporation Pvt. Ltd.</b>	1.00
10,000 (P.Y.- 10,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Varun Petroleum Corporation Pvt. Ltd.</b>	1.00
10,000 (P.Y.- 10,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Varun Holdings Ltd., Mauritius</b>	0.01
1 (P.Y.- NIL) Eq. Share of USD 1 each, fully paid up	
<b>Varun Mines &amp; Minerals Ltd., Mauritius</b>	0.01
1 (P.Y.- NIL) Eq. Share of USD 1 each, fully paid up	
<b>Varun Petroleum Ltd., Mauritius</b>	0.01
1 (P.Y.- NIL) Eq. Share of USD 1 each, fully paid up	
<b>CURRENT (Quoted, Non Trade)</b>	
<b>Investment in Equity Shares of:</b>	
<b>Bal Pharma Limited</b>	2.78
10,000 (P.Y. 10,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Gayatri Sugar Limited</b>	0.42
10,000 (P.Y. 10,000) Eq. Shares of Rs. 10 each, fully paid up	
<b>Motilal Oswal Fin. Serv. Ltd.</b>	1.21
735 (P.Y. 735) Eq. Shares of Rs.1 each, fully paid up	
<b>United Bank of India</b>	8.77
13,278 (P.Y. Nil) Eq. Shares of Rs.10 each, fully paid up	
<b>Wockhardt Ltd.</b>	3.47
2,500 (P.Y. 2,500) Eq. Shares of Rs. 5 each, fully paid up	
	<b>742.64</b>

- 13) Figures for the previous year have been regrouped and/or reclassified, wherever necessary to confirm with current year's classification.

**PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 (AS AMENDED)**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.	1 1 - 9 7 9 4 5	State Code	1 1
Balance Sheet Date	31.03.2010		

**II. Capital Raised During the Year (Amount in Rs. Lacs)**

Public Issue	N I L	Right Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

**III. Position of Mobilisation and Deployments of Funds (Amount in Rs. Lacs)**

Total Liabilities	125216.23	Total Assets	125216.23
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**Sources of Funds**

Paid up Capital	2211.39	Secured Loans	74185.08
Equity Share Warrants	756.00	Unsecured Loans	8812.98
Reserve & Surplus	38284.94	Other Liabilities	965.84

**Application of Funds**

Net Fixed Assets	38873.79	Investments	742.64
Net Current Assets	85599.80	Misc. Expenditures	-
Accumulated Losses	-		

**IV. Performance of Company (Amount in Rs. Lacs)**

Turnover*	154117.20	Total Expenditure	150533.92
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\* Representing Gross

Revenue including Other  
Income.

Profit Before Tax	3583.28	Profit after Tax	2381.73
Earning Per Share (Rs.)	10.77	Dividend Rate	15%

**V. General Name of three Principal Products/ Services of Company (as per Monetary terms)**

Item Code No. (ITC Code)	7 3 2 2 9 0 . 0 2
Product Description	Stainless Steel Utensils
Item Code No. (ITC Code)	7 1 0 2 3 9
Product Description	Cut & Polished Diamonds
Item Code No. (ITC Code)	N.A.
Product Description	Rig Hiring Charges and Wind Power Energy

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**

Partner  
(Membership No. 037784)

Place: Mumbai

Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**

Chairman & Managing Director

**KAILASH S. AGARWAL**

Managing Director

**KIRAN N. BADE**

V.P.(Legal) & Company Secretary



# CONSOLIDATED AUDITORS' REPORT

To

**The Board of Directors**

**VARUN INDUSTRIES LIMITED**

1. We have audited the attached Consolidated Balance Sheet of **VARUN INDUSTRIES LIMITED** ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31<sup>st</sup> March 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of overseas subsidiaries whose financial statements reflect total assets of (Rs. 17.54 lac) as at 31<sup>st</sup> March 2010, total revenues of (Rs. 17.54 lac) and net cash flows amounting to (Rs. 13.37 lac) for the year then ended have been audited by auditors in the respective countries. The reports of those auditors have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries are based solely on the reports of those auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21- Consolidated Financial Statements as prescribed under Companies (Accounting Standards) Rules, 2006.
5. Based on our audit on separate financial statements, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements, read together with the Company's Accounting Policies and Notes thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March 2010;
  - ii) in the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
  - iii) in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

**For CHUNNILAL & COMPANY**

Chartered Accountants

Firm Registration No.101947 W

**CA. Chunnilal Choudhary**

Partner

M. No.: 037784.

Place: Mumbai.

Dated: 22<sup>nd</sup> July 2010

# CONSOLIDATED BALANCE SHEET

## as at 31<sup>st</sup> March 2010

	Schedule	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>I. SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a) Share Capital	1	2,211.39	2,211.39
b) Equity Share Warrants		756.00	-
c) Equity Share Application		700.00	-
d) Reserves and Surplus	2	<u>38,756.70</u>	<u>36,148.98</u>
		<b>42,424.09</b>	<b>38,360.37</b>
<b>Loan Funds</b>			
Secured Loans	3	86,817.15	68,788.99
Unsecured Loans		10,103.98	8,815.98
<b>Deferred Tax Liability</b>		963.58	968.46
<b>Minority Interest</b>		1,232.58	1,028.22
<b>Total Funds Employed</b>		<u><u>141,541.38</u></u>	<u><u>117,962.02</u></u>
<b>II. APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
a) Gross Block	4	44,245.28	34,706.22
b) Less: Depreciation		5,686.00	3,178.81
c) Net block		<u>38,559.28</u>	<u>31,527.41</u>
d) Capital Work-in-Progress & Advances		339.98	4,931.89
		<b>38,899.26</b>	<b>36,459.30</b>
<b>Investments</b>	5	61.54	34.59
<b>Foreign Currency Monetary Item Translation Difference Account</b>		0.94	-
<b>Current Assets, Loans and Advances</b>			
a) Inventories	6	9,992.75	10,126.83
b) Sundry Debtors	7	86,326.47	57,627.32
c) Cash and Bank Balances	8	7,938.46	6,791.44
d) Other Current Assets	9	856.28	1,120.11
e) Loans and Advances	10	15,733.06	10,781.09
		<u>120,847.02</u>	<u>86,446.79</u>
<b>Less: Current Liabilities &amp; Provisions</b>			
a) Sundry Creditors	11	17,595.62	4,514.58
b) Other Liabilities	12	539.14	425.44
c) Provisions	13	142.15	48.20
		<u>18,276.91</u>	<u>4,988.22</u>
<b>Net Current Assets</b>		<b>102,570.11</b>	<b>81,458.57</b>
<b>Miscellaneous Expenditure</b>			
(To the extent not written off or adjusted)	14		
Preliminary Expenses		9.53	9.56
<b>Total Funds Utilised</b>		<u><u>141,541.38</u></u>	<u><u>117,962.02</u></u>

Notes on Accounts forming part of this Balance Sheet 22

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**

Partner  
(Membership No. 037784)

Place: Mumbai

Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**

Chairman & Managing Director

**KAILASH S. AGARWAL**

Managing Director

**KIRAN N. BADE**

V.P.(Legal) & Company Secretary

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## for the year ended 31<sup>st</sup> March 2010

	Schedule	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>INCOME</b>			
Income from Operations	15	200,446.21	146,085.39
		<u>200,446.21</u>	<u>146,085.39</u>
<b>EXPENDITURE</b>			
Cost of Good Sold	17	178,797.51	128,727.16
Personnel Cost	18	1,474.86	1,084.11
Administrative & Other Expenses	19	1,833.18	1,702.56
Selling & Distribution Expenses	20	1,119.18	2,346.22
Interest & Financial Charges	21	9,074.69	6,356.65
Depreciation	4	1,853.49	1,112.44
		<u>194,152.91</u>	<u>141,329.14</u>
<b>Profit from Operations</b>		<b>6,293.30</b>	4,756.25
<b>Add/Less: Other Income</b>	16	<b>(2,192.64)</b>	(2,557.82)
<b>Profit Before Tax</b>		<b>4,100.66</b>	2,198.43
<b>Provision For:</b>			
Income Tax		1,411.80	744.30
Income Tax (Earlier year)		0.06	19.20
Deferred Tax		(3.88)	(8.92)
Fringe Benefit Tax		-	35.65
Wealth Tax		4.85	3.50
<b>Profit After Tax</b>		<b>2,687.83</b>	1,404.70
Balance Brought Forward		4,730.41	3,644.09
		<u>7,418.24</u>	<u>5,048.79</u>
Share of Minority Interest		204.36	59.66
<b>Balance Available For Appropriation</b>		<b>7,213.88</b>	4,989.13
<b>APPROPRIATION</b>			
Proposed Dividend		331.71	221.14
Provision for Tax on Dividend		55.09	37.58
Transfer to General Reserve		119.09	-
<b>Balance Carried Forward</b>		<b>6,707.99</b>	4,730.41
<b>Earning per Share</b>			
Earning per Share (Basic and Diluted) (Rs.)		11.23	6.08
Face Value of Shares Rs. 10 each (Refer Note 8 on Schedule 22 B)			
Notes on Accounts forming part of this Profit and Loss Account	22		

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**  
Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**  
Partner  
(Membership No. 037784)

Place: Mumbai  
Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**  
Chairman & Managing Director

**KAILASH S. AGARWAL**  
Managing Director

**KIRAN N. BADE**  
V.P.(Legal) & Company Secretary

# CONSOLIDATED CASH FLOW STATEMENT

## for the year ended 31<sup>st</sup> March 2010

	Year Ended 31st March 2010 (Rs. in lac)	Year Ended 31st March 2009 (Rs. in lac)
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before tax and Extraordinary items	4,100.66	2,198.43
<b>Adjustment for:</b>		
Depreciation and Preliminary Exp. w/off	1,853.51	1,112.51
Interest and Finance Charges	9,074.69	6,356.65
(Profit)/Loss on sale of Current Investment	(10.55)	-
(Profit)/Loss on sale/discard of Fixed Assets	28.80	4.02
Diminution in Value of Current Investments	(23.49)	25.92
Exchange diff. on foreign currency monetary item translation	(0.94)	-
Dividend Received	(1.88)	(2.20)
Rent Received	(59.51)	(51.05)
Interest Received	(677.90)	(513.86)
<b>Operating Profit before working Capital Changes</b>	<b>10,182.73</b>	<b>6,931.99</b>
<b>Adjustment for:</b>		
(Increase)/Decrease in Inventories	134.08	411.40
(Increase)/Decrease in Trade & Other Receivables	(28,699.15)	(21,179.27)
(Increase)/Decrease in Other Current Assets	(5,100.39)	(145.26)
Increase/(Decrease) in Payables, Provisions & Working Capital finance	33,499.00	17,302.04
<b>Cash generated from Operations</b>	<b>14,116.93</b>	<b>5,519.33</b>
Direct Taxes Paid	(1,006.80)	(780.10)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES [A]</b>	<b>13,110.13</b>	<b>4,739.23</b>
<b>B. Cash Flow from Investing Activities</b>		
Acquisition of Fixed Assets including Capital Work-in-Progress	(1,881.92)	(4,951.30)
(Increase)/Decrease in Investment	(3.45)	314.95
Proceed on Sale of Fixed Assets	484.42	10.76
Profit on sale of Current Investments	10.55	-
Interest Received	518.51	542.44
Amount Invested in Fixed Deposit	(2,339.11)	2.42
Rent Received	59.51	51.05
Dividend Received	1.88	2.20
Adjustment on account of Amalgamation of Subsidiary	(2,928.82)	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES [B]</b>	<b>(6,078.43)</b>	<b>(4,027.48)</b>

# CONSOLIDATED CASH FLOW STATEMENT

## for the year ended 31<sup>st</sup> March 2010 (Contd.)

	Year Ended 31st March 2010 (Rs. in lac)	Year Ended 31st March 2009 (Rs. in lac)
<b>C. Cash Flow from Financing Activities</b>		
Equity Share Warrants	756.00	-
Equity Share Application	700.00	-
Prelim. & Pre-operative Expenses Incurred	-	(9.34)
Repayment of Long Term Loans	(1,793.76)	(740.20)
Proceeds from Long Term Loans	-	1,946.12
Proceeds from Unsecured Loans	1,288.00	4,618.09
Dividend including Distributed Tax	(258.72)	(388.08)
Interest and Finance Charges Paid	(9,074.70)	(6,356.65)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>(8,383.18)</b>	<b>(930.06)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(1,351.48)</b>	<b>(218.31)</b>
CASH/CASH EQUIVALENTS AS ON 01.04.2009	316.56	534.87
<b>CASH/CASH EQUIVALENTS AS ON 31.03.2010</b>	<b>(1,034.92)</b>	<b>316.56</b>
<b>Notes:</b>		
1. Cash and cash equivalents include:		
Cash in hand	15.65	15.06
Balance with scheduled banks	(1,050.57)	301.50
Total Cash and cash equivalents include	(1,034.92)	316.56

2. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

**As per our Report of even date annexed**

**CHUNNILAL & COMPANY**  
Chartered Accountants  
Firm Registration No.101947 W

**C. A. CHUNNILAL CHOUDHARY**  
Partner  
(Membership No. 037784)

Place: Mumbai  
Dated: 22<sup>nd</sup> July 2010

**For and on behalf of the Board**

**KIRAN N. MEHTA**  
Chairman & Managing Director

**KAILASH S. AGARWAL**  
Managing Director

**KIRAN N. BADE**  
V.P.(Legal) & Company Secretary

# Schedules forming part of Consolidated Balance Sheet

## as at 31<sup>st</sup> March 2010

	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
3,00,00,000 (P.Y. 3,00,00,000) Equity Shares of Rs.10 each	<u>3,000.00</u>	<u>3,000.00</u>
<b>Issued, Subscribed and Paid-up</b>		
2,21,13,945 (P.Y. 2,21,13,945) Equity Shares of Rs.10 each fully paid-up	<u>2,211.39</u>	2,211.39
Of the above:		
(1) 15,96,100 Equity shares have been issued as fully paid up for consideration other than cash		
(2) 1,14,73,700 Equity shares have been issued as fully paid up Bonus Shares by capitalisation of General Reserve		
	<u>2,211.39</u>	<u>2,211.39</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	<b>216.99</b>	216.99
<b>Revaluation Reserve</b>	<b>20,405.53</b>	21,026.13
Adjustment on account of amalgamation of NHPL*	<b>3,446.81</b>	-
Less: Deprn. on amt. of Revaluation	<u>606.37</u>	<u>620.60</u>
	<b>23,245.97</b>	20,405.53
<b>Securities Premium Account</b>		
Opening Balance	<b>3,950.40</b>	3,950.40
<b>General Reserve</b>		
Opening Balance	<b>6,845.65</b>	7,027.69
Add: Transfer from P & L Account	<b>119.09</b>	-
Adjustment on account of amalgamation of NHPL*	<b>(2,329.39)</b>	-
Less: Capitalised during the Year	<u>-</u>	<u>182.04</u>
(*Refer Note 3 of Schedule 22 B)	<b>4,635.35</b>	6,845.65
<b>Profit and Loss Account</b>	<b>6,707.99</b>	4,730.41
	<u><b>38,756.70</b></u>	<u>36,148.98</u>
<b>SCHEDULE 3 - SECURED LOANS</b>		
Term Loan	<b>4,764.02</b>	7,004.56
Export Packing Credit	<b>11,389.51</b>	12,549.54
FDBP/FDUBP	<b>57,013.42</b>	40,987.20
Cash Credit / ODBD	<b>7,530.82</b>	6,486.03
Short Term Loan	<b>5,648.91</b>	1,272.14
Vehicle Loan	<b>470.47</b>	489.52
	<u><b>86,817.15</b></u>	<u>68,788.99</u>

# Schedules forming part of Consolidated Balance Sheet as at and Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March 2010

## SCHEDULE 4 - FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at 01.04.2009	Adjustment on Account of Amalgamation	Additions	Deductions/ Adjustment	As at 31.03.2010	Up to 01.04.2009	Adjustment on Account of Amalgamation	For the Period	Deduction/ Adjustment	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)	(Rs. in lac)
Freehold Land	11,988.00	0.22	88.90	-	12,077.12	-	-	-	-	-	12,077.12	11,988.00
Leasehold Land*	4,476.34	-	-	32.29	4,444.05	105.92	67.10	-	-	173.02	4,271.03	4,370.42
Buildings	10,205.11	3,648.65	604.90	127.53	14,331.13	1,487.89	925.02	3.94	-	2,416.85	11,914.28	8,717.22
Plant and Machinery	3,109.86	-	1,031.95	145.14	3,996.67	548.26	431.64	-	0.04	979.86	3,016.81	2,561.60
Furniture, Fixtures & Office Equipments	857.43	479.03	644.94	47.57	1,933.83	223.48	185.40	77.78	11.48	475.18	1,458.65	633.95
Computer	167.14	2.58	21.59	2.60	188.71	100.48	31.03	1.16	1.72	130.95	57.76	66.66
Vehicles	1,257.89	-	109.46	32.67	1,334.68	301.44	253.91	-	22.30	533.05	801.63	956.45
Oil Rig	-	-	3,455.60	-	3,455.60	-	431.32	-	-	431.32	3,024.28	-
Wind Power Project	2,644.45	-	-	160.96	2,483.49	411.34	134.43	-	-	545.77	1,937.72	2,233.11
<b>Total</b>	<b>34,706.22</b>	<b>4,130.48</b>	<b>5,957.34</b>	<b>548.76</b>	<b>44,245.28</b>	<b>3,178.81</b>	<b>2,459.85</b>	<b>82.88</b>	<b>35.54</b>	<b>5,686.00</b>	<b>38,559.28</b>	<b>31,527.41</b>
Capital Work-in-Progress** (Inclusive of Capital Advance)	-	-	-	-	-	-	-	-	-	-	339.98	4,931.89
<b>Total</b>	<b>34,706.22</b>	<b>4,130.48</b>	<b>5,957.34</b>	<b>548.76</b>	<b>44,245.28</b>	<b>3,178.81</b>	<b>2,459.85</b>	<b>82.88</b>	<b>35.54</b>	<b>5,686.00</b>	<b>38,899.26</b>	<b>36,459.30</b>
Previous Year	32,811.19	-	1,930.56	35.53	34,706.22	1,466.52	1,733.04	-	20.75	3,176.81	36,459.30	-

\* Assignment of lease in favour of company is under process of confirmation by Mumbai Port Trust

\*\* Capital Work-in-Progress includes expenditure incurred during construction period pending allocation aggregating Rs. 62.71 lacs (P.Y. 290.22 lacs)

# Schedules forming part of Consolidated Balance Sheet

## as at 31<sup>st</sup> March 2010

	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>SCHEDULE 5 - INVESTMENT</b>		
<b>LONG TERM (Non Quoted)</b>	3.00	3.00
<b>CURRENT (Quoted, Non Trade)</b>	58.54	31.59
(Refer Note No.10 in Schedule No. 22 B)		
	<b>61.54</b>	<b>34.59</b>
<b>SCHEDULE 6 - INVENTORIES</b>		
(As taken, valued and certified by the management)		
Raw Material	1,496.65	3,141.81
Work-in-Process	412.09	221.18
Finished Goods		
- At Warehouse	7,802.78	6,501.15
- Stock-in-Transit	28.73	7.48
	<b>7,831.51</b>	<b>6,508.63</b>
Packing Material	252.50	255.21
	<b>9,992.75</b>	<b>10,126.83</b>
<b>SCHEDULE 7 - SUNDRY DEBTORS</b>		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	85,560.58	49,494.35
Other	1,761.90	11,257.37
	<b>87,322.48</b>	<b>60,751.72</b>
<b>Less : Advances from Customers</b>	<b>996.01</b>	<b>3,124.40</b>
	<b>86,326.47</b>	<b>57,627.32</b>
<b>SCHEDULE 8 - CASH AND BANK BALANCES</b>		
Cash in Hand	15.65	15.06
<b>Balances with Scheduled Banks</b>		
In Current & EEFC Accounts	(1,050.57)	301.50
In Fixed Deposits (Including Accrued Interest)	8,973.38	6,474.88
	<b>7,938.46</b>	<b>6,791.44</b>
<b>SCHEDULE 9 - OTHER CURRENT ASSETS</b>		
Export Incentives & Wind Power Receivables	445.66	184.34
Deposits (Refer Note 7 (b)(ii) of Schedule 22 B)	203.70	313.84
Advance Tax & TDS (Net off provision)	142.56	554.82
Prepaid Expenses	48.75	54.37
Service Tax Receivable	9.19	8.57
CENVAT credit receivables	6.42	4.17
	<b>856.28</b>	<b>1,120.11</b>



## Schedules forming part of Consolidated Balance Sheet as at 31<sup>st</sup> March 2010

	As at 31st March 2010 (Rs. in lac)	As at 31st March 2009 (Rs. in lac)
<b>SCHEDULE 10 - LOANS AND ADVANCES</b>		
(Unsecured, Considered good)		
a) Advances recoverable in cash or in kind or for value to be received	322.94	924.99
b) Advance to Suppliers	15,312.72	9,790.13
c) Advance for Expenses	32.91	60.82
d) Loans to Staff	64.49	5.15
	<b>15,733.06</b>	<b>10,781.09</b>
 <b>SCHEDULE 11 - SUNDRY CREDITORS</b>		
<b>Sundry Creditors</b>		
For Trading Goods	17,108.21	3,915.65
For Packing Materials	93.31	95.08
For Capital Expenditure	10.86	61.50
For Others	383.24	442.35
	<b>17,595.62</b>	<b>4,514.58</b>
 <b>SCHEDULE 12 - OTHER LIABILITIES</b>		
Other Liabilities - Statutory	127.01	141.29
- Others	25.33	25.43
Proposed Dividend & Dividend Tax	386.80	258.72
	<b>539.14</b>	<b>425.44</b>
 <b>SCHEDULE 13 - PROVISIONS</b>		
For Expenses	142.15	48.20
	<b>142.15</b>	<b>48.20</b>
 <b>SCHEDULE 14 - MISCELLANEOUS EXPENDITURE</b>		
Preliminary Expenses as per last Balance Sheet	9.50	9.57
Less: Written off during the year	0.03	0.07
	<b>9.47</b>	<b>9.50</b>
Pre-Operative Expenses	0.06	0.06
	<b>9.53</b>	<b>9.56</b>

# Schedules forming part of Consolidated Profit and Loss Account

for the year ended 31<sup>st</sup> March 2010

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 15 - INCOME FROM OPERATIONS</b>		
Sales	197,706.20	143,189.71
Sale of Wind Power	281.70	303.94
Export Incentives	1,637.69	2,567.85
Rig Hiring and O&M Services (Net)	820.62	23.89
	<u>200,446.21</u>	<u>146,085.39</u>
<b>SCHEDULE 16 - OTHER INCOME</b>		
Profit on Sale of Current Investment	10.55	-
Dividend Received	1.88	2.20
Rent Received	59.51	51.05
Interest Received	677.90	513.86
Foreign Exchange Fluctuation Gain / (Loss)	(2,942.48)	(3,124.93)
	<u>(2,192.64)</u>	<u>(2,557.82)</u>
<b>SCHEDULE 17 - COST OF GOOD SOLD</b>		
<b>a) Raw Materials Consumed</b>		
Opening Stock	3,141.81	1,616.54
<b>Add : Purchases</b>	<b>7,358.45</b>	<b>8,777.77</b>
	<u>10,500.26</u>	<u>10,394.31</u>
<b>Less: Closing Stock</b>	<b>1,496.65</b>	<b>3,141.81</b>
	<u>9,003.61</u>	<u>7,252.50</u>
<b>b) Packing Materials Consumed</b>		
Opening Stock	255.21	196.61
<b>Add : Purchases</b>	<b>1,012.66</b>	<b>1,316.77</b>
	<u>1,267.87</u>	<u>1,513.38</u>
<b>Less: Closing Stock</b>	<b>252.50</b>	<b>255.21</b>
	<u>1,015.37</u>	<u>1,258.17</u>
<b>c) Manufacturing Expenses</b>		
Excise Duty on Finished Goods (Provision)	996.59	1,371.85
	-	(26.66)
	<u>996.59</u>	<u>1,345.19</u>
<b>d) Work in process</b>		
Opening Stock	221.18	186.17
<b>Less: Closing Stock</b>	<b>412.09</b>	<b>221.18</b>
	<u>(190.91)</u>	<u>(35.01)</u>
<b>e) Finished Goods</b>		
Opening Stock	6,508.63	8,538.91
<b>Add : Purchases</b>	<b>169,295.73</b>	<b>116,876.03</b>
	<u>175,804.36</u>	<u>125,414.94</u>
<b>Less: Closing Stock</b>	<b>7,831.51</b>	<b>6,508.63</b>
	<u>167,972.85</u>	<u>118,906.31</u>
	<u>178,797.51</u>	<u>128,727.16</u>

## Schedules forming part of Consolidated Profit and Loss Account

for the year ended 31<sup>st</sup> March 2010

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 18 - PERSONNEL COST</b>		
Salaries, Wages & Bonus	878.38	744.94
Contribution to Provident and Other Funds	60.75	50.23
Staff Welfare & Food Expenses	72.66	61.14
Professional Fees & Commission	22.36	8.11
Contractual Remuneration	75.68	73.85
Directors Remuneration	285.66	145.84
Commission to Directors	79.37	-
	<u>1,474.86</u>	<u>1,084.11</u>
<b>SCHEDULE 19 - ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	272.89	317.69
Tour & Travelling Expenses	214.02	231.80
Conveyance & Vehicle Expenses	121.30	109.38
Octroi & Freight Inward	145.42	191.45
Communication Expenses	57.48	74.89
Printing & Stationery	41.22	34.77
Repair & Maintenance	128.28	115.69
Insurance Charges	20.13	21.58
ECGC Premium	276.65	240.83
Power, Fuel & Water Charges	43.69	41.43
Legal & Professional Charges	410.42	243.43
Membership & Subscription	6.09	15.66
Donation	56.52	8.78
Director Sitting Fees	9.55	6.05
Auditors Remuneration	20.62	11.36
Internal Audit Fees	2.48	2.04
Loss on Sale of Fixed Assets	28.80	4.02
Diminution in Value of Current Investments	(23.49)	25.92
Sundry Balances W/off	0.22	4.91
Preliminary Expenses W/off	0.03	0.07
Miscellaneous Expenses	0.86	0.81
	<u>1,833.18</u>	<u>1,702.56</u>
<b>SCHEDULE 20 - SELLING AND DISTRIBUTION EXPENSES</b>		
Advertisement and Sales Promotion	371.29	299.21
Freight & Forwarding Charges	456.37	1,789.64
Sales Tax	221.88	123.03
Commission	69.64	134.34
	<u>1,119.18</u>	<u>2,346.22</u>
<b>SCHEDULE 21 - INTEREST AND FINANCIAL CHARGES</b>		
Bank Interest	7,668.09	5,100.62
Bank Charges & Commission	1,406.60	1,256.03
	<u>9,074.69</u>	<u>6,356.65</u>

## SCHEDULE 22: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT

### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1) ACCOUNTING CONVENTION

The consolidated financial statements of Varun Industries Limited and its subsidiaries are prepared under historical cost convention and on accrual basis in accordance with generally accepted Accounting Principles and complies with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956.

#### 2) PRINCIPLES OF CONSOLIDATION

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:-

- (i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances have been fully nullified.
- (ii) The excess of the share of equity in the subsidiary companies as on the date of investment over the cost of investment is recognized as "Capital Reserve" and shown under the head "Reserves and Surplus", in the consolidated financial statements.
- (iii) Minority interest in the net assets of the consolidated subsidiaries consists of equity attributable to the minority shareholders at the dates on which investments are made by the holding company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

#### 3) FIXED ASSETS

Fixed Assets are stated at cost of acquisition or construction, which comprise all related expenses upto acquisition and installation of the fixed assets or at revalued amounts wherever such assets have been revalued less accumulated depreciation.

#### 4) DEPRECIATION

Depreciation on fixed assets except Leasehold Land and Wind Power Projects have been provided on Written- Down Value method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Amount paid on Leasehold Land has been amortised over the period of lease. Depreciation on Wind Power Projects have been spread over to 20 years period and written off proportionately for the year. Depreciation on addition and deduction of fixed assets is calculated on Pro-Rata basis. Depreciation related to revaluation amount of Fixed Assets has been calculated at the same rate of depreciation of the asset and deducted from Revaluation Reserve.

#### 5) INVESTMENTS

- a) Long term investments are stated at cost. In case, there is a permanent diminution in the value of any investment, a provision for the same is made in the accounts.
- b) Quoted current investments are stated at the lower of cost or market value.

#### 6) INVENTORIES

Inventories are carried at the lower of cost (including tax, if any) or net realizable value. The methods of determination of cost for various categories are as under:

- |                                    |   |                          |
|------------------------------------|---|--------------------------|
| i) Raw Material                    | : | First In First Out basis |
| ii) Packing Goods, Stores & Spares | : | First In First Out basis |
| iii) Work-in-process               | : | At Works Cost basis      |
| iv) Finished Goods                 | : | First In First Out basis |

#### 7) REVENUE RECOGNITION

- a. Sale of Goods is recognized at the same time of dispatch of goods to customers.
- b. Export Incentives i.e. Duty Draw Back or DEPB is recognized on accrual basis.
- c. Purchase cost of Finished Goods and Packing Goods has been arrived at after deducting Returns, discount etc.
- d. Interest Income is recognised on time proportion basis.

## 8) FOREIGN EXCHANGE TRANSACTION / TRANSLATION

The Company has complied with AS-11 issued by ICAI as regards the provisions in respect of its Foreign Exchange Transactions. Transactions in foreign currency are recorded at the exchange rate in force at the time transactions are effected. Exchange differences arising on settlement of foreign currency transactions are recognised in the Profit & Loss Account.

Monetary items denominated in foreign currency are restated using the exchange rate prevailing at the date of the Balance Sheet and the resulting net exchange difference is recognised in the Profit & Loss Account.

Forward Contracts are accounted on the basis of their settlement and the resultant realised gain/loss on settlement is recognised in the Profit & Loss Account.

The Company has opted for accounting the exchange difference of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 notified on 31<sup>st</sup> March 2009. Accordingly, the exchange gain/loss relating to long term foreign currency monetary items has been deducted / added to the cost of fixed assets.

Exchange difference relating to monetary items that are in substance forming part of the Company's net investment in non integral foreign operations (i.e. foreign subsidiaries) are accumulated in Foreign Currency Monetary Item Translation Difference Account.

## 9) DEFERRED TAX

The Deferred Tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws enacted or subsequently enacted as of the Balance Sheet date. Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## 10) RETIREMENT BENEFITS

(a) Under Provident Fund and E.S.I. Scheme, Company's contribution accruing during the accounting year has been charged to Profit & Loss account.

(b) Encashment of leave lying to the credit of employees is not provided for on actuarial basis. It is accounted on cash basis. Therefore, it is not possible to ascertain the liability at the end of the accounting year.

(c) Liabilities in respect of gratuity of employees are funded under the employees' group gratuity scheme with the LIC.

## 11) BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets in accordance with the Accounting Standard 16 on "Borrowing Costs". All other borrowing costs are charged to revenue.

## B. NOTES TO ACCOUNTS:

### 1) EQUITY SHARE WARRANTS

In terms of approval of the members of the Company and as per applicable statutory provisions including SEBI (Disclosure and Investor Protection) Guidelines 2000, the Company on 27<sup>th</sup> August 2009, has issued 70,00,000 Equity Share Warrants on preferential basis to promoters entitling them to apply for equivalent number of fully paid up equity shares of Rs. 10/- each of the Company, at a price of Rs. 43.20 per equity share. The warrant holders have a right to apply for equity shares within 18 months from the date of allotment of such equity share warrants. Subscribers have deposited non-refundable amount of Rs. 7,56,00,001/- equivalent to 25% of total consideration, which is shown as Equity Share Warrants in the Balance Sheet, pending exercise thereof.

The amount so received has been utilized for the purpose for which it was raised, namely, working capital requirements of the Company.

### 2) SECURED LOANS

i) Term Loan from bank for Vasai Plant is secured by way of first charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased and to be purchased by availing such term loan and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Company.

ii) Term Loan from bank for Jodhpur Plant is secured by way of first charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased and to be purchased by availing such term loan and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Jodhpur Plant of the Company.

- iii) Term Loans from bank for Wind Power Projects are secured by way of exclusive charge on the Fixed Assets of the Wind Power Project, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- iv) Term Loans from bank for Oil Rig is secured by way of exclusive charge on the Fixed Assets of the Oil Rig and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- v) Export Packing Credit and FDBP Credit Limits are secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors and Fixed Deposits under lien with bank and second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vi) Cash Credit Limit of the Company is secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors and Fixed Deposits under lien with bank and second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vii) Vehicle Loans are secured by way of hypothecation of the respective vehicles.
- viii) Short Term Loan is secured by equitable mortgage of immovable properties owned by the company and by its directors, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

### 3) AMALGAMATION

- (i) During the year, the Company has amalgamated with itself its wholly owned subsidiary viz. Nagina Hotel Pvt. Ltd. vide scheme of Amalgamation w.e.f. 1<sup>st</sup> January 2010. The said scheme of Amalgamation has been approved by the Honorable High Court of Mumbai vide its order passed on 25<sup>th</sup> June 2010. All the assets & liabilities of the said subsidiary have been vested with the Company at Book Values and the same have been accounted for in accordance with AS-14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India.
- (ii) Current year figures are after amalgamation of its 100% subsidiary (Nagina Hotel Pvt. Ltd.) w.e.f. 1<sup>st</sup> January 2010. Previous year figures are not comparable to that extent.

### 4) REMUNERATION TO DIRECTORS

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
Managerial Remuneration	<b>285.66</b>	145.84
Perquisites	<b>0.00</b>	48.33
Contribution to provident fund	<b>0.22</b>	0.32
Sitting Fees	<b>9.55</b>	6.05
Commission to Directors	<b>79.37</b>	—
<b>Total</b>	<b>374.80</b>	<b>200.54</b>

### 5) DEFERRED TAX LIABILITY

- (i) Pursuant to the Accounting Standard 22 relating to "Accounting for Taxes on Income", the company has recognized net Deferred Tax Liability / (Asset) to the extent of Rs. (3.88) lac {Previous Year Rs. (8.92) lac}.
- (ii) Deferred Tax Liability (net) at the year ended comprise timing differences on account of:

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
<b>Liability:</b>		
Fixed Assets	<b>(963.58)</b>	(968.46)
Net Deferred Tax Assets/(Liabilities)	<b>(963.58)</b>	(968.46)

**6) RELATED PARTIES DISCLOSURE (As per Accounting Standard 18):**

**a) List of Related Parties:**

**i) Key Management Personnel**

Mr. Kiran N. Mehta	-	Chairman & Managing Director
Mr. Kailash S. Agarwal	-	Managing Director
Mr. Varun K. Mehta	-	Director

**ii) Relatives of Key Management Personnel**

(With whom company has entered into transactions during the year)

Mr. Karunesh S. Agarwal

**iii) Enterprises over which Key Managerial person have significant influence**

K.K. Enterprises

Varun Earthtech Limited

Varun Real Estate (I) Pvt. Ltd.

Varun Capital Market Advisory Pvt. Ltd.

Saishree Mines and Minerals India Pvt. Ltd.

Varun Incorporation Ltd., China

Varun Incorporation Ltd., Hong Kong

Varun Petroleum SARL, Madagascar

Varun Agriculture SARL, Madagascar

Varun International SARL, Madagascar

Varun Global Agriculture SARL, Madagascar

Madagascar Energy Corporation, Madagascar

Madagascar Agriculture Corp. SARL, Madagascar

**b) Related Party Transactions:**

(Rs. in lac)

Nature of Transaction	Key Management Personnel		Relatives		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Remuneration	285.66	145.84	—	—	285.66	145.84
Commission	79.37	—	—	—	79.37	—
Ex-gratia & Leave encashment	—	26.17	—	16.47	—	42.64
Salary	—	—	1.10	23.73	1.10	23.73
Contribution to Provident Fund	0.23	0.32	0.09	0.21	0.32	0.53
Rent Paid	14.00	14.00	—	—	14.00	14.00

**7) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

**a. Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for Nil (P.Y. Rs. 62.00 lac).

**b. Contingent Liabilities**

- i) The Income Tax assessments of the Company have been completed up to Assessment Year 2006-07. The disputed demand outstanding up to the said Assessment Year is Rs. 10.11 lac. The applications for rectification are pending with Income Tax Department. After rectification demand will not be sustainable, so no provision is required.
- ii) Deposits in Schedule 9 of Balance Sheet include Rs. 1.00 Crore deposited with Custom Department against the fine and penalty levied by them. However, an appeal has been filed with Customs, Excise & Service Tax Appellate Tribunal, West Zone, Mumbai for refund of the deposit and management is hopeful for favourable decision.
- iii) Corporate Guarantee issued in favour of bank for credit facility to M/s K.K. Enterprises of Rs. 1,200.00 lac.

**8) EARNING PER SHARE (As per AS-20)**

PARTICULARS	2009-10	2008-09
Net Profit After Tax (Rs. in lac)	2,483.47	1,345.04
No. of Shares at the beginning of the year	2,21,13,945	2,21,13,945
No. of Shares (Weight Average)/ available at the end of the year	2,21,13,945	2,21,13,945
Earning Per Share (Basic and Diluted) Rs.	11.23	6.08

- 9) The Company has opted for accounting the exchange difference of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 notified on 31<sup>st</sup> March 2009. Accordingly, the Exchange Gain of Rs. 465.83 lac (Prev. Year Exchange Loss of Rs. 1065.02 lac) relating to long term foreign currency monetary items has been deducted from the cost of respective fixed assets.

**10) Details of Investments:**

LONG TERM (Non Quoted)	(Rs. in lac)
<b>Saishree Mines &amp; Minerals India Pvt. Ltd.</b>	3.00
30,000 (P.Y. 30,000) Eq. Shares of Rs.10 each, fully paid up	
<b>CURRENT (Quoted, Non Trade)</b>	
<b>Investment in Equity Shares of:</b>	
<b>Bal Pharma Limited</b>	2.78
10,000 (P.Y. 10,000) Eq. Shares of Rs.10 each, fully paid up	
<b>Gayatri Sugar Limited</b>	0.42
10,000 (P.Y. 10,000) Eq. Shares of Rs. 10 each, fully paid up	
<b>Motilal Oswal Fin. Serv. Ltd.</b>	1.21
735 (P.Y. 735) Eq. Shares of Rs.1 each, fully paid up	
<b>United Bank of India</b>	8.77
13,278 (P.Y. Nil) Eq. Shares of Rs.10 each, fully paid up	
<b>Wockhardt Ltd.</b>	3.47
2,500 (P.Y. 2,500) Eq. Shares of Rs. 5 each, fully paid up	
<b>N. R. Agarwal Industries Limited</b>	24.12
72,910 (P.Y. 75,650) Eq. Shares of Rs.10 each, fully paid up	
<b>State Bank of Bikaner &amp; Jaipur</b>	5.37
2,000 (P.Y. 2000) Eq. Shares of Rs. 10 each, fully paid up	
<b>Indian Bank</b>	9.02
10,000 (P.Y. 10,000) Eq. Shares of Rs. 10 each, fully paid up	
<b>HCL Infosystems Ltd.</b>	3.38
2,500 (P.Y. 2,500) Eq. Shares of Rs. 2 each, fully paid up	
	<b>61.54</b>

- 11) Figures for the previous year have been regrouped and/or reclassified, wherever necessary to confirm with current year's classification.



# STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

(Rs. in lac)

S. No.	Name of the Subsidiary Company	Varun Jewels Pvt. Ltd.	Shri Sai Jewels Pvt. Ltd.	Varun Petroleum Corp. Pvt. Ltd.	Varun Minerals Corp. Pvt. Ltd.	Varun Holdings Ltd. (Mauritius)	Varun Mines & Minerals Ltd. (Mauritius)	Varun Petroleum Ltd. (Mauritius)
1	Financial year/period of the Subsidiaries ended on	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010
2	Date from which they became Subsidiaries	25 <sup>th</sup> November 2006	25 <sup>th</sup> November 2006	26 <sup>th</sup> December 2008	26 <sup>th</sup> December 2008	30 <sup>th</sup> July 2009	30 <sup>th</sup> July 2009	30 <sup>th</sup> July 2009
3	Shares of the Subsidiaries held by the Company as on 31 <sup>st</sup> March 2010							
	a) Number and Face Value	67,00,000 Eq. Shares of Rs. 10/- each	5,10,000 Eq. Shares of Rs. 10/- each	*10,000 Eq. Shares of Rs. 10/- each	*10,000 Eq. Shares of Rs. 10/- each	1 Equity Share of USD 1/- each	1 Equity Share of USD 1/- each	1 Equity Share of USD 1/- each
	b) Extent of Holding	51.54%	51.00%	100.00%	100.00%	100.00%	100.00%	100.00%
4	The net aggregate amount of the Subsidiary companies' Profit / (Loss) so far as it concerns the member of the holding company							
	a) Not dealt with in the holding Company's accounts							
	i) For the financial year ended 31 <sup>st</sup> March, 2010	167.28	49.00	Nil	Nil	Nil	Nil	Nil
	ii) Upto the previous financial years of the Subsidiaries' accounts	111.62	41.42	Nil	Nil	Nil	Nil	Nil
	b) Dealt with in the holding Company's accounts	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	i) For the financial year ended 31 <sup>st</sup> March, 2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	ii) Upto the previous financial years of the Subsidiaries' accounts	Nil	Nil	Nil	Nil	Nil	Nil	Nil

\* Including one equity share held by a nominee

**For and on behalf of the Board**

**KIRAN N. MEHTA**  
Chairman & Managing Director

**KAILASH S. AGARWAL**  
Managing Director

**KIRAN N. BADE**  
V.P.(Legal) & Company Secretary

Place : Mumbai  
Date: 22<sup>nd</sup> July 2010

# INFORMATION ON THE FINANCIALS OF THE SUBSIDIARY COMPANIES

for the year ended 31<sup>st</sup> March 2010

[As per the exemption letter of the Ministry of Company Affairs, Government of India]

(Rs. in lac)

Name of the Subsidiary Company	Varun Jewels Pvt. Ltd.	Shri Sai Jewels Pvt. Ltd.	Varun Petroleum Corp. Pvt. Ltd.	Varun Minerals Corp. Pvt. Ltd.	Varun Holdings Ltd.	Varun Mines & Minerals Ltd.	Varun Petroleum Ltd.
<b>Financial year/period of the Subsidiaries ended on</b>	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010	31 <sup>st</sup> March 2010
<b>Country</b>	India	India	India	India	Mauritius	Mauritius	Mauritius
<b>Reporting Currency</b>	INR	INR	INR	INR	USD	USD	USD
<b>Exchange Rate</b>	1.00	1.00	1.00	1.00	44.90	44.90	44.90
a) <b>Share Capital</b>	1,300.00	100.00	1.00	1.00	0.00	0.00	0.00
b) <b>Reserves</b>	919.09	220.78	-	-	(5.85)	(5.85)	(5.85)
c) <b>Total Assets</b>	13,725.15	3,437.80	113.72	5.66	(5.85)	(5.85)	(5.85)
d) <b>Total Liabilities</b>	11,506.06	3,117.02	112.72	4.66	0.00	0.00	0.00
e) <b>Investments</b>	41.90	-	-	-	-	-	-
f) <b>Turnover</b>	32,938.51	11,197.87	-	-	-	-	-
g) <b>Profit Before Tax</b>	480.64	151.27	(96.90)	(0.09)	(5.85)	(5.85)	(5.85)
h) <b>Provision for Taxation</b>	156.07	55.20	-	-	-	-	-
i) <b>Profit After Tax</b>	324.57	96.07	(96.90)	(0.09)	(5.85)	(5.85)	(5.85)
j) <b>Proposed Dividend</b>	-	-	-	-	-	-	-

**Notes:-**

- i) The Indian Rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rate as on 31.03.2010
- ii) Annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of the holding Company and subsidiary companies, seeking such information at any point of time.
- iii) The annual accounts of the subsidiary companies are open for inspection by any investor at the Company's Registered Office as well as that of the subsidiary companies.





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