

# People Powered Growth



Growth by the people,  
of the people, for the people

# People Powered Growth

The approach is amazingly simple.

**People Power Growth. We Empower People.**

While strategies are made by the generals, in the final analysis it is the guts, the grit and the perseverance of the fighter in the front line that has won the battle for the generals. The army and the company are as good as its foot soldiers.

This approach has transformed Varun Industries from being a trader of various commodities to a global business conglomerate with interests in businesses ranging from stainless steel to agriculture, gems and jewellery, oil and natural gas, wind power, uranium and gold mining and precious stones.

We are a people powered business. Our team is our asset. Our capability to retain talent and groom leadership is our strategic strength. Our ability to consistently deliver exemplary quality of service to our clients is our sustaining edge. Our ability to go from one success to the next is what inspires us.

**We are the company with the “can do” people.**

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# People as foundation of the business



The extraordinary thing about the scorching growth of Varun Industries Ltd. is that it is achieved by ordinary, everyday people.

We do not have the benefit of the theoretical knowledge as espoused by the great management institutes, but we apply the simple rules of business to achieve extraordinary heights.

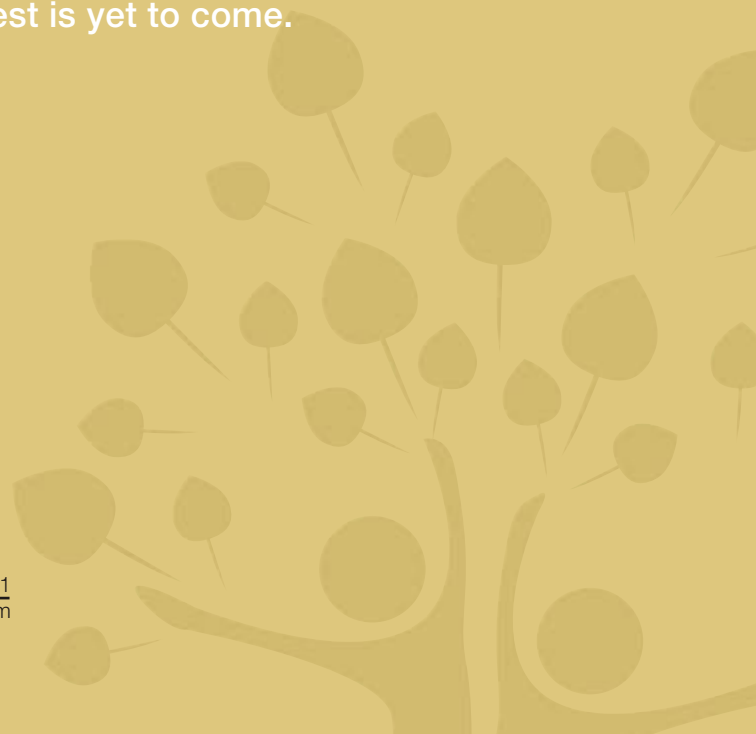
We follow a simple tenet. We recruit people with talent and ability and groom them, train them, give them responsibility and tasks to do, and help them in their process of maturation into business leaders.

We look at our employees as part of an extended family – each seeking betterment of their socio-economic situation. Bring them together and what you have is an extraordinarily caring situation.

We have an excellent track record related to attrition in our team and there are many who have stayed with the company over the decades.

We believe that work is worship and we worship well.

**Possibly this is the reason why we have grown beyond our wildest imagination at a rate of close to 388% increase in total income on a year on year basis over the past 5 years. We believe the best is yet to come.**



We do business with people. We take care of their needs. We empathise with their requirements. We meet and exceed their expectations. We consistently deliver quality product and quality service. We are always available for them. Naturally, they reward us with loyalty, and increased business opportunities to expand.

Our buyers and customers are people with aspirations to grow, to become better at what they do and derive great value from the people whom they deal with.

We empathise with our customers and go out of the way to fulfill their needs. Be it in India, in Africa or any other continent across the world where we do business, our approach is the same. Our strategies are not business and country specific, but they are people centric.

We do not merely look at demand and supply curves, but also expectation and value delivered curves.

Doing so consistently has made our relationships with our customers very close knit. This yields multiple benefits as customers feel free to tell us what they want, what they are willing to pay and this in turn helps us design and produce the goods that have ready demand.

**People generate demand, and in aligning ourselves with people, we anticipate demand and cater to it in ways which few companies can. We are people with *values*, we are people who deliver *value*.**



People as the producers  
& buyers of value



# People before Numbers



A business cannot grow without having at its helm and at its bottom people who are growing.

Numbers are the result of people's work and in supporting the people we nurture their ability to garner these numbers. It is not managing by Numbers that we do, but it is Management by people. Our approach is best explained by the statement, "When our people grow, so will our business." This simple approach has transformed what was once a trading operation into a global, multi market and industry operation that covers manufacturing, mining, exploration and other business. Our growth is best understood when you perceive that it is not new people doing new businesses, but the same people doing new businesses. That is our growth.

We nurture this growth by providing an empowering environment. We encourage study, research, training and retraining. We are a learning organization and spend considerable time, efforts and money to keep on learning.

The result is the creation and sustenance of an organization that is ever willing for the new opportunity, ever ready to meet bigger challenges and achieve greater heights of success.

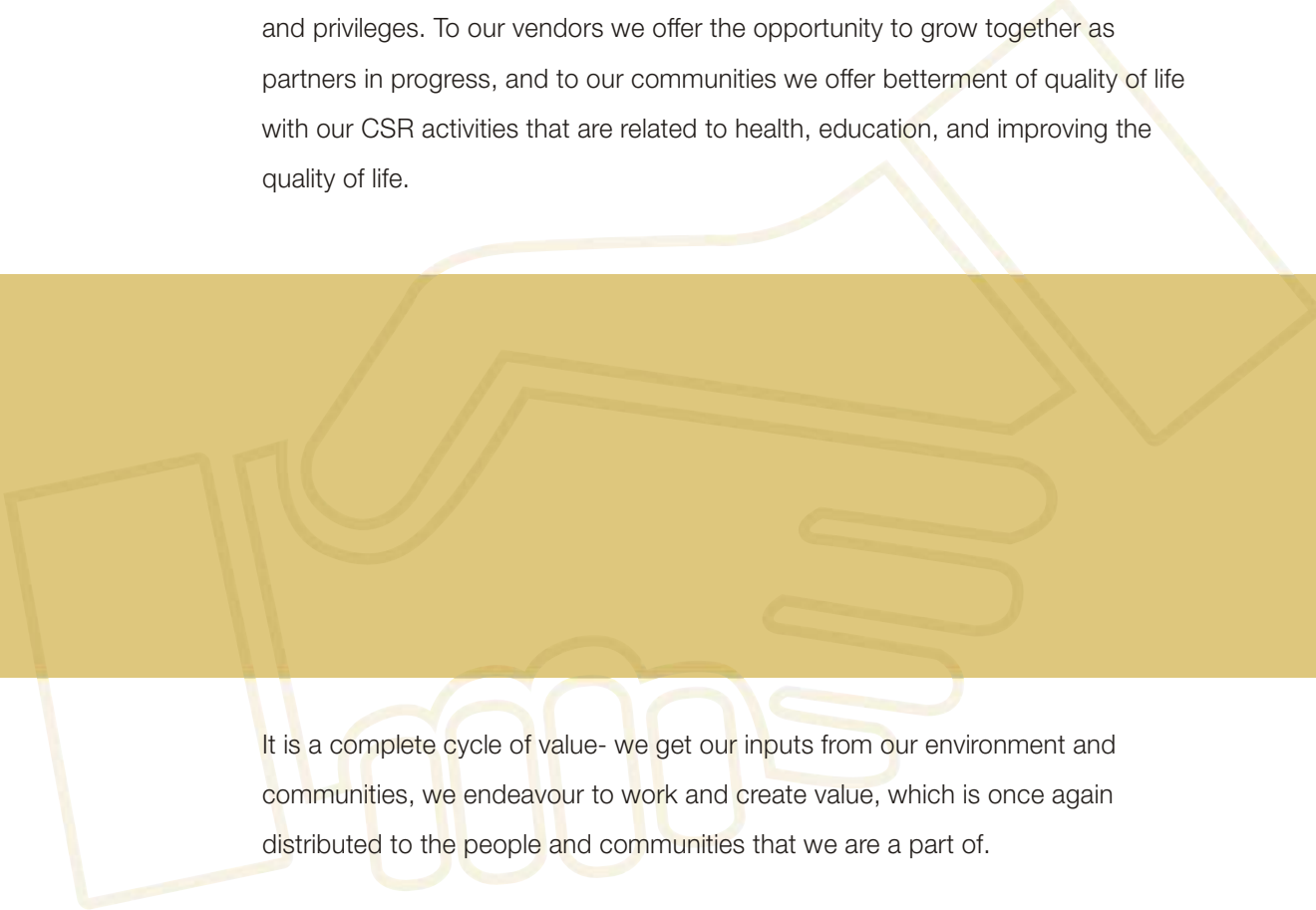
**Naturally the numbers follow.**



We believe that the purpose of business is profit. But unlike many companies, we do not stop at that. We also believe that the purpose of profit is the benefit of people.

When we achieve beyond our needs, we have the ability to reward our contributors. These include our stakeholders, our vendors and customers, our communities and the country and the society at large.

To our stakeholders we offer handsome rewards for their investment in our dreams. To our employees we provide the best in industry remuneration, facilities and privileges. To our vendors we offer the opportunity to grow together as partners in progress, and to our communities we offer betterment of quality of life with our CSR activities that are related to health, education, and improving the quality of life.



It is a complete cycle of value- we get our inputs from our environment and communities, we endeavour to work and create value, which is once again distributed to the people and communities that we are a part of.

**We are people who work for the business that works for the people.**



Business  
for people

# Corporate Information

## Board Committees

### Audit Committee

Shri S. Rajagopal Chairman

Shri S. K. Srivastav

Shri K. L. Gopalakrishna

Shri M. S. Sundara Rajan

Shri Kiran N. Mehta

### Shareholders'/Investors' Grievances Committee

Shri S. K. Srivastav, Chairman

Shri S. Rajagopal

Shri K. L. Gopalakrishna

### Remuneration Committee

Shri K. L. Gopalakrishna, 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

## 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

Bank of Baroda

IDBI Bank Ltd.

## Registrar & Transfer Agents

Bigshare Services Private Limited,

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka,

Andheri (East), Mumbai – 400 072

Tel.: +91-22-28470652, 40430200

Fax: +91-22-2847 5207

e-mail: 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 23727400

Fax: +91 22 23748686

e-mail: 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 6050199/299/399/499

Fax: +91 250 245 1781/245 2248

## 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, Jaisalmer, Rajasthan

Village Mavadi, Tirunelveli, Tamil Nadu

Village Tenkalam, Tirunelveli, Tamil Nadu

## Fifteenth Annual General Meeting

Day: Thursday

Date: 11th August 2011

Time: 4.00 p.m.

Venue: Walchand Hirachand Hall, 4th Floor

Indian Merchants' Chamber, IMC Building,

IMC Marg, Churchgate, Mumbai – 400 020

# Chairman's Speech



## **“Transformation, Consolidation, Segmentation – The Saga of Growth Continues.”**

It is my pleasure to report the annual results for the year 2010 – 2011. Your company has performed exceptionally in terms of growth and profitability by capturing opportunities and executing them on the ground.

Business demand rose steadily through the year and revenues for the financial year grew annually at 92% to ₹ 2941 Crores. Our ability to increase profitability in the face of strong operational head winds was also significant. The net profit grew by 65% to ₹ 39.34 Crores and we delivered sustained value to our customers. We achieved the highest ever turnover and growth in the history of the company in the year 2010 – 2011.

In order to increase our competitive ability, Our company has gone in for backward integration by setting up a stainless steel re-rolling mill at Jodhpur. Further plans to go in for backward integration by putting up a steel flat manufacturing facility at Rajasthan and a Pig iron plant in Karnataka are in full swing.

Our company has also diversified into the booming agro business during the year 2010 – 2011 and posted a turnover exceeding 1000 Crores.

The company has also put up additional Wind Power capacity of 4 Mega Watts at Tamilnadu, taking the total capacity to 8.95 Mega Watts.

Our venture in Madagascar is poised to unlock tremendous value for our stake holders as they represent a giant leap forward for the company. Varun has tied up with 'M/s. Cluff Resources' a leading Australian mining company for the exploration of Gold in our mining concessions and initial test results are very encouraging.

Your company has posted excellent results for the financial year 2010 – 2011, by recording the highest ever turnover and net profit since the inception of the company. I wish to personally thank the Board of Directors for their constant and valuable guidance and support which has enabled us to reach greater heights. Our success would not have been possible without the dedication, commitment and the excellent performance of our team members who are our most valued asset and we thank them immensely for their hardwork and contribution to achieve the company's mission.

On behalf of everyone at Varun Industries, I want to thank all the shareholders for your support and commitment in making Varun Industries the most valuable mid-cap companies.

With warm regards,

**Kiran Mehta**

Chairman & Managing Director



# Company Profile

Growth is business as usual

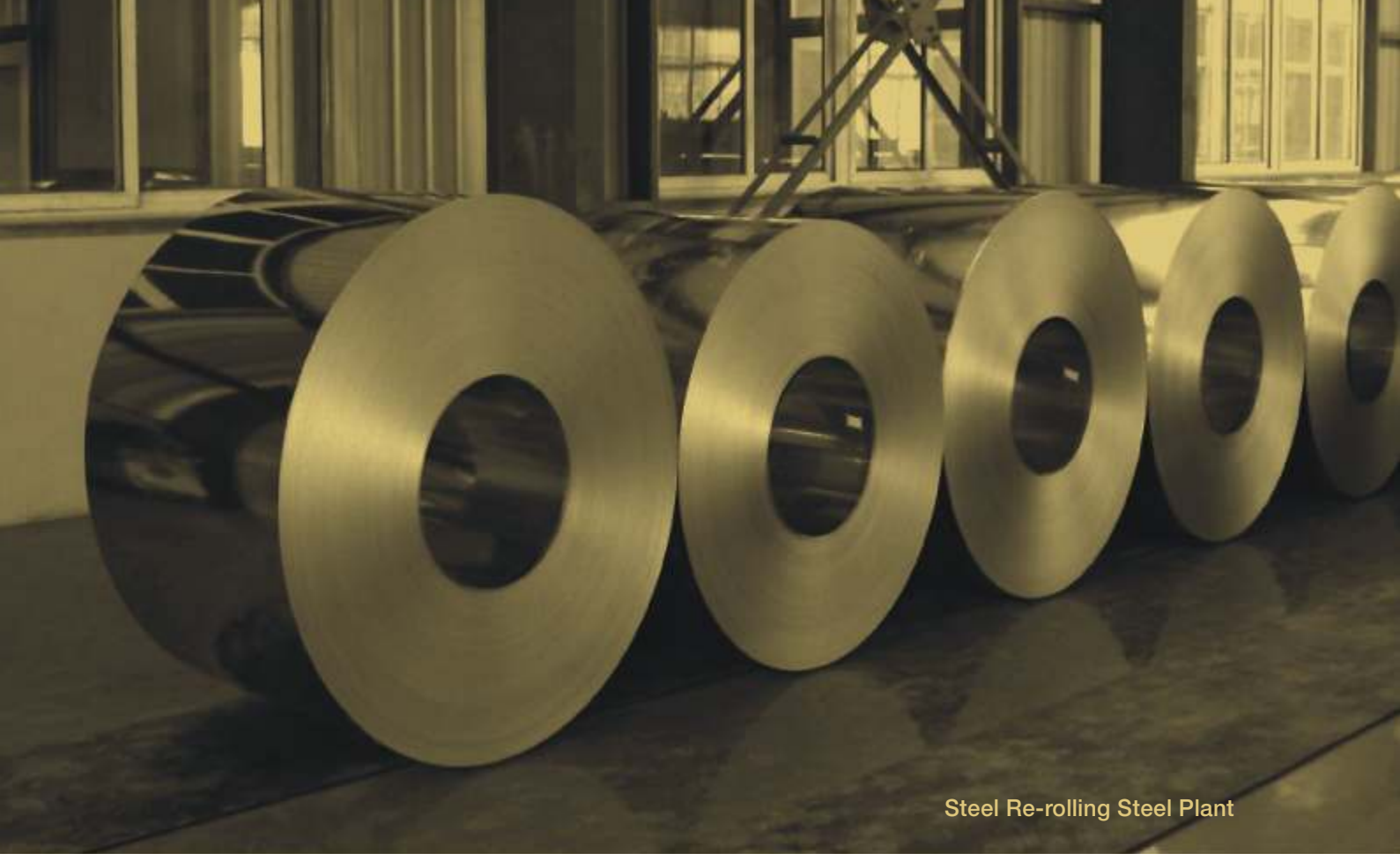
When growth is business as usual, the impact on the achievements is unusually positive. Varun Industries is a growth focused business entity that has consistently achieved accelerated growth via backward integration and diversification.

The journey of backward integration began with our foray into trading. Perceiving the demand for steel wares, we began merchant exports of steel wares to



global market. As our first step towards integration, we set up a production plant manufacturing steel wares at Vasai, a distant suburb of Mumbai. Products manufactured at our plant catered to the household, hospitality and the corporate gifting sectors. Our experience of being a producer of steel wares highlighted the impact of the fluctuating prices of our main raw material – flat steel. In an attempt to capture further value and integrate our production processes, we established a plant that re-rolled steel. This backward integration not only helped us stabilize

our raw material prices but also assured us a steady supply stream of our major raw material. Integration has a major impact on the quality of our end product as we have control over the quality of production from the upstream raw-materials to the end stage manufacturing. It has reduced our dependence on outside suppliers and enabled us to capture incremental value for our stakeholders. It enables us to be relatively insulated from cyclical forces that impact both price and availability of our main raw materials.



Steel Re-rolling Steel Plant

Varun Industries is the only company to have planned full backward integration into steel re-rolling, steel flats and shortly into the production of pig iron.

In the interregnum, we identified great growth opportunities in the oil and gas and wind energy sectors and diversified into the same. We set up a 4.95 MW wind farm in Jaisalmer in the state of Rajasthan and entered into power purchase agreements with Suzlon and the Ajmer Vidyut Vitran Nigam Ltd. Subsequently we have set up another 4 wind mills of 1 MW each in Tirunelveli in the state of Tamil Nadu.

In the Oil and Gas sector, we commenced providing efficient rig drilling and integrated work over services including charter, hiring of drilling rigs and their

maintenance to leading Indian and global oil and natural gas companies. We have a 1000 HP drilling rig that is contracted to ONGC in Assam.

Understanding the dynamics of the market and the importance of the retail presence, we invested in setting up a chain of retail stores marketing our steel wares across the country.

In keeping with the increasing globalization of business, we made a large foray into the Republic of Madagascar and acquired Uranium/Thorium mining and exploration right for oil and natural gas blocks, as well as gold and precious stone mines.

In yet another step at integrating our steel business, we are in the process of setting up a 1.2 lac metric ton integrated steel plant in Rohat, Rajasthan. The project entails a total investment of ₹ 850 crores with



₹ 240 crores earmarked for the first phase. This plant, scheduled to go on-stream by 2013-2014 will produce steel flats, angles and rods etc. These materials will be supplied mainly to the Jodhpur re rolling plant as well as to the domestic market. We are also setting up a pig iron steel plant with a capacity of 5 Lac Metric Ton per year in Bagalkot, Karnataka. The plant is being set up with an investment of ₹ 2,100 crore with the first phase involving an investment of ₹ 750 crores. We have successfully got the first clearances from the Govt. of Karnataka for Iron Ore mines and have also got clearance for allotment of 500 acres of land.

To ensure smooth running of our international operations, we have established subsidiary companies in Mauritius, Singapore, Dubai and Madagascar.

We are an Indian company that is making a mark in the global arena.

As a people powered company we are extremely committed to the health and safety of our employees. We follow the best practices in manufacturing, offer regular training for our employees on safety procedures and ensure that the work environment is healthy. Our basic tenet in manufacturing is "Safety First". Varun Industries has been featured by Economic Times and D&B list of India's Top 500 Indian companies for 2008 and 2009 ranking and it is one of the top 50 fastest growing mid-sized companies in India.

Today we have a people strength of close to 800 and a turnover of ₹ 2941 crore. We have established a virtuous cycle of growth.

Our journey of growth continues.

This consistent high growth of Varun Industries is the result of People's Power. Ordinary people who have set up high goals and ethically perform at peak efficiencies to achieve extraordinary heights. Our people have transformed our business, they have scripted our success story, both in India and abroad.

**Powered by people. Fueled by ambition.  
Driven by excellence.**

# Vision

Our vision is to emerge as one of the fastest growing Indian multinationals in the niche business of steel wares, mining and onshore and offshore oil and natural gas exploration. We will achieve this goal by empowering our people and practicing exemplary corporate governance. By achieving high growth we will create wealth for our stakeholders, customers, shareholders, associates, employees and the community at large.



Our mission is to engender high growth in all the businesses we are involved in by putting people before numbers with the firm belief that the quality of the people is the precursor to the quantity of our achievements.

# Mission

# Values

## **Building a value driven business**

If our growth is powered by people, it is also sustained by our values. In the business world of constant change, we ensure that our principles and values remain uncompromised – they are our spirit, our guiding light for our way forward.

**Piety – Work is worship**

We regard our office and work place as our temple. It is a place of sanctity and we enter it as we do a temple, with our shoes left outside. An atmosphere of worship envelops our work place – emphasizing the fact that for us, work is worship. We stand as equals within the organization and work with a single minded commitment for our personal as well as corporate growth.

**Excellence – Currency of growth**

As people, we are on a continuous journey of improvement and we are committed to better what is perceived to be the best. We are never complacent but remain ever competitive as we create new benchmarks in operational efficiencies and redefine standards of quality and cost effectiveness.

**Integrity - Building sustainable relationship with honesty and ethics**

We work with total integrity, honesty and accountability. We are conscientious in our work and our approach to people and believe that integrity is the foundation of a sustainable relationship.

**Innovation – Making the good better**

We approach work with the spirit of innovation. We seek new ways to serve the client better and are never satisfied with status quo. We raise the bar for our customer expectations with innovation and ensure that we meet and exceed these benchmarks.

**Team Spirit – Individually powerful, together unbeatable**

We multiply our effectiveness when we work as an integrated team. We complement our abilities as a team and hence we are always greater than the sum of our parts. We have an organizational culture that values team work while appreciating individual brilliance and performance.

**Respect - Differently enabled people, equally responsible for growth**

We respect every individual for his uniqueness and abilities and treat all our team members with fairness and empathy. We comply with local laws in every country and we have deep respect for diverse cultures.

**Environment, Health and Safety – Creating a positive impact on it**

Varun Industries Environment, Health and Safety policy is designed to create and sustain a safe working environment by minimizing health and accident hazards. We lay great emphasis on the environment and work with pollution control, energy and resource savings, and waste management to ensure minimal impact from our operations. The company provides regular training on health and safety hazards caused by production activities.



# The E&P way to business growth

Varun Industries growth is powered by what we call the E&P (Equipment & People) way. State of the art equipment, plant and manufacturing facilities operated and managed by talented, trained, empowered and committed people.

## Varun's people in Steel, Oil & Gas and Minerals

Varun started its business saga with a handful of people as a trader and exporter of steel wares. Its people capabilities helped it forge key relationships and scale the business. Within a short period of time it rose in the industry ranks and became an award winning exporter. With a keen eye on integrating its business, the company invested in a manufacturing unit for steel ware in Vasai, the industrial hub.

This plant is spread over a sprawling 9 acres of land and it houses the company's designing labs, R&D, Quality Control, and Production people and facilities in one location.

The production facilities include molding, cutting, bronzing, packaging, warehousing and dispatch.

## Backward and forward integrating people capabilities and capacities in steel domain

In a bold step, the company set up facilities for steel re-rolling so as to produce the main raw material flat steel sheets. In our characteristic fashion, while we choose to procure the best in terms of production equipment, we also recruited some of the best experienced and trained personnel. The rolling plant is located in Jodhpur, Rajasthan. Further the company is also in the process of setting up two state-of-the-art integrated steel plants in Rohat, Rajasthan and a pig iron production plant at Bagalkot, Karnataka.

These plants and people will manufacture steel flats, rods, wires, angles and structural as well as other high value added products.



Pig Iron Steel Plant



Steel Flat, Angel, Rod Plant



Steel Re-rolling Plant



Stainless Steel ware Plant



International & Domestic Market

**Backward & Forward Integration Value Chain**

As a next step we choose to bring in people with retail experience to build up a nationwide presence in the end customer domain. Varun Industries is forward integrated and has built up a national presence by way of retail outlets and shop in shop outlets. These outlets give us an end to end presence in the steel industry from manufacturing to retail.

#### **Varun Equipment and People in the Oil & Gas Industry in India**

Varun Industries has a growing presence in the oil and gas sector in India as an exploration, drilling, well construction, field development, rig management, production, transport and allied services partner to both private and public sector companies in India.

We own and operate a range of oil field equipment to meet the specific drilling requirements of companies in this sector. Our oil field personnel are experienced, and empowered with exposure to the latest technology and training.

We currently have a contract for a 1000 HP drilling rig in Assam, as well as a contract for operation and maintenance of oil field assets in Kariakal.

Our aim is to emerge as a leading Oil and Gas Exploration and Production, drilling and oil field services and material supplier in upstream, mid stream and main stream/downstream sectors of the petroleum industry.

#### **Varun Industries Equipment and People in Wind Power generation**

As environment consciousness grows throughout the world, green sources of energy are becoming increasingly important in our energy matrix. Varun Industries contributes to this green movement by producing wind based electricity that is then sold to the grid.

We have invested in a 4.95 MW wind farm at Jaisalmer in Rajasthan. Power generated from these wind mills are marketed to Suzlon and the Ajmer Vidyut Vitran Nigam Ltd.

We have also set up 4 MW Wind turbines in Tirunelveli district of Tamil Nadu. Going forward we seek to increase our presence in renewable energy and seek to invest in hydro powered electric generation projects. In the coming future Varun's People and Equipment will play a significant role in helping reduce India's dependence on fossil fuels for generating power.



# Varun Industries

## – where we are today

### Steel

- Full backward integration has transformed company from trading to manufacturing of the Steel
- Manufacturing of Stainless steel ware products
- Exporter of steel ware products across global market
- State- of –the- art Stainless steel ware Manufacturing plant at Vasai
- Manufacturing plants for Re-Rolling Steel, Steel Flat\* and Pig Iron Plant\*\*
- Estimated total production capacity of approx. **6.70 Lac MT Per Annum**



### Mines and Minerals

- Diversified into Mines and Minerals in Madagascar
- Awarded 1,111 mining blocks for Uranium (Thorium and Gold as by product) covering 6950 Sq. Km., having reserves level of about 1.7 M. Mt. of Uranium, 4.35 M. Mt. of Thorium and 53,000 Kgs. of Gold
- JV with Cluff Resources Pacific NL, Australia for exploration of Gold Mines
- Received clearance for Iron Ore Mines from Govt. of Karnataka for setting up Pig Iron Plant in Bagalkot, Karnataka



### Energy

- Diversified into Oil; Natural Gas and Wind Energy
- 8.95 MW Wind Turbine plant at Rajasthan and Tamil Nadu
- Rig drilling contract with ONGC and project commenced at Assam
- Onshore and Offshore Oil and Natural Gas Block at Madagascar.
- Onshore block covers 6,884 Sq. Km. and Offshore covers 13,299 Sq. Km.



# Engendering people powered growth in Madagascar

Most industrial houses contribute to the development and progress of their people and the communities they work in. Few companies go a step further and gain the opportunity to positively impact people of a whole nation with projects, employment opportunities and businesses that will benefit an entire nation.

After earning its global credentials as an exporter to many countries in the world, Varun Industries took the next step to set up an off shore business base for itself.

In an unprecedented move that speaks of the top management sagacity, it has entered into a strategic business alliance with the Republic of Madagascar to invest in a slew of industries.

Madagascar is an island in the Indian Ocean and it is the third largest island in the world with a population of 19 million. It has tremendous scope to develop business in the fields of Agriculture, Mining, Oil and Natural Gas, Handicrafts, Apparel and Tourism.

Varun Industries involvement in the Republic of Madagascar is in the industries of Uranium, thorium and gold mining, mining for precious stones, oil and gas exploration and exploitation.



Gold Exploration - Madagascar

To facilitate our business in Madagascar, we have set up three subsidiaries in Mauritius – these are – Varun Holdings Ltd., Varun Mines and Minerals Ltd. and Varun Petroleum Ltd.

Varun Petroleum Ltd., Mauritius has acquired majority shares in Varun Petroleum SARL, Madagascar and Oil and Gas Incorporation SARL.

Varun Mines and Minerals Ltd., has acquired majority shares in Madagascar Energy Corporation and Varun International SARL, Madagascar.

## **Our Assets and Holdings in Madagascar**

The Varun Group has been awarded Uranium Mining permits for an area approximating 6950 sq. kms (Covering 1111 blocks with 100 more blocks in the process of being awarded). These blocks hold an estimated 17,00,000 MT of uranium, 43,50,000 MT of Thorium and 53,000 kgs of gold reserves.

The Group also holds the permits, licenses and leasehold rights for the mining of gold, platinum and other precious stones in the regions of Madagascar.

## **Oil and Natural Gas Projects in Madagascar**

The company has acquired block 3101 covering an area of about approximately 6,800 sq. kms. This block is located in the confirmed petroleum province in Madagascar. We have also acquired a offshore natural gas block covering an area of about 13,200 sq. kms on the basin of the Indian Ocean, which is possibly the largest in the world.

# Growth by people empowering growth for people

## – Focus on Health, Education and Improving Quality of Life

The CSR activities of Varun Group and those of the Directors of the company have been increasing along with the size of the company.

Most of the initiatives are focused on improving the health of communities, imparting life transforming education to the needy and improving the quality of life of people in communities. People power our growth. We use the proceeds of our growth to empower people.

- The group has supported many organizations in setting up eye camps, mobile clinics and other facilities for the rural population.
- The Management has awarded scholarships and funded the construction of schools in villages.
- The Directors of the company are trustees of various foundations including the Epilepsy Foundation of India.
- The Company has on several occasions organized annual blood donation drives and participated in the popular Mumbai Marathon in support of worthy causes.
- Our alliance with the Republic of Madagascar goes way beyond business as we are partners with the Government in alleviating poverty and increasing the GDP of the country.



Mumbai Marathon in support of worthy causes



# The CSR Mission

We are driven by our deep desire to serve Baba and the poor and down trodden people of the society. We are putting super human efforts to ensure that we help the disadvantaged by our efforts in the fields of education, in wiping out hunger, alleviating poverty and providing better medical care to the neglected segments of the society. With the blessings of Sai Baba of Shiridi, our endeavours have already reached out to millions of deserving people helping improve their quality of life.

## Values

**MUTUAL RESPECT**, requiring us to recognize the innate worth of all people and the value of diversity.

**EQUITY AND JUSTICE**, requiring us to work to ensure equal opportunity to everyone, irrespective of race, age, gender, sexual orientation, colour, class, ethnicity, disability, location and religion.

**HONESTY AND TRANSPARENCY**, being accountable at all levels for the effectiveness of our actions and open in our judgments and communications with others.

**SOLIDARITY WITH THE POOR**, powerless and excluded will be the only bias in our commitment in the fight against poverty.

**COURAGE OF CONVICTION**, requiring us to be creative and radical, bold and innovative - without fear of failure - in pursuit of making the greatest possible impact on the causes of poverty.

**INDEPENDENCE**, from any religious or party-political affiliation.

**HUMILITY**, in our presentation and behaviour, recognizing that we are part of a wider alliance against poverty.



# Our Board of Directors



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



**Kailash Agarwal**  
Co-Founder &  
Managing Director



**Varun Mehta**  
Whole Time Director



**S. Rajagopal**  
Director



**S. K. Srivastav**  
Director



**K. L. Gopalakrishna**  
Director



**M. S. Sundara Rajan**  
Director

# Key Management Personnel



**Rathnakar Hegde**  
Group Advisor



**Rodney Semotiuk**  
CEO Global Operations



**Mayur Doshi**  
Chief Financial Officer



**Tapas Bodak**  
Country Head, Madagascar



**Rahul Jain**  
Sr. Vice President  
Group Corporate Communications



**A. P. Dhurandhar**  
Vice President, Exploration

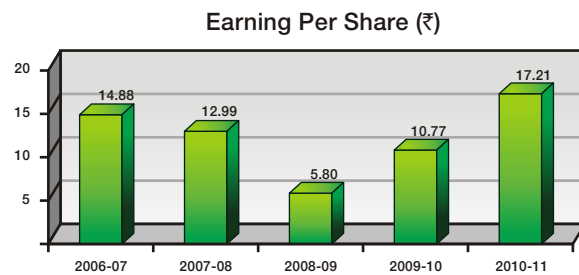
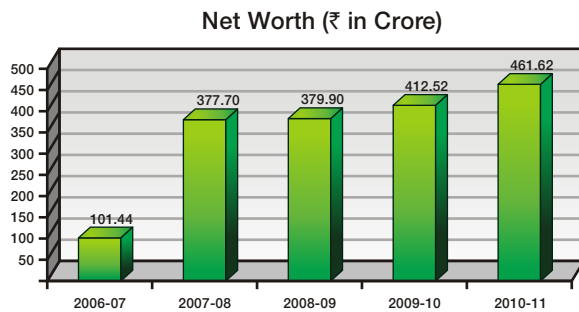
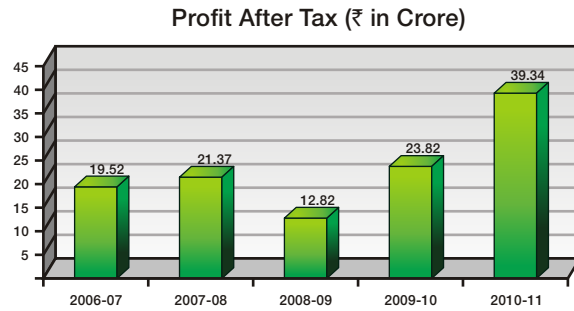
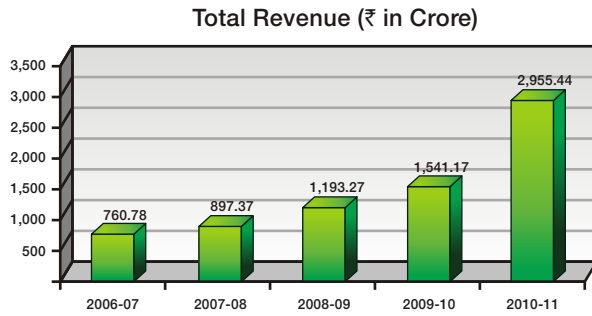
# Management Discussion and Analysis



## **Performance Review – People Powering Growth**

We are glad to report another year of sterling performance, wherein our team performed above par and achieved the highest ever turnover in the history of our company. Our total income (see chart ) was up 92% from ₹ 1541.17 Cr. to ₹ 2955.44 Cr. in the year 2010-2011. Our PBT also showed an increase of 66% increasing from ₹ 35.83 Cr. to 59.55 Cr. Our PAT mean while increased by a factor of 65% from 23.82 Cr. in the previous year to 39.34 Cr. in the

current year. The earnings per share subsequently increased by 60% from ₹ 10.77 to ₹ 17.21, whereas our net-worth increased by 12% from ₹ 412.52 Cr. to ₹ 461.62 Cr. In view of this sterling performance the management has decided to increase the proposed dividend from ₹ 1.50 a share in the previous year to ₹ 1.8 per share in the current year, an increase of 20%. This is an overall record performance for Varun Industries.



### Scope for further growth and potential of the industries we are involved in

#### Stainless Steel Wares

India's production of stainless steel has grown at about 14% pa over the last 15 years. Currently, 75% of the end use market of stainless steel is in the Utensils, Cutlery and Kitchen tools segments. The stainless steel industry in India is in an upbeat mood.

The market is highly fragmented in terms of the number of manufacturers and also in terms of the number of products. The exact size of Indian cookware market has not been accurately determined due to its largely unorganized nature and varying definition of the segment. As a whole the Indian cookware industry is currently riding on a growth curve. There is also great potential for Indian cookware manufacturers in the export market.



# Outlook of the Industry

The overall buoyancy in the Indian economy is expected to continue in the coming years as well. The increasing shift of population from rural areas also marks a change in lifestyle of the people and has boosted the demand for these products. The global economy is also recovering from past crisis. With an increase in the disposable income of people, there has been a marked trend of replacement demand for stainless steel kitchenware and houseware. Further, the changing lifestyle, taste and preference of the consumer towards fashionable items also have a major impact on the demand for these products. Even in the international markets, Indian Stainless steel ware are increasingly the preferred choice as against the Chinese exports because of our superior quality, dependable delivery schedules and proactive service. There is also a marked increase in demand from industry seeking to replace less durable products with stainless steel – increasing the demand for stainless steel flats, rounds and angles. These trends combine into a sustained demand pattern for manufacturers of stainless steel like Varun Industries Ltd.

## Strong Brand Recognition

The company is India's largest exporter of stainless steel kitchenware and houseware items and the brand "Varun" is well

established in export market for this segment. It has received various awards for export performance like "Leading Exporter of Kitchenware and Houseware Products", Niryat Shree, Top Exporters Award/ exporter excellence award year on year, continuously since 1996-97 and Star Performer Award for 2005-06.

## Few Competitors & Strong Presence in the International Market

The company exports its products to many countries around the world and more than 90% of our total income is generated from exports. This segment has a number of small and big players from the unorganized sector and the company faces a very low level of competition from these players. The company has a widely distributed customer base, which reduces the geographic and political risks.

## Multiple Product Capabilities

The company's large range of 2000+ products and our ability to custom engineer products to individual requirement is a great advantage in a market that is increasingly seeking novelty and value addition. Aesthetic design, quality inputs, state of the art manufacturing and finishing ensures that Varun Products have a special appeal to consumers worldwide.



**Kiran Mehta Award** - Hon'ble Shri Atal Bihari Vajpayee - Prime Minister of India presenting National Export Award for Year 1997-98 to Mr. Kiran Kumar Mehta - CMD Varun Industries Ltd.



**Kailash Agarwal Award** - Hon'ble Smt. Pratibha Devi Singh Patil, President of India presenting FIEO "Niryat Shree" award for the year 2005-2006 to Mr. Kailash Agarwal, Managing Director – Varun Industries Ltd.



**Varun Award Receiving** - Hon'ble Shri Virbhadra Singh, Union Minister of Steel presenting Indinox "Best Exporters" award for the year 2009-10 to Mr. Varun Mehta, Director – Varun Industries Ltd.

## Integrated Business Model

Varun's integrated business model insulates us from wide price variations and ensures us complete control over the quality of raw material we use in our manufacture. Most of our requirement of steel sheet is procured from our steel re-rolling plant. With the setting up of steel flat and pig iron plant we will be completely integrated from the mines to the market. This will ensure greater economies, enhanced value addition and better business prospects for the company.

## Breakthroughs in the year in review

- Highest ever turnover and net profit achieved by the company since inception
- Highest dividend and EPS after listing of the company
- Company has ventured into prospective Agri Business and has recorded a turnover of ₹ 1000 Cr.
- Taking power generation capacity from 4.95 to 8.95 MW by adding 4 MW capacity in Tirunelveli, TN
- 150 Acres of land acquired for Jodhpur backward integration Steel Flat Plant
- The company is actively pursuing diversification into iron ore mining and for setting up its own steel plant. Its application to set up a steel plant at Bagalkot district in Karnataka has received clearance at a high level steering committee of the Govt. of Karnataka. An MOU between the company and the Govt. of Karnataka to set up the above mentioned plant has been signed.
- Company featured in Dun and Bradstreet's India's Top 500 companies 2008, 2009 and 2010



### Focus in near term

Our near term focus in the domestic market revolves around further integration of our stainless steel operations with the set up of the pig iron plant and the steel flats plant. We are in the process of acquiring mining rights for iron ore and this will ensure complete vertical integration starting from mining the iron ore, producing the pig iron and steel flats, angles and rounds, manufacturing stainless steel kitchen and housewares, marketing them through captive shops and an extended retail network as well as exports.

We have expanded our power generation capacity with the hooking up of the Tirunalvelli Wind Power turbines. In the near term we seek more opportunities to expand our wind power generation capacity.

### Madagascar in Focus

Madagascar Operations promise to unlock great value for the company in the near term future. We are

in advanced stages of exploration for uranium, thorium and gold and the actual operations of these mines are to start shortly. The oil and gas assets also promise to be a great value generator as we have blocks in areas that have proven reserves.

**The combination of rare earths, gold, oil and gas, precious stones and agriculture will ensure us a de-risked and robust source of revenue and growth.**

We also seek to increase our capacities and capabilities in the oil drilling and exploration business by procuring more drilling rigs. This will not only help us gain vital management bandwidth in this business, but also enable us to rapidly implement these lessons and learning's in our Madagascar operations. We are in the process of purchasing two additional oil rigs in the coming year.



The Steel Flats Plant



### Forecast for the year ahead

We expect the momentum of growth the company has achieved in these past years to continue in the years to come. Our expectations are a minimum 20% growth in top line and bottom line on year-on-year basis. The trend analysis of our past performance

bears testimony to this expectation and our diversified operations, wide spread global market will de risk our business from any downswing in any particular sector or geographical region.

### Trend analysis and key ratios indicating performance

	2010-11	2009-10	Increased by
<b>Total Income</b>	2,955.44 Cr.	1,541.17 Cr.	<b>92%</b>
<b>Profit Before Tax</b>	59.56 Cr.	35.83 Cr.	<b>66%</b>
<b>Profit After Tax</b>	39.34 Cr.	23.82 Cr.	<b>65%</b>
<b>Earning per Share</b>	₹ 17.21	₹ 10.77	<b>60%</b>
<b>Networth</b>	461.62 Cr.	412.52 Cr.	<b>12%</b>
<b>Proposed Dividend</b>	1.80 ₹/per share	1.50 ₹/per share	<b>20%</b>

### Capital Budget for the FY 2011-12

Activities	₹ In Cr.
Purchase of 2 Oil Rigs	<b>100.00</b>
Bagalkot Land	<b>20.00</b>
Vasai and Jodhpur plant expansion	<b>5.00</b>
Windmills	<b>25.00</b>
	<b>150.00</b>

### Trend Analysis and Key ratios

	31.03.2011 ₹ In Lac	31.03.10 ₹ In Lac
<b>Gross Profit</b>	<b>198.13</b>	<b>170.70</b>
<b>G.P. Ratio</b>	<b>6.7%</b>	<b>11.1%</b>
<b>Net Profit</b>	<b>39.34</b>	<b>23.82</b>
<b>N.P. Ratio</b>	<b>1.3%</b>	<b>1.6%</b>

### People Power to the fore

We have a sustained program to ensure that the company remains a learning focused organization that grows with its people. We believe that while physical assets can be purchased, good talented

people can only be retained. We nurture talent, reward achievement and honour commitment. We offer our team members both vertical and horizontal career moves.

# DIRECTORS' REPORT

## To the Members,

Your Directors have pleasure in presenting their Fifteenth Annual Report on the business and operations of your Company for the year ended 31<sup>st</sup> March 2011. 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 2011	Year ended 31 <sup>st</sup> March 2010
Income	2955.43	1541.17
Profit Before Tax	59.56	35.83
Less: Provision for Taxation	20.22	12.01
Profit after Tax	39.34	23.82
Add: Balance brought forward	64.53	45.77
Disposable Profit	103.87	69.59
<b>Appropriations:</b>		
Transfer to General Reserve	2.95	1.19
Proposed Dividend	5.24	3.32
Tax on Dividend	0.85	0.55
Balance carried to Balance Sheet	94.83	64.53

## 2. PERFORMANCE REVIEW

The global economy, with the exception of a few European countries, is on the path of recovery. The GDP growth rate of our country continues to accelerate and is likely to exceed 8%. Most of the macro economic indicators, barring manufacturing activity, recorded improved performance during the financial year.

With normal monsoon in the offing, the domestic business environment is expected to show improvement. Inflation and consequent hike in interest rates however, continue to be the causes of concern.

Varun Industries Limited achieved an improved performance on account of better market conditions. Profit improved substantially. Reduction in export incentives however, had an adverse impact on export realization. During the year, your Company commenced trading activities which fundamentally reflect high turnover and low margins.

During the year under review, your Company recorded an income of Rs. 2955.43 crore, as against Rs. 1541.17 crore in the previous year, representing an increase of 92%. This paradigm change is due to the result of trading activities undertaken by the Company during the year. The profit before tax was higher by 66% at Rs. 59.56 crore as against Rs. 35.83 crore for the previous year. The profit after tax at Rs. 39.34 crore was higher by 65%, as against Rs. 23.82 crore for the previous year.

## 3. FINANCIAL RESOURCES

### a) Conversion of 70,00,000 Convertible Equity Warrants

As approved by the members at their Extra Ordinary General Meeting held on 5<sup>th</sup> August 2009, the Board of Directors, at their meeting held on 21<sup>st</sup> February 2011, allotted 70,00,000 equity shares of Rs. 10/- each in the Company on conversion of equal number of warrants at a price of Rs. 43.20 per share. The proceeds of the said issue aggregating Rs. 30.24 crore were fully utilised for the purpose for which they were raised, namely, normal working capital needs of the Company.

### b) Loan Funds

In order to meet the growing business needs, the Company availed of enhanced working capital limits from the Company's Bankers during the year under review. The Company also availed of a term loan, which was utilized for the wind mill project at Tirunelveli, Tamil Nadu.

## 4. PROJECTS

### I) Domestic

#### a. Rohat, Rajasthan

As a step towards further backward integration, the Board of Directors have approved setting up of a new state-of-the-art Stainless Steel cum Alloy Steel complex at Rohat 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 94 acres has already been acquired and various licences and clearances are being sought and actively pursued. The work is expected to commence during the current year.

#### b. Bagalkot, Karnataka

The Government of Karnataka has approved the Company's proposal to set up a Pig Iron plant of 5,00,000 MT per annum capacity at Bagalkot in Karnataka. The process of land acquisition to the extent of 500 acres is in full swing and the Company's application for the sanction of mining lease is under active consideration of the Government of Karnataka. The work is expected to commence during the current year.

#### c. Power Generation

The Company has successfully implemented at Tirunelveli in Tamil Nadu, a Wind Mill project with capacity of 4 Mega Watts. With this, the total power generating capacity of the Company's power plants has gone up to 8.95 Mega Watts. Thus, Varun's desire is to diversify its strength as a serious energy player.

### II) International

- a. A step down subsidiary of the Company has entered into a Joint Venture Agreement with a renowned Australia based company, viz., Cluff Resources Pacific NL ("Cluff"), for the exploration, development and exploitation of gold, platinum and precious stone mining on the highly prospective tenements in Southern Madagascar region. However, a Special Purpose Vehicle company, viz. Varun Cluff International SARL has been established in this context to run the said joint venture. It has been agreed that Cluff will have a right over 35% of the produce against 75% of the underlying expenses to be borne by Cluff. Preliminary investigations have indicated the presence of alluvial sediments containing gold, platinum and precious stones. The preliminary evaluation as well as rock sample collection process has already been started and the detailed mapping and assessment of the area will be done through highly qualified Australian geologists after the initial assessment work.
- b. The Company's wholly owned subsidiary viz., Varun Holdings Limited, based at Mauritius has incorporated two step down subsidiaries at Dubai and Singapore by the names Varun International Trading FZE and Varun Global Trading Pte. Ltd., respectively. The said companies are engaged in Agri-business and commodity trading and expected to contribute substantially to the parent Company's bottom line in the coming days. This is a success story for the entire Varun group and the result is huge from the arena in the trading / commodity business.

## 5. DIVIDEND

Keeping in view the improved performance, all the Directors have recommended for your approval, a higher dividend of Rs.1.80 per equity share of Rs. 10/- each, i.e., @18% (15% for the previous year) on 2,91,13,945 fully paid equity shares, including 70,00,000 equity shares allotted during the year on conversion of warrants. The total cash outflow on account of the dividend including tax thereon would be Rs. 6.09 crore. The proportion of dividend against equity capital is significant and we hope that it will boost the confidence of the investors.

## 6. SUBSIDIARY COMPANIES

The Company has 14 direct and step down subsidiaries, namely, Varun Jewels Private Limited, Shri Sai Jewels Private Limited, Varun Petroleum Corporation Private Limited, Varun Minerals Corporation Private Limited, Varun Holdings Limited, Mauritius, Varun Mines and Minerals Limited, Mauritius, Varun Petroleum Limited, Mauritius, Varun International SARL, Madagascar, Madagascar Energy Corporation, Madagascar, Varun Petroleum SARL, Madagascar, Oil & Gas Incorporation SARL, Madagascar, Varun Energy Corporation SARL, Madagascar, Varun International Trading FZE, Dubai, U. A. E. and Varun Global Trading Pte. Ltd., Singapore.

The Ministry of Corporate Affairs had, vide a General Circular No. 2/2011 dated 8<sup>th</sup> February 2011, granted general exemption from attaching to the holding company's Balance Sheet, the accounts and other information specified in Section 212 (1) of the Companies Act, 1956 ("the Act") pertaining to its subsidiary companies, subject to fulfillment of certain conditions. Accordingly,

as decided by the Board of Directors, 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. In compliance with the conditions for exemption, 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 Act, 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. K. Srivastav and Shri K. L. Gopalakrishna retire by rotation at the 15<sup>th</sup> Annual General Meeting and are eligible for re-appointment.

Pursuant to the provisions of Section 260 of the Act and Article No. 115 of the Articles of Association, Shri M. S. Sundara Rajan was appointed as an additional director with effect from 6<sup>th</sup> May 2011 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 required by Clause 49 of the Listing Agreement, brief profiles of the above referred Directors, 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 EARNING AND OUTGO**

Pursuant to the provisions of Section 217(1)(e) of the Act, 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 earning 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, 2011 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

The Directors would like to thank sincerely the Company's bankers and financial institutions, Government authorities, customers, vendors and investors for their continued assistance and co-operation during the year under review. The Directors also wish to place on record their appreciation of the committed services of the executives, staff and workers of the Company and also highly appreciate their hard work to take the challenge in order to accomplish the Company's mission.

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

**Kiran N. Mehta**

*Chairman & Managing Director*

Mumbai, 6<sup>th</sup> May 2011

**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:

### Jodhpur Plant

1. Installation and maintenance of Air cooling system for Electric panels.
2. Continuing the use of Energy efficient Gear Oil in Gear Box.
3. Installation and maintenance of Power Capacitor.
4. Regular checking of current of all capacitors and their timely maintenance and replacement.
5. Replacement and maintenance of energy efficient lighting and optimizing the ventilation system.
6. Timely maintenance of machinery & equipments to ensure optimum energy consumption.
7. High efficiency AC Motors have been installed.
8. Replacement of under loaded/ overloaded motors with proper capacity motors and installation of high efficiency AC Motors.
9. Installation of Copper Cables wherever possible, thereby achieving energy efficiency and low maintenance.
10. Optimizing the time span of running of motors by providing limit switches for auto cut off.
11. Maintenance of motors and avoidance of repeated re-winding thereof.
12. Maintenance of DG sets by regular checkup of injection pumps, nozzles, filters and engine oil etc. thereby achieving maximum efficiency.
13. Installation and maintenance of Air Conditioners having automatic temperature cut-off.

### Vasai Plant

1. Increased use of natural day light and natural ventilation as much as possible and switching off lights and fans wherever applicable.
2. Regular provision of preventive maintenance to all machineries and equipments and replacement of the old machineries with new and more efficient equipments to ensure optimum energy consumption.
3. Installation of roof top ventilators in manufacturing unit which are driven by hot air. This also reduced the use of heavy duty exhaust fans.
4. The Company is in the process of hiring a professional energy management consultant.
5. Maintaining all the components of the power factor panel and energy metering panel, including capacitors, contactors, relays, energy meter, etc.
6. Monitoring important electrical energy consuming machineries and analyzing their energy usage trend.
7. Implementing energy audit measures to cut down the electrical energy cost.
8. Three phase load balancing.
9. Formation of an Energy Management Committee of five personnel from different departments to ensure the implementation of planned activity by the consultant as well as to get the feed back and suggestions for more energy saving ideas.
10. Conducted two half yearly meetings of workers and energy management committee to bring the awareness about energy saving importance among the workers.

Consequent to the above measures, the Vasai plant could improve the power factor to 0.998 through out the year and saved power costs.

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. The cost of energy has also been optimized to the extent feasible. 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 2011	Year ended 31 <sup>st</sup> March 2010
<b>A. POWER &amp; FUEL CONSUMPTION</b>			
<b>1. Electricity</b>			
a)	Purchased Units	Thousand KWH	3,088.35
	Total amount	Rs. in Thousand	14,938.98
	Rate/unit (KWH)	Rs.	4.84
b)	<b>Own Generation</b>		
i)	Through Diesel Generator (HSD)		
	Units	Thousand KWH	70.39
	Total Amount	Rs. in Thousand	1,054.66
	Cost/Unit (KWH)	Rs.	14.98
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.	—
2.	<b>Coal</b>		
3	i) <b>Furnace oil (Hot Mill)</b>		
	Quantity	KL	344.24
	Total amount	Rs. in Thousand	10,231.17
	Rate/unit (KL)	Rs.	29.72
	ii) <b>CBFS oil (Hot &amp; Cold Furnace)</b>		
	Quantity	KL	617.00
	Total amount	Rs. in Thousand	18,388.57
	Rate/unit (KL)	Rs.	29.80
4.	<b>Natural gas</b>		
	Quantity	Cu. mts.	—
	Total amount	Rs. in Thousand	—
	Rate/unit (Cu. mt.)	Rs.	—
<b>B. CONSUMPTION PER UNIT OF PRODUCTION: (Per MT)</b>			
	<b>Unit</b>	<b>2010-11</b>	<b>2009-10</b>
	Electricity / Own Generation	kwh	287.14
	Furnace Oil	Liters	34.88
	CBFS Oil	Liters	59.85

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

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

	(Rs. in lac)	
	Year ended 31 <sup>st</sup> March 2011	Year ended 31 <sup>st</sup> March 2010
<b>A. Total Foreign Exchange Earned:</b>		
i) FOB Value of export	2,78,289.26	1,42,544.93
ii) Rig Hiring Charges	<u>1,360.76</u>	<u>1,158.10</u>
<b>Total</b>	<u><u>2,79,650.02</u></u>	<u><u>1,43,703.03</u></u>
<b>B. Total Foreign Exchange Used:</b>		
i) On Import of Raw Material / Finished Goods	1,01,867.57	11,137.33
ii) On Import of Capital Goods, Spares and Components	2.25	21.97
iii) Expenditure in Foreign Currencies for business travels, subscription, commission on exports etc.	<u>121.43</u>	<u>61.53</u>
<b>Total</b>	<u><u>1,01,991.24</u></u>	<u><u>11,220.83</u></u>

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

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

Mumbai, 6<sup>th</sup> May 2011



# CORPORATE GOVERNANCE REPORT

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

Values and ethical business conduct form integral part of good corporate governance, which in turn, plays an important role in enhancing the trust and confidence among the stakeholders. Varun has, from time to time followed best business practices in the area of corporate governance. It has maintained high degree of compliance and disclosure levels. Integrity has been a key factor in attaining performance goals. By adhering to the principles of integrity, ethics, equity, fairness, transparency and accountability, Varun has ensured that the interests of the stakeholders are always protected.

The Board of Directors is at the core of corporate governance practices. The directors consider themselves as trustees of Company's members and other stakeholders. They always strive hard to create and safeguard the interests of the stakeholders. The Company has implemented all the mandatory requirements of Clause 49 of the Listing Agreement.

Implementation of 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 would be considered in due course.

## 2. Code of Conduct and Ethics for Directors & Senior Executives:

The Code of Conduct and Ethics as applicable to the Directors & members of senior management has been approved by the Board. The said code is posted on the website of the Company. The Board members and senior management personnel have affirmed compliance with the said Code of Conduct and Ethics.

## 3. Board of Directors:

The Board of Directors has the strength of seven members. The composition of the Board is in conformity with the listing requirements. The details are as under: -

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.	5	5	Yes	13	0/1
2.	Shri Kailash S. Agarwal, <i>Managing Director</i>	P. & E. D.	5	5	Yes	12	1/0
3	Shri Varun Mehta <i>Whole Time Director</i>	P. & E. D.	5	4	Yes	1	-
4.	Shri S. Rajagopal, <i>Director</i>	I.D.	5	5	Yes	14	4/1
5.	Shri S. K. Srivastav, <i>Director</i>	I.D.	5	5	Yes	5	-
6.	Shri K. L. Gopalakrishna, <i>Director</i>	I.D.	5	5	Yes	1	0/1
7.	Shri M. S. Sundara Rajan <i>Additional Director</i> (w. e. f. 6 <sup>th</sup> May 2011)	I.D.	-	-	N.A.	-	-
8.	Shri D. K. Mukhopadhyay <i>Director</i> (up to 9 <sup>th</sup> September 2010)	I.D.	2	2	No	-	-

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, five Board meetings were held on 14<sup>th</sup> May 2010, 22<sup>nd</sup> July 2010, 25<sup>th</sup> October 2010, 14<sup>th</sup> February 2011 and 21<sup>st</sup> February 2011.

## Remuneration paid to Executive Directors during the year ended 31<sup>st</sup> March 2011

(In Rupees)

Particulars of Remuneration (Fixed & Variable Components)	Shri Kiran N. Mehta, Chairman & Managing Director	Shri Kailash S. Agarwal, Managing Director	Shri Varun Mehta, Whole Time Director
Salary	90,00,000	60,00,000	30,00,000
Other Allowances	60,00,000	40,00,000	5,00,000
Commission	63,77,522	63,77,522	-
House Rent Allowance	-	-	15,00,000
Provident Fund	9,360	9,360	9,360
<b>Total</b>	<b>2,13,86,882</b>	<b>1,63,86,882</b>	<b>50,09,360</b>

Note: -

Shri Kiran N. Mehta, Chairman & Managing Director, Shri Kailash S. Agarwal, Managing Director and Shri Varun Mehta, 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 up to 30<sup>th</sup> October 2014.

## Remuneration paid to Non-Executive Directors during the year ended 31<sup>st</sup> March 2011

S. No.	Name of the Director	No. of equity shares held	Sitting fees (Rupees)
1.	Shri S. Rajagopal	Nil	1,75,000/-
2.	Shri S. K. Srivastav	Nil	1,75,000/-
3.	Shri K. L. Gopalakrishna	Nil	1,75,000/-
4.	Shri D. K. Mukhopadhyay (up to 9 <sup>th</sup> September 2010)	Nil	70,000/-

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

### Shri S. K. Srivastav – Independent Director

Shri S. K. Srivastav, 49, is a Science graduate and has a degree in business management and a master's degree in law. He is a practicing Solicitor at Bombay High Court, Delhi High Court, Supreme Court of India and Supreme Court of England & Wales. He has vast experience in Civil, Corporate Writ and Commercial matters. He is a member of Supreme Court Bar Association of India, Law Society of England & Wales, International Bar Association and International Council of Alternative Dispute Redressal. He travels extensively in connection with his profession.

He is the Chairman of the Shareholders'/Investors' Grievances Committee and member of the Remuneration Committee and Audit Committee of the Company. He does not hold any equity share in the Company.

S. No.	List of other Directorships	Chairman/Member of the Committees of the Board of the companies in which he is a Director
1.	Sai Prasan Consultancy Private Limited, <i>Director</i>	None
2.	Renaissance Legal and Learning System Private Limited, <i>Director</i>	None
3.	Vital Links & Services Private Limited, <i>Director</i>	None
4.	Gupta House Apartments Private Limited, <i>Director</i>	None
5.	R. S. Tech Private Limited, <i>Director</i>	None

#### **Shri K. L. Gopalakrishna – Independent Director**

Shri K. L. Gopalakrishna, age about 63 years, has a brilliant academic background and has secured degrees in Commerce and Law, besides professional qualification from the Indian Institute of Bankers. He has valuable and versatile experience of over four decades in the fields of Banking, Human Resources Development and vigilance, apart from overall management of Banking Institutions.

Till 31<sup>st</sup> December 2007, Shri Gopalakrishna held the prestigious position as an Executive Director of Corporation Bank, Manglore. He was in overall control of over 1000 Zonal offices/branches. During his tenure, the business of Corporation Bank nearly doubled and it was adjudged as one of the best Public Sector Banks.

Prior to Corporation Bank, he worked with Union Bank of India for about 34 years in various capacities and handled important assignments at several major banking zones. He held the positions of General Manager (Human Resources Management) and Field General Manager, Mumbai Zone. He was in overall control of over 1500 Zonal offices/branches.

He is the Chairman of the Remuneration Committee and member of the Audit Committee and the Shareholders'/Investors' Grievances Committee of the Company. He does not hold any equity share in the Company.

Shri Gopalakrishna is on the Board of PNB Investment Services Limited.

#### **Shri M. S. Sundara Rajan – Independent Director**

Shri M. S. Sundara Rajan, age about 61 years, residing at Chennai, holds a Master's degree in Arts and is an Associate Member of the Institute of Company Secretaries of India, besides professional qualification from the Indian Institute of Bankers. He has rich experience of 38 years in the field of banking. On 31<sup>st</sup> March 2010, he superannuated as the Chairman & Managing Director of Indian Bank. He was on the board of Axis Bank during the period 8<sup>th</sup> June 2010 to 21<sup>st</sup> February 2011.

He is the member of the Audit Committee of the Company. He does not hold any equity share in the Company.

Shri Rajan does not hold any other directorship.

#### **4. Audit Committee:**

The Audit Committee comprises of Shri S. Rajagopal, Shri S. K. Srivastav, Shri K. L. Gopalakrishna, independent directors and Shri Kiran N. Mehta, Chairman & Managing Director. Shri S. Rajagopal is the Chairman of the committee. Shri M. S. Sundara Rajan was appointed as a member of the Committee on 6<sup>th</sup> May 2011. All the Audit Committee members are financially literate and well qualified. 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 Act"). The terms of reference of the Committee and matters deliberated upon by

the Committee include: -

1)	Overseeing and reviewing the Company's financial reporting process, including ensuring proper disclosures in the financial statements.
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 Act.
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 and internal auditors.
5)	Discussion with statutory auditors about the nature and scope of audit.
6)	Discussion with the management as regards actions taken pursuant to the matters discussed at previous Audit Committee meetings.

The Committee also reviews other matters as required by the Listing Agreement and other laws, rules and regulations. The Chairman of the Audit Committee was present at the last Annual General Meeting and replied the queries raised by the shareholders.

#### Details of Audit Committee Meetings

During the year, four meetings of the Audit Committee were held on 14<sup>th</sup> May 2010, 22<sup>nd</sup> July 2010, 25<sup>th</sup> October 2010 and 14<sup>th</sup> February 2011 the attendance was as follows: -

S. No.	Name of the Director	No. of Meetings	
		Held	Attended
1.	Shri S. Rajagopal	4	4
2.	Shri Kiran N. Mehta	4	4
3.	Shri S. K. Srivastav	4	4
4.	Shri K. L. Gopalakrishna	4	4
5.	Shri D. K. Mukhopadhyay (up to 9 <sup>th</sup> September 2010)	2	2

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

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

The Committee reviews matters relating to the operations of the Secretarial Department, investors' complaints such as un-encashed refund orders and dividend warrants and non-receipt of Annual Reports, volumes of trading in Company's shares and their performance vis-à-vis the BSE Sensex, regulatory compliances, etc. Documents such as Secretarial Audit (now known as Reconciliation of Share Capital Audit) Report, Certificates pursuant to Clause 47 (c) of the Listing Agreement etc.

During the year, the Company received five 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 2011.

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

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

A meeting of the Shareholders'/Investors' Grievances Committee was held on 25<sup>th</sup> October 2010, which was attended by all the Committee members.

### 6. Remuneration Committee:

Shri K. L. Gopalakrishna, an independent director was appointed on 25<sup>th</sup> October 2010 as a member and the Chairman of the Remuneration Committee in place of Shri D. K. Mukhopadhyay. The Committee comprises of Shri K. L. Gopalakrishna, 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 Act. 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, no meeting of the Remuneration Committee was required to be held.

### 7. 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, 19 meetings of the Committee of Directors were held on 1<sup>st</sup> April 2010, 4<sup>th</sup> May 2010, 24<sup>th</sup> May 2010, 14<sup>th</sup> June 2010, 3<sup>rd</sup> July 2010, 12<sup>th</sup> August 2010, 17<sup>th</sup> August 2010, 30<sup>th</sup> August 2010, 6<sup>th</sup> September 2010, 15<sup>th</sup> September 2010, 25<sup>th</sup> September 2010, 1<sup>st</sup> November 2010, 20<sup>th</sup> November 2010, 3<sup>rd</sup> December 2010, 3<sup>rd</sup> January 2011, 9<sup>th</sup> February 2011, 28<sup>th</sup> February 2011, 15<sup>th</sup> March 2011 and 31<sup>st</sup> March 2011 which were attended by both the Committee members.

### 8. 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
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
2009-10	Thursday, 9 <sup>th</sup> September 2010 at 4.00 p.m.	-do-	Four

#### Postal Ballot

No business is required to be transacted through postal ballot at the forthcoming Annual General Meeting.

During the year, voting through postal ballot was conducted for obtaining the approval of the members pursuant to Section 17 of the Act for alteration of Objects Clause of the Memorandum of Association. The Company complied with the procedure for the postal ballot in terms of Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto. Ms. Neena Bhatia, Practising Company Secretary acted as the scrutinizer for the Postal Ballot process, the results of which were announced on 19<sup>th</sup> November 2010.

#### Details of Voting Pattern

The voting pattern of the postal ballot was as under:-

Number of valid postal ballot forms received	145
Votes in favour of the Special Resolution	1,44,86,950
Votes against the Special Resolution	260
Number of invalid postal ballot forms received	17
Number of votes in respect of the invalid postal ballot forms	4,256

Thus, the Special Resolution was duly approved and passed by an overwhelming special majority of the members, constituting 99.998% of the votes received.

#### **Procedure for Postal Ballot**

The Postal Ballot forms, the special resolution and the explanatory statement thereto alongwith the postage prepaid business reply envelopes were sent to all the members whose names appeared in the Register of Members / list of beneficiaries as on Friday, 8<sup>th</sup> October 2010.

The particulars of postal ballot forms received were entered in the register separately maintained for this purpose.

The postal boxes were opened on regular basis and the ballot papers were sequentially renumbered.

Ms. Neena Bhatia, scrutinizer, scrutinized the postal ballot forms received and submitted her report to the Chairman & Managing Director of the Company on 19<sup>th</sup> November 2010.

#### **9. Disclosures:**

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) A mechanism is in place to inform the Board about the Risk Assessment and Minimization procedures and periodical reviews to ensure that the Management controls risks.
- (v) 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 2011.
- (vi) The Company had placed before the Audit Committee and the Board of Directors particulars of utilization of proceeds received from IPO and convertible warrants 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.

#### **10. 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).

#### **11. 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 15<sup>th</sup> Annual General Meeting will be held on Thursday, 11<sup>th</sup> August 2011 at 4.00 P. M. at Walchand Hirachand Hall, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020.

#### ❖ **Financial Calendar:**

First quarter results	:	July 2011
Second quarter results	:	October 2011
Third quarter results	:	January 2012
Annual results	:	May / June 2012
Annual General Meeting	:	August 2012

- ❖ **Book Closure:** The Register of Members and the Share Transfer Register will remain closed from Saturday, 6<sup>th</sup> August 2011 to Thursday, 11<sup>th</sup> August 2011, both days inclusive.

Dividend for the year ended 31<sup>st</sup> March 2011, if declared at the Annual General Meeting, shall be paid to:

- a) beneficial owners at the end of business day on Friday, 5<sup>th</sup> August 2011 as per lists furnished by NSDL and CDSL in respect of shares held in electronic form; and
- b) persons whose names would appear on the Register of Members as at the end of the business day on Friday, 5<sup>th</sup> August 2011 in respect of shares held in physical form.

❖ **Dividend Payment Date:** Dividend, if declared, shall be paid on or before 26<sup>th</sup> August 2011. 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 2010 to March 2011 is given below:

	BSE				NSE			
	(Rs.)		(Rs.)		(Rs.)		(Rs.)	
Month	High	Date	Low	Date	High	Date	Low	Date
April-10	177.40	06-04-10	149.00	22-04-10	176.50	06-04-10	149.10	22-04-10
May-10	163.40	13-05-10	123.20	25-05-10	162.90	13-05-10	123.05	25-05-10
June-10	152.00	01-06-10	128.05	29-06-10	148.60	01-06-10	127.20	28-06-10
July-10	136.50	30-07-10	112.50	27-07-10	136.50	30-07-10	111.60	28-07-10
Aug-10	172.70	24-08-10	124.50	12-08-10	172.70	24-08-10	124.00	12-08-10
Sept-10	205.00	29-09-10	163.05	01-09-10	205.55	29-09-10	163.15	01-09-10
Oct-10	246.35	28-10-10	200.40	01-10-10	246.80	28-10-10	199.90	01-10-10
Nov-10	252.50	23-11-10	207.00	26-11-10	252.50	23-11-10	201.15	26-11-10
Dec-10	244.75	03-12-10	187.00	09-12-10	244.30	02-12-10	187.95	09-12-10
Jan-11	260.30	04-01-11	187.00	31-01-11	260.95	04-01-11	186.00	31-01-11
Feb-11	211.50	18-02-11	185.00	10-02-11	211.70	18-02-11	185.00	10-02-11
Mar-11	211.90	04-03-11	181.60	25-03-11	211.00	04-03-11	180.55	25-03-11

## Trading Volumes

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

Month	BSE (Shares)	NSE (Shares)	Total (Shares)
April-10	1529413	1542329	3071742
May-10	1187997	890531	2078528
June-10	1079003	620122	1699125
July-10	3334713	4004978	7339691
Aug-10	8801875	10163214	18965089
Sept-10	9602803	10627548	20230351
Oct-10	9716877	10466758	20183635
Nov-10	5240174	6153864	11394038
Dec-10	2707536	2893288	5600824
Jan-11	3593642	4441859	8035501
Feb-11	3624270	1988037	5612307
Mar-11	2632524	1662489	4295013
<b>Total</b>	<b>53050827</b>	<b>55455017</b>	<b>108505844</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-10	156.35	17558.71	156.50	5278.00
May-10	145.55	16944.63	144.70	5086.30
June-10	130.80	17700.90	131.25	5312.50
July-10	134.25	17868.29	134.40	5367.60
Aug-10	163.85	17971.12	163.80	5402.40
Sept-10	199.05	20069.12	199.15	6029.95
Oct-10	220.45	20032.34	221.15	6017.70
Nov-10	230.35	19521.25	229.45	5862.70
Dec-10	212.55	20509.09	213.05	6134.50
Jan-11	200.90	18327.76	200.00	5505.90
Feb-11	193.85	17823.40	193.10	5333.25
Mar-11	183.50	19445.22	183.05	5833.75

### ❖ Registrar and Transfer Agent:

Bigshare Services Private Limited,  
E-2/3 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 2011, the Company had not received any request for transfer of shares held in physical form. At present, only four shares in the Company are in physical 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.

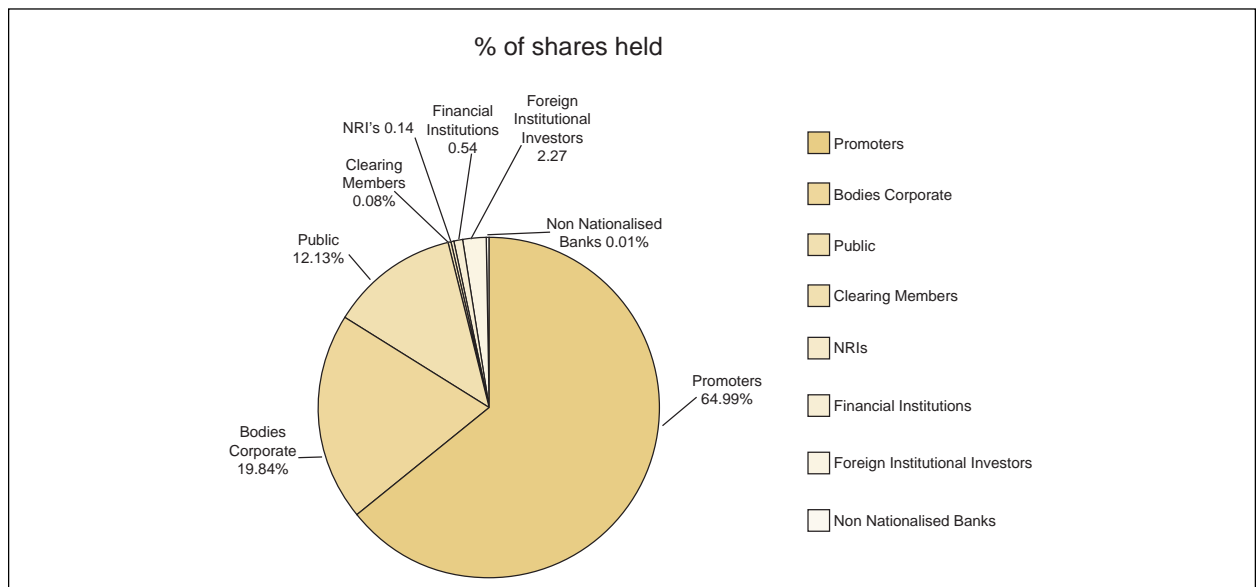
❖ **Shareholding Profile as on 31<sup>st</sup> March 2011:**

i) Distribution of Shareholding:

Range (In Rupees)	Holders	% of Total Holders	Total capital in Rupees	% of Total Capital
1 - 5000	8101	92.19	8329770	2.86
5001 - 10000	295	3.36	2396640	0.82
10001 - 20000	153	1.74	2373460	0.82
20001 - 30000	60	0.68	1580260	0.54
30001 - 40000	24	0.27	852880	0.29
40001 - 50000	30	0.34	1441000	0.50
50001 - 100000	47	0.54	3263990	1.12
100001 and above	77	0.88	270901450	93.05
<b>Total</b>	<b>8787</b>	<b>100</b>	<b>29,11,39,450</b>	<b>100</b>

ii) Shareholding Pattern:

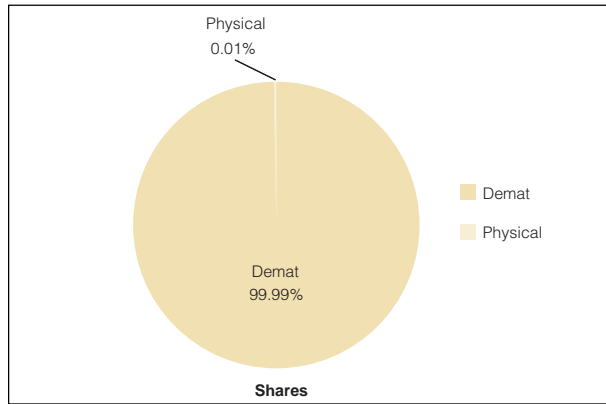
Category of members	% of shares held
Promoters	64.99
Bodies Corporate	19.84
Public	12.13
Clearing Members	0.08
NRIs	0.14
Financial Institutions	0.54
Foreign Institutional Investors	2.27
Non Nationalised Banks	0.01
<b>Total</b>	<b>100</b>



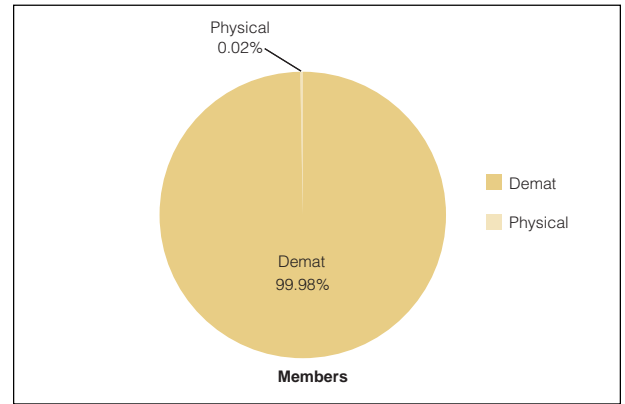
iii) Holding Profile:

Mode	Demat	(%)	Physical	(%)	Total
Shares	29113941	99.99%	4	0.01%	29113945*
Members	8785	99.98%	2	0.02%	8787

\* The paid up capital of the Company as on 31<sup>st</sup> March 2011 is Rs. 29,11,39,450/- divided into 2,91,13,945 equity shares including 70,00,000 equity shares allotted on conversion of equal number of warrants.



Shares



Members

❖ **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).

❖ **Reconciliation of Share Capital 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 Reconciliation of Share Capital Audit report (earlier known as 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
31 <sup>st</sup> March 2010	9 <sup>th</sup> September 2010	16 <sup>th</sup> October 2010	15 <sup>th</sup> October 2017

❖ **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: +91 250 6050199/299/399/499  
Fax: +91 250 2451781/2452248

**(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

❖ **Contact Person 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 & Managing Director*

Mumbai, 6<sup>th</sup> May 2011

# 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 2011.

For **Varun Industries Limited**

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

6<sup>th</sup> May 2011

## 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 March 31, 2011, 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.101947W

**(CA. Amit Chunnilal Choudhary)**  
Partner  
Membership No. 133866

Mumbai  
Date: 6<sup>th</sup> May 2011

# 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 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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 2011 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 2011;
    - 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.101947W

**CA. Amit Chunnilal Choudhary**

Partner  
Membership No.: 133866  
Place: Mumbai.  
Dated: 6<sup>th</sup> May, 2011

# 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. 300.56 lacs and the year-end balance of such loans was Rs. 300.56 lacs.
  - (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 2011 for a period of more than six months from the date they became payable.
- c) According to information and explanations given to us, there are no dues of Income Tax, 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 form 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 allotment of 70,00,000 Equity Shares of Rs. 10/- each on conversion of equal numbers of warrants at a price of Rs. 43.20/- including a premium of Rs.33.20/- per share, on exercise of option for conversion warrant holders. These allotments have been made in accordance with Companies Act, 1956, Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines), 2000 as replaced by Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "Guidelines"/ "SEBI Guidelines"). In our opinion, the price at which the convertible Equity Share Warrants have been converted 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.101947W

**CA. Amit Chunnilal Choudhary**

Partner  
Membership No. 133866  
Place: Mumbai  
Dated: 6<sup>th</sup> May, 2011

# BALANCE SHEET as at 31<sup>st</sup> March 2011

	Schedule	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (Rs. in lac)
<b>I. SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a) Share Capital	1	2,911.39	2,211.39
b) Equity Share Warrants		-	756.00
c) Reserves and Surplus	2	43,250.90	38,284.94
		<b>46,162.29</b>	41,252.33
<b>Loan Funds</b>			
Secured Loans	3	90,677.42	74,185.08
Unsecured Loans		2,528.37	8,812.98
<b>Deferred Tax Liability</b>		<b>1,179.09</b>	965.84
<b>Total Funds Employed</b>		<b>140,547.17</b>	125,216.23
<b>II. APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
a) Gross Block	4	47,267.95	44,193.68
b) Less: Depreciation		8,221.12	5,659.87
c) Net Block		39,046.83	38,533.81
d) Capital Work-in-Progress & Advances		516.66	339.98
		<b>39,563.49</b>	38,873.79
<b>Investments</b>	5	<b>1,086.77</b>	742.64
<b>Current Assets, Loans and Advances</b>			
a) Inventories	6	10,752.94	9,992.75
b) Sundry Debtors	7	128,742.19	68,192.71
c) Cash and Bank Balances	8	34,028.75	6,092.39
d) Other Current Assets	9	1,038.78	999.64
e) Loans and Advances	10	2,862.83	15,337.11
		<b>177,425.49</b>	100,614.60
<b>Less: Current Liabilities &amp; Provisions</b>			
a) Sundry Creditors	11	76,534.73	14,356.42
b) Other Liabilities	12	772.32	533.81
c) Provisions	13	221.53	124.57
		<b>77,528.58</b>	15,014.80
<b>Net Current Assets</b>		<b>99,896.91</b>	85,599.80
<b>Total Funds Utilised</b>		<b>140,547.17</b>	125,216.23
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. 101947W

**C. A. AMIT CHOUDHARY**  
Partner  
(Membership No. 133866)

Place: Mumbai  
Dated: 06.05.2011

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 2011

	Schedule	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>INCOME</b>			
Income from Operations	14	294,129.40	153,577.56
		<u>294,129.40</u>	<u>153,577.56</u>
<b>EXPENDITURE</b>			
Cost of Good Sold	16	274,316.77	136,508.01
Personnel Cost	17	1,604.18	1,341.79
Administrative & Other Expenses	18	1,728.64	1,652.20
Selling & Distribution Expenses	19	912.40	1,101.51
Interest & Financial Charges	20	9,120.63	8,085.61
Depreciation	4	1,905.45	1,844.80
		<u>289,588.07</u>	<u>150,533.92</u>
<b>Profit from Operations</b>		<b>4,541.33</b>	<b>3,043.64</b>
<b>Add: Other Income</b>	15	<b>1,414.37</b>	<b>539.64</b>
<b>Profit Before Tax</b>		<b>5,955.70</b>	<b>3,583.28</b>
<b>Provision For:</b>			
Income Tax		1,800.00	1,200.00
Income Tax (Earlier Years)		-	0.05
Deferred Tax		213.24	(3.35)
Wealth Tax		8.40	4.85
<b>Profit After Tax</b>		<b>3,934.06</b>	<b>2,381.73</b>
Balance Brought Forward		6,453.21	4,577.37
<b>Balance Available For Appropriation</b>		<b>10,387.27</b>	<b>6,959.10</b>
<b>APPROPRIATION</b>			
Proposed Dividend		524.05	331.71
Provision for Tax on Dividend		85.02	55.09
Transfer to General Reserve		295.05	119.09
<b>Balance Carried Forward</b>		<b>9,483.15</b>	<b>6,453.21</b>
<b>Earning per Share</b>			
Earning per Share (Basic and Diluted) (Rs.)		<b>17.21</b>	10.77
Face Value of Shares Rs. 10/- each (Refer Note 9 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. 101947W

**C. A. AMIT CHOUDHARY**

Partner  
(Membership No. 133866)

Place: Mumbai

Dated: 06.05.2011

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 2011

	Year Ended 31st March'11 (Rs. in lac)		Year Ended 31st March'10 (Rs. in lac)	
<b>A. Cash flow from Operating Activities:</b>				
Net Profit before tax and Extraordinary items		5,955.70		3,583.28
<b>Adjustment for:</b>				
Depreciation w/off	1,905.45		1,844.80	
Interest and Finance Charges	9,120.63		8,085.61	
(Profit)/Loss on sale of Current Investment	(9.81)		(7.76)	
(Profit)/Loss on sale of Fixed Assets	(11.68)		28.80	
Diminution in Value of Current Investments	-		(3.34)	
Dividend Received	(0.28)		(0.14)	
Rent Received	(58.76)		(59.51)	
Interest Received	(1,333.84)	9,611.71	(472.23)	9,416.23
<b>Operating Profit before working Capital Changes</b>		<b>15,567.41</b>		<b>12,999.51</b>
<b>Adjustment for:</b>				
(Increase)/Decrease in Inventories	(760.19)		134.08	
(Increase)/Decrease in Trade & Other Receivables	(60,549.48)		(23,387.37)	
(Increase)/Decrease in Other Current Assets	12,723.66		(4,851.98)	
Increase/(Decrease) in Payables, Provisions & Working Capital finance	78,365.00	29,778.99	28,879.84	774.57
<b>Cash generated from Operations</b>		<b>45,346.40</b>		<b>13,774.08</b>
Direct Taxes Paid		(2,096.93)		(935.66)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES [A]</b>		<b>43,249.47</b>		<b>12,838.42</b>
<b>B. Cash Flow from Investing Activities</b>				
Acquisition of Fixed Assets including Capital WIP	(3,179.57)		(1,403.35)	
Proceeds on Sale of Fixed Assets	80.22		18.59	
Purchase of Investment	(360.77)		(8.76)	
Proceeds on Sale of Current Investments	26.45		9.47	
Interest Received	740.70		459.33	
Rent Received	58.76		59.51	
Dividend Received	0.28		0.14	
Adjustment on account of Amalgamation of Subsidiary	-		(2,928.82)	
<b>NET CASH FLOW FROM INVESTING ACTIVITIES [B]</b>		<b>(2,633.93)</b>		<b>(3,793.89)</b>

# CASH FLOW STATEMENT for the year ended 31<sup>st</sup> March 2011 (Contd.)

	Year Ended 31st March'11 (Rs. in lac)	Year Ended 31st March'10 (Rs. in lac)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Equity Share Warrants	2,268.00	756.00
Repayment of Long Term Loans	(1,659.25)	(1,786.66)
Proceeds from Long Term Loans	1,910.95	-
Proceeds from Unsecured Loans	(6,284.60)	1,047.11
Dividend including Distributed Tax	(386.80)	(258.72)
Interest and Finance Charges Paid	(9,120.62)	(8,085.61)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>(13,272.32)</b>	<b>(8,327.88)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>27,343.22</b>	<b>716.65</b>
CASH/CASH EQUIVALENTS AS ON 01.04.2010	5,974.67	5,258.02
<b>CASH/CASH EQUIVALENTS AS ON 31.03.2011</b>	<b>33,317.89</b>	<b>5,974.67</b>
<b>Notes:</b>		
1. Cash and cash equivalents include:		
Cash in hand	13.29	12.24
Balance with scheduled banks	33,304.60	5,962.43
Total Cash and cash equivalents include	<u>33,317.89</u>	<u>5,974.67</u>

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. 101947W

**C. A. AMIT CHOUDHARY**  
Partner  
(Membership No. 133866)

Place: Mumbai  
Dated: 06.05.2011

**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

# SCHEDULE FORMING part of Balance Sheet as at 31<sup>st</sup> March 2011

	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (Rs. in lac)
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised:</b>		
5,00,00,000 (P.Y. 3,00,00,000) Equity Shares of Rs.10/- each	<u>5,000.00</u>	<u>3,000.00</u>
<b>Issued, Subscribed and Paid-up:</b>		
2,91,13,945 (P.Y. 2,21,13,945) Equity Shares of Rs.10/- each fully paid-up	<b>2,911.39</b>	2,211.39
Of the above:		
(i) 15,96,100 Equity shares have been issued as fully paid up for consideration other than cash		
(ii) 1,14,73,700 Equity shares have been issued as fully paid up Bonus Shares by capitalisation of General Reserve		
(iii) 70,00,000 Equity shares have been issued on exercise of warrants		
	<u>2,911.39</u>	<u>2,211.39</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
<b>Revaluation Reserve</b>		
Opening Balance	<b>23,245.98</b>	20,405.53
Adjustment on account of amalgamation of NHPL	-	3,446.81
Less: Depreciation on Revaluation amount	<b>683.03</b>	606.36
	<u>22,562.95</u>	<u>23,245.98</u>
<b>Securities Premium Account</b>		
Opening Balance	<b>3,950.40</b>	3,950.40
Addition during the year	<b>2,324.00</b>	-
	<u>6,274.40</u>	<u>3,950.40</u>
<b>General Reserve</b>		
Opening Balance	<b>4,635.35</b>	6,845.66
Add: Transfer from P & L Account	<b>295.05</b>	119.09
Adjustment on account of amalgamation of NHPL	-	(2,329.40)
	<u>4,930.40</u>	<u>4,635.35</u>
<b>Profit and Loss Account</b>		
	<b>9,483.15</b>	6,453.21
	<u>43,250.90</u>	<u>38,284.94</u>
<b>SCHEDULE 3 - SECURED LOANS</b>		
Term Loan	<b>5,142.29</b>	4,764.02
Export Packing Credit	<b>7,774.27</b>	11,389.51
FDBP/FDUBP	<b>67,110.05</b>	44,383.02
Cash Credit / ODBD	<b>6,362.41</b>	7,530.82
Short Term Loan	<b>3,954.03</b>	5,648.91
Vehicle Loan	<b>334.37</b>	468.80
	<u>90,677.42</u>	<u>74,185.08</u>

# SCHEDULE FORMING part of Balance Sheet as at and Profit and Loss Account for the year ended 31<sup>st</sup> March 2011

## SCHEDULE 4 - FIXED ASSETS

(Rs. in lac)

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2010	Additions	Deductions/ Adjustment	As at 31.03.2011	Up to 01.04.2010	For the Year	Deduction/ Adjustment	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land	12,077.12	62.06	-	12,139.18	-	-	-	-	12,139.18	12,077.12
Leasehold Land *	4,444.05	2.02	-	4,446.07	173.02	66.63	-	239.65	4,206.42	4,271.03
Buildings	14,331.13	240.66	46.34	14,525.45	2,416.85	975.95	7.12	3,385.68	11,139.77	11,914.28
Plant and Machinery	3,996.67	194.23	-	4,190.90	979.86	428.07	-	1,407.93	2,782.97	3,016.81
Furniture, Fixtures & Office Equipments	1,933.67	54.43	41.82	1,946.28	475.16	234.48	13.78	695.86	1,250.42	1,458.51
Computer	187.15	24.92	1.51	210.56	130.07	27.94	1.00	157.01	53.55	57.08
Vehicles	1,284.80	74.14	6.09	1,352.85	507.81	209.92	5.32	712.41	640.44	776.99
Oil Rig	3,455.60	-	-	3,455.60	431.32	483.75	-	915.07	2,540.53	3,024.28
Wind Power Project	2,483.49	2,539.91	22.34	5,001.06	545.78	161.73	-	707.51	4,293.55	1,937.71
<b>Total</b>	<b>44,193.68</b>	<b>3,192.37</b>	<b>118.10</b>	<b>47,267.95</b>	<b>5,659.87</b>	<b>2,588.47</b>	<b>27.22</b>	<b>8,221.12</b>	<b>39,046.83</b>	<b>38,533.81</b>
Capital Work-in-Progress** (Inclusive of Capital Advance)	-	-	-	-	-	-	-	-	516.66	339.98
<b>Total</b>	<b>44,193.68</b>	<b>3,192.37</b>	<b>118.10</b>	<b>47,267.95</b>	<b>5,659.87</b>	<b>2,588.47</b>	<b>27.22</b>	<b>8,221.12</b>	<b>39,563.49</b>	<b>38,873.79</b>
Previous Year	34,667.36	10,075.08	548.77	44,193.68	3,161.37	2,451.16	35.55	5,659.87	38,873.79	-

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

\*\* Capital Work-in-Progress includes pre operative expenditure pending allocation aggregating Rs. 133.10 lacs (P.Y. 62.71 lacs)

# SCHEDULE FORMING part of Balance Sheet as at 31<sup>st</sup> March 2011

	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (Rs. in lac)
<b>SCHEDULE 5 - INVESTMENT</b>		
<b>LONG TERM (Non Quoted)</b>	1,086.77	726.00
<b>CURRENT (Quoted, Non Trade)</b>	-	16.64
(Refer Note 11 of Schedule 21B)		
	<u>1,086.77</u>	<u>742.64</u>
<b>SCHEDULE 6 - INVENTORIES</b>		
(As taken, valued and certified by the management)		
Raw Material	1,717.27	1,496.65
Work-in-Process	600.26	412.09
Finished Goods		
- At Warehouse	8,064.96	7,802.78
- Stock-in-Transit	69.50	28.73
	<u>8,134.46</u>	<u>7,831.51</u>
Packing Material, Stores & Spares	300.95	252.50
	<u>10,752.94</u>	<u>9,992.75</u>
<b>SCHEDULE 7 - SUNDRY DEBTORS</b>		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	126,523.14	67,625.72
Others	3,252.15	1,563.00
	<u>129,775.29</u>	<u>69,188.72</u>
<b>Less : Advances from Customers</b>	1,033.10	996.01
	<u>128,742.19</u>	<u>68,192.71</u>
<b>SCHEDULE 8 - CASH AND BANK BALANCES</b>		
Cash in Hand	13.29	12.24
<b>Balances with Scheduled Banks</b>		
In Current Accounts	73.63	65.78
Fixed Deposits (Including Accrued Interest)	33,941.83	6,014.37
	<u>34,028.75</u>	<u>6,092.39</u>
<b>SCHEDULE 9 - OTHER CURRENT ASSETS</b>		
Export Incentives & Wind Power Receivables	167.46	445.66
Deposits (Refer Note 8 (b)(i) of Schedule 21B)	211.79	203.70
Advance Tax & TDS (Net of Provision)	577.04	288.51
Prepaid Expenses	48.35	46.16
Service Tax Receivable	7.56	9.19
CENVAT/VAT Credit Receivable	26.58	6.42
	<u>1,038.78</u>	<u>999.64</u>

# SCHEDULE FORMING part of Balance Sheet as at 31<sup>st</sup> March 2011

	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (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	653.54	443.69
b) Advance to Suppliers	2,098.43	14,796.25
c) Advance for Expenses	38.43	32.92
d) Loans to Staff	72.43	64.25
	<u>2,862.83</u>	<u>15,337.11</u>
<b>SCHEDULE 11 - SUNDRY CREDITORS</b>		
<b>Sundry Creditors</b>		
For Raw Material & Finished Goods	75,985.92	13,875.07
For Packing Materials	76.55	93.31
For Capital Expenditure	185.87	10.86
For Others	286.39	377.18
	<u>76,534.73</u>	<u>14,356.42</u>
<b>SCHEDULE 12 - OTHER LIABILITIES</b>		
Other Liabilities - Statutory	137.93	121.68
- Others	25.33	25.33
Proposed Dividend & Dividend Tax	609.06	386.80
	<u>772.32</u>	<u>533.81</u>
<b>SCHEDULE 13 - PROVISIONS</b>		
For Expenses	221.53	124.57
	<u>221.53</u>	<u>124.57</u>

# SCHEDULE FORMING part of Profit and Loss Account for the year ended 31<sup>st</sup> March 2011

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 14 - INCOME FROM OPERATIONS</b>		
Sales	291,530.59	150,837.55
Sale of Wind Power	222.92	281.70
Export Incentives	1,382.92	1,637.69
Rig Hiring and O&M Services (Net)	992.97	820.62
	<u>294,129.40</u>	<u>153,577.56</u>
<b>SCHEDULE 15 - OTHER INCOME</b>		
Profit on Sale of Current Investment	9.81	7.76
Profit on Sale of Fixed Assets (Net)	11.68	-
Dividend Received	0.28	0.14
Rent Received	58.76	59.51
Interest Received	1,333.84	472.23
	<u>1,414.37</u>	<u>539.64</u>
<b>SCHEDULE 16 - COST OF GOOD SOLD</b>		
<b>a) Raw Materials Consumed</b>		
Opening Stock	1,496.65	3,141.81
Add : Purchases	11,132.06	7,358.45
	<u>12,628.71</u>	10,500.26
Less: Closing Stock	1,717.27	1,496.65
	<u>10,911.44</u>	9,003.61
<b>b) Packing Materials &amp; Stores Consumed</b>		
Opening Stock	252.50	255.21
Add : Purchases	1,262.79	1,012.66
	<u>1,515.29</u>	1,267.87
Less: Closing Stock	300.95	252.50
	<u>1,214.34</u>	1,015.37
<b>c) Manufacturing Expenses</b>		
	1,398.14	996.59
<b>d) Work in process</b>		
Opening Stock	412.09	221.18
Less: Closing Stock	600.26	412.09
	<u>(188.17)</u>	(190.91)
<b>e) Finished Goods</b>		
Opening Stock	7,831.51	6,508.63
Add : Purchases	261,283.97	127,006.23
	<u>269,115.48</u>	133,514.86
Less: Closing Stock	8,134.46	7,831.51
	<u>260,981.02</u>	125,683.35
	<u>274,316.77</u>	<u>136,508.01</u>



# SCHEDULE FORMING part of Profit and Loss Account for the year ended 31<sup>st</sup> March 2011

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 17 - PERSONNEL COST</b>		
Salaries, Wages & Bonus	923.26	760.20
Contribution to Provident and Other Funds	51.45	60.75
Staff Welfare & Food & Bvgs. Expenses	83.93	72.46
Professional Fees	34.05	22.36
Contractual Remuneration	83.94	75.68
Directors Remuneration	300.00	270.97
Commission to Directors	127.55	79.37
	<b>1,604.18</b>	<b>1,341.79</b>
<b>SCHEDULE 18 - ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	219.88	254.33
Tour & Travelling Expenses	299.55	212.49
Conveyance & Vehicle Expenses	146.39	114.93
Freight Inward Charges	103.44	145.42
Communication Expenses	53.07	56.17
Printing & Stationery	41.75	40.70
Repair & Maintenance	163.76	126.42
Insurance Charges	50.73	19.75
ECGC Premium	85.26	140.93
Power, Fuel & Water Charges	52.31	43.13
Stamping, Registration & Other Legal Charges	266.80	234.68
Professional Fees	142.11	145.68
Membership & Subscription	4.41	4.68
Donation	26.20	56.52
Director Sitting Fees	5.95	9.55
Auditors Remuneration	18.00	18.00
Internal Audit Fees	1.00	2.48
Loss on Sale/Discard of Fixed Assets	-	28.80
Diminution in Value of Current Investments	-	(3.34)
Bad Debts W/off	47.36	0.23
Miscellaneous Expenses	0.67	0.65
	<b>1,728.64</b>	<b>1,652.20</b>
<b>SCHEDULE 19 - SELLING AND DISTRIBUTION EXPENSES</b>		
Advertisement and Sales Promotion	262.46	371.09
Freight & Forwarding Charges	538.09	438.89
Sales Tax	90.75	221.89
Commission	21.10	69.64
	<b>912.40</b>	<b>1,101.51</b>
<b>SCHEDULE 20 - INTEREST AND FINANCIAL CHARGES</b>		
Bank Interest	7,295.49	6,754.79
Bank Charges & Commission	1,825.14	1,330.82
	<b>9,120.63</b>	<b>8,085.61</b>

## SCHEDULE 21: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT

### 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 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.

## 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) CONVERSION OF EQUITY SHARE WARRANTS

In terms of approval of the shareholders 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. As per the entitlement, the warrant holders applied for and were allotted 70,00,000 equity shares of the company, during the year.

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 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 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.
- iii) Term Loans from bank for Wind Power Projects are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects, 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, Fixed Deposits under lien with bank, second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant, first Pari Passu charge on the property at Byculia and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vi) Cash Credit Limits of the Company 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, Fixed Deposits under lien with bank, second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant, first Pari Passu charge on the property at Byculia and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

vii) Short Term Loan is secured by Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

viii) Vehicle Loans are secured by way of hypothecation of the respective vehicles.

### 3) REMUNERATION TO DIRECTORS

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
Managerial Remuneration	300.00	270.97
Contribution to provident fund	0.28	0.22
Sitting Fees	5.95	9.55
Commission to Directors	127.55	79.37
<b>Total</b>	<b>433.78</b>	<b>360.11</b>

### 4) REMUNERATION TO AUDITORS

	<b>Current Year (Rs. in lac)</b>	Previous Year (Rs. in lac)
Statutory Audit	11.00	11.00
Tax Audit Fees	3.00	3.00
Taxation, Special certificates & Reports	2.00	2.00
Reimbursement of out-of pocket expenses	0.32	0.32
Service Tax	1.68	1.68
<b>Total</b>	<b>18.00</b>	<b>18.00</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. 213.24 lac {Previous Year Rs. (3.35) 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	(1179.09)	(965.85)
Net Deferred Tax Assets / (Liabilities)	(1179.09)	(965.85)

### 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  
 Jaipur Centre Developers Pvt. Ltd.  
 Jaipur Centre Infraprojects Pvt. Ltd.  
 Triple A Developers Pvt. Ltd.  
 Varun Earthtech Limited  
 Varun Real Estate (I) Pvt. Ltd.  
 Saishree Mines and Minerals India Pvt. Ltd.  
 Varun Global Agriculture Pvt. Ltd.  
 Varun Incorporation Ltd., Hong Kong  
 Varun Global Agriculture 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 Petroleum Ltd., Mauritius  
 Varun Mines & Minerals Ltd., Mauritius

**v) Step down Subsidiary Companies:-**

Varun International Trading FZE, UAE  
 Varun Global Trading Pte. Ltd., Singapore  
 Varun Petroleum SARL, Madagascar  
 Oil & Gas Incorporation SARL, Madagascar  
 Varun International SARL, Madagascar  
 Madagascar Energy Corporation SARL, Madagascar  
 Varun Energy Corporation SARL, Madagascar

**b) Related Party Transactions:**

(Rs. in lac)

Nature of Transaction	Key Management Personnel		Relatives		Subsidiaries		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Remuneration	300.00	270.97	—	—	—	—	300.00	270.97
Commission	127.55	79.37	—	—	—	—	127.55	79.37
Salary	—	—	5.85	1.10	—	—	5.85	1.10
Contribution to Provident Fund	0.28	0.23	0.09	0.09	—	—	0.37	0.32
Rent Paid	6.20	6.20	—	—	—	—	6.20	6.20
Loan Given	—	—	—	—	300.56	130.76	300.56	130.76

Loans and Advances in the nature of Loans (Disclosure as per Clause 32 of the listing agreement):-

Sr. No.	Name of the Wholly owned Subsidiary Company	As at 31st March 2011	As at 31st March 2010	Maximum balance during the year
(i)	Varun Minerals Corporation Pvt. Ltd.	4.66 lac	4.66 lac	4.66 lac
(ii)	Varun Petroleum Corporation Pvt. Ltd.	112.72 lac	112.72 lac	112.72 lac
(iii)	Varun Holdings Ltd., Mauritius	14.51 lac	4.46 lac	14.51 lac
(iv)	Varun Mines & Min. Ltd., Mauritius	9.19 lac	4.46 lac	9.19 lac
(v)	Varun Petroleum Ltd., Mauritius	159.48 lac	4.46 lac	159.48 lac

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

Accordingly to Accounting Standard 17 "Segment Reporting" issued by ICAI, the results of the company have been stated as under:-

### A. PRIMARY BUSINESS SEGMENT

(Rs. in lac)

Particulars	Merchandise Sale		Petroleum		Wind Power		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue								
External Sales	292,913.51	152,475.23	992.97	820.62	222.92	281.70	294,129.40	153,577.55
Inter Segment Sales	—	—	—	—	—	—	—	—
Other Income	1,414.37	539.64	—	—			1414.37	539.64
<b>Total Revenue</b>	<b>294,327.87</b>	<b>153,014.87</b>	<b>992.97</b>	<b>820.62</b>	<b>222.92</b>	<b>281.70</b>	<b>295,543.77</b>	<b>154,117.19</b>
<b>Segment Results (PBIT)</b>	<b>14,728.34</b>	<b>11,296.64</b>	<b>333.59</b>	<b>268.12</b>	<b>14.40</b>	<b>104.14</b>	<b>15,076.33</b>	<b>11,668.89</b>
Interest Expenses							9,120.62	8,085.61
Taxation							2,021.64	1,201.56
<b>Net Profit After Tax</b>							<b>3,934.06</b>	<b>2,381.72</b>
<b>Other Information</b>								
<b>Segment Assets</b>	<b>210,932.29</b>	<b>134,925.99</b>	<b>2,820.04</b>	<b>3,353.73</b>	<b>4,323.43</b>	<b>1,951.31</b>	<b>218,075.76</b>	<b>140,231.04</b>

### B. SECONDRY GEOGRAPHICAL SEGMENT

(Rs. in lac)

Particulars	Within India		Outside India		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue	14,134.80	11,468.17	279,994.60	142,109.39	294,129.40	153,577.55
<b>Segment Assets</b>					<b>218,075.76</b>	<b>140,231.04</b>

## 8) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

### a. Capital Commitments

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

### b. Contingent Liabilities

- 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. 14,580.00 lac.
- Corporate Guarantee issued in favour of banks for their credit facility to M/s Shri Sai Jewels Pvt. Ltd. of Rs. 4,880.00 lac.
- Corporate Guarantee issued in favour of bank for credit facility to M/s K.K. Enterprises of Rs. 1,200.00 lac.

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

<b>PARTICULARS</b>	<b>2010-11</b>	2009-10
Net Profit After Tax (Rs. in lac)	<b>3,934.06</b>	2,381.72
No. of Shares at the beginning of the year	<b>2,21,13,945</b>	2,21,13,945
No. of Shares issued during the year	<b>70,00,000</b>	-
No. of Shares (Weight Average)/ available at the end of the year	<b>2,28,61,890</b>	2,21,13,945
Earning Per Share (Basic and Diluted) Rs.	<b>17.21</b>	10.77

- 10) 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 net exchange gain of Rs. 7.86 lac (Prev. Year Exchange Gain of Rs. 465.83 lac) relating to long term foreign currency monetary items has been reduced / added to the cost of respective fixed assets.

11) **Details of Investments**

(Rs. in lac)

<b>LONG TERM (Non Quoted)</b>	<b>As at 31.03.2011</b>	As at 31.03.2010
<b>Saishree Mines &amp; Minerals India Pvt. Ltd.</b>	3.00	3.00
30,000 (P.Y. 30,000) Equity Shares of Rs.10 each, fully paid up		
<b>Shri Sai Jewels Pvt. Ltd.</b>	51.00	51.00
5,10,000 (P.Y. 5,10,000) Equity Shares of Rs.10 each, fully paid up		
<b>Varun Jewels Pvt. Ltd.</b>	1,030.77	670.00
85,03,846 (P.Y. 67,00,000) Equity Shares of Rs.10 each, fully paid up		
<b>Varun Minerals Corporation Pvt. Ltd.</b>	1.00	1.00
10,000 (P.Y. 10,000) Equity Shares of Rs.10 each, fully paid up		
<b>Varun Petroleum Corporation Pvt. Ltd.</b>	1.00	1.00
10,000 (P.Y. 10,000) Equity Shares of Rs.10 each, fully paid up		
<b>Varun Holdings Ltd., Mauritius</b>	0.01	0.01
1 (P.Y. 1) Equity Share of USD 1 each, fully paid up		
<b>Varun Mines &amp; Minerals Ltd., Mauritius</b>	0.01	0.01
1 (P.Y. 1) Equity Share of USD 1 each, fully paid up		
<b>Varun Petroleum Ltd., Mauritius</b>	0.01	0.01
1 (P.Y. 1) Equity Share of USD 1 each, fully paid up		
<b>Total</b>	<b>1,086.77</b>	<b>726.00</b>
<b>CURRENT (Quoted, Non Trade)</b>		
<b>Investment in Equity Shares of:</b>		
<b>Bal Pharma Limited</b>	—	2.78
Nil (P.Y. 10,000) Equity Shares of Rs.10 each, fully paid up		
<b>Gayatri Sugar Limited</b>	—	0.42
Nil (P.Y. 10,000) Equity Shares of Rs. 10 each, fully paid up		
<b>Motilal Oswal Fin. Serv. Ltd.</b>	—	1.21
Nil (P.Y. 735) Equity Shares of Rs.1 each, fully paid up		
<b>United Bank of India</b>	—	8.76
Nil (P.Y. 13,278) Equity Shares of Rs.10 each, fully paid up		
<b>Wockhardt Ltd.</b>	—	3.47
Nil (P.Y. 2,500) Equity Shares of Rs. 5 each, fully paid up		
<b>Total</b>	<b>—</b>	<b>16.64</b>

- 12) 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	31.03.2011		

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

Public Issue	N I L	Right Issue	N I L
Bonus Issue	N I L	Private Placement	N I L
Equity Share Warrants	3024.00		

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

Total Liabilities	140547.18	Total Assets	140547.18
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**Sources of Funds**

Paid up Capital	2911.39	Secured Loans	90677.42
Reserve & Surplus	43250.90	Unsecured Loans	2528.38
Deferred Tax Liability	1179.09		

**Application of Funds**

Net Fixed Assets	39563.49	Investments	1086.77
Net Current Assets	99896.92	Misc. Expenditures	-
Accumulated Losses	-		

**IV. Performance of Company (Rs. in lac)**

Turnover*	295543.76	Total Expenditure	289588.06
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\* Representing Gross Revenue including Other Income

Profit Before Tax	5955.70	Profit after Tax	3934.06
Earning Per Share (Rs.)	17.21	Dividend Rate	18%

**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)	Not Ascertainable
Other Product Description	Merchant Exporters

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

**CHUNNILAL & COMPANY**

Chartered Accountants  
Firm Registration No. 101947W

**C. A. AMIT CHOUDHARY**

Partner  
(Membership No. 133866)

Place: Mumbai  
Dated: 06.05.2011

**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 2011 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. (5.89) lac as at 31<sup>st</sup> March 2011, total revenues of Rs. 715.64 lac and net cash flows amounting to Rs. (168.60) 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 2011;
  - 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.101947W

**CA. Amit Chunnilal Choudhary**  
*Partner*  
M. No.: 133866.

Place: Mumbai.  
Dated: 6<sup>th</sup> May, 2011

# CONSOLIDATED BALANCE SHEET as at 31<sup>st</sup> March 2011

Schedule	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (Rs. in lac)
<b>I. SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
a) Share Capital	1	2,911.39
b) Equity Share Warrants		—
c) Equity Share Application		—
d) Reserves and Surplus	2	43,987.23
		<u>46,898.62</u>
<b>Loan Funds</b>		
Secured Loans	3	109,780.44
Unsecured Loans		5,027.36
<b>Deferred Tax Liability</b>		
		1,176.00
<b>Minority Interest</b>		
		1,831.20
<b>Total Funds Employed</b>		
		<u>164,713.62</u>
<b>II. APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
a) Gross Block	4	48,139.27
b) Less: Depreciation		8,260.42
c) Net block		39,878.85
d) Capital Work-in-Progress & Advances		516.66
		<u>40,395.51</u>
<b>Goodwill (on Consolidation)</b>		
		4,800.86
<b>Investments</b>		
	5	3.00
<b>Foreign Currency Translation Difference Account</b>		
		5.12
<b>Current Assets, Loans and Advances</b>		
a) Inventories	6	10,844.39
b) Sundry Debtors	7	156,985.13
c) Cash and Bank Balances	8	36,510.52
d) Other Current Assets	9	867.54
e) Loans and Advances	10	3,146.92
		<u>208,354.50</u>
<b>Less: Current Liabilities &amp; Provisions</b>		
a) Sundry Creditors	11	81,806.91
b) Other Liabilities	12	6,806.39
c) Provisions	13	241.57
		<u>88,854.87</u>
<b>Net Current Assets</b>		
		119,499.63
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)	14	
Preliminary Expenses		9.50
<b>Total Funds Utilised</b>		
		<u>164,713.62</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. 101947W

**C. A. AMIT CHOUDHARY**

Partner  
(Membership No. 133866)

Place: Mumbai

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 2011

	Schedule	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>INCOME</b>			
Income from Operations	15	354,075.70	197,503.73
		<u>354,075.70</u>	<u>197,503.73</u>
<b>EXPENDITURE</b>			
Cost of Good Sold	17	331,850.94	178,797.51
Personnel Cost	18	1,674.84	1,474.86
Administrative & Other Expenses	19	1,987.06	1,833.18
Selling & Distribution Expenses	20	937.66	1,119.18
Interest & Financial Charges	21	10,697.12	9,074.69
Depreciation	4	1,913.68	1,853.49
		<u>349,061.30</u>	<u>194,152.91</u>
<b>Profit from Operations</b>		<b>5,014.40</b>	<b>3,350.82</b>
<b>Add: Other Income</b>	16	<b>1,742.68</b>	<b>749.84</b>
<b>Profit Before Tax</b>		<b>6,757.08</b>	<b>4,100.66</b>
<b>Provision For:</b>			
Income Tax		2,088.12	1,411.80
Income Tax (Earlier year)		-	0.06
Deferred Tax		212.42	(3.88)
Wealth Tax		8.40	4.85
		<u>4,448.14</u>	<u>2,687.83</u>
<b>Profit After Tax</b>		<b>4,448.14</b>	<b>2,687.83</b>
Balance Brought Forward		6,707.99	4,730.41
		<u>11,156.13</u>	<u>7,418.24</u>
Share of Minority Interest		249.53	204.36
		<u>10,906.60</u>	<u>7,213.88</u>
<b>Balance Available For Appropriation</b>		<b>10,906.60</b>	<b>7,213.88</b>
<b>APPROPRIATION</b>			
Proposed Dividend		524.05	331.71
Provision for Tax on Dividend		85.01	55.09
Transfer to General Reserve		295.05	119.09
		<u>10,002.49</u>	<u>6,707.99</u>
<b>Balance Carried Forward</b>		<b>10,002.49</b>	<b>6,707.99</b>
<b>Earning per Share</b>			
Earning per Share (Basic and Diluted) (Rs.)		18.37	11.23
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. 101947W

**C. A. AMIT CHOUDHARY**  
Partner  
(Membership No. 133866)

Place: Mumbai

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 2011

	Year Ended 31st March'11 (Rs. in lac)	Year Ended 31st March'10 (Rs. in lac)
<b>A. Cash flow from Operating Activities:</b>		
Net Profit before tax and Extraordinary items	6,757.08	4,100.66
<b>Adjustment for:</b>		
Depreciation and Preliminary Exp. w/off	1,913.70	1,853.51
Interest and Finance Charges	10,697.12	9,074.69
(Profit)/Loss on sale of Current Investment	(33.86)	(10.55)
(Profit)/Loss on sale/discard of Fixed Assets	(11.68)	28.80
Diminution in Value of Current Investments	-	(23.49)
Exchange diff. on foreign currency monetary item translation	(5.12)	(0.94)
Dividend Received	(1.01)	(1.88)
Rent Received	(58.76)	(59.51)
Interest Received	(1,637.37)	(677.90)
<b>Operating Profit before working Capital Changes</b>	<b>17,620.10</b>	<b>14,283.39</b>
<b>Adjustment for:</b>		
(Increase)/Decrease in Inventories	(851.63)	134.08
(Increase)/Decrease in Trade & Other Receivables	(70,658.66)	(28,699.15)
(Increase)/Decrease in Other Current Assets	12,814.35	(5,100.39)
Increase/(Decrease) in Payables, Provisions & Working Capital finance	87,723.81	33,499.00
<b>Cash generated from Operations</b>	<b>46,647.97</b>	<b>14,116.93</b>
Direct Taxes Paid	(2,331.34)	(1,006.80)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES [A]</b>	<b>44,316.63</b>	<b>13,110.13</b>
<b>B. Cash Flow from Investing Activities</b>		
Acquisition of Fixed Assets including Capital Work-in-Progress	(3,971.82)	(1,416.09)
Proceed on Sale of Fixed Assets	80.22	18.59
Purchase of Investment	-	(8.76)
Proceeds on Sale of Current Investments	92.40	15.86
Interest Received	937.93	518.51
Rent Received	58.76	59.51
Dividend Received	1.01	1.88
Adjustment on account of Amalgamation of Subsidiary	-	(2,928.82)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES [B]</b>	<b>(2,801.50)</b>	<b>(3,739.32)</b>

# CONSOLIDATED CASH FLOW STATEMENT for the year ended 31<sup>st</sup> March 2011

	Year Ended 31st March'11 (Rs. in lac)	Year Ended 31st March'10 (Rs. in lac)
<b>C. Cash Flow Arising from Financing Activities</b>		
Proceeds from Equity Share Warrants	2,268.00	756.00
Proceeds from Equity Share Application	-	700.00
Repayment of Long Term Loans	(1,660.92)	(1,793.76)
Proceeds from Long Term Loans	1,910.94	-
Proceeds from Unsecured Loans	(5,076.61)	1,288.00
Dividend including Distributed Tax	(386.80)	(258.72)
Interest and Finance Charges Paid	(10,697.12)	(9,074.70)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES [C]</b>	<b>(13,642.51)</b>	<b>(8,383.18)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>27,872.62</b>	<b>987.63</b>
CASH/CASH EQUIVALENTS AS ON 01.04.2010	7,662.90	6,675.27
<b>CASH/CASH EQUIVALENTS AS ON 31.03.2011</b>	<b>35,535.52</b>	<b>7,662.90</b>

**Notes:**

1. Cash and cash equivalents include:

Cash in hand	45.03	15.66
Balance with scheduled banks	35,490.49	7,647.24
Total Cash and cash equivalents include	<u>35,535.52</u>	<u>7,662.90</u>

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. 101947W

**C. A. AMIT CHOUDHARY**  
Partner  
(Membership No. 133866)

Place: Mumbai  
Dated: 06.05.2011

**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 SCHEDULE FORMING part of Balance Sheet as at 31<sup>st</sup> March 2011

	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (Rs. in lac)
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
5,00,00,000 (P.Y. 3,00,00,000) Equity Shares of Rs.10/- each	5,000.00	3,000.00
<b>Issued, Subscribed and Paid-up</b>		
2,91,13,945 (P.Y. 2,21,13,945) Equity Shares of Rs.10/- each fully paid-up	2,911.39	2,211.39
Of the above:		
(i) 15,96,100 Equity shares have been issued as fully paid up for consideration other than cash		
(ii) 1,14,73,700 Equity shares have been issued as fully paid up Bonus Shares by capitalisation of General Reserve		
(iii) 70,00,000 Equity shares have been issued on exercise of warrants		
	<u>2,911.39</u>	<u>2,211.39</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	216.99	216.99
<b>Revaluation Reserve</b>	23,245.97	20,405.53
Adjustment on account of amalgamation of NHPL	-	3,446.81
Less: Depreciation on Revaluation amount	683.02	606.37
	<u>22,562.95</u>	<u>23,245.97</u>
<b>Securities Premium Account</b>		
Opening Balance	3,950.40	3,950.40
Addition during the year	2,324.00	-
	<u>6,274.40</u>	<u>3,950.40</u>
<b>General Reserve</b>		
Opening Balance	4,635.35	6,845.65
Add: Transfer from P & L Account	295.05	119.09
Adjustment on account of amalgamation of NHPL	-	(2,329.39)
	<u>4,930.40</u>	<u>4,635.35</u>
<b>Profit and Loss Account</b>	10,002.49	6,707.99
	<u>43,987.23</u>	<u>38,756.70</u>
<b>SCHEDULE 3 - SECURED LOANS</b>		
Term Loan	5,142.29	4,764.02
Export Packing Credit	7,774.27	11,389.51
FDBP/FDUBP	86,213.08	57,013.42
Cash Credit / ODBD	6,362.41	7,530.82
Short Term Loan	3,954.03	5,648.91
Vehicle Loan	334.36	470.47
	<u>109,780.44</u>	<u>86,817.15</u>

# SCHEDULE FORMING part of Consolidated Balance Sheet as at and Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March 2011.

## SCHEDULE 4 - FIXED ASSETS

(Rs. in lac)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at 01/04/2010	Adjustment on acquisition of subsidiaries	Additions	Deductions/ Adjustment	As at 31/03/2011	Up to 01/04/2010	Adjustment on acquisition of subsidiaries	For the Year	Deduction/ Adjustment	Up to 31/03/2011	As at 31/03/2011	As at 31/03/2010
<b>TANGIBLE ASSETS :-</b>												
Freehold Land	12,077.12	-	62.06	-	<b>12,139.18</b>	-	-	-	-	-	<b>12,139.18</b>	12,077.12
Leasehold Land*	4,444.05	-	2.01	-	<b>4,446.06</b>	173.02	-	66.63	-	<b>239.65</b>	<b>4,206.41</b>	4,271.03
Buildings	14,331.13	-	240.66	46.34	<b>14,525.45</b>	2,416.85	-	975.95	7.12	<b>3,385.68</b>	<b>11,139.77</b>	11,914.28
Plant and Machinery	3,996.67	-	194.23	-	<b>4,190.90</b>	979.86	-	428.07	-	<b>1,407.93</b>	<b>2,782.97</b>	3,016.81
Furniture, Fixtures & Office Equipments	1,933.83	27.46	54.44	41.82	<b>1,973.91</b>	475.18	4.93	236.06	13.79	<b>702.38</b>	<b>1,271.53</b>	1,458.65
Computer	188.71	-	24.92	1.51	<b>212.12</b>	130.95	-	28.21	1.00	<b>158.16</b>	<b>53.96</b>	57.76
Vehicles	1,334.68	-	74.13	6.09	<b>1,402.72</b>	533.05	-	216.30	5.31	<b>744.04</b>	<b>658.68</b>	801.63
Oil Rig	3,455.60	-	-	-	<b>3,455.60</b>	431.32	-	483.75	-	<b>915.07</b>	<b>2,540.53</b>	3,024.28
Wind Power Project	2,483.49	-	2,539.92	22.34	<b>5,001.07</b>	545.77	-	161.74	-	<b>707.51</b>	<b>4,293.56</b>	1,937.72
<b>Total</b>	<b>44,245.28</b>	<b>27.46</b>	<b>3,192.37</b>	<b>118.10</b>	<b>47,347.01</b>	<b>5,686.00</b>	<b>4.93</b>	<b>2,596.71</b>	<b>27.22</b>	<b>8,260.42</b>	<b>39,086.59</b>	<b>38,559.28</b>
<b>INTANGIBLE ASSETS :-</b>												
Expenses related to Mining	-	-	792.26	-	<b>792.26</b>	-	-	-	-	-	<b>792.26</b>	-
Capital Work-in-Progress** (Inclusive of Capital Advance)	-	-	-	-	<b>-</b>	-	-	-	-	-	<b>516.66</b>	<b>339.98</b>
<b>Total</b>	<b>44,245.28</b>	<b>27.46</b>	<b>3,984.63</b>	<b>118.10</b>	<b>48,139.27</b>	<b>5,686.00</b>	<b>4.93</b>	<b>2,596.71</b>	<b>27.22</b>	<b>8,260.42</b>	<b>40,395.51</b>	<b>38,899.26</b>
Previous Year	34,706.22	-	10,087.82	548.76	44,245.28	3,178.81	-	2,542.73	35.54	5,686.00	38,899.26	

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

\*\* Capital Work-in-Progress includes pre operative expenditure pending allocation aggregating Rs. 133.10 lacs (P.Y. 62.71 lacs)

# CONSOLIDATED SCHEDULE FORMING part of Balance Sheet as at 31<sup>st</sup> March 2011

	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (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
(Refer Note No.10 in Schedule No. 22 B)	<u>3.00</u>	<u>61.54</u>
<b>SCHEDULE 6 - INVENTORIES</b>		
(As taken, valued and certified by the management)		
Raw Material	1,717.27	1,496.65
Work-in-Process	600.26	412.09
Finished Goods		
- At Warehouse	8,156.40	7,802.78
- Stock-in-Transit	69.51	28.73
	<u>8,225.91</u>	<u>7,831.51</u>
Packing Material	300.95	252.50
	<u>10,844.39</u>	<u>9,992.75</u>
<b>SCHEDULE 7 - SUNDRY DEBTORS</b>		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	154,766.08	85,560.58
Other	3,252.15	1,761.90
	<u>158,018.23</u>	<u>87,322.48</u>
<b>Less : Advances from Customers</b>	1,033.10	996.01
	<u>156,985.13</u>	<u>86,326.47</u>
<b>SCHEDULE 8 - CASH AND BANK BALANCES</b>		
Cash in Hand	45.03	15.65
<b>Balances with Scheduled Banks</b>		
In Current & EEFC Accounts	(1,370.41)	(1,050.57)
In Fixed Deposits (Including Accrued Interest)	37,835.90	8,973.38
	<u>36,510.52</u>	<u>7,938.46</u>
<b>SCHEDULE 9 - OTHER CURRENT ASSETS</b>		
Export Incentives & Wind Power Receivables	167.46	445.66
Deposits (Refer Note 7 (b)(i) of Schedule 22 B)	215.64	203.70
Advance Tax & TDS (Net off provision)	382.03	142.56
Prepaid Expenses	68.26	48.75
Service Tax Receivable	7.57	9.19
CENVAT/VAT Credit Receivable	26.58	6.42
	<u>867.54</u>	<u>856.28</u>



# CONSOLIDATED SCHEDULE FORMING part of Balance Sheet as at 31<sup>st</sup> March 2011

	As at 31st March 2011 (Rs. in lac)	As at 31st March 2010 (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	932.60	322.94
b) Advance to Suppliers	2,103.19	15,312.72
c) Advance for Expenses	38.58	32.91
d) Loans to Staff	72.55	64.49
	<u>3,146.92</u>	<u>15,733.06</u>
<b>SCHEDULE 11 - SUNDRY CREDITORS</b>		
<b>Sundry Creditors</b>		
For Raw Material & Finished Goods	81,251.35	17,108.21
For Packing Materials	76.55	93.31
For Capital Expenditure	185.87	10.86
For Others	293.14	383.24
	<u>81,806.91</u>	<u>17,595.62</u>
<b>SCHEDULE 12 - OTHER LIABILITIES</b>		
Other Liabilities - Statutory	144.73	127.01
- Others	6,052.59	25.33
Proposed Dividend & Dividend Tax	609.07	386.80
	<u>6,806.39</u>	<u>539.14</u>
<b>SCHEDULE 13 - PROVISIONS</b>		
For Expenses	241.57	142.15
	<u>241.57</u>	<u>142.15</u>
<b>SCHEDULE 14 - MISCELLANEOUS EXPENDITURE</b>		
Preliminary Expenses as per last Balance Sheet	9.47	9.50
Less: Written off during the year	0.03	0.03
	<u>9.44</u>	<u>9.47</u>
Pre-Operative Expenses	0.06	0.06
	<u>9.50</u>	<u>9.53</u>

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 15 - INCOME FROM OPERATIONS</b>		
Sales	351,476.89	194,763.72
Sale of Wind Power	222.92	281.70
Export Incentives	1,382.92	1,637.69
Rig Hiring and O&M Services (Net)	992.97	820.62
	<u>354,075.70</u>	<u>197,503.73</u>
<b>SCHEDULE 16 - OTHER INCOME</b>		
Profit on Sale of Current Investment	33.86	10.55
Profit on Sale of Fixed Assets	11.68	-
Dividend Received	1.01	1.88
Rent received	58.76	59.51
Interest Received	1,637.37	677.90
	<u>1,742.68</u>	<u>749.84</u>
<b>SCHEDULE 17 - COST OF GOOD SOLD</b>		
<b>a) Raw Materials Consumed</b>		
Opening Stock	1,496.65	3,141.81
Add : Purchases	11,132.06	7,358.45
	<u>12,628.71</u>	<u>10,500.26</u>
Less: Closing Stock	1,717.27	1,496.65
	<u>10,911.44</u>	<u>9,003.61</u>
<b>b) Packing Materials Consumed</b>		
Opening Stock	252.50	255.21
Add : Purchases	1,262.79	1,012.66
	<u>1,515.29</u>	<u>1,267.87</u>
Less: Closing Stock	300.95	252.50
	<u>1,214.34</u>	<u>1,015.37</u>
<b>c) Manufacturing Expenses</b>		
	1,398.14	996.59
<b>d) Work in process</b>		
Opening Stock	412.09	221.18
Less: Closing Stock	600.26	412.09
	<u>(188.17)</u>	<u>(190.91)</u>
<b>e) Finished Goods</b>		
Opening Stock	7,831.51	6,508.63
Add : Purchases	318,909.59	169,295.73
	<u>326,741.10</u>	<u>175,804.36</u>
Less: Closing Stock	8,225.91	7,831.51
	<u>318,515.19</u>	<u>167,972.85</u>
	<u>331,850.94</u>	<u>178,797.51</u>

	Current Year (Rs. in lac)	Previous Year (Rs. in lac)
<b>SCHEDULE 18 - PERSONNEL COST</b>		
Salaries, Wages & Bonus	977.83	878.38
Contribution to Provident and Other Funds	51.45	60.75
Staff Welfare & Food Expenses	84.00	72.66
Professional Fees & Commission	34.05	22.36
Contractual Remuneration	83.94	75.68
Directors Remuneration	316.02	285.66
Commission to Directors	127.55	79.37
	<u>1,674.84</u>	<u>1,474.86</u>
<b>SCHEDULE 19 - ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	232.26	272.89
Tour & Travelling Expenses	303.22	214.02
Conveyance & Vehicle Expenses	152.16	121.30
Freight Inward Charges	103.44	145.42
Communication Expenses	53.51	57.48
Printing & Stationery	41.99	41.22
Repair & Maintenance	164.12	128.28
Insurance Charges	51.06	20.13
ECGC Premium	248.59	276.65
Power, Fuel & Water Charges	52.77	43.69
Stamping, Registration & Other Legal Charges	286.51	249.53
Professional Fees	186.75	160.89
Membership & Subscription	5.55	6.09
Donation	28.20	56.52
Director Sitting Fees	5.95	9.55
Auditors Remuneration	20.61	20.62
Internal Audit Fees	1.00	2.48
Loss on Sale/Discard of Fixed Assets	-	28.80
Diminution in Value of Current Investments	-	(23.49)
Bad Debts W/off	48.58	-
Preliminary Expenses W/off	0.03	0.03
Miscellaneous Expenses	0.76	1.08
	<u>1,987.06</u>	<u>1,833.18</u>
<b>SCHEDULE 20 - SELLING AND DISTRIBUTION EXPENSES</b>		
Advertisement and Sales Promotion	263.01	371.29
Freight & Forwarding Charges	561.18	456.37
Sales Tax	90.75	221.88
Commission	22.72	69.64
	<u>937.66</u>	<u>1,119.18</u>
<b>SCHEDULE 21 - INTEREST AND FINANCIAL CHARGES</b>		
Bank Interest	8,678.81	7,668.09
Bank Charges & Commission	2,018.31	1,406.60
	<u>10,697.12</u>	<u>9,074.69</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. Intra-group balances and intra-group transactions have been fully nullified in accordance with Accounting Standard (AS) 21 – Consolidated Financial Statements.
- (ii) The difference between the cost of investment in the subsidiary companies, over the net assets at the time of acquisition of shares in the subsidiaries is recognized as “Goodwill” or “Capital Reserve” as the case may be, 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.
- (iv) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

#### 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 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.

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 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

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

#### 12) GOODWILL

Goodwill arising out of consolidation of financial statements of subsidiaries is not amortised. However the same is tested for impairment at each Balance Sheet date.

### B. NOTES TO ACCOUNTS:

- The subsidiary companies considered in the consolidated financial statements are:-

Name of the Subsidiaries	Country on Incorporation	Proportion of ownership interest
Varun Jewels Pvt. Ltd.	India	51.54% by VIL
Shri Sai Jewels Pvt. Ltd.	India	51.00% by VIL
Varun Petroleum Corp. Pvt. Ltd.	India	100.00% by VIL
Varun Minerals Corp. Pvt. Ltd.	India	100.00% by VIL
Varun Holdings Ltd. (VHL)	Mauritius	100.00% by VIL
Varun Mines & Minerals Ltd. (VMML)	Mauritius	100.00% by VIL
Varun Petroleum Ltd. (VPL)	Mauritius	100.00% by VIL
Varun International Trading F.Z.E.	U.A.E.	100.00% by VHL
Varun Global Trading Pte. Ltd.	Singapore	100.00% by VHL
Varun Petroleum SARL	Madagascar	51.00% by VPL
Oil & Gas Incorporation SARL	Madagascar	51.00% by VPL
Madagascar Energy Corporation SARL	Madagascar	51.00% by VMML
Varun International SARL (VI)	Madagascar	51.00% by VMML
Varun Energy Corporation SARL	Madagascar	100.00% by VI

#### 2) SECURED LOANS

- 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 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.
- 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 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.
- Term Loans from bank for Wind Power Projects are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 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, Fixed Deposits under lien with bank, second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant, first Pari Passu charge on the property at Byculla and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vi) Cash Credit Limits of the Company 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, Fixed Deposits under lien with bank, second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant, first Pari Passu charge on the property at Byculla and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- vii) Short Term Loan is secured by Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- viii) Vehicle Loans are secured by way of hypothecation of the respective vehicles.

### 3) REMUNERATION TO DIRECTORS

	(Rs. in lac)	
	Current Year	Previous Year
Managerial Remuneration	316.01	285.66
Contribution to provident fund	0.28	0.22
Sitting Fees	5.95	9.55
Commission to Directors	127.55	79.37
<b>Total</b>	<b>449.79</b>	<b>374.80</b>

### 4) 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. 212.42 lac {Previous Year Rs. (3.88) lac}.
- (ii) Deferred Tax Liability (net) at the year ended comprise timing differences on account of:

	(Rs. in lac)	
	Current Year	Previous Year
<b>Liability:</b>		
Fixed Assets	(1176.00)	(963.58)
Net Deferred Tax Assets/(Liabilities)	(1176.00)	(963.58)

### 5) 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 Real Estate (I) Pvt. Ltd.
Jaipur Centre Developers Pvt. Ltd.	Saishree Mines and Minerals India Pvt. Ltd.
Jaipur Centre Infraprojects Pvt. Ltd.	Varun Global Agriculture Pvt. Ltd.
Triple A Developers Pvt. Ltd.	Varun Incorporation Ltd., Hong Kong
Varun Earthtech Limited	Varun Global Agriculture SARL, Madagascar

#### b) Related Party Transactions:

(Rs. in lac)

Nature of Transaction	Key Management Personnel		Relatives		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Remuneration	316.01	285.66	—	—	316.01	285.66
Commission	127.55	79.37	—	—	127.55	79.37
Salary	—	—	5.85	1.10	5.85	1.10
Contribution to Provident Fund	0.28	0.23	0.09	0.09	0.37	0.32
Rent Paid	14.00	14.00	—	—	14.00	14.00

6) 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 net exchange gain of Rs. 7.86 lac (Prev. Year Exchange Gain of Rs. 465.83 lac) relating to long term foreign currency monetary items has been reduced / added to the cost of respective fixed assets.

## 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. Nil).

### b. Contingent Liabilities

i) 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.

ii) 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	2010-11	2009-10
Net Profit After Tax (Rs. in lac)	4198.62	2,483.47
No. of Shares at the beginning of the year	2,21,13,945	2,21,13,945
No. of Shares issued during the year	70,00,000	-
No. of Shares (Weight Average)/ available at the end of the year	2,28,61,890	2,21,13,945
Earning Per Share (Basic and Diluted) Rs.	18.37	11.23

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

Accordingly to Accounting Standard 17 "Segment Reporting" issued by ICAI, the results of the company have been stated as under:-

### A. PRIMARY BUSINESS SEGMENT

(Rs. in lac)

Particulars	Merchandise Sale		Petroleum		Wind Power		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue								
External Sales	352,859.81	196,401.41	992.97	820.62	222.92	281.70	354,075.70	197,503.73
Inter Segment Sales	-	-	-	-	-	-	-	-
Other Income	1,742.68	749.84	-	-	-	-	1,742.68	749.84
<b>Total Revenue</b>	<b>354,602.49</b>	<b>197,151.25</b>	<b>992.97</b>	<b>820.62</b>	<b>222.92</b>	<b>281.70</b>	<b>355,818.38</b>	<b>198,253.57</b>
<b>Segment Results (PBIT)</b>	<b>16,238.31</b>	<b>12,073.03</b>	<b>333.59</b>	<b>268.12</b>	<b>14.40</b>	<b>104.14</b>	<b>17,454.20</b>	<b>13,175.35</b>
Interest Expenses							10,697.12	9,074.69
Taxation							2,308.93	1,412.83
<b>Net Profit After Tax</b>							<b>4,448.14</b>	<b>2,687.83</b>
Other Information								
<b>Segment Assets</b>	<b>246,410.40</b>	<b>154,502.78</b>	<b>2,820.04</b>	<b>3,353.73</b>	<b>4,323.43</b>	<b>1,951.31</b>	<b>253,553.87</b>	<b>159,807.82</b>

### B. SECONDRY GEOGRAPHICAL SEGMENT

(Rs. in lac)

Particulars	Within India		Outside India		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue	14,134.80	11,468.17	339,940.90	186,035.56	354,075.70	197,503.73
<b>Segment Assets</b>					<b>253,553.87</b>	<b>159,807.82</b>

## 10) Details of Investments

(Rs. in lac)

LONG TERM (Non Quoted)	As at 31.03.2011	As at 31.03.2010
<b>Saishree Mines &amp; Minerals India Pvt. Ltd.</b>	3.00	3.00
30,000 (P.Y. 30,000) Equity Shares of Rs.10 each, fully paid up		
<b>Total</b>	<b>3.00</b>	<b>3.00</b>

CURRENT (Quoted, Non Trade)	As at 31.03.2011	As at 31.03.2010
<b>Investment in Equity Shares of:</b>		
<b>Bal Pharma Limited</b>	—	2.78
Nil (P.Y. 10,000) Equity Shares of Rs.10 each, fully paid up		
<b>Gayatri Sugar Limited</b>	—	0.42
Nil (P.Y. 10,000) Equity Shares of Rs. 10 each, fully paid up		
<b>Motilal Oswal Fin. Serv. Ltd.</b>	—	1.21
Nil (P.Y. 735) Equity Shares of Rs.1 each, fully paid up		
<b>United Bank of India</b>	—	8.76
Nil (P.Y. 13,278) Equity Shares of Rs.10 each, fully paid up		
<b>Wockhardt Ltd.</b>	—	3.47
Nil (P.Y. 2,500) Equity Shares of Rs. 5 each, fully paid up		
<b>HCL Infosystems Ltd.</b>	—	3.38
Nil (P.Y. 2,500) Equity Shares of Rs. 2 each, fully paid up		
<b>Indian Bank</b>	—	9.02
Nil (P.Y. 10,000) Equity Shares of Rs. 10 each, fully paid up		
<b>N. R. Agarwal Industries Limited</b>	—	24.12
Nil (P.Y. 72,910) Equity Shares of Rs.10 each, fully paid up		
<b>State Bank of Bikaner &amp; Jaipur</b>	—	5.38
Nil (P.Y. 2000) Equity Shares of Rs. 10 each, fully paid up		
<b>Total</b>	<b>—</b>	<b>58.54</b>

- 11) The consolidated results for the financial year ended 31st March 2011 are not comparable with the previous year due to the investment in the following step down subsidiaries:-

Varun International Trading FZE, UAE  
 Varun Global Trading Pte. Ltd., Singapore  
 Varun Petroleum SARL, Madagascar  
 Oil & Gas Incorporation SARL, Madagascar  
 Varun International SARL, Madagascar  
 Madagascar Energy Corporation SARL, Madagascar  
 Varun Energy Corporation SARL, Madagascar

- 12) Figures for the previous year have been reworked, regrouped, rearranged 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

Sr.	Name of the Subsidiary Company		(Rs. in lac)													
	Country	Country	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.	Varun Global Trading Pte. Ltd.	Varun International Trading FZE (U.A.E.)	Varun Petroleum SARL	Oil & Gas Incorporation SARL	Varun International SARL	Madagascar Energy Corp. SARL	Varun Energy Corp. SARL
1		India	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011	31 <sup>st</sup> Mar. 2011
2		India	25 <sup>th</sup> Nov. 2006	25 <sup>th</sup> Nov. 2006	26 <sup>th</sup> Dec. 2008	26 <sup>th</sup> Dec. 2008	30 <sup>th</sup> Jul. 2009	30 <sup>th</sup> Jul. 2009	30 <sup>th</sup> Jul. 2009	28 <sup>th</sup> Feb. 2011	19 <sup>th</sup> Jan. 2011	26 <sup>th</sup> Oct. 2010	26 <sup>th</sup> Oct. 2010	26 <sup>th</sup> Oct. 2010	26 <sup>th</sup> Oct. 2010	26 <sup>th</sup> Oct. 2010
3	Shares of the Subsidiaries held by the Company as on 31 <sup>st</sup> March 2011		85,03,846	5,10,000	*10,000	*10,000										
	a) Number and Face Value		Shares of Rs. 10/- each	Shares of Rs. 10/- each	Shares of Rs. 10/- each	Shares of Rs. 10/- each										
	b) Extent of Holding		51.54%	51.00%	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		202.03	61.89	(3.27)	(0.07)	(7.42)	(7.39)	(7.41)	(3.82)	29.92	(0.06)	(0.06)	0.11	0.14	(0.04)
	a) Not dealt with in the holding Company's accounts															
	i) For the financial year ended 31 <sup>st</sup> March, 2011															
	ii) Upto the previous financial years of the Subsidiaries' accounts		278.89	90.41	(96.90)	(0.09)	(5.81)	(5.81)	(5.81)	-	-	-	-	-	-	-
	b) Dealt with in the holding Company's accounts															
	i) For the financial year ended 31 <sup>st</sup> March, 2011															
	ii) Upto the previous financial years of the Subsidiaries' accounts															

\* Including one equity share held by a nominee

**For and on behalf of the Board**

**KIRAN N. MEHTA**

Chairman & Managing Director

**KIRAN N. BADE**

V.P. (Legal) & Company Secretary

Place : Mumbai

Date : 06.05.2011

**KAILASH S. AGARWAL**

Managing Director

# INFORMATION ON THE FINANCIALS OF THE SUBSIDIARY COMPANIES

## for the Financial year ended 31<sup>st</sup> March 2011

(As per General Circular No. 2/2011 dt. 8<sup>th</sup> February 2011 issued by the Ministry of Corporate Affairs)

(Rs. in lac)

Name of the Subsidiary Company	Varun Jewels Pvt. Ltd.	India	Shri Sai Jewels Pvt. Ltd.	India	Varun Petroleum Corp. Pvt. Ltd.	India	Varun Minerals Corp. Pvt. Ltd.	India	Varun Holdings Ltd.	Varun Mines & Minerals Ltd.	Mauritius	Varun Petroleum Ltd.	Singapore	Varun International Trading FZE	Dubai (U.A.E.)	Varun Petroleum SARM	Madagascar	Oil & Gas Incorporation SARM	Madagascar	Varun International SARM	Madagascar	Madagascar Energy Corp. SARM	Madagascar	Varun Energy Corp. SARM	Madagascar
Reporting Currency	INR		INR		INR		INR		USD	USD		USD	USD	AED	Ariary	Ariary	Ariary	Ariary	Ariary	Ariary	Ariary	Ariary	Ariary	Ariary	Ariary
Exchange Rate as at 31.03.2011	1.00		1.00		1.00		1.00		44.60	44.60		44.60	44.60	12.14	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Share Capital	1,650.00		100.00		1.00		1.00		0.00	0.00		0.00	0.00	121.43	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	4.68	-
Reserves	1,661.08		342.13		(0.16)		(13.23)		(13.23)	(13.20)		(13.22)	(3.82)	29.92	(0.23)	(0.31)	(0.31)	(0.31)	(0.31)	0.36	0.00	0.00	0.00	(0.60)	
Total Assets	19,057.37		6,297.85		13.55		5.50		(13.23)	(13.20)		(13.22)	(3.82)	151.35	4.44	4.94	4.94	4.94	5.04	5.04	5.04	5.19	5.19	(0.60)	
Total Liabilities	19,057.37		6,297.85		13.55		5.50		(13.23)	(13.20)		(13.22)	(3.82)	151.35	4.44	4.94	4.94	4.94	5.04	5.04	5.04	5.19	5.19	(0.60)	
Investments (Other than in Subsidiary)	-		-		-		-		-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	
Turnover	43,342.75		16,216.71		-		0.00		0.00	-		0.00	-	710.01	-	-	-	-	-	5.64	0.36	0.36	-	-	
Profit Before Tax	609.77		190.71		(3.27)		(0.07)		(7.42)	(7.39)		(7.41)	(3.82)	29.92	(0.09)	(0.11)	(0.11)	(0.11)	0.25	0.25	0.31	0.31	-	-	
Provision for Taxation	217.78		69.37		-		-		-	-		-	-	-	0.04	0.01	0.01	0.01	0.03	0.03	0.04	0.04	0.04	0.04	
Profit After Tax	391.99		121.34		(3.27)		(0.07)		(7.42)	(7.39)		(7.41)	(3.82)	29.92	(0.12)	(0.12)	(0.12)	(0.12)	0.22	0.22	0.28	0.28	(0.04)	(0.04)	
Proposed Dividend	-		-		-		-		-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	

### Notes:-

- 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 31.03.2011
- 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.
- 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.

**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 : 06.05.2011



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