

NOTICE TO MEMBERS

NOTICE is hereby given that the 16th Annual General Meeting of Varun Industries Limited will be held at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (W), Mumbai 400061 on Thursday, 27th September, 2012 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st March 2012, Profit and Loss Account for the year ended on that date and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Kailash Agarwal, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Varun Mehta, who retires by rotation and is eligible for re-appointment.
4. To consider the appointment of M/s Chunnilal & Company, Chartered Accountants, registration number 101947W, who are retiring by rotation and are eligible for re-appointment, as the Statutory Auditors of the Company, to hold office from the conclusion of the 16th Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution for the appointment of Shri Raaja Pukhraj Jain as a Director, in respect of whom notices have been received from certain members proposing his name for appointment as a Director:

“RESOLVED THAT Shri Raaja Pukhraj Jain, who holds office up to the date of the 16th Annual General Meeting, be and is hereby appointed as a Director of the Company.”

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution for the appointment of Shri Mahender Ramchand Tahilramani as a Director, in respect of whom notices have been received from certain members proposing his name for appointment as a Director:

“RESOLVED THAT Shri Mahender Ramchand Tahilramani, who holds office up to the date of the 16th Annual General Meeting, be and is hereby appointed as a Director of the Company.”

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 2, 3, 5 and 6 is annexed.
3. The Register of Members and the Share Transfer Register will be closed from Saturday, 22nd September 2012 to Thursday, 27th September 2012, both days inclusive.
4. Members are advised to avail of nomination facility in respect of shares held by them. Nomination forms can be obtained from the Secretarial Department of the Company.
5. Members are requested to:
 - a. Intimate the Company changes, if any, in their registered addresses at an early date for shares held in physical form. For shares held in electronic form, changes, if any, may be communicated to respective DPs.
 - b. Quote ledger folio numbers / DP ID and Client ID numbers in all their correspondence.
 - c. To avoid inconvenience, get the shares transferred in joint names, if they are held in a single name and / or appoint a nominee.
 - d. Bring with them at the meeting a copy of the Annual Report and Attendance Slip.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their communications to the Registered Office of the Company, so as to reach at least seven days before the date of the meeting, so that the required information can be made available at the meeting, to the extent possible.
7. Members, who hold shares in electronic form, are requested to bring their Client DP and ID numbers at the meeting for easier identification.

By Order of the Board of Directors

R. Somani

*Vice President (Corporate) &
Company Secretary*

Mumbai, 9th August, 2012

Registered Office:

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 2

Shri Kailash Agarwal, Managing Director, is being treated as a director liable to retire by rotation. His retirement by rotation and simultaneously re-appointment shall not affect his holding and continuing to hold office of Managing Director. A brief profile of Shri Kailash Agarwal and names of companies in which he is a director are given in the Corporate Governance Report, which forms part of the Annual Report.

Shri Kailash Agarwal holds equity shares in the Company.

None of the directors, except Shri Kailash Agarwal, can be considered to be interested in or concerned with the said resolution.

The Board recommends passing of the resolution.

ITEM NO. 3

Shri Varun Mehta, Whole-Time Director, is being treated as a director liable to retire by rotation. His retirement by rotation and simultaneously re-appointment shall not affect his holding and continuing to hold office of Whole-Time Director. A brief profile of Shri Varun Mehta and names of companies in which he is a director are given in the Corporate Governance Report, which forms part of the Annual Report.

Shri Varun Mehta does not hold any equity shares in the Company.

None of the directors, except Shri Varun Mehta and Shri Kiran N. Mehta, can be considered to be interested in or concerned with the said resolution.

The Board recommends passing of the resolution.

ITEM NO. 5

Shri Raaja Pukhraj Jain was appointed as an Additional Director on 13th February, 2012. He holds office up to the date of the forthcoming Annual General Meeting. Notice along-with deposit as required by Section 257 of the Companies Act, 1956 have been received from certain members proposing the appointment of Shri Raaja Pukhraj Jain as a Director.

A brief profile of Shri Raaja Pukhraj Jain and names of the companies in which he is a director are given in the Corporate Governance Report, which forms part of the Annual Report.

Shri Raaja Pukhraj Jain does not hold any equity share in the Company.

Considering his eminence and rich experience, it will be in the best interest of the Company to appoint him as a Director.

None of the Directors, except Shri Raaja Pukhraj Jain can be considered to be interested in or concerned with the resolution as set out in the Notice.

The Board recommends passing of the said resolution.

ITEM NO. 6

Shri Mahender Ramchand Tahilramani was appointed as an Additional Director on 14th May, 2012. He holds office up to the date of the forthcoming Annual General Meeting. Notices along-with deposit as required by Section 257 of the Companies Act, 1956 have been received from certain members proposing the appointment of Shri Mahender Ramchand Tahilramani as a Director.

A brief profile of Shri Mahender Ramchand Tahilramani and names of the companies in which he is a director are given in the Corporate Governance Report, which forms part of the Annual Report.

Shri Mahender Ramchand Tahilramani does not hold any equity share in the Company.

Considering his eminence and rich experience, it will be in the best interest of the Company to appoint him as a Director.

None of the Directors, except Shri Mahender Ramchand Tahilramani can be considered to be interested in or concerned with the resolution as set out in the Notice.

The Board recommends passing of the said resolution.

By Order of the Board of Directors

R. Somani
*Vice President (Corporate) &
Company Secretary*

Mumbai, 9th August, 2012



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

ATTENDANCE SLIP

I hereby record my presence at the 16th Annual General Meeting on Thursday, 27th September 2012, at 10.00 A.M. at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (W) Mumbai – 400 061.

Folio No.: _____ DP ID No.: _____

No. of Shares held: _____

Name of the Member/Proxy/Representative: _____

Signature of the Member/Proxy/Representative: _____

(Only Members/Proxies/Representatives are allowed to attend the meeting)



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

PROXY FORM

I/We _____ of _____ being a member(s) of Varun Industries Limited hereby appoint _____ of _____ in the district of _____ failing whom _____ of _____ in the district of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the 16th Annual General Meeting of Varun Industries Limited to be held on Thursday, 27th September 2012 at 10.00 A.M. at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (W) Mumbai – 400 061 and at any adjournment thereof.

Folio No.: _____ DP ID No.: _____


No. of Shares held: _____

Signed this _____ day of _____ 2012

Affix
Re.1/-
Revenue
Stamp

Signature across Revenue Stamp

NOTE: THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

A dark silhouette of a city skyline with various skyscrapers and buildings, positioned horizontally across the middle of the page.

SIXTEENTH
ANNUAL REPORT
2011-2012

INDEX

Corporate Information	2
Chairman's Speech	3
Directors' Report	4
Report on Corporate Governance	10
Auditor's Certificate on Corporate Governance	21
Management Discussion and Analysis	22
Standalone Accounts	
Auditor's Report	25
Balance Sheet	28
Profit and Loss Account	29
Cash Flow Statement	30
Notes forming part of Financial Statements	32
Consolidated Accounts	
Auditors Report	45
Balance Sheet	46
Profit and Loss Account	47
Cash Flow Statement	48
Notes forming part of Consolidated Financial Statements	50
Statement pursuant to Section 212 of the Companies Act, 1956	63
Information on the Financials of the Subsidiary companies	64

CORPORATE INFORMATION

Board of Directors

Shri Kiran N. Mehta - Chairman & Managing Director
Shri Kailash S. Agarwal - Managing Director
Shri Varun K. Mehta - Whole Time Director
Shri Raaja Jain - Additional Director w.e.f. 13/02/2012
Shri Mahender Tahilramani - Additional Director w.e.f 14/05/2012

Chief Financial Officer

Shri Mayur Doshi

Vice President (Corporate) & Company Secretary

Shri R. Somani

Registered Office

13, Shankheshwar Darshan,
A. G. Pawar Cross Lane,
Byculla (East),
Mumbai – 400 027
Tel: +91 22 23727400
Fax: +91 22 23748686
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

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
IDBI Bank Ltd.
Bank of Baroda
Allahabad Bank

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

Pressure Cookers Plant, Nasik

Plot No.E-19 B&C, M.I.D.C.,
Sinnar Industrial Area, Sinnar,
Dist. Nasik – 422113 (Maharashtra)
Tel: +91-2551-230831/910/864
Fax: +91-2551-230879

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
Village Sirwa, Dist Jaisalmer, Rajasthan
Village Chord, Dist Jaisalmer, Rajasthan

CHAIRMAN'S SPEECH

Dear Shareholders,

For the first time in the History of your Company, we have faced a very tough year due to the EURO crisis, the wide fluctuation of the US Dollar versus the rest of the world currencies resulting in slowdown of the International trade and delay in receivables, which led to the Company incurring losses.

As a result of the tough times faced by the Company, we have applied for Corporate Debt Restructuring (CDR) through our consortium banks and the same has been admitted by the CDR Cell. We have taken various measures to reduce our operational cost, stabilize the operation and consolidate our market position.

Further, as a gesture all the Directors have waived the salary due to them from March 2012 till such time the situation improves.

I am hopeful that we shall be able to overcome the challenges faced by the Company and post better results in coming years.

With Warm Regards,

Kiran Mehta
Chairman & Managing Director

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Sixteenth Annual Report on the business and operations of your Company for the year ended 31st March 2012. A detailed Management Discussion and Analysis report forms part of this Annual Report.

1. FINANCIAL RESULTS

	(Rs. in crore)	
	Year ended 31 st March 2012	Year ended 31 st March 2011
Income	3202.29	2955.44
Profit Before Tax	(157.76)	59.56
Less: Provision for Taxation	0.04	20.22
Profit after Tax	(157.80)	39.34
Add: Balance brought forward	94.83	64.53
Disposable Profit	(62.96)	103.87
Appropriations:		
Transfer to General Reserve	-	2.95
Proposed Dividend	-	5.24
Tax on Dividend	-	0.85
Balance carried to Balance Sheet	(62.96)	94.83

2. PERFORMANCE REVIEW

The year under report has shown slow down in economy since the third quarter. The Company is going through turbulent time. The rising input costs, global unrest in Middle East and North Africa (MENA), rise in interest rates and the US sanctions on Iran and fluctuation of various currencies against the dollar had a cascading effect which has impacted our business significantly.

Slowdown in exports to key markets in the MENA region due to political turmoil added to our woes. In the last one year, there has been a political crisis in the Middle East region in general and specifically in countries like Egypt, Tunisia, Algeria, Bahrain, Libya and Yemen. This crisis which was brewing in the past 2-3 years increased during the last year and resulted in slowdown of business in the respective countries. We were affected, resulting in lower or no sales to customers in the respective countries.

Further, with the currencies of key MENA countries depreciating against the dollar, our business to these countries got adversely impacted and had a cascading impact and thereby, recovery of receivables slowed down considerably.

As a result, in the wider interest of the company, we had to settle our outstanding recovery, which has impacted our bottom line significantly.

3. MACRO ECONOMIC SCENARIO

Global Macro Economic Scenario:

The sluggish recovery shall remain the most likely global macroeconomic scenario, where the world economy will continue to recover from the 2009 recession at a moderate pace, returning to trend growth rates with persistent unemployment and budget deficits in developed markets.

FY 2011-12 saw deleveraging efforts. Elevated unemployment levels and a shift of policy priorities towards fiscal consolidation will continue to constrain growth in a number of high income economies. At the same time, the solid economic pace in emerging markets will limit the risk of a double-dip recession.

There is a downside risk to the outlook, which has risen and may continue through FY 2012-13. The global economy is facing headwinds coming from every major region of the world. The continuation of the economic recovery depends on all of the following:

- There is a need to maintain the momentum of the US economic recovery which incorporates unresolved issues of the medium term fiscal consolidation plan and the debt ceiling and which if ensured would help preserve market confidence.
- The Euro Zone has been fighting to prevent the debt problems affecting peripheral sovereigns from spreading to larger countries vis-a-vis European – wide financial system.

- The Chinese and Indian economies are also not insulated from the global economic conditions as the economies need engineering of a 'soft landing' for the overheating faced by both the countries. If these factors are taken care of, they will help restart the growth engines, compensating for the degrowth in other economies.

Thus Global Macroeconomic condition is very fluid due to various socio-economic, socio-political reasons.

4. DIVIDEND

In view of the net loss in the financial year 2011-12, the Directors do not recommend any dividend.

5. FINANCIAL RESOURCES

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 Jaisalmer, Rajasthan.

6. PLEDGE OF PROMOTER & PROMOTER GROUP SHAREHOLDING IN THE COMPANY

As on March 31, 2012, Promoter & Promoter Group were holding 1,68,77,569 shares representing 57.97% of the equity share capital of the Company, out of which 92,08,100 shares representing 54.56% of the Promoter & Promoter Group holding were pledged.

7. CORPORATE DEBT RESTRUCTURING

The Company has filed with the Corporate Debt Restructuring (CDR) cell for the restructuring of its bank liabilities under consortium. The Company had made a request to Indian Bank (lead bank) and the rest of the consortium banks seeking support for its restructuring of bank liabilities. The case was admitted by the CDR cell after receipt of requisite majority support from the consortium banks to the proposal filed by the Company.

8. PROJECTS

Power Generation:

The Company has successfully implemented another Wind Power generation project at Jaisalmer in Rajasthan, with a wind generation capacity of 5 Mega Watts. With this, the total power generating capacity of the Company's power plants has gone up to 13.95 Mega Watts.

Oil Rig:

The Company has successfully completed the tender of ONGC for lease of Rig for a period of 3.5 years. The Company is further bidding for various tenders floated by ONGC, Oil India and private players for redeployment of the Rig.

Nasik plant:

Company has successfully acquired a Home Appliances and Premium Kitchenware manufacturing plant at Nasik with sparkling range of impeccable product such as Pressure Cookers, Non – Stick Cookware, Aura Hard – Anodized Cookware & Exclusive Quality Kitchenwares with full fledged Production, Research and Development & Packaging unit.

9. 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.

10. 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.

11. DIRECTORS

Shri Kiran N. Mehta, Chairman & Managing Director, Shri Kailash S. Agarwal, Managing Director and Shri Varun K. Mehta, Whole-Time Director of the Company have informed the Company that in view of the current financial difficulties being faced by the Company, they will render services to the Company free of any remuneration w.e.f. 1st March 2012 till the improvement in the financial position of the Company.

Shri Varun Mehta retire by rotation at the 16th Annual General Meeting and is eligible for re-appointment.

Pursuant to the provisions of Section 260 of the Act and Article No. 115 of the Articles of Association, Shri Raaja Pukhraj Jain and Shri Mahender Ramchand Tahilramani were appointed as Additional Directors with effect from 13th February, 2012 and 14th May, 2012 respectively and holds office up to the date of the forthcoming Annual General Meeting. The Company has received notices from members proposing their appointment as Directors.

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.

12. 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.

13. FIXED DEPOSITS

The Company has not accepted fixed deposits.

14. 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.

15. COST AUDITORS

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have appointed M/s Mehta N. Associates, Cost Accountants, as the Cost Auditors to conduct cost audit of the product "Steel" for the year 2011-12. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

16. 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.

17. 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, 9th August, 2012

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 of Fuel Saving Instrument for improvement of Oil Consumption.
2. Using Metal Saver Chemical for improvement of Acid Consumption as well as Metal Loss.
3. Variable Frequency Drives are provided for all rolling mills, blowers & furnaces to reduce energy consumption.
4. Air cooling system has been installed for Electric panels to minimize the breakdown of VFD & other electric parts.
5. Using Energy efficient Gear Oil in Gear Box
6. Power Capacitor has been installed to improve power factor
7. Installation of energy efficient lighting & optimizing the ventilation system.
8. Timely maintenance of machinery & equipments to ensure that energy consumption is as minimal as possible.
9. High efficiency AC Motors have been installed.
10. Using Copper Cable for Control & Power System for energy efficiency as well as low maintenance.

Vasai Plant

1. Installation and commissioning of voltage stabilizer for APFC panel to control the power factor automatically and hence avoided the probability of paying penalty charges due to drop in power factor.
2. All new purchased motors are energy efficient motors.
3. Timely maintenance of machines and equipments to ensure optimum energy consumption.
4. Replacement of under loaded/overloaded motors with proper size motors and installation of high efficiency motors.
5. All new electrical installations are of copper cables for control and power system thereby achieving energy efficiency and low maintenance.
6. Prevented idle running of motors by providing limit switches for auto cut-off.
7. All newly purchased hydraulic power machine are of Revised Hydraulic Circuit System and with low capacity motors thereby consuming less power for same desired work.
8. Implemented so many energy saving suggestion and ideas recommended by Energy Management Committee and brought awareness among the workers about energy saving.

Nasik Plant

1. Maximum use of natural light by providing transparent panels on roof has done.
2. Automatic power factor control panel is installed to get the maximum power factor.
3. Hard anodised plant has started working in night to save the energy.
4. Hard anodised plant blower will be repaired thus reduce the power consumption of compressor.
5. Maximum use of turbo ventilation to save the energy.
6. Regular checking of capacitor & capacitor bank.
7. Installed plc controlled compressor to achieve maximum efficiency.

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 and Nasik 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 st March 2012	Year ended 31 st March 2011	
A. POWER & FUEL CONSUMPTION				
1. Electricity				
a)	Purchased Units	Thousand KWH	3003.74	3,088.35
	Total amount	Rs. in Thousand	17530.70	14,938.98
	Rate/unit (KWH)	Rs.	5.84	4.84
b)	Own Generation			
i)	Through Diesel Generator (HSD)			
	Units	Thousand KWH	87.06	70.39
	Total Amount	Rs. in Thousand	1269.33	1,054.66
	Cost/Unit (KWH)	Rs.	14.58	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.	Coal		—	—
3	i) Furnace oil (Hot Mill)			
	Quantity	KL	330.97	344.24
	Total amount	Rs. in Thousand	13565.72	10,231.17
	Rate/unit (KL)	Rs.	40.99	29.72
	ii) CBFS oil (Hot & Cold Furnace)			
	Quantity	KL	604.33	617.00
	Total amount	Rs. in Thousand	24337.46	18,388.57
	Rate/unit (KL)	Rs.	40.27	29.80
4.	Natural gas			
	Quantity Cu. mts.		—	—
	Total amount	Rs. in Thousand	—	—
	Rate/unit (Cu. mt.)	Rs.	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION: (Per MT)				
	Unit		2011-12	2010-11
	Electricity / Own Generation	KWH	257.82	263.67
	Furnace Oil	Litres	34.76	32.69
	CBFS Oil	Litres	63.47	58.60

B. TECHNOLOGY ABSORPTION: N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. in lac)	
	Year ended 31 st March 2012	Year ended 31 st March 2011
A. Total Foreign Exchange Earned:		
i) FOB Value of export	2,91,488.17	2,78,289.26
ii) Rig Hiring Charges	<u>1,567.72</u>	<u>1,360.76</u>
Total	<u><u>2,93,055.89</u></u>	<u><u>2,79,650.02</u></u>
B. Total Foreign Exchange Used:		
i) On Import of Raw Material / Finished Goods	1,09,435.55	1,01,867.57
ii) On Import of Capital Goods, Spares and Components	-	2.25
iii) Expenditure in Foreign Currencies for business travels, subscription, commission on exports etc.	<u>165.74</u>	<u>121.43</u>
Total	<u><u>1,09,601.29</u></u>	<u><u>1,01,991.24</u></u>

For and on behalf of the Board of Directors

Kiran N. Mehta

Chairman & Managing Director

Mumbai, 9th August, 2012

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 five members. 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 & Managing Director</i>	P. & E. D.	5	4	Yes	13	Nil
2.	Shri Kailash S. Agarwal, <i>Managing Director</i>	P. & E. D.	5	4	Yes	11	Nil
3.	Shri Varun Mehta <i>Whole Time Director</i>	P. & E. D.	5	3	Yes	1	Nil
4.	Shri S. Rajagopal, <i>Director</i> <i>(up to 28th March, 2012)</i>	I.D.	5	5	Yes	15	12
5.	Shri S. K. Srivastav, <i>Director</i> <i>(up to 9th April, 2012)</i>	I.D.	5	4	Yes	3	Nil
6.	Shri K. L. Gopalakrishna, <i>Director</i> <i>(up to 10th April, 2012)</i>	I.D.	5	5	Yes	1	2
7.	Shri M. S. Sundara Rajan <i>Director</i> <i>(up to 10th April, 2012)</i>	I.D.	5	5	Yes	13	3
8.	Shri Raaja Jain <i>Additional Director</i> <i>(w.e.f.13th February, 2012)</i>	I.D.	N.A.	N.A.	N.A.	8	Nil
9.	Shri Mahender Tahilramani <i>Additional Director</i> <i>(w.e.f.14th May, 2012)</i>	I.D.	N.A.	N.A.	N.A.	1	Nil

Notes: -

- P. & E.D.: Promoter Executive Director, I.D.: Independent Director.
- 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 6th May 2011, 11th August 2011, 3rd October 2011, 11th November 2011 and 13th February 2012.

Remuneration paid to Executive Directors during the year ended 31st March 2012

(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	82,50,000	55,00,000	27,50,000
Other Allowances	55,00,000	36,66,674	4,58,337
Commission	Nil	Nil	Nil
House Rent Allowance	-	-	13,75,000
Provident Fund	8,580	8,580	8,580
Total	1,37,58,580	91,75,254	45,91,917

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 31st March 2014. Shri Varun Mehta holds office up to 30th October 2014. In view of inadequacy of profits in the financial year 2011-12, Managerial Remuneration is to be paid as per section 198, 269, 309, read with Schedule XIII of the Companies Act, 1956. Company has paid excess managerial remuneration of Rs. 2.09 crores during the year, which has been returned back to the Company by those personnel.

Remuneration paid to Non-Executive Directors during the year ended 31st March 2012

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	1,40,000/-
3.	Shri K. L. Gopalakrishna	Nil	1,55,000/-
4.	Shri M. S. Sundara Rajan	Nil	1,60,000/-

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

Shri Kailash S. Agarwal

He is a founder promoter, who has been associated with the Company since inception. Makes an excellent team with the Chairman. Has vast expertise in product designing, procurement & marketing. He is in charge of the retailing endeavours of the Company. He has natural flair in corporate public relations and image building. He possesses valuable shop-floor experience in areas such as material procurement, prototypes, production, marketing & sales promotion.

He is also Director in the following companies:-

Sr. No.	Name of the Company	Nature of Interest
1	Varun Jewels Private Limited	Joint Managing Director & Shareholder
2	Shri Sai Jewels Private Limited	Director & Shareholder
3	Varun Petroleum Corporation Private Limited	Director
4	Varun Minerals Corporation Private Limited	Director
5	Varun Real Estate (India) Private Limited	Director & Shareholder
6	Varun Holdings Limited, Mauritius	Director
7	Varun Petroleum Limited, Mauritius	Director
8	Varun Mines & Minerals Limited, Mauritius	Director
9	Jaipur Centre Infraprojects Private Limited	Director

Shri Varun K. Mehta – Whole-time Director

He is the elder son of Shri Kiran N. Mehta, Chairman & Managing Director. He holds a Bachelor's degree in Business Administration from the Mumbai University. He is blessed with innate leadership and organizational skills contemplated with specialised management education. He heads the International Marketing Division of the Company and is responsible for streamlining and strengthening the international marketing activities of the Varun Group.

He is also on the board of Varun Incorporation Ltd. Hong Kong.

Shri Raaja Jain – Independent Director

A noted strategic corporate advisor, Mr. Raaja Jain has the capability to adapt with the changing business scenario, which is clearly reflected in his passion of providing innovative financial solutions, aiding radical restructuring, and enabling mergers in the fields ranging from infrastructure and insurance to hospitality, healthcare, real estate and virtual reality.

Over the last two decades, Mr. Raaja Jain has professionally managed and expanded the business across the country with a well-established entity known as ARJAY Group. The group operates in diverse fields such as investment banking, computer hardware manufacturing, banking products manufacturing, pharmaceutical, hospital furniture & equipment, paper & stationery products, hi-tech poly coated wire manufacturing, data storage solutions, software development, real estate & SEZ development, advertising, organic agriculture and turnkey heavy project dismantling.

Mr. Raaja Jain has established a strong presence in the field of business strategy, re-engineering, financial restructuring and structured corporate solutions. He has pioneered several of the prevailing financial and capital structures in India. Mr. Raaja Jain has also advised government and semi-government bodies on various policy issues. Enjoying success in endeavours ranging from innovative financial solutions to mergers across every sector, Mr. Raaja Jain has been instrumental in successful turnaround stories of some of the large business houses of today.

He is also director in the following companies:-

Sr. No.	Name of the Company	Nature of Interest
1	Scanpoint Geomatics Limited	Director
2	Comtech Asia Limited	Director
3	Think PR (India) Limited	Director
4	Arjay Sons Advisor Private Limited	Director
5	Megnasolace City Private Limited	Whole-time Director
6	Astonish Investments Private Limited	Director
7	Miracle Knowledge Resource Private Limited	Director
8	Overture Communications Private Limited	Director

Shri Mahender Tahilramani – Independent Director

He is 55, a Commerce graduate brings with him valuable and versatile experience of 35 years in field of Product Designing, Marketing and Global networking. He is known for his public relations. His co-ordination skills, his way of communicating with people and his experience in marketing, is an asset for the company. His relationship building skills and people co – ordination skill is excellent.

He is also on the board of Varun Real Estate (India) Private Limited.

4. Audit Committee:

Shri S. Rajagopal, Shri S. K. Srivastav, Shri K. L. Gopalakrishna and Shri M. S. Sundara Rajan have resigned from the Audit Committee with effect from 28th March, 2012, 9th April, 2012, 10th April, 2012 and 10th April, 2012, respectively. Hence, the Audit Committee was re-constituted on 14th May, 2012 by appointing Shri Raaja Jain and Shri Mahender Tahilramani, Independent Directors and Shri Kiran N. Mehta, Chairman & Managing Director, as its members. Shri Raaja Jain is the Chairman of the committee. All the Audit Committee members are financially literate and well qualified. Shri R. Somani, Vice President (Corporate) & 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 6th May 2011, 11th August 2011, 11th November 2011 and 13th February 2012 and the attendance was as follows:-

S. No.	Name of the Director	No. of Meetings	
		Held	Attended
1.	Shri S. Rajagopal	4	4
2.	Shri S. K. Srivastav	4	3
3.	Shri K. L. Gopalakrishna	4	4
4.	Shri M. S. Sundara Rajan (appointed on 6 th May, 2011)	4	4
5.	Shri Kiran N. Mehta	4	4

5. Shareholders'/Investors' Grievances Committee:

The Shareholders' / Investors' Grievances Committee was re-constituted by appointing Shri Raaja Jain and Shri Mahender Tahilramani, Independent Directors as its members. Shri Raaja Jain is the Chairman of the committee. Shri R. Somani, Vice President (Corporate) & 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 4 complaints from investors, which were resolved within one month of their receipt. No investor complaint was pending/unattended as on 31st March 2012

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 11th August 2011, which was attended by all the Committee members.

6. Remuneration Committee:

The Remuneration Committee was re-constituted by appointing Shri Mahender Tahilramani and Shri Raaja Jain, Independent Directors as its members. Shri Mahender Tahilramani is the Chairman of the committee. 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, 28 meetings of the Committee of Directors were held on 23rd April 2011, 20th May 2011, 14th June 2011, 15th June 2011, 7th July 2011, 28th July 2011, 30th August 2011, 19th September 2011, 26th September 2011, 27th September 2011, 28th September 2011, 3rd October 2011, 4th October 2011, 21st October 2011, 25th October 2011, 4th November 2011, 11th November 2011, 18th November 2011, 5th December 2011, 12th December 2011, 23rd December 2011, 28th December 2011, 5th January 2012, 10th January 2012, 3rd February 2012, 13th February 2012, 27th February 2012 and 8th March 2012 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
2008-09	Thursday, 27 th August 2009 at 4.00 p. m.	Walchand Hirachand Hall, 4 th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020	One
2009-10	Thursday, 9 th September 2010 at 4.00 p. m.	-do-	Four
2010-11	Thursday, 11 th August 2011 at 4.00 p. m.	-do-	Three

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 (1) Investment in subsidiary companies and (2) Continuation of guarantee of Rs.12 crore furnished by the Company in favour of UCO Bank as a security for the working capital facilities availed of from the bank by K. K. Enterprises, a firm in which Shri Kiran N. Mehta, Chairman & Managing Director and Shri Kailash S. Agarwal, Managing Director, are Partners. 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 18th November, 2011.

Details of Voting Pattern

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

	Resolution-1	Resolution-2
Total number of shares of the Company	2,91,13,945	2,91,13,945
Number of valid postal ballot forms received	1,90,27,710	1,90,27,710
Total number of shares for which voting was considered invalid	7,303	7,403
Total votes considered as valid	1,90,20,407	1,90,20,307
Total number of shares for which assent was recorded	1,90,16,372	1,89,54,025
Total number of shares for which dissent was recorded	4,035	66,282
Percentage of votes in favour	99.98%	99.65%
Percentage of votes against	0.02%	0.35%

Thus, the Special Resolution nos.(1) and (2) were duly approved and passed by an overwhelming special majority of the members, constituting 99.98% and 99.65% of the votes received, respectively.

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, 5th October 2011.

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 18th November 2011.

9. Disclosures:

- (i) There are no material 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 31st March 2012.
- (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.

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 16th Annual General Meeting will be held on Thursday, 27th September 2012 at 10.00 a.m. at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (W), Mumbai – 400 061.

❖ Financial Calendar:

First quarter results	:	July 2012
Second quarter results	:	October 2012
Third quarter results	:	January 2013
Annual results	:	May/June 2013
Annual General Meeting	:	September 2013

- ❖ **Book Closure:** The Register of Members and the Share Transfer Register will remain closed from Saturday, 22nd September, 2012 to Thursday, 27th September, 2012 (both days inclusive).

❖ Shares Listed At:

The equity shares of the Company are listed at:

Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai Samachar Marg, Mumbai - 400 001.	National Stock Exchange of India Ltd (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
--	--

❖ 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 2011 to March 2012 is given below:

	BSE				NSE			
	(Rs.)		(Rs.)		(Rs.)		(Rs.)	
Month	High	Date	Low	Date	High	Date	Low	Date
April- 11	246.00	21.04.11	183.30	01.04.11	246.00	21.04.11	181.05	01.04.11
May-11	228.95	06.05.11	181.50	25.05.11	230.00	10.05.11	182.00	25.05.11
June-11	232.10	30.06.11	155.05	20.06.11	231.95	30.06.11	155.00	20.06.11
July-11	271.25	22.07.11	199.00	12.07.11	273.25	22.07.11	199.00	12.07.11
Aug-11	265.45	12.08.11	225.20	19.08.11	259.85	04.08.11	224.10	19.08.11
Sept-11	295.15	08.09.11	245.05	23.09.11	295.35	08.09.11	244.50	30.09.11
Oct-11	260.70	31.10.11	242.00	12.10.11	263.80	26.10.11	241.50	12.10.11
Nov-11	276.50	11.11.11	233.00	18.11.11	277.70	11.11.11	233.60	18.11.11
Dec-11	266.00	01.12.11	201.25	30.12.11	267.45	05.12.11	203.05	30.12.11
Jan-12	263.90	10.01.12	204.20	02.01.12	264.70	10.01.12	205.05	02.01.12
Feb-12	279.30	13.02.12	227.80	07.02.12	290.00	23.02.12	227.20	07.02.12
Mar-12	261.95	03.03.12	83.45	30.03.12	261.80	03.03.12	83.15	30.03.12

Trading Volumes

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

Month	BSE (Shares)	NSE (Shares)	Total (Shares)
April-11	3660915	4385652	8046567
May-11	2046427	1867193	3913620
June-11	5814767	5627157	11441924
July-11	10712030	10216379	20928409
Aug-11	3476691	3521030	6997721
Sept-11	4573562	4774858	9348420
Oct-11	3148265	4171598	7319863
Nov-11	3842120	5909377	9751497
Dec-11	5014378	5108847	10123225
Jan-12	5530826	5737058	11267884
Feb-12	6384989	6825224	13210213
Mar-12	4201288	4042808	8244096
Total	58406258	62187181	120593439

❖ **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-11	221.30	19135.96	221.10	5749.50
May-11	189.65	18503.28	189.40	5560.15
June-11	225.15	18845.87	224.00	5647.40
July-11	247.80	18197.20	248.35	5482.00
Aug-11	251.00	16676.75	252.05	5001.00
Sept-11	250.45	16453.76	248.55	4943.25
Oct-11	259.95	17705.01	260.20	5326.60
Nov-11	261.20	16123.46	261.05	4832.05
Dec-11	217.60	15454.92	216.95	4624.30
Jan-12	230.35	17193.55	230.30	5199.25
Feb-12	248.20	17752.68	248.75	5385.20
Mar-12	83.45	17404.20	83.15	5295.55

❖ **Registrar and Transfer Agent:**

Bigshare Services Private Limited,
E-2/3 Ansa Industrial Estate,
Sakivihar Road, Sakinaka,
Andheri (East),
Mumbai – 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 31st March 2012, 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.

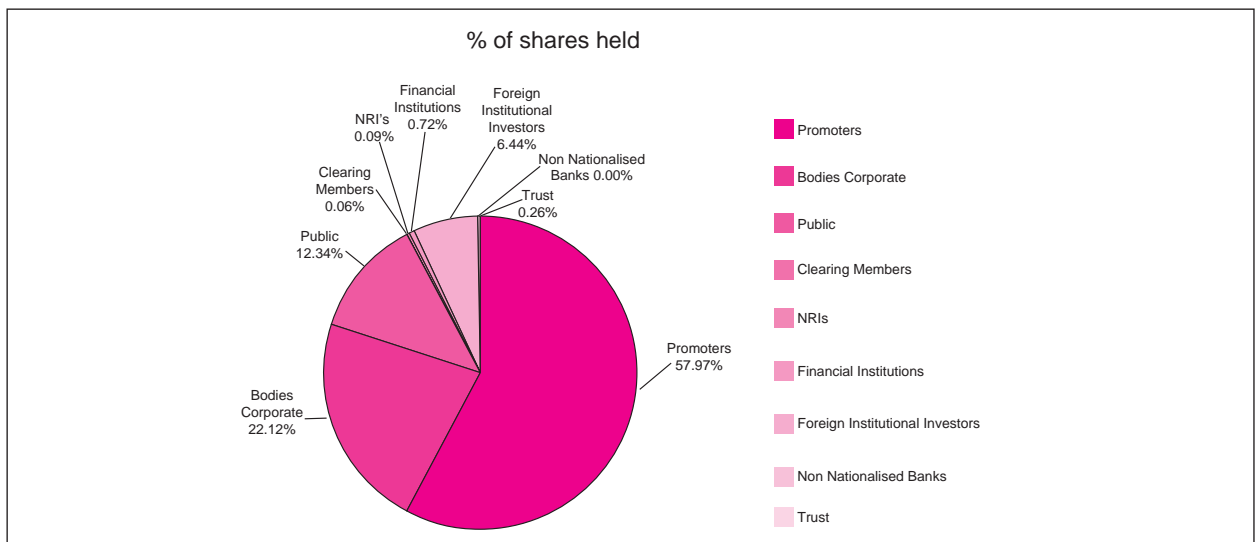
❖ **Shareholding Profile as on 31st March 2012:**

i) Distribution of Shareholding:

Range (In Rupees)	Holders	% of Total Holders	Total capital in Rupees	% of Total Capital
1 - 5000	9034	92.04	8949980	3.07
5001 - 10000	301	3.07	2366890	0.81
10001 - 20000	188	1.92	2868560	0.99
20001 - 30000	79	0.81	1988200	0.68
30001 - 40000	28	0.29	1007080	0.35
40001 - 50000	33	0.34	1571750	0.54
50001 - 100000	46	0.47	3366760	1.16
100001 and above	104	1.06	269020230	92.40
Total...	9813	100.00	291139450	100.00

ii) Shareholding Pattern:

Category of members	% of shares held
Promoters	57.97
Bodies Corporate	22.12
Public	12.34
Clearing Members	0.06
NRIs	0.09
Financial Institutions	0.72
Foreign Institutional Investors	6.44
Non Nationalised Banks	0.00
Trusts	0.26
Total	100.00



iii) Holding Profile:

Mode	Demat	(%)	Physical	(%)	Total
Shares	29113941	99.99%	4	0.01%	29113945*
Members	9811	99.98%	2	0.02%	9813

* The paid up capital of the Company as on 31st March 2012 is Rs. 29,11,39,450/- divided into 2,91,13,945 equity shares.

❖ **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 st March 2008	23 rd September 2008	30 th October 2008	29 th October 2015
31 st March 2009	27 th August 2009	3 rd October 2009	2 nd October 2016
31 st March 2010	9 th September 2010	16 th October 2010	15 th October 2017
31 st March 2011	11 th August 2011	12 th August, 2011	11 th August, 2018

❖ **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: +91 250 245 1781/245 2248

(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

(c) Pressure Cookers Plant, Nasik:

Plot No.E-19 B&C, M.I.D.C.,
Sinnar Industrial Area, Sinnar,
Dist. Nasik – 422 113 (Maharashtra)
Tel: +91-2551-230831/910/864
Fax: +91-2551-230879

❖ **Contact Person for Enquiries:**

Shri R. Somani
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, 9th August 2012

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 31st March 2012.

For **Varun Industries Limited**

Kiran N. Mehta
Chairman & Managing Director

9th August 2012
Mumbai

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, 2012, 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. Chunnilal Choudhary)
Partner
Membership No. 037784

Mumbai
Date: 9th August, 2012

MANAGEMENT DISCUSSION & ANALYSIS

Overview

Varun Industries Limited is a leading manufacturer and exporter of stainless steel cookware, kitchenware, houseware and general merchandise for several years. The total revenue from operations increased from ₹2955.43 crores in FY10-11 to ₹3202.29 crores in FY11-12.

Global recession has adversely affected our export business, but with the expected improvement in world economy, demand for our products should increase soon.

Industry structure and development

Indian Stainless Steel Kitchenware and Houseware is an old industry and was in competition with utensils made of aluminium, brass, copper, plastic etc. Due to its high durability, cleanliness, good looks, easy maintenance and the increased purchasing power and modern lifestyles of the middle class, stainless steel has replaced other metals not just in India, but across the world.

With the advent of new technology, the Indian steel industry has introduced upgraded and fashionable steel ware, which is in demand, both in domestic and global markets.

Opportunities and threats

Indian Stainless Steel Kitchenware / Houseware manufacturing industry has plenty of opportunities in several overseas as well as domestic markets, which are not yet accustomed to the durable, elegant and sleek products for domestic and industrial use. The emergence of new confidence of the global community towards India provides ample opportunity for growth in domestic as well as export market. The Government is likely to extend fiscal incentives to exporters, which would improve the viability of exports.

There is no perceived threat, other than the depressed global economy, fluctuations in the value of foreign exchange, credit crunch and innovation which could replace stainless steel with all its qualities and attributes. Imposition of government taxes and levies and interest burden and payment and receipt of outstanding dues may adversely affect the business, unless it is appropriately compensated by government incentives.

Outlook, risks and concerns

The Company has the capability of producing high quality products, tailor-made for different customers. India also has the advantage of cheap, well-trained manpower. Looking from the standpoint of consumer driven products, prospects for the business on a regulated basis can continue unhindered. Fluctuations in the prices of stainless steel with ever-increasing burden of government taxes may render the Company's products uncompetitive in global markets. As this is a highly competitive industry operating on thin margin, volume of operations is the key factor for sustainable business.

Internal control systems and their adequacy

Adequate internal controls and checks are in place through various management committees comprising Independent Directors as Chairman of such committees. These committees are provided with reports of performances for review and guidance. The audit committee is also reviewing effectiveness of controls and compliance with regulatory guidelines.

About Corporate Debt Restructuring (CDR)

- The CDR mechanism was launched in February, 2002 under the aegis of RBI, is a voluntary and non-statutory arrangement to ensure timely and transparent mechanism for restructuring the corporate debts of potentially viable entities, outside the preview of legal proceedings.
- Banks and FIs participating in CDR system became member and formed a self-empowered body, which lay down policies and guidelines, and monitors the process of the CDR.
- CDR system is based on Debtors Creditor Agreement and Inter Creditor Agreement and this provide the legal basis to the CDR mechanism.
- Further, if 75% of creditors by value and 60% creditors by number agree to a restructuring package of an existing debt, the same would be binding on the remaining creditors.
- CDR considers all the preliminary reports for restructuring. However, the detailed package will be worked out with the help of lead institution for the potentially viable companies.

The Company has filed with the Corporate Debt Restructuring (CDR) cell for the restructuring of its bank liabilities under consortium. The Company had made a request to Indian Bank (lead bank) and the rest of the consortium banks seeking support for its restructuring of bank liabilities. The case was admitted by the CDR cell after receipt of requisite majority support from the consortium banks to the proposal filed by the Company.

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

The Company considers its human resources as its most valuable asset. The Board of Directors has recently adopted a new HR policy, to streamline the policies and practices for the employment and welfare of employees. Several new initiatives, like hospitalization benefit, life insurance and overseas insurance have been implemented for the welfare of the employees. All these measures would go a long way in attracting, motivating and retaining talented employees. Industrial relations continued to be cordial. The employee strength as on 31st March, 2012 was 184.



FINANCIAL STATEMENTS

AUDITORS' REPORT

To
The Members of
Varun Industries Limited

- 1) We have audited the attached Balance Sheet of **Varun Industries Limited** as at 31st March 2012 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 except some of the confirmations from debtors and creditors which have not been received from them;
 - 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 31st March 2012 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 31st March 2012;
 - ii) in the case of the statement of Profit and Loss, of the loss for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No.101947W

CA. Chunnilal Choudhary

Partner
Membership No.: 033784

Place: Mumbai.

Dated: 9th August, 2012

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 as informed by the management.
 - 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 interest free 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.4,26,39,435/- and the year-end balance of such loans was Rs.4,26,39,435/-.
- (b) As per the explanation given by the management, no interest has been charged to its subsidiary companies as the said loans were given interest free loans and 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, as the money have been advanced to subsidiary companies for further advancement of business of group companies.
- (c) The Company has not taken any loan from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and no interest have been paid to them.
- 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 books of account and records 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 steel products and are of 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 determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- 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.
 - b) As explained to us, the Company did not have any dues on account of Employees' State Insurance, Sales-Tax, Wealth-Tax, Custom Duty, and Excise Duty, Cess and Investor Education and Protection fund.
 - c) 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 31st March 2012 for a period of more than six months from the date they became payable.
 - d) Details of dues of Income Tax and Sales Tax which have not been deposited as on 31st March 2012, on account of disputes are given below:

Nature of Statute	Nature of Dues	Amount Involved Rs. In Crores	Period to which the amount relates	Forum where Dispute is pending
Income Tax Act, 1961	Income Tax	31.78	FY 2007-08, 2008-09 & 2009-10	ITAT
Income Tax Act, 1961	Income Tax	13.58	FY 2000-01, 2001-02, 2002-03, 2003-04, 2004-05,2005-06 & 2006-07.	Rectification applications are pending before Assessing Officer.
Madhya Pradesh Vat Act, Central Sales Tax Act & Entry Tax	VAT, CST, Entry Tax	3.17 - CST 0.02 - VAT 2.09 - Entry Tax	FY 2007-08, 2008-09 & 2009-10	First Appellate Authority.

- x. The Company does not have accumulated losses as at the end of the year and the Company has incurred cash loss of Rs.138.61 Crores during the current financial year, mainly due to discount of Rs.160.60 Crores provided to Overseas Debtors, vide Settlement Deed dated 15th April, 2012
- 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 defaulted in repayment of interest and Principal dues for the following financial institutions and Banks.

Name of the Bank / Financial Institution	Dues towards Repayment of Loan (Rs. In Crores)	Dues towards Interest (Rs. In Crores)	Total (Rs. In Crores)
UCO Bank	1.57	0.02	1.61
IDBI Bank	0.31	-	0.31
CBI	-	0.08	0.08
IFCI Venture Capital Funds Ltd.	-	0.19	0.19
Indiabulls Financial Services Ltd.	-	0.29	0.29
S.E. Investment Ltd.	-	0.55	0.55
Sicom Limited	-	0.14	0.14
SIDBI	5.80	-	5.80

- 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 has not dealt in to transactions and contracts of dealing in shares and securities.
b) Based on our audit procedures and to the best of our knowledge and belief and according to the information and explanations given to us, the shares and securities have been held by the Company in its own name.
- xv. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, term loan availed by the Company was, prima facie, applied by the Company during the year, for which the loan was obtained.
- xvii. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- xviii. 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.
- xix. 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.
- xx. 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. Chunnilal Choudhary

Partner
Membership No.: 033784

Place: Mumbai.
Dated: 9th August, 2012

BALANCE SHEET as at 31st March 2012

	Note	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
EQUITY AND LIABILITIES			
Shareholders' Funds			
a) Share Capital	2	2,911.39	2,911.39
b) Reserves and Surplus	3	26,842.82	43,250.90
		<u>29,754.21</u>	<u>46,162.29</u>
Non-Current Liabilities			
Long-Term Borrowings	4	5,208.87	3,815.72
Deferred Tax Liability		1,179.09	1,179.09
		<u>6,387.96</u>	<u>4,994.81</u>
Current Liabilities			
Short-Term Borrowings	5	117,958.21	87,729.14
Trade Payables	6	58,494.14	76,534.73
Other Current Liabilities	7	2,454.41	1,824.18
Short Term Provisions	8	221.79	830.60
		<u>179,128.55</u>	<u>166,918.65</u>
Total		<u><u>215,270.72</u></u>	<u><u>218,075.75</u></u>
ASSETS			
Non-Current Assets			
Fixed Assets			
a) Tangible Assets	9	40,858.52	39,042.86
b) Intangible Assets	10	2.32	3.97
b) Capital Work-in-Progress		125.05	262.23
		<u>40,985.89</u>	<u>39,309.06</u>
Non-current Investments	11	1,700.67	1,086.77
Current Assets			
a) Inventories	12	8,678.02	10,752.94
b) Trade Receivables	13	148,398.86	128,742.19
c) Cash and Cash Equivalents	14	9,609.44	33,317.89
d) Short Term Loans and Advances	15	2,719.90	3,117.26
e) Other Current Assets	16	3,177.94	1,749.64
		<u>172,584.16</u>	<u>177,679.92</u>
Total		<u><u>215,270.72</u></u>	<u><u>218,075.75</u></u>
Significant Accounting Policies	1		

As per our Report of even date annexed

CHUNNILAL & COMPANY
Chartered Accountants
Firm Registration No. 101947W

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

Place: Mumbai
Dated: 09.08.2012

Annual Report 2011-12

www.varun.com

For and on behalf of the Board

KIRAN N. MEHTA
Chairman & Managing Director

KAILASH S. AGARWAL
Managing Director

R. SOMANI
V.P. (Corporate) & Company Secretary

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2012

	Note	Current Year Ended 31.03.12 (Rupees in lac)	Previous Year Ended 31.03.11 (Rupees in lac)
INCOME			
Revenue from Operations	17	317,957.62	294,129.40
Other Income	18	2,271.70	1,414.37
Total Revenue		320,229.32	295,543.77
EXPENDITURE			
Cost of material consumed	19	14,282.85	12,125.78
Purchases of Stock-in-Trade		283,213.08	261,283.97
Changes in inventories of Finished Goods, Work-in-Process and Stock-in-Trade	20	1,310.42	(491.12)
Employee Benefit Expense	21	1,804.95	1,604.18
Financial Costs	22	11,607.55	9,120.63
Depreciation and Amortisation Expense	9 & 10	1,918.18	1,905.45
Other Expenses	23	5,807.17	4,039.18
Total Expenses		319,944.20	289,588.07
Profit before exceptional items and taxes		285.12	5,955.70
Exceptional Items			
Discount Provided to Debtors	24.6	16,060.64	-
Profit Before Tax		(15,775.52)	5,955.70
Tax Expense:			
Current Tax		4.00	1,808.40
Deferred Tax		-	213.24
Profit for the year		(15,779.52)	3,934.06
Earning per Share			
Earning per Share (Basic and Diluted) (Rs.)		(54.20)	17.21
Face Value of Shares Rs. 10/- each			
Significant Accounting Policies	1		

As per our Report of even date annexed

CHUNNILAL & COMPANY
Chartered Accountants
Firm Registration No. 101947W

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

Place: Mumbai
Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA
Chairman & Managing Director

KAILASH S. AGARWAL
Managing Director

R. SOMANI
V.P. (Corporate) & Company Secretary

CASH FLOW STATEMENT for the year ended 31st March 2012

	Year Ended 31st March'12 (Rupees in lac)		Year Ended 31st March'11 (Rupees in lac)	
A. Cash Flow from Operating Activities:				
Net Profit/ (Loss) before tax and extraordinary items		(15,775.52)		5,955.70
Adjustment for:				
Depreciation w/off	1,918.19		1,905.45	
Interest and Finance Charges	11,607.55		9,120.63	
Profit on sale of Current Investment	-		(9.81)	
Profit on sale/discard of Fixed Assets	(98.10)		(11.68)	
Dividend Received	-		(0.28)	
Rent Received	(62.00)		(58.76)	
Interest Received	(2,111.60)	11,254.04	(1,333.84)	9,611.71
Operating Profit before Working Capital Changes		(4,521.48)		15,567.41
Adjustment for:				
(Increase)/Decrease in Inventories	2,074.92		(760.19)	
(Increase)/Decrease in Trade & Other Receivables	(19,656.66)		(60,549.48)	
(Increase)/Decrease in Other Current Assets	223.62		12,723.66	
Increase/(Decrease) in Payables, Provisions & Working				
Capital finance	65.22	(17,292.90)	78,365.01	29,779.00
Cash generated from Operations		(21,814.38)		45,346.41
Direct Taxes Paid		(1,669.33)		(2,096.93)
NET CASH FLOW FROM OPERATING ACTIVITIES [A]		(23,483.71)		43,249.48
B. Cash Flow from Investing Activities				
Acquisition of Fixed Assets including Capital advances	(4,072.73)		(3,179.57)	
Proceeds on Sale of Fixed Assets	286.60		80.22	
Purchase of Investment	(613.90)		(360.77)	
Proceeds on Sale of Current Investments	-		26.45	
Interest Received	2,550.99		740.70	
Rent Received	62.01		58.76	
Dividend Received	-		0.28	
NET CASH FLOW FROM INVESTING ACTIVITIES [B]		(1,787.03)		(2,633.93)

CASH FLOW STATEMENT for the year ended 31st March 2012 (Contd.)

	Year Ended 31st March'12 (Rupees in lac)	Year Ended 31st March'11 (Rupees in lac)
C. Cash Flow from Financing Activities		
Proceeds from Equity Share Warrants	-	2,268.00
Repayment of Long Term Loans	(1,528.87)	(1,659.25)
Proceeds from Long Term Loans	3,052.21	1,910.95
Proceeds from Unsecured Loans	12,255.57	(6,284.60)
Dividend including Distributed Tax	(609.06)	(386.80)
Interest and Finance Charges Paid	(11,607.56)	(9,120.63)
NET CASH FLOW FROM FINANCING ACTIVITIES [C]	1,562.29	(13,272.33)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(23,708.45)	27,343.22
CASH/CASH EQUIVALENTS AS ON 01.04.2011	33,317.89	5,974.67
CASH/CASH EQUIVALENTS AS ON 31.03.2012	9,609.44	33,317.89
Notes:		
1. Cash and cash equivalents include:		
Cash in hand	10.05	13.29
Balance with scheduled banks including fixed deposits	9,599.39	33,304.60
Total Cash and cash equivalents	9,609.44	33,317.89

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. CHUNNILAL CHOUDHARY
Partner
(Membership No. 037784)

Place: Mumbai
Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA
Chairman & Managing Director

KAILASH S. AGARWAL
Managing Director

R. SOMANI
V.P. (Corporate) & Company Secretary

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note1 SIGNIFICANT ACCOUNTING POLICIES

1.1) 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.

1.2) 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.

1.3) 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.

1.4) 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.

1.5) 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 |

1.6) 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.

1.7) 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.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

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.

1.8) 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.

1.9) 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.

1.10) 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.

Note 2 - SHARE CAPITAL

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Authorised: 5,00,00,000 (P.Y. 5,00,00,000) Equity Shares of Rs.10/- each	5,000.00	5,000.00
Issued, Subscribed and Fully Paid-up: 2,91,13,945 (P.Y. 2,91,13,945) Equity Shares of Rs.10/- each	2,911.39	2,911.39

2.1) The Company has one class of Equity Shares having a par value of Rs. 10/- each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian rupees. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amount, in proportion to their shareholding.

2.2) Details of Shares held by each shareholder holding more than 5% shares:

Name of Shareholder	As at 31st March 2012		As at 31st March 2011	
	No. of Shares held	% holding	No. of Shares held	% holding
Mr. Kiran Mehta	9288142	31.9%	11181142	38.4%
Mr. Kailash Agarwal	7570327	26.0%	7720327	26.5%

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 3 - RESERVES AND SURPLUS		
Revaluation Reserve		
Opening Balance	22,562.95	23,245.98
Less: Depreciation on Revaluation amount	628.56	683.03
	21,934.39	22,562.95
Securities Premium Reserve		
Opening Balance	6,274.40	3,950.40
Addition during the year	-	2,324.00
	6,274.40	6,274.40
General Reserve		
Opening Balance	4,930.40	4,635.35
Add: Transfer from P & L Account	-	295.05
	4,930.40	4,930.40
Surplus in Statement of Profit and Loss		
Opening Balance	9,483.15	6,453.21
Add: Profit/(Loss) for the year	(15,779.52)	3,934.06
	(6,296.37)	10,387.27
Less: Appropriations		
Proposed Dividend	-	524.05
Provision for Tax on Dividend	-	85.02
Transfer to General Reserve	-	295.05
	(6,296.37)	9,483.15
	26,842.82	43,250.90
Note 4 - LONG TERM BORROWINGS		
Secured:		
Term Loan from Banks	6,841.95	5,142.29
Vehicle Loan (Long term finance lease)	637.12	334.37
Less: Current maturities of long term loans	1,979.41	1,530.90
Less: Current maturities of long term finance lease	290.79	130.03
	5,208.87	3,815.72

- (4.1) Foreign Currency Term Loan from Indian Bank outstanding Rs. 287.77 lac (P.Y. Rs. 414.00 lac) for Vasai Plant is secured by way of 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. The term loan is repayable in remaining 9 equal quarterly installments by Apr' 2014 and interest rate is linked with 6 months LIBOR plus 5%.
- (4.2) Foreign Currency Term Loan from UCO Bank outstanding Rs. 318.98 lac (P.Y. Rs. 689.36 lac) 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. The term loan is repayable in remaining 1 quarterly installments by May' 2012 and interest rate is linked with 6 months LIBOR plus 7.85%.
- (4.3) Term Loan from IDBI Bank outstanding of Rs. 601.69 lac (P.Y. Nil) for Nashik Plant is secured by way of exclusive 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 repayable in remaining 21 equal monthly installments and carries interest rate of 13.50%.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Note 4 - LONG TERM BORROWINGS (contd.)

- (4.4) Three Foreign Currency Term Loans from State Bank of Travancore outstanding of Rs. 423.51 lac, Rs. 325.11 lac and Rs. 2050.52 lac respectively, totalling to Rs. 2799.15 lac (P.Y. Rs. 2776.06 lac) 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. The term loan is repayable in remaining 9,15 and 37 quarterly installments and interest rate is linked with 6 months LIBOR plus 7 bps.
- (4.5) Rupee Term Loans from Central Bank of India outstanding Rs. 672.63 lac and in Foreign Currency outstanding of Rs. 1288.19 lac (P.Y. Nil) for Wind Power Project are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal. The term loan is repayable in remaining 27 quarterly installments by Oct' 2019 and interest rate is 14% and 6 months LIBOR plus 7 bps.
- (4.6) Term Loans from Indian Bank outstanding Rs. 873.52 lac (P.Y. Rs. 1262.85 lac) 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. The term loan is repayable in remaining 9 equal quarterly installments and carries interest rate of 12.75%.
- (4.7) Vehicle Loans are secured by way of hypothecation of the respective vehicles.
- (4.8) As on 31.03.12 continuing default in repayment of interest due in Feb'12 of term loan from Central Bank of India of Rs. 7.89 lac (paid on 24.04.12) and for interest due in Feb'12 of term loan from UCO Bank of Rs. 2.12 lac (paid on 28.04.12).
- (4.9) As on 31.03.12 continuing default in repayment of installment due in Feb'12 of term loan from UCO Bank of Rs. 157.28 lac and for installment due in Mar'12 of term loan from IDBI Bank of Rs. 31.25 lac.

Note 5 - SHORT TERM BORROWINGS

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Secured (from banks)		
Export Packing Credit	15,454.60	7,774.27
FDBP/FDUBP	68,532.20	67,110.05
Letter of Credit Devolved	10,379.75	-
Cash Credit / ODBD	8,807.72	6,362.41
Short Term Loan	-	3,954.03
Unsecured		
From banks	859.20	2,028.38
From others	13,924.74	500.00
	<u>117,958.21</u>	<u>87,729.14</u>

- (5.1) Export Packing Credit, FDBP Credit Limits and Cash 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 properties at Byculla and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

Note 6 - TRADE PAYABLES

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Sundry Creditors		
For Raw Material & Finished Goods	57,686.08	75,985.92
For Packing Materials	150.70	76.55
For Capital Expenditure	74.77	185.87
For Others	582.59	286.39
	<u>58,494.14</u>	<u>76,534.73</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 7 - OTHER CURRENT LIABILITIES		
Current maturities of long term loans	1,920.09	1,498.30
Current maturities of long term finance lease	290.79	130.03
Interest accrued and due on borrowings	59.32	32.59
Other payables:		
- Statutory dues	137.60	137.93
- Security deposits received	46.61	25.33
	2,454.41	1,824.18
Note 8 - SHORT TERM PROVISIONS		
Provision for Proposed Dividend & Dividend Tax	-	609.07
Provision for Expenses	221.79	221.53
	221.79	830.60

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Note 9 - TANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions/ Adjustment	As at 31.03.2012	Up to 01.04.2011	For the Year	Deduction/ Adjustment	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Freehold Land	12,139.18	44.63	-	12,183.81	-	-	-	-	12,183.81	12,139.18
Leasehold Land *	4,446.06	135.39	-	4,581.45	239.64	68.73	-	308.37	4,273.08	4,206.42
Buildings	14,525.45	455.07	202.89	14,777.62	3,385.68	919.24	21.38	4,283.54	10,494.08	11,139.77
Plant and Machinery	4,190.90	849.39	-	5,040.29	1,407.93	441.39	-	1,849.33	3,190.97	2,782.97
Furniture & Fixtures	961.60	27.14	7.00	981.75	372.74	107.45	2.78	477.40	504.35	588.87
Office Equipments	984.67	64.89	0.60	1,048.96	323.11	95.81	0.19	418.73	630.23	661.56
Computer	187.21	16.20	-	203.41	137.63	23.26	-	160.89	42.52	49.58
Vehicles	1,352.85	60.06	10.63	1,402.28	712.42	172.56	8.35	876.63	525.65	640.42
Oil Rig	3,455.60	-	-	3,455.60	915.07	403.55	-	1,318.62	2,136.98	2,540.53
Wind Power Project	5,001.07	2,896.52	-	7,897.58	707.52	313.20	-	1,020.72	6,876.85	4,293.55
Total	47,244.59	4,549.28	221.12	51,572.75	8,201.74	2,545.19	32.71	10,714.23	40,858.52	39,042.85
Previous Year	44,170.47	3,190.71	116.59	47,244.59	5,641.37	2,586.58	26.22	8,201.73	39,042.86	38,529.10

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

Note 10 - INTANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2011	Additions	Deductions/ Adjustment	As at 31.03.2012	Up to 01.04.2011	For the Year	Deduction/ Adjustment	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Computer Software	23.36	-	0.35	23.01	19.39	1.55	0.25	20.69	2.32	3.97
Total	23.36	-	0.35	23.01	19.39	1.55	0.25	20.69	2.32	3.97
Previous Year	23.21	1.66	1.51	23.36	18.50	1.89	1.00	19.39	3.97	4.71

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 11 - NON-CURRENT INVESTMENT		
Unquoted Equity Instruments (Valued at Cost)		
Investment in Subsidiaries		
Shri Sai Jewels Pvt. Ltd. 5,10,000 (P.Y. 5,10,000) Equity Shares of Rs.10 each, fully paid up	51.00	51.00
Varun Jewels Pvt. Ltd. 85,03,846 (P.Y. 85,03,846) Equity Shares of Rs.10 each, fully paid up	1,030.77	1,030.77
Varun Minerals Corporation Pvt. Ltd. 10,000 (P.Y. 10,000) Equity Shares of Rs.10 each, fully paid up	1.00	1.00
Varun Petroleum Corporation Pvt. Ltd. 10,000 (P.Y. 10,000) Equity Shares of Rs.10 each, fully paid up	1.00	1.00
Varun Holdings Ltd., Mauritius 13,62,401 (P.Y. 1) Equity Share of USD 1 each, fully paid up	613.90	0.01
Varun Mines & Minerals Ltd., Mauritius 1 (P.Y. 1) Equity Share of USD 1 each, fully paid up	0.01	0.01
Varun Petroleum Ltd., Mauritius 1 (P.Y. 1) Equity Share of USD 1 each, fully paid up	0.01	0.01
Investment in Others		
Saishree Mines & Minerals India Pvt. Ltd. 30,000 (P.Y. 30,000) Equity Shares of Rs.10 each, fully paid up	3.00	3.00
	<u>1,700.67</u>	<u>1,086.77</u>
Note 12 - INVENTORIES		
(As taken, valued and certified by the management)		
(At lower of cost and net realisable value)		
Raw Material	851.54	1,717.27
Work-in-Process	765.73	600.26
Finished Goods*		
- At Warehouse	6,652.59	8,064.96
- Stock-in-Transit	5.98	69.50
	<u>6,658.57</u>	<u>8,134.46</u>
Packing Material, Stores & Spares	402.18	300.95
	<u>8,678.02</u>	<u>10,752.94</u>
*Finished Goods include Stock-in-Trade, as both are stocked together		
Note 13 - TRADE RECEIVABLES		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	111,386.64	126,523.14
Others	43,407.46	3,252.15
	<u>154,794.10</u>	<u>129,775.29</u>
Less : Advances from Customers	6,395.24	1,033.10
	<u>148,398.86</u>	<u>128,742.19</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 14 - CASH AND CASH EQUIVALENTS		
Cash in Hand	10.05	13.29
Balances with Scheduled Banks:		
In Current Accounts	2,388.09	73.63
Fixed Deposits		
(Fixed Deposits kept under lien as a security against borrowing from banks)		
- Maturity Less than Twelve Months	6,626.41	30,606.19
- Maturity More than Twelve Months	584.89	2,624.78
	<u>9,609.44</u>	<u>33,317.89</u>
Note 15 - SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered good)		
a) Loans & Advances to related parties (Subsidiary Companies)	426.44	300.56
b) Advance to Suppliers	1,593.58	2,098.43
c) Advance for Expenses	34.95	38.43
d) Loans to Staff	73.10	72.43
e) Capital Advances	283.04	254.43
f) Other Loans & Advances	308.79	352.98
	<u>2,719.90</u>	<u>3,117.26</u>
Note 16 - OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits	271.47	710.86
Export Incentives Receivable	165.68	167.46
Deposits	220.47	211.79
Advance Tax & TDS (Net of Provision)	2,242.37	577.04
Prepaid Expenses	63.94	48.35
Excise Duty / Service Tax Credit Receivable	34.53	7.56
VAT Credit Receivable	179.48	26.58
	<u>3,177.94</u>	<u>1,749.64</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Particulars	Current Year Ended 31.03.12 (Rupees in lac)	Previous Year Ended 31.03.11 (Rupees in lac)
Note 17 - REVENUE FROM OPERATIONS		
Sales	318,643.62	291,513.44
Sale of Wind Power	515.57	222.92
Export Incentives	1,253.33	1,382.92
Rig Hiring and O&M Services (Net)	1,176.25	992.97
Foreign Exchange Gain / (Loss) (On Crystallisation of Bills & Forward Contract)	(3,631.15)	17.15
	<u>317,957.62</u>	<u>294,129.40</u>
Note 18 - OTHER INCOME		
Profit on Sale of Current Investment	-	9.81
Profit on Sale of Fixed Assets	98.10	11.68
Dividend Received	-	0.28
Rent Received	62.00	58.76
Interest Received	2,111.60	1,333.84
	<u>2,271.70</u>	<u>1,414.37</u>
Note 19 - COST OF MATERIAL CONSUMED		
Raw Materials Consumed		
Opening Stock	1,717.27	1,496.65
Add : Purchases	11,798.07	11,132.06
	<u>13,515.34</u>	<u>12,628.71</u>
Less: Closing Stock	851.53	1,717.27
	<u>12,663.81</u>	<u>10,911.44</u>
Packing Materials & Stores Consumed		
Opening Stock	300.95	252.50
Add : Purchases	1,720.27	1,262.79
	<u>2,021.22</u>	<u>1,515.29</u>
Less: Closing Stock	402.18	300.95
	<u>1,619.04</u>	<u>1,214.34</u>
	<u>14,282.85</u>	<u>12,125.78</u>
Note 20 - CHANGES IN INVENTORIES		
Work in process		
Opening Stock	600.26	412.09
Less: Closing Stock	765.73	600.26
	<u>(165.47)</u>	<u>(188.17)</u>
Finished Goods		
Opening Stock	8,134.46	7,831.51
Less: Closing Stock	6,658.57	8,134.46
	<u>1,475.89</u>	<u>(302.95)</u>
	<u>1,310.42</u>	<u>(491.12)</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Particulars	Current Year Ended 31.03.12 (Rupees in lac)	Previous Year Ended 31.03.11 (Rupees in lac)
Note 21 - EMPLOYEE BENEFIT EXPENSE		
Salaries, Wages & Bonus	1,223.90	923.26
Contribution to Provident and Other Funds	62.17	51.45
Staff Welfare & Food & Bvgs. Expenses	74.94	83.93
Professional Fees	34.75	34.05
Contractual Remuneration	134.19	83.94
Directors Remuneration	275.00	300.00
Commission to Directors	-	127.55
	<u>1,804.95</u>	<u>1,604.18</u>
Note 22 - FINANCE COST		
Interest Expenses	9,100.24	7,295.49
Financial Charges & Commission	2,507.31	1,825.14
	<u>11,607.55</u>	<u>9,120.63</u>
Note 23 - OTHER EXPENSES		
MANUFACTURING EXPENSES	1,763.02	1,398.14
ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates and Taxes	181.45	219.88
Tour & Travelling Expenses	339.15	299.55
Conveyance & Vehicle Expenses	203.03	146.39
Freight Inward Charges	159.80	103.44
Communication Expenses	62.21	53.07
Printing & Stationery	47.24	41.75
Repair & Maintenance	1,041.20	163.76
Insurance Charges	55.47	50.73
ECGC Premium	78.31	85.26
Power, Fuel & Water Charges	51.20	52.31
Stamping, Registration & Other Legal Charges	134.45	266.80
Professional Fees	252.54	142.11
Membership & Subscription	8.55	4.41
Donation	57.64	26.20
Director Sitting Fees	6.50	5.95
Auditors Remuneration	18.00	18.00
Internal Audit Fees	4.41	1.00
Bad Debts W/off	0.20	47.36
Miscellaneous Expenses	1.58	0.67
	<u>2,702.93</u>	<u>1,728.64</u>
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Sales Promotion	299.48	262.46
Freight & Forwarding Charges	964.40	538.09
Sales Tax	46.91	90.75
Commission	30.43	21.10
	<u>1,341.22</u>	<u>912.40</u>
	<u>5,807.17</u>	<u>4,039.18</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

Note 24. Additional information to the financial statements

(Rs. in lac)

24.1) Remuneration to Auditors

	FY 2011-12	FY 2010-11
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
Total	18.00	18.00

24.2) 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
 SRK Consortium Capital Advisors LLP
 Classic Centre Developers Pvt. Ltd.
 Jaipur Centre Developers Pvt. Ltd.
 Jaipur Centre Infraprojects Pvt. Ltd.
 Sure King Varun (Hong Kong) Ltd.
 Sure King Varun International Ltd.
 Triple A Developers Pvt. Ltd.
 Varun Real Estate (I) 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
 Varun SARL, Madagascar

(vi) Associate

Varun Torian International SARL, Madagascar

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

(b) Related Party Transactions:

(Rs. in lac)

Nature of Transaction	Key Management Personnel		Relatives		Subsidiaries	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Remuneration	275.00	300.00	—	—	—	—
Commission	—	127.55	—	—	—	—
Salary	—	—	6.72	5.85	—	—
Contribution to Prov. Fund	0.26	0.28	0.09	0.09	—	—
Loan Given	—	—	—	—	426.39	300.56

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

Name of the Wholly owned Subsidiary Company	As at 31.03.2012	As at 31.03.2011	Maximum balance during the period
Varun Minerals Corporation Pvt. Ltd.	4.66 lac	4.66 lac	4.66 lac
Varun Petroleum Corporation Pvt. Ltd.	112.72 lac	112.72 lac	112.72 lac
Varun Holdings Ltd., Mauritius	27.22 lac	14.51 lac	27.22 lac
Varun Mines & Min. Ltd., Mauritius	114.48 lac	9.19 lac	114.48 lac
Varun Petroleum Ltd., Mauritius	167.31 lac	159.48 lac	167.31 lac

24.3) SEGMENT REPORTING (As per AS-17)

According 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)

Total Segment Revenue	31.03.2012	31.03.2011
a. Merchandise Sale	316,265.80	292,913.51
b. Petroleum Oil Rig Hire	1,176.25	992.97
c. Wind Power	515.57	222.92
Total	317,957.62	294,129.40
Less: Inter Segment Revenue	-	-
Net Sales	317,957.62	294,129.40
Segment Results (Profit before Interest and Tax)		
a. Merchandise Sale	8,816.73	13,313.97
b. Petroleum Oil Rig Hire	669.85	333.59
c. Wind Power	134.40	14.40
Total	9,620.97	13,661.96
Add: Other Income	2,271.69	1,414.37
Less: Interest & Financial Charges	11,607.55	9,120.62
Less: Exceptional Items	16,060.64	-
Net Profit before Tax	(15,775.52)	5,955.70
Capital Employed (Segment Assets less Segment Liabilities)		
a. Merchandise Sale	25,163.31	43,053.37
b. Petroleum Oil Rig Hire	2,205.89	2,693.53
c. Wind Power	7,072.30	4,323.43
d. Unallocated	1,700.67	1,086.77
Total	36,142.17	51,157.11

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

B. SECONDRY GEOGRAPHICAL SEGMENT

(Rs. in lac)

Particulars	2011-12	2010-11
Revenue		
Within India	17,547.20	14,134.80
Outside India	300,410.42	279,994.60
Total	317,957.62	294,129.40

24.4) Contingent Liabilities

- Disputed Demand raised by Income Tax department for several financial years of Rs. 45.36 Crore is under appeal and rectification
- Disputed Demand raised by Sales Tax dept. for the FY 2007-08 is Rs. 5.28 Cr. against which company has filed appeal and deposited Rs. 0.53 Cr.
- Corporate Guarantee issued in favour of banks for their credit facility to Varun Jewels Pvt. Ltd. of Rs. 18,300.00 lac.
- Corporate Guarantee issued in favour of banks for their credit facility to Shri Sai Jewels Pvt. Ltd. of Rs. 6,480.00 lac.
- Corporate Guarantee issued in favour of bank for credit facility to M/s. K.K. Enterprises of Rs. 1,200.00 lac.
- Corporate Guarantee issued in favour of bank for credit facility to Varun International Trading FZE, UAE of USD 30 mn.

24.5) EARNING PER SHARE (As per AS-20)

PARTICULARS	Units	2011-12	2010-11
Net Profit / (Loss) After Tax	Rs. in lac	(15,779.52)	3,934.06
No. of Shares at the beginning of the year	Nos.	2,91,13,945	2,21,13,945
No. of Shares issued during the year	Nos.	Nil	70,00,000
No. of Shares (Weight Average)/ available at the end of the year	Nos.	2,91,13,945	2,28,61,890
Earning Per Share (Basic and Diluted)	Rs.	(54.20)	17.21

24.6) Exceptional Items:-

Discount Provided to Debtors -We have provided for 10% discount to our major customers due to adverse global market conditions.

24.7) 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 loss of Rs. 479.07 lac (P.Y. Exchange Gain of Rs. 7.86 lac) relating to long term foreign currency monetary items has been reduced / added to the cost of respective fixed assets.

24.8) Consequent to inadequacy of profits for the year, Under Section 198, 269, 309, read with Schedule XIII of the Companies Act, 1956, the remuneration paid to Managerial Personnel has resulted in an excess payment by Rs. 2.09 crores, for which steps are being taken by Company for recovering the excess remuneration.

24.9) The revised Schedule VI has become effective w.e.f. 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in financial statements. Figures for the previous year have been regrouped and/or reclassified, wherever necessary to confirm with current year's classification / disclosure.

As per our Report of even date annexed

CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Place: Mumbai
Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA

Chairman & Managing Director

KAILASH S. AGARWAL

Managing Director

R. SOMANI

V.P. (Corporate) & 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 31st March 2012 and also the Consolidated Statement of Profit and Loss 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. 12848.12 lac as at 31st March 2012, total revenues of Rs. 32455.57 lac and net cash flows amounting to Rs. 147.09 lac for the year 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 31st March 2012;
 - ii) in the case of the Consolidated Statement of Profit and Loss, of the loss 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. Chunnilal Choudhary

Partner

M. No.: 037784

Place: Mumbai.

Dated: 9th August, 2012

CONSOLIDATED BALANCE SHEET as at 31st March 2012

	Note	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
EQUITY AND LIABILITIES			
Shareholders' Funds			
a) Share Capital	2	2,911.39	2,911.39
b) Reserves and Surplus	3	27,473.70	43,987.23
		<u>30,385.09</u>	<u>46,898.62</u>
Minority Interest		557.38	1,831.20
Non-Current Liabilities			
Long-Term Borrowings	4	6,450.86	6,314.71
Deferred Tax Liability		1,176.07	1,176.00
		<u>7,626.93</u>	<u>7,490.71</u>
Current Liabilities			
Short-Term Borrowings	5	154,578.08	106,832.16
Trade Payables	6	80,559.74	81,806.91
Other Current Liabilities	7	10,937.43	7,858.26
Short Term Provisions	8	333.55	850.63
		<u>246,408.80</u>	<u>197,347.96</u>
Total		<u><u>284,978.20</u></u>	<u><u>253,568.49</u></u>
ASSETS			
Non-Current Assets			
Fixed Assets			
a) Tangible Assets	9	40,975.75	39,082.62
b) Intangible Assets	10	1,414.26	796.24
b) Capital Work-in-Progress		125.05	262.23
		<u>42,515.06</u>	<u>40,141.09</u>
Amortisation Expenses	11	9.47	9.50
Goodwill (On Consolidation)		5,476.92	4,800.85
Non-current Investments	12	4.23	3.00
Foreign Currency Translation Difference Account		(107.17)	5.12
Current Assets			
a) Inventories	13	8,719.85	10,844.39
b) Trade Receivables	14	203,219.88	156,985.13
c) Cash and Cash Equivalents	15	17,385.99	35,535.52
d) Short Term Loans and Advances	16	4,153.13	3,401.35
e) Other Current Assets	17	3,600.84	1,842.54
		<u>237,079.69</u>	<u>208,608.93</u>
Total		<u><u>284,978.20</u></u>	<u><u>253,568.49</u></u>
Significant Accounting Policies	1		

As per our Report of even date annexed

CHUNNILAL & COMPANY
Chartered Accountants
Firm Registration No. 101947W

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

Place: Mumbai
Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA
Chairman & Managing Director

KAILASH S. AGARWAL
Managing Director

R. SOMANI
V.P. (Corporate) & Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 2012

	Note	Current Year Ended 31.03.12 (Rupees in lac)	Previous Year Ended 31.03.11 (Rupees in lac)
INCOME			
Revenue from Operations	18	411,009.87	354,075.70
Other Income	19	2,693.57	1,742.68
Total Revenue		413,703.44	355,818.38
EXPENDITURE			
Cost of material consumed	20	14,282.85	12,125.78
Purchases of Stock-in-Trade		371,063.51	318,909.59
Changes in inventories of Finished Goods, Work-in-Process and Stock-in-Trade	21	1,268.58	(582.57)
Employee Benefit Expense	22	1,879.30	1,674.84
Financial Costs	23	14,626.58	10,697.12
Depreciation and Amortisation Expense	9 & 10	1,939.85	1,913.68
Other Expenses	24	6,425.79	4,322.86
Total Expenses		411,486.46	349,061.30
Profit before exceptional items and taxes		2,216.98	6,757.08
Exceptional Items			
Discount Provided to Debtors		19,374.72	-
Profit Before Tax		(17,157.74)	6,757.08
Tax Expense:			
Current Tax		4.69	2,096.52
Deferred Tax		-	212.42
Profit After Tax		(17,162.43)	4,448.14
Less: Share of Minority Interest		(1,277.47)	249.53
Profit For The Year		(15,884.96)	4,198.61
Earning per Share			
Earning per Share (Basic and Diluted) (Rs.)		(54.56)	18.37
Face Value of Shares Rs. 10/- each			
Significant Accounting Policies	1		

As per our Report of even date annexed

CHUNNILAL & COMPANY
Chartered Accountants
Firm Registration No. 101947W

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

Place: Mumbai
Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA
Chairman & Managing Director

KAILASH S. AGARWAL
Managing Director

R. SOMANI
V.P. (Corporate) & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2012

	Year ended 31st March'12 (Rupees in lac)		Year ended 31st March'11 (Rupees in lac)	
A. Cash Flow from Operating Activities:				
Net Profit before tax and Extraordinary items		(17,157.74)		6,757.08
Adjustment for:				
Depreciation and Preliminary Exp. w/off	1,939.85		1,913.70	
Interest and Finance Charges	14,626.58		10,697.12	
(Profit)/Loss on sale of Current Investment	-		(33.86)	
(Profit)/Loss on sale/discard of Fixed Assets	(97.79)		(11.68)	
Exchange difference on foreign currency items translation	(107.17)		(5.12)	
Dividend Received	-		(1.01)	
Rent Received	(62.00)		(58.76)	
Interest Received	(2,533.77)	13,765.70	(1,637.37)	10,863.02
Operating Profit before Working Capital Changes		(3,392.04)		17,620.10
Adjustment for:				
(Increase)/Decrease in Inventories	2,124.54		(851.63)	
(Increase)/Decrease in Trade & Other Receivables	(46,234.75)		(70,658.66)	
(Increase)/Decrease in Other Current Assets	(546.31)		12,814.35	
Increase/(Decrease) in Payables, Provisions & Working Capital finance	49,060.84	4,404.32	87,723.81	29,027.87
Cash generated from Operations		1,012.28		46,647.97
Direct Taxes Paid		(1,967.09)		(2,331.34)
NET CASH FLOW FROM OPERATING ACTIVITIES [A]		(954.81)		44,316.63
B. Cash Flow from Investing Activities				
Acquisition of Fixed Assets including Capital Work-in-Progress	(5,922.28)		(3,971.82)	
Proceed on Sale of Fixed Assets	102.56		80.22	
Proceeds on Sale of Current Investments	-		92.40	
Acquisition of Investments	1.23		-	
Interest Received	2,924.38		937.93	
Rent Received	62.00		58.76	
Dividend Received	-		1.01	
NET CASH FLOW FROM INVESTING ACTIVITIES [B]		(2,832.11)		(2,801.50)

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2012

	Year ended 31st March'12 Rupees in lac	Year ended 31st March'11 Rupees in lac
C. Cash Flow Arising from Financing Activities		
Proceeds from Equity Share Warrants	-	2,268.00
Repayment of Long Term Loans	(2,789.92)	(1,660.92)
Proceeds from Long Term Loans	4,310.88	1,910.94
Proceeds from Unsecured Loans	(1,257.00)	(5,076.61)
Dividend including Distributed Tax	-	(386.80)
Interest and Finance Charges Paid	(14,626.57)	(10,697.12)
NET CASH FLOW FROM FINANCING ACTIVITIES [C]	(14,362.61)	(13,642.51)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(18,149.53)	27,872.62
CASH/CASH EQUIVALENTS AS ON 01.04.2011	35,535.52	7,662.90
CASH/CASH EQUIVALENTS AS ON 31.03.2012	17,385.99	35,535.52
Notes:		
1. Cash and cash equivalents include:		
Cash in hand	162.72	45.03
Balance with scheduled banks	17,223.27	35,490.49
Total Cash and cash equivalents	17,385.99	35,535.52

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. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Place: Mumbai

Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA

Chairman & Managing Director

KAILASH S. AGARWAL

Managing Director

R. SOMANI

V.P. (Corporate) & Company Secretary

Note1 SIGNIFICANT ACCOUNTING POLICIES

1.1) 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.

1.2) 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.

1.3) 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.

1.4) 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.

1.5) 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.

1.6) 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 |

1.7) 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.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

1.8) 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.

1.9) 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.

1.10) RETIREMENT BENEFITS

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

1.11) 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.

1.12) 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.

Note 2 - SHARE CAPITAL

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Authorised:		
5,00,00,000 (P.Y. 5,00,00,000) Equity Shares of Rs.10/- each	5,000.00	5,000.00
Issued, Subscribed and Fully Paid-up:		
2,91,13,945 (P.Y. 2,91,13,945) Equity Shares of Rs.10/- each	2,911.39	2,911.39

2.1) The Company has one class of Equity Shares having a par value of Rs. 10/- each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian rupees. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amount, in proportion to their shareholding.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2.2) Details of Shares held by each shareholder holding more than 5% shares:

Name of Shareholder	As at 31st March 2012		As at 31st March 2011	
	No. of Shares held	% holding	No. of Shares held	% holding
Mr. Kiran Mehta	9288142	31.90%	11181142	38.49%
Mr. Kailash Agarwal	7570327	26.00%	7720327	26.50%

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 3 - RESERVES AND SURPLUS		
Capital Reserve	216.99	216.99
Revaluation Reserve		
Opening Balance	22,562.95	23,245.97
Less: Depreciation on Revaluation amount	628.58	683.02
	<u>21,934.37</u>	<u>22,562.95</u>
Securities Premium Reserve		
Opening Balance	6,274.40	3,950.40
Addition during the year	-	2,324.00
	<u>6,274.40</u>	<u>6,274.40</u>
General Reserve		
Opening Balance	4,930.41	4,635.35
Add: Transfer from P & L Account	-	295.05
	<u>4,930.41</u>	<u>4,930.40</u>
Surplus in Statement of Profit and Loss		
Opening Balance	10,002.49	6,707.99
Add: Profit/(Loss) for the year	(15,884.96)	4,198.61
	<u>(5,882.47)</u>	<u>10,906.60</u>
Less: Appropriations		
Proposed Dividend	-	524.05
Provision for Tax on Dividend	-	85.01
Transfer to General Reserve	-	295.05
	<u>(5,882.47)</u>	<u>10,002.49</u>
	<u>27,473.70</u>	<u>43,987.23</u>
Note 4 -LONG TERM BORROWINGS		
Secured:		
Term Loan from Banks	6,841.95	5,142.29
Vehicle Loan (Long term finance lease)	637.12	334.36
Less: Current maturities of long term loans	1,979.41	1,530.90
Less: Current maturities of long term finance lease	290.79	130.03
Unsecured:		
Loans and advances from Related Parties	1,241.99	2,498.99
(These are interest free loans received from promoters having no repayment schedule)		
	<u>6,450.86</u>	<u>6,314.71</u>

Note 4 -LONG TERM BORROWINGS (contd.)

- (4.1) Foreign Currency Term Loan from Indian Bank outstanding Rs. 287.77 lac (P.Y. Rs. 414.00 lac) 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. The term loan is repayable in remaining 9 equal quarterly installments by Apr' 2014 and interest rate is linked with 6 months LIBOR plus 5%
- (4.2) Foreign Currency Term Loan from UCO Bank outstanding Rs. 318.98 lac (P.Y. Rs. 689.36 lac) 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. The term loan is repayable in remaining 1 quarterly installments by May' 2012 and interest rate is linked with 6 months LIBOR plus 7.85%
- (4.3) Term Loan from IDBI Bank outstanding of Rs. 601.69 lac (P.Y. Nil) for Nashik Plant is secured by way of exclusive 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 repayable in remaining 21 equal monthly installments and carries interest rate of 13.50%.
- (4.4) Three Foreign Currency Term Loans from State Bank of Travancore outstanding of Rs. 423.51 lac, Rs. 325.11 lac and Rs. 2050.52 lac respectively, totalling to Rs. 2799.15 lac (P.Y. Rs. 2776.06 lac) 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. The term loan is repayable in remaining 9,15 and 37 quarterly installments and interest rate is linked with 6 months LIBOR plus 7 bps.
- (4.5) Rupee Term Loans from Central Bank of India outstanding Rs. 672.63 lac and in Foreign Currency outstanding of Rs. 1288.19 lac (P.Y. Nil) for Wind Power Project are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal. The term loan is repayable in remaining 27 quarterly installments by Oct' 2019 and interest rate is 14% and 6 months LIBOR plus 7 bps.
- (4.6) Term Loans from Indian Bank outstanding Rs. 873.52 lac (P.Y. Rs. 1262.85 lac) 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. The term loan is repayable in remaining 9 equal quarterly installments and carries interest rate of 12.75%.
- (4.7) Vehicle Loans are secured by way of hypothecation of the respective vehicles.
- (4.8) As on 31.03.12 continuing default in repayment of interest due in Feb'12 of term loan from Central Bank of India of Rs. 7.89 lac (paid on 24.04.12) and for interest due in Feb'12 of term loan from UCO Bank of Rs. 2.12 lac (paid on 28.04.12).
- (4.9) As on 31.03.12 continuing default in repayment of installment due in Feb'12 of term loan from UCO Bank of Rs. 157.28 lac and for Installment due in Mar'12 of term loan from IDBI Bank of Rs. 31.25 lac.

Note 5 - SHORT TERM BORROWINGS

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Secured (from banks)		
Export Packing Credit	15,454.60	7,774.27
FDBP/FDUBP	94,230.35	86,213.08
Letter of Credit Devolved	10,379.76	-
Cash Credit / ODBD	8,807.72	6,362.41
Short Term Loan	10,921.71	3,954.03
Unsecured		
From banks	859.20	2,028.37
From others	13,924.74	500.00
	154,578.08	106,832.16

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 5 - SHORT TERM BORROWINGS (contd.)

(5.1) Export Packing Credit, FDBP Credit Limits and Cash 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 properties at Byculla and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 6 - TRADE PAYABLES		
Sundry Creditors		
For Raw Material & Finished Goods	79,469.62	81,251.35
For Packing Materials	150.70	76.55
For Capital Expenditure	74.77	185.87
For Others	864.65	293.14
	<u>80,559.74</u>	<u>81,806.91</u>
Note 7 - OTHER CURRENT LIABILITIES		
Current maturities of long term loans	1,920.09	1,498.30
Current maturities of long term finance lease	290.79	130.03
Interest accrued and due on borrowings	59.32	32.60
Other payables:		
- Statutory dues	140.55	144.73
- Amount due on Investment in subsidiaries	6,869.95	4,827.10
- Security deposits received	46.61	25.33
- Other liability	1,610.12	1,200.17
	<u>10,937.43</u>	<u>7,858.26</u>
Note 8 - SHORT TERM PROVISIONS		
Provision for Proposed Dividend & Dividend Tax	-	609.06
Provision for Expenses	333.55	241.57
	<u>333.55</u>	<u>850.63</u>

Note 9 - TANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2011	Additions	Deductions/Adjustment	As at 31.03.2012	Up to 01.04.2011	For the Year	Deduction/Adjustment	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Freehold Land	12,139.18	44.63	-	12,183.81	-	-	-	-	12,183.81	12,139.18
Leasehold Land*	4,446.07	135.38	-	4,581.45	239.64	68.73	-	308.37	4,273.08	4,206.43
Buildings	14,525.45	455.06	202.89	14,777.62	3,385.68	919.24	21.38	4,283.54	10,494.08	11,139.77
Plant and Machinery	4,193.68	863.14	-	5,056.82	1,408.35	443.13	-	1,851.48	3,205.34	2,785.33
Furniture & Fixtures	963.65	70.54	7.00	1,027.19	373.13	112.19	2.78	482.54	544.65	590.52
Office Equipments	1,006.99	76.77	0.60	1,083.16	328.58	100.29	0.19	428.68	654.48	678.41
Computer	189.25	18.93	-	208.18	139.03	24.14	-	163.17	45.01	50.22
Vehicles	1,402.72	91.65	22.38	1,471.99	744.04	182.83	16.35	910.52	561.47	658.68
Oil Rig	3,455.60	-	-	3,455.60	915.07	403.55	-	1,318.62	2,136.98	2,540.53
Wind Power Project	5,001.07	2,896.51	-	7,897.58	707.52	313.21	-	1,020.73	6,876.85	4,293.55
Total	47,323.66	4,652.61	232.87	51,743.40	8,241.04	2,567.31	40.70	10,767.65	40,975.75	39,082.62
Previous Year	44,222.07	3218.18	116.59	47323.66	5,667.50	2,599.75	26.22	8,241.03	39082.63	38554.57

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

Note 10 - INTANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2011	Additions	Deductions/Adjustment	As at 31.03.2012	Up to 01.04.2011	For the Year	Deduction/Adjustment	Up to 31.03.2012	As at 31.03.2012	As at 31.03.2011
Computer Software	23.36	-	0.35	23.01	19.38	1.56	0.25	20.69	2.32	3.98
Expenses related to Mining	792.26	619.68	-	1,411.94	-	-	-	-	1,411.94	792.26
Total	815.62	619.68	0.35	1434.95	19.38	1.56	0.25	20.69	1414.26	796.24
Previous Year	23.21	793.93	1.51	815.63	18.50	1.89	1.00	19.39	796.24	4.71

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 11 - AMORTISATION EXPENSES		
Preliminary Expenses as per last Balance Sheet	9.44	9.47
Less: Written off during the year	0.03	0.03
	<u>9.41</u>	<u>9.44</u>
Pre-Operative Expenses	0.06	0.06
	<u>9.47</u>	<u>9.50</u>
Note 12 - NON-CURRENT INVESTMENT		
Unquoted Equity Instruments (Valued at Cost)		
Saishree Mines & Minerals India Pvt. Ltd.	3.00	3.00
30,000 (P.Y. 30,000) Equity Shares of Rs.10 each, fully paid up Investment in Associates	1.23	-
	<u>4.23</u>	<u>3.00</u>
Note 13 - INVENTORIES		
(As taken, valued and certified by the management)		
(At lower of cost and net realisable value)		
Raw Material	851.53	1,717.27
Work-in-Process	765.73	600.26
Finished Goods*		
- At Warehouse	6,694.42	8,156.40
- Stock-in-Transit	5.99	69.51
	<u>6,700.41</u>	<u>8,225.91</u>
Packing Material, Stores & Spares	402.18	300.95
	<u>8,719.85</u>	<u>10,844.39</u>
*Finished Goods include Stock-in-Trade, as both are stocked together		
Note 14 - TRADE RECEIVABLES		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	155,052.87	154,766.08
Others	54,562.26	3,252.15
	<u>209,615.13</u>	<u>158,018.23</u>
Less : Advances from Customers	6,395.25	1,033.10
	<u>203,219.88</u>	<u>156,985.13</u>
Note 15 - CASH AND CASH EQUIVALENTS		
Cash in Hand	162.72	45.03
Balances with Scheduled Banks:		
In Current Accounts	2,472.33	(1,370.41)
Fixed Deposits		
(Fixed Deposits kept under lien as a security against borrowing from banks)		
- Maturity Less than Twelve Months	10,779.18	32,492.58
- Maturity More than Twelve Months	3,971.76	4,368.32
	<u>17,385.99</u>	<u>35,535.52</u>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March 2012 (Rupees in lac)	As at 31st March 2011 (Rupees in lac)
Note 16 - SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered good)		
a) Loans & Advances to related parties	1,682.49	414.39
b) Advance to Suppliers	1,593.58	2,103.20
c) Advance for Expenses	34.95	38.58
d) Loans to Staff	73.10	72.55
e) Capital Advances	283.04	254.43
f) Other Loans & Advances	485.97	518.20
	<u>4,153.13</u>	<u>3,401.35</u>
Note 17 - OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits	584.40	975.00
Export Incentives Receivable	165.68	167.46
Deposits	220.46	215.64
Advance Tax & TDS (Net of Provision)	2,345.81	382.03
Prepaid Expenses	70.48	68.26
Excise Duty / Service Tax Credit Receivable	34.53	7.57
VAT Credit Receivable	179.48	26.58
	<u>3,600.84</u>	<u>1,842.54</u>
Note 18 - REVENUE FROM OPERATIONS		
Sales	411,755.60	351,459.74
Sale of Wind Power	515.57	222.92
Export Incentives	1,253.33	1,382.92
Rig Hiring and O&M Services (Net)	1,176.25	992.97
Foreign Exchange Gain / (Loss) (On Crystallisation of Bills & Forward Contract)	(3,690.88)	17.15
	<u>411,009.87</u>	<u>354,075.70</u>
Note 19 - OTHER INCOME		
Profit on Sale of Current Investment	-	33.86
Profit on Sale of Fixed Assets	97.79	11.68
Dividend Received	-	1.01
Rent Received	62.00	58.76
Interest Received	2,533.78	1,637.37
	<u>2,693.57</u>	<u>1,742.68</u>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Particulars	Current Year Ended 31.03.12 (Rupees in lac)	Previous Year Ended 31.03.11 (Rupees in lac)
Note 20 - COST OF MATERIAL CONSUMED		
Raw Materials Consumed		
Opening Stock	1,717.27	1,496.65
Add : Purchases	11,798.07	11,132.06
	13,515.34	12,628.71
Less: Closing Stock	851.53	1,717.27
	12,663.81	10,911.44
Packing Materials & Stores Consumed		
Opening Stock	300.95	252.50
Add : Purchases	1,720.27	1,262.79
	2,021.22	1,515.29
Less: Closing Stock	402.18	300.95
	1,619.04	1,214.34
	14,282.85	12,125.78
Note 21 - CHANGES IN INVENTORIES		
Work in process		
Opening Stock	600.26	412.09
Less: Closing Stock	765.73	600.26
	(165.47)	(188.17)
Finished Goods		
Opening Stock	8,134.46	7,831.51
Less: Closing Stock	6,700.41	8,225.91
	1,434.05	(394.40)
	1,268.58	(582.57)
Note 22 - EMPLOYEE BENEFIT EXPENSE		
Salaries, Wages & Bonus	1,293.50	977.84
Contribution to Provident and Other Funds	62.17	51.45
Staff Welfare & Food & Bvgs. Expenses	75.11	84.00
Professional Fees	34.74	34.05
Contractual Remuneration	134.19	83.94
Directors Remuneration	279.59	316.01
Commission to Directors	-	127.55
	1,879.30	1,674.84

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Particulars	Current Year Ended 31.03.12 (Rupees in lac)	Previous Year Ended 31.03.11 (Rupees in lac)
Note 23 - FINANCE COST		
Interest Expenses	11,982.09	8,678.81
Financial Charges & Commission	2,644.49	2,018.31
	<u>14,626.58</u>	<u>10,697.12</u>
Note 24 - OTHER EXPENSES		
MANUFACTURING EXPENSES	1,763.02	1,398.14
ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates and Taxes	203.76	232.26
Tour & Travelling Expenses	373.73	303.22
Conveyance & Vehicle Expenses	205.44	152.16
Freight Inward Charges	159.80	103.44
Communication Expenses	62.67	53.50
Printing & Stationery	47.60	42.00
Repair & Maintenance	1,041.41	164.12
Insurance Charges	55.48	51.06
ECGC Premium	254.06	248.59
Power, Fuel & Water Charges	51.66	52.77
Stamping, Registration & Other Legal Charges	134.87	286.51
Professional Fees	463.10	186.75
Membership & Subscription	10.03	5.55
Donation	57.64	28.20
Share of Loss in Associates	3.67	-
Director Sitting Fees	6.50	5.95
Auditors Remuneration	24.71	20.61
Internal Audit Fees	4.41	1.00
Bad Debts W/off	0.20	48.58
Preliminary Expenses W/off	0.03	0.03
Miscellaneous Expenses	1.57	0.76
	<u>3,162.34</u>	<u>1,987.06</u>
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Sales Promotion	429.65	263.01
Freight & Forwarding Charges	993.44	561.18
Sales Tax	46.91	90.75
Commission	30.43	22.72
	<u>1,500.43</u>	<u>937.66</u>
	<u>6,425.79</u>	<u>4,322.86</u>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

25. Additional information to the financial statements

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

Name of the Subsidiaries	Country of 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(MEC)	Madagascar	51.00% by VMML
Varun International SARL (VI)	Madagascar	51.00% by VMML
Varun Energy Corporation SARL	Madagascar	100.00% by VI
Varun SARL (VS)	Madagascar	50-50% by MEC & VI

(Rs. in lac)

25.2) Remuneration to Statutory Auditors	FY 2011-12	FY 2010-11
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
Total	18.00	18.00

25.3) 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
 SRK Consortium Capital Advisors LLP
 Classic Centre Developers Pvt. Ltd.
 Jaipur Centre Developers Pvt. Ltd.
 Jaipur Centre Infraprojects Pvt. Ltd.
 Sure King Varun (Hong Kong) Ltd.
 Sure King Varun International Ltd.
 Triple A Developers Pvt. Ltd.
 Varun Real Estate (I) Pvt. Ltd.
 Varun Incorporation Ltd., Hong Kong
 Varun Global Agriculture SARL, Madagascar

(iv) Associate

Varun Torian International SARL, Madagascar

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(b) Related Party Transactions:

(Rs. in lac)

Nature of Transaction	Key Management Personnel		Relatives	
	2011-12	2010-11	2011-12	2010-11
Remuneration	275.00	300.00	—	—
Commission	—	127.55	—	—
Salary	—	—	6.72	5.85
Contribution to Prov. Fund	0.26	0.28	0.09	0.09
Rent Paid	7.80	14.00	—	—
Loan taken	1241.99	2498.99	—	—

25.4) SEGMENT REPORTING (As per AS-17)

According 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)

Total Segment Revenue	31.03.2012	31.03.2011
a. Merchandise Sale	409,318.05	352,859.81
b. Petroleum Oil Rig Hire	1,176.25	992.97
c. Wind Power	515.57	222.92
Total	411,009.87	354,075.70
Less: Inter Segment Revenue	-	-
Net Sales	411,009.87	354,075.70
Segment Results (Profit before Interest and Tax)		
a. Merchandise Sale	13,345.75	15,363.53
b. Petroleum Oil Rig Hire	669.85	333.59
c. Wind Power	134.40	14.40
Total	14,150.00	15,711.52
Add: Other Income	2,693.56	1,742.68
Less: Interest & Financial Charges	14,626.58	10,697.12
Less: Exceptional Items	19,374.72	-
Net Profit before Tax	(17,157.74)	6,757.08
Capital Employed (Segment Assets less Segment Liabilities)		
a. Merchandise Sale	23,907.76	44,385.09
b. Petroleum Oil Rig Hire	2,205.89	2,693.53
c. Wind Power	7,072.30	4,323.43
d. Unallocated	4.23	3.00
Total	33,190.18	51,405.05

B. SECONDRY GEOGRAPHICAL SEGMENT

(Rs. in lac)

Particulars	2011-12	2010-11
Revenue		
Within India	17,547.20	14,134.80
Outside India	393,462.67	339,940.90
Total	411,009.87	354,075.70

25.5) Contingent Liabilities

- (i) Corporate Guarantee issued in favour of bank for credit facility to M/s. K.K. Enterprises of Rs. 1,200.00 lac.
- (ii) Demand raised by Income Tax department for several financial years is Rs. 45.36 Crore
- (iii) Disputed Demand raised by Sales Tax dept. for the FY 2007-08 is Rs. 5.28 Cr. against which company has deposited Rs. 0.53 Cr.

25.6) EARNING PER SHARE (As per AS-20)

PARTICULARS	Units	2011-12	2010-11
Net Profit / (Loss) After Tax	Rs. in lac	(15,884.96)	4,198.62
No. of Shares at the beginning of the year	Nos.	29,113,945	2,21,13,945
No. of Shares issued during the year	Nos.	Nil	70,00,000
No. of Shares (Weight Average)/ available at the end of the year	Nos.	29,113,945	2,28,61,890
Earning Per Share (Basic and Diluted)	Rs.	(54.56)	18.37

25.7) Exceptional Items:-

Discount Provided to Debtors -We have provided for 10% discount to our major customers due to adverse global market conditions.

25.8) 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 loss of Rs. 479.07 lac (P.Y. Exchange Gain of Rs. 7.86 lac) relating to long term foreign currency monetary items has been reduced / added to the cost of respective fixed assets.

25.9) Consequent to inadequacy of profits for the year, Under Section 198, 269, 309, read with Schedule XIII of the Companies Act, 1956, the remuneration paid to Managerial Personnel has resulted in an excess payment by Rs. 2.09 crores, for which steps are being taken by Company for recovering the excess remuneration.

25.10) The revised Schedule VI has become effective w.e.f. 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in financial statements. Figures for the previous year have been regrouped and/or reclassified, wherever necessary to conform with current year's classification / disclosure.

As per our Report of even date annexed

CHUNNILAL & COMPANY
Chartered Accountants
Firm Registration No. 101947W

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

Place: Mumbai
Dated: 09.08.2012

For and on behalf of the Board

KIRAN N. MEHTA
Chairman & Managing Director

KAILASH S. AGARWAL
Managing Director

R. SOMANI
V.P. (Corporate) & Company Secretary

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

(Rupees in lac)

Sr.	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.	Mauritius	Varun Mines & Minerals Ltd.	Mauritius	Varun Petroleum Ltd.	Mauritius	Varun Global Trading Pte. Ltd.	Singapore	Varun International Trading FZE (U.A.E.)	Dubai	Varun Petroleum SARL	Madagascar	Oil & Gas Incorporation SARL	Madagascar	Varun International SARL	Madagascar	Madagascar Energy Corp. SARL	Madagascar	Varun Energy Corp. SARL	Madagascar	Varun SARL	Madagascar		
1	Financial year/period of the Subsidiaries ended on	31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012		31 st Mar. 2012			
2	Date from which they became Subsidiaries	25 th Nov. 2006		25 th Nov. 2006		26 th Dec. 2008		26 th Dec. 2008		30 th Jul. 2009		30 th Jul. 2009		30 th Jul. 2009		28 th Feb. 2011		19 th Jan. 2011		26 th Oct. 2010		26 th Oct. 2010		26 th Oct. 2010		26 th Oct. 2010		26 th Oct. 2010		03 rd Mar. 2011			
3	Shares of the Subsidiaries held by the Company as on 31 st March 2012	85,03,846 Shares of Rs. 10/- each	51.54%	5,10,000 Shares of Rs. 10/- each	51.00%	*10,000 Shares of Rs. 10/- each	100.00%	*10,000 Shares of Rs. 10/- each	100.00%	13,62,401 Equity Share of USD 1/- each	100.00%	1 Equity Share of USD 1/- each	100.00%	1 Equity Share of USD 1/- each	100.00%	1 Equity Share of USD 1/- each	100.00%	6 Equity Share of AED 1,000,000/- each	100.00%	51 Equity Share of Ariary 200,000/- each	51.00%	51 Equity Share of Ariary 200,000/- each	51.00%	51 Equity Share of Ariary 200,000/- each	51.00%	51 Equity Share of Ariary 200,000/- each	100.00%	100 Equity Share of Ariary 200,000/- each	100.00%	50 Equity Share of Ariary 200,000/- each	51.00%		
4	b) Extent of Holding																																
	The net aggregate amount of the Subsidiary companies' Profit/(Loss) so far as it concerns the member of the holding company																																
	a) Not dealt with in the holding Company's accounts																																
	i) For the financial year ended 31 st March, 2012	(962.48)		(381.71)		(2.55)		(0.20)		14.74		(13.36)		(12.82)		(2.72)		1,301.33		(0.73)		(0.01)		(4.43)		0.04		(0.08)		(0.04)		(0.04)	
	ii) Upto the previous financial years of the Subsidiaries' accounts	480.88		152.30		(100.17)		(0.16)		(13.23)		(13.20)		(13.22)		(3.82)		29.92		(0.06)		0.06		0.11		0.14		(0.04)		-		-	
	b) Dealt with in the holding Company's accounts																																
	i) For the financial year ended 31 st March, 2012																																
	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

R. SOMANI

V.P. (Corporate) & Company Secretary

Place : Mumbai

Date : 09.08.2012

KAILASH S. AGARWAL

Managing Director

INFORMATION ON THE FINANCIALS OF THE SUBSIDIARY COMPANIES

for the financial year ended 31st March 2012

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

(Rs. in lac)

Name of the Subsidiary Company	Varun Jewels Pvt. Ltd.	Shri Sai Jewels Pvt. Ltd.	Varun Petroleum Corp. Pvt. Ltd.	Varun Minerals Corp. Pvt. Ltd.	Varun Holdings Ltd.	Varun Mines & Minerals Ltd.	Varun Petroleum Ltd.	Varun Global Trading Pte. Ltd.	Varun International Trading FZE	Varun Petroleum SARL	Oil & Gas Incorporation SARL	Varun International SARL	Madagascar Energy Corp. SARL	Varun Energy Corp. SARL	Varun SARL
Country	India	India	India	India	Mauritius	Mauritius	Mauritius	Singapore	Dubai (UAE)	Madagascar	Madagascar	Madagascar	Madagascar	Madagascar	Madagascar
Reporting Currency	INR	INR	INR	INR	USD	USD	USD	USD	AED	Atiary	Atiary	Atiary	Atiary	Atiary	Atiary
Exchange Rate as at 31.03.2012	1.00	1.00	1.00	1.00	50.875	50.875	50.875	50.875	13.840	0.02	0.02	0.02	0.02	0.02	0.02
Share Capital	1,650.00	100.00	1.00	1.00	698.12	0.00	0.00	0.00	830.40	4.84	4.84	4.84	4.84	4.84	4.84
Reserves	(206.48)	(406.33)	(102.72)	(0.36)	(29.83)	(28.41)	(27.90)	(7.08)	1,334.26	1.49	(0.17)	8.12	0.26	(0.72)	(0.08)
Total Assets	29,989.60	16,317.29	11.04	5.35	872.37	2,846.28	2,914.41	(1.50)	18,794.63	185.60	5.28	1,414.22	245.64	5.18	8.52
Total Liabilities	29,989.60	16,317.29	11.04	5.35	872.37	2,846.28	2,914.41	(1.50)	18,794.63	185.60	5.28	1,414.22	245.64	5.18	8.52
Investments (Other than in Subsidiary)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Turnover	40,437.72	20,639.29	-	-	-	-	-	-	32,369.93	-	-	53.04	-	-	-
Profit Before Tax	(1,867.49)	(748.46)	(2.55)	(0.20)	14.74	(13.36)	(12.82)	(2.72)	1,301.33	(1.35)	-	(8.38)	0.16	-	-
Provision for Taxation	-	-	-	-	-	-	-	-	-	0.08	0.02	0.32	0.08	0.08	0.08
Profit After Tax	(1,867.49)	(748.46)	(2.55)	(0.20)	14.74	(13.36)	(12.82)	(2.72)	1,301.33	(1.42)	(0.02)	(8.69)	0.08	(0.08)	(0.08)
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 31.03.2012
- 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

R. SOMANI
 V.P. (Corporate) & Company Secretary

KAILASH S. AGARWAL
 Managing Director

Place: Mumbai
 Date: 09.08.2012



13, Shankheshwar Darshan, A. G. Pawar Cross Lane, Byculla (E), Mumbai - 400 027. India.

Tel: +91 22 2372 7400 Fax: +91 22 2374 8686 www.varun.com