

VMS INDUSTRIES LIMITED

19th
Annual Report
2010-2011



BOARD OF DIRECTORS



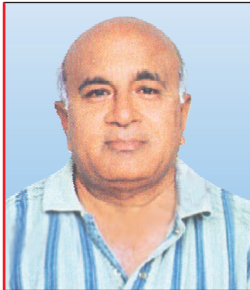
Ajit Kumar Jain
Chairman & Managing Director



Sangeeta Jain
Whole Time Director



Manoj Kumar Jain
Non Executive Director



Bakul Mehta
Non Executive Independent Director



Pranav Parikh
Non Executive Independent Director



Hitesh Loonia
Non Executive Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Hemal Patel

CHIEF FINANCIAL OFFICER

Ms. Nimisha Modi

REGISTERED OFFICE

2nd Floor "Jain House",
Opp. Vitthalwadi, Bhavnagar-364003 Gujarat (India)

WORK SHOP

Ship Recycling Yard
160-M, Alang- Sosiya Ship Breaking Yard,
Alang-364081, Dist. Bhavnagar, Gujarat (India)

REGISTRARS & SHARE TRANSFER AGENTS FOR ELECTRONIC SHARES

Cameo Corporate Services Limited
'Subramanian Building',
No. 1 Club House Road, Chennai – 600 002
Tel: +91-44-28460390/28460425

MAIN BANKERS

Allahabad Bank
Indian Overseas Bank
ICICI Bank Ltd.
Oriental Bank of Commerce

STATUTORY AUDITORS

K. Solanki & Co.,
Chartered Accountants.
3rd Floor, Avishakar-II, Nr. Patel Was Madalpura,
Ellisbridge, Ahmedabad-380006

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the Companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its Members. To support this green initiative of the Government in full measure, members who have not registered their e-mail address, so far, are requested to registered e-mail address, in respect of electronic holding with the Depository through their concerned Depository Participants.

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NOTICE

Notice is hereby given that the 19th [Nineteenth] Annual General Meeting of the Company will be held on 11.00 hours on Thursday 22nd day of September 2011 at the Registered Office of the Company situated at 2nd Floor, "Jain House", Opp. Vitthalwadi, Bhavnagar-364003 to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the Year ended 31st March, 2011 and the Balance Sheet as on that date and the Report of the Board of Directors and the Auditor's Report thereon and other documents attached / annexed thereto.
2. To pass with or without modification following resolution as ordinary resolution

"RESOLVED THAT M/s K Solanki & Co., Chartered Accountants, the retiring Statutory Auditors of the Company to hold office as Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration to be determined by Board of Directors of Company and reimbursement of out of pocket expenses."
3. To appoint Director in place of Mr. Bakul K. Mehta, who retire by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Director in place of Mr. Pranav V. Parikh, who retire by rotation and, being eligible, offers himself for re-appointment.

By Order of Board of Directors

Place : Bhavnagar
 Date : August 9, 2011

Hemal Patel
 Company Secretary

Notes:

- i) A member entitled to attend to vote at the meeting is entitled to appoint a proxy, to attend and vote on poll on his behalf and such a proxy need not be member of the Company, Proxies in order to be effective must be deposited at the Registered Office or with the Registrar and Share Transfer Agents of the Company, M/s Cameo Corporate Services Limited, not less than 48 hours before the meeting.
- ii) The Registrar of Members of the Company and the Share Transfer Registrar shall remain closed on from Thursday September 15, 2011 to Thursday September 22, 2011 (both days inclusive)
- iii) The members are requested to
 - a) Notify immediately any change in their address to the Company
 - b) Bring their copy of the Annual Report to the Annual General Meeting.
- iv) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participant with whom they are maintaining their Demat accounts. Members holding shares in Physical form, if any, can submit their PAN details to the Company/ Registrar and Transfer Agent M/s Cameo Corporate Services Limited.

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT IN ANNUAL GENERAL MEETING (IN PURSUANT OF CLAUSE 49 OF LISTING AGREEMENT)

Name of Director	Mr. Bakul K. Mehta	Mr. Pranav V Parikh
Date of Birth	16/06/1953	05/06/1959
Nationality	Indian	Indian
Date of Appointment on the Board	28.04.2010	28.04.2010
Qualification	B. Com	B.E.-CIVIL/ M.I.E.
Experience of functional area	Business	Consultant
Shareholding in the Company	NIL	NIL
List of Directorship held in other Companies	NIL	NIL
Committee Membership	1	2



VMS Industries Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present herewith their 19th (Nineteenth) Annual Report of your Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial performance of the Company for the Year ended 31st March, 2011 is summarized as below:-

(₹ In Lacs)

Particulars	Year Ended on 31.03.2011	Year Ended on 31.03.2010
Income / Receipts from Operations	7624.94	2849.10
Other Income	12.60	2.05
Total Income	7637.54	2851.15
Earning Before Financial Charges, Depreciation, and Taxation (EBITDA)	332.25	486.69
Preliminary Exp	1.12	3.11
Financial Charges	109.35	92.11
Depreciation	37.65	45.19
Profit Before Tax (PBT)	184.13	346.28
Less: Provision for Taxation including Deferred	41.07	84.55
Prior Period Adjustment / Excess Provision Written Back	24.12	(0.57)
Profit After Tax (PAT)	167.18	261.16
Profit Brought Forward from Previous Year	310.99	71.23
Profit Available for Appropriation	478.17	332.39
Transfer to Tonnage Tax Reserve	10.62	21.40
Balance Carried to Balance Sheet	467.55	310.99

OPERATIONS REVIEW

During the year under review, the driving areas of the Company were Ship Breaking unit and Off-shore unit which have achieved substantial increase in terms of Services/ Sales Turnover. The decrease in Profit in the current financial year is due to non favorable results in the last quarter of the financial year 2010-11.

As has been stated in the out-look, due to boom in the availability of old ships in the international market, the company's ship breaking unit at Alang Ship Breaking Yard, Bhavnagar is fully operational throughout the year and sales turnover in ship breaking activities has seen a manifold increase. However due to heavy fluctuation in the rates of old ships purchased for breaking, dollar-rupee rates and also sales price of Iron and Steel products of the company, the profit margins could not be achieved as desired. However, now the market has stabilized and taking into account the inventory level of the company as at the year-end, it is hoped that the turnover and the profitability will see a reasonable increase in the current financial year.

DIVIDEND

Looking to future requirements of funds for business operations of the Company, the directors have not recommended any dividend for the Financial Year 2010-11

INITIAL PUBLIC OFFERING (IPO)

Your Company entered the Capital Market with an Initial Public Offer (IPO) of 64,38,227 Equity shares of ₹ 10/- each at a premium of ₹ 30 /- per share in May 2011. Your Company's shares were listed on the Bombay Stock Exchange Limited (BSE) on 14th June, 2011. The issue was subscribed by about 1.46 times.

FUTURE PROSPECTUS

The business activity of Ship-breaking industry at Alang Ship Breaking Yard is likely to increase substantially in view of favorable availability of second hand ships and demand of ship-recycled material. Your Company is also optimistic that with the stabilization in price for the old ship in the international markets and in the sale price of recycled products in the domestic market, the Company will be able to improve the turnover and the profitability ratios in the coming years.

In view of modernization and expansion of various ports in Gujarat, the Company is optimistic of substantial rise in off-shore services activity. The Company is exploring possibility to increase off-shore activities in the near future.

DIRECTORS

Mr. Bakul Mehta and Mr. Pranav Parikh are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. None of the Directors of the company are disqualified under section 274(1) (g) of the Companies Act, 1956 from being appointed as a Director of any other public company. The Board recommends their reappointment for your approval.

Brief resumes of the above Directors, nature of their expertise in specific functional areas and names of the Public Limited Companies in which they hold Directorships and Memberships / Chairmanships of Committees of the Board and their shareholding in the Company, as stipulated under Clause 49 of the Listing Agreement are given in the Report on Corporate Governance forming part of the Annual Report

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, the Directors confirm that:

- a) In the preparations of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
- b) Appropriate accounting policies have been selected and applied consistently and such judgments & estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the Profit of the Company for the accounting year ended on that date;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts of the Company have been prepared on a going concern basis.

RISK MANAGEMENT

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. The Company's raw material is old ship, which is purchased from the international market on credit ranging upto 180 days to 360 days. Though the Company is not hedging or covering the foreign exchange requirement, the Company is regularly monitoring the foreign exchange movement and suitable remedial measures are taken as and when felt necessary. Though the Company is employing such measures, the Company is still exposed to the risk of any foreign exchange fluctuation.

Likewise, the Company's finished products are mainly re-rollable scrap generated from ship breaking and the price of the same is linked to the market rate for iron and steel. Any ups and downs in the price of the iron and steel will affect the profitability of the Company. The Company keeps a watch on the movement of scrap prices and accordingly decides its policy regarding purchase of ships and sale of scrap.

DISCLOSURES UNDER SECTION 217(1) (d) OF THE COMPANIES ACT, 1956

Except as disclosed elsewhere in this report, following material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year and the date of this report:

1. The Company enlisted its Equity Shares through its Initial Public Offer ("IPO") aggregating to ₹ 25.75 crore through 100% book building process by issuing 64, 38,227 Equity Shares. The IPO was fully subscribed and the Issue Price of the IPO was fixed at Rs. 40/- per share including premium of Rs. 30/- per share. The allotment of 64,38,227 Equity Shares was made on June 10, 2011 in accordance with the Basis of Allotment approved by the Bombay Stock Exchanges and the equity shares were listed on BSE on July 14, 2011.
2. Sale of Speed Boat known as "Kalptaru":-

The Company has sold the Speed Boat known as "Kalptaru" as per the sale confirmation letter dated April 2, 2011 for total consideration of ₹ 99.75 Lacs including VAT of ₹ 4.75 Lacs. The sale of Speed Boat will not have major effect looking to overall operations of the Company.



STATUTORY INFORMATION

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 related to Conversation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo for the financial year ended 31st March 2011 are given in Annexure - I attached hereto and forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

As required under the provisions of Clause 49 (IV) (f) of Listing Agreement, a detailed review of the operations, performance and future outlook of the Company and its business is given in the Management's Discussion and Analysis Report which form of this Report as Annexure - II.

PARTICULARS OF EMPLOYEES

There are no employees in the Company whose particulars are required to be provided under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

CORPORATE GOVERNANCE REPORT

We adhere to the principal of Corporate Governance mandated by the Securities and Exchange Board of India (SEBI) and have implemented all the prescribed stipulations. As required by Clause 49 of the Listing Agreement, a detailed report on Corporate Governance forms part of this Report as Annexure - III. The Auditors' Certificate on compliance with Corporate Governance requirements by the Company is attached.

TRANSFER TO RESERVES IN TERMS OF SECTION 217 (1) (B) OF THE COMPANIES ACT, 1956

For the financial year ended 31st March, 2011, the Company had not transferred any sum to Reserves except ₹ 10.62 Lacs under Tonnage Tax Reserve Account.

AUDITORS

The present Statutory Auditors of the Company, M/s. K. Solanki & Co., Chartered Accountants, Ahmedabad, retire as Statutory Auditors at the conclusion of this Annual General Meeting. They are eligible for re-appointment and the Company has received a Certificate from them that their re-appointment, if made, would be within the limits under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such an appointment within the meaning of sub-sections (3) and (4) of Section 226 of the Companies Act, 1956. Their reappointment is recommended by the board.

AUDITORS' REPORT

Notes to the accounts, as referred in the Auditors Report, are self-explanatory and therefore do not call for any further comments and explanations.

FIXED DEPOSITS

During the year ended on 31st March 2011, the Company has not accepted any Fixed Deposits from public under Section 58A & 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

CAUTIONARY STATEMENT

Statements in the Directors Report and the Management discussion & Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global & domestic demand and supply conditions affecting selling prices, new capacity additions, availability of critical materials and its cost, changes in government policies and tax laws, economic development of the country and such other factors which are material to the business operations of the Company.

ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude, the commitment and dedication of the employees, their untiring personal efforts and collective contributions at all levels that has led to the growth and success of the Company. The Directors would also like to thank other stakeholders including banks and business associates who have continued to provide support and encouragement to the Company.

For and on Behalf of Board of Directors

Place : Bhavnagar
Date : August 9, 2011

Ajitkumar Jain
Managing Director

ANNEXURE – I TO DIRECTORS’ REPORT

Information as per Section 217 (1) (e) read with the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors’ Report for the year ended on 31st March 2011.

A CONSERVATION OF ENERGY

- a) Energy conservation measure taken : In the ship breaking and offshore activities carried out by the Company, the energy consumption is Negligible, and does not require any specific energy conservation measures.
- b) Additional investment and proposal if any being implemented for reduction in consumption of energy. : No material consideration looking to the business of the Company
- c) Impact of the measures at (a) & (b) on energy consumption & consequent impact on the cost of production. : N.A.
- d) Total energy consumption and energy consumption per unit of production : Nil

B TECHNOLOGY ABSORPTION:-

The Company is engaged in the business of breaking of old and used ships and in the business of off-shore segment. No material Research & Development is carried out in any specific area and therefore no details are furnished on matters related to Technology Absorption.

C. FOREIGN EXCHANGE EARNING & OUTGO

- 1. Activities relating to export initiatives taken to increase exports, development of new markets for products and services and export plans : NIL
- 2. During the year, the Company earned / spent foreign exchange as under :-
 - Earnings : ₹ 395.97 Lacs
 - Outgo : ₹ 8272.97 Lacs

**MANAGEMENT DISCUSSION AND ANALYSIS****DISCLAIMER STATEMENT**

Certain statements in this report on Management Discussion and Analysis may be forward looking statements and have been issued in terms of the applicable security laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed in the statements or implied due to the influence of external and internal factors, which are beyond the control of the Company. The Company assumes no responsibility in respect of forward looking statements, which may be amended or modified in future on the basis of subsequent developments, information's or events.

BACKGROUND

VMS Industries Ltd was originally incorporated on December 2, 1991 as a Private Limited Company in the name and style of "Varun Management Services Pvt. Ltd" by its Promoters. The Company acquired a Ship Breaking Plot in the year 2007 and to reflect the business of the Company the name was changed to "VMS Industries Pvt. Ltd". The constitution of the Company was changed to Public limited Company with effect from January 29, 2010 and consequently the name was changed to "VMS Industries Limited".

BUSINESS OVERVIEW:

Our present business mainly consists of two business segments:-

1. Ship Recycling Activities:-

During the year 2004, Gujarat Maritime Board auctioned vacant plots and under open bid we have been allotted vacant Plot No. 160 at Alang-Sosiya Ship Breaking Yard admeasuring 1350 sq. meter on a lease basis. However, our Company could not start ship breaking activities due to change in policy for ship recycling plant, requiring higher size (2700 sq mtrs) of plot and therefore we could not get permission for utilization of plot from GMB. Meanwhile, in the year 2007, the plot size was enlarged to 2700 sq. meter as per the instructions given by the Inter Ministerial Committee constituted by Hon. Supreme Court, by merging the adjoining Plot No. 159 and our Company was permitted to use the merged Plot No. 160M for a period of 5 years and subject to renewal thereafter.

We started the ship recycling activity during the financial year 2009-10 and purchased total Eleven (11) ships for our ship recycling activities till date, whose details are as under:-

Sr.No.	Name of the Ship	Weight (MT)
1.	Loretta D	6150
2.	Colomobo Star II	5850
3.	Madre	8150
4.	Venus Gas	3912
5.	Winco	2987
6.	MT Mar	9653
7.	Libra Gas II	3126
8.	Annoula	9749
9.	Kapadokia	11432
10.	M V Green Neptunic	2420
11.	Jamaima	6522

2. Off-shore business activities and supporting services:-

In the month of May 2008, our Company had entered into the offshore business activities & supporting services. We obtained the required registration and undertook the following activities:-

- Purchased a Tug named ADINATH – 8 which is currently operating in the open market on a hire basis.
- Purchased a Speed Boat named KALPTARU, and entered into a Charter Agreement on 26.02.2009 with GMB for patrolling under ISPS Code at Magdalla Port for a period of 1 (one) year with an extension clause of One year and the same has been extended by GMB till 5th March, 2011. In the month of April 2011, the said Speed Boat was sold-out.

3. Apart from the above two business segment, the Company is also Partner in M/s Eternal Automobiles (dealer of Honda Two Wheeler) in Bhavnagar. The current profit sharing ratio of the Company is 80 % and the balance 20 % are with Promoter Group and their Relatives.

INDUSTRY OVERVIEW:-

1. SHIP BREAKING INDUSTRY:-

Overview

Ship breaking is a type of disposal of ship involving the breaking up of ships for scrap recycling, with the hulls being discarded in ship graveyards. Ship breaking is a typical activity, which adds value through a 'demolition' process. Most ships have a lifespan of a few decades before there is so much wear that refitting and repair becomes uneconomical. When a ship goes uneconomic / unsafe as per standards of safety to operate, it is sent for demolition to ship breaking yards. Ship breaking allows materials from the ship, especially steel, to be reused. Equipment on board of the vessel can also be reused. The contribution of the ship breaking yards is to generate value out of unusable ships by segregating it into various components that have their own economic value by subjecting it to a systematic demolishing process.

Until the late 20th century, ship breaking took place in port cities of industrialized countries such as the United Kingdom and the United States. Today, most ship breaking yards are in Pakistan, Bangladesh, and India. Turkey performs just a handful of demolitions each year. Though western countries have developed superior technologies, which result into high productivity, Asian countries have come up a low cost proposition for two reasons. One, relatively the manpower is very cheap in these countries. So even at a lower productivity rate, operations in these countries prove to be relatively cheaper. Second, western countries have very high standards of safety, which calls for costly measures for ensuring safety

The reasons behind ship breaking/ recycling being carried out in these countries are as follows:

- (1) Cheap and abundant labour;
- (2) Vast coastal area with good and favorable tidal impact; and
- (3) Management ability.

Primarily India occupied the first position in the world, but with the passage of time the same was replaced by China

Global Scenario

At present, the global economic integration continues to accelerate and promote international trade. With the shipping industry booming and the continuous growth in global fleets, the number of retired vessels have considerably increased. UNCTAD, "World Ocean Assessment Report", issued in 2008 points out that in 2007 the world's shipping volume reached a record of more than 80 million tons. As of January 2008, the global registration of 100 gross tonnage and above, the total number of merchant shipping 97481, with a total capacity of 11.2 million dwt, 100 every year and have been dismantling decommissioned ships.

China is one of the world's major ship-breaking industry. Since the 20th century, the emergence of organized 60 years of ship-breaking activities began; China's ship-breaking industry has gone through a 40 year course of development. China's ship-breaking enterprises to actively advocated scrapping the green, in the dismantling of production activities, basically the safety, environmental protection, health, some enterprises have passed the international environmental management system and occupational safety and health management system certification; Some enterprises have already or will be included in national and local development of circular economy pilot projects, and has become internationally influential first-class ship-breaking business, and environmental protection in developed countries has been a strong sense of the favour of international ship owners in recent years. (Source: www.eckhardt-marine.com)

Ship Recycling At Alang, Bhavnagar (Gujarat)

1. Alang has a very high inter-tidal gradient. This enables the ship to beach right at the shore during high tide and when the tide recedes the ship stands almost at a dry-dock. This not only makes work easy but also makes easy in terms of collecting the valuables and the waste items from the sand. Usually heavy items are dropped into the sea-water during high tide and this minimizes damage.
2. Due to high tidal gradient, larger ships can come straight into the shore. This reduces the total working time on each ship.
3. Since the beach is sandy, the heavy items do not sink in the mud and similarly the hazardous waste matter such as paint and other heavy metal and other deposits do not leach into the soil.
4. At Alang, due to the fact that ships are beached just on the threshold of the plot, dismantling takes place in controlled conditions.
5. The rainfall is mild and work can be carried out throughout the year.

6. Due to the relatively moderate rainfall and shelter from strong tides and winds and also because of the absence of rocks around the area, the Alang yard can recycle smaller ships easily. Therefore, the numbers of ships that can come to this yard are many. In contrast, Gaddani in Pakistan and Chittagong in Bangladesh have strong winds and strong tides respectively and hence they can only demolish very large vessels. Chinese seacoast has typhoons all through the monsoon season and hence ship recycling cannot go throughout the year in an uninterrupted manner. **(Source: www.sriaindia.com)**

Outlook

The ship recycling activities create economic opportunities for thousands of labourers and contribute to the economic growth of regions. The average life of a ship is about 27 years. Once a ship loses its economic life, it has to be replaced with a new one. Practically 100% of the ship is recycled. Ship breaking can be claimed to be a sound sustainable industrial activity. Ship demolition remove large volumes of obsolete tonnage from fleets which otherwise require to huge monetary consideration to manage if not dismantled. As per the 2007 report of working group for ship repair industry for 11th Five Year Plan (2007-2012), the industry has the potential of ' 2440-2790 crore per year.

2. OFFSHORE INDUSTRY

India is naturally endowed with a long coastline spanning 7,517 km wherein the country's 13 major ports and around 200 non-major ports are located across nine maritime states. Of the non-major ports, around 66 are operational and these are mainly in the States of Gujarat, Andhra Pradesh, Goa and Maharashtra. Post- liberalization, the participation of private players in the port sector has been encouraging as is evident from their investments in green field commercial and captive ports and in various port related logistics and support activities.

(Source: Indian Ports & Infrastructure Review, October 2010, Volume 2: Issue 10)

Demand for Offshore Support Vessels

The demand for offshore support vessels is dependent by a number of factors that are discussed earlier, including;

- Economic activities and global oil and gas demand;
- Levels of drilling activity;
- Levels of offshore activity;
- Oil and gas prices and E&P spending;
- Location of oil fields and water depth;
- Decommissioning or refurbishment of rigs; and
- Availability of offshore support vessels.

Growth Driver

The major growth of offshore supporting vessels depends on growth of ports. The present policy of the Central Government and State Government envisage high growth in port sector as detailed below and this will result in higher growth of offshore supporting vessels.

To facilitate private sector participation, Government of India has also put in place a favorable and investor friendly policy framework. Some of the policy initiatives taken by the Ministry include:-

- 100 % foreign direct investment allowed in Shipping and Port sectors.
- The Model Concession Agreement for port projects has been simplified and this has expedited the decision making process.
- Bidding documents have also been standardized to ensure uniformity and transparency in the award of projects.
- Tariffs are being fixed upfront by the Tariff Authority of Major Ports.
- Acquisition of all types of ships has been brought under the Open General License.

As a result of these initiatives, private investment in the port sector has increased significantly over the years. About 24 PPP projects involving an investment of almost 65 billion Indian Rupees have been completed and another 19 PPP projects in major ports are under implementation, involving an investment of almost ' 125 billion. Currently 22 PPP projects are under bidding and scheduled to ward in current financial year involving an investment of almost'160 billion.

(Source: Indian Ports & Infrastructure, October 2010, Volume 2: Issue 10)

GROWTH OF THE COMPANY

The Income / Receipts from Operations for the year ended March 31, 2011 amounted to Rs. 7624.94 Lacs in comparison to Rs. 2849.10 Lacs for the previous year ended March 31, 2010. This resulted into a growth of 168 % in Turnover of the Company as compared to the last financial year ended on 31st March, 2010.

FINANCIAL RESOURCES

The Company requires additional funds to meet its Capex and Long term working capital requirements to achieve its desired future target. In view of this, the Company has raised funds from Banks in the year under review and has also made IPO in May, 2011 raising funds of Rs. 2575.00 Lacs.

OPERATIONS REVIEW

During the year under review, the driving areas of the Company were Ship Breaking unit and Off-shore unit which have achieved substantial increase in terms of Services/ Sales Turnover. The decrease in Profit in the current financial year is due to non favorable results in the last quarter of the financial year 2010-11.

As has been stated in the out-look, due to boom in the availability of old ships in the international market, the Company's ship breaking unit at Alang Ship Breaking Yard, Bhavnagar is fully operational throughout the year and sales turnover in ship breaking activities has seen a manifold increase. However due to heavy fluctuation in the rates of old ships purchased for breaking, dollar-rupee rates and also sales price of Iron and Steel products of the Company, the profit margins could not be achieved as desired. However, now the market has stabilized and taking into account the inventory level of the Company as at the year-end, it is hoped that the turnover and the profitability will see a reasonable increase in the current financial year.

RISK MANAGEMENT

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. The Company's raw material is old ship, which is purchased from the international market on credit ranging upto 180 days to 360 days. Though the Company is not hedging or covering the foreign exchange requirement, the Company is regularly monitoring the foreign exchange movement and suitable remedial measures are taken as and when felt necessary. Though the Company is employing such measures, the Company is still exposed to the risk of any foreign exchange fluctuation.

Likewise, the Company's finished products are mainly re-rollable scrap generated from ship breaking and the price of the same is linked to the market rate for iron and steel. Any ups and downs in the price of the iron and steel will affect the profitability of the Company. The Company keeps a watch on the movement of scrap prices and accordingly decides its policy regarding purchase of ships and sale of scrap

FUTURE PROSPECTUS

The business activity of Ship-breaking industry at Alang Ship Breaking Yard is likely to increase substantially in view of favorable availability of second hand ships and demand of ship-recycled material. Your Company is also optimistic that with the stabilization in price for the old ship in the international markets and in the sale price of recycled products in the domestic market, the Company will be able to improve the turnover and the profitability ratios in the coming years.

In view of modernization and expansion of various ports in Gujarat, the Company is optimistic of substantial rise in off-shore services activity. The Company is exploring possibility to increase off-shore activities in the near future.

CERTIFICATIONS

The Company had received the certification under the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 for Ship-Recycling and Off-shore activities and ISO30000:2009 for Ship-Recycling activities.

HUMAN RESOURCE DEVELOPMENT

The Company recognizes human resources as its biggest strength which has resulted in getting acknowledgement that the Company is the right destination where with the growth of the organization, value addition of individual employees is assured. The total number of employees as on 31st March, 2011 is 40.

INTERNAL CONTROL

The Company has an adequate internal control system for safeguarding the assets financial transactions of the Company. The strong internal control system has been designed in such a way that, not only it prevent fraud and misuse of the Company's resources but also protect shareholders interest.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied therein.

For and on Behalf of Board of Directors

Place : Bhavnagar
Date : August 9, 2011

Ajitkumar Jain
Managing Director

**CORPORATE GOVERNANCE REPORT****COMPLIANCE WITH CORPORATE GOVERNANCE GUIDELINES**

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

1. Company’s Philosophy:

VMS Industries Limited is committed to achieve the best standards of Corporate Governance through complete transparency in its dealings with the management, associate companies/ firms or other third parties. The Company’s policy on Corporate Governance is to make it a way of life by, inter alia, adopting superior standard of Corporate Governance practices through continual improvement of internal systems and satisfaction of employees, customers, stakeholders and society.

Corporate Governance aims at fairness, transparency, accountability and responsibility in the functioning of the Company with the ultimate objective of realizing and enhancing shareholders’ values. The Company had adopted Corporate Governance and disclosure practices even before these were mandated legislations.

2. Board of Directors

The Board of the Company has an optimum combination of Executive Directors and Non-Executive Directors – Independent Directors, which is in conformity with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges.

a) Composition of Board

The present strength of the Board is six (6) Directors, comprising of Chairman / Managing Director, one Whole Time Director, one Non Executive / Promoter Director and three Independent & Non Executive Directors. The Board Members possess the skills, expertise & experience necessary to guide the Company.

The Board comprises of the following:

Sr. No.	Name of the Director	Designation	Executive/Non Executive/ Promoter	Independent/ Non independent
1	Mr. Ajit Kumar Jain	Chairman & Managing Director	Executive Director & Promoter	Non- Independent
2	Mr. Manoj Kumar Jain	Director	Non-Executive Director & Promoter	Non- Independent
3	Ms. Sangeeta Jain	Whole Time Director	Executive Director & Promoter	Non- Independent
4	Mr. Hitesh Loonia	Director	Non-Executive Director	Independent
5	Mr. Pranav Parikh	Director	Non-Executive Director	Independent
6	Mr. Bakul Mehta	Director	Non-Executive Director	Independent

b) Board Meetings and Attendance of Directors

During the year under review, Fifteen (15) Board meetings were held, one each on the following dates:

Sl. No.	Date	Board Strength	No. of Directors present
1	3rd April, 2010	6	6
2	8th April, 2010	6	4
3	12th May, 2010	6	4
4	9th June, 2010	6	4
5	30th June, 2010	6	4
6	10th July, 2010	6	4
7	20th July, 2010	6	4
8	28th August, 2010	6	5
9	28th September, 2010	6	5
10	20th October, 2010	6	5
11	22nd November, 2010	6	5
12	20th December, 2010	6	5
13	5th January, 2011	6	5
14	1st February, 2011	6	5
15	4th February, 2011	6	5

Agenda papers containing all necessary information / documents are made available to the Board in advance to enable the Board to discharge its responsibilities effectively and take informed decisions. Where it is not practicable to attach or send the relevant information as part of Agenda Papers, the same are tabled at the meeting or / and the presentations are made by the concerned managers to the Board. Considerable time is spent by the Directors on discussions and deliberations at the Board Meetings.

The information as specified in Annexure 1A to Clause 49 of the Listing Agreement is regularly made available to the Board, whenever applicable, for discussion and consideration.

The details of the Directors with regard to the outside directorships and committee positions as well as attendance at Board Meetings/Annual General Meeting (AGM) are as follows:

Sr. No	Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance At the last AGM	No. of Directorships in other Public Companies
1	Mr. Ajit Kumar Jain	Chairman & Managing Director	11	Yes	Nil
2	Mr. Manoj Kumar Jain	Non-Executive Director	15	Yes	Nil
3	Ms. Sangeeta Jain	Whole Time Director	15	Yes	Nil
4	Mr. Hitesh Loonia	Independent & Non-Executive Director	11	Yes	Nil
5	Mr. Pranav Parikh	Independent & Non-Executive Director	6	Yes	Nil
6	Mr. Bakul Mehta	Independent & Non-Executive Director	12	Yes	Nil

The necessary disclosure regarding Committee positions have been made by all the Directors. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all companies in which they are Directors.

c) Information of Directors' Re-appointment:-

The profile of Directors who are seeking re-appointment at the Annual General Meeting are furnished below:-

Mr. Bakul Mehta aged - 58 years, designated as "Non-Executive and Independent Director" is a Bachelor of Commerce having to his credit, an experience of more than 25 years in the field of Marketing. Mr. Bakul Mehta is a member of Remuneration Committee and Shareholders / Investor Grievance Committee. He does not hold any equity shares of VMS Industries Ltd.

Mr. Pranav Parikh aged - 51 years, designated as "Non-Executive and Independent Director" is a qualified B.E (Civil) and M.I.E.. He is having around 22 years experience in the field of Consultancy and Civil Engineering. He is doing his own profession activities as an approved valuer and Chartered Engineers. Mr. Pranav Parikh is a member Audit Committee and Remuneration Committee. He does not hold any equity shares of VMS Industries Ltd.

Committee of Board of Directors of the Company

3. Audit Committee

a) Composition & Attendance:-

The Audit Committee comprises of experts specializing in accounting / financial management. The Chairman of the Audit Committee is a Non-executive and Independent Director. The composition and attendance of Audit Committee as on 31st March, 2011 is as follows:-

Name of the Members	Position	Category	Attendance
Mr.Hitesh Loonia	Chairman	Independent & Non-Executive Director	3
Mr. Ajit Kumar Jain	Member	Chairman & Managing Director	3
Mr. Pranav Parikh	Member	Independent & Non-Executive Director	3

The Company Secretary acts as a Secretary to the Committee.

The Audit Committee is constituted in accordance with the provisions of Clause 49 of the Listing Agreement and the Companies Act, 1956. All the members of Audit Committee possess knowledge of corporate finance, accounts and company law.

b) Powers & Terms of Reference:

The Power and terms of reference of the Audit Committee are as mentioned in Clause 49 II (C), (D) & (E) of the Listing Agreement entered into with the Stock Exchanges and includes overseeing the Company's financial reporting process, reviewing with the management the financial statements and the adequacy of the internal audit function and to discuss significant internal audit findings, statutory compliance issue and issues related to risk management and compliances. The CFO and the Statutory Auditors are invited to the meeting.

4. Remuneration Committee:

a) Composition & Attendance:-

The Remuneration Committee as on 31st March 2011 comprises of three members who are Independent & Non Executive Directors. The composition of Remuneration Committee as on 31st March, 2011 is as follows:

Name of the Members	Position	Category
Mr.Hitesh Loonia	Chairman	Independent & Non-Executive Director
Mr.Bakul Mehta	Member	Independent & Non-Executive Director
Mr. Pranav Parikh	Member	Independent & Non-Executive Director

During the year under review, Two (2) meeting of Remuneration Committee was held.

The Company Secretary acts as the Secretary to the Committee.

b) Terms of Reference:-

The broad terms of reference of the committee are to appraise the performance of Chairman & Managing Director and Whole Time Directors to determine and recommend to the Board compensation payable to Chairman & Managing Director, Whole Time Directors. The Remuneration policy of the Company is based on review of achievements. The remuneration policy is in consonance with the existing industry practice.

c) Remuneration Policy:-

Subject to approval of the Board of Directors and subsequent approval by the members at the Annual General Meeting and such authorities as the case may be, remuneration of Chairman cum Managing Director and Whole Time Directors is fixed by the Remuneration Committee. The remuneration is decided by the Remuneration Committee taking into consideration various factors such as qualifications, experience, expertise, prevailing remuneration in the competitive industries, financial position of the company etc.

The remuneration structure may comprises of basic salary, perquisites, allowances (fixed component), and contribution to provident fund, in accordance with the provisions of the Companies Act, 1956 and as fixed by Remuneration Committee.

d) Remuneration of Directors

Details of remuneration paid to the Directors during the year are given below: -

Name of the Director	Designation	Salary / Remuneration
Mr. Ajit Kumar Jain	Chairman & Managing Director	₹ 3,00,000
Ms. Sangeeta Jain	Whole Time Director	₹ 12,00,000

No payments are made to Non-Executive Directors towards remuneration.

e) Number of Shares held by Independent & Non- Executive directors

Details of Shareholding of Independent & Non-Executive Directors are as follows:

Name of the Director	No. of Equity Shares held on 31st March, 2011
Mr. Hitesh Loonia	5000

5. Shareholders' / Investors' Grievances Committee:

a) Composition and attendance:-

The Board has delegated the powers to approve transfer of shares etc. to this Committee of Three (3) Directors. The quorum for functioning of the committee is any two (2) Directors present. The composition of Shareholders' / Investors' Grievance Committee as on 31st March, 2011 is as follows:-

Name of the Members	Position	Category
Ms. Sangeeta Jain	Chairman	Whole Time Director
Mr. Hitesh Loonia	Member	Independent & Non- Executive Director
Mr. Bakul Mehta	Member	Independent & Non- Executive Director

b) Terms of Reference:-

The Company has a Shareholders' / Investors' Grievance Committee, to look into redressal of Investors Complaints and requests such as delay in transfer of shares, non receipt of Dividend, Annual Report, revalidation of Dividend warrants etc.

The committee deals with various matters relating to -

- Transfer / transmission of shares.
- Issue of share certificate in lieu of lost, sub-divided, consolidated, rematerialized or defaced certificates.
- Consolidation / splitting of folios.
- Review of shares dematerialized and all other related matters.
- Investors' grievance and redressal mechanism and recommend measures to improve the level of investors' services.

The share department of the Company and Registrar and transfer agents, M/s Cameo Corporate Services Limited attends expeditiously to all grievances / correspondences of the shareholders and investors, received directly or through SEBI, Stock Exchanges, Department of Corporate Affairs, and Registrar of Companies etc. The complaints are generally resolved within 30 days of receipt of letter, except in the cases that are constrained by disputes or legal impediment.

c) Information on Investor Grievances for the period from 01st April 2010 to 31st March 2011:- NIL

d) Compliance Officer:-

Mr. Hemal Patel is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulation, 1992 and the Listing Agreements with the Bombay Stock Exchange Ltd (BSE)

6. Code of Conduct and Ethics for Directors and Senior Management

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management Personnel of the Company. A copy of the Code of Conduct is available on the Company's website www.vmsil.com

The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given below:-

"I hereby confirm that -

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the "Code of Conduct and Ethics for Board of Directors and Senior Management for the year ended on 31st March, 2011"

**Ajit Kumar Jain
Managing Director**

7. General Body Meetings:-
a) The details of last three Annual General Meetings are given as follows:

AGM	Financial year	Date	Time	Venue	No. Special Resolution Passed *
16th	2007-08	29th September 2008	17:00 PM	2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	Nil
17th	2008-09	30th September 2009	11:00 AM	B-404 Asavari Tower, Behind Wide Angle, Satellite, Ahmedabad- 380 015	1
18th	2009-10	28th April 2010	15:00 PM	2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	4

*Details of Special Resolution Passed in the respective Financial Year are as under:-

Financial Year	Special Resolution Passed
2008-09	To appoint additional director as a director of company under Section 260 of Companies Act, 1956
2009-10	Increase Remuneration of Ms. Sangeeta Jain from Existing ₹ 25000 Per Months to ₹ 1,00,000 Per Month effective From 1st April 2010 Appointment of Mr. Pranav Parikh as Director as per Section 260 of Companies Act, 1956 Appointment of Mr. Bakul Mehta as Director as per Section 260 of Companies Act, 1956 Appointment of Mr. Hitesh Loonia as Director as per Section 260 of Companies Act, 1956

All the resolutions including special resolutions set out in the respective notices were passed unanimously by the shareholders.

b) Details of Extra Ordinary General Meetings held during the year:-

No Extra – Ordinary General Meeting was held during the year.

c) No resolutions were put through Postal Ballot during the year under review.
8. Subsidiary Companies:-

The Company does have any material listed/ non-listed Indian subsidiary Company in term of Clause 49 (III) of the Listing Agreement.

9. Compliance with other mandatory requirements:-
I) Disclosures:-
a) Material significant related party transactions:-

There were no materially significant related party transaction i.e transactions of the Company of material nature with its promoters, directors or the management or relatives etc during the year that may have potential conflict with interest of the Company at large.

The related party transactions have been disclosed under Note 10 Notes to Accounts of Schedule Q forming part of the Annual Accounts.

b) Disclosure of accounting treatment:-

In the preparation of financial statements, the Company has followed the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India to the extent applicable.

c) Risk Management:-

The Company has a comprehensive and integrated risk management framework to effectively deal with uncertainty and associated risks and enhances the organization's capacity to build value. The Risk Management framework of the Company has been designed with an objective to develop a risk culture that encourages identifying risks and responding to them with appropriate actions.

d) CFO Certification:-

In line with the requirements of Clause 49 (V) of the Listing Agreement, the Company has submitted the CFO Certification, certifying to the Board inter alia that the Financial Statements and the Cash Flow Statements for the financial year ended on 31st March, 2011 were reviewed to the best of their knowledge and belief, that they do not contain any untrue statement, omit any material facts, are not misleading statements, together present a true and fair view and are in compliance with applicable laws and regulations.

e) Statutory Compliances, Penalties and Strictures:-

The Company was an unlisted Company until 31st March, 2011. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authorities for non compliance of any matter related to the Capital Markets during the last three years.

10. Means of Communication:-

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance.

- Audited Annual Result for the year ended and Unaudited Quarterly results will be published in English & Gujarati newspaper. The Company is not making any official releases and not sending half- yearly or quarterly results to the shareholders, as it is not a mandatory requirement.
- Annual Result / Quarter ended results are also posted on our website -www.vmsil.com
- The company's website www.vmsil.com contains a separate dedicated Section Investor Relation' where shareholder information is available. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.
- Quarterly results are taken on record by the Board of Directors and submitted to the Stock Exchanges in terms of the requirement of Clause 41 of the Listing Agreement.

The Management Discussion and Analysis report is attached with the Directors' Report in this Annual Report.

11. General Shareholding Information:**a) 19th Annual General Meeting:-**

Date	22nd September 2011
Day & Time	Thursday, 11:00 A.M
Venue	2nd Floor, Jain House, Opp. Vitthalwadi, Bhavnagar – 364 003, Gujarat

b) Financial Calendar :-

The Company follows the period of 1st April to 31st March, as the Financial Year

For the Financial Year 2011-12, Financial Results will be announced as per the following tentative schedule:-

1st Quarter ending June, 2011	By 14th August, 2011
2nd Quarter & Half Year ending September, 2011	By 14th November, 2011
3rd Quarter ending December, 2011	By 14th February, 2011
4th Quarter / year ending March, 2012	Within 60 days from 31st March, 2012
Annual General Meeting	By September 2012

c) Book Closure & Dividend:-

Date of Book Closure	Thursday, 15th September, 2011 to Thursday, 22nd September, 2011 (Both Day inclusive)
Dividend	No Dividend has been declared

d) Listing:-

The Shares of the Company are listed on Bombay Stock Exchange Limited (BSE) on 14th June, 2011.

e) Listing Fees to Stock Exchange:-

The Company has paid the Listing Fees for the year 2011-12 to BSE.

f) Stock Code / Symbol:-

Bombay Stock Exchange Ltd (BSE)	533427
International Securities Identification Number(ISIN)	INE932K01015

g) Stock Market Price Data for the year 2010-11

The shares of the Company are listed on Bombay Stock Exchange Ltd (BSE) on 14th June, 2011. Therefore stock market price is not given for the financial year 2010-11.

h) Registrar and Share Transfer Agents:-

Share transfers, dividend payment and all other investor related matters are attended to and processed by our Registrar and Share Transfer Agent viz. M/s Cameo Corporate Services Limited.

Cameo Corporate Services Limited

'Subramanian Building', No. 1 Club House Road, Chennai- 600 002

Phone: (0) 91-44-28460390/2846 0425, Fax: 91-44-28460129 Email: vmsipo@cameoindia.com



VMS Industries Limited

i) Share Transfer System:-

Presently, the share transfers received by the R&TA of the Company are processed and returned within a period of 30 days from the date of its receipt, subject to documents being valid and complete in all respect. The Board has delegated the authority for approving the transfers to the registrar & transfer agent subject to approval by Grievance Committee. Shareholders' Grievances and other miscellaneous correspondence on change of address, mandates, etc. received from Members are generally processed by R & TA of the Company within 30 days.

j) Outstanding GDR / ADR / Warrants or any convertible instruments, conversion date and its impact on equity:- Nil

k) Dematerialization of Shares and Liquidity:-

Presently all the equity shares have been dematerialized as on 31st March, 2011. Trading in VMS Industries Limited shares is permitted only in dematerialized form as per notification issued by the Securities and Exchange Board of India. The equity shares of VMS Industries Limited are actively traded shares on Bombay Stock Exchange Limited.

For any assistance regarding dematerialization of shares, shares transfers, transmissions, change of address, non-receipt of dividend and any other query relating to the shares of the Company, please write to the Share Transfer Agent of the Company

l) Distribution of Shareholding as on March 31, 2011:-

Category of No. of Equity Shares Held	No. of Equity Shares held	% of Share held	No. of Shares holders	% of Share holders
Up to 5000	—	—	—	—
5001 – 10000	—	—	—	—
10001 – 20000	—	—	—	—
20001 - 30000	6,000	0.06	2	4.88
30001 – 40000	4,000	0.04	1	2.44
40001 – 50000	5,000	0.05	1	2.44
50001 - 100000	1,70,000	1.69	17	41.46
100001 & above	98,50,164	98.16	20	48.78
TOTAL	1,00,35,164	100.00	41	100.00

m) Categories of Shareholders as on March 31, 2011 :-

Category	No. of Equity Shares held	% of Share held	No. of Shares holders	% of Share holders
Promoters and Promoter Group	93,25,164	92.92	6	14.63
Public Shareholding:				
Individual	7,10,000	7.08	35	85.37
Bodies Corporate	—	—	—	—
TOTAL	1,00,35,164	100.00	41	100.00

n) Workshop:-

Ship Recycling Yard
160-M, Alang- Sosiya Ship Breaking Yard, Alang-364081, Dist. Bhavnagar, Gujarat (India)

o) Address for Correspondence:-

The Compliance Officer
VMS Industries Ltd
2nd Floor "Jain House", Opp. Vitthalwadi, Bhavnagar-364003, Gujarat (India)
Email:-investor@vmsil.com, info@vmsil.com

Shareholders are requested to quote their Folio No's/ DP Id/ Client Id No. of shares held and address for prompt reply.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**To The Members of VMS Industries Limited**

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 the Listing Agreement entered into, by the Company, with the Bombay Stock Exchange Limited (BSE) on 13th June, 2011.

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 condition of corporate Governance Code. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, 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 as to the further viability of the Company, nor as to the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K. Solanki & Co.**
Chartered Accountants

(Kamlesh Solanki)

Proprietor

Firm Regn. No. 48478

Membership No. 114694W

Place : Bhavnagar
Date : August 9, 2011

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER (CFO)

To the Board of Directors of VMS Industries Ltd

Dear Sirs,

- a) I have examined the financial statements and the Cash flow statement of VMS Industries Ltd ("the Company") for the year ended on 31st March, 2011 and to the best of our knowledge and belief :
- These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading ;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into between the Company during the year which is fraudulent, illegal or violative of the Company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any and steps taken or proposed to be taken for rectifying these deficiencies.
- d) I have indicated to the Auditors and the Audit Committee:-
- Significant changes in the internal control over financial reporting during the year;
 - Significant changes in accounting policies during the year and that the same have been disclosed suitably in the notes to the financial statements;
 - Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Bhavnagar
Date : August 9, 2011

Yours truly
Ms. Nimisha Modi
Chief Financial Officer

AUDITORS' REPORT

To,
The Members of
VMS INDUSTRIES LTD

We have audited the annexed Balance Sheet of VMS INDUSTRIES LIMITED, (the 'Company') as at 31st March 2011, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'Financial Statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the Order.

Further to our comments in the Annexure referred to in paragraph (1) above, we report that:-

- a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, these financial statements dealt with by this report comply with the applicable accounting standards referred to in Sub Clause [3C] of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes thereon 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, in the case of:-
 - a) the Balance sheet, of the state of affairs of the Company as at March 31, 2011.
 - b) the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For, **K Solanki & Co.**
Chartered Accountant

Kamlesh Solanki
Proprietor
Membership No.48478
Firm Reg. No: - 114694W

Place : Bhavnagar
Date : August 9, 2011

**ANNEXURE TO THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF VMS INDUSTRIES LTD,
ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011**

(As referred in Paragraph 3 of our report of even date)

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:-

i) In respect of fixed assets:

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets have been physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals, having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) As per the records and information and explanation given to us, no substantial part of fixed assets has been disposed off during the year and it had not affected the going concern status of the Company.

ii) In respect of inventory:

- a) As explained to us, the inventories have been physically verified during the year by the management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories 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, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material. Estimation of waste is made and considered as per the management.
- iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- iv) In our opinion and as per the information and explanation given to us there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchases of raw materials, stores, fixed assets and also for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanation given to us:
- a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements, exceeding value of Rupees Five Lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time .
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public to which the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public apply.
- vii) The Company does not have any formal internal audit system but there are adequate checks and controls at all levels. The management has informed us that the steps are being taken to introduce internal audit system commensurate with the size and nature of its business.
- viii) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act. Accordingly, clause 4(viii) of the Order is not applicable to the Company.

- ix) a) The Company is generally regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues with appropriate authorities, wherever applicable to it.
- b) According to information and explanation given to us, there are no undisputed amounts payable in respect of income Tax, Sales Tax, Service Tax, customs duty and excise duty which have remained outstanding as on 31st March, 2011 for a period of more than six months from the date they become payable.
- c) According to information and explanations given to us, there are no statutory dues which have not been deposited on account of any dispute.
- x) The Company has no accumulated losses at the end of the financial year. Further, the Company has not incurred cash losses during the financial year under audit and during immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks.
- xii) According to information and explanations given to us and based on the documents and records produced before us, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore the provisions of clause 4(xii) of the Order are not applicable to the Company.
- xiii) In our opinion, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies. Therefore the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company is not generally dealing or trading in shares, securities, debentures and other investments. However, as and when the Company deals in shares and securities, proper entries are made in records maintained for the purpose. The shares are held in the name of the Company.
- xv) According to information and explanations given to us, the Company has given guarantees for loans taken by Partnership Firm where the Company is Partner, from Bank or financial institution and the terms and conditions of such guarantees are not prima facie prejudicial to the interest of the Company.
- xvi) In our opinion term loan availed by the Company during the year has been applied for the purpose for which it was raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short term basis have been used for long term assets. No long term funds have been used to finance short term assets.
- xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) In our opinion and according to the information and explanations given to us, no debentures have been issued by the Company during the year and clause 4 (xiv) of the Order is not applicable to the Company.
- xx) As informed to us, the Company has not raised any money by public issue during the year and accordingly the provisions of clause 4 (xx) of the Order are not applicable to the Company.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For, **K Solanki & Co.**
Chartered Accountant

Kamlesh Solanki
Proprietor

Place : Bhavnagar
Date : August 9, 2011

Membership No.48478
Firm Reg. No: - 114694W

BALANCE SHEET AS AT 31ST MARCH, 2011

(₹ in Lacs)

Particulars	Schedule	As At 31.03.2011	As At 31.03.2010
I. SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	"A"	1,003.52	1,003.52
Reserve & Surplus	"B"	1,212.66	1,045.47
Loan Funds			
Secured Loans	"C"	4,753.76	1,550.35
Unsecured Loans	"D"	20.31	66.07
Deferred Tax Liability (Net)		0.32	2.26
Total..		6,990.57	3,667.67
II. APPLICATION OF FUNDS			
Fixed Assets	"E"		
Gross Block		854.56	743.27
Less : Accumulated Depreciation		113.45	75.79
Net Block		741.11	667.48
Investments	"F"	0.24	0.30
Current Assets, Loans & Advances	"G"		
Inventories		3,728.79	698.56
Sundry Debtors		223.85	515.39
Cash & Bank Balances		1,035.06	875.61
Loans & Advances		1,486.67	1,030.46
Less : Current Liabilities & Provisions	"H"	6,474.37	3,120.02
Current Liabilities		190.11	46.86
Provisions		57.75	82.39
Net Current Assets		6,226.51	2,990.77
Miscellaneous Expenditure (to the extent not written off or adjusted)	"I"	22.71	9.12
Total..		6,990.57	3,667.67

Significant Accounting Policies and
Notes to Accounts forming an integral part of the Balance Sheet

"Q"

As per our report of even date.

For, **K. Solanki & Co.,**
Chartered Accountants

Kamlesh Solanki
Proprietor

Place : Bhavnagar

Date : August 9, 2011

For and on behalf of Board of Directors

Ajit Kumar Jain Managing Director

Ms. Sangeeta Jain Whole Time Director

Hemal Patel Company Secretary

Place : Bhavnagar

Date : August 9, 2011



VMS Industries Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in Lacs)

Particulars	Schedule	2010-11	2009-10
I. INCOME			
Income / Receipts from Operations	"J"	7,624.94	2,849.10
Other Income	"K"	12.60	2.05
Increase/(Decrease) in Stock	"L"	3,027.16	695.15
Total (A)		10,664.70	3,546.30
II. EXPENDITURE			
Purchases		9,698.25	2,659.03
Operational Expenses	"M"	207.31	190.72
Payment and benefit to Employees	"N"	108.55	39.05
Administrative, Selling And Distribution And Other Expenses	"O"	318.34	170.81
Financial Expenses	"P"	109.35	92.11
Total (B)		10,441.80	3,151.72
Profit Before Depreciation, Written Off & Tax (A - B)		222.90	394.58
Less: Depreciation		37.66	45.19
Less: Preliminary Expenses written off		1.11	3.11
Profit Before Tax		184.13	346.28
Add/Less: Provisions			
Provision for Income Tax		43.00	82.30
Deferred Tax Adjustments		1.93	2.26
Prior Period Items/ Adjustments		1.53	—
Excess Provisions written off / back		22.59	0.57
Profit After Tax		167.18	261.15
Balance Available for appropriation		167.18	261.15
Appropriation			
Transfer to Tonnage Tax Reserve		10.62	21.40
Balance Carried to Reserves & Surplus		156.56	239.75
Basic Earning Per Share (₹)		1.67	2.60
Diluted Earning Per Share (₹)		1.67	2.60

Significant Accounting Policies and Notes to Accounts forming an integral part of the Balance Sheet

"Q"

As per our report of even date.

For, **K. Solanki & Co.,**
Chartered Accountants

Kamlesh Solanki
Proprietor

Place : Bhavnagar
Date : August 9, 2011

For and on behalf of Board of Directors

Ajit Kumar Jain *Managing Director*

Ms. Sangeeta Jain *Whole Time Director*

Hemal Patel *Company Secretary*

Place : Bhavnagar
Date : August 9, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in Lacs)

PARTICULARS	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit for the period (Before Tax)	184.13	346.29
Adjustments for:		
Depreciation	37.66	45.19
Profit on sale of Investments	—	(0.50)
Preliminary Exp. Written off	1.11	3.11
Tax Payments	(21.61)	(15.25)
Excess Provisions Written Back	22.59	—
Prior Period Items	1.53	0.57
Operating Profit Before Working Capital Changes	41.28	33.12
Adjustments for Working Capital Changes:		
(Increase)/ Decrease in Trade Receivable	291.53	(490.75)
(Increase) / Decrease in Loans & Advances	(434.59)	(1,002.61)
(Increase)/ Decrease in Inventories	(3,030.23)	(698.41)
Increase / (Decrease) in Trade Payable & Provisions	75.60	46.85
	(3,097.69)	(2,144.92)
Net Cash Flow From Operating Activities - (A)	(2,872.28)	(1,765.51)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
(Purchase)/ Sale of Fixed Assets	(111.28)	(19.05)
(Increase)/ Decrease in Investments	0.06	1,352.42
Profit on sale of Investments	—	0.50
Preliminary Misc Expenses Capitalized	(14.70)	(10.01)
Net Cash Flow from Investing Activities - (B)	(125.92)	1,323.86
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Increase / (Decrease) in Share Capital	—	35.50
Receipts of Calls in Arrears	—	52.80
Increase in Securities Premium	—	106.50
Proceeds from Unsecured Loans	(45.75)	66.07
Proceeds from Bank Borrowing (Secured Loans)	3,203.40	938.74
Net Cash Flow from Financial Activities - (C)	3,157.65	1,199.61
D. Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	159.45	757.96
E. Cash & Cash equivalents as at the beginning of the year	875.61	117.65
F. Cash & Cash Equivalents as at the close of the year (D + E)	1,035.06	875.61

As per our report of even date.

For, **K. Solanki & Co.,**
Chartered Accountants**Kamlesh Solanki**
Proprietor

Place : Bhavnagar

Date : August 9, 2011

For and on behalf of Board of Directors

Ajit Kumar Jain Managing Director**Ms. Sangeeta Jain** Whole Time Director**Hemal Patel** Company Secretary

Place : Bhavnagar

Date : August 9, 2011



VMS Industries Limited

SCHEDULE FORMING PART OF FINANCIAL STATEMENTS

(₹ in Lacs)

Particulars	As At 31-03-2011	As At 31-03-2010
SCHEDULE - A : SHARE CAPITAL		
Authorised Share Capital		
200,00,000 (200,00,000) Equity Shares of ₹10/- each	2,000.00	2,000.00
Issued, subscribed & paid up capital		
1,00,35,164(100,35,164) Equity Shares of ₹10/- each including 50,48,554(50,48,554) Equity Shares issued as Bonus shares by capitalisation of Securities Premium and General Reserve	1,003.52	1,003.52
Total..	1,003.52	1,003.52
SCHEDULE - B : RESERVE & SURPLUS		
Securities Premium Account		
Opening Balance	698.82	1,094.08
Add: Addition during the year	—	106.50
Less: Capitalized during the year	—	501.76
	698.82	698.82
Tonnage Tax Reserve Account		
Opening Balance	35.67	14.26
Add: Addition during the year	10.62	21.40
Less: Utilised During the year	—	—
	46.29	35.67
Balance as per Profit and Loss Accounts		
Opening Balance	310.99	71.24
Add: Profit for the period	156.56	239.75
	467.55	310.99
Total..	1,212.66	1,045.47
SCHEDULE - C : SECURED LOAN		
Cash Credit Limits		
(Secured by way of Hypothecation of Vessel and its Scrap, Stock & Book debts and further secured by personal Guarantee of Promoter directors and corporate guarantee of company)	1.15	—
Letter of Credit		
(Secured by way of Hypothecation of Vessel and its Scrap, Stock & Book debts further secured by Collateral Security by way of depoist of FDR and further secured by personal Guarantee of Promoter directors and corporate guarantee of company)	4,438.15	974.31
Buyer's credit		
(Secured by way of Hypothecation of Tug and further secured by Collateral security by way of mortgage of immovable property and further secured by personal guarantee of Promoter Directors & Corporate guarantee)	256.45	483.11
Term Loans		
(Secured by way of hypothication of Speed Boat and further secured by way of mortgage of immovable property in name of Body corporate and further secured by way of personal guarantee of directors)	58.01	92.93
Total..	4,753.76	1,550.35
SCHEDULE - D : UNSECURED LOAN		
From Body Corporates	20.31	53.69
From Others	—	12.38
Total..	20.31	66.07

SCHEDULE - E : FIXED ASSETS :-

(₹ in Lacs)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION FUND				NET BLOCK	
		As on 1.4.2010	Addition during the year	Deduction during the year	Total As on 31.03.2011	As on 1.4.2010	Addition during the year	Deduction during the year	Total As on 31.03.2011	As On 31.03.2011	As on 31.3.2010
1	Shed & Building	4.69	—	—	4.69	0.17	0.60	—	0.77	3.92	4.52
2	Plant & Machinery	30.53	29.34	—	59.87	1.71	6.65	—	8.36	51.51	28.82
3	Computer & Software	5.93	—	—	5.93	5.33	0.06	—	5.39	0.54	0.60
4	Office Equipment	1.41	0.38	—	1.79	0.28	0.08	—	0.36	1.43	1.13
5	Furniture & Fixtures	4.75	—	—	4.75	1.33	0.31	—	1.64	3.11	3.42
6	Electric Installation	0.25	—	—	0.25	0.02	0.07	—	0.09	0.16	0.23
7	Vehicles	3.02	0.85	—	3.87	0.64	0.35	—	0.99	2.88	2.38
8	Speed Boat	128.07	22.81	—	150.88	7.61	7.32	—	14.93	135.95	120.46
9	Tug - Adinath	564.62	34.89	1.56	597.95	58.70	21.50	—	80.20	517.75	505.92
10	Gas Cylinders	—	24.58	—	24.58	—	0.72	—	0.72	23.86	—
	Total	743.27	112.85	1.56	854.56	75.79	37.66	—	113.45	741.11	667.48
	As At 31st March, 2010	762.50	19.05	38.26	743.27	30.60	46.58	1.39	75.79	667.48	731.89

(₹ in Lacs)

Particulars	As At 31-03-2011	As At 31-03-2010
SCHEDULE-F: INVESTMENT		
Long Term (Unquoted - At cost)		
Units of Mutual Fund	—	0.10
Government Securities	0.24	0.20
Total..	0.24	0.30
SCHEDULE-G :CURRENT ASSETS, LOANS & ADVANCES		
Inventories (Taken as valued and certified by the Management)	3,728.79	698.56
Sundry Debtors (Unsecured and considered good, unless otherwise stated)		
- Outstanding for more than six months	66.81	—
- Other debts	157.04	515.39
	223.85	515.39
Cash & Bank Balances		
Cash on Hand	18.66	22.99
Balance with Scheduled Banks	—	—
- In Current Accounts	490.80	68.55
- In Fixed Deposit Accounts	525.60	784.07
	1,035.06	875.61
Loans And Advances (Unsecured and considered good, unless otherwise stated)		
Advances receivable in cash or kind or for value to be received	849.92	629.70
Advance Tax	21.61	21.23
Security Deposits	49.19	99.57
Other Advances	7.61	1.60
Advance to suppliers	558.34	278.36
	1,486.67	1,030.46
Total..	6,474.37	3,120.02



VMS Industries Limited

(₹ in Lacs)

Particulars	As At 31-03-2011	As At 31-03-2010
SCHEDULE-H: CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	44.30	8.66
Advance from Customers	29.63	6.29
Advance against sale of Capital Goods	60.00	—
Other Liabilities	56.18	31.91
	190.11	46.86
Provisions		
Provision for Tax	43.00	82.30
Provision for Employee Benefit	14.74	—
Other Provisions	0.01	0.09
	57.75	82.39
Total..	247.86	129.25

SCHEDULE -I : MISCELLANEOUS EXPENDITURE
(to the extent not written off or adjusted)

(₹ in Lacs)

Particulars	Balance as at April 1, 2010	Additions during the year	Written Off/(back)	Balance as at March 31,2011
Preliminary Exp.	1.11		1.11	—
Public Issue Exp.	8.00	12.71	(2.00)	22.71
Total..	9.11	12.71	(0.89)	22.71

(₹ in Lacs)

Particulars	As At 31-03-2011	As At 31-03-2010
SCHEDULE -J: RECEIPTS / INCOME FROM OPERATIONS		
Sales	7,275.97	2,511.29
Receipts from Off shore business	216.49	285.07
Share of Profit from Partnership Firm	1.50	5.12
Interest on Bank Fixed Deposits and Others (TDS ₹ 1265543/-)	130.98	47.62
Total..	7,624.94	2,849.10
SCHEDULE -K : OTHER INCOME		
Foreign Exchange Fluctuations	5.06	—
Gain on Sale of Shares/MF	—	0.50
Other Miscellaneous Income	7.54	1.55
Total..	12.60	2.05
SCHEDULE -L : INCREASE / (DECREASE) IN STOCK		
Closing Stock	3,722.46	695.30
Less: Opening Stock	695.30	0.15
	3,027.16	695.15

Particulars	As At 31-03-2011	As At 31-03-2010
SCHEDULE -M: OPERATIONAL EXPENSES		
Power, Fuel, Gas and Water	169.49	118.66
Repair & Maintenance		
- Plant & Machinery	6.63	36.12
- Other	0.20	—
Stores and Spares Consumed	20.05	13.08
Excise Duty / Service Tax	0.79	—
Other Manufacturing Exp	10.15	22.86
Total..	207.31	190.72
SCHEDULE -N : PAYMENT AND BENEFIT TO EMPLOYEES		
Salary, Wages and Bonus	79.48	33.17
Contribution to Provident and other Funds	7.59	2.27
Director Remuneration	16.60	2.48
Staff Welfare	0.07	—
Others	4.81	1.13
Total..	108.55	39.05
SCHEDULE -O : ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES		
Travelling & Conveyance expenses	5.49	9.07
Fee, Survey Tender & Subscription	7.60	9.98
Selling & Distribution Expense	7.42	5.25
Insurance	3.36	4.07
Legal and Professional Expenses	9.48	5.20
Rent, Rates & Taxes	12.75	3.51
Donation	0.25	0.46
Upset Premium Exp. Write off	18.20	18.18
Sales Tax Exp	213.14	80.18
Manning Charges	33.73	31.83
Waste Disposal Exp	2.88	1.33
Office Expense	3.81	1.68
Miscellaneous Expenses	0.23	0.07
Total..	318.34	170.81
SCHEDULE -P : FINANCIAL EXPENSES		
Interest on Term Loan	16.29	23.12
Interest on Working Capital	22.70	4.41
Interest to Others	14.18	8.67
Bank Charges	56.18	55.91
Total..	109.35	92.11



SCHEDULES "Q": SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

- a) The financial statements have been prepared and presented under historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") as notified as per the Companies Accounting Standards (Rules), 2006 to the extent applicable and with the relevant provisions of the Companies Act, 1956.
- b) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

2. Use of Estimates:-

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and reported amount of revenues and expenses for the year. Actual results could differ from these estimates. Difference between the actual result and estimates are recognized in the period in which the results are known/ materialized. Any revision to an accounting estimate is recognized prospectively in the year of revision.

3. Revenue Recognition :-

Sale of goods is recognized on dispatch to the customers. Sales are inclusive of all duties and taxes. Income/Expenses are accounted for on accrual basis and provisions are made for all known expenditure. The revenue from services is recognized on mercantile basis.

The Upset Premium paid for recycling plot at the time of its allotment is accounted for as deferred revenue expenditure and is charged to Profit & Loss Account proportionately based for balance period of its use as per allotment agreement.

4. Fixed Assets:-

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use. Borrowing cost directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use is capitalized. Expenditure relating to fixed assets is added to cost only when the same involved modification of work and whereby it can increase the life of the assets.

5. Depreciation:-

- Depreciation has been provided on the Straight Line Method at the rate specified in Schedule – XIV of the Companies Act, 1956.
- Depreciation has been provided on pro-rata basis for both assets acquired and sold during the accounting period.

6. Inventories:-

The Finished goods are valued at lower of cost or net realizable value. Consumable Stores & Spares are written off at the time of purchase itself. No accounting is done for the invisible waste resulting during recycling process of ships.

In ship recycling unit, the weight of the ship purchased is accounted in terms of LDT/MT of the ship at the time of its construction. Ascertaining of weight of the ship at the time of purchase is not possible due to its nature and size. There is loss of weight on account of corrosion and other factors during the usage of ships and its voyage for about 20 to 30 years. Inventory at the close of the year is ascertained by reducing the weight of the scrap sold together with the estimated wastage during cutting process.

7. Investments:-

Investments of long term nature are valued at cost. The company has investment in partnership firm M/s. Eternal Automobiles as partner. Current investments are carried at the lower of cost or fair value.

8. Retirement Benefits:-

Liability for employee benefits, both short and long term, for present and past services which are due as per terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" as notified by the Companies (Accounting Standards) Rules, 2006

a) Gratuity

The management is of the opinion that since none of the employees of the company were in continuous service of more than five years and accordingly making provision of the gratuity does not arise. However, if payment on account of gratuity arises due to happening of any incidents as provided under the applicable provisions of the law, the same will be accounted for on cash basis.

b) Pension

The management is also of the opinion that the payment under Pension Act is not applicable to the Company.

c) Provident Fund

Contribution to Provident Fund is recognized and accounted for on accrual basis.

9. Taxes on Income:-

a) Current Tax

The current charge for income tax is calculated in accordance with the relevant provisions as prescribed under the Income Tax Act, 1961. The company's partial activities are eligible for tonnage tax benefit under section 115 V of the Income Tax Act, 1961 and accordingly the provision for taxation has been made after considering the provisions of Chapter XII-G of the Income Tax Act, 1961.

b) Deferred Tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date.

10. Excise Duty and Cenvat:-

Excise Duty is payable on the assessed value of ship determined by the departmental authorities and is payable under the head Cenvat before beaching of the ship. The excise duty is collected on sales and is adjusted against the Cenvat available and excess duty payable is recognized as revenue expenditure.

11. Borrowing Cost:-

Borrowing Cost, if any, is attributable to acquisition or construction of qualifying assets and is capitalized as part of the cost of such assets up to the date when such asset is ready for its intended use. Other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

12. Foreign Currency Transaction:-

- a) The Company is exposed to currency fluctuations on foreign currency transactions. Transactions denominated in foreign currency are recorded at the original rates of exchange in force / notional determined exchange rates at the time the transactions are effected. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.
- b) In case of forward contracts, if any, the difference between the forward rates and the exchange rates on the transaction dates is recognized as income or expenses over the lives of the related contracts. The profit/loss arising out of the cancellation or renewal of forward exchanges contracts are recorded as income/expense for the period.
- c) Monetary assets and liabilities relating to foreign currency transactions are stated at exchange rate prevailing at the end of the year and exchange difference in respect thereof is charged to Profit and Loss Account except foreign exchange loss/gain on reporting of long – term currency monetary items used for depreciable assets, which are capitalized.

13. Provision, Contingent Liabilities and Contingent Assets:-

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized in the books of accounts and disclosed as notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

14. Discontinuing Operation:-

The Company has discontinued operations of its Gas Division namely "Varun Gas" located at Sihor, GIDC, Bhavnagar in the year 1997. The said division has no reportable operations as per Accounting Standard – 24.

15. Impairment of Assets:-

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the cash generating unit to which the assets belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

16. Miscellaneous Expenditure:-

a) Preliminary Expenditure:-

Written off over a period of five years or the period over which the benefit of the expenditure is expected to be derived.

b) Public Issue Expense:-

The treatment of public issue expenses will be determined after completion of the public issue and the same are shown under the head Miscellaneous Expenditure - to the extent not written off in the Balance Sheet.

17. Segment Reporting:-

The Company is operating its business unit wise, and according to the nature of the business, Incomes and Expenditure are recognized in segments representing one or more strategic business units that offer services of different nature.

B. NOTES ON ACCOUNTS: -
1. Commitments and Contingent Liabilities:-

(₹ In Lacs)

Sr. No	Particulars	As at 31st March, 2011	As at 31st March, 2010
I.	Claims against the Company not acknowledged as debts	Nil	Nil
II.	Bank Guarantee	8.42	63.62
III.	Corporate Guarantee for Partnership Firm	234.00	165.84

2. Fixed Deposit Under Lien:-

(₹ In Lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Fixed Deposits under lien with bank for Bank Guarantee, Letter of Credit and Others	525.20	783.67

3. Foreign Currency Earning / Expenditure:-

(₹ In Lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Earnings	395.97	62.84
Expenditure		
CIF Value for Import of Ship for Recycling Business	8272.97	2382.01
Foreign Travelling Expenses	0.77	3.46
Advance for Purchase of Equipments	Nil	4.50

4. Particulars of Managerial Remuneration:-

(₹ In Lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Directors' Remuneration	16.60	2.48

5. Auditors Remuneration:-

Particulars	As at 31st March, 2011	As at 31st March, 2010
Audit Fee (Statutory Fees)	₹ 29,500	₹ 31,000

6. Deferred Taxation:-

(₹ In Lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Opening Deferred Tax Liability	(2.26)	0.00
Add: Difference between book WDV and WDV as per Income Tax Act, 1961	1.94	(5.91)
Deferred Assets on Carried forward Unabsorbed Depreciation	0.00	3.65
Closing Deferred Tax Liability	(0.32)	(2.26)

7. Micro, Small and Medium Enterprises Development Act, 2006

- a) Based on the information available with the company in respect of MSME (as defined in the Micro Small & Medium Enterprise Development Act, 2006) there are no delays in payment of dues to such enterprises during the year.
- b) Companies has send letter to suppliers to confirm whether they are covered under Micro, Small and Medium Enterprises Act, 2006. As on date, the Company has not received confirmation from any suppliers who have registered under the “Micro, Small and Medium Enterprise Development Act, 2006” and hence no disclosure has been made under the said Act. And on the basis of information available with the Company there are no such parties in respect of MSME. This has been relied upon by the auditors.

8. Earning Per Share:-

The Company reports basic and diluted earnings per share in accordance with Accounting Standard issued by the Institute of Chartered Accountant of India. Basic earnings per share are computed earnings per share are computed by dividing the net profit for the year by the Weighted Average Number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year by weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where results are anti-dilutive. Statement showing the computation of EPS is as under”-

Particulars	As at 31st March, 2011	As at 31st March, 2010
Net Profit as per Profit & Loss Account (₹ in Lacs)	₹ 167.18	₹ 261.15
Number of Shares Outstanding during the year	1,00,35,164	1,00,35,164
Weighted Average Number of Equity Shares Outstanding during the year	1,00,35,164	94,09,834
Basic Earning Per Share	₹ 1.67	₹ 2.60
Diluted Earning Per Share	₹ 1.67	₹ 2.60

9. Depreciation:-

The Company has provided Depreciation on the Straight Line Method on its Gas Division for the last five accounting years amounting to ₹ 5.07 Lacs to comply with the Accounting Standard issued by the Institute of Chartered Accountant of India.

10. Related Party Disclosures:-

- a) Transactions with Related Parties as specified under Accounting Standard – 18 issued by the Institute of Chartered Accountant of India-

Enterprises over which Key Managerial Personnel exercises significant influence	Eternal Automobiles – Partnership Firm where Company is Partner
	Jain Seth & Co – Partnership Firm where KMP is Partner
	Manoj Kumar Jain HUF
	Eternal Motors Pvt. Ltd – Enterprise over which Director’s Relative exercises significant influence

Key Managerial Personnel (KMP) on the Board

Mr. Ajit Kumar Jain	Managing Director
Smt. Sangeeta Jain	Whole Time Director
Mr. Manoj Kumar Jain	Director – Non Executive



VMS Industries Limited

Relatives of Key Managerial Personnel

Mr. Varun Manoj Jain	Son of Whole Time Director
Mr. Vaibhav Manoj Jain	Son of Whole Time Director
Smt. Sushma Ajit Jain	Spouse of Managing Director
Mr. Subhod Ajit Jain	Son of Managing Director
Mr. Naveen Ajit Jain	Son of Managing Director
Smt. Ritu Rajeev Agrawal	Daughter of Managing Director

b) Particulars of Related Party Transactions:-

(₹ In Lacs)

Particulars	Volume of Transaction		O/S Receivable		O/S Payable	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Advances towards future supplies						
Eternal Motors Pvt. Ltd	Nil	Nil	20.00	Nil	Nil	Nil
Subodh Jain	Nil	Nil	12.00	Nil	Nil	Nil
Capital in Partnership Firm						
Eternal Automobiles			Nil	Nil	25.61	19.33
Interest Paid						
Key Managerial Personnel						
- Mr. Ajit Kumar Jain	Nil	0.21	Nil	Nil	Nil	Nil
Relative of KMP						
- Smt. Sushma Jain	Nil	0.06	Nil	Nil	Nil	Nil
Directors Remuneration						
Key Managerial Personnel						
- Mr. Ajit Kumar Jain	3.00	Nil	Nil	Nil	1.90	Nil
- Smt. Sangeeta Jain	12.00	2.48	Nil	Nil	Nil	Nil
Purchase of Fixed Assets						
Jain Seth & Co.	Nil	2.50	Nil	Nil	2.50	2.50
Rent Paid						
Key Managerial Personnel						
- Smt. Sangeeta Jain	1.20	Nil	Nil	Nil	Nil	Nil
Corporate Guarantee to Banks for Bank Limits where Company is Partner Eternal Automobiles	234.00	165.84	N.A	N.A	N.A	Nil

11. Segment Information:-

Based on Accounting Standard 17, issued by the Institute of Chartered Accountant of India, the Company's primary business segment is Off-shore, Ship Recycling, Financial Income and Other Income, whose details are as under:

(₹ In Lacs)

Particulars	Off-shore	Ship Recycling	Others	Total
Segment Income	348.88 (324.48)	7304.69 (2518.93)	8.10 (7.17)	7661.67 (2850.58)
Segment Expenses	179.49 (149.00)	7259.28 (2307.00)	0.00 (0.00)	7438.77 (2456.00)
Depreciation	29.55 (44.87)	2.02 (0.32)	6.09 (0.00)	37.66 (45.19)
Segment Results	139.84 (130.61)	43.39 (211.61)	2.01 (7.17)	185.24 (349.39)
Un- allocable Exp				1.11 (3.11)
Net Profit Before Tax				184.13 (346.28)
Segment Assets	2752.97 (2084.59)	4470.94 (1691.57)	14.52 (20.76)	7238.43 (3796.92)
Segment Liability	145.12 (51.72)	102.74 (70.79)	0.00 (6.74)	247.86 (129.25)
Capital Expenditure incurred during the year	58.93 (5.19)	53.92 (13.85)	0.00 (0.00)	111.29 (19.04)

Note: - Previous Year figures are shown in Bracket

12. Capacity & Production:-

The Company is engaged in Ship Recycling and Off-shore activities. The ships recycling activity consists purchase of ships and its dismantling and since it does not have any consumption of raw material and therefore no details are furnished for Raw Material Consumption and Production. The off-shore activities are in the nature of service industry. In view of above nature of business activities, the installed Capacity cannot be ascertained.

13. Particulars of Opening Stock, Purchases, Sales & Closing Stock:-

Description	Unit	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
		Quantity	Value in (₹ In Lacs)	Quantity	Value in (₹ In Lacs)
Opening Stock	MT	4771.110	695.15	Nil	Nil
Purchases	MT	40859.477	9698.25	20160.540	2659.03
Sales	MT	27855.438	7275.97	13850.490	2511.28
Closing Stock	MT	14680.100	3722.47	4771.110	695.15

14. Value of Stores and Spares Consumed:-

Particulars	2010-11		2009-10	
	Consumption (₹ In Lacs)	% of Total Consumption	Consumption (₹ In Lacs)	% of Total Consumption
Total Consumption	20.04	100 %	13.07	100 %
Imported	Nil	Nil	Nil	Nil
Indigenous	20.04	100 %	13.07	100



VMS Industries Limited

15. CIF Value of Imports:-

(₹ In Lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
- Purchase of Ships	8272.97	2382.01

16. In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value of realization equivalent to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made in the accounts for all the known liabilities.
17. The balance of Sundry Creditors, Sundry Debtors, and Loans & Advances are unsecured, considered good and reconciled from subsequent transaction and/ or confirmations are obtained.
18. Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.
19. Information required in terms of part IV to schedule VI of the Companies Act, 1956 is attached

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number	U74140GJ1991PLC016714
State Code	04
Balance Sheet Date	31-03-2011

II. Capital raised during the year (₹ In Lacs)

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL

III. Position of mobilization and Deployment of Funds:- (₹ In Lacs)

Total Liabilities	6990.57
Total Assets	6990.57

(₹ In Lacs)

Sources of Funds

Paid Up Capital	1003.52
Reserves and Surplus	1212.66
Secured Loans	4753.76
Unsecured Loans	20.31
Deferred Tax Liability	0.32

Application of Funds

Net Fixed Assets	741.11
Investments	0.24
Net Current Assets	6226.51
Miscellaneous Expenditure	22.71

IV. Performance of the Company (₹ In Lacs)

Total Income	7637.54
Total Expenditure	7453.41
Profit / (Loss) Before Tax	184.13
Profit / (Loss) After Tax	167.18
Earning Per Share	₹1.67

V. Generic Names of principal products / services of the Company

Item Code No. (ITC Code) (As per Monetary Terms)	Product Description
72042909	Non Alloy Steel Melting Scrap

As per our report of even date.

For, **K. Solanki & Co.,**
Chartered Accountants

Kamlesh Solanki
Proprietor

Place : Bhavnagar
Date : August 9, 2011

For and on behalf of Board of Directors

Ajit Kumar Jain Managing Director

Ms. Sangeeta Jain Whole Time Director

Hemal Patel Company Secretary

Place : Bhavnagar
Date : August 9, 2011



VMS INDUSTRIES LIMITED

Registered Office : 2nd Floor, "Jain House", Opp. Vitthalwadi, Bhavnagar-364003

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Joint shareholders may obtain additional Attendance Slip on request at the venue of the meeting.

D.P. Id* []

Master Folio No. []

Client Id* []

NAME AND ADDRESS OF THE SHAREHOLDER:

No. of Share(s) held :

I/We hereby record my/our presence at the 19th [Nineteenth] ANNUAL GENERAL MEETING of the Company held on Thursday , 22nd day of September 2011 at 11.00 hours at 2nd Floor 'Jain House'.Opp.Vitthalwadi Bhavnagar-364003.

Signature of the shareholder or proxy

*Applicable for investors holding shares in electronic form.

VMS INDUSTRIES LIMITED

Registered Office : 2nd Floor, "Jain House", Opp. Vitthalwadi, Bhavnagar-364003

PROXY FORM

D.P. Id* []

Master Folio No. []

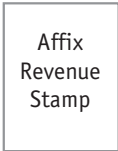
Client Id* []

I/We _____ of _____ in the District of _____ being a Member/Members of VMS Industries Limited

hereby appoint M r. / M s. _____ of _____ in the District of _____ or failing him / her _____

Mr./ Ms. _____ of _____ in the District of _____ as my/our proxy to vote for me/us and on my/our behalf at the 19th [Nineteenth] Annual General Meeting to be held on Thursday ,22nd day of September, 2011 at 11.00 hours. or at any adjournment thereof.

Signed this _____ day of _____ 2011.



*Applicable for investors holding shares in electronic form.

Note:

The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.



If undelivered, please return to :
VMS INDUSTRIES LIMITED
Regd Office : 2nd Floor "Jain House",
Opp. Vitthalwadi,
Bhavnagar-364003 Gujarat (India)