



VARUN[®]
INDUSTRIES LIMITED



SEVENTEENTH
Annual Report
2012-2013

COMPANY INFORMATION

BOARD OF DIRECTORS:

Mr. Kiran N. Mehta	– Chairman & Managing Director
Mr. Kailash S. Agarwal	– Managing Director
Mr. Raaja Jain	– Independent Director
Mr. Mahender Tahilramani	– Independent Director
Mr. Kuresh Rajkotwala	– Independent Director

COMPANY SECRETARY:

Mr. Jitendra J. Gandhi
General Manager (Corporate) & Company Secretary

REGISTERED OFFICE:

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

PLANTS:

Stainless Steel Kitchenware and Houseware Manufacturing Plant, Vasai

S. No.14/3, Village Waliv, Vasai-Vajreshwari Road,
Taluka Vasai, Vasai (East),
District Thane – 401 208, Maharashtra.
Tel : +91 250 6050199/299/399/499
Fax : +91 250 245 1781/245 2248

Stainless Steel Sheet Re-rolling Mill, Jodhpur

E-371, Marudhar Industrial Estate,
Phase II, Basni, Jodhpur – 342 005, Rajasthan.
Tel : 0291 274 6622/33
Fax : 0291 274 6644

Pressure Cookers Plant, Nasik

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

WIND POWER SITES:

Village Soda Mada, Jaisalmer, Rajasthan
Village Hansuwa Gorera, Jaisalmer, Rajasthan
Village Jaisalmer, Jaisalmer, Rajasthan
Village Mavadi, Tirunelveli, Tamil Nadu
Village Tenkalam, Tirunelveli, Tamil Nadu
Village Sirwa, Dist. Jaisalmer, Rajasthan
Village Chord, Dist. Jaisalmer, Rajasthan

BANKERS:

Indian Bank	UCO Bank
Syndicate Bank	Central Bank of India
State Bank of Travancore	State Bank of India
United Bank of India	Bank of India
IDBI Bank Ltd.	Bank of Baroda
Allahabad Bank	

STATUTORY AUDITORS:

M/s. Chunnilal & Company
Chartered Accountants
A/102, Shreeji Kiran C.H.S. Ltd.,
Opp. Dwarkadhish Temple, Tejpal Road,
Vile Parle (East), Mumbai – 400 057.
Telefax : +91 22 26166811 / 22
Email : admin@chunnilalanco.com

REGISTRAR AND SHARE TRANSFER AGENT:

Bigshre Services Private Limited
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Sakinaka,
Andheri (East), Mumbai – 400 072.
Tel : +91 22 28470652 / 40430200
Fax : +91 22 28475207
Website: www.bigshareonline.com
Email: investor@bigshareonline.com

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Note: As a matter of economy, Members are requested to bring with them Annual Report and Attendance Sheet and please note that the same will not be distributed at the venue of the Meeting.

NOTICE

NOTICE is hereby given that the Seventeenth (17th) Annual General Meeting of **M/s. Varun Industries Limited** will be held on Thursday, 26th September, 2013 at 10:00 AM at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (West), Mumbai - 400 061 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2013, Profit and Loss Account for the year ended on that date and reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Raaja Jain who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mahender Tahilramani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Chunnilal & Company, Chartered Accountants, Firm Registration Number 101947W, as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in supersession of all the earlier resolutions passed in this behalf, consent and approval of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof for the time being in force (hereinafter referred to as the "Act") and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company and such rule(s), regulation(s) or guideline(s), if any, prescribed by any regulatory authority, to the Board of Directors (hereinafter referred to as "the Board", which term shall include any Committee of the Board constituted/to be constituted for this purpose to exercise its powers, including the powers conferred by this Resolution) to borrow for the purpose of business of the Company from time to time on such terms and conditions as the Board/Committee of Directors as may be authorised by the Board of Directors, may deem fit, notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from temporary loan(s) obtained and/or to be obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, so that the total amount upto which the monies to be borrowed by the Board/Committee of Directors as may be authorised by the Board of Directors, shall not at any time exceed ₹30,00,00,00,000/- (Rupees Three Thousand Crore).

RESOLVED FURTHER THAT the Board/Committee of Directors or such other person as may be authorised by the Board of Directors, be and is hereby authorised to finalise the form, extent and manner of and the documents and deeds, whichever is applicable, for creating the appropriate mortgages and / or charges on such immovable and/or movable properties of the Company, on such terms and conditions as may be decided by the Board/Committee of Directors as may be authorised by the Board of Directors in consultation with the Lenders and for reserving the aforesaid rights and to take all such steps and do all such necessary acts, deeds, things and matters as may be necessary or desirable to give effect to this resolution."

6. To consider and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in supersession of all the earlier resolutions passed in this behalf, consent and approval of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof for the time being in force (hereinafter referred to as the "Act") and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company and such rule(s), regulation(s) or guideline(s), if any, prescribed by any regulatory authority, for mortgaging and/or charging by the Board of Directors (hereinafter referred to as "the Board", which term shall include any Committee of the Board constituted/to be constituted to exercise its powers, including the powers conferred by this Resolution) of all the immovable and/or movable properties of the Company, wheresoever situate, both present and future and/or whole or substantially the whole of the undertaking(s) of the Company to or in favour of any public or private financial institutions, banks, mutual funds, bodies corporate or any other person whomsoever participating in extending financial assistance, to secure any term loans, working capital facilities, debentures or any other type of financial assistance, not exceeding ₹30,00,00,00,000/- (Rupees Three Thousand Crore) lent and advanced and/or to be lent and advanced by them, together with interest, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses or monies payable by the Company to them under loan agreements/letters of sanction/debenture trust deed, etc.

RESOLVED FURTHER THAT the securities to be created by the Company as aforesaid may rank pari passu with the mortgages and/or charges already created and/or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board and as may be agreed to between the concerned Parties.

RESOLVED FURTHER THAT the Board/Committee of Directors or such other person as may be authorised by the Board of Directors, be and is hereby authorised to finalize and execute any and all deeds, agreements and documents, necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered by the Board to be in the best interests of the Company.”

7. To consider and if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution:

“RESOLVED THAT in accordance with Section 81 (3) (b) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the [Company for restructuring/rescheduling and availing loans from banks and financial institutions (“CDR Lenders”)] to the tune of ₹1953.71 Crore (Rupees One Thousand Nine Hundred Fifty Three Crore and Seventy One Lacs only) which in terms of the letter of approval dated December 28, 2012 having reference BY. CDR(SSA) No. 867/2012-13 (as approved on January 23, 2013 by the letter having reference BY.CDR(SSA) No. 982/2012-13) (“CDR LOA”) consisting of conversion of irregularity in the drawing power of the existing working capital limits into working capital term loan, infusion of fresh contribution by the Company’s promoters by way of equity/preference shares/unsecured loans, sanction of fresh working capital facilities, repayment of existing term loans as per existing repayment terms and interest rates and funding of interest accumulated/to be accumulated on the working capital term loan and fresh working capital facilities from the Cut-off Date i.e. April 1, 2012 till September 30, 2013 and March 31, 2013 respectively (the “Restructured Facilities”) and confer a right on the CDR Lenders to convert their outstanding under such Restructured Facilities, in part or in whole, into equity shares of the Company at par in accordance with the Public Companies (Terms of Issue of Debentures and of Raising of Loans with Option to Convert such Debentures or Loans into Shares) Rules, 1977 and which equity shares shall rank pari passu with the existing/other equity shares of the Company.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to accept such terms and conditions as may be imposed or required by the CDR Lenders arising from or incidental to the aforesaid and to do all such acts, deeds, things and matters as may be necessary to give effect to the above resolution.”

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5, 6 and 7 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books will be closed from **Monday, 23rd September, 2013 to Thursday, 26th September, 2013**, both days inclusive.
4. Relevant documents referred to in the accompanying Notice are open for inspection by the Members at the Registered Office of the Company on all working days, except Saturday, Sunday and other public holidays, between 11:00 AM and 1:00 PM up to the date of the Annual General Meeting.
5. Members are advised to avail of nomination facility in respect of shares held by them. Nomination forms can be obtained from the Secretarial Department of the Company.
6. Members are requested to:
 - a. Intimate the Company changes, if any, in their registered addresses at an early date for shares held in physical form. For shares held in electronic form, changes, if any, may be communicated to their respective DPs.
 - b. Quote Registered Folio Numbers / DP ID and Client ID numbers in all their correspondence.
 - c. To avoid inconvenience, get the shares transferred in joint names, if they are held in a single name and /or appoint a nominee.
 - d. Bring with them at the meeting a copy of the Annual Report and Attendance Slip.
 - e. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

- f. 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 Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, M/s. Bigshare Services Private Limited.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their communications at the Registered Office of the Company, so as to reach at least seven days before the date of the meeting, so that the required information can be made available at the meeting, to the extent possible.
8. As a measure of economy, Members are requested to note that copies of the Annual Report will not be distributed at the Annual General Meeting.
9. Corporate Members intending to send their respective Authorized Representatives are requested to send a duly certified copy of the Board/ Governing Body Resolution authorizing such representatives to attend and vote on their behalf at the Annual General Meeting.
10. A brief resume of Directors proposed for re-appointment, nature of their expertise in specific functional areas, names of Companies in which they hold directorship and membership/ chairmanships of Board Committees as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.
11. Members, who hold shares in electronic form, are requested to bring their Client DP and ID numbers at the meeting for easier identification.

By Order of the Board of Directors

Place : Mumbai
Dated: May 30, 2013

Sd/-
Jitendra J. Gandhi
General Manager (Corporate) & Company Secretary

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

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

ITEM NO. 5

At the Annual General Meeting held on 28th September, 2008, the Board of Directors were authorised under Section 293(1)(d) of the Companies Act, 1956, to borrow upto a limit of ₹20,00,00,00,000/- (Rupees Two Thousand Crore) (apart from temporary loans from the Company's bankers in the ordinary course of business).

In view of the worldwide depressed market conditions and adverse situations prevalent in prime market places, the Company's buyers have faced adverse situations and as a result the Company is facing financial crisis and accordingly approached to Bankers for CDR Package. This has resulted in debt restructuring, induction of further funds from Banks, which necessitates enhanced borrowings.

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, approval of Members is proposed to be obtained by way of an ordinary resolution to enable the Board to borrow monies, which, together with monies already borrowed by the Company would not exceed ₹30,00,00,00,000/- (Rupees Three Thousand Crore) (apart from temporary loans from the Company's bankers in the ordinary course of business), notwithstanding that the borrowings may be in excess of the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

None of the directors can be considered to be concerned or interested in the Resolution as set out in the Notice.

The Board of Directors commends passing of the said resolution as an Ordinary Resolution.

ITEM NO. 6

A resolution for seeking Members approval for borrowing of money (whether secured or unsecured) upto an overall limit of ₹30,00,00,00,000/- (Rupees Three Thousand Crore), pursuant to Section 293(1)(d) of the Companies Act, 1956 is being placed before the Annual General Meeting. The borrowings of the Company are in general required to be secured by suitable mortgage or charge on all or any of the immovable and/or movable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company (the "Board") from time to time, in consultation with the lender(s).

Section 293(1)(a) of the Companies Act, 1956 inter alia provides that the Board of Directors of a public limited company shall not, without the consent of the Members in the General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of an undertaking of the Company. The proposed resolution seeks to empower the Board/Committee of Directors to mortgage and/or charge the immovable and/or movable properties of the Company to secure loans, debentures, bonds, financial assistance, credit facilities and such other transactions for finance and other credit facilities obtained /to be obtained by the Company from the lender(s) upto ₹30,00,00,00,000/- (Rupees Three Thousand Crore).

None of the directors can be considered to be concerned or interested in the Resolution as set out in the Notice.

The Board of Directors commends passing of the said resolution as an Ordinary Resolution.

ITEM NO.7

The operations of the Company had come under strain due to various external factors pertaining to the economy and industry, including adverse market conditions, rupee exchange rate depreciation and shortfall in internal accruals for the projects undertaken by the Company, Volatility in US Dollar across all currencies in the world, Political Crisis in Middle East & Africa, depreciation of various currencies vis-a-vis the US Dollar in the past one year, Currency Fluctuation and losses suffered on this account, Crystallization of losses due to delay in receipt off Bills Discounted by Banks etc. As a result, the ability of the Company to meet its repayment obligations/liabilities under that existing facilities ("Existing Facilities") availed by it was adversely affected and it had requested its Lenders to restructure its Existing Facilities to support the Company.

The Company was referred to the Corporate Debt Restructuring Forum, a non-statutory voluntary mechanism set up under the aegis of the Reserve Bank of India ("RBI"), for the efficient restructuring of corporate debt (hereinafter referred to as the "CDR"). Pursuant thereto, the CDR Scheme was admitted by the Corporate Debt Restructuring Cell ("CDR Cell").

One of the terms of the Letter of Approval is that the Company is required to procure that the Promoters of the Company, whether directly or indirectly, raise domestically or internationally, infuse or arrange for infusion of additional capital in the Company of an aggregate sum of ₹35,25,00,000/- (Rupees Thirty Five Crore Twenty Five Lacs only), as equity shares or similar other instruments, being infused by Mr. Kiran N. Mehta, Promoter Director of the Company. The Promoters proposes to bring 50% up front margin towards the lender's sacrifice and remaining 50% shall be brought in within 6 months from the date of approval of restructuring scheme.

The Board of Directors of the Company ("Board") had, in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (as amended from time to time) ("SEBI Regulations"), by passing a resolution on 14th February, 2013, considered and approved, subject to the approval of the Members of the Company, the proposal for issue of Equity Shares to Promoter Director of the Company. The Company had also obtained the approval of the Members at the Extra-ordinary General Meeting held on 18th April, 2013 and the Company is now awaited approval of SEBI, BSE & NSE for allotment of shares on preferential basis to Mr. Kiran N. Mehta, Promoter Director of the Company.

The Special Resolution as provided in Item No. 7, proposed to be passed by the Members of the Company by way of special resolution, shall be deemed to be an authorization, confirmation and ratification by the Members of the Company, in terms of Regulation 10(2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, to the Scheme of Corporate Debt Restructuring set out in the Letter of Approval dated 28th December, 2012 issued by the Corporate Debt Restructuring Cell.

The broad terms of the CDR package are inter alia:

- Restructuring of the existing debt facilities availed of by the Company including revised interest and principal payment schedules and grant of certain new facilities;
- Infusion of fresh contribution of ₹35,25,00,000/- by Promoters by way of equity, preference shares or unsecured loans.

Except Mr. Kiran N. Mehta, none of the other directors is, in any way, concerned or interested in this resolution.

The above proposal is in the best interest of the Company and your Directors recommend the Special Resolution in Item No. 7 of the notice for your approval.

By Order of the Board of Directors

Place : Mumbai
Dated : May 30, 2013

Sd/-
Jitendra J. Gandhi
General Manager (Corporate) & Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 17th Annual Report on the business and operations of your Company for the year ended 31st March 2013. In compliance with Clause 49 of the Listing Agreement, a separate section on Management Discussion and Analysis Report forms part of this Annual Report.

1. FINANCIAL PERFORMANCE:

	(₹ in Crore)	
	Year ended 31 st March 2013	Year ended 31 st March 2012
Income	339.99	3132.27
Profit before Tax	(35.72)	(157.76)
Less: Provision for Taxation	(1.24)	0.04
Profit after Tax	(34.48)	(157.80)
Add: Balance brought forward	(62.96)	94.83
Disposable Profit	(97.44)	(62.96)
Appropriations:		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Tax on Dividend	-	-
Balance carried to Balance Sheet	(97.44)	(62.96)

2. PERFORMANCE REVIEW:

In view of the worldwide recessionary factors, the Company's financials have been affected to a greater extent resulting in approach to the Consortium of Bankers for approving Corporate Debt Restructuring (CDR) package for the Company.

In view of several constraints, there was delay in complying with the requirements of CDR mechanism. This has result in adverse financial results primarily arising out of the low level of operations of the Company.

However, efforts are under way to revive the operations including exports of the Company.

3. FUTURE OUTLOOK:

The Company is hopeful of improving its financial position. The Company is also undertaking all necessary efforts to reduce costs and increase profitability.

4. DIVIDEND:

In view of the net loss incurred by the Company in the financial year 2012-13, the Directors do not recommend any dividend.

5. PLEDGE OF PROMOTER & PROMOTER GROUP SHAREHOLDING IN THE COMPANY:

As on March 31, 2013, Promoter & Promoter Group were holding 1,14,63,518 shares representing 39.37% of the equity share capital of the Company, out of which 1,14,56,579 shares representing 39.35% of the Promoter & Promoters Group holding were pledged.

6. CORPORATE DEBT RESTRUCTURING:

The Company was referred to the Corporate Debt Restructuring Forum, a non-statutory voluntary mechanism set up under the aegis of the Reserve Bank of India ("RBI"), for the efficient restructuring of corporate debt (hereinafter referred to as the "CDR"). Pursuant thereto, the CDR Empowered Group ("CDR EG") approved a restructuring package in terms of which the existing facilities were restructured as set out in the Letter of Approval (LOA) dated 28th December, 2012 issued by Corporate Debt Restructuring Cell ("CDR Cell").

7. EXTRA ORDINARY GENERAL MEETING FOR ISSUE OF SHARES ON PREFERENTIAL BASIS TO MR. KIRAN N. MEHTA, PROMOTER DIRECTOR OF THE COMPANY:

The Company has held an Extra Ordinary General Meeting of Members on 18th April, 2013 for issuing shares on preferential basis to Mr. Kiran N. Mehta, Promoter Director of the Company as per CDR Scheme as approved by the CDR EG on 28th December, 2012. The Company has made an application to BSE Ltd. and National Stock Exchange of India Limited for their In Principal Approval. The Company will allot the equity shares to said Mr. Kiran N. Mehta only after getting BSE & NSE approval.

8. CORPORATE GOVERNANCE:

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

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

9. SUBSIDIARY COMPANIES

During the year under review, Varun Petroleum SARL, Oil and Gas Incorporation SARL, Varun International SARL, Madagascar Energy Corporation SARL, Varun Energy Corporation SARL, Varun SARL and Varun Torian International SARL, Madagascar ceased to be subsidiaries of the Company.

During the year, the investments in the aforesaid subsidiary Companies were disposed of at cost due to non-payment of share application money and subsequent cancellation of the Share Purchase Agreement between the Parties and the disposal proceeds were set off against the amount due to related party. Hence the Company did not prepare consolidated financial statements for the aforesaid subsidiary companies for the year under review.

In accordance with the general circular issued by the Ministry of Corporate Affairs (MCA), Government of India (GOI), Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not attached with the Balance Sheet of the Company. The Company shall make available the copies of annual accounts of the subsidiary companies and related detailed information to the shareholders of the Company seeking the same. The annual accounts of the subsidiary companies will also be kept for inspection by any shareholder at the Registered Office of the Company and that of respective subsidiary companies.

Further, pursuant to Accounting Standard (AS)-21 prescribed under the Companies (Accounting Standards) Rules, 2006 and the Listing Agreement, Consolidated Financial Statements presented herein by the Company include financial information of subsidiary companies, which forms part of this Annual Report.

10. DIRECTORS' RESPONSIBILITY STATEMENT:

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

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

11. DIRECTORS:

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

Mr. Varun K. Mehta ceased to be a director and wholetime director of the Company w.e.f. 25th March, 2013.

In accordance with the act and the Articles of Association of the Company, Mr. Raaja Jain and Mr. Mahender Tahilramani retire by rotation and being eligible offer themselves for re-appointment.

As required by Clause 49 of the Listing Agreement, brief profiles of the above referred Directors, nature of their expertise in specific functional areas and names of companies in which they are directors, are provided in the Corporate Governance Report forming part of the Annual Report.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

13. FIXED DEPOSITS:

During the year under review, the Company has not accepted any fixed deposits.

14. AUDITORS:

The Auditors of the Company, M/s. Chunnilal & Company, Chartered Accountants, Mumbai holds office until the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment. The Company has received a letter from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

15. AUDITORS' REMARK/OBSERVATION:

Auditors have remarked on the following aspect, which are being explained hereunder:

- a) **Short Provisions of ₹51.33 Crore towards bank interest:** The Company's proposal for CDR has been approved by CDR EG vide its letter dated 28th December, 2012 and confirming minute's letter dated 23rd January, 2013. Before the CDR Scheme becoming effective, the Master Restructuring Agreement (MRA) has been executed and signed between the Company and the Consortium of Bankers on 29th March, 2013 upon certain terms and conditions to be complied with by the Company and therefore there is a short provision of ₹51.33 Crore towards bank interest. The Company has already given effect as per MRA dated 29th March, 2013 signed with Consortium of Bankers.
- b) **Increase in Company's Borrowing Powers U/s. 293(1)(d):** The Company's Board has approved the increase in limit of Borrowing Powers U/s. 293(1)(d) of the Companies Act, 1956 from ₹20,00,00,00,000/- to ₹30,00,00,00,000/- subject to approval of Members at the ensuing 17th Annual General Meeting. The enabling resolution for the same has already been included in the Notice calling Annual General Meeting to be held on 26th September, 2013 for the approval of Members.
- c) **Settlement deed dated 15th April, 2012 with two overseas debtors agreeing to allow the discount of ₹160.60 Crore and to defer the balance export realization of ₹1460.97 Crore for five years:** The Company is in the process of seeking permission for the deferment of export receivables.
- d) **Confirmation of balances of debtors, creditors, loans & advances, deposit, other receivables and payables:** There are differences in balances due to the ongoing litigations of the Company. Certain balances are in the process of reconciliation and the same shall be completed in due course of time.
- e) **Ascertainment of Contingent liabilities on account of ongoing litigations in various courts/tribunals:** The explanation given by the Auditor is self-explanatory and need not require any further explanation by the Management.

16. COST AUDITORS:

In pursuance of Section 233-B of the Companies Act, 1956 and directives of Central Government, your Directors have appointed M/s. Joshi Apte & Associates, Cost Accountants, as the Cost Auditors to conduct cost audit of the product "Steel" for the years 2012-13 and 2013-14 in place of M/s. Mehta N. & Associates who have expressed their inability to continue as Cost Auditors due to their pre-occupation. The Company has received confirmation from M/s. Joshi Apte & Associates that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Cost Audit Report for the year ended 31.3.2013 will be filed on or before 27.9.2013, the due date.

17. LISTING OF SECURITIES:

Your Company's shares are listed on the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) and the listing fees for these two exchanges have been paid by the Company.

18. PARTICULARS OF EMPLOYEES:

Information as prescribed by Section 217(2A) of the Act, read with Companies (Particulars of Employees) Amendment Rules, 2011 is given as an annexure to this Report. However, pursuant to the provisions of Section 219(1)(b)(IV) of the Act, the Report and Accounts are being circulated to all the Members without the said annexure. Members interested in the said information may write to the Company Secretary at the Registered office of the Company.

19. ACKNOWLEDGEMENTS:

Your Directors would like to express their sincere appreciation to the Company's Bankers and Financial Institutions, Government Authorities, Regulatory Bodies, Customers, Vendors and Investors for their continued assistance and co-operation during the year under review. Your Directors also wish to place on record their deep sense of appreciation of the committed services displayed by all the executives, staff and workers of the Company at all levels and also highly appreciate their hard work and co-operation to take the challenge in order to accomplish the Company's mission.

For and on behalf of the Board of Directors

Sd/-

Kiran N. Mehta
Chairman & Managing Director

Place : Mumbai
Date : May 30, 2013

Registered Office:

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

ANNEXURE 'A' TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Jodhpur Plant

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

Vasai Plant

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

Nasik Plant

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

(b) Additional investments and proposals for reduction of energy consumption being implemented: N. A.

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

The above energy conservation measures undertaken by Vasai, Jodhpur and Nasik Plants have ensured uninterrupted power supply and improvement in quality of power productivity. The cost of energy has also been optimized to the extent feasible. Our efforts continue to further optimize energy productivity & efficiency.

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

Details are given in Form A.

FORM 'A'
(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Year ended 31 st March 2013	Year ended 31 st March 2012	
A. POWER & FUEL CONSUMPTION				
1. Electricity				
a)	Purchased Units	Thousand KWH	2,588.31	3,003.74
	Total amount	₹ in Thousand	17,361.66	17,530.70
	Rate/unit (KWH)	₹	6.71	5.84
b) Own Generation				
i)	Through Diesel Generator (HSD)			
	Units	Thousand KWH	76.59	87.06
	Total Amount	₹ in Thousand	1,138.07	1,269.33
	Cost/Unit (KWH)	₹	14.86	14.58
ii)	Through Generator (furnace oil)			
	Units	Thousand KWH	—	—
	Units per liter of furnace oil	KWH	—	—
	Cost/Unit (KWH)	₹	—	—
iii)	Through Generator (gas)			
	Units	Thousand KWH	—	—
	Units per M3 of Natural gas	KWH	—	—
	Cost/Unit (KWH)	₹	—	—
2. Coal				
3 i) Furnace oil (Hot Mill)				
	Quantity	KL	253.40	330.97
	Total amount	₹ in Thousand	10,151.55	13,565.72
	Rate/unit (KL)	₹	40.06	40.99
ii)	CBFS oil (Hot & Cold Furnace)			
	Quantity	KL	457.83	604.33
	Total amount	₹ in Thousand	20,246.00	24,337.46
	Rate/unit (KL)	₹	44.22	40.27
4. Natural gas				
	Quantity Cu. mts.		—	—
	Total amount	₹ in Thousand	—	—
	Rate/unit (Cu. mt.)	₹	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION: (Per MT)				
Unit			2012-13	2011-12
	Electricity / Own Generation	KWH	347.07	257.82
	Furnace Oil	Litres	34.72	34.76
	CBFS Oil	Litres	62.73	63.47

C. TECHNOLOGY ABSORPTION: N.A.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(₹ in Lac)	
	Year ended 31 st March 2013	Year ended 31 st March 2012
1. Total Foreign Exchange Earned:		
i) FOB Value of export	4,657.02	2,91,488.17
ii) Rig Hiring Charges	273.44	1,567.72
Total	4,930.46	2,79,650.02
2. Total Foreign Exchange Used:		
i) On Import of Raw Material / Finished Goods	—	1,09,435.55
ii) On Import of Capital Goods, Spares and Components	—	—
iii) Expenditure in Foreign Currencies for business travels, Subscription, commission on exports etc.	32.83	165.74
Total	32.83	1,09,601.29

For and on behalf of the Board of Directors

Sd/-
Kiran N. Mehta
Chairman & Managing Director

Place : Mumbai
Date : May 30, 2013

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance:

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

The Board of Directors is at the core of corporate governance practices. The directors consider themselves as trustees of Company's members and other stakeholders. They always strive hard to create and safeguard the interests of the stakeholders.

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

Implementation of certain non-mandatory requirements, such as circulation of half-yearly financial performance to the members, training of Board members and mechanism for performance evaluation of non-executive directors would be considered in due course.

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

The Code of Conduct and Ethics as applicable to the Directors & Members of Senior Management has been approved by the Board. The said code is posted on the website of the Company. The Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct and Ethics.

3. Board of Directors:

The Board of Directors has the strength of Five Members, the details of which are as under: -

Sr. No.	Name of the Director	Whether Promoter/ Executive/ Independent	No. of Board Meetings held during the year		Attendance at the last Annual General Meeting	Number of Directorships of other companies	Member/ Chairman of Committees other than those of the Company
			Held	Attended			
1.	Mr. Kiran N. Mehta, <i>Chairman & Managing Director</i>	P. & E. D.	7	7	Yes	10	Nil
2.	Mr. Kailash S. Agarwal, <i>Managing Director</i>	P. & E. D.	7	7	Yes	8	Nil
3.	Mr. Varun K. Mehta, <i>Whole Time Director</i> (upto 25 th March, 2013)	P. & E. D.	7	7	No	Nil	Nil
4.	Mr. Raaja Jain <i>Director</i>	I. D.	7	7	Yes	9	Nil
5.	Mr. Mahender Tahilramani <i>Director</i> (w.e.f. 14 th May, 2012)	I. D.	7	6	Yes	1	Nil
6.	Mr. Kuresh Rajkotwala <i>Director</i> (w.e.f. 3 rd September, 2012)	I. D.	7	1	No	1	Nil

Notes:

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

b. None of the other directors are related to each other.

Board Meetings:

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

Details of Board Meetings:

Board meetings were held at least once in every quarter and the time gap between two meetings did not exceed four months. During the year, Seven Board meetings were held on 12th April 2012, 14th May 2012, 9th August 2012, 3rd September 2012, 9th November 2012, 31st December 2012 and 14th February 2013.

Remuneration paid to Executive Directors during the year ended 31st March 2013:

Mr. Kiran N. Mehta, Chairman & Managing Director, Mr. Kailash S. Agarwal, Managing Director and Mr. Varun K. Mehta, Whole Time Director are in the whole time employment of the Company and their employment is contractual in nature. Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal hold office up to 31st March 2014. Mr. Varun K. Mehta holds office up to 30th October 2014. However due to pre-occupation, Mr. Varun K. Mehta has resigned as Director and Whole time Director of the Company w.e.f. 25th March, 2013.

In view of losses incurred by the Company in the financial year 2012-13, Managerial Remuneration is to paid as per section 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956. The Board was informed that the Company has received letters dated 19th March, 2012 from Mr. Kiran N. Mehta, Chairman & Managing Director, Mr. Kailash S. Agarwal, Managing Director and Mr. Varun K. Mehta, Whole-time Director of the Company informing that in view of the present scenario, they will not draw any remuneration with effect from 1st March, 2012 till there is improvement in the present situation and otherwise decided by the Board which was recorded in its Board Meeting dated 12th April, 2012.

The Board appreciated Mr. Kiran N. Mehta, Chairman & Managing Director, Mr. Kailash S. Agarwal, Managing Director and Mr. Varun K. Mehta, Whole-time Director of the Company, for the sensitivity and maturity shown in the present scenario.

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

Mr. Raaja Jain – Independent Director

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

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

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

He is also director in the following companies:-

Sr. No.	Name of the Company	Nature of Interest
1	Scanpoint Geomatics Limited	Director
2	Comtech Asia Limited	Director
3	Arjay Sons Holdings Limited	Director
4	Megnasolace City Private Limited	Whole-time Director
5	Astonish Investments Private Limited	Director
6	Miracle Knowledge Resource Private Limited	Director
7	Overture Communications Private Limited	Director
8	Arjay Sons Tech Private Limited	Director
9	Jain Book Manufacturers Private Limited	Director

Mr. Mahender Tahilramani – Independent Director

He is 56, a Commerce graduate brings with him valuable and versatile experience of 35 years in field of Product Designing, Marketing and Global networking. He is known for his public relations. His co-ordination skills, his way of communicating with people and his experience in marketing is an asset for the company. His relationship building skills and people co-ordination skill is excellent.

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

4. Audit Committee:

The Audit Committee was re-constituted on 14th May, 2012 by appointing Mr. Raaja Jain and Mr. Mahender Tahilramani, Independent Directors and Mr. Kiran N. Mehta, Chairman & Managing Director as its Members. Mr. Raaja Jain is the Chairman of the Committee. All the Audit Committee Members are financially literate and well qualified. Mr. Jitendra J. Gandhi, General Manager (Corporate) & Company Secretary, is the Secretary of the Committee. The Group Advisor, Heads of the finance and accounts functions and Statutory Auditors are invited at its meetings. The Audit Committee acts as the link amongst the Statutory Auditors, Internal Auditor, Board of Directors and the Management. It addresses to matters pertaining to adequacy of internal controls, reliability of financial statements/management information, adequacy of provisions for liabilities, whether audit tests and checks are appropriate and scientifically carried out and that they were aligned with the business needs and realities, adequacy of disclosures and compliance with all relevant statutes and other facets vital to the Company's operations. The Committee performs the functions enumerated in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 ("the Act"). The terms of reference of the Committee and matters deliberated upon by the Committee include: -

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

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

Details of Audit Committee Meetings

During the year, four meetings of the Audit Committee were held on 14th May 2012, 9th August 2012, 9th November 2012 and 14th February 2013 and the attendance was as follows:-

Sr. No.	Name of the Committee Member	No. of Meetings	
		Held	Attended
1.	Mr. Raaja Jain	4	4
2.	Mr. Mahender Tahilramani	4	3
3.	Mr. Kiran N. Mehta	4	4

5. Shareholders'/Investors' Grievances Committee:

The Shareholders' / Investors' Grievances Committee was re-constituted by appointing Mr. Raaja Jain and Mr. Mahender Tahilramani, Independent Directors as its Members. Mr. Raaja Jain is the Chairman of the committee. Mr. Jitendra J. Gandhi, General Manager (Corporate) & Company Secretary, is the Compliance Officer.

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

During the year, the Company has received 7 complaints from Investors, which were resolved within one month of their receipt. No investor complaint was pending/unattended as on 31st March 2013.

No request for dematerialization/rematerialisation has been received by the Company during the year.

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

The meetings of the Shareholders'/Investors' Grievances Committee were held on 20th June 2012 and 16th August 2012, which were attended by all the Committee Members.

6. Remuneration Committee:

The Remuneration Committee comprises of Mr. Mahender Tahilramani and Mr. Raaja Jain, Independent Directors as its Members. Mr. Mahender Tahilramani is the Chairman of the Committee. The Committee is formed to perform, inter alia, the functions specified in Clause 49 of the Listing Agreement and Schedule XIII of the Act. The Company's remuneration policy is in line with the general trend in export houses. Factors such as the key position, experience and expertise, leadership qualities, responsibilities shouldered by the individual, as also the volume of the Company's business and profits earned by it are taken into consideration while fixing remuneration packages of Executive Directors.

During the year, no meeting of the Remuneration Committee was required to be held.

7. Committee of Directors:

The Committee of Directors was re-constituted on 14th February, 2013 by appointing Mr. Kiran N. Mehta as Chairman, Mr. Kailash S. Agarwal, Mr. Raaja Jain, Mr. Mahender Tahilramani and Mr. Varun K. Mehta as its Members. Mr. Kiran N. Mehta shall be the Chairman of the Meeting and he shall remain compulsorily present at all the meetings and any one from the remaining Directors is required to be present for the meeting. Thus, the quorum of the Committee Meetings would be two director-members (out of which one will always be Mr. Kiran N. Mehta as the Chairman of the Meeting) present throughout the meeting. The Committee deals with all matters pertaining to the day-to-day operations of the Company, except those to be specifically transacted by the Board of Directors.

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

Details of meetings of the Committee of Directors:

During the year, four meetings of the Committee of Directors were held on 10th April 2012, 12th April 2012, 14th May 2012, and 5th June 2012 which were attended by all the Committee Members.

8. General Body Meetings:

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

Year	Day, Date and Time	Location	No. of Special Resolutions passed
2009-10	Thursday, 9 th September 2010 at 4:00 PM	Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020	Four
2010-11	Thursday, 11 th August 2011 at 4:00 PM	Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai – 400 020	Three
2011-12	Thursday, 27 th September 2012 at 10:00 AM	The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (West), Mumbai – 400 061.	Nil

9. Disclosures:

- (i) There are no material significant transactions with the related parties, viz. Promoters, Directors or the Management, or relatives, conflicting with the Company's interest. Suitable disclosures as required by the Accounting Standard (AS 18) have been made in the Annual Report.
- (ii) There are no pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company, which have potential conflict with the interests of the Company.
- (iii) During the year under review, no penalties have been imposed or strictures passed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets.
- (iv) A mechanism is in place to inform the Board about the Risk Assessment and Minimization procedures and periodical reviews to ensure that the Management controls risks.
- (v) Pursuant to the provisions of sub-clause V of the revised Clause 49 of the Listing Agreement, the Chairman & Managing Director and the Chief Financial Officer have issued a certificate to the Board, on the accounts for the year ended 31st March 2013.
- (vi) During the year under review, as per LOA dated 28th December, 2013 of CDR EG, the Company has hold an extraordinary general meeting for allotment of shares on preferential issue basis to Mr. Kiran N. Mehta, Promoter Director of the Company. The allotment of shares to Mr. Kiran N. Mehta, Promoter Director of the Company will be done on receipt of approval from SEBI, BSE and NSE as the matter is pending with SEBI for their approval.

10. Means of Communication:

Quarterly, half-yearly and annual financial results of the Company are communicated to the stock exchanges immediately after the Board takes them on record and thereafter published in prominent Marathi (Mumbai Navshakti) and English (Free Press Journal) newspapers. The results are also posted on the Company's website viz., www.varun.com.

11. General Information:

- ❖ **Company Registration Details:** The Company is registered in the State of Maharashtra. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs is L28990MH1996PLC097945.
- ❖ **Annual General Meeting:** The 17th Annual General Meeting will be held on Thursday, 26th September 2013 at 10:00 AM at **The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (West), Mumbai – 400 061.**

❖ Financial Calendar:

First Quarter Results	July 2013
Second Quarter Results	October 2013
Third Quarter Results	January 2014
Annual Results	May 2014
Annual General Meeting	September 2014

- ❖ **Book Closure:** The Register of Members and the Share Transfer Books will remain closed from **Monday, 23rd September, 2013 to Thursday, 26th September, 2013** (both days inclusive).

❖ Shares Listed At:

The equity shares of the Company are listed at:

BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
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❖ Stock Codes/Symbol:

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

❖ **Market Price Data**

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

The market price data covering the period April 2012 to March 2013 is given below:

Month	BSE				NSE			
	(₹) High	Date	(₹) Low	Date	(₹) High	Date	(₹) Low	Date
April-12	79.30	02.04.12	37.10	30.04.12	79.00	02.04.12	36.95	30.04.12
May-12	35.90	02.05.12	22.15	31.05.12	36.60	02.05.12	22.15	31.05.12
June-12	46.50	26.06.12	21.25	04.06.12	46.55	26.06.12	21.25	04.06.12
July-12	35.90	09.07.12	21.00	23.07.12	35.90	09.07.12	21.20	23.07.12
Aug-12	26.50	08.08.12	17.60	31.08.12	26.40	08.08.12	17.25	31.08.12
Sept-12	24.75	07.09.12	19.30	03.09.12	24.75	07.09.12	19.20	03.09.12
Oct-12	22.00	03.10.12	16.50	31.10.12	21.85	01.10.12	17.80	31.10.12
Nov-12	28.10	09.11.12	17.65	06.11.12	28.25	09.11.12	17.60	06.11.12
Dec-12	20.65	03.12.12	17.85	31.12.12	20.60	04.12.12	17.90	28.12.12
Jan-13	21.65	03.01.13	15.35	31.01.13	21.75	03.01.13	15.40	31.01.13
Feb-13	15.95	07.02.13	11.60	27.02.13	16.15	01.02.13	11.50	27.02.13
Mar-13	13.93	13.03.13	10.28	22.03.13	14.05	12.03.13	10.40	22.03.13

❖ **Trading Volumes**

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

Month	BSE (Shares)	NSE (Shares)	Total (Shares)
April-12	1,06,47,747	1,34,57,292	2,41,05,039
May-12	29,27,069	48,18,976	77,46,045
June-12	15,18,155	22,56,670	37,74,825
July-12	18,43,831	16,12,539	34,56,370
Aug-12	7,86,584	7,96,978	15,83,562
Sept-12	9,47,170	14,38,017	23,85,187
Oct-12	7,58,441	10,72,010	18,30,451
Nov-12	19,18,292	35,87,485	55,05,777
Dec-12	6,08,399	7,43,549	13,51,948
Jan-13	8,33,222	12,15,198	20,48,420
Feb-13	3,90,828	5,78,659	9,69,487
Mar-13	7,07,790	8,28,261	15,36,051
Total	2,38,87,528	3,24,05,634	5,62,93,162

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

Varun share price compared with BSE Sensex and NSE Nifty

Month	BSE		NSE	
	Share Price (₹)	Sensex	Share Price (₹)	S&P CNX Nifty
April-12	37.10	17318.81	36.95	5248.15
May-12	23.00	16218.53	23.05	4924.25
June-12	36.15	17429.98	36.15	5278.90
July-12	24.45	17236.18	24.60	5229.00
Aug-12	18.85	17429.56	18.80	5258.50
Sept-12	21.45	18762.74	21.50	5703.30
Oct-12	18.00	18505.38	18.20	5619.70
Nov-12	20.00	19339.90	20.00	5879.85
Dec-12	18.80	19426.71	18.90	5905.10
Jan-13	15.45	19894.98	15.45	6034.75
Feb-13	12.30	18861.54	12.25	5693.05
Mar-13	11.47	18835.77	11.45	5682.55

CORPORATE GOVERNANCE REPORT

❖ **Registrar and Share Transfer Agent:**

Bigshare Services Private Limited,
E-2/3 Ansa Industrial Estate,
Sakivihar Road, Sakinaka,
Andheri (East),
Mumbai – 400 072.
Tel: +91-22-28470652, 40430200
Fax: +91-22-2847 5207
e-mail: info@bigshareonline.com
Website: www.bigshareonline.com

❖ **Share Transfer System:**

During the year ended 31st March 2013, the Company had not received any request for transfer of shares held in physical form. At present, only four shares in the Company are in physical form. The Board of Directors has delegated the powers of approving the transfer of shares, issue of duplicate share certificates and other share related matters to the Committee of Directors.

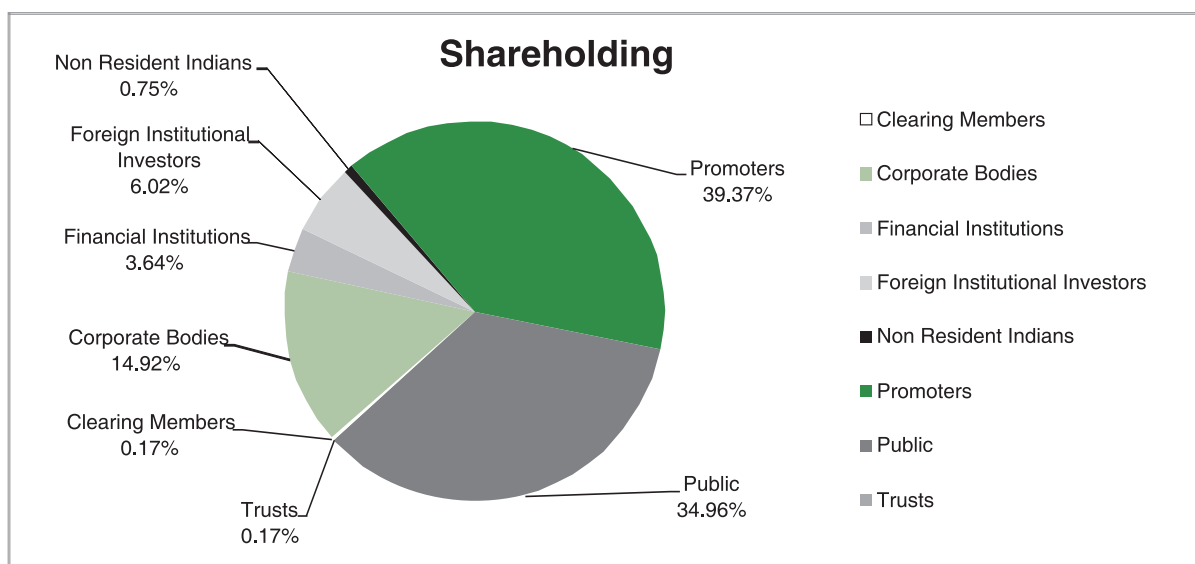
❖ **Shareholding Profile as on 31st March 2013:**

i) Distribution of Shareholding:

Range (in ₹)	Holders	% of Total Holders	Total capital (in ₹)	% of Total Capital
1 - 5000	12748	80.51	17626950	6.05
5001 - 10000	1315	8.31	10980160	3.77
10001 - 20000	815	5.15	12696860	4.36
20001 - 30000	292	1.84	7535610	2.59
30001 - 40000	132	0.83	4861250	1.67
40001 - 50000	117	0.74	5526020	1.90
50001 - 100000	202	1.28	14871740	5.11
100001 and above	212	1.34	217040860	74.55
Total	15833	100.00	291139450	100.00

ii) Shareholding Pattern:

Category of members	%age of shares held
Promoters	39.37
Bodies Corporate	14.92
Public	34.96
Clearing Members	0.17
NRIs	0.75
Financial Institutions	3.64
Foreign Institutional Investors	6.02
Non Nationalised Banks	0.00
Trusts	0.17
Total	100.00



iii) Holding Profile:

Mode	Demat	(% age)	Physical	(%)	Total
Shares	29113941	100.00	4	0.00	29113945*
Members	15831	99.99	2	0.01	15833

*The paid up capital of the Company as on 31st March 2013 is ₹29,11,39,450/- divided into 2,91,13,945 equity shares of ₹10/- each.

❖ **Dematerialization of Shares and Liquidity:**

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

❖ **Reconciliation of Share Capital Audit Report:**

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

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

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

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

❖ **Status of Unclaimed Dividend:**

Given below is the status of unclaimed dividend: -

Year of dividend	Date of declaration of dividend	Date of transfer to unpaid/unclaimed dividend account	Due date for transfer to IEPF
31 st March 2008	23 rd September 2008	30 th October 2008	29 th October 2015
31 st March 2009	27 th August 2009	3 rd October 2009	2 nd October 2016
31 st March 2010	9 th September 2010	16 th October 2010	15 th October 2017
31 st March 2011	11 th August 2011	12 th August, 2011	11 th August, 2018

❖ **Plant Locations:**

The Company's plants are located at:

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

S. No. 14/3, Village Valiv,
Vasai - Vajreshwari Road, Taluka Vasai,
Vasai (East), District Thane - 401 208, Maharashtra.
Tel: +91 250 6050199 / 299/399/499
Fax: +91 250 245 1781/245 2248

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

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

(c) Pressure Cookers Plant, Nasik:

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

❖ **Contact Person for Enquiries:**

Mr. Jitendra J. Gandhi – Company Secretary & Compliance Officer
Email: investor_relation@varun.com

❖ **Address for Correspondence:**

Varun Industries Limited

Registered Office:
13, Shankheshwar Darshan,
A. G. Pawar Cross Lane,
Byculla (East),
Mumbai – 400 027.
Tel: +91 22 2372 7400
Fax: +91 22 2374 8686

❖ **Exclusive email ID for Investor Grievance:**

Pursuant to Clause 47(f) of the Listing Agreement, the following dedicated e-mail ID has been designated for communicating investors' grievances: investor_relation@varun.com

For and on behalf of the Board of Directors

Sd/-

Kiran N. Mehta
Chairman & Managing Director

Place : Mumbai
Dated : May 30, 2013

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

In accordance with Clause 49 of the Listing Agreement, I hereby declare that the Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct as applicable to them respectively, for the year ended 31st March 2013.

For Varun Industries Limited

Place : Mumbai
Date : May 30, 2013

Sd/-
Kiran N. Mehta
Chairman & Managing Director

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Varun Industries Limited

We have examined the compliance of corporate governance by Varun Industries Limited ("the Company"), for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

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

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

Sd/-
(CA. Chunnilal Choudhary)
Partner
Membership No. 037784

Place : Mumbai
Date : May 30, 2013

MANAGEMENT DISCUSSION & ANALYSIS

Forward Looking Statements:

The report contains forward looking statements, identified by words like plans, expects, will, anticipates, believes, intends, projects, estimates and so on. All statements that address expectations or projections about the future but not limited to the Company's strategy for growth, product development, market position, expenditures and financial results are forward looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. The Company's actual results, performance, or achievement could thus differ from those projected in any forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent development information or events.

Global Economic Overview:

Varun Industries Limited is a leading manufacturer and exporter of stainless steel cookware, kitchenware, housewares and general merchandise for several years. Global recession has adversely affected our export business, but with the expected improvement in world economy, demand for our products will be improve in future.

The global economy in FY 2012-13 improves slowly and did not recover to the extent anticipated in the beginning of the year. Several European economies experience recession due to high unemployment, banking fragility, fiscal tightening and sluggish growth. The US economy improved marginally driven mainly by housing and the consumer sectors, however capital investment remain sluggish. Among the Asian economies, China, going through a political transition, experienced considerably slower growth. Deceleration in industrial output and exports weakened India's economic growth significantly. The weak macro environment and slower growth caused the margin environment to remain volatile with downward bias. Gradual recovery is likely to resume in the major advanced economies and performance is expected to remain relatively robust in most emerging and developing economies. At the global level, Asia is poised to take on a stronger and more dominant role in future global economic developments. It is also likely to play an ever increasing role in the stability of the International monetary system.

India is still maintaining its growth amidst the backdrop of elevated inflation and higher interest rates. The economy is likely to remain weighed down by a combination of the weaker global economy and higher domestic financing rates. As per industry sources, the GDP which was initially expected to grow at around 7.5%, is now expected to grow at a modest rate of about 7%. However, the year ahead promises to be interesting - both, in terms of the challenges that will arise, and the policy actions that may be deployed to address them.

Industry Structure and Development:

Indian Stainless Steel Kitchenware and Housewares is an old industry and was in competition with utensils made of aluminium, brass, copper, plastic etc. Due to its high durability, cleanliness, good looks, easy maintenance and the increased purchasing power and modern lifestyles of the middle class, stainless steel has replaced other metals not just in India, but across the world. With the advent of new technology, the Indian steel industry has introduced upgraded and fashionable steelware, which is in demand, both in domestic and global markets.

Stainless steel is a value-added alloy containing a minimum of 10.5% chromium. It is corrosion-resistant, strong, hygienic and fully recyclable. These properties make it an ideal choice for a variety of demanding industrial and consumer applications. Several life-cycle studies indicate that in many applications, the total cost of stainless steel is lower than that of competing materials, since stainless steel needs low maintenance.

Stainless steel is used in various industries. The consumption of stainless steel has been growing faster than any other metal in the world. It increases with economic development, as both its properties and its aesthetic image are highly competitive in terms of matching the highest standards of utility and design. Global stainless steel demand for 2013 was estimated at 32 million tons. Over the last 5 years, global demand for stainless steel has grown at a muted CAGR of 2.2 per cent. Demand growth declined during 2008 and 2009 due to economy slow down, leading to contraction in demand especially from the developed countries. However, demand rebounded in 2010, growing by 24 per cent in tune with the recovery of end user industries. The majority of the increase in stainless steel consumption emanates from emerging markets such as China and India.

Indian Market Potential:

India is a huge market for kitchenware and housewares products mainly comprising Indian manufacturers, exporters and suppliers. The stainless steel industry in India is in an upbeat mood. Stainless Steel production in India is rapidly growing every year and stainless steel in India is perceived as a “metal for utensils”. Today about 75% of the end use of stainless steel is in kitchenware and housewares segment. India being such a culturally rich and diverse country has a special place for beautiful and utilitarian pottery and kitchenware. The Indian Kitchenware industry continues to respond to consumer demand for quality, durability, style and attention to health concerns. Multi-versatile cookware that functions as bake ware, serve ware and dinnerware is becoming increasingly popular as the casual entertaining trend continues. However, looking at the existing market potential and growth envisaged, a paradigm shift has been witnessed recently. This is marked by entry of many organized and corporate players in the market. The total demand in the industry consists of new demand and replacement demand.

The process industry accounts for second largest share - 16 per cent of the consumption of stainless steel. Its growth is also aligned with the investments in end-user industries such as pharmaceuticals, food processing and petrochemicals.

Strengths:

- Experienced Management Team
- Capability to execute strategy & projects
- Innovation and Technology
- Efficient cost of capital
- Wide range of finished products

Opportunities:

- Growing domestic demand
- Unexplored rural market and rapid urbanisation
- Increasing consumption of stainless steel in all sectors

Threats:

- China becoming a net exporter
- Dumping by competitors
- Market fluctuation
- Global economic slow down
- Higher power tariff in India
- The general Rising Inflation in the Indian economy.
- Protection of domestic industry in the West/ other countries
- Low import duty on stainless steel in India
- Changes in political and social conditions in India.
- Changes in laws and regulations relating to the industry in which we operate.

Key Challenges:

- Global slowdown and rupee devaluation.
- Delay in allocation of resources by regulatory authorities to enjoy the full benefit of the integration chain.

Financial Statements – Consolidated:

The Company's consolidated financial statements include the financial performance of the following subsidiaries:

- Varun Jewels Private Limited
- Shri Sai Jewels Private Limited
- Varun Petroleum Corporation Private Limited
- Varun Minerals Corporation Private Limited
- Varun Holdings Limited (Mauritius)
- Varun Mines & Minerals Limited (Mauritius)
- Varun Petroleum Limited (Mauritius)
- Varun International Trading FZE (UAE)
- Varun Global Trading Pte. Ltd. (Singapore)

Operational Performance (Standalone):

The Company has for financial year ended 31st March 2013, achieved Revenue of ₹339.99 crore. EBIDTA for the financial year ended 31st March, 2013 was at ₹180.58 crore. Interest for the year ended 31st March, 2013 was ₹214.64 crore. The profit/(loss) before tax and profit/(loss) after tax for the year stood at (₹35.72) crore and (₹34.48) crore respectively. The performance of the Company was down due to dollar fluctuation as well as global economic slowdown. The Company is expecting to revive the business in near future subject to overall improvement in the Indian and Global Economy.

Risks and Concerns:

Varun is exposed to normal industry risk factors and manages these risks by deploying prudent business and risk management practices. The Company has been undertaking continuous modernization programmes to maintain efficient operation of its products and engineering activities. The Company has also made efforts to mitigate risk by enhancing the quality of its products, reduction in energy consumption and emissions and improved productivity.

Internal Control System:

The Company's internal controls system is designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, reliability of financial controls and compliance with all relevant laws and regulations. The Policy also encourages all employees, officers and directors to promptly report any suspected fraud, unethical behaviour or any violation of the Company's Code of Conduct within the organization.

Clean environment by mitigating the carbon footprint:

The Company's plants comply with all norms set up by the competent authorities for a clean and better environment. The Company undertakes regular checks/inspections including certification for the maintenance of the environment.

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

Varun always owes its accomplishments to its young and dynamic "Human Resources". With a strong emphasis on nurturing a high performance workplace and fostering an engaging environment, the organization believes in investing in people development and process improvement, as aligned with company's vision and values. The competency based recruitment practices followed at the company help in identifying key talents with required management and technical skills to support and sustain an expanding business of huge magnitude. The company undertook an organization-wide diagnostic process and based on the results reviewed the organization structure design, defined each role, evaluated unique jobs, and also aligned reward and recognition policies accordingly. The Company has the Performance Management System (PMS) in order to create a more differentiated performance system and to enable the ultimate objective of a high performance workplace. Industrial relations continued to be cordial. The employee strength as on 31st March, 2013 was 254.

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Varun Industries Limited.

Report on the Financial Statements

We have audited the accompanying financial statements of Varun Industries Limited ("The Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with The Accounting Principles generally accepted in India, including the accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("The Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

- i) a) *The company's proposal for Corporate Debts Restructure (CDR) has been approved by CDR Empowered Group vides letter dated December 28, 2012 and confirming minutes letter dated January 23, 2013. Master Restructuring Agreement was executed on March 29, 2013 upon certain terms & conditions to be complied with by the company before the CDR proposal becomes effective. The company is under process to comply the conditions mentioned in letter of Approval given by CDR Cell and Master Restructuring Agreement signed with consortium of banks. The company has restructured its short term borrowings to Working Capital term Loan and Funded Interest Term Loan according to Letter of Approval of CDR Cell. Before the CDR scheme becoming effective, company has provided interest on such loans as per Master restructuring agreement instead of contracted rate (original sanction letter) of interest. Due to this, there is short provision of ₹51.33 Crore towards bank interest. To this effect, the reported loss and liability towards banks have been understated. Attention is drawn to note no. 5.1 & note no. 6.2 of notes to accounts.*
- b) *The company has signed the Master Restructure Agreement on March 29, 2013 with CDR lenders to avail further funds by company after CDR Scheme being effective, would exceed the borrowing powers of Board of Directors conferred in terms of resolution pursuant to section 293 (1) (d) of the Companies Act, 1956. The company would require prior approval of shareholders in general meeting for the same.*
- ii) *The Company has entered into settlement deed dated April 15, 2012 with two overseas debtors agreeing to allow the discount of ₹160.60 crore and to defer the balance export realization of ₹1460.97 crore for five years (including one year for moratorium period). The discount was accounted for in the accounts of the previous year and the realization of such dues has been deferred for five years. As per explanation and information given by the management, the necessary permission for deferment of such realization will be sought after CDR scheme becomes finally effective, therefore the impact of same is not ascertainable as company may be directed by the concerned authorities to compound the irregularity.*
- iii) *The balances of debtors, creditors, loans and advances, Deposits, other receivables and payables are being subject to confirmation and reconciliation as books of accounts not verified with confirmations of third party to whom we have sent letters to confirm the closing balance. This opinion is based on i) Some of request letters for conforming closing balance, have been returned with note of company closed/shifted/address not matching ii) there are variance in the balances confirmed by the parties iii) reply from parties not received.*

The consequent resulting in balances for necessary adjustments, either of a revenue nature or otherwise if any, upon which we are unable to comment at this stage, will be made in the period they are finally settled / reconcile with the parties as informed by the management.

- iv) *The contingent liabilities are not ascertainable regarding i) ongoing cases in various Courts / Tribunal, resulting an additional liability may arise at the time of decision of such judicial authorities. ii) Penalties for non-payment of Statutory Dues, non filing of Statutory Returns and Reports as the same will be decided by the concern authorities at their discretion and time.*

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for possible effects of the matter described in the Basis for Qualified Opinion Paragraph the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) *in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;*
- b) *in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and*
- c) *in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.*

Matter of Emphasis

Without qualifying our opinion in respect of following matters, we draw attention to:

- a) Note no. 1.2 on significant accounting policies regarding going concern assumption. The financial statements of the company have been prepared on a going concern assumption basis, notwithstanding the fact that its net worth is substantially eroded due to accumulated losses. The appropriateness of the said basis is interalia dependent on the company's ability to recover trade receivables/infuse funds for meeting its obligations.
- b) Note no. 19 of notes forming parts of accounts, regarding Interest income of ₹132.41 Crore, from overseas debtors have been recognized to revenue, whose export realization have been deferred as mentioned in para ii of Basis of qualified opinion in this report .

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No.101947W

Sd/-

CA. Chunnilal Choudhary

Partner

Membership No.: 037784

Place: Mumbai.

Dated: May 30, 2013

The Annexure referred to in paragraph 1 of our Report of even date to the members of Varun Industries Limited on the accounts of the company for the year ended March 31, 2013.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
(b) As explained to us, fixed assets have been physically verified by the management in a phased periodical manner which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
(c) In our opinion and according to the information and explanations given to us, certain fixed assets have been disposed off during the year and which are not substantial/major parts of the fixed assets, therefore it has no effect on going concern status of the company.
2. (a) As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) In our opinion and according to the information and explanation 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 on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has granted loans of ₹4,26,43,941/- to its subsidiary companies listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was ₹4,26,93,941/- and year end balance of such loans was ₹4,26,93,941/-.
(b) As per the explanation given by the management, no interest has been charged to subsidiary companies as the said loans were given interest free loans and terms and conditions on which loans have been granted to the companies listed in register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company, as the money have been advanced to subsidiary companies for further advancement of business of group companies.
(c) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has taken loans of ₹20,66,71,296/- from directors listed in the register maintained under Section 301 of the Companies Act, 1956.
(d) As per the explanation given by the management, no interest has been paid to such directors as the said loans were interest free loans and terms and conditions on which loans have been taken by company are not, prima facie, prejudicial to the interest of the company. The loans are repayable on demand as explained by the management.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, there are no contracts or arrangements referred to in section 301 of the Act that needs to be entered in the register required to be maintained under said section.
6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public and therefore the provisions of section 58 A and 58 AA of the Companies Act, 1956 & Rules made there under are not applicable to the Company.
7. As per information & explanations given by the management, and in our opinion the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under the provisions of Section 209(1)(d) of the Companies Act, 1956 in respect of steel products and other products, and are of the opinion that, prima-facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with a

view to determining whether they are accurate or complete. As per information and explanation given by the management, the cost auditor has been appointed by the company. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

9. a) As explained to us, the company did not have any dues on account of Investor Education and Protection fund.
 b) According to the information & explanations given to us, the followings were undisputed amounts payable in respects of Provident Fund, Sales Tax, Profession Tax, Service Tax, Excise Duty, Income Tax, Wealth Tax and other material statutory dues were in arrears as at March 31, 2013 for a period of more than six months from the date they became payable;

NAME OF THE STATUTE	NATURE OF DUES	AMOUNT (in ₹)	PERIOD TO WHICH AMOUNT RELATES	NO. OF DAYS DELAYS AS ON 31/03/2013
Income Tax Act, 1961	TDS	1,18,37,263	March 2012 to Sept. 2012	236 Days to 358 Days
Wealth Tax Act 1957	Wealth Tax	3,89,020	Asst. Year 2012-2013	182 Days
Central Sales Tax Act, 1956	CST	2,93,696	April 2012 to Sept. 2012	161 Days to 344 Days
The Central Excise Act, 1944	Service Tax	54,50,319	March 2012 to Sept. 2012	176 Days to 365 Days
The Central Excise Act, 1944	Excise Duty	2,27,208	July 2012	238 Days
Employees Provident Fund Act, 1952	Provident Fund	2,54,101	Aug. 2012 & Sept. 2012	167 Days & 197 Days
Maharashtra Value Added Tax Act, 2002	MVAT	42,81,132	April 2012 to Sept. 2012	161 Days to 314 Days
Maharashtra Value Added Tax, 2002	WCT	7,88,960	March 2012 & June 2012	344 Days & 253 Days
Maharashtra Professional Tax Act, 1975	Professional Tax Employees	45,434	Sept. 2012	161 Days

- c) According to the information and explanations given to us, the following statutory dues towards Income Tax and Sales Tax which have not been deposited with the concerned authorities on account of disputes:

NATURE OF STATUTE	NATURE OF DUES	AMOUNT INVOLVED ₹ IN CRORE	PERIOD TO WHICH THE AMOUNT RELATES	FORUM WHERE DISPUTE IS PENDING
Income Tax Act, 1961	Income Tax	31.78	FY 2007-08, 2008-09 & 2009-10	ITAT
Income Tax Act, 1961	Income Tax	13.58	FY 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06 & 2006-07.	Rectification applications are pending before Assessing Officer
Madhya Pradesh Vat Act, Central Sales Tax Act & Entry Tax	VAT, CST, Entry Tax	0.02 3.17 2.09	FY 2007-08, 2008-09 & 2009-10	First Appellate Authority

10. The accumulated losses of the company at the end of the financial year are more than fifty percent of its net worth. The company has incurred cash losses of ₹69.30 crore (after considering the effect of the qualification) during the financial year and ₹138.61 crore in the immediately preceding financial year.
11. (a) Based on our audit procedure and on the basis of information and explanations given by the management, we are of the opinion that the Company has defaulted in repayment of Principal dues of ₹12.70 crore and Interest of ₹5.35 crore of various banks and financial institution for the period of 30 days to 330 days.
 (b) The loans of ₹14.00 crore from IFCI Venture Capital Fund Ltd. (IFCI) have been settled in books of accounts by transferring balance to Mr. Kiran N. Mehta (CMD) on account of invocation of shares by IFCI at market price at the time of invocation. As explanation and information given by management, the matter is under judicial process of Hon. DRT and Courts. Therefore, overdue towards principal and interest could not be determined due to dispute and it depends on the judgment of the concern authority.

12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. Based on the records examined by us and according to information and explanations given to us, the Company has not dealt in to trading in Shares, Mutual funds & other Investments. Further investments specified are held in their own name.
15. According to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the company.
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year except restructuring of working capital facilities in to Working capital Term Loan of ₹1352.30 crore and Funded Interest Term Loan of ₹115.13 crore under CDR Scheme.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at March 31, 2013 funds raised on short term basis have, prima facie, not been used during the year for long term investment.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has received the sum of ₹15,54,75,000/- towards allotment of equity shares on preferential basis to parties or companies covered in the register maintained under section 301 of the Act as one of the critical condition mentioned under Letter of Approval as approved by CDR cell. The allotment is pending at the end of the year.
19. The Company has no outstanding debentures during the period under audit.
20. The Company has not raised any money by public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No.101947W

Sd/-

CA. Chunnilal Choudhary

Partner

Membership No.: 037784

Place : Mumbai.

Dated : May 30, 2013

BALANCE SHEET AS AT 31ST MARCH 2013

	Notes	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
EQUITY AND LIABILITIES			
Shareholders' Funds			
a) Share Capital	2	2,911.39	2,911.39
b) Reserves and Surplus	3	22,815.95	26,842.82
		25,727.34	29,754.21
Share Application Money Pending allotment	4	1,554.75	-
Non-Current Liabilities			
Long-Term Borrowings	5	110,204.28	5,208.87
Deferred Tax Liability		1,051.93	1,179.09
		111,256.21	6,387.96
Current Liabilities			
Short-Term Borrowings	6	36,060.99	117,958.21
Trade Payables	7	4,970.96	58,494.14
Other Current Liabilities	8	43,859.52	2,454.41
Short Term Provisions	9	195.74	221.79
		85,087.21	179,128.55
Total		223,625.51	215,270.72
ASSETS			
Non-Current Assets			
Fixed Assets			
a) Tangible Assets	10	38,068.95	40,858.53
b) Intangible Assets	11	1.39	2.32
c) Capital Work-in-Progress		134.75	125.05
		38,205.09	40,985.90
Non-current Investments	12	1,700.67	1,700.67
Current Assets			
a) Inventories	13	3,410.51	8,678.02
b) Trade Receivables	14	172,387.20	148,398.85
c) Cash and Cash Equivalents	15	830.02	9,609.44
d) Short Term Loans and Advances	16	3,789.73	2,719.90
e) Other Current Assets	17	3,302.29	3,177.94
		183,719.75	172,584.15
Total		223,625.51	215,270.72
Significant Accounting Policies	1		

As per our Report of even date annexed

For and on behalf of the Board

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL

Managing Director

Place: Mumbai

Dated: May 30, 2013

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

	Notes	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
INCOME			
Revenue from Operations	18	16,802.50	310,955.14
Other Income	19	17,196.82	2,271.69
Total Revenue		33,999.32	313,226.83
EXPENDITURE			
Cost of material consumed	20	7,106.85	14,282.85
Purchases of Stock-in-trade		1,174.05	283,213.09
Changes in inventories of Finished Goods, Work-in-Process and Stock-in-Trade	21	4,740.31	1,310.42
Employee Benefit Expense	22	789.85	1,804.95
Financial Costs	23	21,464.37	11,607.55
Depreciation and Amortisation Expense	10 & 11	1,776.72	1,918.18
Other Expenses	24	2,129.96	5,807.16
Total Expenses		39,182.11	319,944.20
Profit/(Loss) before exceptional items and taxes		(5,182.79)	(6,717.37)
Exceptional Items			
Less: Discount Provided to Debtors		-	16,060.64
Add: Exchange Fluctuation Gain (Net) on conversion of Current Assets and Current Liabilities in foreign currency		1,610.98	7,002.49
Profit/(Loss) Before Tax		(3,571.81)	(15,775.52)
Provision For:			
Current Tax		3.10	4.00
Deferred Tax		(127.16)	-
Profit/(Loss) for the year		(3,447.75)	(15,779.52)
Earning per Share			
Earning per Share (Basic and Diluted) (₹)		(11.84)	(54.20)
Face Value of Shares ₹10/- each			
Significant Accounting Policies	1		

As per our Report of even date annexed

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA
Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI
General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL
Managing Director

Place: Mumbai

Dated: May 30, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	Year Ended 31 st March'13 (₹ in lac)		Year Ended 31 st March'12 (₹ in lac)	
A. Cash flow from Operating Activities:				
Net Profit/ (Loss) before tax and extraordinary items		(3,571.81)		(15,775.52)
Adjustment for:				
Depreciation w/off		1,776.72		1,918.18
Interest and Finance Charges		21,464.37		11,607.55
(Profit)/Loss on sale/discard of Fixed Assets		(3,446.97)		(98.09)
Rent Received		(72.00)		(62.00)
Keyman Insurance (Surrender)		(164.73)		-
Interest Income		(13,448.14)	6,109.25	(2,111.60)
Operating Profit before working Capital Changes		2,537.44		(4,521.48)
Adjustment for:				
(Increase)/Decrease in Inventories		5,267.50		2,074.92
(Increase)/Decrease in Trade & Other Receivables		(23,988.34)		(19,656.66)
(Increase)/Decrease in Other Current Assets		(1,003.04)		223.62
Increase/(Decrease) in Payables, Provisions & Working Capital				
Capital finance		16,074.74	(3,649.14)	65.22
Cash generated from Operations		(1,111.70)		(21,814.38)
Direct Taxes Paid		(442.42)		(1,669.33)
NET CASH FLOW FROM OPERATING ACTIVITIES [A]		(1,554.12)		(23,483.71)
B. Cash Flow from Investing Activities				
Acquisition of Fixed Assets including Capital WIP		(78.10)		(4,072.74)
Proceeds on Sale of Fixed Assets		4,208.56		286.60
Purchase of Investment		-		(613.89)
Interest Income		13,696.31		2,550.99
Keyman Insurance (Surrender)		164.73		-
Rent Received		72.00		62.00
NET CASH FLOW FROM INVESTING ACTIVITIES [B]		18,063.50		(1,787.04)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	Year Ended 31 st March'13 (₹ in lac)	Year Ended 31 st March'12 (₹ in lac)
C. Cash Flow from Financing Activities		
Proceeds from Equity Share Application Money Pending Allotment	1,554.75	-
Repayment of Long Term Loans	(1,083.41)	(1,528.87)
Proceeds from Long Term Loans	-	3,052.21
Proceeds from Unsecured Loans	(4,295.78)	12,255.57
Dividend including Distributed Tax	-	(609.07)
Interest and Finance Charges	(21,464.36)	(11,607.55)
NET CASH FLOW FROM FINANCING ACTIVITIES [C]	(25,288.80)	1,562.29
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(8,779.42)	(23,708.46)
CASH/CASH EQUIVALENTS AS ON 01.04.2012	9,609.44	33,317.90
CASH/CASH EQUIVALENTS AS ON 31.03.2013	830.02	9,609.44
Notes:		
1. Cash and cash equivalents include:		
Cash in hand	14.45	10.05
Balance with scheduled banks including fixed deposits	815.57	9,599.39
Total Cash and cash equivalents	830.02	9,609.44

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

As per our Report of even date annexed

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

For and on behalf of the Board

Sd/-
KIRAN N. MEHTA
Chairman & Managing Director

Sd/-
KAILASH S. AGARWAL
Managing Director

Sd/-
JITENDRA J. GANDHI
General Manager (Corporate) & Company Secretary

Place: Mumbai

Dated: May 30, 2013

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 1: SIGNIFICANT ACCOUNTING POLICIES

1.1) ACCOUNTING CONVENTION

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

1.2) GOING CONCERN

Accumulated losses have been resulted in substantial erosion in net worth of the company. However, the financial statements have been prepared on a going concern basis on the strength of continued support of the promoters, bankers/other lender. Further the restructuring of company's debts with its bankers has been approved under Corporate Debt Restructuring Cell mechanism in its meeting held on 15/12/2012 and 21/01/2013, as per LOA dated 28/12/2012. The company is in process of completing all the conditions stipulated therein. The management, considering the future plans for operation and support of the promoters, lenders, business associates, bankers and workmen is hopeful of improved profitability leading to improvement in its financial position.

Company also entered into a settlement deed on 15th April, 2012 with overseas outstanding Debtors for payment of overdue receivables which resulted in provision of Discount of ₹160.60 crore to them which was accounted in previous year's financial statements as events occurring after balance sheet dates being significant to financial statements and balance payment have been deferred for five years with moratorium period of one year.

1.3) FIXED ASSETS

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

1.4) DEPRECIATION

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

1.5) INVESTMENTS

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

1.6) INVENTORIES

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

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

1.7) REVENUE RECOGNITION

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

NOTES FORMING PART OF FINANCIAL STATEMENTS

1.8) FOREIGN EXCHANGE TRANSACTION / TRANSLATION

The Company has complied with AS-11 issued by ICAI as regards the provisions in respect of its Foreign Exchange Transactions.

Transactions in foreign currency are recorded at the exchange rate in force at the time transactions are effected. Exchange differences arising on settlement of foreign currency transactions are recognised in the Profit & Loss Account.

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

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

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

1.9) DEFERRED TAX

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

1.10) RETIREMENT BENEFITS

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

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

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

1.11) BORROWING COST

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

Note 2 - SHARE CAPITAL

Particular	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Authorised:		
5,00,00,000 (P.Y. 5,00,00,000) Equity Shares of ₹10/- each	5,000.00	5,000.00
Issued, Subscribed and Fully Paid-up:		
2,91,13,945 (P.Y. 2,91,13,945) Equity Shares of ₹10/- each	2,911.39	2,911.39

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

2.2) 70,00,000 (P.Y. 70,00,000) Equity Shares were allotted on exercise of warrants in the Financial Year 2010-11.

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

Name of Shareholder	As at 31 st March 2013		As at 31 st March 2012	
	No. of Shares held	% holding	No. of Shares held	% holding
Mr. Kiran N. Mehta	40,64,591	13.96	92,88,142	31.90
Mr. Kailash S. Agarwal	73,79,827	25.35	75,70,327	26.00

NOTES FORMING PART OF FINANCIAL STATEMENTS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 3 - RESERVES AND SURPLUS		
Revaluation Reserve		
Opening Balance	21,934.38	22,562.95
Less: Depreciation on Revaluation amount	579.12	628.57
	<u>21,355.26</u>	<u>21,934.38</u>
Securities Premium Reserve		
Opening Balance	6,274.40	6,274.40
Addition during the year	-	-
	<u>6,274.40</u>	<u>6,274.40</u>
General Reserve		
Opening Balance	4,930.41	4,930.41
Add: Transfer from P & L Account	-	-
	<u>4,930.41</u>	<u>4,930.41</u>
Surplus in Statement of Profit and Loss		
Opening Balance	(6,296.37)	9,483.15
Add: Profit/(Loss) for the year	(3,447.75)	(15,779.52)
	<u>(9,744.12)</u>	<u>(6,296.37)</u>
Less: Appropriations		
Transfer to General Reserve	-	-
	<u>(9,744.12)</u>	<u>(6,296.37)</u>
Total	<u><u>22,815.95</u></u>	<u><u>26,842.82</u></u>
Note 4 - SHARE APPLICATION MONEY PENDING ALLOTMENT		
Share Application Money*	<u>1,554.75</u>	-

*Share Application Money pending allotment represents application money received from promoter's contribution of fund in compliance with the stipulation by the Corporate Debt Restructuring Empowered Group in restructuring proposal approved under CDR System.

Note 5 - LONG TERM BORROWINGS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Secured:		
Working Capital Term Loan	135,229.66	-
Funding of interest on working capital term loan	11,513.40	-
Term Loan from Banks	6,327.81	6,841.95
Vehicle Loan (Long term finance lease)	387.26	637.12
Less: Current maturities of long term loans	42,973.21	1,979.41
Less: Current maturities of long term finance lease	280.64	290.79
	<u>110,204.28</u>	<u>5,208.87</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS

(5.1) The Board of Directors in its meeting held on April 14, 2012 had decided to approach the bank through the Corporate Debt Restructuring process for restructuring of the Company's Debts. The CDR Empowered Group (CDR EG) in its meeting held on 15/12/2012 and 21/01/2013 accepted the proposal and accordingly LOA dated 28/12/2012 has been issued having reference BY. CDR(SSA) NO. 867/2012-13 (as approved on 23/01/2013 by the letter having reference BY. CDR(SSA) NO. 982/2012-13).

The company has restructured its working capital facilities (Short Term Borrowings) of ₹1352.29 Crore into Working Capital Term Loan and Funded Interest Term Loan of ₹115.13 Crore as per LOA. The company is in process of completing all conditions.

(5.2) Foreign Currency Term Loan from Indian Bank outstanding ₹118.39 lac (P.Y. ₹287.77 lac) for Vasai Plant is secured by way of charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased by availing such term loan and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Company.

(5.3) Term Loan from UCO Bank outstanding ₹168.18 lac (P.Y. ₹318.98 lac) for Jodhpur Plant is secured by way of First charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased by availing such term loan and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Company.

(5.4) Term Loan from IDBI Bank outstanding of ₹591.97 lac (P.Y. ₹601.69 lac) for Nasik Plant is secured by way of first charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased by availing such term loan and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

(5.5) Three Term Loans from State Bank of Travancore outstanding of ₹397.79 lac, ₹322.24 lac and ₹2104.21 lac respectively, totalling to ₹2824.24 lac (P.Y. ₹2799.15 lac) for Wind Power Projects are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects, Fixed Deposits under lien with bank and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

(5.6) Term Loans from Central Bank of India outstanding ₹1936.81 lac (P.Y. ₹1960.82 lac) for Wind Power Project are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

(5.7) Term Loans from Indian Bank outstanding ₹678.78 lac (P.Y. ₹873.52 lac) for Oil Rig is secured by way of exclusive charge on the Fixed Assets of the Oil Rig and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

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

(5.9) As on 31.03.13 continuing default in repayment of installment due of term loan from State Bank of Travancore of ₹491.53 lac, Central bank of India of ₹69.46 lac, UCO Bank of ₹168.19 lac, IDBI Bank of ₹343.75 lac, and Indian Bank of ₹193.80 lac.

(5.10) As on 31.03.13 continuing default in repayment of interest due on term loan from State Bank of Tavancore of ₹184.09 lac, Central Bank of India of ₹222.37 lac, UCO Bank of ₹19.02 lac, IDBI Bank of ₹28.97 lac and Indian Bank of ₹80.91 lac.

Note 6 - SHORT TERM BORROWINGS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Secured (from banks)		
Export Packing Credit	-	15,454.60
FDBP/FDUBP	13,272.73	68,532.20
L/C Devolved	-	10,379.75
Cash Credit / ODBD	12,300.10	8,807.72
Unsecured		
Unsecured Loans from banks	1,053.17	859.20
Unsecured Loans from others	9,434.99	13,924.74
	36,060.99	117,958.21

NOTES FORMING PART OF FINANCIAL STATEMENTS

- (6.1) Working Capital Term Loan, Funding of interest on working capital term loan, FDBP Credit Limits and Cash Credit Limits are secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors, Fixed Deposits under lien with bank, second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant, first Pari Passu charge on the properties at Byculla and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.
- (6.2) The company has transferred its short term borrowings of ₹1352.29 crore and interest of ₹115.13 crore thereon to long term borrowings as Working Capital Term Loan and Funded Interest Term Loan according to Letter of Approval of CDR Cell and has provided interest on such loans. No penal interest has been calculated due to restructuring of credit facilities.

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 7 - TRADE PAYABLES		
Sundry Creditors		
For Raw Material & Finished Goods	4,013.45	57,686.08
For Packing Materials	162.29	150.70
For Capital Expenditure	13.88	74.77
For Others	781.34	582.59
	4,970.96	58,494.14
Note 8 - OTHER CURRENT LIABILITIES		
Current maturities of long term debts	36,612.25	1,920.09
Current maturities of finance lease obligations	280.64	290.79
Interest accrued and due on borrowings	6,360.96	59.32
Other payables:		
- Statutory dues	559.06	137.60
- Security deposits received	46.61	46.61
	43,859.52	2,454.41
Note 9 - SHORT TERM PROVISIONS		
Provision for Expenses	195.74	221.79
	195.74	221.79

NOTES FORMING PART OF FINANCIAL STATEMENTS

NOTE 10 - TANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2012	Additions	Deductions/ Adjustment	As at 31.03.2013	Up to 01.04.2012	For the Year	Deduction/ Adjustment	Up to 31.03.2013	As at 31.03.2013	As at 31.03.2012
	(₹ in lac)									
Freehold Land	12,183.81	-	135.59	12,048.22	-	-	-	-	12,048.22	12,183.81
Leasehold Land *	4,581.46	4.66	-	4,586.11	308.37	70.83	-	379.20	4,206.91	4,273.08
Buildings	14,777.61	25.31	402.08	14,400.84	4,283.54	841.07	49.39	5,075.21	9,325.62	10,494.07
Plant and Machinery	5,040.29	24.47	-	5,064.76	1,849.33	426.01	-	2,275.34	2,789.42	3,190.97
Furniture & Fixtures	981.75	0.57	10.60	971.72	477.40	90.55	1.85	566.10	405.61	504.35
Office Equipments	1,048.96	2.39	1.96	1,049.39	418.73	87.68	0.20	506.20	543.19	630.24
Computer	203.41	1.02	2.11	202.32	160.89	17.02	0.70	177.22	25.10	42.52
Vehicles	1,402.28	-	721.48	680.81	876.63	86.13	460.09	502.66	178.16	525.65
Oil Rig	3,455.60	-	-	3,455.60	1,318.62	337.45	-	1,656.08	1,799.53	2,136.98
Wind Power Project	7,897.58	268.51	-	8,166.09	1,020.72	398.17	-	1,418.89	6,747.19	6,876.85
Total	51,572.75	326.93	1,273.82	50,625.86	10,714.23	2,354.91	512.23	12,556.90	38,068.95	40,858.52
Previous Year	47,244.59	4,549.28	221.12	51,572.75	8,201.74	2,545.19	32.71	10,714.23	40,858.53	39,042.85

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

Note 11 - INTANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2012	Additions	Deductions/ Adjustment	As at 31.03.2013	Up to 01.04.2012	For the Year	Deduction/ Adjustment	Up to 31.03.2013	As at 31.03.2013	As at 31.03.2012
	(₹ in lac)									
Computer Software	23.00	-	-	23.00	20.67	0.93	-	21.61	1.39	2.32
Total	23.00	-	-	23.00	20.67	0.93	-	21.61	1.39	2.32
Previous Year	23.35	-	0.35	23.00	19.39	1.55	0.25	20.69	2.32	3.97

NOTES FORMING PART OF FINANCIAL STATEMENTS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 12 - NON-CURRENT INVESTMENT		
Unquoted Equity Instruments (Valued at Cost)		
Investment in Subsidiaries		
Shri Sai Jewels Pvt. Ltd.	51.00	51.00
5,10,000 (P.Y. 5,10,000) Equity Shares of ₹10 each, fully paid up		
Varun Jewels Pvt. Ltd.	1,030.77	1,030.77
85,03,846 (P.Y. 85,03,846) Equity Shares of ₹10 each, fully paid up		
Varun Minerals Corporation Pvt. Ltd.	1.00	1.00
10,000 (P.Y. 10,000) Equity Shares of ₹10 each, fully paid up		
Varun Petroleum Corporation Pvt. Ltd.	1.00	1.00
10,000 (P.Y. 10,000) Equity Shares of ₹10 each, fully paid up		
Varun Holdings Ltd., Mauritius	613.90	613.90
13,62,401 (P.Y. 13,62,401) Equity Shares of USD 1 each, fully paid up		
Varun Mines & Minerals Ltd., Mauritius	0.01	0.01
1 (P.Y. 1) Equity Share of USD 1 each, fully paid up		
Varun Petroleum Ltd., Mauritius	0.01	0.01
1 (P.Y. 1) Equity Share of USD 1 each, fully paid up		
Investment in Others		
Saishree Mines & Minerals India Pvt. Ltd.	3.00	3.00
30,000 (P.Y. 30,000) Equity Shares of ₹10 each, fully paid up		
	<u>1,700.67</u>	<u>1,700.67</u>
Note 13 - INVENTORIES		
(As taken, valued and certified by the management)		
(At lower of cost and net realisable value)		
Raw Material	434.82	851.53
Work-in-Process	256.86	765.73
Finished Goods*		
- At Warehouse	2,419.53	6,652.59
- Stock-in-Transit	7.60	5.99
	<u>2,427.13</u>	<u>6,658.58</u>
Packing Material, Stores & Spares	291.70	402.18
	<u>3,410.51</u>	<u>8,678.02</u>
*Finished Goods include Stock-in-Trade, as both are stocked together		
Note 14 - TRADE RECEIVABLES		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	4,243.41	111,386.64
Others	169,895.06	43,407.46
	<u>174,138.47</u>	<u>154,794.10</u>
Less : Advances from Customers	1,751.27	6,395.25
	<u>172,387.20</u>	<u>148,398.85</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 15 - CASH AND CASH EQUIVALENTS		
Cash in Hand	14.45	10.05
Balances with Scheduled Banks:		
In Current Accounts	138.01	2,388.09
Fixed Deposits (Fixed Deposits kept under lien as a security against borrowing from banks)		
-Maturity Less than Twelve Months	667.84	6,626.41
-Maturity More than Twelve Months	9.72	584.89
	830.02	9,609.44
Note 16 - SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered good)		
a) Loans & Advances to related parties (Subsidiary Companies)	426.44	426.44
b) Advance to Suppliers	2,774.83	1,593.58
c) Advance for Expenses	57.14	34.95
d) Loans to Staff	70.10	73.10
e) Capital Advances	152.43	283.04
f) Other Loans & Advances	308.79	308.79
	3,789.73	2,719.90
Note 17 - OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits	23.28	271.47
Export Incentives Receivable	184.91	165.68
Deposits	165.03	220.47
Job Charges Receivable	6.09	-
Advance Tax & TDS (Net of Provision)	2,681.69	2,242.37
Prepaid Expenses	14.43	63.94
Excise Duty / Service Tax Credit Receivable	26.92	34.53
VAT Credit Receivable	199.94	179.48
	3,302.29	3,177.94
Note 18 - REVENUE FROM OPERATIONS		
Particulars	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
Gross Sales	15,596.00	308,016.38
Less : Excise Duty	37.65	6.40
Net Sales	15,558.35	308,009.98
Sale of Wind Power	685.69	515.58
Export Incentives	358.51	1,253.33
Rig Hiring Services	231.91	1,330.40
Less : Service Tax	31.96	154.15
Rig Hiring Services (Net)	199.95	1,176.25
	16,802.50	310,955.14

NOTES FORMING PART OF FINANCIAL STATEMENTS

Particulars	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
Note 19 - OTHER INCOME		
Keyman Insurance (Surrender) A/c	164.73	-
Profit on Sale of Fixed Assets (Net)	3,446.97	98.10
Sundry Balance Written Back	65.00	-
Rent Received	72.00	62.00
Interest Income *	13,448.12	2,111.59
	17,196.82	2,271.69
*Include Interest of ₹132.41 Crore Receivable from Overdue debtors as per settlement deed entered with them.		
Note 20 - COST OF MATERIAL CONSUMED		
Raw Materials Consumed		
Opening Stock	851.53	1,717.26
Add: Purchases	5,885.51	11,798.08
	6,737.04	13,515.34
Less: Closing Stock	434.82	851.53
	6,302.22	12,663.81
Packing Materials & Stores Consumed		
Opening Stock	402.19	300.95
Add: Purchases	694.14	1,720.27
	1,096.33	2,021.22
Less: Closing Stock	291.70	402.18
	804.63	1,619.04
	7,106.85	14,282.85
Note 21 - CHANGES IN INVENTORIES		
Work in process		
Opening Stock	765.73	600.26
Less: Closing Stock	256.86	765.73
	508.87	(165.47)
Finished Goods		
Opening Stock	6,658.58	8,134.46
Less: Closing Stock	2,427.14	6,658.57
	4,231.44	1,475.89
	4,740.31	1,310.42
Note 22 - EMPLOYEE BENEFIT EXPENSE		
Salaries, Wages & Bonus	797.70	1,223.90
Less: Excess Director's Remuneration to be recovered for previous year	209.04	-
	588.66	1,223.90
Contribution to Provident and Other Funds	52.19	62.17
Staff Welfare & Food & Bvgs. Expenses	31.11	74.94
Professional Fees	37.08	34.75
Contractual Remuneration	80.81	134.19
Directors Remuneration	-	275.00
	789.85	1,804.95

NOTES FORMING PART OF FINANCIAL STATEMENTS

Particulars	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
Note 23 - FINANCE COST		
Interest Expenses	21,234.02	9,100.24
Financial Charges & Commission	230.35	2,507.31
	21,464.37	11,607.55
(23.1) Interest on restructured Short Term Borrowings into Working Capital Term Loan from Banks has been provided at the rates mentioned in CDR's proposal.		
Note 24 - OTHER EXPENSES		
MANUFACTURING EXPENSES		
Power & Fuel Charges	181.12	25.67
Repair & Maint. Chrgs	15.14	12.68
Other Manufacturing Expenses	462.66	1,724.67
	658.92	1763.02
ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates and Taxes	202.12	181.45
Tour & Travelling Expenses	116.06	339.15
Conveyance & Vehicle Expenses	87.42	203.03
Freight Inward Charges	24.13	159.80
Communication Expenses	36.27	62.21
Printing & Stationery	13.05	47.23
Repair & Maintenance	264.60	1,041.20
Insurance Charges	30.80	55.47
ECGC Premium	54.81	78.31
Power, Fuel & Water Charges	22.74	51.20
Stamping, Registration & Other Legal Charges	17.94	134.45
Professional Fees	190.92	252.54
Membership & Subscription	1.14	8.55
Donation	0.50	57.64
Director Sitting Fees	3.90	6.50
Auditors Remuneration	18.00	18.00
Internal Audit Fees	0.80	4.41
Bad Debts & Advances W/off	150.33	0.20
Miscellaneous Expenses	0.09	1.58
	1,235.62	2,702.92
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Sales Promotion	37.16	299.48
Freight & Forwarding Charges	188.52	964.40
Sales Tax	2.99	46.91
Commission	6.75	30.43
	235.42	1,341.22
	2,129.96	5,807.16

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 25 - Additional information to the financial statements

		(₹ in lac)	
		FY 2012-13	FY 2011-12
25.1)	Remuneration to Auditors		
	Statutory Audit	11.00	11.00
	Tax Audit Fees	3.00	3.00
	Taxation, Special certificates & Reports	2.00	2.00
	Reimbursement of out-of pocket expenses	0.02	0.32
	Service Tax	1.98	1.68
	Total	18.00	18.00

25.2) RELATED PARTIES DISCLOSURE (As per Accounting Standard 18):

(a) List of Related Parties:

- (i) **Key Management Personnel**
Mr. Kiran N. Mehta - Chairman & Managing Director
Mr. Kailash S. Agarwal - Managing Director
- (ii) **Relatives of Key Management Personnel**
(With whom company has entered into transactions during the year)
Mr. Karunesh S. Agarwal - Relation - (Brother of Mr. Kailash S. Agarwal)
- (iii) **Enterprises over which Key Managerial person have significant influence**
K. K. Enterprises
Varun Real Estate (India) Pvt. Ltd.
- (iv) **Subsidiary Companies**
Shri Sai Jewels Pvt. Ltd.
Varun Jewels Pvt. Ltd.
Varun Petroleum Corporation Pvt. Ltd.
Varun Minerals Corporation Pvt. Ltd.
Varun Holdings Ltd., Mauritius
Varun Petroleum Ltd., Mauritius
Varun Mines & Minerals Ltd., Mauritius
- (v) **Step down Subsidiary Companies**
Varun International Trading FZE, UAE
Varun Global Trading Pte. Ltd., Singapore
Varun Petroleum SARL, Madagascar (Discontinued from 29th March, 2013)
Oil & Gas Incorporation SARL, Madagascar (Discontinued from 29th March, 2013)
Varun International SARL, Madagascar (Discontinued from 29th March, 2013)
Madagascar Energy Corporation SARL, Madagascar (Discontinued from 29th March, 2013)
Varun Energy Corporation SARL, Madagascar (Discontinued from 29th March, 2013)
Varun SARL, Madagascar (Discontinued from 29th March, 2013)
- (vi) **Associate**
Varun Torian International SARL, Madagascar (Discontinued from 29th March, 2013)

(b) Related Party Transactions:

Nature of Transaction	(₹ in lac)					
	Key Management Personnel		Relatives		Subsidiaries	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Remuneration	-	275.00	-	-	-	--
Commission	-	-	-	-	-	--
Salary	-	-	6.05	6.72	-	--
Contribution to Prov. Fund	-	0.26	0.09	0.09	-	--
Loan Taken	2,066.71	-	-	-	-	--
Loan Given	-	-	-	-	426.43	426.43

NOTES FORMING PART OF FINANCIAL STATEMENTS

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

(₹ in lac)

Name of the Wholly owned Subsidiary Company	As at 31.03.2013	As at 31.03.2012	Maximum balance during the period
Varun Minerals Corporation Pvt. Ltd.	4.66 lac	4.66 lac	4.66 lac
Varun Petroleum Corporation Pvt. Ltd.	112.72 lac	112.72 lac	112.72 lac
Varun Holdings Ltd., Mauritius	27.26 lac	27.26 lac	27.26 lac
Varun Mines & Minerals Ltd., Mauritius	114.48 lac	114.48 lac	114.48 lac
Varun Petroleum Ltd., Mauritius	167.31 lac	167.31 lac	167.31 lac

25.3) SEGMENT REPORTING (As per AS-17)

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

A. PRIMARY BUSINESS SEGMENT

(₹ in lac)

Total Segment Revenue	31.03.2013	31.03.2012
a. Merchandise Sale	15,916.86	309,263.31
b. Petroleum Oil Rig Hire	199.95	1,176.25
c. Wind Power	685.69	515.57
Total	16,802.50	310,955.13
Less: Inter Segment Revenue	-	-
Net Sales	16,802.50	310,955.13
Segment Results (Profit before Interest and Tax)		
a. Merchandise Sale	(948.10)	1,814.24
b. Petroleum Oil Rig Hire	(197.36)	669.85
c. Wind Power	230.22	134.40
Total	(915.24)	2,618.49
Add: Other Income	17,196.82	2,271.69
Less: Interest & Financial Charges	21,464.37	11,607.55
Less: Exceptional Items	(1,610.98)	9,058.15
Net Profit before Tax	(3,571.81)	(15,775.52)
Capital Employed (Segment Assets less Segment Liabilities)		
a. Merchandise Sale	16,804.05	18,647.93
b. Petroleum Oil Rig Hire	1,755.88	2,205.89
c. Wind Power	7,021.48	7,199.72
d. Unallocated	1,700.67	1,700.67
Total	27,282.09	29,754.21

B. SECONDRY GEOGRAPHICAL SEGMENT

(₹ in lac)

Particulars	2012-13	2011-12
Revenue		
Within India	11,698.86	17,547.20
Outside India	5,103.64	293,407.93
Total	16,802.50	310,955.13

25.4) Contingent Liabilities

- Disputed Demand raised by Income Tax department for several financial years of ₹31.78 Crore is under appeal and rectification.
- Disputed Demand raised by Sales Tax dept. for the FY 2007-08 is ₹5.28 Cr. against which company has filed appeal and deposited ₹0.53 Cr.
- Deposit of ₹39.54 Lacs with Rajasthan Entry Tax Department against the 50 % Entry Tax liability for the period F.Y. 06-07 ₹0.16 lac, F.Y. 07-08 ₹5.79 Lacs, F.Y. 08-09 ₹14.92 lac, F.Y. 09-10 ₹18.66 lac. However an appeal has been filed with Honorable Supreme Court for refund of the deposit and management is hopeful for favorable decision.

NOTES FORMING PART OF FINANCIAL STATEMENTS

- (iv) Disputed demand by various parties of ₹10.78 Crore is under litigation in various court.
- (v) Corporate Guarantee issued in favour of banks for their credit facility to Varun Jewels Pvt. Ltd. of ₹18,300.00 lac.
- (vi) Corporate Guarantee issued in favour of banks for their credit facility to Shri Sai Jewels Pvt. Ltd. of ₹6,480.00 lac.
- (vii) Corporate Guarantee issued in favour of bank for credit facility to M/s. K.K. Enterprises of ₹1,200.00 lac.
- (viii) Corporate Guarantee issued in favour of bank for credit facility to Varun International Trading FZE, UAE of USD 30 mn.

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

PARTICULARS	Units	2012-13	2011-12
Net Profit / (Loss) After Tax	₹ in lac	(3,447.75)	(15,779.52)
No. of Shares at the beginning of the year	Nos.	2,91,13,945	2,91,13,945
No. of Shares issued during the year	Nos.	Nil	Nil
No. of Shares (Weight Average)/ available at the end of the year	Nos.	2,91,13,945	2,91,13,945
Earning Per Share (Basic and Diluted)	₹	(11.84)	(54.20)

25.6) The Company has opted for accounting the exchange difference of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 notified on 31st March 2009. Accordingly, the net exchange loss of ₹319.41 lac (P.Y. Exchange Loss of ₹479.07 lac) relating to long term foreign currency monetary items has been reduced / added to the cost of respective fixed assets.

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

As per our Report of even date annexed

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Place: Mumbai

Dated: May 30, 2013

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL

Managing Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Varun Industries Limited

We have audited the accompanying consolidated financial statements of Varun Industries Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) *in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;*
- (b) *in the case of the consolidated Profit and Loss Account, of the loss for the year ended on that date; and*
- (c) *in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.*

Other matters

1. The financial statements of overseas subsidiaries whose financial statements reflect total assets of ₹15,540.21 lac as at 31st March 2013, total revenues of ₹1,836.58 lac and net cash flows amounting to ₹-123.33 lac for the year then ended have been audited by auditors in the respective countries. The reports of those auditors have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries are based solely on the reports of those auditors.
2. As explained by the Management, the share of step down two overseas subsidiaries companies have been transferred by overseas subsidiaries companies at book value since these overseas subsidiaries companies could not paid the balance consideration of those shares of step down subsidiaries purchased.

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No.101947W

Sd/-

CA. Chunnilal Choudhary

Partner

Membership No.: 037784

Place: Mumbai.

Dated: May 30, 2013

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2013

	Notes	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
EQUITY AND LIABILITIES			
Shareholders' Funds			
a) Share Capital	2	2,911.39	2,911.39
b) Reserves and Surplus	3	22,457.14	27,473.70
		25,368.53	30,385.09
Share Application Money Pending Allotment	4	1,554.75	-
Minority Interest		816.38	557.38
Non-Current Liabilities			
Long-Term Borrowings	5	111,225.55	6,450.86
Deferred Tax Liability		1,051.94	1,176.07
		112,277.49	7,626.93
Current Liabilities			
Short-Term Borrowings	6	77,134.73	154,578.08
Trade Payables	7	22,212.09	80,559.74
Other Current Liabilities	8	45,265.66	10,937.43
Short Term Provisions	9	333.69	333.55
		144,946.17	246,408.80
Total		284,963.32	284,978.20
ASSETS			
Non-Current Assets			
Fixed Assets			
a) Tangible Assets	10	38,129.21	40,975.75
b) Intangible Assets	11	1.39	1,414.26
c) Capital Work-in-Progress		134.75	125.05
		38,265.35	42,515.06
Amortisation Expenses	12	9.43	9.46
Goodwill (On Consolidation)		-	5,476.93
Non-current Investments	13	3.00	4.23
Foreign Currency Translation Difference Account		(258.75)	(107.17)
Current Assets			
a) Inventories	14	3,410.51	8,719.85
b) Trade Receivables	15	230,721.83	203,219.88
c) Cash and Cash Equivalents	16	4,450.09	17,385.98
d) Short Term Loans and Advances	17	4,848.05	4,153.13
e) Other Current Assets	18	3,513.81	3,600.85
		246,944.29	237,079.69
Total		284,963.32	284,978.20
Significant Accounting Policies	1		

As per our Report of even date annexed

For and on behalf of the Board

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL

Managing Director

Place: Mumbai

Dated: May 30, 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

	Notes	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
INCOME			
Revenue from Operations	19	18,638.83	402,278.04
Other Income	20	20,185.68	2,693.56
Total Revenue		38,824.51	404,971.60
EXPENDITURE			
Cost of material consumed	21	7,106.85	14,282.85
Purchases of Stock-in-Trade		2,949.70	371,063.51
Changes in inventories of Finished Goods, Work-in-Process and Stock-in-Trade	22	4,740.31	1,268.58
Employee Benefit Expense	23	815.60	1,879.30
Financial Costs	24	25,546.09	14,626.58
Depreciation and Amortisation Expense	10 & 11	1,797.84	1,939.85
Other Expenses	25	2,374.15	6,425.79
Total Expenses		45,330.54	411,486.46
Profit before exceptional items and taxes		(6,506.03)	(6,514.86)
Exceptional Items			
Less: Discount Provided to Debtors		-	19,374.72
Add: Exchange Fluctuation Gain (Net) on conversion of Current Assets and Current Liabilities in foreign currency		2,228.72	8,731.84
		(4,277.31)	(17,157.74)
Profit Before Tax			
Tax Expense:			
Current Tax		3.10	4.69
Deferred Tax		(124.13)	-
Tax for Earlier Year		22.15	-
Profit After Tax		(4,178.43)	(17,162.43)
Less: Share of Minority Interest		266.94	(1,277.47)
Profit For The Year		(4,445.37)	(15,884.96)
Earning per Share			
Earning per Share (Basic and Diluted) (₹)		(15.27)	(54.56)
Face Value of Shares ₹10/- each			
Significant Accounting Policies	1		

As per our Report of even date annexed

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL

Managing Director

Place: Mumbai

Dated: May 30, 2013

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	Year ended 31 st March'13 (₹ in lac)	Year ended 31 st March'12 (₹ in lac)
A. Cash flow from Operating Activities:		
Net Profit before tax and Extraordinary items	(4,277.31)	(17,157.74)
Adjustment for:		
Depreciation and Preliminary Exp. w/off	1,797.87	1,939.85
Prior period effect in Net Profit of deletion of step down subsidiaries	7.93	-
Interest and Finance Charges	25,546.09	14,626.58
(Profit)/Loss on sale/discard of Fixed Assets	(3,439.78)	(97.79)
Exchange difference on foreign currency items translation	(258.75)	(107.17)
Rent Received	(72.00)	(62.00)
Keyman Insurance (Surrender)	(164.73)	-
Interest Income	(16,444.17)	6,972.46
		(2,533.77)
Operating Profit before working Capital Changes	2,695.15	13,765.70
Adjustment for:		
(Increase)/Decrease in Inventories	5,309.34	2,124.54
(Increase)/Decrease in Trade & Other Receivables	(27,501.95)	(46,234.75)
(Increase)/Decrease in Other Current Assets	(622.92)	(546.31)
Increase/(Decrease) in Payables, Provisions & Working Capital finance	8,653.45	49,060.84
	(14,162.08)	4,404.32
Cash generated from Operations	(11,466.93)	1,012.28
Direct Taxes Paid	(46.64)	(1,967.09)
NET CASH FLOW FROM OPERATING ACTIVITIES [A]	(11,513.57)	(954.81)
B. Cash Flow from Investing Activities		
Acquisition of Fixed Assets including Capital Work-in-Progress	(112.23)	(5,922.28)
Net prior period effect of deletion of step down subsidiaries	6,940.71	-
Proceed on Sale of Fixed Assets	4,233.34	102.56
Acquisition of Investments	(1.23)	1.23
Interest Income	16,899.37	2,924.38
Rent Received	72.00	62.00
Keyman Insurance (Surrender)	164.73	-
NET CASH FLOW FROM INVESTING ACTIVITIES [B]	28,196.69	(2,832.11)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	Year ended 31 st March'13 (₹ in lac)	Year ended 31 st March'12 (₹ in lac)
C. Cash Flow Arising from Financing Activities		
Proceeds from Equity Share Application Money	1,554.75	-
Repayment of Long Term Loans	(1,083.41)	(2,789.92)
Proceeds from Long Term Loans	-	4,310.88
Proceeds from Unsecured Loans	(4,516.50)	(1,257.00)
Interest and Finance Charges Paid	(25,546.09)	(14,626.57)
NET CASH FLOW FROM FINANCING ACTIVITIES [C]	(29,591.25)	(14,362.61)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(12,908.13)	(18,149.53)
CASH/CASH EQUIVALENTS AS ON 01.04.2012	17,385.99	35,535.52
Less: Upon deletion of step down Subsidiary	27.76	-
CASH/CASH EQUIVALENTS AS ON 31.03.2013	4,450.10	17,385.99
Notes:		
1. Cash and cash equivalents include:		
Cash in hand	54.03	162.72
Balance with scheduled banks	4,396.07	17,223.27
Total Cash and cash equivalents include	4,450.10	17,385.99

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

As per our Report of even date annexed

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Place: Mumbai

Dated: May 30, 2013

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL

Managing Director

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note 1: SIGNIFICANT ACCOUNTING POLICIES

1.1) ACCOUNTING CONVENTION

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

1.2) GOING CONCERN

Accumulated losses have been resulted in substantial erosion in net worth of the company. However, the financial statements have been prepared on a going concern basis on the strength of continued support of the promoters, bankers/ other lender. Further the restructuring of company's debts with its bankers has been approved under Corporate Debt Restructuring Cell mechanism in its meeting held on 15/12/2012 and 21/01/2013, as per LOA dated 28/12/2012. The company is in process of completing all the conditions stipulated therein. The management, considering the future plans for operation and support of the promoters, lenders, business associates, bankers and workmen is hopeful of improved profitability leading to improvement in its financial position.

Company also entered into a settlement deed on 15th April, 2012 with overseas outstanding Debtors for payment of overdue receivables which resulted in provision of discount of ₹160.60 crore to them which was accounted in previous year's financial statements as events occurring after balance sheet dates being significant to financial statements and balance payment have been deferred for five years with moratorium period of one year.

1.3) PRINCIPLES OF CONSOLIDATION

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

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

- (i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra-group balances and intra-group transactions have been fully nullified in accordance with Accounting Standard (AS) 21 – Consolidated Financial Statements.
- (ii) The difference between the cost of investment in the subsidiary companies, over the net assets at the time of acquisition of shares in the subsidiaries is recognized as “Goodwill” or “Capital Reserve” as the case may be, in the consolidated financial statements.
- (iii) Minority interest in the net assets of the consolidated subsidiaries consists of equity attributable to the minority shareholders at the dates on which investments are made by the holding company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.
- (iv) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

1.4) FIXED ASSETS

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

1.5) DEPRECIATION

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

1.6) INVESTMENTS

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

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

1.7) INVENTORIES

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

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

1.8) REVENUE RECOGNITION

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

1.9) FOREIGN EXCHANGE TRANSACTION / TRANSLATION

The Company has complied with AS-11 issued by ICAI as regards the provisions in respect of its Foreign Exchange Transactions.

Transactions in foreign currency are recorded at the exchange rate in force at the time transactions are effected. Exchange differences arising on settlement of foreign currency transactions are recognised in the Profit & Loss Account.

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

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

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

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

1.10) DEFERRED TAX

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

1.11) RETIREMENT BENEFITS

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

1.12) BORROWING COST

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

1.13) GOODWILL

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

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - SHARE CAPITAL

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Authorised: 5,00,00,000 (P.Y. 5,00,00,000) Equity Shares of ₹10/- each	5,000.00	5,000.00
Issued, Subscribed and Fully Paid-up: 2,91,13,945 (P.Y. 2,91,13,945) Equity Shares of ₹10/- each	2,911.39	2,911.39

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

2.2) 70,00,000 (P.Y. 70,00,000) Equity Shares were allotted on exercise of warrants in the Financial Year 2010-11.

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

Name of Shareholder	As at 31 st March 2013		As at 31 st March 2012	
	No. of Shares held	% holding	No. of Shares held	% holding
Mr. Kiran N. Mehta	40,64,591	13.96	92,88,142	31.90
Mr. Kailash S. Agarwal	73,79,827	25.35	75,70,327	26.00

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 3 - RESERVES AND SURPLUS		
Capital Reserve	216.98	216.98
Revaluation Reserve		
Opening Balance	21,934.38	22,562.95
Less: Depreciation on Revaluation amount	579.12	628.57
	21,355.26	21,934.38
Securities Premium Reserve		
Opening Balance	6,274.40	6,274.40
Addition during the year	-	-
	6,274.40	6,274.40
General Reserve		
Opening Balance	4,930.41	4,930.41
Add: Transfer from P & L Account	-	-
	4,930.41	4,930.41
Surplus in Statement of Profit and Loss		
Opening Balance	(5,882.47)	10,002.49
Add: Minority Interest of step down subsidiary	7.93	-
Add: Profit/(Loss) for the year	(4,445.37)	(15,884.96)
	(10,319.91)	(5,882.47)
Less: Appropriations		
Transfer to General Reserve	-	-
	(10,319.91)	(5,882.47)
Total	22,457.14	27,473.70

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - SHARE APPLICATION MONEY PENDING ALLOTMENT

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Share Application Money*	1,554.75	-

*Share Application Money pending allotment represents application money received from promoter's contribution of fund in compliance with the stipulation by the Corporate Debt Restructuring Empowered Group in restructuring proposal approved under CDR Scheme.

Note 5 - LONG TERM BORROWINGS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Secured:		
Working Capital Term Loan	135,229.66	-
Funding of interest on working capital term loan	11,513.40	-
Term Loan from Banks	6,327.81	6,841.95
Vehicle Loan (Long term finance lease)	387.26	637.12
Less: Current maturities of long term loans	42,973.21	1,979.41
Less: Current maturities of long term finance lease	280.64	290.79
Unsecured:		
Loans and advances from Related Parties (These are interest free loans received from promoters having no repayment schedule)	1,021.27	1,241.99
	111,225.55	6,450.86

(5.1) The Board of Directors in its meeting held on April 14, 2012 had decided to approach the bank through the Corporate Debt Restructuring process for restructuring of the Company's Debts. The CDR Empowered Group (CDR EG) in its meeting held on 15/12/2012 and 21/01/2013 accepted the proposal and accordingly LOA dated 28/12/2012 has been issued having reference BY. CDR(SSA) NO. 867/2012-13 (as approved on 23/01/2013 by the letter having reference BY. CDR(SSA) NO. 982/2012-13).

The company has restructured its working capital facilities (Short Term Borrowings) of ₹1352.29 Crore into Working Capital Term Loan and Funded Interest Term Loan of ₹115.13 Crore as per LOA. The company is in process of completing all conditions.

(5.2) Foreign Currency Term Loan from Indian Bank outstanding ₹118.39 lac (P.Y. ₹287.77 lac) for Vasai Plant is secured by way of charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased by availing such term loan and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Company.

(5.3) Term Loan from UCO Bank outstanding ₹168.18 lac (P.Y. ₹318.98 lac) for Jodhpur Plant is secured by way of First charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased by availing such term loan and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal. The Term Loan is further secured by second Pari Passu charge on the current assets of the Company.

(5.4) Term Loan from IDBI Bank outstanding of ₹591.97 lac (P.Y. ₹601.69 lac) for Nashik Plant is secured by way of first charge on Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased by availing such term loan and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

(5.5) Three Term Loans from State Bank of Travancore outstanding of ₹397.79 lac, ₹322.24 lac and ₹2104.21 lac respectively, totalling to ₹2824.24 lac (P.Y. ₹2799.15 lac) for Wind Power Projects are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects, Fixed Deposits under lien with bank and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

(5.6) Term Loans from Central Bank of India outstanding ₹1936.81 lac (P.Y. ₹1960.82 lac) for Wind Power Project are secured by way of exclusive charge on the Fixed Assets of the Wind Power Projects and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

(5.7) Term Loans from Indian Bank outstanding ₹678.78 lac (P.Y. ₹873.52 lac) for Oil Rig is secured by way of exclusive charge on the Fixed Assets of the Oil Rig and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

- (5.8) Vehicle Loans are secured by way of hypothecation of the respective vehicles.
- (5.9) As on 31.03.13 continuing default in repayment of installment due of term loan from State Bank of Travancore of ₹491.53 lac, Central bank of India of ₹69.46 lac, UCO Bank of ₹168.19 lac, IDBI Bank of ₹343.75 lac and Indian Bank of ₹193.80 lac.
- (5.10) As on 31.03.13 continuing default in repayment of interest due on term loan from State Bank of Travancore of ₹184.09 lac, Central Bank of India of ₹222.37 lac, UCO Bank of ₹19.02 lac, IDBI Bank of ₹28.97 lac and Indian Bank of ₹80.91 lac.

Note 6 - SHORT TERM BORROWINGS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Secured (from banks)		
Export Packing Credit	-	15,454.60
FDBP/FDUBP	39,585.28	94,230.35
Letter of Credit Devolved	-	10,379.76
Cash Credit / ODBD	12,300.10	8,807.72
Short Term Loan	14,761.19	10,921.71
Unsecured		
From banks	1,053.17	859.20
From others	9,434.99	13,924.74
	77,134.73	154,578.08

- (6.1) Working Capital Term Loan, Funding of interest on working capital term loan, FDBP Credit Limits and Cash Credit Limits are secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors, Fixed Deposits under lien with bank, second Pari Passu charge on Land & Building, Plant & Machinery of Vasai Plant and Jodhpur Plant, first Pari Passu charge on the properties at Byculla and personal guarantees of Mr. Kiran N. Mehta and Mr. Kailash S. Agarwal.
- (6.2) The company has transferred its short term borrowings of ₹1352.29 crore and interest of ₹115.13 crore thereon to long term borrowings as Working Capital Term Loan and Funded Interest Term Loan according to Letter of Approval of CDR Cell and has provided interest on such loans. No penal interest has been calculated due to restructuring of credit facilities.

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 7 - TRADE PAYABLES		
Sundry Creditors		
For Raw Material & Finished Goods	21,237.60	79,469.62
For Packing Materials	162.29	150.70
For Capital Expenditure	13.88	74.77
For Others	798.32	864.65
	22,212.09	80,559.74
Note 8 - OTHER CURRENT LIABILITIES		
Current maturities of long term loans	36,612.25	1,920.09
Current maturities of long term finance lease	280.64	290.79
Interest accrued and due on borrowings	6,360.96	59.32
Other payables:		
- Statutory dues	562.81	140.55
- Amount due on Investment in subsidiaries	1,323.46	6,869.95
- Security deposits received	46.61	46.61
- Other liability	78.93	1,610.12
	45,265.66	10,937.43
Note 9 - SHORT TERM PROVISIONS		
Provision for Expenses	333.69	333.55
	333.69	333.55

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - TANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2012	Additions	Deductions/ Adjustment	As at 31.03.2013	Up to 01.04.2012	For the Year	Deduction/ Adjustment	Up to 31.03.2013	As at 31.03.2013	As at 31.03.2012
Freehold Land	12,183.81	-	135.59	12,048.22	-	-	-	-	12,048.22	12,183.81
Leasehold Land*	4,581.45	4.66	-	4,586.11	308.37	70.83	-	379.20	4,206.91	4,273.08
Buildings	14,777.62	25.31	402.09	14,400.84	4,283.54	841.07	49.39	5,075.22	9,325.62	10,494.08
Plant and Machinery	5,040.29	24.47	-	5,064.76	1,849.33	426.01	-	2,275.34	2,789.42	3,190.96
Furniture & Fixtures	1,024.97	3.55	14.03	1,014.49	481.89	99.40	2.37	578.92	435.57	543.08
Office Equipments	1,053.56	2.69	2.52	1,053.73	419.30	88.59	0.29	507.60	546.13	634.26
Computer	206.72	1.14	2.11	205.75	162.76	18.10	0.69	180.17	25.58	43.96
Vehicles	1,471.99	30.73	755.17	747.55	910.52	97.20	465.21	542.51	205.04	561.47
Oil Rig	3,455.60	-	-	3,455.60	1,318.62	337.46	-	1,656.08	1,799.52	2,136.98
Wind Power Project	7,897.58	268.51	-	8,166.09	1,020.72	398.17	-	1,418.89	6,747.20	6,876.86
Total	51,693.59	361.06	1,311.51	50,743.14	10,755.05	2,376.83	517.95	12,613.93	38,129.21	40,938.54
Previous Year	47,323.66	4,652.61	232.88	51,743.40	8,241.04	2,567.31	40.70	10,767.65	40,975.75	39,082.63

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

NOTE 11 - INTANGIBLE ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2012	Additions	Deductions/ Adjustment	As at 31.03.2013	Up to 01.04.2012	For the Year	Deduction/ Adjustment	Up to 31.03.2013		
Computer Software	23.00	-	-	23.00	20.68	0.93	-	21.61	1.39	2.32
Total	23.00	-	-	23.00	20.68	0.93	-	21.61	1.39	2.32
Previous Year	815.61	619.69	0.35	1,434.95	19.39	1.55	0.25	20.69	1,414.26	796.23

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 12 - AMORTISATION EXPENSES		
Preliminary Expenses as per last Balance Sheet	9.41	9.44
Less: Written off during the year	0.03	0.03
	<u>9.38</u>	<u>9.41</u>
Pre-Operative Expenses	0.06	0.06
	<u>9.43</u>	<u>9.46</u>
Note 13 - NON-CURRENT INVESTMENT		
Unquoted Equity Instruments (Valued at Cost)		
Investment in Others		
Saishree Mines & Minerals India Pvt. Ltd. 30,000 (P.Y. 30,000) Equity Shares of ₹10 each, fully paid up	3.00	3.00
Investment in Associates	-	1.23
	<u>3.00</u>	<u>4.23</u>
Note 14 - INVENTORIES		
(As taken, valued and certified by the management)		
(At lower of cost and net realisable value)		
Raw Material	434.82	851.53
Work-in-Process	256.86	765.73
Finished Goods*		
- At Warehouse	2,419.53	6,694.42
- Stock-in-Transit	7.61	5.99
	<u>2,427.14</u>	<u>6,700.41</u>
Packing Material, Stores & Spares	291.69	402.18
	<u>3,410.51</u>	<u>8,719.85</u>
*Finished Goods include Stock-in-Trade, as both are stocked together.		
Note 15 - TRADE RECEIVABLES		
(Unsecured, considered good unless otherwise stated)		
Less Than Six Months	19,447.33	155,052.87
Others	213,730.77	54,562.26
	<u>233,178.10</u>	<u>209,615.13</u>
Less : Advances from Customers	2,456.27	6,395.25
	<u>230,721.83</u>	<u>203,219.88</u>
Note 16 - CASH AND CASH EQUIVALENTS		
Cash in Hand	54.02	162.72
Balances with Scheduled Banks:		
In Current Accounts	480.01	2,472.33
Fixed Deposits		
(Fixed Deposits kept under lien as a security against borrowing from banks)		
-Maturity Less than Twelve Months	3,229.12	10,779.17
-Maturity More than Twelve Months	686.94	3,971.76
	<u>4,450.09</u>	<u>17,385.98</u>

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Particulars	As at 31 st March 2013 (₹ in lac)	As at 31 st March 2012 (₹ in lac)
Note 17 - SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered good)		
a) Loans & Advances to related parties	1,373.76	1,682.49
b) Advance to Suppliers	2,774.83	1,593.58
c) Advance for Expenses	57.13	34.95
d) Loans to Staff	70.11	73.10
e) Capital Advances	152.43	283.04
f) Other Loans & Advances	419.79	485.97
	4,848.05	4,153.13
Note 18 - OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits	129.20	584.40
Export Incentives Receivable	184.91	165.69
Deposits	165.03	220.46
Job Charges Receivable	6.09	-
Advance Tax & TDS (Net of Provision)	2,785.97	2,345.81
Prepaid Expenses	15.76	70.48
Excise Duty / Service Tax Credit Receivable	26.92	34.53
VAT Credit Receivable	199.93	179.48
	3,513.81	3,600.85
Particulars	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
Note 19 - REVENUE FROM OPERATIONS		
Gross Sales	17,432.34	399,339.29
Less: Excise Duty	37.65	6.40
Net Sales	17,394.69	399,332.89
Sale of Wind Power	685.68	515.57
Export Incentives	358.51	1,253.33
Rig Hiring Services	231.91	1,330.40
Less: Service Tax	31.96	154.15
Rig Hiring Services (Net)	199.95	1,176.25
	18,638.83	402,278.04
Note 20 - OTHER INCOME		
Profit on Sale of Fixed Assets	3,439.78	97.79
Sundry Bal Written Back	65.00	-
Keyman Insurance (Surrender) A/c	164.73	-
Rent Received	72.00	62.00
Interest Income*	16,444.17	2,533.77
	20,185.68	2,693.56

*Include Interest of ₹132.41 Crore Receivable from Overdue debtors as per settlement deed entered with them.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Particulars	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
Note 21 - COST OF MATERIAL CONSUMED		
Raw Materials Consumed		
Opening Stock	851.53	1,717.27
Add: Purchases	5,885.51	11,798.08
	<u>6,737.04</u>	<u>13,515.35</u>
Less: Closing Stock	434.82	851.54
	<u>6,302.22</u>	<u>12,663.81</u>
Packing Materials & Stores Consumed		
Opening Stock	402.18	300.95
Add: Purchases	694.15	1,720.27
	<u>1,096.33</u>	<u>2,021.22</u>
Less: Closing Stock	291.70	402.18
	<u>804.63</u>	<u>1,619.04</u>
	<u>7,106.85</u>	<u>14,282.85</u>
Note 22 - CHANGES IN INVENTORIES		
Work in process		
Opening Stock	765.73	600.26
Less: Closing Stock	256.86	765.73
	<u>508.87</u>	<u>(165.47)</u>
Finished Goods		
Opening Stock	6,658.58	8,134.46
Less: Closing Stock	2,427.14	6,700.41
	<u>4,231.44</u>	<u>1,434.05</u>
	<u>4,740.31</u>	<u>1,268.58</u>
Note 23 - EMPLOYEE BENEFIT EXPENSE		
Salaries, Wages & Bonus	823.42	1,293.50
Less: Excess Director's Remuneration to be recovered for previous year	209.04	-
	<u>614.38</u>	<u>1,293.50</u>
Contribution to Provident and Other Funds	52.19	62.17
Staff Welfare & Food & Bvgs. Expenses	31.14	75.11
Professional Fees	37.08	34.75
Contractual Remuneration	80.81	134.19
Directors Remuneration	-	279.58
	<u>815.60</u>	<u>1,879.30</u>
Note 24 - FINANCE COST		
Interest Expenses	25,285.89	11,982.10
Financial Charges & Commission	260.20	2,644.48
	<u>25,546.09</u>	<u>14,626.58</u>

(24.1) Interest on restructured Short Term Borrowings into Working Capital Term Loan from Banks has been provided at the rates mentioned in CDR's proposal.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Particulars	Current Year Ended 31.03.13 (₹ in lac)	Previous Year Ended 31.03.12 (₹ in lac)
Note 25 - OTHER EXPENSES		
MANUFACTURING EXPENSES		
Power & Fuel Charges	181.12	25.67
Repair & Maint. Chrgs	15.14	12.68
Other Manufacturing Expenses	462.66	1,724.67
	658.92	1,763.02
ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates and Taxes	214.01	203.76
Tour & Travelling Expenses	139.07	373.73
Conveyance & Vehicle Expenses	87.91	205.43
Freight Inward Charges	24.13	159.80
Communication Expenses	36.45	62.67
Printing & Stationery	13.06	47.60
Repair & Maintenance	267.93	1,041.41
Insurance Charges	30.80	55.47
ECGC Premium	54.81	254.06
Power, Fuel & Water Charges	23.82	51.66
Stamping, Registration & Other Legal Charges	18.31	134.87
Professional Fees	385.47	463.10
Membership & Subscription	1.14	10.03
Donation	0.50	57.64
Share of Loss in Associates	-	3.67
Director Sitting Fees	8.79	6.50
Auditors Remuneration	21.83	24.71
Internal Audit Fees	0.80	4.41
Bad Debts & Advances W/off	150.33	0.20
Preliminary Expenses W/off	0.03	0.03
Miscellaneous Expenses	0.09	1.58
	1,479.28	3,162.33
SELLING AND DISTRIBUTION EXPENSES		
Advertisement and Sales Promotion	37.16	429.65
Freight & Forwarding Charges	188.52	993.44
Sales Tax	3.52	46.92
Commission	6.75	30.43
	235.95	1,500.44
	2,374.15	6,425.79

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Note 26 - ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

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

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

(₹ in lac)

26.2) Remuneration to Statutory Auditors

	FY 2012-13	FY 2011-12
Statutory Audit	11.00	11.00
Tax Audit Fees	3.00	3.00
Taxation, Special certificates & Reports	2.00	2.00
Reimbursement of out-of pocket expenses	0.02	0.32
Service Tax	1.98	1.68
Total	18.00	18.00

26.3) RELATED PARTIES DISCLOSURE (As per Accounting Standard 18):

(a) List of Related Parties:

(i) Key Management Personnel

Mr. Kiran N. Mehta - Chairman & Managing Director

Mr. Kailash S. Agarwal - Managing Director

(ii) Relatives of Key Management Personnel

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

Mr. Karunesh S. Agarwal - Relation - (Brother of Mr. Kailash S. Agarwal)

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

K. K. Enterprises

Varun Real Estate (India) Pvt. Ltd.

(b) Related Party Transactions:

(₹ in lac)

Nature of Transaction	Key Management Personnel		Relatives	
	2012-13	2011-12	2012-13	2011-12
Remuneration	-	275.00	-	-
Commission	-	-	-	-
Salary	-	-	6.05	6.72
Contribution to Prov. Fund	-	0.26	0.09	0.09
Rent Paid	-	7.80	-	-
Loan taken	3,087.98	1,241.99	-	-

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

26.4) SEGMENT REPORTING (As per AS-17)

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

A. PRIMARY BUSINESS SEGMENT

(₹ in lac)

Total Segment Revenue	31.03.2013	31.03.2012
a. Merchandise Sale	17,753.20	400,586.22
b. Petroleum Oil Rig Hire	199.95	1,176.25
c. Wind Power	685.68	515.57
Total	18,638.83	402,278.04
Less: Inter Segment Revenue	-	-
Net Sales	18,638.83	402,278.04
Segment Results (Profit before Interest and Tax)		
a. Merchandise Sale	(1,178.48)	4,613.91
b. Petroleum Oil Rig Hire	(197.36)	669.85
c. Wind Power	230.22	134.40
Total	(1,145.62)	5,418.16
Add: Other Income	20,185.68	2,693.56
Less: Interest & Financial Charges	25,546.09	14,626.58
Less: Exceptional Items	(2,228.72)	10,642.88
Net Profit before Tax	(4,277.31)	(17,157.74)
Capital Employed (Segment Assets less Segment Liabilities)		
a. Merchandise Sale	18,392.24	15,596.03
b. Petroleum Oil Rig Hire	1,755.88	2,205.89
c. Wind Power	7,021.48	7,199.72
d. Unallocated	(246.32)	5,383.45
Total	26,923.28	30,385.10

B. SECONDRY GEOGRAPHICAL SEGMENT

(₹ in lac)

Particulars	2012-13	2011-12
Revenue		
Within India	13,535.20	50,002.76
Outside India	5,103.63	352,275.28
Total	18,638.83	402,278.04

26.5) Contingent Liabilities

- Corporate Guarantee issued in favour of bank for credit facility to M/s. K. K. Enterprises of ₹1,200.00 lac.
- Deposit of ₹39.54 Lacs with Rajasthan Entry Tax Department against the 50% Entry Tax liability for the period F.Y. 06-07 ₹0.16 lac, F.Y. 07-08 ₹5.79 Lacs, F.Y. 08-09 ₹14.92 lac, F.Y. 09-10 ₹18.66 lac. However an appeal has been filed with Honorable Supreme Court for refund of the deposit and management is hopeful for favorable decision.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

- (iii) Disputed demand by various parties of ₹10.78 crore is under litigation in various court.
- (iv) Disputed Demand raised by Income Tax department for several financial years of ₹31.78 crore is under appeal and rectification.
- (v) Disputed Demand raised by Sales Tax dept. for the FY 2007-08 is ₹5.28 crore against which company has deposited ₹0.53 crore.

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

PARTICULARS	Units	2012-13	2011-12
Net Profit / (Loss) After Tax	₹ in lac	(4,445.37)	(15,884.96)
No. of Shares at the beginning of the year	Nos.	29,113,945	29,113,945
No. of Shares issued during the year	Nos.	Nil	Nil
No. of Shares (Weight Average)/ available at the end of the year	Nos.	29,113,945	29,113,945
Earning Per Share (Basic and Diluted)	₹	(15.27)	(54.56)

26.7) The Company has opted for accounting the exchange difference of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 notified on 31st March 2009. Accordingly, the net exchange loss of ₹319.41 lac (P.Y. Net Exchange loss of ₹479.07 lac) relating to long term foreign currency monetary items has been reduced / added to the cost of respective fixed assets.

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

As per our Report of even date annexed

For CHUNNILAL & COMPANY

Chartered Accountants
Firm Registration No. 101947W
Sd/-

C. A. CHUNNILAL CHOUDHARY

Partner
(Membership No. 037784)

Place: Mumbai

Dated: May 30, 2013

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Sd/-

KAILASH S. AGARWAL

Managing Director

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

Sr. No.	Name of the Subsidiary Company	Varun Jewels Pvt. Ltd.	Shri Sai Jewels Pvt. Ltd.	Varun Petroleum Corp. Pvt. Ltd.	Varun Minerals Corp. Pvt. Ltd.	Varun Holdings Ltd.	Varun Mines & Minerals Ltd.	Varun Petroleum Ltd.	Varun Global Trading Pte. Ltd.	Varun International Trading FZE	(₹ in lac)
1	Country	India	India	India	India	Mauritius	Mauritius	Mauritius	Singapore	Dubai (U.A.E.)	
1	Financial year/period of the Subsidiaries ended on	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	31 st Mar. 2013	
2	Date from which they became Subsidiaries	25 th Nov. 2006	25 th Nov. 2006	26 th Dec. 2008	26 th Dec. 2008	30 th Jul. 2009	30 th Jul. 2009	30 th Jul. 2009	28 th Feb. 2011	19 th Jan. 2011	
3	Shares of the Subsidiaries held by the Company as on 31 st March 2013	85,03,846	5,10,000	*10,000	*10,000	13,62,401	1	1	1	6	
	a) Number and Face Value	Equity Shares of ₹10/- each	Equity Shares of ₹10/- each	Equity Shares of ₹10/- each	Equity Shares of ₹10/- each	Equity Share of USD 1/- each	Equity Share of USD 1/- each	Equity Share of USD 1/- each	Equity Share of USD 1/- each	Equity Share of AED 1,000,000/- each	
4	b) Extent of Holding	51.54%	51.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
	The net aggregate amount of the Subsidiaries' Profit/(Loss) so far as it concerns the member of the holding company										
	a) Not dealt with in the holding Company's accounts										
	i) For the financial year ended 31 st March, 2013	109.10	171.06	(1.47)	(0.10)	(17.21)	(6.97)	(6.56)	(1.14)	(1,244.14)	
	ii) Upto the previous financial years of the Subsidiaries' accounts	(481.60)	(229.41)	(102.72)	(0.36)	(40.19)	(30.31)	(29.78)	(7.56)	1,421.55	
	b) Dealt with in the holding Company's accounts										
	i) For the financial year ended 31 st March, 2013										
	ii) Upto the previous financial years of the Subsidiaries' accounts										

*Including one equity share held by a nominee.

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

KAILASH S. AGARWAL

Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Place : Mumbai

Date : May 30, 2013

Information on the Financials of the Subsidiary Companies for the financial year ended 31st March 2013

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

(₹ in lac)

Name of the Subsidiary Company	Varun Jewels Pvt. Ltd.	Shri Sai Jewels Pvt. Ltd.	Varun Petroleum Corp. Pvt. Ltd.	Varun Minerals Corp. Pvt. Ltd.	Varun Holdings Ltd.	Varun Mines & Minerals Ltd.	Varun Petroleum Ltd.	Varun Global Trading Pte. Ltd.	Varun International Trading FZE
Country	India	India	India	India	Mauritius	Mauritius	Mauritius	Singapore	Dubai (UAE)
Reporting Currency	INR	INR	INR	INR	USD	USD	USD	USD	AED
Exchange Rate as at 31.03.2013	1.00	1.00	1.00	1.00	54,285	54,285	54,285	54,285	14,782
Share Capital	1,650.00	100.00	1.00	1.00	739.58	0.00	0.00	0.00	886.91
Reserves	5.22	70.93	(104.19)	(0.46)	(57.39)	(37.29)	(36.34)	(8.70)	180.93
Total Assets	29,356.79	17,754.33	9.59	5.27	921.08	108.80	181.49	(1.60)	17,596.59
Total Liabilities	29,356.79	17,754.33	9.59	5.27	921.08	108.80	181.49	(1.60)	17,596.59
Investments (Other than in Subsidiary)	-	-	-	-	-	-	-	-	-
Turnover	2,284.70	711.10	-	-	-	-	-	-	1,836.35
Profit Before Tax	233.07	339.21	(1.47)	(0.10)	(17.21)	(6.97)	(6.56)	(1.14)	(1,244.14)
Provision for Taxation	21.38	3.81	-	-	-	-	-	-	-
Profit After Tax	211.69	335.40	(1.47)	(0.10)	(17.21)	(6.97)	(6.56)	(1.14)	(1,244.14)
Proposed Dividend	-	-	-	-	-	-	-	-	-

Notes:-

- The Indian Rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rate as on 31.03.2013.
- Annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of the holding Company and subsidiary companies, seeking such information at any point of time.
- The annual accounts of the subsidiary companies are open for inspection by any investor at the Company's Registered Office as well as that of the subsidiary companies.

For and on behalf of the Board

Sd/-

KIRAN N. MEHTA

Chairman & Managing Director

Sd/-

KAILASH S. AGARWAL

Managing Director

Sd/-

JITENDRA J. GANDHI

General Manager (Corporate) & Company Secretary

Place : Mumbai

Date : May 30, 2013



ATTENDANCE SLIP

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

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

Joint shareholders may obtain additional slip on request.

DP. ID*	
---------	--

Regd. Folio No.	
-----------------	--

Client ID*	
------------	--

No. of Share(s) held	
----------------------	--

NAME AND ADDRESS OF THE SHAREHOLDER

I/We hereby record my/our presence at the **17TH ANNUAL GENERAL MEETING** of the Company held on Thursday, September 26, 2013 at 10:00 AM at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (West), Mumbai – 400 061 or at any adjournment thereof.

***Applicable for investors holding share(s) in electronic form.**

Signature of the Shareholder or Proxy

.....



PROXY FORM

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

DP. ID*	
---------	--

Regd. Folio No.	
-----------------	--

Client ID*	
------------	--

No. of Share(s) held	
----------------------	--

I/We.....
..... in the district of being a member/
members of Varun Industries Limited hereby appoint
..... in the district of
..... or failing him/her of.....
..... in the district of as my/our proxy to vote for me/us
and on my/our behalf at the **17TH ANNUAL GENERAL MEETING** of the Company to be held on Thursday, September 26, 2013
at 10:00 AM at The Retreat Hotel & Convention Centre, The Retreat, Erangal Beach, Madh Island, Marve Road, Malad (West),
Mumbai – 400 061 or at any adjournment thereof.

Signed this day of.....2013.

Affix
Revenue
Stamp

*** Applicable for investors holding shares in electronic form.**

- Notes: (1) 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.
(2) Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.

BOOK-POST

If undelivered please return to:



VARUN[®]

INDUSTRIES LIMITED

13, Shankheshwar Darshan, A. G. Pawar Cross Lane,
Byculla (East), Mumbai - 400 027, India.
Tel: +91 22 2372 7400 Fax: +91 22 2374 8686 www.varun.com