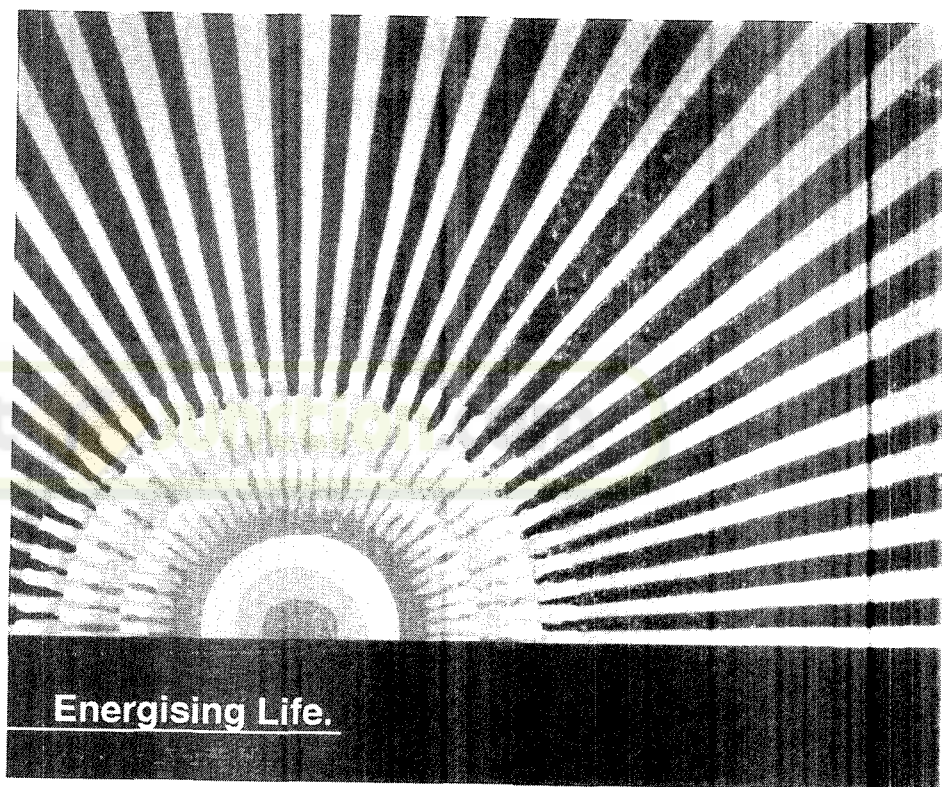


VARUN



37th annual report
2007-2008



VARUN SHIPPING COMPANY LIMITED

Energising Life

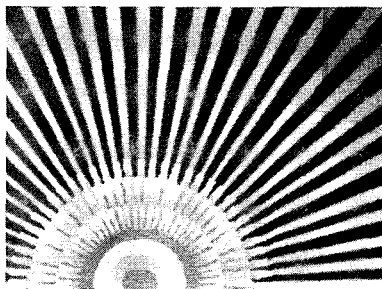
“And what is a man without energy?

Nothing - nothing at all.”

Mark Twain

The fundamental truth in Mark Twain’s words is reflected and defined in Varun’s theme for the year – “Energising Life”. Energy touches our lives both directly and indirectly. It influences every aspect of our lives, from our homes and offices to the way we communicate and work and play ! Energy is both purpose and desire and we rely on energy not only to sustain life but also to live life to the fullest.

Varun is a global player in energy transportation and offshore exploration and production (E&P) support services. It provides widespread shipping and logistics solutions in marine, gas, oil, petroleum products, offshore; the entire hydrocarbon value chain. Varun champions environment preservation and therefore strives to transport energy safely and efficiently. It plays a pivotal role in enlivening, empowering and energising millions of homes and commercial establishments the world over.



The image is that of SUN with its vibrant rays, defining Varun’s focal point – energy. SUN’s energy is vital to all and in its absence life would cease to exist. The symbol of SUN has been used to emphasize this defining characteristic of energy. The rays represent the encompassing nature of energy and the services Varun offers. It aptly depicts Varun’s primary business purpose – energising life.

Notice

NOTICE is hereby given that the thirty-seventh Annual General Meeting of the Company will be held at Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Marg, New Marine Lines, Mumbai - 400 020 on Friday, 1st August, 2008 at 11.00 a.m. to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008, Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mrs. Rina D. Khatau, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Praveen Singh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as the "Act") including any statutory amendment(s), modification(s) or re-enactment(s) thereof for the time being or from time to time in force and subject to the approval of the Central Government, if required and subject to such conditions, modifications and changes as the Central Government may direct, require and approve and which the Directors be and are hereby authorised to accept at their sole and absolute discretion, consent of the Company be and is hereby accorded to the re-appointment of and payment of remuneration to Mr. Arun Mehta as Vice Chairman & Managing Director of the Company for a period of five years with effect from 3rd October, 2008 on the terms and conditions as set out in the agreement to be entered into between the Company and Mr. Arun Mehta, a draft whereof duly initialled by the Chairman for the purpose of identification has been placed before the meeting, which agreement is hereby specifically approved with powers to the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof for the time being and from time to time, to which all or any of the powers hereby conferred on the Board by this resolution may have been delegated by the Board) to alter, amend, vary and modify the terms and conditions of the said re-appointment and remuneration payable from time to time as it may deem fit in such manner as may be agreed upon by the Board and Mr. Arun Mehta within the limits prescribed under Schedule XIII to the Act or any statutory amendment(s), modification(s) and/or re-enactment(s) thereto.

RESOLVED FURTHER THAT subject to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Act, the remuneration payable to Mr. Arun Mehta as Vice Chairman & Managing Director by way of salary, perquisites, commission and other allowances shall not exceed five per cent of the net profits of the Company and if there are more than one such managerial person, ten per cent for all of them together in a financial year.

RESOLVED FURTHER THAT notwithstanding the above, in the event of no profits or inadequacy of profits in any financial year of the Company during the tenure of Mr. Arun Mehta as Vice Chairman & Managing Director of the Company, the remuneration payable to him shall be in



accordance with the limits prescribed in Section II of Part II of Schedule XIII to the Act, as amended from time to time subject to the compliance of provisions thereof, but in any event shall not exceed the remuneration payable when the profits of the Company are adequate.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things including, to settle all questions, difficulties or doubts that may arise and execute all such deeds, documents, writings and the like as the Board in its absolute discretion may deem fit, necessary, expedient, desirable, appropriate or proper."

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

"RESOLVED THAT pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956 and Articles 164 and 165 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for payment of commission to the Directors (other than the Managing/Whole time Directors) not exceeding 1 (one) per cent per annum of the net profit of the Company calculated in accordance with the provisions of the Companies Act, 1956 such commission being divisible amongst the said Directors in such proportion and in such manner as may be decided by the Chairman of the Company and such payment shall be made in respect of the profits of the Company for each year for a period of five financial years of the Company commencing on and from 1st April, 2008.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things including, to settle all questions, difficulties or doubts that may arise and execute all such deeds, documents, writings and the like as the Board in its absolute discretion may deem fit, necessary, expedient, desirable, appropriate or proper."

By Order of the Board of Directors

Manali Parekh

*Vice President – Corporate Affairs,
Secretarial & Legal and Company Secretary*

Mumbai: May 22, 2008

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

The instrument appointing a proxy and the power of attorney, if any, under which it is signed in order to be effective should be deposited at the Registered Office of the Company not less than forty-eight hours before the time of holding the aforesaid meeting as provided by Article 120 of the Articles of Association of the Company.

- (b) The explanatory statement as required by Section 173(2) of the Companies Act, 1956 in respect of businesses under item Nos.6 and 7 set out above, is annexed hereto.
- (c) The Register of Members and Share Transfer Books will remain closed from Monday, the 14th July, 2008 to Friday, the 1st August, 2008 (both days inclusive).



- (d) Members are requested to notify the Registrars and Transfer Agents of the Company, Datamatics Financial Services Limited, Plot No.A-16 & A-17, Part B Crosslane, MIDC, Andheri (East), Mumbai – 400 093 or the Company at its Registered Office of any change in addresses quoting their Folio Number/s. In respect of shares held in electronic form, instructions regarding change in address be furnished to members' Depository Participant.
- (e) (i) Dividend, if any, declared at the meeting will be payable to those members whose names appear in the Company's Register of Members on 1st August, 2008. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
- (ii) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories on 14th July, 2008 to the Company will be printed on the dividend warrants and the Company cannot entertain any direct request from such members for change/deletion in such bank details. Such members may therefore give instructions regarding bank accounts to their Depository Participants only.
- (f) (i) As mandated by SEBI, the Company is providing Electronic Clearing Service (ECS) facility to the members whereby members are able to receive their dividends by way of electronic credit directly to their bank accounts. In the absence of availing of this option by the members, the Company shall send warrants for disbursing dividend. Members desiring to avail of this ECS facility are requested to provide the particulars as per format given below in case these details are not furnished so far and send it directly to the Company's Registrars and Transfer Agents, Datamatics Financial Services Limited or to the Company at the Registered Office in case of shares held in physical form and to the respective Depository Participants in case the shares are held in demat form:

1. Name of the First Holder } : _____
(in Block Letters)
2. Registered Folio No. : _____
3. Name of the Bank : _____
4. Branch Name and Address : _____
5. Account Number : _____
(As appearing on the Cheque Book)
6. Ledger Folio Number (As : _____
appearing on the Cheque Book)
7. Account Type: (Savings Bank : 10 SB 11 Current 13 Cash
A/c, Current A/c or Cash Credit
A/c) Credit
8. 9 Digit Code Number of Bank and Branch appearing on the MICR Cheque issued by the Bank (Please attach a photo copy of a cheque for verifying the accuracy of the MICR Code Number)

--	--	--	--	--	--	--	--	--

Members may please note that the Company shall not be liable for any loss or damage which may arise out of submission of any incorrect particulars by the members.



(ii) In case of shareholders not availing of ECS facility:

With a view to provide protection against fraudulent encashment of dividend warrants, members were requested in the past to provide their bank account numbers, names of the banks and addresses of the branches to enable the Company to incorporate the said details in the dividend warrants. Those members who have not yet furnished such information are again requested to furnish these details quoting their folio numbers to reach the Company or its Registrars and Transfer Agents, Datamatics Financial Services Limited latest by 14th July, 2008 to enable the Company to incorporate this information in the dividend warrants. Members may please note that the Company shall not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.

(g) (i) Unclaimed dividend upto the financial year 1993-1994 has been transferred to the General Revenue Account of the Central Government. Those shareholders who have so far not claimed their dividend upto the said period may write to the Company to claim the amounts from Registrar of Companies, Maharashtra, Mumbai.

(ii) Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund (IEPF). Thereafter, members shall not be able to register their claim in respect of their unencashed dividend. Accordingly, unclaimed dividend from the financial year 1994-1995 to 1999-2000 has been transferred to IEPF.

(iii) Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 2001 and onwards are requested to make their claims to the Company, without any delay.

(h) Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) as prescribed under the Companies (Central Government's) General Rules and Forms, 1956 with the Company or the Registrars and Transfer Agents, Datamatics Financial Services Limited. This form can be downloaded from the website www.dfssl.com. In case of shares held in demat form, the nomination has to be lodged with members' Depository Participants.

(i) A brief profile of Directors retiring by rotation and eligible for re-appointment as required by Clause 49 IV G of the Listing Agreement with the Stock Exchanges is given below :

(i) **Mrs. Rina D. Khatau**

Mrs. Rina D. Khatau was appointed as a Director on the Board of the Company with effect from 12th January, 1995. She is the wife of Mr. Dilip D. Khatau, Chairman and stepmother of Mr. Yudhishtir D. Khatau, Managing Director. She is a Chartered Wealth Manager and also a member of the American Academy of Financial Management. She is 48 years of age and has more than 23 years of commercial experience in various industries such as retailing, advertising, insurance and tourism. She is a Director in VSC International Pte Ltd., Tarun Shipping and Industries Limited, Khatau International Limited, Khatau Resorts Private Limited, Khatau Hospitality Private Limited and Adventure Lodges India Private Limited. In the last 14 years, Mrs. Rina D Khatau has been actively involved in Khatau family's social welfare activities which include the Corbett Foundation and Kutch Ecological Research Centre. She is not a Member of any Committee in any Company. She does not hold any shares in the Company.

Mr. Dilip D. Khatau, Chairman, Mr. Yudhishtir D. Khatau, Managing Director and Mrs. Rina D. Khatau may be deemed to be interested in Mrs. Rina D. Khatau's re-appointment.



(ii) Mr. Praveen Singh

Mr. Praveen Singh was appointed as a Director on the Board of the Company with effect from 15th September, 1994. He is the Chairman of Company's Audit Committee and a member of Shareholders/Investors Grievance Committee. He is Bachelor of Arts and Master of Arts (History) and is 74 years of age. He is the former Director General of Shipping, Government of India and possesses vast and rich experience in the field of shipping. He was also Joint Secretary in the Union Cabinet Secretariat from 1979 to 1984 co-ordinating and monitoring the performance of the infrastructure sector. He is a former director of the erstwhile SCICI Limited.

He is a director of Pandi Correspondents Private Limited. He is not a Member of any Committee in any company. He holds 45,000 equity shares in the Company.

Mr. Praveen Singh may be deemed to be interested in his re-appointment.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.6

At the thirty-second Annual General Meeting of the Company held on 3rd September, 2003, the Members had approved the re-appointment of and remuneration payable to Mr. Arun Mehta as the Vice Chairman & Managing Director of the Company for a period of five years with effect from 3rd October, 2003. Further, at the Extra-ordinary General Meeting of the Company held on 10th March, 2005, the Members had approved the variation in remuneration, housing perquisites/allowances and proportionate increase in perquisites and allowances related to quantum of salary payable to Mr. Arun Mehta for the remaining period of his tenure effective from 10th March, 2005.

Mr. Arun Mehta, is a Chartered Accountant and Company Secretary with vast and varied experience of over 50 years in business and industrial management and 35 years of experience in the shipping industry and is 74 years of age. In April, 2006, he was conferred the "Varuna Award" by National Maritime Day Celebrations Committee formed by the Directorate General of Shipping, Ministry of Shipping, Road Transport and Highways, Government of India, for his sustained and outstanding contribution to the shipping industry in India. He holds in his name 3,940,000 equity shares constituting 2.63 per cent of the paid-up share capital of the Company. He also as a second holder jointly with his wife holds 770,000 equity shares constituting 0.51 per cent of the paid-up share capital of the Company. He joined the Company on 18th January, 1971 and was appointed as its Managing Director effective 6th April, 1973. He was thereafter appointed as Vice Chairman & Managing Director on 25th May, 1999. As the Vice Chairman & Managing Director of the Company for the past several years, he was responsible for overall management of the Company and has guided the Company successfully through various stages of expansion and enabled it to reach its present position in the shipping industry. The Directors believe that for the continued growth and expansion of the Company, it would be desirable to continue to avail of the services of Mr. Arun Mehta as the Vice Chairman & Managing Director for a further period of five years as set out in Item No. 6 of the accompanying notice. In his capacity as the Vice Chairman & Managing Director, Mr. Arun Mehta will continue to have substantial powers of the overall management of the Company, subject to the supervision, control and direction of the Board of Directors.

Mr. Arun Mehta is a director in VSC International Pte Ltd., Tarun Shipping and Industries Limited, Khatau International Limited, Khatau Resorts Private Limited, Khatau Hospitality Private Limited and a partner in Arun Exim. He is not a member of any Committee in any other company.

The terms and conditions and remuneration relating to his re-appointment as Vice Chairman & Managing Director are set out in the draft agreement, a copy whereof duly initialled by the Chairman



for the purpose of identification is placed before the meeting and is subject to the approval of Members of the Company, as required under Sections 269 and 309 and other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956.

The principal terms and conditions as contained in the draft Agreement are as under :

(1) Term of Appointment :

5 (five) years with effect from 3rd October, 2008 to 2nd October, 2013.

(2) Remuneration :

(a) Salary :

Rs. 900,000 per month for the period from 3rd October, 2008 to 2nd October, 2010;

Rs. 1,200,000 per month for the period from 3rd October, 2010 to 2nd October, 2012 and

Rs. 1,600,000 per month for the period from 3rd October, 2012 to 2nd October, 2013.

(b) Commission :

At the rate of 3 per cent of the net profits for the year but not exceeding two years' salary in each year.

(3) Perquisites/Allowances :

In addition to salary and commission, Mr. Arun Mehta will be entitled to the following :

(a) Housing :

Rent free fully furnished accommodation maintained by the company to be valued as per Income-tax Rules or House Rent Allowance of Rs. 400,000 per month for the period from 3rd October, 2008 to 2nd October, 2010, Rs. 450,000 per month for the period from 3rd October, 2010 to 2nd October, 2012 and Rs. 500,000 per month for the period from 3rd October, 2012 to 2nd October, 2013.

(b) Medical Expenses :

Reimbursement of all medical expenses including hospitalization and surgical charges incurred in India and abroad for self and family.

(c) Leave :

On full pay and allowances in accordance with the rules of the Company.

(d) Encashment of Leave :

Encashment of accumulated leave at the end of term of office in accordance with the rules of the Company.

(e) Leave Travel Concession :

For self and family once in a year in accordance with the rules of the Company.

(f) Club Fees :

Fees of clubs including admission and life membership fees.

(g) Personal Accident Insurance :

For self and family.

(h) Gratuity :

One month's salary for each completed year of service.

(i) Provident Fund and Superannuation Fund :

Contribution to Provident Fund and Superannuation Fund in accordance with the rules of the Company.

(j) Telephone :

Use of telephone/mobile/telefax/internet and other suitable communication facilities at the residence.

(k) Car :

The company shall provide two cars with chauffeurs for official as well as personal use.

Explanation: For the above purpose, perquisites/allowances shall be valued as per the Income-tax Rules wherever applicable.

(l) Other Perquisites/Allowances :

Subject to the overall ceiling on remuneration mentioned below, Mr. Arun Mehta may be given other allowances, benefits and perquisites, as the Board of Directors or any Committee thereof may from time to time decide.

(m) Ceiling :

Subject to the provisions of Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, when the profits in a financial year are adequate, the remuneration payable by way of salary, perquisites, commission and other allowances shall not exceed five per cent of the Company's net profits, provided that if there is more than one managerial person, it shall not exceed ten per cent of the Company's net profits for all of them together in a financial year.

(n) Minimum Remuneration :

In case of no profits or inadequacy of profits in any financial year during his tenure as Vice Chairman & Managing Director of the Company, the remuneration payable to him shall be in accordance with the limits prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 as amended from time to time subject to the compliance of provisions thereof, but in any event shall not exceed the remuneration payable when the profits of the Company are adequate.

(4) Other Terms and Conditions :

- (a) Mr. Arun Mehta shall subject to the supervision, control and direction of the Board be vested with substantial powers of management of the Company.
- (b) As long as Mr. Mehta functions as Vice Chairman & Managing Director of the Company, no sitting fees will be payable to him for attending the meetings of the Board of Directors or Committees thereof.
- (c) Mr. Mehta shall not retire by rotation whilst he continues to hold office of Vice Chairman & Managing Director.
- (d) Mr. Mehta shall be entitled to reimbursement of entertainment expenses actually and properly incurred by him, in the course of legitimate business of the Company and travelling, hotel and other expenses incurred by him in India and abroad for the business of the Company.
- (e) Mr. Mehta shall not during the continuance of his employment with the Company or at any time thereafter divulge or disclose to any person whomsoever any information or



knowledge obtained by him during his employment as to the business or affairs of the Company or its methods or as to any trade secrets and shall use his best endeavours to prevent any other person from doing so. However, such divulgence or disclosure by him to officers and employees of the Company and others for the purpose of business of the Company shall not be deemed to be a contravention of this clause.

- (f) The company or Mr. Mehta shall be entitled to terminate the Agreement, by giving to the other party three months notice in writing or by the Company paying three months remuneration in lieu thereof.
- (g) If at any time Mr. Mehta ceases to be the Vice Chairman & Managing Director of the Company for any reason whatsoever, he shall also cease to be a Director of the Company and vice versa.
- (h) The terms and conditions of the said re-appointment and/or agreement may be altered, amended, varied and modified from time to time by the Board of Directors or Committee thereof as may be permissible and if deemed fit, within the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment(s) and/or modification(s) and/or re-enactment(s) made thereto.

The Directors therefore recommend passing of the Special Resolution as set out at Item No. 6 of the accompanying Notice.

The draft agreement referred to in the said Resolution is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company upto the date of the Annual General Meeting.

This explanatory statement together with the accompanying Notice is to be regarded as an Abstract of the terms of the agreement and memorandum of concern or interest under Section 302 of the Companies Act, 1956.

Mr. Arun Mehta is considered to be interested in the said resolution as also in the draft agreement, since it relates to his own re-appointment and remuneration. Save as aforesaid, none of the other Directors is concerned or interested in the said Resolution.

Item No. 7

At the thirty-second Annual General Meeting of the Company held on 3rd September, 2003, it was resolved that commission at the rate not exceeding 1 (one) per cent of the net profit of the Company be paid to the Directors other than the Managing/Whole time Directors. This resolution was effective upto 31st March, 2008. With the expansion of Company's activities, the non-executive Directors' involvement in the affairs of the Company continues to increase substantially. Each of these Directors has used his/her vast experience and special skills and contributed and continue to contribute substantially to the decision making process which has added value to the Company. The responsibilities of non-executive Directors have further increased on account of Corporate Governance compliances. It is therefore proposed to continue the payment of commission to them, for a further period of 5 years, commencing on and from 1st April, 2008.

The Directors therefore recommend passing of the Special Resolution as set out at Item No. 7 of the accompanying Notice.

Except Mr. Arun Mehta, Vice Chairman & Managing Director all other directors may be considered to be concerned or interested in the said Resolution.

By Order of the Board of Directors

Manali Parekh

*Vice President – Corporate Affairs,
Secretarial & Legal and Company Secretary*

Mumbai: May 22, 2008

