



VMS INDUSTRIES LIMITED

annual report  
2011-2012



**BOARD OF DIRECTORS**


**Manoj Kumar Jain**  
*Managing Director*



**Sangeeta Jain**  
*Whole Time Director*



**Ajit Kumar Jain**  
*Director*



**Bakul Mehta**  
*Non Executive Independent Director*



**Pranav Parikh**  
*Non Executive Independent Director*



**Hitesh Loonia**  
*Non Executive Independent Director*

**COMPANY SECRETARY & COMPLIANCE OFFICER**

Mr. Hemal Patel

**CHIEF FINANCIAL OFFICER**

Ms. Nimisha Modi

**REGISTERED OFFICE**

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

**CORPORATE OFFICE**

808-C, Pinnacle Business Park, Corporate Road,  
Prahlanagar, Ahmedabad-380015 Gujarat (India)

**WORK SHOP**

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

**REGISTRARS & SHARE TRANSFER AGENTS FOR ELECTRONIC SHARES**

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

**MAIN BANKERS**

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

**STATUTORY AUDITORS**

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

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**NOTICE**

Notice is hereby given that the 20th [Twentieth] Annual General Meeting of the Company will be held on 11.00 hours on 10th day of September, 2012 at the Registered Office of the Company situated at 2ND Floor 'Jain House', Opp. Vitthalwadi, Bhavnagar-364003 to transact the following business.

**Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March, 31, 2012 and the Profit and Loss Account for the Year ended on that date together with the Report of Board of Directors and Auditors thereon;
2. To appoint Director in place of Mr. Hitesh Loonia, who retires by rotation and, being eligible, offers him for re-appointment.
3. To appoint Director in place of Mrs. Sangeeta Jain, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint M/s K Solanki & Co., Chartered Accountants, Ahmedabad, (Firm Registration Number 114694W) as Statutory Auditors of the Company to hold office from the conclusion of this Meeting, until the conclusion of the next Annual General Meeting, on such remuneration plus out of pocket expenses, if any, as may be mutually agreed upon between the Board of Directors of the Company and said Statutory Auditors;

**SPECIAL RESOLUTION**

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

**"RESOLVED THAT** in accordance with the provisions of section 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956 (Including any statutory modification or re-enactment thereof for the time being in force) and subject to the limits specified in Schedule XIII of the Companies Act, 1956, and as requested by Shri Ajit Kumar Jain (**former Managing Director of the Company**) and approved by the Board of Directors in their meeting, the Company hereby vary / Cancel terms of Employment agreement dt 04th February, 2010 with Shri Ajit Kumar Jain, for the Post of Managing Director by accepting his change of Designation from the Post of Managing Director to Director "

**"RESOLVED FURTHER THAT** in accordance with the provisions of section 302 of Companies Act 1956, the Company hereby give notice of **Disclosure of Interest of Shri Ajit Kumar Jain** for Change of Designation from the Post of Managing Director to Director."
6. To Consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  

**"RESOLVED THAT** pursuant to the provisions of section 198, 258, 269, 309, 310, 311, schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof, or any other law and subject to such consent(s), approval(s) and permission(s) as may be necessary in this regard and subject to such conditions as may be imposed by any authority while granting such consent(s), permission(s) and approval(s) and as are agreed to by the Board of Directors (hereinafter referred to as the Board, which term shall unless repugnant to the context or meaning thereof, be deemed to include any committee thereof and any person authorised by the Board in this behalf), consent of the members be and is hereby accorded to the appointment of Mr. Manoj Kumar Jain as Managing Director of the Company for a period of Five years with effect from 20th July, 2012, on remuneration of Rs.1,00,000/- Per Month.
7. To consider and if deemed fit, to pass with or without modification following resolution as an **ORDINARY RESOLUTION**  

**"RESOLVED THAT** pursuant to the provision of Section-61 and other applicable provisions if any of the Companies Act, 1956 (including any amendment(s) to or re enactment (s) thereof), provisions of the Memorandum and Article of Association of the Company, Rules, Regulation, Guidelines of the Securities and Exchange Board of India ('SEBI') and other applicable provisions, if any subject to requisite approval, consents, permission and sanctions, if any, from the Government of India, SEBI, the Stock Exchanges, Institutions or bodies under applicable laws, rules, terms and conditions as may be prescribed, consent of the Company be and is hereby accorded to the Board of Directors to approve the variation of the Utilization of the proceeds of 'Initial Public Offer;' ('IPO') made in pursuance of the Prospectus dated 6th June, 2011 ('Prospectus') from the 'Object of the Issue' as mentioned in the Prospectus by including but not limited to rescheduling the Utilization towards the objects set out in the prospectus and /or increasing and / or decreasing expenditures (s) for any of the object mentioned in the prospectus as mentions in the Explanatory Statement hereto.

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do, all such act, deeds, matters and things, deal with such matters as the Board may in its absolute discretion deem necessary, desirable or expedient and thereto, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or any other officer(s) authorized person of the Company to give effect to the aforesaid Resolution."

By Order of Board of Directors  
**For: VMS INDUSTRIES LIMITED**

Place : Bhavnagar  
 Date : 20th July, 2012

Sd/-  
**Hemal Patel**  
 Company Secretary



## Notes:

- i) A member entitled to attend to vote at the meeting is entitled to appoint a proxy, to attend and vote on poll on his behalf and such a proxy need not be member of the Company, Proxies in order to be effective must be deposited at the Registered Office or with the Registrar and Share Transfer Agents of the Company, M/s Cameo Corporate Services Limited, not less than 48 hours before the meeting.
- ii) The Registrar of Members of the Company and the Share Transfer Registrar shall remain closed from Tuesday, 04th September, 2012 to Monday, 10th September 2012 (both days inclusive)
- iii) The members are requested to
  - a) Notify immediately any change in their address to the Company
  - b) Bring their copy of the Annual Report to the Annual General Meeting.
- iv) Explanatory Statements under Section 173(2) of the Companies Act, 1956 in respect of Item No.5 to 7 are annexed hereto.
- v) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participant with whom they are maintaining their Demat accounts.
- vi) Brief profile of the Directors who are retiring by rotation and are eligible for re appointment as Directors at the ensuing Annual General Meeting are furnished with Notice of Annual General Meeting, which forms part of Annual Report.

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

### Item No.5

The Company had entered in to an agreement on Dt 04th February, 2010 with Ajit Kumar Jain to act as Managing Director of Company with effect from 15th February, 2010 for a tenure of 5 years i.e up to 15th February, 2015.

However Mr Ajit Kumar Jain has shown his unwillingness to act as Managing Director of the Company and given his resignation letter to the Board of Directors on dt. 16th May, 2012. Further he has given his consent to act as Director of the Company.

The Board proposes / accepts his resignation from the office of Place of Managing Director subject to the approval of Members in its Annual General Meeting.

Your Board of Directors seeks your approval for this resolution.

None of Directors Expect Ajit Kumar Jain, Mr. Manoj Kumar Jain, Mrs. Sangeeta Jain are interested on above resolution.

### Item No.6

Mr. Manoj Kumar Jain was appointed as Director of Company on 1st April, 2008. The Company has received requisite notice from a member under section 257 of the Companies Act, 1956 proposing the candidature of Mr. Manoj Kumar Jain to the office of Managing Director. Mr. Manoj Kumar Jain is also a Member of ICAI. He is having over 10 years of experience in various fields such as finance, taxation consultancy and ship recycling and off shore Industrial and other business activities. He is examining and advising on Purchase of Old ships and finalizes the deals with the suppliers. He is also guiding on off shore activities and is arranging finance for the business of the company. He plays a major role in providing strategic guidance to our Company. He will be supervising the functional heads and responsible for the overall operation and growth of our Company.

The Board of Directors of the company at their meeting held on 20th July, 2012 and as per Remuneration Committee Meeting held on 19th July, 2012 appointed him as Managing Director for the period of five years with effect from 20th July, 2012 on remuneration and perquisites as set out at the resolution no.6 of the notice of the meeting subject to approval of shareholders. An Abstract of the terms of appointment of the Managing Director and a Memorandum as to concern or interest of the directors in said appointment as required under Section 302, of the Companies Act, 1956 was sent to the Members on 20th July, 2012. The appointment and remuneration are within the guidelines laid down in Schedule XIII to the Companies Act, 1956 and require the approval of Shareholders. Brief resume of the Managing Director as under;

Name of the Director	Mr. Manoj Kumar Jain
Date of Birth	18th December, 1961
Qualification	B. Com, Chartered Accountant
Experience in specific functional areas	He is having over 10 years of experience in various fields such as finance, taxation consultancy and ship recycling and off shore Industrial and other business activities. He is examining and advising on Purchase of Old ships and finalizes the deals with the suppliers. He is also guiding on off shore activities and is arranging finance for the business of the company
List of other Companies in which Directorship is held	Nil
Chairman / Member of the Committees of the Board of other Companies in which he is a Director	Nil



None of the Directors, except Mr. Manoj Kumar Jain, Sangeeta Jain, Ajit Kumar Jain are concerned or interested in the resolution

**Item No.7**

The Members of the Company, at the Extraordinary General Meeting of the Company held on 03rd February, 2010 had approved the Initial 'Public Offer' ('IPO') of the Equity Shares of the Company.

On 10th June, 2011 the Company has by way of IPO Placement, allotted 64,38,227 equity shares to investor for an aggregate consideration of 25,75,29,080/- at a subscription price of Rs.40/- per Equity Share including Premium. Further, pursuant to the prospectus date 6th June, 2011 the Company has issued and allotted 64,38,227 Equity Shares to Investors

In the Prospectus dated 6th June, 2011, the company has specified certain business plans and requirements of funds for the same along with the utilization of the IPO Proceeds under the section titled "Object of the Issue" on **Page no.55**.

(Rs. In Lacs)

SNo	Particulars	Amount	Amount
1	Modernization of our Ship Recycling Plot		558.00
2	Setting up of Corporate Office at Ahmedabad		
	- Office Premises	45.00	
	- Furniture and Fixtures	65.00	110.00
3	Long-term Working Capital Requirement		1740.20
4	Issue Expenses		184.80
	TOTAL		2593.00

Further, as disclosed in the Prospectus on **Page No.56**

In case of any variations in the actual utilization of funds earmarked for the objects set forth above, increased fund requirement for a particular object may be met with by surplus funds, if any available in respect of the other object for which the funds are being raised in the Issue, subject to applicable law, and/or our Company's internal accruals, and/ or the term loans/working capital loans that may be availed from the Banks/ Financial Institutions. In the event of any shortfall in the Issue proceeds, the requirement shall be satisfied from internal accruals.

Therefore it is proposed to utilize the balance amount which could not be utilized in the above manner by including but not limited to rescheduling and utilization towards the object set out in the Prospectus and / or increasing and /or decreasing expenditure (s) for any of the object mentioned in the prospectus, towards inorganic growth of the Company's business and for General Company Purposes.

Accordingly, it is proposed to modify the aforesaid utilization schedule for financing the object as set forth below. (Rs. In Lacs)

SNo	Particulars	Amount	Amount
1	Modernization of our Ship Recycling Plot		599.39
2	Setting up of Corporate Office at Ahmedabad		
	- Office Premises	42.00	
	- Furniture and Fixtures	29.29	71.29
3	Long-term Working Capital Requirement		1746.20
4	Issue Expenses		158.12
	TOTAL		2575.00

Pursuant to the provision of section 61 of the Companies Act, 1956, a Company can vary the terms referred to in the Prospectus only with approval of the Members. The Board accordingly recommends the Ordinary Resolution as set out at Item No.7 of the accompanying notice for approval of the Members.

The Directors of the Company may be deemed to be interested in this resolution to the extent of their respective holdings in the equity shares of the Company.

By Order of Board of Directors  
**For: VMS INDUSTRIES LIMITED**

Sd/-

**Hemal Patel**

Company Secretary

Place : Bhavnagar  
Date : 20th July, 2012



## VMS Industries Limited

### IMPORTANT COMMUNICATION TO MEMBERS

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

### Details of Directors seeking reappointment in Annual General Meeting (in pursuant of Clause 49 of Listing Agreement)

Name of Director	Mr. Hitesh Loonia	Sangeeta Jain
Date of Birth	22/09/1984	22/01/1968
Nationality	Indian	Indian
Date of Appointment on the Board	30.12.2009	02.12.1991
Qualification	B.com, ACA, CS, CWA	B.A .M.A
Experience of functional area	Business	Business
Shareholding in the Company	5000	2292264
List of Directorship held in other Companies	NIL	NIL
Committee Membership	2	1

To,  
The Members of VMS INDUSTRIES LIMITED,  
ABSTRACT UNDER SECTION 302 OF THE COMPANIES ACT, 1956

1. Variation of the terms of contract of former Managing Director, Shri Ajit Kumar Jain and Nature of concern or interest of directors;  

Shri Ajit Kumar Jain was appointed as Managing Director of the Company for a period of 5 years with effect from 15th February, 2010. The appointment was approved by the Shareholders at an Extraordinary General Meeting held on 13th February, 2010.

As required under section 302 of the Companies Act, 1956 take notice that Shri Ajit Kumar has resigned from the position of Managing Director of the Company with effect from 20th July, 2012 to focus on wider responsibilities of the VMS INDUSTRIES LIMITED.

At a meeting of the Board of Directors of the Company held on 20th July, 2012 the change in position of Shri Ajit Kumar Jain as Director was approved and he was assigned the newly created role of Director.

Except Shri Ajit Kumar Jain, Director, Mr Manoj Kumar Jain, Managing Director and Smt Sangeeta Jain, Whole time Director of the Company, none of the other directors of the Company is, in any way, concerned or interested in the contract.
2. Abstract of the terms of appointment of Shri Manoj Kumar Jain as Managing Director and the notice of such concern or interest of directors in the appointment  

The Board of Directors of the Company at their meeting held on 20th July, 2012 appointed Shri Manoj Kumar Jain as Managing Director of the Company for a period of five years with effect from 20th July, 2012 subject to approval of Shareholders of the Company in 20th Annual General Meeting.

Mr. Manoj Kumar Jain was appointed as Director of Company on 1st April, 2008 as the Director of the Company. The Company has received requisite notice from a member under section 257 of the Companies Act, 1956 proposing the candidature of Mr. Manoj Kumar Jain to the office of Managing Director. Mr Manoj Kumar Jain is a Member of ICAI. He is having over 10 years of experience in various fields such as finance, taxation consultancy and ship recycling and off shore Industrial and other business activities. He is examining and advising on Purchase of Old ships and finalizes the deals with the suppliers. He is also guiding on off shore activities and is arranging finance for the business of the company. He plays a major role in providing strategic guidance to our Company. He will be supervising the functional heads and responsible for the overall operation and growth of our Company.

As required under section 302 of the Companies Act, 1956 an abstract of the terms of appointment of Shri Manoj Kumar as Managing Director and payment of remuneration thereof and memorandum of concern or interest of the directors in such appointment is set out herein below:

Designation : Managing Director

Terms of appointment : For a period of 5 years

Salary : 1,00,000/- Per Month

Remuneration during his tenure in office, may be further increased by the Board / Remuneration Committee, from time to time, based on the performance of the Company and his individual performance.

In the event of termination of employment, except in circumstances of fraud or gross misconduct on his part, he will be entitled to be paid remuneration for a maximum period of three months.

Subject as aforesaid, he shall be governed by such of the existing service rules of the Company as may be in force from time to time.

So long as he functions as the Managing Director of the Company, he shall not be paid any sitting fees for attending the meetings of the Board or any Committee thereof.

Memorandum of concern or interest

Except Shri Manoj Kumar Jain, Managing Director of the Company, Shri Ajit Kumar Jain, Director and Smt Sangeeta Jain who is concerned / interested in the appointment and the remuneration payable, none of the other directors of the Company is, in any way, concerned or interested in the appointment and the remuneration payable.

Copy of the resolutions passed by the Board of Directors on 20th July, 2012 is available for inspection at the registered office of the Company during business hours on all working days

By Order of Board of Director of  
VMS INDUSTRIES LIMITED

Sd/-  
HEMAL PATEL  
COMPANY SECRETARY



## VMS Industries Limited

### NOTICE

Notice is hereby given pursuant to the provisions of Sections 16,17,146(2) read with Section 192A of the Companies Act, 1956, and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the consent of the Members of **VMS INDUSTRIES LIMITED** for the proposed resolution set out below, which consent is sought to be obtained by means of Postal Ballot. The explanatory statement stating all material facts and the reasons for the proposal is also appended hereto for your consideration.

You are requested to carefully read the instructions printed in the Postal Ballot Form (appended hereto) and return the form duly completed in the attached self addressed postage prepaid envelope, so as to reach the Scrutinizer before the closing of working hours on or before 05th September, 2012. Please note that any Postal Ballot Form(s) received after the said date will be treated as not having been received. No other forms or photo copies thereof is permitted.

The Scrutinizer will submit his report to the Chairman or any Director of the Company after completion of the scrutiny and the result of the voting by Postal Ballot will be announced by the Chairman or any Director of the Company on 10th September, 2012 at 11.00 hours at the Registered Office of the Company at 2nd Floor 'Jain House', Opp. Vitthalwadi, Bhavnagar-364003. Members of the Company, who wish to be present at the time of declaration of results, may be present at the above venue.

### SPECIAL RESOLUTION

#### 1. Shifting of Registered Office from Bhavnagar to Ahmadabad

"RESOLVED THAT pursuant to the provision of Section 17, 146, 192A and other applicable provision if any of the Companies Act, 1956, Registered office of the Company be changed/ Shifted from 2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar-364001(Gujarat) to 808/ C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015 (Gujarat) which fall within the State of Gujarat but outside the local limits of the City of Bhavnagar.

"RESOLVED FURTHER THAT the Company Secretary be and is hereby authorized to make an application with Registrar of Companies seeking its confirmation and to do all such acts, deeds, matters and things as may be necessary in connection therewith or incidental or ancillary thereto.

By Order of Board of Directors  
**For: VMS INDUSTRIES LIMITED**

Place : Bhavnagar  
Date : 20th July, 2012

Sd/-  
**Hemal Patel**  
Company Secretary

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

#### Item No.1 Shifting of Registered Office

Your Directors believe that not only the Company's Business but it would be more economical and more efficient to manage the entire operations if the registered office is situated at Ahmedabad (Gujarat). Since it is the major Business Center of Gujarat.

Section 146(2) of the Companies Act, 1956 (the "Act") provides that the registered office of the Company shall not be removed outside the local limits of any city, town or village except with the authority of a special resolution passed by the shareholders Section 192A of the Act read with Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 provides that change in place of registered office outside the local limits of any city, town or village as specified in sub-section (2) of section 146 shall be passed through postal ballot.

The change in registered office within the State of Gujarat but outside the local limits of the City of Bhavnagar does not result in change in jurisdiction of the Registrar of Companies.

Your Directors recommend the Special Resolution for your approval.

None of the Directors is concerned or interested in the said resolution.

By Order of Board of Directors  
**For: VMS INDUSTRIES LIMITED**

Place : Bhavnagar  
Date : 20th July, 2012

Sd/-  
**Hemal Patel**  
Company Secretary



**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present herewith their 20th (Twentieth) Annual Report of your Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2012.

**FINANCIAL RESULTS**

The financial performance of the Company for the Year ended 31st March, 2012 is summarized as below:-

Particulars	(₹ In Lacs)	
	Year Ended on 31.03.2012	Year Ended on 31.03.2011
Income / Receipts from Operations	11638.55	7491.66
Other Income	363.79	238.69
Total Income	<b>12002.34</b>	<b>7730.36</b>
Earning Before Financial Charges, Depreciation, and Taxation (EBITDA)	489.65	332.67
Financial Charges	247.47	109.36
Depreciation	79.89	37.65
Profit Before Tax (PBT)	<b>162.29</b>	<b>185.65</b>
Less: Provision for Taxation including Deferred	59.69	18.47
Profit After Tax (PAT)	<b>102.59</b>	<b>167.18</b>
Profit Brought Forward from Previous Year	467.55	310.99
Profit Available for Appropriation	<b>570.14</b>	<b>478.17</b>
Transfer to Tonnage Tax Reserve	—	10.62
Balance Carried to Balance Sheet	<b>570.14</b>	<b>467.55</b>

**OPERATIONS REVIEW**

During the year under review, Your Company has maintained its excellent pace of growth reflected by the significant rise in Turnover, Net Profit, EBITA. The driving areas of the Company were Ship Recycling Unit which has achieved substantial increase in term of Turnover. The decrease in Profit in the Current financial year is due to non favorable exchange fluctuation in the last quarter of the accounting year.

**LIQUIDITY**

We maintain sufficient cash to meet our strategic objectives. We understand that liquidity is necessary to cover Business and Financial risks. Excess funds are invested in deposits with Bank having special rates of interest or by providing short Terms Loan and Advances to parties which is receivable on demand so that funds are readily available at any time period to meet requirement of our business.

**EQUITY SHARE CAPITAL**

During the year, the Company had issued 64, 38,227 Equity shares of ₹ 10/- each at a premium of ₹ 30 /- per share in June 2011 by way of Initial Public Offer. Your Company's shares were listed on the Bombay Stock Exchange Limited (BSE) on 14th June, 2011. The issue was subscribed by about 1.46 times. As a result of this paid up equity shares increased from 10035164 to 16473391 Equity shares as at 31st March, 2012

**DIVIDEND**

Looking to future requirements of funds for business operations of the Company, the directors have not recommended any dividend for the Financial Year 2011-12



### FUTURE PROSPECTUS

The business activity of Ship-breaking industry at Alang Ship Breaking Yard is likely to increase substantially in view of favorable availability of second hand ships and demand of ship-recycled material. However after October 2011 to till today there is drastic depreciation in Indian Rupee against Dollar, which will cause buying of ship costly and ultimately affect on Profit of our business.

Our Company is also optimistic that with the stabilization in price for the old ship in the international markets and in the sale price of recycled products in the domestic market, the Company will be able to improve the turnover and the profitability ratios in the coming years.

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

### DIRECTORS

Mr Ajit Kumar Jain has shown his unwillingness to act as Managing Director of the Company and has given his resignation to the Board of Directors on 16th May, 2012. Further he has also given his consent to act as Director of the Company. The Board accepts his Change of Designation from the Managing Director to Director in their Meeting held on 20th July, 2012.

Mr. Manoj Kumar Jain was appointed as Director of Company on 1st April, 2008. The Company has received a notice from member of the Company in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature for the office of Managing Director.

Mr Manoj Kumar Jain is also a Member of ICAI. He is having over 10 years of experience in various fields such as finance, taxation consultancy and ship recycling and off shore Industrial and other business activities. He is examining and advising on Purchase of Old ships and finalizes the deals with the suppliers. He is also guiding on off shore activities and is arranging finance for the business of the company. He plays a major role in providing strategic guidance to our Company. He will be supervising the functional heads and responsible for the overall operation and growth of our Company.

The Board of Directors of the company at their meeting held on 20th July, 2012 appointed him as Managing Director for the period of five years with effect from 20th July, 2012 subject to approval of the members.

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

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

### REGISTERED OFFICE

Your Directors believe that it is in the interest of the Company to change the registered office to Ahmedabad as it would result in efficient management of the operations. Hence the registered office of the Company has been changed to 808/ C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015 (Gujarat) from 2nd Floor 'Jain House', Opp. Vitthalwadi, Bhavnagar-364003. The Board of Director approved the Draft Postal Ballot Notice by passing resolution in their Meeting held on 20th July, 2012. The Result of Postal Ballot will be declared on 10th September, 2012 i.e. on date of Annual General Meeting.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparations of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
- Appropriate accounting policies have been selected and applied consistently and such judgments & estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the Profit of the Company for the accounting year ended on that date;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- The Annual Accounts of the Company have been prepared on a going concern basis.

### RISK MANAGEMENT

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

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

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

Except as disclosed elsewhere in this report, there are no material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year and the date of this report:

#### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 related to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo for the financial year ended 31st March 2012 are given in **Annexure - I** attached hereto and forming part of this report.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

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

#### **PARTICULARS OF EMPLOYEES**

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

#### **CORPORATE GOVERNANCE REPORT**

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

#### **AUDITORS**

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

#### **AUDITORS' REPORT**

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

#### **FIXED DEPOSITS**

During the year ended on 31st March 2012, the Company has not accepted any Fixed Deposits from public under Section 58A & 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

#### **CAUTIONARY STATEMENT**

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

#### **ACKNOWLEDGEMENT**

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

**For and on Behalf of Board of Directors**

Place : Bhavnagar  
Date : July 20, 2012

Sd/-  
**MANOJ KUMAR JAIN**  
MANAGING DIRECTOR

**ANNEXURE – I TO DIRECTORS' REPORT**

Information as per Section 217 (1) (e) read with the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March 2012.

**A. CONSERVATION OF ENERGY**

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

**B. TECHNOLOGY ABSORPTION:-**

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

**C. FOREIGN EXCHANGE EARNING & OUTGO**

1. Activities relating to export initiatives taken to increase exports, development of new markets for products and services and export plans : NIL
2. During the year, the Company earned / spent foreign exchange as under :
  - Earnings : ₹ 251.83 Lacs
  - Outgo : ₹ 8809.90 Lacs

## Annexure-II of Directors' Report

## MANAGEMENT DISCUSSION AND ANALYSIS

## DISCLAIMER STATEMENT:

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

## BACKGROUND:

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

## BUSINESS OVERVIEW:

Our present business mainly consists of two business segments:-

## 1. Ship Recycling Activities:-

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

We started the ship recycling activity during the financial year 2009-10 and purchased total Fourteen (14) ships for our ship recycling activities till date, whose details are as under:-

Sr.No.	Name of the Ship	Weight (MT)
1.	Loretta D	6150
2.	Colombo Star II	5850
3.	Madre	8150
4.	Venus Gas	3912
5.	Winco	2987
6.	MT Mar	9653
7.	Libra Gas II	3126
8.	Annoula	9749
9.	Kapadokia	11432
10.	M V Green Neptunic	2420
11.	Jamaima	6522
12.	Kingsway	16691
13.	Theresa Lepoard	10730
14.	MV Ocean	9890

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

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

Purchased a Tug named **ADINATH – 8** which is currently operating in the open market on a hire basis.

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



**INDUSTRY OVERVIEW:**
**1. SHIP BREAKING INDUSTRY:**
**Overview**

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

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

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

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

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

**Global Scenario**

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

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

**Ship Recycling At Alang, Bhavnagar (Gujarat)**

1. Alang has a very high inter-tidal gradient. This enables the ship to beach right at the shore during high tide and when the tide recedes the ship stands almost at a dry-dock. This not only makes work easy but also makes easy in terms of collecting the valuables and the waste items from the sand. Usually heavy items are dropped into the sea-water during high tide and this minimizes damage.
2. Due to high tidal gradient, larger ships can come straight into the shore. This reduces the total working time on each ship.
3. Since the beach is sandy, the heavy items do not sink in the mud and similarly the hazardous waste matter such as paint and other heavy metal and other deposits do not leach into the soil.
4. At Alang, due to the fact that ships are beached just on the threshold of the plot, dismantling takes place in controlled conditions.
5. The rainfall is mild and work can be carried out throughout the year.
6. Due to the relatively moderate rainfall and shelter from strong tides and winds and also because of the absence of rocks around the area, the Alang yard can recycle smaller ships easily. Therefore, the numbers of ships that can come to this yard are many. In contrast, Gaddani in Pakistan and Chittagong in Bangladesh have strong winds and strong tides respectively and hence they can only demolish very large vessels. Chinese seacoast has typhoons all through the monsoon season and hence ship recycling cannot go throughout the year in an uninterrupted manner. (Source: [www.sriaindia.com](http://www.sriaindia.com))
7. Alang ship breaking yard that is located near Bhavnagar in Gujarat, is Asia's largest ship recycling place. Over 100 ship breaking companies are active in Alang and turnover of the industry is about Rs 10,000 crore per year.

## Outlook

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

## 2. OFFSHORE INDUSTRY

India is naturally endowed with a long coastline spanning 7,517 km wherein the country's 13 major ports and around 200 non-major ports are located across nine maritime states. Of the non-major ports, around 66 are operational and these are mainly in the States of Gujarat, Andhra Pradesh, Goa and Maharashtra. Post- liberalization, the participation of private players in the port sector has been encouraging as is evident from their investments in green field commercial and captive ports and in various port related logistics and support activities. *(Source: Indian Ports & Infrastructure Review, October 2010, Volume 2: Issue 10)*

### Demand for Offshore Support Vessels

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

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

### Growth Driver

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

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

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

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

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

## GROWTH OF THE COMPANY

The Income / Receipts from Operations for the year ended March 31, 2012 amounted to ₹. 11638.55 Lacs compared to ₹ 7624.94 Lacs for the previous year ended March 31, 2011. This resulted into a growth of 153 % in Turnover of the Company as compared to the last financial year ended on 31st March, 2011.

## FINANCIAL RESOURCES

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



### OPERATIONS REVIEW

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

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

Moreover Indian ship breaking companies have lost almost ₹ 800-1000 crore during financial year 2011-12 due to rupee depreciation against US dollar. According to the industry, weak rupee converted profits into losses, mainly after October 2011 period. (*Business Standards*)

### RISK MANAGEMENT

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

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

### FUTURE PROSPECTUS

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

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

### CERTIFICATIONS

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

### HUMAN RESOURCE DEVELOPMENT

The Company recognizes human resources as its biggest strength which has resulted in getting acknowledgement that the Company is the right destination where with the growth of the organization, value addition of individual employees is assured. The total number of employees as on 31st March, 2012 is 40.

### INTERNAL CONTROL

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

### CAUTIONARY STATEMENT

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

For and on Behalf of Board of Directors

Place : Bhavnagar  
Date : July 20, 2012

Sd/-  
**MANOJ KUMAR JAIN**  
MANAGING DIRECTOR

## Annexure –III to the Directors' Report

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

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

**1. Company's Philosophy:**

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

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

**2. Board of Directors**

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

**a) Composition of Board**

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

The Board comprises of the following:

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

**b) Board Meetings and Attendance of Directors**

During the year under review, Nineteen (19) Board meetings were held, one each on the following dates:

Sl. No.	Date	Board Strength	No. of Directors present
1	13th April, 2011	6	5
2	07th May, 2011	6	5
3	13th May, 2011	6	5
4	16th May, 2011	6	5
5	06th June, 2011	6	6
6	10th June, 2011	6	6
7	01st August, 2011	6	5
8	09th August, 2011	6	5
9	15th September, 2011	6	5
10	30th September, 2011	6	4
11	08th October, 2011	6	5
12	25th October, 2011	6	5
13	14th November, 2011	6	5
14	25th November, 2011	6	5
15	12th December, 2011	6	4
16	30th December, 2011	6	4
17	16th January, 2012	6	5
18	13th February, 2012	6	5
19	06th March, 2012	6	5

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

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

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

Sr. No	Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance At the last AGM	No. of Directorships in other Public Companies
1	Mr. Ajit Kumar Jain	Chairman & Managing Director	19	Yes	Nil
2	Mr. Manoj Kumar Jain	Non-Executive Director	19	Yes	Nil
3	Ms. Sangeeta Jain	Whole Time Director	19	Yes	Nil
4	Mr. Hitesh Loonia	Independent & Non-Executive Director	18	No	Nil
5	Mr. Pranav Parikh	Independent & Non-Executive Director	5	No	Nil
6	Mr. Bakul Mehta	Independent & Non-Executive Director	14	Yes	Nil

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



**c) Information of Directors' Re-appointment:-**

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

**Mr. Hitesh Loonia** (27 years) has been on the Board of Directors of the company since December 30, 2009. He is a qualified Chartered Accountant, Cost & Work Accountant and Company Secretary. He is having around 3 years of experience in the areas of Finance, Taxation, Accounts and Auditing. He has qualified his educational course of Chartered Accountancy in January 2009 and has been in practice since last three year. He holds **5000** equity shares of VMS Industries Ltd.

**Mrs. Sangeeta Jain** (43 years) is the Whole Time Director of the Company. She holds a Master degree in Arts from C.S.J.M. University, Kanpur. She is having around 19 years of experience in the areas of administration and marketing. She is associated with our Company since its incorporation. She is in-charge of administration and liaisoning functions. She is also partner in M/s Eternal Automobiles from July 2002 and is looking after overall activities of said partnership firm engaged as Dealer of Honda Motorcycle and Scooter India Pvt. Ltd. She holds 22,92,264 equity shares of VMS Industries Ltd.

**Committee of Board of Directors of the Company**

**3. Audit Committee**

**a) Composition & Attendance:-**

The Audit Committee comprises of experts specializing in accounting / financial management. The Chairman of the Audit Committee is a Non-executive and Independent Director. The composition and attendance of Audit Committee as on 31st March, 2012 is as follows:-

Name of the Members	Position	Category	Attendance
Mr.Hitesh Loonia	Chairman	Independent & Non-Executive Director	4
Mr. Ajit Kumar Jain	Member	Chairman & Managing Director	4
Mr. Pranav Parikh	Member	Independent & Non-Executive Director	4

The Company Secretary acts as a Secretary to the Committee.

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

**b) Powers & Terms of Reference:**

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

**4. Remuneration Committee:**

**a) Composition & Attendance:-**

The Remuneration Committee as on 31st March 2012 comprises of three members who are Independent & Non Executive Directors. The composition of Remuneration Committee as on 31st March, 2012 is as follows:

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

During the year under review, One (1) meeting of Remuneration Committee was held.

The Company Secretary acts as the Secretary to the Committee.

**b) Terms of Reference:-**

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

**c) Remuneration Policy:-**

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



## VMS Industries Limited

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

### d) Remuneration of Directors

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

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

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

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

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

Name of the Director	No. of Equity Shares held on 31st March, 2012
Mr. Hitesh Loonia	5000

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

### a) Composition and attendance:-

The Board has delegated the powers to approve transfer of shares etc. to this Committee of Three (3) Directors. The quorum for functioning of the committee is any two (2) Directors present. The composition of Shareholders' / Investors' Grievance Committee as on 31st March, 2012 is as follows:-

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

### b) Terms of Reference:-

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

The committee deals with various matters relating to -

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

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

### c) Details of Complaints received and redress during the year:-

Opening : 0, Received : 3, Resolved : 3, Pending Complaints : 0.

### d) Compliance Officer:-

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

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

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

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

"I hereby confirm that -

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the "Code of Conduct and Ethics for Board of Directors and Senior Management for the year ended on 31st March, 2012"

Manoj Kumar Jain  
Sd/-  
Managing Director

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

AGM	Financial year	Date	Time	Venue	No. Special Resolution Passed *
17th	2008-09	30th September 2009	11:00 AM	B-404 Asavari Tower, Behind Wide Angle, Satellite, Ahmedabad- 380 015	1
18th	2009-10	28th April 2010	15:00 PM	2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	4
19th	2010-11	22nd September, 2011	11:00 AM	2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	Nil

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

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

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

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

One Extra – Ordinary General Meeting was held during the year on 08th June, 2011 for authorizing Board of Directors to give loan/ advance exceeding limit prescribed under section 372A.

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

The Company does not have any material listed/non-listed Indian subsidiary Company in term of Clause 49 (III) of the Listing Agreement.

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

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

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

**b) Disclosure of accounting treatment:-**

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

**c) Risk Management:-**

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

**d) CFO Certification:-**

In line with the requirements of Clause 49 (V) of the Listing Agreement, the Company has submitted the CFO Certification, certifying to the Board inter alia that the Financial Statements and the Cash Flow Statements for the financial year ended on 31st March, 2012 were reviewed to the best of their knowledge and belief, that they do not contain any untrue statement, omit any material facts, are not misleading statements, together present a true and fair view and are in compliance with applicable laws and regulations.

**e) Statutory Compliances, Penalties and Strictures:-**

There were no strictures penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authorities for non compliance of any matter related to the Capital Markets during the last three years.

**10. Means of Communication:-**

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

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

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

**11. General Shareholding Information:**
**a) 20th Annual General Meeting:-**

Date **10th September, 2012**  
 Day & Time **Monday, 11:00 A.M**  
 Venue **2nd Floor, Jain House, Opp. Vitthalwadi, Bhavnagar – 364 003, Gujarat**

**b) Financial Calendar :-**

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

For the Financial Year 2012-13, Financial Results will be announced as per the following tentative schedule:-

1st Quarter ending June, 2012	By 14th August, 2012
2nd Quarter & Half Year ending September, 2012	By 14th November, 2012
3rd Quarter ending December, 2012	By 14th February, 2013
4th Quarter / year ending March, 2013	Within 60 days from 31st March, 2013
Annual General Meeting	By September 2013

**c) Book Closure & Dividend:-**

Date of Book Closure **Tuesday, 04th September, 2012 to Monday, 10th September, 2012 ( Both Day inclusive)**  
 Dividend **No Dividend has been declared**

**d) Listing:-**

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

**e) Listing Fees to Stock Exchange:-**

The Company has paid the Listing Fees for the year 2012-13 to BSE.

**f) Stock Code / Symbol:-**

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

**g) Stock Market Price Data for the year 2011-12**

Market Price Data : High, Low (based on the closing prices) and volume during each month in form June, 2011 to 31st March, 2012 at BSE LTD.

Month	High Price	Low Price	No.of Shares Traded	No. of Trades
Jun-11	49.25	13.10	55514578	177104
Jul-11	15.95	13.40	1187456	3574
Aug-11	15.07	10.11	1209680	2602
Sep-11	24.74	15.00	2534417	3436
Oct-11	25.70	20.20	4001252	3782
Nov-11	26.40	20.05	949996	1343
Dec-11	29.00	23.25	633650	1048
Jan-12	45.85	24.40	1109194	1395
Feb-12	47.15	38.20	348671	966
Mar-12	90.40	44.75	9071741	5873

**h) Registrar and Share Transfer Agents:-**

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

**Cameo Corporate Services Limited**

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

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

**i) Share Transfer System:-**

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

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

**k) Dematerialization of Shares and Liquidity:-**

Presently all the equity shares have been dematerialized as on 31st March, 2012. Trading in VMS Industries Limited shares is permitted only in dematerialized form as per notification issued by the Securities and Exchange Board of India. The equity shares of VMS Industries Limited are actively traded shares on Bombay Stock Exchange Limited.

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

**l) Distribution of Shareholding as on March 31, 2012:-**

Category of No. of Equity Shares Held	No. of Equity Shares held	% of Share held	No. of Shares holders	% of Share holders
Up to 5000	896050	78.66	671	0.54
5001 – 10000	435930	6.1	52	0.26
10001 – 20000	466420	3.63	31	0.28
20001 - 30000	242970	1.06	9	0.15
30001 – 40000	206630	0.7	6	0.13
40001 – 50000	192040	0.47	4	0.12
50001 - 100000	2484570	3.28	28	1.51
100001 & above	159809300	6.1	52	97.01
<b>TOTAL</b>	<b>1,64,73,391</b>	<b>100.00</b>	<b>853</b>	<b>100.00</b>

**m) Categories of Shareholders as on March 31, 2012 :-**

Category	No. of Equity Shares held	% of Share held	No. of Shares holders	% of Share holders
Promoters and Promoter Group	93,25,164	56.61	6	0.70
Public Shareholding:	35,77,028	21.71	750	87.92
Bodies Corporate	3571,199	21.68	97	11.37
<b>TOTAL</b>	<b>16473391</b>	<b>100.00</b>	<b>853</b>	<b>100.00</b>

**n) Workshop:-**

Ship Recycling Yard

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

**o) Address for Correspondence:-**

**Registered Office:**

The Compliance Officer

VMS Industries Ltd

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

Email:-investor@vmsil.com, info@vmsil.com

**Corporate Office:**

The Compliance Officer

808/C, Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015 Gujarat (India)

Email:- Investor@vmsil.com, info@vmsil.com

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





## VMS Industries Limited

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

#### To The Members of VMS Industries Limited

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

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

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

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

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

**(Kamlesh Solanki)**  
Proprietor  
Firm Regn. No. 48478  
Membership No. 114694W

Place : Bhavnagar  
Date : 20th July, 2012

### CERTIFICATION BY THE CHIEF FINANCIAL OFFICER (CFO)

To the Board of Directors of VMS Industries Ltd

Dear Sirs,

- a) I have examined the financial statements and the Cash flow statement of VMS Industries Ltd ("the Company") for the year ended on 31st March, 2012 and to the best of our knowledge and belief :
  - i. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading ;
  - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into between the Company during the year which is fraudulent, illegal or violative of the Company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any and steps taken or proposed to be taken for rectifying these deficiencies.
- d) I have indicated to the Auditors and the Audit Committee:-
  - i. Significant changes in the internal control over financial reporting during the year;
  - ii. Significant changes in accounting policies during the year and that the same have been disclosed suitably in the notes to the financial statements;
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Bhavnagar  
Date : 20th July, 2012

Yours truly  
**Ms. Nimisha Modi**  
Chief Financial Officer

**AUDITORS' REPORT**

**To,  
The Members of VMS INDUSTRIES LTD**

We have audited the annexed Balance Sheet of VMS INDUSTRIES LIMITED, (the 'Company') as at 31st March 2012, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'Financial Statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

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

- a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, these financial statements dealt with by this report comply with the applicable accounting standards referred to in Sub Clause [3C] of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:-
  - a) the Balance sheet, of the state of affairs of the Company as at March 31, 2012.
  - b) the Profit and Loss Account, of the profit for the year ended on that date; and
  - c) the Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

**(Kamlesh Solanki)**  
Proprietor  
Firm Regn. No. 48478  
Membership No. 114694W

Place : Bhavnagar  
Date : 20th July, 2012



**ANNEXURE TO THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF VMS INDUSTRIES LTD,  
ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**

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

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

- i) In respect of fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - b) The fixed assets have been physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals, having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c) As per the records and information and explanation given to us, no substantial part of fixed assets has been disposed off during the year and it had not affected the going concern status of the Company.
- ii) In respect of inventory:
  - a) As explained to us, the inventories have been physically verified during the year by the management at reasonable intervals.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material. Estimation of waste is been made and considered as per the management.
- iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- iv) In our opinion and as per the information and explanation given to us there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchases of raw materials, stores, fixed assets and also for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanation given to us:
  - a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements, exceeding value of Rupees Five Lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public to which the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public apply.
- vii) The Company does not have any formal internal audit system but there are adequate checks and controls at all levels. The management has informed us that the steps are being taken to introduce internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules, 2011 made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate.

- ix) a) The Company is generally regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues with appropriate authorities, wherever applicable to it.
- b) According to information and explanation given to us, there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Customs Duty and Excise Duty which have remained outstanding as on 31st March, 2012 for a period of more than six months from the date they become payable.
- c) According to information and explanations given to us, there are no statutory dues which have not been deposited on account of any dispute.
- x) The Company has no accumulated losses at the end of the financial year. Further, the Company has not incurred cash losses during the financial year under audit and during immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks.
- xii) According to information and explanations given to us and based on the documents and records produced before us, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore the provisions of clause 4(xii) of the Order are not applicable to the Company.
- xiii) In our opinion, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies. Therefore the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company is not generally dealing or trading in shares, securities, debentures and other investments. However, as and when the Company deals in shares and securities, proper entries are made in records maintained for the purpose. The shares are held in the name of the Company.
- xv) According to information and explanations given to us, the Company has given guarantees for loans taken by Partnership Firm where the Company is Partner, from Bank or financial institution and the terms and conditions of such guarantees are not prima facie prejudicial to the interest of the Company.
- xvi) In our opinion term loan availed by the Company during the year has been applied for the purpose for which it was raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short term basis have been used for long term assets. No long term funds have been used to finance short term assets.
- xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) In our opinion and according to the information and explanations given to us, no debentures have been issued by the Company during the year and clause 4 (xiv) of the Order is not applicable to the Company.
- xx) As informed to us, during the year, the company has raised Rs.25.75 crore (Rupees Twenty Five Crore Seventy Five Lacs Only) by public issue of 64,38,227 equity shares at Rs.40 per share including premium and accordingly the provisions of clause 4 (xx) of the Order are applicable to the company.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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

**(Kamlesh Solanki)**  
Proprietor

Firm Regn. No. 48478  
Membership No. 114694W

Place : Bhavnagar  
Date : 20th July, 2012



# VMS Industries Limited

## BALANCE SHEET AS AT 31st MARCH, 2012

(₹ in lacs)

Particulars	Notes	31.03.2012	31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	"1"	1,647.34	1,003.52
(b) Reserves and surplus	"2"	3,231.18	1,212.66
		<b>4,878.52</b>	<b>2,216.18</b>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	"3"	288.35	58.01
(b) Deferred tax liabilities (Net)	"4"	34.01	0.32
		<b>322.36</b>	<b>58.33</b>
<b>Current liabilities</b>			
(a) Short-term borrowings	"5"	7,066.40	4,741.67
(b) Trade payables	"6"	21.18	47.18
(c) Other current liabilities	"7"	171.30	120.49
(d) Short-term provisions	"8"	31.39	54.58
		<b>7,290.27</b>	<b>4,963.92</b>
<b>TOTAL</b>		<b>12,491.15</b>	<b>7,238.43</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
Tangible assets	"9"	1,567.57	741.11
(b) Non-current investments	"10"	233.27	0.24
(c) Long-term loans and advances	"11"	37.95	49.19
(d) Other non-current assets	"12"	139.85	22.71
		<b>1,978.64</b>	<b>813.25</b>
<b>Current assets</b>			
(a) Inventories	"13"	3,578.18	3,728.79
(b) Trade receivables	"14"	725.99	223.85
(c) Cash and cash equivalents	"15"	4,465.60	1,035.06
(d) Short-term loans and advances	"16"	1,633.57	876.55
(e) Other current assets	"17"	109.17	560.93
		<b>10,512.51</b>	<b>6,425.18</b>
<b>TOTAL</b>		<b>12,491.15</b>	<b>7,238.43</b>

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

"24"

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Bhavnagar  
Date : 20th July, 2012

For and on behalf of Board of Directors

**Manoj Kumar Jain** Managing Director

**Ms. Sangeeta Jain** Whole Time Director

**Hemal Patel** Company Secretary

Place : Bhavnagar  
Date : 20th July, 2012



## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in lacs)

Particulars	Notes	31.03.2012	31.03.2011
I. Revenue from operations	"18"	11,638.55	7,491.66
II. Other income	"19"	363.79	238.69
<b>III. Total Revenue (I + II)</b>		<b>12,002.34</b>	<b>7,730.35</b>
<b>IV. Expenses:</b>			
Raw Material Consumption	"20"	10,521.62	6,763.17
Employee benefits expense	"21"	161.94	142.28
Finance costs	"22"	247.47	109.35
Depreciation and amortization expense	"9"	79.89	37.65
Other expenses	"23"	829.13	492.24
<b>Total expenses</b>		<b>11,840.05</b>	<b>7,544.69</b>
<b>V. Profit before tax (III - IV)</b>		<b>162.28</b>	<b>185.66</b>
<b>VI Tax expense:</b>			
(1) Current tax		26.00	20.41
(2) Deferred tax		33.69	(1.93)
<b>VII Profit (Loss) for the period</b>		<b>102.59</b>	<b>167.19</b>
<b>VIII Earnings per equity share:</b>			
(1) Basic		0.67	1.67
(2) Diluted		0.67	1.67

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

"24"

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Bhavnagar  
Date : 20th July, 2012

For and on behalf of Board of Directors

**Manoj Kumar Jain** Managing Director

**Ms. Sangeeta Jain** Whole Time Director

**Hemal Patel** Company Secretary

Place : Bhavnagar  
Date : 20th July, 2012



## VMS Industries Limited

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in lacs)

Sr. No	PARTICULARS	2011-12	2010-11
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
	Net Profit for the period ( Before Tax)	162.28	185.66
	<b>Adjustments for:</b>		
	Depreciation/ Amortisation	79.89	37.65
	Loss on sale of Assets	37.14	—
	Share issue expense w/off against Securities Premium Reserve	—	1.11
	Provision for Expense	0.03	—
	Tax Payments	(37.16)	(21.60)
	Excess Provisions Written Back	—	22.59
	Operating Profit Before Working Capital Changes	242.18	225.41
	<b>Adjustments for Working Capital Changes:</b>		
	(Increase )/ Decrease in Trade Receivable	(502.13)	291.53
	(Increase )/ Decrease in Short Term Loans & Advances	(719.86)	(204.00)
	(Increase )/ Decrease in Long Term Loans & Advances	11.24	50.38
	(Increase )/ Decrease in Other Current Assets	467.30	(280.97)
	(Increase )/ Decrease in Inventories	150.60	(3,030.23)
	Increase / ( Decrease) in Other Current Liabilities	50.81	82.29
	Increase / ( Decrease) in Trade Payable & Provisions	(75.22)	(32.29)
	<b>Net Cash Flow From Operating Activities - (A)</b>	<b>(617.26) (375.08)</b>	<b>(2,897.88)</b>
<b>B</b>	<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
	Sale of Fixed Assets	100.60	—
	Purchase of Fixed Assets	(1,044.08)	(111.28)
	(Increase)/ Decrease in Investments	(233.03)	0.06
	(Increase )/ Decrease in Other Non-current Assets	(132.68)	(14.71)
	<b>Net Cash Flow from Investing Activities - (B)</b>	<b>(1,309.19)</b>	<b>(125.93)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
	Increase / (Decrease) in Share Capital	643.82	—
	Increase/(Decrease) in Securities Premium	1,915.93	—
	Proceeds from Long Term Borrowings	230.34	(34.93)
	Proceeds from Short Term Borrowings	2,324.72	3,218.19
	<b>Net Cash Flow from Financial Activities - (C)</b>	<b>5,114.81</b>	<b>3,183.26</b>
<b>D</b>	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>3,430.54</b>	<b>159.45</b>
<b>E</b>	<b>Cash &amp; Cash equivalents as at the beginning of the year</b>	<b>1,035.06</b>	<b>875.61</b>
<b>F</b>	<b>Cash &amp; Cash Equivalents as at the close of the year ( D + E )</b>	<b>4,465.60</b>	<b>1,035.06</b>

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Bhavnagar  
Date : 20th July, 2012

For and on behalf of Board of Directors

**Manoj Kumar Jain** Managing Director

**Ms. Sangeeta Jain** Whole Time Director

**Hemal Patel** Company Secretary

Place : Bhavnagar  
Date : 20th July, 2012

## Notes forming part of Balance Sheet as on 31st March, 2012

## NOTE 1

(₹ in lacs)

SHARE CAPITAL	31.03.2012	31.03.2011
<b>Authorised Share Capital</b> 200,00,000 (200,00,000) Equity Shares of ₹ 10/- each	2,000.00	2,000.00
<b>Issued, Subscribed and Paid Up Share Capital</b> 1,64,73,391 (1,00,35,164) Equity Shares of ₹ 10/- each	1,647.34	1,003.52
<b>TOTAL</b>	1,647.34	1,003.52

## Reconciliation of the number of shares outstanding is set out below:-

Particulars	2011-12		2010-11	
	Equity Shares Number	In ₹ Lacs	Equity Shares Number	In ₹ Lacs
Shares outstanding at the beginning of the year	10,035,164	1,003.52	10,035,164	1,003.52
<b>Add:-Shares Issued during the year</b>				
Fresh Issue	6,438,227	643.82	—	—
Bonus Shares Issued	—	—	—	—
<b>Less:-Shares bought back during the year</b>				
Other Changes	—	—	—	—
<b>Shares outstanding at the end of the year</b>	16,473,391	1,647.34	10,035,164	1,003.52

## Details of Shareholders holding more than 5 % shares:-

Name of Shareholder	31.03.2012		31.03.2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Manoj Kumar Jain	6,168,100	37.44	6,168,100	61.46
Sangeeta Jain	2,292,264	13.91	2,292,264	22.84
Varun Jain	—	—	624,800	6.23
IFCI Financial Services Private Limited	1,667,042	10.12	—	—
Kamal Kumar Jalan Securities Pvt Ltd	850,119	5.16	—	—

## Details of shares issued during the last 5 financial year by way of Bonus shares or by way of pursuant to contract without payment being received in cash or shares bought back:

Particulars	Year (Aggregate No. of Shares)			
	2011-12	2010-11	2009-10	2008-09
<b>Equity Shares :</b>				
Fully paid up pursuant to contract(s) without payment being received in cash	—	—	—	—
Fully paid up by way of bonus shares	—	—	5,017,582	—
Shares bought back	—	—	—	—



## VMS Industries Limited

### Notes forming part of Balance Sheet as on 31st March, 2012

#### NOTE 2

(₹ in lacs)

RESERVE AND SUPPLUS	31.03.2012	31.03.2011
<b>Securities Premium Account</b>		
Opening Balance	698.82	698.82
Add: Addition during the year	1,931.47	—
Less: 1/10th Public Issue Expense Written Off	15.54	—
Closing Balance	2,614.75	698.82
<b>Tonnage Tax Reserve Account</b>		
Opening Balance	46.29	35.67
Add: Addition during the year	—	10.62
Less: Transferred during the year to General Reserve	46.29	—
Closing Balance	—	46.29
<b>General Reserve</b>		
Opening Balance	—	—
Add: Transferred during the year from Tonnage Tax Reserve	46.29	—
Less: Capitalisation during the year	—	—
Closing Balance	46.29	—
<b>Profit &amp; Loss Account</b>		
As per Last Year	467.56	310.99
Addition during the year	102.59	156.57
Closing Balance	570.15	467.55
	<b>3,231.18</b>	<b>1,212.66</b>

#### NOTE 3

(₹ in lacs)

LONG TERM BORROWINGS	31.03.2012	31.03.2011
<b>Secured Loans</b>		
<b>Term Loan</b>		
From Bank	84.31	58.01
(Secured by way of Hypothecation of Tug and further secured by Collateral Security by way of mortgage of immovable property and further secured by personal guarantee of Promoter Directors and Corporate Guarantee of Company, Repayable in 24 months @ ₹ 5.85 lacs for 23 months and last instalment being ₹5.45 lacs)		
<b>Vehicle Loan</b>	35.65	—
(Secured by respective Vehicles, Repayable in 60 monthly instalments for ₹ 21500 and 48 monthly instalments for ₹ 76500 )		
<b>Unsecured Loans</b>		
<b>Deferred payment liabilities- Unsecured</b>		
GIDC for Land	168.38	—
(Deferred Payment for acquisition of Lease Hold Land From GIDC on deferred payment , payable in 16 equated quarterly instalments )		
<b>TOTAL</b>	<b>288.35</b>	<b>58.01</b>

#### NOTE 4

(₹ in lacs)

DEFERRED TAX LIABILITY (NET)	31.03.2012	31.03.2011
<b>Deferred Tax Liability</b>		
Opening Balance	0.32	2.26
Addition during the year	33.69	—
Less:		
<b>Deferred Tax Assets</b>	—	1.93
	<b>34.01</b>	<b>0.32</b>

## Notes forming part of Balance Sheet as on 31st March, 2012

## NOTE 5

(₹ in lacs)

SHORT TERM BORROWINGS	31.03.2012	31.03.2011
<b>Secured Loans- Repayable on demand</b>		
<b>From Banks</b>		
- <b>Cash Credit Account</b> (Secured by way of Hypothecation of vessel and its scrap, stock & Book debts and secured by pledge of FDRs and also by Personal guarantee of Promoters directors and corporate guarantee of company)	343.65	1.15
- <b>Foreign Letter of Credit</b> (Secured by way of Hypothecation of vessel and its scrap, stock & Book debts and secured by collateral Security by pledge of FDRs and by Personal guarantee of Promoters directors and corporate guarantee of company)	6,772.75	4,438.15
- <b>Buyers' Credit</b> (Secured by way Hypothecation of Tug and further secured by way of mortgage of immovable property and by personal guarantee of promoters Directors & Corporate guarantee of company)	—	256.45
<b>Unsecured Loan- Repayable on demand</b>		
<b>From Others</b>		
- Loan from Body Corporate	—	20.31
- Advance from related party	—	25.61
	<b>7,066.40</b>	<b>4,741.67</b>

## NOTE 6

(₹ in lacs)

TRADE PAYABLE	31.03.2012	31.03.2011
<b>Sundry Creditors</b>		
Due to Micro, Small & Medium Enterprise	—	—
Due to Other than Micro, Small & Medium Enterprise	21.18	47.18
	<b>21.18</b>	<b>47.18</b>

## NOTE 7

(₹ in lacs)

OTHER CURRENT LIABILITIES	31.03.2012	31.03.2011
Interest accrued but not due on borrowings	0.20	—
<b>Other Payables</b>		
<b>Statutory remittances</b> (Contributions to Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	37.12	30.86
Advance From Customers	133.98	29.63
Advance from Party against Sale of Capital Goods	—	60.00
	<b>171.30</b>	<b>120.49</b>

## NOTE 8

(₹ in lacs)

SHORT TERM PROVISIONS	31.03.2012	31.03.2011
<b>Provision for employee benefits</b>		
Contribution to PF	0.45	0.49
Salary & Bonus Payable	4.91	11.08
	<b>5.36</b>	<b>11.57</b>
<b>Provision- Others</b>		
Provision for Income Tax	26.00	43.00
Others	0.03	0.01
	<b>26.03</b>	<b>43.01</b>
	<b>31.39</b>	<b>54.58</b>



## VMS Industries Limited

### Notes forming part of Balance Sheet as on 31st March, 2012

#### NOTE 9

##### FIXED ASSETS

(₹ in lacs)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION FUND				NET BLOCK	
		As on 1.4.2011	Addition during the year	Deduction during the year	Total As on 31.03.2012	As on 1.4.2011	Addition during the year	Deduction during the year	Total As on 31.03.2012	As On 31.03.2012	As on 31.3.2011
	<b>TANGIBLE ASSETS</b>										
1	Land- Leasehold	—	290.26	—	290.26	—	2.93	—	2.93	287.33	—
	<b>Owned:</b>										
2	Shed & Building - Leasehold	4.69	—	—	4.69	0.76	0.16	—	0.92	3.77	3.93
3	Corporate Office	—	42.23	—	42.23	—	—	—	—	42.23	—
4	Plant & Machinery	59.87	382.53	—	442.40	8.35	10.73	—	19.08	423.31	51.52
5	Computer & Software	5.93	1.09	—	7.02	5.38	1.02	—	6.40	0.61	0.55
6	Office Equipment	1.79	0.72	—	2.51	0.37	0.10	—	0.47	2.04	1.43
7	Furniture & Fixtures	4.75	29.29	—	34.04	1.64	0.30	—	1.94	32.09	3.11
8	Electric Installation	0.25	—	—	0.25	0.09	0.01	—	0.10	0.15	0.16
9	Vehicles	3.87	66.58	(2.50)	67.95	0.99	3.52	(0.71)	3.80	64.15	2.88
10	Speed Boat	150.88	—	(150.88)	—	14.94	—	(14.94)	—	—	135.94
11	Tug - Adinath	597.95	14.28	—	612.23	80.21	42.67	—	122.88	489.35	517.75
12	Gas Cylinders	24.58	217.11	—	241.69	0.72	18.44	—	19.16	222.53	23.86
	<b>Total</b>	<b>854.56</b>	<b>1,044.09</b>	<b>(153.38)</b>	<b>1,745.27</b>	<b>113.45</b>	<b>79.89</b>	<b>(15.64)</b>	<b>177.69</b>	<b>1,567.57</b>	<b>741.11</b>
	As At 31st March, 2011	743.28	112.85	1.56	854.56	75.79	37.65	—	113.45	741.11	667.48

#### NOTE 10

(₹ in lacs)

NON-CURRENT INVESTMENTS		31.03.2012	31.03.2011
<b>Un-Quoted &amp; Trade</b>			
-	Investment in Partnership Firm*	233.00	—
-	Investments in Government securities	0.27	0.24
		<b>233.27</b>	<b>0.24</b>

\* Investment in Partnership Firm (M/S ETERNAL AUTOMOBILES)

Name of Partners	Share in Profit/loss
VMS Industries Ltd	80%
Manoj Kumar Jain	10%
Sangeeta Jain	10%
<b>TOTAL</b>	<b>100%</b>

#### NOTE 11

(₹ in lacs)

LONG- TERM LOANS & ADVANCES	31.03.2012	31.03.2011
Security Deposits - Unsecured, Considered good	37.95	49.19
	<b>37.95</b>	<b>49.19</b>



## Notes forming part of Balance Sheet as on 31st March, 2012

## NOTE 12

(₹ in lacs)

OTHER NON-CURRENT ASSETS	31.03.2012	31.03.2011
<b>Unamortised expenses</b>		
<u>Share Issue Expenditure:</u>		
Opening Balance	22.71	8.00
Addition during the year	132.68	14.71
Written Off/ Back	15.54	—
Closing Balance	139.85	22.71
	<b>139.85</b>	<b>22.71</b>

## NOTE 13

(₹ in lacs)

INVENTORY	31.03.2012	31.03.2011
Raw Material- Ships (Valued at lower of cost or Net Releasble Value)	3,558.92	3,722.47
Inventroy of Consumable(Bunker)	19.26	6.32
	<b>3,578.18</b>	<b>3,728.79</b>

## NOTE 14

(₹ in lacs)

TRADE RECEIVABLES	31.03.2012	31.03.2011
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	725.99	157.04
<b>Less:</b> Provision for doubtful debts		
Other Receivables		
Unsecured, considered good	—	66.81
	<b>725.99</b>	<b>223.85</b>

## NOTE 15

(₹ in lacs)

CASH AND CASH EQUIVALENTS	31.03.2012	31.03.2011
<b>Balance with banks</b>		
In current accounts	441.56	490.80
In deposit accounts	4,012.55	525.60
(The FDRs pledge with banks against sanction of various credit facilities to Company)		
<b>Cash on Hand</b>	11.49	18.66
	<b>4,465.60</b>	<b>1,035.06</b>

## NOTE 16

(₹ in lacs)

SHORT- TERM LOANS AND ADVANCES	31.03.2012	31.03.2011
<b>Loans and advances to related parties - Unsecured, Considered good</b>	20.41	—
<b>Others Advances - Unsecured, Considered Good</b>		
- <b>Advance Income Tax/TDS</b>	57.16	21.61
- <b>Advance to the emplyee</b>	0.98	0.58
- <b>Balances with government authorities</b>		
Service tax	4.25	4.27
CENVAT Credit Receivable	0.30	0.31
- <b>Prepaid Expenses</b>	0.19	0.44
- <b>Others (Advance Recoverable in cash or in kind)</b>	1,550.28	849.34
	<b>1,633.57</b>	<b>876.55</b>

## NOTE 17

(₹ in lacs)

OTHER CURRENT ASSETS	31.03.2012	31.03.2011
Advance to suppliers	67.99	558.34
Interest accrued on deposits	41.18	2.59
	<b>109.17</b>	<b>560.93</b>



## VMS Industries Limited

### Notes forming part of Profit and Loss account for the year ending on 31st March, 2012

#### NOTE 18

(₹ in lacs)

REVENUE FROM OPERATION	31.03.2012	31.03.2011
Sales	11,588.21	7,275.97
Sale of services	98.75	216.48
Less:		
Excise duty	—	—
Less Excise duty paid	48.41	0.79
	<b>11,638.55</b>	<b>7,491.66</b>
<b>Product wise sales</b>		
<b>Sale of Products comprises</b>		
Sale of Ship- Breaking Material	11,588.21	7,275.97
Total- Sale of Manufactured goods	11,588.21	7,275.97
Total - Sale of Product	<b>11,588.21</b>	<b>7,275.97</b>
<b>Sale of Services comprises</b>		
Tug Income	98.75	216.48
Total- Sale of Service	<b>98.75</b>	<b>216.48</b>

#### NOTE 19

(₹ in lacs)

OTHER INCOME	31.03.2012	31.03.2011
Interest Income	349.17	130.97
Share of Profit from Partnership firm	5.96	1.50
Miscellaneous Income	8.66	7.54
Net gain on foreign currency transactions and translation	—	97.14
Prior Period Item	—	1.53
	<b>363.79</b>	<b>238.68</b>

#### NOTE 20

(₹ in lacs)

Raw Material Consumption	31.03.2012	31.03.2011
Opening Stock	3,722.47	695.30
Add: Purchases	10,358.07	9,790.33
Less Closing Stock	3,558.92	3,722.47
<b>Raw Material Consumption</b>	<b>10,521.62</b>	<b>6,763.16</b>

#### NOTE 21

(₹ in lacs)

EMPLOYEE BENEFITS EXPENSES	31.03.2012	31.03.2011
Salaries and wages	146.40	129.81
Contributions to provident and other funds	14.63	12.40
Staff welfare expenses	0.91	0.07
	<b>161.94</b>	<b>142.28</b>

#### NOTE 22

(₹ in lacs)

FINANCE COST	31.03.2012	31.03.2011
Interest	70.71	53.16
Other Borrowing Costs	14.64	56.19
Applicable net loss on foreign currency transactions and translation	162.12	—
	<b>247.47</b>	<b>109.35</b>

## Notes forming part of Profit and Loss account for the year ending on 31st March, 2012

## NOTE 23

(₹ in lacs)

OTHER EXPENSES	31.03.2012	31.03.2011
<b>Manufacturing Expenses</b>		
Consumption of stores and spare parts	15.67	20.05
Waste Hazardous Treatment & Safety Expense	2.35	2.88
Gases & Carbide	244.91	154.66
Electric Power, Fuel & Water	27.34	14.83
Rent including lease rentals	1.87	7.11
Repairs and maintenance - Machinery	9.66	6.63
Other Expense	15.46	10.15
	<b>317.26</b>	<b>216.31</b>
<b>Selling &amp; Distribution Expenses</b>		
Sales Tax	385.36	213.14
Brokerage and Commission	14.89	6.64
Other Selling & Distribution Expenses	1.87	0.79
	<b>402.12</b>	<b>220.57</b>
<b>Establishment Expenses</b>		
Communication	1.20	2.04
Travelling and conveyance	4.42	5.49
Printing and stationery	0.52	0.66
Insurance	2.42	3.36
Legal and professional	26.56	9.18
Office rent	2.00	5.64
Payments to auditors	0.50	0.30
Fee Filling & Subscription	7.85	7.60
Loss on fixed assets sold	37.13	—
Upset Premium for GMB Plot	18.23	18.20
Prior period items (net)	0.37	—
Other Repairs	0.58	0.20
Miscellaneous expenses	7.97	1.58
Preliminary Expenses written off	—	1.11
	<b>109.75</b>	<b>55.36</b>
	<b>829.12</b>	<b>492.23</b>

## Notes:

(₹ in lacs)

	31.03.2012	31.03.2011
(i) Payments to the auditors comprises (net of service tax input credit, where applicable):		
As auditors - statutory audit	0.30	0.30
ForTax Audit, other certification work & consultancy	0.21	—
Total	<b>0.51</b>	<b>0.30</b>
(ii) Details of Prior period items (net)		
Income Tax Short Provision Written back	3.01	—
Total	<b>3.01</b>	<b>—</b>
(iii) Value of Stores, Spare Parts		
Imported	—	—
Indigenous	15.67	20.05
Total	<b>15.67</b>	<b>20.05</b>

**SIGNIFICANT ACCOUNTING POLICIES**
**1. Basis of Accounting :-**

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

**2. Use of Estimates :-**

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

**3. Revenue Recognition :-**

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

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

**4. Fixed Assets :-**

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

**5. Depreciation :-**

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

**6. Inventories :-**

The Finished goods, Raw Material –Ships and Other Stock are valued at lower of cost or net realizable value.

Consumable Stores & Spares are written off at the time of purchase itself except bunker for tug.

No accounting is done for the invisible waste resulting during recycling process of ships.

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

**7. Investments :-**

Investments of long term nature are valued at cost. The Company had made an investment in Partnership firm which is been reflected in the Financial Statements. Current investments, if any, are carried at the lower of cost or fair market value. Provision for diminution in the value of long – term investments is made only if such a decline is other than a temporary.

**8. Retirement Benefits :-**

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

**i) Gratuity**

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

**ii) Pension**

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

**iii) Provident Fund**

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

**9. Taxes on Income: -****a) Current Tax**

The current charge for income tax is calculated in accordance with the relevant provisions as prescribed under the Income Tax Act, 1961.

**b) Deferred Tax**

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

**10. Excise Duty and Cenvat :-**

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

**11. Borrowing Cost :-**

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

**12. Foreign Currency Transaction :-**

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

**13. Provision, Contingent Liabilities and Contingent Assets :-**

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

**14. Discontinuing Operation:-**

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

**15. Impairment of Assets :-**

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

**16. Miscellaneous Expenditure :-****a) Preliminary Expenditure :**

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

**b) Public Issue Expense :**

The public issue expenses are written off against Securities Premium Reserve as per the provision of Section 78 of the Companies Act, 1956 for the period of 10 years and the balancing figure are shown under the head Miscellaneous Expenditure - to the extent not written off in the Balance Sheet.

**17. Segment Reporting:-**

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

**18. Commitments and Contingent Liabilities:-**
**(₹ In Lacs)**

Sr. No	Particulars	As at 31st March, 2012	As at 31st March, 2011
I.	Claims against the Company not acknowledged as debts	NIL	NIL
II.	Bank Guarantee	12.75	8.42
III.	Corporate Guarantee for Partnership Firm	170.00	234.00

**19. Fixed Deposit Under Lien:-**
**(₹ In Lacs)**

Particulars	As at 31st March, 2012	As at 31st March, 2011
Fixed Deposits under lien with bank for Bank Guarantee, Letter of Credit and Others	4012.55	525.20

**20. Foreign Currency Earning / Expenditure:-**
**(₹ In Lacs)**

Particulars	As at 31st March, 2012	As at 31st March, 2011
<b>Earnings</b>	<b>251.83</b>	395.97
<b>Expenditure</b>		
CIF Value for Import of Ship for Recycling Business	8809.90	8272.97
Foreign Travelling Expenses	NIL	0.77

**21. Micro, Small and Medium Enterprises Development Act, 2006**

- Based on the information available with the company in respect of MSME (as defined in the Micro Small & Medium Enterprise Development Act, 2006) there are no delays in payment of dues to such enterprises during the year.
- As per information available with the Company about suppliers whether they are covered under Micro, Small and Medium Enterprises Act, 2006. As on date, the Company has not received confirmation from any suppliers who have registered under the "Micro, Small and Medium Enterprise Development Act, 2006" and hence no disclosure has been made under the said Act.

**22. Earnings Per Share:-**

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

Particulars	As at 31st March, 2012	As at 31st March, 2011
Net Profit as per Profit & Loss Account (₹ in lacs)	102.59	167.18
Number of Shares Outstanding during the year	1,64,73,391	1,00,35,164
Weighted Average Number of Equity Shares Outstanding during the year	1,52,42,036	1,00,35,164
Basic Earning Per Share	₹ 0.67	₹ 1.67
Diluted Earning Per Share	₹ 0.67	₹ 1.67

**23. Utilization of Public Issue Proceeds:-**

The Company had entered the Capital Market with an Initial Public Offer (IPO) of ₹ 2575.29 Lacs in June, 2011. The Company had utilized the funds as per their Object of the issue which is as under:-

Particulars	As Per Prospectus	Incurred upto 31/03/2012
Fixed Assets	668.00	670.68
Long Term Working Capital	1722.20	1746.20
Issue Expenses	184.80	158.12
<b>Total</b>	<b>2575.00</b>	<b>2575.00</b>



**24. Related Party Disclosures:-**

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

**Enterprises over which Key Managerial Personnel exercises significant influence**

Eternal Automobiles – Partnership Firm where Company is Partner

Eternal Motors Pvt. Ltd – Enterprise over which Director's Relative exercises significant influence  
 Eternal Tours & Travels- Enterprise over which Director's Relative exercises significant influence

**Key Managerial Personnel (KMP) on the Board**

Mr. Ajit Kumar Jain

Managing Director

Smt. Sangeeta Jain

Whole Time Director

Mr. Manoj Kumar Jain

Director – Non Executive

**Relatives of Key Managerial Personnel**

Mr. Varun Manoj Jain

Son of Whole Time Director

Mr. Vaibhav Manoj Jain

Son of Whole Time Director

Smt. Sushma Ajit Jain

Spouse of Managing Director

Mr. Subhod Ajit Jain

Son of Managing Director

Mr. Naveen Ajit Jain

Son of Managing Director

Smt. Ritu Rajeev Agrawal

Daughter of Managing Director

**b) Particulars of Related Party Transactions:-****(₹ In Lacs)**

Particulars	Volume of Transaction		O/S Receivable		O/S Payable	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>Advances</b>						
Eternal Motors Pvt. Ltd	45.45	Nil	20.41	20.00	Nil	Nil
Subodh Jain	Nil	Nil	Nil	12.00	Nil	Nil
<b>Capital in Partnership Firm</b>						
Eternal Automobiles			227.04	Nil	Nil	25.61
<b>Directors Remuneration</b>						
Key Managerial Personnel						
- Mr. Ajit Kumar Jain	3.00	3.00	Nil	Nil	Nil	1.90
- Smt. Sangeeta Jain	12.00	12.00	Nil	Nil	Nil	Nil
<b>Purchase of Fixed Assets</b>						
Jain Seth & Co.	Nil	Nil	Nil	Nil	Nil	2.50
<b>Services Received</b>						
Eternal Tours & Travels	0.47	Nil	Nil	Nil	Nil	Nil
<b>Rent Paid</b>						
Key Managerial Personnel						
- Smt. Sangeeta Jain	1.20	1.20	Nil	Nil	Nil	Nil
<b>Corporate Guarantee to Banks for Bank Limits where Company is Partner Eternal Automobiles</b>	170.00	234.00		N.A		N.A.



## VMS Industries Limited

### 25. Segment Information:-

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

Particulars	Off-shore	Ship Recycling	Others	Total
Segment Income	240.15 (326.29)	11758.87 (7395.83)	5.96 (8.24)	12004.98 (7730.36)
Segment Expenses	177.71 (156.47)	11585.10 (7350.42)	0.00 (0.15)	11762.81 (7507.04)
Depreciation	50.47 (29.55)	28.40 (2.02)	1.02 (6.09)	79.89 (37.66)
Segment Results	11.96 (141.39)	145.37 (43.39)	4.95 (2.00)	162.28 (186.78)
Un- allocable Exp				0.00 (1.11)
Net Profit Before Tax				162.28 (185.67)
Segment Assets	3063.58 (2752.97)	9413.83 (4470.94)	13.74 (14.52)	12491.15 (7238.43)
Segment Liability	18.00 (421.89)	7272.27 (4542.04)	0.00 (0.00)	7290.27 (4963.93)
Capital Expenditure incurred during the year	444.21 (58.93)	599.64 (53.92)	0.24 (0.00)	1044.09 (112.85)

**Note:** - Previous Year figures are shown in Bracket

### 26. Capacity & Production:-

The Company is engaged in Ship Recycling and Off-shore activities. The ships recycling activity consists purchase of ships and its dismantling and the off-shore activities are in the nature of service industry. In view of above nature of business activities, the installed Capacity cannot be ascertained.

#### (i) Particulars of Opening Stock, Production, Sales & Closing Stock:-

Description	Unit	Year Ended 31st March, 2012		Year Ended 31st March, 2011	
		Quantity	Value in (₹ In Lacs)	Quantity	Value in (₹ In Lacs)
Opening Stock	MT	—	—	—	—
Production	MT	39426.00	10796.47	27855.44	6959.32
Sales	MT	39426.00	11588.21	27855.44	7275.97
Closing Stock	MT	—	—	—	—

- The production of the Company is sold on same day therefore Company does not carry any finished goods stock.

#### (ii) Ship purchase itself is considered as raw material and details of Raw Material Consumption is as under:

Particulars	2011-12		2010-11	
	Consumption (₹ In Lacs)	% of Total Consumption	Consumption (₹ In Lacs)	% of Total Consumption
Total Consumption	10521.62	100 %	6763.02	100 %
Imported	10521.62	100 %	6763.02	100 %
Indigenous	Nil	Nil	Nil	Nil

27. In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value of realization equivalent to the amount at which they are stated in the Balance Sheet. Adequate provisions have been made in the accounts for all the known liabilities.

28. The balance of Sundry Creditors, Sundry Debtors, and Loans & Advances are unsecured, considered good and reconciled from subsequent transaction and/ or confirmations are obtained.

29. Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Bhavnagar

Date : 20th July, 2012

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

**Manoj Kumar Jain** Managing Director

**Ms. Sangeeta Jain** Whole Time Director

**Hemal Patel** Company Secretary

Place : Bhavnagar

Date : 20th July, 2012

## VMS Industries Limited



### VMS INDUSTRIES LIMITED

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

#### ATTENDANCE SLIP

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

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

D.P. Id*	
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Master Folio No.	
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Client Id*	
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#### NAME AND ADDRESS OF THE SHAREHOLDER:

No. of Share(s) held :

I/We hereby record my/our presence at the 20th [Twentieth] **ANNUAL GENERAL MEETING** of the Company held on Monday , 10th day of September 2012 at 11.00 hours at 2nd Floor 'Jain House' Opp. Vitthalwadi Bhavnagar-364003.

Signature of the shareholder or proxy

\*Applicable for investors holding shares in electronic form.

### VMS INDUSTRIES LIMITED

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

#### PROXY FORM

D.P. Id*	
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Master Folio No.	
------------------	--

Client Id*	
------------	--

I/We \_\_\_\_\_ of \_\_\_\_\_ in the District of \_\_\_\_\_

\_\_\_\_\_ being a Member/Members of VMS Industries Limited

hereby appoint M r. / M s. \_\_\_\_\_ of \_\_\_\_\_ in the

District of \_\_\_\_\_ or failing him / her \_\_\_\_\_

Mr./ Ms. \_\_\_\_\_ of \_\_\_\_\_ in the District of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 20th [Twentieth] Annual General Meeting to be held on Monday, 10th day of September, 2012 at 11.00 hours. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

\*Applicable for investors holding shares in electronic form.

Affix  
Revenue  
Stamp

#### Note:

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



**VMS INDUSTRIES LIMITED**

Corporate Office : 808/C PINNACLE Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015

**POSTAL BALLOTS FORM**

Sr No	PARTICULAR	DETAILS
1	Name and Address of Shareholder(s) Including Joint Holders, if any (In Block Letter)	
2	DP ID No./Client ID No./Registered Folio No.* (applicable in case of Shares in Physical Form)	
3	No. of Shares Held	

I /We hereby exercise my/ our vote in respect of the Resolution to be passed through postal ballot for the business stated in the Notice of the Company by sending my/ our assent or dissent to the said resolution by placing (✓) mark at the appropriate box below:

Sr No	Description	No of Shares for which vote cost	I/we assent to the Resolution	I / We dissent to the resolution
1	Special Resolution for Shifting of Registered office from Bhavnagar to Ahmedabad within state but outside the Local Limit of Bhavnagar.			

Place :

Date :

(Signature of the Shareholder)

### **Notes/ Instructions**

1. Pursuant to the Provision of Section 192A of the Companies Act, 1956 read with Companies (Passing of resolution by Postal Ballot) Rules, 2001, the assent or dissent of the members in respect of the Special Resolution contained in the Postal Ballot Notice dated 20th July, 2012 is being determined through postal ballot.
2. The Votes should be cast either in favour or against by putting the tick [✓] Mark in the column provided for assent or dissent. Postal Ballot form bearing [✓] in both the column will render the form invalid.
3. The Company has appointed M/s. Khandelwal Devesh & Associate, Practicing Company Secretary (Certificate of Practice No.4202, FCS No.6897) the Scrutinizer for conducting the postal ballot process.
4. The Company has appointed Mr. Hemal Patel Company Secretary and Compliance Officer as the person responsible for the entire postal ballot voting process.
5. A member may request for a duplicate Postal Ballot Form, if so required. However, the duly completed duplicate Postal Ballot Form should reach the scrutinizer not later than the date specified herein before Request for issue of duplicate ballot form shall not be entertained after 5th September, 2012.
6. Voting rights shall be reckoned on the paid up value of the shares registered in the name of the shareholders on the date of dispatch of the Notice.
7. The Scrutinizer will submit his/ her final report as soon as possible after the last date of receipt for postal ballot but not later than closing of business hours of 08th September, 2012.
8. The Chairman of the Board and in his absence, any person authorized by the Chairman will announce the result of the postal ballot at the registered office of the Company at 2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar-364001 on 10th September, 2012 at 11.00 AM. The member, who wishes to be present at the time of declaration of the results, may do so at the said venue. The date of declaration of postal ballot result will be taken to be the date of passing of the Ordinary Resolution.
9. The Result of the postal ballot will also be published in the newspapers within 48hours of the declaration of the results and will be placed at the website of the Company.
10. Shareholders desiring to exercise voting right by Postal Ballot may complete the Postal Ballot Form and send it to the Scrutinizer in the attached self-addressed pre – paid envelope. Postage will be borne and paid by the Company. However, envelope containing Postal Ballot Forms, if sent by Courier at the expense of shareholder will also be accepted.
11. The Postal Ballot Form should be completed and signed by the Sole/ First named Shareholder. In the absence of the First named shareholder in a joint holding, the Form may be completed and signed by the next named Shareholder. (However, where the Form is sent separately by the first named Shareholder and the Joint holder (s), the vote of the First name Shareholder would be valid.
12. In case of share held by Companies, Trusts, Societies etc, the duly completed Postal Ballot Form should be accompanied by a certified true copy of the Board Resolution / Authority, with signature(s) of Authorized Signatory (ies).
13. Postal Ballot cannot be exercised by a Proxy.
14. Incomplete, unsigned or incorrectly filled Postal Ballot Forms are subject to rejection by the Scrutinizer.
15. Members are requested not to send any other matter along with the Postal ballot Form in the enclosed pre-paid self-addressed envelope. If any extraneous papers are found, the same will be destroyed by the scrutinizer.
16. All documents referred to in the accompanying Notice & Explanatory Statement are open for inspection at the registered office of the Company on all working days except Saturdays and Sundays between 11.00 am to 1 pm up to 10th July, 2012.





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