

**NOTICE**

Notice is hereby given that the 21<sup>st</sup> [Twenty First] Annual General Meeting of the Company will be held on 11.00 hours on Wednesday, 25<sup>th</sup> day of September, 2013 at the Registered Office of the Company situated at 808/C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015, to transact the following business.

**Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March, 31, 2013 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. Ajit Kumar Jain, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Director in place of Mr. Bakul Mehta, who retires by rotation and, being eligible, offers himself 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;

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

Place : Ahmedabad  
Date : 14<sup>th</sup> August, 2013

**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 Wednesday, 18<sup>th</sup> September, 2013 to Wednesday, 25<sup>th</sup> September 2013 (both days inclusive)
- iii) The members are requested to
  - a) Notify immediately any change in their address to the Company
  - b) Bring their copy of the Annual Report to the Annual General Meeting.
- iv) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participant with whom they are maintaining their Demat accounts.
- v) 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.

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

Place : Ahmedabad  
Date : 14<sup>th</sup> August, 2013

**Hemal Patel**  
*Company Secretary*



## VMS Industries Limited

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

Name of Director	Mr. Ajit Kumar Jain	Mr. Bakul Mehta
Date of Birth	19/12/1936	16/06/1953
Nationality	Indian	Indian
Date of Appointment on the Board	05.09.2005	28.04.2010
Qualification	B.A	B.A
Experience of functional area	Business	Business
Shareholding in the Company	50000	-
List of Directorship held in other Companies	NIL	NIL
Committee Membership	1	2

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present herewith their 21<sup>st</sup> (Twentieth First) Annual Report of your Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2013.

### FINANCIAL RESULTS

The financial performance of the Company for the Year ended 31<sup>st</sup> March, 2013 is summarized as below:-

(₹ In Lacs)

Particulars	Year Ended on 31.03.2013	Year Ended on 31.03.2012
Income / Receipts from Operations	12710.91	11638.55
Other Income	430.68	363.79
<b>Total Income</b>	<b>13141.59</b>	<b>12002.34</b>
Earning Before Financial Charges, Depreciation, and Taxation (EBITDA)	368.95	489.65
Financial Charges	81.58	247.47
Depreciation	95.40	79.89
Profit Before Tax (PBT)	<b>191.97</b>	<b>162.29</b>
Less: Provision for Taxation including Deferred	34.23	59.69
Profit After Tax (PAT)	<b>157.74</b>	<b>102.59</b>
Profit Brought Forward from Previous Year	570.14	467.55
Profit Available for Appropriation	<b>727.88</b>	<b>570.14</b>
Balance Carried to Balance Sheet	<b>727.88</b>	<b>570.14</b>

### OPERATIONS REVIEW

During the year under review, Your Company has maintained its excellent pace of growth reflected by the significant rise in Turnover, PBT and PAT. The driving areas of the Company were Ship Recycling Unit which has achieved substantial increase in term of Turnover.

### 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 not Issue Equity shares.

### DIVIDEND

Looking to future requirements of funds for business operations of the Company, the directors have not recommended any dividend for the Financial Year 2012-13

### 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.



## VMS Industries Limited

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. Ajitkumar Jain and Mr. Bakul Mehta 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 would like to inform you that With Consent of Shareholder via Postal Ballot process Company Registered office was Shifted to 808/ C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015 (Gujarat) from 2<sup>nd</sup> Floor 'Jain House', Opp. Vitthalwadi, Bhavnagar-364003. The Whole Postal Ballots was scrutinized by Practicing Company Secretary Mr. M/s. Khandelwal Devesh & Associates, who gave his Report to Chairman of Board on 8<sup>th</sup> September, 2012.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparations of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
- b) Appropriate accounting policies have been selected and applied consistently and such judgments & estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2013 and of the Profit of the Company for the accounting year ended on that date;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The Annual Accounts of the Company have been prepared on a going concern basis.

### RISK MANAGEMENT

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. The Company's raw material is old ship, which is purchased from the international market on credit ranging 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:

#### 1. SALE OF TUG ADINATH-8

The Company has sold the Tug known as 'Adinath-8' as per instrument of sale dt.28<sup>th</sup> September, 2012 which was operating in Off-shore segment. The Sale of Tug Adinath-8 will not have major effect looking to overall operation of the Company.

### 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 31<sup>st</sup> March 2013 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 2013, 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 : Ahmedabad  
Date : 30<sup>th</sup> May, 2013

**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 2013.

**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 : ₹ 714.52 Lacs
  - Outgo : ₹ 7789.80 Lacs

## MANAGEMENT DISCUSSION AND ANALYSIS

### DISCLAIMER STATEMENT:

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

### BACKGROUND:

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

### BUSINESS OVERVIEW:

Our present business mainly consists of two business segments:-

#### 1. Ship Recycling Activities:-

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

We started the ship recycling activity during the financial year 2009-10 and purchased total Seventeen (17) ships for our ship recycling activities till date, whose details are as under:-

Sr.No.	Name of the Ship	Weight (MT)
1.	Loretta D	6150
2.	Colomobo Star II	5850
3.	Madre	8150
4.	Venus Gas	3912
5.	Winco	2987
6.	MT Mar	9653
7.	Libra Gas II	3126
8.	Annoula	9749
9.	Kapadokia	11432
10.	M V Green Neptunic	2420
11.	Jamaima	6522
12.	Kingsway	16691
13.	Theresa Lepoard	10730
14.	MV Ocean	9890
15.	Shan	14850
16.	Interboard	9040
17.	Haci Ali Sari	5203

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

The Company possessed Tug known as 'Adinath-8' in its Off shore Business segment. Due to non-viability, our Company do not operate it's Off-Shore activities from April, 2012 and therefore Board of Directors decided to sold the same tug by Instrument of Sale dt 28.09.2012.

3. Apart from the above two business segment, the Company is also Partner in following Partnership Firm:-
- 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.
  - M/s VMS Industries. The current profit sharing ratio of the Company is 50 % and the balance 50 % 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

With the announcement of budget, implementation of new taxes and instability undermining fundamentals across the Indian sub-continent has created an attention grabbing situation for all the business fronts. Consequent to fluctuation, in local market together with the chronic oversupply, created challenging situation of instability for the previously bullish end buyers of China. In this context, the industry players decided to convene the annual Trade winds recycling conference in Dubai, to cover the turbulent events of the year to be a hot topic of debate.

India being the largest recycling destination, where the much anticipated budget was announced, has remained central to sentiments across the sub-continent. Resultantly, there were few overall material changes to affect the recycling industry. As it remains, if it's not local steel plate prices causing suffering on the Indian shorefront, the currency is sure to play its role to the despair of local buyers! News of 5% tax hike on new vessels to be imported for recycling came as a biggest shock for the Pakistan. With this shocking news buyers across the board at Gadani have decided to put a halt on buying activities for the time being until the fine print has been read and all is fully understood regarding the potential new payments/taxes. Bangladesh, facing the traumatic situation of riots, strikes and unfortunate deaths after the announcement, that an Islamist party leader was sentenced to death. The whole country has ground to a virtual standstill with police and rioters reportedly clashing.

China experienced some worrying signs of decline as many end buyers chose simply not to offer following the recent binge on units there and sentiment stuttered for the first time this year. Finally, as Turkey continues its encouraging start to the year, a few more sales come to light.

(Source: <http://www.sriaindia.com/pdf/Alang-%20A%20Green%20Re-Incarnation%20-%20March%202013.pdf>)

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

##### Domestic Market

##### Indian steel demand to grow by 6.7pct till FY17 - CARE Research (Source Steelrates.com)

- According to a report on steel industry by Credit Analysis & Research Limited, domestic steel demand is likely to grow by 6.7% annually till 2016-17, faster than the expected growth in Chinese demand during the same period.
- Domestic steel capacity increased at a compound annual growth rate (CAGR) of 8% in 2004-05 to 2011-12. In line with the domestic steel capacity, steel production in the domestic market also recorded a similar increase during the same period.
- However, in near terms, the domestic steel industry would remain in a deficit state for the next 2 years. · Increase in the demand is likely to be offset by the rise in supply of the metal, thereby, keeping the domestic demand stable in the near term.
- CARE said that the demand for flat products in the domestic market is likely to be supported by the automobiles and the pipe manufacturing sector, although at a timid pace, demand for long products will continue to increase on the back of modest growth in demand from the construction sector.



- The global supply of steel is expected to continue to adjust itself with the change in demand.
- The global steel industry witnessed a rather structural shift in its consumption pattern as the demand for steel in the European Union and the US failed to reach the consumption levels it achieved in calendar year 2001.

However, steel appetite from the emerging economies like China and India increased significantly.

Globally, steel production is likely to increase at a CAGR of around 2 per cent during CY11 to CY14.

#### ❖ OUTLOOK

- **Stable Outlook for 2013:** India Ratings, which is a group firm of global rating agency Fitch, expects credit profiles of its rated steel producers to remain stable in 2013, driven by continued albeit slow growth in domestic steel demand. The majorities (92%) of ratings are on Stable Outlooks and most of them are below 'IND BBB-', which reflects the inherent risks in the steel sector. (National Long-Term Issuer rating of 'BBB-(ind)' (BBB minus (ind)) to the company. The Outlook is Stable.)
- **Moderate Demand Growth:** World Steel Association has forecasted steel consumption in India to grow at 5% in 2013. Steel producers may see a spurt in demand in the medium-term if the Indian government implements its USD 1 trillion infrastructure investment plan in a timely manner. The demand for flat steel from automobile, white goods and capital goods sectors is likely to remain modest in 2013, given the continued slow economic growth.
- **Modest Margins:** Though Indian steel producers increased prices by INR500-INR1,000 per tonne in December 2012, India Ratings expects profit margins in 2013 to remain broadly similar to 2012 levels. This is due to the persistent high cost of steel production and steel producers' limited ability to pass on higher costs due to subdued demand from end-user industries. The margin pressure will be higher on the producers with no captive raw material linkages.
- **High Interest Cost:** The cost of funding working-capital requirements has remained high despite the marginal reduction in repo rate by the Reserve Bank of India (RBI) in early 2012. India Ratings expects a gradual reduction in the interest rate in 2013 which should provide some relief in interest cost. While higher-rated issuers invariably have access to bank funding and capital markets in certain cases, most issuers in the 'IND A' (a strong credit risk relative to other issuers or issues in the country) and below categories rely largely on bank financing and are severely affected by high interest costs.
- **Rupee Depreciation, Mixed Impact:** Considering the modest demand scenario, a further rupee depreciation could pressurize the margins of companies producing flat steel through blast furnace route as bulk of coking coal is imported. This is despite import price parity of flat steel products. Moreover, a weaker rupee raises the financial leverage of steel producers with significant unhedged foreign-currency liabilities resulting in a decrease in financial flexibility. However, the agency expects financial leverage of rated entities to remain within the guidelines stipulated for the respective rating category.

#### ❖ FACTORS LEADING CHANGE IN THE OUTLOOK:

- **Global Recession:** A negative outlook may arise from continued weak macroeconomic environment in India which could adversely affect financial and liquidity profiles of issuers beyond that expected by the agency. Positive rating changes are unlikely in 2013, with India Ratings being more likely to take rating actions on a company-basis rather than on the sector as a whole.
- **Moderate Demand:** The demand for steel from automobile, white goods and capital goods will remain muted throughout 2013, given the continued slowdown of Indian economy. Any prolonged deferral of corporate capex due to prevailing high interest rate could further impede growth in steel demand. India Ratings expects RBI to reduce interest rates gradually in 2013 and the magnitude of reduction will determine the extent of demand revival from end user industries. Also, Indian government's plan to invest USD 1 trillion in the infrastructure sector could boost demand for steel, provided it is implemented on time. Domestic steel consumption grew by a modest 5.3% yoy over January-November 2012 due to headwinds from the unfavorable macroeconomic environment. During the same period, imports grew by 24.8% yoy to 7mt, while exports increased 15.4% yoy to 4.3mt.
- **Modest Increase in Steel Prices:** India Ratings expects steel prices to show modest recovery in 2013 due to the cost-push effect. The ability to raise steel prices in the Indian market is also limited by the global nature of the market, coupled with oversupply and weak demand in the international market. Imports, though contained to an extent by rupee depreciation, have already touched an all-time high of 10% of the total production in 2012. Moreover, Indian government's free trade agreements with Japan and South Korea, under which these countries are eligible for lower custom duties, are resulting in an increase in imports of steel from these countries, thus further pressurizing the domestic steel prices.
- **Overcapacity Risk:** The domestic steel industry could face the risk of overcapacity in the Medium-to-long term as Indian steelmaking capacity is slated to cross 100mt in 2013, which could pressure steel prices. However, given the expected shortage of iron ore in 2013 due to iron ore mining mess, most steelmakers who depend on external mines for their iron-ore requirement may not run on full capacity thus limiting the overcapacity concern. Also, the delay in Greenfield capacity additions, due to regulatory hurdles such as land acquisitions and the rehabilitation of settlements, will continue to mitigate some of the overcapacity concerns.

*(Sources: India Ratings & Research, 2013 Outlook: Indian Steel Producers)*

- **Steel Industry in India:** India improved its ranking to become the 4th largest producer of crude steel in the world during 2011 after China, Japan and the USA. The country's production grew by around 6% in 2011 over 2010. India's rank in the world order of steel production remained unchanged at fourth slot with an output of 76.7 million tonnes, despite logging the highest growth of 4.3 per cent among major producing nations in 2012. The trend of crude steel production in India is shown in the following table:



### GROWTH OF THE COMPANY

The Income / Receipts from Operations for the year ended March 31, 2013 amounted to ₹13141.60 Lacs in comparison to ₹ 12002.33 Lacs for the previous year ended March 31, 2012. This resulted into a growth of 9.50 % in Turnover of the Company as compared to the last financial year ended on 31<sup>st</sup> March, 2012. The Net profit of the year has also been increased by 30.55 % resulting to ₹ 157.74 lacs as compared to previous year ended.

### 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.

### OPERATIONS REVIEW

During the year under review, the driving areas of the Company were Ship Breaking unit which have achieved substantial increase in terms of Services/ Sales Turnover.

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

### RISK MANAGEMENT

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

Likewise, the Company's finished products are mainly re-rollable scrap generated from Ship 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 31<sup>st</sup> March, 2013 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 & On Behalf of Board of Directors**

Date : 30<sup>th</sup> May, 2013  
Place : Ahmedabad

**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. Manoj Kumar Jain	Chairman & Managing Director	Executive Director & Promoter	Non- Independent
2	Mr. Ajit Kumar Jain	Director	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, Ten (10) Board meetings were held, one each on the following dates:

Sl. No.	Date	Board Strength	No. of Directors present
1	14 <sup>th</sup> May 2012	6	5
2	04 <sup>th</sup> June 2012	6	5
3	20 <sup>th</sup> July, 2012	6	5
4	9 <sup>th</sup> August, 2012	6	5
5	14 <sup>th</sup> August, 2012	6	5
6	12 <sup>th</sup> September, 2012	6	5
7	20 <sup>th</sup> September, 2012	6	4
8	10 <sup>th</sup> November, 2012	6	4
9	23 <sup>rd</sup> November, 2012	6	5
10	12 <sup>th</sup> February, 2013	6	6

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. Manoj Kumar Jain	Chairman & Managing Director	10	Yes	Nil
2	Mr. Ajit Kumar Jain	Non- Executive Director	9	Yes	Nil
3	Ms. Sangeeta Jain	Whole Time Director	10	Yes	Nil
4	Mr. Hitesh Loonia	Independent & Non-Executive Director	8	No	Nil\
5	Mr. Pranav Parikh	Independent & Non-Executive Director	5	No	Nil
6	Mr. Bakul Mehta	Independent & Non-Executive Director	7	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 profiles of Directors who are seeking re-appointment at the Annual General Meeting are furnished below:-

**Mr. Ajit Kumar Jain**, is the Director of the Company. He has completed his graduation in Arts faculty. He is having around 52 years of experience in various segments of the ship related activities, Automobiles and Transport. He started his business in the year 1958 by joining as partner in M/s Jain Roadways, Kanpur which was engaged in the Transportation activities. He has diversified his business activities in the year 1966 and entered into the manufacturing and trading of consumer items and supplied to various government and semi – government department. In the year 1994, he has shifted to Bhavnagar and set up one rolling mill and also joined the Company as a director. He was handling various activities of the company since 1994 in various capacities. Presently he is looking after day to day recycling activities carried out at Alang Recycling Plot

**Mr. Bakul Mehta** has been on the Board of Directors of the company since December 30, 2009. He is having a Bachelor Degree from Saurashtra University and has over 27 years of experience in the field of Marketing. Prior to the year 2009, he was engaged with Shree Enterprise, Bhavnagar where he was looking at Human Resource Department, Process Department, etc.

**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, 2013 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 2013 comprises of three members who are Independent & Non Executive Directors. The composition of Remuneration Committee as on 31st March, 2013 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.

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. Manoj Kumar Jain	Managing Director	₹ 7,00,000/-
Ms. Sangeeta Jain	Whole Time Director	₹ 12,00,000
Mr. Ajit Kumar Jain	Ex Chairman & Ex Managing Director	₹ 1,75,000/-

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, 2013 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 redressed 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 redressed 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 Years from 01st April 2012 to 31st March 2013:-**

Opening: 0, Received: 1, Resolved: 1, 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.

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 31<sup>st</sup> March, 2013"**

**MANOJ KUMAR JAIN  
MANAGING DIRECTOR**

**7. General Body Meetings:-**

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

AGM	Financial year	Date	Time	Venue	No. Special Resolution Passed *
18 <sup>th</sup>	2009-10	28th April 2010	15:00 PM	2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	4
19 <sup>th</sup>	2010-11	22nd September, 2011	11:00 AM	2nd Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	Nil
20 <sup>th</sup>	2011-12	10 <sup>th</sup> September, 2012	11.00 AM	2 <sup>nd</sup> Floor Jain House, Opp. Vitthalwadi, Bhavnagar- 364 003	3

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

Financial Year	Special Resolution Passed
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
2011-12	Cancellation of Agreement dt 4 <sup>th</sup> February, 2010 with Ajit Kumar Jain (former Managing Director) of the Company u/s 302 of Companies Act 1956. Appointment of Mr. Manoj Kumar Jain as Managing Director of Company at Remuneration ₹1.00 Lac (Rupees One Lac) per Month for tenure of Five Years. Approval Utilization of IPO proceed under section 61 of Companies Act, 1956

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

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

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

**c) Resolutions passed through Postal Ballot during the year under review.**

Sr. No	Resolution passed via Postal Ballot	Vote In favor of Resolution	Vote against the 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.	9330164	NIL

**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 (23) of Notes to Accounts of Schedule (b) 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, 2013 were reviewed to the best of their knowledge and belief, that they do not contain any untrue statement, omit any material facts, are not misleading statements, together present a true and fair view and are in compliance with applicable laws and regulations.

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

The Company was an unlisted Company until 31<sup>st</sup> March, 2013. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authorities for non compliance of any matter related to the Capital Markets during the last three years.

**10. Means of Communication:-**

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

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



## VMS Industries Limited

- 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) 21<sup>th</sup> Annual General Meeting:-

Date **25<sup>th</sup> September, 2013**  
 Day & Time Wednesday, 11:00 A.M  
 Venue 808/C Pinnacle Business Park, Corporate Road, Prahladnagar Ahmedabad-380015, Gujarat

#### b) Financial Calendar:-

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

For the Financial Year 2013-14, Financial Results will be announced as per the following tentative schedule:-

1 <sup>st</sup> Quarter ending June, 2013	By 15 <sup>th</sup> August, 2013
2 <sup>nd</sup> Quarter & Half Year ending September, 2013	By 14 <sup>th</sup> November, 2013
3 <sup>rd</sup> Quarter ending December, 2013	By 14 <sup>th</sup> February, 2014
4 <sup>th</sup> Quarter / year ending March, 2014	Within 60 days from 31 <sup>st</sup> March, 2014
Annual General Meeting	By September 2014

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

Date of Book Closure Wednesday, 18<sup>th</sup> September, 2013 to Wednesday, 25<sup>th</sup> September, 2013  
 (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 14<sup>th</sup> June, 2011.

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

The Company has paid the Listing Fees for the year 2013-14 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 2012-13

Market Price Data: High, Low (based on the closing prices) and volume during each month in form April, 2012 to March, 2013 at BSE LTD.

Month	High Price	Low Price	No.of Shares Traded	No. of Trades
April-2012	135.25	87.55	7,93,076	1188
May-2012	129.9	71.4	6,44,992	652
June-2012	67.85	45.7	8,05,418	264
July-2012	44.8	29.75	11938	113
August-2012	29.2	20.3	97384	230
September-2012	19.9	15.35	8,47,535	327
October-2012	23.95	17.4	6,45,438	481
November-2012	24.05	19.25	10,09,135	394
December-2012	39.9	21.1	4,69,282	913
January-2013	41.45	34.6	13,32,091	543
February-2013	36.45	33.4	5,78,346	137
March-2013	32.85	15.3	8,76,042	211



**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 31<sup>st</sup> March, 2013. 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, 2013:-**

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	807320	0.49	695	81.19
5001 – 10000	456360	0.28	57	6.66
10001 – 20000	694300	0.42	43	5.02
20001 - 30000	296070	0.18	11	1.29
30001 – 40000	173510	0.11	5	0.58
40001 – 50000	230730	0.14	5	0.58
50001 - 100000	308620	0.19	5	0.58
100001 & above	161767000	98.02	35	4.09
<b>TOTAL</b>	<b>1,64,73,391</b>	<b>100.00</b>	<b>856</b>	<b>100.00</b>

**m) Categories of Shareholders as on March 31, 2013 :-**

Category	No. of Equity Shares held	% of Share held	No. of Shares holders	% of Share holders
Promoters and Promoter Group	9325164	56.61	5	0.58
Public Shareholding:	2039767	12.38	766	89.49
Bodies Corporate	5108460	31.01	85	9.93
<b>TOTAL</b>	<b>16473391</b>	<b>100</b>	<b>856</b>	<b>100</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

808/C, Pinnacle Business Park, Corporate Road, Prahadnagar, 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 13<sup>th</sup> 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. 114694W  
Membership No. 48478

Place : Bhavnagar  
Date : 30<sup>th</sup> May, 2013

#### 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

## INDEPENDENT AUDITOR'S REPORT

To  
The Members of VMS INDUSTRIES LTD

1. We have audited the accompanying financial statement of VMS INDUSTRIES LTD, which comprise the Balance Sheet as at March 31<sup>st</sup>, 2013, and the statement of Profit & Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.
2. Management is responsible for the preparation of these financial statement that give a true and fair view of the financial position, financial performance and cash flow of the Company in accordance with the Accounting Standard referred to in sub-section (3C) of section 211 of Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
3. Our responsibility to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

Further to our comments in the Annexure referred to above paragraph

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

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

**(Kamlesh Solanki)**  
Proprietor

Firm Regn. No. 114694W  
Membership No. 48478

Place : Bhavnagar  
Date : 30<sup>th</sup> May ,2013



**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, 2013**

As required by the Companies (Auditors report) order, 2003

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 explanation 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 accordance to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements, exceeding value of Rupees Five Lacks 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 Account 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 31<sup>st</sup> 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 an 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) 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. 114694W  
Membership No. 48478

Place : Bhavnagar  
Date : 30<sup>th</sup> May ,2013



## VMS Industries Limited

### BALANCE SHEET AS AT 31st MARCH, 2013

(₹ in lacs)

Particulars	Notes	31.03.2013	31.03.2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	"2"	1,647.34	1,647.34
(b) Reserves and surplus	"3"	3,373.38	3,231.18
		<b>5,020.72</b>	<b>4,878.52</b>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	"4"	147.61	288.35
(b) Deferred tax liabilities (Net)	"5"	34.01	
		<b>147.61</b>	<b>322.36</b>
<b>Current liabilities</b>			
(a) Short-term borrowings	"6"	3,439.20	7,066.40
(b) Trade payables	"7"	19.16	21.18
(c) Other current liabilities	"8"	425.22	171.30
(d) Short-term provisions	"9"	22.20	31.39
		<b>3,905.78</b>	<b>7,290.27</b>
<b>TOTAL</b>		<b>9,074.12</b>	<b>12,492.15</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
Tangible assets	"10"	1,016.27	1,567.57
(b) Non-current investments	"11"	364.76	233.27
(c) Long-term loans and advances	"12"	26.79	37.95
(d) Deffered tax Asset	"5"	18.30	-
(e) Other non-current assets	"13"	125.39	139.85
		<b>1,551.51</b>	<b>1,978.64</b>
<b>Current assets</b>			
(a) Inventories	"14"	1,805.72	3,578.18
(b) Trade receivables	"15"	903.21	725.99
(c) Cash and cash equivalents	"16"	2,291.61	4,456.60
(d) Short-term loans and advances	"17"	2,479.37	1,633.57
(e) Other current assets	"18"	42.70	109.17
		<b>7,522.61</b>	<b>10,503.51</b>
<b>TOTAL</b>		<b>9,074.12</b>	<b>12,482.15</b>

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

"1"

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Ahmedabad  
Date : 30th May, 2013

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

**Manoj Kumar Jain**      *Managing Director*

**Ms. Sangeeta Jain**      *Whole Time Director*

**Hemal Patel**      *Company Secretary*

Place : Ahmedabad  
Date : 30th May, 2013

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2013**

(₹ in lacs)

Particulars	Notes	31.03.2013	31.03.2012
I. Revenue from operations	"19"	12,710.92	11,638.55
II. Other income	"20"	430.68	363.79
<b>III. Total Revenue (I + II)</b>		<b>13,141.60</b>	<b>12,002.34</b>
<b>IV. Expenses:</b>			
Raw Material Consumption	"21"	12,285.05	10,521.62
Changes in inventories of finished goods, work-in-progress and stock-in-trade	"22"	(516.32)	-
Employee benefits expenses	"23"	158.36	161.94
Finance costs	"24"	81.58	247.47
Depreciation	"10"	95.41	79.89
Other expenses	"25"	845.54	829.12
<b>Total expenses</b>		<b>12,949.62</b>	<b>11,840.05</b>
V. Profit before tax (III - IV)		191.98	162.28
VI Tax expense:			
(1) Current tax		21.00	26.00
(2) Deferred tax		13.24	33.69
<b>VII Profit (Loss) for the year</b>		<b>157.74</b>	<b>102.59</b>
VIII Profit (Loss) for Discontinuing Operations (included in above profit shown in VII)		44.95	-
IX Earnings per equity share:			
(1) Basic		0.96	0.67
(2) Diluted		0.96	0.67

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

"1"

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Ahmedabad  
Date : 30th May, 2013

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

**Manoj Kumar Jain** Managing Director

**Ms. Sangeeta Jain** Whole Time Director

**Hemal Patel** Company Secretary

Place : Ahmedabad  
Date : 30th May, 2013



## VMS Industries Limited

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

(₹ in lacs)

Sr. No	PARTICULARS	2012-13	2011-12
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
	Net Profit for the period ( Before Tax)	191.98	162.28
	<b>Adjustements for:</b>		
	Depreciation/ Amortisation	95.41	79.89
	Profit on sale of Assets	(0.71)	37.14
	Provision for Expense	-	0.03
	Tax Payments	(35.70)	(37.16)
	Excess Provisions Written Back	(65.97)	(6.98)
	<b>Operating Profit Before Working Capital Changes</b>	<b>185.00</b>	<b>242.18</b>
	<b>Adjustments for Working Capital Changes:</b>		
	(Increase )/ Decrease in Trade Receivable	(177.23)	(502.13)
	(Increase )/ Decrease in Short Term Loans & Advances	1,189.90	(719.86)
	(Increase )/ Decrease in Long Term Loans & Advances	11.15	11.24
	(Increase )/ Decrease in Other Current Assets	66.47	467.30
	(Increase )/ Decrease in Inventories	1,772.46	150.60
	Increase / ( Decrease) in Other Current Liabilites	253.94	50.81
	Increase / ( Decrease) in Trade Payable & Provisions	2,336.78	5,453.48
	<b>Net Cash Flow From Operating Activities - ( A )</b>	<b>5,638.48</b>	<b>(375.08)</b>
<b>B</b>	<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
	Sale of Fixed Assets	499.79	100.60
	Purchase of Fixed Assets	(43.88)	(1,044.08)
	(Increase)/ Decrease in Investments	(131.49)	(233.03)
	(Increase )/ Decrease in Other Non-current Assets	-	324.42
	<b>Net Cash Flow from Investing Activities - ( B )</b>	<b>324.42</b>	<b>(1,309.19)</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	(140.74)	230.34
	Proceeds from Short Term Borrowings	(3,627.19)	(3,767.93)
	<b>Net Cash Flow from Financial Activities - ( C )</b>	<b>(3,767.93)</b>	<b>5,114.81</b>
<b>D</b>	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>2,194.97</b>	<b>3,430.54</b>
<b>E</b>	<b>Cash &amp; Cash equivalents as at the beginning of the year</b>	<b>4,456.60</b>	<b>1,035.06</b>
<b>F</b>	<b>Cash &amp; Cash Equivalents as at the close of the year ( D + E )</b>	<b>2,291.61</b>	<b>4,465.60</b>

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Ahmedabad  
Date : 30th May, 2013

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

**Manoj Kumar Jain**      *Managing Director*

**Ms. Sangeeta Jain**      *Whole Time Director*

**Hemal Patel**      *Company Secretary*

Place : Ahmedabad  
Date : 30th May, 2013



**NOTE 1:-****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.

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 firms which has 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. Deferred tax Assets is created by reversal of entry for fixed Asset sold

**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.

The Company has discontinued operations of its **off Shore Division** from **October, 2012**.

**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 31 <sup>st</sup> March, 2013	As at 31 <sup>st</sup> March, 2012
I.	Claims against the Company not acknowledged as debts	NIL	NIL
II.	Bank Guarantee	NIL	12.75
III.	Corporate Guarantee for Partnership Firm	170	170

There is demand of income tax for the A.Y 2007-08 of ₹523.57 lacs raised by A.O u/s 143(3). The Company has filed appeal before CIT. In the opinion of the management have fair chances of succeeding in the said appeal. So no provision has been created for the said demand.

**19. Fixed Deposit Under Lien:-**

(₹ In Lacs)

Particulars	As at 31 <sup>st</sup> March, 2013	As at 31 <sup>st</sup> March, 2012
Fixed Deposits under lien with bank for Bank Guarantee, Letter of Credit and Others	2163.15	4012.55

**20. Foreign Currency Earning / Expenditure:-**

(₹ In Lacs)

Particulars	As at 31 <sup>st</sup> March, 2013	As at 31 <sup>st</sup> March, 2012
<b>Earnings</b>	(714.52)	251.83
<b>Expenditure</b>		
CIF Value for Import of Ship for Recycling Business	7789.80	8809.90
Foreign Travelling Expenses	NIL	NIL

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

a) Based on the information available with the company in respect of MSME (as defined in the Micro Small & Medium Enterprise Development Act, 2006) there are no delays in payment of dues to such enterprises during the year.



## VMS Industries Limited

- b) 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 31 <sup>st</sup> March, 2013	As at 31 <sup>st</sup> March, 2012
Net Profit as per Profit & Loss Account (₹ in lacs)	157.74	102.82
Number of Shares Outstanding during the year	1,64,73,391	1,64,73,391
Weighted Average Number of Equity Shares Outstanding during the year	1,64,73,391	1,52,42,036
Basic Earning Per Share	0.96	0.67
Diluted Earning Per Share	0.96	0.67

### 23. 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

VMS Industries – 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. Manoj Kumar Jain

Managing Director

Smt. Sangeeta Jain

Whole Time Director

Mr. Ajit Kumar Jain

Director – Non Executive

#### Relatives of Key Managerial Personnel

Mr. Varun Manoj Jain

Son of Managing Director

Mr. Vaibhav Manoj Jain

Son of Managing Director

Smt. Sushma Ajit Jain

Mother of Managing Director

Mr. Subhod Ajit Jain

Brother of Managing Director

Mr. Naveen Ajit Jain

Brother of Managing Director

Smt. Ritu Rajeev Agrawal

Sister of Managing Director

b) Particulars of Related Party Transactions:-

(₹ In Lacs)

Particulars	Volume of Transaction		O/S Receivable		O/S Payable	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Advances</b>						
Eternal Motors Pvt. Ltd	21.27	45.45	Nil	20.41	Nil	Nil
<b>Capital in Partnership Firm</b>						
Eternal Automobiles			242.96	227.04	Nil	Nil
VMS Industries			102.00	Nil	Nil	Nil
<b>Directors Remuneration</b>						
Key Managerial Personnel						
- Mr. Manoj Kumar Jain	7.00	Nil	Nil	Nil	Nil	Nil
- Mr. Ajit Kumar Jain	1.75	3.00	Nil	Nil	Nil	Nil
- Smt. Sangeeta Jain	12.00	12.00	Nil	Nil	Nil	Nil
<b>Services Received</b>						
Eternal Tours & Travels	6.85	0.47	Nil	Nil	Nil	Nil
<b>Rent Paid</b>						
Key Managerial Personnel						
- Smt. Sangeeta Jain	0.60	1.20	Nil	Nil	Nil	Nil
<b>Corporate Guarantee to Banks for Bank Limits where Company is Partner Eternal Automobiles</b>	170	170	N.A	N.A	N.A	N.A.

**24. 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	<b>76.50</b> (240.15)	<b>13044.09</b> (11758.87)	<b>21.01</b> (5.96)	<b>13141.60</b> (12004.98)
Segment Expenses	<b>117.60</b> (177.71)	<b>12537.36</b> (11585.10)	<b>0.00</b> (0.00)	<b>12654.96</b> (11515.34)
Depreciation	<b>35.40</b> (50.47)	<b>58.99</b> (28.40)	<b>1.02</b> (1.02)	<b>95.41</b> (79.89)
Segment Results	<b>(76.50)</b> (11.96)	<b>447.74</b> (145.37)	<b>19.99</b> (4.95)	<b>391.23</b> (409.75)
Un- allocable Exp				<b>0.00</b> (0.00)
Operating profit				<b>391.23</b> (409.75)
Interest				<b>81.58</b> (247.47)
Exceptional items loss on sale of assets	<b>(117.67)</b>	<b>0.00</b>	<b>0.00</b>	<b>(117.67)</b> (0.00)
Net Profit Before Tax				<b>191.98</b> (162.28)
Segment Assets	<b>Nil</b> (3063.58)	<b>8709.65</b> (9413.83)	<b>364.47</b> (13.74)	<b>9074.12</b> (12491.15)
Segment Liability	<b>Nil</b> (18.00)	<b>466.59</b> (7272.27)	<b>Nil</b> (0.00)	<b>466.59</b> (7290.27)
Capital Expenditure incurred during the year	<b>Nil</b> (444.21)	<b>43.89</b> (599.64)	<b>Nil</b> (0.24)	<b>43.89</b> (1044.09)

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

**25. Capacity & Production:-**

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

The Company was engaged in Off-shore activities till September, 2012. Being nature of service industry, the installed Capacity cannot be ascertained.

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

Description	Unit	Year Ended 31 <sup>st</sup> March, 2013		Year Ended 31 <sup>st</sup> March, 2012	
		Quantity	Value in (₹ In Lacs)	Quantity	Value in (₹ In Lacs)
Opening Stock	MT	-	-	-	-
Production	MT	35190.160	12357.44	39426.00	10796.47
Sales	MT	33990.160	12659.27	39426.00	11588.21
Closing Stock	MT	1200.000	516.32	-	-

- 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	2012-13		2011-12	
	Consumption (₹ In Lacs)	% of Total Consumption	Consumption (₹ In Lacs)	% of Total Consumption
Total Consumption	12285.05	100%	10521.62	100 %
Imported	12285.05	100%	10521.62	100 %
Indigenous	Nil	Nil	Nil	Nil

26. 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.
27. The balance of Sundry Creditors, Sundry Debtors, and Loans & Advances are unsecured, considered good and reconciled from subsequent transaction and/ or confirmations are obtained.
28. Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.
29. Information required in terms of part IV to schedule VI of the Companies Act, 1956 is attached

As per our report of even date.

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

**Kamlesh Solanki**  
Proprietor

Place : Ahmedabad  
Date : 30th May, 2013

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

**Manoj Kumar Jain** Managing Director

**Ms. Sangeeta Jain** Whole Time Director

**Hemal Patel** Company Secretary

Place : Ahmedabad  
Date : 30th May, 2013



## VMS Industries Limited

### Notes forming part of Balance Sheet as on 31st March, 2013

**NOTE 2**

(₹ in lacs)

SHARE CAPITAL	31.03.2013	31.03.2012
<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 (1,64,73,391) Equity Shares of ₹ 10/- each	1,647.34	1,647
<b>TOTAL</b>	<b>1,647.34</b>	<b>1,647</b>

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

Particulars	2012-13		2011-12	
	Equity Shares Number	In ₹ Lacs	Equity Shares Number	In ₹ Lacs
<b>Shares outstanding at the beginning of the year</b>	16,473,391	1,647.34	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>	<b>16,473,391</b>	<b>1,647.34</b>	<b>16,473,391</b>	<b>1,647.34</b>

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

Name of Shareholder	31.03.2013		31.03.2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Manoj Kumar Jain	6,168,100	37.44	6,168,100	37.44
Sangeeta Jain	2,292,264	13.91	2,292,264	13.91
M R Share Broking Pvt Ltd	849,853	5.16	-	-
Mono Herbicides Limited	2,386,824	14.49	-	-
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)				
	2012-13	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	-	-	-	-	-



## Notes forming part of Balance Sheet as on 31st March, 2013

## NOTE 3

(₹ in lacs)

RESERVE AND SUPLUS	31.03.2013	31.03.2012
<b>Securities Premium Account</b>		
Opening Balance	2,614.75	698.82
Add: Addition during the year	-	1,931.47
Less: 1/10th Public Issue Expense Written Off	15.54	15.54
<b>Closing Balance</b>	<b>2,599.21</b>	<b>2,614.75</b>
<b>Tonnage Tax Reserve Account</b>		
Opening Balance	-	46.29
Add: Addition during the year	-	-
Less: Transferred during the year to General Reserve	-	46.29
<b>Closing Balance</b>	<b>-</b>	<b>-</b>
<b>General Reserve</b>		
Opening Balance	46.29	-
Add: Transferred during the year from Tonnage Tax Reserve	-	46.29
Less: Capitalisation during the year	-	-
<b>Closing Balance</b>	<b>46.29</b>	<b>46.29</b>
<b>Profit &amp; Loss Account</b>		
As per Last Year	570.15	467.56
Addition during the year	157.74	102.59
<b>Closing Balance</b>	<b>727.89</b>	<b>570.15</b>
<b>TOTAL</b>	<b>3,373.38</b>	<b>3,231.18</b>

## NOTE 4

(₹ in lacs)

LONG TERM BORROWINGS	31.03.2013	31.03.2012
<b>Secured Loans</b>		
<b>Term Loan</b>		
From Bank	-	84.31
(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 and in current year paid)		
<b>Vehicle Loan</b>	27.34	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	120.27	168.38
(Deferred Payment for acquisition of Lease Hold Land From GIDC on deferred payment , payable in 10 equated quarterly instalments )		
<b>TOTAL</b>	<b>147.61</b>	<b>288.35</b>

## NOTE 5

(₹ in lacs)

DEFERRED TAX LIABILITY (NET)	31.03.2013	31.03.2012
<b>Deferred Tax Liability</b>		
Opening Balance	34.01	0.32
Addition during the year	16.03	33.69
Less:		
<b>Deferred Tax Assets</b>	68.34	-
	<b>(18.30)</b>	34.01



## VMS Industries Limited

### Notes forming part of Balance Sheet as on 31st March, 2013

#### NOTE 6

(₹ in lacs)

<b>SHORT TERM BORROWINGS</b>	<b>31.03.2013</b>	<b>31.03.2012</b>
<b>Secured Loans- Repayable on demand 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)	0.19	343.65
- <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)	3,439.01	6,722.75
	<b>3,439.20</b>	<b>7,066.40</b>

#### NOTE 7

(₹ in lacs)

<b>TRADE PAYABLE</b>	<b>31.03.2013</b>	<b>31.03.2012</b>
<b>Sundry Creditors</b>		
Due to Micro, Small & Medium Enterprise	-	-
Due to Other than Micro, Small & Medium Enterprise	19.16	21.18
	<b>19.16</b>	<b>21.18</b>

#### NOTE 8

(₹ in lacs)

<b>OTHER CURRENT LIABILITIES</b>	<b>31.03.2013</b>	<b>31.03.2012</b>
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.)	75.73	37.12
Advance From Customers	349.51	133.97
	<b>425.24</b>	<b>171.30</b>

#### NOTE 9

(₹ in lacs)

<b>SHORT TERM PROVISIONS</b>	<b>31.03.2013</b>	<b>31.03.2012</b>
<b>Provision for employee benefits</b>		
Contribution to PF	0.57	0.45
Salary & Bonus Payable	-	4.91
	0.57	5.36
<b>Provision- Others</b>		
Provision for Income Tax	21.00	26.00
Others	0.63	0.03
	21.63	26.03
	<b>22.20</b>	<b>31.39</b>

Notes forming part of Balance Sheet as on 31st March, 2013

NOTE 10

FIXED ASSETS

(₹ in lacs)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION FUND				NET BLOCK	
		As on 1.4.2012	Addition during the year	Deduction during the year	Total As on 31.03.2013	As on 1.4.2012	Addition during the year	Deduction during the year	Total As on 31.03.2013	As On 31.03.2013	As on 31.3.2012
	<b>TANGIBLE ASSETS</b>										
1	Land- Leasehold <b>Owned:</b>	290.26	21.05	-	311.31	2.93	3.15	0	6.08	305.23	287.33
2	Shed & Building - Leasehold	4.92	-	-	4.92	0.92	0.16	-	1.08	3.85	4.00
3	Corporate Office	42.00	0.01	-	42.01	-	1.40	1.40	40.61	42.00	
4	Plant & Machinery	442.40	6.85	25.45	423.79	19.08	20.59	2.84	36.84	386.95	423.31
5	Computer & Software	7.02	0.73	0.26	7.49	6.40	0.69	0.12	6.97	0.51	0.61
6	Office Equipment	2.51	-	-	2.51	0.47	0.12	-	0.58	1.92	2.04
7	Furniture & Fixtures	34.04	6.53	-	40.57	1.94	2.55	-	4.50	36.07	32.09
8	Electric Installation	0.25	-	-	0.25	0.10	0.01	-	0.11	0.14	0.15
9	Vehicles	67.95	-	0.52	67.43	3.80	6.42	0.41	9.80	57.63	64.15
10	Tug - Adinath	612.23	8.72	620.95	-	122.88	21.14	144.03	-	-	489.35
11	Gas Cyclinders	241.69	-	-	241.69	19.16	39.18	-	58.34	183.35	222.53
	<b>Total</b>	<b>1,745.27</b>	<b>43.89</b>	<b>647.18</b>	<b>1,141.98</b>	<b>177.69</b>	<b>95.41</b>	<b>147.40</b>	<b>125.71</b>	<b>1,016.27</b>	<b>1,567.57</b>
	As At 31st March, 2012	854.56	1,044.09	(153.38)	1,745.27	113.45	79.89	(15.64)	177.69	1,567.57	741.11

NOTE 11

(₹ in lacs)

NON-CURRENT INVESTMENTS	31.03.2013	31.03.2012
<b>Un-Quoted &amp; Trade</b>		
- Investment in Partnership Firms	<b>364.47</b>	<b>233.00</b>
M/s Eternal Automobiles	262.46	233.00
M/s VMS Industries	102.01	-
- Investments in Government securities	0.29	0.27
	<b>364.76</b>	<b>233.27</b>

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

Name of Partners	M/S ETERNAL AUTOMOBILES	VMS INDUSTRIES
VMS Industries Ltd	80%	50%
Manoj Kumar Jain	10%	25%
Sangeeta Jain	10%	25%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

NOTE 12

(₹ in lacs)

LONG- TERM LOANS & ADVANCES	31.03.2013	31.03.2012
Security Deposits - Unsecured, Considered good	26.79	37.95
	<b>26.79</b>	<b>37.95</b>



Notes forming part of Balance Sheet as on 31st March, 2013

NOTE 13

(₹ in lacs)

OTHER NON-CURRENT ASSETS	31.03.2013	31.03.2012
<b>Unamortised expenses</b>		
<u>Share Issue Expenditure:</u>		
Opening Balance	139.85	22.71
Addition during the year	1.08	132.68
1/10 Written Off	15.54	15.54
<b>Closing Balance</b>	<b>125.39</b>	<b>139.85</b>
	<b>125.39</b>	<b>139.85</b>

NOTE 14

(₹ in lacs)

INVENTORY	31.03.2013	31.03.2012
Ship's Material (Valued at lower of cost or Net Releasble Value)	1,805.72	3,558.92
Inventroy of Consumable(Bunker)	-	19.26
<b>Total</b>	<b>1,805.72</b>	<b>3,578.18</b>

NOTE 15

(₹ in lacs)

TRADE RECEIVABLES	31.03.2013	31.03.2012
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	903.21	725.99
<b>Less: Provision for doubtful debts</b>		
Other Receivables		
Unsecured, considered good	-	-
	<b>903.21</b>	<b>725.99</b>

NOTE 16

(₹ in lacs)

CASH AND CASH EQUIVALENTS	31.03.2013	31.03.2012
<b>Balance with banks</b>		
In current accounts	117.46	441.56
In deposit accounts	2,163.15	4,012.55
(The FDRs pledge with banks against sanction of various credit facilities to Company)		
<b>Cash on Hand</b>	<b>11.00</b>	<b>11.00</b>
	<b>2,291.61</b>	<b>4,465.60</b>

NOTE 17

(₹ in lacs)

SHORT- TERM LOANS AND ADVANCES	31.03.2013	31.03.2012
<b>Loans and advances to related parties - Unsecured, Considered good</b>	-	20.41
<b>Others Advances - Unsecured, Considered Good</b>		
- Advance Income Tax/TDS	88.79	57.16
- Advance to the employee	0.40	0.98
- <b>Balances with government authorities</b>		
Service tax	-	4.25
CENVAT Credit Receivable	0.70	0.31
- <b>Prepaid Expenses</b>	0.96	0.19
- <b>Others (Advance Recoverable in cash or in kind)</b>	2,388.52	1,550.28
	<b>2,479.37</b>	<b>1,633.57</b>

NOTE 18

(₹ in lacs)

OTHER CURRENT ASSETS	31.03.2013	31.03.2012
Advance to suppliers	42.70	67.99
Interest accrued on deposits	-	41.18
	<b>42.70</b>	<b>109.17</b>

## Notes forming part of Profit and Loss account for the year ending on 31st March, 2013

<b>NOTE 19</b>		(₹ in lacs)	
<b>REVENUE FROM OPERATION</b>	<b>31.03.2013</b>	<b>31.03.2012</b>	
Sales	12,659.27	11,588.21	
Sale of services	76.50	98.75	
Less Excise duty paid	24.85	48.41	
	<b>12,710.92</b>	<b>11,638.55</b>	
<b>Product wise sales</b>			
<b>Sale of Products comprises</b>			
Sale of Ship- Recycling Materials	12,659.27	11,588.21	
Total- Sale of Manufactured goods	12,659.27	11,588.21	
Total - Sale of Product	<b>12,659.27</b>	<b>11,588.21</b>	
<b>Sale of Services comprises</b>			
Tug Income	76.50	98.75	
<b>Total- Sale of Service</b>	<b>76.50</b>	<b>98.75</b>	

<b>NOTE 20</b>		(₹ in lacs)	
<b>OTHER INCOME</b>	<b>31.03.2013</b>	<b>31.03.2012</b>	
Interest Income	336.74	349.17	
Share of Profit from Partnership firm	21.01	5.96	
Miscellaneous Income	6.25	8.66	
Excess Provision Written Back	65.97	-	
Profit on sale of Asset	0.71	-	
	<b>363.79</b>	<b>238.68</b>	

<b>NOTE 21</b>		(₹ in lacs)	
<b>Raw Material Consumption</b>	<b>31.03.2013</b>	<b>31.03.2012</b>	
Opening Stock	3,558.92	3,722.47	
Add: Purchases	10,015.53	10,358.07	
Less Closing Stock	1,289.41	3,558.92	
<b>Raw Material Consumption</b>	<b>12,285.05</b>	<b>10521.62</b>	

<b>NOTE 22</b>		(₹ in lacs)	
<b>CHANGE IN INVENTORIES</b>	<b>31.03.2013</b>	<b>31.03.2012</b>	
Opening Balances of Finished Goods:	-	-	
Closing Balances of Finished Goods:	516.32	-	
Change in inventory of finished goods	<b>(516.32)</b>	<b>-</b>	

<b>NOTE 23</b>		(₹ in lacs)	
<b>EMPLOYEE BENEFITS EXPENSES</b>	<b>31.03.2013</b>	<b>31.03.2012</b>	
Salaries and wages	152.32	146.40	
Contributions to provident and other funds	5.32	14.63	
Staff welfare expenses	0.72	0.91	
	<b>158.36</b>	<b>161.94</b>	

<b>NOTE 24</b>		(₹ in lacs)	
<b>FINANCE COST</b>	<b>31.03.2013</b>	<b>31.03.2012</b>	
Interest	61.27	70.71	
Other Borrowing Costs	20.32	14.64	
Applicable net loss on foreign currency transactions and translation	-	162.12	
	<b>81.58</b>	<b>247.47</b>	

**Notes forming part of Profit and Loss account for the year ending on 31st March, 2013****NOTE 25**

(₹ in lacs)

<b>OTHER EXPENSES</b>	<b>31.03.2013</b>	<b>31.03.2012</b>
<b>Manufacturing Expenses</b>		
Consumption of stores and spare parts	17.56	15.67
Waste Hazardous Treatment & Safety Expense	2.37	2.35
Gases & Carbide	266.30	244.91
Electric Power, Fuel & Water	25.09	27.34
Rent including lease rentals	1.71	1.87
Repairs and maintenance - Machinery	3.12	9.66
Other Expense	18.79	15.46
<b>Sub Total</b>	<b>334.94</b>	<b>317.26</b>
<b>Selling &amp; Distribution Expenses</b>		
Sales Tax	433.70	385.36
Brokerage and Commission	13.35	14.88
Other Selling & Distribution Expenses	2.14	1.87
<b>Sub Total</b>	<b>449.18</b>	<b>402.12</b>
<b>Establishment Expenses</b>		
Communication	1.96	1.20
Travelling and conveyance	9.56	4.42
Printing and stationery	1.04	0.52
Insurance	3.84	2.42
Legal and professional	15.08	26.56
Office rent	0.60	2.00
Payments to auditors	0.50	0.50
Fee Filling & Subscription	3.10	7.85
Loss on fixed assets sold	-	37.13
Service Tax	9.94	-
Upset Premium for GMB Plot	10.95	18.23
Prior period items (net)	-	0.37
Other Repairs	0.12	0.58
Miscellaneous expenses	4.73	7.97
<b>Sub Total</b>	<b>61.42</b>	<b>109.75</b>
<b>Total</b>	<b>845.54</b>	<b>829.12</b>



**VMS INDUSTRIES LIMITED**

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

**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 21<sup>st</sup> [Twenty First] **ANNUAL GENERAL MEETING** of the Company held on Wednesday, 25<sup>th</sup> day of September 2013 at 11.00 hours at 808/C Pinnacle Business Park, Corporate Road, Prahladnagar, Ahmedabad-380015.

Signature of the shareholder or proxy

\*Applicable for investors holding shares in electronic form.

**VMS INDUSTRIES LIMITED**

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

**PROXY FORM**

D.P. Id*	
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Master Folio No.	
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Client Id*	
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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 21<sup>st</sup> [Twenty First] Annual General Meeting to be held on Wednesday, 25<sup>th</sup> day of September, 2013 at 11.00 hours. or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.



\*Applicable for investors holding shares in electronic form.

**Note:**

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

