

Corporate Governance Report

1. Company's Philosophy on Code of Governance

Corporate Governance is a combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the Company. The Company believes that good corporate governance contemplates that corporate actions balance the interests of all stakeholders and satisfy the tests of accountability, transparency and fair play. The Company believes that all its operations and actions must be directed towards enhancing overall shareholder value.

2. Board of Directors

Presently, the Board of Directors consists of seven Directors.

The composition of the Board of Directors, attendance of Board of Directors at Board Meetings and Annual General Meeting and other relevant details are given below:

Name of the Director	Category	No. of Board meetings attended	Attendance at the previous Annual General Meeting held on 28.7.2009	No. of other Directorships *	No. of Memberships of other Board Committees **	No. of other Committees of which the Director is a Chairperson **
Mr. Arun Mehta	Executive	7	Absent	1	Nil	Nil
Mr. Yudhishtir D. Khatau	Promoter Executive	7	Present	9	Nil	Nil
Mr. C. M. Maniar	Independent Non-Executive	6	Present	16	7	Nil
Mr. Praveen Singh	Independent Non-Executive	6	Absent	1	Nil	Nil
Dr. A. K. Bhattacharya	Independent Non-Executive	7	Absent	Nil	Nil	Nil
Mr. Charles Cayzer	Independent Non-Executive	4	Present	39***	Nil	Nil
Mr. Khurshed M. Thanawalla	Independent Non-Executive	6	Present	18	5	3

* Includes directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 but excludes alternate directorships.

** Only covers membership/chairmanship of Audit Committee and Shareholders/Investors Grievance Committee.

*** None in any Indian company other than Varun Shipping Company Limited.

During the financial year ended 31st March, 2010, seven Board meetings were held on 21st May, 2009, 23rd June, 2009, 29th July, 2009, 16th September, 2009, 29th October, 2009, 17th December, 2009 and 29th January, 2010.

3. Audit Committee

The terms of reference of the Audit Committee are given below:

1. To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems.
2. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgement by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.



6. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
7. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
8. Reviewing or approving all related party transactions to ensure they are conducted on an arm's length basis, that is, the transaction terms and prices are not more favourable to the related party than if they were transacted with a third party and will not be prejudicial to the interest of Company and its minority shareholders.
9. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
10. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
11. Discussion with internal auditors on any significant findings and follow up there on.
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
13. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
14. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
15. To review :
 - a) Management discussion and analysis of financial condition and results of operations;
 - b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - c) Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - d) Internal audit reports relating to internal control weaknesses; and
 - e) The appointment, removal and terms of remuneration of the chief internal auditor.
16. To review the financial statements, in particular the investments made by the unlisted subsidiary company, if any.
17. To approve appointment of Chief Financial Officer (CFO) (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

The Audit Committee comprises of three independent non-executive Directors namely Mr. Praveen Singh, Dr. A. K. Bhattacharya and Mr. C. M. Maniar and the members meet the requirements of clause 49 of the Listing Agreement. Mr. Praveen Singh is the Chairman of the Audit Committee.

During the financial year ended 31st March, 2010, four Audit Committee Meetings were held on 20th May, 2009, 28th July, 2009, 28th October, 2009 and 28th January, 2010. All members of the Committee were present at each of the four meetings.

Ms. Manali Parekh assumed the role of Secretary to the Audit Committee.

4. Remuneration Committee

The Remuneration Committee was constituted on 21st May, 2010 and comprises of three independent non-Executive Directors, namely, Mr. C. M. Maniar, Mr. Praveen Singh and Mr. Khurshed M. Thanawalla. The Chairman of the Committee is Mr. Khurshed M. Thanawalla.

The Remuneration Committee inter-alia determines the company policy on specific remuneration package for executive directors including pension rights and any compensation payment.

The remuneration of the Executive Directors is decided by the Board of Directors based on the recommendation of the Remuneration Committee.

The Company has no pecuniary relationship or transactions with its non-executive Directors other than payment of sitting fees to them for attending Board and Committee meetings, payment of commission, which has been approved by the shareholders, payment of dividend on equity shares held by the Directors in the Company and payment of professional fees, if any, paid to a firm in which one of the non-executive Directors is a partner.

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining high calibre talent. The criteria for making payment of remuneration to non-executive Directors is based on their roles and responsibilities and their contribution to the Company. The remuneration of non-executive Directors is already approved by shareholders. Distribution of this remuneration amongst non-executive Directors is determined by the Chairman in consultation with the Vice Chairman.

Details of remuneration of Directors during the year ended 31st March, 2010 are given below :

Executive Directors

(Amount in Rs.)

Name of the Director	Salary and Allowances	Commission	Contribution to Provident & Superannuation Funds	Gratuity	Other Perquisites	Sitting Fees	Total
Mr. Arun Mehta	1,56,00,000	-	29,16,000	9,00,000	14,08,512	-	2,08,24,512
Mr. Yudhishthir D. Khatau	96,00,000	-	25,92,000	8,00,000	10,20,752	-	1,40,12,752

Non-Executive Directors

(Amount in Rs.)

Name of the Director	Salary and Allowances	Commission	Contribution to Provident & Superannuation Funds	Gratuity	Other Perquisites	Sitting Fees *	Total
Mr. C. M. Maniar	-	-	-	-	-	55,000	55,000
Mr. Praveen Singh	-	-	-	-	-	55,000	55,000
Dr. A. K. Bhattacharya	-	-	-	-	-	55,000	55,000
Mr. Charles Cayzer	-	-	-	-	-	20,000	20,000
Mr. Khurshed M. Thanawalla	-	-	-	-	-	30,000	30,000

* Including Audit Committee and Shareholders/Investors Grievance Committee meetings.

Mr. Arun Mehta was re-appointed as Vice Chairman & Managing Director (re-designated as Chairman & Managing Director w.e.f. 2nd December 2008) for a period of five years with effect from 3rd October, 2008. The Company has entered into agreement dated 1st August, 2008 with Mr. Arun Mehta for his said re-appointment. Mr. Yudhishthir D. Khatau was re-appointed as Managing Director (re-designated as Vice-Chairman & Managing Director w.e.f. 2nd December 2008) for a period of five years with effect from 25th August, 2007. The Company has entered into agreement dated 16th August, 2007 with Mr. Yudhishthir D. Khatau for his said re-appointment. In terms of the said agreements, Mr. Arun Mehta and Mr. Yudhishthir D. Khatau may resign from their office upon giving three months notice in writing to the Company of their intention to do so and their services can be terminated by the Company by giving them three months notice in writing or by paying three months remuneration in lieu thereof.

The Company does not have any Stock Option Scheme.

During the year, the Company paid professional fees amounting to Rs.30,33,250/- to Crawford Bayley & Co., Advocates and Solicitors, a firm in which Mr. C. M. Maniar, one of the non executive Directors of the Company, is a senior partner.

The number of shares held in their own names by non-executive Directors in the Company is given below:

Name of the Director	No. of Shares held as on 31st March, 2010	% of holding on the paid-up capital
Mr. C. M. Maniar	3,000 *	0.00
Mr. Praveen Singh	45,000	0.03
Dr. A. K. Bhattacharya	5,000	0.00
Mr. Charles Cayzer	-	-
Mr. Khurshed M. Thanawalla	34,230	0.02

* Out of 3,000 equity shares, 2,850 equity shares are held by Mr. Maniar as first named holder jointly with his wife and daughter and 150 equity shares are held by Mr. Maniar as second named holder jointly with his wife and daughter.



5. Shareholders/Investors Grievance Committee

The Shareholders/Investors Grievance Committee consists of four members and is headed by Mr. C. M. Maniar, an independent non-executive Director.

Ms Manali Parekh, Vice President – Corporate Affairs, Secretarial & Legal and Company Secretary is the Compliance Officer and the Secretary to the Committee.

During the financial year ended 31st March, 2010, 155 complaints were received from the shareholders/investors in addition to 2 complaints carried forward from previous year. All the complaints were replied/resolved to the satisfaction of the shareholders/investors but 3 complaints remained unresolved, as for one complaint, final order from the court is awaited and for the balance two complaints, necessary action from a bank is awaited.

All valid requests for share transfers received during the financial year ended 31st March, 2010 have been acted upon by the Company/Datamatics Financial Services Limited, Registrar and Transfer Agents of the Company and no transfers were pending as on 31st March, 2010.

6. General Body Meetings

The previous three Annual General Meetings of the Company were held at 11.00 a.m. on 14th August, 2007, 1st August, 2008 and 28th July, 2009. The first and third meetings were held at Y. B. Chavan Centre, General Jagannath Bhonsle Marg, Sachivalaya, Mumbai – 400 021 and the second meeting was held at Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Marg, New Marine Lines, Mumbai - 400 020.

Special Resolutions relating to re-appointment of Mr. Arun Mehta as Vice Chairman & Managing Director (re-designated as Chairman & Managing Director w.e.f 2nd December 2008) for a period of five years and payment of remuneration to him, payment of commission to non-executive directors, commencing and carrying on of new business and activities by the Company were passed at the Annual General Meetings held on 1st August, 2008 and 14th August, 2007. No Special Resolution was passed during the financial year ended 31st March, 2010 through Postal Ballot. No Special Resolution is proposed to be conducted through Postal Ballot.

The Company follows the procedure as prescribed under Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 as amended for conducting Postal Ballot.

7. Disclosures

- a) There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives that may have had potential conflict with the interests of the Company, at large.
- b) In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India.
- c) The Company has complied with the requirements of Stock Exchanges, Securities and Exchange Board of India and other statutory authorities on matters relating to capital markets during the last three years and consequently no penalties, strictures have been imposed on the Company by these authorities.
- d) The Company has not adopted a Whistle Blower policy.
- e) The Company has complied with mandatory requirements of Clause 49 of the Listing Agreement and has not adopted the non-mandatory requirements specified under Clause 49 other than constitution of a Remuneration Committee.

8. Means of Communication

As half yearly results as well as quarterly and annual results are published in newspapers, submitted to the Stock Exchanges in accordance with the Listing Agreement and also hosted on Company's website www.varunship.com, the half yearly reports are not sent to each household of shareholders. These results are normally published in The Economic Times/Free Press Journal and Maharashtra Times/Navshakti.

The official news releases are intimated to the Stock Exchanges and also displayed on the Company's website. During the year under review, the presentation made to the analysts was hosted on the Company's website.

The Management Discussion and Analysis forms a part of the Directors' Report in the Annual Report.

9. General Shareholder Information

39th Annual General Meeting :

Date, Time and Venue	4th August, 2010 at 11.00 a.m. at Y. B. Chavan Centre, General Jagannath Bhonsle Marg, Sachivalaya, Mumbai - 400 021
Financial Year :	1st April, 2009 to 31st March, 2010
Financial Reporting for	
Quarter ended June, 2009	29th July, 2009
Quarter ended September, 2009	29th October, 2009
Quarter ended December, 2009	29th January, 2010
Annual Results for the year ended 31st March 2010	21st May, 2010
Date of Book Closure	Friday, 23rd July, 2010 to Wednesday, 4th August, 2010 (both days inclusive)
Dividend Payment Date	On or after 10th August, 2010

Listing on Stock Exchanges :

The Company's equity shares are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai- 400 051. Annual listing fees are being paid to each of the said stock exchanges as and when they fall due for payment.

Stock Codes

	Equity Shares (Physical form)	Equity Shares (Demat Form)
Bombay Stock Exchange Limited	465	500465
National Stock Exchange of India Limited	-	VARUNSHIP

ISIN

The Company's equity shares form part of SEBI's compulsory demat segment bearing ISIN No. INE702A01013. All the equity shares have been admitted for dealing by both National Securities Depository Limited and Central Depository Services (India) Limited.

Stock Prices

The monthly high and low quotations of equity shares traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited are as follows :

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2009	52.65	42.25	54.75	38.00
May, 2009	65.00	46.25	65.00	46.35
June, 2009	70.40	55.80	70.45	55.30
July, 2009	59.40	52.05	59.30	50.10
August, 2009	63.50	52.00	63.70	51.80
September, 2009	62.75	56.65	69.20	56.10
October, 2009	63.20	51.05	63.20	51.50
November, 2009	61.60	50.75	61.70	51.00
December, 2009	58.50	54.20	58.30	54.60
January, 2010	61.95	50.60	61.80	50.20
February, 2010	53.50	48.50	53.60	48.60
March, 2010	53.05	48.50	53.00	48.50



Performance of Company's share price in comparison to BSE and NSE index



[Source: www.bseindia.com ; www.nseindia.com]

Registrars and Transfer Agents:

Datamatics Financial Services Limited,
 Plot No. A-16 & A-17,
 Part "B" Crosslane, MIDC
 Andheri (East), Mumbai - 400 093
 Tel : + 91 22 6671 2151-2160
 Fax : + 91 22 2821 3404
 E-mail : vsinvestors@dfssl.com

Share Transfer System:

Applications for transfer of shares in physical form are processed by the Company's Registrars and Transfer Agents, Datamatics Financial Services Limited. The Share Transfer Committee constituted for transfer/transmission of shares, issue of duplicate share certificates and allied matters considers and approves the share transfers once in a fortnight subject to transfer instruments being valid and complete in all respects.

Demat requests are generally processed and completed within an average period of 14 days from the date of receipt provided they are otherwise in order.



Distribution of Shareholding as on 31st March, 2010:

No. of Equity Shares held	Shareholders		Shares	
	Nos.	%	Nos.	%
Upto 500	72,967	84.41	11,697,281	7.80
501 to 1000	7,147	8.27	5,751,561	3.83
1001 to 2000	3,416	3.95	5,150,701	3.43
2001 to 3000	1,066	1.23	2,723,576	1.81
3001 to 4000	493	0.57	1,751,912	1.17
4001 to 5000	368	0.43	1,742,093	1.16
5001 to 10000	537	0.62	3,865,579	2.58
10001 to 50000	381	0.44	7,719,156	5.15
50001 and above	70	0.08	109,605,914	73.07
Total	86,445	100.00	150,007,773	100.00

Category	No. of Shares	% of Shareholding
Promoters/Persons acting in concert	64,605,926	43.07
Venture Capital Fund	1,500,000	1.00
Insurance Companies	9,008,794	6.01
Foreign Institutional Investors/Foreign MFs	22,105,204	14.74
Other Institutions/Banks/MFs	76,323	0.05
Bodies Corporate	5,842,475	3.89
Non-Residents	4,546,550	3.03
Indian Public	42,322,501	28.21
Total	150,007,773	100.00

Promoter Group Disclosures

The promoter of the Company is Yudhishthir D. Khatau Group which is controlled by Mr. Yudhishthir D. Khatau.

For the purposes of inter-se transfer of shares under Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the following persons/entities/individuals are included in the "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969):

Sr. No.	Name of the Person/Entities
1	Mr. Yudhishthir D. Khatau
2	Varun Corporation Limited (formerly known as Khatau International Limited)
3	Tarun Shipping and Industries Limited
4	Sunbeam Talc Private Limited
5	Realpoint (Mauritius) Limited

Dematerialisation of Shares and Liquidity:

97.55 % of the equity shares have been dematerialized as on 31st March, 2010.

The Company's shares are regularly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:

There are no outstanding GDRs/ADRs/Warrants or any other Convertible Instruments.

Plant Locations:

The Company does not have any plants since it is engaged in the business of shipping.

Address for Correspondence :**With the Registrars and Transfer Agents**

Datamatics Financial Services Limited,
Plot No. A-16 & A-17,
Part "B" Crosslane, MIDC
Andheri (East),
Mumbai - 400093
Tel : + 91 22 6671 2151-2160
Fax : + 91 22 2821 3404
E-mail : vsinvestors@dfssl.com

With the Company

Varun Shipping Company Limited,
Laxmi Building,
6, Shoorji Vallabhdas Marg,
Ballard Estate,
Mumbai - 400 001.
Tel : + 91 22 6635 0100-09
Fax : + 91 22 6635 0274
E-mail: secretarial@varunship.com
E-mail of grievance redressal division :
investors@varunship.com



DECLARATION BY THE CHAIRMAN & MANAGING DIRECTOR AND VICE CHAIRMAN & MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

The Members of Varun Shipping Company Limited

We, Arun Mehta, Chairman & Managing Director and Yudhishtir D. Khatau, Vice Chairman & Managing Director, to the best of our knowledge and belief, do hereby declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2010.

ARUN MEHTA

Chairman & Managing Director

Mumbai: May 21, 2010

YUDHISHTHIR D. KHATAU

Vice Chairman & Managing Director

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

The Members of Varun Shipping Company Limited

We have examined the compliance of the conditions of Corporate Governance by Varun Shipping Company Limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. 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 and the representations made by the Directors and the management, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For **SORAB S. ENGINEER & CO.**

Chartered Accountants

Firm Registration Number : 110417W

M.P. ANTIA

Partner

Membership No. 7825

Mumbai: May 21, 2010