

VARUN SHIPPING COMPANY LIMITED

Analysts Meet

30 October, 2006



Disclaimer

Information in this presentation and any subsequent discussions, statements and similar expressions may constitute "forward looking statements", except for the historical information contained herein. Forward-looking statements are based on certain assumptions and expectations of future events. Varun Shipping cannot guarantee that these assumptions and expectations are accurate or will be realised. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to Varun Shipping's ability to successfully implement its strategy, its growth and expansion plans etc, as well as other risks. Varun Shipping does not undertake any obligation to update forward-looking statements that may be made from time to time by or on its behalf. Investors are requested to use their discretion in relying on them.



Outline

Key Highlights

Financial Highlights

Business Objectives and Overview

Fleet Profile, Capacity Utilisation, Major Customers
and Competitors

Fleet Expansion and Modernisation Strategy

Delivering Value to our Shareholders



Key Highlights

Hydrocarbon oriented shipping company

Leading player in niche LPG shipping sector

Increasing global and Indian demand for hydrocarbons

Rising LPG consumption and transportation demand

Fleet Expansion and Modernisation Strategy



FINANCIAL HIGHLIGHTS



Unaudited Financial Results – 30.09.2006

Rs. In lakhs

	Quarter ended 30.09.2006 (1)	Corresponding quarter in the previous year (2)	Six months ended 30.09.2006 (3)	Corresponding Six months in the previous year (4)	Previous Accounting year ended 31.03.2006 (Audited) (5)
Income from operations	17,055.67	14,611.32	31,781.58	26,348.75	64,293.15
Net profit/(Loss) on sale of ships and other assets	3,419.64	2.05	3,421.30	3.65	10.84
Other income	11.54	10.93	72.30	85.50	127.16
<u>Expenditure</u>					
a) Staff cost	1,697.95	1,091.83	3,223.13	2,077.87	4,874.10
b) Bunker cost	1,220.12	1,403.62	1,488.17	2,583.96	4,224.08
c) Port expenses	320.15	430.74	549.04	856.90	1,630.11
d) Stores,Lubes & Victualling	1,375.62	650.33	2,154.74	1,311.12	3,192.38
e) Repairs & Maintenance including cost of Spares and Survey	2,734.02	1,192.68	4,476.63	2,111.02	6,600.07
f) Other expenditure	1,542.41	1,054.91	2,661.58	2,201.77	5,030.47
Total expenditure	8,890.27	5,824.11	14,553.29	11,142.64	25,551.21
Profit before interest, depreciation & taxes	11,596.58	8,800.19	20,721.89	15,295.26	38,879.94
Interest	2,578.17	1,533.36	5,257.64	2,865.94	7,581.71
Cross Profit after interest but before depreciation and taxation	9,018.41	7,266.83	15,464.25	12,429.32	31,298.23
Depreciation	4,092.41	2,885.41	8,134.04	5,311.46	12,961.04
Profit before tax	4,926.00	4,381.42	7,330.21	7,117.86	18,337.19
Provision for taxation					
Current Tax	352.18	16.39	383.68	41.55	132.00
Fringe Benefits Tax	21.00	28.18	36.00	58.19	116.00
Profit after tax	4,552.82	4,336.85	6,910.53	7,018.12	18,089.19
Paid- up equity share capital (face value Rs.10/-)	11,881.51	11,195.50	11,881.51	11,195.50	11,716.51
Reserves excluding revaluation reserves					35,757.19
Earnings per share for the period (in Rs.) adjusted for proportionate preference share dividend and tax thereon for previous year ended 31.03.2006					
EPS -Basic (weighted average)	3.83	3.87	5.81	6.26	15.82
EPS -Diluted (weighted average)	3.83	3.79	5.81	6.16	15.65
(NOT ANNUALISED FOR THE QUARTERLY & HALF YEARLY RESULTS)					
Aggregate of Non-promoter shareholding					
Number of shares			65,081,626	66,140,626	
Percentage of shareholding			54.71	59.00	



Summary : Financial Performance

Rs. In crores

	Quarter ended 30 th September		6 Months ended 30 th September		Year Ended 31 st March	
	2006	2005	2006	2005	2006	2005
Income	204.87	146.24	352.80	264.38	644.30	388.20
EBDIT	115.90	87.81	207.20	152.76	388.80	168.00
PAT	45.50	43.37	69.10	70.18	180.90	81.70
EPS (for the period/year) Rs.	3.80	3.87	5.80	6.26	15.82	8.77
Interim Dividend	15%	15%	15%	15%	--	--
Total Dividend	--	--	--	--	45%	30%



BUSINESS OBJECTIVES AND OVERVIEW



Hydrocarbon oriented shipping company

Who We Are

We own and operate vessels in offshore services, oil & gas, petroleum products & easy chemicals



Our Aim

To be a leading hydrocarbon shipping company, by leveraging on our leadership and experience in the LPG & petroleum product sectors



Our Distinction

Our diversified fleet serves as a hedge against downturn in any single sector, thereby mitigating the “cyclicality” associated with the shipping industry



Our Value Propositions

- Offering our customers a comprehensive shipping solution across the entire hydrocarbon chain
- Recognising the changing needs of our markets and customers and adapting by expanding and diversifying our shipping product range

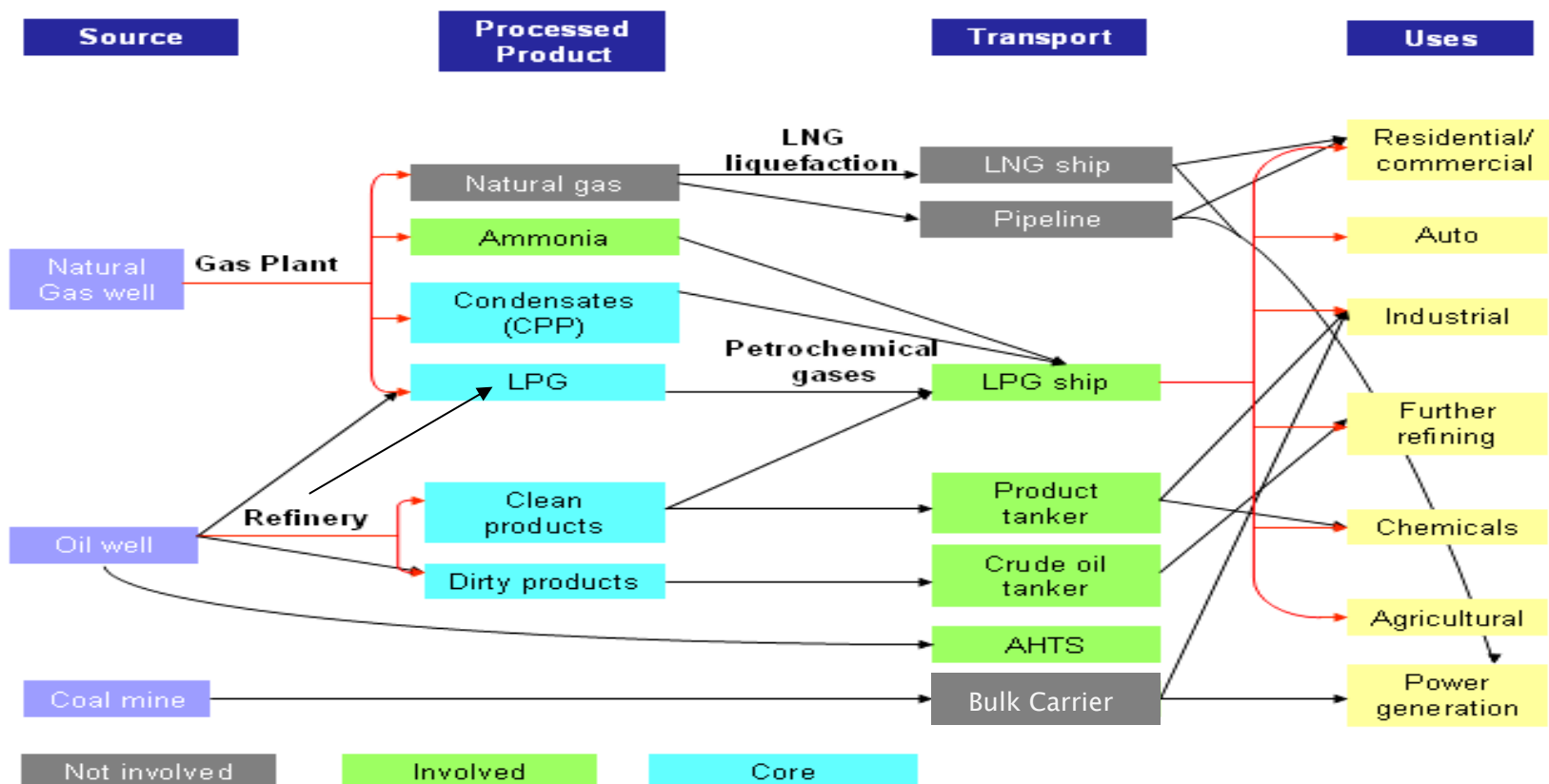


Offering a comprehensive shipping solution across the hydrocarbon chain

From oil exploration to product distribution

Owns and operates vessels in :

- Oil & gas
- Petroleum products & chemicals
- Offshore services



Heritage Spans Over 30 Years

Start-Up: 1971-1973

- Incorporated in 1971 as a private limited company
- Commenced shipping business in 1973 with acquisition of one product tanker

Expansion / Diversification: 1974-1985

- Diversified into the provision of support services for the oil exploration industry with acquisition of 2 AHTSs in 1983 and 1984

Public Listing: 1986-1995

- IPO (Rs.21m) in India in 1986, listing on BSE, ASE and DSE
- Diversification through acquisition of two dry bulk carriers in 1993
- Incorporated a wholly owned subsidiary in Singapore in 1995

Rapid Growth in LPG sector: 1996-2006

- Diversification through acquisition of LPG carriers. Currently owns/operates 11 LPG carriers
- Listed on NSE in 2003
- Diversified into crude oil tankers by acquiring two modern Aframax double hull tankers in 2005
- Registered branch office in Singapore in July 2005 for integrated ship management activities



Established Business and Management Track Record

Business track record

- Established since 1973 and has since grown to current fleet size of 17 and workforce of around 500 full-time employees

Financial track record

- Demonstrated growth with consistent profitability since 1984

Listing track record

- Publicly listed in India since 1986
- Around 74,000 shareholders as at 30 Sept. 2006
- Successful fund raisings via equity capital markets as a listed entity
- Included in BSE 500 Index

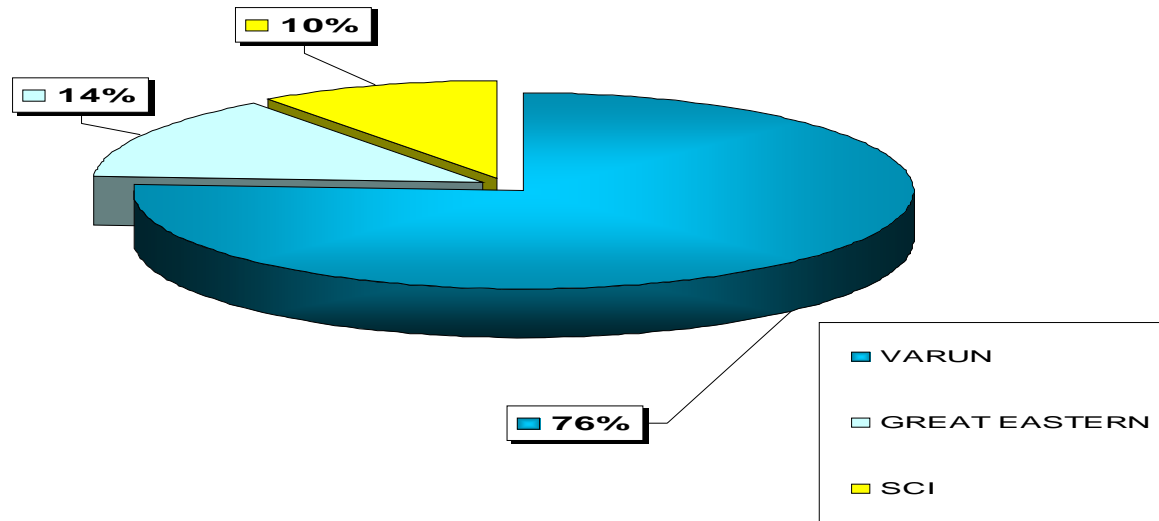
Management track record

- Experienced management team

In 2006, Varun received the “FASTEST EXPANDING INDIAN SHIPPING COMPANY AWARD” and Mr.Arun Mehta (Vice-Chairman and Managing Director) received the “VARUNA AWARD” for his significant contribution to India’s shipping industry



Leadership in Indian Market



- **Leader in the Indian LPG market owning approx. 76% of the total LPG tonnage (on DWT basis) under Indian flag***
- **Largest owners of LPG tonnage in India***
- **76% market share on dwt basis***
- **Transported approximately 71% of all PSU controlled LPG cargoes brought into India in FY2005****

*As at 31 March, 2006 The Directorate General of Shipping, India, website: <http://www.dgshipping.nic.in>

** Source: Based on the LPG import figures for the period from April 2004 to March 2005 derived from CRIS INFAC PriceWatch: The Monthly Review of Development in Commodity Markets, Petroleum Products, May 2005, published by CRISIL Research & Information Services Ltd in 2005 and internal calculation of cargo carried by the Company's relevant LPG vessels.



Leadership in International Market

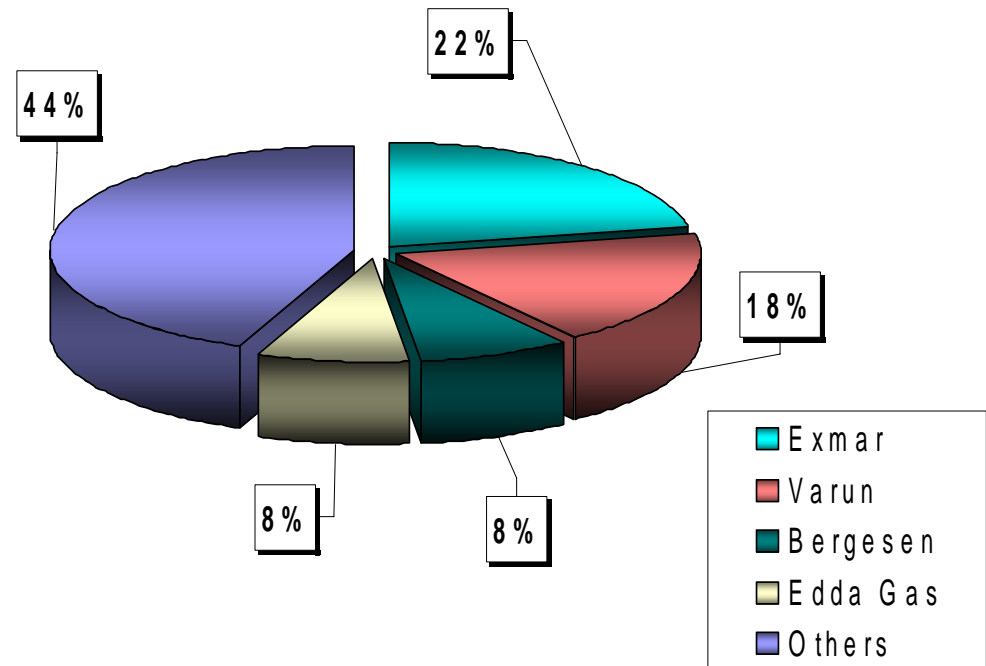
Business Sector

LPG

- High level of consolidation in LPG sector arising from the Exmar/Bergesen pool
- Significant business relationship between Varun and the Exmar/Bergesen pool
- Second largest owners of tonnage in the global mid-size fully-refrigerated LPG carrier fleet*
- 18% market share on cu. m basis for fully refrigerated (20 - 50,000 cu.m) LPG fleet owners*

Business Sector

Mid-size LPG



*Source: As at 20 March, 2006, Lorentzen & Stemoco AS



Growth Drivers for the Hydrocarbon Shipping Sector

Growth Drivers

Rising global demand and seaborne trade for hydrocarbons

Increased tonne-mile demand from imbalances in demand and supply of LPG between regions

Growing Asian demand for petroleum product and crude oil

LNG emerging as a preferred alternative fuel source

Increased exploration and production activities in the offshore sector

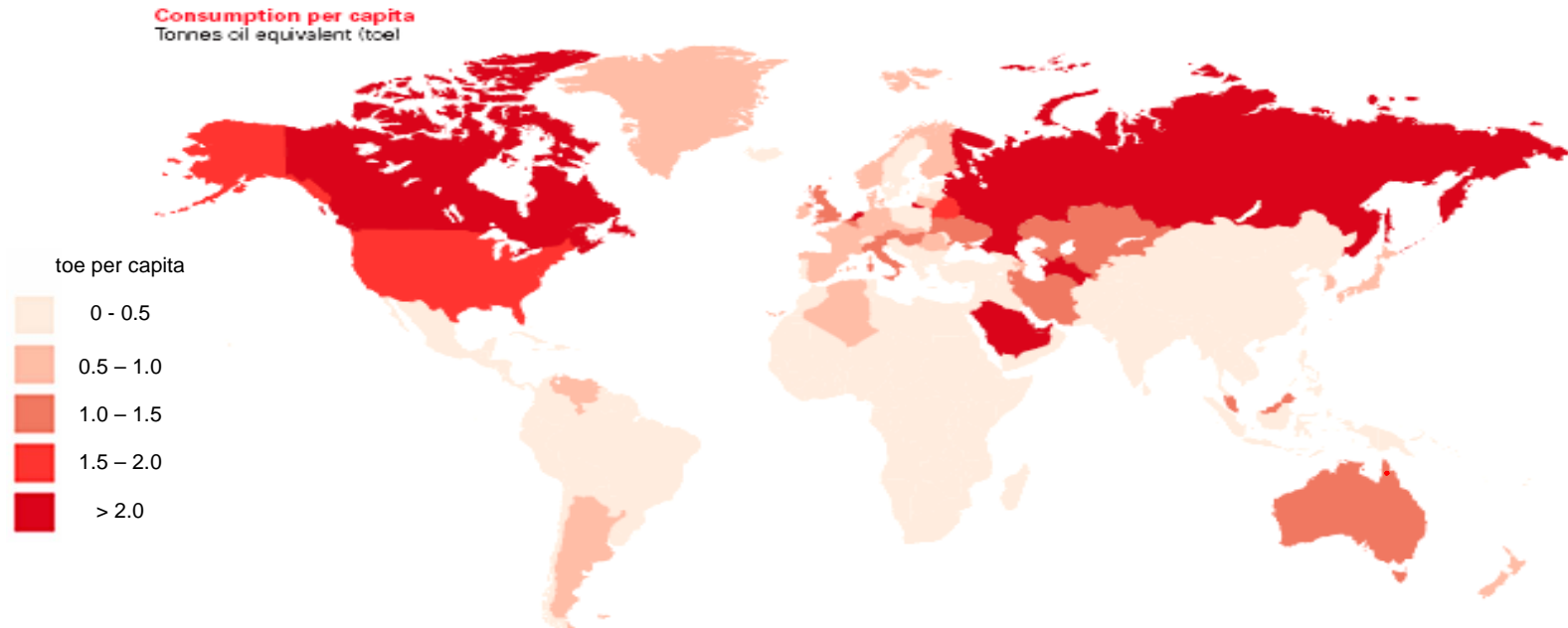


Increasing Global and Indian Demand for Hydrocarbons

Increasing demand for hydrocarbons

- Rising global demand for hydrocarbons
- Expected increase in demand for petroleum product, crude oil and gas driven by a buoyant economy and increase in refining capacity in India

Primary energy consumption per capita



Global demand for LPG

- Demand for LPG has grown at a faster rate annually than that of the demand for world energy for the past decade⁽¹⁾
- Opportunities arise from imbalances in the production and consumption of LPG between regions such as Asia, Africa and Middle East⁽¹⁾
- Asia is the most important LPG importing region accounting for 57.6% of sea-borne trade in 2003⁽¹⁾
- More LPG is expected to be shipped to the US Gulf and the Atlantic Basin playing an increasingly important role in relation to the traditional Middle East – Far East trade⁽²⁾



(1) Source: The Drewry Annual LPG Market Review and Forecast 2004/5

(2) Source: Drewry LPG Forecaster – 4Q 2005, Quarterly Analysis of the LPG Market

Rising LPG Consumption and Transportation Demand

Fundamentals driving
global LPG shipping

- **Economic growth and industrialization of India and China**
- **Imbalances in the demand and supply of LPG between regions leading to increased tonne-mile demand**
- **Shifts in Indian domestic consumption from kerosene to LPG ⁽¹⁾ leading to increased imports**

(1) Source: CRIS INFAC Refining and Marketing Annual Review January 2005



***FLEET PROFILE,
MAJOR CUSTOMERS AND COMPETITORS***



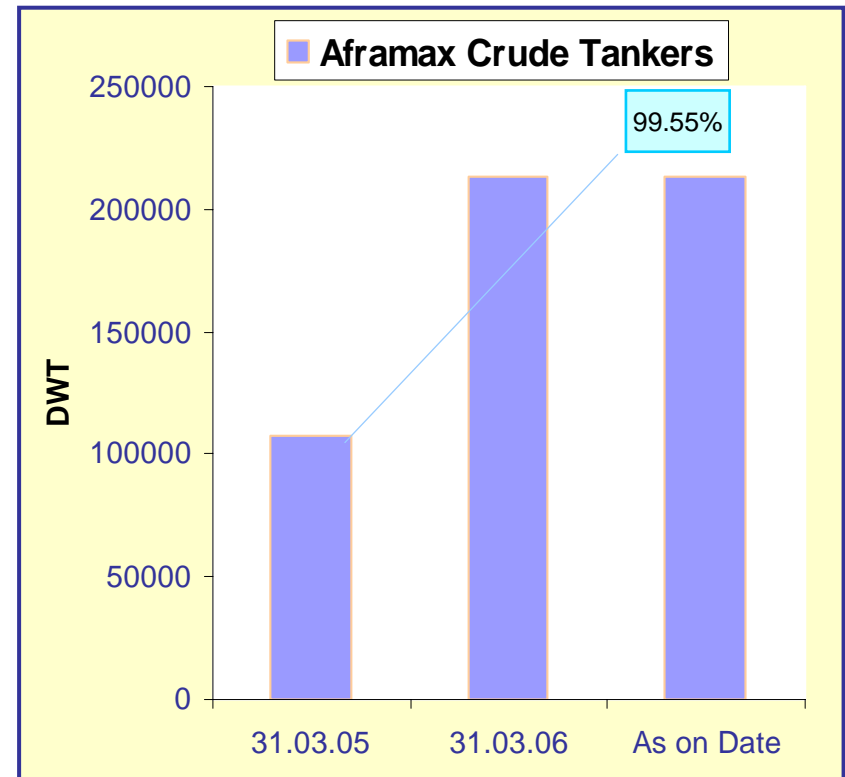
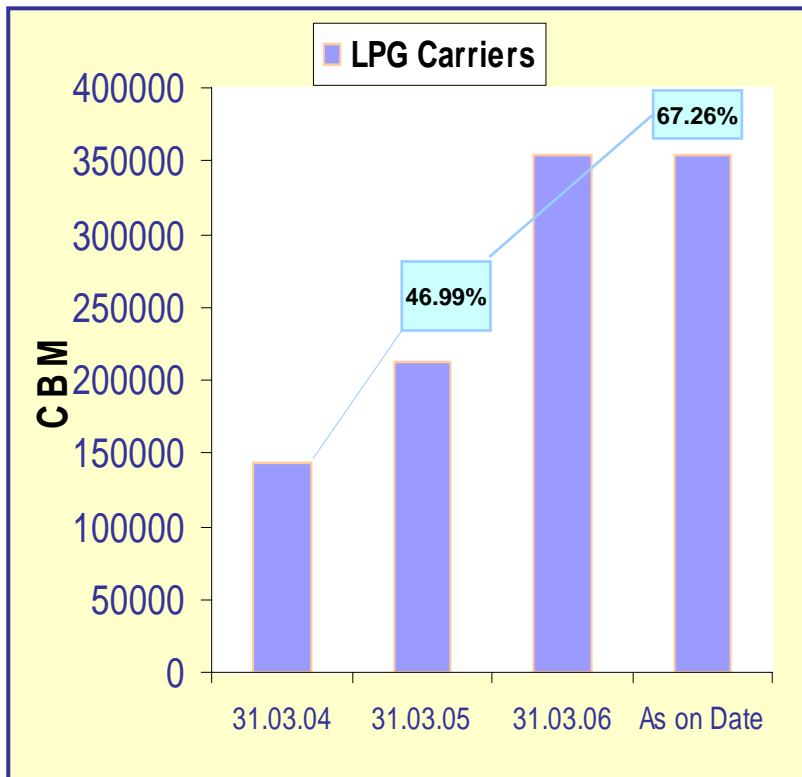
A Diversified Fleet of 17 Vessels

		As at 30 October 2006	FY'03
LPG Carriers	Fully-Refrigerated Mid-size LPG Carriers	10	3
	Fully-Refrigerated Large LPG Carrier	1	1
Crude Oil Tankers	Aframax Crude Oil Tankers	2	-
Product Tankers	MR* (medium range), GP (general Purpose)	1*	3
	Small Chemical & Oil Tankers	1	2
Bulk Carrier	Handymax Bulk Carrier	-	2
AHTS	5200 kw AHTS Vessels	2	2
		17	13

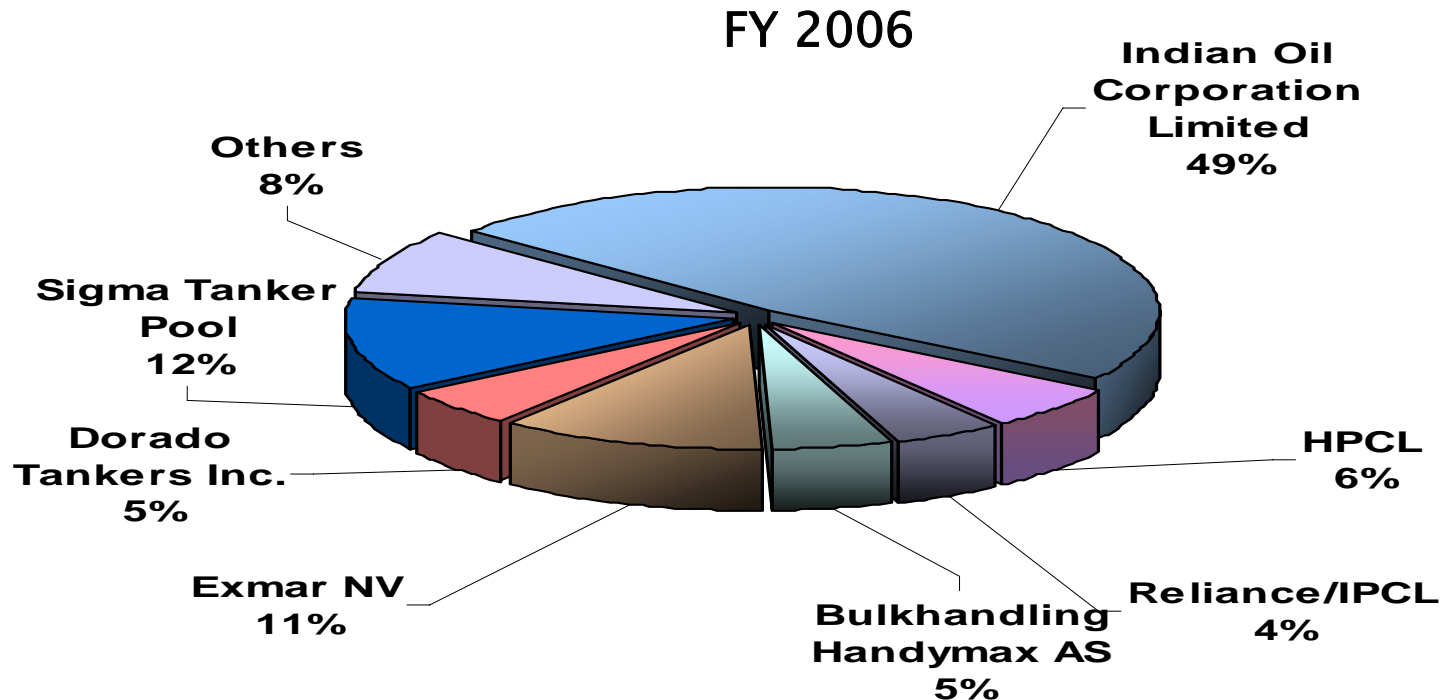
- Company has sold 1 Dry Bulk Carrier and 1 Single Hull Product Tanker during the quarter ended 30th September, 2006.
- The company has only two single hull vessels in its fleet.



Capacity Growth in LPG and Crude Tanker Fleet



Major Customers



* Indian Oil Corporation is also the contracting channel for BPCL and HPCL

** Pools act as marketing channels for charterers:

- Bulkhandling Handymax Pool - Our vessel in this pool has serviced customers such as Cargill International, Thomas Bertel and Eitzen Bulkera
- Exmar Pool - Our vessel in this pool has serviced customers such as Sonatrach. Our recent vessels are with customers such as Koch & Nitrochem
- Dorado Tankers Pool - Our vessel in this pool has serviced customers such as Vitol, Trafigura and Glencore

Strong domestic and international clientele base



***FLEET EXPANSION
AND
MODERNISATION STRATEGY***



Preferential issue of upto Rs.233 crores at a price of Rs. 75 per Equity Share/Optionally Fully Convertible Warrants

At a premium of Rs.65 per share

Equity Shares	Rs. in crores
Caledonia Investments Plc	113.625
Sofina S.A.	12.375
ICG Q Limited	9.000
Societe Generale or Transporation, Infrastructure and Energy Investments	9.000
IL&FS Trust Company Limited A/c IL&FS Private Equity Trust – Leverage India Fund	11.250
Promoter Group Company	13.875
Optionally Fully Convertible Warrants	
Promoter Group Companies	59.250
Mr.Arun Mehta, Vice Chairman and Managing Director	4.500
Total	232.875



Fleet Expansion and Modernisation Strategy



Expansion Strategy

The company envisages an investment of upto Rs.2000 crores for purchase of:

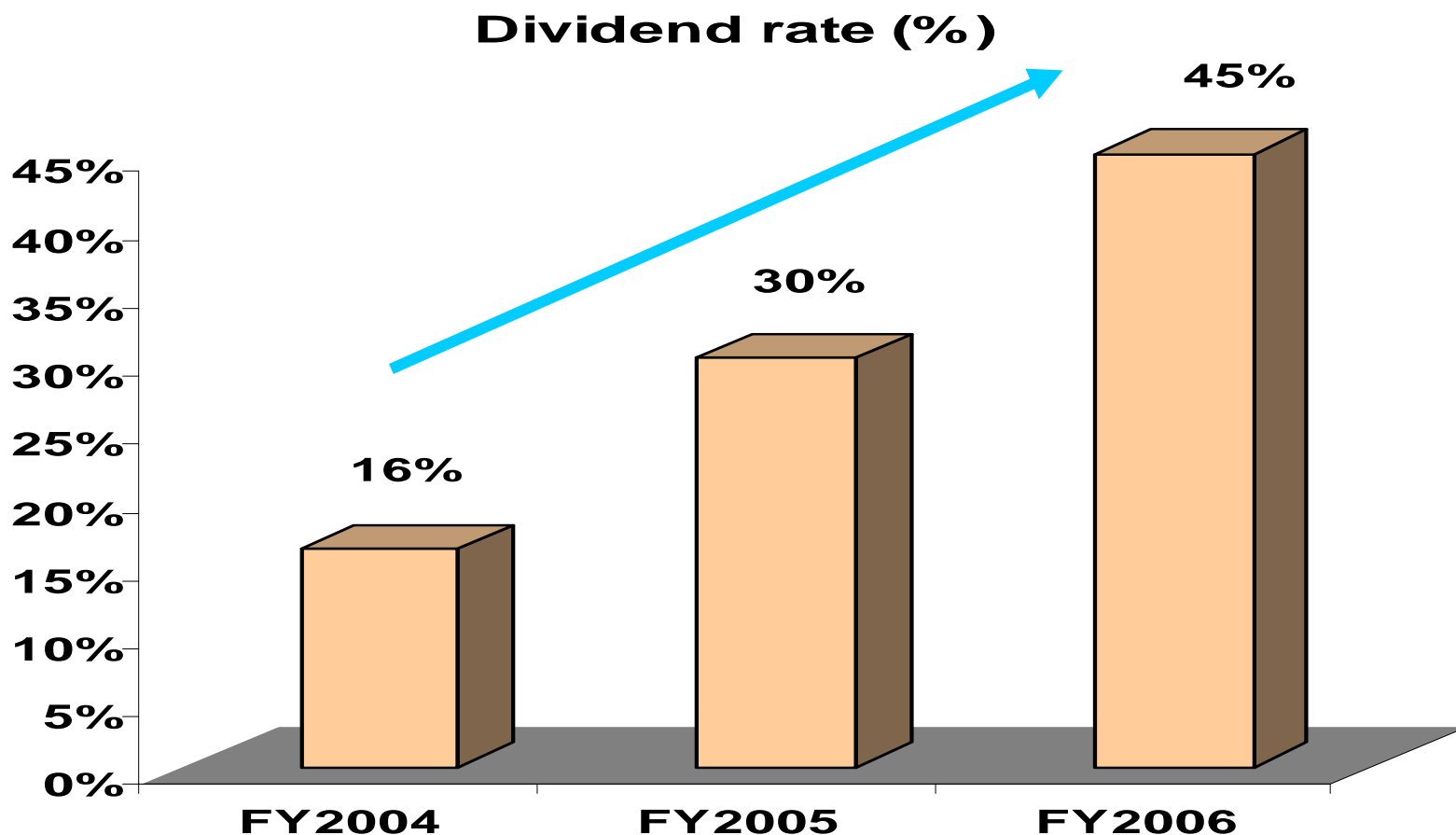
- Tankers
- Gas carriers and
- for expanding its asset base in the oil and gas exploration and production industry.



DELIVERING VALUE TO OUR SHAREHOLDERS



Delivering Value to our Shareholders: Dividend rate

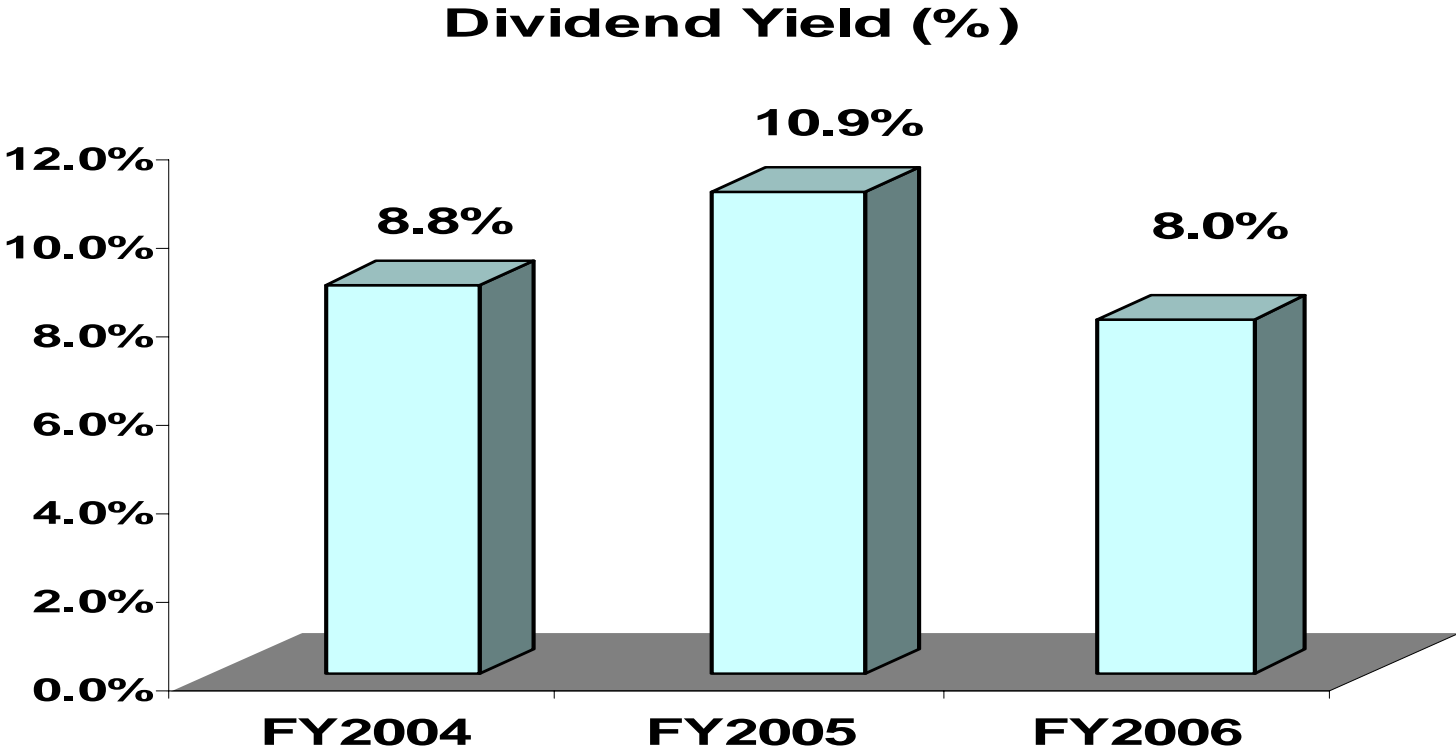


Declared and recommended interim dividend of 15% for FY 2006-07



Delivering Value to our Shareholders: Dividend Yield

Declared and paid dividends in each of the past 22 consecutive years



Dividend yield calculated using the average of the closing price of shares traded during trading days on NSE for each FY

VARUN's VISION

“Expanding our fleet to cater to the growing needs of our customers and benefit from the expected growth in hydrocarbon transportation demand both in India and abroad”



Thank you

