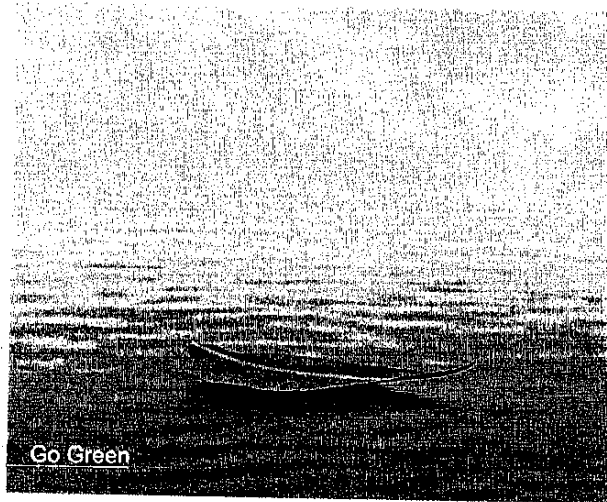


VARUN



Chairman's
Speech



VARUN SHIPPING COMPANY LIMITED

Chairman's Speech

Dear Shareholders,



I take this opportunity to welcome you all on the occasion of this 40th Annual General Meeting of your company.

As you must have already observed from the Annual Report for the financial year ended 31st March, 2011, the Company's freight and charter hire income for the year ended 31st March, 2011 was ₹ 4,914.27 million and the net profit after tax was ₹ 147.48 million.

The financial year ended 31st March, 2011 continued to be a challenging year for shipping industry as a whole. However, the LPG markets started improving on the back of improvement in global economy leading to an improvement in both utilization and charter rates. Indian LPG consumption per capita is less compared to other countries. There are good growth prospects for LPG consumption/demand in India in future. With Vision 2015 of the Government of India, Rajiv Gandhi Gramin Vitrak Scheme, LPG penetration in the rural areas will improve. This scheme aims to enhance LPG usage in India with the number of connections increasing from almost 110 million to 165 million by 2015. This is generating additional demand for import of LPG into India. Since Indian flag ships have a 'Right of First Refusal' for any cargo of Indian Public Sector Undertakings which are imported into India, it will enable the company to ensure better utilization of its LPG vessels in Indian trade. Due to oversupply of crude tankers and decline in requirement of tankers as floating storage globally, the charter rates for aframax crude tankers of the company continued to be under pressure. Charter rates and utilization of AHTS vessels continued to be very low. However, with steady increase in oil prices, the Exploration and Production activities have restarted and the demand for AHTS vessels is picking up.

During the year under review, your company set up and invested in a joint venture company in Singapore and three joint venture companies in Cyprus. Further, a subsidiary company, namely, Varun Gas Infrastructure Limited was established in India.



VARUN SHIPPING COMPANY LIMITED

The Board of Directors has recommended dividend of 8 per cent, i.e. ₹ 0.80 per equity share for the financial year ended 31st March, 2011. I am pleased to state that your company holds an impressive track record of earning profits and declaring dividends uninterruptedly to its shareholders for the past 27 years.

During the financial year ended 31st March, 2011 your company sold one of its LPG carriers, namely Maharshi Shubhatreya to its associate company, Tarun Shipping and Industries Limited and has thereafter taken the said vessel on bareboat charter. During the financial year ended 31st March, 2011 your company sold two of its crude oil tankers, namely Amba Bhakti and Amba Bhavanees to its joint venture company, namely, Varun Asia Pte. Ltd. Singapore on bareboat charter cum demise basis. During the financial year ended 31st March, 2011 your company also sold two of its AHTS vessels, namely Subhiksha and Sudaksha on bareboat charter cum demise basis to another of its joint venture company, namely Varun Cyprus Limited, Cyprus. During the current financial year, your company has sold its vessels Amba Bhargavi and Suvama to Varun Asia Pte Ltd., Singapore and Varun Cyprus Limited, Cyprus respectively on bareboat charter cum demise basis.

Your company presently owns and/or operates a well diversified fleet of 21 vessels comprising 11 LPG carriers, 3 double hull aframax crude oil tankers and 7 AHTS vessels.

As on date, your company together with its associate is the largest owner of LPG tonnage in India, in terms of both fleet size and cargo carrying capacity, constituting approximately 78 per cent of the aggregate cargo carrying capacity of LPG carriers operating under Indian flag. The LPG carriers owned and/or operated by your company are deployed on a mix of time charters and spot charters with reputed charterers such as Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, Reliance Industries Limited and Pertamina. Your Company's three modern double hull Aframax crude oil tankers which are placed in the Sigma Tanker Pool continue to trade globally. Your company was the first Indian shipping company to operate large AHTS vessels in the North Sea and it has established leadership position in the large AHTS sector in the Asian region. The three large AHTS vessels have been committed on time charter to Petrobras, Brazil for a firm period of four years with four extension options of one year each.



VARUN SHIPPING COMPANY LIMITED

In November, 2010 your Company received "The Safety at Sea Award" at the Lloyd's List Middle East & Indian Sub-continent Awards-2010 ceremony, held at Dubai.

I would like to take this opportunity on your behalf to congratulate Mr. Yudhishthir D. Khatau, Vice Chairman & Managing Director for receiving the "Young Entrepreneur of the Year" award at the All India Maritime and Logistics Awards 2010 ceremony held in September, 2010 at Mumbai.

I would also like to congratulate Mr. Yudhishthir D. Khatau on your behalf, on his being elected as President of the Baltic and International Maritime Council (BIMCO), in June, 2011. This is a matter of great pride for all of us, since Mr. Khatau is the first Indian to become President of BIMCO and the youngest ever to hold this position in BIMCO's 106 years history.

In October, 2010, I received "Lifetime Achievement Award" at the Lloyds' List Asia Awards- 2010 ceremony, held at Singapore. This has been possible only because of the confidence and trust reposed in me by you shareholders over the past many years.

I wish to place on record my sincere appreciation for the continued support and co-operation of all the government agencies, oil companies, charterers, banks and financial institutions. I also express my sincere gratitude to all our officers and staff, both on shore and at sea for their sustained dedication and hard work. On behalf of the Board of Directors and the management, I thank all the shareholders for their continued support to the company and its management and look forward to the same in future also.

Thank you.

Dated : 11th August, 2011
Place : Mumbai:

Arun Mehta
Chairman & Managing Director



VARUN SHIPPING COMPANY LIMITED

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