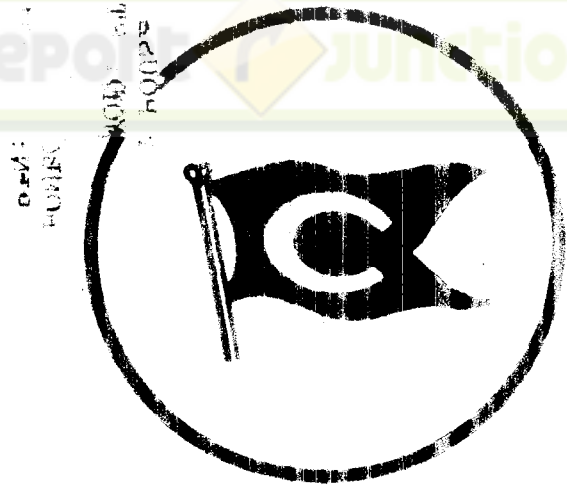


MD	✓		BKC	✓
CS	✓		DPY	NA
RC	✓		DIV	✓
TRA	✓		AC	✓
ACM	✓	✓	SHI	✓
VE	✓	✓		✓

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CHOWGULE STEAMSHIPS LTD.

**Thirtyfourth Annual Report
1996-97**

CHOWGULE STEAMSHIPS LIMITED**Board of Directors**

V. D. Chowgule	Chairman
Y.D. Chowgule	
Vijay V. Chowgule	
G.B. Newalkar	
S.Y. Rege	
N.J. Kamath	
M.R.B. Punja	
S. Ramasubramanian	Govt. Nominee
M.K. Tandon	GIC Nominee
S.C. Anand	ICICI Nominee
S.D. Chowgule	Managing Director
Deepak L. Chowgule	Managing Director
A.N. Shetty	Executive Director

Secretary

M.W. Prabhughate

Solicitors

Crawford Bayley & Co.
Little & Co.

Auditors

S.B. Billimoria & Co.

Registered Office

Chowgule House
Mormugao Harbour
Goa 403 803 INDIA

Main Administrative Office

Bakhtawar, 3rd Floor,
Nariman Point,
Mumbai - 400 021.

Share Transfer Agents

Seahorse Corporate Services Pvt. Ltd.
41-A/2, Maker Tower 'E', 4th Floor,
Cuffe Parade, Mumbai - 400 005.

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Annual Report 1996-97

NOTICE

NOTICE is hereby given that the Thirtyfourth Annual General Meeting of the Members of CHOWGULE STEAMSHIPS LIMITED will be held at the Registered Office of the Company at Chowgule House, Mormugao Harbour, Goa - 403 803 on Monday, the 22nd day of September, 1997 at 11.30 A.M. (I.S.T.) to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Shares for the financial year ended 31st March, 1997.
3. To appoint a Director in place of Mr. A.N. Shetty, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. N.J. Kamath, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. M.R.B. Punja, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Registered Office :

Chowgule House,
Mormugao Harbour, GOA 403 803
Dated : 27th June, 1997.

By order of the Board

M.W. Prabhugate
SECRETARY

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than fortyeight hours before the commencement of the Meeting.
- 2) The Register of Members will remain closed from Tuesday, the 26th August, 1997 to Monday, the 22nd September, 1997, both days inclusive.
- 3) Payment of the dividend as recommended by the Directors, if approved at the Meeting, will be made to those Members whose names appear on the Company's Register of Members on 22nd September, 1997.
- 4) Members are requested to bring their copies of the Annual Report to the Meeting.
- 5) Members are requested to notify immediately any change in their addresses to the Company.
- 6) Members who are holding shares in identical order of names in more than one folio are requested to write to the Company or its Share Transfer Agents to consolidate their holdings in one folio.
- 7) Unclaimed Dividends upto the year 1992-93 have been transferred to the Central Government.
- 8) Intimation is sent to the concerned shareholders individually along with this Notice in regard to the amount of unclaimed dividends for the years 1993-94, 1994-95 and 1995-96 respectively. Members who have not encashed dividend warrants may approach the Company's Mumbai Office for validating the warrants or for obtaining duplicate warrants. The unpaid dividend is due for transfer to the Central Government as follows :

For the Financial Year	Date of declaration of Dividend	Due date for transfer to the Central Govt.
1993-94	19.09.1994	30.10.1997
1994-95	19.09.1995	30.10.1998
1995-96	26.08.1996	06.10.1999

Registered Office :

Chowgule House,
Mormugao Harbour, GOA 403 803.
Dated : 27th June, 1997.

By order of the Board

M.W. Prabhugate
SECRETARY

CHOWGULE

STEAMSHIPS LIMITED

DIRECTORS' REPORT 1996-97

To

The Shareholders,

Your Directors have pleasure in presenting their Thirtyfourth Annual Report and the Audited Accounts for the year ended 31st March,1997.

1. FINANCIAL RESULTS & APPROPRIATIONS :

	1996-97 (Rs.in lacs)	1995-96 (Rs.in lacs)
Profit prior to financial charges and depreciation and tax	5,279.21	4,571.42
Less: Interest	1,510.44	1,255.13
Profit before depreciation and Tax	3,768.77	3,316.29
Less: Depreciation for the year	1,912.71	1,771.71
Profit for the year before tax (MAT)	1,856.06	1,544.58
Less: Provision for taxation	253.18	—
Profit after tax	1,602.88	1,544.58
Add: Brought forward from previous year	465.55	641.19
Amount available for appropriation	2,068.43	2,185.77
Add: Excess Provision for earlier years written back	0.35	—
Total amount available for appropriation	2,068.78	2,185.77
Less:		
1) Proposed Dividend: On Equity Shares	226.08	565.22
2) Provision for tax on proposed Dividend	22.61	Nil
Less: Transferred to,		
Statutory Reserve	—	155.00
General Reserve	1,400.00	1,000.00
Balance Transferred to Balance Sheet	420.09	465.55

2. DIVIDEND :

The Directors are pleased to recommend for your consideration payment of dividend at the rate of Re.1/- per share for the year ended 31st March, 1997. The Shareholders will have the benefit of receiving the dividend free of tax in view of the recent relaxation announced by the Finance Minister. Since the Company will have to pay an additional tax of 10% on the dividend declared at the ensuing Annual General Meeting, the necessary provision for the additional tax has been reflected in the Accounts for the year ended 31st March, 1997.

3. OPERATIONS :

During the year ended 31st March, 1997, the freight earnings and charter hire receipts amounted to Rs.8,223.58 lacs as against Rs.8,788.48 lacs during the previous year.

The Baltic Freight Index reached the lowest level of 992 in September, 1996 as against 1920 in September, 1995. Your Company tried to minimise the impact of this difficult market situation by fixing Vessels on long term when freight rates were comparatively higher.

4. FINANCE :

During the year under Report, an amount of Rs.3,871 lacs was paid to State Bank of India, Government of India, SCICI Ltd., which is now merged with ICICI Ltd., DBS Bank Ltd., Marubeni Hongkong Corporation towards loan instalments and interest due to them. In addition an amount of Rs.3,548 lacs was paid to the Shipyards towards stage payments against ships under construction.

The Company prepaid the entire outstanding loan which was availed earlier from Marubeni Hongkong Corporation for acquisition of M.V. Maratha Messenger by raising of a refinancing loan for US \$ 18.90 Million on attractive terms from the DBS Bank Ltd. This will result in a substantial saving to the Company.

The Company has prepaid Rs.1,269 lacs being entire loans outstanding of Government of India in June, 1997 by raising refinancing loan from ANZ Grindlays Bank Ltd.

5. FLEET RATIONALIZATION :

Expansion of Company's fleet with addition of two newly built Panamax Bulk Carriers and one newly built Mini Bulk Carrier is being financed with a line of credit upto US \$ 42 Million from International Finance Corporation, Washington (D.C.).

Of the two new Panamax Bulk Carriers ordered on Keelung Shipyard of China Shipbuilding Corporation, Taiwan, the first Vessel viz. M.V. Maratha Mighty (Hull No.616) was delivered on 29th November, 1996 and the Second Vessel viz. M.V. Maratha Memory (Hull No.617) on 12th June, 1997.

One new building Mini Bulk Carrier of 3250 DWT (Hull No.BS-28) under construction at the Shipyard of Borneo Shipping & Timber Agencies Sdn. Bhd., Malaysia is scheduled for delivery by end of July, 1997.

M.V. Maratha Providence (1985 built Handimax Bulk Carrier of 40698 DWT) was sold in February, 1997 to a foreign buyer. M.V. Maratha Concord (1978 built Mini Bulk Carrier of 3897 DWT purchased in December, 1991) was sold in May, 1997.

An order for one new building Mini Bulk Carrier of about 3250 DWT was placed with Chowgule & Co. Ltd., Goa with an option to place order for one more identical new building Mini Bulk Carrier.

6. SUBSIDIARY :

The proposal for acquisition of M.V. Maratha Providence by Chowgule Steamships Overseas Limited (CSOL) from the Company did not materialise.

The fully paid-up capital of CSOL is being raised from present US \$ 20000 to US \$ 200000.

The information relating to the Subsidiary has been annexed to the Company's Balance Sheet as required under Section 212 of the Companies Act, 1956.

7. PROJECTION OF PROFITABILITY :

As required under Clause 43 of the Listing Agreement with The Stock Exchange at Mumbai and Delhi, the Projection of Profitability as stated in the Letter of Offer dated 19th September, 1994 of the Company in respect of Rights Issue v/s Actual Performance of the Company for the year ended 31st March, 1997 is given below :

Description	Rs.in lacs	
	Projection for the year	Financial Results for the year
Income	8,832.60	8,750.58
Net Profit	2,050.70	1,602.88*
E.P.S.	9.07	7.09

(* After making provision for tax (Minimum Alternate Tax) of Rs.253.18 lacs)

8. AUDITOR'S COMMENTS :

With regard to the Auditor's comments under Para 2 of their report in connection with the investment of Rs.63.03 lacs in the Equity Shares of Mandovi Pellets Ltd. (MPL), your Directors are of the view that there is no diminution in the value of this investment because (i) MPL resumed its manufacturing operations pursuant to IDBI's rehabilitation package based on viability study, and (ii) Long term nature of the investment. Accordingly, no provision is considered necessary in respect of investment in MPL.

With regard to the Auditors' comment in Para 3 of their report in connection with the provision for leave encashment on retirement, the accounting policy consistently followed by the Company for the previous years is to charge leave encashment on retirement to the Profit and Loss Account on cash basis. The same policy is followed during the year ended 31-3-1997 because of the peculiar nature of the employment terms and rules relating to the leave entitlement of the floating staff

CHOWGULE STEAMSHIPS LIMITED

members where accumulation of leave on retirement cannot be accurately ascertained in advance.

9. INSURANCE :

The fleet of the Company has been insured against Marine and War Risks for Rs.508 Crores.

10. DIRECTORS :

Mr. A.N. Shetty, Mr. N.J. Kamath and Mr. M.R.B. Punja Directors retire by rotation and are eligible for re-election.

11. AUDITORS :

The Shareholders are requested to appoint Auditors for the ensuing year and to fix their remuneration. Messrs S.B.Billimoria & Co., the retiring Auditors, being eligible, have given their consent to be reappointed.

12. THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, AS AMENDED :

In accordance with the requirements of Section 217(2A) of the Companies Act,1956 read with the Companies (Particulars of Employees) Rules,1975, as amended, a statement is annexed to this Report giving the names and other particulars as required under the said Rules and the same forms part of this Report. (Annexure I)

13. THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES,1988 :

In accordance with the requirements of 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, the statement annexed hereto gives the particulars as required under the said Rules and forms part of this Report. (Annexure II)

14. GENERAL :

The Board of Directors expresses its appreciation for the help and co-operation extended by the Ministry of Surface Transport, Ministry of Finance, the Directorate General of Shipping, ICICI Limited and the Company's Bankers and Agents. The Board of Directors also appreciates the loyal services and co-operation rendered by the Company's Officers and Staff, both ashore and afloat.

FOR AND BEHALF OF THE BOARD

MUMBAI

Dated : 27th June,1997.

V.D. CHOWGULE
CHAIRMAN

Annexure I

Information as per Section 217(2A) of the Companies Act,1956 read with Companies (Particulars of Employees) Rules,1975 and forming part of the Directors' Report for the year ended 31st March,1997.

NAME	DESIGNATION	REMUNERATION (Rs.)	QUALIFICATION	AGE (Years)	JOINING DATE	EXPERIENCE (YRS.)	LAST EMPLOYMENT DESIGNATION
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

A) Employed throughout the financial year under review and were in receipt of remuneration for the financial year in the aggregate of not less than Rs. 3,00,000/-

SHORE STAFF :

CHOWGULE S.D.	MANAGING DIRECTOR	1949825	MATRICULATE	67	01/05/84	45	-
CHOWGULE D.L.	MANAGING DIRECTOR	1875106	B.A.	52	01/01/73	23	FIFE SHIPPING CO.LTD.
SHETTY A.N.	EXECUTIVE DIRECTOR	1142000	B.COM.,LL.B.	63	08/04/63	35	CHOWGULE & CO.PVT.LTD.
R. SEN	DIRECTOR (TECH.)	447708	EXTRA 1ST CLASS ENGG. CERT.	80	01.02.77	38	MOGHUL LINES LTD.
M. W. PRABHUGHATE	CO. SECRETARY	351212	B.A.LL.B., F.C.S	58	30.10.79	38	ROHIT PULP & PAPER MILLS LTD.
S. C. PAKRASHI	GEN. MANAGER	415846	MOT 1ST CLASS	46	28.11.83	20	SCINDIA STEAM NEVG. CO. LTD
BHATKAR	GEN. MANAGER	438513	MOT 1ST CLASS	45	12.11.90	20	CHOWGULE & CO. LTD.
DILIP K. GHOSE	ADD. GEN. MANAGER	418886	MOT 1ST CLASS	58	08.10.80	30	VISHAL GOMANTAK CO. LTD.
T. KUMARAN	SR. MANAGER	420920	MOT 1ST CLASS	47	05.04.93	22	CYPRUS SHIP MGT. CO.
T. K. SARKAR	SR. MANAGER	407237	MOT 1ST CLASS	56	19.11.94	34	DREDGING CORP. LTD.
A. K. SRIVASTAV	SR. MANAGER	389139	MOT 1ST CLASS	36	15.03.94	16	CHOWGULE & CO. LTD.

FLOATING STAFF :

AMBASTA ALAL OMPRAKASH	2ND OFFICER	325370	BSC (NAUTICAL)2ND MATE	25	21/10/94	2	-
BHIDE NIKHIL D.	2ND OFFICER	352988	FORM G OF 2ND MATE F.G.	25	5/8/84	6	-
BHAMMAR ANIRUDH D.	2ND OFFICER	448027	FORM G OF 2ND MATE F.G.	25	23/6/94	4	-
BAMANE R.H.M.	3RD ENGINEER	324391	1ST CLASS ENGINE DRIVER	44	14/11/91	18	DAMODAR OFFSHORE
CHAKRABORTY ASHISH	A/CHIEF ENGINEER	383420	MOT.1ST CLASS (PART-B)	36	26/11/86	12	-
CHAKRAVARTY SAMIR KUMAR	CHIEF ENGINEER	551007	1ST CLASS MOT	61	1/3/96	17	INDIA STEAMSHIP CO.
DIAS LEO A.	PURSER	340123	2ND YEAR B.COM.	41	2/1/85	-	HOTEL SILVER SANDA,GOLVA,GOA.
LAXMAN	DECK FITTER	305932	D.T.S.I.	59	27/8/87	40	SCINDIA STEAM NAVIGATION CO.LTD.
DIAS C.ATENASIO	ELECTRICAL OFFICER	467458	ELECTRICAL SUPERVISOR	48	1/12/77	19	-
DIAS IVO I.	ELECTRICAL OFFICER	401071	P.W.D.	45	28/12/84	23	DEMPO STEAMSHIPS LTD.

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
D'SOUZA I.T.J.A.	RADIO OFFICER	537824	COP II CLASS	55	10/11/72	24	
DHARESHWAR SACHIN V.	2ND OFFICER	409893	FORM G OF 2ND MATE	24	28/3/82	5	
DUTTA ALOKE	RADIO OFFICER	529548	COP II CLASS	33	4/7/82	5	
DAPKAWALA N.J.	CHIEF ENGINEER	382200	MOT II CLASS	46	14/8/82	5	
DWIYESH SUDESH KUMAR	2ND ENGINEER	795299	MOT 2ND CLASS	27	8/1/83	4	
DEY SUBHAS	2ND ENGINEER	372990	MOT 2ND CLASS	48	12/7/83	23	SHIPPING CORPORATION LTD.
DEVRAJ R.	A/3RD ENGINEER	340067	MEO IV CLASS	27	13/1/85	3	NIL
DAKSHIN ANKUSH M	CHIEF ENGINEER	490355	MOT 1ST CLASS	40	11/1/86	8	DENHOLM SHIPPING CO.
DHILLON PIARA SINGH	ELECTRICAL OFFICER	314355	P.W.D.	57	27/4/86	28	RACE SHIPPING CO., MUMBAI.
DAS SUJIT KUMAR	CHIEF OFFICER	610673	1ST MATE F.G.	29	8/7/86	2	
DATE ASHOK NEELKANTHA	CHIEF ENGINEER	632634	1ST CLASS (UK)	39	10/8/86	15	BARBER SHIPPING
DIVEKAR N.S.	A/CHIEF OFFICER	308112	1ST MATE F.G.	28	10/8/86	4	SCINDIA STEAMSHIPS
FERNANDES OLANDO A	PURSER	408857	S.S.C.	43	21/8/85	15	SCINDIA STEAM NAVIGATION CO. LTD.
GREWAL M.S.	CHIEF ENGINEER	353025	MOT I CLASS	34	11/12/80	6	
GHATAK AJIT KUMAR	2ND ENGINEER	348075	MOT CLASS IV	80	10/8/85	29	SAUDI SHIPPING CORP. LTD.
JHA SUDHANSHU B.	CHIEF OFFICER	521648	MATE F.G.	36	30/12/81	10	CONTINENTAL SHIPPING CORP.
JAIN SANJAY KUMAR	CHIEF ENGINEER	842853	1ST CLASS MOTOR W	31	25/3/86	2	
KUMAR VINAY MHAQA	2ND ENGINEER	428371	MOT II CLASS	32	7/7/81	8	
KULKARNI SHIRISH N.	MASTER	678904	MASTER F.G.	37	15/12/82	12	ACOMANN SHIP MNGT., GLASGOW.
PARVEEN	MASTER	748282	MASTER F.G.	34	18/5/83	11	MOBILE SHIPPING
KAMPANI PRITHEEPAUL S.	2ND ENGINEER	446066	2ND CL.ENG.MOTOR	54	19/3/86	32	ALMUKARISHH SHIPPING CO. JEDDAH
KUMAR SANJEEV D.	CHIEF ENGINEER	677989	MARINE ENG. CL. I-MOTOR	32	11/3/86	8	LARSEN & TOUBRO
LADSAWANGIKAR ATUL S.	RADIO OFFICER	374509	COP II CLASS	27	3/5/81	6	
MENEZES J.T.	PURSER	317918	S.S.C.	47	16/8/79	18	HOTEL HERITAGE
MASARENHAS MELWYN	PURSER	305587	B.COM.	43	27/10/88	28	ESSAR STEAMSHIPS LTD.
MENEZES PAUL TONY B.	CHIEF OFFICER	515752	1ST MATE F.G.	25	10/4/90	6	
MOZUMDAR RANJOY G.	CHIEF OFFICER	398448	2ND MATE F.G.	24	17/9/81	5	
MOHANAN P.K.	MASTER	533200	MASTER H.T.	58	8/9/89	9	
MOGHE VIJAY D.	MASTER	881437	MASTER F.G.	51	27/10/85	30	SHIPPING CORP. OF INDIA
NELLAPPAN R.	2ND ENGINEER	358673	MEO CLASS II	45	31/1/82	5	
NAGARKAR VIKRAMT V.	RADIO OFFICER	322718	COP II CLASS	30	29/5/82	5	
NARSHIMAN UPPILU	2ND ENGINEER	303192	MEO CLASS II	31	7/7/81	8	DRILLING ENGINE OIL CO.
NANDESHWAR SUNIL	MASTER	661805	MASTER F.G.	35	19/8/85	10	I.M.S.
QJHA RAMENDRA N.	2ND ENGINEER	458224	MOT II CLASS	49	25/5/87	10	CHOWGULE & CO.
OKA CHANDRASHKHAR G.	CHIEF ENGINEER	573765	MEO 1ST CLASS	51	5/8/86	21	CHEPSTOW SHIPPING (UK)
PATEL R.O.	MASTER	463783	MASTER H.T.	55	3/5/81	6	
PATEL D.L.	MASTER	484134	MASTER H.T.	58	1/5/90	7	SHIPYARD DOCK
PATEL C. B.	MASTER	443138	MASTER H.T.	47	20/9/81	25	
PATULEKAR NITIM. B.	2ND ENGINEER	425808	MEO II CLASS	30	7/7/81	6	
PATRA P.C.	RADIO OFFICER	308581	COP II CLASS	28	18/11/82	6	
PATEL C. P.	MASTER	388887	MASTER H.T.	55	2/5/84	10	MERCATOR LINES
PRAKASH AMBARNISH	A/2ND OFFICER	265288	2ND MATE F.G.	26	7/9/84	2	T.S. CHANAKYA
PATEL J.J.	MASTER	615365	MASTER F.G.	60	1/12/84	37	BULK OIL (T) LTD.
PAWAL UDAY NARAYAN	MASTER	323078	MASTER F.G.	51	7/11/86	9	CENTURY SHIPPING
PAWAL ASHWANI K.	MASTER	328316	MASTER F.G.A.I.S.S.C.E.	34	26/11/86	13	EURASIA, HONGKONG
RODRIGUES E.P.J.	PURSER	323545	-	47	18/7/74	23	
REBELLO LAWRENCE	CHIEF ENGINEER	564497	MOT I CLASS	21	14/8/78	38	SEVEN SEAS TRANS. LTD.
ROY SATRAJIT	CHIEF ENGINEER	828195	MOT I CLASS	34	24/1/87	10	
REBELLO CHARLES	ENGINE FITTER	364476	JR.COLLEGE	45	8/5/81	16	
RODRIGUES GREGORY F.	2ND ENGINEER	373835	MOT CLASS IV	33	18/7/80	11	DO ALL TOOLS
RAMRAS R.V.S.	3RD ENGINEER	326302	MOT 2ND CLASS PART A	25	6/2/85	2	
SENGUPTA S.K.	CHIEF ENGINEER	413428	MOT 1ST CLASS	80	10/2/84	32	ESSAR SHIPPING CO.
SATHE D.V.	CHIEF ENGINEER	332591	1ST CLASS ENGG.(MOTOR)	51	12/4/88	24	GARWARE SHIPPING CORPN.
SUKHTANKAR A.G.	CHIEF ENGINEER	358248	MOT 1ST CLASS	48	25/8/84	24	SURENDRA OVERSEAS LTD.
SINGH NIRAJ K.	CHIEF ENGINEER	354560	MOT 1ST CLASS	30	12/12/85	9	ESSAR SISO SM.
SAHA INDRANIL	CHIEF OFFICER	552821	1ST MATE F.G.	28	15/7/86	4	INDIA STEAMSHIP LTD.
SABU DINESH K.	2ND ENGINEER	377878	2ND CLASS MOT	28	10/8/86	5	SCINDIA STEAM NAVIGATION CO. LTD.
SETHI SANJEEV	MASTER	300114	MASTER F.G.	35	12/10/81	15	
SEQUEIRA W.P.	MASTER	983805	MASTER F.G.	55	23/1/78	21	WILLIAMS CO. HONGKONG
SEQUEIRA STEPHEN	PURSER	337087	INTER	42	17/8/79	21	
SINGH KARANJIT P.	4TH ENGINEER	354014	MOT CLASS IV	32	19/11/81	10	JINDAL DRILLING & INDUSTRIES LTD. (RIGS)
SINGH ATUL KUMAR	CHIEF OFFICER	431282	B.SC.NAUTICAL 1ST M.FG	27	18/9/82	4	T.S. RAJENDTA
TANWAR S.S.	MASTER	738870	MASTER F.G.	46	21/8/84	13	SOUTH EAST ASIA
THAPLIYAL BHUPENDRA	ELECTRICAL OFFICER	428699	PWD LICENCE	35	31/8/88	9	NAVEL DOCKYARD, MUMBAI
THAPA JITENDRA	RADIO OFFICER	508187	COP II CLASS	28	4/10/81	8	
THAKUR SURAJ M.	3RD OFFICER	357697	2ND MATE F.G.	27	20/5/82	6	
TRIPATHI SANBGRAM K.	RADIO OFFICER	387972	COP II CLASS LIC3190	25	19/8/83	4	
TRIVEDI A.K.	CHIEF ENGINEER	348715	MOT 1ST CLASS	55	27/2/85	5	
TALUKDAR J.D.	CHIEF ENGINEER	383834	1ST CLASS MOTOR	37	31/10/88	8	ESSAR SHIPPING CO. LTD.
VAZE SANJEEV G.	CHIEF ENGINEER	408088	1ST CLASS ENG.-MOTOR	42	2/10/85	18	UNDER WATER SERVICE CO.
YADAV BIRAJ DEV	MASTER	783125	MASTER F.G.	32	17/4/88	11	SHIPPING CORPORATION OF INDIA

CHOWGULE STEAMSHIPS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF CHOWGULE STEAMSHIPS LIMITED

We have audited the attached Balance Sheet of Chowgule Steamships Limited as at 31st March, 1997 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable to the Company.
2. The Company has an investment of Rs.63.03 lacs in the equity shares of Mandovi Pellets Limited which has substantial brought forward losses and a negative networth. The management is of the view that given the financial restructuring of the Company and the long term nature of the investment, no provision is necessary in respect of diminution in value of this investment. We are unable to express an opinion on this matter.
3. In accordance with the accounting policy consistently followed in previous years, leave encashment on retirement is charged to the profit and loss account on a cash basis.

Accounting Standard 15 issued by the Institute of Chartered Accountants of India, which is mandatory with effect from 1st April, 1995, requires that leave encashment benefit on retirement should be provided for.

The amount of such liability has not been actuarially determined and no provision has been made for the same.

4. Further to our comments in the annexure referred to in paragraph (1) above, 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 books of accounts as required by law have been kept by the Company so far as appears from our examination of the books;
 - c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
 - d) Subject to our comments in paragraphs 2 and 3 above, in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view -

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997; and
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For S.B. BILLIMORIA & CO.
Chartered Accountants

Mumbai
Dated : 27th June, 1997.

Sanjiv N. Shah
Partner

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF CHOWGULE STEAMSHIPS LIMITED FOR THE YEAR ENDED 31ST MARCH, 1997

(Referred to in Paragraph 1 thereof)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, except in the case of furniture and fixtures on board ships included in the cost of the ships. A physical verification of almost all assets of significant value except those on board ships referred to above has been conducted by the management during the year and no material discrepancies were noticed on verification.
2. None of the fixed assets have been revalued during the year.
3. Physical verification in respect of stores has been conducted by the management once during the year. With regard to spare parts, we are informed by the management that it is impractical in view of the nature of the business of the Company to conduct a physical verification of these items.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stores followed by the management together with technical certifications provided by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. According to the information and explanations given to us, the discrepancies noticed on physical verification of stores as compared to book records were not material and have been properly dealt with in the books of account.

6. In our opinion and on the basis of our examination of the valuation of stores, such valuation is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year. In accordance with the usual practice of the Company, stock of spare parts has been estimated by the directors based on their knowledge of normal consumption and certified by them.
7. The Company has neither taken nor granted any secured or unsecured loans from or to companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as defined under sub-Section (1B) of Section 370 of the Companies Act, 1956.
8. In respect of intercorporate deposits placed by the Company, the parties are repaying the principal amount as stipulated and are also generally regular in the payment of interest.
9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, plant and machinery, equipment and other assets.
10. The Company has not entered into any transactions for purchase of goods and materials or sale of goods and materials in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rupees 50,000 or more in respect of each party. In our opinion and according to the information and explanations given to us, the transactions of sale of services pursuant to a contract entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices for such services.
11. As explained to us, unserviceable or damaged stores have been determined by the Management and provision for the loss has been made in the accounts.
12. The Company has not accepted any deposits from the public.
13. The Company's operations do not generate any realisable by-products or scrap.
14. In our opinion the Company's internal audit system is generally commensurate with the size of the Company and nature of its business.
15. The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
16. The Company has been regular in depositing Provident Fund dues with the appropriate authorities except in the case of seamen of few ships where there have been delays which were mainly on account of the time taken to receive the relevant portage bills/information in respect of signing off. We are informed that the Employees State Insurance Act, 1948 is not applicable to the Company.
17. There are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at 31st March, 1997 for a period of more than six months from the date they become payable.
18. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
19. Provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company, being a Shipping Company.
20. The Company has a system of recording receipts, issues and consumption of stores commensurate with its size and nature of its business subject to consumption of spare parts being recorded as explained in para 6 above.
21. In accordance with the information and explanations given to us, there is a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business on issue of stores. The allocation of stores and labour to jobs is not applicable due to the nature of the business of the Company.

For S.B. BILLIMORIA & CO.
Chartered Accountants

Mumbai
Dated : 27th June, 1997

Sanjiv N. Shah
Partner