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CHOWGULE STEAMSHIPS LTD.

40TH ANNUAL REPORT 2002-2003

CHOWGULE STEAMSHIPS LIMITED

BOARD OF DIRECTORS

Vijay V. Chowgule	Chairman	- Promoter Non-Executive Director
Y.D. Chowgule		- Promoter Non-Executive Director
S.Y. Rege		- Independent Non-Executive Director
M.R.B. Punja		- Independent Non-Executive Director
S. Ramasubramanian	ICICI Nominee	- Independent Non-Executive Director
D. N. Mungale		- Independent Non-Executive Director
Deepak L. Chowgule	Managing Director	- Promoter Executive Director

Company Secretary & General Manager

V. S. Murthy Compliance Officer

Solicitors

Crawford Bayley & Co.
Little & Co.

Auditors

S.B. Billimoria & Co.

Registered Office

Chowgule House
Mormugao Harbour
Goa - 403 803

Head Office

75-77, Maker Chambers VI
7th Floor, Nariman Point,
Mumbai - 400 021.
Tel. (022) 2202 6822 Fax: (022) 2202 4845
E-mail : csl@chowgule.co.in

Share Transfer Agents

Sharepro Services
Satam Estate
3rd Floor, Above Bank of Baroda, Chakala
Andheri (East), Mumbai - 400 099.
Tel. (022) 2832 9828 / 2834 8218
Fax : (022) 2837 5646
Email : sharepro@vsnl.com

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CHOWGULE STEAMSHIPS LIMITED

NOTICE

NOTICE is hereby given that the Fortieth 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 Thursday, July 31, 2003 at 11.00 a.m. (I.S.T.) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S.Y. Rege, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. D.N. Mungale, who retires by rotation and is eligible for re-appointment.
4. 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.

By order of the Board of Directors
For CHOWGULE STEAMSHIPS LIMITED

Place : Mumbai

Date : May 26, 2003.

V.S. MURTHY
COMPANY SECRETARY &
GENERAL MANAGER

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Annual Report 2002-2003**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED INSTEAD TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY 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 forty eight hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from July 16, 2003 to July 30, 2003, both days inclusive.
3. Members are requested to bring their copy of the Annual Report to the Meeting.
4. Members are requested to notify immediately any change in their address to the Company's Share Transfer Agents, M/s. Sharepro Services or their respective Depository Participants.
5. Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company or the Share Transfer Agents of the Company to consolidate their holdings in one folio.
6. Unclaimed Dividend upto the year 1994-95 has been transferred to the General Revenue Account of the Central Government. Those shareholders who have so far not claimed or collected their dividend upto the above financial year may claim their dividend from the Registrar of Companies, Goa, Daman & Diu.
7. Members who have not encashed dividend warrants for the years 1995-96 and 1996-97 may approach the Company's Mumbai Office without further delay. The amount standing to the credit of unpaid dividend account for 1995-96 will get transferred to the Investor Education & Protection Fund in August 2003.
8. In terms of Government of India Notification No.GSR 750(E) dated October 1, 2001, the Company has deposited Rs. 471894.77 into the Investor Education & Protection Fund in February 2002. The amount represents the unpaid Application Money in respect of the Rights Issue made during December, 1994.
9. The shares of the Company are listed on the Stock Exchanges at Mumbai and New Delhi and the listing fees upto the financial year 2003-2004 have been paid to the Bombay Stock Exchange. An application has been made to the Delhi Stock Exchange for voluntary delisting of Equity Shares.
10. Securities & Exchange Board of India has mandated that delivery of shares of the Company are compulsorily in the dematerialised form for all investors.
11. All enquiries and correspondence regarding transfer of shares, dematerialisation, etc. are to be made with the Share Transfer Agents of the Company, M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala, Andheri (East), Mumbai - 400 099.

By order of the Board of Directors
For CHOWGULE STEAMSHIPS LIMITED

V.S. MURTHY
COMPANY SECRETARY &
GENERAL MANAGER

Place : Mumbai
Date : May 26, 2003.

CHOWGULE STEAMSHIPS LIMITED**DIRECTORS' REPORT 2002-2003**

To
The Shareholders,

Your Directors present the Fortieth Annual Report and the Audited Accounts for the year ended March 31, 2003.

1. FINANCIAL RESULTS & APPROPRIATIONS :

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Profit prior to financial charges, depreciation and tax	933.39	4,152.75
Less : Financial Charges	916.17	2,035.81
Profit before Depreciation and Tax	17.22	2,116.94
Less : Depreciation for the year	1307.22	2,287.83
Profit/(Loss) before Sale of Ships and Taxation	(1290.00)	(170.89)
Profit/(Loss) on Sale of Ships	280.04	(3,378.21)
Profit / (Loss) before Taxation	(1009.96)	(3,549.10)
Less : Provision for Deferred Tax (Net)	713.64	1,162.39
Profit/(Loss) after Tax	(296.32)	(2,386.71)
Brought forward from previous year	(1826.83)	559.88
Amount available for appropriation	(2123.15)	(1,826.83)
Balance Transferred to Balance Sheet	(2123.15)	(1,826.83)

In view of the losses suffered by the Company, no dividend is being recommended.

2. OPERATIONS :

During the year under review, the fleet earnings and charter hire receipts amounted to Rs.51.03 crores against Rs. 102.22 crores for the previous year. Lower earnings during the year are on account of sale of two Panamax vessels in September 2002, coupled with substantially lower earnings of the coastal fleet.

The international freight market was subdued during the first half of financial year 2002-2003 with lower freight rates. However, the market started looking up from September 2002 onwards and continued to be strong during the rest of the financial year. This trend has continued during the current financial year. This improvement in the freight rates will be fully reflected in the future earnings of the vessels during the financial year 2003-2004.

As regards coastal fleet, quantity of clinker made available by Narmada Cement Company Ltd. for transportation was drastically reduced to 1.54 lakhs MTs from 7.06 lakhs MTs during the previous year. The Management therefore deployed coastal vessels on time charter for other businesses available in the market, but the freight rates were depressed, affecting the revenue.

The operating loss for the current year includes item of non-recurring expenditure of Rs.4.90 crores towards writing off of dry-dock expenditure; additional calls of Protection & Indemnity insurance, VRS related cost, etc. Further, the decline in income of coastal fleet from Rs.30.81 crores to Rs.9.06 crores adversely affected the operating results.

The Management has taken effective steps to reduce costs and improve the efficiency of the operations. To achieve this, technical and crew management of the coastal fleet was outsourced since May 2002. As reported last year, the Management implemented the voluntary retirement scheme with respect to the office staff, wherein 19 employees opted for this scheme. The Company has succeeded in obtaining reduction in interest rates from the domestic financial institutions and the banks. These initiatives are expected to give long term benefits to the Company by way of savings in cost and benefit of professional management skills.

3. LOAN REPAYMENT :

During the year, the Company has sold two Panamax vessels and proceeds thereof have been utilised for repayment of entire IFC loan of US\$ 12.926 million (Rs. 63.15 crores). The Company has paid loan instalments due to DBS, Singapore and ICICI Bank during the year under review. A total amount of Rs.86.22 crores has been paid towards repayment of loans. There are no over-dues of loan or interest as at the end of the year under review.

4. DEFERRED TAX LIABILITY :

In terms of Accounting Standard AS-22 issued by The Institute of Chartered Accountants of India, the Company has recognised deferred tax asset of Rs.7.14 crores for the Financial Year 2002-2003 which is reflected in the Profit & Loss Account. The net deferred tax liability of Rs. 2.25 crores as on 31st March 2003 is reflected in the Balance Sheet.

5. SUBSIDIARY :

During the year, the Company's subsidiary, viz. Chowgule Steamships Overseas Limited, Guernsey,(CSOL) has commenced its operations by taking two Panamax vessels on bareboat charter agreement. CSOL earned an income of US\$ 3.169 million during the year under review and made a profit of US\$ 0.150 million on its operations. The information relating to CSOL has been annexed to the Company's Balance Sheet as required under Section 212 of the Companies Act 1956.

6. INSURANCE :

The fleet of the Company has been insured against Marine and War Risks for about Rs. 191.56 crores.

7. DIRECTORS :

Mr. S.Y. Rege and Mr. D.N. Mungale, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

8. CORPORATE GOVERNANCE :

In terms of the listing agreement with the Stock Exchanges, the Management Discussion and Analysis Report and Corporate Governance Report are annexed hereto and form part of this Report.

9. VOLUNTARY DELISTING OF SHARES FROM DELHI STOCK EXCHANGE :

With extensive networking of the Stock Exchanges, investors have access to online dealings in the Company's securities across the country. In view of insignificant trading volumes at the Delhi Stock Exchange, the Shareholders have passed a Special Resolution at the previous Annual General Meeting for voluntary delisting of equity shares. Accordingly, the Company has made an application to the Delhi Stock Exchange for voluntary delisting of equity shares, which is under their consideration.

10. DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors state as under :

"In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.

The Directors have taken proper and sufficient care 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.

The Directors have prepared the annual accounts on a going concern basis."

11. AUDITORS :

The shareholders are requested to appoint auditors for the ensuing year and to fix their remuneration.



CHOWGULE STEAMSHIPS LIMITED

S.B. Billimoria & Company, Chartered Accountants, the retiring Auditors, being eligible, have given their consent for re-appointment.

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

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Rules framed thereunder forms part of this report. In terms of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report and accounts are being sent to the shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining a copy of the said information may write to the Company Secretary. The Company had one Employee as on March 31, 2003, who was employed throughout or for part of the year and was in receipt of remuneration exceeding Rs. 24 lacs p.a. or Rs. 2 lacs per month as the case may.

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 I).

14. GENERAL :

The Board of Directors expresses its appreciation for the help and co-operation extended by the Ministry of Shipping, Ministry of Finance, Directorate General of Shipping, Reserve Bank of India, International Finance Corporation (IFC), Washington, ICICI Bank Limited, State Bank of India and the Company's Bankers and Agents. The Board of Directors also appreciates the loyal services rendered and co-operation extended by the Company's Officers and staff, both ashore and afloat.

FOR AND ON BEHALF OF THE BOARD
VIJAY V. CHOWGULE
CHAIRMAN

Mumbai
Date : May 26, 2003.

**MANAGEMENT DISCUSSION AND ANALYSIS
YEAR IN PERSPECTIVE**

INTERNATIONAL FLEET :

The Financial Year 2002-2003 started with a lot of uncertainty in international trade. Thereafter the economy was expected to resume its growth in the early part of 2002-2003. However, there were no signs of economic growth in developed countries like US, Japan, UK & Europe. As a consequence, the trade volume in the dry bulk cargo sector did not keep pace with the expanding dry bulk fleet and the freight rates were depressed during the first half of 2002-2003. However, robust demand from China for iron ore and coal pushed up freight rates for dry bulk cargo in the second half of 2002-2003.

The Company sold two of its Panamax vessels - m.v.Maratha Mighty & m.v.Maratha Majesty in September 2002 and fully repaid the outstanding loan of International Finance Corporation (IFC), Washington. The Company had to take this step to reduce its costly debt burden, which was putting a severe strain on the liquidity and adversely affecting the operations of the Company. As a consequence of this step, the Company reduced its interest burden and improved its debt equity ratio significantly.

COASTAL FLEET :

As regards coastal fleet, the movement of Clinker was sporadic and during the year only 1.54 lacs MTs of Clinker transportation took place as against 7.06 lacs MTs during the previous year. This reduction in transportation of Clinker significantly affected the operating results of coastal division. Efforts were made to deploy the idling vessels in other trades wherever possible. However, freight rates in coastal trade were depressed and did not give the desired contribution. In the light of this it is necessary to review the future strategy of the Company in respect of its coastal trade.



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FUTURE OUTLOOK :

As mentioned earlier, lately there is significant improvement in the international freight rates of dry bulk cargo. The market is expected to remain firm during 2003-2004 and the Company has already started reaping benefits of the improved freight rates. The Company has initiated various steps to make its operations cost efficient and has achieved significant success in reducing the financing cost. The Company is looking at possibilities of diversifying its operations into port related activities. This diversification is expected to give steady flow of income and improve financial strength of the Company in due course of time. The Company is also keeping its options open to make additions to its fleet at an appropriate time in the future to enhance its reach. The Company continues to follow its philosophy of deploying idle assets to remunerative use to improve its cash flow and liquidity.

INTERNAL CONTROL SYSTEM :

The Company has effective systems of internal controls which are reviewed by the Audit Committee of the Board of Directors.

GOVERNMENT POLICIES :

The Shipping Industry is continuing its interactions with the Government to sort out various problems faced by the Industry. It appears that the Government is considering introduction of Tonnage Tax which will benefit the Industry and encourage investments in this sector.

INDUSTRIAL RELATIONS :

The industrial relations during the year were very cordial and there were no industrial disputes.

Mumbai
Date : May 26, 2003.

FOR AND ON BEHALF OF THE BOARD
VIJAY V. CHOWGULE
CHAIRMAN

CORPORATE GOVERNANCE REPORT**1. CORPORATE GOVERNANCE PHILOSOPHY :**

Chowgule Steamships Limited (CSL) believes that good corporate governance is essential to achieve long term corporate goals and to enhance shareholder value. Your Company believes in functioning in a transparent manner and in proper accountability, auditing, disclosure and reporting.

CSL's operations and accounts are audited at two levels - Internal Audit and External Audit. CSL continues to follow procedures and practices in conformity with the Code of Corporate Governance as enunciated in the listing agreement.

2. BOARD OF DIRECTORS :**(a) Composition / Category of Directors**

(i) Promoter Directors	(ii) Independent Non Executive Directors	- 3
Executive - 1	(iii) Independent Institutional Director	- 1
Non Executive - 2	(ICICI which is both a lender and shareholder has nominated the Director)	
Total	Total	4

(b) Attendance of each Director at the Board of Directors' meetings :

In all 4 Board Meetings were held during the financial year 2002-2003 on 14.05.2002, 31.07.2002, 30.10.2002

CHOWGULE STEAMSHIPS LIMITED

& 30.01.2003. The attendance of the Directors is as under :

NAME	No. of Board Meetings attended	Attendance at the previous AGM
Mr. Vijay V. Chowgule	4	P
Mr. Y.D. Chowgule	3	P
Mr. Deepak L. Chowgule	4	P
Mr. S.Y. Rege	3	A
Mr. M.R.B. Punja	3	P
Mr. S. Ramasubramanian	3	P
Mr. Dhananjay N. Mungale	2	P

P – Present, A – Absent

(c) Number of other Companies or Committees, the Director is a Director / Member.

NAME OF DIRECTOR	NO. OF OTHER PUBLIC LTD. COMPANIES IN WHICH DIRECTOR / MEMBERSHIP IN OTHER COMMITTEES		
Mr. Vijay V. Chowgule	7 – BM,	9 – CM,	0 – CC
Mr. Y.D. Chowgule	1 – BM,	0 – CM,	0 – CC
Mr. S.Y. Rege	8 – BM,	2 – CM,	1 – CC
Mr. M.R.B. Punja	14 – BM,	4 – CM,	5 – CC
Mr. S. Ramasubramanian	3 – BM,	3 – CM,	0 – CC
Mr. Dhananjay N. Mungale	9 – BM,	2 – CM,	3 – CC
Mr. Deepak L. Chowgule	1 – BM,	0 – CM,	0 – CC

BM – Board Member

CM – Committee Member

CC – Chairman of the Committee

3. AUDIT COMMITTEE :

For better Corporate Governance, promoting transparency and for enhancing the credibility of the financial disclosures of the Company, the Directors have constituted an Audit Committee comprising of the following Directors :

Mr. S. Ramasubramanian

Mr. S.Y. Rege

Mr. Vijay V Chowgule

Mr. Dhananjay N Mungale

Mr. S. Ramasubramanian and Mr. Dhananjay N Mungale have requisite financial and accounting knowledge.

The Audit Committee meetings were chaired thrice by Mr. S. Ramasubramanian and once by Mr. S.Y. Rege. The Audit Committee met on four occasions during the financial year and the attendance details of the Committee members are as under :

NAME	NO. OF MEETINGS ATTENDED
Mr. S. Ramasubramanian	3
Mr. S.Y. Rege	2 (Appointed w.e.f. 30.10.2002)
Mr. Vijay V Chowgule	4
Mr. Dhananjay N Mungale	2

Mr. Deepak L Chowgule, Managing Director and Mr. M.P. Patwardhan, Director (Finance), attended all the meetings, whereas the representatives of External and Internal Auditors attended some of the meetings as Invitees.

Mr. V.S. Murthy assumed the role of Secretary to the Audit Committee.

4. REMUNERATION COMMITTEE :

The Company has not appointed any Committee of Directors styled as "Remuneration Committee".

The Company appointed the Managing Director for a period of five years with effect from June 13, 2001 and the remuneration was fixed by the Board and approved by the shareholders. The details of remuneration paid during April 2002 - March 2003 are as under :

Name	:	Mr. Deepak L. Chowgule
Designation	:	Managing Director
All elements of remuneration package inclusive of Salary Benefits, Provident Fund, Gratuity, Bonus, Pension, etc.	:	Rs. 29.61 lacs
Service Contract, Notice Period, etc.	:	The Contract is for a period of five years commencing from June 13, 2001 and the notice of termination is three months on either side.
Stock Option	:	NIL

5. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE :

The Company's Shareholders' and Investors' Grievances Committee functions under the Chairmanship of Mr. S.Y. Rege. Other members are Mr. Vijay V Chowgule and Mr. Deepak L Chowgule. Mr. V.S. Murthy is the Compliance Officer. The Committee used to meet periodically to deal with the share related matters like transfers, etc. and monitor redressal of complaints from the shareholders. However, the functions of transfer of shares were delegated to the Committee of Officers with effect from November 2001 which meets fortnightly for considering applications for transfer of shares. This Committee reports to the Shareholders' and Investors' Grievances Committee. The Shareholders' and Investors' Grievances Committee continues to meet periodically. At its meetings, the Committee goes into the details of the grievances if any and verifies that they have been attended to. Between April 2002 and March 2003, 101 Shareholder complaints were received and resolved. There were no shares pending for transfer and no grievances outstanding from the Shareholders as of March 31, 2003.

6. DIRECTORS :

Mr. S.Y. Rege and Mr. D.N. Mungale, Directors, retire by rotation and being eligible, have offered themselves for reappointment. Particulars of Directors are as under :

a) Mr. S.Y. Rege, an Advocate & Solicitor, is a Senior Partner of M/s. Crawford Bayley & Co. He has been a Director of the Company for the past about 35 years. Mr. S.Y. Rege is a Director on the Boards of the following Public Limited Companies :

J.K. Helene Curtis Ltd.
 STS Chemicals Ltd.
 Zuari Industries Ltd.
 Chemtex Engineering of India Ltd.
 Vans Information Ltd.
 Indoco Remedies Ltd.
 Peoples Financial Services Ltd.
 Johnson & Johnson Ltd.

Mr. S.Y. Rege is a member of other Committees of Directors as under :

Johnson & Johnson Ltd. - Chairman of Audit Committee
 Indoco Remedies Ltd. - Member of Audit Committee
 Vans Information Ltd. - Member of Audit Committee

b) Mr. D.N. Mungale is a Chartered Accountant, besides being a Commerce Graduate and Law Graduate. He is presently acting as Adviser to various Corporations and start-up Companies in India and Europe. He has spent the major part of his career in banking and investment banking in India and Europe. Mr. D.N. Mungale is a Director on the Boards of the following Public Limited Companies :

Camlin Ltd.
 Caprihans India Ltd.
 Electronic Machine Tools Ltd.
 Indoco Remedies Ltd.
 Novacel Life Sciences Ltd.

