



**TWENTY SIXTH ANNUAL REPORT 2003**

## **GARWARE SHIPPING CORPORATION LIMITED**

**FOUNDER : THE LATE PADMA BHUSHAN - DR. B.D. GARWARE - FOUNDER OF THE GARWARE GROUP**

### **BOARD OF DIRECTORS**

**ASHOK GARWARE** - M. A. (Cantab)  
(Chairman)

**ADITYA GARWARE** - M.B.A. (USA)  
(Vice Chairman)

**MANEESHA SHAH** (nee **GARWARE**) - B.Com., L.L.B.

**M.H. MODY** - B.Com., F.C.A.

**SHAMSUNDER AGGARWAL** - B.Sc. (New York University)

**A.K. THANAVALA** - B.Com. (Hons), L.L.B., A.C.S.

**S.N. GUPTA** - B.Com., F.C.A.  
(Ceased w.e.f. 19.11.2003)

**DR. B.S. COOPER**  
B.E. (Mechanical & Electrical), Ph.d. (Engineering) London

### **COMPANY SECRETARY & GENERAL MANAGER (LEGAL)**

**C.V. RAMACHANDRAN**  
B.Com., L.L.B., F.C.S., D.T.M., DIPA.

### **PRESIDENT - TECHNICAL**

**I.R. LEMOS** - I.Eng. A.M.I. Mar.E. (London)

### **COMMERCIAL MANAGER**

**K.S. DAVE** - B.Com. L.L.B.

### **MANAGER - FINANCE & ACCOUNTS**

**P.S. SHAH** - B.Com.

### **BANKER**

**STATE BANK OF HYDERABAD**

### **AUDITORS**

**M/S. RAMAN S. SHAH & ASSOCIATES**  
(Chartered Accountants)

### **ADVOCATES & SOLICITORS**

**SHAUNAK SATPUTE & CO.**

### **REGISTERED OFFICE**

Chander Mukhi, Nariman Point  
Mumbai - 400 021.

### **BRANCHES**

World Trade Centre Mumbai,  
Goa, Pondicherry, Chennai.

### **REGISTRAR AND SHARE TRANSFER AGENT**

**BIGSHARE SERVICES PVT. LTD.**  
E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (E), Mumbai - 400 072.

**26th ANNUAL REPORT  
2003**



## NOTICE

Notice is hereby given that the Twenty-Sixth Annual General Meeting of the Members of the Company will be held at "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Haji Ali, Mumbai-400 034, on Monday, 28<sup>th</sup> June, 2004, at 9.30 a.m. to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> December, 2003, and Profit and Loss Account for the year ended as on that date together with Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Mrs. Maneesha Shah (nee Garware) who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals, as may be required, consent be and is hereby accorded to the payment of remuneration to Mr. Ashok Garware, Chairman of the Company, for a period of four years with effect from 1<sup>st</sup> July, 2003, in accordance with the provisions of Schedule XIII of the Companies Act, 1956, on the Terms and Conditions as set out in the Draft Agreement to be entered into by the Company with Mr. Ashok Garware and submitted to this meeting and initialled by the Chairman for the purpose of identification".

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals, as may be required, consent be and is hereby accorded to the re-appointment and payment of remuneration to Mr. Aditya Garware, as whole-time Director of the Company, for a period of 5 years with effect from 1<sup>st</sup> February, 2004, on the terms and conditions as set out in the Draft Agreement to be entered into by the Company with Mr. Aditya Garware and submitted to this meeting and initialled by the Chairman for the purpose of identification".

6. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. A. K. Thanavala, who was appointed as an Additional Director and holds office till the date of Annual General Meeting and in respect of whom a Notice under Section 257 of the Companies Act, 1956, has been received from a member proposing his name for the office of Director of the Company, be and is hereby appointed as a Director of the Company and whose term shall be liable to retire by rotation".

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Burjor S. Cooper, who was appointed as an Additional Director and holds office till the date of Annual General Meeting and in respect of whom a Notice under Section 257 of the Companies Act, 1956, has been received from a member proposing his name for the office of Director of the Company, be and is hereby appointed as a Director of the Company and whose term shall be liable to retire by rotation".

By Order of the Board

**C. V. Ramachandran**  
Company Secretary &  
General Manager - Legal

### Registered Office

Chander Mukhi, 2<sup>nd</sup> Floor,  
Nariman Point, Mumbai-400 021

Dated: 22<sup>nd</sup> May, 2004.

**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 the proxy need not be a member.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will remain closed from 19<sup>th</sup> June, 2004, to 28<sup>th</sup> June, 2004 (both days inclusive).
4. For the convenience of members, an attendance slip is annexed to the Proxy form. Members are requested to fill in and append their signatures at the space provided thereof and hand over the attendance slip at the entrance of the place of the meeting. Proxy / representative of a member should mark on the attendance slip as 'Proxy' or 'Representative' as the case may be. Members are also requested not to bring with them any person, who is not a Member / Proxy.
5. Members are requested to notify the change in address, if any, immediately, quoting their Client ID No./ Folio No., Number of Shares held, etc. to the Company's Share Transfer Agents, 'M/S Bigshare Services Pvt. Ltd.'.
6. Members holding shares in identical order of names in more than one Folio, are requested to write to the Company's Registered office and / or Share Transfer Agent, and send their Share Certificates to enable consolidation of their holding into one Folio.
7. All enquiries and correspondence regarding Transfer of Shares, Dematerialisation, etc. are to be addressed to the Share Transfer Agents of the Company, M/S Bigshare Services Pvt. Ltd., E-2/3 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai-400 072.

**REQUEST TO THE MEMBERS**

8. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance of the Annual General Meeting so as to enable the Company to keep the information ready. Only the information which could be furnished will be furnished to the members.
9. Members are requested to bring their copy of the Annual Report to the Meeting.

By Order of the Board

**C. V. Ramachandran**  
Company Secretary &  
General Manager - Legal

**Registered Office**

Chander Mukhi, 2<sup>nd</sup> Floor,  
Nariman Point,  
Mumbai-400 021

Dated: 22<sup>nd</sup> May, 2004



## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

#### ITEM NO.4

Mr. Ashok Garware, Chairman, is working without any remuneration since February, 1999, and his contribution to the Company's success is very significant. It is therefore proposed to pay remuneration as permissible under the provisions of the Companies Act, 1956.

The following remuneration is proposed to be paid:

1. Consolidated Salary of Rs.4.00 Lakhs per Month from 1<sup>st</sup> July, 2003.
2. In addition to Salary, the Chairman shall be entitled to perquisites and benefits like Bonus / Ex-gratia, rent free accommodation or house rent allowance in lieu thereof, reimbursement of medical expenses, leave travel for self and family, club fees for two Clubs, Medical / Accident Insurance and such other perquisites subject to overall ceiling of remuneration, as prescribed under Sections 198 & 309 of the Companies Act, 1956.

In addition to the above, Mr. Ashok Garware, Chairman, shall also be paid commission, as may be decided by the Board of Directors, subject to the limit prescribed under Section 309 and other applicable provision of the Companies Act, 1956.

#### MINIMUM REMUNERATION:

Notwithstanding anything herein contained, where in any financial year during the tenure of four years when the Company has no profits or the profits are inadequate, the Company will pay remuneration by way of salary and perquisites as stated above, but shall not exceed the limits prescribed under Schedule XIII of the Companies Act, 1956, and other provisions thereof or any amendments, variations, modifications or re-enactment.

The particulars set out above may be treated as an abstract under Section 302 of the Companies Act, 1956. A copy of the Draft Agreement proposed to be entered into between the Company and Mr. Ashok Garware is available for inspection to the members on any working day between 2.00 p.m. to 4.00 p.m. upto the date of the Annual General Meeting.

- (1) Except Mr. Ashok Garware, Mr. Aditya Garware and Mrs. Maneesha Shah (nee Garware) (who are related to each other) shall be considered to be concerned or interested in passing of the Resolution, none of the other Directors are concerned or interested in passing of the Resolution.

#### ITEM NO.5

At the Annual General Meeting of the Company held on 30<sup>th</sup> September, 1999, an Ordinary Resolution was passed for the appointment of Mr. Aditya A. Garware, as Vice Chairman of the Company for a period of 5 years.

At the Board Meeting held on 31<sup>st</sup> January, 2004, the Board of Directors, subject to the approval of the members and such other approval as may be required, has re-appointed Mr. Aditya A. Garware, as the Vice Chairman of the Company for a further period of 5 years from 1<sup>st</sup> February, 2004, on the terms and conditions and on the remuneration as per Draft Agreement submitted to this meeting and initialed by the Chairman for the purposes of identification.

The salient features of the Draft Agreement between the Company and Mr. Aditya Garware are as under:

- SALARY** : Rs.2.50 Lakhs per month or such higher amount as may be approved by the Board of Directors or its Committee from time to time.
- COMMISSION** : As may be decided by the Board of Directors, subject to the limits prescribed under Section 309 and other applicable provisions of the Companies Act, 1956.
- PERQUISITES** : Mr. Aditya Garware will, in addition to salary be entitled to housing accommodation or house rent allowance and other perquisites such as reimbursement of medical

**GARWARE SHIPPING CORPORATION LIMITED**

Twenty Sixth Annual Report 2003

expenses incurred for self and family, leave travel concession for self and family once in a year, provision of a car with driver, telephone at residence and other allowances as per the rules of the Company. Perquisites shall be evaluated as per Income-Tax Rules, wherever applicable.

Mr. Aditya Garware shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
  - (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
  - (iii) Encashment of leave at the end of his tenure.
- (c) Mr. Aditya Garware will be entitled to leave on full remuneration, as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- (d) Mr. Aditya Garware will also be entitled to reimbursement of entertainment expenses actually incurred by him in the course of business of the Company.
- (e) Mr. Aditya Garware will also be entitled to receive from the Company travelling, hotel and other expenses incurred in performance of the duties on behalf of the Company.
- (f) In the event of any dispute or difference arising at any time between Mr. Aditya Garware and the Company in respect of the agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996.

**4. OTHER TERMS:**

- (i) Period of Appointment for 5 years w.e.f. 1<sup>st</sup> February, 2004.
- (ii) The Appointment may be terminated by either side by giving not less than 120 days notice in writing.

Mr Aditya Garware is a M.B.A. from Lehigh University (USA) and has wide experience in the management of various Companies and more particularly he has been associated with the Company and its Group Companies since May 1993.

The Ordinary Resolution as set out in Item No.5 of the accompanying notice is being placed before members for approval.

This explanatory statement is and should be treated as an abstract under Section 302(7) of the Companies Act, 1956, of the Agreement to be entered into between the Company and Mr. Aditya Garware. A copy of the said Draft Agreement will be available for inspection at the Registered Office of the Company on all working days between 2.00 p.m. and 4.00 p.m. upto the date of the Annual General Meeting.

Except Mr Aditya Garware, Mr Ashok Garware and Mrs. Maneesha Shah (nee Garware) (who are related to each other), none of the Directors shall be considered to be concerned or interested in the passing of this resolution.

**ITEM NO.6**

The Board of Directors had appointed Mr. A. K. Thanavala as an Additional Director of the Company on 28<sup>th</sup> January, 2004, pursuant to Article 120 of the Articles of Association of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. A. K. Thanavala will hold office as a Director only upto the date of the 26<sup>th</sup> Annual General Meeting.



The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. A. K. Thanavala for the office of a Director.

Mr. A. K. Thanavala is a Post Graduate and Practicing Company Secretary and has been associated with the Garware Group for over two decades. The Board is of the opinion that his appointment as a Director will be beneficial to the Company.

Except Mr. A. K. Thanavala, none of the Directors may be considered to be concerned or interested in the passing of this Resolution.

#### ITEM NO.7

The Board of Directors has appointed Mr. Burjor S. Cooper as an Additional Director of the Company on 22<sup>nd</sup> May, 2004, pursuant to Article 120 of the Articles of Association of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Burjor S. Cooper will hold office as a Director only upto the date of the 26<sup>th</sup> Annual General Meeting.

The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Burjor S. Cooper for the office of a Director.

Mr. Burjor S. Cooper is a B. E. (Mechanical) & (Electrical) and has also done his Ph.D.(Engineering) London and is an Engineering Consultant. The Board is of the opinion that his appointment as a Director will be beneficial to the Company.

Except Mr. Burjor S. Cooper, none of the Directors may be considered to be concerned or interested in the passing of this Resolution.

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By Order of the Board

**C. V. Ramachandran**  
Company Secretary &  
General Manager - Legal

#### Registered Office

Chander Mukhi, 2<sup>nd</sup> Floor,  
Nariman Point,  
Mumbai-400 021

Dated: 22<sup>nd</sup> May, 2004

**DIRECTORS' REPORT****FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2003****TO****THE MEMBERS**

	<b>YEAR ENDED 31.12.2003</b>	<b>RS. IN LACS YEAR ENDED 31.12.2002</b>
<b>1. FINANCIAL RESULTS:</b>		
Income from operations	2,948.63	1,978.73
Other Income	21.30	14.87
Gross Income	2,969.93	1,993.60
Expenses for the year	1,569.63	1,267.66
Operating Profit for the year	1,400.30	725.94
Interest	39.09	68.51
Profit before Depreciation	1,361.21	657.43
Depreciation	353.36	345.66
Profit / (Loss) before Tax	1,007.85	311.77
Provision for Taxation - Current Tax	77.48	0.00
- Deferred Tax	284.09	0.00
	646.28	311.77
Add: Deferred Tax Assets as per (Accounting Standard – 22)	0.00	115.18
Add: Excess Provision of Tax for earlier year	11.83	0.00
Less: Deferred Tax Assets write Back	139.73	0.00
Net Profit / (Loss) after Tax	518.38	426.95

The Directors refrain from recommending a Dividend especially since outstanding amounts are yet to be received from the ONGC and since the Company has also recently incurred large amounts on repairs and maintenance on its vessels as per statutory requirements.

**2. OPERATIONS:**

The earnings of the Company for the year ended 31<sup>st</sup> December 2003 were about 50% higher as compared to the previous year. This is due to the fact that your Company's Vessels were deployed for longer periods during the year at a higher average rate. The net profit prior to tax rose by 223%.

With regard to Balance dues receivable from ONGC, the Arbitrator has passed an award for a part of the amount claimed. Not being satisfied with the award, the Company has submitted a review petition before the Arbitrator for obtaining the full claim submitted to the Arbitrator in respect of 11<sup>th</sup> to 16<sup>th</sup> year of Operations together with interest as recommended by the High Level working Committee.

Regarding similar disputes for other issues / periods, the Company is in discussion with the ONGC for a possible settlement outside arbitration.

If these matters cannot be resolved directly, the issues will be reverted to Arbitrators who have already been appointed.

**3. RESPONSIBILITY STATEMENT:**

The Directors confirm:

- that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- that they 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 a fair view of the state of affairs of the Company at the end of the Financial year and of the profit of the Company for that period.





- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that they have prepared the Annual Accounts on a going concern basis.
- 4. FUTURE OUTLOOK:**  
Your Company's 4 vessels are now on contract with the ONGC at the new rates which have been partly reflected in the earnings for the year under report. Your Company is exploring ways and means of acquiring new Vessels to augment its fleet.
- 5. INSURANCE:**  
All the Vessels owned by the Company have been adequately insured for both marine and war risks.
- 6. FIXED DEPOSITS:**  
During the period under review, the Company has not accepted deposits from the public and Shareholders. The unclaimed deposits of Rs.25,000/- have been transferred to the Investor Education and Protection Fund of the Central Government.
- 7. DIRECTORATE:**  
Mrs. Maneesha Shah (nee Garware) Director of the Company retires by rotation and being eligible, offers herself for re-appointment. The members are requested to re-appoint her.  
Mr. A.K. Thanavala and Dr. Burjor S. Cooper were appointed Additional Directors of the Company at the Board Meetings held on 31<sup>st</sup> January, 2004, and 22<sup>nd</sup> May, 2004, respectively. They hold office upto the date of the Annual General Meeting and notices have been received from shareholders proposing their names as Directors at the ensuing Annual General Meeting to be held towards the end of June, 2004.  
During the year Mr. S. N. Gupta resigned as Director. The Board places on record its appreciation of the services rendered by Mr. S. N. Gupta during his tenure as Director.
- 8. AUDITORS:**  
You are requested to appoint Auditors for the current year and to fix their remuneration. With regard to the Auditors' Report, the notes to the Accounts are Self-explanatory. With regard to point no.12 of the Annexure to Auditors' Report, the Company has appointed M/S. Yashaswi K. Pandya & Company as Internal Auditors and has covered most areas of operations. Internal audit system is reviewed regularly.
- 9. PERSONNEL:**  
The relations with all the employees of the Company, both Shore Staff and Floating Staff have been cordial. Your Directors wish to express their appreciation of the services of the devoted employees at all levels, who have contributed to the successful operations of the company.
- 10. PARTICULARS OF EMPLOYEES:**  
The Company did not have any employee falling within the purview of Section 217 (2A) of the Companies Act, 1956.
- 11. DEMATERIALISATION OF SHARES:**  
The Company's shares continue to be traded in Electronic Form.
- 12. CORPORATE GOVERNANCE:**  
A separate report on Corporate Governance along with the Auditors statement of its compliance is given in a separate annexure.
- 13. ACKNOWLEDGEMENT:**  
The Board places on record its appreciation of the role of the Whole-time Directors, Company Secretary, the Technical, Commercial & Financial teams of the Company for their untiring efforts. Your Directors also wish to thank the Officials of Directorate General of Shipping, Indian Registry of Shipping, Mercantile Marine Department and State Bank of Hyderabad for their continued support during the year.

On Behalf of the Board

**ASHOK GARWARE**  
Chairman

Place : Mumbai

Dated : 22<sup>nd</sup> May, 2004

**ANNEXURE TO DIRECTORS' REPORT**

STATEMENT REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER CLAUSE (e) OF SUB-SECTION (1) OF SECTION 217 OF THE COMPANIES ACT, 1956.

**Item Particulars**  
**No.**

**A. CONSERVATION OF ENERGY**

- |     |   |  |
|-----|---|--|
| (a) | Measures Taken  | Being a Shipping Company, taking of energy Conservation measures does not arise. |
| (b) | Additional investments and proposals, if any, being implemented for reduction of energy consumption | Nil  |
| (c) | Impact of the Measures (a) and (b) above and Consequent Impact on Cost of Production                | Not Applicable   |
| (d) | Total energy consumption and consumption per Unit of production in Form "A"                         | Not Applicable   |

**B. TECHNOLOGY ABSORPTION**

- |     |                                       |                          |
|-----|---------------------------------------|--------------------------|
| (e) | Efforts made in Technology absorption | As per Form "B" enclosed |
|-----|---------------------------------------|--------------------------|

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- |     |   |                |
|-----|---|----------------|
| (f) | Activities relating to exports, initiative taken to increase exports, development of New Export market for product and services and services and export plans | Not Applicable |
| (g) | (a) Foreign exchange earned and saved (on account of freight, charter hire, earnings etc.) Including deemed earnings  | Nil            |
|     | (b) Foreign exchange used including Operating expenses, Standby expenses, Capital repayment, down Payments for acquisition of Ships and interest payment.     | Rs. 7.06 lacs  |