

GARWARE SHIPPING CORPORATION LIMITED

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TWENTY SEVENTH ANNUAL REPORT 2004

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.

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

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

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

M.H. MODY - B.Com., F.C.A.
(Ceased w.e.f. 22/7/2004)

COMPANY SECRETARY & GENERAL MANAGER (LEGAL)

C.V. RAMACHANDRAN
B.Com., L.L.B., F.C.S., D.T.M., DIP.A.

PRESIDENT - TECHNICAL

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

PRESIDENT - COMMERCIAL

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

GENERAL 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

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.

**27th ANNUAL REPORT
2004**



NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Members of Garware Shipping Corporation Ltd. will be held at "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Haji Ali, Mumbai - 400 034, on Monday, 27th June, 2005 at 9.30 a.m. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2004 and Profit and Loss Account for the year ended as on that date together with Directors' and Auditors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. A. K. Thanavala, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

By Order of the Board

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

Registered Office

Chander Mukhi,
Nariman Point,
Mumbai - 400 021.

Date: 20th May, 2005

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. The Register of Members and Share Transfer books of the Company will remain closed from 21st June, 2005, to 27th June, 2005 (both days inclusive).
3. For the convenience of members, an attendance slip is annexed to the Proxy form. Members are requested to fill in and append their signature(s) 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.
4. 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.'.
5. 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.
6. All enquiries and correspondence regarding Transfer of Shares, Dematerialisation, etc. should be addressed to Registrar and 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.

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7. Brief Resume of Mr. A.K. Thanavala

Mr. A.K. Thanavala is a Practising Company Secretary by profession. He has an experience of about 40 years in handling Company Law and other legal matters. He has worked as Company Secretary for about 30 years, before starting his own practice about a decade ago.

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 can 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,
Nariman Point,
Mumbai - 400 021.

Date: 20th May, 2005

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER, 2004
TO
THE MEMBERS

	YEAR ENDED 31.12.2004	Rs. in Lacs YEAR ENDED 31.12.2003
1. FINANCIAL RESULTS:		
Income from operations	3,188.96	2,948.63
Other Income	10.47	21.30
Gross Income	3,199.43	2,969.93
Expenses for the year	1,802.48	1,569.63
Operating Profit for the year	1,396.95	1,400.30
Interest	44.81	39.09
Profit before Depreciation	1,352.14	1,361.21
Depreciation	301.72	353.36
Profit / (Loss) before Tax	1,050.42	1,007.85
Provision for Taxation		
Current Tax	1.00	77.48
Deferred Tax	0.00	284.09
	1,049.42	646.28
Add/(Less):Deferred Tax Liabilities / (Deferred Tax Assets) Write Back	219.63	-139.75
Add/(Less):Excess / (Short) Prov. of Tax for earlier year	-32.89	11.83
Net Profit / (Loss) after Tax	1,236.16	518.36

2. OPERATIONS :

The earnings of the Company for the year ended 31st December, 2004 were 8 % higher as compared to the previous year, as the Vessels were utilized more exhaustively. The Company's Fifth Vessel also carried out Short Term Contracts with independent Oil Drilling Companies. The Net profit after tax and earlier year's expenses stood at Rs.1236.16 Lacs as against Rs.518.38 Lacs for the previous year – an increase of 138 %.

One of the Company's Vessel, M.V. Garware – IV was sold in April, 2005 for a consideration of USD \$ 19,50,000 (equivalent to Rs.8.48 crores).

With regard to dues from ONGC, the Appeals filed by ONGC against the Arbitrator's Award before the Single and Division Bench of the Bombay High Court were dismissed. It is understood that ONGC may appeal before the Supreme Court. Regarding disputes on other issues, discussions with ONGC are in progress for a possible settlement outside Arbitration.

3. DIVIDEND :

Your Directors are pleased to recommend a final dividend of 7% (which added to the 5 % Interim Dividend already paid in July, 2004) makes a total Dividend of 12%. The total cash outgo on account of Dividend and Tax thereon amounts to Rs.1.61 crores.

4. EXPANSION/ DIVERSIFICATION :

Your Company proposes to acquire additional Vessels in the near future. In order to meet the fund requirement for the same, your Company plans to raise the Paid-up Share Capital by issue of Rights Shares to the existing Shareholders.

5. RESPONSIBILITY STATEMENT :

The Directors confirm :

- a) 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.

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- b) 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 fair view of the state of affairs of the Company at the end of the Financial year and 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 provision 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.

6. FUTURE OUTLOOK :

The weakening Dollar and the sale of M.V. Garware – IV should not have any adverse effect on the Company's earnings. In fact, the acquisition plan of the Company will help to increase earnings in the future.

7. INSURANCE :

All the Vessels owned by the Company have been insured for both Marine and War Risks.

8. FIXED DEPOSITS :

During the period under review the Company has not accepted any deposits from the Public and Shareholders.

9. DIRECTORATE :

Mr. A.K. Thanavala, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Members are requested to re-elect him.

During the year Mr. M.H. Mody resigned as Director. The Board places on record its appreciation of the services rendered by Mr. M.H. Mody during his tenure as Director.

10. AUDITORS :

You are requested to appoint Auditors for the current year and to fix their remuneration.

11. PERSONNEL :

The relations with all Employees of the Company, both Shore Staff and Floating Staff have been cordial. Your Directors wish to express their appreciation of the services rendered by devoted Employees, who have contributed to the successful operations of the Company.

12. PARTICULARS OF EMPLOYEES :

Statement of Particulars of Employees as required by the Provisions of Section 217(2A) of The Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report is annexed hereto as Annexure 'I'

13. DEMATERIALISATION OF SHARES :

The Company's shares continue to be traded in Electronic Form.

14. CORPORATE GOVERNANCE :

A report on Corporate Governance alongwith the Auditors statement of its compliance is given in a separate Annexure.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required under Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors), Rules 1988, the particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange Outgo/Earnings, etc. are given in Annexure II and Form B of the Report.

16. ACKNOWLEDGEMENT :

The Board places on record its appreciation of the role of all Company Executives / Officers for their untiring efforts. Your Directors also wish to thank the Officials of Directorate General of Shipping, Indian Register of Shipping, Mercantile Marine Department of Government of India, Shipping Master and State Bank of Hyderabad for their continued co-operation during the year.

On Behalf of the Board

ASHOK GARWARE
Chairman

Place : Mumbai

Dated : 20th May, 2005



ANNEXURE - I TO DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of The Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year 2004.

Sr. No.	Name	Qualification	Designation/ Nature of Duty	Experience	Date of Commencement of Employment	Remuneration	Age	Last Employed
1	Ashok B. Garware	M.A. (Cantab)	Executive Chairman	44 yrs.	01-07-2003	73,85,735	66 yrs.	Garware Shipping Corpn. Ltd.
2	Aditya A. Garware	M.B.A. (U.S.A.)	Vice Chairman	10 yrs.	01-02-2004	41,74,065	34 yrs.	Garware Goa Nets Ltd.

Notes :

- 1) The nature of employment of both employees is contractual and for a period of 4 years (w.e.f. 01-07-2003) for Mr. Ashok B. Garware and for 5 years (w.e.f. 01-02-2004) for Mr. Aditya A. Garware.
- 2) Remuneration includes Salary, Perquisites, Commission, Contribution to P.F., Super Annuation.
- 3) Mr. Ashok B. Garware holds 7,04,479 being (5.93%) Equity Shares of the Company.

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ANNEXURE - II 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 export plans | : | Not Applicable |
| (g) | (a) Foreign exchange earned and saved (on account of freight, charter hire, earnings etc.) including deemed earnings | : | Rs. 3085.43 Lacs |
| | (b) Foreign exchange used including Operating expenses, Standby expenses, Capital repayment, down payments for acquisition of Ships and interest payment. | : | Rs. 155.28 Lacs |



FORM "B"
(SEE RULE - 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT (R & D)

- | | | |
|---|---|----------------|
| 1. Specific areas in which R & D carried out by the Company | : | None |
| 2. Benefits derived as a result of the above R & D | : | Not Applicable |
| 3. Future Plan of Action | : | None |
| 4. Expenditure on R & D | | |
| a) Capital | : | Nil |
| b) Recurring | : | Nil |
| c) Total | : | Nil |
| d) Total R & D Expenditure as a Percentage of Total Turnover
Technology absorption, adaptation and innovation | : | Nil |
| 1. Efforts in brief, made towards technology absorption, adaption and innovation | : | None |
| 2. Benefits derived as a result of the above efforts
e.g. Product improvement, cost reduction, product development, import substitution etc. | : | Not Applicable |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished | : | Not Applicable |
| a) Technology Imported | | |
| b) Year of Import | | |
| c) Has technology been fully absorbed? | | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions | | |