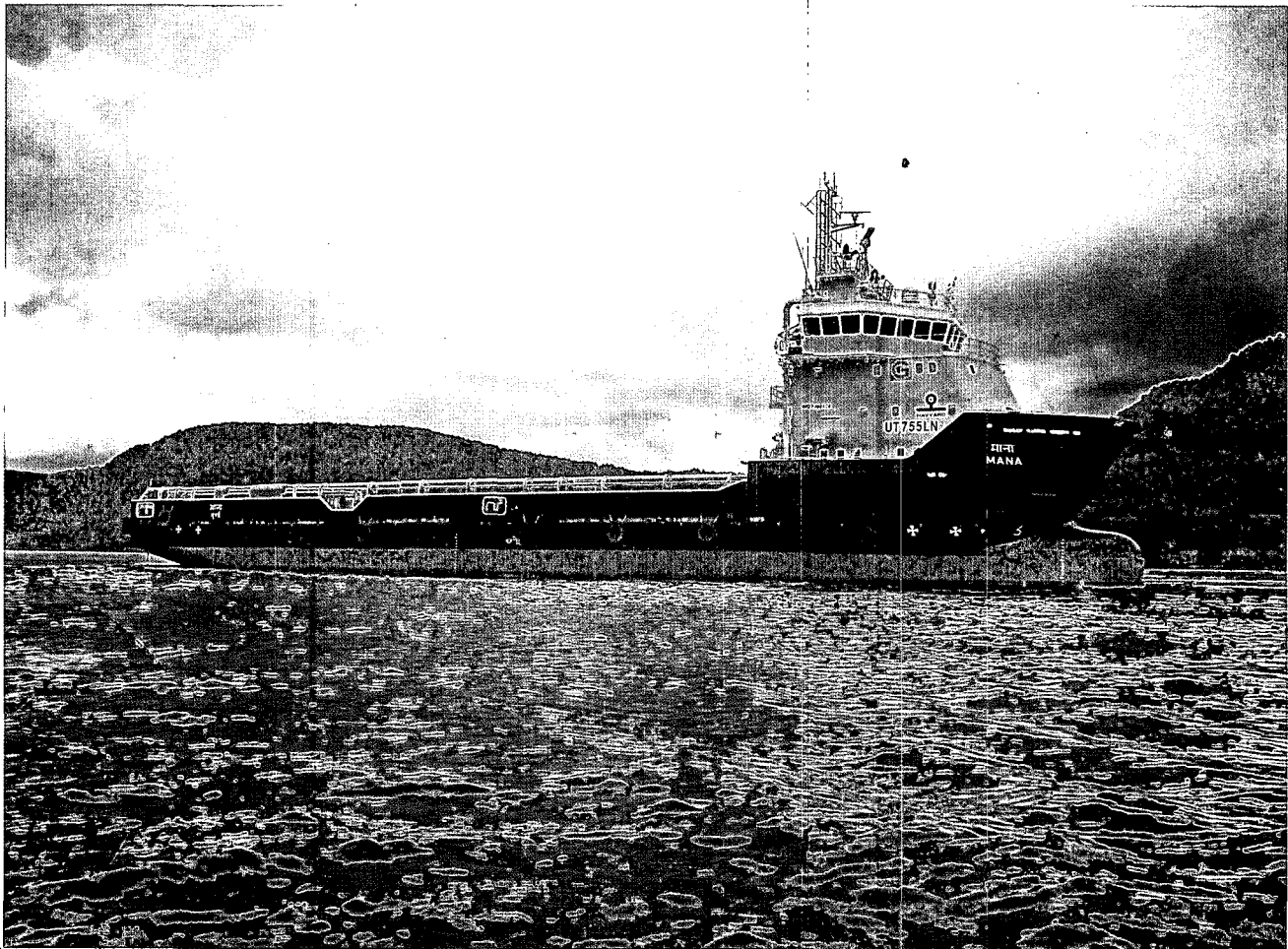


Garware Offshore Services Limited



Glory to God alone be given



ASTUNG *Mana serving the North Sea oil rigs*

Thirty second Annual Report 2009-2010

BOARD OF DIRECTORS	ASHOK GARWARE — M.A. (Cantab) (Executive Chairman) ADITYA GARWARE — M.B.A. (Vice Chairman & Managing Director) MANEESHA SHAH (nee GARWARE) — B.Com, L.L.B. D.J. THAKKAR — C.A. S.S. AGGARWAL — B.Sc. (New York University) DR. B.S. COOPER Ph.d. (Engineering) London A.K. THANAVALA — B.Com. (Hons), L.L.B., A.C.S. J.C. CHOPRA — M.A.
COMPANY SECRETARY	A.C.CHANDARANA B.Com., L.L.B., F.C.S.
PRESIDENT — COMMERCIAL	K.S. DAVE — B.Com. L.L.B.
PRESIDENT — FINANCE	S.P. AKOLKAR — M.M.S. (Finance)
HEAD — (HSSE & TRAINING)	Capt. VIPIN BAIJAL — Extra master, M.Sc., WMU, Malmo Sweden
PRESIDENT — MARKETING	Capt. D. L. MATHUR — Master Foreign Going Shipping Mgt.
PRESIDENT — OPERATIONS	Capt. S. SARKANGO — Master Mariner
GENERAL MANAGER — FINANCE & ACCOUNTS	P.S. SHAH — B.Com.
GENERAL MANAGER — TECHNICAL	K.K. AGGARWAL — Marine Engineer
GENERAL MANAGER — TECHNICAL	Z.R. MEHTA — First Class Engineer (Motor)
BANKERS	DVB Group Merchant Bank (Asia) Ltd. State Bank of India State Bank of Travancore United Bank of India State Bank of Hyderabad
AUDITORS	MESSRS. RAMAN S. SHAH & ASSOCIATES (Chartered Accountants)
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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In spite of the effects of the global financial crises and deep economic contraction in F.Y. 2009, the year under review has been satisfactory.

Even though the "Spot Market" crashed in F.Y. 2010 leading to several vessels being "stacked away", the Company remained unaffected to a great extent in view of its conservative approach of placing the majority of its vessels on long term contracts.

During the year, the company's wholly owned subsidiary in Singapore, took delivery of an accommodation work barge (AWB) with 300 person capacity and 300 T crane and a 60 T anchor handling tug cum supply vessel (AHTSV). These are named "Beau Geste" and "M.V. Shergar" respectively. Both these assets are on bareboat charter with an option to buy after year 2 and year 1 respectively.

Compared to F.Y. 2009, on standalone basis, in spite of the adverse trading conditions, the –

- Income from operations was up about 12%;
- EBITDA was up by 22%;
- Cash profit was up by 19.3%
- Profit after tax was up by 1.4%.

The above growth has been possible due to increase in fleet size. The earnings from vessels added in Mar, 2009 are reflected in F.Y. 2010. However, the strengthening of the rupee against the dollar did have an adverse effect on the income & profitability figures as most of the Company's contracts are denominated in dollars.

The Company sold one of its older Platform Supply Vessel (PSV) during F.Y. 2010.

Availability and access to energy are considered as catalysts for economic growth. According to the eleventh plan, the economy is envisaged to grow at 9%. This growth cannot be achieved without a commensurate increase in the availability of commercial energy sources. Though the share of commercial energy in total primary energy consumption rose from 59.7% in 1980–81 to 72.6% in 2006–07, India's per capita energy consumption is one of the lowest in the world.

The balance of recoverable oil reserves as of Apr-2006 is around 1,653 million tonnes (Directorate General of Hydrocarbon, DGH 2005–06 report), which can sustain the current level of production for the next 35 years. The current level of production caters to 26% of the petroleum products demand and the balance oil requirements are met by imports. The current level of natural gas production in the country is also inadequate to meet the demand.

LNG imports since 2004–05 have been able to bridge the gap partially. The situation is likely to improve once production starts from Krishna–Godavari (K–G) basin reserves in time to come.

Though the share of oil and gas has been progressively increasing over the years, coal continues to be the dominant fuel in the total energy use in the country.

Our country's dependence on imports is growing. India imported 13.4% of coal requirement and 73.4% of oil and product needs. Net imports of 132 million tonnes of oil equivalent in 2006-07 covers import of 95.43 mt of crude oil and petroleum products, 44.29 mt (million tonnes) of coal and 5 mt of LNG.

India needs to eliminate shortage of energy supply and enhance the availability of commercial energy resources to sustain the projected 9% economic growth in the eleventh plan period.

Domestic production of crude is likely to increase to around 40 mt in the final year of the eleventh plan representing a modest increase from the current level of about 34 mt. By the end of the eleventh plan, the domestic production is expected to cater to only around 28% of the projected petroleum products demand of 145 mt.

Domestic production of natural gas in the final year of the eleventh plan is likely to be 63.23 bcm, which will be around 100% higher than the current level of production. This increase in gas production will be mainly from K–G basin production of 40 million standard cubic metres per day (MSCMD).

The eleventh plan envisages bringing more and more acreage under exploration especially those in the frontier areas/ basins, adoption of state-of-the-art exploration and production (E&P) technology, faster development of discovered reserves, development of marginal fields, and continuation of ior/eor schemes. These efforts would lead to a projected total crude oil production of 206.76 million tonnes against the actual production of 166.56 million tonnes during the tenth plan. Similarly, the projected gas production will be 255.76 bcm against the tenth plan production of 159.06 bcm.

Considering the continuing gap between the demand and indigenous production of crude oil and natural gas and low crude oil reserves replenishment, national oil companies and private companies are being encouraged to venture abroad.

From the above, we can conclude that the consumption of oil is on increasing trend due to various emerging opportunities, resulting in increased exploration and production activities thereby creating a demand for offshore support vessels.

According to analysts, there is likely to be an increase in the E&P spending due to increased cash flow on account of higher than budgeted oil price and upward stability in oil price. However, two factors could put pressure on margins of the Company - increase in supply of vessels and in the event we see "failures" in europe this could lead to "violent swings" in the price of oil which will again reduce the E&P spending and as a result, the demand for vessels.

Your company is always exploring the acquisition of new assets and accordingly has placed an order for a state-of-the-art large PSV, scheduled to be delivered by end of Dec-2010 or early Jan-2011.

NOTICE

Notice is hereby given that the Thirty Second Annual General Meeting of the Members of Garware Offshore Services Limited will be held on Monday, 28th June, 2010 at 9.30 A.M., at "Garware Sabhagriha", F.P.H. Building, 5th Floor, Lala Lajpatrai Marg, Haji Ali, Mumbai 400 034, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date together with the Directors' and Auditors' Report thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Dr. B.S. Cooper who retires by rotation and being eligible, offers himself for re-election.
4. To note that Mr. D.J. Thakkar, Director who retires by rotation is not standing for re-election.
5. To re-appoint M/s. Raman S. Shah & Associates, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration:

By Order of the Board

A. C. Chandarana
Company Secretary

Registered Office:

Chander Mukhi,
Nariman Point, Mumbai – 400 021

Date: 21st May, 2010

NOTES:

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The Register of Members and Share Transfer books of the Company will remain closed from 22.06.2010 to 28.06.2010 (both days inclusive).

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 therein 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.

Members are requested to notify the change in Bank details, 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.'.

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.

All enquiries and Correspondence regarding Transfer/Transmission of Shares, Dematerialisation, etc. should be addressed to Registrars 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.

REQUEST TO THE MEMBERS:

1. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least Ten (10) working 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 given to the Members.
2. Members are requested to bring their Copy of the Annual Report to the Meeting.

Details of Directors seeking re-appointment at the ensuing Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement.)

Name of Director	Dr. B S. Cooper
Date of Birth	12.10.1930
Date of Appointment on Board	22.05.2004
Qualifications	Ph.d. (Engineering), London
Expertise in Functional Area	Professional
No. of Shares held in the Company (as on 21.05.2010)	NIL
List of Directorships held in other Companies	NIL
Chairman/Member of Committee of the Board of other Companies in which he is a Director	NIL

By Order of the Board

A. C. Chandarana
Company Secretary

Registered Office:

Chander Mukhi,
Nariman Point, Mumbai – 400 021

Date: 21st May, 2010

DIRECTORS' REPORT**FOR THE YEAR ENDED 31ST MARCH, 2010**

**TO,
THE MEMBERS,**

Your Directors are pleased to present their report as under :

FINANCIAL RESULTS :

		(Rs. in Crores)
	Year ended March 31, 2010	Year ended March 31, 2009
Income from Operations	181.48	162.24
Other Income	7.19	3.30
Gross Income	188.67	165.54
Expenses for the year	80.40	76.34
Operating Profit	108.27	89.20
Interest & Finance charges	30.89	25.49
Profit Before Depreciation	77.38	63.71
Depreciation	34.09	22.90
Profit Before Tax	43.29	40.81
Provision for Taxation		
– Current Tax	2.38	0.30
– Fringe Benefit Tax	-	0.20
– Tax for earlier years written back	(0.08)	(0.06)
Net Profit After Tax	40.99	40.37
Cash Profit	75.08	63.27

FINANCIAL HIGHLIGHTS:

Income from Operations for the year ended on 31.03.2010 stood at Rs. 181.48 crores, as against Rs. 162.24 crores for the previous year, an increase of 11.86%

The Net Profit for the year ended 31.03.2010 stood at Rs. 40.99 crores as against Rs. 40.37 crores for the previous year.

The Company continues to follow Accounting Standard 30 ('AS-30' Financial Instrument: Recognition & Measurement).

OPERATIONS:

During the year under review, the Company sold its second hand Platform Supply Vessel 'M.V. Everest' in January, 2010. Presently Eight Vessels are on long term contract in India and the North Sea. Two Vessels are on a short term contract in the Far East.

The Curative Petition filed by the Company before the Hon'ble Supreme Court against Oil & Natural Gas Corporation Limited was dismissed, in spite of using the best legal talent in the Country.

DIVIDEND:

During the year under review, the Company has declared and paid two Interim Dividends @ 8% each aggregating to 16%.

Your Directors subject to the Shareholders approval, are pleased to recommend a Final Dividend of 7 %, for the year under review. Thus, the total Dividend for the year under review is 23%, as against 21 % for the previous year. The Final Dividend will be paid to the Shareholders, whose names appear on the Register of Members as on 28.06.2010.

The total cash outflow on account of Dividend and Tax thereon (including Interim Dividends) amounts to Rs.6.40 crores (previous year Rs 5.85 crores).

EXPANSION / DIVERSIFICATION:

The delivery of the Company's latest acquisition- a "State of the Art", Large Platform Supply Vessel having a dead weight of 4315 tons is expected to be delivered in the month of December 2010/January, 2011.

FUTURE OUTLOOK:

Even though the price of Oil appeared to have stabilized during the last quarter of the year under review, the very recent global adverse conditions resulted in downfall of the Oil prices owing to which the Offshore Supply Vessel market continues to experience some wild fluctuations in charter rates. The vessels in the spot markets of North Sea and Singapore have been faced with idle time and on certain occasions, low charter rates. However, since the majority of the Company's vessels are on long term contracts, these fluctuations do not greatly affect your Company. The Company is hopeful that the situation for the vessels in the Spot Market (two AHTSVs in the Far East) will improve as the world sees more and more exploration efforts by Exploration & Production (E&P) companies in view of rise in the price of Oil. The Company will continue to look at the possibility of acquiring additional vessels / assets within the Offshore Sector.

WHOLLY OWNED SUBSIDIARY (WOS) AT SINGAPORE:

The Wholly Owned Subsidiary of the Company viz., Garware Offshore International Services Pte. Ltd., (GOISPL) has made a Profit of USD 0.106 million during the year under review.

GOISPL has taken the delivery of 'M.V. Shergar' (an Anchor Handling Tug cum Supply Vessel) and 'M.V. Beau Geste' (an Accommodation Work Barge) on a long term "Bare boat, Charter basis". These assets were delivered to the Company in August 2009, and are presently working in the Middle East and India respectively. (as on 31.03.2010)

The Directors' Report, Auditors' Report and Audited Accounts of GOISPL for the year ended 31.03.2010 are enclosed pursuant to provisions of Section 212 of the Companies Act, 1956.

LISTING FEES TO STOCK EXCHANGES:

The Company has paid the Listing Fees for the year 2010-11 to Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd.

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 (save and except as stated in the Directors' Report) have been made from the same.
- That they have selected such Accounting Policies and applied them consistently and made judgments 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 year and the Profit of the Company for that year ended as on 31.03.2010.
- 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 safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That they have prepared the Annual Accounts on a going concern basis.

INSURANCE :

All the Vessels owned and operated by the Company have been insured for Hull & Machinery, War Risks and Protection & Indemnity (P & I) claims. The vessels that transit through the Gulf of Suez and Malacca Straits are also insured for piracy, kidnapping and ransom. The crew on all the vessels are also covered under (P & I) insurance.

FIXED DEPOSITS:

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

DIRECTORATE:

Mr. D.J. Thakkar and Dr. B.S. Cooper, Directors of the Company retire by rotation Dr. B.S. Cooper offers himself for re-election. Members are requested to re-elect him. Mr. D.J. Thakkar, retires by rotation and is not standing for re-election.

AUDITORS:

You are requested to re-appoint Statutory Auditors, Messrs. Raman S. Shah & Associates, Chartered Accountants for the current year and to fix their remuneration.

GARWARE OFFSHORE SERVICES LIMITED

The Company has obtained a Certificate from Auditors certifying that their re-appointment, if made at the ensuing Annual General Meeting shall be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

PERSONNEL:

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

PARTICULARS OF EMPLOYEES:

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

DEMATERIALISATION OF SHARES:

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

CORPORATE GOVERNANCE:

A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is given in a separate Annexure.

ACKNOWLEDGEMENT:

The Board wish to thank the Office of Directorate General of Shipping, Mercantile Marine Department, Shipping Master, Indian Register of Shipping, DNV, ABS, State Bank of India, DVB Group Merchant Bank (Asia) Ltd., Singapore, State Bank of Travancore, United Bank of India and State Bank of Hyderabad for their continued support and co-operation during the year.

On Behalf of the Board

Place : Mumbai
Dated : 21st May, 2010

ASHOK GARWARE
CHAIRMAN

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 ended 31.03.2010.

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	48years	01.07.2007	2,48,14,804	71 years	Garware Shipping Corporation Limited
2.	Aditya A. Garware	M.B.A.(U.S.A.)	Vice Chairman & Managing Director	14 years	01.02.2009	2,23,80,730	39 years	Garware Goa Nets Limited
3.	Capt. Shailesh Sarkango	Master Mariner	Vice President HSSE	23 years	18.1.2006	47,73,760	48 years	Great Eastern Shipping Co. Limited
4.	K.K.Agarwal	Marine Engineer	General Manager – Technical	21 years	26.04.2006	37,69,691	52 years	Safetech Marine Supply-LLC, Dubai
5.	S.P. Akolkar	B.Sc. (Phy), M.M.S. (Finance)	President (Finance)	17 years	01.10.2006	34,46,789	42 years	GTL Limited
6.	A.C. Chandarana*	B.Com, L.L.B., FCS	Company Secretary	17 years	01.07.2009	19,46,284	43 years	Garware Marine Industries Limited
7.	Capt. Deepak Mathur	Master Foreign Going Shipping Mat.	President(Marketing)	33 years	19.04.2007	52,32,389	51 years	NICO Middle East
8.	Z.R.Mehta	First Class (Motor)	General Manager – Technical	23 years	08.10.2007	36,99,176	46 years	Great Offshore Limited
9.	Capt.V.Baijal	Extra Master M.Sc (Maritime Safety Admn.) WMU Malmo, Sweden	Head – HSSE & Training	35 years	17.03.2008	34,29,842	54 years	Dipti Nautical Adviser
10.	V.P. Mohile*	MOT Class- I(M)	Assistant General Manager	26 years	01.12.2009	10,95,200	49 years	Chellaram Shipping Pvt. Limited
11.	C.V. Ramachandran*	B.Com, L.L.B, FCS, DTM, DIPA.	Company Secretary & President (Legal & Admn.)	27 years	01.09.2001	10,95,524	73 years	Garware Marine Industries Limited

* Part of the year

Notes:

- 1) The nature of employment of above employees is contractual.
- 2) Remuneration includes Salary, Perquisites, Commission, Contribution to P.F.
- 3) As on 31.03.2010, Mr. Ashok B. Garware holds 2,01,292 Equity Shares being (0.86%) and Mr. Aditya A. Garware holds 6,82,587 Equity Shares being (2.87%) of the Company.

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 No.	Particulars	
A.	CONSERVATION OF ENERGY	
(a)	Measures Taken	Being Offshore 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.	Nil
(g)	(a) Foreign exchange earned and saved (on account of freight, charter hire, earnings etc.) including deemed earnings.	Rs. 16604.16 lacs
	(b) Foreign exchange used including Operating expenses, Standby expenses, Capital repayment, down payments for acquisition of Ships and interest payment.	Rs. 7022.96 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 therefore and future plans and actions.	-

On Behalf of the Board

Place : Mumbai
Dated : 21st May, 2010

ASHOK GARWARE
CHAIRMAN