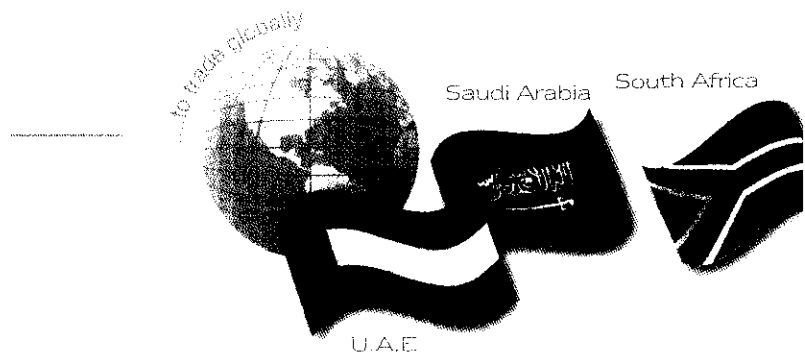


28TH
ANNUAL REPORT
1998-99



VARUN SHIPPING COMPANY LIMITED



.....and the action
that results from it.

Success = Vision + firm foundation and the

power to perform.

Varun: A vision - to trade globally; supported by

an impressive diversified fleet that includes

India's largest LPG carrier. Fulfilling transportation

requirements worldwide.

Whenever a challenge beckons, Varun has

heaved anchor and gone full steam ahead. This

positive approach to concentrate on shipping and

thereby facilitate trade and development has

propelled Varun beyond boundaries and barriers.

Varun Shipping Company Limited - a company

that is guided by a powerful vision and fuelled by

ambition. A company that is all set to sail

through the new millennium. Greater Success.

Varun. Sailing the seven seas.



Australia

Brazil



VARUN SHIPPING COMPANY LIMITED

BOARD OF DIRECTORS

Mr. Dilip D. Khatau	Chairman
Mr. Arun Mehta	Vice-Chairman and Managing Director
Mr. Yudhishtir D. Khatau	Executive Director
Mrs. Rina D. Khatau	
Mr. R.K. Rath	Nominee of ICICI Ltd.
Mr. C.M. Maniar	
Mr. Praveen Singh	
Dr. A.K. Bhattacharya	
Mr. Bansi S. Mehta	

COMPANY SECRETARY

Mr. K. Ramakrishnan

BANKERS

State Bank of India
Bank of Baroda

AUDITORS

Messrs Sorab S. Engineer & Co.,
Chartered Accountants,
Ismail Building,
Dr. D. Naoroji Road,
Mumbai 400 001

REGISTERED OFFICE

Laxmi Building,
6, Shoorji Vallabhdas Marg,
Mumbai 400 001.

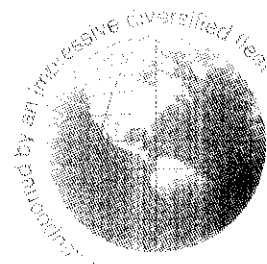
REGISTRARS & SHARE TRANSFER AGENTS

MCS Ltd.,
Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11, MIDC Area,
Andheri (East),
Mumbai 400 093.



VARUN SHIPPING COMPANY LIMITED

CORPORATE LANDMARKS



LPG/C Vishwamitra

1 9 7 3

The Company commenced operations with the acquisition of one product tanker.

1 9 8 3 - 8 4

The Company's first diversification programme-entered into support services for oil exploration with the acquisition of Anchor Handling and Towing Supply Vessels (AHTS)

1 9 8 6

The Company's shares were listed on the Stock Exchanges and a Public Issue of Rs. 17.50 million raising Company's equity capital to Rs. 33.50 million.

1 9 8 8

Public Issue of Rs. 55.22 million raising the Company's equity capital to Rs.88.71 million.

1 9 9 1

Rights cum Public Issue of fully convertible debentures, which on conversion increased the Company's equity to Rs. 349.33 million.

1 9 9 3

Second diversification programme-acquisition of two modern geared bulk carriers for dry cargo movement.





M.T. Vishwa Doot

M.V. Matru Kripa



M.V. Neel Kamal

1 9 9 5

The Company received ISO 9002 certification from DNV for shore Based Ship Management Services.

1 9 9 5

The Company promoted a wholly owned subsidiary company in Singapore, VSC International Pte Ltd

1 9 9 6

The Company acquired its first LPG carrier making it the first private sector Indian company to commercially operate LPG carriers and followed it up with acquisition of another LPG carrier.

1 9 9 7

The Company's commitment to maritime safety was recognised by The Commandant of the United States Coast Guard by awarding for the seventh time the AMVER Certificate of Merit to one of the Company's vessels.

1 9 9 8

The Company has obtained the Document of Compliance from the Director General of Shipping and the applicable ships have been issued their respective Safety Management Certificates.

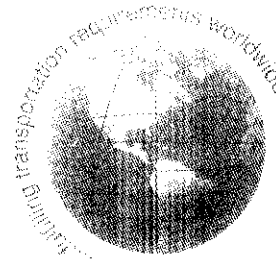
1 9 9 8

The Company acquired its third LPG carrier, as a result the Company now owns the largest LPG fleet in the country i.e. 55% of the total commercial LPG tonnage operating under Indian flag.



VARUN SHIPPING COMPANY LIMITED

DIRECTORS' REPORT



ONGC

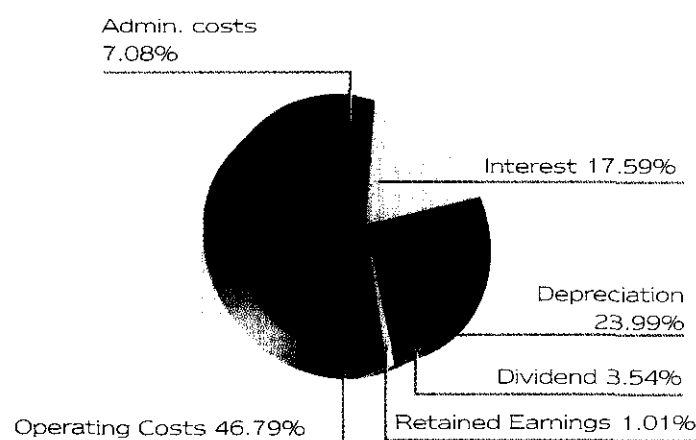
Your Directors have pleasure in submitting the Twenty-eighth Annual Report together with the audited statements of accounts of the Company for the year ended 31st March, 1999.

(Figures in million of Rupees)

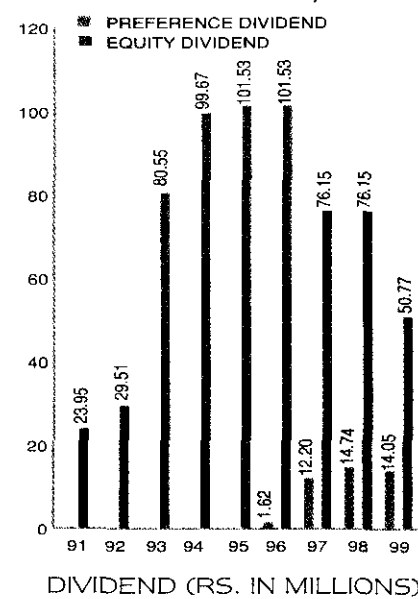
	Current Year ended 31.03.1999	Previous Year ended 31.03.1998
PROFIT BEFORE TAX	83.32	291.06
Less : Provision for Taxation	8.31	30.19
PROFIT AFTER TAX	75.01	260.87
Add : Surplus brought forward from previous year	80.57	73.28
Add : Investment Allowance Reserve Written Back	—	4.80
Add : Debenture Redemption Reserve Written Back	41.60	41.60
Amount available for appropriation	197.18	380.55

Profit before tax for the year ended 31st March, 1999 is lower mainly because there has been no sale of ship during the year as against profit on account of sale of ships being Rs.197.75 million in the previous year.

Out of the amount of Rs.197.18 million available for appropriation, your Directors propose to transfer an amount of Rs.25 million to Capital Redemption Reserve and Rs.20 million to General Reserve. The Directors recommend payment of dividend of Rs.1.40 per equity share for the year ended 31st March, 1999 which will absorb Rs.50.77 million. The Directors also recommend dividend on the issued Redeemable Preference Share Capital of Rs.190 million amounting to Rs.14.05 million which has been paid as interim dividend during the year on which dividend tax of Rs.1.40 million has also been paid. During the year Preference shares aggregating to Rs.36.67 million were redeemed. The Company also issued fresh Redeemable Preference Shares amounting to Rs.120 million during the year. The Company has made a provision of Rs.5.08 million for dividend tax. After the above appropriations, your Directors propose to carry forward a balance of Rs.80.89 million in the Profit & Loss account.



DISTRIBUTION OF REVENUE
(RS. 1829 MILLION)



DIVIDEND (RS. IN MILLIONS)





Indian Oil Corporation Ltd.



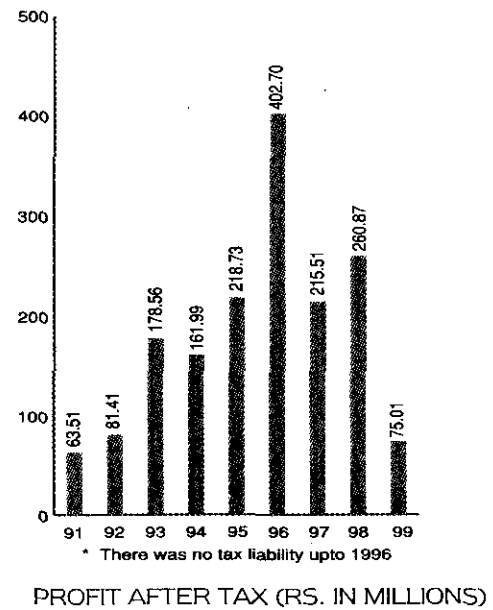
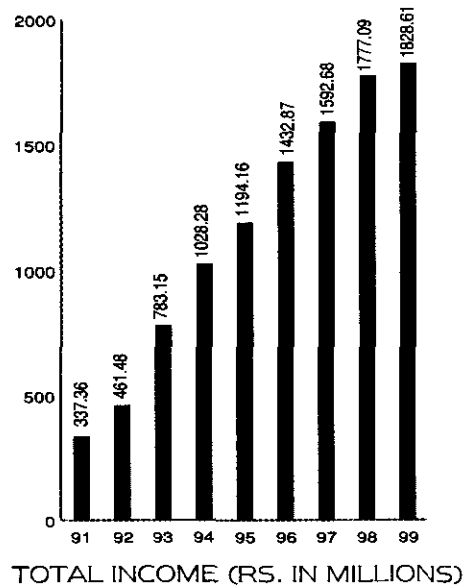
Income from operations has improved by around 17 per cent from Rs.1,552.99 million in the previous year to Rs.1,817.91 million for the year ended 31st March, 1999. This increase has been primarily due to the additional income earned on account of the acquisition of company's third LPG carrier Maharshi Vishwamitra. This vessel is the largest LPG carrier in the Indian fleet with a capacity of 52,604 cbm. The Company's earnings continued to be under pressure due to global recession in freight rates in the bulk carrier and LPG segments. The country continued to import lower quantities of LPG as the Vizag port LPG terminal damaged last year by fire, is still non-operational. Income from product tankers deployed on time charter contracts remained steady but those on voyage contract suffered from lower freight rate on account of downturn in this segment. The Company has exercised its option to acquire from its foreign subsidiary the vessel MT Vayudoot during the year and bring it back under the Indian flag.

The Directors and management of the Company continue to explore new avenues of expansion and diversification within the shipping industry and are examining various possibilities to take advantage of acquiring additional tonnage at the low prices prevalent currently and the possibility of diversifying the gas operations of the Company by entering into the LNG market.

Total foreign exchange earnings of the Company for the year ended 31st March, 1999 were Rs.181 million and the foreign exchange outflow was Rs.1,159.47 million. These figures do not include freight and charter hire earned in equivalent Indian Rupees amounting to Rs.1,302.78 million which should also be considered as deemed foreign exchange earnings.

The Company has admitted its equity shares for dealings in depository system operated by the National Securities Depository Limited with effect from 24th May, 1999. Consequently some of the Articles of the Articles of Association of the Company need to be altered and a special resolution is proposed for same.

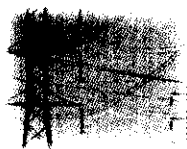
As required under Section 212 of the Companies Act, 1956, the audited statements of accounts along with the report of Directors and Auditors of VSC International Pte Ltd, Singapore, a wholly owned subsidiary of the Company, for the year ended 31st March, 1999, are annexed hereto.



VARUN SHIPPING COMPANY LIMITED



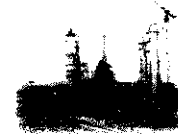
Power



Oil Exploration



LPG Transportation



Refinery

Mrs. Rina D. Khatau and Mr. C.M. Maniar retire by rotation and being eligible, offer themselves for re-appointment. Separate resolutions are being proposed for their re-appointment.

At the meeting of the Board held on 25th May, 1999, Mr. Arun Mehta was elevated as Vice Chairman while continuing to be Managing Director of the Company.

The term of office of Mr. Yudhishtir Khatau as Executive Director expires on 24th January, 2000. Your Directors propose to appoint Mr. Yudhishtir Khatau as additional Managing Director for a period of five years from the date of ensuing annual general meeting. The Directors feel that his continued association will be beneficial to the Company and therefore an ordinary resolution is proposed for consideration of the shareholders.

You are requested to appoint Auditors of the Company and fix their remuneration. The retiring Auditors are eligible for re-appointment.

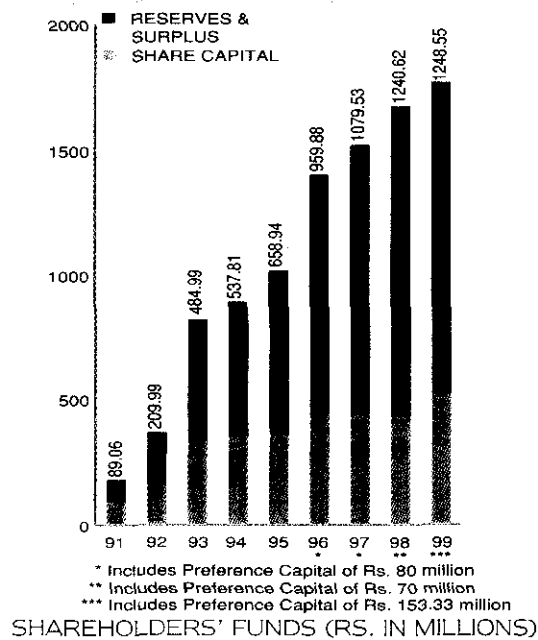
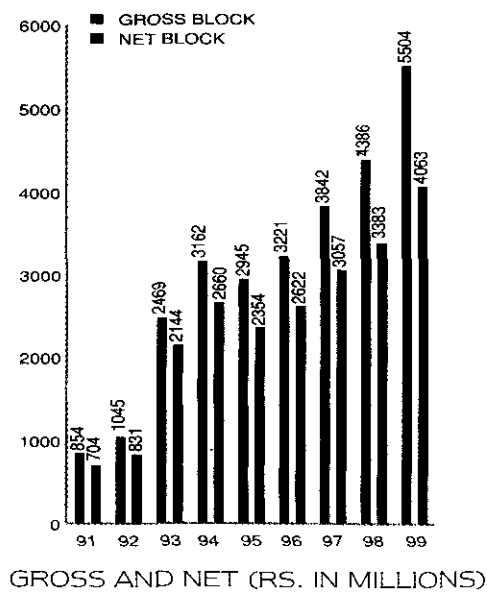
As required by Section 217(2A) of the Companies Act, 1956, a statement of information relating to employees has been given in the Annexure.

Your Directors express their thanks to all the officers of the Ministry of Surface Transport, Directorate General of Shipping, Ministry of Petroleum, Oil Companies and Oil and Natural Gas Corporation Limited, for the valuable help and co-operation extended by them to the Company. Your Directors also thank ICICI Limited, Industrial Development Bank of India, State Bank of India, Bank of India, Bank of Baroda, EXIM Bank and IDBI Bank Limited for their continued support and ANZ Singapore Limited, Singapore for their assistance to the subsidiary of the Company. Your Directors also thank the shareholders of the Company for their understanding and co-operation at every stage of operation of the Company. Last but not the least, your Directors express their deep appreciation for the sincere and hardwork put in by the floating as well as the shore based officers and staff of the Company.

On behalf of the Board of Directors

DILIP D. KHATAU
Chairman

Mumbai, May 25, 1999



REPORT OF THE AUDITORS *to the members of Varun Shipping Company Ltd.*

We have examined the attached Balance Sheet of VARUN SHIPPING COMPANY LIMITED, as at 31st March, 1999 and also the annexed Profit & Loss Account of the Company for the year ended on that date and report that :-

1. 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;
2. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
4. In our opinion the Profit & Loss Account and Balance Sheet comply with the mandatory accounting standards referred to in Sub-section 3(c) of Section 211 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Notes thereon 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, 1999.
 - and
 - (ii) in the case of the Profit and Loss Account of the Profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government and on the basis of such checks as we considered appropriate we further report that :-

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets (excluding furniture and fixtures) and the same have been physically verified during the year by the management. No material discrepancies between book records and physical inventories have been noticed.
2. There has been no revaluation of the fixed assets of the Company during the year.
3. The Company owns and operates ships and therefore Clauses 4(A) (iii), (iv), (v) and (vi) of the above mentioned order regarding stocks and its physical verification etc. do not apply in its case.
The Company does purchase stores and spare parts for its ships, which are directly treated as consumed as and when supplied to its ships. Stock of bunkers has been physically verified and valued on same basis as in previous year.
4. The Company has obtained loans from companies listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of these loans are prima facie not prejudicial to the interest of the Company.
5. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and to Companies under the same management as defined under Section 370 (I-B) of the Companies Act, 1956.
6. Loans granted to employees and interest thereon are being recovered as stipulated.
7. On the basis of checks carried out during the course of audit and according to the information given to us, we are of the opinion that there is an internal control procedure for purchase of stores and spare parts and other assets.
8. During the year purchases of stores and spare parts and rendering of services in excess of Rs. 50,000 in value of each type from firms or companies and other parties in which the Directors are interested as listed in the Register maintained under Section 301 have not been made.
9. According to the information and explanations given by the Management, the Company did not have any unserviceable or damaged stores and spares.
10. The Company has complied with the provisions of Section 58 A of the Companies Act, 1956 and the rules framed thereunder in respect of fixed deposits accepted by it.
11. According to the information given by the management, there are no by-products and scrap.
12. The Company has an internal audit system, commensurate with the size and nature of its business.
13. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.
14. The Company has regularly deposited Provident Fund dues with the appropriate authorities.
15. There are no undisputed amounts payable in respect of Income Tax, Customs Duty, etc. which are outstanding as at 31st March, 1999, for a period of more than six months from the date they became payable.
16. 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 generally accepted business practice.
17. The Company is not a sick industrial company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **SORAB S. ENGINEER & CO.**

Chartered Accountants

M.P. ANTIA

Partner

Mumbai, May 25, 1999



VARUN SHIPPING COMPANY LIMITED



BALANCE SHEET as at 31st March, 1999

	Schedule No.	As at 31.3.1999 Rupees	As at 31.3.1998 Rupees
LIABILITIES :			
Share Capital	A	515,744,593	429,172,385
Reserves and Surplus	B	1,248,546,018	1,240,620,283
Secured Loans	C	2,775,976,169	2,178,887,987
Unsecured Loans	D	189,430,390	238,355,596
Current Liabilities & Provisions	E	471,307,635	417,126,493
		5,201,004,805	4,504,162,744
ASSETS :			
Fixed Assets	F	4,063,209,188	3,383,341,511
Investments	G	208,375,902	207,481,702
Current Assets, Loans & Advances	H	929,419,715	913,339,531
		5,201,004,805	4,504,162,744



For Notes forming part of accounts, please see Schedule "M"

As per our Report annexed

For and on behalf of

SORAB S. ENGINEER & CO.
Chartered Accountants

M.P. ANTIA
Partner

Mumbai, May 25, 1999

For and on behalf of the Board

ARUN MEHTA

Vice Chairman & Managing Director

K. RAMAKRISHNAN
Company Secretary

Mumbai, May 25, 1999

YUDHISHTHIR D. KHATAU
Executive Director

