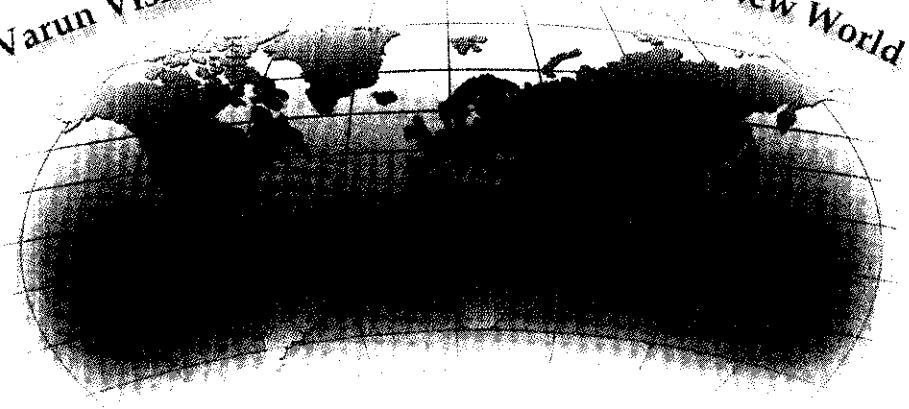


Varun Vision : Meeting the Challenges of a New World



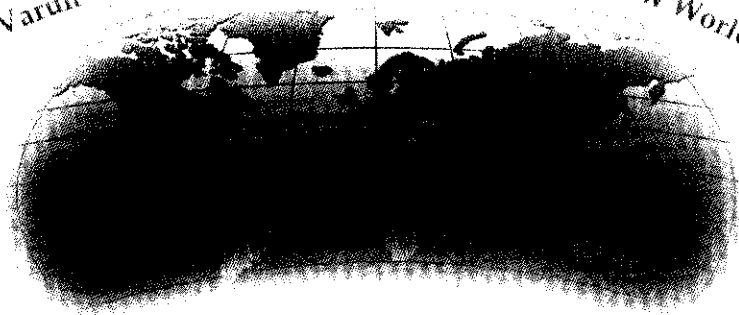
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29th annual report
1999-2000



VARUN SHIPPING COMPANY LIMITED

Varun Vision : Meeting the Challenges of a New World



The world is fast changing into an e-world. E-commerce is the new buzz word in today's business world. And even as e-commerce gathers momentum, the reality of reaching physical cargoes to destinations across the world remains to be fulfilled.

This is exactly what Varun Shipping does. Even as trends change, opportunities emerge and e-trade booms. With its impressive fleet of ships and its IT enhanced management Varun continues to efficiently ship cargoes across the world.

Varun Shipping - proudly following its vision, complementing it by matching actions.

....to trade globally

....supported by an impressive diversified fleet

....fulfilling transportation requirements worldwide

....facilitating trade and development

VARUN SHIPPING COMPANY LIMITED

BOARD OF DIRECTORS

Mr. Dilip D. Khatau	Chairman
Mr. Arun Mehta	Vice-Chairman and Managing Director
Mr. Yudhishtir D. Khatau	Managing 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

Ms. Manali Parekh

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

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

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

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.

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

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

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



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

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

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.

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.

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.

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.

Set up Varun Maritime school which has now received ISO 9002 certification.



VARUN SHIPPING COMPANY LIMITED

DIRECTORS' REPORT

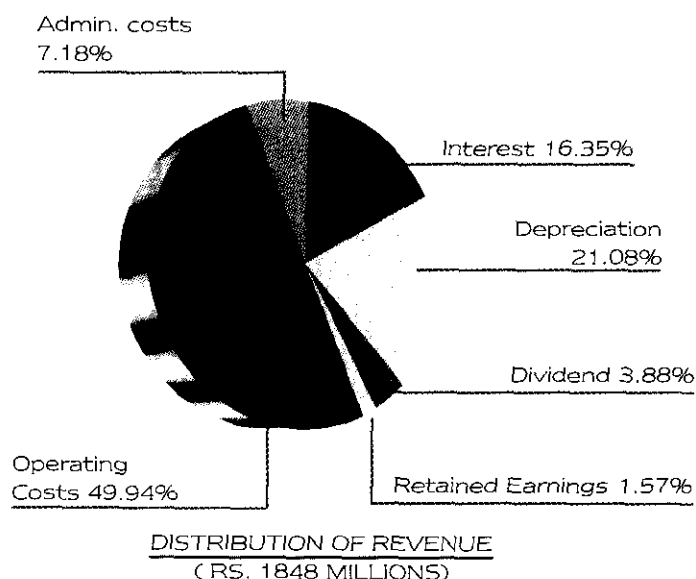
Your Directors have pleasure in submitting the Twenty-ninth Annual Report together with the audited statements of accounts of the Company for the year ended 31st March, 2000.

(Figures in million of Rupees)

	Current Year ended 31.03.2000	Previous Year ended 31.03.1999
PROFIT BEFORE TAX	100.72	83.32
Less : Provision for Taxation	11.34	8.31
PROFIT AFTER TAX	89.38	75.01
Add : Surplus brought forward from previous year	80.89	80.57
Add : Debenture Redemption Reserve Written Back	42.80	41.60
Add : General Reserve Written Back	140.00	—
Amount available for appropriation	353.07	197.18

Out of the amount of Rs. 353.07 million available for appropriation, your Directors propose to transfer an amount of Rs. 25 million to Capital Redemption Reserve, Rs. 5 million to General Reserve as required under Section 205(2A) of the Companies Act, 1956 and Rs. 150 million to Fleet Contingency Reserve. The Directors recommend payment of dividend of Rs. 1.40 per equity share for the year ended 31st March, 2000 which will absorb Rs. 50.77 million. The Directors also recommend dividend on the issued Redeemable Preference Share Capital of Rs. 153.33 million amounting to Rs. 20.90 million which has been paid as interim dividend during the year on which dividend tax of Rs. 2.30 million has also been paid. During the year Preference shares aggregating to Rs. 16.67 million were redeemed. The Company has made a provision of Rs. 11.68 million for dividend tax. After the above appropriations, your Directors propose to carry forward a balance of Rs. 92.42 million in the Profit & Loss account.

Income from operations has improved marginally from Rs. 1,817.91 million to Rs. 1,838.84 million for the year ended 31st March, 2000. Net profit before tax has improved by 20.89 per cent from Rs. 83.32 million in the previous year to Rs. 100.72 million for the year ended 31st March, 2000. As regards remark on depreciation mentioned in the Auditor's Report, Note No. 5 as appearing





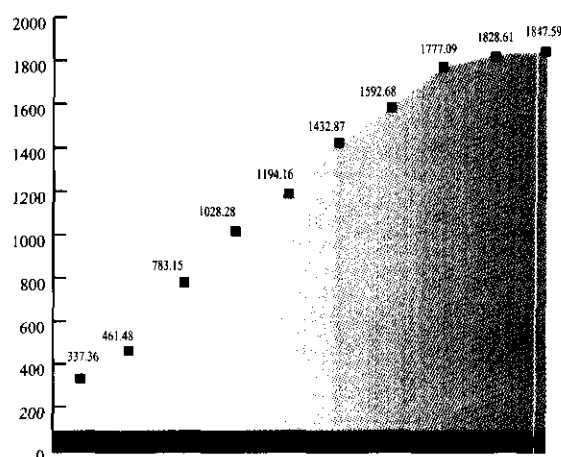
in Schedule "M" forming part of the accounts is self explanatory. The Directors and management of the Company have decided, on the basis of international convention and technical evaluation, to adopt 35 years as the useful life of LPG carriers for the purpose of depreciation. At the same time, the Company has adopted a conservative approach relating to fleet valuation and has provided additional depreciation to the extent of Rs. 142.77 million for the year ended 31st March, 2000. Fleet contingency reserve, in the year under review has been reduced by this amount to reflect a more realistic value. The Company has exercised its option to acquire from its foreign subsidiary the vessel MT Vijaydoot during the year and bring it back under the Indian flag.

With reference to fleet deployment, the management could satisfactorily deploy all product carriers albeit at lower rates due to a sluggish market for this segment. The management could also divert one LPG carrier to the ammonia trade thereby developing a viable alternative to the LPG import business. On the dry bulk side, your Company has entered into an agreement with A.S. Bulkhandling, a leading global pool operator, for an association on commercial deployment. Pool participation is likely to improve vessel utilization and ensure market linked returns payable in US Dollars. The outlook for all sectors of the shipping market appears better with the strong recovery of the S.E. Asian markets and the more balanced order-book position for new buildings. The Directors and management of the Company will continue in their endeavour to realize better freight rates and maximize cost efficiencies.

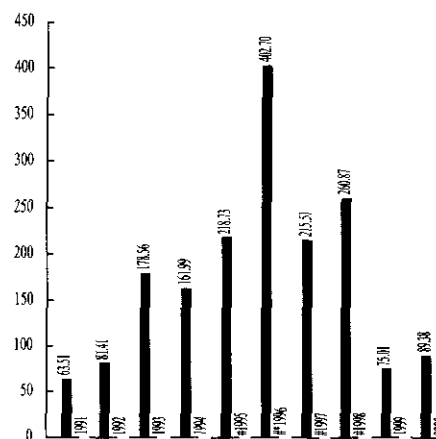
The Company had filed the Letter of Offer for the proposed rights issue of 36,261,591 Fully Convertible Debentures of Rs.10 each aggregating to Rs. 36.26 crores in the ratio of 1:1 with Securities and Exchange Board of India (SEBI) and has received the observation letter from SEBI. The Company will take steps to open the issue at the appropriate time.

As stated in the last Directors' report, the Directors and management have been actively pursuing opportunities in the LNG sector. Your Company is preparing to bid against the tender invited for the Petronet LNG project and has signed an M.O.U with Hanjin Shipping Co. Ltd. (Korea), to form a joint venture for the same. Other LNG projects in the country are also being actively monitored and pursued.

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TOTAL INCOME (RS. IN MILLIONS)



INCLUDING PROFIT ON SALE OF SHIPS
* THERE WAS NO TAX LIABILITY UPTO 1996

PROFIT AFTER TAX (RS. IN MILLIONS)



VARUN SHIPPING COMPANY LIMITED



Total foreign exchange earnings of the Company for the year ended 31st March, 2000 were Rs. 644.56 million and the foreign exchange outflow was Rs. 1,144.54 million. These figures do not include freight and charter hire earned in equivalent Indian Rupees amounting to Rs. 1,240.62 million which should also be considered as deemed foreign exchange earnings.

The Company's equity shares have also been admitted for dealings in depository system operated by Central Depository Services (India) Limited with effect from 12th April, 2000 besides its admission in depository system operated by the National Securities Depository Limited last year.

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, 2000, are annexed hereto.

Mr. Praveen Singh and Mr. Banshi S. Mehta retire by rotation and being eligible, offer themselves for re-appointment. Separate resolutions are being proposed for their re-appointment.

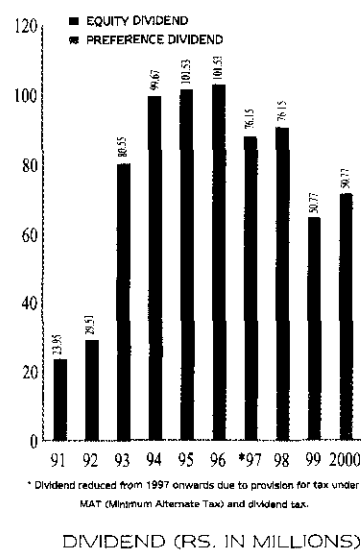
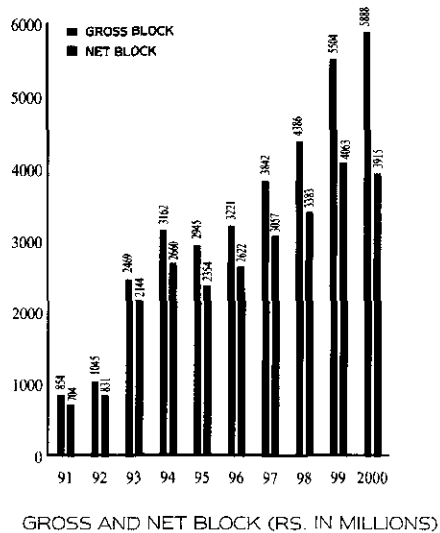
You are requested to appoint Auditors of the Company and fix their remuneration. The retiring Auditors are eligible for re-appointment. As required by Section 217(2A) of the Companies Act, 1956, a statement of information relating to employees has been given in the Annexure.

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 and other bankers of the Company 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 3, 2000



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, 2000 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. Depreciation for the year is lower by Rs. 1,182.53 lacs due to reason stated in Note No. 5 of Schedule M with consequential effect on profit.
6. 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, 2000 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 not accepted fixed deposits from public.
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, 2000, 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 3, 2000



VARUN SHIPPING COMPANY LIMITED

BALANCE SHEET as at 31st March, 2000

	Schedule No.	As at 31.3.2000 Rupees	As at 31.3.1999 Rupees
LIABILITIES :			
Share Capital	A	499,282,576	515,744,593
Reserves and Surplus	B	1,109,722,322	1,248,546,018
Secured Loans	C	2,598,116,634	2,775,976,169
Unsecured Loans	D	227,227,435	189,430,390
Current Liabilities & Provisions	E	483,569,433	438,781,211
		4,917,918,400	5,168,478,381
ASSETS :			
Fixed Assets	F	3,914,501,046	4,063,209,188
Investments	G	209,240,952	208,375,902
Current Assets, Loans & Advances	H	794,176,402	896,893,291
		4,917,918,400	5,168,478,381

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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 3, 2000

MANALI PAREKH
Company Secretary

Mumbai, May 3, 2000

For and on behalf of the Board

ARUN MEHTA
Vice Chairman & Managing Director

YUDHISHTHIR D. KHATAU
Managing Director

