



CHOWGULE STEAMSHIPS LTD.

44TH ANNUAL REPORT 2006-2007



CHOWGULE STEAMSHIPS LIMITED

BOARD OF DIRECTORS

Vijay V. Chowgule	Chairman	- Promoter Non-Executive Director
S.Y. Rege		- Independent Non-Executive Director
M.R.B. Punja		- Independent Non-Executive Director
D.N. Mungale		- Independent Non-Executive Director
Jaywant Y Chowgule		- Promoter Non-Executive Director
Admiral Madhvendra Singh (Retd)		- Independent Non-Executive Director
Sanjiv N Shah		- Independent Non-Executive Director
Nathan R Chowgule		- Promoter Non-Executive Director
M.P. Patwardhan	Managing Director (w.e.f. Sept 1, 2006)	- Non-promoter Executive Director

Vice President & CFO

M.S. Sawant

Vice President & Company Secretary

V.S. Murthy Compliance Officer

Solicitors

Crawford Bayley & Co.
Little & Co.

Auditors

S.B. Billimoria & Co.

Registered Office

Chowgule House
Mormugao Harbour,
Goa - 403 803

Head Office

75-77 Maker Chambers VI
7th Floor, Nariman Point, Mumbai - 400 021
Tel : (022) 2202 6822 Fax : (022) 2202 4845
Email : murthy.csl@chowgule.co.in

Share Transfer Agents

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai – 400 078
Tel : (022) 2596 3838 / Fax : (022) 2594 6969 /
Email : isrl@intimespectrum.com

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NOTICE

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the Members of CHOWGULE STEAMSHIPS LIMITED will be held at the Registered Office of the Company at Chowgule House, Mormugao Harbour, Goa 403 803 on Friday, July 20, 2007 at 11 a.m. (I.S.T.) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2007 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend for the year ended March 31, 2007.
3. To appoint a Director in place of Mr. M.R.B. Punja, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. D.N. Mungale, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Jaywant Y Chowgule, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

7. 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, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 the appointment by the Board of Directors of the Company of Mr. M.P Patwardhan, the erstwhile Executive Director till August 31, 2006, as Managing Director of the Company for a period of 2 years with effect from September 01, 2006 upon the terms and conditions set out in the Draft Agreement between the Company and Mr. M. P. Patwardhan be and is hereby approved, ratified and confirmed with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board of Directors and Mr. M.P. Patwardhan."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to the Resolution."

By order of the Board of Directors
For CHOWGULE STEAMSHIPS LIMITED

V.S. MURTHY
VICE PRESIDENT &
COMPANY SECRETARY

Place : Mumbai,
Date : April 26, 2007

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 AND A PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.
- 2) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 setting out the material facts in respect of the Special Business is annexed hereto.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from July 13, 2007 to July 20, 2007, both days inclusive.
- 4) Unclaimed Dividend upto the year 1994-95 has been transferred to the General Revenue Account of the Central Government. Those shareholders who have so far not claimed or collected their dividend upto the above financial year, may claim their dividend from the Registrar of Companies, Goa, Daman & Diu.
- 5) Unclaimed Dividends for the years 1995-96 and 1996-97 have been transferred to the Investor Education and Protection Fund. Members have no right or claim whatsoever against the said amount.

CHOWGULE STEAMSHIPS LIMITED

- 6) Members who have so far not claimed their Dividend for the years 2004-2005 and 2005-2006 are requested to immediately write to the Share Transfer Agents. A letter of reminder has already been sent to them to claim the amount.
- 7) The shares of the Company are listed on Bombay Stock Exchange and the listing fee upto the financial year 2007-2008 has been paid to Bombay Stock Exchange.
- 8) Members holding shares in dematerialized form are requested to note that the bank details, if any, furnished by them to their respective Depository Participants will be printed on the Dividend Warrants, if they have not opted for Electronic Clearing Service (ECS).

Members desirous of receiving their dividend directly in their bank account through Electronic Clearing Service (ECS) are requested to intimate their ECS mandate to the Registrars and Transfer Agents of the Company. For this, the members may fill in the necessary details as provided at the bottom portion of the Proxy Form.

Members are advised in their own interest to have the shares dematerialised.

- 9) All enquiries and correspondence regarding transfer of shares, dematerialisation etc. should be made with the Share Transfer Agents of the Company – M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078.

By order of the Board of Directors
For CHOWGULE STEAMSHIPS LIMITED

V.S. MURTHY
VICE PRESIDENT &
COMPANY SECRETARY

Place : Mumbai,
Date : April 26, 2007

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE CONVENING THE ANNUAL GENERAL MEETING TO BE HELD ON JULY 20, 2007. (HOLDS GOOD FOR CORPORATE GOVERNANCE REPORT ALSO).

Item No. 7

Mr. M.P. Patwardhan was appointed as Executive Director of the Company from October 16, 2003 for a period of 3 years.

The Board of Directors of the Company vide Circular Resolution dated September 18, 2006 elevated Mr. M.P. Patwardhan to the position of Managing Director of the Company with effect from September 01, 2006, for a period of 2 years on payment of remuneration as recommended by the Remuneration Committee in accordance with the guidelines under the provisions of the Companies Act, 1956 for the time being in force and subject to the approval of the members at the ensuing Annual General Meeting.

Mr. M.P. Patwardhan (64) holds a degree of Master of Commerce and is a Fellow of Institute of Cost and Works Accountants of India. He is a member of the British Institute of Management, London, and also an Associate Member of Indian Institute of Bankers. He has varied Industry experience of over 33 years and his appointment will be beneficial to the Company.

Mr. M.P. Patwardhan was previously employed with Narmada Cement Company Limited in the capacity of Director (Finance). He is a member of the Boards of Directors of Jaigad Ports Infrastructure Pvt. Ltd. and Lavgan Dockyard Pvt. Ltd.

The following are the terms of remuneration fixed by the Board on the recommendations of the Remuneration Committee :

- i) Basic Salary Rs. 1,50,000/- per month in the Scale of Rs. 1,50,000 - 10,000 - 2,00,000.
(Annual increments will be payable in September each year)
- ii) Perquisites
 - (a) **Housing** : Rent free fully furnished accommodation to be valued as per Income-tax Rules or House Rent Allowance of upto 60% of the salary. Additionally, actual reimbursements to be made on account of furnishings and gas, electricity, water charges, etc.
 - (b) **Medical Reimbursement** : Reimbursement of all the medical and Hospitalization expenses for self & family subject to a maximum of Rs. 30,000/- in a financial year.
 - (c) **Club Fees** : Fees of clubs subject to a maximum of two clubs, excluding admission / life Membership fees.

- (d) **Personal Accident Insurance** : For self and family. Premium not to exceed Rs.10,000/- per annum.
- (e) **Leave Travel Reimbursement** : Leave Travel reimbursement for self & family subject to a maximum of Rs.48,000/- per year.
- iii) Other Benefits
- (a) Contribution to Provident Fund and Superannuation Fund to the extent not taxable under the Income Tax Act, 1961.
- (b) Gratuity not exceeding one month's salary for each completed year of service.
- (c) Encashment of Leave at the end of the tenure.
- (d) Provision of car for use on the Company's business and telecommunication facilities. Personal long distance calls on telephone shall be billed by the Company to the Managing Director.
- (e) Privilege leave, Casual leave and Sick leave with pay in accordance with the Rules of the Company as applicable to senior executives of the Company from time to time.
- iv) Commission To be determined by the Board at the end of each financial year subject to the overall ceiling prescribed in Sections 198 and 309 of the Companies Act, 1956.
- v) Minimum Remuneration Where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the remuneration payable by way of salary and perquisites shall be subject to the limits mentioned in Schedule XIII to the Companies Act, 1956 as amended from time to time in addition to the other benefits mentioned under item (iii) (a) (b) (c) (d) & (e) above.
- vi) Reimbursement Reimbursement of travelling and entertainment expenses actually incurred by the Managing Director for the purpose of the business of the Company.

The Directors commend the Resolution at Item No.7 of the Notice for approval of the members.

The terms of appointment of Mr. M.P. Patwardhan as Managing Director as contained in Resolution No.7 of the Notice may also be treated as an abstract of the terms of his appointment as required under Section 302 of the Companies Act, 1956.

Mr. M.P. Patwardhan is concerned or interested in the Resolution since it relates to his own appointment and payment of remuneration.

INSPECTION OF DOCUMENTS :

All the documents referred to in the Explanatory Statement together with other relevant documents are open for inspection of the Members at the Registered office of the Company between 11.00 AM and 1.00 PM on any working day, except Saturdays.

By order of the Board of Directors
For CHOWGULE STEAMSHIPS LIMITED

V.S. MURTHY
VICE PRESIDENT &
COMPANY SECRETARY

Place : Mumbai,
Date : April 26, 2007

CHOWGULE STEAMSHIPS LIMITED

DIRECTORS' REPORT 2006-2007

To

The Shareholders,

Your Directors present the Forty Fourth Annual Report and the Audited Accounts for the year ended March 31, 2007.

1. FINANCIAL RESULTS & APPROPRIATIONS :

	2006-2007 (Rs.in lacs)	2005-2006 (Rs.in lacs)
Profit prior to financial charges, depreciation and tax	2,008.19	2,092.37
Less : Financial Charges	80.35	193.62
Profit before Depreciation and Tax	1,927.84	1,898.75
Less: Depreciation for the year	804.07	769.21
Profit/(Loss) before Taxation	1,123.77	1,129.54
Income Tax of earlier years written off	—	(6.75)
Provision for Taxation - Current	(606.50)	(400.36)
Provision for FBT	(3.46)	(14.31)
Profit before Deferred Tax Provision	513.81	708.12
Provision for Deferred Tax (Net)	203.46	381.65
Profit/(Loss) after Tax	717.27	1,089.77
Brought forward from previous year	1,952.12	1,279.82
Available for Appropriation	2,669.39	2,369.59
Proposed Dividend	(363.08)	(363.08)
Tax on Proposed Dividend	(61.71)	(50.92)
Short Provision of Dividend Tax of earlier year	—	(3.47)
Balance Transferred to Balance Sheet	2,244.60	1,952.12

DIVIDEND

In view of the satisfactory financial results, your Directors have pleasure in recommending a Dividend of Re.1/- (10%) per equity share on 3,63,08,425 equity shares for the financial year 2006-2007.

2. MANAGEMENT DISCUSSION AND ANALYSIS/OPERATIONS REPORT - INTERNATIONAL FLEET

Dry Bulk Freight Market showed improvements in the first two quarters over the previous year and continued to be very strong thereafter. The freight rates were driven by increased volume of Chinese imports of Iron Ore and Coal and by increased volume of imports of Coal by Indian industries and power sector. There was once again bottleneck and congestion at Australian and Brazilian Ports which put additional pressure on the existing fleet. Though there was a 6.4% increase in dry bulk fleet, the same was absorbed by additional volume of cargo and Port congestions. It appears that the market will remain firm for some time and the freight rates will continue to be strong.

COASTAL FLEET

The Planning Commission of Government of India has given priority for development of major and non-major ports with private participation. The Government has allocated substantial funds for port connectivity, port development and building of infrastructural facilities for water transport under the National Maritime Development Programme. These steps were very much essential to sustain a high GDP growth rate of 8 to 9 percent per annum. The water transport becomes a very important mode in the near future as the volume of cargo movement is bound to increase substantially. The incentives given by the Government for dredging and maintenance of channels and other navigational aids show keenness on the part of Government to encourage coastal trade. The coastal trade will get the much needed boost with better infrastructure and the increased cargo movement.

COMPANY'S PERFORMANCE

The Company could take advantage of increased freight rates in dry bulk market and improve its earnings of international fleet. The strategy of employing the ships on spot market has paid off good dividends during the current year. On the coastal front, the Company has taken a conscious decision to upgrade the condition of the ships and during the year this exercise has been completed in respect of two vessels. One of the vessels has also undergone a special survey and drydocking during the year. On account of steps taken by the management for upgrading the vessels, there is an improvement of about 20% in operating days as compared to the previous year.

FUTURE OUTLOOK

Various reports and surveys indicate that the international freight market will continue to be strong during 2007-2008. The Company has acquired a 1995 built, handymax vessel of 47,574 DWT, the delivery of which has been taken in April 2007. This addition is expected to improve the financial results of the Company in future. The Company has borrowed funds from an international bank at a competitive rate for acquisition of the ship. To take the best advantage of the current strength in the market, the Company follows the policy of deploying part of its fleet on spot market and part on a period time charter basis. The Company follows the prudent policy of maintaining a low debt equity ratio to counter volatility in the freight market.

As regards coastal fleet, the improved efficiency of the fleet is expected to result in higher revenues. However, the growth in coastal business depends upon infrastructural support by the State and the Central Governments.

JAIGAD PORT PROJECT

The Company has received a Letter of Intent from the Government of Maharashtra for development of Cargo handling and Ship Repair facilities at Jaigad. It is proposed to execute the project through a Special Purpose Vehicle (SPV) Company with the participation of other Chowgule Group Companies and Strategic Partners. The plans for the project are being finalized.

INTERNAL CONTROL SYSTEM

The Company has effective systems of internal controls, which are reviewed by the Audit Committee of the Board of Directors.

GOVERNMENT POLICIES

The Central Government continues to support the development of Shipping Industry in view of the infrastructural constraints experienced on the surface transport. However, it may take some time before tangible results are seen on the ground level. To facilitate the water transport system, creation of basic infrastructural facilities like Port connectivity, navigational facilities, etc need to be done on an urgent basis. The efforts made by various State Governments to boost development of small ports on the coast line with private participation have started showing results and the volume of coastal trade is likely to go up in the near future.

INDUSTRIAL RELATIONS

The Industrial Relations during the year were cordial and there were no industrial disputes.

The Company presently employs 14 on-shore staff members and the crew management is outsourced.

3. LOAN REPAYMENT

During the year, the Company has paid the last instalment of Rs. 4.23 crores (US\$ 0.945 million) to DBS, Singapore. With this, the entire loan of DBS, Singapore, stands repaid.

For acquisition of a handymax vessel, the Company has availed of a loan of US\$ 30 million from DVB Bank, Singapore, on competitive terms. The loan is repayable over a period of 8 years from the drawdown date.

4. DEFERRED TAX LIABILITY

In terms of the Accounting Standard AS-22 issued by The Institute of Chartered Accountants of India, the Company has recognized deferred tax asset of Rs. 203.46 lakhs for the Financial Year 2006-2007, which is reflected in the Profit & Loss Account. The net deferred tax liability of Rs. 1,936.14 lakhs as at March 31, 2007 is reflected in the Balance Sheet.

5. SUBSIDIARIES

The total investment of the Company in the Share Capital of Chowgule Steamships Overseas Ltd. (CSOL), a wholly owned subsidiary, stands at US\$ 9.2 million (same as previous year).

During the year, CSOL sold one of its Panamax vessels, viz. m.v. Global Trust for a consideration of US\$ 11.5 million (Book value - US\$ 1.84 million).

CSOL has placed a new building order for a 37,000 MT DWT super box bulker with a Japanese Yard and has also paid an advance of 10%. The vessel will get delivered in March 2011.

CHOWGULE STEAMSHIPS LIMITED

The financial highlights of CSOL's operations are as under :

	2006-2007 (in US \$ million)	2005-2006 (in US \$ million)
Income	14.288	9.529
Gross Profit before depreciation	5.066	4.629
Depreciation	3.889	3.110
Net Profit before sale of a ship	1.177	1.519
Profit on sale of a ship	8.046	-
Net Profit	9.223	1.519

6. SUBSIDIARIES - EXEMPTION

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached with the Balance Sheet of the Company. The Company will make available these documents / details upon request by any member of the Company interested in obtaining the same. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the financial information of its subsidiaries.

7. INSURANCE

The fleet of the Company has been adequately insured against Marine and War Risks for about Rs. 381 crores.

8. DIRECTORS

- (i) Mr. M.P. Patwardhan was elevated by the Board to the position of Managing Director effective September 01, 2006. Members may please refer to Item No.7 of the notice for other details.
- (ii) Mr. M.R.B. Punja, Mr. D.N. Mungale and Mr. Jaywant Y Chowgule, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment. For details, members may please refer to the relevant disclosures made under Corporate Governance Report.

9. CORPORATE GOVERNANCE

In terms of the listing agreement with the Stock Exchange, the Corporate Governance Report is annexed hereto and forms a part of this Report.

10. CODE OF CONDUCT

The Board of Directors has laid down a Code of Conduct for all the Board Members and Senior Management of the Company. The said Code has been hosted on the website of the Company. All the Board Members and Senior Management have affirmed compliance to the Code.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state as under that :

"In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

The Directors 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 financial year and of the profits of the Company for that period.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in

accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the annual accounts on a going concern basis."

12. AUDITORS

The shareholders are requested to appoint auditors for the ensuing year and to fix their remuneration. S.B. Billimoria & Company, Chartered Accountants, the retiring Auditors, being eligible, have given their consent for re-appointment.

13. THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, AS AMENDED

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Rules framed thereunder forms part of this report. In terms of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining a copy of the said information may write to the Company Secretary. The Company had one Employee as on March 31, 2007, who was employed throughout or for part of the year and was in receipt of remuneration exceeding Rs.24 lacs p.a. or Rs.2 lacs per month as the case may be.

14. THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In accordance with the requirements of Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the statement annexed hereto gives the particulars as required under the said rules and forms part of this report (Annexure I).

15. GENERAL

The Board of Directors expresses its appreciation for the help and co-operation extended by the Ministry of Shipping, Ministry of Finance, the Directorate General of Shipping, Reserve Bank of India and the Company's Bankers and Agents. The Board of Directors also appreciates the loyal services rendered and co-operation extended by the Company's Officers and staff, both ashore and afloat.

Mumbai,
Date : April 26, 2007

FOR AND ON BEHALF OF THE BOARD
VIJAY V. CHOWGULE
CHAIRMAN

**TO THE MEMBERS OF
CHOWGULE STEAMSHIPS LIMITED**

Declaration by the Managing Director Under Clause 49 of the Listing Agreement

I, M.P. Patwardhan, Managing Director of Chowgule Steamships Ltd., declare that to the best of my knowledge and belief, all the members of the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct for the year ended March 31, 2007.

Mumbai
April 26, 2007

M.P. Patwardhan
Managing Director

CHOWGULE STEAMSHIPS LIMITED

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PHILOSOPHY :

Chowgule Steamships Limited (CSL) believes that good corporate governance is essential to achieve long term corporate goals and to enhance shareholder value. Your Company believes in functioning in a transparent manner and believes in proper accountability, auditing, disclosure and reporting.

CSL's operations and accounts are audited at two levels – Internal Audit and External Audit. CSL continues to follow procedures and practices in conformity with the Code of Corporate Governance as enunciated in the listing agreement.

The Board has also laid down a Code of Conduct for all the Board Members and Senior Management of the Company.

2. BOARD OF DIRECTORS :

(a) Composition / Category of Directors

(i) Promoter Directors

• Executive	-
• Non Executive	3

Total 3

(ii) Non-promoter Directors

• Executive	1
• Independent Non Executive	5

Total 6

GRAND TOTAL : 9

(b) Attendance of each Director at the Board meetings :

In all, five Board Meetings were held during the financial year 2006-2007 on 25.4.2006, 12.6.2006, 25.7.2006, 16.10.2006 and 18.1.2007.

NAME	No. of Board Meetings attended	Attendance at the previous AGM
Mr. Vijay V. Chowgule	5	P
Mr. S.Y.Rege	4	A
Mr. M.R.B.Punja	4	A
Mr Dhananjay N. Mungale	5	P
Mr. Jaywant Y Chowgule	2	A
Admiral Madhvendra Singh (Retd)	4	P
Mr. Sanjiv N Shah	5	P
Mr. Nathan R Chowgule	5	P
Mr. M.P.Patwardhan	5	P

P – Present, A – Absent

(c) Number of other Companies or Committees, the Director is a Director / Member.

NAME OF DIRECTOR	NO.OF OTHER PUBLIC LTD. COMPANIES IN WHICH DIRECTOR /MEMBERSHIP IN OTHER COMMITTEES		
Mr. Vijay V. Chowgule	3 – BM	1-CM	0-CC
Mr. S.Y. Rege	2– BM	0-CM	0-CC
Mr. M.R.B. Punja	7 –BM	3-CM	3-CC
Mr. Dhananjay N. Mungale	9 – BM	3-CM	3-CC
Mr. Jaywant Y Chowgule	0 – BM	0-CM	0-CC
Admiral Madhvendra Singh (Retd)	0 – BM	0-CM	0-CC
Mr. Sanjiv N Shah	2 – BM	3-CM	0-CC
Mr. Nathan R Chowgule	0 – BM	0-CM	0-CC
Mr. M.P. Patwardhan	0 – BM	0-CM	0-CC

BM–Board Member, CM–Committee Member, CC–Chairman of the Committee

3. AUDIT COMMITTEE :

For better Corporate Governance, promoting transparency and for enhancing the credibility of the financial disclosures of the Company, the Directors have constituted an Audit Committee comprising of the following Directors :

Mr. Dhananjay N. Mungale
Mr. S.Y.Rege
Mr. Vijay V. Chowgule
Mr. Sanjiv N Shah

Mr. Dhananjay N. Mungale is the Chairman of the Audit Committee. Mr. Dhananjay N. Mungale and Mr. Sanjiv N Shah have the requisite financial and accounting background. The Audit Committee Meetings were chaired by Mr.Dhananjay N. Mungale on four occasions and once by Mr. Sanjiv N Shah. The Audit Committee met on five occasions during the financial year and the attendance details of the Committee members are as under :

NAME	NO. OF MEETINGS ATTENDED
Mr.Dhananjay N. Mungale	4
Mr. S.Y.Rege	4
Mr. Vijay V. Chowgule	5
Mr. Sanjiv N Shah	5

As invitees, Mr. M.P. Patwardhan, Managing Director, and Mr. M.S. Sawant, Vice President & CFO, attended all the meetings. The representatives of External Auditors attended four meetings, whereas the representative of Internal Auditor attended two meetings. Mr. V.S. Murthy assumed the role of Secretary to the Audit Committee.

The Company encourages the Whistle Blower Policy as enshrined in the Code of Conduct. No Company personnel has been denied access to the Audit Committee.

4. REMUNERATION COMMITTEE :

The Board of Directors has formed a Remuneration Committee comprising of the following Directors :

- 1) Mr. S.Y. Rege
- 2) Mr. Dhananjay N. Mungale
- 3) Mr. Vijay V. Chowgule
- 4) Admiral Madhvendra Singh (Retd) (w.e.f. July 25, 2006)

The role of the Remuneration Committee is to determine and recommend the Company's policy on specific remuneration package for Wholetime Directors and Senior Management personnel.

During the financial year, the Remuneration Committee met twice on April 25, 2006 and August 30, 2006. Mr. S.Y.Rege took the chair; Mr.Dhananjay N. Mungale and Mr.Vijay V. Chowgule attended both the meetings and Admiral Madhvendra Singh (Retd) attended one meeting. Mr. V.S.Murthy assumed the role of the Secretary to the Committee.

5. REMUNERATION OF DIRECTORS :

(I) Executive Directors

- a) The Company appointed Mr. M.P. Patwardhan as Executive Director for a period of three years with effect from October 16, 2003 and the remuneration as recommended by Remuneration Committee was fixed by the Board of Directors and approved by the shareholders.

The Board on the recommendation of the Remuneration Committee and subject to Members' approval, by a Circular Resolution dated September 18, 2006, elevated Mr. M.P. Patwardhan to the position of Managing Director for a period of two years effective from September 01, 2006. The details of the remuneration paid from April 01, 2006 to March 31, 2007 are as under :

Name	:	Mr. M.P. Patwardhan
Designation	:	Managing Director
All elements of remuneration package Inclusive of Salary Benefits, Provident Fund, Gratuity, Bonus, Pension, etc.	:	Rs 32.89 lakhs
Service Contract, Notice Period etc.	:	The Contract is for a period of 2 years commencing from September 01, 2006 and the notice of termination is three months on either side.
Stock Option	:	NIL
No. of Shares held in the Company	:	NIL

b) Non-Executive Directors

	<u>Sitting Fees paid during the financial year</u>	<u>No. of Shares held in the Company</u>
Mr. Vijay V. Chowgule	Rs. 1,05,000/-	589800
Mr. S.Y.Rege	Rs. 85,000/-	2421
Mr. M.R.B.Punja	Rs. 40,000/-	-
Mr. Dhananjay N. Mungale	Rs. 80,000/-	-
Mr. Jaywant Y Chowgule	Rs. 20,000/-	29750
Admiral Madhvendra Singh (Retd)	Rs. 45,000/-	-
Mr. Sanjiv N Shah	Rs. 75,000/-	-
Mr. Nathan R Chowgule	Rs. 50,000/-	-

- c) M/s. Crawford Bayley & Co., in which Mr. S.Y. Rege is a Senior Partner, were paid an amount of Rs. 4,740/- during the financial year 2006-2007 towards professional services rendered by the firm.

CHOWGULE STEAMSHIPS LIMITED

6. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE :

The Company's Shareholders' and Investors' Grievances Committee functions under the Chairmanship of Mr.S.Y.Rege. Other members are Mr.Vijay V. Chowgule, and Mr.M.P.Patwardhan. Mr.V.S. Murthy, Vice President and Company Secretary, is the Compliance Officer. The Committee used to meet periodically to deal with the share related matters like transfers etc. and monitor redressal of complaints from the shareholders. However, the functions of transfer of shares were delegated to the Committee of Officers with effect from November 2001 which meets fortnightly for considering applications for share related matters. This Committee reports to the Shareholders' and Investors' Grievances Committee. The Shareholders' and Investors' Grievances Committee met on four occasions between April 06 and March 07. At its meetings, the Committee goes into the details of the grievances if any and verifies that they have been attended to. Between April 2006 and March 2007, 157 Shareholder complaints were received. As at March 31, 2007, all the complaints were resolved. There were no shares pending for transfer from the shareholders as at March 31, 2007.

7. DIRECTORS :

Mr. M.R.B. Punja (82), Mr. Dhananjay N Mungale (54) and Mr. Jaywant Y Chowgule (50), Directors, retire by rotation and being eligible, have offered themselves for reappointment. Particulars of Directors are as under :

a) Mr.M.R.B.Punja is Ex-Chairman and Managing Director of Industrial Development Bank of India (IDBI). He has been a Director of the Company for about 18 years.

Mr. M.R.B.Punja is a Director on the Boards of the following Public Limited Companies :

Andhra Petrochemicals Limited	:	Chairman
Suprajit Engineering Limited	:	Chairman
Hindustan Spinning & Weaving Mills Ltd.	:	Director
Apollo Tyres Limited	:	Director
Deepak Nitrite Limited	:	Director
Sushruta Medical Aid & Research Hospital Ltd	:	Director
Suprajit Automotive Ltd.	:	Director

Mr. M.R.B.Punja is a member of other Committees of Directors as under :

Deepak Nitrite Limited	Audit Committee	:	Chairman
Hindustan Spinning & Weaving Mills Limited	Audit Committee	:	Member
Suprajit Engineering Ltd	Audit Committee	:	Chairman
	Share Transfer Committee:	:	Member
Apollo Tyres Limited	Audit Committee	:	Chairman
	Remuneration Committee:	:	Member

b) Mr.Dhananjay N. Mungale holds the qualification of B.Com., L.L.B., A.C.A. and currently holds a British Passport. He is presently acting as Adviser to various Corporations and start up Companies in India and Europe. He is on the Boards of the following Public Limited Companies :

Caprihans India Limited	:	Director
Camlin Limited	:	Director
Indoco Remedies Limited	:	Director
Indo Count Industries Ltd (IDBI Nominee)	:	Director
LIC Housing Finance Limited	:	Director
National Organic Chemical Ltd.	:	Director
Tamilnadu Petroproducts Limited	:	Director
Mahindra & Mahindra Financial Services Ltd	:	Director
Sical Logistics Ltd.	:	Director

Mr. Dhananjay N. Mungale is a member of other Committees of Directors as under :

Camlin Limited	Audit Committee	:	Chairman
Indoco Remedies Limited	Audit Committee	:	Chairman
Sical Logistics Ltd.	Audit Committee	:	Chairman
Indo Count industries Ltd (IDBI Nominee)	Audit Committee	:	Member
LIC Housing Finance Ltd.	Audit Committee	:	Member
Mahindra & Mahindra Financial Services Ltd.	Audit Committee	:	Member

c) Mr. Jaywant Y Chowgule holds a Bachelor's Degree in Science. He was appointed Manager (Commercial) of Chowgule & Company Ltd. from September 01, 1984 and rose to the rank of Executive Vice President in July 1989 which position he held till September 2004. Presently he is a Director of Chowgule & Company Pvt. Ltd. He is the Executive Director of Chowgule Brothers Pvt. Ltd. with effect from September 2004. He is not a Board member of any Public Limited Company.

8. GENERAL BODY MEETING :

The previous three Annual General Meetings were held at the Registered Office of the Company at Chowgule House, Mormugao Harbour, Goa

Day	Date	Time
Tuesday,	July 25, 2006	11.00 a.m.
Monday,	July 25, 2005 (*)	11.00 a.m.
Friday,	July 30, 2004	11.00 a.m.

(*) Two Resolutions – one pertaining to the sale of panamax vessel, m.v. Maratha Messenger (Ordinary Resolution) and the other pertaining to buy back of shares (Special Resolution) were put through the Postal Ballot and were passed with requisite majority. The Postal Ballots were scrutinised by Mr. S.D. Bal, Chartered Accountant.

9. DISCLOSURES :

There were no materially significant related party transactions.

There was no non-compliance by the Company of any of the regulations pertaining to the capital market during the previous three years.

10. MEANS OF COMMUNICATION :

The quarterly financial results are published in the Free Press Journal (English), Navshakti (Marathi) & Gomantak (English & Marathi). The results are hosted on the Company's Web Site : www.chowgule.co.in
The management discussion and analysis is a part of this Annual Report.

11. COMPLIANCE :

The Company has complied with the mandatory requirements in terms of the Corporate Governance guidelines. However, the Company has not yet adopted the non-mandatory requirements.

12. GENERAL SHAREHOLDER INFORMATION :

44th Annual General Meeting : Friday, July 20, 2007 - 11 a.m.
Venue : Chowgule House, Mormugao Harbour, Goa
Financial Year : 2006-2007
Book Closure Date : July 13, 2007 – July 20, 2007
Dividend Payment Date : First week of August, 2007
Listed at the Bombay Stock Exchange (Stock Code 501833), Rotunda Building, Dalal Street, Mumbai 400 001 (Tel. 2272 1233).

MARKET PRICE DATA DURING APRIL 2006 – MARCH 2007 (BSE)

Month	High (Rs)	Low (Rs)
April	32.60	25.00
May	46.40	28.20
June	42.50	23.25
July	26.50	20.00
August	27.35	22.30
September	31.40	23.85
October	31.05	25.50
November	28.80	24.00
December	38.90	23.70
January	37.95	29.00
February	33.25	24.90
March	26.00	20.50

Performance in comparison with Sensex is given below:

DATE	CLOSING SENSEX	% MOVEMENT OF SENSEX MONTH TO MONTH	CSL CLOSING SHARE PRICES (RS.)	% MOVEMENT OF SHARE PRICES MONTH TO MONTH
30.04.2006	12043	-	30.40	-
31.05.2006	10399	- 13.65	39.05	+ 28.45
30.06.2006	10609	+ 2.02	25.25	- 35.34
31.07.2006	10744	+ 1.27	22.80	- 9.70
31.08.2006	11699	+ 8.89	24.60	+ 7.89
30.09.2006	12454	+ 6.45	28.00	+ 13.82
31.10.2006	12962	+ 4.08	25.75	- 8.04
30.11.2006	13696	+ 5.66	25.10	- 2.52
31.12.2006	13787	+ 0.66	32.25	+ 28.49
31.01.2007	14091	+ 2.20	29.40	- 8.84
28.02.2007	12938	- 8.18	25.15	- 14.26
31.03.2007	13072	+ 1.04	22.60	- 10.14

CHOWGULE STEAMSHIPS LIMITED

M/s. Intime Spectrum Registry Ltd. are the Share Transfer Agents of the Company, whose details are mentioned elsewhere. Distribution of Shareholding as at March 31, 2007 is given below :

Shareholding of Nominal Value of		Shareholders		Share Amount	
Rs.	Rs.	Number	% to Total	In Rupees	% to Total
Upto 5000		26127	89.01	34093020	9.39
5001	10000	1784	6.08	14658320	4.04
10001	20000	722	2.46	11165490	3.08
20001	30000	229	0.78	5849170	1.61
30001	40000	80	0.27	2883180	0.79
40001	50000	115	0.39	5534730	1.52
50001	100000	141	0.48	10337960	2.85
100001	and above	154	0.53	278562380	76.72
Total		29352	100.00	363084250	100

Category	% Shareholding
Promoters/Persons acting in concert	66.92
Banks, Financial Institutions, Insurance Cos. etc	0.06
Private Corporate Bodies	3.50
NRIs / OCBs	0.86
Mutual Funds & UTI	0.03
Indian Public	28.63
TOTAL	100.00

About 34.62% in value terms (about 13,550 shareholders) of the equity shares have been dematerialized as at March 31, 2007. Balance 65.38% in value terms (about 15,800 shareholders) are in physical form.

Address for Shareholder Correspondence :

Chowgule Steamships Limited
75-77, Maker Chambers VI, 7th floor
Nariman Point, Mumbai 400 021.
Email ID: murthy.csl@chowgule.co.in

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai - 400 078
Email ID: sharad@intimespectrum.com

Mumbai,
Date : April 26 , 2007

FOR AND ON BEHALF OF THE BOARD
VIJAY V. CHOWGULE
CHAIRMAN

AUDITORS' CERTIFICATE

TO THE MEMBERS OF CHOWGULE STEAMSHIPS LIMITED

We have examined the compliance of conditions of Corporate Governance by **CHOWGULE STEAMSHIPS LIMITED** for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Mumbai,
Date : April 26, 2007

For **S.B.BILLIMORIA & CO**
Chartered Accountants

Mohammed Z. Merchant
Partner
Membership No. 31971

Annexure - I

Statement regarding Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and outgo as required under Clause (e) of Sub-Sec. (1) of Section 217 of the Companies Act, 1956 which forms part of the Directors' Report for the year ended March 31, 2007

Item Particulars	Comments
A. Conservation of Energy	
(a) Measures	The Company has a fairly young fleet of modern vessels and is well maintained operationally. There is hardly any scope for conservation measures.
(b) Addl. Investment 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	Nil
(d) Total energy consumption and consumption per unit of production in Form 'A'	Not applicable to a Shipping Company
B. Technology Absorption	
(e) Efforts made in Technology absorption	Not applicable to a Shipping Company.
i) Research and Development	Nil
ii) Technology absorption, adoption and innovation	Nil
C. Foreign Exchange Earnings & Outgo	
(f) Activities relating to exports, initiative taken to increase exports, development of new export plans	Not applicable
(g) Total Foreign Exchange	
i) Used (including loan repayments, interest, etc)	Rs. 1,596.26 lakhs
ii) Earned	Rs. 3,101.90 lakhs

CHOWGULE STEAMSHIPS LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF
CHOWGULE STEAMSHIPS LIMITED

1. We have audited the attached Balance Sheet of **CHOWGULE STEAMSHIPS LIMITED** as at 31st March, 2007, the Profit and Loss Account of the Company and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations from the directors as on 31st March, 2007 taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007, from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

Place : Mumbai,
Date : 26th April, 2007

MOHAMMED Z. MERCHANT
Partner
Membership No: 31971

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business/activities during the year is such that clauses (viii), (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company.
2. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
3. In respect of its inventories :
 - (a) As explained to us, inventories were physically verified during the year by independent ship managers who manage the Company's fleet at reasonable intervals. In our opinion and having regard to the nature of the Company's business the interval of physical verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the independent ship managers who manage the Company's fleet were reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) According to the information and explanations given to us, the Company's inventories comprise stores, spare parts, fuel oil and lube oil on board of the ship. Having regard to the nature of the Company's business and scale of operations, quantities are determined by physical count and it is not considered necessary to maintain records of movements of inventories of such items by the vessel in which they are carried. As quantities are determined by physical count and records of movements are not maintained on board the ship, the question of discrepancies on physical verification thereof does not arise.

4. According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
5. According to information and explanations given to us, the function of purchase of inventories for the Company's fleet is outsourced to independent ship managers and the ship managers raise monthly debit notes for the costs incurred by them once a month which are reimbursed to them by the Company. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for verification of debit notes raised by the ship managers in respect of the purchase of inventories for the Company's fleet, the purchase of fixed assets and sale of services. The nature of the Company's business is such that it does not involve sale of goods. During the course of our audit, we have not observed any major weaknesses in such internal control systems.
6. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register, maintained under the said Section has been so entered.
 - (b) Where transactions made in pursuance of such contracts or arrangements are in excess of Rs. 500 thousand in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time where such prices are available.
7. The Company has not accepted any deposits from the public during the year. According to the information and explanation given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect in the case of the Company.
8. In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management has been commensurate with the size of the Company and the nature of its business.
9. According to the information and explanations given to us, in respect of statutory and other dues:
 - (a) The Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Wealth Tax, Customs Duty, Sales Tax, cess and any other material statutory dues with the appropriate authorities during the year, except for Service Tax where delays were observed in depositing the dues with the appropriate authority. There were no arrears of undisputed statutory dues as at 31st March, 2007 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, there were no disputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty, Service Tax, and Cess as at 31st March, 2007, except that the Company has disputed Sales Tax claims aggregating Rs.23,700 thousand pertaining to the Assessment Year 1995 - 96 and the matter is pending before the Honourable Madras High Court. The Company has already deposited Rs.4,740 thousand (including refunds withheld by the authorities) and executed a bond of Rs.21,804 thousand in respect of the said claim.
10. The Company does not have any accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company has not issued debentures that were outstanding during the year.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information and explanations given to us, the Company has not given any guarantee against the loans taken by others from banks or financial institutions.
14. In our opinion and according to the information and explanations given to us, the term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
15. According to information and explanations given to us and on overall examination of balance sheet of the Company, funds raised on short term basis have, *prima facie*, not been used for long term investment.
16. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
17. According to the information and explanations given to us, there are no debentures issued by the Company that were outstanding as at the year end.
18. According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year.
19. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants

MOHAMMED Z. MERCHANT
Partner
Membership No: 31971

Place : Mumbai,
Date : April 26, 2007

CHOWGULE STEAMSHIPS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	As at 31-Mar-2007 (Rs. in '000)		As at 31-Mar-2006 (Rs. in '000)	
I SOURCES OF FUNDS:					
1 Shareholders' Funds:					
Capital	A	363,084		363,084	
Reserves & Surplus	B	805,193	1,168,277	785,336	1,148,420
2 Loan Funds:					
Secured Loans	C		1,313,277		42,612
3 Deferred tax liability (Net)					
			193,614		213,837
	TOTAL		2,675,168		1,404,869
II APPLICATION OF FUNDS:					
1 Fixed Assets:					
Gross Block	D	1,756,204		1,756,057	
Less: Depreciation		900,409		812,915	
Net Block		855,795		943,142	
Add: Capital work in progress and advances for capital goods (See note 3)		1,397,959	2,253,754	17,998	961,140
2 Investments					
	E		422,336		419,194
3 Current Assets, Loans & Advances					
Inventories	F	4,117		3,119	
Sundry Debtors	G	3,484		1,553	
Cash and Bank Balances	H	115,216		130,429	
Other Current Assets	I	116		14	
Loans and Advances	J	39,744		27,211	
		162,677		162,326	
4 Less: Current Liabilities & Provisions					
i. Current Liabilities	K	119,341		105,276	
ii. Provisions		46,828		43,391	
		166,169		148,667	
Net Current Assets			(3,492)		13,659
5 Miscellaneous Expenditure (to the extent not written off or adjusted)					
	L		2,570		10,876
	TOTAL		2,675,168		1,404,869
Notes to the accounts	P				

Schedules referred to above form an integral part of this Balance Sheet and should be read in conjunction therewith.

In terms of our report of even date.

For S.B. BILLIMORIA & CO.
Chartered Accountants

M.P. PATWARDHAN
Managing Director

For and on behalf of the Board of Directors
VIJAY V. CHOWGULE
Chairman

MOHAMMED Z. MERCHANT
Partner

V.S. MURTHY
Vice President & Company Secretary

S.Y. REGE
Director

Mumbai,
Dated : April 26, 2007

M. S. SAWANT
Vice President & CFO

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	For the year ended 31-Mar-2007 (Rs. in '000)	For the year ended 31-Mar-2006 (Rs. in '000)
INCOME:			
Operating Earnings	M	400,662	337,050
Other Income	M	66,755	65,440
Profit on Sale of Assets		10	101
Reversal of Provision for Doubtful Debts (on recovery)		-	35,434
		467,427	438,025
EXPENDITURE:			
Operating and Other Expenses	N	262,441	228,788
Interest and Other Financial Charges	O	8,035	19,362
Depreciation (net of draw down from revaluation reserve) D		80,407	76,921
Provision for doubtful debts		4,167	-
		355,050	325,071
Profit before Taxation		112,377	112,954
Provision for Taxation - Current		(60,650)	(40,036)
Reversal for Deferred Tax liability		20,346	38,165
Provision for Fringe Benefits Tax		(346)	(1,431)
Income Tax of earlier years		-	(675)
Net Profit for the year after Taxation		71,727	108,977
Profit & Loss account brought forward		195,212	127,982
Profit Available for Appropriation		266,939	236,959
Proposed Final Dividend		36,308	36,308
Tax on Proposed Final Dividend		6,171	5,092
Short Provision of Dividend Tax of earlier year		-	347
Balance transferred to Balance Sheet		224,460	195,212
Earning Per Share (See note 15)		1.98	3.00
Notes to the accounts	P		

Schedules referred to above form an integral part of this Profit and Loss Account and should be read in conjunction therewith. In terms of our report of even date.

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

MOHAMMED Z. MERCHANT
Partner

Mumbai,
Dated : April 26, 2007

M.P. PATWARDHAN
Managing Director

V.S. MURTHY
Vice President & Company Secretary

M. S. SAWANT
Vice President & CFO

For and on behalf of the Board of Directors
VIJAY V. CHOWGULE
Chairman

S.Y. REGE
Director

CHOWGULE STEAMSHIPS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007.

	Year ended 31-Mar-2007 (Rs. in '000)	Year ended 31-Mar-2006 (Rs. in '000)
A. Cash flow from operating activity		
Net Profit/(Loss) before taxation	112,377	112,954
Adjusted for:		
Depreciation	80,407	76,921
Provision for Employee Benefits	1,798	506
Provision for doubtful debts	4,167	-
Reversal of Provision for doubtful debts	-	(35,434)
Miscellaneous expenditure written off	8,306	8,306
Foreign exchange translation differences	(2,235)	1,698
Bank interest and dividend	(7,253)	(8,867)
Loss on sale of current investments	18	-
Loss/(Profit) on sale of fixed assets	64	(101)
Interest & other finance charges	8,035	19,362
Operating profit before working capital changes	205,684	175,345
Adjusted for:		
(Increase)/decrease in trade & other receivables	(14,799)	51,139
(Increase)/decrease in inventories	(998)	(461)
Increase/(decrease) in trade payables	13,209	24,621
Operating profit before tax payments	203,096	250,644
Net Tax (Payment) / Recovery	(64,816)	(50,259)
Net cash from / (used in) operating activities	138,280	200,385
B. Cash flow from investing activities		
Purchase of fixed assets	(1,381,874)	(108,339)
Sale of fixed assets	1,006	387
Reduction in acquisition costs on account of exchange gain realised on corresponding foreign currency loan	(1,040)	(529)
Sale of investments	41,600	-
Purchase of investments	(44,759)	(266,590)
Interest received	6,885	10,286
Dividend received	263	4
Net cash from / (used in) investing activities	(1,377,919)	(364,781)
C. Cash flow from financing activities		
Proceeds from borrowings	1,316,060	-
Repayment of borrowings	(42,435)	(82,847)
Reduction in liability on account of exchange gain realised on corresponding foreign currency loan	(1,040)	(662)
Interest paid	(7,399)	(19,794)
Dividend & tax paid thereon	(40,760)	(40,729)
Net cash from / (used in) financing activities	1,224,426	(144,032)
Net increase/(decrease) in cash and cash equivalents	(15,213)	(308,428)
Opening cash and cash equivalents as at 1st April	130,429	438,857
Closing cash and cash equivalents as at 31st March	115,216	130,429
	Year ended 31-Mar-2007 (Rs. in '000)	Year ended 31-Mar-2006 (Rs. in '000)
Effect of exchange rate changes on cash and cash equivalents		
Cash on hand and balances with banks	118,368	128,063
Effect of exchange rate change favourable / (adverse)	(3,152)	2,366
Cash & Cash Equivalents as restated	115,216	130,429

Per our report attached

For S.B. BILLIMORIA & CO.
Chartered Accountants

MOHAMMED Z. MERCHANT
Partner

Mumbai,
Dated : April 26, 2007

M.P. PATWARDHAN
Managing Director

V.S. MURTHY
Vice President &
Company Secretary

M. S. SAWANT
Vice President & CFO

For and on behalf of the Board of Directors

VIJAY V. CHOWGULE
Chairman

S.Y. REGE
Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
Schedule 'A'		
CAPITAL:		
Authorised:		
5,00,00,000 (2006-5,00,00,000) Equity shares of Rs. 10/- each	500,000	500,000
25,00,000 (2006-25,00,000) Redeemable preference shares of Rs. 100/- each	250,000	250,000
	750,000	750,000
Issued, Subscribed and called up:		
3,63,08,425 (2006-3,63,08,425) Equity shares of Rs. 10/- each	363,084	363,084
Paid-up:		
3,63,08,425 (2006-3,63,08,425) Equity shares of Rs. 10/- each	363,084	363,084
TOTAL	363,084	363,084

Note: Of the above, 34,65,000 shares of Rs. 10/- each have been allotted as fully paid up by way of bonus shares by capitalisation of Development Rebate Reserve.

Schedule 'B'		
RESERVES & SURPLUS:		
Capital Reserve:		
Balance	1,196	1,196
Revaluation Reserve:		
Opening Balance	176,449	185,736
Less: Transferred to Profit & Loss account (See note 12)	(8,822)	(9,287)
	167,627	176,449
Capital Redemption Reserve:		
Balance	3,000	3,000
Share Premium:		
Balance	292,201	292,201
General Reserve (Statutory):		
Balance	100,321	100,321
General Reserve (Other):		
Opening Balance	16,957	16,957
Add/(Less): Employee Benefits (Net of deferred tax liability Rs. 123 thousand) (See note 2)	(569)	-
	16,388	-
Profit and Loss Account:		
Balance as per Profit and Loss account attached to the Balance Sheet	224,460	195,212
TOTAL	805,193	785,336

CHOWGULE STEAMSHIPS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule 'C'	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
SECURED LOANS: (See note 5)		
From Banks:		
<i>Cash Credit:</i>		
From State Bank of India:		
Secured against hypothecation of book debts and stocks / stores aboard the vessels and first equitable mortgage on the Company's office premises	177	219
<i>Term Loans:</i>		
From DBS Bank, Singapore:		
Secured by mortgage of Ship	-	42,393
From DVB Bank, Singapore :		
Secured by mortgage of ships	1,313,100	-
TOTAL	1,313,277	42,612

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule 'D'

(Rs. in '000)

	COST				DEPRECIATION				WRITTEN DOWN VALUE		
	As at 31-Mar 2006	Additions during the year	Deductions during the year	As at 31-Mar 2007	As at 31-Mar 2006	For the year on original Cost	adjusted against Corresponding down from revaluation reserve	Scrapped	Deductions during the year	As at 31-Mar 2007	As at 31-Mar 2006
FIXED ASSETS											
Land	4,263	-	-	4,263	-	-	-	-	-	4,263	4,263
Fleet	1,513,519	1,040	-	1,514,559	758,500	78,829	-	-	-	677,230	755,019
Buildings: (See note 11)											
On Leasehold land -											
Office Premises \$	208,686	-	-	208,686	40,083	31	8,399	-	-	160,173	168,603
On Freehold land -											
Staff Quarters \$	11,043	-	-	11,043	2,354	11	423	-	-	8,255	8,689
Furniture and Fixtures	6,227	-	-	6,227	3,984	407	-	4	-	1,832	2,243
Office Equipments	7,627	38	-	7,665	4,833	472	-	187	-	2,173	2,794
Motor Cars	4,692	1,874	2,805	3,761	3,161	460	-	6	1,735	1,869	1,531
TOTAL	1,756,057	2,952	2,805	1,756,204	812,915	80,210	8,822	197	1,735	855,795	943,142
Previous Year	1,655,019	102,518	1,480	1,756,057	727,901	76,921	9,287	-	1,194	812,915	

Additions during the year comprise Rs. 1,040 thousand (2006 - Rs. 1,361 thousand) on account of increase in rupee liability of foreign currency loans consequent to change in exchange rates

\$ Includes cost of five shares of Rs 50/- each fully paid in Bakhtawar Commercial Premises Co-operative Society Limited

\$\$ Includes cost of five shares of Rs 50/- each fully paid in Dadar Paschim Apartments Co-operative Housing Society Limited and cost of five shares of Rs 50/- each fully paid in Olympus Co-operative Housing Society Limited

CHOWGULE STEAMSHIPS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
Schedule 'E'		
INVESTMENTS: (At cost)		
LONG TERM:		
<i>Non-Trade investments:</i>		
Unquoted: In a subsidiary Company		
92,00,000 (2006 - 92,00,000) Equity Shares of US \$ 1/- each fully paid in Chowgule Steamships Overseas Limited	419,179	419,179
Quoted:		
50 (2006 - 50) Equity shares of Rs 10/- each fully paid in Garware Offshore Services Limited (Previously known as Garware Shipping Corporation Ltd.)	1	1
700 (2006 - 700) Equity shares of Rs 10/- each fully paid in Essar Shipping Limited	3	3
16 (2006 - 16) Equity shares of Rs 10/- each fully paid in Mahindra GESCO Ltd.	-	-
30 (2006 - Nil) Equity shares of Rs 10/- each fully paid in Great Offshore Ltd. (Received on splitting of shares of The Great Eastern Shipping Company Limited)	-	-
121 (2006 - 152) Equity shares of Rs 10/- each fully paid in The Great Eastern Shipping Company Limited	2	2
150 (2006 - 150) Equity shares of Rs 10/- each fully paid in Varun Shipping Company Limited	2	2
150 (2006 - 150) Equity shares of Rs 10/- each fully paid in ICICI Bank Limited	5	5
100 (2006 - 100) Equity shares of Rs 10/- each fully paid in Shreyas Shipping Limited	1	1
50 (2006 - 50) Equity shares of Rs 10/- each fully paid in The Shipping Corporation of India Limited	1	1
CURRENT :		
Unquoted: In Mutual Fund Units		
DSP Merrill Lynch Floating Rate Fund	3,142	-
Purchased during the year 4,457,615.39 (2006 - Nil)		
Sold during the year 4,144,048.65 (2006 - Nil)		
TOTAL	422,336	419,194
Aggregate amount of quoted investments	15	15
Aggregate amount of unquoted investments	422,321	419,179
Aggregate market value of quoted investments	246	203
Schedule 'F'		
INVENTORIES:		
Stores and Spare parts	225	746
Fuel Oil and Lube Oil on Ships	3,892	2,373
TOTAL	4,117	3,119
Schedule 'G'		
SUNDRY DEBTORS (UNSECURED):		
Considered good		
Over six months	588	389
Others	2,896	1,164
	3,484	1,553
Considered doubtful		
Over six months	34,019	30,149
Others	-	-
	34,019	30,149
Less: Provision for Doubtful Debts	34,019	30,149
	-	-
TOTAL	3,484	1,553

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2007**

	As at 31-Mar-2007 (Rs. in '000)		As at 31-Mar-2006 (Rs. in '000)	
Schedule 'H'				
CASH AND BANK BALANCES:				
Cash on hand		5		24
Balances with Scheduled Banks on-				
Current Account	6,082		14,613	
Call Account	221		222	
Fixed Deposit Account	108,908	115,211	115,570	130,405
		<u>115,216</u>	<u>115,570</u>	<u>130,429</u>
TOTAL				
Schedule 'I'				
OTHER CURRENT ASSETS:				
Accrued Interest on Fixed Deposits with Banks		116		14
		<u>116</u>		<u>14</u>
TOTAL				
Schedule 'J'				
LOANS & ADVANCES: (Unsecured)				
Advances recoverable in cash or in kind or for value to be received				
Considered Good				
Advance Income Tax (Net of provision for tax)	14,145		10,347	
Fringe Benefit Tax (net)	46		-	
Prepaid expenses	3,885		2,109	
Others	21,668	39,744	14,755	27,211
Considered doubtful				
Other than taxes and prepaid expenses	2,750		3,127	
Less: Provision for Doubtful Advances	2,750	-	3,127	-
		<u>39,744</u>	<u>14,755</u>	<u>27,211</u>
TOTAL				
Schedule 'K'				
CURRENT LIABILITIES & PROVISIONS:				
A. CURRENT LIABILITIES				
Sundry Creditors (refer note 17)	39,521		39,679	
Security Deposits	42,835		35,157	
Charter Hire (Received in Advance)	8,501		3,057	
Investor Education and Protection Fund Shall be credited by the following amount :				
Unclaimed Dividend	1,311		671	
Other Liabilities	26,092		26,303	
Interest Accrued but not due on loans	1,081	119,341	409	105,276
		<u>119,341</u>	<u>409</u>	<u>105,276</u>
B. PROVISIONS				
For Proposed Dividend	36,308		36,308	
For Tax on Proposed Dividend	6,171		5,092	
For Gratuity	738		486	
For Leave Salary	3,611		1,496	
For Fringe Benefit Tax	-		9	
		<u>46,828</u>	<u>43,391</u>	
TOTAL		<u>166,169</u>	<u>148,667</u>	

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule 'L'	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
MISCELLANEOUS EXPENDITURE: (To the extent not written off or adjusted)		
Deferred Interest in respect of Lease Finance	8,091	13,612
Less: Written off during the year	5,521	5,521
	2,570	8,091
V R S Compensation	2,785	5,571
Less: Written off during the year	2,785	2,786
	-	2,785
TOTAL	2,570	10,876

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Schedule 'M'	For the year ended 31- Mar- 2007 (Rs. in '000)	For the year ended 31-Mar-2006 (Rs. in '000)
INCOME:		
Operating earnings:		
Freight earnings and charter hire receipts etc. (Including of chartered vessels)	400,662	337,050
Other Income:		
Interest on-		
Bank deposits [Tax deducted at source Rs. 1,128 thousand (2006 - Rs. 2,109 thousand)]	6,990	8,863
Rent	44,347	31,569
Dividend income (gross) from long term other investments [tax deducted at source Rs Nil (2006-Rs Nil)]	263	4
Miscellaneous income	15,155	25,004
	66,755	65,440
TOTAL	467,417	402,490

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31-Mar-2007 (Rs. in '000)		For the year ended 31-Mar-2006 (Rs. in '000)	
Schedule 'N'				
OPERATING AND OTHER EXPENSES:				
(Including of chartered vessels)				
Salaries, Wages etc.:				
Salaries, Wages, Bonus, Gratuity, Victualling etc.	12,853		18,349	
Contribution to Employees' Provident Fund	694		665	
Contribution to Superannuation Fund	834		898	
Staff Welfare Expenses	366		666	
Manning cost	63,825	78,572	64,247	84,825
Fuel Oil and Water		28,474		12,002
Stores and Spare Parts consumed		18,601		13,971
Port Disbursement, Stevedorage, Light Dues etc.		3,129		2,891
Repairs and Survey Charges (Including Repairs to Building Rs. 4,661 thousand (2006 - Rs. 4,442 thousand))		25,830		24,169
Dry Docking Charges		21,605		8,892
Insurance & Protection Club Dues		12,718		12,244
Commission, Brokerage and Agency fees		22,797		14,216
Postage, Telephone, Telexes etc.		2,167		1,750
Rent		7,030		6,955
Rates and Taxes		864		1,440
Provision for Wealth Tax		23		26
Auditors' Remuneration				
For Statutory Audit (Includes Rs. 25 thousand for previous year)	300		275	
For Tax Audit	50		50	
For Other Services	175		-	
Service Tax on above	65	590	35	360
Directors' Fees		500		305
Claims Paid		-		11,604
Miscellaneous Expenses		21,731		19,293
Ship Management Fees		14,090		10,837
Crew Expenses		3,720		3,008
TOTAL		262,441		228,788
Schedule 'O'				
INTEREST AND OTHER FINANCE CHARGES:				
Interest on:				
Loans for fixed period	7,704		9,935	
Others	205	7,909	34	9,969
Lease Rent		-		9,269
Other Financial Charges		126		124
TOTAL		8,035		19,362

CHOWGULE STEAMSHIPS LIMITED

Schedule 'P'

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared and presented under the historical cost convention on an accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the provisions referred to in Section 211(3C) of the Companies Act, 1956. The significant accounting policies adopted in the presentation of the Accounts are as under:

i. Fixed Assets and Depreciation

Fixed assets (other than buildings) are stated at purchase price and include exchange differences arising on the conversion of foreign currency borrowings for the acquisition of ships from outside India at the year end date and exchange differences on the payment of those borrowings during the year.

Buildings have been revalued on 31st March 2002.

The Company depreciates its fleet of ships on a straight line basis at the rates specified in Schedule XIV to the Companies Act, 1956. Other assets are depreciated on written down value basis at the rates specified in Schedule XIV to the Companies Act, 1956. The cost of second hand ships, additions representing increased liability following the realignment of foreign currency conversion/translation differences and any other capital additions are depreciated with reference to their residual lives if such lives are lower than lives determined with reference to rates prescribed in Schedule XIV to the Companies Act, 1956. Otherwise, rates prescribed in the said Schedule XIV are used.

Depreciation on buildings has been provided on revalued amount. The additional depreciation on revaluation is recouped from the revaluation reserve.

ii. Investments

Investments are either classified as current or long-term investments. Current investments are carried at lower of cost or market value. Long-term investments are carried at cost of acquisition, net of diminution in value, if any, which is other than temporary.

iii. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is ascertained on a first-in-first-out basis.

iv. Unfinished Voyage

Unfinished voyages represent voyage charter earnings received, reduced by direct operating expenses, related to incomplete voyages as at the Balance Sheet date.

v. Miscellaneous Expenditure

Miscellaneous expenditure includes deferred revenue expenses incurred prior to 1st April, 2003.

- a. The interest on account of advances to a shipyard by a lessor during the construction period of the ship has been treated as deferred revenue expenditure and it is amortised in the Profit and Loss Account over the period of the lease term.
- b. VRS expenses are treated as deferred revenue expenditure and is amortised in the Profit and Loss Account over 5 years.

Consequent to the applicability of the Accounting Standard on Intangible items (AS-26) issued by the Institute of Chartered Accountants of India, with effect from 1st April, 2003, the cost of all intangible items which do not qualify for recognition as intangible assets are charged to Profit & Loss Account when incurred.

vi. Revenue Recognition

Freight and demurrage earnings are recognised on a completed voyage basis. Time Charter earnings are recognised in the year of accrual.

vii. Insurance Claims

Insurance claims for damages to ship's hull, machinery etc. are being accrued in the year of acceptance of the claim and are based on technical considerations.

viii. Employee Benefits

- a. Defined Contribution Plan

Annual contribution payable to the Provident Fund and Superannuation Fund (based on a percentage of salary) are charged as an expense as they fall due, that is, the same period as the employment gives rise to the contribution.

b. Defined Benefit Plan

Gratuity to employees is a defined benefit plan and the obligation is fully funded with the Life Insurance Corporation of India. The payment of funded benefits when they fall due depends not only on the financial position and the investment performance of the fund but also on an enterprise's ability to make good any shortfall in the fund's assets.

The obligation towards gratuity as at the Balance Sheet date is determined by an independent actuarial valuation by discounting that benefit using the 'Projected Unit Credit Method' and by using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and term of the government bonds is consistent with the currency and estimated term of the defined benefit obligation. An actuarial technique is used to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods based on estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will influence the cost of the benefit. Actuarial gains/losses arising, if any, are recognised in the Profit and Loss Account.

c. Short-term Employee Benefits

The Company recognises the undiscounted amount of short-term employee benefits like Leave Encashment, Leave Travel Allowance, etc. during the accounting period based on service rendered by employee.

ix. Transactions in Foreign Currency

a. Foreign currency transactions are recorded on initial recognition by applying the exchange rate prevailing on the date of the transaction at the commencement of the month in which the transaction takes place, if it approximates the actual rate on the date of the transaction. Otherwise, the rates prevailing at the date of the transaction are used.

b. As at balance sheet date:

- i) foreign currency monetary items are reported using the closing rate;
- ii) non monetary items that are carried at historical cost and denominated in foreign currency are reported using the exchange rate at the date of the transaction; and
- iii) non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c. Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise.

x. Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

xi. Impairment of Assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. Reversal of impairment loss is recognised immediately as income in the profit and loss account.

xii. Provisions

A provision is recognised when:

- a. there is a present obligation as a result of past event;
- b. there is a probability of an outflow of resources embodying economic benefits to settle that obligation; and
- c. an estimate of the obligation that is reliable can be made in recognising a provision.

Contingent liabilities are recognised only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Company or where any present obligation cannot be measured in terms of future outflow or resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on-going basis and only those having a largely probable outflow of resources are provided for.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised.

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xiii. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

2. The Company has undertaken an early adoption of Accounting Standard (AS) - 15 (Revised 2005) on 'Employee Benefits', with effect from 1st April, 2006. Accordingly, the Company has made a provision for defined employee benefits plan aggregating Rs.2,367 thousand. In accordance with the transitional provision in the Accounting Standard, Rs.569 thousand (net of deferred tax of Rs.123 thousand) has been adjusted against the opening balance of revenue reserves and surplus.

Staff Costs for the year ended 31st March, 2007 include provision for employee benefits as given below consequent to the adoption of the revised AS - 15: -

Employee Benefits Obligations

The amounts recognised in the balance sheet are as follows:

	2006-07 Rupees
i) Present value of funded obligations	3,108,307
ii) Fair value of plan assets	2,370,660
iii) Net Liability	(737,647)

The amounts recognised in the statement of profit and loss are as follows:

i) Current service cost	258,481
ii) Interest on obligation	189,259
iii) Expected return on plan assets	(180,100)
iv) Net actuarial losses/(gains) recognised in year	355,586
v) Expenses recognized in the statement of profit and loss	623,226

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

i) Opening defined benefit obligation	2,411,027
ii) Service cost	258,481
iii) Interest cost	189,259
iv) Actuarial losses/(gains)	340,117
v) Benefits paid	(90,577)
vi) Closing defined benefit obligation	3,108,307

Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

i) Opening fair value of plan assets	1,533,638
ii) Expected return	197,886
iii) Actuarial losses/(gains)	(17,902)
iv) Contribution by employer	747,615
v) Benefits paid	(90,577)
vi) Closing fair value of plan assets	2,370,660

The Company has the Gratuity Fund administered and managed by the Life Insurance Corporation of India (LIC). The fair value of the plan assets are based on the LIC Fund balance position as at the balance sheet date. The composition and the categories of plan assets are thus decided and managed by LIC in a manner so as to ensure optimum returns from the plan assets.

Principal actuarial assumptions at the balance sheet date are as follows:

	2006-07
i) Discount rate at 31st March	8%
ii) Expected return on plan assets at 31st March	8%
iii) Rate of increase in compensation	5%

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

3. As at the year end an amount of USD 27,980 million was held in a bank account in Singapore for the order of DVB Bank, Singapore. This amount was used for acquisition of vessel 'm.v. Maratha Providence' on 2nd April, 2007 and thus amount aggregating Rs.1,367,896 thousand has been included under 'Capital Work-in-Progress'.

	31.3.2007 (Rs.in'000)	31.3.2006 (Rs.in'000)
4. Estimated amount of contracts remaining to be executed on capital account not provided for	201	218
5. Secured loans include amounts due within one year	131,310	42,393
6. Amount remitted during the year in Foreign Currency on account of dividends		
i) Number of Shareholders	11	11
ii) Number of Shares held	3,635,068	3,635,068
iii) Amount remitted (in Rs.'000)	3,635	3,635
iv) Year to which dividend relates	2005-06	2004-05
7. Director's Remuneration :		
Salary	2,763	3,985
Company's contribution to Provident fund	205	251
Company's contribution to Superannuation Fund	251	207
Value of perquisites	70	4,605
Total	<u>3,289</u>	<u>9,048</u>

Notes :

- a) The remuneration paid during the year to the Managing Director of the Company, who has been appointed with effect from 1st September, 2006 is subject to the approval of the members at the forthcoming Annual General meeting of the Company.
- b) The above does not include contribution to Gratuity Fund in respect of the Managing Director as the amounts are actuarially determined for the Company as a whole.
- c) As the Company has not paid any commission to the Directors, computation of profit in accordance with Section 349 of the Companies Act, 1956 is not furnished.
8. Contingent Liabilities (not provided for) in respect of Sales Tax demands against which the Company has preferred appeals amounts to Rs.23,700 thousand (2006-Rs.23,700 thousand) against the Order of the Appellate Assistant Commissioner, Chennai, confirming the Order of the Commercial Tax Officer for the Assessment Year 1995-96 in respect of charter hire of the vessel, 'm.v. Maratha Prudence'. The Company has already deposited Rs.4,740 thousand (including refunds withheld by the authorities) and executed a bond of Rs.21,804 thousand in respect of the said claim. The Company does not expect any liability to devolve on it in respect of the above and therefore no provision is held.
9. In accordance with the policy adopted by the Company, interest paid to lessor during construction of ship that has been treated as deferred revenue expenditure and is being amortised in the Profit and Loss Account over the period of the lease term, has been written off to the extent of Rs.5,521 thousand (2006-Rs.5,521 thousand).
10. Profit and Loss account includes exchange loss (net) Rs.4,720 thousand (2006- exchange gain [net] of Rs.8,274 thousand).

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11. The Company revalued its block of assets under 'Buildings' as on 31.03.2002. The revaluation had been carried out based on a report by an independent professional valuer. The revalued amounts are as under:

Buildings	Historical cost as on 31.03.2002 (Rs. in '000)	W.D.V. as on 31.03.2002 (Rs. in '000)	Revalued Amount (Substituted for original cost) as on 31.03.2002 (Rs. in '000)	Difference in W.D.V. and revalued amount (Rs. in '000)
Leasehold land –Office Premises	2,445	758	206,999	206,241
Leasehold land –Staff Quarters	175	56	13,663	13,607
Freehold land –Staff Quarters	1,441	764	11,792	11,028
TOTAL	4,061	1,578	232,454	230,876

The revaluation was based on comparable sale approach, taking into consideration situation of buildings, size, specification of construction, existing amenities and demand for such type of buildings in same locality and prevailing market for such type of buildings. Revaluation reserve was appropriately created for the same.

12. Depreciation provided on the revalued portion of the buildings amounting to Rs.8,822 thousand (2006 - Rs.9,287 thousand) has been directly adjusted from the revaluation reserve.

13. Segment Reporting:

The Company treats 'Shipping' as single business segment and therefore details of segments are not separately shown. Given the nature of the business there are no Geographic Segments either.

14. Related Party Transactions:

As per Accounting Standards (AS) 18 issued by the Institute of Chartered Accountants of India, the transactions with Company's related parties in terms of AS 18 are disclosed below:

Affiliates mentioned are mainly companies who have shareholding of more than 20% in the Company or common Directors.

Names of the related parties where control exists

Chowgule Steamships Overseas Ltd. (CSOL) - Wholly owned subsidiary - Incorporated in Guernsey.

Sunshine LLC - Wholly owned subsidiary of CSOL - Incorporated in The Marshall Islands.

Fairweather LLC - Wholly owned subsidiary of CSOL - Incorporated in The Marshall Islands.

Blue Ocean LLC - Wholly owned subsidiary of CSOL - Incorporated in The Marshall Islands.

The names of the related parties and description of relationship where transactions have taken place during the year pertain to only the holding company as Chowgule Steamships Overseas Ltd. (CSOL) is exempt by their local laws from disclosing the related party transactions.

Names of the related parties and description of relationship where transactions have taken place during the year:

Name of the related party	Nature of transactions
Key Management Personnel M. P. Patwardhan - Managing Director (with effect from 1st September, 2006)	<u>Remuneration</u> M. P. Patwardhan - Rs. 3,289 thousand
Wholly owned Subsidiary Chowgule Steamships Overseas Ltd	<u>Investment</u> The Company has made investment of Rs. Nil (previous year Rs. 266,590 thousand)
Associates Chowgule & Company Pvt. Ltd. (CCPL) (Private limited company with effect from 21st November, 2006)	The Company has paid Rs. 6,720 thousand (Previous year Rs. 6,720 thousand) towards Rent.
Chowgule Brothers Pvt. Ltd. (CBPL)	The Company has reimbursed costs aggregating Rs. 2,065 thousand (Previous year Rs. 59 thousand) incurred towards agency fees and port related expenses to CBPL.
Chowgule Industries Pvt. Ltd. (CIPL) (Private limited company with effect from 28th December, 2006)	The Company has incurred expenses of Rs. Nil. (Previous year Rs. 46 thousand) for services rendered by CIPL.

Amounts due to/from related parties:

Name of the Related Party	Amounts Payable/Receivable (Rs. in '000)
Chowgule & Company Pvt. Ltd. (CCPL) (Private limited company with effect from 21st November, 2006)	Rs.12,664 thousand payable (Previous year Rs.12,894 thousand payable)
Chowgule Brothers Pvt. Ltd. (CBPL)	Rs.160 thousand receivable (Previous year Rs.149 thousand payable)

15. As per Accounting Standard (AS) 20 on 'Earnings Per Share' (Basic and Diluted), issued by the Institute of Chartered Accountants of India, the earning per share of the Company is as under:

	2006-07	2005-06
Net Profit / (Loss) available to Equity Share Holders (Rs. in thousand)	71,727	108,977
Number of Equity shares	36,308,425	36,308,425
Face Value per Equity Share (Rs.)	10	10
Basic & Diluted Earnings Per Share (Rs.)	1.98	3.00

16. The net deferred tax liability comprises of the following components :

	For the year 31.03.2007 (Rs in '000)	For the year 31.03.2006 (Rs. in '000)
Computation of deferred tax (liability) / asset:		
a) Provision for doubtful debts and advances	12,498	11,200
b) Related to employees' benefits	1,478	---
c) Other disallowances	---	668
Deferred Tax Asset (A)	<u>13,976</u>	<u>11,868</u>
a) Difference between tax depreciation & book depreciation	(207,467)	(225,705)
b) Pursuant to the adoption of the revised AS-15 on 'Employee Benefits', the additional obligations adjusted against the opening balance of revenue reserves and surplus as at 1st April, 2006 net of related tax expense	(123)	--
Deferred Tax Liability (B)	<u>(207,590)</u>	<u>(225,705)</u>
Net Deferred Tax Liability at the year end	<u>(193,614)</u>	<u>(213,837)</u>

The Company has recognised in the Profit and Loss Account the net deferred tax asset of Rs.20,346 thousand (2006- net deferred tax asset of Rs 38,165 thousand in the Profit & Loss Account).

17. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.
18. (a) The Department of Company Affairs, Government of India vide its order no. 46/241/2006-CL-III dated 19th December, 2006 issued under section 211 (4) of the Companies Act, 1956 has exempted the Company from disclosure of quantitative details in the Profit & Loss Account under paragraphs 4-D(a), (b), (c) and (e) of Part II to Schedule VI of the Companies Act, 1956.
- (b) The Department of Company Affairs, Government of India vide its order no. 47/334/2006-CL-III dated 15th December, 2006 issued under section 212 (8) of the Companies Act, 1956 has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of subsidiaries under Section 212 (1) of the Companies Act, 1956. As per the order, key details of each subsidiary are attached along with the statement under Section 212 of the Companies Act, 1956.
19. Previous year's figures have been regrouped wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

M.P. PATWARDHAN
Managing Director

VIJAY V. CHOWGULE
Chairman

V. S. MURTHY
Vice President &
Company Secretary

S.Y. REGE
Director

Mumbai,
Dated : April 26, 2007

M. S. SAWANT
Vice President & CFO

CHOWGULE STEAMSHIPS LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Names of the Subsidiary Companies	Chowgule Steamships Overseas Ltd. (See Foot Note 1)	Fairweather LLC (See Foot Note 2)	Sunshine LLC (See Foot Note 2)	Blue Ocean LLC (See Foot Note 2)
1. The relevant financial year of the subsidiary ended	31.3. 2007	31.3. 2007	31.3. 2007	31.3.2007
2. No. of shares in the subsidiary Company held by Holding Company as on 31 st March 2007	92,00,000 Shares each of US\$ 1	1,000 Shares each of US\$1	1,000 Shares each of US\$1	1,000 Shares each of US\$1
3. Extent of holding by Holding Company as on 31 st March 2007	100%	100%	100%	100%
4. The net aggregate of the Subsidiary Companies' profits/(losses) so far as they concern the members of the Holding Company				
(a) Not dealt within the Holding Company's accounts :				
i) for the year ended 31.3.2007	US\$ (10,578) Rs.(456,652)	US\$ 6,311,044 Rs.272,447,769	US\$ 1,955,894 Rs.84,435,944	US\$ 966,956 Rs.41,743,.490
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	US\$ 702,206 Rs. 30,314,233	US\$ (657,714) Rs. (28,393,513)	US\$ 2,234,317 Rs. 96,455,465	US\$ (360,338) Rs. (15,555,791)
(b) Dealt within the Holding Company's accounts :				
i) for the year ended 31.3.2007	NIL	NIL	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	NIL	NIL	NIL	NIL

Notes :

- 100% subsidiary of Chowgule Steamships Ltd.
- 100% subsidiary of Chowgule Steamships Overseas Ltd.

For and on behalf of the Board of Directors

M.P. PATWARDHAN
Managing Director

VIJAY V. CHOWGULE
Chairman

V. S. MURTHY
Vice President & Company Secretary

S.Y. REGE
Director

Mumbai,
Dated : April 26, 2007

M. S. SAWANT
Vice President & CFO

Details of Subsidiary Companies

Amount in '000

Sr. No.	Particulars	Chowgule Steamships Overseas Limited		Fairweather LLC		Sunshine LLC		Blue Ocean LLC	
		INR	USD	INR	USD	INR	USD	INR	USD
1	Capital	397,164	9,200	43	1	43	1	43	1
2	Reserves	480,223	11,124	244,040	5,653	180,882	4,190	26,204	607
3	Total Assets	1,731,462	40,108	340,352	7,884	829,986	19,226	794,242	18,398
4	Total Liabilities	1,731,462	40,108	340,352	7,884	829,986	19,226	794,242	18,398
5	Details of Investments	130	3	-	-	-	-	-	-
6	Total Income	616,813	14,288	96,096	2,226	274,043	6,348	246,069	5,700
7	Profit on sale of ship	347,346	8,046	347,346	8,046	-	-	-	-
8	Profit before taxation	398,157	9,223	272,446	6,311	84,440	1,956	41,745	967
9	Provision for taxation	-	-	-	-	-	-	-	-
10	Profit after taxation	398,157	9,223	272,446	6,311	84,440	1,956	41,745	967
11	Proposed Dividend	-	-	-	-	-	-	-	-

Exchange rate as on 31.03.2007
1 USD = Rs. 43.1700

For and on behalf of the Board of Directors

M.P. PATWARDHAN
Managing Director

VIJAY V. CHOWGULE
Chairman

V. S. MURTHY
Vice President & Company Secretary

S.Y. REGE
Director

Mumbai,
Dated : April 26, 2007

M. S. SAWANT
Vice President & CFO

CHOWGULE STEAMSHIPS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of amendment to schedule VI part IV)

I. Registration Details

Registration No.	<input type="text" value="24-00002"/>	State Code	<input type="text" value="24"/>
Balance Sheet	<input type="text" value="31"/>	<input type="text" value="03"/>	<input type="text" value="2007"/>
	Date	Month	Year

II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

	Total Liabilities	Total Assets
	<input type="text" value="2675168"/>	<input type="text" value="2675168"/>
Sources of Funds	Paid-up Capital	Reserves & Surplus
	<input type="text" value="363084"/>	<input type="text" value="805193"/>
	Secured Loans	Unsecured Loans
	<input type="text" value="1313277"/>	<input type="text" value="NIL"/>
	Deferred Tax Liability	
	<input type="text" value="193614"/>	

Application of Funds

Net Fixed Assets	<input type="text" value="2253754"/>	Investments	<input type="text" value="422336"/>
Net Current Assets	<input type="text" value="(3492)"/>	Misc.Expenditure	<input type="text" value="2570"/>
Accumulated Losses	<input type="text" value="NIL"/>		

IV. Performance of the Company (Amount in Rs. Thousand)

Turnover & Other income	<input type="text" value="467427"/>	Total Expenditure	<input type="text" value="355050"/>
Profit/(Loss) Before Tax	<input type="text" value="112377"/>	Profit/(Loss) After Tax	<input type="text" value="71727"/>
Earning Per Share in Rs	<input type="text" value="1.98"/>	Dividend Rate %	<input type="text" value="10%"/>

V. Generic Name of Principal Product/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text" value="Not Applicable"/>
Product Description	<input type="text" value="Ship Owners and Charterers"/>

For and on behalf of the Board of Directors

M.P. PATWARDHAN
Managing Director

V. S. MURTHY
Vice President & Company Secretary

M. S. SAWANT
Vice President & CFO

VIJAY V. CHOWGULE
Chairman

S.Y. REGE
Director

Mumbai,
Dated : April 26, 2007

AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF
CHOWGULE STEAMSHIPS LIMITED
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
CHOWGULE STEAMSHIPS LIMITED AND ITS SUBSIDIARIES**

1. We have audited the attached Consolidated Balance Sheet of **CHOWGULE STEAMSHIPS LIMITED** and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries whose financial statements reflect total assets of Rs.1,731,443 thousand as at 31st March, 2007 and total revenues of Rs.978,462 thousand and net cash outflows amounting Rs.297,625 thousand for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion in so far as it relates to amounts included in respect of these subsidiaries, is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard on Consolidated Financial Statements (AS -21) issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements of the subsidiaries and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of Consolidated Balance Sheet of the state of affairs of the Group as at 31st March, 2007;
 - b. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year then ended; and
 - c. in case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year then ended.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

MOHAMMED Z. MERCHANT
Partner
Membership No. 31971

Mumbai,
Dated : April 26, 2007

CHOWGULE STEAMSHIPS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	As at 31-Mar-2007 (Rs. in '000)		As at 31-Mar-2006 (Rs. in '000)	
I SOURCES OF FUNDS:					
1 Shareholders' Funds:					
Capital	A	363,084		363,084	
Reserves & Surplus	B	1,231,446	1,594,530	806,865	1,169,949
2 Loan Funds:					
Secured Loans	C		2,106,526		1,144,972
3 Deferred tax liability (Net)			193,614		213,837
	TOTAL		3,894,670		2,528,758
II APPLICATION OF FUNDS:					
1 Fixed Assets:					
Gross Block	D	3,150,592		3,422,932	
Less: Depreciation		1,142,003		1,034,963	
Net Block		2,008,589		2,387,969	
Add: Capital work in progress and advances for capital goods (See note 4)		1,503,044	3,511,633	18,000	2,405,969
2 Investments	E		3,157		15
3 Current Assets, Loans & Advances					
Inventories	F	8,610		7,612	
Sundry Debtors	G	8,222		5,299	
Cash and Bank Balances	H	540,237		261,603	
Other Current Assets	I	568		14	
Loans and Advances	J	45,266		38,821	
		602,903		313,349	
4 Less: Current Liabilities & Provisions	K				
i. Current Liabilities		178,765		158,060	
ii. Provisions		46,828		43,391	
		225,593		201,451	
Net Current Assets			377,310		111,898
5 Miscellaneous Expenditure (to the extent not written off or adjusted)	L		2,570		10,876
	TOTAL		3,894,670		2,528,758
Notes to the accounts	P				

Schedules referred to above form an integral part of this Balance Sheet and should be read in conjunction therewith.

In terms of our report of even date.

For S.B. BILLIMORIA & CO.
Chartered Accountants

M.P. PATWARDHAN
Managing Director

For and on behalf of the Board of Directors
VIJAY V. CHOWGULE
Chairman

MOHAMMED Z. MERCHANT
Partner

V.S. MURTHY
Vice President & Company Secretary

S.Y. REGE
Director

Mumbai,
Dated : April 26, 2007

M. S. SAWANT
Vice President & CFO

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	For the year ended 31-Mar-2007 (Rs. in '000)	For the year ended 31-Mar-2006 (Rs. in '000)
INCOME:			
Operating Earnings	M	1,010,194	742,545
Other Income	M	82,870	79,706
Profit on Sale of Assets		10	101
Reversal of Provision for Doubtful Debts (on recovery)		-	35,434
		1,093,074	857,786
EXPENDITURE:			
Operating and Other Expenses	N	614,569	452,266
Interest and Other Financial Charges	O	70,134	54,553
Depreciation (net of draw down from revaluation reserve) D		245,149	216,690
Provision for doubtful debts		4,167	-
		934,019	723,509
Profit before Sale of Ships and Taxation		159,055	134,277
Profit on Sale of Ships		352,511	-
Profit before Taxation		511,566	134,277
Provision for Taxation - Current		(60,650)	(40,036)
Reversal for Deferred Tax Liability		20,346	38,165
Provision for Fringe Benefits Tax		(346)	(1,431)
Income Tax of earlier years		-	(675)
Net Profit for the year after Taxation		470,916	130,300
Profit & Loss account brought forward		223,915	135,362
Profit Available for Appropriation		694,831	265,662
Proposed Final Dividend		36,308	36,308
Tax on Proposed Final Dividend		6,171	5,092
Short Provision of Dividend Tax of earlier year		-	347
Balance Transferred to Balance Sheet		652,352	223,915
Earning Per Share (See note 17)		12.97	3.59
Notes to the Accounts	P		

Schedules referred to above form an integral part of this Profit and Loss Account and should be read in conjunction therewith. In terms of our report of even date.

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

MOHAMMED Z. MERCHANT
Partner

Mumbai,
Dated : April 26, 2007

M.P. PATWARDHAN
Managing Director

V.S. MURTHY
Vice President & Company Secretary

M. S. SAWANT
Vice President & CFO

For and on behalf of the Board of Directors
VIJAY V. CHOWGULE
Chairman

S.Y. REGE
Director

CHOWGULE STEAMSHIPS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007.

	Year ended 31-Mar-2007 (Rs. in '000)	Year ended 31-Mar-2006 (Rs. in '000)
A. Cash flow from operating activity		
Net Profit/(Loss) before taxation	511,566	134,277
Adjusted for:		
Depreciation	245,149	216,690
Provision for Employee Benefits	1,798	506
Provision for doubtful debts	4,167	-
Reversal of provision for doubtful debts	-	(35,434)
Miscellaneous expenditure written off	8,306	12,823
Foreign exchange translation differences	(2,235)	1,698
Bank interest and dividend	(22,384)	(12,377)
Loss on sale of current investments	18	-
Loss/(Profit) on sale of fixed assets	(352,447)	(101)
Interest & other finance charges	70,134	54,553
Operating profit before working capital change	464,072	372,635
Adjusted for:		
(Increase)/decrease in trade & other receivables	(9,702)	40,485
(Increase)/decrease in inventories	(998)	(983)
Increase/(decrease) in trade payables	15,514	42,829
Operating profit before tax payments	468,886	454,966
Net Tax (payment) / Recovery	(64,816)	(50,259)
Net cash from / (used in) operating activities	404,070	404,707
B. Cash flow from investing activities		
Purchase of fixed assets	(1,486,959)	(968,063)
Sale of fixed assets	480,808	387
Reduction in acquisition costs on account of exchange gain realised on corresponding foreign currency loan	(1,040)	(529)
Sale of investments	41,600	-
Purchase of investments	(44,759)	-
Interest received	21,565	13,796
Dividend received	263	4
Net cash from / (used in) investing activities	(988,522)	(954,405)
C. Cash flow from financing activities		
Proceeds from borrowings	1,316,060	622,300
Repayment of borrowings	(351,547)	(178,702)
Reduction in liability on account of exchange gain realised on corresponding foreign currency loan	(1,040)	(662)
Interest paid	(65,162)	(54,985)
Dividend & tax paid thereon	(40,760)	(40,729)
Net cash from / (used in) financing activities	857,551	347,222
Adjustment in Foreign Currency Translation Reserve	5,535	6,359
Net increase/(decrease) in cash and cash equivalents	278,634	(196,117)
Opening cash and cash equivalents as at 1st April	261,603	457,720
Closing cash and cash equivalents as at 31st March	540,237	261,603
	Year ended 31-Mar-2007 (Rs. in '000)	Year ended 31-Mar-2006 (Rs. in '000)
Effect of exchange rate changes on cash and cash equivalents		
Cash on hand and balances with banks	543,389	259,237
Effect of exchange rate change favourable / (adverse)	(3,152)	2,366
Cash & Cash Equivalents as restated	540,237	261,603

Per our report attached

For S.B. BILLIMORIA & CO.
Chartered Accountants

MOHAMMED Z. MERCHANT
Partner

Mumbai,
Dated : April 26, 2007

M.P. PATWARDHAN
Managing Director

V.S. MURTHY
Vice President &
Company Secretary

M. S. SAWANT
Vice President & CFO

For and on behalf of the Board of Directors

VIJAY V. CHOWGULE
Chairman

S.Y. REGE
Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule 'A'	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
CAPITAL:		
Authorised:		
5,00,00,000 (2006-5,00,00,000) Equity shares of Rs. 10/- each	500,000	500,000
25,00,00,000 (2006-25,00,00,000) Redeemable preference shares of Rs. 100/- each	250,000	250,000
	<u>750,000</u>	<u>750,000</u>
Issued, Subscribed and called up:		
3,63,08,425 (2006-3,63,08,425) Equity shares of Rs. 10/- each	363,084	363,084
Paid-up:		
3,63,08,425 (2006-3,63,08,425) Equity shares of Rs. 10/- each	363,084	363,084
TOTAL	<u>363,084</u>	<u>363,084</u>

Note: Of the above, 34,65,000 shares of Rs. 10/- each have been allotted as fully paid up by way of bonus shares by capitalisation of Development Rebate Reserve.

Schedule 'B'

RESERVES & SURPLUS:

Capital Reserve:		
Balance	1,196	1,196
Revaluation Reserve:		
Opening Balance	176,449	185,736
Less: Transferred to Profit & Loss account (See note 13)	(8,822)	(9,287)
	<u>167,627</u>	<u>176,449</u>
Capital Redemption Reserve:		
Balance	3,000	3,000
Share Premium:		
Balance	292,201	292,201
General Reserve (Statutory):		
Balance	100,321	100,321
General Reserve (Other):		
Opening Balance	16,957	16,957
Add/(Less): Employee Benefits (Net of deferred tax liability Rs. 123 thousand) (See note 3)	(569)	-
	<u>16,388</u>	<u>16,957</u>
Profit and Loss Account:		
Balance as per Profit and Loss account attached to the Balance Sheet	652,352	223,915
Foreign Currency Translation Reserve :		
Opening Balance	(7,174)	(13,533)
Additions / (deductions) during the year	5,535	6,359
	<u>(1,639)</u>	<u>(7,174)</u>
TOTAL	<u>1,231,446</u>	<u>806,865</u>

CHOWGULE STEAMSHIPS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule 'C'	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
SECURED LOANS: (See note 6)		
From Banks:		
<i>Cash Credit:</i>		
From State Bank of India:		
Secured against hypothecation of book debts and stocks / stores aboard the vessels and first equitable mortgage on the Company's office premises	177	219
<i>Term Loans:</i>		
From DBS Bank, Singapore:		
Secured by mortgage of Ship	-	42,393
From DVB Bank, Singapore :		
Secured by mortgage of ships	2,106,349	1,102,360
TOTAL	<u>2,106,526</u>	<u>1,144,972</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007**Schedule 'D'**

(Rs. in '000)

FIXED ASSETS	COST				DEPRECIATION				WRITTEN DOWN VALUE		
	As at 31-Mar 2006	Additions during the year	Deductions during the year	As at 31-Mar 2007	As at 31-Mar 2006	For the year on original Cost	adjusted against Corresponding down from revaluation reserve	Scrapped during the year	Deductions during the year	As at 31-Mar 2007	As at 31-Mar 2006
Land	4,263	-	-	4,263	-	-	-	-	-	4,263	4,263
Fleet #	3,180,394	1,040	272,487	2,908,947	980,548	243,571	-	145,196	1,078,923	1,830,024	2,199,846
Buildings: (See note 12)											
On Leasehold land - Office Premises \$	208,686	-	-	208,686	40,083	31	8,399	-	-	160,173	168,603
On Freehold land - Staff Quarters \$\$	11,043	-	-	11,043	2,354	11	423	-	-	8,255	8,689
Furniture and Fixtures	6,227	-	-	6,227	3,984	407	-	4	-	1,832	2,243
Office Equipments	7,627	38	-	7,665	4,833	472	-	187	-	2,173	2,794
Motor Cars	4,692	1,874	2,805	3,761	3,161	460	-	6	1,735	1,869	1,531
TOTAL	3,422,932	2,952	275,292	3,150,592	1,034,963	244,952	8,822	197	146,931	2,008,589	2,387,969
Previous Year	2,462,174	962,238	1,480	3,422,932	810,180	216,690	9,287	-	1,194	1,034,963	

Additions during the year

- Rs. 1,040 thousand (2006-Rs. 1,361 thousand) on account of increase in the rupee liability of foreign currency loans consequent to a change in exchange rates; and

- Rs. 48,000 thousand decrease (2006-Rs. 15,170 thousand increase) on account of restatement of opening gross block relating to non-integral foreign operations consequent to change in the exchange rate.

Depreciation for the year includes Rs. 6,394 thousand (2006-Rs. 1,546 thousand) on account of restatement of the opening accumulated depreciation relating to non-integrated foreign operations consequent to change in the exchange rate.

\$ Includes cost of five shares of Rs 50/- each fully paid in Bakhtawar Commercial Premises Co-operative Society Limited.

\$ \$ Includes cost of five shares of Rs 50/- each fully paid in Dadar Paschim Apartments Co-operative Housing Society Limited and cost of five shares of Rs 50/- each fully paid in Olympus Co-operative Housing Society Limited.

CHOWGULE STEAMSHIPS LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
Schedule 'E'		
INVESTMENTS: (At cost)		
LONG TERM:		
<i>Non-Trade investments:</i>		
Quoted:		
50 (2006 - 50) Equity shares of Rs 10/- each fully paid in Garware Offshore Services Limited (Previously known as Garware Shipping Corporation Ltd.)	1	1
700 (2006 - 700) Equity shares of Rs 10/- each fully paid in Essar Shipping Limited	3	3
16 (2006 - 16) Equity shares of Rs 10/- each fully paid in Mahindra GESCO Ltd.	-	-
30 (2006 - Nil) Equity shares of Rs 10/- each fully paid in Great Offshore Ltd. (Received on splitting of shares of The Great Eastern Shipping Company Limited)	-	-
121 (2006 - 152) Equity shares of Rs 10/- each fully paid in The Great Eastern Shipping Company Limited	2	2
150 (2006 - 150) Equity shares of Rs 10/- each fully paid in Varun Shipping Company Limited	2	2
150 (2006 - 150) Equity shares of Rs 10/- each fully paid in ICICI Bank Limited	5	5
100 (2006 - 100) Equity shares of Rs 10/- each fully paid in Shreyas Shipping Limited	1	1
50 (2006 - 50) Equity shares of Rs 10/- each fully paid in The Shipping Corporation of India Limited	1	1
CURRENT :		
Unquoted: In Mutual Fund Units		
DSP Merrill Lynch Floating Rate Fund	3,142	-
Purchased during the year 4,457,615.39 (2006 - Nil)		
Sold during the year 4,144,048.65 (2006 - Nil)		
TOTAL	3,157	15
Aggregate amount of quoted investments	15	15
Aggregate amount of unquoted investments	3,142	-
Aggregate market value of quoted investments	246	203
Schedule 'F'		
INVENTORIES:		
Stores and Spare parts	225	746
Fuel Oil and Lube Oil on Ships	8,385	6,866
TOTAL	8,610	7,612
Schedule 'G'		
SUNDRY DEBTORS (UNSECURED):		
Considered good		
Over six months	588	389
Others	7,634	4,910
Considered doubtful		
Over six months	34,019	30,149
Others	-	-
	34,019	30,149
Less: Provision for Doubtful Debts	34,019	30,149
TOTAL	8,222	5,299

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2007**

	As at 31-Mar-2007 (Rs. in '000)	As at 31-Mar-2006 (Rs. in '000)
Schedule 'H'		
CASH AND BANK BALANCES:		
Cash on hand	5	24
Balances with Scheduled Banks on-		
Current Account	63,079	73,556
Call Account	221	222
Fixed Deposit Account	476,932	187,801
TOTAL	540,237	261,603
Schedule 'I'		
OTHER CURRENT ASSETS:		
Accrued Interest on Fixed Deposits with Banks	568	14
TOTAL	568	14
Schedule 'J'		
LOANS & ADVANCES: (Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good		
Advance Income Tax (Net of provision for tax)	14,145	10,347
Fringe Benefit Tax (net)	46	-
Prepaid expenses	8,494	5,415
Others	22,581	23,059
Considered doubtful		
Other than taxes and prepaid expenses	2,750	3,127
Less: Provision for Doubtful Advances	2,750	3,127
TOTAL	45,266	38,821
Schedule 'K'		
CURRENT LIABILITIES & PROVISIONS:		
A. CURRENT LIABILITIES		
Sundry Creditors (refer note 19)	84,777	76,010
Security Deposits	42,835	35,157
Charter Hire (Received in Advance)	18,334	19,510
Investor Education and Protection Fund Shall be credited by the following amount :		
Unclaimed Dividend	1,311	671
Other Liabilities	26,092	26,303
Interest Accrued but not due on loans	5,416	409
B. PROVISIONS		
For Proposed Dividend	36,308	36,308
For Tax on Proposed Dividend	6,171	5,092
For Gratuity	738	486
For Leave Salary	3,611	1,496
For Fringe Benefit Tax	-	9
TOTAL	225,593	201,451

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule 'L'	As at 31-Mar-2007 (Rs. in '000)		As at 31-Mar-2006 (Rs. in '000)	
MISCELLANEOUS EXPENDITURE: (To the extent not written off or adjusted)				
Deferred Interest in respect of Lease Finance	8,091		13,612	
Less: Written off during the year	5,521	2,570	5,521	8,091
Deferred dry-dock expenses	-		4,516	
Less : Written off during the year	-	-	4,516	-
V R S Compensation	2,785		5,571	
Less: Written off during the year	2,785	-	2,786	2,785
TOTAL		2,570		10,876

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Schedule 'M'	For the year ended 31- Mar- 2007 (Rs. in '000)		For the year ended 31-Mar-2006 (Rs. in '000)	
INCOME:				
Operating earnings:				
Freight earnings and charter hire receipts etc. (Including of chartered vessels)		1,010,194		742,545
Other Income:				
Interest on-				
Bank deposits [Tax deducted at source Rs. 1,128 thousand (2006 - Rs. 2,109 thousand)]		22,121		12,373
Rent		44,347		31,569
Dividend income (gross) from long term other investments [tax deducted at source Rs Nil (2006-Rs Nil)]		263		4
Miscellaneous income		16,139		35,760
		82,870		79,706
TOTAL		1,093,064		822,251

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31-Mar-2007 (Rs. in '000)		For the year ended 31-Mar-2006 (Rs. in '000)	
Schedule 'N'				
OPERATING AND OTHER EXPENSES:				
(Including of chartered vessels)				
Salaries, Wages etc.:				
Salaries, Wages, Bonus, Gratuity, Victualling etc.	12,853		18,349	
Contribution to Employees' Provident Fund	694		665	
Contribution to Superannuation Fund	834		898	
Staff Welfare Expenses	749		752	
Manning cost	130,863	145,993	112,500	133,164
Fuel Oil and Water		55,436		11,907
Stores and Spare Parts consumed		65,419		26,418
Port Disbursement, Stevedorage, Light Dues etc.		9,731		3,322
Repairs and Survey Charges (Including Repairs to Building Rs. 4,661 thousand (2006 – Rs. 4,442 thousand))		87,064		36,723
Dry Docking Charges		51,528		78,905
Insurance & Protection Club Dues		36,335		34,234
Commission, Brokerage and Agency fees		65,921		39,151
Postage, Telephone, Telexes etc.		4,746		3,357
Rent		7,030		6,955
Rates and Taxes		1,029		2,310
Provision for Wealth Tax		23		26
Auditors' Remuneration				
For Statutory Audit (Includes Rs. 25 thousand for previous year)	997		850	
For Tax Audit	50		50	
For Other Services	175		-	
Service Tax on above	65	1,287	35	935
Directors' Fees		500		305
Claims Paid		-		11,604
Miscellaneous Expenses		43,165		34,035
Ship Management Fees		28,509		21,311
Crew Expenses		10,853		7,604
TOTAL		614,569		452,266
Schedule 'O'				
INTEREST AND OTHER FINANCE CHARGES:				
Interest on:				
Loans for fixed period	69,803		42,351	
Others	205	70,008	34	42,385
Lease Rent		-		9,269
Other Financial Charges		126		2,899
TOTAL		70,134		54,553

CHOWGULE STEAMSHIPS LIMITED

Schedule 'P'

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

1. CONSOLIDATION OF ACCOUNTS

A. Basis of preparation

The Consolidated Balance Sheet and consolidated Profit & Loss Account include the accounts of Chowgule Steamships Limited (CSL) and its wholly owned subsidiary Chowgule Steamships Overseas Limited (CSOL) and the subsidiaries of CSOL viz. Sunshine LLC, Fairweather LLC & Blue Ocean LLC. Reference in these notes to the Company shall mean to include CSL, CSOL, Sunshine LLC, Fairweather LLC & Blue Ocean LLC unless otherwise stated. The particulars of the subsidiaries whose financial statements are consolidated are given below.

Name of the Company	Country of Incorporation	% of Holding
Chowgule Steamships Overseas Ltd. (CSOL)	Guernsey	100%
Sunshine LLC	The Marshall Islands	100%
Fairweather LLC	The Marshall Islands	100%
Blue Ocean LLC	The Marshall Islands	100%

For the purpose of consolidation of CSOL; Sunshine LLC, Fairweather LLC and Blue Ocean LLC, assets and liabilities in US dollar terms have been converted at the year end exchange rate and income and expenditure have been converted at the average exchange rate for the year.

The consolidated accounts have been prepared to conform with the Accounting Standard on Consolidated Financial Statements (AS-21) issued by the Institute of Chartered Accountants of India.

2. SIGNIFICANT ACCOUNTING POLICIES

i. Basis of Accounting

The financial statements are prepared under the historical convention and are in accordance with the requirements of the Companies Act, 1956 and in conformity with the accounting principles generally accepted in India.

ii. Fixed Assets and Depreciation

Fixed assets (other than buildings) are stated at purchase price and include exchange differences arising on the conversion of foreign currency borrowings for the acquisition of ships from outside India at the year end date and exchange differences on the payment of those borrowings during the year.

Buildings have been revalued on 31st March 2002.

The Company depreciates its fleet of ships on a straight line basis at the rates specified in Schedule XIV to the Companies Act, 1956. Other assets are depreciated on written down value basis at the rates specified in Schedule XIV to the Companies Act, 1956. The cost of second hand ships, additions representing increased liability following the realignment of foreign currency conversion/translation differences and any other capital additions are depreciated with reference to their residual lives if such lives are lower than lives determined with reference to rates prescribed in Schedule XIV to the Companies Act, 1956. Otherwise, rates prescribed in the said Schedule XIV are used.

Depreciation on buildings has been provided on revalued amount. The additional depreciation on revaluation is recouped from the revaluation reserve.

iii. Investments

Investments are either classified as current or long-term investments. Current investments are carried at lower of cost or market value. Long-term investments are carried at cost of acquisition, net of diminution in value, if any, which is other than temporary.

iv. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is ascertained on a first-in-first-out basis.

v. Unfinished Voyage

Unfinished voyages represent voyage charter earnings received, reduced by direct operating expenses, related to incomplete voyages as at the Balance Sheet date.

vi. Miscellaneous Expenditure

Miscellaneous expenditure includes deferred revenue expenses incurred prior to 1st April, 2003.

a. The interest on account of advances to a shipyard by a lessor during the construction period of the ship has been treated as deferred revenue expenditure and it is amortised in the Profit and Loss Account over the period of the lease term.

b. VRS expenses are treated as deferred revenue expenditure and will be amortised in the Profit and Loss Account over 5 years.

Consequent to the applicability of the Accounting Standard on Intangible items (AS-26) issued by the Institute of Chartered Accountants of India, with effect from 1st April, 2003, the cost of all intangible items which do not qualify for recognition as intangible assets are charged to Profit & Loss Account when incurred.

vii. Revenue Recognition

Freight and demurrage earnings are recognised on a completed voyage basis. Time Charter earnings are recognised in the year of accrual.

viii. Bareboat Charges

Bareboat charges payable under bareboat charter agreements are charged against income on a straight line basis over the charter term.

ix. Insurance Claims

Insurance claims for damages to ship's hull, machinery etc. are being accrued in the year of acceptance of the claim and are based on technical considerations.

x. Employee Benefits

a) Defined Contribution Plan

Annual contribution payable to the Provident Fund and Superannuation Fund (based on a percentage of salary) are charged as an expense as they fall due, that is, the same period as the employment gives rise to the contribution.

b) Defined Benefit Plan

Gratuity to employees is a defined benefit plan and the obligation is fully funded with the Life Insurance Corporation of India. The payment of funded benefits when they fall due depends not only on the financial position and the investment performance of the fund but also on an enterprise's ability to make good any shortfall in the fund's assets.

The obligation towards gratuity as at the Balance Sheet date is determined by an independent actuarial valuation by discounting that benefit using the 'Projected Unit Credit Method' and by using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and term of the government bonds is consistent with the currency and estimated term of the defined benefit obligation. An actuarial technique is used to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods based on estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will influence the cost of the benefit. Actuarial gains/losses arising, if any, are recognised in the Profit and Loss Account.

c) Short-term Employee Benefits

The Company recognises the undiscounted amount of short-term employee benefits like Leave Encashment, Leave Travel Allowance, etc. during the accounting period based on service rendered by employee.

xi. Transactions in Foreign Currency

Foreign currency transactions are recorded on initial recognition by applying the exchange rate prevailing on the date of the transaction at the commencement of the month in which the transaction takes place, if it approximates the actual rate on the date of the transaction. Otherwise, the rates prevailing at the date of the transaction are used.

In respect of Integral Foreign Operations :

a) As at balance sheet date:

- i) foreign currency monetary items are reported using the closing rate and the resultant difference is recognized as income or expense;
- ii) non monetary items that are carried at historical cost and denominated in foreign currency are reported using the exchange rate at the date of the transaction; and
- iii) non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

b) Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise.

In translating the financial statements of a Non-integral Foreign Operations :

- i) the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate;
- ii) income and expense items of the non-integral foreign operation are translated at an average rate for the period; and
- iii) all resulting exchange differences should be accumulated in a foreign currency translation reserve until the disposal of the net investment.

xii. Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

xiii. Impairment of Assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An

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impairment loss is recognised whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. Reversal of impairment loss is recognised immediately as income in the profit and loss account.

xiv. Provisions

A provision is recognised when:

- a. there is a present obligation as a result of past event;
- b. there is a probability of an outflow of resources embodying economic benefits to settle that obligation; and
- c. an estimate of the obligation that is reliable can be made in recognising a provision.

Contingent liabilities are recognised only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Company or where any present obligation cannot be measured in terms of future outflow or resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on-going basis and only those having a largely probable outflow of resources are provided for.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised.

xv. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

3. The Company has undertaken an early adoption of Accounting Standard (AS) - 15 (Revised 2005) on 'Employee Benefits', with effect from 1st April, 2006. Accordingly, the Company has made a provision for defined employee benefits plan aggregating Rs.2,367 thousand. In accordance with the transitional provision in the Accounting Standard, Rs.569 thousand (net of deferred tax of Rs.123 thousand) has been adjusted against the opening balance of revenue reserves and surplus.

Staff Costs for the year ended 31st March, 2007 include provision for employee benefits as given below consequent to the adoption of the revised AS - 15: -

Employee Benefits Obligations

The amounts recognised in the balance sheet are as follows :

	2006-07 Rupees
i) Present value of funded obligations	3,108,307
ii) Fair value of plan assets	2,370,660
iii) Net Liability	(737,647)

The amounts recognised in the statement of profit and loss are as follows :

i) Current service cost	258,481
ii) Interest on obligation	189,259
iii) Expected return on plan assets	(180,100)
iv) Net actuarial losses/(gains) recognised in year	355,586
v) Expenses recognized in the statement of profit and loss	623,226

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

i) Opening defined benefit obligation	2,411,027
ii) Service cost	258,481
iii) Interest cost	189,259
iv) Actuarial losses/(gains)	340,117
v) Benefits paid	(90,577)
vi) Closing defined benefit obligation	3,108,307

Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

	2006-07 Rupees
i) Opening fair value of plan assets	1,533,638
ii) Expected return	197,886
iii) Actuarial losses/(gains)	(17,902)
iv) Contribution by employer	747,615
v) Benefits paid	(90,577)
vi) Closing fair value of plan assets	2,370,660

The Company has the Gratuity Fund administered and managed by the Life Insurance Corporation of India (LIC). The fair value of the plan assets are based on the LIC Fund balance position as at the balance sheet date. The composition and the categories of plan assets are thus decided and managed by LIC in a manner so as to ensure optimum returns from the plan assets.

Principal actuarial assumptions at the balance sheet date are as follows :

	2006-07
i) Discount rate at 31st March	8%
ii) Expected return on plan assets at 31st March	8%
iii) Rate of increase in compensation	5%

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

4. As at the year end an amount of USD 27,980 million was held in a bank account in Singapore for the order of DVB Bank, Singapore. This amount was used for acquisition of vessel 'm. v. Maratha Providence' on 2nd April, 2007 and thus amount aggregating Rs.1,367,896 thousand has been included under 'Capital Work-in-Progress'.

	31.3.2007 (Rs.in'000)	31.3.2006 (Rs.in'000)
5. Estimated amount of contracts remaining to be executed on capital account not provided for	201	218
6. Secured loans include amounts due within one year	282,405	237,973
7. Amount remitted during the year in Foreign Currency on account of dividends		
i) Number of Shareholders	11	11
ii) Number of Shares held	3,635,068	3,635,068
iii) Amount remitted (in Rs.'000)	3,635	3,635
iv) Year to which dividend relates	2005-06	2004-05
8. Director's Remuneration:		
Salary	2,763	3,985
Company's contribution to Provident fund	205	251
Company's contribution to Superannuation Fund	251	207
Value of perquisites	70	4,605
Total	3,289	9,048

Notes :

- a) The remuneration paid during the year to the Managing Director of the Company, who has been appointed with effect from 1st September, 2006 is subject to the approval of the members at the forthcoming Annual General meeting of the Company.
 - b) The above does not include contribution to Gratuity Fund in respect of the Managing Director as the amounts are actuarially determined for the Company as a whole.
 - c) As the Company has not paid any commission to the Directors, computation of profit in accordance with Section 349 of the Companies Act, 1956 is not furnished.
9. Contingent Liabilities (not provided for) in respect of Sales Tax demands against which the Company has preferred appeals amounts to Rs.23,700 thousand (2006-Rs.23,700 thousand) against the Order of the Appellate Assistant Commissioner, Chennai, confirming the Order of the Commercial Tax Officer for the Assessment Year 1995-96 in respect of charter hire of the vessel, 'm. v. Maratha Prudence'. The Company has already deposited Rs.4,740 thousand (including refunds withheld by the authorities) and executed a bond of Rs.21,804 thousand in respect of the said claim. The Company does not expect any liability to devolve on it in respect of the above and therefore no provision is held.

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10. In accordance with the policy adopted by the Company, interest paid to lessor during construction of ship that has been treated as deferred revenue expenditure and is being amortised in the Profit and Loss Account over the period of the lease term, has been written off to the extent of Rs.5,521 thousand (2006-Rs.5,521 thousand).
11. Profit and Loss account includes exchange loss (net) Rs.6,878 thousand (2006- exchange gain [net] of Rs.8,596 thousand).
12. The Company revalued its block of assets under 'Buildings' as on 31.03.2002. The revaluation had been carried out based on a report by an independent professional valuer. The revalued amounts are as under :

Buildings	Historical cost as on 31.03.2002 (Rs. in '000)	W.D.V. as on 31.03.2002 (Rs. in '000)	Revalued Amount (Substituted for original cost) as on 31.03.2002 (Rs. in '000)	Difference in W.D.V. and revalued amount (Rs. in '000)
Leasehold land –Office Premises	2,445	758	206,999	206,241
Leasehold land –Staff Quarters	175	56	13,663	13,607
Freehold land –Staff Quarters	1,441	764	11,792	11,028
TOTAL	4,061	1,578	232,454	230,876

The revaluation was based on comparable sale approach, taking into consideration situation of buildings, size, specification of construction, existing amenities and demand for such type of buildings in same locality and prevailing market for such type of buildings. Revaluation reserve was appropriately created for the same.

13. Depreciation provided on the revalued portion of the buildings amounting to Rs.8,822 thousand (2006 - Rs.9,287 thousand) has been directly adjusted from the revaluation reserve.
14. The useful life of the Vessel 'm. v. Maratha Explorer' owned by the subsidiary company, 'Blue Ocean LLC' has been revised to 9.31 years resulting in lower depreciation charge and corresponding increase in the net profits in the consolidated Profit and Loss Account of the Company by Rs 10,035 thousand (US dollar 2.29 million).
15. Segment Reporting:
The Company treats 'Shipping' as a single business segment and therefore details of segments are not separately shown. Given the nature of the business there are no Geographic Segments either.

16. Related Party Transactions:

As per Accounting Standards (AS) 18 issued by the Institute of Chartered Accountants of India, the transactions with Company's related parties in terms of AS 18 are disclosed below.

The names of the related parties and description of relationship where transactions have taken place during the year pertain to only the holding company as Chowgule Steamships Overseas Ltd. (CSOL) is exempt by their local laws from disclosing the related party transactions.

Affiliates mentioned are mainly companies who have shareholding of more than 20% in the Company or common Directors.

Name of the related party	Nature of transactions
Key Management Personnel M. P. Patwardhan - Managing Director (with effect from 1st September, 2006)	<u>Remuneration</u> M. P. Patwardhan - Rs. 3,289 thousand
Affiliates Chowgule & Company Pvt. Ltd. (CCPL) (Private limited company with effect from 21st November, 2006)	The Company has paid Rs 6,720 thousand (Previous year Rs.6,720 thousand) towards rent.
Chowgule Brothers Pvt. Ltd. (CBPL)	The Company has reimbursed costs aggregating Rs.2,065 thousand (Previous year Rs.59 thousand) incurred towards agency fees and port related expenses to CBPL.
Chowgule Industries Pvt. Limited (CIPL) (Private limited company with effect from 28th December, 2006)	The Company has incurred expenses of Rs. Nil. (Previous year Rs.46 thousand) for services rendered by CIPL.

Amounts due to / from related parties :

Name of the Related Party	Amounts Payable / Receivable (Rs. in '000)
Chowgule & Company Pvt. Ltd. (CCPL) (Private limited company with effect from 21st November, 2006)	Rs.12,664 thousand payable (Previous year Rs.12,894 thousand payable)
Chowgule Brothers Pvt. Ltd. (CBPL)	Rs.160 thousand receivable (Previous year Rs.149 thousand payable)

17. As per Accounting Standard (AS) 20 on 'Earnings Per Share' (Basic and Diluted), issued by the Institute of Chartered Accountants of India, the earning per share of the Company is as under:

	2006-07	2005-06
Net Profit / (Loss) available to Equity Share Holders (Rs. in thousand)	470,916	130,300
Number of Equity shares	36,308,425	36,308,425
Face Value per Equity Share (Rs.)	10	10
Basic & Diluted Earnings Per Share (Rs.)	12.97	3.59

18. The net deferred tax liability comprises of the following components :

	For the year 31.03.2007 <u>(Rs in '000)</u>	For the year 31.03.2006 <u>(Rs. in '000)</u>
Computation of deferred tax (liability) / asset:		
a) Provision for doubtful debts and advances	12,498	11,200
b) Related to employees' benefits	1,478	---
c) Other disallowances	---	668
Deferred Tax Asset (A)	13,976	11,868
a) Difference between tax depreciation & book depreciation	(207,467)	(225,705)
b) Pursuant to the adoption of the revised AS-15 on 'Employee Benefits', the additional obligations adjusted against the opening balance of revenue reserves and surplus as at 1st April, 2006 net of related tax expense	(123)	--
Deferred Tax Liability (B)	(207,590)	(225,705)
Net Deferred Tax Liability at the year end	(193,614)	(213,837)

The Company has recognised in the Profit and Loss Account the net deferred tax asset of Rs.20,346 thousand (2006- net deferred tax asset of Rs 38,165 thousand in the Profit & Loss Account).

19. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

20. (a) The Department of Company Affairs, Government of India vide its order no. 46/241/2006-CL-III dated 19th December, 2006 issued under section 211 (4) of the Companies Act, 1956 has exempted the Company from disclosure of quantitative details in the Profit & Loss Account under paragraphs 4-D(a), (b), (c) and (e) of Part II to Schedule VI of the Companies Act, 1956.

(b) The Department of Company Affairs, Government of India vide its order no. 47/334/2006-CL-III dated 15th December, 2006 issued under section 212 (8) of the Companies Act, 1956 has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of subsidiaries under Section 212 (1) of the Companies Act, 1956. As per the order, key details of each subsidiary are attached along with the statement under Section 212 of the Companies Act, 1956.

21. Previous year's figures have been regrouped wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

M.P. PATWARDHAN
Managing Director

VIJAY V. CHOWGULE
Chairman

V. S. MURTHY
Vice President &
Company Secretary

S.Y. REGE
Director

M. S. SAWANT
Vice President & CFO

Mumbai,
Dated : April 26, 2007

CHOWGULE STEAMSHIPS LIMITED

Fleet Profile

CHOWGULE STEAMSHIPS LIMITED

	Name	Year Built	DWT (M.T.)
1.	M.V. Maratha Messenger	1995	71252
2.	M.V. Maratha Providence	1995	47574
3.	M.V. Maratha Courage	1994	2053
4.	M.V. Maratha Crystal	1997	3500
5.	M.V. Maratha Coral	2000	3427

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

	Name	Year Built	DWT (M.T.)
1.	M.V. Maratha Explorer (Owned by Blue Ocean LLC)	1990	68849
2.	M.V. Global Triumph (Owned by Sunshine LLC)	1996	72870

PROXY FORM

CHOWGULE STEAMSHIPS LIMITED

Registered Office : Chowgule House, Mormugao Harbour, GOA – 403 803

Folio No. / DP ID _____

No. of Shares held _____

I/We _____ of _____ in the district of _____ being member/s of Chowgule Steamships Limited hereby appoint _____ of _____ in the district of _____ or failing him /her _____ of _____ in the district of _____ as my / our proxy to attend and vote for me / us on my / our behalf at the Forty Fourth Annual General Meeting of Chowgule Steamships Limited to be held on Friday, July 20, 2007, at 11.00 AM (I.S.T) and at any adjournment thereof.

Signature

Affix 1 Rupee Revenue Stamp

Signed this day of 2007

Note: This form duly completed should be deposited at Registered office of the Company not less than 48 hours before the time of holding the meeting.

ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORMAT

To Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill in the information in CAPITAL LETTERS in ENGLISH only. Please TICK [X] wherever applicable.

For shares held in physical form

Master Folio No. []

For Shares held in electronic form

DP ID [] Client ID []

FOR OFFICE USE ONLY ECS Ref. No. []

Name of First Holder

Bank name

Branch name

Branch code

(9 Digits Code Number appearing on the MICR Band of the cheque by the Bank). Please attach a photo copy of a cheque of your bank duly cancelled for ensuring accuracy of the bank's name, branch name and code number.

Account type

Savings [] Current [] Cash Credit []

A/c. No. (as appearing in the cheque book)

[]

Effective date of this mandate

[]

I, hereby, declare that the particulars given are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness, Intime Spectrum Registry Limited / Chowgule Steamships Ltd will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by Chowgule Steamships Ltd.

I further undertake to inform the Company any change in my Bank/branch and account number.

Date :

(Signature of First Holder)

Notes : *On dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.

*This form duly filled in may be returned to Intime Spectrum Registry Limited.

BOOK-POST

If Undelivered, please return to:

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S Marg, Bhandup (West), Mumbai - 400 078
Tel : (022) 2596 3838 / Fax : (022) 2594 6969
E-mail : isrl@intimespectrum.com