

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	- Non-promoter Executive Director

CFO & Director (Operations)

M.S. Sawant

Company Secretary & Compliance Officer

S. V. Joshi

Solicitors

Crawford Bayley & Co.
Little & Co.

Auditors

S.B. Billimoria & Co.

Registered Office

Chowgule House
Mormugao Harbour,
Goa - 403 803.

Corporate Office

4th Floor, Bakhtawar,
Nariman Point, Mumbai - 400 021.
Tel : (022) 66202500 Fax : (022) 66202545
Email : joshi.csl@chowgule.co.in
Web : www.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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Annual Report 2007-2008

NOTICE

NOTICE is hereby given that the Forty Fifth 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 25, 2008 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2008 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 on equity shares.
3. To appoint a Director in place of Admiral Madhvendra Singh (Retd), who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Sanjiv N. Shah, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Nathan R. 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.

By order of the Board of Directors
For **Chowgule Steamships Limited**

Place : Mumbai,
Date : April 29, 2008

S.V. JOSHI
Company Secretary

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 valid, must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.
- 2) A brief profile of Directors seeking re-appointment at the Annual General Meeting is given in the Corporate Governance section of the Annual Report.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from July 15, 2008 to July 25, 2008, both days inclusive. The Dividend as recommended by the Directors, if approved at the meeting, will be payable to those shareholders whose names appear on the Register of Members of the Company on July 25, 2008 and to those share holders holding shares in dematerialised form as per the details made available to the Company as on July 14, 2008 by the depositories.
- 4) Unclaimed Dividend up to 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 up to 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 duly transferred to the Investor Education and Protection Fund. Members have no right or claim whatsoever against the said amount.
- 6) Members who have so far not claimed their Dividend for the years 2004-2005, 2005-2006 and 2006-2007 are requested to immediately write to the Company's Share Transfer Agents.
- 7) Members holding shares in electronic form may please note that their dividend would be paid through Electronic Clearing Services (ECS) at the available RBI locations. The dividend would be credited to their bank account as per the mandate given by the members to their Depository Participant (DP). In the absence of availability of ECS facility, the dividend would be paid through warrants and the bank details furnished by the respective Depositories to the Company will be printed on the

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dividend warrants. Members holding shares in physical form and desirous of receiving their dividend directly in their bank account through ECS are requested to intimate their ECS mandate to the Registrars and Transfer Agents of the Company. For this purpose, 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.

- 8) The shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE) and the listing fees in respect their of for the year 2008-09 has been paid to BSE.
- 9) Approval of Members authorising the Board to make investments / loans / give grantee / provide security pursuant to Section 372A read with Section 192A of the Companies Act, 1956, is being obtained through postal ballot. The postal ballot form and Notice is being despatched separately. The result of the postal ballot will be declared by the Chairman at the Annual General Meeting.
- 10) 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

Place: Mumbai
Date : April 29, 2008

S. V. JOSHI
Company Secretary

DIRECTORS' REPORT 2007-2008

To

The Shareholders,

Your Directors present the Forty Fifth Annual Report and the Audited Accounts for the year ended March 31, 2008.

1. FINANCIAL RESULTS & APPROPRIATIONS :

	2007-2008 (Rs. in lacs)	2006-2007 (Rs. in lacs)
Profit prior to financial charges, depreciation and tax	6,333.36	2,006.22
Less : Financial Charges	854.08	80.35
Profit before Depreciation and Tax	5,479.28	1,925.87
Less: Depreciation for the year	1,811.87	802.10
Profit/(Loss) before Taxation	3,667.41	1,123.77
Provision for Taxation – Current	(563.65)	(606.50)
Provision for FBT	(3.90)	(3.46)
Profit before Deferred Tax Provision	3,099.86	513.81
Provision for Deferred Tax (Net)	(666.24)	203.46
Profit/(Loss) after Tax	2,433.62	717.27
Brought forward from previous year	2,244.60	1,952.12
Available for Appropriation	4,678.22	2,669.39
Transferred to General Reserve	(121.68)	—
Proposed Dividend	(544.63)	(363.08)
Tax on Proposed Dividend	(92.56)	(61.71)
Balance Transferred to Balance Sheet	3,919.35	2,244.60

DIVIDEND

In view of the satisfactory financial results, your Directors have pleasure in recommending a Dividend of Rs.1.50 (15%) per equity share on 3,63,08,425 equity shares for the financial year 2007-2008.

2. MANAGEMENT DISCUSSION AND ANALYSIS/OPERATIONS REPORT

INTERNATIONAL FLEET

The dry bulk cargo market continues to expand in volume on the back of very strong demand for iron ore from China and increased volume of coal import from India. The addition of 24 million DWT in dry bulk sector during the year amounted to 6.5% of the existing fleet which was easily absorbed by the volume growth in the trade. The infrastructure problems continue to affect port operations in Brazil and Australia which was further aggravated by floods and other natural calamities. This resulted in continued congestion in Australian and Brazilian ports.

Baltic International Freight Index (BIFEX) which is a barometer of dry bulk freight market, reached its peak at 11039 points in November 2007, but thereafter it showed a downward trend till it reached 5615 in January 2008. The trend has however reversed since the beginning of the grain season in South America and at March 31, 2008 the BIFEX closed at 8081 points.

From all indications, it is expected that the market will continue to be strong during the year 2008-09 though there is likely to be some volatility in the freight rates. This is causing some uncertainty and uneasiness in the global market at present. The repercussions of sub-prime lending and the credit crunch as a consequence thereof may have some adverse effect on the global economy.

COASTAL FLEET

There are positive signs of improvement in the coastal trade in the last few years. The Maritime Boards of various States are taking effective steps for development of small ports along the coast and also to improve infrastructure by undertaking dredging of channels, navigational equipments etc. At present, most of the major ports are working to their full capacity

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and are facing congestion and the only way forward for the trade will be use of coastal routes for movement of cargo in a cost effective manner. The government has undertaken big expansion of freights corridors connecting various ports and in future the rail connectivity would also benefit the smaller ports.

Freight earnings on coastal movement of cargo is still not satisfactory as the movement of cargo is seasonal and erratic in its nature. There is a sizeable increase in the operating cost in view of increased manpower cost and cost of fuel, lubes etc. The government has recognised difficulties faced by the coastal operators in complying with stringent statutory rules, which are at present applicable to international shipping and has decided to ease all such applicable provisions in consultation with the coastal operators to make the rules more practical without sacrificing safety and security. This change will help the growth of coastal shipping in a big way.

COMPANY'S PERFORMANCE

The performance of the Company for the financial year 2007-08 is satisfactory in terms of improvement in the freight earnings as well as net profit. The Total Income increased to Rs.100.30 Crores as against Rs.46.67 Crores in the previous year showing an improvement of 115%. Profit prior to financial charges, depreciations and taxes amounted to Rs. 63.33 as against Rs. 20.06 during the previous year registering a growth of about 216%. Profit After Tax at Rs. 24.33 Crores as against Rs. 7.17 Crores in the previous year registering a growth of 239% as compared to the previous year.

During the year, the Company added one handymax to its fleet which has also resulted in higher income. The Company followed the policy of a blend of short period and long period time charters which presented opportunities for the Company to take advantage of strong freight rates prevailing during the year. During the year, one of the international vessels completed dry-docking.

On the coastal front, freight rates have shown improvement as compared to the previous year. Two of the coastal vessels completed their scheduled dry-docking during the year. This dry-docking resulted in sizeable loss of revenue for the said vessels but the performance of the vessels post dry-docking is satisfactory. All efforts are being made to improve the performance of the vessels and keep them operational for maximum number of days.

INDUSTRY REVIEW & FUTURE OUTLOOK

The dry bulk freight market has seen the peak BIFEX during the year under review, with some correction in the last quarter. The year started with many positives spilling over from an excellent previous year for the world economy. The increased imports from China, India and other emerging economics were the major contributors for sustained demand for vessels. Various industry reports are indicating an overall positive trend for the shipping industry, which is expected to result into a healthy performance during the year 2008-09.

As regards coastal shipping, the booming economy of the country would lead to increased trade and thus would translate into firming of freight rates in domestic markets as well. Additionally, the steps which are being taken by State Governments will go a long way in boosting coastal shipping in India.

In view of booking of LIBOR based on its prevailing lower rates and also due to the policy of accelerated loan repayments from its earnings followed by the Company, the interest costs for the Company are expected to be lower in the year 2008-09.

JAIGAD PORT PROJECT

On March 28, 2008 Chowgule Ports & Infrastructure Private Limited (CPIPL) signed a Concession Agreement with Maharashtra Maritime Board for development of Port Infrastructure and Ship Repair facilities at Jaigad. CPIPL is a special purpose vehicle (SPV) co-promoted by the Company along with Chowgule & Company Private Limited (CCPL). CPIPL will implement the above projects through its subsidiaries.

The Company is in the process of conducting studies required for port projects and a concrete proposal with defined timelines would be finalised once the results of these studies are available. As of now the total investment envisaged in the project is estimated approximately at Rs. 500 Crores. The Company, CCPL and its associate companies would be providing the funds for investment in the capital of CPIPL. The project work is expected to commence by end of the year 2008.

INTERNAL CONTROL SYSTEM

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

GOVERNMENT POLICIES

The Indian economy is moving into a phase of higher growth rate. The Government is targeting to achieve the growth rate of more than 8.5% p.a. consistently for the next few years. The central and state governments reckon that the availability of infrastructure will be the single biggest factor which will determine the pace of economic growth.

As part of overall strategy to give boost to the infrastructure, various state governments are offering concessions for development of ports on public private partnership basis, which will help coastal shipping. This bodes well for the Company's expansion plans of acquiring a few Mini Bulk Carriers for coastal trade.

INDUSTRIAL RELATIONS

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

THREATS, RISKS & CONCERNS

Freight Risks: The Hire income is subjected to freight rate risks and therefore the Company follows the policy of mixture of short period and long period time charter contracts with first class charters to mitigate volatility in freight rates.

Interest Rate Risk: With a view to avoid uncertainty in the interest rate the necessary forward cover is taken at regular intervals.

Forex Risk: As major portion of the Company's revenues is generated from international business in US Dollar terms, the same creates a natural hedge against foreign exchange exposures.

The Company reviews Rupee - US Dollar parity on regular basis to protect itself from currency fluctuation risks.

Counter Party Risks: The Company engages into charter contracts only with the reputed charters to avoid the risks to the freight earnings.

Government Policies: The Company regularly reviews the changes in the applicable government policies affecting operations of the Company.

Human Resources: There is a scarcity of floating staff. In view of outsourcing of crew management, the Company gets the benefit of having efficient and cost effective floating staff from the ship manager's pool.

Cautionary Statement

The statements, expressions, information given in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be deemed as 'forward looking statements'. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include demand-supply conditions, changes in Government, global economic scenario etc.

3. LOAN REPAYMENT

During the year, the Company has repaid loan of Rs. 2188.50 Lacs (US\$ 5 million). The total outstanding loan at year end is US \$ 25 Million.

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 liability of Rs. 666.24 lakhs for the Financial Year 2007-2008, which is reflected in the Profit & Loss Account.

The net deferred tax liability of Rs. 2602.39 lakhs as at March 31, 2008 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, a wholly owned subsidiary of CSOL sold a Panamax vessel, for a consideration of US\$ 35.20 million. The said vessel was purchased in 2006 for US\$ 19 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 advance of 10% of the acquisition cost. The vessel will get delivered in April 2012. As per the plans drawn by the Company and its subsidiary, there will be addition to the fleet by way of new buildings over the next 5-6 years, when it is expected to have a very young sizable fleet under control.

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

	2007-08 (in US \$ million)	2006-07 (in US \$ million)
Income	25.113	14.288
Gross Profit before depreciation	18.139	5.066
Depreciation	2.708	3.889
Net Profit before sale of a ship	15.431	1.177
Profit on sale of a ship	19.354	8.046
Net Profit	34.785	9.223

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. 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.

8. DIRECTORS

Admiral Madhvendra Singh(Retd.), Mr. Sanjiv N. Shah and Mr. Nathan R. 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 Bombay Stock Exchange Ltd., 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

- a) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) 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.
- c) 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.
- d) 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. M/s. 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 there under 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, 2008, 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. POSTAL BALLOT

Chowgule Ports & Infrastructure Private Limited (CPIPL) is in the process of undertaking port development and ship repair infrastructure projects at Jaigad. CPIPL has been co-promoted by Chowgule Steamships Limited. Though the projects would be implemented by CPIPL through its subsidiaries, the Company being original proponent of these projects, would be required to extend financial and other assistance to CPIPL from time to time. The aggregate outlay on these projects may go up to Rs. 500 Crores. However, as a measure of achieving greater financial flexibility and to enable optimal financial structuring to facilitate speedy implementation of these projects, the Company proposes to obtain approval of members through postal ballot, pursuant to Section 372A of the Companies Act 1956, for taking exposure from time to time upto Rs.1,000 Crores in CPIPL and/or its subsidiaries by way of subscription and/or purchase of equity/equity related securities and/or debentures, grant of loan, guarantee and/or providing of security through postal ballot. The postal ballot forms along with resolution and explanatory statement are being sent to the Members separately. Members are requested to consider the same. The result of the postal ballot will be declared by the Chairman at the Annual General Meeting.

15. 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).

16. GENERAL

The Board of Directors expresses its appreciation for the help and co-operation extended by the Ministry of Surface Transport, Maharashtra Maritime Board, 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.

For and on behalf of the Board

Mumbai
Date: April 29, 2008

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., confirm that 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, 2008.

Mumbai
April 29, 2008

M.P. PATWARDHAN
Managing Director

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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	(ii) Non-promoter Director	
• Executive	-	• Executive 1
• Non Executive	3	(iii) • Independent Non Executive 5
Total	3	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 2007-2008 on 26.04.2007, 20.07.2007, 24.10.2007, 17.01.2008 and 04.03.2008.

The attendance of the Directors is as under:

NAME	No. of Board Meetings attended	Attendance at the previous AGM
Mr. Vijay V. Chowgule	5	P
Mr. S.Y.Rege	5	P
Mr. M.R.B. Punja	4	P
Mr Dhananjay N. Mungale	5	P
Mr. Jaywant Y. Chowgule	3	P
Admiral Madhvendra Singh (Retd)	5	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	6 – BM	3 – CM	3 – CC
Mr. Dhananjay N. Mungale	7 – BM	6 – 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**

The Audit Committee comprises 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. The Audit Committee met on four 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	4
Mr. Sanjiv N. Shah	4

Mr. M. P. Patwardhan, Managing Director, and Mr. M. S. Sawant, CFO & Director (Operations) attended all the meetings of the Audit Committee as invitees. The representatives of External Auditors attended all the four meetings, whereas the representative of Internal Auditor attended one meeting. The Company Secretary of the Company assumes the role of Secretary to the Audit Committee.

The Company, though has not formally adopted, encourages the Whistle Blower Policy as enshrined in the Code of Conduct. No Company personnel has been denied access to the Audit Committee.

Terms of Reference of the Audit Committee

The brief terms of reference of Audit Committee are as under

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the amount of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the audit report, if any.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy, reporting structure, coverage and frequency of internal audit.
8. Discussion with internal auditors on any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. Review the following information,
 - a. Management discussion and analysis of financial condition and results of operations;

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- b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- d. Internal audit reports relating to internal control weaknesses

The Audit Committee has the following powers:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

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)

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

During the financial year, the Remuneration Committee met twice on July 19, 2007 and March 4, 2008. Mr. S.Y. Rege took the chair and other Directors attended both the meetings. The Company Secretary assumed the role of the Secretary to the Committee.

Brief Terms of Reference of the Remuneration Committee are as under:

- Make recommendations for the appointments on the Board.
- Frame Companies Policies on the Board and Directors with the approval of the Board.
- Recommend compensation payable to the Managing / Whole-time Directors and Senior Management personnel.
- Review of HR Policies / initiatives.

5. REMUNERATION OF DIRECTORS

- a) The Company appointed Mr. M. P. Patwardhan as the Managing Director of the Company for a period of two years effective from September 01, 2006. The details of the remuneration paid from April 01, 2007 to March 31, 2008 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. 58.27 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 Options	:	NIL
No. of Shares held in the Company	:	NIL

b) Non-Executive Directors	Sitting Fees paid during the financial year	No. of Shares held in the Company
Mr. Vijay V. Chowgule	Rs. 100,000	589800
Mr. S. Y. Rege	Rs. 100,000	2421
Mr. M. R. B.Punja	Rs. 40,000	—
Mr Dhananjay N. Mungale	Rs. 75,000	—
Mr. Jaywant Y. Chowgule	Rs. 30,000	29750
Admiral Madhvendra Singh (Retd)	Rs. 60,000	—
Mr. Sanjiv N. Shah	Rs. 70,000	—
Mr. Nathan R. Chowgule	Rs. 50,000	—

- c) M/s. Crawford Bayley & Co., in which the son of Mr. S.Y. Rege is a Partner, were paid an amount of Rs.3790/- during the financial year 2007-2008 towards professional services rendered by the firm.

6. SHAREHOLDERS'/INVESTORS' GRIEVANCES COMMITTEE

The Company's Shareholders' and Investors' Grievances Committee functions under the Chairmanship of Mr. S. Y. Rege and other members are Mr. Vijay V. Chowgule and Mr. M.P. Patwardhan. Mr. S. V. Joshi, Company Secretary, is the Compliance Officer. The Committee meets periodically to deal with 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 during the year under review. At its meetings, the Committee goes into the details of the grievances if any and verifies that they have been attended to. Between April 2007 and March 2008, the Company received 173 complaints/queries from shareholders. As at March 31, 2008, all the complaints / queries were resolved. There were no shares pending for transfer from the shareholders as at March 31, 2008.

7. DIRECTORS

Admiral Madhvendra Singh (Retd.), Mr. Sanjiv N. Shah and Mr. Nathan R. Chowgule, Directors, retire by rotation and being eligible, have offered themselves for re-appointment. Particulars of Directors are as under:

- A) Admiral Madhvendra Singh (Retd.), born on July 11, 1942 has done M.Sc. (Defence Studies). He joined the National Defence Academy in June 1958 and after passing out joined the Indian Navy as a Cadet in June 1961. He rose to the rank of Admiral and held the appointment of Chief of the Naval Staff from December 29, 2001 to July 31, 2004. He has been on the Board of Directors of the Company since October 20, 2005. Admiral Madhvendra Singh (Retd.) is not a Board Member of any other company. Admiral Madhvendra Singh (Retd.) does not hold any shares in the Company.

- B) Mr. Sanjiv N. Shah, born on March 2, 1958, holds the following qualifications:

BA (Economics & Statistics) from the University of Bombay
B.Sc. (Economics) from the University of London
ACA (Institute of Chartered Accountants), England & Wales
FCA (Institute of Chartered Accountants), India

Mr. Sanjiv N. Shah worked with Ernst & Whinney, London for the period from 1981 to 1987, Deloitte Haskins & Sells as Principal from 1987 to 1989 and S. B. Billimoria & Co. as Partner from 1989 to 2002. He has been on the Board of Directors of the Company since January 25, 2006.

Mr. Sanjiv N. Shah is a Director on the Boards of the following companies:

- i. Bharat Bijlee Ltd.
- ii. Andhra Pradesh Tanneries Ltd.
- iii. SNS Consulting Pvt. Ltd.
- iv. Nemish Shah Investments Pvt. Ltd.

Mr. Sanjiv N. Shah is a Committee Member in the following companies:

- i. Bharat Bijlee Ltd — Audit Committee
Remuneration Committee
- ii. Andhra Pradesh Tanneries Ltd. — Audit Committee

Mr. Sanjiv N. Shah does not hold any shares in the Company.

- C) Mr. Nathan R. Chowgule, born on May 1, 1973 holds a Master's Degree in Business Administration from the University of Utah (USA). Mr. Nathan Chowgule worked with Utah Media Access as Vice President, Business Development during 2002 – 2003 and with Komatsu Equipment USA as Director, Marketing, during 2003-2004. He is with Chowgule & Company (Salt) Pvt. Ltd. as Executive Director since 2004. He has been on the Board of Directors of the Company since January 25, 2006. Mr. Nathan Chowgule is a nephew of Mr. Vijay Chowgule, Chairman and Mr. Jaywant Chowgule, Director.

Mr. Nathan Chowgule is a Director on the Boards of the following companies:

Chowgule & Company (Salt) Pvt. Ltd.
Kolhapur Gases (Carbondioxide) Pvt. Ltd.

Mr. Nathan Chowgule is not a Committee member in any of the above companies.

Mr. Nathan Chowgule does not hold any shares in the Company.

CHOWGULE STEAMSHIPS LIMITED

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 as under.

Day	Date	Time
Friday,	July 20, 2007	11.00 a.m.
Tuesday,	July 25, 2006	11.00 a.m.
Monday,	July 25, 2005 (*)	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 alteration of Articles of Association of the Company (Special Resolution) were put through the Postal Ballot and were passed with requisite majority. The Postal Ballots were scrutinized by Mr. S.D. Bal, Chartered Accountant.

9. DISCLOSURES

There were no materially significant related party transactions save as disclosed in notes to account.

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

45th Annual General Meeting	: July 25, 2008
Venue	: Chowgule House, Mormugao Harbour, Goa
Financial Year	: 2007-2008
Book Closure Date	: July 15, 2008 – July 25, 2008 (both days inclusive)
Dividend Payment Date	: First week of August, 2008

Listed at the Bombay Stock Exchange Ltd. (Stock Code 501833), Rotunda Building, Dalal Street, Mumbai 400 001 (Tel. 2272 1233).

MARKET PRICE DATA DURING APRIL 2007 – MARCH 2008 (BSE)		
Month	High (Rs)	Low (Rs)
April	30.00	21.10
May	31.10	25.10
June	33.45	24.35
July	63.55	27.65
August	55.15	42/20
September	65.40	48.70
October	74.60	51.20
November	93.15	61.20
December	94.90	70.05
January	104.55	53.30
February	62.90	44.30
March	52.80	30.35

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
30.04.2007	13872.37	+ 6.11	26.00	+ 5.04
31.05.2007	14544.46	+ 4.84	26.45	+ 1.73
30.06.2007	14650.51	+ 0.72	32.30	+ 22.12
31.07.2007	15550.99	+ 0.68	53.90	+ 66.87
31.08.2007	15318.60	- 1.49	49.45	- 8.25

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30.09.2007	17291.10	+ 12.00	57.90	+ 17.08
31.10.2007	19837.99	+ 14.72	67.45	+ 16.49
30.11.2007	19363.19	- 2.39	79.60	+ 18.01
31.12.2007	20286.99	+ 4.77	94.90	+ 19.22
31.01.2008	17648.71	- 13.00	54.10	- 42.99
29.02.2008	17578.72	- 0.40	50.30	- 7.02
31.03.2008	15644.44	- 11.00	32.05	- 36.28

Distribution of Shareholding as at March 31, 2008 is given below:

Shareholding of Nominal Value of		Shareholders		Share Amount	
Rs.	Rs.	Number	% to Total	In Rupees	% to Total
Upto 5000		25207	89.70	31585250	8.70
5001	10000	1512	5.38	12389960	3.41
10001	20000	652	2.32	10186030	2.81
20001	30000	221	0.79	5686840	1.57
30001	40000	83	0.30	3048940	0.84
40001	50000	127	0.45	6103930	1.68
50001	100000	133	0.47	9955220	2.74
100001	and above	167	0.59	284128080	78.25
Total		28102	100.00	363084250	100

Category	% Shareholding
Promoters/Persons acting in concert	66.92
Banks, Financial Institutions, Insurance Cos. etc	0.03
Private Corporate Bodies	3.93
NRIs / OCBs	0.48
Mutual Funds & UTI	0.27
Indian Public	28.37
TOTAL	100.00

About 35.05% (13302 shareholders) of the equity shares have been dematerialized as at March 31, 2008. Balance 64.95% (14800 shareholders) are in physical form.

Share Transfer Process

The Company's shares are under compulsory dematerialised list hence the shares traded on the stock exchange are transferable through depository system.

Shares in physical form are processed for transfer by the share transfer agent viz. Intime Spectrum Registry Limited and are approved by the share transfer committee. The share transfers are processed within a period of 15 days from the date of its receipt.

Address for Correspondence:

Chowgule Steamships Limited
Bakhtawar, 4th Floor,
Nariman Point,
Mumbai 400 021.
Email ID : joshi.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

For and on behalf of the Board

Mumbai
Date : April 29, 2008

VIJAYV. CHOWGULE
Chairman

CHOWGULE STEAMSHIPS LIMITED

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, 2008

Item Particulars Comments

A.	Conservation of Energy	Comments
(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 (a) 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. 6,069.11 lakhs
ii)	Earned	Rs. 9,646.12 lakhs

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 March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd.

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 of effectiveness with which the Management has conducted the affairs of the Company.

For S. B. BILLIMORIA & CO
Chartered Accountants,

Sanjiv V. Pilgaonkar
Partner

Membership No. 39826

Place : Mumbai,
Date : April 29, 2008

AUDITORS' REPORT

TO THE MEMBERS OF
CHOWGULE STEAMSHIPS LIMITED

1. We have audited the attached Balance Sheet of **CHOWGULE STEAMSHIPS LIMITED** as at March 31, 2008 and also the Profit and Loss Account of the Company and the Cash Flow Statement of the Company for the year ended as 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. Those 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 (the Order), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose 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 are in compliance 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 case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - (ii) In case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) In 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 received from the Directors as on March 31, 2008, taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S. B. Billimoria & Co.**
Chartered Accountants

Sanjiv V. Pilgaonkar
Partner

Membership No. 39826

Place : Mumbai,
Date : April 29, 2008

Annexure to the Auditor's Report

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

- (i) The nature of the Company's business/activities during the year was such that clauses (viii), (xiii) and (xiv) of paragraph 4 of the Companies (Auditors Report) Order, 2003 ("the Order") are not applicable to the Company.
- (ii) According to the information and explanations given to us 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 program of verification, which in our opinion, provide 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) In our opinion, the fixed assets disposed off during the year did 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.

CHOWGULE STEAMSHIPS LIMITED

- (iii) In respect of its inventories :
 - (a) As explained to us, the 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 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 movement are not maintained on board the ship, the question of discrepancies on physical verification thereof does not arise.
- (iv) 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.
- (v) 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 the 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 neither observed nor have been informed about any major weaknesses in such internal control systems.
- (vi) 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.
- (vii) 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.
- (viii) 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.
- (ix) 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, employee's 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, 2008, 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 March 31, 2008, 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.
- (x) 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.
- (xi) 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.
- (xii) 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.

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- (xiii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans taken by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
- (xv) According to the information and explanations given to us, and on overall examination of the balance sheet of the Company, funds raised on short-term basis have, *prima facie*, not been used for long term investment.
- (xvi) 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.
- (xvii) 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.
- (xviii) According to the information and explanations given to us, the Company has not raised any money by way of public issue, during the year.
- (xix) 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 has been noticed or reported during the year.

For **S. B. Billimoria & Co.**
Chartered Accountants

Sanjiv V. Pilgaonkar
Partner
Membership No. 39826

Place : Mumbai,
Date : April 29, 2008

CHOWGULE STEAMSHIPS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	As at 31-Mar-2008 (Rs. in '000)		As at 31-Mar-2007 (Rs. in '000)	
I SOURCES OF FUNDS:					
1 Shareholders' Funds:					
i Capital	A	363,084		363,084	
ii Reserves & Surplus	B	977,267	1,340,351	805,193	1,168,277
2 Loan Funds:					
Secured Loans	C		1,003,186		1,313,277
3 Deferred tax liability (Net)			260,239		193,614
	TOTAL		2,603,776		2,675,168
II APPLICATION OF FUNDS:					
1 Fixed Assets:					
Gross Block	D	3,123,319		1,756,204	
Less: Depreciation		1,089,319		900,409	
Net Block		2,034,000		855,795	
Add: Capital work in progress and advances for capital goods		35,640	2,069,640	1,397,959	2,253,754
2 Investments	E		600,693		422,336
3 Current Assets, Loans & Advances					
i Inventories	F	5,615		4,117	
ii Sundry Debtors	G	119		3,484	
iii Cash and Bank Balances	H	95,871		115,216	
iv Other Current Assets	I	585		116	
v Loans and Advances	J	32,034		39,744	
		134,224		162,677	
4 Less: Current Liabilities & Provisions	K				
i Current Liabilities		132,818		119,341	
ii Provisions		67,963		46,828	
		200,781		166,169	
Net Current Assets			(66,557)		(3,492)
5 Miscellaneous Expenditure (to the extent not written off or adjusted)	L		-		2,570
	TOTAL		2,603,776		2,675,168
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

SANJIV V. PILGAONKAR
Partner

S. V. JOSHI
Company Secretary

D. N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

M. S. SAWANT
CFO & Director (Operations)

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	For the year ended 31-Mar-2008 (Rs. in '000)	For the year ended 31-Mar-2007 (Rs. in '000)
INCOME:			
Operating earnings	M	949,511	399,957
Other income	M	53,497	66,755
Profit on sale of assets		-	10
Profit on sale of investment		10	-
		<u>1,003,018</u>	<u>466,722</u>
EXPENDITURE:			
Operating and other expenses	N	464,182	261,933
Interest and other financial charges	O	85,408	8,035
Depreciation (net of draw down from revaluation reserve)	D	181,187	80,210
Provision for doubtful debts		-	4,167
		<u>730,777</u>	<u>354,345</u>
Profit before taxation and exceptional items		272,241	112,377
Foreign currency translation difference on borrowings		94,500	-
Profit before taxation		366,741	112,377
Provision for taxation - current		(56,365)	(60,650)
Deferred tax (liability) / asset		(66,624)	20,346
Provision for Fringe Benefits Tax		(390)	(346)
Net Profit for the year after taxation		243,362	71,727
Profit & Loss account brought forward		224,460	195,212
Profit available for appropriation		467,822	266,939
Transferred to General Reserve		12,168	-
Proposed Dividend		54,463	36,308
Tax on Proposed Dividend		9,256	6,171
Balance transferred to Balance Sheet		391,935	224,460
Earning Per Share (See note no.13 in schedule 'P')		6.70	1.98
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

M. P. PATWARDHAN
Managing Director

For and on behalf of the Board of Directors

VIJAY V. CHOWGULE
Chairman

SANJIV V. PILGAONKAR
Partner

S. V. JOSHI
Company Secretary

D. N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

M. S. SAWANT
CFO & Director (Operations)

CHOWGULE STEAMSHIPS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Year ended 31-Mar-2008 (Rs. in '000)	Year ended 31-Mar-2007 (Rs. in '000)
A. Cash flow from operating activity		
Net Profit/(Loss) before tax and extraordinary items	366,741	112,377
Adjusted for:		
Depreciation	181,187	80,407
Provision for employee benefits	632	1,798
Provision for doubtful debts	-	4,167
Reversal of provision for doubtful debts	(1,301)	-
Realised gain on repayment of loan	(3,000)	-
Sundry balance written back	(2,803)	-
Foreign exchange translation differences	(85,626)	917
Bank interest and dividend	(10,053)	(7,253)
Loss / (Profit) on sale of current investments	(10)	18
Assets scrapped/discarded	97	64
Interest & other finance charges paid (including miscellaneous expenditure written off)	85,408	16,341
	<u>531,272</u>	<u>208,836</u>
Operating profit before working capital change		
Adjusted for:		
(Increase)/decrease in trade & other receivables	10,742	(14,799)
(Increase)/decrease in inventories	(1,498)	(998)
Increase/(decrease) in trade payables	17,271	13,209
Operating profit before tax payments	557,787	206,248
Net Tax (payment) / recoveries	(57,070)	(64,816)
Net cash from operating activities	<u>500,717</u>	<u>141,432</u>
B. Cash flow from investing activities		
Purchase of fixed assets	(4,646)	(1,381,874)
Sale of fixed assets	-	1,006
Foreign exchange translation differences - Loan	-	(1,040)
Sale of investments	128,239	41,600
Purchase of investments	(306,587)	(44,759)
Interest received	8,542	6,885
Dividend received	1,042	263
Net cash from investing activities	<u>(173,410)</u>	<u>(1,377,919)</u>
C. Cash flow from financing activities		
Net increase in overdraft balance	259	1,316,060
Repayment of borrowings	(218,850)	(42,435)
Reduction in liability consequent to realisation of exchange gain on foreign currency borrowings	3,000	(1,040)
Interest paid	(83,918)	(7,399)
Dividend & tax thereon paid	(41,841)	(40,760)
Net cash from/ (used in) financing activities	<u>(341,350)</u>	<u>1,224,426</u>
Net increase/(decrease) in cash and cash equivalents	<u>(14,043)</u>	<u>(12,061)</u>
Opening cash and cash equivalents as at 1st April	<u>115,216</u>	<u>130,429</u>
Closing cash and cash equivalents as at 31st March	<u>101,173</u>	<u>118,368</u>
	Year ended 31-Mar-2008 (Rs. in '000)	Year ended 31-Mar-2007 (Rs. in '000)
Effect of exchange rate changes on cash and cash equivalents		
Cash on hand and balances with banks	101,173	118,368
Effect of exchange rate change favourable / (adverse)	(5,302)	(3,152)
Cash & Cash Equivalents as restated	<u>95,871</u>	<u>115,216</u>

In terms of our report of even date.

For S.B. BILLIMORIA & CO.
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Place : Mumbai,
Date : April 29, 2008

M. P. PATWARDHAN
Managing Director

S. V. JOSHI
Company Secretary

M. S. SAWANT
CFO & Director (Operations)

For and on behalf of the Board of Directors

VIJAY V. CHOWGULE
Chairman

D. N. MUNGALE
Director

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SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
Schedule 'A'		
CAPITAL:		
Authorised:		
5,00,00,000 (2007 - 5,00,00,000) Equity shares of Rs. 10/- each	500,000	500,000
25,00,000 (2007 - 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 (2007 - 3,63,08,425) equity shares of Rs. 10/- each	363,084	363,084
Paid-up:		
3,63,08,425 (2007 - 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	167,627	176,449
Less: Adjusted against corresponding depreciation charge (See note no. 10 in schedule 'P')	(8,381)	(8,822)
	159,246	167,627
Capital Redemption Reserve:		
Balance	3,000	3,000
Share Premium:		
Balance	292,201	292,201
General Reserve (Statutory):		
Balance	100,321	100,321
Add: Transferred from Profit & Loss Account	12,168	-
	112,489	100,321
General Reserve (Other):		
Opening Balance	16,388	16,957
Add/(Less): Employee Benefits (See note no. 2 in schedule 'P')	812	(569)
	17,200	16,388
Profit and Loss Account:		
Balance as per Profit and Loss account carried forward to the Balance Sheet	391,935	224,460
TOTAL	977,267	805,193

CHOWGULE STEAMSHIPS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Schedule 'C'	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
SECURED LOANS : (See note no. 4 in schedule 'P')		
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	436	177
<i>Term loans:</i>		
From DVB Bank, Singapore:		
Secured by mortgage of ships	1,002,750	1,313,100
TOTAL	1,003,186	1,313,277

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008**Schedule 'D'**

	COST			DEPRECIATION			WRITTEN DOWN VALUE			
	Opening as at 1-Apr-07	Additions during the year	Deductions during the year	Closing as at 31-Mar-2008	Upto 31-Mar-2007 on original cost	adjusted against Corroding draw down from revaluation reserve	Deductions during the year	Upto 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2008
FIXED ASSETS										
Land	4,263	-	-	4,263	-	-	-	-	-	4,263
Fleet #	1,514,559	1,353,034	-	2,867,593	837,329	178,799	-	1,016,128	677,230	1,851,465
Building (See note no.9 in schedule 'P') On Leasehold land - Office Premises \$	208,686	-	-	208,686	48,513	29	7,979	56,521	160,173	152,165
On Freehold land - Staff Quarters \$\$	11,043	-	-	11,043	2,788	11	402	3,201	8,255	7,842
Furniture and Fixtures	6,227	4,989	43	11,173	4,395	677	-	5,035	1,832	6,138
Office Equipments	7,665	9,071	712	16,024	5,492	1,061	-	5,932	2,173	10,092
Motor Cars	3,761	776	-	4,537	1,892	610	-	2,502	1,869	2,035
TOTAL	1,756,204	1,367,870	755	3,123,319	900,409	181,187	8,381	1,089,319	2,034,000	855,795
Previous Year	1,756,057	2,952	2,805	1,756,204	813,112	80,210	8,822	900,409	1,735	900,409

Additions during the year comprise Rs. Nil (2007 - Rs. 1,040 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

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Schedule 'E'	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-20 07 (Rs. in '000)
INVESTMENTS: (Refer note no. 1.ii in schedule 'P')		
LONG TERM:		
<i>Non-Trade investments:</i>		
Unquoted: In a subsidiary Company		
92,00,000 (2007 - 92,00,000) Equity Shares of US \$ 1/- each fully paid in Chowgule Steamships Overseas Limited	419,179	419,179
5,000 (2007 - Nil) Equity Shares of Rs. 10/- each fully paid in Chowgule Ports & Infrastructure Private Limited	50	-
Quoted:		
50 (2007 - 50) Equity shares of Rs 10/- each fully paid in Garware Offshore Services Limited	1	1
700 (2007 - 700) Equity shares of Rs 10/- each fully paid in Essar Shipping Limited	3	3
16 (2007 - 16) Equity shares of Rs 10/- each fully paid in Mahindra Lifespace Developers Ltd (erstwhile Mahindra GESCO Ltd.)	-	-
30 (2007 - 30) 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 (2007 - 121) Equity shares of Rs 10/- each fully paid in The Great Eastern Shipping Company Limited	2	2
150 (2007 - 150) Equity shares of Rs 10/- each fully paid in Varun Shipping Company Limited	2	2
150 (2007 - 150) Equity shares of Rs 10/- each fully paid in ICICI Bank Limited	5	5
100 (2007 - 100) Equity shares of Rs 10/- each fully paid in Shreyas Shipping Limited	1	1
50 (2007 - 50) Equity shares of Rs 10/- each fully paid in The Shipping Corporation of India Limited	1	1
CURRENT :		
Unquoted: In Mutual Fund Units		
Nil units (2007 - 313,566.74 units) in DSP Merrill Lynch Floating Rate Fund Purchased during the year 1,048.87 units (2007 - 4,457,615.39 units) Sold during the year 314,615.61 units (2007 - 4,144,048.65 units)	-	3,142
67,464.923 units (2007 - Nil units) in DSP Merrill Lynch Liquid Plus Daily Dividend Purchased during the year 169,409.192 units (2007 - Nil units) Sold during the year 101,944.269 units (2007 - Nil units)	67,500	-
1,319,233.970 units (2007 - Nil units) in ICICI Prudential Liquid Fund Purchased during the year 3,282,081.424 units (2007 - Nil units) Sold during the year 1,962,847.454 units (2007 - Nil units)	13,949	-
1,392,240.579 units (2007 - Nil units) in Birla Fixed Term Plan - Series AO Purchased during the year 1,392,240.579 units (2007 - Nil units)	100,000	-
TOTAL	600,693	422,336
Aggregate amount of quoted investments	15	15
Aggregate amount of unquoted investments	600,678	422,320
Aggregate market value of quoted investments	327	246
Aggregate Net Asset Value of units in Mutual Funds	181,454	3,147

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2008**

	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
Schedule 'F'		
INVENTORIES:		
(Refer note no. 1.iii in schedule 'P')		
Stores and Spare parts	715	225
Fuel oil and Lube oil on ships	4,900	3,892
TOTAL	<u><u>5,615</u></u>	<u><u>4,117</u></u>
Schedule 'G'		
SUNDRY DEBTORS (UNSECURED):		
Considered good		
Over six months	-	588
Others	119	2,896
Considered doubtful		
Over six months	32,718	34,019
Others	-	-
	<u>32,718</u>	<u>34,019</u>
Less: Provision for doubtful debts	32,718	34,019
TOTAL	<u><u>119</u></u>	<u><u>3,484</u></u>
Schedule 'H'		
CASH AND BANK BALANCES:		
Cash on hand	-	5
Balances with Scheduled Banks on-		
Current account	18,181	6,082
Call account	206	221
Fixed deposit account	77,484	108,908
TOTAL	<u><u>95,871</u></u>	<u><u>115,216</u></u>
Schedule 'I'		
OTHER CURRENT ASSETS:		
Accrued Interest on Fixed Deposits with Banks	585	116
TOTAL	<u><u>585</u></u>	<u><u>116</u></u>
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)	14,526	14,145
Fringe Benefit Tax (net)	54	46
Prepaid expenses	5,183	3,885
Others	12,271	21,668
Considered doubtful		
Other than taxes and prepaid expenses	2,750	2,750
Less: Provision for doubtful advances	2,750	-
TOTAL	<u><u>32,034</u></u>	<u><u>39,744</u></u>

CHOWGULE STEAMSHIPS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
Schedule 'K'		
CURRENT LIABILITIES & PROVISIONS:		
A. CURRENT LIABILITIES		
Dues to Micro and Small Enterprises	-	-
Sundry Creditors (refer note no. 15 in schedule 'P')	65,023	39,521
Security Deposits	15,235	42,835
Charter Hire (received in advance)	26,697	8,501
Investor Education and Protection Fund shall be credited by the following amount:		
Unclaimed Dividend	1,949	1,311
Other Liabilities	23,914	26,092
Interest accrued but not due on loans	-	1,081
	<u>132,818</u>	<u>119,341</u>
B. PROVISIONS		
For Proposed Dividend	54,463	36,308
For Tax on Proposed Dividend	9,256	6,171
For Gratuity	1,808	738
For Earned Leave	2,361	3,611
For Fringe Benefit Tax (net of advance tax)	75	-
	<u>67,963</u>	<u>46,828</u>
TOTAL	<u><u>200,781</u></u>	<u><u>166,169</u></u>

Schedule 'L'

MISCELLANEOUS EXPENDITURE:

(To the extent not written off or adjusted)

Deferred Interest in respect of Lease Finance	2,570	8,091	
Less: Written off during the year	2,570	-	2,570
	<u>-</u>	<u>5,521</u>	
Voluntary Retirement Scheme Compensation	-	2,785	
Less: Written off during the year	-	-	-
	<u>-</u>	<u>2,785</u>	<u>-</u>
TOTAL	<u><u>-</u></u>	<u><u>2,570</u></u>	

SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	For the year ended 31-Mar-2008 (Rs. in '000)	For the year ended 31-Mar-2007 (Rs. in '000)
Schedule 'M'		
INCOME:		
Operating earnings:		
Freight earnings and charter hire receipts etc. (Including of chartered vessels)	949,511	399,957
Other Income:		
Interest on-		
Bank deposits [Tax deducted at source Rs. 2,029 thousand (2007-Rs. 1,128 thousand)]	9,012	6,990
Rent	25,705	44,347
Dividend income (gross) from long term other investments [tax deducted at source Rs. Nil (2007-Rs Nil)]	1,042	263
Miscellaneous income	17,738	15,155
	<u>53,497</u>	<u>66,755</u>
TOTAL	<u><u>1,003,008</u></u>	<u><u>466,712</u></u>

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SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Schedule 'N'	For the year Ended 31-Mar-2008 (Rs. in '000)		For the year Ended 31-Mar-2007 (Rs. in '000)	
OPERATING AND OTHER EXPENSES:				
(Including of chartered vessels)				
Salaries, Wages etc.:				
Salaries, Wages, Bonus, Gratuity etc.	14,433		12,853	
Contribution to Employees' Providend Fund	819		694	
Contribution to Superannuation Fund	610		834	
Staff welfare expenses	461		366	
Manning cost	102,833	119,156	63,825	78,572
Fuel, oil and water		25,846		28,474
Stores and spare parts consumed		28,358		18,601
Port disbursement, stevedorage, light dues etc.		1,351		3,129
Repairs and Survey Charges		30,546		25,830
[Including repairs to building Rs. 12,970 thousand (2007-Rs. 4,661 thousand)]				
Dry docking Charges		108,653		21,605
Insurance & Protection Club Dues		24,044		12,718
Commission, brokerage and agency fees		55,994		22,797
Postage, telephone, telexes etc.		4,590		1,462
Rent		5,095		7,030
Rates and taxes		452		864
Provision for wealth tax		27		23
Auditors' remuneration				
For Statutory Audit	300		300	
For Tax Audit	80		50	
For Other services	120		175	
Service tax on above	62	562	65	590
Directors' fees		525		500
Claims paid		123		-
Ship Management Fees paid		19,791		14,090
Crew expenses		11,037		3,720
Miscellaneous expenses		28,032		21,928
TOTAL		464,182		261,933
Schedule 'O'				
INTEREST AND OTHER FINANCE CHARGES:				
Interest on:				
Loans for fixed period [Including miscellaneous expenditure written off Rs 2,570 thousand (2007 - Rs 5,521 thousand)]		84,815		7,704
Others	211	85,026	205	7,909
Other financial charges		382		126
TOTAL		85,408		8,035

CHOWGULE STEAMSHIPS LIMITED

SCHEDULE 'P'

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008 .

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared and presented under the historical cost convention on an accrual basis of accounting in accordance with generally accepted accounting principles, the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, as applicable and other relevant provisions of that Act. 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 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. Revenue Recognition

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

vi. 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.

vii. Employee Benefits

i) Short Term

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

ii) Long Term

The Company has both defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

iii) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

iv) Defined-benefit plans

Expenses for defined-benefit gratuity and supplemental payment plans are calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary

increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

v) Other Employee Benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment of encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

viii. 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.

ix. 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.

x. 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.

xi. Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

xii. Taxes on Income

The Company's income taxes include taxes on the Company's taxable profits, fringe benefits tax, adjustment attributable to earlier periods and changes in deferred taxes. Valuation of all tax liabilities / receivables is conducted at nominal amounts and in accordance with enacted tax regulations and tax rates or in the case of deferred taxes, those that have been substantially enacted.

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries

CHOWGULE STEAMSHIPS LIMITED

forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

2. Staff Costs for the year ended 31st March, 2008, include provision for employee benefits as given below consequent to the adoption of the revised Accounting Standard (AS) 15 on Employee Benefits:

Employee Benefits Obligations

The amounts recognised in the balance sheet are as follows:

	2007-08 (Rs. in 000)	2006-07 (Rs. in 000)
i) Present value of funded obligations	4,116	3,108
ii) Fair value of plan assets	2,308	2,371
iii) Net Liability	(1,808)	(737)

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

i) Current service cost	326	258
ii) Interest on obligation	230	189
iii) Expected return on plan assets	(203)	(180)
iv) Net actuarial losses/(gains) recognised in year	1,116	356
v) Adjustment on account of opening balance	(34)	---
vi) Expenses recognized in the statement of profit and loss	1,435	623

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	3,108	2,411
ii) Service cost	326	258
iii) Interest cost	230	189
iv) Actuarial losses / (gains)	915	340
v) Benefits paid	(463)	(90)
vi) Closing defined benefit obligation	4,116	3,108

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	2,371	1,534
ii) Adjustment to Opening Balance	34	---
iii) Expected return	203	198
iv) Actuarial losses/(gains)	(201)	(18)
v) Contribution by employer	364	748
vi) Benefits paid	(463)	(91)
vii) Closing fair value of plan assets	2,308	2,371

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 unavailable with the Company.

The principal actuarial assumptions at the balance sheet date are as follows:

	2007-08	2006-07
i) Discount rate at 31st March	8%	8%
ii) Expected return on plan assets at 31st March	8%	8%
iii) Rate of increase in compensation	5%	5%
iv) Withdrawal rate	0.50%	0.50%

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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.

The contribution expected to be made by the Company during the financial year 2008-09 has not been ascertained.

As this is the second year in which the revised AS -15 has been applied, the amounts of the present value of the obligation, the fair value of the plan assets, surplus or deficit in the plan and experience adjustments arising on plan liabilities and plan assets for the previous three annual periods have not been furnished.

Earned Leave

In May 2007, the Accounting Standards Board of the Institute of Chartered Accountants of India released its guidance on the implementation of the revised Accounting Standard on "Employee Benefits" (AS-15 (revised)). The guidance requires treatment of earned leave which can be carried forward to future periods as a "short term" benefit only if the employees are entitled to either encash or utilise the benefits during the period of twelve months following the end of the accounting period (when they became entitled to the leave) and are also expected to do so. In other cases, the benefit is required to be treated as "long term". The Company has accordingly modified its policy on recognition of earned leave.

Consequent to adoption of the above referred guidance:-

The difference between the liability as at 31st March, 2006, recomputed as above and the corresponding liability recorded, amounting to Rs. 812 thousand has been adjusted against the opening reserves. The difference between the liability as at 31st March, 2007, recomputed as above and the corresponding liability recorded, amounting to Rs 860 thousand has been credited to the Profit and Loss Account for the year.

Had the Company followed its earlier policy, prior to the guidance issued by the Accounting Standards Board, the charge to the Profit and Loss Account for the period would have been higher by Rs. 1,276 thousand.

	31.3.2008 (Rs. in '000)	31.3.2007 (Rs. in '000)
3. Estimated amount of contracts remaining to be executed on capital account not provided for	201	201
4. Secured loans include amounts due within one year	120,330	131,310
5. 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	2006-07	2005-06
6. Director's Remuneration :		
Remuneration of Managing Director		
i) Salary	3,208	2,763
ii) Company's contribution to Provident fund	240	205
iii) Company's contribution to Superannuation Fund	291	251
iv) Value of perquisites	88	70
v) Commission	2,000	-
TOTAL	5,827	3,289

Note : 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.

Computation of Profits under section 349 of the Companies Act, 1956.

	2007-08 (Rs. in '000)	2006-007 (Rs. in '000)
Profit before tax	366,741	112,377
Less: Profit on sale of investments	10	-
Sub-total	366,731	112,377
Add: Remuneration to Managing Director	5,827	3,289
Directors' Sitting Fees	525	500
Total qualifying profit under section 349	373,083	116,166
Commission to Managing Director	2,000	-

CHOWGULE STEAMSHIPS LIMITED

7. Contingent Liabilities (not provided for) in respect of Sales Tax demands against which the Company has preferred appeals amounts to Rs.23,700 thousand (2007–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.
8. Profit and Loss account includes exchange gain (net) Rs. 9,408 thousand (2007 – exchange loss (net) of Rs.4,720 thousand).
9. The Company had 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)	Written Down Value 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.

10. Depreciation provided on the revalued portion of the buildings amounting to Rs.8,381 thousand (2007 – Rs. 8,822 thousand) has been directly adjusted from the revaluation reserve.

11. 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.

12. Related Party Transactions

As per Accounting Standards (AS) 18, the transactions with Company's related parties are disclosed below:

Name 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.
- Sea Bird LLC - Wholly owned subsidiary of CSOL – Incorporated in The Marshall Islands.
- Sea Lord LLC - Wholly owned subsidiary of CSOL – Incorporated in The Marshall Islands.

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	<u>Remuneration</u> M.P. Patwardhan — Rs. 5,827 thousand
Associates Chowgule & Company Pvt. Ltd. (CCPL)	The Company has paid Rs 4,266 thousand (Previous year Rs.6,720 thousand) towards Rent.
Chowgule Brothers Pvt. Ltd. (CBPL)	The Company has reimbursed costs aggregating Rs.474 thousand (Previous year Rs.2,065 thousand) incurred on its behalf by CBPL

Amounts due to / from related parties:

Name of the Related Party	Amounts Payable/Receivable
Chowgule & Company Pvt. Ltd. (CCPL)	Rs.12,664 thousand payable (Previous year Rs.12,664 thousand payable)
Chowgule Brothers Pvt. Ltd. (CBPL)	Rs.53 thousand receivable (Previous year Rs.160 thousand receivable)

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13. As per Accounting Standard (AS) 20 on 'Earnings Per Share' (Basic and Diluted), the earning per share of the Company is as under:

	2007-08	2006-07
Net Profit/(Loss) available to Equity Share Holders (Rs. in thousand)	243,362	71,727
Number of Equity shares	36,308,425	36,308,425
Face Value per Equity Share (Rs.)	10	10
Basic & Diluted Earnings Per Share (Rs.)	6.70	1.98

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

<u>Components of deferred tax</u>	<u>For the year</u> 31-Mar-2008 <u>(Rs in 000)</u>	<u>For the year</u> 31-Mar-2007 <u>(Rs. in 000)</u>
i) Assets on account of timing difference		
a) Provision for doubtful debts and advances	12,055	12,498
b) Related to employees' benefits	1,418	1,355
c) Other disallowances	---	---
Deferred Tax Asset (A)	<u>13,473</u>	<u>13,853</u>
ii) Liabilities on account of timing difference	<u>(273,712)</u>	<u>(207,467)</u>
Deferred Tax Liability (B)	<u>(273,712)</u>	<u>(207,467)</u>
Net Deferred Tax Liability as at the year end (A) - (B)	<u>(260,239)</u>	<u>(193,614)</u>

The Company has recognised in the Profit and Loss Account the net deferred tax liability of Rs. 66,624 thousand (2007-net deferred tax asset of Rs 20,346 thousand in the Profit & Loss Account).

15. According to the information available with the Company there are no dues payable to micro and small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2008.
16. (a) The Department of Company Affairs, Government of India vide its order no. 46/38/2008-CL-III dated 15th April, 2008 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. 47/92/2008-CL-III dated 26th February, 2008 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.
17. Consequent to the Accounting Standard (AS) 11 on 'Accounting for the Effects of Changes in Foreign Exchange Rates' notified under the Companies (Accounting Standards) Rules, 2006, coming into effect, the Company has modified its policy with regard to the treatment of foreign currency translation differences in respect of liabilities relating to fixed assets acquired from outside India. Such translation differences are now credited to the Profit and Loss account and not adjusted against the value of the corresponding assets. Consequently, income from translation differences for the year ended 31st March, 2008, is higher by Rs. 94,500 thousand and the depreciation charge for the year is higher by Rs. 12,058 thousand and accordingly Profit before tax is higher by Rs 82,442 thousand.

18. Foreign Currency Exposure

The year end foreign currency exposures that were not hedged by a derivative instrument or otherwise are given below.

Particulars	2007-08		2006-07	
	Rs. Thousands	USD Million	Rs. Thousands	USD Million
Loans	1,002,750	25.00	1,313,100	30.00
Sundry Debtors	16,287	0.412	3,526	0.082
Sundry Creditors & Other Liabilities	15,733	0.398	11,353	0.263
Loans & Advances	5,633	0.143	3,410	0.079
Cash & Bank Balances	57,416	1.453	106,284	2.462

Note: USD = US Dollar

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

M. P. PATWARDHAN
Managing Director

S. V. JOSHI
Company Secretary

M. S. SAWANT
CFO & Director (Operations)

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

D.N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

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)	Sea Bird LLC (See Foot Note 2)	Sea Lord LLC (See Foot Note 2)
1. The relevant financial year of the subsidiary ended	31.3. 2008	31.3. 2008	31.3. 2008	31.3. 2008	31.3. 2008	31.3. 2008
2. No. of shares in the subsidiary Company held by Holding Company as on 31st March 2008	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	1,000 Shares each of US\$ 1	1,000 Shares each of US\$ 1
3. Extent of holding by Holding Company as on 31st March 2008	100%	100%	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 31.3.2008	US\$ (40,131) Rs.(1,585,977)	US\$ 455,177 Rs.19,988,595	US\$ 11,441,276 Rs.452,159,228	US\$ 22,928,478 Rs.906,133,451	NIL NIL	NIL NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Holding Company's Subsidiaries	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	NIL NIL	NIL NIL
(b) Dealt within the Holding Company's accounts :						
i) for the year ended 31.3.2008	NIL	NIL	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	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

S. V. JOSHI
Company Secretary

D.N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

M. S. SAWANT
CFO & Director (Operations)

DETAILS OF SUBSIDIARY COMPANIES

Sr. No.	Name of the Subsidiary Company	Chowgule Steamships Overseas Limited		Fairweather LLC		Sunshine LLC		Blue Ocean LLC		Sea Bird LLC		Sea Lord LLC	
		INR	USD	INR	USD	INR	USD	INR	USD	INR	USD	INR	USD
1	Capital	363,584	9,200	40	1	40	1	40	1	40	40	1	1
2	Reserves	1,815,035	45,927	241,428	6,109	617,737	15,631	930,103	23,535	-	-	-	-
3	Total Assets	2,350,808	59,484	241,665	6,115	908,170	22,980	937,098	23,712	96,231	2,435	112,553	2,848
4	Total Liabilities	2,350,808	59,484	241,665	6,115	908,170	22,980	937,098	23,712	96,231	2,435	112,553	2,848
5	Details of Investments	198	5	-	-	-	-	-	-	-	-	-	-
6	Total Income	992,466	25,113	19,207	486	643,939	16,294	327,858	8,296	-	-	-	-
7	Profit on sale of ship	764,870	19,354	-	-	-	-	764,870	19,354	-	-	-	-
8	Profit before taxation	1,374,703	34,785	17,982	455	452,148	11,441	906,115	22,928	-	-	-	-
9	Provision for taxation	-	-	-	-	-	-	-	-	-	-	-	-
10	Profit after taxation	1,374,703	34,785	17,982	455	452,148	11,441	906,115	22,928	-	-	-	-
11	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-

Exchange rate as on 31.03.2008

USD 1 = INR 39.52

For and on behalf of the Board of Directors

M. P. PATWARDHAN
Managing Director

VIJAY V. CHOWGULE
Chairman

S. V. JOSHI
Company Secretary

D.N. MUNGALE
Director

M. S. SAWANT
CFO & Director (Operations)

Place : Mumbai,
Date : April 29, 2008

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. State Code

Balance Sheet
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)

Sources of Funds	Total Liabilities	Total Assets
	<input type="text" value="2603776"/>	<input type="text" value="2603776"/>
	Paid-up Capital	Reserves & Surplus
	<input type="text" value="363084"/>	<input type="text" value="977267"/>
	Secured Loans	Unsecured Loans
	<input type="text" value="1003186"/>	<input type="text" value="NIL"/>
	Deferred Tax Liability	
	<input type="text" value="260239"/>	

Application of Funds

Net Fixed Assets	Investments
<input type="text" value="2069640"/>	<input type="text" value="600693"/>
Net Current Assets	Misc. Expenditure
<input type="text" value="(66557)"/>	<input type="text" value="NIL"/>
Accumulated Losses	
<input type="text" value="NIL"/>	

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

Turnover & Other income	Total Expenditure
<input type="text" value="1097518"/>	<input type="text" value="730777"/>
Profit/(loss) before Tax	Profit/(loss) After Tax
<input type="text" value="366741"/>	<input type="text" value="243362"/>
Earning per share in Rs.	Dividend Rate %
<input type="text" value="6.70"/>	<input type="text" value="15%"/>

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

Item Code No. (ITC Code)

Product Description

For & on behalf of the Board of Directors

For and on behalf of the Board of Directors

M. P. PATWARDHAN
Managing Director

VIJAY V. CHOWGULE
Chairman

S. V. JOSHI
Company Secretary

D. N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

M. S. SAWANT
CFO & Director (Operations)

AUTIORS' 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** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2008, and also the Consolidated Profit and Loss Account for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the 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 the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. 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. 2,335,814 thousand as at 31st March, 2008 and total revenues of Rs. 1,034,441 thousand and net cash inflows amounting Rs. 1,397,524 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 Accounting Standard (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 the reports of other auditors on separate financial statements 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:
 - i. in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;
 - ii. in case of the Consolidated Profit and Loss Account, of the profit of the Group for the year then ended; and
 - iii. 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

Sanjiv V. Pilgaonkar
Partner
Membership No. : 39826

Place : Mumbai,
Date : April 29, 2008

CHOWGULE STEAMSHIPS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	As at 31-Mar-2008 (Rs. in '000)		As at 31-Mar-2007 (Rs. in '000)	
I SOURCES OF FUNDS:					
1 Shareholders' Funds:					
i Capital	A	363,084		363,084	
ii Reserves & Surplus	B	2,721,782	3,084,866	1,231,446	1,594,530
2 Loan Funds:					
Secured Loans	C		1,156,326		2,106,526
3 Deferred tax liability (Net)			260,239		193,614
	TOTAL		4,501,431		3,894,670
II APPLICATION OF FUNDS:					
1 Fixed Assets:					
Gross Block	D	3,648,932		3,150,592	
Less: Depreciation		1,248,174		1,142,003	
Net Block		2,400,758		2,008,589	
Add: Capital work in progress and advances for capital goods		244,354	2,645,112	1,503,044	3,511,633
2 Investments	E		181,514		3,157
3 Current Assets, Loans & Advances					
i Inventories	F	7,861		8,610	
ii Sundry Debtors	G	652		8,222	
iii Cash and Bank Balances	H	1,820,793		540,237	
iv Other Current Assets	I	4,434		568	
v Loans and Advances	J	60,865		45,266	
		1,894,605		602,903	
4 Less: Current Liabilities & Provisions	K				
i Current Liabilities		151,837		178,765	
ii Provisions		67,963		46,828	
		219,800		225,593	
Net Current Assets			1,674,805		377,310
5 Miscellaneous Expenditure (to the extent not written off or adjusted)	L		-		2,570
	TOTAL		4,501,431		3,894,670
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

SANJIV V. PILGAONKAR
Partner

S. V. JOSHI
Company Secretary

D. N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

M. S. SAWANT
CFO & Director (Operations)

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CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	For the year ended 31-Mar-2008 (Rs. in '000)	For the year ended 31-Mar-2007 (Rs. in '000)
INCOME:			
Operating earnings	M	1,927,882	1,008,022
Other income	M	109,568	82,870
Profit on sale of assets		-	10
Profit on sale of investment		10	-
		2,037,460	1,090,902
EXPENDITURE:			
Operating and other expenses	N	699,553	612,594
Interest and other financial charges	O	123,232	70,134
Depreciation (net of draw down from revaluation reserve)	D	287,968	244,952
Provision for doubtful debts		-	4,167
		1,110,753	931,847
Profit before taxation and exceptional items		926,707	159,055
Profit on sale of ship		762,149	352,511
Foreign currency translation difference on borrowings		94,500	-
Profit before taxation		1,783,356	511,566
Provision for taxation - current		(56,365)	(60,650)
Deferred tax (liability) / asset		(66,624)	20,346
Provision for Fringe Benefits Tax		(390)	(346)
Net Profit for the year after taxation		1,659,977	470,916
Profit & Loss account brought forward		652,352	223,915
Profit available for appropriation		2,312,329	694,831
Transferred to General Reserve		12,168	-
Proposed Dividend		54,463	36,308
Tax on Proposed Dividend		9,256	6,171
Balance transferred to Balance Sheet		2,236,442	652,352
Earning Per Share (See note no.12 in schedule 'P')		45.72	12.97
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

M. P. PATWARDHAN
Managing Director

For and on behalf of the Board of Directors

VIJAY V. CHOWGULE
Chairman

SANJIV V. PILGAONKAR
Partner

S. V. JOSHI
Company Secretary

D. N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

M. S. SAWANT
CFO & Director (Operations)

CHOWGULE STEAMSHIPS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Year ended 31-Mar-2008 (Rs. in '000)	Year ended 31-Mar-2007 (Rs. in '000)
A. Cash flow from operating activity		
Net Profit/(Loss) before tax and extraordinary items	1,783,356	511,566
Adjusted for:		
Depreciation	287,968	244,952
Provision for employee benefits	632	1,798
Provision for doubtful debts	-	4,167
Reversal of provision for doubtful debts	(1,301)	-
Realised gain on repayment of loan	(3,000)	-
Sundry balance written back	(2,803)	-
Foreign exchange translation differences	(85,626)	917
Bank interest and dividend	(42,359)	(22,384)
Profit on sale of ship	(762,149)	(352,447)
Loss / (Profit) on sale of current investments	(10)	18
Assets scrapped/discarded	97	197
Interest & other finance charges paid (including miscellaneous expenditure written off)	123,232	78,440
	<u>1,298,037</u>	<u>467,224</u>
Operating profit before working capital change		
Adjusted for:		
(Increase)/decrease in trade & other receivables	(8,361)	(9,702)
(Increase)/decrease in inventories	749	(998)
Increase/(decrease) in trade payables	(18,799)	15,514
Operating profit before tax payments	<u>1,271,626</u>	<u>472,038</u>
Net Tax (payment) / recoveries	(57,070)	(64,816)
Net cash from operating activities	<u>1,214,556</u>	<u>407,222</u>
B. Cash flow from investing activities		
Purchase of fixed assets	(108,274)	(1,486,959)
Sale of fixed assets	1,441,404	480,808
(Increase) / Reduction in acquisition costs on account of exchange gain realised on corresponding foreign currency loan	-	(1,040)
Sale of investments	128,239	41,600
Purchase of investments	(306,587)	(44,759)
Interest received	37,450	21,565
Dividend received	1,042	263
Net cash from investing activities	<u>1,193,274</u>	<u>(988,522)</u>
C. Cash flow from financing activities		
Net increase in overdraft balance	259	1,316,060
Repayment of borrowings	(858,959)	(351,547)
Reduction in liability consequent to realisation of exchange gain on foreign currency borrowings	3,000	(1,040)
Interest paid	(126,078)	(65,162)
Dividend & tax thereon paid	(41,841)	(40,760)
Net cash from/(used in) financing activities	<u>(1,023,619)</u>	<u>857,551</u>
Adjustments in foreign currency translation Reserve	(98,353)	5,535
Net increase/(decrease) in cash and cash equivalents	<u>1,285,858</u>	<u>281,786</u>
Opening cash and cash equivalents as at 1st April	540,237	261,603
Closing cash and cash equivalents as at 31st March	<u>1,826,095</u>	<u>543,389</u>
	Year ended 31-Mar-2008 (Rs. in '000)	Year ended 31-Mar-2007 (Rs. in '000)
Effect of exchange rate changes on cash and cash equivalents		
Cash on hand and balances with banks	1,826,095	543,389
Effect of exchange rate change favourable / (adverse)	(5,302)	(3,152)
Cash & Cash Equivalents as restated	<u>1,820,793</u>	<u>540,237</u>

In terms of our report of even date.
For S.B. BILLIMORIA & CO.
Chartered Accountants
SANJIV V. PILGAONKAR
Partner
Place : Mumbai,
Date : April 29, 2008

M. P. PATWARDHAN
Managing Director
S. V. JOSHI
Company Secretary
M. S. SAWANT
CFO & Director (Operations)

For and on behalf of the Board of Directors
VIJAY V. CHOWGULE
Chairman
D. N. MUNGALE
Director

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SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
Schedule 'A'		
CAPITAL :		
Authorised:		
5,00,00,000 (2007 - 5,00,00,000) Equity shares of Rs. 10/- each	500,000	500,000
25,00,00,000 (2007 - 25,00,00,000) Redeemable preference shares of Rs. 100/- each	250,000	250,000
	750,000	750,000
Issued, Subscribed and called up:		
3,63,08,425 (2007 - 3,63,08,425) equity shares of Rs. 10/- each	363,084	363,084
Paid-up:		
3,63,08,425 (2007 - 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	167,627	176,449	
Less: Adjusted against corresponding depreciation charge (See note no. 9 in schedule 'P')	(8,381)	(8,822)	
	159,246		167,627
Capital Redemption Reserve:			
Balance	3,000		3,000
Share Premium:			
Balance	292,201		292,201
General Reserve (Statutory):			
Balance	100,321	100,321	
Add: Transferred from Profit & Loss Account	12,168	-	
	112,489		100,321
General Reserve (Other):			
Opening Balance	16,388	16,957	
Add/(Less): Employee Benefits (See note no. 3 in schedule 'P')	812	(569)	
	17,200		16,388
Profit and Loss Account :			
Balance as per Profit and Loss account carried forward to the Balance Sheet	2,236,442		652,352
Foreign Currency Translation Reserve :			
Opening Balance	(1,639)	(7,174)	
Additions / (Deductions) during the year	(98,353)	5,535	(1,639)
TOTAL	2,721,782		1,231,446

CHOWGULE STEAMSHIPS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Schedule 'C'	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
SECURED LOANS : (See note no. 5 in schedule 'P')		
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	436	177
<i>Term loans:</i>		
From DVB Bank, Singapore:		
Secured by mortgage of ships	1,155,890	2,106,349
TOTAL	1,156,326	2,106,526

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008**Schedule 'D'**

(Rs. in '000)

FIXED ASSETS	COST			DEPRECIATION			WRITTEN DOWN VALUE				
	Opening as at 1-Apr-07	Additions during the year	Deductions during the year	Closing as at 31-Mar-2008	Upto 31-Mar-2007	For the year on original cost	adjusted against corresponding draw down from revaluation reserve	Deductions during the year	Upto 31-Mar-2008	As at 31-Mar-2008	As at 31-Mar-2007
Land	4,263	-	-	4,263	-	-	-	-	-	4,263	4,263
Fleet #	2,908,947	1,353,034	868,775	3,393,206	1,078,923	285,580	-	189,520	1,174,983	2,218,223	1,830,024
Building (See note no.8 in schedule 'P') On Leasehold land - Office Premises	208,686	-	-	208,686	48,513	29	7,979	-	56,521	152,165	160,173
On Freehold land - Staff Quarters	11,043	-	-	11,043	2,788	11	402	-	3,201	7,842	8,255
Furniture and Fixtures	6,227	4,989	43	11,173	4,395	677	-	37	5,035	6,138	1,832
Office Equipments	7,665	9,071	712	16,024	5,492	1,061	-	621	5,932	10,092	2,173
Motor Cars	3,761	776	-	4,537	1,892	610	-	-	2,502	2,035	1,869
TOTAL	3,150,592	1,367,870	869,530	3,648,932	1,142,003	287,968	8,381	190,178	1,248,174	2,400,758	2,008,589
Previous Year	3,422,932	2,952	275,292	3,150,592	1,035,160	244,952	8,822	146,931	1,142,003		

Additions during the year

- Rs. Nil (2007 - Rs. 1,040 thousand) on account of increase in rupee liability of foreign currency loans consequent to a change in exchange rates; and

- Rs. 120,555 thousand decrease (2007-Rs. 48,000 thousand decrease) 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. 20,514 thousand (2007-Rs. 6,394 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

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Schedule 'E'	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
INVESTMENTS: (Refer note no. 2.ii in schedule 'P')		
LONG TERM:		
<i>Non-Trade investments:</i>		
5,000 (2007 - Nil) Equity Shares of Rs. 10/- each fully paid in Chowgule Ports & Infrastructure Private Limited	50	-
Quoted:		
50 (2007 - 50) Equity shares of Rs 10/- each fully paid in Garware Offshore Services Limited	1	1
700 (2007 - 700) Equity shares of Rs 10/- each fully paid in Essar Shipping Limited	3	3
16 (2007 - 16) Equity shares of Rs 10/- each fully paid in Mahindra Lifespace Developers Ltd (erstwhile Mahindra GESCO Ltd.)	-	-
30 (2007 - 30) 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 (2007 - 121) Equity shares of Rs 10/- each fully paid in The Great Eastern Shipping Company Limited	2	2
150 (2007 - 150) Equity shares of Rs 10/- each fully paid in Varun Shipping Company Limited	2	2
150 (2007 - 150) Equity shares of Rs 10/- each fully paid in CICI Bank Limited	5	5
100 (2007 - 100) Equity shares of Rs 10/- each fully paid in Shreyas Shipping Limited	1	1
50 (2007 - 50) Equity shares of Rs 10/- each fully paid in The Shipping Corporation of India Limited	1	1
CURRENT :		
Unquoted: In Mutual Fund Units		
Nil units (2007 - 313,566.74 units) in DSP Merrill Lynch Floating Rate Fund Purchased during the year 1,048.87 units (2007 - 4,457,615.39 units) Sold during the year 314,615.61 units (2007 - 4,144,048.65 units)	-	3,142
67,464.923 units (2007 - Nil units) in DSP Merrill Lynch Liquid Plus Daily Dividend Purchased during the year 169,409.192 units (2007 - Nil units) Sold during the year 101,944.269 units (2007 - Nil units)	67,500	-
1,319,233.970 units (2007 - Nil units) in ICICI Prudential Liquid Fund Purchased during the year 3,282,081.424 units (2007 - Nil units) Sold during the year 1,962,847.454 units (2007 - Nil units)	13,949	-
1,392,240.579 units (2007 - Nil units) in Birla Fixed Term Plan - Series AO Purchased during the year 1,392,240.579 units (2007 - Nil units)	100,000	-
TOTAL	181,514	3,157
Aggregate amount of quoted investments	15	15
Aggregate amount of unquoted investments	50	-
Aggregate market value of quoted investments	327	246
Aggregate Net Asset Value of units in Mutual Funds	181,454	3,147

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2008**

	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
Schedule 'F'		
INVENTORIES:		
(Refer note no. 2.iii in schedule 'P')		
Stores and Spare parts	715	225
Fuel oil and Lube oil on ships	7,146	8,385
TOTAL	<u><u>7,861</u></u>	<u><u>8,610</u></u>
Schedule 'G'		
SUNDRY DEBTORS (UNSECURED):		
Considered good		
Over six months	-	588
Others	652	7,634
Considered doubtful		
Over six months	32,718	34,019
Others	-	-
	<u>32,718</u>	<u>34,019</u>
Less: Provision for doubtful debts	32,718	34,019
TOTAL	<u><u>652</u></u>	<u><u>8,222</u></u>
Schedule 'H'		
CASH AND BANK BALANCES:		
Cash on hand	79	5
Balances with Scheduled Banks on-		
Current account	25,169	63,079
Call account	206	221
Fixed deposit account	1,795,339	476,932
TOTAL	<u><u>1,820,714</u></u>	<u><u>540,232</u></u>
	<u><u>1,820,793</u></u>	<u><u>540,237</u></u>
Schedule 'I'		
OTHER CURRENT ASSETS:		
Accrued Interest on Fixed Deposits with Banks	4,434	568
TOTAL	<u><u>4,434</u></u>	<u><u>568</u></u>
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)	14,526	14,145
Fringe Benefit Tax (net)	54	46
Prepaid expenses	7,904	8,494
Others	38,381	22,581
	<u>60,865</u>	<u>45,266</u>
Considered doubtful		
Other than taxes and prepaid expenses	2,750	2,750
Less: Provision for doubtful advances	2,750	-
TOTAL	<u><u>60,865</u></u>	<u><u>45,266</u></u>

CHOWGULE STEAMSHIPS LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Schedule 'K'	As at 31-Mar-2008 (Rs. in '000)	As at 31-Mar-2007 (Rs. in '000)
CURRENT LIABILITIES & PROVISIONS:		
A. CURRENT LIABILITIES		
Dues to Micro and Small Enterprises	-	-
Sundry Creditors (refer note no. 14 in schedule 'P')	78,479	84,777
Security Deposits	15,235	42,835
Charter Hire (received in advance)	32,260	18,334
Investor Education and Protection Fund shall be credited by the following amount:		
Unclaimed Dividend	1,949	1,311
Other Liabilities	23,914	26,092
Interest accrued but not due on loans	-	5,416
	151,837	178,765
B. PROVISIONS		
For Proposed Dividend	54,463	36,308
For Tax on Proposed Dividend	9,256	6,171
For Gratuity	1,808	738
For Earned Leave	2,361	3,611
For Fringe Benefit Tax (net of advance tax)	75	-
	67,963	46,828
TOTAL	219,800	225,593

Schedule 'L'

MISCELLANEOUS EXPENDITURE:

(To the extent not written off or adjusted)

Deferred Interest in respect of Lease Finance	2,570	8,091	
Less: Written off during the year	2,570	5,521	2,570
Voluntary Retirement Scheme Compensation	-	2,785	
Less: Written off during the year	-	2,785	-
TOTAL	-	2,785	2,570

SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Schedule 'M'	For the year ended 31-Mar-2008 (Rs. in '000)	For the year ended 31-Mar-2007 (Rs. in '000)
INCOME:		
Operating earnings:		
Freight earnings and charter hire receipts etc. (Including of chartered vessels)	1,927,882	1,008,022
Other Income:		
Interest on-		
Bank deposits [Tax deducted at source Rs. 2,029 thousand (2007 - Rs. 1,128 thousand)]	41,317	22,121
Rent	25,705	44,347
Dividend income (gross) from long term other investments [tax deducted at source Rs. Nil (2007-Rs Nil)]	1,042	263
Miscellaneous income	41,504	16,139
	109,568	82,870
TOTAL	2,037,450	1,090,892

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SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	For the year ended 31-Mar-2008 (Rs. in '000)		For the year ended 31-Mar-2007 (Rs. in '000)	
Schedule 'N'				
OPERATING AND OTHER EXPENSES:				
(Including of chartered vessels)				
Salaries, Wages etc.:				
Salaries, Wages, Bonus, Gratuity etc.	14,433		12,853	
Contribution to Employees' Provident Fund	819		694	
Contribution to Superannuation Fund	610		834	
Staff welfare expenses	461		749	
Manning cost	152,576	168,899	130,863	145,993
Fuel, oil and water		45,021		55,436
Stores and spare parts consumed		45,608		65,419
Port disbursement, stevedorage, light dues etc.		2,038		9,731
Repairs and Survey Charges		56,471		87,064
[Including repairs to building Rs. 12,970 thousand (2007-Rs. 4,661 thousand)]				
Dry docking Charges		108,653		51,528
Insurance & Protection Club Dues		46,770		36,335
Commission, brokerage and agency fees		116,896		65,921
Postage, telephone, telexes etc.		7,382		2,574
Rent		5,095		7,030
Rates and taxes		452		1,029
Provision for wealth tax		27		23
Auditors' remuneration				
For Statutory Audit	1,162		997	
For Tax Audit	80		50	
For Other services	120		175	
Service tax on above	62	1,424	65	1,287
Directors' fees		525		500
Claims paid		123		-
Ship Management Fees paid		30,011		28,509
Crew expenses		22,202		10,853
Miscellaneous expenses		41,956		43,362
TOTAL		699,553		612,594
Schedule 'O'				
INTEREST AND OTHER FINANCE CHARGES:				
Interest on:				
Loans for fixed period [Including miscellaneous expenditure written off Rs 2,570 thousand (2007 - Rs 5,521 thousand)]		122,639		69,803
Others	211	122,850	205	70,008
Other financial charges		382		126
TOTAL		123,232		70,134

CHOWGULE STEAMSHIPS LIMITED

SCHEDULE 'P'

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008.

1. CONSOLIDATION OF ACCOUNTS

Basis of preparation

The consolidated financial statements relate to Chowgule Steamships Limited (CSL / the Company) and its subsidiaries. The Company and its subsidiaries comprise the Group. The Consolidated Financial Statements have been prepared on the following basis.

- The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits and losses.
- As the subsidiaries are foreign, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Exchange gains / (losses) arising on conversion are recognised under Foreign Currency Translation Reserve.
- The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Company i.e. 31st March, 2008.
- As the subsidiaries are wholly owned, no goodwill or capital reserve or minority interest arises.
- Intra-group balances, intra group transactions and the resulting unrealised profits, if any, have been eliminated.

The list of subsidiary companies included in the Consolidation and the Company's holdings therein are as under:

Name of the Company	Country of Incorporation	Ownership	
		Direct or through subsidiaries	
		2007-08	2006-07
Chowgule Steamships Overseas Ltd (CSOL)	Guernsey	100%	100%
Sunshine LLC	The Marshall Islands	100%	100%
Fairweather LLC	The Marshall Islands	100%	100%
Blue Ocean LLC	The Marshall Islands	100%	100%
Sea Bird LLC	The Marshall Islands	100%	Not applicable
Sea Lord LLC	The Marshall Islands	100%	Not applicable

Note: Sea Bird LLC and Sea Lord LLC were incorporated during 2007-08.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared and presented under the historical cost convention on an accrual basis of accounting in accordance with generally accepted accounting principles, the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, as applicable and other relevant provisions of that Act. 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 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.

In the case of subsidiary companies, the depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Global Triumph	Over 12.41 years straight line
Marntha Explorer	Over 9.45 years straight line

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. Revenue Recognition

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

vi. Bareboat Charges

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

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

i) Short Term

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

ii) Long Term

The Company has both defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

iii) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

iv) Defined-benefit plans

Expenses for defined-benefit gratuity and supplemental payment plans are calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

v) Other Employee Benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment of encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

ix. 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.

CHOWGULE STEAMSHIPS LIMITED

In respect of Integral Foreign Operations:

- a. 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.
- 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.

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 and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

xiii. Taxes on Income

The Company's income taxes include taxes on the Company's taxable profits, fringe benefits tax, adjustment attributable to earlier periods and changes in deferred taxes. Valuation of all tax liabilities / receivables is conducted at nominal amounts and in accordance with enacted tax regulations and tax rates or in the case of deferred taxes, those that have been substantially enacted.

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

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3. Staff Costs for the year ended 31st March, 2008 include provision for employee benefits as given below consequent to the adoption of the revised Accounting Standard (AS) 15 on Employee Benefits: -

Employee Benefits Obligations

The amounts recognised in the balance sheet are as follows:

	2007-08 (Rs. in 000)	2006-07 (Rs. in 000)
i) Present value of funded obligations	4,116	3,108
ii) Fair value of plan assets	2,308	2,371
iii) Net Liability	(1,808)	(737)

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

i) Current service cost	326	258
ii) Interest on obligation	230	189
iii) Expected return on plan assets	(203)	(180)
iv) Net actuarial losses/(gains) recognised in year	1,116	356
v) Adjustment on account of opening balance	(34)	---
vi) Expenses recognized in the statement of profit and loss	1,435	623

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	3,108	2,411
ii) Service cost	326	258
iii) Interest cost	230	189
iv) Actuarial losses/(gains)	915	340
v) Benefits paid	(463)	(90)
vi) Closing defined benefit obligation	4,116	3,108

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	2,371	1,534
ii) Adjustment to Opening Balance	34	---
iii) Expected return	203	198
iv) Actuarial (losses)/gains	(201)	(18)
v) Contribution by employer	364	748
vi) Benefits paid	(463)	(91)
vii) Closing fair value of plan assets	2,308	2,371

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 unavailable with the Group.

The principal actuarial assumptions at the balance sheet date are as follows:

	2007-08	2006-07
i) Discount rate at 31st March	8%	8%
ii) Expected return on plan assets at 31st March	8%	8%
iii) Rate of increase in compensation	5%	5%
iv) Withdrawal rate	0.50%	0.50%

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.

The contribution expected to be made by the Group during the financial year 2008-09 has not been ascertained.

CHOWGULE STEAMSHIPS LIMITED

As this is the second year in which the revised AS-15 has been applied the amounts of the present value of the obligations, the fair value of the plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous three annual periods have not been furnished.

Earned Leave

In May 2007, the Accounting Standards Board of the Institute of Chartered Accountants of India released its guidance on the implementation of the revised Accounting Standard on "Employee Benefits" (AS-15 (revised)). The guidance requires treatment of earned leave which can be carried forward to future periods as a "short term" benefit only if the employees are entitled to either encash or utilise the benefits during the period of twelve months following the end of the accounting period (when they became entitled to the leave) and are also expected to do so. In other cases the benefit is required to be treated as "long term". The Group has accordingly modified its policy on recognition of earned leave.

Consequent to adoption of the above referred guidance:-

The difference between the liability as at 31st March, 2006, recomputed as above and the corresponding liability recorded, amounting to Rs. 812 thousand has been adjusted against the opening reserves.

The difference between the liability as at 31st March, 2007, recomputed as above and the corresponding liability recorded, amounting to Rs 860 thousand has been credited to the Profit and Loss Account for the year.

Had the Group followed its earlier policy, prior to the guidance issued by the Accounting Standards Board the charge to the Profit and Loss Account for the period would have been higher by Rs. 1,276 thousand.

	31.3.2008 (Rs.in 000)	31.3.2007 (Rs.in 000)
4. Estimated amount of contracts remaining to be executed on capital account not provided for	2,449,766	201
5. Secured loans include amounts due within one year	179,610	282,405
6. Contingent Liabilities (not provided for) in respect of Sales Tax demands against which the Company has preferred appeals amounts to Rs.23,700 thousand (2007-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 Group 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.		
7. Profit and Loss account includes exchange gain (net) Rs. 6,475 thousand (2007 – exchange loss (net) of Rs.6,878 thousand).		
8. The Group had 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)	Written Down Value 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.

9. Depreciation provided on the revalued portion of the buildings amounting to Rs.8,381 thousand (2007 – Rs. 8,822 thousand) has been directly adjusted from the revaluation reserve.

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10. Segment Reporting

The Group 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.

11. Related Party Transactions

As per Accounting Standards (AS) 18, the transactions with Group's related parties are disclosed below:

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	<u>Remuneration</u>
M. P. Patwardhan - Managing Director	M.P. Patwardhan — Rs. 5,827 thousand
Associates	
Chowgule & Company Pvt. Ltd. (CCPL)	The Company has paid Rs 4,266 thousand (Previous year Rs.6,720 thousand) towards Rent.
Chowgule Brothers Pvt. Ltd. (CBPL)	The Company has reimbursed costs aggregating Rs.474 thousand (Previous year Rs.2,065 thousand) incurred on its behalf by CBPL

Amounts due to / from related parties:

Name of the Related Party	Amounts Payable / Receivable (Rs. in 000)
Chowgule & Company Pvt. Ltd. (CCPL)	Rs.12,664 thousand payable (Previous year Rs.12,664 thousand payable)
Chowgule Brothers Pvt. Ltd. (CBPL)	Rs.53 thousand receivable (Previous year Rs.160 thousand receivable)

12. As per Accounting Standard (AS) 20 on 'Earnings Per Share' (Basic and Diluted), the earning per share of the Company is as under:

	2007-08	2006-07
Net Profit / (Loss) available to Equity Share Holders (Rs. in thousand)	1,659,977	470,916
Number of Equity shares	36,308,425	36,308,425
Face Value per Equity Share (Rs.)	10	10
Basic & Diluted Earnings Per Share (Rs.)	45.72	12.97

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

<u>Components of deferred tax</u>	For the year 31-Mar-2008 (Rs in 000)	For the year 31-Mar-2007 (Rs. in 000)
i) Assets on account of timing difference		
a) Provision for doubtful debts and advances	12,055	12,498
b) Related to employees' benefits	1,418	1,355
c) Other disallowances	---	---
Deferred Tax Asset (A)	13,473	13,853
ii) Liabilities on account of timing difference	(273,712)	(207,467)
Deferred Tax Liability (B)	(273,712)	(207,467)
Net Deferred Tax Liability as at the year end (A) - (B)	(260,239)	(193,614)

The Group has recognised in the Profit and Loss Account the net deferred tax liability of Rs. 66,624 thousand (2007- net deferred tax asset of Rs 20,346 thousand in the Profit & Loss Account).

14. According to the information available with the Group there are no dues payable to micro and small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2008.

CHOWGULE STEAMSHIPS LIMITED

15. Consequent to the Accounting Standard (AS) 11 on 'Accounting for the Effects of Changes in Foreign Exchange Rates' notified under the Companies (Accounting Standards) Rules, 2006, coming into effect, the Group has modified its policy with regard to the treatment of foreign currency translation differences in respect of liabilities relating to fixed assets acquired from outside India. Such translation differences are now credited to the Profit and Loss account and not adjusted against the value of the corresponding assets. Consequently, income from translation differences for the year ended 31st March, 2008, is higher by Rs. 94,500 thousand and the depreciation charge for the year is higher by Rs. 12,058 thousand and accordingly Profit before tax is higher by Rs 82,442 thousand.

16. Foreign Currency Exposure

The year end foreign currency exposures that were not hedged by a derivative instrument or otherwise are given below.

Particulars	2007-08		2006-07	
	Rs. Thousands	USD Million	Rs. Thousands	USD Million
Loans	1,002,750	25.00	1,313,100	30.00
Sundry Debtors	16,287	0.412	3,526	0.082
Sundry Creditors & Other Liabilities	15,733	0.398	11,353	0.263
Loans & Advances	5,633	0.143	3,410	0.079
Cash & Bank Balances	57,416	1.453	106,284	2.462

Note: USD = US Dollar

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

M. P. PATWARDHAN
Managing Director

S. V. JOSHI
Company Secretary

M. S. SAWANT
CFO & Director (Operations)

For and on behalf of the Board of Directors

VIJAY V. CHOWGULE
Chairman

D. N. MUNGALE
Director

Place : Mumbai,
Date : April 29, 2008

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 Fifth Annual General Meeting of Chowgule Steamships Limited to be held on 25th July, 2008 , at 11.00 AM (I.S.T) and at any adjournment thereof.

Signed this _____ day of _____ 2008

Signature

Affix 1 Rupee Revenue Stamp

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 SERVICES (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 [checked] wherever applicable. For shares held in physical form

Master Folio No. []

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 your shares, the details registered with your Depository Participant will be considered for payment through ECS.

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

CHOWGULE STEAMSHIPS LIMITED

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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 Crystalon lease)	1997	3500
5.	M.V. Maratha Coral	2000	3427

CHOWGULE STEAMSHIPS OVERSEAS LIMITED

	Name	Year Built	DWT (M.T.)
1.	M.V. Global Triumph (Owned by Sunshine LLC)	1996	72870

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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