

Directors' Report

Your Directors have pleasure in presenting the Thirty-ninth Annual Report together with the audited statements of account of the Company for the year ended 31st March, 2010.

(Figures in millions of Rupees)		
	Current Year ended 31.03.2010	Previous Year ended 31.03.2009
PROFIT BEFORE TAX	538.86	1,271.15
Less: Provision for Taxation		
Current Tax	413.58	34.60
Fringe Benefit Tax	(0.25)	8.50
PROFIT AFTER TAX	125.53	1,228.05
Less: Transferred to Tonnage Tax Reserve under Section 115VT of the Income-tax Act, 1961	-	200.00
Add : Surplus brought forward from previous year	949.33	921.63
Amount available for appropriation	1,074.86	1,949.68

Your Directors have recommended payment of dividend of Rs. 0.80 per equity share for the year ended 31st March, 2010, which will absorb Rs.120.01 million. Additional amount of Rs.19.93 million will be absorbed towards dividend tax. After the above appropriations, your Directors propose to carry forward a balance of Rs. 934.92 million in the Profit and Loss Account.

Freight and charter hire income was Rs. 6,662.23 million compared to Rs. 9,146.59 million for the year ended 31st March, 2009. Profit before tax was Rs. 538.86 million for the year ended 31st March, 2010 as against Rs.1,271.15 million during the preceding year. Net profit after tax was Rs.125.53 million for the year ended 31st March, 2010 as against Rs.1,228.05 million during the preceding year.

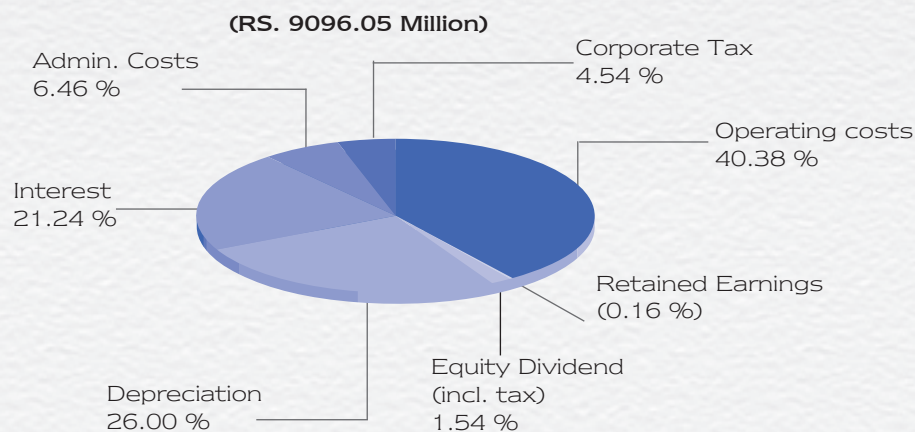
During the financial year under review, the Company subscribed to and was allotted additional 6,376,750 ordinary shares of S\$ 1 each of VSC International Pte Ltd, Singapore (VSCI) when it was a wholly owned subsidiary of the Company.

VSCI, the erstwhile wholly owned subsidiary of the Company has become an associate in March, 2010 consequent upon the sale of 51 per cent of the paid-up share capital held in it by the Company. The Company continues to hold 49 per cent of the paid-up share capital of VSCI.

During the financial year ended 31st March, 2010, Company acquired one newly built, large modern and sophisticated Anchor Handling Towing and Supply (AHTS) vessel, Suchandra in April, 2009.

During the financial year ended 31st March, 2010, Company sold five of its vessels, namely, Maharshi Shivatreya, Maharshi Labhatreya, Maharshi Dattatreya, Maharshi Bhavatreya and Maharshi Devatreya to

DISTRIBUTION OF REVENUE



the associate Company, out of which three vessels have been taken back on Bareboat Charter (BBC) and/ or Bareboat Charter cum Demise (BBCD) basis. The Company also phased out its 1976 built gas carrier, namely, Maharshi Vasishth during the financial year under review.

The Company presently owns and/or operates a well diversified fleet of 20 vessels. The LPG carrier fleet presently owned by the Company is the largest in India in terms of both fleet size and cargo carrying capacity of 187,978 dwt (248,638 cbm) and forms approximately 78 per cent of total LPG tonnage under Indian flag. The Company has transported approximately 63 per cent of all LPG cargoes imported into the country by public sector undertakings marketing LPG in India during the year ended 31st March, 2010.

In October, 2009 the Company received "The Tanker Operator Award" at the Seatrade Middle East & Indian Subcontinent Awards 2009 ceremony held at Dubai.

In October, 2009 the Company received "Training and Crewing Award" at the 11th Lloyds List Asia Awards 2009 ceremony held at Singapore.

In November, 2009 the Company received "The Energy Award" at the Lloyds List Middle East & Indian Subcontinent Awards-2009 ceremony held at Dubai.

In June, 2009, Mr. Yudhishtir D. Khatau, Vice Chairman & Managing Director was elected as "President Designate" of the Baltic and International Maritime Council (BIMCO).

In March, 2010 Mr. Yudhishtir D. Khatau, Vice Chairman & Managing Director received "Young Entrepreneur of the Year" award at the Shipping, Marine & Ports 2010 Leadership & Excellence Awards ceremony held at Mumbai.

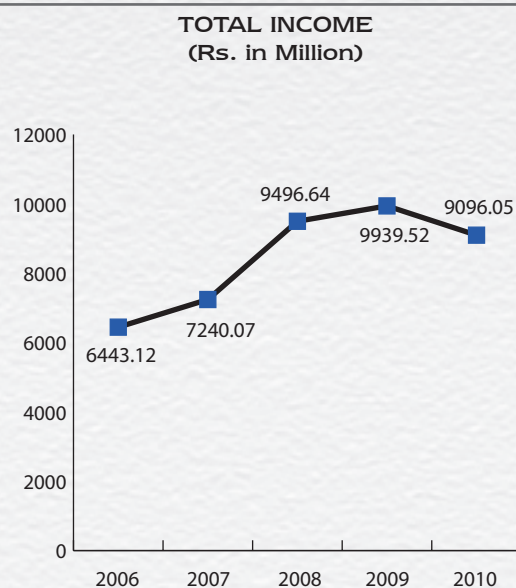
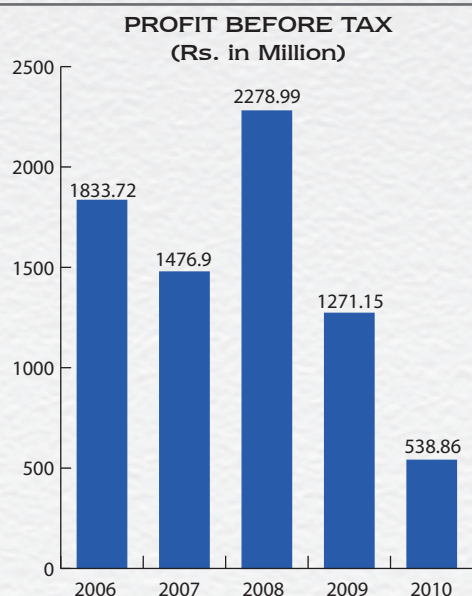
Management Discussion and Analysis :

(a) Industry Structure and Development :

About 90 per cent of the world trade by volume is carried through sea transportation. Marine transportation of energy creates vital link between remote energy supplies and markets.

The international shipping industry transports hydrocarbons and bulk commodities in wet bulk, dry bulk, liquefied gas, bulk chemicals and container sectors. Further, specialized vessels such as ferries, cruise ships, car carriers and heavy lift ships are deployed to transport passengers, automobiles and project cargoes the world over. In addition thereto, offshore support vessels are used to provide services to offshore oil and gas exploration and production industry. The Company owns/operates a well diversified fleet of 20 vessels in the oil, gas and offshore support services sectors.

According to Platou Report-2010, late in 2008, there was a widespread fear that the global economy could go into a depression like the one we had in the 1930s. Fortunately, the global economy is expanding again after the steepest drop in economic activity and trade since World War II. The triggers for this recovery are wide-ranging public interventions across advanced and emerging economies.



According to Platou Report-2010, the sustained strong growth trend in the world economy from 2003 to the summer of 2008 was driving tonnage demand for the world merchant fleet by 8 per cent per year, on average. Despite an accelerating fleet growth the capacity utilization rate was persistently above 90 per cent, which we define as full capacity utilization. Parallel to the steep fall in economic activity tonnage demand dropped. Our preliminary estimates indicate a fall of 3.3 per cent, which we must characterize as moderate compared with IMF's estimate for world trade of -11.9 per cent. The large gap in these numbers is caused by the fact that our estimate for tonnage demand is based on seaborne trade in volume terms, transport distances and productivity of the world merchant fleet, while IMF's estimate for world trade is based on the sum of exports and imports in value terms deflated by a detailed price deflator system.

According to Platou Report-2010, world shipping is much more dominated by raw materials than the total world trade and the trade of raw materials was well maintained, driven by emerging economies, China in particular. These countries managed much better in this financial crisis than advanced countries. While OECD countries experienced a decline in GDP of 3.5 per cent in 2009, developing Asia had a growth of 6.2 per cent and China 8.7 per cent. In addition, there has been a building of raw material inventories that has required more tonnage than running consumption should indicate. There was a fall in utilization rate for the world total fleet from 90 per cent in 2008 to 81 per cent in 2009.

According to Platou Report-2010, demand for new tonnage in 2009 continued its falling trend since the financial crisis of the previous year. From a peak in new orders in 2007, the level of contracting was down by 85 per cent in 2009.

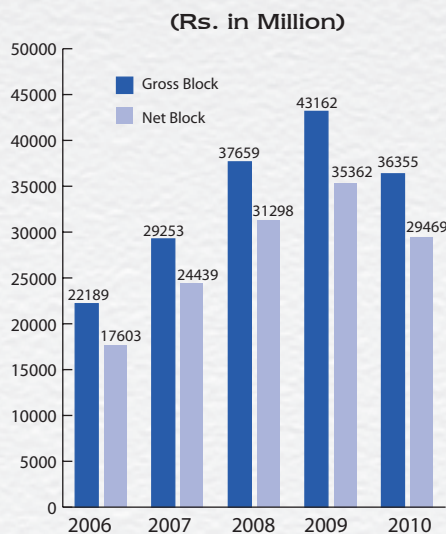
According to Platou Report-2010, the bulk carrier market in 2009 turned out better than expected even if freight rates were 60 per cent lower than in 2008.

According to Platou Report-2010, in the tanker market, a 7 per cent fleet growth combined with a 5 per cent decline in seaborne oil trade and, in addition to, reduced transport distances, should apparently have resulted in a huge overcapacity. This did not happen due to a persistent overproduction of oil that required the use of 5 per cent of the tanker fleet for floating oil storage. The dramatic drop in oil consumption as a consequence of the deep recession in the global economy enforced a large cutback in OPEC output, which fell by 8 per cent from 2008 to 2009. The utilization rate for the tanker fleet fell from 91 per cent in 2008 to 84 per cent in 2009.

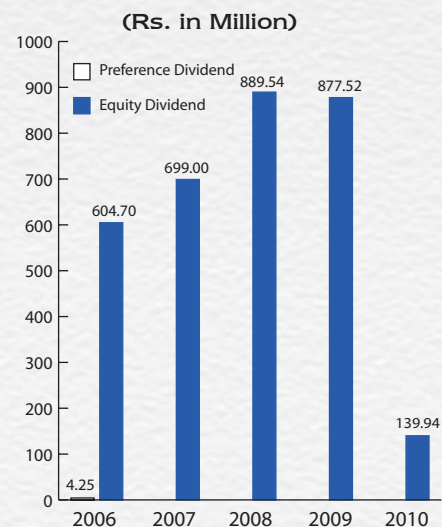
The container market continued to be in dire straits. It is observed that sectors transporting raw materials (bulkers and tankers) have been more favourably positioned than sectors transporting manufactured goods (container and car carriers).

LPG markets began a transition period in 2008. The year 2009 was the end of this beginning and start of a new era of sharply rising seaborne LPG supplies.

GROSS AND NET BLOCK



DIVIDEND



According to Platou Report-2010, after a rally that began in autumn 2004, the term chartering market started to decline in January, 2009 in the offshore sector. Term charter rates have declined on average 40-50 per cent for contracts with about a one-year firm period. At the same time, spot rates in the North Sea were on average 65 per cent lower than the previous year. The main factors for the decrease in rates are fewer requirements issued by oil companies, drilling rig operators that have been cancelling and delaying offshore development programs and an oversupply of ships due to the tidal wave of newbuilding deliveries. Overall, shipowners have been vigorously competing to keep their vessels on charter in the short term and this has contributed to pushing rates down. As per the said Report, despite last year's dip, demand for supply vessels in 2010 is expected to increase.

(b) Opportunities and Threats :

Due to continued economic slowdown, opportunities will arise for acquisition of good quality vessels at cheaper prices. However, at the same time it will become increasingly difficult to obtain financing for acquisition of vessels in the global market, but financing for vessels is still available from Indian lenders albeit at a higher cost.

The recent economic uncertainty in the European Union and the nature and magnitude of the stimulus package required remains a threat to the global economic environment.

The freight rates are mainly determined by the fine balance between future demand and supply of vessels. Currently, there is a large order book of vessels in most sectors which coupled with economic slowdown may affect the freight rates adversely but at the same time with increased difficulty in obtaining finance for newbuilding which are on order, it is expected that some of the new building orders will be cancelled.

The Indian shipping industry continues to be burdened with several taxes such as service tax, withholding tax on interest and fringe benefit tax. In order to be globally competitive, it is essential that these taxes are rationalized to ensure that Indian shipping companies have a level playing field in the international arena.

(c) Segment-wise Performance :

The Company is engaged only in the business of shipping and there are no separate reportable segments.

The Company owns/operates a fleet of ten LPG carriers, including eight mid-size Gas Carriers (MGCs), one Large Gas Carrier (LGC) and one Very Large Gas Carrier (VLGC) which have been deployed on a mix of time charters and spot charters with charterers such as Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, Reliance Industries Limited and Pertamina.

In the crude oil sector, the Company owns three double hull Aframax crude oil tankers which are placed in the Sigma Tanker Pool, trading globally.

In the offshore support services sector, the Company owns/operates a fleet of seven Anchor Handling Towing and Supply (AHTS) vessels which are deployed on time charters and spot charters both in India and overseas.

(d) Outlook :

According to Platou Report-2010, the global economic recovery is not as synchronized as the downturn was. The upturn in the major emerging economies, especially in Asia and particularly in China is now well established and supporting the OECD economies. The US economy is recovering on the back of policy stimulus and strong net exports and is expected to reach a growth rate of close to 3 per cent in 2010. Also, in Japan, the economy has recovered and an output growth of 1.7 per cent is now expected. Forecasters are predicting a 10 per cent growth in China in 2010. Activity in India is gaining momentum, driven by increased exports and business investments and growth is predicted to reach a level of between 7 and 8 per cent in 2010. In Brazil, supportive policy measures are predicted to steam up private consumption and bring economic growth upto the 4 to 5 per cent level in the coming years. Russia was harder hit than any other large emerging economy in 2009 with a GDP decline of 8 per cent. Growth has now resumed, driven by a rebound in commodity prices, policy stimulus and stronger external demand and predictions point to 3 to 4 per cent growth in 2010. Global economic growth will, according to these forecasts, be close to 4 per cent in 2010 and strengthen further to between 4.5 and 5 per cent in the next two years.



The world GDP is expected to return to positive growth in 2010 and should thereby help push tonnage demand for the world merchant fleet into growth again. However, huge order books and difficulties in financing newbuildings are likely to dampen demand for new tonnage.

According to Platou Report-2010, for tanker markets, prospects are again very uncertain, not only on the demand side but now also on the supply side. Tanker markets are at a utilization rate level that could generate a lot of fluctuations in the freight market. World economy, oil consumption, floating storage and deliveries of newbuildings are all important ingredients which, headed in the right direction, have the potential to generate an interesting tanker market in 2010.

Preliminary figures for LPG consumption in 2009 in major consuming nations have shown a mixed trend. While consumption in emerging Asian economies was expected to rise, mature economies' appetite for LPG appeared to be slowing. While South Korea, China, India, Indonesia and Vietnam increased their LPG intake, Japan was looking for alternative sources of energy, from both economic and environmental perspective. Interestingly, though not surprisingly, Saudi Arabia emerged as a major LPG consuming destination in 2009.

It is envisaged that the year 2010 will see better utilization of LPG vessels. Due to large expansion of Qatar Gas and Ras Gas LNG plants and establishment of new LNG export/import terminals, more LPG production and transportation is expected to take place during the times to come.

Seaborne LPG supply is forecast to rise 47 per cent to 83 mm t/year between 2008 and 2016. The growth – a difference of 27 mm t/year of exports in 2016 v/s 2008 – will alter the way LPG markets trade, changing existing trade dynamics and forcing product to new buyers. Government of India in October, 2009 announced the Rajiv Gandhi Gramin LPG Vitruk Scheme. This scheme aims to enhance LPG usage in India with the number of connections increasing from almost 110 million to 165 million by 2015. This is likely to generate additional demand for import of LPG into India.

According to Platou Report-2010, the last few years depletion of existing offshore oil production has on an average been 1.5 m bbls/day. This is the exact number of new barrels that is yearly coming on stream offshore. The oil companies are expected to increase their exploration and production budgets by 5 to 10 per cent in 2010 and with compelling economics and cashflow, their future ambitions are to significantly add more oil production offshore.

According to Platou Report-2010, world will most likely see strongly differentiated market conditions between segments. They believe trade of raw materials will continue on its more favourable trend than trade of manufactured goods.

(e) Risks and Concerns :

Shipping industry being global in nature is prone to several risks and uncertainties including, international competition, marine mishaps and accidents, force majeure such as earthquakes, volcanic eruptions, etc., amendments in Government policies, rules and regulations, new regulatory compliances, port state control, increase in financial costs, exchange rate fluctuations, changes in tax laws, acts of terrorism, wars, piracy, arrest of vessel by maritime claimants, shortage of qualified seafarers, global recession etc. In recent times, there have been increased instances of piracy for vessels passing through Gulf of Aden/Indian Ocean/Somalia/Somali Basin.

The Company endeavours to counteract these risks by adopting certain measures like diversifying its marine assets, employing vessels on time charter contracts and pool arrangements, complying with international ship management practices and also insuring against various maritime risks with hull and machinery underwriters and Protection and Indemnity Clubs. The Company is giving special emphasis on training of its floating staff.

The Board of Directors periodically reviews and assesses the adequacy of the risk assessment and minimization procedures so that various risks can be assessed and minimized through well defined framework/procedures.

(f) Internal Control Systems and their adequacy :

The Company has proper and effective internal control systems commensurate with its size of operations in order to ensure that all systems and procedures are functioning satisfactorily. Internal audit function is carried out by the Chief Internal Auditor on a regular basis.

The Audit Committee of the Board of Directors regularly reviews the effectiveness and adequacy of the internal control systems to monitor due and proper implementation thereof and for due compliance with various applicable laws, rules and regulations, accounting standards and regulatory guidelines.

(g) Discussion on financial performance with respect to operational performance :

The details of the financial performance of the Company have already been dealt with in the earlier part of the report.

(h) Human Resources :

The relations between the employees and the Company remained cordial throughout the year. The Company had 107 shore based staff and 563 floating staff employees as on 31st March, 2010. The committed shore based staff provides its prompt and efficient support and guidance to the floating staff on a continuous basis, which helps to maintain effective performance and operational efficiency at all times. The Company continues to focus on the safety, training and development of the employees.

The Company continues to conduct post-sea training programme for its marine officers which was initiated last year. The Company under the said programme imparted 2,657.5 man-days of training. Further, under its expanded Trainee Marine Engineer (TME) and Deck Cadet Programme, the Company on an average trained 51 TMEs and Deck Cadets on its fleet during each month. These programmes are helping the Company to build up an efficient and well qualified cadre of experienced seafarers for its fleet.

(i) Social Responsibility :

As a socially responsible corporate citizen, the Company continues to support a wide spectrum of community initiatives through NGOs as well as programmes for health, education and environment.

Total foreign exchange earned and saved including deemed earnings of the Company for the year ended 31st March, 2010 was Rs. 6,501.96 million and the foreign exchange used was Rs. 9,285.12 million.

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm to the best of their knowledge and belief that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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 profit or loss of the Company for that period;
- iii) 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; and
- iv) the Directors have prepared the annual accounts on a going concern basis.

The audited Profit and Loss Account along with Auditors' Report of VSC International Pte Ltd, Singapore, the then wholly owned subsidiary of the Company, for the period from 1st April, 2009 to 30th March, 2010 are attached to the Balance Sheet of the Company. Consolidated profit and loss account prepared in accordance with the accounting standards issued by the Institute of Chartered Accountants of India, is also attached.

As required by the Listing Agreement with Stock Exchanges on which shares of the Company are listed, a Report on Corporate Governance together with the certificate from the Auditors of the Company regarding compliance with Corporate Governance is attached to this report.

Mr. Praveen Singh and Mr. Charles Cayzer retire by rotation and being eligible, offer themselves for re-appointment. Separate resolutions are being proposed for their respective re-appointments.

Mr. Khurshed M. Thanawalla was appointed as a Director of the Company with effect from 27th January, 2009 in the casual vacancy caused by the resignation of Mrs. Rina D. Khatau. The Company has received notices under Section 257 of the Companies Act, 1956 from some of its members together with necessary deposits proposing to appoint Mr. Khurshed M. Thanawalla as a Director of the Company. Accordingly, a resolution for his appointment is being proposed at the ensuing Annual General Meeting for your consideration.



You are requested to appoint Auditors of the Company and fix their remuneration. The retiring Auditors Messrs Sorab S. Engineer & Co. being eligible, offer themselves for re-appointment.

Pursuant to the Special Resolution passed by the shareholders at Thirty-fifth Annual General Meeting of the Company held on 12th September, 2006 and in terms of Central Government approval, Mr. Haider Nawaz a relative of Mr. Yudhishthir D. Khatau was appointed as Vice President – Business Development for the period upto 24th February, 2011 at the Company's branch office at Singapore. The Directors believe that for growth and expansion of the Company, it would be desirable to continue to avail of his services as Vice President – Business Development (or on such other designation as may be decided from time to time) for a further period of four years with effect from 25th February, 2011. Accordingly, a resolution for his re-appointment and payment of revised remuneration is being proposed at the ensuing Annual General Meeting for your consideration.

Due to global recession, there was a downturn in the shipping industry, which affected the revenues of the Company adversely resulting in excess payment of remuneration to Mr. Arun Mehta, Chairman and Managing Director and Mr. Yudhishthir D. Khatau, Vice Chairman & Managing Director in terms of provisions of the Companies Act, 1956. The Company has therefore sought approval of the Central Government for waiver of such excess remuneration paid to them during the year under review. Accordingly, separate resolutions are being proposed at the ensuing Annual General Meeting for your consideration.

As an abundant caution, approval of members is also being sought for payment of minimum remuneration during the period from 1st April, 2010 to 31st March, 2012 to Mr. Arun Mehta and Mr. Yudhishthir D. Khatau in case of absence or inadequacy of profits. Accordingly, separate resolutions are being proposed at the ensuing Annual General Meeting for your consideration.

Explanation is given below with regard to Clause 2(f) of the Auditors Report relating to Note No.7(c) of Schedule N to the accounts in respect of excess managerial remuneration paid by the Company.

The Company had adequate profits for the past many years and thus has been paying remuneration to its managerial personnel within the overall limits as specified under the Companies Act, 1956. However, due to global recession, there was a downturn in shipping industry and the revenues and consequently the profitability of the Company were adversely affected. Due to this, the managerial remuneration paid during the year ended 31st March, 2010 exceeded the limits prescribed under the Companies Act, 1956. As mentioned earlier, the Company has sought approval of the Central Government for waiver of such excess remuneration paid to Mr. Arun Mehta and Mr. Yudhishthir D. Khatau for the year ended 31st March, 2010.

As required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Vice President – Corporate Affairs, Secretarial & Legal and Company Secretary at the registered office of the Company.

Your Directors express their thanks to all the officers of the Ministry of Shipping, Directorate General of Shipping, Ministry of Petroleum and Natural Gas and oil companies for the valuable help and co-operation extended by them to the Company. Your Directors also thank the banks for their continued support to the Company. Your Directors also thank the shareholders of the Company for their sustained confidence reposed in the Company and its management. Last but not the least, your Directors express their deep appreciation for the sincere and hard work put in by the floating as well as the shore based officers and staff of the Company.

On behalf of the Board of Directors

ARUN MEHTA

Chairman and Managing Director

Mumbai, May 21, 2010