

## Corporate Governance Report

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company believes that sound Corporate practices based on openness, credibility and accountability is essential to its long term success. These practices will ensure the Company, having regard to competitive exigencies, conduct its affairs in such way that would build the confidence of its various stakeholders in it, and its Board's integrity.

### 2. BOARD OF DIRECTORS

The Board consisted of 12 Directors as on March 31, 2004.

Composition, Category of Directors and other Directorship details are as follows:

Category	Name of Director & Designation	No. of outside Directorships and Committee Membership/Chairmanship			
		Public Co.	Pvt. Co.	Committee Membership	Chairmanship
Promoter/ Executive Directors	Mr. K.M. Sheth, Executive Chairman	1	–	–	–
	Mr. S.J. Mulji, Executive Deputy Chairman	6	–	–	–
	Mr. Vijay K. Sheth, Managing Director	6	9	–	–
	Mr. B.K. Sheth, Managing Director	3	–	–	–
Promoter/Non-Executive	Ms. Asha V. Sheth	–	3	–	–
Independent/ Non-Executive Director	Mr. R.N. Sethna	5	1	5	1
	Mr. A.K. Parikh	1	–	3	–
	Mr. Manu Shroff	3	–	3	1
	Mr. T.N. Pandey	1	–	3	2
	Mr. Keki Mistry	13	–	13*	2
	Mr. Cyrus Guzder	8	7	6	3
	Mr. Vineet Nayyar**	5	6	–	–

\* Memberships in Audit, Remuneration and Investor Grievances Committees does not exceed 10 committee membership.

\*\* Mr. Vineet Nayyar was appointed as an Additional Director of the Company on March 24, 2004.

The attendance of the Directors of the Company at the Board meetings and Annual General Meeting are as follows :

Director	No. of Meetings		Attended Last AGM **
	Held *	Attended	
Mr. K.M. Sheth	11	11	Yes
Mr. S.J. Mulji	11	7	No
Mr. Cyrus Guzder	11	10	Yes
Mr. Keki Mistry	11	9	Yes
Mr. T.N. Pandey	11	10	Yes
Mr. A.K. Parikh	11	11	Yes
Mr. R.N. Sethna	11	10	Yes
Ms. Asha V. Sheth	11	9	Yes
Mr. Manu R. Shroff	11	11	Yes
Mr. Vijay K. Sheth	11	11	Yes
Mr. B.K. Sheth	11	11	Yes
Mr. Vineet Nayyar***	11	1	No

\* The Board of Directors met 11 times during the year on the following dates :

April 11, 2003, May 2, 2003, June 10, 2003, July 24, 2003, August 29, 2003, October 5-6, 2003, October 30, 2003, November 28, 2003, December 19, 2003, January 30, 2004 and March 24, 2004.

\*\* Annual General Meeting (AGM) held on July 24, 2003.

\*\*\*Mr. Vineet Nayyar was appointed at the Board Meeting held on March 24, 2004, which he attended.

### 3. AUDIT COMMITTEE

#### A) Terms of Reference

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the board, focussing primarily on :
  - Any Change in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions i.e. transactions of the Company or material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function.
- f) Discussion with internal auditors on any significant findings and follow up thereon.
- g) 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.
- h) Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.

j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

**B) Composition of Audit Committee (As on March 31, 2004)**

The Audit Committee was reconstituted on August 29, 2003 wherein Mr. A.K. Parikh was appointed on the Committee in place of Mr. T.N. Pandey.

The Audit Committee comprises of the following Non-Executive independent Directors namely :

- (1) Mr. Manu R. Shroff - Chairman
- (2) Mr. R.N. Sethna
- (3) Mr. A.K. Parikh

C) The Committee met 7 times on May 1, 2003, July 23, 2003, September 10, 2003, October 30, 2003, December 19, 2003, January 30, 2004 and March 25, 2004 during the financial year 2003-04 and the attendance of the members of the Committee were as follows :

Director	No. of Meetings	
	Held	Attended
Mr. Manu R. Shroff	7	7
Mr. R.N. Sethna	7	7
Mr. T.N. Pandey *	7	2
Mr. A.K. Parikh *	7	5

\* were on the Committee for part of the year.

**4. REMUNERATION COMMITTEE**

**A) Terms of Reference**

The Remuneration Committee shall have the powers to determine the Company's Policy on specific remuneration packages for Wholetime Directors including pension rights and any other compensation related matters and issues within the framework of the provisions and enactments governing the same.

**B) Composition of the Committee (As on March 31, 2004)**

The Remuneration Committee was also reconstituted on August 29, 2003 wherein Mr. Cyrus Guzder was appointed on the Committee in place of Mr. A.K. Parikh.

The Remuneration Committee comprises of the following Directors namely :

- (1) Mr. Cyrus Guzder - Chairman
- (2) Mr. R.N. Sethna
- (3) Mr. T.N. Pandey
- (4) Mr. Manu R. Shroff

**C) Attendance during the year**

The Committee met 5 times on May 1, 2003, November 28, 2003, January 22, 2004, February 8, 2004 and March 5, 2004 during the financial year 2003-04 and the attendance of the members of the Committee were as follows :

Director	No. of Meetings	
	Held	Attended
Mr.Cyrus Guzder *	5	4
Mr. R.N. Sethna	5	5
Mr. T.N. Pandey	5	4
Mr. Manu R. Shroff	5	5
Mr. A.K. Parikh *	5	1

\* were on the Committee for part of the year.

#### D) Remuneration Policy

The Company has constituted a Remuneration Committee of the Board in compliance with the SEBI guidelines. The Committee is fully empowered to frame the compensation structure for the working Directors and review the same from time to time based on certain performance parameters, growth in business as well as profitability and also align with the best practices prevailing in the industry.

#### E) Details of Remuneration paid to all Directors :

Name of Director	Salary* (Rs)	Sitting Fees (Rs)	Commission (Rs)
Mr. K.M. Sheth	66,60,673	—	— **
Mr. S.J. Mulji	68,44,048	—	— **
Mr. V.K. Sheth	61,19,293	—	60,00,000 **
Mr. B.K. Sheth	62,68,844	—	60,00,000 **
Mr.Cyrus Guzder	—	70,000	7,50,000
Mr. Keki Mistry	—	45,000	7,50,000
Mr.Vineet Nayyar	—	5,000	50,000
Mr. T.N. Pandey	—	85,000	7,50,000
Mr. A.K. Parikh	—	90,000	7,50,000
Mr. R.N. Sethna	—	1,10,000	7,50,000
Ms. Asha V. Sheth	—	45,000	7,50,000
Mr. Manu R. Shroff	—	1,20,000	7,50,000
<b>Total</b>	<b>2,58,92,858</b>	<b>5,70,000</b>	<b>1,73,00,000</b>

\* Salary includes monetary value of the perquisites.

\*\* An amount of Rs. 240 lakhs is proposed to be paid to the 4 Executive Directors for the year 2003-04, subject to the approval of the members at the ensuing 56th Annual General Meeting. The payment of one time commission to the 2 Managing Directors shall be in addition to the commission payable as per the terms of their appointment.

Notes: (a) Commission is paid as determined by the Remuneration Committee based on certain performance parameters and profitability of the Company.

(b) Presently, the Company does not have a scheme for grant of stock options either to the Wholetime Directors or employees.

(c) The Company has no pecuniary relationship or transactions with its Non-Executive Directors other than payment of sitting fees to them for attending Board and Committee meetings and payment of commission to them. The Company pays fees for professional services rendered by a Non-Executive Director and a firm of solicitors and advocates of which a Non-Executive Director is a partner.

#### 5. SHAREHOLDER/INVESTOR GRIEVANCE COMMITTEE

##### A) Terms of Reference

The Company has formed an Investors' / Shareholders' Grievance Committee with the following terms of reference :

- ensure redressal of the shareholders and investors complaints relating to transfer of shares, non-receipt of balance sheet etc.
- redressal of investors complaints in respect of non-receipt of dividends/interests/payments on redemption of preference shares, debentures, bonds or such other instruments which are redeemable.

##### B) Composition of the Committee (As on March 31, 2004)

The Committee was reconstituted on August 29, 2003 wherein Ms. Asha V. Sheth and Mr. Cyrus Guzder were appointed on the Committee in place of Mr. Manu Shroff and Mr. R.N. Sethna.

The Committee comprises of the following Directors namely :

- Mr. T.N. Pandey – Chairman
- Mr. A.K. Parikh
- Mr. Cyrus Guzder
- Ms. Asha V. Sheth

Compliance Officer - Mr. Jayesh M. Trivedi, Company Secretary.

C) During the year under review, 163 complaints were received from investors which were replied / resolved to the satisfaction of the investors.

38 requests for transfer and 235 requests for dematerialisation were pending for approval as on March 31, 2004. These pending requests were duly approved and dealt with by the Company.

## 6. GENERAL MEETING

Details on Annual General Meetings

a) Location and time, where Annual General Meetings held in the last 3 years :

Date & Year	Time	Location
July 24, 2003	3.00 p.m.	Rama Watumal Auditorium, K.C. College, Churchgate, Mumbai 400 020.
July 25, 2002	3.00 p.m.	Nehru Centre, Dr. A.B. Road, Worli, Mumbai - 400 018
July 26, 2001	3.00 p.m.	Nehru Centre, Dr. A.B. Road, Worli, Mumbai - 400 018

b) Whether special resolutions were put through postal ballot last year? No

c) Are votes proposed to be conducted through postal ballot this year? No

## 7. DISCLOSURES

a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

There is no material transactions with any related party which may have potential conflict with the interests of the Company at large. However the Company has annexed to the accounts a list of related parties as per Accounting Standard 18 and the transaction entered into with them.

b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

Neither any non-compliance with any of the legal provisions of law has been made by the Company nor has any penalty, stricture has been imposed by the Stock Exchanges or SEBI or any other statutory authority, or any matter related to capital markets, during the last 3 years.

## 8. MEANS OF COMMUNICATION TO SHAREHOLDERS

Timely disclosure of information on business and financial performance of the Company is an integral part of good governance.

Your Company disseminates information about its operations, business and financial performance to stock exchanges, media, shareholders, analysts and society at large. The Quarterly/Half yearly results were announced within a period of 30 days of the end of each quarter while the audited results were announced within 30 days of the end of the financial year. The particulars of your Company, its business and operations are available on the corporate website [www.greatship.com](http://www.greatship.com).

The results were published, inter alia, in "The Economic Times", "The Free Press Journal", "The Hindu Business Line", (English) and "Maharashtra Times/Navshakti" (vernacular) from Mumbai and on all India basis in "Business Standard" (English). These newspapers have been selected on the basis of their circulation and in the areas where vast majority of our Shareholders are located.

Regular updates and developments impacting the business and financials together with data on shareholding pattern etc. are also notified to the stock exchanges – The Stock Exchange, Mumbai & The National Stock Exchange in India and Luxembourg Stock Exchange. Same information is also shared with media and the investor community. SEBI has launched the Electronic Data Information Filing and Retrieval System (EDIFAR), wherein your Company has been posting the information related to the financial results, shareholding pattern and the disciplinary action, if any, initiated against your Company by any regulatory authority on the website called [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

Your Company's official Press Releases are also available and archived on the corporate website [www.greatship.com](http://www.greatship.com). Presentation made to analysts, institutional investors and the media on April 30, 2004, the day of the declaration of the Annual Results for FY 04 have been posted on the website.

The Board Report deals with all matters stipulated under the Management Discussion and Analysis Report.

## 9) GENERAL SHAREHOLDERS INFORMATION

- a) Annual General Meeting
- Date : Friday, June 25, 2004
- Time : 3.00 p.m.
- Venue : Rama Watumal Auditorium, K. C. College,  
Churchgate, Mumbai-400 020
- b) Financial Calendar
- (April 1, 2004 - March 31, 2005) :
- i) 56th Annual General Meeting – June 25, 2004
- (ii) 1st Quarterly Result – Last week of July, 2004
- 2nd Quarterly Result – Last week of October, 2004
- 3rd Quarterly Result – Last week of January, 2005.
- 4th Quarterly Result – Last week of April, 2005/  
First week of May, 2005.
- c) Book Closure date : Tuesday, June 15, 2004 to Friday, June 25, 2004  
(both days inclusive)
- d) Dividend Payment Date : June 29, 2004
- e) Listing on Stock Exchanges :
- Equity Shares are listed on the following Stock Exchanges :
- The Stock Exchange, Mumbai**  
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400 001.
- National Stock Exchange of India Ltd.**  
“Exchange Plaza”, Bandra-Kurla Complex, Bandra(E),  
Mumbai - 400 051.
- Global Depository Receipts are listed on :
- Luxembourg Stock Exchange**  
Kredietbank S.A. Luxembourgeoise  
Societe Anonyme, 43, Boulevard Royal, L-2955  
Luxembourg, R.C., Luxembourg B 6395.
- Preference Shares are listed on the Mumbai &  
National Stock Exchange
- Non-convertible Debenture (All series) are listed on :  
Wholesale Debt Market National Stock Exchange
- The Company has paid the Annual Listing fee to each of  
the Stock Exchanges
- f) Stock Code :
- Equity – BSE 500620  
NSE EQ GE SHIPPING
- Preference – BSE 700075, 76  
NSE P5 05 & P6 06
- (g) ISIN No. :
- Equity – INE 017A01024
- Preference – INE 017A04051  
INE 017A04069
- h) Market Price Data : As per Appendix “A”
- i) Stock performance in Comparison to BSE Sensex : As per Appendix “B”

j) Registrar and Transfer Agents	:	Sharepro Services Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099 Tel: 022 - 28215168, 28329828 Fax: 022 - 28375646 email : sharepro@bom7.vsnl.net.in
k) Transfer System		Share Transfer requests received in physical form is registered within an average period of 15 days. A Share Transfer Committee comprising of members of the Board meets once in a week to consider the transfer of shares.  Request for dematerialisation (demat) received from the shareholders are effected within an average period of 15 days.
l) Distribution of shareholding & Shareholding pattern	:	As per Appendix "C" & "D".
m) Dematerialisation of shares	:	15,69,78,246 equity shares which is 82.48% of the paid-up capital as on March 31, 2004 has been dematerialised.
n) Outstanding GDR's	:	4,04,967 GDR's are outstanding as on March 31, 2004.
o) Plant Location	:	The Company has no plants.
p) Address for correspondence	:	
With the Company	:	Share Department Ocean House, 134-A, Dr. Annie Besant Road, Worli, Mumbai - 400 018 Tel.: 022-56613000, 24922200 Fax : 022-24925900 email: shares@greatship.com
With the Registrar	:	Sharepro Services Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East) Mumbai-400 099 Tel : 022- 28215168, 28329828 email : sharepro_gesco@roltanet.com

## ADDITIONAL SHAREHOLDERS INFORMATION

### 1. Unclaimed Dividends :

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years automatically get transferred to the Investor Education and Protection Fund administered by the Central Government. Table 1 gives the dates of dividend declaration or payment since 1997 and the corresponding dates when unclaimed dividend are due to be transferred to the Central Government. Table 2 gives the unclaimed dividend amount since 1997.

TABLE - 1

DATES OF TRANSFERRING UNCLAIMED DIVIDEND TO THE CENTRAL GOVERNMENT				
Year	Dividend No	Type	Date of Declaration	Date of Transfer to Central Government
1997	43	Final	18.08.1997	29.09.2004
1998	44 I	Interim	22.01.1998	05.03.2005
1998	44 F	Final	03.08.1998	14.09.2005
1999	45	Final	30.07.1999	10.09.2006
2000	46 I	Interim	23.03.2000	04.05.2007
2001	47	Final	26.07.2001	25.08.2008
2002	48	Final	25.07.2002	24.08.2009
2003	49	Final	24.07.2003	23.08.2010
2004	50	Interim	30.01.2004	01.03.2011

TABLE - 2

UNCLAIMED DIVIDEND AS OF MARCH 31, 2004								
Year	Div. No.	Type	No. of Warrants Issued	No. of Warrants Unclaimed	% Unclaimed	Amount of dividend (Rs. lakhs)	Dividend Unclaimed (Rs. lakhs)	% Unclaimed
1997	43	Final	205106	10555	5.14	8626	40.40	0.47
1998	44 I	Interim	201942	13304	6.59	7189	40.84	0.57
1998	44 F	Final	204276	13045	6.39	4313	23.08	0.53
1999	45	Final	199211	12616	6.33	5751	34.97	0.60
2000	46 I	Interim	188606	10174	5.39	3883	26.55	0.68
2001	47	Final	160040	11331	7.08	5937	47.34	0.80
2002	48	Final	159175	11144	7.00	6981	62.81	0.90
2003	49	Final	145716	11885	8.15	7613	68.99	0.91
2004	50	Interim	128230	44216	34.48	4758	226.84	4.77

2. Electronic Clearing Services (ECS) for payment of dividend : ECS facility is presently available at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune. To avoid the risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail of ECS facility - where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend. The ECS application form can be obtained either from Registrars Office or the Registered Office of the Company.

Shareholders located in places where ECS facility is not available, may submit their bank details. This will enable the Company to incorporate this information on the dividend warrants and thus prevent fraudulent encashment.

3. Shares held in electronic form : Shareholders holding shares in electronic form may note that :
- Instructions regarding bank details which they wish to have incorporated on their dividend warrants must be submitted to their depository participants. As per the regulations of NSDL and CDSL, the Company is obliged to print the bank details on the dividend warrants, as furnished by these depositories to the Company.
  - Instructions already given by them for shares held in physical form will not automatically be applicable to the dividend paid on shares held in electronic form.
  - Instructions regarding change of address, nomination and power of attorney should be given directly to the depository participants. The Company cannot entertain any such requests directly from the shareholders.
  - The Company provides ECS facility for shares held in electronic form and for reasons mentioned earlier, shareholders may wish to avail of this facility.

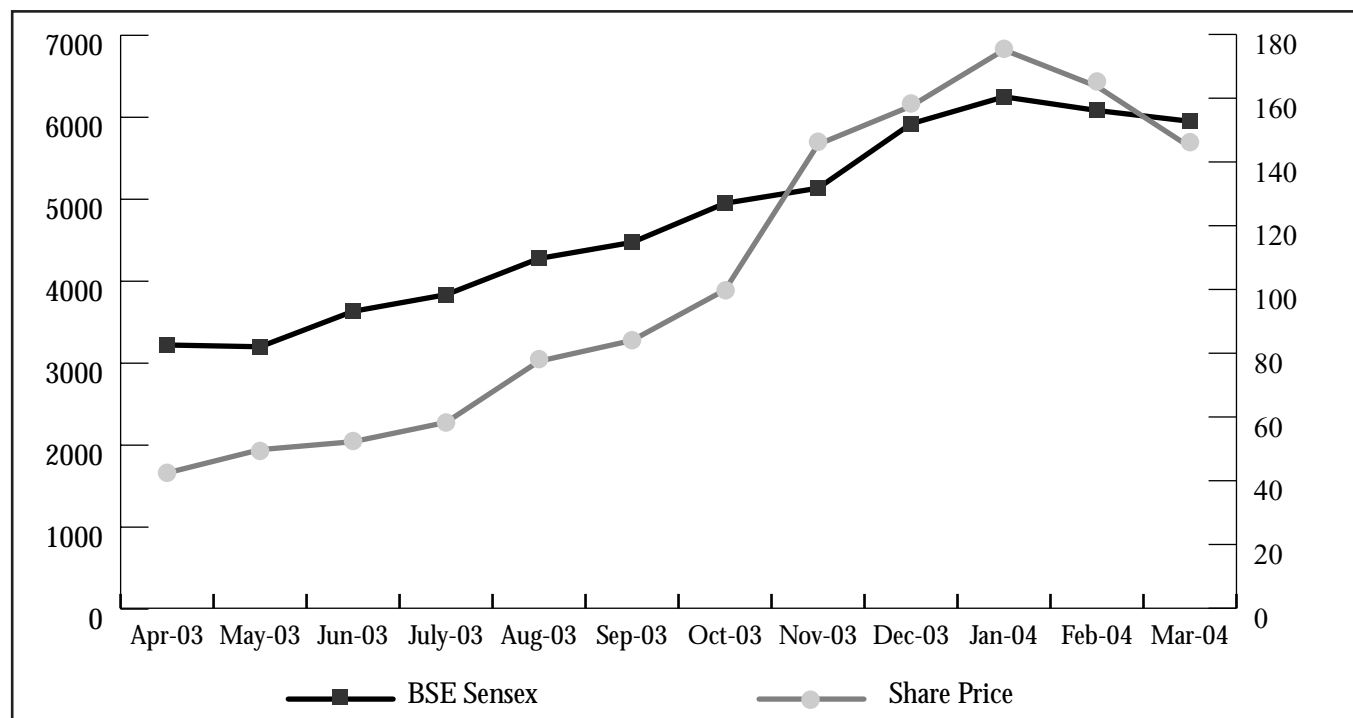
APPENDIX – A

MARKET PRICE DATA-HIGH/LOW DURING EACH MONTH IN THE YEAR 2003- 04

Month	Market Price (Rs.)		
	Highest	Lowest	Volume
April 2003	42.45	37.65	21,16,508
May 2003	49.75	41.55	63,60,514
June 2003	52.25	45.75	20,75,376
July 2003	58.30	46.25	57,30,818
August 2003	77.50	53.75	97,62,477
September 2003	84.00	67.00	1,08,84,103
October 2003	99.85	79.50	1,25,36,639
November 2003	145.50	95.55	2,28,14,234
December 2003	157.50	130.10	91,95,112
January 2004	175.15	136.00	82,39,250
February 2004	163.70	135.90	59,45,307
March 2004	144.70	109.00	46,04,768

APPENDIX – B

COMPANY SHARE PRICES COMPARED TO BSE SENSEX



## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2004

## APPENDIX – C

No. of Equity Shares held	Number of Shareholders	% of shareholders	No. of shares held	% of shareholding
Upto 500	106060	82.501	1,53,37,621	8.059
501 to 1000	10881	8.464	79,44,151	4.174
1001 to 2000	5655	4.399	81,62,583	4.289
2001 to 3000	1961	1.525	48,45,219	2.546
3001 to 4000	1076	0.837	37,62,276	1.977
4001 to 5000	654	0.509	29,99,248	1.576
5001 to 10000	1127	0.877	8,04,97,14	4.229
10001 and above	1142	0.888	13,92,26,203	73.151
<b>Total</b>	<b>128556</b>	<b>100.00</b>	<b>19,03,27,015</b>	<b>100.00</b>

## SHAREHOLDING PATTERN AS ON MARCH 31, 2004

## APPENDIX – D

Category	No. of shares held	% of shareholding
1. Promoters	4,67,21,868	24.55
2. Directors other than Promoters	91,682	0.04
3. Foreign Institutional Investors	61,05,358	3.21
4. International Finance Corporation	1,316	0
5. Global Depository Receipts	17,84,469	0.94
6. Foreign Holding	14,20,091	0.75
7. Govt./Financial Institutions	4,36,91,849	22.96
8. Bodies Corporate	1,72,51,501	9.06
9. Resident Individuals	7,32,58,881	38.49
<b>Total</b>	<b>19,03,27,015</b>	<b>100.00</b>

To The Members of  
The Great Eastern Shipping Co. Ltd.

## Auditors' Certificate on Corporate Governance

We have examined the compliance of conditions of Corporate Governance by The Great Eastern Shipping Co. Ltd., for the year ended on March 31, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof adopted by the Company for ensuring the compliance of 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 to us by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that as per the records maintained by the Registrars and Share Transfer Agents of the Company and presented to the Shareholders/ Investor Grievance Committee, no investor grievances received during the year ended March 31, 2004 were remaining unattended/pending against the Company for a period exceeding thirty days.

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

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

Sd/-  
Partner

Mumbai, April 30, 2004