MERCATOR LINES
LIMITED

SHIPPING

OIL & GAS

COAL

DREDGING

Driven by growth... Sustained by values

ANNUAL REPORT 2009-2010

AUDIT COMMITTEE

Anil Khanna	Chairman
Manohar Bidaye	Member
M.G. Ramkrishna	Member

SHAREHOLDERS' GRIEVANCE COMMITTEE

Manohar Bidaye	Chairman
Anil Khanna	Member
Atul J. Agarwal	Member

REMUNERATION CUM SELECTION COMMITTEE

Manohar Bidaye	Chairman
Anil Khanna	Member
M.G. Ramkrishna	Member

EXPANSION COMMITTEE

H.K. Mittal	Chairman
Atul J. Agarwal	Member
Anil Khanna	Member
K. R. Bharat	Member

COMPANY SECRETARY

Suchita Shirambekar

AUDITORS

M/s. Contractor, Nayak & Kishnadwala

BANKERS

State Bank of India ICICI Bank Axis Bank HDFC Bank

DEBENTURE AND SECURITY TRUSTEES

Axis Trustee Services Limited

Unit Trust of India Investment & Advisory Services Ltd.

REGISTERED OFFICE

3rd Floor, Mittal Tower, B-Wing,
Nariman Point, Mumbai - 400 021.
Tel: +91-22-66373333
Fax: +91-22-66373344
Website: www.mercator.in
E-mail: mercator@mercator.in

REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compount,
LBS Road, Bhandup West,
Mumbai - 400 078.
Tel.: 022-25963838
Fax: 022-25946969
E-mail: rnt.helpdesk@linkintime.co.in

index

VALUES

OPPORTUNITIES

GROWTH

about us

We are a diversified and established player in the Marine transportation, Oil & Gas, Dredging and Coal industry with a focus on client oriented solution based approach. Today, growth and innovation have come to be strongly associated with us.

Since our early days, when we forayed into uncharted waters and rewrote history with our achievements, we were the pioneers in operating vessels in river Tapti, thus discovering hitherto unknown routes. Thanks to the vision and able leadership of Mr. H. K. Mittal; who took over the reins of the company in 1988, we have grown manifold over the years. Today the group has a presence in India, Singapore, Indonesia, East Europe and Nigeria. Our Singapore subsidiary is listed on the Singapore Stock Exchange. We lay great emphasis on our company values, which are...

- Efficient Shipping solutions across the seas - Whether it's shipping oil in the Americas or iron-ore to Asia, we ensure that we help clients by smart solutions and efficient delivery.

- Fulfilling India's Energy & Infrastructure needs - With investments in Oil & Gas Offshore equipments, Oil blocks, Dredging & Coal business, we are directly linked with India's growing energy and infrastructure needs.

- Talented People... Diversified conglomerate - In 25 years, our skilled workforce has helped us become one of India's diversified conglomerates, with interests in shipping, offshore, dredging, logistics solutions and mining.

- Driven by growth... Sustained by values - Spotting opportunity before others, creating value for our stakeholders and giving back to society is our way of doing business.

Our advanced technical expertise, State-of-the-Art equipment and dedicated staff ensures that our customers get the best shipping solutions. Our total tonnage capacity as at March 31, 2010 stood 2,211,535 DWT.

The Executive Chairman of the Company, Mr. H. K. Mittal was awarded "Entrepreneur of the Year-2005-06" by The Economic Times of India and "The Entrepreneur of the Year Award Services-2005" by ERNST & YOUNG in November 2005. In the same year the company was also awarded with the "Star Company of the Year Award" in Small and Medium Sector (SME) by Business Standard. The Company was rated as "Fastest Growing Small Company of India" across all sectors by Business Today in March 2005. The Company was also nominated consecutively for two years as the "Emerging Company of the Year 2003-04 and 2004-05" by the Economic Times Awards for Corporate Excellence.

SHIPPING

shipping expertise

TANKERS

Our tanker division provides tonnage for the transportation of crude and other oil products both domestically and internationally. Our Fleet comprises of Medium Range vessels, Aframaxes, Suezmaxe, VLCC and Chemical Tanker.

We commenced our Tankers business in 1998 by acquiring a MR tanker and entered into crude oil transportation in 2003. In a short span of time, we have grown to be among the major Indian shipping companies in this segment. The tonnage is deployed on judicial mix of time charter and spot charters. We are the second largest operator of tankers in the private sector in India in terms of tonnage. Our clients include IOC, MRPL, Reliance, British Gas, Chevron and many other reputed creditworthiness companies.

We are the first Indian Company to comply with IMO regulations in respect of phase out of single hull vessels. All our tanker vessels are double hull.

Total Dead Weight Tonnage capacity as at March 31, 2010; 817,931 MT.

DRY BULK

We are a leading dry bulk shipping company focused on high growth markets, such as China. Our Fleet comprises of Panamaxes, Kamsarmaxes and VLOC.

We entered into the dry bulk segment in 2005 and have grown our business rapidly. Having rapidly growing young and modern fleet; we have established a strong market presence in the transportation of coal into India. We service primarily large thermal-based power plants and steel companies directly. A substantial portion of our revenues are currently derived from long-term fixed rate contracts, specifically time charters and contracts of affreightment. Our clients include Vale, Arcelor Mittal, Tata Power, COSCO and many other reputed creditworthiness companies.

Total Dead Weight Tonnage capacity as at March 31, 2010; 1,363,159 MT.

COAL

mining, trading & logistics solutions

We have been in the business of coal transportation and logistics since 1995 and served many Thermal Power Stations in India with end to end solutions for customers like BSES Ltd. We entered into the Coal mining business in 2008 as a backward integration. Our business interests include Coal Mining, Coal Trading and Coal Handling & Logistics.

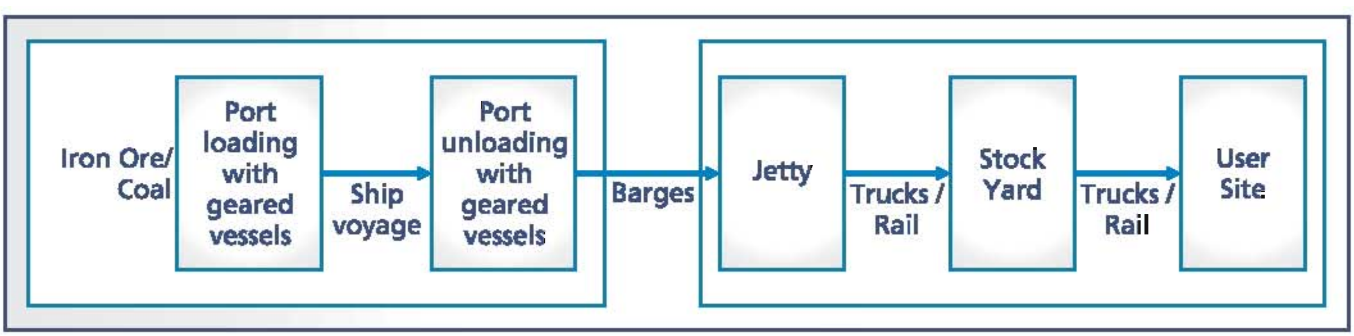
We acquired licenses for 4 coal mines in Indonesia with estimated reserves of about 23 mn tonnes. The production started in June 2008 and currently about 100,000 MT coal is mined per month. We have emerged as one of the largest exporter of Coal from Indonesia.

We also have license for a coal mine in Mozambique with estimated reserves of about 3 billion tonnes.

We have:

- Established ourselves as a preferred and reliable supplier of Indonesian Coal with proven track record of delivering cargos to various customers with our ability to provide end to end solutions.
- Well experienced team in place to control sourcing, logistics and other operations related to the coal business.
- Strong customer base in India and are well poised to take advantage of the growing demand of Coal from India.

Our "Integrated Logistics Solutions" capability is our competitive advantage to attract and retain customers.



OIL & GAS

oil & gas services and exploration

After having successfully expanded in Oil transportation, we decided to move up the value chain and further develop our relationships with Oil majors customers by foraying into the Oil & Gas offshore business in 2004. Our venture was through building and chartering a Floating Storage Offloading (FSO) to British Gas. This contract was recently renewed for a further period of five years. In 2009, we acquired a modern new built High Pressure and High Temperature 350 ft Jackup Rig from Keppel Fells Singapore which was ultimately deployed to ONGC on three years through a bare boat charter.

Recently we entered into a seven years contract to provide Mobile Offshore Production Unit (MOPU) and Floating Storage & Offloading Unit (FSO) to a UK Listed company for our operations in Nigeria. We have acquired and are in the process of conversion/upgradation these MOPU and FSO which are scheduled to commence operations from last quarter of 2010.

We have been awarded Oil & Gas blocks in India and Europe with a potential 55 million barrels in reserve.

As at March 31, 2010, we have total asset base of about USD 350 mn in this segment aptly supported by strong and experienced project management team.

We focus on securing client oriented solutions based on long term contracts with reputed clients as well as build business on existing strong relationships.

DREDGING

dredging solutions

We are amongst the first private sector company in India to organize dredging in a consolidated manner. We have young and modern fleet of dredgers. As at March 31 2010; we own 4 Trailer Hooper Suction Dredgers of 30,445 MT DWT with average age of 3 years.

We entered into dredging in 2008 and since then have successfully executed both capital and maintenance dredging contracts such as Capital Dredging at Sethu Samudram Canal Project (SSCP); Dredging at Taipei Port, Taiwan; Capital dredging in the Outer Channel of Karaikal Port; Deepening of Approach Channel at Paradip Port. Our clients include Dredging Corporation of India; Paradip Port etc.

With rapid expansions of marine and port infrastructure in India; huge opportunities are expected to emerge in Dredging. With an experienced and well trained team and expertise of project management; we are poised to explore all those opportunities and ride on the infrastructure boom of India by growing dredging business.

Our aim is to be a key contributor in the rapid expansion of maritime infrastructure while maintaining the highest standard of quality and strong commitment to safety and the environment.

OUR VISION

our vision

OUR CORE VALUES

- Honouring Commitments' towards all the stakeholders
- Consistent and constant Growth
- Ensuring that every employee takes pride in being called a "Mercatorian"
- Innovation... We believe in doing things differently!

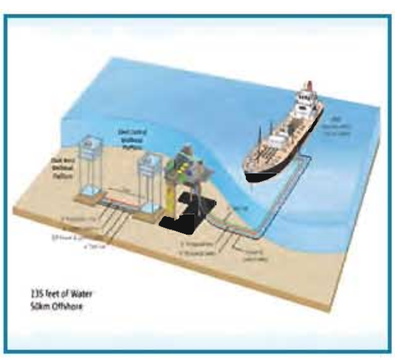
OUR CORE PURPOSE

- Giving the best solutions and offering outstanding value and service to our customers.

OUR GOAL

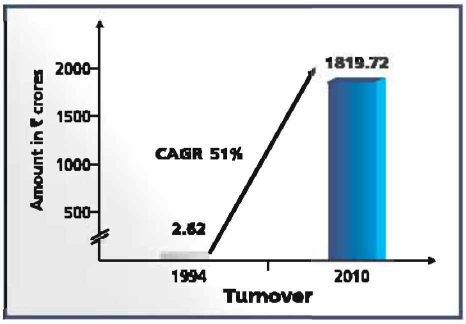
- To become a dominant global player in the Energy Value Chain of Oil and Coal and Marine infrastructure.

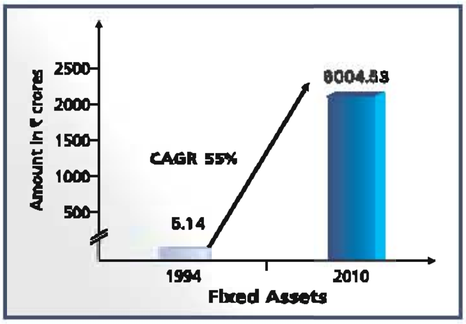
YEAR AT A GLANCE

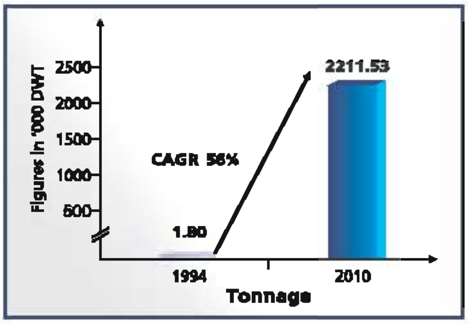


year at a glance

- A long term contract was signed to charter out Mobile Offshore Production Unit (MOPU) and a Floating Storage and Offloading Unit (FSO) in EBOK field in Nigeria.
- Mercator Singapore won the Singapore Corporate Award in two categories for the second year in a row.
- "Mercator Singapore ranked 23rd amongst all public listed companies in Governance and Transparency Index (GTI)" - BT & Corporate Governance and Financial Reporting Centre at NUS.
- "Mercator Singapore ranked 29th in Overall Performance amongst listed Shipping Companies in the World" - Marine Money.
- Our Indonesian Subsidiary was awarded the distinction of being the largest exporter of Indonesian Coal to India in November 2009.







**CAGR since IPO*

OPPORTUNITIES VALUES GROWTH EXCELLENCE

BOARD OF DIRECTORS

Mr. H. K. Mittal
Executive Chairman

Mr. H.K. Mittal, aged 60 years, is the Executive Chairman of the company. Having received Masters from Indian Institute of Technology (IIT), Roorkee; he started his tryst with enterprise by forming a proprietorship firm; way back in 1975, which was later converted into a limited company. Expansion of businesses both vertically and horizontally soon became his passion that still continues to be a major driving force backed up by more than three decades of entrepreneurial experience.

Mr. Mittal acquired Mercator Lines Ltd. in 1988, and with his vision and keen insight has scaled up the Company to one of the leading shipping companies in India with diversified segments.

He is also Chairman of Board of Mercator Lines (Singapore) Ltd. (step-down subsidiary listed on SGX); Mercator Offshore Ltd. (WOS, Singapore), Mercator Oil & Gas Ltd., and Mercator Petroleum Pvt. Ltd.

Mr. Atul J. Agarwal
Managing Director

Mr. Atul J. Agarwal, aged 52 years, the Managing Director of the Company, is a Chartered Accountant, with 27 years of professional experience. He has been associated with the Company since its inception.

As a Chartered Accountant, Mr. Agarwal specializes in the financial aspects of the business. He looks after day-to-day management and financial matters of the Company. He also has a strong expertise in financial and strategic planning and execution. Mr. Agarwal has been accredited with memberships of various committees formed by the Government for shipping reforms. He has been instrumental in the successful implementation of many of the Company's projects.

He is on the Board of Directors of various organizations such as Indian National Ship-owners' Association (INSA); Thirumalai Chemicals Ltd., Mercator Healthcare Ltd. and many others including step-down overseas subsidiaries.

Mr. Manohar Bidaye
Independent & Non-executive Director

Mr. Manohar Bidaye, aged 46 years, Promoter and Chairman of Zicom Electronic Security Systems Limited, has done his Masters in Commerce (M.Com.) from the University of Mumbai. He also holds a General Degree in Law and is a Member of The Institute of Company Secretaries of India.

He is vastly experienced, having spent 17 years in the field of Corporate Planning, Strategy Forming, Corporate Law, Finance, Taxation and other related areas. He is a proud recipient of the prestigious "Yashashree 2008" award given by the Maharashtra Times, in recognition and honour of his achievements across various industry segments.

He joined Mercator Lines Limited in May 1994.

Mr. M. G. Ramkrishna
Independent & Non-executive Director

Mr. M. G. Ramkrishna, aged 66 years, an M. A., L. L. B. & CAIIB, is a veteran banker. He has over 30 years of experience in various segments of banking, such as, commercial, investment & international. He also worked as Group head managing treasury functions of a reputed industrial group. Presently engaged as an advisor/consultant on financial matters. He is on the board of a couple of companies as an independent director.

He joined Mercator Lines Limited in January 2003.

Mr. Anil Khanna
Independent & Non-executive Director

Mr. Anil Khanna, aged 51 years, a Fellow Chartered Accountant, is a practicing professional specializing in business management, joint ventures and auditing. He has been on the Board of Directors of several Indian and multinational companies. Mr. Khanna has over 10 years of experience in management and financial consultancy.

He joined Mercator Lines Limited in May 1994.

Mr. K. R. Bharat
Independent & Non-executive Director

Mr. K. R. Bharat, aged 48 years is an MBA from Indian Institute of Management. He has been associated with Capital Market for more than 26 years in various segments like Merchant Banking, Equities and Investment banking; Risk Management, research etc. He is on the Boards many companies. He worked as Managing Director at Credit Suisse First Boston Securities (CSFB) India and Peregrine Securities (India). Before that he had a successful stint of 10 yrs with Citibank. He was also member of Market Advisory Committee of Bombay Stock Exchange.

He joined Mercator Lines Limited in July 2007.

Mr. Kapil Garg
Non-executive Director

Mr. Kapil Garg, aged 44 years is a graduate in Chemical Engineering from the Indian Institute of Technology, Roorkee. Mr. Garg has over twenty years of intensive management experience in both upstream and downstream businesses with companies, such as ONGC, Enron Oil and Gas India Ltd. (EOGIL), BG Group, located in India and abroad.

He joined Mercator Lines Limited in January 2010.

CHAIRMAN's LETTER

from the chairman's desk

Dear Fellow Stakeholders.

Success is not a place at which one arrives, but rather the spirit with which one undertakes and continues the journey." – Alex Noble

The essence of the above quote is what has seen us sail through the economic turbulence witnessed across the globe last year. As recession cast its ominous shadow on trade across the globe, India was no exception. The shipping industry too witnessed a downturn. But, like the Indian economy, Mercator too displayed resilience and sailed steadily through the choppy waters to emerge stronger.

Cyclicality is an inherent nature of the shipping business and we believe that the ingredients for success lie in the way we maneuver ourselves through these cycles. We have used this downturn to fortify and streamline our asset base in both the dry bulk and the tanker segment. The core focus is on the strategy of building up a fleet of large and modern vessels which is well reflected in the increase in our asset base.

The oldest vessel in our fleet is 1993 built and the average age of our vessels is 8 years. We constantly work towards modernizing our fleet to optimize future opportunities. We also keep a substantial portion of our fleet on long term contracts to tide cyclical downturns in both, the dry bulk and tanker segments.

It must be noted here that despite the recessionary phase, India is expected to grow by over 8 per cent in 2010-11. Further, the International Monetary Fund recently forecast that growth in worldwide output, which was negative in 2009, will strongly rebound to +3.9% in 2010 and +4.3% in 2011, led by China.

In today's era which is marked by liberalization and integration of economies, it is international trade which catalyses the economic development of a nation and as 90% of the international trade takes place through the medium of water, shipping is bound to pick up as economies begin to recover.

We maintain a positive demand outlook from India and China in terms of petroleum products and dry bulk goods like iron ore and coal, which in turn will be the growth drivers for our shipping segment. Given a vastly changed economic and credit environment, I am pleased to report that we are at an inflection point of growth across the business initiatives which we have build around our core shipping business.

During past some years, Mercator made deliberate efforts at diversification initiatives to tide the cyclical nature of the shipping business. While shipping remains the focus, Mercator diversified into Oil & Gas Services which is a logical extension of the Shipping business and has tremendous growth opportunities due to an uptrend in the oil and gas exploration activities and investments across the globe. With tremendous potential in the port sector in terms of increasing demand, investments by the Public sector and the thrust on Public Private Partnership models, Mercator is well placed to tap the opportunity in the dredging segment with its own young and modern fleet of dredgers. Our foray into coal business is a backward integration of its experience in coal handling and given that power sector has tremendous scope it will bring good scalability to the business model. The Logistics segment will be an ancillary activity to the coal business. In addition, we geographically reached out to Nigeria and Sri Lanka.

We believe that these diversification initiatives will steer the growth of our company and provide stability to our revenue model and insulating it in an industry which is cyclical in nature. Further, we also expect tremendous scalability from these divisions on account of opportunities that a rapidly growing economy provides in terms of the insatiable demand from infrastructure segments like energy, port and power.

I take this opportunity to thank each one of you and conclude with a promise that we shall strive hard to steer our company to a higher growth destination.

Sincerely yours
H.K.Mittal
May 25, 2010

OPPORTUNITIES VALUES GROWTH EXCELLENCE

DIRECTORS' REPORT

To
The Members,
Mercator Lines Limited

We have pleasure in presenting 26th annual report of your Company for the year ended on March 31, 2010.

FINANCIAL HIGHLIGHTS:

(Amount Rs. In crores)

Particulars	Year ended 31.03.2010 Consolidated	Year ended 31.03.2009 Consolidated	Year ended 31.03.2010 Standalone	Year ended 31.03.2009 Standalone
Income from operations	**1808.73**	2210.51	**580.79**	1182.76
Total Income	**1819.72**	2173.82	**699.91**	1183.11
Operating Profit	**655.93**	910.23	**242.90**	433.37
Interest	**205.77**	166.32	**94.94**	101.84
Depreciation	**340.91**	268.70	**137.12**	143.66
Profit before Tax & Minority Interest	**109.25**	475.21	**10.85**	187.87
Minority Interest	**(50.97)**	(90.55)	**N.A**	N.A.
Taxes				
- Current Year	**(23.33)**	(7.55)	**(21.95)**	(6.5)
- Deferred Tax	**0.79**	(0.38)	**--**	--
- MAT Credit Entitlement	**17.50**	--	**17.50**	--
- Fringe Benefit Tax	**--**	(0.25)	**--**	(0.25)
Net Profit After Tax & Minority Interest	**53.24**	376.48	**6.40**	181.12
Balance brought forward from last year	**726.03**	478.31	**286.30**	233.94
Prior Period Adjustments	**--**	(0.01)	**--**	--
Short provision for tax of earlier years	**--**	(0.02)	**--**	(0.02)
Profit available for appropriations:	**779.27**	854.77	**292.69**	415.04
Less: Appropriations:				
Transfers to Reserves				
- Tonnage Tax Reserve	**--**	57.00	**--**	57.00
- General Reserve	**1.00**	18.80	**1.00**	18.80
- Debenture Redemption Reserve	**168.70**	39.00	**168.70**	39.00
Dividend on Equity Shares of previous year	**--**	0.12	**--**	0.12
Provision for final Dividend on Equity Shares	**4.72**	11.80	**4.72**	11.80
Tax on Dividend	**0.78**	2.02	**0.78**	2.02
Balance carried to Balance Sheet	**604.06**	726.03	**117.49**	286.30

DIVIDEND:

The Directors recommend dividend @ Rs. 0.20 per equity share of Re. 1/- each i.e. 20% for the financial year 2009-10 (previous year Rs. 0.50 per share i.e. 50%). The aggregate amount of the dividend on 23,59,92,073 equity shares for the financial year 2009-10 would be Rs. 5.50 crores including corporate tax & surcharge thereon (Rs. 13.69 crores in the previous year on the same number of shares).

MANAGEMENT DISCUSSION AND ANALYSIS:

Industry Structure:

SHIPPING:

With approximately 80% of the cargo and close to 100% of hydrocarbons moved by water today, shipping is the primary means of international transportation of any essential raw material or finished goods.

Globally, the industry is classified in several ways; ranging from capacity specific classification to route specific classification. Most commonly, it is broadly classified into Wet Bulk; Dry bulk and Liners. Wet Bulk gets further sub divided into Tankers and Offshore; whereas Dry Bulk is mainly further broken down into sub segments based on carrying capacities; VLOCs, Panamax, Cape Size and so on. Similarly, typical Liner firms deal with Container Carriers, MPP, Ro-Ro's etc.

TANKER (WET BULK) MARKETS - Review & Outlook:

After falling in 2009, the impact of the cold winter and declining oil stocks has revived the oil markets. Global oil demand is expected to rise in 2010 due to resurgent economic activity in Asian countries, especially China.

Against the backdrop of this rising oil demand, the tanker markets commenced the year 2010 on a firm note. The rising freight rates were mostly in response to higher crude prices and increased demand. Very large crude carrier (VLCC) spot earnings were firm on account of extreme weather conditions and lack of tonnage availability. However, the firmness in the market lasted for a shorter duration. The tanker market in the long term remained soft with exception of few spikes and expected to remain same in near future.

DRY BULK - Review & Outlook:

The dry bulk segment essentially comprises transportation of major commodities viz, iron ore, core food grains, fertilizers and others and the demand for shipping is derived from the transportation requirements of these commodities. Given the huge demand for these commodities and the need for transporting them from regions with excess availability to the demand driven areas, the dry bulk shipping segment is likely to perform well in the coming years.

The Baltic Exchange's Dry Index (BDI), which is largely accepted as an indicator for global economic growth, was 53% down in 2009. This was despite, a delay in scheduled deliveries of vessels, combined with a surge in scrapping activity. However, increase in total dry bulk imports by China compensated for the contraction in dry bulk imports throughout the rest of the world. The Baltic Dry Index has been volatile in the past year, fluctuating between 1,463 points in April 2009 and 4,661 points in November 2009. While volatility has continued into the current fiscal, the market has witnessed an upmove in recent times.

China is expected to lead the recovery in the dry bulk segment as construction activity has benefited and grown on account of its Government sponsored stimulus packages. It is expected to boost iron ore demand and resultantly trade too, given that 51% of steel demand in China is for construction purposes.

Further, the incremental global demand for dry bulk vessels is also being driven by the increasing elongation of major dry bulk trade routes, as a result of geographical shifts in dry bulk mining and production, coupled with changes in global consumption patterns.

OFFSHORE DRILLING - Review & Outlook:

Oil exploration is the starting point in the petroleum value chain and the exploration and production (E&P) activity is often referred to as upstream activity. Offshore drilling is undertaken once a company identifies a potential area to drill in the ocean.

Needless to say, the upstream activity is dependent on the investments made in the oil and gas sector. The global recession and dropping oil and natural gas prices, continued to put pressure on exploratory drilling efforts worldwide against the backdrop of the reduction in investment activities. Cancellations or delays of drilling programmes, falling day rates and financing are some of the issues that plague the rig market. This resulted in lower utilization levels for jack-ups at 70% in the year 2009 as against 87% in 2008.

However, with the recent pick up in the economies across the globe, rising crude oil prices, E&P spending surveys are indicating that global offshore oil and gas production and resultantly investments in these areas are poised for growth.

DREDGING - Review & Outlook:

Dredging entails excavation activity in shallow seas or fresh water areas with the purpose of gathering up bottom and disposing them in order to enable navigation through such waterways. Dredging is of two types - Capital which is required for creating depths and Maintenance for maintaining the depths or for reclamation.

According to the Planning Commission, there is an investment opportunity of USD 25 billion by 2011-12 in India's shipping and ports sectors, as the country seeks to double its ports capacity to over 1,500 MT. Segment-wise, while ports sector would provide a USD 13.75 billion investment opportunity, shipping and inland waterways are likely to present a USD 11.25 billion-investment opportunity. Minor ports are expected to add 610.85 MTPA capacities during the Eleventh Plan. Thus, the business prospects for dredging companies appear promising.

COAL MINING - Review & Outlook:

The Coal Ministry has indicated that coal intake is projected to cross 2 billion tonnes by 2030. Total coal demand during the 11th Plan (2007-12) is expected to touch 700 million tonnes. India is steadily turning into a large producer, importer and consumer of coal. A significant part is used by the power utility sector followed by the steel (coking coal) segment. The Government subsequently revised its target of power capacity addition to 92,700 MW in the 11th Five Year Plan (2007-12), from the earlier estimate of 78,577 MW (as of June 2007) to sustain the growth momentum of the economy. This has lead to an increase in the demand for coal to a great extent.

During the recession, the import demands from China and India saved their markets from any major downturn. Likewise in 2010, Asian economies are expected to sustain the momentum as the western countries are expected to post a slow but steady recovery. Trade sources expect global prices to remain strong and go up further going forward.

Thus, the overall demand for coal and resultantly coal mining, opens up significant business opportunities.

RISK FACTORS & ADDRESSAL

Cyclical Nature of the Business: The business segments of Mercator, especially the shipping segment are highly cyclical in nature. However, the management has taken steps to diversify into businesses related to shipping and resultantly, the current revenue sources for the company are fairly well diversified. At Mercator, this de-risking of the business model is an ongoing process.

Capital Intensive Nature: The company is into businesses which require high capital. However, with an experienced management, it is confident of meeting the requirements well in time. In fact, High capital intensiveness also helps to create a significant entry barrier for the new entrants in the business.

High dependence on Economic growth: This is the inherent nature of the company's business. With a strong track record, the company will be in a position to ride the economic cycles across its businesses. Further, the diversification it has undertaken around its shipping business should also help insulate it against downturns of any particular segment.

OPERATIONAL AND FINANCIAL PERFORMANCE:

Mercator (standalone as well as through various subsidiaries); has diversified operations with its own fleet of Tankers, Bulk Carriers; Dredgers and a Jack Up Rig. Mercator also has license to own and operate coal mines in Indonesia and Mozambique. Mercator has also executed production sharing contract with Government of India in respect of 2 oil blocks; which are in Cambay basin in Western India; awarded under NELP-VII. The exploration work would be commenced upon receipt of license from the Government of Gujarat, which is under process.

The consolidated income from the operations was Rs. 1809 crores for the year under review as compared to Rs. 2211 crores in the previous year. The Profit After Tax was Rs. 104 crores against Rs. 467 crores in the previous year. The cascading effects of recession on charter rates impacted overall performance.

Tanker (Wet Bulk) performance:

Mercator's tanker fleet consists of Very Large Crude Carrier (VLCC), Suezmaz, Aframaxes, Product Tankers and Chemical Tankers.

Within the tanker segment, Mercator had 10 own tankers of aggregate capacity of 1,343,508 DWT at the beginning of the year (including one VLCC under conversion) and 2 in-chartered chemical tankers of 30,826 DWT. During the year, 4 single hull tankers of aggregate capacity of 289,457 DWT were phased out attaining 25 years of age in view of IMO Regulations. Further 1 VLCC of 287,875 that was under conversion at the beginning of year was sold upon conversion to its subsidiary. 2 product tankers of 42,235 DWT each were acquired during the year. At the end of the year, Mercator had 7 own tankers of an aggregate tonnage of 797,935 DWT and 1 in-chartered chemical tanker of 19,996 DWT. Mercator was first Indian Company to phase out all its single hull vessels in compliance with IMO regulations and all its tanker vessels are now double hull.

Mercator achieved a turnover of Rs. 444 crores as compared to Rs. 966 crores in the previous year recording 54% decline on YOY basis.; the performance was primarily affected due to phase out of substantial tonnage besides freight rates prevailing soft through the year. The number of operating days were reduced by about 15% to 3541 days (previous year 4,196 days). The Time Charter Equivalent (TCE) at USD 14,684/- too reduced by 47% from USD 27,976 in the previous year. Overall contribution from the tanker division was 25% (previous year 44%) of the total operating income.

Dry Bulk performance:

Mercator's bulk carrier fleet is comprised of Geared and Gearless Panamaxes and Kamsarmaxes and Very Large Ore Carrier (VLOC).

At the beginning of the year, there were 10 own bulk carriers aggregating tonnage of 751,066 DWT and 2 chartered-in bulk carriers with an aggregate capacity of 147,277 DWT. During the year, 2 bulk carriers were acquired. A VLOC was acquired by conversion of VLCC. Further, 1 panamax was acquired by exercising options on the chartered vessel. Also 2 Kamsarmaxes of 93,270 DWT each were chartered-in on long term. Thus at the end of the year Mercator had 12 bulk carriers with an aggregate capacity of 1,102,994 DWT and 3 chartered in bulk carriers of 260,165 DWT. Additionally; at the year end; 1 panamax vessel of 74,483 DWT was on order for acquisition and 1 Kamsarmax vessel 91,450 DWT contracted for long term charter-in.

Mercator achieved a turnover of Rs. 680 crores (Rs. 935 crores previous year). Though vessel operating days increased by about 12% over the last year to 5038 days (previous year 4,499 days) TCE of USD 26,310/- declined by 34% against previous year of USD 39,966/-. This segment contributed about 38% of the total operating income (Previous year 42%).

Dredging performance:

In Dredging; at the beginning of the year; Mercator had 4 dredgers of aggregate capacity 23500 Cubic meter. There was no change during the year in the fleet. However, dredging activities suffered due to deferment of many infrastructure projects because of global economic meltdown. On 1090 (previous year 1287) days of operating, Mercator achieved a turnover of Rs. 86 crores (Previous year Rs. 168 crores). TCE at USD 13,557 reduced by about 32% against previous year's USD 19,956/- This segment contributed about 4% of total operating income (Previous year 8%).

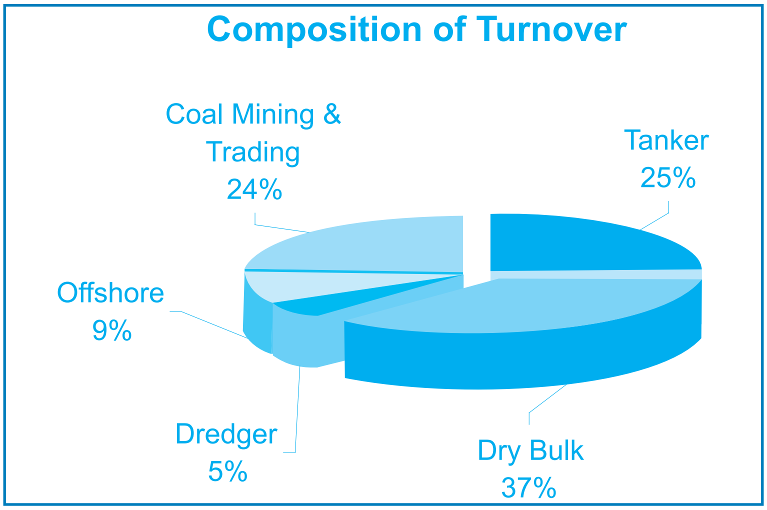
Offshore performance:

Year 2009-10 was the first full year of operations of the jack-up rig which continued to be deployed on bare boat charter @ USD 92,700 per day. On 365 (previous year 21), operating days; a turnover of Rs. 160 crores (Pr. Yr. Rs. 9 crores) was achieved. This contributed about 9% of the total operating income.

Coal Mining & Trading performance:

During the year, coal mining productions were ramped up as also trading was carried on contributing increase in topline. During the year, about 0.7 mn MT (previous year 0.3 mn MT) coal was generated from coal mines in Indonesia. Total about 1.7 mn MT (previous year 0.3 mn MT) coal was traded, on which a turnover of Rs. 377 crores (previous year Rs. 77 crores) was achieved. This contributed about 21% of the total operating income (previous year 4%).

The turnover from coal handling/Logistics was Rs. 62 crores (previous year Rs. 57 crores). This contributed about 3% of the total operating income (previous year 3%).



These figure include turnovers achieved by applicable subsidiaries for this business segment.

REVIEW OF OPERATIONS OF SUBSIDIARIES:

1) *Mercator International Pte. Ltd. (MIPL) – (Wholly Owned Overseas Subsidiary -WOS):*

MIPL was incorporated in Singapore in January 2007 as WOS. This company has multiple subsidiaries and fellow subsidiaries in Singapore and other countries. As at the beginning of the year; MIPL had fleet of two chemical tankers of aggregate capacity of 30826 DWT on standalone basis. At the end of the year it had one chartered in chemical tanker of 19,926 DWT. MIPL has also diversified interest through its Subsidiaries; in commodity mining and trade business as a move towards backward integration of the Company's business strategy.

During the year under review, it achieved a turnover of about Rs. 23.39 crores equivalent of USD 4.93 mn (as against Rs. 139.14 crores equivalent to USD 29.95 mn in the previous year) with a net loss of Rs. 8.63 crores equivalent of USD 1.82 mn (previous year net profit of Rs. 12.66 crores equivalent of USD 2.72 mn) on standalone basis; that is excluding contribution from its fellow subsidiaries.

2) *Mercator Lines (Singapore) Ltd. (MLS)*

This is a Singapore Stock Exchange listed subsidiary of MIPL, which owns 72.15% controlling interest in the company. MLS has three fully owned subsidiaries; namely, Varsha Marine Pte. Ltd., Vidya Marine Pte. Ltd. and Mercator Lines (Panama) Inc. Consolidated fleet of MLS as at March 31, 2010, comprised of 11 own vessels of aggregate capacity of 1,033,708 DWT and 3 chartered-in vessels of aggregate capacity of 260,165 DWT. Additionally; at the year end; 1 panamax vessel of 74,483 DWT was on order for acquisition and 1 Kamsarmax vessel contracted for long term charter-in.

During the year, MLS achieved a consolidated turnover of Rs. 684.21 crores equivalent of USD 144.470 mn (as against Rs. 898.52 crores equivalent to USD 186.138 mn in the previous year) and earned net profit after tax of Rs. 192.98 crores equivalent to USD 40.748 mn (as against Rs. 380.20 crores equivalent to USD 75.84 mn in previous year).

The Board of Directors of MLS recommended dividend @ 1.16 cents per share consecutively for the second year ended on March 31, 2010.

The Board of Directors of wholly owned subsidiaries of MLS; namely Varsha Marine and Vidya Marine declared and paid interim dividends of USD 1.20 mn and USD 5.20 mn respectively, during the year under review. (Previous Year USD 3 mn each)

Mercator Lines Panama did not carry out any business other than holding and assigning charter hire right of one Panamax vessel (previous year two) on a back to back basis and remained dormant during the year.

3) *Mercator Offshore Holdings Pte. Ltd. (MOHPL) and Mercator Offshore Ltd. (MOL)-WOS:*

MOHPL was incorporated in March 2009 as Special Purpose Vehicle - WOS of the Company in Singapore which is holding MOL.

The year under review was first full year of operations of this subsidiary, during which it achieved turnover of Rs. 159.70 crore equivalent of USD 33.718 mn (previous year Rs.8.92 crore equivalent of USD 1.92 mn) and earned net profit of Rs. 71.84 crores equivalent of USD 15.169 mn (previous year Rs. 3.89 crore equivalent of USD 0.84mn).

4) *Mercator Oil & Gas Ltd. (MOGL)-WOS*:

This an Indian based non-listed wholly owned subsidiary is yet to commence any business activities.

5) *Mercator Petroleum Private Ltd. (MPPL)*:

This is an Indian non-listed subsidiary. Main object of MPPL is to explore business opportunities in the oil and gas sector domestically. The company has entered into a Production Sharing Contract with the Government of India for exploration of Petroleum under the Seventh New Exploration Licensing Policy round (NELP-VII) and has been allotted two blocks under the scheme in Cambay Basin, Western India. However, pending licenses from the Government; the subsidiary is yet to commence business activities.

6) *Oorja Holdings Pte. Ltd. (OHPL) and its subsidiaries*:

OHPL is 100% subsidiary of Mercator International Pte. Ltd. (MIPL) based in Singapore with the objective to explore business opportunities in commodity mining and trade. As at March 31, 2010, OHPL has four wholly owned subsidiaries further; namely, Oorja 1 Pte. Ltd., Oorja 2 Pte. Ltd., Oorja 3 Pte. Ltd.; Oorja Mozambique Minas Limitada; and MCS Holdings Pte. Ltd.

Oorja 1 has a further subsidiary by the name of Oorja Indo Petangis Four (OIP-4) incorporated in Indonesia. Oorja 2 has further subsidiary by the name of Oorja Indo Petangis Three (OIP-3) incorporated in Indonesia. Oorja 3 has further subsidiary named Oorja Indo KGS incorporated in Indonesia. OIP -3 and OIP-4 jointly have wholly owned subsidiary named PT Mincon Indo Resources incorporated in Jakarta. Oorja Mozambique has a step-down subsidiary named Broadtec Mozambique Minas Limitada with 85% holding; incorporated in Mozambique.

PT. Oorja Indo KGS, was awarded for largest Indonesian coal exporter to India for November 2009.

During the year; OHPL achieved consolidated turnover of Rs. 377.42 crores equivalent of USD 79.69 mn (previous year Rs. 137.54 crores equivalent of USD 29.51 mn) and suffered loss of Rs. 17.01 crores equivalent of USD 3.59 mn (previous year loss of Rs 17.19 crores equivalent of USD 2.49 mn).

None of above subsidiary's audit report contains any qualification.

The other subsidiaries viz. Mercator Offshore (Nigeria) Pte. Ltd.; Mercator PH (Dutch) Holding BV, Netherland; Mercator Petroleum (Turkey) BV, Netherland; and Mercator Petroleum (Romania) Pte. Ltd., Singapore were incorporated during the year under review and are yet to commence commercial activities.

(For the purpose of financial performances conversion rate of per dollar has been taken as Rs. 47.36 for profit and loss account (previous year Rs. 46.455) and Rs. 45.14 for balance sheet items (previous year Rs. 50.95).

QUALITY, SAFETY & ENVIRONMENT

As a core value Mercator hold the safety of life and protection of environment in very high regard. In keeping with this, our fleet has maintained an impeccable record of safety. It has always been our endeavor to provide the best possible solutions to our customers.

At the core of Mercator's policy, is a strong commitment to quality, attention to detail and the drive to excel in all areas of operations. Our engineering capability is our core strength. It has, over the years helped us in earning the reputation of being efficient & cost effective provider of shipping solutions.

All our ships are operated in compliance with the international pollution prevention protocols and with strict regard for national pollution prevention and response regulations.

Mercator has a comprehensive Quality, Safety and Environment policy with a robust reporting system. Our employees are well trained in all the requisite systems and procedures and are provided training over and above the mandatory requirements. They are forthcoming, helpful and are capable of handling any situation in the best possible manner.

Mercator support the International Maritime Organizations aim' to achieve safe shipping across cleaner oceans.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has adequate internal control systems in place. These systems ensure that all corporate policies are strictly adhered to and absolute transparency is followed in accounting and all of its business dealings.

The Internal Auditors appointed by the Company ensure that adequate internal controls are in place and all mandatory accounting policies are complied with. The Audit Committee constituted by the Board of Directors assesses the financials of the Company at regular intervals, in consultation with internal and statutory auditors.

HUMAN RESOURCES POLICIES:

Mercators' philosophy of 'People First' has always remained its guiding force.

We are working to design and implement programs that will enable our people to share knowledge and experience faster and more easily, working as a single team with a unified vision and mission.

Most of the down time of 2009 was invested wisely in the people, processes, and technologies that we know will position us ideally for the future.

Along with our many assets, people are a great source of pride for us. In today's fast-shifting marketplace, we have gone to great lengths to maintain the strength of our workforce and expand our capabilities in order to keep Mercator at the top of the industry.

As on March 31, 2010, there were 104 on-shore employees with an average age of 37 years on standalone basis. Globally, Mercator had 147 employees as at March 31, 2010.

EXPANSION AND FINANCE

During the year under review, two product tankers and one panamax vessel were acquired at an aggregate cost of Rs. 193.37 crores (equivalent of USD 42.30 mn).

A Very Large Crude Carrier (VLCC) was converted into Very Large Ore Carrier (VLOC) at a cost of Rs. 325.93 crores (equivalent of USD 72.20 mn) and deployed on consecutive voyage charter for a period of 14 years with international ore major Vale. This reflects your company's ability to assessing market conditions and grabbing the opportunities. Further, one more panamax vessel was contracted to be acquired at a price of Rs. 171.53 crore (equivalent of USD 38 mn); delivery of which was taken subsequent to the year end. These expansions were financed by a mix of internal accruals; IPO proceeds of a subsidiary and debts.

During the year, your Company issued Secured Redeemable Non-convertible Debentures of an aggregate of Rs. 350 crores on private placement basis, which have been listed on Bombay Stock Exchange.

Subsequent to year end; entire outstanding FCCBs of aggregate amount of USD 7 million out of issue of USD 60 million in the year 2005; were redeemed on maturity on April 27, 2010

DIRECTORS:

During the year, Kapil Garg was appointed as Additional Director of the Company w.e.f. January 30, 2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the ensuing Annual General Meeting and is eligible for re-appointment as Director. The Company has received notice pursuant to Section 257 of the Companies Act, along with necessary deposit, from a member proposing his candidature as Director of the Company at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Manohar Bidaye is the Director liable to retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

Further, it is also proposed to re-appoint H. K. Mittal as Executive Chairman and Atul Agarwal as Managing Director of the Company for a period of three years commencing from August 1, 2010 with revised remunerations; as approved by the Remuneration Committee and Board of Directors in their meeting held on May 25, 2010. The revised terms are detailed in the accompanying notice of Annual General Meeting for the perusal and approval of the members.

Your Directors recommend for your approval the re-appointments of Kapil Garg, Manohar Bidaye, H. K. Mittal and Atul Agarwal at the ensuing Annual General Meeting. The brief resume of all the four directors is included in the notice of the ensuing Annual General Meeting scheduled to be held on September 7, 2010.

SUBSIDIARY COMPANIES:

Your company had following subsidiaries/step-down subsidiaries as at March 31, 2010:

Sr. No.	Name	Incorporated in
1.	Mercator International Pte. Ltd.	Singapore
2	Mercator Oil & Gas Ltd.	India
3	Mercator Petroleum Private Ltd.	India
4.	Mercator Offshore Holdings Pte. Ltd.	Singapore
5	Mercator Offshore Ltd.	Singapore
6	Mercator Lines (Singapore) Ltd.	Singapore
7	Varsha Marine Pte. Ltd.	Singapore
8	Vidya Marine Pte. Ltd.	Singapore
9	Mercator Lines (Panama) Inc	Panama
10	Oorja Holdings Pte. Ltd.	Singapore
11	Oorja 1 Pte. Ltd.	Singapore
12	Oorja 2 Pte. Ltd.	Singapore
13	Oorja 3 Pte. Ltd.	Singapore
14	Oorja Mozambique Minas Limitada	Mozambique
15	Broadtec Mozambique Minas Limitada	Mozambique
16	PT Oorja Indo Petangis Four	Indonesia
17	PT Oorja Indo Petangis Three	Indonesia
18	PT Oorja Indo KGS	Indonesia
19	MCS Holdings Pte. Ltd.	Singapore
20	PT Mincon Indo Resources	Indonesia
21	Mercator Offshore (Nigeria) Pte. Ltd.	Singapore
22	Mercator PH (Dutch) Holding BV	Netherlands
23	Mercator Petroleum (Turkey) BV	Netherlands
24	Mercator Petroleum (Romania) Pte. Ltd.	Singapore

Pursuant to Accounting Standard (AS 21) of the Companies (Accounting Standards) Rules 2006, consolidated financial statements presented by the Company include financial information of all its subsidiaries. A statement in respect of the said subsidiaries pursuant to Section 212 of the Companies Act, 1956 is enclosed herewith as required.

The Company has received an exemption from the Government of India u/s 212(8) of the Companies Act 1956; from attachment of the documents of above subsidiaries to its accounts for the year ended on March 31, 2010. The annual reports and accounts of subsidiaries are available for inspection; at the registered offices of the Company and those of the subsidiary companies concerned; during the working hours. Upon request, the same along with related detailed information will be made available to the investors of the Company as well as of subsidiaries. A statement in respect of brief financial details of the Company's subsidiaries for the year ended March 31, 2010 is annexed to this report.

Subsequent to the year end, one more step-down subsidiary was formed by name Ivorene Oil Services Nigeria Ltd. in Nigeria to provide local support services.

AUDITORS:

The Auditors of your Company, M/s. Contractor, Nayak & Kishnadwala, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment under Section 224 (1-B) of the Companies Act, 1956.

The Directors recommend their re-appointment for approval of the members.

PARTICULARS OF EMPLOYEES:

As required under provisions of Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules 1975 as amended, the requisite particulars in respect of the employees of the Company, who were in receipt of remuneration in excess of the limits specified under the said section are set out in the annexure forming part of this report. However, as per the provisions of section 219 (b) (iv) of the Act; the report and the accounts are being sent to all members of the Company excluding this annexure of particulars of employees. Any member interested in obtaining such particulars may write to the Company at the registered office.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION; EXPORT MARKET DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS & OUTGO:

The Conservation of Energy and Technology Absorption under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to your Company. However, your Company has taken all possible measures to save and conserve energy at all the stages of its operation of its vessels, as well as, in our Shore and Off-shore activities.

On export front, your Company has been carrying out its activities through its various overseas subsidiaries; and it has formed new subsidiaries abroad during the year.

Your Company has not imported any technology, and hence the requirement for disclosure in this regard is nil. It has earned foreign exchange of Rs. 216.46 crores (previous year Rs. 403.94 crores) and spent Rs. 379.91 crores (previous year Rs. 1457 crores) in foreign exchange on account of acquisition of vessels, charter hire, other vessel expenses and interests etc.

CORPORATE GOVERNANCE:

A separate report on the Corporate Governance, along with the requisite certificate from the Auditors of the Company as required under the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges is annexed herewith forming part of this Annual Report. Management Discussion and Analysis Report as per the Corporate Governance requirement is also annexed herewith as part of this Report.

Ministry of Corporate Affairs (MCA), India issued a "Corporate Governance Voluntary Guidelines 2009" during the year under review. While following the Corporate Governance requirements prescribed under Clause 49 of the Listing Agreement, your Company has adopted many of the recommendations of the MCA; and is reviewing the possibilities to implement the remaining recommendations.

Your Directors are pleased to inform you that in token of appreciation of the Corporate Governance Practices followed by the subsidiary Company Mercator Lines (Singapore) Limited, it has been awarded coveted Singapore Corporate Awards in two different categories consecutively for second year.

INSURANCE:

All properties of the Company are adequately insured.

FIXED DEPOSITS:

The Company has not accepted any public deposits falling under the purview of section 58-A of the Companies Act; 1956.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

(i) In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) They 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 profit for the year under review;

(iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) They have prepared the annual accounts on a going concern basis.

GROUP FOR INTERSE TRANSFER OF SHARES:

As required under clause 3(1) (e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are given in the Annexure A attached herewith and forms part of this Annual Report.

ACKNOWLEDGEMENTS:

The Directors would like to express their gratitude to the suppliers, customers, service providers, regulators and the governmental agencies, such as Ministry of Shipping, Ministry of Petroleum & Natural Gas, the Directorate General of Shipping; Directorate General of Hydrocarban; and other statutory authorities for their continual support and encouragement.

We also acknowledge the support lent and confidence bestowed upon us by the bankers; all the stakeholders and all Mercatorians.

For and on behalf of the Board

H. K. Mittal
Executive Chairman

Regd. Office:
3rd Floor, Mittal Tower, B-wing,
Nariman Point, Mumbai - 400021
Dated: May 25, 2010

ANNEXURE – A TO THE DIRECTORS' REPORT

For the purpose of interse transfer of shares under Regulation 3 (1) (e) of the Securities and Exchange board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the following person constitute "Group" as defined in the Monopolistic & Restrictive Trade Practices, 1969, (54 of 1969):

1. Mercator Healthcare Ltd.
2. MLL Logistics Pvt. Ltd.
3. Mercator Mechmarine Ltd.
4. Ankur Fertilizers Pvt. Ltd.
5. Rishi Holdings Pvt. Ltd.
6. AAAM Properties Private Ltd.
7. MAXX Dredging Private Ltd
8. Oorja Resources India Private Ltd.
9. Mechmarine Engineers Private Ltd.
10. Mercator International Pte. Ltd.
11. Mercator Oil & Gas Ltd.
12. Mercator Petroleum Private Ltd.
13. Mercator Offshore Holdings Pte. Ltd.
14. Mercator Offshore Ltd.
15. Mercator Lines (Singapore) Ltd.
16. Varsha Marine Pte. Ltd.
17. Vidya Marine Pte. Ltd.
18. Mercator Lines (Panama) Inc
19. Oorja Holdings Pte. Ltd.
20. Oorja 1 Pte. Ltd.
21. Oorja 2 Pte. Ltd.
22. Oorja 3 Pte. Ltd.
23. Oorja Mozambique Minas Limitada
24. Broadtec Mozambique Minas Limitada
25. PT Oorja Indo Petangis Four
26. PT Oorja Indo Petangis Three
27. PT Oorja Indo KGS
28. MCS Holdings Pte. Ltd.
29. PT Mincon Indo Resources
30. Mercaor Offshore (Nigeria) Pte. Ltd.
31. Mercator PH (Dutch) Holding BV
32. Mercator Petroleum (Turkey) BV
33. Mercator Petroleum (Romania) Pte. Ltd.
34. Ivorene Oil Services Nigeria Ltd.
35. H. K. Mittal
36. Archna Mittal
37. Atul J. Agarwal
38. Manjuli Agarwal
39. Shalabh Mittal
40. Shruti Mittal
41. Tanvi Mittal
42. Amol Mittal
43. Adip Mittal
44. Aayush Agarwal
45. Arooshi Agarwal

REPORT ON CORPORATE GOVERNANCE

(Forming part of Directors' report for the year ended on March 31, 2010)

COMPANY'S PHILOSOPHY:

The Company strongly believes in ethical way of conducting business. The Company upholds its relationship with the society and hence its social responsibility of environmental safety and human welfare.

Corporate governance to the company is not just a compliance issue but central guiding principle for everything it does. It's a way of thinking, way of conducting business and a way to steer the organization to take on challenges for now and for the future.

The Company recognizes its responsibility towards its shareholders and therefore constantly endeavors to create and enhance shareholder's wealth and value by implementing its business plans at appropriate times and thus taking maximum advantage of available opportunities to benefit the Company, its shareholders and the society at large. The Company believes in monitoring its performance regularly and with utmost transparency to ensure ethical governance at all levels within the organization

I. BOARD OF DIRECTORS:

The Board of Directors of the Company comprises of seven Directors; two Executive Directors and five Non-Executive Directors. Among the two Executive Directors; one is the Executive Chairman and the other is Managing Director. The Company is in compliance with the requirement of at least half of the Board comprising of Independent Directors as the Chairman of the Board is an Executive Director and a Promoter. There is no Nominee Director on the Board of the Company.

No Director of the Company is either member in more than ten committees and/ or Chairman of more than five committees across all Companies in which he is Director and necessary disclosures to this effect has been received by the Company from all the Directors.

During the year, in all Four Board meetings were held i.e. on May 14, 2009; July 30, 2009, October 28, 2009 and January 30, 2010. The time interval between any two meetings was not more than 4 months.

The details of Directors and their attendance record at Board Meetings held during the year, at last Annual General Meeting and number of other Directorships and Chairmanships / membership of Committees is given below:

Sr. No	Name of Director	Category	No. of Board Meetings Attended	Attendance at last AGM	No. of other Directorships in Indian Public Companies*	No. of committee membership in other Companies **	No. of committee Chairmanship in other Companies **
1	H. K. Mittal	Executive Chairman & Promoter	4	Yes	2	Nil	Nil
2	A. J. Agarwal	Managing Director, Executive-Promoter	4	Yes	1	1	Nil
3	Manohar Bidaye	Non-Executive Independent	3	Yes	6	2	1
4	Anil Khanna	Non-Executive Independent	3	Yes	1	1	Nil
5	M. G. Ramkrishna	Non-Executive Independent	4	Yes	3	1	1
6	K. R. Bharat	Non-Executive Independent	2	Yes	3	Nil	Nil
7	Kapil Garg (w.e.f. January 30, 2010)	Non-Executive Not Independent	1	N. A.	0	Nil	Nil

**Other directorships does not include Private Companies, Companies registered u/s 25 of the Companies Act, 1956, Alternate directorships and foreign Companies.*

***In accordance with Clause 49 of the Listing Agreement, Memberships / Chairmanships of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public Limited Companies have been considered.*

None of the independent directors had resigned nor removed from the Board of the Company during the year and hence compliance in respect of replacement thereof did not arise.

All the information required to be furnished to the Board was made available to them along with detailed agenda notes.

The Board reviews compliance reports of all laws applicable to the Company, presented by Managing Director at the meeting.

Code of Conduct:

The Board has laid down a Code of Conduct for all Board members and senior management personnel of the Company, which has been posted on the website of the Company www.mercator.in

All Board members and senior management personnel have affirmed compliance with the code for the year ended on March 31, 2010. Declaration to this effect signed by the Chief Executive Officer for the year ended on March 31, 2010 has been included elsewhere in this annual report.

II. AUDIT COMMITTEE:

Composition:

Pursuant to the provisions of Section 292(A) of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has a qualified and independent Audit Committee comprising of three Independent Non-Executive Directors. Anil Khanna, a senior member of Institute of Chartered Accountants of India, having a sound accounting and financial background, is the Chairman of the Committee, the other members being Manohar Bidaye, a senior member of Institute of Company Secretaries of India and M. G. Ramkrishna, a veteran from the banking & finance industry. The Managing Director, Head of Finance Department along with the Internal Auditors and Statutory Auditors are always invitees to the Audit Committee Meeting. All other Functional Managers are invited to attend the meeting, as and when necessary. The Committee is vested, inter alia, with following powers and terms of references as prescribed under relevant provisions of the Companies Act, 1956 and Stock Exchanges Listing Agreement:

Powers:

a) To investigate any activity within its terms of reference.

b) To seek information from any employee.

c) To obtain outside legal or other professional advice.

d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of Reference:

The Audit committee reviews the reports of the Internal Auditors and the Statutory Auditors periodically and discuss their findings and suggest the corrective measures. The role of the Audit Committee is as follows: -

1. Overview 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 fixation 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 being 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 the management.

(d) Significant adjustments made in the financial statements arising out of the 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 draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.

6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

8. Discussion with internal auditors 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 in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

12A Approval of appointment of CFO (i.e. the whole-time finance director or any other person heading the finance function and discharging the function).

13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Meetings:

During the year, in all four meetings of the Committee were held i.e. on May 19, 2009; July 30, 2009; October 28, 2009 and January 30, 2010. The time intervals between two meetings of the Committee were not more than four months. Attendance of each member at the audit Committee Meetings:

Name of Director	Attendance
Anil Khanna	4
Manohar Bidaye	3
M. G. Ramkrishna	4

The Managing Director, as a head of the Finance Department; Statutory Auditors and Internal Auditors attended all the four meetings. The Company Secretary and in his/her presence, Sr. Manager Secretarial acted as the Secretary to the Committee.

Review of Information:

The Audit committee was presented with and reviewed following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management.
3. Management letters/letters of internal control weaknesses issued by the statutory auditors, if any.
4. Internal audit reports related to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Internal Auditor. Presently the Company has independent Chartered Accountant's firm as its Internal Auditor.
6. Financial statements and the investments made by the unlisted subsidiary company.
7. Related Party Transactions i.e.;
   (i) Transactions with related parties in the ordinary course of business.
   (ii) Details of material individual transactions with related parties, which are not in the normal course of business.
   (iii) Details of material individual transactions with related parties or others, which are not on an arm's length basis, together with Management's justification for the same; as and when applicable.

   There was no instance of management letter/letter of internal control weaknesses issued by the Statutory Auditors during the financial year 2009-10.

REMUNERATION-CUM-SELECTION COMMITTEE:

The Company has Remuneration Committee comprising of three Non-executive Independent Directors. Manohar Bidaye is the Chairman of the Committee with Anil Khanna and M. G. Ramkrishna being other members. The committee, on behalf of the Board and the shareholders, determines, with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors and senior management people including pension rights and any compensation payment. This Committee also acts as a Remuneration Committee under Schedule XIII and as Selection Committee under Section 314 of the Companies Act, 1956.

Two meetings of Remuneration Committee were held during the year. All members attended both the meetings.

EXPANSION COMMITTEE:

The Company has Expansion Committee comprising of two Executive Directors viz. H. K. Mittal & A. J. Agarwal and two Non-executive Independent Directors viz. Anil Khanna & K.R. Bharat. The Committee is authorized to assess the business opportunities and take the decisions from time to time on expansion/modernization/diversifacation projects; means of finance and other related matters, within the limits sanctioned by the Board. During the year eleven meetings were held.

Attendance of each member at the Expansion Committee Meetings:

Name of Director	Attendance
H. K. Mittal	11
Atul J. Agarwal	11
Anil Khanna	11
K.R. Bharat	11

ESPS COMMITTEE:

The Company has Employee Stock Purchase Committee (ESPS) of Directors comprising of two Executive Directors viz. H. K. Mittal & A. J. Agarwal and three Non-executive Independent Directors viz. Manohar Bidaye; Anil Khanna & M. G. Ramkrishna, to implement the Employee Stock Purchase Scheme of the Company. No meeting was held during the year.

III. SUBSIDIARY COMPANIES:

As at March 31, 2010 the Company had following subsidiaries:

Sr. No.	Name	Incorporated in
1	Mercator International Pte. Ltd.	Singapore
2	Mercator Oil & Gas Ltd.	India
3	Mercator Petroleum Private Ltd.	India
4	Mercator Offshore Holdings Pte. Ltd.	Singapore
5	Mercator Offshore Ltd.	Singapore
6	Mercator Lines (Singapore) Ltd.	Singapore
7	Varsha Marine Pte. Ltd.	Singapore
8	Vidya Marine Pte. Ltd.	Singapore
9	Mercator Lines (Panama) Inc	Panama
10	Oorja Holdings Pte. Ltd.	Singapore
11	Oorja 1 Pte. Ltd.	Singapore
12	Oorja 2 Pte. Ltd.	Singapore
13	Oorja 3 Pte. Ltd.	Singapore
14	Oorja Mozambique Minas Limitada	Mozambique
15	Broadtec Mozambique Minas Limitada	Mozambique
16	PT Oorja Indo Petangis Four	Indonesia
17	PT Oorja Indo Petangis Three	Indonesia
18	PT Oorja Indo KGS	Indonesia
19	MCS Holdings Pte. Ltd.	Singapore
20	PT Mincon Indo Resources	Indonesia
21	Mercator Offshore (Nigeria) Pte. Ltd.	Singapore
22	Mercator PH (Dutch) Holding BV	Netherlands
23	Mercator Petroleum (Turkey) BV	Netherlands
24	Mercator Petroleum (Romania) Pte. Ltd.	Singapore

Subsequent to year end one more subsidiary was formed by name Ivorene Oil Services Nigeria Ltd. in Nigeria.

The Indian Subsidiaries Mercator Oil & Gas Ltd. and Mercator Petroleum Private Limited were neither listed nor material as at March 31, 2010.

The Audit Committee reviews the financial statements of all the subsidiary companies including the investment made by the Company.

The Minutes/resolutions of the Board Meetings of all the subsidiary companies (including the step down subsidiary Companies) are placed before the Board periodically.

The management periodically reviews a statement of all significant transactions, if any, entered into by all the subsidiary companies.

IV. DISCLOSURES:

(A) Basis of related party transactions:

i. A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the audit committee.

ii. Details of material individual transaction with related parties, which are not in the normal course of business, are placed before the audit committee, whenever applicable.

iii. During the year, there was no material individual transaction with related parties or others, that was not on an arm's length basis.

(B) Disclosure of Accounting Treatment:

In the preparation of financial statements for the year ended on March 31, 2010; there was no treatment different from that prescribed in an Accounting Standard and applicable Laws and Regulations that had been followed.

(C) Board Disclosures-Risk Management:

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risk through means of properly defined framework.

(D) Proceeds from public issues, rights issues, preferential issues etc.

During the year; the Company raised an amount of Rs. 350 crores through issue of Non-convertible Secured Redeemable Debentures on private placement basis; proceeds of which were utilized for the intended purpose. Besides this, the Company did not raise any amount through public or right or preferential issues.

(E) Remuneration of Directors:

The remuneration of non-executive Directors is decided by the Board/Shareholders.

Details of remuneration paid to Directors for the financial year ended March 31, 2010:

Executive Directors:

(Amount Rs. in Lacs)

Name	Salary	Commission	Perquisites
H. K. Mittal - Executive Chairman	40.22	Nil	7.78
A. J. Agarwal - Managing Director	40.35	Nil	7.65

The remuneration to the Executive Directors is governed by the agreements executed with them as approved by the members of the Company in their General Meeting. As per the agreement, salary and perquisites are a fixed component and the commission is based on the performance of the Company, i.e. on the net profit of the year. However, aggregate of which shall not exceed 5% of net profit calculated as per the provisions of the Companies Act, 1956; per Executive Director.

As per the extant terms & conditions of appointment agreements of both the Executive Directors which were approved by the shareholders at the Annual General Meeting of the Company held on September 26, 2007; the appointments of Executive Chairman and Managing Director were valid up to July 31, 2012. However as approved by the Remuneration Committee and Board of Directors; it is proposed to re-appoint both of them for a period of three years w.e.f. 1st August 2010 on revised terms & conditions as contained in the accompanying notice convening 26th Annual General Meeting of the members of the Company; in addition to revision in terms of remuneration w.e.f. April 1, 2009. The revised terms of their remuneration proposes payment of minimum remuneration to them in case of loss or inadequacy of profit in any financial year during their tenure, subject however, to the ceiling prescribed under the Companies Act, 1956.The appointments can be terminated by either party by giving six month’s notice in writing. There is no severance fees payable.

The Executive Directors were not issued any Stock Options during the year.

Non-executive Directors:

The Board decides the payment of commission within the limits approved by members of the Company in their Annual General Meeting held on September 26, 2007 not exceeding 1% of its net profit to Non-executive directors. However, in view of inadequate profits for the year ended on March 31, 2010; no commission was paid to the Non-executive Directors.

Remuneration by way of sitting fees for attending Board meetings and Audit Committee meetings are paid to Non-executive Directors @ Rs. 20,000/- per meeting attended by them. Details of sitting fees paid to Non-executive Directors are as follows:

(Amount Rs. in Lacs)

Name of the Director	Sitting Fees
Manohar Bidaye	1.20
Anil Khanna	1.20
M.G. Ramkrishna	1.60
K.R. Bharat	0.40
Kapil Garg	0.20

All the Non-executive Directors have disclosed their shareholdings as at March 31, 2010 to the Company, which is as under:

Name of the Director	No of shares held
Manohar Bidaye	97500
Anil Khanna	247120
M. G. Ramkrishna	15000
K. R. Bharat	Nil
Kapil Garg	Nil

The Company did not have any pecuniary relationship or transaction with the Non-executive Directors, other than those disclosed elsewhere in this Annual Report.

No other convertible instrument was held by any of the above Non-executive Directors.

No stock options were issued to the Non-executive Directors during the year.

(F) Management

A Management Discussion and Analysis report forming part of this Directors' report is attached herewith.

Based on the disclosures received from the senior management personnel, during the year, there was no material financial and commercial transaction by senior management that may have a potential conflict with the interest of the Company at large.

(G) Shareholders

(i) General Body Meetings:

Details of General Meetings held during last three years are given below:

Financial Year	Date	Time	Venue	Special Resolution(s)
2009-10	24/09/2009	4.00 P.M.	C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai-400020	1. Issue of securities (whether in form of equity and/or securities convertible into and/or carrying rights to subscribe to equity shares of the Company) in India and/ or abroad for an amount not exceeding USD 40 Millions 2. Issue of Redeemable cumulative preference shares for an aggregate amount of not exceeding Rs. 200 crores
2008-09	16/07/2008	4.00P.M.	C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai-400020	NIL
2007-08 (E.G.M)	11/10/2007	11.00 A.M.	Y. B. Chavan Centre, General Jagannath Bhosle Marg, Nariman Point, Mumbai-400021	1. Issue of warrants on preferential basis to promoter.
2007-08 (A.G.M.)	26/09/2007	3.30 P.M.	Y. B. Chavan Centre, General Jagannath Bhosle Marg, Nariman Point, Mumbai-400021	1. Appointment of Mr. H. K. Mittal as Executive Chairman of the Company and remuneration thereof. 2. Appointment of Mr. A.J. Agarwal as Managing Director of the Company and remuneration thereof. 3. Appointment of Mr. Adip Mittal, a relative of Director to hold the office or place of profit of the Company. 4. Delisting of equity shares from Ahmedabad Stock Exchange

No special resolution through postal ballot was passed last year; nor proposed at the ensuing Annual General Meeting.

(Ii) Disclosures:

During the year, there were no transactions of materially significant nature with the Promoters or Directors or the Management or their subsidiaries or relatives etc. that had potential conflict with the interest of the Company. However, the transactions entered into with the related parties are reported as per Accounting Standard 18 at Note No. 22 of Notes forming part of the Accounts under Schedule I (B) annexed to the Accounts for the year under review.

There were no instances of non-compliance and that no penalties or strictures were imposed on the Company by any Stock Exchange or SEBI or any statutory authority on any matter related to capital market during the past three years.

Presently the Company does not have any Whistle Blower Policy. However, no person has been denied access to the Audit Committee on any matter.

(Iii) Means Of Communication:

Quarterly/half-yearly/yearly results are normally published in an English daily newspaper circulating in substaintially the whole of India and in a regional newspaper. The annual reports are posted to every member of the Company. Quarterly shareholding distribution and quarterly/half yearly/yearly results submitted to the Stock Exchanges are posted on the website of the Company www.mercator.in. and www.corpfiling.in. The Company also displays official news releases on its website i.e. www.mercator.in The Company has created an email id investors@mercator.in to facilitate redressal of investors'/ shareholders' grievances.

The presentations if any, made to institutional investors/analysts through personal meetings are also displayed on website of the Company and submitted to the Stock Exchanges simultaneously.

(Iv) Annual General Meeting

Twenty Sixth Annual General Meeting is scheduled to be held on Tuesday, September 7, 2010 at 3.30 p.m. at C. K. Nayudu Hall, The Brabourne Stadium, Churchgate, Mumbai - 400020.

(V) Re-Appointment Of Directors

Brief resume of the Directors whose re-appointment is being considered at the ensuing annual general meeting; along with their expertise in specific functional areas and names of the companies in which they hold directorships and chairmanships/membership of Committees of the Board are provided in the notice of the ensuing Annual General Meeting scheduled to be held on September 7, 2010.

(Vi) Financial Calender For The Year 2010-11:

First Quarter Results (June, 30)	End July, 2010
Mailing of Annual Reports	2nd week of August, 2010
Annual General Meeting	September 7, 2010
Payment of Dividend	Second week of September 2010
Second Quarter Results (September, 30)	End October 2010
Third Quarter Results (December, 31)	End January 2011
Fourth Quarter/ Annual Results	End May 2011

(Vii) Dates Of Book-Closure:

The Share Transfer Books and Register of Members of the Company will remain Closed from Wednesday, September 1, 2010 to Tuesday, September 7, 2010 (both days inclusive), for deciding entitlement of shareholders for payment of dividend on Equity share capital.

(Vii) Dividend:

The Board of Directors has recommended dividend on Equity Shares of the Company Re.0.20 i.e. 20% per share on Equity shares of Re. 1/- each of the Company for the year ended on March 31, 2010 amounting Rs. 5.50 crores (inclusive of Corporate Tax & Surcharge thereon amounting Rs. 78.39 Lacs) The dividend, if declared, at the Annual General meeting; will be payable on or after September 7, 2010.

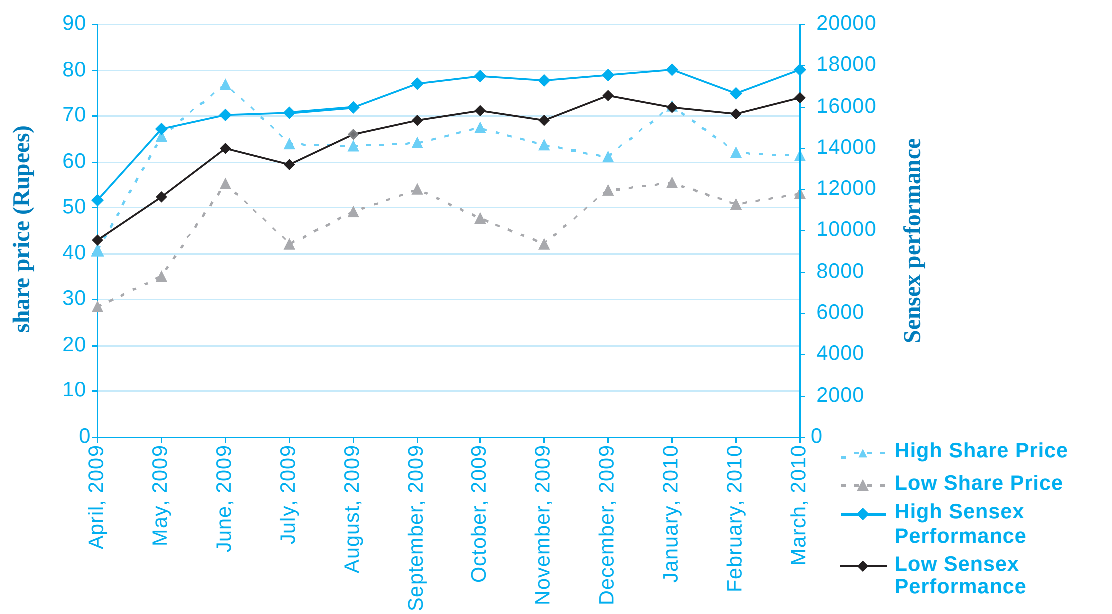
(Viii) Listing Of Shares, Non-Convertible Debentures:

The Equity Shares of the Company are listed on Bombay Stock Exchange (Scrip Code 526235); National Stock Exchange (Scrip Code MLL EQ) and the annual listing fees in respect of the year 2010-2011 have been paid to these exchanges.

The monthly high-low quotations of the equity shares of the Company on Bombay Stock Exchange and National Stock Exchange during the financial year 2009-10 vis-à-vis Sensex performance of Bombay Stock Exchange is given below:

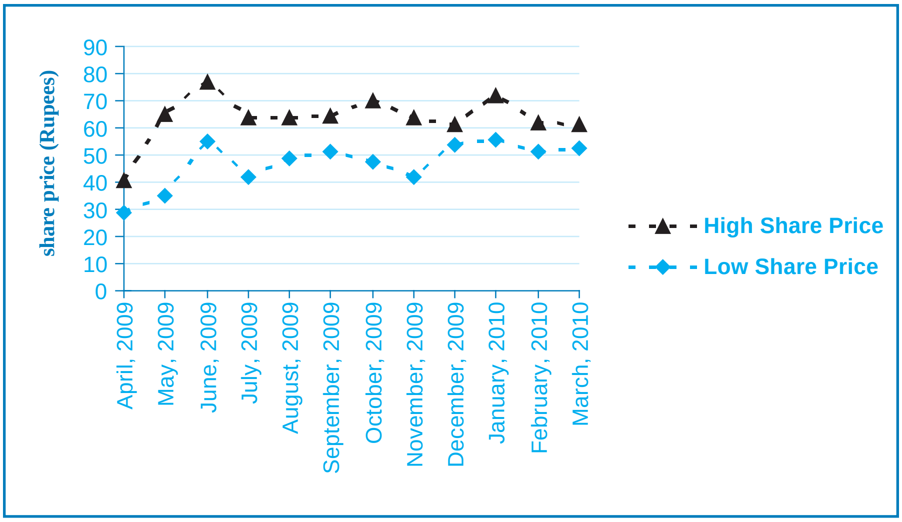
BSE:

Month	Share Price (Rupees)		Sensex Performance	
	High	Low	High	Low
April 2009	40.70	28.50	11,492.10	9,546.29
May 2009	65.65	35.00	14,930.54	11,621.30
June 2009	76.75	55.30	15,600.30	14,016.95
July 2009	63.80	42.00	15,732.81	13,219.99
August 2009	63.40	49.00	16,002.46	14,684.45
September2009	64.20	54.00	17,142.52	15,356.72
October 2009	67.50	47.65	17,493.17	15,805.20
November 2009	63.70	42.00	17,290.48	15,330.56
December 2009	61.20	53.90	17,530.94	16,577.78
January 2010	72.15	55.55	17,790.33	15,982.08
February 2010	62.10	50.80	16,669.25	15,651.99
March 2010	61.30	53.15	17,793.01	16,438.45



NSE:

Month	Share Price (Rupees)	
	High	Low
April 2009	40.80	28.50
May 2009	65.00	34.95
June 2009	77.00	55.10
July 2009	64.00	41.90
August 2009	63.50	48.90
September 2009	64.20	51.00
October 2009	69.75	47.80
November 2009	63.65	42.00
December 2009	61.15	53.80
January 2010	72.15	55.80
February 2010	62.10	51.40
March 2010	61.25	52.75



As at March 31, 2010; the Company had following series of listed Redeemable Non-Convertible Debentures issued on private placement basis in dematerialized form:

Series No.	No. of NCDs	Coupon rate	O/s. Face value As on 31/03/2010	Outstanding Amount	ISIN
VII-A	900	10.50%	Rs. 4,37,500/- each	Rs. 39.37 crores	INE934B07066
IX-A	1500	11.90%	Rs. 10,00,000/- each	Rs. 150.00 crores	INE934B07207
X- A	400	9.50%	Rs. 10,00,000/- each	Rs. 40.00 crores	INE934B07215
X- A1	100	9.50%	Rs. 10,00,000/- each	Rs. 10.00 crores	INE934B07249
X- B	400	9.50%	Rs. 10,00,000/- each	Rs. 40.00 crores	INE934B07223
X- B1	100	9.50%	Rs. 10,00,000/- each	Rs. 10.00 crores	INE934B07256
X- C	1200	9.50%	Rs. 10,00,000/- each	Rs. 120.00 crores	INE934B07231
X- C1	300	9.50%	Rs. 10,00,000/- each	Rs. 30.00 crores	INE934B07264
XI	1000	9.50%	Rs. 10,00,000/- each	Rs. 100.00 crores	INE934B07272

OUTSTANDING GDRs/ADRs OR WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

The Company had issued 6,000 1.50% Foreign Currency Convertible Bonds of USD 10,000 each (FCCBs) aggregating USD 60 millions issued in April 2005. These FCCBs were listed on Singapore Stock Exchange. Out of the same, 5300 FCCBs of an aggregate amount of USD 53 million were converted into equity shares persuant to opinion exercised by the bond holders and 700 FCCBs of an aggregate amount of USD 7.00 million were outstanding as at March 31, 2010. The conversion price of the Bonds was fixed at Rs. 59.812 per share with a fixed rate of exchange on conversion of Rs. 43.73= USD 1.00. Entire outstanding FCCBs of aggregate amount of USD 7 million were redeemed on maturity on April 27, 2010 as per terms of issue.

There are no outstanding GDRs/ADRs or warrants or any other convertible instruments.

(Ix) Share Transfer:

SHAREHOLDERS'/ INVESTORS' GRIEVANCES COMMITTEE:

The Company has Shareholders'/Investors' Grievances Committee comprising of one Executive Director and two Non-executive Directors to look after share transfer and other related matters, including the shareholders' grievances. Manohar Bidaye, a Fellow Member of Institute of Company Secretaries of India, is the Chairman of the Committee with the other members being, A. J. Agarwal and Anil Khanna, both senior members of Institute of Chartered Accountants of India. The Committee normally meets fortnightly and looks into the shareholder & investor grievances that are not settled at the level of the Company Secretary/Compliance Officer and helps to expedite share transfers & related matters. The committee has also delegated power of transfer/transmission; dematerialisation/ rematerialisation of shares; issue of duplicate/split/consolidated certificates to expedite relative process.

Twenty four Meetings of the Committee were held during the year. All the members attended all the meetings.

As at March 31, 2010; Mr. Deepak Dalvi- Sr. Manager-Secretarial and Ms. Suchita Shirambekar, Company Secretary were acting as Compliance Officers.

During the year, the Company received 60 complaints from the shareholders all of which were duly resolved. There was no pending complaint as at March 31, 2010.

Further, during the year requests for transfer of 26,501 equity shares; and for demat of 1,70,692 equity shares were received and processed.

Registrar and Transfer Agents and Share Transfer System:

Link Intime India Private Limited (erstwhile Intime Spectrum Registry Ltd.) having their office at C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai - 400 078 (Tel No.91-22-25963838) and branch office at 203, Dawer House, 197/199, D.N. Road, Mumbai - 400 001 (Tel No. 91-22-22694127) are the Registrar and Transfer Agents (RTA) as also the registrar for electronic connectivity. Entire functions of Share Registry, both for physical transfer, as well as, dematerialization/ rematerialization of shares, issue of duplicate / split / consolidation of shares is being carried out by the RTA at their above address.

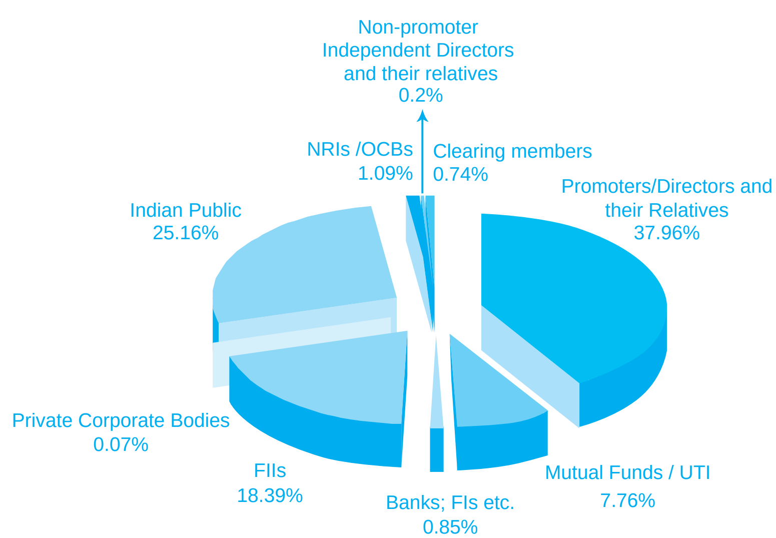
The correspondence regarding query of dividends shall be addressed to Compliance Officer at the registered office of the Company.

(X) Distribution Of Shareholding As On March 31, 2010:

Shareholding of nominal value of	No. of Shareholders	% to total Shareholders	No. of Shares	% to total Capital
UPTO 5000	99,998	98.25	3,93,06,092	16.66
5001 10000	884	0.87	66,68,513	2.83
10001 20000	448	0.44	64,02,184	2.71
20001 30000	149	0.15	37,17,618	1.58
30001 40000	64	0.06	22,33,165	0.95
40001 50000	39	0.04	17,82,425	0.76
50001 100000	95	0.09	66,64,948	2.82
100001 AND ABOVE	103	0.10	16,92,17,128	71.71
TOTAL	**1,01,780**	**100.00**	**23,59,92,073**	**100.00**

(Xi) Shareholding Pattern As On March 31, 2010:

Sr. No	Category	No. of Shares	% to Capital	No. of Holders
1	Promoters/Directors and their Relatives	8,95,84,066	37.96	10
2	Mutual Funds / UTI	1,83,09,950	7.76	19
3	Banks; FIs etc.	20,11,795	0.85	8
4	FIIs	4,34,06,958	18.39	42
5	Private Corporate Bodies	1,57,27,534	0.07	1545
6	Indian Public	6,21,52,831	25.16	98120
7	NRIs /OCBs	25,75,936	1.09	1748
8	Non-promoter Independent Directors and their relatives	4,74,895	0.20	8
9	Clearing members	1,748,108	0.74	280
	Total	**23,59,92,073**	**100.00**	**101780**



(Xii) Dematerialisation Of Securities:

The equity shares of the Company are under compulsory trading in demat form. Out of total capital of 23,59,92,073 equity shares; 23,29,53,557equity shares representing 98.71% were held in demat form and balance 30,38,516 equity shares representing 1.29% were in physical form as on March 31, 2010. The ISIN of the equity shares of the Company is INE934B01028.

The shares are actively traded on BSE and NSE and the turnover data during the financial year 2009-10; was as under:

Particulars	BSE	NSE	Total
No of shares	35,47,26,252	86,34,91,206	1,21,82,17,458
Value (Rs. In lacs)	1,93,355.91	4,78,606.12	6,71,962.03

V) CEO/CFO CERTIFICATION:

The necessary certification from Chief Executive Officer H. K. Mittal and Chief Financial Officer Atul J. Agarwal in respect of the financial year ended on March 31, 2010 has been annexed to this report.

VI) COMPLIANCE:

The Company has complied with all the mandatory requirements of Corporate Governance Clause 49 of the Listing Agreement with Stock Exchanges. Further, the Company has also adopted Remuneration committee requirements out of Non-mandatory requirements of the Clause.

A certificate from the Auditors of the Company regarding compliance of conditions of corporate governance is annexed to the Directors' Report.

VII) PLANT LOCATIONS:

The Company does not have any plant.

Address for correspondence:

Mercator Lines Limited

3rd Floor, Mittal Tower, B-wing,

Nariman Point, Mumbai-400 021

Tel Nos: 91-22-66373333

Fax Nos: 91-22-66373344

E-mail: mercator@mercator.in / investors@mercator.in

For and on behalf of the Board

H.K.MITTAL
Executive Chairman

Regd. Office:

3rd Floor, Mittal Tower,

B-Wing, Nariman Point,

Mumbai-400021

Dated.: May 25, 2010.

CEO/CFO CERTIFICATION

To,

The Board of Directors,

Mercator Lines Limited

Mumbai

This is to certify that:

(a) we have reviewed financial statements for the financial year ended on March 31, 2010 and the cash flow statement for the year (consolidated and unconsolidated) and that to the best of their knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit committee

(i) significant changes in internal control during the year, whenever applicable;

(ii) that there were no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) that there were no instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

(e) We further declare that all Board members and Senior Management personnel have affirmed compliance with the Code of conduct for the current year.

FOR MERCATOR LINES LIMITED

H.K. MITTAL
EXECUTIVE CHAIRMAN
CHIEF EXECUTIVE OFFICER

FOR MERCATOR LINES LIMITED

A. J. AGARWAL
MANAGING DIRECTOR
CHIEF FINANCIAL OFFICER

Place: Mumbai
Dated: May 25, 2010

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members,

Mercator Lines Limited,

Mumbai

We have examined the compliance of conditions of corporate governance by Mercator Lines Limited for the year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate Governance. It is neither an audit nor an expression of the financial statement of the company.

We certify that the company has compiled with the conditions of corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For and on behalf of
Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Registration Number 101961W

Himanshu Kishnadwala
Partner,
Membership No 37391
Mumbai
25th May, 2010

AUDITORS' REPORT

The Members of
MERCATOR LINES LIMITED

1. We have audited the attached Balance Sheet of MERCATOR LINES LIMITED as at 31st March, 2010, the related Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Attention of members is drawn to Note B-16(b) of Schedule I, where part of the remuneration paid to the managerial personnel amounting to Rs. 48 lakhs is subject to the approval of the members in the forthcoming annual general meeting;
5. Further to our comments in the Annexure referred to in above paragraph, we report that:
   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 appears from our examination of the books of the Company;
   c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;
   d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
   e) On the basis of written representations received from the directors of the Company as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010, from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.
   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes to Accounts in Schedule 'I' 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:
      a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
      b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date,
      c. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For and on behalf of
Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Registration Number 101961W

Himanshu Kishnadwala
Partner,
Membership No 37391
Mumbai
25th May, 2010

Statement referred to in paragraph 3 of the Auditors' Report of even date to the Members of MERCATOR LINES LIMITED on the accounts for the year ended 31st March, 2010.

On the basis of such checks as considered appropriate and in terms of the information and explanations given to us, we state as under:

1(a) The company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets;

1(b) As explained to us, the management at reasonable intervals carries out the physical verification of the fixed assets. The discrepancies noticed on such verification, which were not material, have been appropriately dealt with in the accounts.

1(c) The fixed assets disposed off by the company were not substantial and does not affect the going concern assumption. The fixed assets disposed off during the year were not substantial. According to the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the disposal of fixed assets has not affected the going concern of the company.

2(a) As explained to us, the inventories of bunker and lube have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stocks, the frequency of the physical verification is reasonable.

2(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of the above mentioned inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

2(c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3(a) As per the information and explanations given to us, the Company has granted unsecured loans to 12 parties covered in the register maintained under section 301 of the Companies Act, 1956. The outstanding balance as on 31st March, 2010 is Rs. 50,354.59 lakhs and maximum balance outstanding during the year is 90,948.17 lakhs.

3(b) In case of the aforesaid unsecured loans granted to the parties covered in the register maintained under Section 301 of the Companies Act, 1956, looking to the long term involvement of the company in the subsidiaries and their businesses, the rate of interest and the other terms and conditions are not prima-facie prejudicial to the interests of the Company.

3(c) In case of the aforesaid unsecured loan granted to the parties covered in the register maintained under Section 301 of the Companies Act, 1956, the repayment of principal amount and interest, where applicable is regular.

3(d) In case of the aforesaid unsecured loans granted to the parties covered in the register maintained under Section 301 of the Companies Act, 1956, the company is taking reasonable steps for the timely recovery of the principal and interest.

3(e) As per the information and explanations given to us, the Company has not taken unsecured loans from a Company or any other party covered in the register maintained under section 301 of the Companies Act, 1956, the provisions of Clause 3(f) and 3(g) are not applicable.

4 In our opinion and as explained to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system and there is no continuing failure for the same.

5(a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in register required to be maintained under that section.

5(b) In our opinion and as explained to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6 The Company has not accepted any deposits from public during the year

7 In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.

8 The maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies act, 1956.

9(a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise-duty, cess and other statutory dues and there are no undisputed statutory dues outstanding as at 31st March, 2010, for a period of more than six months from the date they became payable.

9(b) According to the information and explanations given to us, the disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Name of the Statute	Nature of dues	Amount (Rs. In lakhs)	Year/s to which the amount relates	Forum where dispute is
Service Tax under Finance Act, 1994.	Service Tax	4,260.00	2006-07, 2007-08 and 2008-09	Commissioner of Service Tax
Income Tax	Income Tax	37.73	2003-04	Income Tax Appellate Tribunal, Mumbai

(Also refer Note B3 and B4 of Schedule I)

10 The company does not have any accumulated losses as on 31st March, 2010 and has not incurred any cash losses during the financial year and in the immediately preceding financial year.

11 Based on the information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institutions and banks.

12 Based on our examination of the records and as explained to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.

13 In our opinion, the company is not a chit fund, nidhi/mutual benefit fund/society. The provisions of clause 4(xiii) are therefore not applicable to the company.

14 During the year, the Company does not have any transactions in respect of dealing and trading in shares, securities, debentures and other investments. All shares, debentures and other investments held by the company are held by the Company in its own name.

15 According to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by subsidiaries and others from banks and financial institutions are, considering the long term involvement of the company in these entities, not prejudicial to the interests of the company.

16 According to the information and explanation given to us, the company has not raised any term loans during the year.

17 As explained to us and on an overall examination of the balance sheet of the Company, in our opinion there are no funds raised on short-term basis which have been used for long-term investment by the Company.

18 According to the information and explanation given to us, the Company has made preferential allotment of shares/ warrants to parties covered in the register maintained under section 301 of the Companies Act, 1956 at prices not prejudicial to the interests of the company.

19 During the period covered by our audit, the company has issued privately placed non-convertible debentures of Rs. 35,000 lakhs. The Company has created charge in respect of these debentures.

20 The Company has not raised any money by public issues during the period covered by our report.

21 Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For and on behalf of
Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Registration Number 101961W

Himanshu Kishnadwala
Partner,
Membership No 37391
Mumbai
25th May, 2010

Balance Sheet as at March 31, 2010

Particulars	Schedule	As at March 31, 2010 Amount Rs. in Lacs	As at March 31, 2009 Amount Rs. in Lacs
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	**2,359.92**	2,359.92
Warrants against Share Capital	A 1	**-**	1,667.25
Reserves and Surplus	B	**103,034.15**	107,095.25
		105,394.07	111,122.42
Loan Funds			
Secured Loans	C	**134,186.56**	125,742.11
Unsecured Loans	D	**13,159.80**	15,551.70
		147,346.36	141,293.81
Total		**252,740.43**	252,416.23
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		**222,009.09**	239,581.02
Depreciation		**(41,116.39)**	(37,478.73)
Net Block		**180,892.70**	202,102.29
Capital work in progress		-	4,914.12
Asset Held for Disposal		-	26,060.57
		180,892.70	233,076.99
Investments	F	**5,856.34**	4,342.80
Current Assets, Loans & Advances	G		
Inventories		**2,421.55**	1,082.01
Sundry Debtors		**16,876.86**	22,763.28
Cash and Bank Balances		**66,840.20**	45,958.27
Loans and Advances		**61,960.99**	68,433.05
		148,099.60	138,236.61
Current Liabilities and Provisions	H		
Current Liabilities		**82,080.22**	121,380.81
Provisions		**693.82**	1,504.95
Incomplete Voyages (Net)		**(665.83)**	354.41
		82,108.21	123,240.17
Net Current Assets		**65,991.39**	14,996.44
Total		**252,740.43**	252,416.23
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Reg. No. 101961W

Himanshu Kishnadwala
Partner
M No. 37391

Dated: May 25, 2010
Place: Mumbai

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Profit and Loss Account for the year ended on March 31, 2010

Particulars	Schedule	Year Ended March 31, 2010 Amount Rs.in Lacs	Year Ended March 31, 2009 Amount Rs.in Lacs
INCOME			
Shipping Income	J	**57,628.70**	113,770.02
Other Income	K	**450.77**	4,505.84
Profit/(loss) on Sale of Investments (Net)		**(3.00)**	36.50
Profit/(loss) on Sale of Assets (Net)		**11,914.07**	(1.17)
Total		**69,990.54**	118,311.19
EXPENSES			
Ship Operating Expenses	L	**41,823.67**	70,208.32
Administrative and Other Expenses	M	**3,876.70**	4,766.14
Finance Charges	N	**9,493.97**	10,183.97
Depreciation		**13,711.63**	14,365.62
Total		**68,905.97**	99,524.05
Profit Before Taxes		**1,084.57**	18,787.14
Provision for Taxation			
Current Tax		**(2,195.00)**	(650.00)
MAT Credit Entitlement		**1,750.00**	-
Fringe Benefit Tax		-	(25.00)
Profit After Taxes		**639.57**	18,112.14
Short Provision for Tax of earlier Year		-	(1.94)
Balance brought forward from last year		**28,629.83**	23,394.22
Available for Appropriations		**29,269.40**	41,504.43
Less/(Add): Appropriations			
Transfer to General Reserve		**100.00**	1,880.00
Transfer to Debenture Redemption Reserve		**16,870.00**	3,900.00
Transfer to Tonnage Tax Reserve		**-**	5,700.00
Dividend on Preference Shares		**-**	-
Dividend On Equity Shares (on conversion of FCCB / warrants).		**-**	12.06
Proposed Dividend on Equity Shares		**471.98**	1,179.96
Tax on Dividend		**78.39**	202.58
Balance Carried to Balance Sheet		**11,749.03**	28,629.83
Earning Per Share (Equity Share of Re. 1/- Each)			
Basic		**0.27**	7.68
Diluted		**0.27**	7.54
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Reg. No. 101961W

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Himanshu Kishnadwala
Partner
M No. 37391

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Dated: May 25, 2010
Place: Mumbai

Cash Flow Statement for the year ended March 31, 2010

Particulars	Current Year Amount Rs. Lacs	Previous Year Amount Rs. Lacs
Cash Flow from Operating Activities		
Net Profit Before Tax	**1,084.57**	18,787.15
Adjustment for:		
Depreciation	**13,711.63**	14,365.62
Interest Paid	**9,493.97**	10,183.97
(Profit)/Loss on Fixed Assets Scrapped / Sold	**(11,914.07)**	1.17
(Profit)/Loss on Sale of Investment	**3.00**	(36.50)
Dividend Income	**(300.36)**	(168.81)
Interest Income	**-**	-
Operating Profit before Working Capital Changes	**12,078.74**	43,132.60
Adjustment for:		
Trade and Other Receivables	**10,505.80**	(27,489.68)
Trade Payables	**(41,131.95)**	101,183.80
Cash Generated from Operations	**(18,547.41)**	116,826.72
Direct Taxes Paid	**(445.00)**	(676.94)
Total Cash Generated from Operating Activites	**(18,992.41)**	116,149.78
Cash Generated from Prior Period Items	-	-
Net Cash from Operating Activities	**(18,992.41)**	116,149.78
Cash Flow from Investing Activities		
Acqusition of Fixed Assets including Capital Work in Progress	**(5,656.68)**	(107,644.35)
Sale of Fixed Assets	**56,043.42**	6.64
Proceed from sale of Non Trade Investments	**(3.00)**	36.50
(Purchase)/sale of Investment	**(1,513.55)**	(2,327.87)
Interest Income	**-**	-
Dividend Income	**300.36**	168.81
Net Cash from Investing Activities	**49,170.55**	(109,760.27)
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital from conversion of Bonds and warrants	**(1,667.25)**	10.97
Proceeds from Long Term Borrowings	**6,052.55**	44,090.64
Increase / Decrease in Reserves	**(4,150.30)**	2,516.00
Interest Paid	**(9,493.97)**	(10,183.97)
Dividends Paid including tax thereon	**(550.37)**	(1,394.61)
Net Cash from Financing Activities	**(9,809.34)**	35,039.03
Net Increase in Cash and Cash Equivalents	**20,368.80**	41,428.54
Cash and Cash Equivalents as at beginning of the year (As per Schedule G)	**47,158.72**	5,730.18
Cash and Cash Equivalents as at end of the year (As per Schedule G)	**67,527.51**	47,158.72
Cash and Cash Equivalents comprise of:		
Cash and Bank Balances (Refer Schedule G)	**66,840.20**	45,958.27
Accrued Interest on fixed deposit with banks	**687.31**	1,200.45

Notes:

1) Figures in bracket represent outflows
2) Cash and cash equivalents include :
   (a) Gain/(loss) on foreign exchange revaluation of Rs. 258.98 lacs (Previous Year loss of Rs 208.10 lacs).
   (b) Fixed Deposit of Rs.370,00 lacs (Previous Year Rs.370,00 lacs) as margin deposit against an acceptance.
   (c) Unclaimed dividend account of Rs. 73.82 (Previous Year Rs.67.10) which are not avialble for use by the company .
3) Interest paid/ acqusition of Fixed Assets is exclusive / inclusive of interest capitalised Rs NIL (Previous Year Rs 67.14 lacs)
4) Previous Year's figures have been recast / restated wherever necessary.

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Reg. No. 101961W

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Himanshu Kishnadwala
Partner
M No. 37391

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Dated: May 25, 2010
Place: Mumbai

Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'A'		
Share Capital		
Authorised		
35,00,00,000 Equity Shares of Re 1/- each.	**3,500.00**	3,500.00
200,00,000 Preference Shares of Rs 100 each.	**20,000.00**	20,000.00
	23,500.00	23,500.00
Issued Capital		
23,59,92,073 (23,59,92,073)Equity Shares of Re. 1/- each fully paid up	**2,359.92**	2,359.92
	2,359.92	2,359.92
Subscribed and Paid Up Capital		
Equity	**2,359.92**	2,359.92
23,59,92,073(23,59,92,073) Equity Shares of Re. 1/- each fully paid up.		
(a) 11,83,45,500 shares of Re 1/-were alloted as bonus Shares by capitalisation of Securities Premium Account during the year 2005-06.		
(b) NIL (10,96,686 Shares of Re.1/- each were alloted on conversion of FCCBs during the Year 2008-09)		
	2,359.92	2,359.92
SCHEDULE 'A1'		
Warrants against Share Capital		
NIL (2,85,00,000) Warrants (Each Warrant carry option / entitlement to subscribe to 1 number of equity share of Re. 1/- each on or before April 24, 2009 at a price not less then Rs. 58.50 per share.)	-	1,667.25
(In view of non exercise of option by warrant holder by validity date, the warrants lapsed and amount received was forfeited during the year)		
	-	1,667.25
SCHEDULE 'B'		
Reserves and Surplus		
Capital Reserve		
As per last Balance Sheet	**26.24**	26.24
Add: Transfer from Share Warrant Application money on forfeiture of Warrants	**1,667.25**	-
	1,693.49	26.24
Capital Redemption Reserve		
As per last Balance Sheet	**4,000.00**	4,000.00
(Created in 2007-08 on redemption of Preference shares)	**-**	
	4,000.00	4,000.00
Securities Premium Account		
As per last Balance Sheet	**32,557.57**	31,945.52
Add: Received during the year on conversion of warrants and FCCBs	**-**	612.71
Less: Premium payable on redemption of FCCBs	**(792.36)**	-
Less: Share Issue Expenses	**-**	(0.66)
	31,765.21	32,557.57
Tonnage Tax Reserve		
As per last Balance Sheet	**5,700.00**	3,300.00
Add: Transfer from Profit and Loss Account	**-**	5,700.00
Less: Transferred to Utilised Account	**(5,700.00)**	(3,300.00)
	-	5,700.00

Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
Tonnage Tax Reserve (Utilised)		
As per last Balance Sheet	**11,824.83**	8,524.83
Add: Transfer from Tonnage Tax Reserve	**5,700.00**	3,300.00
	17,524.83	11,824.83
Debenture Redemption Reserve		
As per last Balance Sheet	**10,100.00**	6,200.00
Add:Transferred from profit and Loss Account	**16,870.00**	3,900.00
	26,970.00	10,100.00
General Reserve		
As per last Balance Sheet	**7,656.83**	10,472.83
Add: Transferred From Profit and Loss Account	**100.00**	1,880.00
Less: Exchange fluctuation for 2007-08 on long term foreign currency Monetary Items.	-	(4,696.00)
	7,756.83	7,656.83
Foreign Exchange Fluctuation Reserve		
As per last Balance Sheet	**6,571.15**	-
Less: Exchange fluctuation on Long Term Loans in relation to non integral foreign operations (Net)	**(4,996.39)**	6,571.15
	1,574.76	6,571.15
Foreign Currency Monetary Item Translation Difference		
Exchange fluctuation on Long Term Loans (Refer Note 26 of Schedule I)	**-**	28.80
Surplus in Profit and Loss Account	**11,749.03**	28,629.83
	-	
	103,034.15	107,095.25

SCHEDULE 'C'

Secured Loans

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
(A) Debentures		
(1) 900 (900) 10.50 % (11.25% upto June 30, 2009) Non Convertible Secured Debentures of Rs.4,37,500/- (Rs.5,62,500/-) each, redeemable in 12 half yearly instalments of 6.25% and last two of 12.50% of face value fo Rs.10,00,000/- each commencing from 6 months after 1 year from the date of allotment i.e. June 30, 2004 Face Value Series VII A. There is a put/call option on 30th June every year.	**3,937.50**	5,062.50
(2) 1500 11.90 % Non Convertible Secured Debentures Series IXA of Rs.10,00,000/- each with the tenor of 10 years, redeemable in 3 yearly instalments at the end of 8th , 9th and 10th year from the date of allotment. There is call option at the end of 4th year from the date of allotment in the event this call option is not exercised by the issuer at the end of 4th year, the coupon on debenture would be increased to 12.35% p.a. payable half-yearly effective immideately thereafter, for the balance tenor.	**15,000.00**	15,000.00
(3) 2500 9.50 % Non Convertible Secured Debentures Series X of Rs.10,00,000/- each with the tenor of 5 years, redeemable in 3 yearly instalments at the end of 3rd, 4th and 5th year from the date of allotment .	**25,000.00**	-
(4) 1000 9.50 % Non Convertible Secured Debentures Series XI of Rs.10,00,000/- each with the tenor of 5 years, redeemable at the end of 5th year from the date of allotment .	**10,000.00**	-

Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
(B) Foreign Currency Loans from Banks		
(1) External Commercial Borrowings	**13,699.99**	20,103.53
(2) Foreign Currency Non-Resident (B) Loan Scheme	**14,968.42**	19,308.01
(C) Term Loans from Scheduled Banks	**44,198.80**	64,873.00
(D) Working Capital facilities from Scheduled Banks	**7,381.85**	1,395.07
	134,186.56	125,742.11

Note:

1) Debentures referred in (A) above are secured by first mortgage on specified vessels of the company on pari-passu basis with other lenders and first / pari- passu charge on the specified immovable properties.
2) Foreign Currency Loan refered in (B) above are secured by first Charge on specified vessels of the company on pari-passu basis with other lenders and also include a External Commercial Borrowings of Rs. 10,269.35 lacs (Rs.12,359.12 lacs) which is secured by exclusive charge on specified vessels of the Company.
3) Term Loan refered in (C) above are secured by first charge on specified vessels, on pari passu basis with other lenders.
4) Working capital facilities from Scheduled Banks are secured by second charge on specified vessels and 1st charge on all receivables and other current assets of the company on pari-passu basis.Overdraft facility of Rs 7500 lacs (Nil) is clean.

SCHEDULE 'D'

Unsecured Loans

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
1) 700 (700) 1.50 %Foreign Currency Convertible Bonds of USD 10,000 each	**3,159.80**	3,566.50
During the year, pursuant to notices received from Bondholders NIL (150) FCCBs of aggregate amount of NIL (USD 15,00,000) were converted into NIL (10,96,686) equity shares of Re.1/- each at a predetermined price of Rs.59.812 per share at a fixed exchange rate of Rs. 43.73 per USD		
The balance bonds are convertible at any time up to the close of Business on April 20, 2010 by holders into newly issued ordinary shares of Re 1 each at agreed conversion price.The Bonds may be redeemed in whole at the option of the Company at any time on or after May 15, 2008 and or prior to April 20, 2010 at the accreted principal amount together with accrued interest.		
(The option on the bonds has not been exercised by the bond holders and hence they have been subscquently redeemed as per the terms.)		
2) Commercial Paper	**10,000.00**	10,000.00
(Maximum balance outstanding for commercial paper Rs.10,000 lacs)		
(Amount repayable within one year Rs. 10,000 lacs (Rs.10,000 lacs.))		
3) Overdraft facility from Scheduled Banks	**-**	1,985.20
	13,159.80	15,551.70

Schedules forming part of Annual Accounts

(Amt. in Lacs)

SCHEDULE E

Fixed Assets

	COST				DEPRECIATION				NET BLOCK	NET BLOCK
Particulars	**As at April 1, 2009**	**Addition for the year**	**Deduction for the year**	**As at March 31, 2010**	**Upto March 31, 2009**	**Adjustment in respect of Assets Sold/ Discarded / held for disposal**	**For the Year**	**Up to March 31, 2010**	**As at March 31, 2010**	**As at March 31, 2009**
Land	11.31	-	-	11.31	-	-	-	-	11.31	11.31
Office Premises (Refer Note 1 , 2)	344.28	-	-	344.28	102.97	-	12.07	115.04	229.24	241.31
Vessels (Refer Note 3, 4)	238,500.88	10,521.48	28,126.19	220,896.17	37,020.90	10,065.37	13,596.23	40,551.76	180,344.41	201,479.97
Office and Computer Equipments	202.27	9.61	-	211.88	104.17	-	22.61	126.78	85.10	98.09
Furniture and Fixtures	317.22	-	-	317.22	145.72	-	52.30	198.02	119.20	171.50
Vehicles	205.06	39.72	16.55	228.23	104.96	8.59	28.42	124.79	103.44	100.11
Plant and machinery	-	-	-	-	-	-	-	-	-	-
Total	239,581.02	**10,570.81**	**28,142.74**	**222,009.09**	37,478.72	**10,073.96**	**13,711.63**	**41,116.39**	**180,892.70**	202,102.29
Previous Year	158,187.86	**101,996.53**	**20,603.37**	**239,581.03**	28,392.27	**5,279.16**	**14,365.62**	**37,478.73**	**202,102.30**	129,795.59
Capital Work In Progress (Refer Note 4)	4,914.12	**-**	**4,914.12**	**0.01**	**-**	-	-	-	**106.85**	4,914.12

Note

1) Includes cost of 10 shares of Rs. 50/- each fully paid in Mittal Tower Premises Co-op. Society Ltd.
2) Office premises having gross value Rs. 343.16/- lacs (Rs.343.16/-lacs) and accumulated depreciation Rs.114.68 /- lacs (Rs.102.65/- lacs) are given on operating Lease.
3) Deduction includes exchange fluctuation profit on Long term foreign currency loans Rs.11,685.99/- lacs (Nil) (Also refer Note 26 of Shedule I)
4) Additions include exchange fluctation gain on Long Term foreign currency Loans Nil (Rs.4900.40 Lacs for the year 2007-08 and exchange fluctation Loss of Rs.21832.90 Lacs for the Year 2008-09.) (Also refer Note 26 of Shedule I)
5) Capital Work In Progress Includes Rs. NIL (Rs 49,14) lacs towards advance for Capital Goods.
6) During the year ended March 31, 2010, the company has sold one of its vessels M.T. Premputli to one of the subsidiaries of the company. This vessel was classified as Asset held for disposal in the last year as it was under conversion process.The breakup of the Cost incurred for the same is as under :

Details	**Current Year** Rs. (In Lacs)	**Previous Year** Rs. (In Lacs)
WDV as on date of transfer to Asset held for disposal	-	15,611.78
Balance as on 01.04.2009	26,060.57	-
Further Costs incurred	6532.73	10448.79
Furthr estimated Cost to be incurred in future	-	9,621.75
Total	**32,593.30**	35,682.32

Schedules forming part of Annual Accounts

SCHEDULE F

Investments

(Amount Rs In Lacs)

Items	Current Year		Previous Year	
	Nos	Cost	Nos	Cost
Non-Trade (Unquoted)				
Long Term (At cost)				
In shares of Subsidiaries				
Mercator Oil and Gas Ltd	**150,000**	**15.00**	150,000	15.00
Mercator International Pte Ltd	**100,000**	**28.80**	100,000	28.80
Mercator Offshore Ltd	**-**	**-**	5,226,070	1,546.13
Mercator Offshore Holdings Pte. Ltd	**1**	****0.00**	1	**0.00
Mercator Petroleum Private Ltd	**89,000**	**8.90**	10,000	1.00
Note:				
1) The Company has given an undertaking to the lenders of one of its Step down subsidiary Mercator Lines Singapore Ltd (MLS) that the company will continue to hold majority shares of MLS (directly or indirectly) till the term of the respective facilites to MLS				
2) The Company has agreed with the lenders of Mercator Offshore Limited, (a step down Subsidiary) that its direct or indirect holding in this Company will not fall below 51% ** Cost Rs. 52/-				
In shares of Companys (Unquoted)				
Marg Swarnabhoomi Port Private Ltd	**1,250**	**0.13**	1,250	0.13
		52.82		1,591.05
In others (Unquoted)				
Units of Indian Real Opportunity Venture Capital Fund	**50,000**	**500**	37,500	375.00
		500.00		375.00
		552.82		1,966.05
Current Investments (at lower of cost and Market value)				
In units of Mutual Funds (Quoted)				
Axis Equity Fund - Dividend Option	**500,000**	**50.00**	-	-
Birla Sun Life Savings Fund - Instl.- Daily Dividend			4,007,522	401.02
ICICI Prudential Flexible Income Plan Premium- Daily Dividend			12,899,209	1,363.90
Reliance Money Manager Fund Institutional Option - Daily Dividend			61,113	611.82
SBI Magnum Insta Cash Fund Daily Dividend	**31,363,753.61**	**5,253.52**		
Sub Total		**5,303.52**	**-**	2,376.74
(Repurchase Value of current investments on March 31, 2010 is Rs. 5,305.52 lacs (Previous Year Rs.2,376.74 lacs)				
Grand Total		**5,856.34**		4,342.80

Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'G'		
Current Assets		
Sundry Debtors		
(Unsecured, Considered Good)		
Over Six Months	**6,717.74**	2,724.16
Others	**10,159.12**	20,039.12
(Includes Rs.5,023.09 lacs (Rs. 1,962.33 lacs) from Subsidiary Companies)	**16,876.86**	22,763.28
Cash and Bank Balances		
Cash in hand	**6.19**	2.99
Balances with Scheduled Banks		
In Fixed Deposit Accounts	**37,979.34**	42,144.33
(Includes Margin Deposit of Rs.37,000 lacs (Rs.37,000 Lacs) given against an Acceptance.)		
In Current Accounts	**16,625.53**	1,679.71
In Exchange Earners Foreign Currency Account	**9,879.57**	1,944.67
In Dividend Accounts	**73.82**	67.10
Bank Balance / Fixed Deposits with Foreign Banks (Refer Note B(11) of Schedule I)	**2,275.75**	119.47
	66,840.20	45,958.27
Loans and Advances		
(Unsecured Considered Good)		
Loan to Subsidiary Companies	**50,344.45**	58,855.94
(Loan to Mercator Offshore Limited of Rs.nil{Rs 5121.32 lakhs (US $ 10.05 mio) } was subordinated to the other lenders.)		
Advances recoverable in cash or in kind or for value to be received	**6,592.26**	4,993.12
Deposits with Government and semi Government Bodies	**16.93**	16.78
Inter Corporate Deposits	**268.98**	1,382.60
Other Deposits	**1,000.89**	961.13
Accrued Interest on fixed deposit with banks	**687.31**	1,200.45
Advance payment of tax (Net of provisions)	**1,300.15**	1,023.02
MAT Credit entitlement	**1,750.00**	-
	61,960.97	68,433.05
SCHEDULE 'H'		
Current Liabilities		
Sundry Creditors		
For Services and expenses		
Due to Micro and Small Enterprises (Refer Note B(9) of Schedule I)	**-**	-
Others	**6,411.19**	3,438.01
Acceptances	**69,538.17**	74,629.11
Advances from Customers	**128.34**	32,192.64
Deposits	**4.20**	87.98
Unclaimed Dividend *	**73.82**	67.10
Other liabilities	**5,924.51**	10,965.97
*(There is no amount due and outstanding to be credited to Investor Education and Protection Fund)	**82,080.23**	121,380.81
Provisions		
Proposed Dividend	**471.98**	1,179.96
Tax on Proposed Dividend	**78.39**	200.53
Employees Retirement Benefits	**143.45**	124.45
	693.82	1,504.94

Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'J'		
Shipping and related Income		
Freight	**22,915.81**	57,890.74
Charter Hire	**26,633.47**	48,481.62
Dispatch and Demurrage	**1,322.88**	1,432.01
Ship management fees	**576.05**	328.26
Cargo Handling Services	**6,180.49**	5,637.39
	57,628.70	113,770.02
SCHEDULE 'K'		
Other Income		
Dividend from Current Investments	**306.37**	168.81
Rent Received	**144.00**	106.47
Miscellaneous Income	**0.40**	1.26
	450.77	276.54
SCHEDULE 'L'		
Ship Operating Expenses		
Bunker Consumed	**13,912.23**	19,153.08
Vessel /Equipment Hire Charges	**5,715.46**	23,677.56
Technical Service Expenses	**4,842.79**	5,385.90
Agency, Professional and Service Charges	**558.82**	784.70
Crew Expenses	**2,313.64**	2,195.37
Communication Expenses	**117.13**	204.34
Miscellaneous Expenses	**383.31**	563.18
Commission	**167.63**	1,628.45
Insurance	**1,046.26**	1,080.11
Port Expenses	**3,586.96**	4,143.81
Repairs and Maintenance	**6,775.73**	9,275.92
Stevedoring, Transport and Freight	**2,403.71**	2,115.90
	41,823.67	70,208.32
SCHEDULE 'M'		
Administrative and Other Expenses		
Advertisement	**9.36**	7.71
Auditors Remuneration	**24.25**	19.25
Conveyance, Car Hire and Travelling	**158.52**	163.23
Communication expenses	**54.23**	48.45
Donation	**5.36**	62.12
Directors' Remuneration	**96.00**	2,083.94
Miscellaneous expenses	**321.20**	277.89
Exchange Fluctuations (Net)	**1,600.83**	(4,229.30)
Insurance	**14.98**	16.54
Legal, Professional and Consultancy expenses	**171.73**	561.04
Rent	**395.56**	395.65
Repairs and Maintenance	**67.89**	63.12
Salary, Wages, Bonus etc.	**870.85**	948.06
Staff Welfare, Training etc.	**59.04**	38.96
Contribution to Provident and other funds	**46.63**	38.48
Bad Debts and other amounts written off/back (Net)	**(19.73)**	41.69
	3,876.70	536.84
SCHEDULE 'N'		
Finance Charges		
Interest on		
Debentures	**3,733.77**	1,501.75
Fixed Loans	**12,223.12**	12,632.13
	15,956.89	14,133.88
Less : Interest received (TDS Rs.228.14 Lacs Previous Year Rs. 372.60 Lacs)	**(6,462.92)**	(3,949.91)
	9,493.97	10,183.97

SCHEDULE 'I'

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in conformity with Generally Accepted Accounting Principles in India, Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 and the other relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the period. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable.

3. Fixed Assets

a) Fixed assets are stated at cost less accumulated depreciation.

b) Cost includes cost of acquisition or construction including attributable borrowing cost, duties and other incidental expenses related to the acquisition of the asset.

c) Operating costs and other incidental costs including initial stores and spares of newly acquired vessels till the port of first loading are included in the cost of the respective vessels.

d) Exchange differences arising on repayment of foreign currency loans and year end translation of foreign currency liabilities relating to acquisition of depreciable assets are, following option given by notification of Ministry of Corporate Affairs (MCA) dt. 31st March 2009, adjusted to carrying cost of the respective fixed assets.

e) Individual fixed assets costing up to Rs. 25,000 are fully written off.

4. Depreciation

a) Depreciation on all the vessels is computed on Straight Line Method so as to write off the original cost as reduced by the expected/estimated scrap value over the balance useful life of the vessels or the rates as prescribed under the Schedule XIV of the Companies Act, 1956, whichever are higher. The said higher rate ranges from 5% to 9% of the original cost of the vessel.

b) Depreciation on all assets other than vessels is computed on the Written Down Value method in the manner and at the rates prescribed under schedule XIV of the Companies Act, 1956.

c) On additions made to the existing vessels depreciation is provided for the full year over the remaining useful life of the ships.

d) Depreciation on furniture, fixtures and electrical fittings installed at office premises taken on lease is provided over the initial period of lease.

5. Capital Work in Progress

All expenditure, including advances given to contractors and borrowings cost incurred during the vessel acquisition period, are accumulated and shown under this head till the vessel is put to commercial use.

6. Retirement and Disposal of Ships

a) Profits on sale of vessels are accounted for on completion of sale thereof.

b) Assets which are retired from active use and are held for disposal are stated at the lower of their net book value or net releasable value.

7. Inventories

Bunker and Lubes on vessels are valued at lower of cost and Net Realisable value ascertained on First in First out basis.

8. Investments

a) Investments are classified into Long Term and Current investments.

b) Long Term Investments are stated at cost of acquisition and related expenses. Provision for diminution, if any, in the value of such investments is made to recognise a decline, other than of a temporary nature.

c) Current Investments are stated at cost of acquisition including incidental / related expenses or at fair value as at 31st March 2010, whichever is less and the resultant decline, if any, is charged to revenue.

d) Investment in shares of subsidiaries outside India is stated at cost by converting at the rate of exchange at the time of their acquisition.

9. Incomplete Voyages

Incomplete voyages represent freight received and direct operating expenses on voyages which are not complete as at the Balance sheet date.

10. Borrowing Costs

Borrowing costs incurred for the acquisition of vessels are capitalized till first loading of cargo, only if the time gap between date of Memorandum of Agreement and “Date when vessel is ready for use” is more than three months.

Incidental expenses related to borrowing are amortized over the term of the said borrowings.

11. Revenue Recognition

a) Income on account of freight earnings is recognised in all cases where loading of the cargo is completed before the close of the year. All corresponding direct expenses are also provided.

b) Where loading of the cargo is not completed before the close of the year, revenue is not recognised and the corresponding expenses are carried forward to the next accounting year.

c) Income from charter hire and demurrage are recognised on accrual basis.

d) Income from services is accounted on accrual basis as per the terms of the relevant agreement.

e) Dividend on investments is recognised when the right to receive the same is established.

f) Insurance claims are accounted on accrual basis when there is a reasonable certainty of the realisability of the claim amount.

12. Foreign Exchange Transactions

a) Monetary Current assets and liabilities denominated in foreign currency outstanding at the end of the year are valued at the rates prevalent on that date.

b) Exchange differences arising on Long Term Foreign Currency Monetary (LTFCM) items are, following option given by notification of MCA dt. 31st March 2009, treated in the following manner:

   i. In respect of borrowings relating to or utilized for acquisition of depreciable capital assets, the same is adjusted to the cost of the relevant capital asset and depreciated over the balance life of the said capital asset.

   ii. In other cases, the same is accumulated in a ‘Foreign Currency Monetary Item Translation Difference Account’. The amount so accumulated in this account is amortized over the balance period of such assets / liabilities or 31st March 2011, whichever is earlier.

c) Differences in translation of other monetary assets and liabilities and realised gains and losses on foreign currency transactions are recognised in the Profit and Loss Account.

d) Exchange differences arising on long term foreign currency loans given to non integral foreign operations is accumulated in Foreign Currency Fluctuation Reserve. On disposal of investment, the balance in the reserve is transferred to profit and loss account.

e) Contracts in the nature of foreign currency swaps, are converted at the exchange rate prevailing as on 31st March 2010 and the profits or loss thereon are charged to the Profit and Loss account.

f) Differences on account of swap contracts for interest payable in foreign currency are accounted on accrual basis and the profit or loss thereon charged to the Profit and Loss account.

13. Employees Benefits

a) Short – term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentives, etc. are recognised at actual amounts due in the period in which the employee renders the related service.

b) Post – employment benefits

i. Defined Contribution Plans

Payments made to defined contribution plans such as Provident Fund are charged as an expense as they fall due.

ii. Defined Benefit Plans

The cost of providing benefit i.e. gratuity is determined using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

c) Other Long – term employee benefits

i. Other Long – term employee benefit viz. leave encashment is recognised as an expense in the profit and loss account as and when it accrues. The company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. The Actuarial gains and losses in respect of such benefit are charged to the profit and loss account.

14. Lease Accounting

a) In respect of operating lease agreements entered into by the Company as a lessee, the lease payments are recognised as expense in the profit and loss account over the lease term.

b) In respect of operating lease agreement entered into by the Company as a lessor, the initial direct costs are recognised as expenses in the year in which they are incurred.

15. Earning per share:

The company reports basic and diluted earnings per share (EPS) in accordance with Accounting Standard – 20. The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted average number of equity shares outstanding during the accounting year. The diluted EPS have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the end of the year.

16. Provision for Taxation :

a) The company has opted for the Tonnage Tax scheme and provision for tax has been accordingly made under the relevant provisions of the Income Tax Act, 1961.

b) Tax on incomes on which the Tonnage Tax is not applicable is provided as per other provisions of the Income Tax Act, 1961.

c) Deferred tax resulting from timing differences, if any, between book and tax profits for income other than that covered under Tonnage Tax scheme is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to reverse in future.

17. Impairment of assets

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. Impairment loss, if any, is recognized in the year in which impairment takes place.

18. Provisions and Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

B] NOTES TO THE ACCOUNTS

1. Contingent Liabilities not provided for

(Amount Rs. In Lacs)

Particulars	Current Year	Previous Year
Counter guarantees issued by the Company for guarantees obtained from bank	**2,305.53**	1,632.09
Corporate guarantees issued by the company on behalf of wholly owned subsidiaries	**19,635.90**	88,398.25
TOTAL	**21,941.43**	90,030.34

2. Letters of comfort issued

(Amount Rs. In Lacs)

Particulars	Current Year	Previous Year
Letters of comfort issued by the company on behalf of wholly owned / step down subsidiaries.	**104,950.50**	57,318.75

3. During the year company has received Show Cause cum Demand notices from the Commissioner of service tax aggregating to Rs. 4,260 lacs from the F.Y. 2006-2007 to 2008-09. The Company has filed reply against the said notices. The company is advised that the said demand is legally unsustainable and hence the Company does not expect any liability in the matter.

4. No provision has been made in respect of disputed demands from Income-tax Authorities to the extent of Rs. 37.73 Lacs, since the company has reasons to believe that it would get relief at the appellate stage as the said demands are excessive and erroneous.

5. a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) as at March 31, 2010 Rs. NIL (Rs. 34,707.63 Lacs).

   b) Estimated amount of commitment outstanding towards contribution to Milestone Domestic Fund is Rs. NIL (Rs. 125.00 Lacs).

6. Investments purchased and sold during the financial year 2009-10

(Amount Rs. In Lacs)

Sr. No.	MF House Name	Scheme	Quantity (Units)	Purchase Amount	Sold Amount
1	AIG India Mutual Fund	AIG India Liquid Fund-Institutional Plan- DDR	NIL (50,240.67)	NIL (502.81)	NIL (502.81)
2	Birla Sun Life Mutual Fund	Birla Sun Life Cash Plus-Instl. Prem – DDR	94,161,881.98 (102,082,470.88)	9,434.55 (10,228.15)	9,434.55 (10,228.15)
		Birla Sun Life Savings Fund-Inst.- DDR	74,385,914.97 (1,998,640.24)	7,443.65 (200.00)	7,443.65 (200.00)
3	CANARA Robeco Mutual Fund	Canara Robeco Liquid-Super IP-DDR	NIL (9,005,938.49)	NIL (904.28)	NIL (904.28)
4	Deutche Asset Management Mutual Fund	DWS Insta Cash Plus Fund - SIP-DDR	23,504,097.15 (24,999,286.29)	2,357.40 (2,504.85)	2,357.55 (2,504.85)
5	HDFC Mutual Fund	HDFC Liquid Fund Premium Plan-DDR	35,909,438.37 (40,291,687.84)	4,402.45 (4,939.68)	4,402.43 (4,939.68)
		HDFC Cash Management Fund-TAP-W-DDR	40,163,339.90 (NIL)	4,028.99 (NIL)	4,028.99 (NIL)
6	ICICI Prudential Mutual Fund	ICICI Prudential Liquid Fund- Inst.-DDR	59,344,905.94 (44,631,274.64)	5,974.60 (4,463.35)	5,974.65 (4,463.35)

Sr. No.	MF House Name	Scheme	Quantity (Units)	Purchase Amount	Sold Amount
		ICICI Prudential Liquid Fund- Super Inst.-DDR	6,534,490.37 (NIL)	6,535.93 (NIL)	6,535.93 (NIL)
		ICICI Prudential Flexible Income-DDR	32,736,597.95 (5,698,146.90)	3,461.40 (602.49)	3,462.02 (602.49)
		ICICI Prudential Flexible Income-Premium-DDR	4,288,348.30 (NIL)	4,534.90 (NIL)	4,534.29 (NIL)
7	IDFC Mutual Fund	IDFC Cash Fund-SIP-DDR	80,183,324.02 (NIL)	8,020.34 (NIL)	8,020.34 (NIL)
		IDFC Money Manager-TP-MD	8,994,411.83 (NIL)	904.75 (NIL)	901.55 (NIL)
		IDFC Money Manager-TP-SIP C-DDR	44,197,347.55 (NIL)	4,420.40 (NIL)	4,420.40 (NIL)
8	Kotak Mutual Fund	Kotak Liquid Fund-Institutional-DDR	45,155,769.68 (7,387,413.32)	5,521.69 (903.34)	5,521.69 (903.34)
		Kotak Floater Long Term-DDR	54,869,243.64 (NIL)	5,530.71 (NIL)	5,530.71 (NIL)
9	LIC MF LIC Mutual Fund	LIC Liquid Plus Fund -DDR	NIL (49,032,730.74)	NIL (4,903.27)	NIL (4,903.27)
		LIC Liquid Fund - DDR	31,878,575.77 (101,366,464.70)	3,500.30 (11,130.69)	3,500.30 (11,130.69)
		LIC Saving Plus Fund - DDR	35,242,931.57 (NIL)	3,524.29 (NIL)	3,524.29 (NIL)
10	Lotus India Mutual Fund	Lotus India Liquid Plus Fund-Inst-DDR	NIL (3,364,083.25)	NIL (336.93)	NIL (336.93)
11	Reliance Mutual Fund	Reliance Liquidity Fund-DDR	168,017,426.97 (20,999,302.18)	16,806.95 (2,100.58)	16,806.95 (2,100.58)
		Reliance Liquid Plus Fund-DDR/ Reliance Money Manager Fund-DDR	1,292,183.90 (420,062.12)	12,936.52 (4,205.41)	12,936.52 (4,205.41)
		Reliance Medium Term Fund-DDR	NIL (15,272,632.38)	NIL (2,610.93)	NIL (2,610.93)
12	SBI Mutual Fund	SBI Premier Liquid Fund - Super IP -DDR	10,967,397.78 (29,925,795.43)	1,100.30 (3,002.31)	1,100.30 (3,002.31)
		SBI Magnum Insta Cash Fund - DDR	3,07,74,611.52 (NIL)	5,154.84 (NIL)	5,154.84 (NIL)
		SBI- SHF-LIQUID PLUS -Inst-DDR	40,572,459.62 (4,026,153.86)	4,059.68 (402.81)	4,059.68 (402.81)
13	Sundaram BNP Paribas Mutual	Sundaram BNP Paribas Liquid-SIP-DDR	NIL (14,977,941.11)	NIL (1,501.54)	NIL (1,501.54)
14	Tata Mutual Fund	TATA Liquid Fund-SHIP-DDR	529,815.44 (468,261.78)	5,904.90 (5,218.87)	5,904.90 (5,218.87)
		TATA Floater Fund - DDR	348,329.46 (32,117,856.59)	3,519.23 (3,223.22)	3,519.23 (3,223.22)
15	UTI Mutual Fund	UTI Liquid Cash Plan Instit.-DDR	359,354.12 (245,793.23)	3,663.42 (2,505.73)	3,663.42 (2,505.73)
		UTI Treasury Adv Fund-IP-DDR	651,385.44 (NIL)	6,515.25 (NIL)	6,515.25 (NIL)

7. In view of long term interest of the company in its subsidiaries and step down subsidiaries no provision is made for diminution in value of investment if any, in these subsidiary companies and step down subsidiary companies.

8. a) During the year the company raised Foreign Currency Loans aggregating to NIL (USD 25 Mn.)

b) The Company established Letters of Credit aggregating to Rs. 3,720.72 Lacs (Rs. 74,629.11 Lacs). The same has been utilized for acquisition of vessels.

9. The company has not received any intimation from its vendors regarding the status under the Micro and Small Enterprises Development Act 2006 and hence disclosures required under this act have not been made.

10. The balance in the Exchange Earners Foreign Currency account is maintained in US Dollars and shown in equivalent Indian Rupees. The balance in the said account as at the Balance Sheet date was USD 218.87 Lacs (Previous Year USD 40.51 Lacs)

11. Details of bank balances with Foreign Banks

(Amount Rs. In Lacs)

Name of the Bank	Balance as at March 31, 2010	Maximum Balance during the year
HSBC Bank Singapore	**2,235.52**	2441.81
	(119.47)	(119.47)
HSBC Bank Singapore (Fixed Deposit)	**40.22**	40.22
	(NIL)	(22.93)

	Current Year (Rs in Lacs)	Previous Year (Rs in Lacs)
12. Value of material imported by the company		
On CIF basis during the accounting year in respect of :		
Stores & Spares	**1,153.87**	1,257.65
Capital Goods (including CWIP)	**10,291.32**	1,02,343.33
13. Details of Spare Parts consumed		
Imported Spares	**1,153.87**	1,257.65
	42.36%	39.24%
Indigenous Spares	**1,570.31**	1,946.95
	57.64%	60.76%
14. Expenditure in foreign currency		
On Repairs / Renovations and expenses of Vessels	**1,632.72**	3,354.19
On Time Charter Hire	**818.51**	614.83
On Freight	**1,913.71**	8,277.81
On Vessel Expenses	**20,130.60**	22,993.23
On Travelling	**29.22**	11.15
On Interest	**2,020.55**	4,451.43
15. Disclosure as required under clause 32 of the Listing agreement		
Loans and Advances include amount receivable		
Mercator International (Pte) Ltd.		
Balance outstanding at year end	**49,856.15**	53,460.44
Maximum amount Outstanding during the year.	**84,698.68**	64,435.38
Mercator Oil & Gas Limited		

Balance outstanding at year end	**91.40**	91.27
Maximum amount Outstanding during the year.	**91.40**	91.27
Mercator Offshore Limited		
Balance outstanding at year end	**85.70**	5,121.32
Maximum amount Outstanding during the year.	**5,121.32**	7,203.73
Mercator Petroleum Private Limited		
Balance outstanding at year end	**242.74**	125.73
Maximum amount Outstanding during the year.	**242.74**	125.73
MCS Holdings Pte Limited		
Balance outstanding at year end	**23.31**	2.22
Maximum amount Outstanding during the year.	**23.31**	2.22
Oorja Indo Petangis		
Balance outstanding at year end	**NIL**	3.48
Maximum amount Outstanding during the year.	**4.10**	3.48
Mercator Offshore Holding Pte. Ltd.		
Balance outstanding at year end	**45.14**	-
Maximum amount outstanding during the year	**51.47**	-
Companies in which some directors are directors		
Mercator Mechmarine Limited		
Balance outstanding at year end	**NIL**	NIL
Maximum amount Outstanding during the year.	**NIL**	2,039.00

16. a) Remuneration to Directors Executive Chairman and Managing Director

Salary	**80.58**	136.00
Perquisites	**15.42**	11.46
Commission	**NIL**	1,926.48
Non-Executive Directors		
Commission	**NIL**	10.00
Sitting Fees	**4.60**	NIL

b) Computation of Net Profit in accordance with section 349 of the Companies Act, 1956

Profit before Tax	**1,084.57**	18,787.15
Add: Remuneration paid to Directors	**96.00**	2,083.94
Add: Sitting fees paid to Directors	**4.60**	NIL
Less: Gain on sale of Fixed Assets (Net)	**3,354.24**	NIL
Less: Adjustments	**NIL**	(1.17)
Profit as per Section 349 of the Companies Act, 1956	**(2,169.07)**	20,869.92
Eligibility of Maximum Remuneration to Executive Directors (Executive Chairman and Managing Director) as per Section 198 and 309 of the Companies Act, 1956 @ 5% to each	**Nil**	2,086.99
Less: Remuneration paid as per service agreement in case of Executive Chairman and Managing Director (excluding Commission) *	**96.00**	147.47
Balance Available for payment of Commission Executive Chairman and Managing Director	**NIL**	1939.52
Restricted	**NIL**	1926.48
Maximum permissible commission to Non Executive Directors under Section 198 of the Companies Act, 1956 @ 1%	**NIL**	208.70
Restricted	**NIL**	10.00

*During the year Directors were entitled to higher remuneration as per the appointment contract approved by members in the Annual General Meeting held on September 26, 2007. The terms of the said contract are proposed to be revised at the forthcoming AGM of the Company. The remuneration paid as above is as per proposed revision which is in accordance with provisions of the Companies Act, 1956 and Schedule XIII thereto.

17. Payment to Auditors

Audit Fees	**12.50**	11.00
Tax Audit Fees	**1.75**	1.50
For Quarterly Limited Review	**2.25**	2.00
For certification and other matters	**7.75**	4.75
Service Tax	**0.80**	1.98
Total	**25.05**	21.23

18. Earnings in foreign currency on account of

Shipping Income	**17,460.09**	38,149.30
Other Income	**4,186.27**	2,244.56

19. Remittance in foreign currencies for dividends

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittance, if any, of foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividend payable to non-resident shareholder which were declared during the year are as under:

Sr. No.	Particulars	Current Year	Previous Year
i)	Number of non-resident shareholders	**1,759**	1,343
ii)	Number of ordinary shares held by them	**4,35,89,785**	4,66,97,593
iii)	Gross amount of dividend	**217.95**	513.67

20. Disclosures in accordance with Revised Accounting Standard (AS) -15 on "Employee Benefits":

Disclosure as required by AS-15 is as under:

(A) Defined Contribution Plans:

The Company has recognized the following amounts in the Profit and Loss Account for the year:

(Amount Rs. In Lacs)

Sr. No.	Particulars	Current Year	Previous Year
i	Contribution to Employees' Provident Fund	**41.01**	34.20
ii	Contribution to Employees' Family Pension Fund	**NIL**	NIL
iii	Contribution to Employees' Superannuation Fund	**NIL**	NIL
	Total	**41.01**	34.20

(B) Defined Benefit Plans:

(i) Changes in the Present Value of Obligation

(Amount Rs. In Lacs)

Sr. No.	Particulars	For the Year Ended March 31, 2010		For the Year Ended March 31, 2009	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
a.	Present Value of Obligation as at April 1, 2009 (Opening)	**79.33**	**45.12**	30.89	17.37
b.	Interest Cost	**5.55**	**3.16**	2.16	1.22
c.	Past Service Cost	**NIL**	**NIL**	NIL	NIL
d.	Current Service Cost	**40.26**	**18.19**	22.17	18.77
e.	Curtailment Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
f.	Settlement Cost/(Credit)	**NIL**	**NIL**	NIL	NIL
g.	Benefits paid	**NIL**	**7.54**	NIL	7.68
h.	Actuarial (Gain)/Loss	**(37.86)**	**(0.37)**	24.10	15.42
i.	Present Value of Obligation as at March 31, 2010	**87.28**	**58.56**	79.33	45.12

(ii) Expenses recognized in the Profit and Loss Account

(Amount Rs. In Lacs)

Sr. No.	Particulars	For the Year Ended March 31, 2010		For the Year Ended March 31, 2009	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
a.	Current Service Cost	**40.26**	**18.19**	22.17	18.77
b.	Past Service Cost	**NIL**	**NIL**	NIL	NIL
c.	Interest cost	**5.55**	**3.16**	2.16	1.22
d.	Curtailment Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
e.	Settlement Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
f.	Net Actuarial (Gain)/ Loss	**(37.86)**	**(0.37)**	24.10	15.42
g.	Employees' Contribution	**NIL**	**NIL**	NIL	NIL
h.	Total Expenses recognized in Profit and Loss A/c	**7.95**	**20.98**	48.43	35.42

(iii) Following are the Principal Actuarial Assumptions used as at the balance sheet date:

Sr. No.	Particulars	FY 2009-10 Gratuity and Leave Encashment	FY 2008-09 Gratuity and Leave Encashment
a	Discount Rate	**7%**	7%
b	Salary Escalation Rate – Management	**12%**	12%
c	Staff Turnover Rate	**11%**	11%
d	Mortality Table	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

21. Segment Reporting

As permitted by paragraph 4 of AS 17 segment reporting the company has disclosed segment result on the basis of consolidation financial statement. The same are not disclosed for stand alone financial statements.

22. Related Party Disclosures

A List of Related Parties

I Subsidiaries

1 Mercator International Pte Limited (MIPL) - Singapore

2 Mercator Oil and Gas Limited (MOGL) - India

3 Mercator Petroleum Private Limited (MPPL) - India

4 Mercator Offshore Holdings Pte Ltd (MOHPL) - Singapore

5 Mercator Offshore (Nigeria) Pte Ltd (MONPL) - Subsidiary of MIPL

6 Oorja Holdings Pte.Limited. (OHL) Singapore - subsidiary of MIPL

7 Mercator PH (Dutch) Holding BV (Netherlands) - Subsidiary of MIPL

8 Mercator Petroleum(Romania) Pte Ltd - Subsidiary of MIPL

9 Mercator Lines Singapore Pte Ltd (MLS) - Subsidiary of MIPL

10 Mercator Offshore Ltd Singapore - Subsidiary of MOHPL

11 Mercator Petroleum (Turkey) BV (Netherlands) - Subsidiary of Mercator PH (Dutch) Holding BV (Netherlands)

12 Varsha Marine Pte Ltd (Singapore) - Subsidiary of MLS
13 Vidya Marine Pte Ltd (Singapore) - Subsidiary of MLS
14 Mercator Lines (Panama) Inc - Subsidiary of MLS
15 Oorja 1 Pte Ltd (Singapore) - Subsidiary of OHL
16 Oorja 2 Pte Ltd (Singapore) - Subsidiary of OHL
17 Oorja 3 Pte Ltd (Singapore) - Subsidiary of OHL
18 Oorja Mozambique Limitada (Mozambique) - Subsidiary of OHL
19 MCS Holdings Pte Ltd (Singapore) - Subsidiary of OHL
20 Oorja Indo Petangis Four (Indonesia) - Subsidiary of Oorja 1 Pte Ltd.
21 Oorja Indo Petangis Three (Indonesia) - Subsidiary of Oorja 2 Pte Ltd.
22 Oorja Indo KGS (Indonesia) - Subsidiary of Oorja 3 Pte Ltd
23 Broadtec Mozambique Minas Limitada (Mozambique) - Subsidiary of Oorja Mozambique Limitada
24 PT Mincon Indo Resources (Jakarta) - Subsidiary of Oorja Indo Petangis Three (Indonesia).

II Promoter Group Companies

1 MLL Logistics Private Limited
2 Mercator Mechmarine Limited
3 Mercator Healthcare Limited
4 Ankur Fertilizers Private Limited
5 Rishi Holding Private Limited
6 AHM Investments Private Limited.
7 Oorja Resources India Pvt Ltd
8 AAAM Properties Pvt Ltd
9 MMAXX Dredging Pvt Ltd
10 Mech Marine Engineers Pvt Ltd
11 Oilmax Energy Pvt Ltd
12 Optimum Oil & Gas Ltd
13 CMA Constructions & Properties Pvt Ltd

III Directors of the Company

1 H.K Mittal
2 A.J Agarwal
3 Manohar Bidaye
4 Anil Khanna
5 M.G Ramakrishna
6 K.R Bharat
7 Kapil Garg

IV Key Management Personnel

1 H.K Mittal
2 A.J. Agarwal

V Relative of Key Management Personnel

1 Adip Mittal

(Amount Rs. In Lacs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered	668.17	317.97	1,912.51	1,945.60	2,580.68	2,263.57
Interest Income	4,186.17	2,244.45	-	-	4,186.17	2,244.45
Services Received	-	462.88	3.60	3.60	3.60	466.48
Sale of Capital Asset	40,927.50	-	-	-	40,927.50	-
Reimbursments of Expenses/Stores/Bunker Paid	48.13	570.62	60.99	60.99	109.13	631.61
Reimbursments of Expenses/Stores/Bunker Received	6,595.48	4,925.34	4,925.34	0.51	11,520.83	4,925.85
Finance Provided (Including Loans & Equity Contributions)						
Loans						
Loans Given during the Year	9,933.43	52,172.94	-	2,030.00	9,933.43	54,202.94
Loans Repaid During the Year	18,530.67	38,144.88	-	2,039.00	18,530.67	40,183.88
Equity Contributions						
During the Year	7.90	52.47	-	-	7.90	52.47
Transfer of Investment to Subsidiary	1,546.13	-	-	-	1,546.13	-
Advances						
Advances Given During the Year	-	-	250.00	4,230.00	250.00	4,230.00
Advances Returned Back During the Year	8,747.79	32,179.71	5,114.46	-	13,862.24	32,179.71
Guarantees and Comfort Letters						
Guarantees Given	22,570.00	19,615.75	-	-	22,570.00	19,615.75
Outstanding as on 31/03/2010						
Comfort Letter	104,950.50	57,318.75	-	-	104,950.50	57,318.75
Guarantees	39,948.90	88,398.25	-	-	39,948.90	88,398.25
Outstanding balances as on 31.03.2010						
Loans ,Advances and Receivables						
Loans	50,344.44	58,798.76	-	-	50,344.44	58,798.76
Advances	9.97	-	318.30	268.13	328.27	268.13
Receivables	1,634.27	462.66	-	-	1,634.27	462.66
Total	**51,988.67**	59,261.43	**318.30**	268.13	**52,306.97**	59,529.56
Outstanding Balances of Sundry Debtors and Sundry Creditors as on 31.03.2010						
Sundry Debtors	5,023.09	1,962.33	41.49	1,419.14	5,064.58	3,381.47
Sundry Creditors	457.27	32,179.71	-	-	457.27	32,179.71
Deposit						
Deposit given during the year	-	-	-	10.00	-	10.00
Balance as on 31.03.2010	-	-	515.00	515.00	515.00	515.00

Note

Loans Given and Repaid during the Year includes transactions on account of exchange fluctuation.

Details of Transactions with the above Parties

(Amount Rs. In Lacs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered						
Mercator Lines (Singapore) Pte Limited	576.05	317.97	-	-	576.05	317.97
Mercator International Pte Limited	92.12	-	-	-	92.12	-
MLL Logistics Private Limited	-	0	1,912.51	1,945.60	1,912.51	1,945.60
Total	**668.17**	317.97	**1,912.51**	1,945.60	**2,580.68**	2,263.57
Interest Income						
Mercator International Pte Limited	4,186.17	2,244.45	-	-	4,186.17	2,244.45
Mercator Lines (Singapore) Pte Limited	-	-	-	-	-	-
Total	**4,186.17**	2,244.45	**-**	-	**4,186.17**	2,244.45
Services Received						
Mercator International Pte Limited	-	462.88	-	-	-	462.88
MLL Logistics Private Limited	-	-	3.60	3.60	3.60	3.60
Total	**-**	462.88	**3.60**	3.60	**3.60**	466.48
Sale of Capital Asset	40,927.50	-	-	-	40,927.50	-
Total	**40,927.50**	-	**-**	-	**40,927.50**	-
Reimbursments of Expenses/Stores/ Bunker Paid						
Ankur Fertilizers Private Limited	0	-	60.29	75.85	60.29	75.85
Mercator Lines (Singapore) Pte Limited	48.13	-	-	-	48.13	-
Mercator International Pte Limited	-	570.62	-	-	-	570.62
Total	**48.13**	570.62	**60.29**	75.85	**108.43**	646.47
Reimbursments of Expenses/Stores/ Bunker Received						
Mercator Lines (Singapore) Pte Limited	6,478.29	4,740.36	-	-	6,478.29	4,740.36
Mech Marine Engineers Pvt Ltd			0.34	0.13	0.34	0.13
MMAXX Dredging Pvt Ltd			0.17	-	0.17	-
Total	**6,478.29**	4,740.36	**0.51**	0.13	**6,478.80**	4,740.50
Finance Provided (Including Loans & Equity Contributions)						
Loans						
Loans Given during the Year						
Mercator International Pte Limited	9,816.43	45,309.19	-	-	9,816.43	45,309.19
Mercator Offshore Ltd	-	6,775.76	-	-	-	6,775.76
Mercator Mechmarine Ltd	-	-	-	2,030.00	-	2,030.00
Total	**9,816.43**	52,084.94	**-**	2,030.00	**9,816.43**	54,114.94

(Amount Rs. In Lacs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Loans Repaid During the Year						
Mercator International Pte Limited	13,403.01	31,070.87	-	-	13,403.01	31,070.87
Mercator Offshore Ltd	5,121.32	7,074.01	-	-	5,121.32	7,074.01
Mercator Mechmarine Ltd	-	-	-	2,039.00	-	2,039.00
Total	**18,524.34**	38,144.88	**-**	2,039.00	**18,524.34**	40,183.88
Equity Contributions During the Year						
Mercator Offshore Holdings Pte.Limited	-	51.47	-	-	-	51.47
Mercator Petroleum Pvt Ltd	7.90	1.00	-	-	7.90	1.00
Total	**7.90**	52.47	**-**	-	**7.90**	52.47
Transfer of Investment to Subsidiary	1,546.13	-	-	-	1,546.13	-
Total	**1,546.13**	-	**-**	-	**1,546.13**	-
Advances						
Advances Given During the Year						
MLL Logistics Pvt Ltd	-	-	250.00	-	250.00	-
Mercator Mech Marine - For Capital Goods		-		4,230.00		4,230.00
Total	**-**	-	**250.00**	4,230.00	**250.00**	4,230.00
Advances Received Back During the Year						
Mech Marine engineers Pvt Ltd	-	-	4,914.46		4,914.46	-
Mercator Lines (Singapore) Pte Limited - For Capital Goods	8,747.79	32,179.71			8,747.79	32,179.71
Total	**8,747.79**	32,179.71	**4,914.46**	-	**13,662.24**	32,179.71
Guarantees and Comfort Letters						
Guarantees Given						
Mercator International Pte Ltd	22,570.00	-	-	-	22,570.00	-
Mercator Offshore Limited		19,615.75	-	-	-	19,615.75
Total	**22,570.00**	19,615.75	**-**	-	**22,570.00**	19,615.75
Outstanding Guarantees as on 31/03/2010						
Comfort Letter	104,950.50	57,318.75	-	-	104,950.50	57,318.75
Total	**104,950.50**	57,318.75	**-**	-	**104,950.50**	57,318.75
Guarantees						
Mercator Offshore Limited	17,378.90	88,398.25	-	-	17,378.90	
Mercator International Pte Ltd	22,570.00	-	-	-	22,570.00	88,398.25
Total	**39,948.90**	88,398.25	**-**	-	**39,948.90**	88,398.25

(Amount Rs. In Lacs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Outstanding balances as on 31.03.2010						
Loans Advances and Receivables						
Loans						
Mercator International Pte Limited	49,856.15	53,460.44	-	-	49,856.15	53,460.44
Total	**49,856.15**	53,460.44	**-**	-	**49,856.15**	53,460.44
Advances						
MLL Logistics Pvt Ltd	-	-	318.13	268.13	318.13	268.13
Oorja Resources India Pvt Ltd	9.97					
Total	**9.97**	-	**318.13**	268.13	**318.13**	268.13
Receivables						
Mercator Lines (Singapore) Pte Limited	1,634.27	456.96	-	-	1,634.27	456.96
Total	**1,634.27**	456.96	**-**	-	**1,634.27**	456.96
Total	**51,500.39**	53,917.39	**318.13**	268.13	**51,808.55**	54,185.52
Outstanding Balances of Sundry Debtors and Sundry Creditors as on 31.03.2010						
Sundry Debtors						
MLL Logistics Private Limited	-	-	41.49	1,419.14	41.49	1,419.14
Mercator International Pte Limited	4,980.46	1,915.52	-	-	4,980.46	1,915.52
Mercator Lines (Singapore) Pte Limited	42.63	46.81	-	-	42.63	46.81
Total	**5,023.09**	1,962.33	**41.49**	1,419.14	**5,064.58**	3,381.47
Sundry Creditors						
Mercator Lines (Singapore) Pte Limited	457.27	32,179.71	-	-	457.27	32,179.71
Total	**457.27**	32,179.71	**-**	-	**457.27**	32,179.71
Deposit						
Deposit given during the year						
MLL Logistics Private Limited	-	-	-	-	-	-
Rishi Holding Private Limited	-	-	-	10.00	-	10.00
Total	**-**	-	**-**	10.00	**-**	10.00
Balance as on 31.03.2010						
MLL Logistics Private Limited	-	-	500.00	500.00	500.00	500.00
Total	**-**	-	**500.00**	500.00	**500.00**	500.00
Remuneration paid to Key Management Personnel	96.00	1,937.94				
Commission Paid to Non- Executive Directors	-	10.00				
Sitting Fees Paid to Non-Executive Directors	4.60	-				
Remuneration paid to Relative of Key Management Personnel	2.27	5.03				

23. Disclosure in respect of operating lease (as Lessee):

(Amount Rs. In Lacs)

Particulars	Year Ended March 31, 2010	Year ended March 31, 2009
(a) Operating Leases		
Disclosures in respect of cancellable agreements for office premises taken on lease		
(i) Lease payments recognized in the Profit and Loss Account	**373.78**	354.86
(ii) Significant leasing arrangements		
The Company has given refundable interest free security deposits under the agreements.		
The lease agreements are for a period from 60 to 108 months.		
These agreements also provided for increase in rent.		
These agreements are non cancellable by both the parties for period of 12/60 months except in certain exceptional circumstances.		
(iii) Future minimum lease payments under non-cancellable agreements		
Not later than one year	**401.44**	373.21
Later than one year and not later than five years	**181.93**	578.87
Later than five years		NIL

24. Disclosure in respect of operating lease (as Lessor):

(Amount Rs. In Lacs)

Particulars	Year Ended March 31, 2010	Year ended March 31, 2009
(a) Operating Leases		
Disclosures in respect of cancellable agreements for office premises given on lease		
(i) Lease payments recognized in the Profit and Loss Account	**144.00**	106.47
(ii) Significant leasing arrangements		
- The Company has taken refundable interest free security deposits under the agreements.		
- The lease agreements are for a period of sixty months.		
- These agreements are non cancelable by both the parties for 18 months except in certain exceptional circumstances.		
(iii) Future minimum lease payments under non-cancellable agreements		
- Not later than one year	**NIL**	138.00
- Later than one year and not later than five years	**NIL**	NIL
- Later than five years	**NIL**	NIL

General Description of leasing arrangement

(i) Leased Assets: Premises, Godown ,

(ii) Future lease rentals are determined on the basis of agreed terms

25. Earning Per Share

(Amount Rs. In Lacs)

Particulars	Year Ended March 31, 2010	Year ended March 31, 2009
Net Profit after Tax and preference dividend including tax thereon		
- Basic	**639.57**	18,112.15
- Diluted	**639.57**	18,168.97
Number of Shares used in computing Earning Per Share		
- Basic	**235,992,073**	235,946,403
- Diluted	**235,992,073**	241,064,272
Earning per share (equity shares of face value Re 1/-)		
- Basic (in Rs.)	**0.27**	7.68
- Diluted (in Rs.)	**0.27**	7.54

26. In the Previous Year the company had opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with the notification of Ministry of Corporate Affairs (MCA) dt. 31st March 2009, on Accounting Standard (AS)-11. In line with the above notification:

a) Gains arising during the year from the effect of changes in foreign exchange rates on foreign currency loans relating to acquisition of depreciable capital assets, amounting to Rs.11,685.99 lacs are deducted from the cost of assets.

b) During the year the balance in the Foreign Currency Monetary Item Translation Difference Account of Rs.28.80 lacs has been transferred to Profit and Loss account.

27. Derivative Instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign Currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes. There are no outstanding Forward Exchange Contracts entered into by the Company as on 31st March 2010.

28. Foreign Currency Exposures

The year end exposure in a currency other than the financial currency of the Company that were not hedged by a derivative instrument or otherwise are given below:

	2009-10		2008-09	
	Rs. Lacs	Fx.Million	Rs. Lacs	Fx.Million
Accounts Receivable	**7,006.56**	**USD 15.52**	4,978.99	USD 9.77
Balance in EEFC Account	**9,879.57**	**USD 21.89**	2064.13	USD 4.05
Fixed Deposit with foreign Bank	**40.22**	**USD 0.09**	NIL	NIL
Loan & Advances	**3,379.75**	**USD 6.96**	60,906.73	USD 118.49
		Euro 0.14		Euro 0.65
		JPY 11.64		JPY 2.71
		SGD 0.28		SGD 0.27
		AUD 0.01		
		SLR 0.02		
Advance from Customers	**127.17**	**USD 0.28**	NIL	NIL

	2009-10		2008-09	
	Rs. Lacs	**Fx.Million**	**Rs. Lacs**	**Fx.Million**
Accounts Payable/Acceptances	**4,100.01**	**USD 8.26**	74,629.11	USD 145.86
(including capital commitments made but not provided for)		**Euro 0.07**		Euro 0.49
		SGD 0.44		
		JPY 29.88		
		DKR 0.26		
		AED 0.09		
		HKD 0.04		
		NOK 0.05		
Borrowings	**1,01,366.38**	**USD 224.56**	42,978.04	USD 84.35

29. During the year the Company has appointed full-time Company Secretary with effect from January 27, 2010, as required under section 383A of the Companies Act, 1956.

30. Previous years figures have been regrouped / rearranged wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	11-31418	State Code	011	
Balance Sheet Date	3/31/2010	Date	Month	Year
		31	3	2010

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	25,274,042.78	Total Assets	25,274,042.78
Source of Funds			
Paid-up Capital	235,992.07	Reserves & Surplus	10,303,414.76
Secured Loans	13,418,655.95	Unsecured Loans	1,315,980.00

IV. Application of Funds

Net Fixed Assets	18,089,269.35	Investments	585,634.46
Net Current Assets	6,599,138.98	Misc. expenditure	NIL
Deferred Tax Asset	NIL		

V. Performance of Company (Amount in Rs. Thousands)

Turnover	6,999,053.79	Total Expenditure	6,890,596.68
Profit/(Loss) Before tax	108,457.11	Profit/(Loss) after tax	63,957.11
Earning per Share	0.27	Dividend Rate %	20

VI. Generic Name of the Principal Products/Services of the Company (As per monetary terms)

Item Code No.	:	NA
Product Description	:	Shipping

For and on behalf of the Board

H. K. Mittal Executive Chairman	**A. J. Agarwal** Managing Director	**Manohar Bidaye** Director
Anil Khanna Director	**Kapil Garg** Director	**Suchita Shirambekar** Company Secretery

Dated: May 25, 2010
Place: Mumbai

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies for the Year Ended 31st March,2010

(Amount Rs. In Lacs)

Sr. No.	Name of Company	Financial Year Ended	Capital	Reserves	Total Assets	Total Liability	Investment	Turnover	Profit/Loss before Tax	Provision for Taxation	Profit After Tax	Proposed Dividend
1	Mercator Lines (Singapore) Pte. Ltd.	31-Mar-10	91,292.94	68,893.12	249,379.09	89,193.03	-	57,313.65	27,552.15	(4.26)	27,547.89	4,677.41
2	Mercator Line (Panama) Inc.	31-Mar-10	4.51	(5.42)	(0.90)	-	-	-	-	-	-	-
3	Mercator International Pte. Ltd.	31-Mar-10	27.08	500.17	55,880.22	55,352.97	13,823.77	2,336.00	(862.39)	(0.32)	(862.71)	-
4	Mercator Offshore Ltd.	31-Mar-10	1,415.46	7,206.91	93,108.04	84,485.68	-	15,969.07	7,198.05	(13.99)	7,184.05	-
5	Vidya Marine Pte. Ltd.	31-Mar-10	0.00	2,000.60	29,192.94	27,192.34	-	7,059.01	3,331.30	(3.79)	3,327.51	812.52
6	Varsha Marine Pte. Ltd.	31-Mar-10	0.00	5,409.13	27,420.29	22,011.17	-	4,048.33	696.19	(7.58)	688.61	90.28
7	Mercator Oil & Gas Ltd.	31-Mar-10	15.00	-	110.23	95.23	-	-	(10.70)	-	(10.70)	-
8	Oorja Holdings Pte Ltd	31-Mar-10	0.00	(295.75)	6,910.54	7,206.88	0.59	387.28	(95.07)	-	(95.07)	-
9	Oorja 1 Pte. Ltd	31-Mar-10	0.00	(59.99)	1,358.92	1,475.33	56.43	146.54	41.58	-	41.58	-
10	Oorja 2 Pte. Ltd	31-Mar-10	0.00	(109.48)	1,917.03	2,082.94	56.43	134.11	(15.80)	-	(15.80)	-
11	Oorja 3 Pte. LTd	31-Mar-10	0.00	(111.05)	1,739.10	1,929.15	79.00	120.42	(23.68)	-	(23.68)	-
12	PT Oorja Indo KGS	31-Mar-10	112.85	(766.24)	3,214.11	3,867.50	-	18,102.83	(91.72)	(35.49)	(127.21)	-
13	Oorja Mozambique Minas LDA	31-Mar-10	0.34	-	12.46	12.41	0.29	-	(4.15)	-	(4.15)	-
14	Broadtech Mozambique Minas LDA	31-Mar-10	0.34	-	22.44	22.11	-	-	(6.06)	-	(6.06)	-
15	PT Oorja Indo Petangis Three	31-Mar-10	112.85	(883.92)	2,672.20	3,053.09	(390.18)	4,799.02	(520.11)	98.80	(421.31)	-
16	PT Oorja Petangis Four	31-Mar-10	112.85	(1,531.59)	1,819.93	3,239.31	0.63	5,441.26	(1,230.29)	27.12	(1,203.18)	-
17	MCS Holdings Pte Ltd.	31-Mar-10	0.00	748.85	6,919.65	6,170.80	-	36,250.08	688.92	(108.49)	580.43	-
18	Mercator Petroleum Pvt. Ltd.	31-Mar-10	10.00	-	262.32	252.32	-	-	(0.42)	-	(0.42)	-
19	Mercator Offshore Holdings Pte Ltd.	31-Mar-10	0.00	(1,543.50)	21,649.52	24,608.48	1,415.46	-	(1,618.46)	-	(1,618.46) -	
20	PT Mincon Indo Resources	31-Mar-10	112.85	(544.67)	1,058.04	1,489.85	-	838.58	(395.73)	(11.81)	(407.54)	
21	Mercator Offshore (Nigeria) Pte. Ltd.	31-Mar-10	0.00	(1.83)	5,058.61	5,060.44	-	-	(1.93)	-	(1.93)	
22	Mercator PH (Dutch) Holding BV	31-Mar-10	10.90	-	320.23	320.23	10.90	-	(11.49)	-	(11.49)	-
23	Mercator Petroleum (Turkey) BV	31-Mar-10	10.90	-	12.41	1.51	-	-	(7.49)	-	(7.49)	-
24	Mercator Petroleum (Romania) Pte. Ltd.	31-Mar-10	-	-	-	-	-	-	-	-	-	

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Dated: May 25, 2010
Place: Mumbai

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

(Amount Rs. In Lacs)

Sr. No.	Name of Company	Financial Year Ended	Extent of interest of the Holding Company in the capital of subsidiary	No. of Shares held by Company directly or through its subsidiary	Net aggregate of the profit or losses of the subsidiary for the current period so far as it concerns the members of the holding company.		Net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	
					not dealt with or provided for in the accounts of the holding company	dealt with or provided for in the account of the holding company	not dealt with or provided for in the accounts of the holding company	dealt with or provided for in the account of the holding company
1	Mercator Lines (Singapore) Ltd.	31-Mar-10	72.15%	900,850,000	Profit 19,875.80	NIL	Profit Rs. 23,259.09 Lacs	NIL
2	Mercator Line (Panama) Inc.	31-Mar-10	100%	10,000	NIL	NIL	NIL	NIL
3	Mercator International Pte. Ltd.	31-Mar-10	100%	100,000	Loss (862.71)	NIL	Profit Rs. 1,266.14 Lacs	NIL
4	Mercator Offshore Ltd.	31-Mar-10	100%	5,226,170	Profit 7,184.05	NIL	Profit Rs. 388.73 Lacs	NIL
5	Vidya Marine Pte. Ltd.	31-Mar-10	100%	2	Profit 3,327.51	NIL	Profit Rs. 5,029.68 Lacs	NIL
6	Varsha Marine Pte. Ltd.	31-Mar-10	100%	2	Profit 688.61	NIL	Profit Rs. 6,943.63 Lacs	NIL
7	Mercator Oil & Gas Ltd.	31-Mar-10	100%	150,000	Loss (10.70)	NIL	Loss Rs. 14.71 Lacs	NIL
8	Oorja Holdings Pte Ltd	31-Mar-10	100%	2	Loss (95.07)	NIL	Loss Rs. 47.08 Lacs	NIL
9	Oorja 1 Pte. Ltd	31-Mar-10	100%	2	Profit 41.58	NIL	Loss Rs. 95.43 Lacs	NIL
10	Oorja 2 Pte. Ltd	31-Mar-10	100%	2	Loss (15.80)	NIL	Loss Rs. 90.64 Lacs	NIL
11	Oorja 3 Pte. LTd	31-Mar-10	100%	2	Loss (23.68)	NIL	Loss Rs. 87.75 Lacs	NIL
12	PT Oorja Indo KGS	31-Mar-10	70%	700	Loss (89.05)	NIL	Loss Rs. 663.50 Lacs	NIL
13	Oorja Mozambique Minas LDA	31-Mar-10	100%	25,000	Loss (4.15)	NIL	Loss Rs. 3.66 Lacs	NIL
14	Broadtech Mozambique Minas LDA	31-Mar-10	85%	21,250	Loss (5.15)	NIL	Loss Rs. 9.72 Lacs	NIL

(Amount Rs. In Lacs)

Sr. No.	Name of Company	Financial Year Ended	Extent of interest of the Holding Company in the capital of subsidiary	No. of Shares held by Company directly or through its subsidiary	Net aggregate of the profit or losses of the subsidiary for the current period so far as it concerns the members of the holding company.		Net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	
					not dealt with or provided for in the accounts of the holding company	dealt with or provided for in the account of the holding company	not dealt with or provided for in the accounts of the holding company	dealt with or provided for in the account of the holding company
15	PT Oorja Indo Petangis Three	31-Mar-10	50%	500	Loss (210.65)	NIL	Loss Rs. 490.52 Lacs	NIL
16	PT Oorja Petangis Four	31-Mar-10	50%	500	Loss (601.59)	NIL	Loss Rs. 364.18 Lacs	NIL
17	MCS Holdings Pte Ltd.	31-Mar-10	100%	2	Profit 580.43	NIL	Profit Rs. 204.33 Lacs	NIL
18	Mercator Petroleum Pvt. Ltd.	31-Mar-10	100%	100,000	Loss (0.42)	NIL	Loss Rs. 38.08 Lacs	NIL
19	Mercator Offshore Holdings Pte Ltd.	31-Mar-10	100%	2	Loss (1,618.46)	NIL	Loss Rs. 0.93 Lacs	NIL
20	PT Mincon Indo Resources	31-Mar-10	100%	250,000	Loss (407.54)	NIL	Profit Rs. 31.43 Lacs	NIL
21	Mercator Offshore (Nigeria) Pte. Ltd.	31-Mar-10	100%	2	Loss (1.93)	NIL	NIL	NIL
22	Mercator PH (Dutch) Holding BV	31-Mar-10	89%	16,020	Loss (10.23)	NIL	NIL	NIL
23	Mercator Petroleum (Turkey) BV	31-Mar-10	89%	16,020	Loss (6.67)	NIL	NIL	NIL
24	Mercator Petroleum (Romania) Pte. Ltd.	31-Mar-10	100%	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Auditors' report to the Board of Directors on the Consolidated financial statements of Mercator Lines Limited and its subsidiaries

1. We have audited the attached consolidated balance sheet of Mercator Lines Limited (the Company) and its subsidiaries (collectively called 'the Mercator Group') as at 31st March, 2010, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, 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 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 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 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 subsidiaries, whose financial statements reflect total assets (net) of Rs.312,812.80 lakhs as at 31st March, 2010, and total revenues of Rs. 122,011.96 lakhs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.

4. Attention of members is drawn to Note C(4) of Schedule I, where part of the remuneration paid to the managerial personnel amounting to Rs. 48 lakhs is subject to the approval of the members in the forthcoming annual general meeting;

5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, as notified by the Companies (Accounting Standards) Rules, 2006.

   In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the consolidated balance sheet, of the state of affairs of the Mercator Group as at 31st March, 2010;

   b. in the case of the consolidated profit and loss account, of the profit of the Mercator Group for the year ended on that date; and

   c. in the case of the consolidated cash flow statement, of the cash flows of the Mercator Group for the year ended on that date.

For and on behalf of
Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Registration Number 101961W

Himanshu Kishnadwala
Partner,
Membership No 37391
Mumbai
25th May, 2010

Consolidated Balance Sheet as at March 31, 2010

Particulars	Schedule	As at March 31, 2010 Amount Rs. in Lacs	As at March 31, 2009 Amount Rs. in Lacs
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	**2,359.92**	2,359.92
Warrants against Share Capital	A 1	**-**	1,667.25
Reserves and Surplus	B	**211,898.29**	224,579.09
Minority Interest		**31,500.81**	29,533.07
		245,759.02	258,139.33
Loan Funds			
Secured Loans	C	**290,377.92**	259,859.90
Unsecured Loans	D	**21,220.86**	23,703.70
		311,598.78	283,563.60
Total		**557,357.80**	541,702.93
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		**591,715.79**	607,876.71
Depreciation		**(79,883.49)**	(59,345.15)
Net Block		**511,832.30**	548,531.56
Capital work in progress		**8,737.09**	5,185.69
Asset Held for Disposal		-	26,060.57
		520,569.39	579,777.82
Investments	F	**7,458.78**	4,196.50
Deffered Tax		**983.84**	39.44
Current Assets, Loans & Advances	G		
Inventories		**6,143.53**	2,369.22
Sundry Debtors		**20,133.76**	29,954.91
Cash and Bank Balances		**88,798.28**	85,448.08
Loans and Advances		**24,167.93**	35,025.20
		139,243.50	152,797.41
Current Liabilities and Provisions	H		
Current Liabilities		**109,269.06**	192,332.14
Provisions		**693.82**	1,504.94
Incomplete Voyages (Net)		**934.83**	1,271.16
		110,897.71	195,108.24
Net Current Assets		**28,345.79**	(42,310.83)
Total		**557,357.80**	541,702.93
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Reg. No. 101961W

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Himanshu Kishnadwala
Partner
M No. 37391

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Dated: May 25, 2010
Place: Mumbai

Consolidated Profit and Loss Account for the year ended on March 31, 2010

Particulars	Schedule	Year Ended March 31, 2010 Amount Rs.in Lacs	Year Ended March 31, 2009 Amount Rs.in Lacs
INCOME			
Income from Operations	J	**143,130.36**	213,359.98
Sale of Coal		**37,742.33**	7,690.75
Other Income	K	**(2,380.11)**	(3,657.93)
Profit/(loss) on Sale of Investments (Net)		**(3.00)**	36.50
Profit/(loss) on Sale of Assets (Net)		**3,482.76**	(47.43)
Total		**181,972.34**	217,381.87
EXPENSES			
Ship Operating Expenses	L	**74,640.35**	111,408.97
Coal Operation Expenses	M	**36,713.87**	6,800.98
Administrative and Other Expenses	N	**5,024.99**	7,907.76
Diminution in value of Investment		**-**	239.81
Finance Charges	O	**20,577.15**	16,632.29
Depreciation		**34,090.65**	26,870.56
Total		**171,047.01**	169,860.37
Profit Before Taxes		**10,925.33**	47,521.50
Provision for Taxation			
Current Tax		**(2,333.26)**	(755.50)
Deferred Tax		**78.62**	(37.52)
MAT Credit Entitlement		**1,750.00**	-
Fringe Benefit Tax		**-**	(25.00)
Profit After Taxes		**10,420.69**	46,703.48
Minority Interest		**(5,096.78)**	(9,055.06)
Prior Year Expenses / Income (Net)		**-**	(1.17)
Short Provision for Tax of earlier Year		**-**	(1.94)
Balance brought forward from last year		**72,602.62**	47,831.92
Available for Appropriations		**77,926.53**	85,477.23
Less/(Add): Appropriations			
Transfer to General Reserve		**100.00**	1,880.00
Transfer to Debenture Redemption Reserve		**16,870.00**	3,900.00
Transfer to Tonnage Tax Reserve		**-**	5,700.00
Dividend On Equity Shares (on conversion of FCCB /warrants).		**-**	12.06
Proposed Dividend on Equity Shares		**471.98**	1,179.96
Tax on Dividend		**78.39**	202.58
Balance Carried to Balance Sheet		**60,406.16**	72,602.63
Earning Per Share (Equity Share of Re. 1/- Each)			
Basic		**2.26**	15.96
Diluted		**2.26**	15.64
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Reg. No. 101961W

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Himanshu Kishnadwala
Partner
M No. 37391

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Dated: May 25, 2010
Place: Mumbai

Consolidated Cash Flow Statement for the year ended March 31, 2010

Particulars	Current Year Amount Rs. Lacs	Previous Year Amount Rs. Lacs
Cash Flow from Operating Activities		
Net Profit Before Tax	**10,925.33**	38,466.44
Adjustment for:		
Depreciation	**34,090.65**	26,870.56
Interest Paid	**20,577.15**	16,632.29
(Profit)/Loss on Fixed Assets Scrapped / Sold	**(3,482.76)**	47.43
(Profit)/Loss on Sale of Investment	**3.00**	(36.50)
Dividend Income	**(306.37)**	168.81
Interest Income		
Operating Profit before Working Capital Changes	**61,807.00**	82,149.03
Adjustment for:		
Trade and Other Receivables	**15,635.62**	(1,053.85)
Trade Payables	**(84,210.53)**	108,566.50
Cash Generated from Operations	**(6,767.91)**	189,661.68
Direct Taxes Paid	**(504.64)**	(819.97)
Total Cash Generated from Operating Activites	**(7,272.55)**	188,841.71
Cash Generated from Prior Period Items	**0.00**	(1.17)
Net Cash from Operating Activities	**(7,272.55)**	188,840.54
Cash Flow from Investing Activities		
Acqusition of Fixed Assets including Capital Work in Progress	**(19,297.39)**	(283,764.42)
Sale of Fixed Assets	**47,897.95**	1,079.41
Purchase of asset	**0.00**	
Proceed from sale of Non Trade Investments	**(3.00)**	36.50
(Purchase)/sale of Investment	**(3,262.28)**	(3,771.50)
Interest Income	**0.00**	-
Dividend Income	**306.37**	(168.81)
Net Cash from Investing Activities	**25,641.65**	(286,588.82)
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital from conversion of Bonds and warrants	**(1,667.25)**	10.97
Proceeds from Long Term Borrowings	**28,035.18**	72,451.04
Minority Interest	**(3,129.04)**	14,049.68
Increase / Decrease in Reserves	**(17,454.34)**	30,276.70
Interest Paid	**(20,577.15)**	(16,632.29)
Dividends Paid including tax thereon	**(550.37)**	(1,394.61)
Net Cash from Financing Activities	**(15,342.97)**	98,761.49
Net Increase in Cash and Cash Equivalents	**3,026.13**	1,013.21
Cash and Cash Equivalents as at beginning of the year (As per Schedule G)	**86,648.51**	85,635.29
Cash and Cash Equivalents as at end of the year (As per Schedule G)	**89,674.64**	86,648.51
Cash and Cash Equivalents comprise of:		
Cash and Bank Balances	**88,798.28**	85,448.08
Accrued Interest on fixed deposit with banks	**876.36**	1,200.45

Notes:

1) Figures in bracket represent outflows
2) Cash and cash equivalents include :
   (a) gain/(loss) on foreign exchange revaluation of Rs 258.98 Lacs (Previous Year loss of Rs 208.10 lacs)
   (b) Fixed Deposit of Rs.37,637.80 lacs (Previous Year Rs.37,637.38 lacs) as deposit against acceptances, loans & guarantees.
   (c) Unclaimed dividend account of Rs. 73.82 (Previous Year. 67.10) which are not available for use by the company .
3) Interest paid/ acqusition of Fixed Assets is exclusive / inclusive of interest capitalised Rs NIL (Previous Year Rs 67.14 lacs)
4) Previous Year's figures have been recast / restated wherever necessary.

As per our report of even date — **For and on behalf of the Board**

For Contractor, Nayak & Kishnadwala
Chartered Accountants
Firm Reg. No. 101961W

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

Manohar Bidaye
Director

Himanshu Kishnadwala
Partner
M No. 37391

Anil Khanna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 25, 2010
Place: Mumbai

Dated: May 25, 2010
Place: Mumbai

Consolidated Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'A'		
Share Capital		
Authorised		
35,00,00,000 Equity Shares of Re 1/- each.	**3,500.00**	3,500.00
200,00,000 Preference Shares of Rs 100 each.	**20,000.00**	20,000.00
	23,500.00	23,500.00
Issued Capital		
23,59,92,073 (23,59,92,073)Equity Shares of Re. 1/- each fully paid up	**2,359.92**	2,359.92
	2,359.92	2,359.92
Subscribed and Paid Up Capital		
Equity		
23,59,92,073(23,59,92,073) Equity Shares of Re. 1/- each fully paid up.	**2,359.92**	2,359.92
(a) 11,83,45,500 shares of Re 1/-were alloted as bonus Shares by capitalisation of Securities Premium Account during the year 2005-06.		
(b) NIL (10,96,686) (Shares of Re.1/- each were alloted on conversion of FCCBs during the Year 2008-09)		
	2,359.92	2,359.92
SCHEDULE 'A1'		
Warrants against Share Capital		
NIL (2,85,00,000) Warrants (Each Warrant carry option / entitlement to subscribe to 1 number of equity share of Re. 1/- each on or before April 24, 2009 at a price not less then Rs. 58.50 per share.)	-	1,667.25
(The warrantholder has not excersied the above option by validity date and the amount received has been forfeited during the year.)		
	-	1,667.25
SCHEDULE 'B'		
Reserves and Surplus		
Capital Reserve		
As per last Balance Sheet	**26.24**	26.24
Add: Transfer from Share Warrant Applicatiom money on forfeiture of Warrants	**1,667.25**	
	1,693.49	26.24
Capital Redempetion Reserve		
As per last Balance Sheet	**4,000.00**	4,000.00
(Created in 2007-08 on redemption of Preference shares)		
	4,000.00	4,000.00
Securities Premium Account		
As per last Balance Sheet	**32,557.57**	31,945.52
Add: Received during the year on conversion of warrants and FCCBs		612.71
Less: Premium payable on redemption of FCCBs	**(792.36)**	
Less: Share Issue Expenses	-	(0.66)
	31,765.21	32,557.57
Tonnage Tax Reserve		
As per last Balance Sheet	**5,700.00**	3,300.00
Add: Transfer from Profit and Loss Account	-	5,700.00
Less: Transferred to Utilised Account	**(5,700.00)**	(3,300.00)
	-	5,700.00

Consolidated Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
Tonnage Tax Reserve (Utilised)		
As per last Balance Sheet	**11,824.83**	8,524.83
Add: Transfer from Tonnage Tax Reserve	**5,700.00**	3,300.00
	17,524.83	11,824.83
Debenture Redemption Reserve		
As per last Balance Sheet	**10,100.00**	6,200.00
Transferred from profit and Loss Account	**16,870.00**	3,900.00
	26,970.00	10,100.00
General Reserve		
As per last Balance Sheet	**7,656.83**	10,472.83
Add: Transferred From Profit and Loss Account	**100.00**	1,880.00
Less: Exchange fluctuation for 2007-08 on long term foreign currency Monetary Items.	-	(4,696.00)
	7,756.83	7,656.83
Foreign Exchange Fluctuation Reserve		
As per last Balance Sheet	**6,571.15**	-
Exchange fluctuation on Long Term Loans in relation to non integral foreign operations (Net)	**(4,996.39)**	6,571.15
	1,574.76	6,571.15
Capital Reserve on Consoldation	**61,837.84**	69,681.03
Foreign Currency Translation Reserve	**(1,630.84)**	3,830.01
Foreign Currency Monetary Item Translation Difference		
Exchange fluctuation on Long Term Loans (Refer Note 11 of Schedule I)	**-**	28.80
Surplus in Profit and Loss Account	**60,406.17**	72,602.63
	211,898.29	224,579.09

SCHEDULE 'C'

Secured Loans

(A) Debentures

(1) 900 (900) 10.50 % (11.25% upto June 30, 2009) Non Convertible Secured Debentures of Rs.4,37,500/- (Rs.5,62,500/-) each, redeemable in 12 half yearly instalments of 6.25% and last two of 12.50% of face value of Rs.10,00,000/- each commencing from 6 months after 1 year from the date of allotment i.e. June 30, 2004 towards Face Value Series VII A. There is a put/call option on 30th June every year.	**3,937.50**	5,062.50
(2) 1500 11.90 % Non Convertible Secured Debentures Series IXA of Rs.10,00,000/- each with the tenor of 10 years, redeemable in 3 yearly instalments at the end of 8th , 9th and 10th year from the date of allotment. There is call option at the end of 4th year from the date of allotment in the event this call option is not exercised by the issuer at the end of 4th year, the coupon on debenture would be increased to 12.35% p.a. payable half-yearly effective immideately thereafter for the balance tenor.	**15,000.00**	15,000.00
(3) 2500 9.50 % Non Convertible Secured Debentures Series X of Rs.10,00,000/- each with the tenor of 5 years, redeemable in 3 yearly instalments at the end of 3rd, 4th and 5th year from the date of allotment .	**25,000.00**	
(4) 1000 9.50 % Non Convertible Secured Debentures Series XI of Rs.10,00,000/- each with the tenor of 5 years, redeemable at the end of 5th year from the date of allotment .	**10,000.00**	

Consolidated Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
(B) Foreign Currency Loans from Banks	**184,859.77**	173,529.33
(C) Term Loans from Scheduled Banks	**44,198.80**	64,873.00
(D) Working Capital facilities from Scheduled Banks	**7,381.85**	1,395.07
	290,377.92	259,859.90

Note:

1) Debentures referred in (A) above are secured by first mortgage on specified vessels of the company on pari-passu basis with other lenders and first / pari- passu charge on the specified immovable properties.
2) Foreign Currency Loan refered in (B) above are secured by, wherever applicable
   - i) By way of exclusive charge on specifyed vessels
   - ii) By way of pari-passu charge on specified vessels
   - iii) By way of exclusive charge on specifyed mining assets
   - iv) Corporate guarantees
   - v) Personal guarantees
   - vi) Hypothecation of Stocks
3) Term Loan refered in (C)above are secured by first charge on specified vessels, on pari passu basis with other lenders.
4) Working capital facilities from Schedule Banks are secured by second charge on specified vessels and 1st charge on all receivables and other current assets of the company on pari-passu basis.Overdraft facility of Rs 7500 lacs(Nil) is clean.

SCHEDULE 'D'

Unsecured Loans

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
1) 700 (700) 1.50 %Foreign Currency Convertible Bonds of USD 10,000 each	**3,159.80**	3,566.50
During the year, pursuant to notices received from Bondholders NIL (150) FCCBs of aggregate amount of NIL (USD 15,00,000) were converted into NIL (10,96,686) equity shares of Re.1/- each at a predetermined price of Re.59.812 per share at a fixed exchange rate of Rs. 43.73 per USD	-	
The balance bonds are convertible at any time up to the close of Business on April 20, 2010 by holders into newly issued ordinary shares of Re 1 each at agreed conversion price.The Bonds may be redeemed in whole at the option of the Company at any time on or after May 15, 2008 and or prior to April 20, 2010 at the accreted principal amount together with accrued interest.	-	
(The option on the bonds has not been exercised by the bond holders and hence they have been subscquently redeemed on maturity as per the terms.)	-	
2) Commercial Paper	**10,000.00**	10,000.00
(Maximum balance outstanding for commercial paper Rs.10,000 lacs)	-	
(Amount repayable within one year Rs. 10,000 lacs (Rs.10,000 lacs.))	-	
3) Overdraft facility from Scheduled Banks	-	1,985.20
4) USD 16,000,000 2.50 % Convertible Bonds B	**8,061.06**	8,152.00
Bonds B are 2.50 % unsecured convertible bonds due 2012. Bonds B are optionally convertible on and after 45 days from the date of listing of the ordinary shares of the company in the SGX or alternative stock Exchange pursuant to the IPO and on or before the close of business on March 12, 2012. The conversion price is fixed at SG$ 0.76 per Share including interest accrued & due there on.		
	21,220.86	23,703.70

Consolidated Schedules forming part of Annual Accounts

SCHEDULE E

Fixed Assets (Amount Rs In Lacs)

	COST					DEPRECIATION					NET BLOCK	NET BLOCK
Particulars	**As at April 1, 2009**	**Translation**	**Addition for the year**	**Deduction for the year**	**As at March 31, 2010**	**Upto March 31, 2009**	**Translation**	**Adjustment in respect of Assets Sold/ Discarded / held for disposal**	**For the Year**	**Up to March 31, 2010**	**As at March 31, 2010**	**As at March 31, 2009**
Goodwill	159.35	(18.17)	-	-	141.18	-	-	-	-	-	141.18	159.35
Land	11.31	-	0.69	-	12.00	-	-	-	0.08	0.08	11.92	11.31
Road and bridges	360.29	(41.08)	0.77	-	319.98	17.75	(3.88)	-	39.60	53.47	266.51	342.54
Office Premises*	596.29	(28.74)	2.87	-	570.42	127.82	(6.48)	-	89.89	211.23	359.19	468.47
Vessels**	502,930.20	(30,153.77)	54,143.74	28,126.19	498,793.98	58,363.93	(3,188.31)	10,065.37	29,692.06	74,802.31	423,991.67	444,566.27
Office and Computer Equipment	236.95	(3.96)	13.76	-	246.75	114.00	(1.54)	-	31.56	144.02	102.73	123.46
Furniture and Fixture	378.44	(6.98)	10.68	-	382.14	157.14	(2.27)	-	72.98	227.85	154.29	221.30
Vehicles	299.32	(10.75)	91.22	16.55	363.24	135.41	(35.11)	8.59	85.94	177.65	185.59	163.91
Rig	101,386.32	(11,561.42)	-	285.74	89,539.16	277.77	(208.38)	0.63	3,769.70	3,838.46	85,700.70	101,108.55
Mining Equipment	1,517.48	(173.04)	2.55	0.05	1,346.94	151.07	(31.72)	-	309.07	428.42	918.52	1,366.42
Intangible	0.76	(0.09)	-	0.68	(0.01)	0.25	(0.02)	-	(0.24)	(0.01)	(0.00)	
Total	607,876.71	**(41,998.00)**	**54,266.28**	**28,429.21**	**591,715.78**	59,345.14	**(3,477.71)**	**10,074.59**	**34,090.64**	**79,883.48**	**511,832.30**	548,531.58
Previous Year	314,196.02	**42,886.40**	**272,537.01**	**21,742.72**	**607,876.71**	35,286.91	**1,276.78**	**5,299.48**	**28,080.92**	**59,345.13**	**548,531.58**	278,909.11
Capital Work In Progress (refer Note 5)	5,185.69		**8,737.09**	**5,185.69**	**8,737.09**					**-**	**8,737.09**	5,185.69

Note

1) Includes cost of 10 shares of Rs. 50/- each fully paid in Mittal Tower Premises Co-op. Society Ltd.
2) Office premises having gross value Rs. 343.16/- lacs (Rs.343.16/-lacs) and accumulated depreciation Rs.114.68 /- lacs (Rs.102.65/- lacs) are given on operating Lease.
3) Deduction includes exchange fluctuation profit on Long term foreign currency loans Rs.11,685.99/- lacs (Nil) (Also refer Note 11 of Shedule I.)
4) Additions include exchange fluctation gain on Long Term foreign currency Loans Nil (Rs.4900.40 Lacs for the year 2007-08 and exchange fluctation Loss of Rs.21832.90 Lacs for the Year 2008-09.) (Also refer Note 11 of Shedule I)
5) Capital Work In Progress IncludesRs. 3,953.09 lacs(Rs 4,914 lacs) towards advance for Capital Good and Rs.23.97 lacs towards pre-operative expenses.

Consolidated Schedules forming part of Annual Accounts

SCHEDULE F

Investments

(Amount Rs In Lacs)

Items	Current Year Nos	Current Year Cost	Previous Year Nos	Previous Year Cost
Non-Trade (Unquoted)				
Long Term (At cost)				
In shares of Companys (Unquoted)				
Marg Swarnabhoomi Port Private Ltd	**1,250**	**0.13**	1,250	0.13
			-	-
		0.13		0.13
In others (Unquoted)				
Units of Indian Real Opportunity Venture Capital Fund		500	37,500	375.00
Axis Infrastructure Fund		1650.83		1,439.78
Investment in Shares		4.30		4.85
		2,155.13		1,819.63
		2,155.25		1,819.76
Current Investments (at lower of cost and Market value)				
In units of Mutual Funds (Quoted)				
Axis Equity Fund - Dividend Option	**500,000**	**50.00**	-	-
Birla Sun Life Savings Fund - Instl.- Daily Dividend			4,007,522	401.02
ICICI Prudential Flexible Income Plan Premium- Daily Dividend			12,899,209	1,363.90
Reliance Money Manager Fund Institutional Option - Daily Dividend			61,113	611.82
SBI Magnum Insta Cash Fund Daily Dividend	**31,363,753.61**	**5,253.52**		
Sub Total		**5,303.52**	-	2,376.74
(Repurchase Value of current investments on 31.3.10 is Rs. 5,305.52 lacs (Previous Year Rs.2,376.74 lacs)				
Grand Total		**7,458.78**		4,196.50

	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'G'		
Current Assets		
Sundry Debtors		
(Unsecured, Considered Good)		
Over Six Months	**6,486.85**	2,762.88
Others	**13,646.91**	27,192.03
	20,133.76	29,954.91
Cash and Bank Balances		
Cash in hand	**8.97**	5.14
Balances with Scheduled Banks		
In Fixed Deposit Accounts	**39,163.02**	77,698.79
(Includes Deposit of Rs.37,637.60 lacs (Rs.37,637.38 Lacs) pledged and given against Acceptances, loans & Guarantees.)		
In Current Accounts	**37,397.15**	5,612.91
In Exchange Earners Foreign Currency Account	**9,879.57**	1,944.67
In Dividend Accounts	**73.82**	67.10
Bank Balance / Fixed Deposits with Foreign Banks	**2,275.75**	119.47
	88,798.28	85,448.08

Consolidated Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'G'		
Loans and Advances		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received (Net of Provision for doubtful Advances)	**19,089.68**	20,141.93
Deposits with Government and semi Government Bodies	**16.93**	16.78
Inter Corporate Deposits	**268.98**	1,382.60
Other Deposits	**1,052.89**	1,156.75
Accrued Interest on fixed deposit with banks	**876.36**	1,200.45
Advance payment of tax (Net of provisions)	**1,113.09**	871.92
MAT Credit Entitlement	**1,750.00**	-
Derivative Financial Instruments	**-**	10,254.77
	24,167.93	35,025.20
SCHEDULE 'H'		
Current Liabilities		
Sundry Creditors		
For Services and expenses	**13,427.19**	19,183.58
Acceptances	**85,152.67**	159,907.90
Advances from Customers	**4,642.34**	12.93
Deposits	**4.20**	87.98
Unclaimed Dividend *	**73.82**	67.10
Derivative Financial Instruments	**-**	7,994.74
Other liabilities	**5,968.84**	5,077.91
*(There is no amount due and outstanding to be credited to Investor Education and Protection Fund)	**109,269.06**	192,332.14
Provisions		
Proposed Dividend	**471.98**	1,179.96
Tax on Proposed Dividend	**78.39**	200.53
Employees Retirement Benefits	**143.45**	124.45
	693.82	1,504.94
SCHEDULE 'J'		
Income from Operations		
Freight	**46,189.22**	91,863.93
Charter Hire	**87,200.66**	109,086.26
Dispatch and Demurrage	**3,559.99**	6,772.40
Cargo Handling Services	**6,180.49**	5,637.39
	143,130.36	213,359.98
SCHEDULE 'K'		
Other Income		
Dividend from Current Investments	**306.37**	168.81
Rent Received	**144.00**	106.47
Gain / (loss) on FFA Transaction	**(1,100.42)**	(7,767.30)
Exchange Fluctuations (Net)	**(1,783.22)**	3,831.75
Insurance Claims	**52.76**	-
Miscellaneous Income	**0.40**	2.34
	(2,380.11)	(3,657.93)

Consolidated Schedules forming part of Annual Accounts

Particulars	Current Year Amount Rs.in Lacs	Previous Year Amount Rs.in Lacs
SCHEDULE 'L'		
Ship Operating Expenses		
Bunker Consumed	**20,132.03**	29,859.94
Vessel /Equipment Hire Charges	**18,484.30**	43,524.79
Technical Service Expenses	**8,598.80**	8,430.69
Agency, Professional and Service Charges	**975.65**	1,198.97
Crew Expenses	**3,013.09**	2,779.87
Communication Expenses	**117.13**	204.34
Miscellaneous Expenses	**756.21**	642.16
Commission	**1,876.35**	4,360.72
Insurance	**1,814.30**	1,799.58
Port Expenses	**4,726.52**	5,346.60
Repairs and Maintenance	**11,730.48**	11,131.96
Stevedoring, Transport and Freight	**2,415.49**	2,129.35
	74,640.35	111,408.97
SCHEDULE 'M'		
Coal Operation Expenses		
Purchase of Coal	**25,032.04**	-
Distribution Cost	**3,657.90**	1,107.48
Government Payments	**1,567.94**	629.24
Mining Cost	**6,039.59**	3,509.74
Miscelleneous Expenses	**416.40**	1,554.52
	36,713.87	6,800.98
SCHEDULE 'N'		
Administrative and Other Expenses		
Advertisement	**9.36**	23.33
Auditors Remuneration	**71.79**	80.79
Conveyance, Car Hire and Travelling	**364.14**	318.99
Communication expenses	**107.37**	98.57
Donation	**65.33**	81.25
Directors' Remuneration	**522.32**	2,291.82
Miscellaneous expenses	**699.73**	738.00
Insurance	**46.52**	29.48
Legal, Professional and Consultancy expenses	**354.35**	931.56
Rent	**605.97**	575.73
Repairs and Maintenance	**163.89**	71.27
Salary, Wages, Bonus etc.	**1,812.76**	2,481.20
Staff Welfare, Training etc.	**88.69**	64.04
Contribution to Provident and other funds	**54.06**	56.07
Provision for Doubtful Debts	**84.41**	-
Bad Debts and other amounts written off/back (Net)	**(25.70)**	65.65
	5,024.99	7,907.76
SCHEDULE 'O'		
Finance Charges		
Interest on		
Debentures	**3,733.77**	1,501.75
Fixed Loans	**19,120.12**	19,853.82
	22,853.89	21,355.57
Less : Interest received	**(2,276.74)**	(4,723.28)
	20,577.15	16,632.29

SCHEDULE I

A. BASIS OF CONSOLIDATION

The Consolidated Financial Statements relate to Mercator Lines Limited (the company), its subsidiary companies and associates. The Company and its subsidiaries constitute the Group.

a) Basis of Accounting

I. The financial statements of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Company i.e. year ended 31st, March 2010.

II. The financial statements of the Group have been prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard 21 "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules 2006.

b) Principles of consolidation

The Consolidated Financial Statements have been prepared on the following basis:

I. The Financial statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together book values of similar items of assets, liabilities income and expenses. The intra-group balances and intra-group transactions have been fully eliminated.

II. Minority Interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investments are made by the company in the subsidiary companies and further movements in their share in equity, subsequent to the date of the investment as stated above.

III. Consolidated Financial Statements are prepared by applying uniform accounting policies to the extent possible, in use at the group.

IV. Indian Rupee is the reporting currency for the Group. However, the reporting currencies of non-integral overseas subsidiaries are different from the reporting currency of the Group. The translation of those currencies into Indian Rupee is performed for assets and liabilities, using the exchange rate as at the balance sheet date, and for revenues, costs and expenses using average exchange rate during the reporting period. Resultant currency translation exchange gain/loss is carried as Foreign Currency Translation Reserve under Reserves and Surplus.

c) The following subsidiary companies are considered in the Consolidated Financial Statements:

Name of the Subsidiary Company	Incorporated in	% of holding either directly or through subsidiary as at March 31, 2010	% of holding either directly or through subsidiary as at March 31, 2009
Mercator International Pte.Ltd.	Singapore	100	100
Mercator Oil & Gas Ltd	India	100	100
Mercator Petroleum Pvt. Ltd.	India	100	100
Mercator Offshore Holdings Pte. Ltd.	Singapore	100	100
Mercator Offshore (Nigeria) Pte. Ltd.	Singapore	100	-
Oorja Holdings Pte. Ltd	Singapore	100	100
Mercator PH (Dutch) Holding BV (Netherlands)	Netherland	89	-
Mercator Petroleum(Romania) Pte. Ltd.	Singapore	100	-
Mercator Lines (Singapore) Ltd.	Singapore	72.15	72.35
Mercator Offshore Ltd.	Singapore	100	100

Name of the Subsidiary Company	Incorporated in	% of holding either directly or through subsidiary as at March 31, 2010	% of holding either directly or through subsidiary as at March 31, 2009
Mercator Petroleum (Turkey) BV	Netherland	89	-
Varsha Marine Pte. Ltd.	Singapore	100	100
Vidya Marine Pte. Ltd.	Singapore	100	100
Mercator Lines (Panama) Inc	Panama	100	100
Oorja 1 Pte. Ltd.	Singapore	100	100
Oorja 2 Pte. Ltd.	Singapore	100	100
Oorja 3 Pte. Ltd.	Singapore	100	100
Oorja Mozambique Minas Limitada	Mozambique	100	100
MCS Holdings Pte. Ltd.	Singapore	100	100
PT Oorja Indo Petangis Four	Indonesia	50*	50*
PT Oorja Indo Petangis Three	Indonesia	50*	50*
PT Oorja Indo KGS	Indonesia	70	70
Broadtec Mozambique Minas Lda	Mozambique	85	85
PT Mincon Indo Resources	Indonesia	100	100

* Considered as subsidiaries for consolidation purposes on account of control as per principles of AS-21.

B. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in conformity with Generally Accepted Accounting Principles in India, Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 and the other relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the period. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable.

3. Fixed Assets

a) Fixed assets are stated at cost less accumulated depreciation.

b) Cost includes cost of acquisition or construction including attributable interest, duties and other incidental expenses related to the acquisition of the asset.

c) Operating costs and other incidental costs including initial stores and spares of newly acquired vessels till the port of first loading are included in the cost of the respective vessels.

d) Exchange differences arising on repayment of foreign currency loans and year end translation of foreign currency liabilities relating to acquisition of depreciable assets are, following option given by notification of Ministry of Corporate Affairs (MCA) dt. 31st March 2009, adjusted to carrying cost of the respective assets.

e) Individual fixed assets costing up to Rs. 25,000 are fully written off under the head fixed assets written off.

4. Exploration and evaluation expenditure

Exploration and evaluation expenditure are capitalized when it is considered likely to be recoverable by future exploitation or sale. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalized amount will be written off to the income statement.

5. Environmental Obligations

Restoration, rehabilitation and environmental expenditures incurred during the production phase are charged to cost of revenue as incurred.

Provision for decommissioning, demobilization and restoration provides for the legal obligations associated with the retirement of the tangible long-lived asset that result from the acquisition, construction or development and/or the normal operation of a long-lived asset. The retirement of a long-lived asset is its other than temporary removal from service, including its sale abandonment, recycling or disposal in some other manner.

These obligations are recognized as liabilities when a legal obligation with respect to the retirement of an asset is incurred, with the initial measurement of the obligation at fair value. These obligations are accreted to full value over time through charges to the statement of income. In addition, an asset retirement cost equivalent to these liabilities is capitalized as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. A liability for asset retirement obligation is incurred over more than one reporting period when the even that create the obligation occur over more than one reporting period. For example, if a facility is permanently closed but the closure plan is developed over more than one reporting period, the cost of closure of the facility is incurred over those reporting period when the closure plan is finalized. Any incremental liability incurred in a subsequent reporting period is considered to be an addition layer of the original liability. Each layer is initially measured at fair value. A separate layer shall be measure, recognized and accounted for prospectively. The obligations consist primarily of costs associated with mine reclamation, decommissioning and demobilization of facilities and other closure activities.

For environmental issues that may not involve the retirement of an asset, where the Company is a responsible party and is determined that a liability exists, and amounts can be quantified, the Company accrues for the estimated liability exists in respect of such environmental issues, the Company applies the criteria for liability recognition under the applicable accounting standards.

6. Depreciation

a) Depreciation on all the vessels is computed on Straight Line Method so as to write off the original cost as reduced by the expected/estimated scrap value over the balance useful life of the vessels. If however, the rates as prescribed under the Schedule XIV of the Companies Act, 1956, are higher; the said higher rate is applied, which ranges from 5% to 12% of the original cost of the vessel.

b) Depreciation on all assets other than vessels is computed on the Written Down Value method in the manner and at the rates prescribed under schedule XIV of the Companies Act, 1956.

c) On additions made to the existing vessels depreciation is provided for the full year over the remaining useful life of the ships.

d) Depreciation on furniture, fixtures and electrical fittings installed at office premises taken on lease is provided over the initial period of lease.

e) In respect of the non-shipping assets held outside India, depreciation is computed on the basis of estimated useful life of the assets. The estimated useful life of the non-shipping assets held outside India is as follows:

Asset	Country	Useful life
Offshore Rig	Singapore	25 years
Furniture & Fixtures	Indonesia	4 - 8 years
Office & Electronic Equipment	Indonesia	4 - 8 years
Vehicles	Indonesia	5 years
Mining & Heavy Equipment	Indonesia	8 years
Roads & Bridges	Indonesia	16 years

7. Capital Work in Progress

All expenditure, including advances given to contractors and borrowings cost incurred during the asset acquisition period, are accumulated and shown under this head till the asset is put to commercial use.

8. Retirement and Disposal of Assets

a) Profits on sale of assets are accounted for on completion of sale thereof.

b) Assets which are retired from active use and are held for disposal are stated at the lower of their net book value or net realizable value.

9. Inventories

Bunker and Lubes on vessels are valued at lower of cost and net Realisable value ascertained on first in first out basis.

Coal inventory valued at the lower of cost or net realizable value. Cost is determined based on the weighted average cost incurred during the period and includes an appropriate portion of fixed and variable overheads. Net realizable value is the estimated sales amount in the ordinary course of business less the costs of completion and selling expense.

10. Oil and Gas Assets:

The Successful Efforts method is followed for accounting for oil and gas as per the Guidance Note issued by the Institute of Chartered Accountants of India on "Accounting for Oil and Gas producing activities".

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploratory and development wells-in- progress until the exploration phase relating to the licence area is complete or commercial oil and gas reserves have been discovered.

11. Investments

a) Investments are classified into Long Term and Current investments.

b) Long Term Investments are stated at cost of acquisition and related expenses. Provision for diminution, if any, in the value of such investments is made to recognise a decline, other than of a temporary nature.

c) Current Investments are stated at cost of acquisition including incidental / related expenses or at fair value as at 31st March 2010, whichever is less and the resultant decline, if any, is charged to revenue.

12. Incomplete Voyages

Incomplete voyages represent freight received and direct operating expenses on voyages which are not complete as at the Balance sheet date.

13. Borrowing Costs

Borrowing costs incurred for the year for acquisition of vessels are capitalized till first loading of cargo, only if the time gap between date of Memorandum of Agreement and "Date when vessel is ready for use" is more than three months.

In respect of other assets, borrowing cost incurred till the date when asset is put to use are capitalized.

Incidental expenses related to borrowing are amortized over the term of the said borrowings.

14. Revenue Recognition

a) Income on account of freight earnings is recognised in all cases where loading of the cargo is completed before the close of the year. All corresponding direct expenses are also provided.

b) Where loading of the cargo is not completed before the close of the year, revenue is not recognised and the corresponding expenses are carried forward to the next accounting year.

c) Income from charter hire and demurrage are recognised on accrual basis.

d) Income from services is accounted on accrual basis as per the terms of the relevant agreement.

e) Dividend on investments is recognised when the right to receive the same is established.

f) Insurance claims are accounted on accrual basis when there is a reasonable certainty of the realisability of the claim amount.

g) Revenue from coal mining is recognized on transfer of risk, reward and ownership of the goods, and is recorded net of returns, trade allowance, and government duties.

15. Foreign Exchange Transactions

a) Monetary Current assets and liabilities denominated in foreign currency outstanding at the end of the year are valued at the rates prevalent on that date.

b) Exchange differences arising on Long Term Foreign Currency Monetary (LTFCM) items are following option given by notification of MCA dt. 31st March 2009, treated in the following manner:

i) In respect of borrowings relating to or utilized for acquisition of depreciable capital assets, the same is adjusted to the cost of the relevant capital asset and depreciated over the balance life of the said capital asset.

ii) In other cases, the same is accumulated in a 'Foreign Currency Monetary Item Translation Difference Account'. The amount so accumulated in this account is amortized over the balance period of such assets / liabilities or 31st March 2011, whichever is earlier.

c) Differences in translation of other monetary assets and liabilities and realised gains and losses on foreign currency transactions are recognised in the Profit and Loss Account.

d) Exchange difference arising on long term foreign currency loans given to non integral foreign operations is accumulated in foreign currency fluctuation reserve. On disposal of investment , the balance in the reserve will be transferred to profit and loss account

e) Contracts in the nature of foreign currency swaps, are converted at the exchange rate prevailing as on 31st March 2010 and the profits or losses thereon are charged to the Profit and Loss account.

f) Differences on account of swap contracts for interest payable in foreign currency are accounted on accrual basis and the profit or loss thereon are charged to the Profit and Loss account.

16. Employees Benefits

a) Short – term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentives, etc. are recognised at actual amounts due in the period in which the employee renders the related service.

b) Post – employment benefits

i. Defined Contribution Plans

Payments made to defined contribution plans such as Provident Fund are charged as an expense as they fall due.

ii. Defined Benefit Plans

The cost of providing benefit i.e. gratuity is determined using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

c) Other Long – term employee benefits

i. Other Long – term employee benefit viz. leave encashment is recognised as an expense in the profit and loss account as and when it accrues. The company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. The Actuarial gains and losses in respect of such benefit are charged to the profit and loss account.

17. Lease Accounting

a) In respect of operating lease agreements entered into as a lessee, the lease payments are recognised as expense in the profit and loss account over the lease term.

b) In respect of operating lease agreement entered into as a lessor, the initial direct costs are recognised as expenses in the year in which they are incurred.

18. Earning per share:

Basic and diluted earnings per share (EPS) are reported in accordance with Accounting Standard – 20. The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted average number of equity shares outstanding during the accounting year. The diluted EPS have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the end of the year.

19. Provision for Taxation :

a) The holding company has opted for the Tonnage Tax scheme and provision for tax has been accordingly made under the relevant provisions of the Indian Income Tax Act, 1961.

b) Tax on incomes on which the Tonnage Tax is not applicable is provided as per the other provisions of the Indian Income Tax Act, 1961.

c) In case of subsidiaries companies engaged in shipping and incorporated in Singapore, no provision is made for taxation on qualifying shipping income derived which is exempt form taxation under section 13 A of the Singapore Income Tax Act and the Singapore Approved International shipping enterprise Tax Incentive.

d) In respect of a subsidiary company in Singapore engaged in offshore drilling & support services, no provision for tax is made for qualifying offshore income as it is exempt from taxation under Section 13 F of Singapore Income Tax Act.

e) In respect of subsidiary companies incorporated in Singapore and Indonesia and engaged in activities other than shipping and offshore, provision for taxation is made as per the applicable local laws of the respective countries.

f) Deferred tax resulting from timing differences, if any, between book and tax profits for income other than that covered under relevant Tax exempt schemes is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to reverse in future.

20. Impairment of assets

A review is done of the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. Impairment loss, if any, is recognized in the year in which impairment takes place.

21. Provisions and Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or its subsidiary companies.

22. Derivative instruments and hedge accounting

The Group uses foreign currency forward contracts; forward freight agreements, options on forward freight agreements and currency options to hedge its risks associated with foreign currency fluctuations and fluctuations in freight rates relating to certain firm commitments and forecasted transactions. The Company has designated these hedging instruments as cash flow hedges or economic hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments : Recognition and Measurement" (AS – 30).

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Derivatives are initially recognised at fair value at the dates the derivative contracts are entered into and are subsequently re-measured to their fair values at each balance sheet date.

The resulting gain or loss is recognised in the profit and loss statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit and loss statement depends on the nature of the hedge relationship.

Hedge accounting

Hedges which include derivatives, embedded derivatives and non-derivatives in respect of price risk, are designated as either hedges of fair value of recognised assets or liabilities or fair commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Some forward freight agreements that the Group has entered into fall within the definition of fair value hedge. Some other forward freight agreements fall within the definition of cash flow hedge as described below.

At the inception of the hedge relationship, the relationship between the hedging instrument and hedged item is determined, along with its risk management objectives and the strategy for undertaking the hedge. At the inception of the hedge and on a quarterly basis, the effectiveness of the hedging relationship in offsetting changes in fair values or cash flows of the hedged item is determined.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges will be recorded in the profit and loss statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting will be discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk will be amortised to the profit and loss statement from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion of the hedge, if any, is recognised immediately in the profit and loss statement.

Amounts deferred in equity will be recycled in the profit or loss in the periods when the hedged item is recognised in the profit and loss statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity will be transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting will be discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time will remain in equity and will be recognised when the forecast transaction is ultimately recognised in the profit and loss statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that had been deferred in equity will be recognised immediately in the profit and loss statement.

C] NOTES TO THE ACCOUNTS

1. Contingent Liabilities not provided for

Particulars	Current Year (Rs in Lacs.)	Previous Year (Rs in Lacs)
Counter guarantees issued by the Company for guarantees for guarantees obtained the bank	**2,863.08**	2,132.09
Corporate guarantees issued by the company on behalf of business associates	**NIL**	NIL
TOTAL	**2,863.08**	2,132.09

2. Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) as at March 31,2010 Rs. 58,682 Lacs (Rs. 47,037.53 Lacs).

3. Estimated amount of commitments outstanding towards contributions to funds are Rs. 993.98 Lacs (Rs. 1,547.52Lacs)

4. Remuneration to Holding Company Directors

Particulars	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
Executive Chairman and Managing Directors		
Salary	**80.58**	136.00
Perquisites	**15.42**	11.46
Commission	**-**	1,926.48

Particulars	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
Non-Executive Directors		
Commission	**-**	10.00
Sitting Fees	**4.60**	-
Total	**100.60**	2,083.94

*During the year Directors were entitled to higher remuneration as per the appointment contract approved by members in the Annual General Meeting held on September 26, 2007. The terms of the said contract are proposed to be revised at the forthcoming AGM of the Company. The remuneration paid as above is as per proposed revision which is in accordance with provisions of the Companies Act, 1956 and Schedule XIII thereto.

5. **Disclosures in accordance with Accounting Standard (AS) -15 on "Employee Benefits":**

The disclosures are as required by AS 15 are given hereunder.

(A) Defined Contribution Plans:

The Company has recognized the following amounts in the Profit and Loss Account for the year:

(Amount Rs. In Lacs)

Sr. No.	Particulars	Current Year	Previous Year
(i)	Contribution to Employees' Provident Fund	**41.01**	34.20
(ii)	Contribution to Employees' Family Pension Fund	**NIL**	NIL
(iii)	Contribution to Employees' Superannuation Fund	**NIL**	NIL
	Total	**41.01**	34.20

(B) Defined Benefit Plans:

(i) Changes in the Present Value of Obligation

(Amount Rs. In Lacs)

Sr. No.	Particulars	For the Year Ended March 31, 2010		For the Year Ended March 31, 2009	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
a.	Present Value of Obligation as at April 1, 2009 (Opening)	**79.33**	**45.12**	30.89	17.37
b.	Interest Cost	**5.55**	**3.16**	2.16	1.21
c.	Past Service Cost	**NIL**	**NIL**	NIL	NIL
d.	Current Service Cost	**40.26**	**18.19**	22.17	18.77
e.	Curtailment Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
f.	Settlement Cost/(Credit)	**NIL**	**NIL**	NIL	NIL
g.	Benefits paid	**NIL**	**7.54**	NIL	7.68
h.	Actuarial (Gain)/Loss	**(37.86)**	**(0.37)**	24.1	15.42
i.	Present Value of Obligation as at March 31, 2009	**87.28**	**58.56**	79.33	45.12

(ii) Expenses recognized in the Profit and Loss Account

(Rs. In Lacs)

Sr. No.	Particulars	For the Year Ended March 31, 2010		For the Year Ended March 31, 2009	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
a.	Current Service Cost	**40.26**	**18.19**	22.17	18.77
b.	Past Service Cost	**NIL**	**NIL**	NIL	NIL
c.	Interest cost	**5.55**	**3.16**	2.16	1.21
d.	Curtailment Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
e.	Settlement Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
f.	Net Actuarial (Gain)/ Loss	**(37.86)**	**(0.37)**	24.10	15.42
g.	Employees' Contribution	**NIL**	**NIL**	NIL	NIL
h.	Total Expenses recognized in Profit and Loss A/c	**7.95**	**20.98**	48.44	35.42

(iii) Following are the Principal Actuarial Assumptions used as at the balance sheet date:

Sr. No.	Particulars	FY 2009-10 Gratuity and Leave Encashment	FY 2008-09 Gratuity and Leave Encashment
a	Discount Rate	**7%**	7%
b	Salary Escalation Rate - Management	**12%**	12%
c	Staff Turnover Rate	**11%**	11%
d	Mortality Table	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

6. Disclosure requirement of accounting Standard 17 "Segment Reporting" issued under Companies (Accounting Standards) Rules 2006.

Primary Segments

The group has identified Business Segment as the primary segment. Segments have been identified taking into account the nature of the services / products, the differing risks and returns, the organisation structure and internal reporting system. The group's operations predominantly relate to

a) Shipping

b) Offshore

c) Coal Mining, Trading and Logistics.

Secondary Segment

The shipping activities are managed from India and Singapore. The Off Shore activities are managed from Singapore. The Coal Mining, Coal Trading and logistics are managed from India, Singapore and Indonesia.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly attributable to the business segment, are shown as others.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of others assets and liabilities respectively.

There are no Inter Segment transfers.

Segment Revenue	Shipping	Offshore	Coal Mining, Trading and Logistics	Others	Total
Revenue	121666.50	15,970.06	43,832.26	503.53	**181,972.34**
Results					
Profit / (Loss) before tax and interest	18,720.02	11,676.96	601.99	503.53	**31,502.48**
Less :Interest					**20,577.15**
Total Profit Before Tax					**10,925.35**
Provision for Taxation					
Current Tax					**(2,333.26)**
Deferred Tax					**78.62**
Minimum Alternate Tax					**1,750.00**
Net Profit					**10,420.71**
Other Information					
Assets	551,748.62	95,747.05	13,301.12	7,458.78	**668,255.57**
Liabilities	22,912.48	78.43	2,436.48	397,519.09	**422,946.48**
Capital Expenditure	54,196.00		70.28		**54,266.28**
Depreciation	29,825.70	3,769.70	495.25		**34,090.65**

This is being the first year of application of segment reporting, previous year figures are not given.

7. Related Party Disclosures

Mercator Lines Limited

Financial Year 2009 - 10

Annexure A to Schedule I

Related Party Disclosures:

A List of Related Parties

I Promoter Group Companies

1 MLL Logistics Private Limited
2 Mercator Mechmarine Limited
3 Mercator Healthcare Limited
4 Ankur Fertilizers Private Limited
5 Rishi Holding Private Limited
6 AHM Investments Private Limited.
7 Oorja Resources India Pvt Ltd
8 AAAM Properties Pvt Ltd
9 MMAXX Dredging Pvt Ltd
10 Mech Marine Engineers Pvt Ltd
11 Oilmax Energy Pvt Ltd
12 Optimum Oil & Gas Ltd
13 CMA Constructions & Properties Pvt Ltd

II Joint Venture

1 PT Mega Coal Indomine

III Key Management Personnel

1 H.K Mittal
2 A.J. Agarwal
3 Shalabh Mittal
4 K.Raheja Singh

IV Relative of Key Management Personnel

1 Adip Mittal
2 Shruti Mittal

Details of Transactions with the above Parties

(Amount Rs. In Lacs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered	1,912.51	1,945.60	0	0	1,912.51	1,945.60
Interest Income	NIL	NIL				
Services Received	3.60	3.60			3.60	3.60
Reimbursments of Expenses/Stores/Bunker Paid	60.99	76.32			60.99	76.32
Reimbursments of Expenses/Stores/Bunker Received	0.51	0.13			0.51	0.13
Issue of Shares to Optimum Oil & Gas Ltd.	1.10	-			1.10	-
Finance Provided						
(Including Loans & Equity Contributions)						
Loans						
Loans Given during the Year	-	2,030.00			-	2,030.00
Loans Repaid During the Year	-	2,039.00			-	2,039.00
Advances						
Advances Given During the Year	250.00	4,230.00	0	0	250.00	4,230.00
Advances Received Back During the Year	5,114.46	-			5,114.46	-
Equity Contributions						
During the year	NIL	NIL	NIL	NIL	NIL	NIL
Guarantees and Comfort Letters						
Guarantees Given	NIL	NIL	NIL	NIL	NIL	NIL
Outstanding as on 31.03.2010						
Comfort Letter	NIL	NIL	NIL	NIL	NIL	NIL
Guarantees	NIL	NIL	NIL	NIL	NIL	NIL
Outstanding balances as on 31.03.2010						
Loans ,Advances and Receivables						
Loans	-	-	-	-		
Advances	318.30	268.13	327.79	314.50	646.09	582.63
Total	**318.30**	268.13	**327.79**	314.50	**646.09**	582.63
Outstanding Balances of Sundry Debtors and Sundry Creditors as on 31.03.2010						
Sundry Debtors	41.49	1,419.14			41.49	1,419.14
Deposit						
Deposit given during the year	-	60.00			-	60.00
Balance as on 31.03.2010	565.00	565.00			565.00	565.00
Remuneration paid to Key Management Personnel	844.22	3,137.54				
Remuneration paid to Relative of Key Management Personnel	2.27	5.03				

(Amount Rs. In Lacs)

Name of the Transaction	Promoter Group Companies		Joint Venture		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered						
MLL Logistics Private Limited	1,912.51	1,945.60	0	0	1,912.51	1,945.60
Total	**1,912.51**	1,945.60	**0**	0	**1,912.51**	1,945.60
Interest Income	NIL	NIL			NIL	NIL
Services Received						
MLL Logistics Private Limited	3.60	3.60			3.60	3.60
Total	**3.60**	3.60			**3.60**	3.60
Reimbursments of Expenses/Stores/ Bunker Paid						
Ankur Fertilizers Private Limited	60.29	75.85			60.29	75.85
Total	**60.29**	75.85			**60.29**	75.85
Reimbursments of Expenses/Stores/ Bunker Received						
Mech Marine Engineers Pvt Ltd	0.34	0.13			0.34	0.13
MMAXX Dredging Pvt Ltd	0.17				0.17	-
Total	**0.51**	0.13			**0.51**	0.13
Issue of Shares to Optimum Oil & Gas Ltd	1.10	-			1.10	-
Finance Provided (Including Loans & Equity Contributions)						
Loans						
Loans Given during the Year						
Mercator Mech Marine		2,030.00			-	2,030.00
Total	**-**	2,030.00			**-**	2,030.00
Loans Repaid During the Year						
Mercator Mech Marine	-	2,039.00			-	2,039.00
Total	**-**	2,039.00			**-**	2,039.00
Advances						
Advances Given During the Year						
MLL Logistics Pvt Ltd	250.00	-			250.00	-
Mech Marine engineers Pvt Ltd - Capital Goods	-	4,230.00			-	4,230.00
PT Mega Coal Indomine			-	-	-	-
Total	**250.00**	4,230.00	**-**	-	**-**	4,230.00
Advances Received Back During the Year						
Mech Marine engineers Pvt Ltd	4,914.46				4,914.46	-
Total	**4,914.46**				**4,914.46**	-
Equity Contributions						
During the year	NIL	NIL				

(Amount Rs. In Lacs)

Name of the Transaction	Promoter Group Companies		Joint Venture		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Guarantees and Comfort Letters						
Guarantees Given	NIL	NIL				
Outstanding as on 31.03.2010						
Comfort Letter	NIL	NIL				
Guarantees	NIL	NIL				
Outstanding balances as on 31.03.2010						
Loans ,Advances and Receivables						
Loans						
Advances						
MLL Logistics Pvt Ltd	318.13	268.13			318.13	268.13
PT Mega Coal Indomine			327.79	314.50	327.79	314.50
Total	**318.13**	268.13	**327.79**	314.50	**645.92**	582.63
Total	**318.13**	268.13	**327.79**	314.50	**645.92**	582.63
Outstanding Balances of Sundry Debtors and Sundry Creditors as on 31.03.2010						
Sundry Debtors						
MLL Logistics Private Limited	41.49	1,419.14			41.49	1,419.14
Total	**41.49**	1,419.14			**41.49**	1,419.14
Deposit						
Deposit given during the year						
MLL Logistics Private Limited	-				-	-
Rishi Holding Private Limited	-	10.00			-	10.00
Oilmax Energy Pvt Ltd	-	50.00			-	50.00
Total	**-**	60.00			**-**	60.00
Balance as on 31.03.2010						
MLL Logistics Private Limited	500.00	500.00			500.00	500.00
Total	**500.00**	500.00			**500.00**	500.00
Remuneration paid to Key Management Personnel	844.22	3,137.54				
Remuneration paid to Relative of Key Management Personnel	2.27	5.03				

8. Disclosure in respect of operating lease (as Lessee):

(Amount Rs. In Lacs)

Particulars	Year Ended March 31, 2010	Year ended March 31, 2009
(a) Operating Leases		
Disclosures in respect of cancelable agreements for office premises taken on lease		
(i) Lease payments recognized in the Profit and Loss Account	**512.07**	530.64
(ii) Significant leasing arrangements		
The Company has given refundable interest free security deposits under the agreements.		
The lease agreements are for a period from 60- 108 months.		
These agreements also provided for increase in rent.		
These agreements are non cancellable by both the parties for 24–60 months except in certain exceptional circumstances.		
(iii) Future minimum lease payments under non-cancellable agreements		
Not later than one year	**491.12**	478.68
Later than one year and not later than five years	**325.02**	578.87
Later than five years	**NIL**	NIL

9. Disclosure in respect of operating lease (as Lessor):

(Amount Rs. In Lacs)

Particulars	Year Ended March 31, 2010	Year ended March 31, 2009
(a) Operating Leases		
Disclosures in respect of cancellable agreements for office given on lease		
(i) Lease receipt recognized in the Profit and Loss Account	**144.00**	106.47
(ii) Significant leasing arrangements		
- The Company has taken refundable interest free security deposits under the agreements.		
- The lease agreements are for a period of 60 months.		
- These agreements are non cancelable by both the parties for 18 months except in certain exceptional circumstances.		
(iii) Future minimum lease receivable under non-cancellable agreements		
- Not later than one year	**NIL**	138.00
- Later than one year and not later than five years	**NIL**	NIL
- Later than five years	**NIL**	NIL

Particulars		Year Ended March 31, 2010	Year ended March 31, 2009
Disclosures in respect of cancellable agreements for Rig given on lease			
(i)	Lease receipt recognized in the Profit and Loss Account	**15,969.07**	891.77
(ii)	Significant leasing arrangements		
-	The lease agreements are for a period of 36 months.		
-	These agreements are non cancelable by both the parties except in certain exceptional circumstances.		
(iii)	Future minimum lease receivable under non-cancellable agreements		
-	Not later than one year	**15,273.34**	17,239.19
-	Later than one year and not later than five years		
-	Later than five years	**14,436.45**	33,533.76

General description of leasing arrangement:

(i) Leased Assets: Office premises, Godown and Rig

(ii) Future Lease rentals are determined on the basis of agreed terms.

10. Earning Per Share

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
Net Profit after Tax, Minority interest		
-Basic (Rs. In Lacs)	**5,323.91**	37,645.31
-Diluted (Rs. In Lacs)	**5,323.91**	37,702.13
Number of Shares used in computing Earning Per Share		
- Basic	**235,946,403**	235,946,403
-Diluted	**235,946,403**	241,064,272
Earning per share (equity shares of face value Re 1/-)		
-Basic (in Rs.)	**2.26**	15.96
-Diluted (in Rs.)	**2.26**	15.64

11. In the Previous Year the company had opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with the notification of Ministry of Corporate Affairs (MCA) dt. 31st March 2009, on Accounting Standard (AS)-11. In line with the above notification,

a) Gains arising during the year from the effect of changes in foreign exchange rates on foreign currency loans relating to acquisition of depreciable capital assets, amounting to Rs.11,685.99 are deducted from the cost of assets.

b) During the year the balance in the Foreign Currency Monetary Item Translation Difference Account of Rs.28.80 lacs has been transferred to Profit and Loss account.

12. Foreign Currency Exposures

The year end exposure in a currency other than the financial currency of the relevant Company that were not hedged by a derivative instrument or otherwise are given below:

	2009-10		2008-09	
	Rs. Lacs	Fx.Million	Rs. Lacs	Fx.Million
Account Receivable	**7,006.56**	**USD 15.52**	4,978.99	USD 9.77
Balance in Bank	**9,917.90**	**USD 21.89**	2086.04	USD 4.05
		SGD 0.12		SGD 0.65
Fixed Deposit with foreign Bank	**40.22**	**USD 0.09**	NIL	NIL
Loan & Advances	**3,379.75**	**USD 6.96**	60,906.73	USD 118.49
		Euro 0.14		Euro 0.65
		JPY 11.64		JPY 2.71
		SGD 0.28		SGD 0.27
		AUD 0.01		
		SLR 0.02		
Advance from Customers	**127.17**	**USD 0.28**	NIL	NIL
Accounts Payable/Acceptance	**4477.83**	**USD 8.26**	74,681.59	USD 145.86
(including capital commitments made but not provided for)		**Euro 0.07**		Euro 0.49
		SGD 0.44		SGD 0.16
		JPY 29.88		
		DKR 0.26		
		AED 0.09		
		HKD 0.04		
		NOK 0.05		
		SGD 1.20		
Borrowings	**1,01,366.38**	**USD 224.56**	42,978.04	USD 84.35

13. Previous years figures have been regrouped / rearranged wherever necessary.

For and on behalf of the Board

H. K. Mittal Executive Chairman	**A. J. Agarwal** Managing Director	**Manohar Bidaye** Director
Anil Khanna Director	**Kapil Garg** Director	**Suchita Shirambekar** Company Secretery

Dated: May 25, 2010
Place: Mumbai

FLEET LIST AS AT MARCH 31, 2010

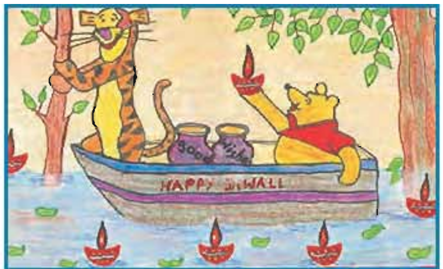
Name/TYPE	Built	DWT
TANKERS		
VLCC		
Kamakshi Prem	2006	2,99,235
Suezmax		
Premprachi	1988	1,48,349
Chemical Tanker		
Royal Natura**	2008	19,996
Aframax		
Prem Pride	1999	1,09,610
Prem Divya	1998	1,09,227
MR Tanker		
Premmala	2000	47,044
Harsha Prem	1993	42,235
Vedika Prem	1993	42,235
BULK CARRIERS		
Panamax		
Prem Poorva	1994	69,286
Garima Prem	2007	74,456
Garv Prem	2006	74,444
Gaurav Prem	2005	73,901
Gauri Prem*	2007	74,483
Kalpana Prem	2000	73,652
PremAparna	2001	73,461
Kanak Prem	1997	69,221
Kesari Prem	1997	69,186
YK Sentosa**	2000	73,625
Kamsarmax		
Prem Veena	2007	82,459
PremVarsha	2006	82,379
Prem Vidya	2006	82,273
Chaitali Prem**	2009	93,270
Chanchal Prem**	2009	93,270
Maria Laura Prem*/**	2010	91,945
VLOC		
Prem Putli	1993	2,78,276
DREDGERS		
Bhagwati Prem	2007	8,556
Darshani Prem	2006	8,538
Triloki Prem	2006	7,059
Omkara Prem	2008	6,292

JACK-UP RIG

Name	Built	Water Depth	Drilling Depth	Classification
Greatdrill Chetna	2009	350ft	30,000 feet	ABS A1

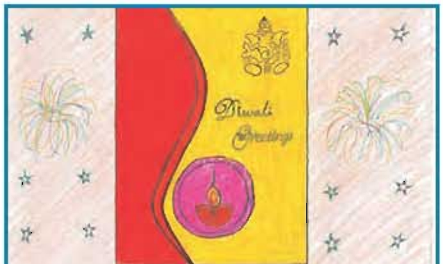
*On order;
** In-Chartered

1st Prize Winner Siddartha Sridhar (12 yrs)



Sanskruti Nirav Talati (7 yrs)

Atharva Manjrekar (9 yrs)



Sanjana Suresh (11 yrs)

Saloni Satoskar (10 yrs)

2nd Prize Winner Shreya Velankar (5 yrs)

Gauri Dalvi (10 yrs)

Aditi Satoskar (6 yrs)

Kirk Dias (12 yrs)

Aparna (6 yrs)

Nitya Srivatsan (11 yrs)

Ganesh Dalvi (10 yrs)

Natasha D'souza (11 yrs)

Participants of the in-house Drawing competition held for children of Mercator employees in 2009. The theme was Diwali and New Year Greeting Cards.

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