

GUJARAT PIPAVAV PORT LIMITED

12th ANNUAL REPORT

2003 - 2004

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BOARD OF DIRECTORS

Mr. Nikhil Gandhi	
Cmdr. V. G. Honnavar	
Mr. Bhavesh Gandhi	
Mrs. Karen Brade	- (upto 3rd September 2004)
(Alternate: Mr. Snehal Shah)	
Mr. J.N. Godbole	- Nominee IDBI
Mr. Yuvraj Narayan	- (upto 1st June 2004)
(Alternate: Mr. Hans Ole Madsen)	
Mr. Allan Yeoh Boon Wah	- (upto 5th December 2003)
Mr. Kamal Baluja	- Managing Director (upto 5th December 2003)
Mr. Vincent Lim Chooi Hin	- (from 6th December 2003)
Mr. Yap Min Choy	- (from 6th December 2003)
Mr. David Yang	- (from 6th December 2003)
Mr. H. K. Dash, I. A. S.	- (from 29th March 2004)
Mr. Krishan Sehgal	- (from 29th January 2004)
Mr. Dinesh Kumar Lal	- (from 1st June 2004)
Mr. Hans-Ole Madsen	- Managing Director (from 6th December 2003)

AUDIT COMMITTEE

Mr. J. N. Godbole
Mr. Bhavesh Gandhi
Mr. Dinesh Kumar Lal
Mr. Snehal Shah

COMPANY SECRETARY

Mr. Paresh S. Davey

AUDITORS

BSR & Co.
Chartered Accountants

R & T Agents

Tata Share Registry Limited
Army Navy Building,
148 M. G. Road, Fort,
Mumbai - 400 001

REGISTERED OFFICE

Pipavav Port, At Post Ucchaiya, Via Rajula,
Dist. Amreli, Gujarat - 365 560

CORPORATE OFFICE

Pipavav House, 209, Bank Street Cross Lane,
Off. Shahid Bhagat Singh Road, Fort,
Mumbai - 400 023.

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NOTICE is hereby given that the Twelfth Annual General Meeting of the members of the Company shall be held on Wednesday 29th September 2004 at 11.30 A. M. at the Company's Registered Office at Pipavav Port, At Post Ucchaiya, via Rajula, District Amreli to transact the business as mentioned herein below:

ORDINARY BUSINESS:

- (i) To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March 2004 and the Report of the Directors and of the Auditors thereon.
- (ii) To appoint a director in place of Mr. Vincent Lim who retires by rotation and being eligible, offers himself for re-appointment.
- (iii) To appoint a director in place of Mr. Yap Min Choy who retires by rotation and being eligible, offers himself for re-appointment.
- (iv) To appoint a director in place of Mr. David Yang who retires by rotation and being eligible, offers himself for re-appointment.
- (v) To appoint Auditors and fix their remuneration by passing the following resolution as an Ordinary Resolution with or without modification(s):

"RESOLVED THAT M/s BSR & Co, Chartered Accountants, the retiring Auditors of the company be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company for auditing the Accounts of the Company for the year 2004-05 and the Board of Directors / Committee of the Board be and is hereby authorized to fix their remuneration plus travelling and other out of pocket expenses incurred by them in connection with statutory audit".

SPECIAL BUSINESS:

(vi) **Appointment of Mr. Krishan Sehgal as Director of the Company**

To consider and if thought fit, to pass with or without modification (s) the following resolution as an **Ordinary Resolution:**

RESOLVED THAT Mr. Krishan Sehgal, who was appointed Additional Director, who ceases to hold office at this Annual General Meeting, and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation.

(vii) **Appointment of Mr. H. K. Dash, I. A. S. as Director of the Company**

To consider and if thought fit, pass with or without modification (s) the following resolution as an **Ordinary Resolution:**

RESOLVED THAT Mr. H, K. Dash, I. A. S., who was appointed Additional Director, who ceases to hold office at this Annual General Meeting, and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation.

(viii) **Appointment of Mr. Dinesh Kumar Lal as Director of the Company**

To consider and if thought fit, pass with or without modification (s) the following resolution as an **Ordinary Resolution:**

RESOLVED THAT Mr. Dinesh Kumar Lal, who was appointed Additional Director, who ceases to hold office at this Annual General Meeting, and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation.

By Order of the Board of Directors

Place : Mumbai
Date : 03 September 2004

Paresh S. Davey
Sr. Vice-President (Legal) & Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **The Explanatory Statement under Section 173 (2) of the Companies Act, 1956 is annexed herewith and forms part of the notice.**

Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

The Explanatory Statement for Item Nos. (vi) to (viii) of the accompanying notice hereinabove are mentioned as under:

Item no. (vi)

Mr. Krishan Sehgal has vast experience in Infrastructure Business. Amongst various positions he has also been Chief Investment Officer in Infrastructure Department of International Finance Corporation (IFC), Washington. His work at IFC has received the World Bank President's award for excellence and a special commendation from the President of the Philippines.

His experience covers a variety of industries, including transportation, telecommunications, finance and manufacturing industry in countries in Asia, Eastern Europe and Latin America.

An important focus of his work has been seeking opportunities and helping investments through crises and harvesting high returns.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the company, he was appointed as an Additional Director and ceases to hold the office of Director.

The company is in receipt of proposal from a shareholder intimating about their proposal to appoint Mr. Krishan Sehgal as its representative on the Board of Directors of the company.

Considering his vast experience in Infrastructure sector the company would get immense benefit on appointment of Mr. Sehgal as Director of the company liable to retire by rotation.

None of the Directors are interested in the resolution except Mr. Krishan Sehgal.

Item no. (vii)

Mr. H. K. Dash, I. A. S. is Vice Chairman & Chief Executive Officer of Gujarat Maritime Board (GMB). His appointment is required in terms of the Concession Agreement signed by the company with Gujarat Maritime Board (GMB) and the Government of Gujarat on 30th September 1998.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the company, he was appointed as an Additional Director and ceases to hold the office of Director.

None of the Directors are interested in the resolution except Mr. Dash.

Item no. (viii)

Mr. Dinesh Kumar Lal has been in the shipping industry for over three decades. Amongst various positions held by him in shipping industry he has been Trustee of Mumbai Port and JNPT Port. He has also been part of various working committees. He also has vast experience in the field of Liner Shipping, Ship Agency, Stevedoring, Project Cargo Transportation and Ship Manning.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the company, he was appointed as an Additional Director and ceases to hold the office of Director.

The company is in receipt of proposal from a shareholder intimating about their proposal to appoint Mr. Dinesh Kumar Lal as its representative on the Board of Directors of the company.

Considering his vast experience in the shipping industry the company would get immense benefit on appointment of Mr. Lal as Director of the company liable to retire by rotation.

None of the Directors are interested in the resolution except Mr. Dinesh Kumar Lal.

By Order of the Board of Directors

Place : Mumbai
Date : 03 September 2004

Paresh S. Davey
Sr. Vice-President (Legal) & Company Secretary

DIRECTORS REPORT

The Directors present herewith the Twelfth Annual Report of the Board of Directors of the Company together with the Audited Accounts as at 31st March 2004.

FINANCIAL RESULTS

Particulars	Year Ended 31 st March 2004 (Rs. In 000s)	Year Ended 31 st March 2003 (Rs. In 000s)
Total Revenue	492846	323402
Total Expenditure	3350854	1040782
Impairment Loss on Fixed Assets	2164130	---
Operating Profit/ (Loss)	(2858008)	(717380)
Add: Other Income	20208	19346
Profit / (Loss) before Taxes	(2837800)	(698034)
Less: Provision for Current Taxation	300	1840
Less: Provision for Deferred Taxation	(24472)	24472
Profit/ (Loss) After Tax	(2813628)	(724346)
Add: Balance Brought Forward from previous year	(710235)	14111
Balance to be carried forward to Balance Sheet	(3523863)	(710235)

DIVIDEND

The company has incurred a loss of Rs. 281.36 Crores as a result the Directors do not recommend any dividend for the year ended 31st March 2004.

YEAR IN RETROSPECT & OTHER KEY DEVELOPMENTS

A brief statistical profile on port operations during the financial year ended March 31, 2004 comprising of ships calling at Pipavav and volume of cargo handled is as under:

Particulars	2003-04	2002-03
No. of vessels called at Pipavav	754	575
Cargo Handled (In MT.)	1908047	1790216
Container Handled (TEU)	24538	17890

There has been a substantial increase in the vessel calls at port and the bulk and container cargo handled. Your company commenced offering stevedoring services during the year to its customers and together with better cost control, has significantly contributed to the improved profitability. Maersk Sea land has commenced its weekly feeder service connecting Pipavav and Salalah from February 2004. With the commencement of this service, hinterland container cargo started moving by rail to Pipavav. Pipavav has been connected to all the important ICD stations of North India.

With a view to reduce lead time in implementing the container terminal project, your company has purchased three second hand rail mounted container Quay Cranes from Japan. The cranes have been installed and are now successfully operational. This has increased the container handling capability at port and gives faster turnaround time to the vessels calling at Pipavav.

FINANCIAL RESTRUCTURING

The financial restructuring of existing debts under the Corporate Debt Restructuring (CDR) Scheme has been successfully completed. We are thankful to Industrial Development Bank of India, and other participating lenders for supporting your company in a timely manner by implementing restructure of debt, covering reduction in interest rates and reschedulement of repayment terms. This timely assistance will go a long way in improving the performance of the company and its competitiveness in the port industry.

FUTURE PLANS

The company is at an advanced stage of achieving financial closure for setting up the modern container terminal project at Pipavav. With the implementation of the project the facility at Pipavav would improve substantially and would be able to attract & handle large volume of cargo. The project has been appraised by IDFC Limited who would syndicate the debt requirement for the project. The equity capital needed for the project also would be brought in by the existing and new investors.

DIRECTORS RESPONSIBILITY STATEMENT

The directors pursuant to the amended Section 217 (2AA) of the Companies (Amendment) Act, 2000 state as under:

- (i) The annual accounts of the company have been prepared in conformity with the Companies Act, 1956 and all applicable accounting standards issued by the Institute of Chartered Accountants of India from time to time along with proper explanation wherever necessary on a going concern basis;
- (ii) The accounting policies being followed consistently by the company and the judgments and estimates made by the company 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 31st March 2004;
- (iii) The company has established sufficient internal control systems commensurate to its size and operations and is maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

IMPAIRMENT OF ASSETS

As a prudent accounting practice, your company has applied the Accounting Standard AS 28 Impairment of assets in the financial year ended 31st March 2004, ahead of its mandatory applicability from 1st April 2004. In this regard, your company had appointed an independent firm of valuer who has determined the net replacement cost of the assets of the Company. Applying the test of impairment, your company has provided for an impairment loss of Rs. 2165 Million to the Profit & Loss account for the year. The impairment loss includes Rs. 580.82 Million of pre-operative expenses (including Rs. 489.91 Million towards borrowing costs), which was the subject matter of qualification in the previous year's audit report, since these expenses were capitalised in the previous year. With this, the qualification in previous year's Audit Report is removed. During the process of valuation and based on technical estimates, the valuer has determined the revised useful life of assets which would be adopted to provide for depreciation from 1st April 2004.

AUDITORS OBSERVATIONS TO THE ACCOUNTS

No new qualification has been made by the Auditors.

SUBSIDIARY COMPANY

The Company does not have any subsidiaries.

DIRECTORS

Mr. Yuvraj Narayan and Mr. Kamal Baluja have ceased to be Directors of the company. The company places on record its appreciation for their valuable contribution during their association with the company.

Mr. Vincent Lim retires by rotation and being eligible offers himself for re-appointment.

Mr. Yap Min Choy retires by rotation and being eligible offers himself for re-appointment.

Mr. David Yang retires by rotation and being eligible offers himself for re-appointment.

Mr. Krishan Sehgal representing UTI, AMP and New York Life, Mr. Dinesh Kumar Lal representing APM Terminals and Mr. H. K. Dash, IAS representing GMB on the Board of Directors of the company are appointed as Additional Directors in various Board Meetings of the company. The company is in receipt of an intimation regarding their appointment as Directors liable to retire by rotation. The company would be immensely benefited by their appointment as Directors. Also the appointment of Mr. Dash is necessary in terms of the Concession Agreement signed by the company with Gujarat Maritime Board (GMB) and the Government of Gujarat.

AUDITORS

The auditors M/s BSR & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

FIXED DEPOSITS

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

With respect to the provisions of conservation of energy and absorption of technology the Directors believe that considering the nature of industry, the energy consumption is very negligible.

The foreign exchange earnings and outgo during the year is as under:

	(In 000s)
Earnings	317,650 (Deemed Foreign Exchange Earnings)
Outgo	5,618

PERSONNEL RESOURCES

The Directors of your Company acknowledge the fact that manpower is its most important asset and it is committed to upgrading their skills and abilities. The particulars as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are enclosed herewith.

ACKNOWLEDGEMENT

The Board of Directors of your company acknowledges the ongoing valuable support and contribution of the employees of the company and the co-operation and assistance of the Government of India and the Government of Gujarat, Gujarat Maritime Board and various other Government Agencies, Bankers, Financial Institutions and other agencies which the Board feels and recognizes is crucial for successful development and operation of Pipavav Port.

For and on behalf of Board of Directors

PLACE: Mumbai
DATE : 03 September 2004

Hans Ole Madsen
Managing Director

CMDE.V.G.Honnavar
Director

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**Auditors' Report
To the Members of
Gujarat Pipavav Port Limited**

We have audited the attached Balance Sheet of Gujarat Pipavav Port Limited ('the Company') as at 31 March 2004, and also the Profit and Loss Account and the 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As more fully explained in Schedule 16, note 14, at 31 March 2002 the Company had paid managerial remuneration in excess of the approval received from the Central Government under Sections 269, 198(4)/309(3) of the Companies Act, 1956 aggregating Rs 0.81 million, which is included in loans and advances. The Company has applied to the Central government for waiver of the excess remuneration.
3. Further to our comments in the Annexure referred to above, 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 the 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 those books;
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) on the basis of written representations received from the directors as on 31 March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2004 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - (f) in our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of the matter referred to in paragraph 2 above*, the said financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2004;
 - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Place : Mumbai
Date : 3 September 2004

Russell I Parera
Partner
Membership No: 42190

Gujarat Pipavav Port Limited
Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Gujarat Pipavav Port Limited ('the Company') on the financial statements for the year ended 31 March 2004, we report that:

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, fixed assets have been physically verified by management during the current year and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) The inventory of stores and spare parts has been physically verified by management during the year. In our opinion, the frequency of such physical verification is reasonable.
- (b) The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. The Company has not granted or taken any loans, secured or unsecured from / to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses 4 (iii)(b), 4 (iii)(c) and 4 (iii)(d) of the Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of stores and spare parts and fixed assets, for the services rendered. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year, were made at prices which are reasonable having regard to prevailing market prices as available with the Company for providing such services.
6. In our opinion and according to the information and explanations given to us, the Company has not obtained any deposits from the public. Accordingly, the provisions of clause 4 (vi) of the Order are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Act. Hence, the provisions of clause 4 (viii) of the Order are not applicable to the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax and custom duty. According to the information and explanations given to us, the Company does not have any dues on account of investor education and protection fund, excise duty, cess or any other statutory dues.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31 March 2004, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income-tax, customs duty, wealth-tax, excise duty, cess which have not been deposited on account of any dispute.