

GUJARAT PIPAVAV PORT LIMITED

15th ANNUAL REPORT

2006



BOARD OF DIRECTORS

Mr. Hans-Ole Madsen	Chairman
Mr. Christian Moller Laursen	
Mr. Dinesh Kumar Lal	
Mr. H. K. Dash, I. A. S.	
Mr. Johan Herman Van Kerkhof	
Mr. Krishan Sehgal	
Mr. Luis Miranda	
Mr. Sunil Chawla	(from 22 nd September 2006)
Mr. S. Ravi	Nominee Director- IDBI
Mr. Tiemen Meester	(from 23 rd March 2007)
Mr. Rajeeva Sinha	Managing Director
Mr. Jack D. Helton	(upto 23 rd March 2007)
Mr. Rajeev Thakore	(upto 22 nd September 2006)
Mr. Hariharan Iyer	Alternate to Mr. Jack D. Helton (upto 23 rd March 2007)

AUDIT COMMITTEE

Mr. Luis Miranda	Chairman
Mr. Christian Moller Laursen	
Mr. Dinesh Kumar Lal	

FINANCIAL CONTROLLER

Mr. C. S. Venkiteswaran

COMPANY SECRETARY

Mr. Manish Agnihotri

AUDITORS

BSR & Associates
Chartered Accountants.

R & T Agents

TSR Darashaw Limited
6-10 Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road,
Mahalaxmi, MUMBAI - 400 011

REGISTERED OFFICE

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

CORPORATE OFFICE

C. G. House, 1st Floor,
Dr. Annie Besant Road, Worli,
Mumbai -400 030

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NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of the Company shall be held on Friday 29th June 2007 at 2.00 P.M. at the Company's Registered Office at Pipavav Port, At Post Uchhaiya, via Rajula, District Amreli to transact the business as mentioned herein below:

ORDINARY BUSINESS:

- (i) To receive, consider and approve the Audited Accounts of the Company for the year ended 31st December 2006 and adopt the Report of the Directors and of the Auditors thereon.
- (ii) To appoint a Director in place of Mr. Hans-Ole Madsen who retires by rotation and being eligible, offers himself for re-appointment.
- (iii) To appoint a Director in place of Mr. Christian Moller Laursen who retires by rotation and being eligible, offers himself for re-appointment.
- (iv) To appoint a Director in place of Mr. Johan Herman Van Kerkhof 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 Ordinary Resolution with or without modification(s):

RESOLVED THAT M/s BSR & Associates, 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 and the Board of Directors / Committee of the Board be and is hereby authorized to fix their remuneration plus traveling and other out of pocket expenses incurred by them in connection with Statutory Audit.

SPECIAL BUSINESS:

- (vi) **Appointment of Mr. Sunil Chawla as Director of the Company**

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

RESOLVED THAT Mr. Sunil Chawla, 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. Tiemen Meester as Director of the Company**

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

RESOLVED THAT Mr. Tiemen Meester, 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. Rajeeva Sinha as Managing Director of the Company**

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

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, Schedule XIII of the Companies Act, 1956 and any other applicable provisions, Mr. Rajeeva Sinha be and is hereby appointed as Managing Director of the Company subject to the approval of Central Government for the period from 10th November 2006 upto 7th June 2007 for an all inclusive remuneration of Rs. 73.30 lacs per annum comprising of Salary and Perquisites including Furnished Company Leased Accommodation, Actual Medical re-imburement for self, spouse and 2 dependent children upto 21 years of age, Accident Insurance, Club Membership Fees, Car and Telephone Expenses.

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file necessary forms with the Registrar of Companies and do all such acts, deeds, matters and things as may be necessary for the purpose.

(ix) Donations

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

RESOLVED THAT pursuant to the provisions of Section 293 (1)(e) of the Companies Act, 1956, the Board of Directors be and is hereby authorized to make donation of an amount not exceeding Rs. 500,000/- in the year ended 31st December 2007 for charitable and other purpose not directly related to the company's business.

By Order of the Board

**Manish Agnihotri
Company Secretary**

**Place: Mumbai
Date : 1st June 2007**



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 (ix) of the accompanying notice hereinabove are mentioned as under:

Item no. (vi)

Mr. Sunil Chawla was appointed Additional Director of the company and ceases to be the Director at this Annual General Meeting pursuant to the provisions of Section 257 of the Companies Act, 1956.

Mr. Chawla is a Chartered Accountant and has an experience of over two decades in Finance.

The company is in receipt of his nomination for appointment as Director of the company liable to retire by rotation.

Considering his vast experience in the industry, New York Life International India Fund Mauritius LLC and Jacob Ballas Capital India Private Limited, shareholders of the company have jointly nominated Mr. Sunil Chawla as representative on the Board of Directors of the company. His appointment would be of immense benefit to the company as Director of the company liable to retire by rotation.

None of the Directors are interested except Mr. Sunil Chawla.

Item no. (vii)

Mr. Tiemen Meester was appointed Additional Director of the company and ceases to be the Director at this Annual General Meeting pursuant to the provisions of Section 257 of the Companies Act, 1956.

Mr. Tiemen Meester is CEO of Port of Salalah which is part of APM Terminals. He is also in charge of West Central Asia Region (WCA) of APM Terminals in India, Pakistan, Sri Lanka, Bahrain, Jordan and Oman. He is based in Muscat, Sultanate of Oman.

APM Terminals Mauritius Limited has nominated Mr. Tiemen Meester as its representative on the Board of Directors of the company. The company would benefit from his appointment as Director of the company liable to retire by rotation considering his experience in the port business.

None of the Directors are interested except Mr. Tiemen Meester.

Item no. (viii)

Mr. Rajeeva Sinha was appointed Managing Director of the company by the Board of Directors in its meeting held on 10th November 2005 for a period of three years subject to approval of Central Government.

Since the Central Government vide its letter dated 17th August 2006 approved the appointment of Mr. Sinha as Managing Director for one year from 10th November 2005 at an all inclusive remuneration of Rs. 73.30 lacs per annum, the Board of Directors in its meeting held on 8th December 2006 appointed Mr. Rajeeva Sinha as Managing Director of the company for balance two years on the same terms as approved by Central Government. The company also filed necessary application with Central Government for approval.

In the meanwhile Mr. Sinha has expressed his desire to step down from the position of Managing Director and for the purpose of statutory compliance shareholders approval is being sought for the period from 10th November 2006 upto 7th June 2007.

None of the Directors are interested except Mr. Rajeeva Sinha.

Item no. (ix)

As per the provisions of Section 293 (1)(e) of the Companies Act, 1956, the company is required to obtain shareholders approval if the donations made during the year to charitable and other funds not directly relating to the company's business or welfare of employees exceed an aggregate amount of Rs. 50,000/- or 5% of average net profit during three financial years whichever is higher.

None of the Directors are interested.

By Order of the Board

**Manish Agnihotri
Company Secretary**

**Place: Mumbai
Date : 1st June 2007**



DIRECTORS REPORT

The Directors present herewith the Fifteenth Annual Report of the Board of Directors of the Company together with the Audited Accounts for the year ended 31st December 2006.

FINANCIAL RESULTS

Particulars	Year Ended 31 st December 2006 (Rs. In Million)	Period Ended 31 st December 2005 (Rs. In Million)*
Total Revenue	1349.63	676.23
Total Expenditure	1973.91	982.85
Operating Profit/ (Loss)	(624.28)	(306.62)
Add: Other Income	66.63	29.92
Profit / (Loss) before Taxes	(557.65)	(276.70)
Exceptional Item	83.58	—
Less: Provision for Current Taxation	2.52	1.72
Profit/ (Loss) After Tax	(643.75)	(278.42)
Add: Balance Brought Forward from Previous Year	(4316.50)	(4038.08)
Balance loss carried forward to Balance Sheet	(4960.25)	(4316.50)

* The figures are for nine month period from 1st April to 31st December 2005 due to change in financial year of the company to Calendar Year

DIVIDEND

As per the financial statements presented, the company has incurred a loss of Rs. 643.75 Million during the year ended 31st December 2006 and the total accumulated losses of the company amounting are Rs.4960.25 Million. The Directors therefore do not recommend any dividend for the year ended 31st December 2006.

UPDATE ON PROJECT IMPLEMENTATION

The project implementation is progressing well and certain capital expenditures completed during the year are widening of the existing container berth which would help movement of quay cranes on entire berth length of 400 meters, augmentation of power supply from 220KV line which will ensure stable grid power supply at the jetty area for operations, Capital Dredging which facilitates vessel calls with draught of 12.5 meters bringing the port at par with Jawaharlal Nehru Port (JNP), India's premier port and 8 Nos. Rubber Tyre Gantry Cranes have been commissioned which helps efficient handling of containers in the partially completed container yard.

The capital expenditure on Environment Management Plan, Container Berth and Container Yard is in progress and orders have been placed for 3 Nos. Ship to Shore Quay Cranes and 10 Nos. Rubber Tyre Gantry Cranes.

The contract for phase two of Electrical Distribution has been awarded which will ensure stable grid power supply to the entire port area on completion.

The total amount of capital expenditure incurred upto 30th April 2007 is Rs. 4770 Million and capital commitments under implementation as on that date are Rs. 2713 Million.

YEAR IN RETROSPECT & OTHER KEY DEVELOPMENTS

A brief statistical profile on port operations during the year ended 31st December 2006 comprising of ships calling at Pipavav and volume of cargo handled is as under:

Particulars	1st January – 31st December 2006	1st April – 31st December 2005
No. of vessel calls at Pipavav	628	501
Bulk Cargo Handled (In MT.)	2149813	1,679,778
Containers Handled (TEU)	135167	62,488

During the year 2006 the company has handled significantly higher volume of cargo at Pipavav Port. The company for first time exceeded the container volume of 100,000 TEUs in a year and Revenue in excess of Rs. 1000 Million.

The first main line vessel call commenced from May 2006 and with various shipping lines starting the main line vessel calls, the port now offers direct services to all the important trade links such as Europe, US East Coast, China and Far East.

Also the port has commenced international transshipment operations by handling container volumes from Karachi port.

The company is also exploring new cargo handling opportunities such as imported coal for power plants and car exports.

BUSINESS PLAN

The Business Plan of the company is being reviewed along with various options of funding including Rights Issue of shares.

PIPAVAV RAILWAY CORPORATION LIMITED (PRCL)

The Company had proposed deferment of the past shortfall in traffic guarantee obligation towards Pipavav Railway Corporation Limited (PRCL) by offering to meet it along with additional cargo within March 2011. The proposal accepted and recommended for approval by PRCL Board to Ministry of Railways (MoR) has not been agreed by MoR. The Company has taken up the matter afresh for consideration by MoR and reasonably believes that there are fair chances of convincing them for approval of the deferment proposal.

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 are 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 as on 31st December 2006;
- (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;
- (iv) The accounts have been prepared on Going Concern Basis.

AUDITORS OBSERVATIONS TO THE ACCOUNTS

The company has made an application to Central Government seeking approval for appointment and payment of remuneration to Mr. Rajeeva Sinha, Managing Director as per the provisions of the Companies Act, 1956 and the approval is awaited.

SUBSIDIARY COMPANY

The Company does not have any subsidiaries.

DIRECTORS

Mr. Rajeev Thakore jointly representing New York Life International India Fund Mauritius LLC and Jacob Ballas Capital India Private Limited and Mr. Jack D. Helton representing APM Terminals Mauritius Limited have ceased to be Directors of the company. The company places on record its appreciation for their valuable contribution during their association.

Mr. Hans-Ole Madsen retires by rotation and being eligible offers himself for re-appointment.

Mr. Christian Moller Laursen retires by rotation and being eligible offers himself for re-appointment.

Mr. Johan Herman Van Kerkhof retires by rotation and being eligible offers himself for re-appointment.

Mr. Sunil Chawla jointly representing New York Life International India Fund Mauritius LLC and Jacob Ballas Capital India Private Limited. and Mr. Tiemen Meester representing APM Terminals Mauritius Limited were appointed as Additional Directors of the Company. They cease to be Directors of the company at this Annual General Meeting and are seeking appointment as Director of the company liable to retire by rotation. The company would benefit from their appointment as Director considering their experience.

Mr. Rajeeva Sinha was appointed Managing Director of the Company by the Board of Directors in the meeting held on 10th November 2005 for a period of three years subject to approval of Central Government.

Since his appointment was approved by Central Government for one year with effect from 10th November 2005 the Board of Directors in Meeting held on 8th December 2006 appointed him as Managing Director for balance period of two years on the same terms and conditions as approved by Central Government. An application for Central Government approval was also filed.

In the meanwhile, Mr. Sinha has expressed his desire to step down as Managing Director of the company and Mr. Philip Littlejohn is proposed to be appointed as Managing Director.

Mr. Littlejohn has been with A. P. Moller- Maersk Group for over 30 years and has held various positions in the Group's Terminal Operation as well as Shipping Line business. In his previous assignment he was heading the group's Container Terminal Project in Egypt for six years. The terms of appointment of Mr. Philip Littlejohn are pending finalisation and the statutory approvals would be obtained thereafter.

As a part of statutory compliance, shareholders approval is being sought for Mr. Sinha for the period from 10th November 2006 upto 7th June 2007.

AUDITORS

The auditors M/s BSR & Associates, 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 increase in cargo volumes and investment in additional equipments, Pipavav port has availed power connection from Gujarat Electricity Board (GEB) through 220 KV line which assures stable power supply at reduced cost as compared to power supply through DG sets. The ports requirement of power for refrigerated containers is also taken care economically.

The port has installed energy meters at cost centres such as cranes, conveyor, lighting and the readings are recorded periodically to check efficiency in power usage.

The substations use dry type transformers instead of oil filled ones saving on the transformer losses.