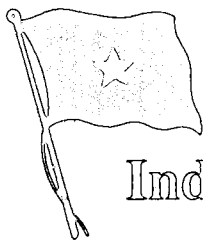


69th Annual Report 1997

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RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

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India Steamship Company Limited



BOARD OF DIRECTORS

Shri K. K. Birla, *Chairman*

Shri L. M. S. Rajwar, *Managing Director*

Shri D. Madhok, *Executive Director*

Shri S. P. Sen Gupta, *Nominee Director of Central Government*

Shri Sunil Kumar Singh Roy

Shri Ramesh Maheshwari

Shri S. M. Agarwal

Shri S. N. Sachdev

Shri S. K. Poddar

Shri C. S. Nopany

Shri R. K. Choudhury

Smt. Shobhana Bhartia

COMPANY SECRETARY

Shri Sanjay Mukherjee

SOLICITORS & ADVOCATES

Messrs. Khaitan & Co.

AUDITORS

Messrs. G. Basu & Co., *Chartered Accountants*

Messrs. Singhi & Co., *Chartered Accountants*

PRINCIPAL BANKERS

State Bank of India

Indian Bank

Hongkong & Shanghai Banking Corporation Ltd.

ICICI Banking Corporation Ltd.

REGISTERED OFFICE

INDIA STEAMSHIP HOUSE,

21, Hemanta Basu Sarani, Calcutta - 700 001

INDIA STEAMSHIP COMPANY LIMITED

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NOTICE

Notice is hereby given that the 69th Annual General Meeting of the Members of India Steamship Company Limited will be held at GHANSHYAM DAS BIRLA SABHAGAR, 29 Ashutosh Chowdhury Avenue, Calcutta - 700 019, on Monday, September 29, 1997 at 10 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 1997 and the Profit and Loss Account for the year ended March 31, 1997 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K K Birla who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri S N Sachdev who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Ramesh Maheshwari who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modification, the following resolution :

6. As an Ordinary Resolution :

RESOLVED that in accordance with the applicable provisions of the Companies Act, 1956, or any amendment or modification thereof, the Company do hereby approve the re-appointment of and the remuneration payable to Shri D Madhok as Executive Director of the Company for a further period from September 4, 1997 to October 31, 1998 on the terms and conditions as set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting.

The Register of Members and Share Transfer Register of the Company will be closed from Monday, September 1, 1997 to Monday, September 29, 1997, both days inclusive.

Registered Office : By Order of the Board
 'INDIA STEAMSHIP HOUSE' SANJAY MUKHERJEE
 21, Hemanta Basu Sarani Company Secretary
 Calcutta - 700 001
 August 20, 1997

Notes :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy/proxies to attend and vote instead of himself and such proxy/proxies need not be a Member of the Company.
2. Members are requested to notify any change in their address immediately to the Registered Office of the Company.
3. Members who have multiple accounts in identical names or joint accounts in same order are requested to intimate the ledger folios of such accounts to enable the Company to consolidate all such shareholdings into one account.
4. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, in respect of the Special Business of the Meeting is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 6**

The Members of the Company, at the 67th Annual General Meeting held on September 29, 1995, approved the terms and conditions of re-appointment and remuneration of Shri D Madhok as a Wholetime Director designated as Executive Director of the Company for a period of two years with effect from September 4, 1995. The period of the aforesaid re-appointment will expire with the close of business on September 3, 1997.

In view of Shri D Madhok's knowledge and experience in shipping and in the best interests of the Company, the Board considers it beneficial to avail of his services for a further period upto October 31, 1998.

The Board has approved the re-appointment of Shri D Madhok as Executive Director for a further period from September 4, 1997 to October 31, 1998 subject to the consent of the Company in general meeting on the terms and conditions as set out hereinafter.

In compliance with section 302 of the Companies Act, 1956, an abstract of the terms and conditions of the re-appointment of Shri D Madhok as Executive Director of the Company is set out below :

(A) Salary per month : Rs. 24,000/-

(B) Perquisites :

- 1) **Furnished Residential Accommodation**
Free Furnished Residential Accommodation together with all amenities, facilities, utilities, services such as gas, water, electricity, fuel.
- 2) **Medical Expenses**
Medical expenses incurred for self and wife will be reimbursed in accordance with the Rules of the Company.
- 3) **Leave Travel Allowance**
Leave Travel Allowance for self and wife once a year in accordance with the Rules of the Company.

4) **Conveyance**

Free use of car with driver or allowance for driver, the Company to meet all running, maintenance, repairs and other expenses.

5) **Telephone**

Free Telephone facility at residence.

6) **Provident Fund and Gratuity Fund**

Company's contribution to Provident Fund and Gratuity Fund in accordance with the Rules of the Company.

7) **Club Membership**

Monthly subscription / fees and reimbursement of expenses of one club at Calcutta.

8) **Insurance**

Personal Accident Insurance with premium not exceeding Rs. 1,000/- per annum.

9) **Entertainment Expenses**

Actual entertainment expenses incurred for the purpose of the business of the Company.

10) **Such other benefits and perquisites as are available to other Executives of the Company.**

(C) **Period of Service**

This re-appointment will be for the period from September 4, 1997 to October 31, 1998. Three months' notice from either side shall be applicable for termination of service.

The Board of Directors is of the opinion that the remuneration payable to Shri D Madhok on his re-appointment as Executive Director is commensurate with his duties and responsibilities. The Resolution set out in item No. 6 of the Notice convening the Annual General Meeting has to be considered accordingly and the Board recommends that the same be passed.

Excepting Shri D Madhok, no other Director of the Company is interested or concerned in this Resolution.

REPORT OF THE DIRECTORS

1. Your Directors take pleasure in presenting the 69th Annual Report of your Company together with the audited statement of accounts for the year ended March 31, 1997.

FINANCIAL RESULTS

2. The financial results of your Company for the year under review and those of the previous year are given below.

	Year Under Review	Previous Year
	(Rupees in lakh)	
Profit before finance charges and depreciation	424.63	319.41
Finance charges	297.75	336.91
	126.88	(17.50)
Depreciation	689.53	755.53
Net Profit/(Loss) from Operations	(562.65)	(773.03)
Net Profit on sale of Vessels	623.32	—
Provision for expenses relating to earlier years	—	(105.37)
Profit/(Loss) before Tax	60.67	(878.40)
Provision for Minimum Alternate Tax	8.00	—
Net Profit/(Loss) for the year	52.67	(878.40)
Balance brought forward from previous year	(18831.11)	(17952.71)
Balance carried to Balance Sheet	(18778.44)	(18831.11)

3. Profit during the year under review, as against loss in the previous year, was mainly because of sale of three laid up ships. There was also a reduction in ship repair costs as only one ship was drydocked during this year as compared to three ships in the previous year.

4. Freight and charter hire earnings declined to Rs. 5173.28 lakh in the year under review as against

Rs. 5711.54 lakh in the previous year. Earnings were adversely affected because of a decline in the freight market which was triggered off by the massive delivery of new bulk carriers in 1995 due to which the world bulk carrier fleet increased from 228.8 million tons to 241.8 million tons during the year. Consequently, even though world trade remained buoyant it could not absorb the substantial increase in the supply of shipping space.

5. The year 1996-97 commenced with a depressed freight market for drybulk cargoes and the market remained under pressure throughout the year. The Baltic Freight Index for drybulk cargoes was substantially lower in each quarter of 1996 as compared to the corresponding quarter of 1995. Though the freight market showed some improvement in the first quarter of 1997 the Index was still somewhat lower as compared to the first quarter of 1996. Your Company's earnings suffered due to such adverse market conditions.

TAXATION

6. Since your Company's Balance Sheet carries large accumulated losses, no corporate tax should have been payable. However, with the introduction of Minimum Alternate Tax (MAT), a minimum tax is payable on the profits earned in the year under review despite accumulated losses. Hence, a provision of Rs. 8.00 lakh has been made in the accounts for this purpose.

DIVIDEND

7. Your Directors regret that, keeping in view the accumulated losses, no dividend can be paid in respect of Preference and Ordinary shares of the Company.

PROSPECTS IN THE CURRENT YEAR

8. The current year 1997-98 has witnessed a sharp increase in the tanker freight rates while other segments of the shipping market not only remained depressed but have been pushed down further as compared to the previous year. The solitary tanker in your Company's fleet, m.t. Ratna Abha, remains on a long term charter with Hindustan Petroleum Corporation Ltd. Hence, the overall financial results of the Company are sensitive to developments in the drycargo sector. The dry cargo market started sliding down from

INDIA STEAMSHIP COMPANY LIMITED

the middle of April 1997 and remained in doldrums till June 1997. This is contrary to the normal pattern of a comparatively stable freight market during these months. A slight improvement in the market emerged in the first half of July 1997 but the recovery was short-lived and the market started declining again from the end of July.

9. On the demand side the prospects remain good. World trade continues to expand in 1997 even though the overall rate of expansion has declined, mainly due to lower growth in exports from the Asian countries. Both iron ore and coking coal trades are set to rise as world steel production increases. Steam coal volumes have also improved due to increasing demand for electric power.
10. Unfortunately, the basic malady remains unchanged from 1996. The growth in demand has been overtaken and nullified by the spurt in the supply of new bulk carriers. Bulk carrier tonnage went up by over 12 million dwt during 1996. On top of this at the beginning of 1997 29 million dwt, or nearly 12 per cent of the world fleet, was on order out of which about 18 million dwt was due for delivery in 1997. This situation has inevitably affected your Company adversely.

SALE OF SHIPS

11. The Board of Directors had already mentioned in their last report to the Members that three of the Company's vessels, m.v. Ratna Nandini, m.v. Indian Endurance and m.v. Indian Explorer, were sold during the year 1996-97 for scrapping.
12. The Directors regret that m.v. Indian Prosperity, which had been laid up at Mumbai, was hit by a typhoon in June 1996 and was grounded. The vessel was declared a "constructive total loss" by your Company and has now been sold for scrapping with the approval of the authorities concerned. Another vessel, m.v. Indian Progress, has also been sold during the current financial year.

FLEET INSURANCE

13. The insured value of the Company's fleet of eight ships comprising 244271 dwt as on March 31, 1997 was Rs. 17630.39 lakh.

SUBSIDIARY COMPANIES

14. The accounts pertaining to the three subsidiaries of your Company are annexed herewith. These companies have not commenced any business as yet.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

15. In terms of Notification No. GSR 1029 dated 31.12.1988 your Company is required to furnish information under section 217(1)(e) of the Companies Act, 1956. As regards conservation of energy, there is hardly any scope for conservation measures in respect of the conventional type of ships owned by your Company. The information to be furnished in Form A is not applicable to the shipping industry. Your Company, being a shipping enterprise, has also no information to furnish in Form B regarding technology absorption. Total foreign exchange earned during the year under review amounted to Rs. 2,852.66 lakh and foreign exchange used amounted to Rs. 2,600.55 lakh. The contribution to the balance of payments would be much more because freight earned in rupees is regarded as saving of foreign exchange.

PARTICULARS OF EMPLOYEES

16. Particulars of employees required under section 217 (2A) of the Companies Act, 1956 as amended are annexed.

AUDITORS' REPORT

17. The Auditors' Report, being self explanatory, is not being dealt with separately.

AUDITORS

18. The Auditors of the Company M/s G Basu & Co and M/s Singhi & Co retire and, being eligible, offer themselves for re-appointment.

DIRECTORS

19. The Board of Directors have re-appointed Shri D Madhok as Executive Director for the period from September 4, 1997 to October 31, 1998. This re-appointment is subject to the approval of the Members of the Company. A resolution specifying the remuneration, perquisites, benefits and amenities permissible to Shri D Madhok is being

included in the Notice convening the next Annual General Meeting.

20. Shri N N Majumdar, Nominee Director of the Central Government, resigned from the Board of Directors with effect from March 1, 1997.
21. Shri K K Birla, Shri S N Sachdev and Shri Ramesh Maheshwari, who are Directors of your Company, retire by rotation and are eligible for re-appointment.

ACKNOWLEDGEMENTS

22. Your Directors wish to express their sincere thanks to the officers in the Ministry of Surface

Transport, Transchart, the Directorate General of Shipping, the Mercantile Marine Department, the Ministry of Finance, other concerned Ministries and Departments of the Government of India, ICICI, State Bank of India and Indian Bank for their assistance and guidance.

23. Your Directors desire to place on record their appreciation of the loyal and efficient services rendered to the Company by its employees, both afloat and ashore. Your Directors also convey their sincere thanks to the Company's Agents at various ports in India and abroad.

New Delhi
August 16, 1997

K. K. BIRLA
L. M. S. RAJWAR
D. MADHOK

Chairman
Managing Director
Executive Director

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the Balance Sheet of INDIA STEAMSHIP COMPANY LIMITED as at 31st March, 1997 and the Profit and Loss Account of the Company for the year ended on that date both annexed hereto.

- (i) As reported in earlier year based on GOI's approval for restructuring of its finance effective 1.4.87, the company had given effect to the restructure scheme in the accounts on the lines of Government's approval. (Please refer Note B-7 in Schedule - "M").
The balance of loan due to GOI and banks are subject to their confirmation. (Please refer to Note B-4 (C) in Schedule - "M").
- (ii) Accounting of interest on foreign exchange loans and SAFAUNS Loan from Banks for acquisition of certain ships as followed by the Company is not in accordance with the guidelines for accounting for such interest as recommended by the Institute of Chartered Accountants of India, the impact of which on the accounts has been detailed in Note B-6 in Schedule - "M" read with Schedule - "G".
- (iii) In accordance with the accounting policy consistently followed in previous years, leave encashment on retirement is accounted for on cash basis. Accounting Standard AS-15 issued by the Institute of Chartered Accountants of India which is mandatory with effect from 1st April, 1995, requires leave encashment liability on retirement should be provided for an accrual basis. The amount of such liability has not been actuarially determined and no provision has been made for the same.
- (iv) In view of extension of life of certain ships in earlier years, the amount of unprovided depreciation carried forward as on 31st March, 1997 remains at Rs. 6.02 lakh. (Please refer Note B-13 in Schedule - "M").
- (v) Expenses on laid-up ships instead of being charged to revenue has been carried forward under the head Miscellaneous Expenditure (Schedule - "G") to the extent of Rs. 173.08 lakh for the year. Cumulative impact on revenue is Rs. 336.07 lakh. (Please refer Note B-15 in Schedule - "M").
- (vi) As per practice consistently followed accounting treatment of certain expenses i.e. closure compensation, retirement benefits etc. has been treated as Deferred Revenue Expenditure in the earlier years instead of being charged to revenue. In our opinion this is not in accordance with Generally Accepted Accounting Standards. (Please refer Note B-12 in Schedule - "M").

Subject to foregoing observation we report that :

1. In our opinion and to the best of our information and according to the explanations given to us, the

annexed Accounts read with Notes in Schedule M give the information required by the Companies Act, 1956 (as amended) in the manner so required and give a true and fair view -

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997 and
 - b) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.
2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 3. In our opinion, proper books of account as required by the Companies Act, 1956 (as amended) have been kept by the Company so far as appears from our examination of those books; and
 4. The Balance Sheet and Profit & Loss Account are in agreement with the books of account.

As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate, we further report that :

1. The Company has maintained proper records to show full particulars including quantitative details and situation of the Fixed Assets and the same have been physically verified by the Management wherever practicable. No material discrepancy was noticed on such verification.
2. There has been no revaluation of the Fixed Assets during the year.
3. The Company owns and operates ships and therefore the requirements with regard to verification of finished goods and raw materials do not apply in its case. The Company has only stores and spares on its vessels. Records showing movement of consumable stores and spares are not maintained. Spares are valued at cost. The Stock of stores have, however, been verified at periodical intervals and have been accounted for on the basis of statement certified by the Management.
4. In our opinion and according to the information and explanation given to us, the procedures of physical verification of stocks of stores followed by the Management are reasonable and adequate in