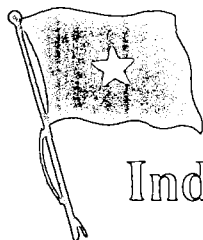


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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			

# 70th Annual Report 1998

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India Steamship Company Limited



**BOARD OF DIRECTORS**

Dr. 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 70th 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 21, 1998 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, 1998 and the Profit and Loss Account for the year ended March 31, 1998 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S K Poddar who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri R K Choudhury who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Smt Shobhana Bhartia 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 pursuant to the provisions of section 80A of the Companies Act, 1956, and subject to the approval of the Company Law Board, the Company do issue new Cumulative Redeemable Preference shares of such amount and carrying such rate of dividend as may be approved by the Company Law Board, and redeemable at par, to the existing holders of 25,000 5% tax free Cumulative Redeemable Preference shares of the Company in lieu of the Preference shares held by them, and upon issue of such new Preference Shares, the existing Preference Shares held by them shall be deemed to have been duly redeemed under the provisions of section 80A of the said Act."

The Register of Members and Share Transfer Register of the Company will be closed from Tuesday, September 8, 1998 to Monday, September 21, 1998, both days inclusive.

**Registered Office :**  
India Steamship House  
21, Hemanta Basu Sarani  
Calcutta - 700 001  
July 28, 1998

By Order of the Board  
**SANJAY MUKHERJEE**  
Company Secretary

**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 Company had, in 1944, issued 25,000 5% tax free Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par. Under the provisions of section 80A of the Companies Act, 1956, the said Preference Shares are due for redemption on or before June 14, 1998.

In terms of the provisions of section 80A, when the Company is not in a position to redeem the Preference Shares within the stipulated period and to pay the dividend, if any, due thereon, it may, with the consent of the Company Law Board, issue further Redeemable Preference Shares, and on the issue of such further Redeemable Preference Shares, the existing Preference Shares shall be deemed to have been redeemed.

It may be noted that the Company has suffered substantial losses on and from the financial year

commencing from April 1, 1981. As such, the Company could neither declare nor pay any dividend to the Preference Shareholders on and from the financial year commencing from April 1, 1981. In view of the aforesaid, the Company intends to redeem the existing Preference Shares by issue of new Preference Shares.

The Company has filed a petition before the Company Law Board under section 80A of the Companies Act, 1956, seeking its consent to the issue of Preference Shares for such amount and carrying such rate of dividend as may be approved by the Company Law Board.

The Board recommends the aforesaid resolution for your approval.

No Director of the Company is concerned or interested in the aforesaid resolution.

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## REPORT OF THE DIRECTORS

1. Your Directors take pleasure in presenting the 70th Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 1998.

## 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	273.77	424.63
Finance charges	<u>328.56</u>	<u>297.75</u>
	(54.79)	126.88
Depreciation	<u>588.78</u>	<u>689.53</u>
Net Profit/(Loss) from Operations	(643.57)	(562.65)
Net Profit on sale of vessels	548.54	623.32
Profit/(Loss) before Tax	(95.03)	60.67
Provision for Minimum Alternate Tax	—	8.00
Provision for tax written back	8.00	—
Net Profit/(Loss) for the year	(87.03)	52.67
Balance brought forward from previous year	<u>(18778.44)</u>	<u>(18831.11)</u>
Balance carried to Balance Sheet	(18865.47)	(18778.44)

3. The financial results for the year under review were adversely affected due to a crash in the dry cargo freight market and drydocking and special survey of three ships during the year; in the previous year only one ship was drydocked and there was no special survey.
4. Plunging demand and mounting supply of ships caused a deep recession in the dry cargo sector.

The dry cargo market started sliding from April, 1997 and remained in the doldrums throughout the year. Economic meltdown in the tiger economics of Asia severely punished an already weakened market. The Baltic Freight Index (BFI) for dry cargoes reached a rock-bottom on 11th February, 1998 when it touched 932. This was the lowest point reached in the last ten years.

5. On the supply side an unabated stream of new bulk carriers pushed up the tonnage on offer from 252.8 million dwt at the beginning of the year to 264.1 million dwt on 31st March, 1998. Another 32.17 million dwt of bulk carrier tonnage was on order which will continue to flood the world market with over-supply.
6. Out of four ships which remained in operation through out the year under review, tanker m.t. Ratna Abha, Panamax bulkcarrier m.v. Ratna Deep and container ship m.v. Indian Courier went through 5 yearly special survey which consumed 124 ship days; in the previous year only one ship, m.v. Indian Goodwill, was drydocked over a period of 30 days. This brought down the earnings for the year under review substantially while heavy expenditure on repairs and surveys was incurred.

## 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.

## PREFERENCE SHARE CAPITAL

8. Your Company has applied to the Company Law Board seeking confirmation for the issue of new Preference shares so that the existing Preference shares may be deemed to be redeemed in accordance with section 80A of the Companies Act, 1956.

## PROSPECTS IN THE CURRENT YEAR

9. The collapse of the dry cargo market persists and there is little chance of recovery in the near future. The Baltic Freight Index (BFI) continues sliding downhill. Even the floor of 900 was breached on 8th June 1998 and on 6th July 1998 the index touched 837, its lowest point so far. In this context economic recession in Japan is a cause of great concern. Your Company is,

## INDIA STEAMSHIP COMPANY LIMITED

however, cushioned from the ill-effects of this crisis to a considerable extent because of a favourable time charter of bulkcarrier m.v. Ratna Deep which extends upto March 2000.

10. The crude oil carrier tanker market was strong throughout 1997- 98. Though the market has started softening now, it remains good so far. Your Company's tanker m.t. Ratna Abha was on charter with Hindustan Petroleum Corporation Ltd on a cost plus basis ever since the ship was acquired. However, with effect from 1st April, 1998 this arrangement has been discontinued in pursuance of the new government policy of moving away from the administered prices regime in the petroleum sector. The tanker still continues to serve the Indian oil industry on a preferential basis but freight rate will be market related.
11. Because of the adverse financial results in the year 1997-98 and further deterioration of dry cargo market, the cashflow of your Company is under severe strain.

**ISM CODE**

12. A new international convention, International Safety Management (ISM) Code, has entered into force with effect from July 1998. The main focus of this Code is on quality management and application of stringent safety requirements and environmental protection standards on shipowning companies as well as on the ships which they own. Your Directors are pleased to report that upon compliance of the requirements of the ISM Code, your Company has been awarded a Document of Compliance certificate by the Government of India. To start with, the Code is applicable to some specified categories of ships including tankers and bulkcarriers. Tanker m.t. Ratna Abha and bulkcarrier m.v. Ratna Deep have also been awarded Safety Management Certificates by the government. There is an in-built provision in the ISM Code to monitor the performance of shipping companies and also of individual ships.

**SALE OF SHIPS**

13. During the year, four ships m.v. Indian Progress, m.v. Indian Valour, m.v. Ratna Vandana and m.v. Indian Prosperity were sold for scrapping. Your Directors had reported last year that m.v. Indian Prosperity had grounded near Mumbai and

became a constructive total loss. The wreck of the vessel was sold for scrapping for a sum of Rs. 81.52 lakh with the approval of the hull underwriters and the balance amount of Rs. 668.48 lakh has been shown as insurance recovery to be made towards constructive total loss in Schedule "H" of the Balance Sheet.

14. The Directors regret to report that on 11th June this year m.v. Indian Courier ran aground while entering Pipavav port in the aftermath of the devastating cyclone which hit the Saurashtra coast. The ship has been badly damaged. The company has taken necessary steps in consultation with its hull underwriters, P & I Club and average adjusters.
15. The last of a series of three sister ships, m.v. Indian Prestige has been sold for scrapping during the current financial year.

**FLEET INSURANCE**

16. The insured value of the Company's fleet of five ships comprising 182495 dwt as on 31st March, 1998 was Rs. 15730.39 lakh.

**SUBSIDIARY COMPANIES**

17. The accounts pertaining to the three subsidiaries of your Company are annexed herewith. These companies have not undertaken any business so far.

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

18. 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 types of ships owned by your Company. Information required 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. 2359.92 lakh and foreign exchange spent amounted to Rs. 3008.37 lakh. The contribution to the national balance of payments would be,



however, positive because freight earned in rupees is regarded as saving of foreign exchange.

#### **PARTICULARS OF EMPLOYEES**

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

#### **AUDITORS' REPORT**

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

#### **AUDITORS**

21. 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**

22. Shri S K Poddar, Shri R K Choudhury and Smt Shobhana Bhartia, who are Directors of your

Company, retire by rotation and are eligible for re-appointment.

#### **ACKNOWLEDGEMENTS**

23. 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, The Industrial Credit and Investment Corporation of India Limited, State Bank of India and Indian Bank for their assistance and guidance.
24. 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  
July 24, 1998

Report



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

*Chairman  
Managing Director  
Executive Director*

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the Balance Sheet of INDIA STEAMSHIP COMPANY LIMITED as at 31st March, 1998 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-6 in Schedule - "M").

The balance of loan due to GOI and banks are subject to their confirmation. (Please refer to Note B-3 (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-5 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) 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. 202.67 lakh for the year. Cumulative impact on revenue is Rs. 312.00 lakh. (Please refer Note B-14 in Schedule - "M").

- (v) 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-11 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 Note No. B-12 & 13 of Schedule "M" in particular and other notes thereon, 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, 1998 and

- b) In the case of the Profit and Loss Account, of the Loss 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 relation to the size of the Company and nature of its business.