

# 71st Annual Report 1999

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**India Steamship Company Limited**

The logo for Report Junction.com features the text "Report" in a grey font, a yellow diamond icon with a black arrow pointing up and to the right, and the text "junction.com" in a green font, all enclosed within a light green rounded rectangular border.**CONTENTS****Page No.**

Notice	3-4
Directors' Report	5-7
Auditors' Report	8-9
Balance Sheet	10
Profit & Loss Account	11
Schedules A to M	12-23
Balance Sheet Abstract and Company's General Business Profile	24
Cash Flow Statement	25-26
Annexure to the Directors' Report	27
ISS Holdings Limited	28-30
ISS Shipping Services Limited	31-33
ISS Shipping & Trading Services Limited	34-36

**BOARD OF DIRECTORS**

Dr. K. K. Birla, *Chairman*  
Shri L. M. S. Rajwar, *Managing 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

**NOTICE**

Notice is hereby given that the 71st 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 27, 1999 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, 1999 and the Profit and Loss Account for the year ended March 31, 1999 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri C. S. Nopany who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri S. K. Singh Roy who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri S. M. Agarwal 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 resolutions :

6. As an Ordinary Resolution :

RESOLVED that the increase in salary from Rs. 27,000/- per month to Rs. 32,000/- per month payable to Shri L. M. S. Rajwar, Managing Director of the Company, with effect from April 1, 1999, be and is hereby approved and that all other terms and conditions of his appointment as Managing Director remain unaltered.

7. As a Special 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 L. M. S. Rajwar as Managing Director of the Company for a period of three years with effect from May 7, 1999, 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 Tuesday, September 7, 1999 to Monday, September 27, 1999, both days inclusive.

Registered Office :  
India Steamship House  
21, Hemanta Basu Sarani,  
Calcutta - 700 001  
August 5, 1999

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 remuneration payable to Shri L. M. S. Rajwar, Managing Director of the Company, was approved by the Members at the 68th Annual General Meeting held on December 27, 1996. In view of the valuable service rendered by Shri L. M. S. Rajwar and keeping in view the business requirements of the Company, it is deemed appropriate to increase his salary from Rs. 27,000/- per month to Rs. 32,000/- per month with effect from April 1, 1999, subject to your approval, all other terms and conditions remaining the same.

The Resolution set out in Item No.6 of the Notice convening the Annual General Meeting is to be considered accordingly and the Board recommends the adoption of the said resolution.

No Director of the Company, except Shri L. M. S. Rajwar, is concerned or interested in the aforesaid resolution.

**Item No. 7 -**

The Members of the Company, at the 68th Annual General Meeting held on December 27, 1996, approved the terms and conditions of re-appointment and remuneration of Shri L. M. S. Rajwar as Managing Director of the Company for a period of three years with effect from May 7, 1996. The period of the aforesaid re-appointment expired with the close of business on May 6, 1999.

In view of Shri L. M. S. Rajwar's knowledge and experience in shipping and in the best interests of the Company, the Board of Directors considers it beneficial to avail of his services for a further period of three years.

The Board has approved the re-appointment of Shri L. M. S. Rajwar as Managing Director of the Company for a period of three years, subject to the consent of the Company by special resolution in general meeting on the terms and conditions as set out hereunder.

**I. DUTIES AND RESPONSIBILITIES**

Shri L. M. S. Rajwar as the Managing Director of the Company shall be responsible for the entire working of the Company, subject to the superintendence, control and direction of the Board of Directors, and shall perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred on him by the Board of Directors of the Company.

**II. REMUNERATION**

a) Salary : Rs. 32,000/- per month

b) Perquisites :

i) Furnished Residential Accommodation	Free Furnished Residential Accommodation together with all amenities, facilities, utilities, services such as gas, water, electricity & fuel.
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ii) Medical Expenses	Medical expenses incurred for self and wife will be reimbursed in accordance with the Rules of the Company.
iii) Leave Travel Concession	For self and wife once a year incurred in accordance with the Rules of the Company.
iv) Club Membership	Monthly subscription/fees and reimbursement of expenses of upto two clubs.
v) Personal Accident Insurance	Personal Accident Insurance premium shall not exceed Rs. 1,500/- per annum.
vi) Provident Fund & Gratuity Fund	Company's contribution to Provident Fund and Gratuity Fund in accordance with the Rules of the Company.
vii) Conveyance	Free use of car with driver or allowance for driver. The Company will meet all running, maintenance, repair and other expenses in respect thereof.
viii) Telephone	Free telephone facility at his residence will be provided by the Company.
ix) Entertainment Expenses	Actual entertainment expenses incurred for the purpose of the business of the Company.
x) Shifting Expenses	Actual shifting expenses which include cost of packers, movers and carriers of his personal belongings and household goods, and cost of air/rail/road passage for self and wife to any place in India, at the end of his present term of three years or at the time of cessation of employment with the Company.
xi) Other Benefits	Such other benefits as are available to other senior executives of the Company.

**III. PERIOD OF SERVICE**

This re-appointment will be for a period of three years with effect from 7th May, 1999. Three months' notice from either side will be applicable for termination of service.

Excepting Shri L. M. S. Rajwar, no other Director of the Company is interested or concerned in this Resolution. The Directors of your Company request your approval to the proposed Resolution No. 7 of this Notice.

**REPORT OF THE DIRECTORS**

1. Your Directors take pleasure in presenting the 71st Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 1999.

**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	382.30	273.77
Finance charges	396.42	328.56
	(14.12)	(54.79)
Depreciation	443.24	588.78
Net Profit/(Loss) from Operations	(457.36)	(643.57)
Net Profit on sale of vessel	—	548.54
Profit/(Loss) before Tax	(457.36)	(95.03)
Taxation	49.59	—
Provision for tax written back	—	8.00
Net Profit/(Loss) for the year	(506.95)	(87.03)
Balance brought forward from previous year	(18865.47)	(18778.44)
Balance carried to Balance Sheet	(19372.42)	(18865.47)

3. The financial results derived from operation of ships during the year under review showed improvement over the previous year. In the previous year, net profit from sale of ships brought in Rs. 548.54 lakh while there was no profit on this account in the subsequent year. Outgo on account of taxation was Rs. 49.59 lakh this year while no tax was paid last year. Dry cargo operations of the Company were also adversely affected by the worst market since 1987.
4. Your Directors had stated in their last report that cost plus arrangement for crude oil transportation was discontinued by the Government with effect from 1st April 1998 though your Company's tanker Ratna Abha would continue to serve the Indian oil

industry on a preferential basis and that freight earnings for the tanker would henceforth be market related.

5. Under the new arrangements the Shipping Corporation of India Ltd. (SCI) is acting as a nodal agency for meeting the full crude oil transportation requirements of the oil industry and for this purpose SCI is to utilise all Indian flag tankers which were employed with the oil industry when the new system was introduced. SCI has not been able to conclude a final contract with the oil industry so far. However, in the meantime oil industry has paid SCI, on a provisional basis, freight rates which had been negotiated between the two parties for the year 1997-98. Out of this amount SCI has made ad hoc payments to your Company. The financial results for the year under review are based on the above mentioned 1997-98 rates. SCI expects to conclude the contract with the oil industry shortly and in their assessment freight rates for the year 1998-99 are not likely to be lower than the aforesaid provisional rates.
6. 1998 was a gloomy year, especially for drycargo shipping markets. It was dominated by the Asian crisis and highlighted the strong dependence of the world shipping industry on the Asian economies. Even though the world output increased by 2.25 per cent in 1998, primarily due to strong economic growth in USA and Western Europe, seaborne trade fell for the first time since the mid 1980s.
7. The Baltic Freight Index (BFI) for dry bulk cargoes vividly reflected the market situation. Month for month, the index was lower throughout 1998 as compared to the corresponding months of 1997 and in the first quarter of 1999 BFI has been again lower than the first quarter of 1998. For a continuous period of 18 months from November 1997 to April 1999 the script has been repeated every month. On 11th February 1998 BFI was 932, its lowest point in 11 years. But by 12th August 1998 the index had dropped down to only 780, falling below 800 for the first time since January 1987. That this should have happened in a year when the world bulk carrier fleet did not grow due to sharp increase in demolition of bulk carriers tells its own story.
8. Tanker freight rates for crude oil were relatively well maintained in the first half of 1998 due to huge build up of inventories of crude oil whose price had fallen steeply. But the Asian crisis and sharp increase in

## INDIA STEAMSHIP COMPANY LIMITED

delivery of new tanker tonnage brought down tanker freight rates in the second half of 1998 and this has continued in 1999.

**DIVIDEND**

9. 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**

10. Your Company had 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. After four hearings the Company Law Board has adjourned the case sine die pending judgement of the Hon'ble Calcutta High Court on an appeal made by another company in a similar case.

**PROSPECTS IN THE CURRENT YEAR**

11. The downward slide of the BFI has been somewhat arrested since February this year. In the summer months of July and August the freight market is generally soft. But so far the BFI appears to have stabilised, albeit at a low level. Based on the market behaviour so far and other factors discussed below the general impression with regard to dry bulk market seems to be that while 1999 may continue to be a difficult year there could be a modest revival as compared to 1998 provided that the high volume of scrapping of bulk carrier tonnage achieved in 1998-99 can be maintained.
12. Revised IMF global GDP forecast projects the world economy to grow by 2.3 per cent in 1999. The US economy is predicted to see a growth of 3.3 per cent which would constitute the ninth consecutive year of growth in USA. But estimates for other areas are not so encouraging. EU economy has slowed down and is expected to register only a modest growth. Even though the worst days of 1998 are behind them, and an economic revival is on its way, sustained robust growth is not likely to materialise

in East Asian economies. But the greatest cause for concern continues to be Japan whose exports and imports constitute about one-fifth of the total world seaborne trade. Japanese GDP fell by 2.8 per cent last year, its first output decline since 1974, and is projected to undergo further contraction in 1999. China is also witnessing an accelerating deflationary pressure.

13. Steel industry is the largest generator of demand for dry bulk shipping. World steel production declined in 1998 and further decline continues in the current year. But improved activity is forecast for grain shipments. The oil tanker market has been adversely affected due to cut down in oil production by OPEC, draw down of inventories due to higher oil prices, and lower consumption in summer months. This is compounded by massive new tanker deliveries scheduled for 1999. But the general expectation is that tanker market may stabilise towards the end of the year due to increased demand for oil and low inventory levels.
14. Due to commercial arrangements already in place for employment of bulk carrier Ratna Deep and tanker Ratna Abha your Company is better equipped to cope with the depressed market. However, because of losses suffered in the past and delay in receiving freight from the oil industry and SCI the cashflow of your Company continues to be under severe strain.

**SALE OF SHIPS**

15. Your Company's ship m.v. Indian Prestige was sold for scrapping during the year under review for a sum of Rs. 312 lakh with the approval of the Government of India and Indian Bank to whom the ship was mortgaged. The sale resulted neither in profit nor loss.
16. In their last report the Directors had informed that the Company's ship m.v. Indian Courier ran aground while entering Pipavav port on 11th June 1998 in the aftermath of the devastating cyclone which hit the Saurashtra coast and the ship had been badly damaged. The ship has been sold for scrapping in the current year for a sum of Rs. 70 lakh with the approval of the Government of India and State Bank

of India to whom the ship was mortgaged. After this sale your Company's fleet has been reduced to three ships.

#### Y2K COMPLIANCE

17. Your Company has been taking necessary steps to ensure that all systems are Y2K compliant before the end of 1999. Any unforeseen problem on account of Y2K is not likely to affect the Company significantly.

#### FLEET INSURANCE

18. The insured value of the Company's fleet of four ships as on 31st March, 1999 comprising 1,63,641 dwt was Rs. 15,080.39 lakh.

#### SUBSIDIARY COMPANIES

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

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

20. 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. 1918.05 lakh and foreign exchange spent amounted to Rs. 1913.71 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

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

Calcutta  
July 30, 1999

#### AUDITORS' REPORT

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

#### AUDITORS

23. 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

24. The Board of Directors have re-appointed Shri L. M. S. Rajwar as Managing Director for a period of three years with effect from May 7, 1999. This re-appointment is subject to the approval of the Members of your Company. A resolution specifying the remuneration, perquisites, benefits and amenities permissible to Shri L. M. S. Rajwar is being included in the notice convening the next Annual General Meeting.

25. The term of office of Shri D. Madhok, Executive Director of the Company, expired on October 31, 1998, and Shri Madhok resigned from the Board of Directors with effect from the same day.

26. Shri C. S. Nopany, Shri S. K. Singh Roy and Shri S. M. Agarwal, who are Directors of your Company, retire by rotation and are eligible for re-appointment.

#### ACKNOWLEDGEMENTS

27. Your Directors wish to express their sincere thanks to 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 Limited, State Bank of India and Indian Bank for their assistance. Your Directors also desire to place on record their appreciation of the services rendered to the Company by its employees, both afloat and ashore.

K. K. BIRLA  
L. M. S. RAJWAR  
C.S. NOPANY

Chairman  
Managing Director  
Director



**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the Balance Sheet of INDIA STEAMSHIP COMPANY LIMITED as at 31st March, 1999 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. However, additional demand for interest and overdue interest have not been provided. (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 (d) in Schedule - "M").

- (ii) Accounting of interest on foreign exchange loans and SAFAUNS Loan from Banks for acquisition of one ship 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 on 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. 70.00 lakh for the year. (Please refer Note B-10 (a) 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-9 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.1 in Schedule "A", 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, 1999 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.
5. The Profit & Loss Account and Balance Sheet complied with the requirements of accounting standards as referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956 except as stated above.

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.
5. In the absence of detailed stocks of stores, discrepancy, if any, on physical verification of stocks could not be ascertained.
6. The valuation of stocks of stores and spares is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
7. The Company has taken loan from a Company listed in the register maintained under Section 301 of the Companies Act, 1956 and the rate of interest and terms & conditions of such loan is not prima facie prejudicial to the interest of the company. Other than as stated above the company has not taken any loans from firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956 or from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
8. According to the information and explanations given to us the Company has not granted any loan to Companies, Firms or other parties listed in the register maintained under Section 301 and /or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956 (as amended).
9. In respect of the parties (including employees) to whom loans or advances in the nature of loans have been given by the Company, they are repaying the principal amounts as stipulated and are also regular in payment of interest, wherever applicable.
10. On the basis of checks carried out during the course of audit and according to explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business for the purchase of stores, spare parts, and other assets. The Company being a shipping company has adequate internal control over its freight earnings/charter hire.
11. According to the information and explanations given to us, transactions of purchase of goods, materials or services aggregating during the year to Rs. 50,000/- or more in respect of each party, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 (as amended) are at prices which are considered reasonable as compared to the prices of similar items supplied by the other parties or having regard to prevailing market prices of such goods. There are no transaction for sale of goods, materials and services aggregating during the year to Rs. 50,000/- or more to any party in pursuance of contracts of arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 (as amended).
12. According to information and explanations given by the Management, the Company does not have any unserviceable or damaged stock of stores and spares.
13. The Company has not accepted any deposit from public.
14. The Company has an internal audit system commensurate with the size and nature of its business.
15. The Company has been generally regular in depositing Provident Fund dues with appropriate authorities.
16. According to information and explanations given to us, there are no undisputed amount payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty whichever is due for more than six months as at 31st March, 1999 from the date they become payable.
17. According to the information and explanations given to us and based on accepted business needs and contractual obligations, duly authorised, in our opinion, no personal expenses have been charged to revenue account.
18. Provision of Sick Industrial Companies (Special provisions) Act, 1985 are not applicable to the Company, being a Shipping Company.
19. a) Clauses (xiv) & (xvi) of part 4 A of the aforesaid order are not applicable to the Shipping Company.  
b) Clauses (ii), (iii) & (iv) of part 4 B of the aforesaid order are not applicable to the Company as the Company owns and operates ships.

Calcutta  
July 30, 1999

For SINGHI & CO.  
PRADEEP KR. SINGHI  
Partner  
Chartered Accountants  
1B, Old Post Office Street  
Calcutta

For G. BASU & CO.  
Chartered Accountants  
A. K. BASU  
Partner  
3 Chowringhee Approach  
Calcutta