

72nd Annual Report 2000

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India Steamship Company Limited

BOARD OF DIRECTORS

Shri 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 Bank Limited

REGISTERED OFFICE

INDIA STEAMSHIP HOUSE,
21, Hemanta Basu Sarani, Calcutta-700 001
Telephone No. : 248-1171 (9 lines)
Telex : 21-7329, 21-2549, 21-2253 ISS IN
Fax : (91) (33) 248-8133/7867
E-mail : india-steamship@gems.vsnl.net.in
Telegraphic Address : INDIABARD

INDIA STEAMSHIP COMPANY LIMITED

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NOTICE

Notice is hereby given that the 72nd 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 Thursday, September 28, 2000 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, 2000 and the Profit and Loss Account for the year ended March 31, 2000 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 pursuant to section 293(1)(a) of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorized to surrender, in terms of the scheme of One Time Settlement of the Company's outstanding debt to the Government of India, State Bank of India and Indian Bank (the Lenders), the immoveable properties of the Company, as mentioned in the Explanatory Statement annexed hereto, to all or any of the Lenders, in such manner, and on such terms, as it may deem fit and proper in the best interests of the Company."

The Register of Members and Share Transfer Register of the Company will be closed from Tuesday, September 5, 2000, to Thursday, September 28, 2000, both days inclusive.

Registered Office :	By Order of the Board
"India Steamship House"	
21, Hemanta Basu Sarani,	
Calcutta - 700 001	SANJAY MUKHERJEE
August 17, 2000	<i>Company Secretary</i>

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**

At the Extraordinary General Meeting held on May 15, 2000, it was brought to your knowledge that the Company had been pursuing, with the Government of India, State Bank of India and Indian Bank (the Lenders), a scheme for a one time settlement (OTS) of the Company's outstanding debt to the Lenders and that the final approval of the Lenders to the OTS scheme was expected shortly. The OTS scheme has since received the final approval of the Lenders and it is expected that an agreement in this regard will be executed shortly.

The total outstanding debt of the Company to the Lenders has been settled at Rs. 74.92 crore which comprises two elements, i.e., a cash payment, and surrender of the Company's following immoveable properties which have been valued at Rs. 11.97 crore by the Lenders. This amount shall, inter alia, be adjusted from the aforementioned OTS amount of Rs. 74.92 crore.

1. India Steamship House
21 Hemanta Basu Sarani
Calcutta 700001
2. Octavius Centre (4th Floor)
15B Hemanta Basu Sarani
Calcutta 700001
3. Flat No. 9A, Rajhans
31 Judges Court Road
Calcutta 700027

4. Flat No. 10A, Rajhans
31 Judges Court Road
Calcutta 700027
5. Flat No. 5-H Rajshree
31 Judges Court Road
Calcutta 700027
6. Flat No. 3-H, Rajshree
31 Judges Court Road
Calcutta 700027
7. Flat No. 2-1, Rajshree
31 Judges Court Road
Calcutta 700027
8. Unit Nos. 303, 304, 305
Great Eastern Chambers
Sector 11, Belapur
New Mumbai
9. Flat No. 501
Chandra Sagar Co-operative Housing Society
Goregaon (E)
Mumbai

Approval of the Members is sought under section 293(1)(a) of the Companies Act, 1956, to enable the Board of Directors to surrender the immoveable properties as mentioned hereinabove.

Your Directors recommend that Resolution No. 6 be passed.

None of your Directors is concerned or interested in this resolution.

REPORT OF THE DIRECTORS

1. Your Directors take pleasure in presenting the 72nd Annual Report of your Company together with the audited statement of accounts for the year ended March 31, 2000.

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 (Rupees in lakh)	Previous Year
Profit before finance charges and depreciation	773.39	382.30
Finance charges	<u>421.48</u>	<u>396.42</u>
	351.91	(14.12)
Depreciation	<u>599.51</u>	<u>443.24</u>
Net Profit/(Loss) from Operations	(247.60)	(457.36)
Profit/(Loss) before Tax	(247.60)	(457.36)
Taxation	10.50	49.59
Net Profit/(Loss) for the year	(258.10)	(506.95)
Balance brought forward from previous year	<u>(19372.42)</u>	<u>(18865.47)</u>
Balance carried to Balance Sheet	(19630.52)	(19372.42)

3. The financial results of your Company during the year under review showed significant improvement over the previous year. However, the cash flow continued to be under strain because of excessive delay in receiving the Company's dues from the Shipping Corporation of India and the oil industry pertaining to tanker m.v. Ratna Abha.
4. Financial results were adversely affected by several factors. The drybulk cargo market was poor in the first half of the year and the tanker market remained depressed even longer due to cuts in oil production imposed by OPEC and increase in the world tanker fleet. Sharp increase

in bunker prices also eroded profit margins. Even though total world output rose from 2.2 per cent in 1998 to 3 per cent in 1999, this was not fully reflected in higher seaborne trade due to substantial stockdrawing of oil and drybulk commodities.

DIVIDEND

5. 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.

ONE TIME SETTLEMENT OF THE COMPANY'S OUTSTANDING DEBT

6. Your Company had been pursuing with the Government of India, State Bank of India and Indian Bank (the Lenders), a proposal for a one time settlement (OTS) of the Company's entire outstanding debt to the Lenders. Your Directors are happy to report that the OTS scheme has received the final approval of the Lenders. The OTS scheme is a major break-through for the Company and its implementation should provide a platform for the Company's reconstruction and rejuvenation.
7. The Lenders shall receive an amount of Rs. 7492 lakh in full and final settlement of the Company's entire outstanding debt to the Lenders. Broadly, the OTS scheme envisages two elements; a large cash component and surrender of all immovable properties owned by the Company to the Lenders except a small office space in Calcutta which is not transferable to an outsider.
8. After various adjustments, the net cash payable to the Lenders is Rs. 4562 lakh. The immovable properties to be surrendered have been valued at Rs. 1197 lakh by the Lenders. The scheme also stipulates the payment of first cash instalment of Rs. 2020 lakh within one month from the receipt, by the Company, of the final approval of the OTS scheme by the Lenders. This was received by the Company on April 28, 2000, and the first instalment has been paid. According to the scheme, the payment of the balance cash component and surrender of immovable properties should be completed within six months by October 27, 2000. A grace period of three months has been allowed for the

INDIA STEAMSHIP COMPANY LIMITED

implementation of the OTS scheme. All efforts are being made by your Company for completing the implementation of the scheme within the stipulated time.

INCREASE IN AUTHORIZED SHARE CAPITAL

9. At the Extraordinary General Meeting held on May 15, 2000, the Authorized Share Capital of your Company was increased to Rs. 12575 lakh, divided into 10,00,00,000 Ordinary Shares of Rs. 10/- each, 25,00,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each and 75,000 Redeemable Cumulative Preference Shares of Rs. 100/- each. This was done primarily for funding the implementation of the OTS scheme.

ISSUE OF NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES

10. During the current year, the Company issued 21,00,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each, aggregating Rs. 21 crore, to finance the payment of the first instalment of the OTS scheme. The issue of these shares was approved at the Extraordinary General Meeting of the members of the Company held on May 15, 2000.

REDEEMABLE CUMULATIVE PREFERENCE SHARE CAPITAL

11. Your Directors had stated in their last report that the Company had applied to the Company Law Board seeking confirmation for the issue of new Redeemable Cumulative Preference Shares so that the existing Preference Shares may be deemed to be redeemed in accordance with section 80A of the Companies Act, 1956, and that the Company Law Board had 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. The position remains unchanged.

PROSPECTS IN THE CURRENT YEAR

12. The IMF expects a strong world GDP growth of about 4.25 per cent in the year 2000, with all areas of the world economy making a positive contribution, on top of 3.3 per cent growth achieved in 1999. The WTO forecasts place the

volume of world goods trade to increase by 6.5 per cent this year from 4.5 per cent annually in the past 2 years. Supported by a strong demand for steel related products and energy coal, the freight market for drybulk ships has remained favourable so far in the current year and the trend is expected to continue. Though freight rates have increased across the board the increase is especially marked in respect of Panamax and Capesize bulk carriers. The tanker freight market has also recovered this year from the very depressed level of last autumn and is currently buoyant.

13. If the advances made by the markets are sustained your Company expects further improvement in its financial performance over the results achieved in the year under review.

SALE OF SHIPS

14. As already reported last year, your Company's ship m.v. Indian Courier which ran aground in June 1998, while entering Pipavav port on the Saurashtra coast, was sold for scrapping during the year under review for a sum of Rs. 70 lakh.

Y2K COMPLIANCE

15. Your Company had a smooth transition to the year 2000 and no problems were encountered in the processing of transactions either on shore or by the ships of your Company.

FLEET INSURANCE

16. The insured value of the Company's fleet of three ships as on March 31, 2000, comprising 1,57,141 dwt, was Rs. 13880 lakh.

SUBSIDIARY COMPANIES

17. 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.

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. 2369 lakh and foreign exchange spent amounted to Rs. 2271 lakh. The contribution to the national balance of payments would be, however, higher 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 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

23. 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.

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New Delhi
July 28, 2000

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, 2000 and the Profit and Loss Account of the Company for the year ended on that date both annexed hereto.

- (i) Accounts of the Company have been compiled on the basis of going concern concept despite negative networth and we are unable to comment upon the extent of adjustment that may be necessary towards assets and liabilities of the Company in case the Company ceases to maintain going concern identity.

- (ii) As reported in earlier year based on GOI's approval for restructuring of its finance effective from 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 has been contested and not provided. (Please refer Note B-8 in Schedule - "M").

The balance of loan due to GOI and Banks are subject to their confirmation. (Please refer to Note B-5 (d) in Schedule - "M").

- (iii) 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-7 in Schedule - "M" read with Schedule - "G".

- (iv) 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 determined and no provision has been made for the same.

- (v) Attention is invited to Note No. 10(b) of Schedule - "M". In this connection major drydock repairs incurred in earlier year has been capitalised during the year as per past practice which is not in accordance with Accounting Standard 10 dealing with Accounting of Fixed Assets. As a result loss for the year is lower by Rs. 211.61 lakhs with corresponding rise in the value of fixed assets.

Further we have relied upon the management

representation on recoverability of Rs. 572.49 lakhs which has not been acknowledged by the HPCL as debt.

- (vi) As per practice consistently followed accounting treatments of certain expenses i.e. closure compensation, retirement benefits etc. have 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").

- (vii) During the year revenue in respect of voyage charter has been recognised on the basis of proportionate number of days as against previous practice to recognise the same on completion of voyage basis. As a result loss for the year is higher by Rs. 35.58 lakhs (Please refer note B-13 in Schedule - "M").

Pursuant to observation referred to under foregoing paragraphs (except paragraph - (ii) & (iii), the implication of which is not readily ascertainable), the aggregate loss of the Company remains understated by Rs. 371.10 lakhs with consequent overstatement of Fixed Asset and Miscellaneous Expenditure by Rs. 211.61 lakhs and Rs. 195.07 lakhs respectively and understatement of Incomplete Voyage (Debit) by Rs. 35.58 lakhs.

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 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, 2000 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 and 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 for those reported in para (iv) and (v) 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 Stocks 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 explanations 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 except stock of spares of irregular use has been written off proportionately over the life of the ship in

accordance with Accounting Standard '2' as detailed in Note B - 14 in Schedule "M".

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 (inoperative) 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 (inoperative) 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 transactions 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