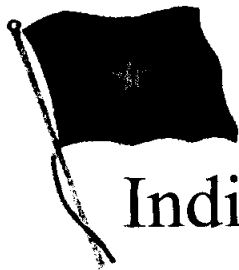


73rd
Annual
Report 2001

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India Steamship Company Limited

BOARD OF DIRECTORS

Dr. K. K. Birla, Chairman
Shri L. M. S. Rajwar, Managing Director
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
Shri Sunil Sethy
Shri Arun Mahajan
Shri I. P. Singh Roy

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
Punjab National Bank

REGISTERED OFFICE

44 Park Street
Kolkata-700016.
Fax : (91) (33) 287-2492
Telex : 21-2549
Phone : 287-2418/19/87/88
E-mail : india.steamship@gems.vsnl.net.in

INDIA STEAMSHIP COMPANY LIMITED

Report

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NOTICE

Notice is hereby given that the 73rd Annual General Meeting of the Members of India Steamship Company Limited will be held at GHANSHYAM DAS BIRLA SABHAGAR, 29 Ashutosh Chowdhury Avenue, Kolkata - 700 019, on Thursday, August 16, 2001 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, 2001 and the Profit and Loss Account for the year ended March 31, 2001 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 resolutions :

6. As an Ordinary Resolution :
"RESOLVED that Shri Sunil Sethy be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

7. As an Ordinary Resolution :

"RESOLVED that Shri Arun Mahajan be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

8. As an Ordinary Resolution :

"RESOLVED that Shri Ishwari Prosad Singh Roy be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

9. As a Special Resolution :

"RESOLVED that the increase in salary from Rs. 32,000/- per month to Rs.52,000/- per month payable to Shri L M S Rajwar, Managing Director of the Company, with effect from April 1, 2001, be and is hereby approved and that all other terms and conditions of his appointment as Managing Director remain unaltered."

The Register of Members and the Share Transfer Register of the Company will be closed from Wednesday, August 1, 2001 to Thursday, August 16, 2001, both days inclusive.

Registered Office:
44 Park Street
Kolkata 700 016
May 28, 2001

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. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. 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 Nos. 6 and 7**

At the Extraordinary General Meeting of the Company held on November 10, 2000, the Members had accorded their consent to the Board of Directors to offer, issue and allot, on a preferential basis to Zuari Investments Limited (ZIL), upto 2,90,00,000 Ordinary shares of Rs.10/- each for cash at par. The Explanatory Statement to the Notice for the said Extraordinary General Meeting had disclosed that consequent upon the aforesaid preferential allotment your Company would become a subsidiary of ZIL and that ZIL proposed to nominate two directors on the Board of your Company. The Board of Directors accordingly allotted 2,90,00,000 Ordinary shares of Rs.10/- each, aggregating Rs.29 crores, to ZIL on December 8, 2000 and thereafter, ZIL nominated two directors, viz., Shri Sunil Sethy and Shri Arun Mahajan. Shri Sunil Sethy and Shri Arun Mahajan were appointed as Additional Directors with effect from May 16, 2001, by the Board of Directors in terms of Article 144 of the Articles of Association of the Company, read with section 260 of the Companies Act, 1956 ("the Act") to hold office upto the date of the forthcoming Annual General Meeting of the Company. The Company has received Notices under section 257 of the Act from two Members signifying their intention to propose the appointments of Shri Sethy and Shri Mahajan as Directors of the Company. Shri Sethy and Shri Mahajan are willing to act as Directors if so appointed and have filed with the Company their consent under section 264 (1) of the Act.

In view of the knowledge and experience of Shri Sethy and Shri Mahajan, the Directors feel that their appointment as Directors can be beneficial to the Company and recommend the passing of Resolution Nos. 6 & 7 of the convening Notice.

None of the Directors of the Company except Shri Sunil Sethy and Shri Arun Mahajan is interested or concerned in the Resolution.

Item No. 8

Shri Ishwari Prosad Singh Roy was appointed as

an Additional Director with effect from May 16, 2001, by the Board of Directors in terms of Article 144 of the Articles of Association of the Company, read with section 260 of the Companies Act, 1956 ("the Act"). Shri Singh Roy will hold office upto the date of the forthcoming Annual General Meeting of the Company. The Company has received a Notice under section 257 of the Act from a Member signifying his intention to propose the appointment of Shri Singh Roy as a Director of the Company. Shri Singh Roy is willing to act as a Director if so appointed and has filed with the Company his consent under section 264(1) of the Act.

In view of his knowledge and experience, the Directors feel that his appointment as a Director can be beneficial to the Company and recommend the passing of Resolution No.8 of the convening Notice.

None of the Directors of the Company except Shri Ishwari Prosad Singh Roy is interested or concerned in the Resolution.

Item No.9

The remuneration payable to Shri L M S Rajwar, Managing Director of the Company, was approved by the Members at the 71st Annual General Meeting held on September 27, 1999. In view of the invaluable service rendered by Shri Rajwar to the Company, and keeping in mind the present business requirements of the Company, the Board of Directors felt it appropriate to increase his salary from Rs.32,000/- per month to Rs.52,000/- per month with effect from April 1, 2001, subject to your approval, all other terms and conditions remaining the same.

The Resolution set out in Item No.9 of the Notice convening the Annual General Meeting is to be considered accordingly and the Directors recommend the passing of Resolution No.9 of the convening Notice.

None of the Directors of the Company except Shri L M S Rajwar is interested or concerned in the Resolution.

REPORT OF THE DIRECTORS

1. Your Directors take pleasure in presenting the 73rd Annual Report of your Company together with the audited statement of accounts for the year ended March 31, 2001.

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	1056.60	773.39
Finance charges	382.58	421.48
	<u>674.02</u>	<u>351.91</u>
Depreciation	506.23	599.51
Net Profit/(Loss) from Operations	167.79	(247.60)
Profit/(Loss) before Tax	167.79	(247.60)
Taxation	15.00	10.50
Net Profit/(Loss) for the year	152.79	(258.10)
Transferred to Ship Acquisition Reserve	<u>152.79</u>	<u>-</u>
Balance brought forward from previous year	(19630.52)	(19372.42)
Less : Capital Reserve	13770.49	-
Balance carried to Balance Sheet	(5860.03)	(19630.52)

3. Spurred by One Time Settlement of the Company's debt, the financial results showed significant improvement in the year under review over the previous year. Profit before finance charges and depreciation and net profit went up appreciably. Carry-over losses have dropped steeply.

4. It should now be possible for your Company to embark upon the path of fleet renewal. To facilitate acquisition of ships your Directors have decided to transfer the entire Net Profit for the year to a Ship Acquisition Reserve.
5. The aforesaid Capital Reserve of Rs.13770.49 lakh came into being as a result of remission of principal amount component of the Company's debt extinguished by the One Time Settlement of the debt.

DIVIDEND

6. 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

7. At the 72nd Annual General Meeting of the Company, your Directors had reported that your Company had received the final approval to a scheme for a One Time Settlement (OTS) of the Company's entire outstanding debt to the Government of India, State Bank of India and Indian Bank (the Lenders). Your Directors are happy to report that the Company has complied with all its obligations as envisaged in the OTS scheme and is free from all debts and liabilities to the Lenders.
8. This is the commencement of a new chapter for your Company which has been made possible by the solid support and participation extended by companies belonging to the group of the Promoters of your Company.

ISSUE OF NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES

9. As already reported in the last report, during the year under review, the Company issued 21,00,000 Non-Cumulative Redeemable Preference Shares of Rs.100/- each, aggregating Rs.21 crores, to Zuari Investments Limited. The issue was made to finance the payment of the first cash instalment of the OTS scheme and was approved by the Members of the Company at the Extraordinary General Meeting held on May 15, 2000.

INDIA STEAMSHIP COMPANY LIMITED

PREFERENTIAL ISSUE OF ORDINARY SHARES

10. During the year under review, the Company also issued 2,90,00,000 Ordinary shares of Rs.10/- each for cash at par, aggregating Rs.29 crores, on a preferential basis, to Zuari Investments Limited. The issue was made to finance the payment of the second cash instalment of the OTS scheme and other related expenses. The Members of the Company had approved the issue at the Extraordinary General Meeting of the Company held on November 10, 2000.
11. Consequent upon the aforesaid preferential allotment, your Company has become a subsidiary of Zuari Investments Limited.

CHANGE OF REGISTERED OFFICE

12. Arising out of the surrender of the Company's immovable properties to the Lenders in implementation of the OTS scheme, the Registered Office of the Company has been shifted from India Steamship House, 21 Hemanta Basu Sarani, Kolkata 700001 to 44 Park Street, Kolkata 700016 with effect from January 15, 2001.

REDEEMABLE CUMULATIVE PREFERENCE SHARE CAPITAL

13. Your Directors have stated in their last two reports that the Company had applied to the Company Law Board seeking approval for the issue of new Redeemable Cumulative Preference shares so that the existing Redeemable Cumulative Preference shares may be deemed to be redeemed in accordance with section 80A of the Companies Act, 1956. Your Directors also reported 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.

SUBSIDIARY COMPANIES

14. The accounts pertaining to the three subsidiaries of your Company are annexed to this report. During the current year, ISS Shipping Services Limited and ISS Shipping & Trading Services Limited have ceased to

be subsidiaries of your Company. ISS Holdings Limited has not undertaken any business so far.

THE 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 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.3469 lakh and foreign exchange spent amounted to Rs.3032 lakh. However, the contribution to the national balance of payments would be higher because freight earned in rupees is regarded as saving of foreign exchange.

PARTICULARS OF EMPLOYEES

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

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. 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.
20. Shri S P Sen Gupta, Nominee Director, resigned from the Board of Directors of the Company in November 2000. The Directors

place on record their appreciation of the valuable services rendered by Shri S P Sen Gupta during his tenure as a Director of the Company.

21. Shri S K Singh Roy, Director, expired on January 19, 2001. The demise of Shri S K Singh Roy is a great loss to the Company and the Directors place on record their deep appreciation of the valuable services rendered by the late Shri S K Singh Roy during his long tenure as a Director of your Company.
22. Zuari Investments Limited, the holding company of your Company, has nominated Shri Sunil Sethy and Shri Arun Mahajan as Directors on the Board of your Company. They were appointed as Additional Directors with effect from May 16, 2001, by the Board of Directors. Under Article 144 of the Articles of Association of the Company, the said Directors will hold office upto the next Annual General Meeting. Notices under section 257 of the Companies Act, 1956, have been duly received.
23. Shri Ishwari Prosad Singh Roy was appointed as an Additional Director with effect from May 16, 2001, by the Board of Directors. Under Article 144 of the Articles of Association of the Company, Shri Singh Roy will hold office upto the next Annual General Meeting. Notice under section 257 of the Companies Act, 1956, has been duly received.

CORPORATE GOVERNANCE

24. Separate notes on Corporate Governance and Management Discussion and Analysis are annexed and marked "Annexure - B" and "Annexure - C" respectively.

Kolkata
May 16, 2001

DIRECTORS' RESPONSIBILITY STATEMENT

25. Your Directors hereby report :

- a) that in the preparation of annual accounts, the applicable accounting standards have been followed.
- b) that such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2001, and of the Profit and Loss Account for the year ended March 31, 2001.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

26. Your Directors wish to express their sincere thanks to the Ministry of Finance, ICICI Limited, State Bank of India, Indian Bank, the Ministry of Surface Transport, Transchart, the Directorate General of Shipping, the Mercantile Marine Department and other concerned Ministries and Departments of the Government of India, 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

INDIA STEAMSHIP COMPANY LIMITED

"ANNEXURE - A" TO DIRECTORS' REPORT

Statement of employees who earned Rs.1,00,000/- per month or Rs.12,00,000/- per year or more during the year 2000-2001 pursuant to Section 217(2A) of the Companies Act, 1956.

Name, Designation/Nature of Duties, Remuneration, Experience (years), Date of Commencement of Employment, Age

Employed throughout the financial year under review

Nil

Employed for part of the financial year under review

FLOATING STAFF

DECK OFFICERS

GUPTA A P MASTER 1469633.61 7 10.10.1994 41 MAHATO S CHIEF OFFICER 281129.03 8
11.01.2001 31 RADHAKRISHNAN P V MASTER 138387.10 15 28.03.1999 44 RAMAKRISHNA I
MASTER 635000.00 10 24.11.2000 44 RAO P S MASTER 312868.65 12 05.12.2000 59 RAY P R
MASTER 1030000.00 31 30.04.2000 62 SINGH P P MASTER 876612.90 12 26.04.2000 43
DIAS B N PURSER 940523.10 32 12.02.1969 62 NAG S K MASTER 1101605.83 19 30.12.1981 41

ENGINE OFFICERS

BANERJEE R C CHIEF ENGINEER 2657055.56 31 17.12.1970 58 BISWAS A K CHIEF ENGINEER
75843.87 10 17.03.2001 48 CHOUDHURY P N CHIEF ENGINEER 543032.93 10 18.11.2000 58
KUMAR R CHIEF ENGINEER 997292.62 11 13.07.2000 43 PATRA R K CHIEF ENGINEER 454200.01
5 15.12.1999 40 RAJAPAN A K CHIEF ENGINEER 985400.00 12 25.12.1999 56 CHAKRABORTY
D SECOND ENGINEER 557074.26 19 10.12.1981 42

"ANNEXURE - B" TO DIRECTORS' REPORT**REPORT ON CORPORATE GOVERNANCE****a) COMPANY'S PHILOSOPHY**

Within the means available to it, your Company endeavours to meet its obligations to its shareholders and employees, to the Government and other segments of the industry to which it belongs, and to the community at large. Your Company is committed to the application of the provisions of the Corporate Governance Code.

b) BOARD OF DIRECTORS

The present strength of the Board of Directors is twelve, comprising one Managing Director and eleven Non-Executive Directors, including three Additional Directors who will hold office upto the next Annual General Meeting. The Additional Directors have filed their consent under section 264(1) of the Companies Act, 1956, and they have been inducted on the Board with effect from May 16, 2001. The Company has received notices under section 257 of the Companies Act, 1956, from Members signifying their intention to propose the appointment of these Additional Directors.

During the year under review, six Board Meetings were held on April 11, 2000, May 15, 2000, July 28, 2000, September 28, 2000, November 24, 2000, and February 23, 2001. The composition of the Board of Directors, their attendance at the Board Meetings during the year under review and at the last Annual General Meeting as also number of other directorships held by them in Indian public limited companies are as follows.

Name and category of Director	Attendance at last AGM	Board Meetings attended	Other directorships
Dr K K Birla, NED/PG	NO	4	14
Shri L M S Rajwar, MD	YES	6	3
Shri Ramesh Maheshwari, NED	YES	2	5
Shri S M Agarwal, NED	NO	4	8
Shri R K Choudhury, NED	NO	-	14
Shri S N Sachdev, NED	YES	6	-
* Shri S K Poddar, NED	NO	-	13
* Shri C S Nopany, NED	NO	5	14
* Smt Shobhana Bhartia, NED	NO	1	14
** Shri S K Singh Roy, NED (expired on 19.1.2001)	YES	5	-
** Shri S P Sen Gupta, ND (resigned with effect from 8.11.2000)	NO	1	-
Shri Sunil Sethy, NED	(Appointed as Additional		2
Shri Arun Mahajan, NED	Directors with effect		1
Shri I P Singh Roy, NED	from May 16, 2001)		-

NED - Non-Executive Director
MD - Managing Director

ND - Nominee Director
PG - Promoter Group

* - Related to Dr K K Birla
** - Part of the year