

75th Annual Report 2003

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India Steamship Company Limited

BOARD OF DIRECTORS

Dr. K. K. Birla, Chairman
Shri Ashok Kak, Managing Director
Shri Ramesh Maheshwari
Shri S. M. Agarwal
Shri S. N. Sachdev
Shri C. S. Nopany
Shri R. K. Choudhury
Shri Sunil Sethy
Shri Arun Mahajan
Shri I. P. Singh Roy
Shri K. K. Palit, Executive Director

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 - 700 016
Fax : (91) (33) 22872492
Telex : 21-2549
Phone : 22872418/19/87/88
E-mail : india.steamship@gems.vsnl.net.in

REGISTRAR AND SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
1/17 Prince Ghulam Mohammed Road
Kolkata - 700 026
Telefax : 033-24645145

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NOTICE

Notice is hereby given that the 75th Annual General Meeting of the Members of India Steamship Company Limited will be held at GHANSHYAM DAS BIRLA SABHAGAR, 29 Ashutosh Choudhury Avenue, Kolkata 700 019, on Thursday, August 28, 2003, 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, 2003, the Profit and Loss Account for the year ended March 31, 2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S N Sachdev who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri Ramesh Maheshwari who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri R K Choudhury 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 modifications, the following resolutions:

6. As a Special Resolution:

"RESOLVED that the Company do hereby approve the appointment of Shri Ashok Kak as the Managing

Director of the Company for a period of three years with effect from May 10, 2002, on the remuneration and terms and conditions as detailed in the Explanatory Statement to this Resolution."

7. As a Special Resolution:

"RESOLVED that subject to the approval of the Central Government under the applicable provisions of the Companies Act, 1956, and subject to compliance with other applicable statutory provisions, if any, the increase in salary from Rs.75,000/- per month to Rs.80,000/- per month payable to Shri Ashok Kak, Managing Director of the Company with effect from April 1, 2003, be and is hereby approved and that all other terms and conditions of his appointment as Managing Director remain unaltered."

8. As an Ordinary Resolution:

"RESOLVED that subject to compliance with the applicable provisions of the Companies Act, 1956, and subject to compliance with other applicable statutory provisions, if any, the increase in salary from Rs.40,000/- per month to Rs.45,000/- per month payable to Shri K K Palit, Executive Director of the Company with effect from April 1, 2003, be and is hereby approved and that all other terms and conditions of his appointment as Executive Director remain unaltered."

The Register of Members and the Share Transfer Register of the Company will be closed from Thursday, August 14, 2003 to Thursday, August 28, 2003, both days inclusive.

Registered Office:

44 Park Street
Kolkata 700 016
July 1, 2003

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. INTIME SPECTRUM REGISTRY LIMITED, Flat No.7, 3rd Floor, 1/17 Prince Ghulam Mohammed Road, Kolkata 700 026, has been appointed as the Registrar and Share Transfer Agent of the Company with effect from April 1, 2003.
3. Members are requested to notify any change in their address immediately to the Registered Office of the Company or to the Registrar and Share Transfer Agent of the Company.
4. Members who still hold share certificates of erstwhile Ratnakar Shipping Company Limited are requested to exchange such certificates for share certificates of India Steamship Company Limited.
5. 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.
6. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
7. 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 74th Annual General Meeting held on August 23, 2002, the Members of the Company had, by Ordinary Resolution, approved the terms and conditions of appointment of Shri Ashok Kak as the Managing Director of the Company for a period of three years with effect from May 10, 2002, subject to the approval of the Central Government. The Central Government duly accorded its approval to the appointment, subject to the remuneration being approved by the Company as a Special Resolution. In compliance thereof, the terms of remuneration of Shri Ashok Kak are set out hereunder, for the approval of the Members of the Company by a Special Resolution.

a) Salary Rs.75,000/- 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.

ii) Medical Expenses

Reimbursement of medical expenses incurred

for self and wife, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

iii) Leave Travel Allowance

For self and wife once a year incurred in accordance with the Rules of the Company, subject to a ceiling of one month's salary in a year.

iv) Club Membership

Monthly subscription/fees and reimbursement of expenses of up to two clubs.

v) Personal Accident Insurance

Personal accident insurance premium shall not exceed Rs.1,500/- per annum.

vi) Provident Fund and 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 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 from any place in India at the time of commencement of employment with the Company and to any place in India 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.

c) MINIMUM REMUNERATION

In the event of absence of or inadequacy of profits, the abovementioned salary and perquisites will be paid as minimum remuneration.

A statement disclosing the particulars as required under the provisions of Schedule XIII of the Companies Act, 1956, is annexed herewith.

The Directors of the Company request your approval to the proposed Resolution No.6 of the Notice convening this meeting.

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

Item No.7

The remuneration payable to Shri Ashok Kak, Managing Director of the Company was approved by the Members at the 74th Annual General Meeting held on August 23, 2002, and thereafter by the Central Government subject to approval by the Members of the Company by a Special Resolution, which has been proposed in item No. 6 of the Notice convening this meeting. In view of the outstanding performance of Shri Ashok Kak, and keeping in view the business requirements of the Company, it is deemed appropriate to increase his salary from Rs.75,000/- per month to Rs.80,000/- per month with effect from April 1, 2003, all other terms and conditions remaining unaltered, subject to the approval of the Members of the Company and the Central Government.

A statement of disclosure as required under the provisions of Schedule XIII of the Companies Act, 1956, is annexed herewith.

The Directors of the Company request your approval to the proposed Resolution No.7 of the Notice convening this meeting.

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

Item No.8

The remuneration payable to Shri K K Palit, Executive Director of the Company was approved by the Members at the 74th Annual General Meeting held on August 23, 2002. In view of the sincere efforts put in by Shri K K Palit, and commensurate with his duties and responsibilities, it is deemed appropriate to increase his salary from Rs.40,000/- per month to Rs.45,000/- per month with effect from April 1, 2003, all other terms and conditions remaining unaltered, subject to the approval of the Members of the Company.

The Directors of the Company request your approval to the proposed Resolution No.8 of the Notice convening this meeting.

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

Statement disclosing particulars in connection with Item Nos.6 and 7 of the Notice, as required under the provisions of Schedule XIII of the Companies Act, 1956

I General Information

1. *Nature of industry:* Shipping
2. *Date or expected date of commercial production:* Not applicable
3. *In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:* Not applicable
4. *Financial performance based on given indicators: Financial audited results for the year ended 31.3.2003 are given below.*

	<u>Rs. Crore</u>
Income	29.73
Profit on sale of ship	10.71
Deferred Tax	0.95
Total (A)	41.39
Expenditure	36.23
Interest	1.39
Depreciation	2.59
Total (B)	40.21
Net Profit [(A) – (B)]	1.18

6. *Export performance and net foreign exchange collaborations:* Not applicable
7. *Foreign Investments or collaborations, if any:* Not applicable

II Information about the appointee

1. *Background details:* Shri Ashok Kak is aged 64 years, a senior corporate executive with over 40 years operating experience. He is a graduate in Mechanical Engineering from the Birla Institute of Technology, Pilani, and is a member/alumnus of the Institute of Engineers, Kolkata, and Indian Institute of Management, Ahmedabad. Shri Kak's background includes multi-discipline/ multi-functional assignments in diverse companies like Esso-Hindustan Petroleum, Associated Cement Companies and Eastman Kodak, where he was especially challenged in the areas of new business development, profitability improvement and turnaround situations. Immediately prior to his joining India Steamship Company, he was self-employed for a number of years, based in the United States of America.
2. *Past remuneration:* The appointee was self-employed previous to his joining India Steamship Company Limited.
3. *Recognition or awards:* Not applicable
4. *Job profile and his suitability:* Shri Ashok Kak, as the Managing Director of the Company, is responsible for the entire working of the Company, subject to the superintendence, control and direction of the Board of Directors, and performs such duties and exercises such powers as are, from time to time, entrusted on him by the Board of Directors of the Company.

India Steamship Company Limited belongs to the K K Birla Group of companies which is one of the oldest business houses in the country. The Company was experiencing years of declining sales/profitability and some time back, with the approval of the Government of India, completed a scheme for one-time settlement of its outstanding debts.

Shri Kak is an experience-based strategic thinker, with strong operating and marketing skills, international capabilities, and hands-on experience in new business development, international contracting and diversification. Shri Kak's capabilities are particularly seen as needed, at this juncture, for the turnaround of the Company.

5. *Remuneration proposed:* Enumerated in detail in the Explanatory Statement.

6. *Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates, the relevant details would be w.r.t. the country of his origin):* The remuneration proposed to be paid to Shri Kak is comparable to that payable to persons in his position within the shipping industry having regard to the size of the Company and its business and the nature of responsibility entrusted upon Shri Kak as the Managing Director of the Company.
7. *Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any:* Not applicable

III Other Information

1. *Reasons for loss or inadequate profits:* During the 1980s the shipping industry went through a severe worldwide recession, which continued for several years. In the 1990s, due to several extraneous factors, the Company's liner business suffered and had to be discontinued. As a result, the fleet of the Company, tailor-made for liner shipping, had to be deployed in cross trading for which most of the ships were not suitable.

The Company was thus placed in a position where its main business had shrunk and turned unprofitable. Its ships were aged and uneconomical to maintain and had to be sold or scrapped. The number of ships was steadily dwindling. Unless new ships were acquired, it was not possible for the Company to survive. However, subsidized government loans, which had been the main source of finance for ship acquisition in the past, were no longer available. The balance sheet showed huge accumulated losses and outstanding debt; the ships were all mortgaged and the sale proceeds of the ships had to be given to the lenders; it was, therefore, not possible to raise funds, either from financial institutions or otherwise. On the one hand, the Company was compelled to dispose of existing ships; while on the other hand, it was not possible to acquire new ships.

2. *Steps taken or proposed to be taken for improvement:* The Company approached the Government of India for a one-time settlement of Company's outstanding debt and the scheme, duly approved by Government, has been successfully completed.

On April 1, 2003, the Company acquired an Aframax size ship, m.t. Ratna Shalini, a Japanese 1987 built 89,960 dwt oil tanker. Both, Ratna Abha, the Company's Panamax Tanker, and Ratna Shalini, are performing satisfactorily and will form the building blocks for your Company's future growth. Simultaneously, a number of cost containment and efficiency improvement measures are being pursued, such as, heightened ship maintenance, dialogue on voluntary retirement schemes for excess manpower and retirement of high interest bearing debts. The Company is confident of the future and is poised for expansion.

Whereas the natural growth for the Company will come from expansion in its core-competency areas of oil tankers and bulk carriers, the Company is also exploring diversification in two potential areas – LPG/Ammonia Carrier for the transportation of ammonia imports and Chemical Tanker for transporting imports of Phosphoric Acid – both representing requirement of Group companies. Should the long-term viability of these businesses be established, plans will be taken up for implementation.

3. *Expected increase in productivity and profits in measurable terms:* The Company's plans for the current year aim at 40% increase in charter hire income with a net profit in excess of Rs. 5 crore.

IV Disclosures

1. *The shareholders of the company shall be informed of the remuneration package of the managerial person:* Enumerated in the Explanatory Statement
2. The following disclosures shall be mentioned in the Board of Directors Report under the heading "Corporate Governance", if any, attached to the Annual Report:
 - i) *All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc, of all the directors:* Disclosed
 - ii) *Details of fixed component and performance-linked incentives along with the performance criteria:* No performance-linked incentive is payable.
 - iii) *Service contracts, notice period, severance fees:* Disclosed
 - iv) *Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which accruable:* Not applicable

REPORT OF THE DIRECTORS

Your Directors take pleasure in presenting the 75th Annual Report of your Company together with the audited statement of accounts for the year ended March 31, 2003.

FINANCIAL RESULTS

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/(Loss) before finance charges and depreciation	(649.87)	(626.87)
Finance charges	139.23	130.11
	(789.10)	(756.98)
Depreciation	258.78	529.95
Net Profit/(Loss) from operations	(1047.88)	(1286.93)
Net Profit from sale of vessels	1070.92	429.78
Profit/(Loss) before tax for the year	23.04	(857.15)
Taxation	—	—
Deferred Tax	95.22	81.82
Net Profit/(Loss) for the year	118.26	(775.33)
Balance brought forward from previous year	(6635.36)	(5860.03)
Balance carried to Balance Sheet	(6517.10)	(6635.36)

DIVIDEND

It is regretted that no dividend can be paid in respect of Preference and Ordinary shares of the Company.

OPERATIONS

The year under review had two distinctly differing periods. The first half, through September 2002, was marred with the continuing effects of the global economic downturn triggered by the September 11, 2001 incident and its aftermath. World trade and shipping suffered badly and experienced some of the lowest freight rates, both in the dry cargo sector, where your Company's Bulk Carrier m.v. Ratna Deep operated as well as in the tanker trade, where m.t. Ratna Abha, your Company's Panamax tanker trades. Consequently, earnings were severely depressed and below Company's fixed costs and overhead expenses. This was compounded by the fact that m.v. Ratna Deep, which had outlived its economic life, was sold in July 2002, thereby further undermining Company earnings and increasing the deficit over cost and expenses.

Left with only one ship, your Company faced the second half of the year with resolve to heighten the ship's maintenance and advanced m.t. Ratna Abha's 4th special survey and drydock repairs. Simultaneously, tanker freight rates started recording an upward trend and, after coming out of repairs in November 2002, m.t. Ratna Abha has continuously outperformed freight expectations. This has enabled a halt to declining margins.

The operating loss for the year at Rs. 649.87 lakh would have been much lower but for an accident on m.t. Ratna Abha, on March 16, 2003, which resulted in loss of income of Rs.148.19 lakh and for two unrelated charges made in this year's accounts. The first, amounting to Rs.98.31 lakh, on account of lower than anticipated recovery being made against an old insurance claim and a second charge representing Rs. 101.18 lakh is on account of a number of cumulative old debts that are irrecoverable.

In terms of the requirement of Accounting Standard 22, as prescribed by the Institute of Chartered Accountants of India, adjustments have been made in the account of the year under review. Accordingly, deferred tax amount of Rs 95.22 lakh for the year ended March 31, 2003 is added to "Deferred Tax Asset" which can be set off against future profits.

FUTURE PLANS AND PROSPECTS

The Company is confident about the future and is poised for growth. On April 1, 2003, your Company acquired an Aframax size ship, m.t. Ratna Shalini, a Japanese 1987 built 89,960 dwt oil tanker. Both, Ratna Shalini and Ratna Abha, are performing satisfactorily and will form the building blocks for your Company's future growth.

The coming year, for your Company, will be a period of consolidation and cost containment. Whereas the natural growth for the Company will come from expansion in its core-competency areas of oil tankers and bulk carriers, the Company is also exploring diversification in two potential areas – LPG-Ammonia Carrier for the transportation of ammonia imports and Chemical Tanker for transporting imports of Phosphoric Acid – both representing requirement of Group companies. Should the long-term viability of these businesses be established, plans will be taken up for implementation.

SALE OF SHIP

Your Company's ship, m.v. Ratna Deep, was sold during the year under review.

SUBSIDIARY COMPANY

The accounts pertaining to the Company's subsidiary, ISS Holdings Limited, are annexed to this report. The said company has not commenced any business so far.

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

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 was Rs.3649 lakh and foreign exchange spent (including Rs.1683 lakh for purchase of ship) amounted to Rs.5219 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

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

AUDITORS' REPORT

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

AUDITORS

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

Shri S N Sachdev, Shri Ramesh Maheshwari and Shri R K Choudhury, who are Directors of your Company, retire by rotation and are eligible for re-appointment.

The appointment of Shri Ashok Kak as Managing Director of your Company, with effect from May 10, 2002, was passed as an ordinary resolution at the last Annual General Meeting and has been approved by the Government of India. The Government desires that the appointment be now placed before the shareholders as a special resolution.

CORPORATE GOVERNANCE

Separate notes on Corporate Governance and Management Discussion and Analysis are annexed and marked "Annexure – B" and "Annexure – C" respectively. The Auditors' Certificate on compliance with conditions of Corporate Governance is annexed and marked "Annexure – D".

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby report:

- that in the preparation of annual accounts, the applicable accounting standards have been followed;
- that such accounting policies have been selected and applied consistently and judgments 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, 2003, and of the Profit and Loss Account for the year ended March 31, 2003;

- 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

Your Directors wish to express their sincere thanks to the Ministry of Finance, ICICI Bank, Indian Bank, State Bank of India, Punjab National Bank, Standard Chartered Bank, HSBC, 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 wish to place on record their appreciation of the services rendered to the Company by its employees, both afloat and ashore.

Kolkata

May 05, 2003

K K BIRLA

Chairman

ASHOK KAK

Managing Director

K K PALIT

Executive Director

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