

SHAHI MARINE HOUSE

REF: 31

REPORT JUNCTION



15TH ANNUAL REPORT 2004 - 2005

S. K. SHAHI
Chairman & Managing Director





15th Annual Report 2004-2005



S K S (SHIP) LIMITED

BOARD OF DIRECTORS

Mr. S.K. Shahi	Chairman & Managing Director
Dr. M. K. Sinha	Whole Time Director
Mr. F. M. Koli	Whole Time Director
Capt. Walter Gonsalves	Whole Time Director
Mr. R. V. Iyer	I D B I Nominee Director
Cmdr. M. Bhada I. N. (Retd)	Director
Mr. H. N. Thakore	Director
Mr. B. B. Bhawsar	Director
Mr. Tony Adam	Director

COMPANY SECRETARY

Mr. S. P. Gupta

BANKERS

State Bank of Indore, Mumbai
HDFC Bank Limited, Mumbai

AUDITORS

M/s. N. D. HEDA & CO.
Chartered Accountants

REGISTERED OFFICE

404, Abhay Steel House,
Baroda Street, Mumbai - 400 009
Tel: 23730713/14/15/16
Fax: 91(22) 2371 0362, 2374 0219
Website: www.shahiship.com
email: shahi@bom3.vsnl.net.in

CORPORATE OFFICE

Shahi Marine House,
Plot No.11 & 11/1, Sector - 26
Near Grain Market, Vashi,
Navi Mumbai - 400 703
Tel. 27843047-49/ 27843051-53
Fax: 91(22) 27843041& 27843044
email:shahivashi@yahoo.com

REGISTRAR & SHARE TRANSFER AGENT

System Support Services
209, Shiva Industrial Estate,
89, Andheri Kurla Road,
Sakinaka, Mumbai - 400 072
Tel.: 2850 0835/3940.
Fax.: 2850 1438
email: zip@sysss.com

Contents	Page No.
Board of Directors	01
Chairman's Statement	02
Notice	03
Directors' Report	07
Report on Corporate Governance	10
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules	21
Notes to Accounts	27
Balance Sheet Abstract	30
Auditors' Report on Consolidated Financial Statements	31
Statement Pursuant to Section 212	43
Subsidiary Companies	
- Shahi Shipping (Singapore) Pte Ltd.	44
- Shahi Shipping (BD) Limited	51
Details of Fleet	54



15th Annual Report 2004-2005

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to state with immense pleasure that we have continued our successful performance to ensure all round growth during the financial year 2004-05. The sales and income from operations increased by 11.73% to Rs. 3205.27 Lacs as against Rs. 2868.70 Lacs in the previous year. The profit before tax increased by 23.79% to Rs. 942.32 Lacs as against Rs. 761.23 Lacs in the previous year.

International trade has prospered due to appreciable economic growth. Consequently demands of shipping tonnage are still greater than supply, and freight rates continued to rise leading to a record rise in container and bulk trades.

Your company has continued to sustain the growth path and increased the tonnage significantly. It has introduced three newly constructed 3600 DWT self-propelled vessels to serve the increased requirements and the container shipment business of your company improved with the introduction of this new tonnage.

Your company is also focused in Marine infrastructure development and is introducing Ship repairs and ship building facilities on the West and East coast of India with initial emphasis on ship repairs and dry-docking facilities for vessels up to 3500 DWT and integration into ship building activities in due course of time.

Nationally and Internationally, Container trade is one of the fastest growing spectrum of activity. To respond to this dynamic growth process, we are actively working on developing suitable feeder vessels to operate on Indian coast connecting the Hub ports with Major and Minors ports on Indian Coast.

To cater to the increased needs of the Bulk Ore Export and Import Market, we are strengthening our existing fleet and improving productivity with a timely and qualitative maintenance programme.

Recognizing the need to create a long term impact in the tanker segment, we are preparing ourselves to enter the Tanker Market with the product parcel tanker. We have secured employment of the vessels and are waiting for the opportune moment to acquire tonnage.

I am sanguine that the shipping industry will continue to remain on the growth path and present opportunities for enhancing long term values and shareholder wealth and look forward to a highly rewarding and promising future.

Place : Mumbai

Date : 5th August, 2005

Parvesh Kumar Shahi

Chairman & Managing Director

SKS**(SHIP) LIMITED****15th Annual Report 2004-2005****NOTICE**

NOTICE is hereby given that the **Fifteenth Annual General Meeting** of the members of **SKS (SHIP) LIMITED** will be held on Wednesday the **28th September, 2005**, at **11.30 a.m.** at the Walchand Hirachand Hall, Indian Merchants' Chamber Building, Churchgate, Mumbai -400020 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To take on record Interim Dividend paid.
3. To appoint a Director in place of Cmde. M. Bhada I. N. (Retd.) who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hetal N. Thakore who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. N. D. Heda & Co., Chartered Accountants, Mumbai the retiring Auditors, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be mutually decided between them and the Board of Directors.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"Resolved that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act 1956, Mr. Tony Adam who was appointed by the Board of Directors as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting under Section 260 of the Companies Act 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"Resolved that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act 1956, Capt. Walter Gonsalves who was appointed by the Board of Directors as an Additional Director of the Company and who holds office up to the date of the ensuing Annual General Meeting under section 260 of the Companies Act 1956 and in respect of whom the company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT in accordance with the provisions of Sections 269 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, including any statutory modifications or re-enactment thereof for the time being in force, the provisions of the Articles of Association of the Company and subject to the approval of financial institutions/banks, where necessary, Capt. Walter Gonsalves be and is hereby appointed as a Whole Time Director of the company with effect from 1st Feb 2005 for a period of three years.

FURTHER RESOLVED that in accordance with the provisions of Sections 198, 269, 309 of the Companies Act, 1956 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, including any statutory modifications or re-enactment thereof for the time being in force, and subject to the approval of financial institutions/banks, where necessary, Capt. Walter Gonsalves be paid the following remuneration for his services as Whole time Director of the company with effect from 1st Feb 2005.

SALARY :

Rs. 40,000/- (Rupees Forty Thousand only) per month.

PERQUISITES & ALLOWANCES :**CATEGORY "A"****Housing**

The Whole time director shall be entitled to house rent allowance of Rs. 5,000/- per month.

Medical Re-imbursement :

Re-imbursement of all medical expenses for self and family shall be limited to Rs. 5,000/- per month

CATEGORY "B"

The contribution to super annuation fund or annuity fund, if any, and if introduced by the company will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

CATEGORY "C"

Car with chauffeur for use on Company's business and telephone, internet and fax facility at residence. They will, however, not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the company to the Whole time Director, at actuals.

"Family" for the above purpose means wife, dependent children and dependent parents of the whole time Director.

MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained above, in the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Whole



15th Annual Report 2004-2005

SKS
(SHIP) LIMITED

time Director, the payment of salary, perquisites and other allowances, shall be the amount payable, in terms of Part II of Schedule XIII of the Companies Act, 1956, as minimum remuneration.

For the purpose of computation of minimum remuneration, the contribution to provident fund, superannuation fund or annuity fund to the extent these singly or put together are not taxable under the Income Tax, 1961 and encashment of leave at the end of the tenure shall not be included.

REMUNERATION FOR A PART OF THE YEAR

Remuneration for a part of the year shall be computed on pro rata basis.

SITTING FEE

If permitted by law, the Whole time Director shall be entitled to sitting fee in addition to the remuneration mentioned above, for attending meetings of the Board.

COMPENSATION

The Whole-time Director shall be entitled to receive compensation for loss of office in accordance with the provisions or the Companies Act, 1956 or any statutory amendment or re-enactment thereof.

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"Resolved that pursuant to clause 49(1)(B) of the Listing Agreement executed with the Stock Exchange the Company be and is hereby authorized to pay sitting fees / compensation to the Directors of the Company other than Managing Director(s) and Whole time Director(s) for attending meeting(s) of the Board of Directors or Committee thereof and as may be determined by the Board from time to time within the limits prescribed under the Companies Act, 1956 or any statutory modification or re-enactment thereof and/or under any rules or regulations framed there under by the Central Government or any other appropriate authority"

10. To consider and, if thought fit, to give ASSENT / DISSENT to the following resolution as a **Special Resolution** through Postal Ballot under the provisions of Section 192A of the Companies Act, 1956.

"Resolved that pursuant to the provisions of Section 17 and other applicable provisions, if any of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof) and subject to the approval of the Central Government and such other authorities, where necessary, the objects clause III of the Memorandum of Association of the Company be and is hereby altered by inserting a new clause 5 under the heading (III A): MAIN OBJECTS OF THE COMPANY TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION:

- (5) - to carry on the business in India and abroad of design, construction, managing and operation of ports, jetties, dry docks, ship yards, container freight stations, pipeline terminals, shipping terminals, off dock container terminals, inter modal terminals, cruise piers, maritime transport projects, shipping infrastructure projects, offshore land development projects and oil tankages on

BOT basis or otherwise and building and operation of L N G ships, oil tankers, crafts, boats, tugs, trawlers, dredgers, crew vessels and vessels of all kinds, dredging and maintaining of channels and provide ship management services, vessel safety services, break bulk terminal services, sea bulk cape unloading services, self unloading bulk barge services, community marine transport services and related haulage services for conducting the business of the company by hiring railways, roadways and air services, port project planning and feasibility studies, port management information systems, design and development of maintenance management systems, cruise vessel services and container and bulk terminal operations"

BY ORDER OF THE BOARD OF DIRECTORS

S. K. SHAHI

CHAIRMAN & MANAGING DIRECTOR.

Registered Office :

404, Abhay Steel House,
Baroda Street, Mumbai – 400 009.

Place : Mumbai

Dated : 5th August 2005

NOTES :-

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in regard to the business as set out in Item Nos. 6 to 10 above together with the relevant details pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, are annexed hereto.

The relevant Explanatory Statement pursuant to Sections 173 and 192A of the Companies Act, 1956 in respect of business under Item No.10 of the Notice is also annexed hereto. It may noted that for Special Resolution under the said Item No.10, ASSENT / DISSENT of shareholders is to be given by Postal Ballot which is enclosed together with self addressed prepaid envelope.

Members are requested to return the Ballot paper(s) so as to reach it to the Company at its Registered Office before clousure of working hours on 26th September 2005.

2. **A member, entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be lodged with the Company not less than 48 hours before the commencement of the meeting.**
3. The Register of Members and Share Transfer books of the Company will remain closed from 26th September 2005 to 28th September 2005 (both days inclusive).
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

SKS**(SHIP) LIMITED****15th Annual Report 2004-2005**

6. Members desiring any information on the accounts at the Annual General Meeting should write to the Company at least 7 days in advance, so as to enable the Company to keep the information ready.
7. Members are requested to notify immediately any change in their addresses and/or the Banks Mandate details to the Company's Registrars and Share Transfer Agents for Shares held in physical form and to their respective Depository Participants for shares held in electronic form.
8. Pursuant to Section 205 A (5) of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year ended 31st March, 1998 has been transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Information in respect of such unclaimed dividend when due for transfer to the said fund is given in adjacent table.
9. Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of

duplicate warrant(s) by writing to the Registrar and Transfer Agents, M/s. System Support Services. **Shareholders are requested to note that no claims shall lie against the said fund or the Company in respect of any amount, which were, unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claims.**

Dividend declared by the company :

Financial Year Ended	Date of Declaration of Dividend	Amount Unclaimed / unpaid as on 31.03.2005	Last date for Claiming Unpaid Dividend	Due Date for Transfer to IEP fund
31-03-2004	Interim Dividend-I, 30-12-2003	97113	29-12-2010	29-01-2011
	Interim Dividend-II, 01-07-2004	115969	30-06-2011	30-07-2011
31-03-2005	Interim Dividend 25-11-2004	128649	24-11-2011	24-12-2011

10. Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting in pursuance of Clause 49 of the Listing Agreement:

1	Name of the Director	Capt. Walter Gonsalves	Mr. Tony Adam	Omde. Bhada I.N.(Retd.)	Mr. Hetal N. Thakore
2	Date of Birth	21-04-1942	12-02-1958	21-03-1940	08-02-1963
3	Experience in Specific Functional area and position held.	Capt. W. Gonsalves has more than three decades of experience in his credit in the Shipping Sector. During his tenure he has served in the Merchant Steam Navigation Co. as cadet & Navigating Officer and in Shipping Corporation of India as Navigating Officer & Master. During his tenure on Board Ship, he has served as Master on General Cargo Container Vessel and Passenger Vessel having carried out loading and discharging operations of General Cargo and ISO Containers.	Mr. Tony Adam has to his credit vast and rich experience in the area of Business Restructuring and Strategy, Change Management, Turnaround Management and Team Building. Mr. Tony Adam has served in senior positions in blue chip companies. He was the Managing Director of GEA Energy System (India) Ltd., SICAL & Act India Ltd.	Omde. Bhada was General Manager Projects and Corporate Administration at Mahindra and Mahindra Limited and was handed over the additional responsibility as CEO of Guestline Hospitality and Management Development Services Ltd. He was in charge of management of the company's projects and properties and administration of Corporate Centre. He retired from the Indian Navy in the rank of Commodore in 1994 after 32 years of service. He is a member of the Audit Committee, Remuneration Committee & Shareholders / Investors Grievance Committee	Mr. Hetal Thakore is a partner in a law firm and advises corporates and banks in Corporate Laws matters, litigation, property matters, arbitration and bank suits. He is a member of the Audit Committee, Remuneration Committee & Shareholders Investors Grievance Committee.
4	Qualification	Master Marine (Ex-Merchant Navy)	Graduate in Commerce from Loyola College.	Graduate from National Defence Academy, M.Sc. (Defence studies). Certificate in Advance Management from Jamnalal Bajaj Institute of Management, Mumbai	Mr. Thakore is a BSc.(Chem), LLB in Law from Government Law College, Mumbai and has Passed the Solicitors examination conducted by the Bombay Law Society
5	Directorship in other Companies (Excluding foreign Company)	Nil	Adam & Coal Resources (P) Ltd.	Deep Mangal Developers Ltd. Total Service Providers Pvt. Ltd.	Nil

11. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

Members are requested to bring their copies of the Annual Report to the meeting.



15th Annual Report 2004-2005

SKS
(SHIP) LIMITED

EXPLANATORY STATEMENT IN PURSUANCE WITH SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 6

Pursuant to provision of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, the Board of Directors appointed Mr. Tony Adam as Additional Director of the Company w.e.f. 6th June 2005 to hold office upto the date of the ensuing Annual General Meeting. The Company has received a notice along with a deposit of Rs. 500/- (Rupees Five hundred only) under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Tony Adam for the office of Director of the company.

The Directors recommend the resolution for member's approval.

None of the Directors accept Mr. Tony Adam is any way concerned/interested in the said resolution

Item No. 7

Pursuant to provision of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, the Board of Directors appointed Capt. Walter Gonsalves as Additional Director of the Company w.e.f. 1st February 2005 to hold office upto the date of the ensuing Annual General Meeting. The company has received a notice along with a deposit of Rs. 500/- (Rupees Five hundred only) under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Capt. Walter Gonsalves for the office of Director of the company.

None of the Directors accept Capt. Walter Gonsalves is any way concerned/interested in the said resolution

Item No. 8

The Board of Directors appointed Capt. Walter Gonsalves as Whole - Time Director of the Company for a period of 3 years w e f 1st February, 2005 subject to shareholders approval. Accordingly, the present proposal envisages appointment of Capt. Walter Gonsalves as a Whole - Time Director. Capt. Walter Gonsalves has to his credit vast and rich experience particularly in the field of Shipping and the company will be benefited by his association. Approval of the Remuneration Committee of the Board has been obtained. The terms of the appointment as embodied in the resolution may be considered as an abstract pursuant to Section 302 of the Companies Act, 1956.

The Directors recommend the resolution for member's approval.

None of the Directors accept Capt. Walter Gonsalves is any way concerned/interested in the said resolution

Item No. 9

Sub Clause 1(B) of the revised Clause 49 of the Listing Agreement entered into with the Stock Exchange whose compliance has been extended upto 31st December, 2005 by SEBI, stipulates that fees/compensation paid to non executive

Directors including independent Directors shall be fixed by the Board of Directors and require prior approval of the shareholders of the Company. In view of the said amendment made to clause 49, the members are required to approve the payment of sitting fees to the Directors as may be determined by the Board from time to time within the limits prescribed by law.

The Directors recommend the resolution for member's approval.

Cmdr. M Bhada, Mr Hetal Thakore, Capt. Walter Gonsalves and Mr Tony Adam, Directors of the Company are concerned or interested in the passing of the resolution.

Item No. 10

The shipping sector in the country is witnessing major qualitative changes both in scope and size of operations. The Company has planned major initiatives into new spectrum of activity in line with its thrust to expand into nascent activity areas. This will give it market leader advantage and also help in diversifying operations. It is therefore required that the Main object clause of the Memorandum of Association be suitably altered so as to include the proposed activities.

Pursuant to the provisions of Section 17 read with Section 192A of the Companies Act, 1956 it is obligatory for the Company to obtain shareholder's consent by passing a Special Resolution by way of postal ballot at a general meeting.

Accordingly, consent of the shareholders is solicited by passing a Special Resolution by way of postal ballot for alteration of Main Object clause as detailed in Item No.10 of the accompanying Notice.

The Board has appointed Mr. R. Muralimohan, a Practicing Company Secretary as a Scrutinizer for conducting the Postal Ballot voting process. Members are requested to return the Postal Ballot Form in the self-addressed prepaid envelope (forwarded with this Annual Report) so as to reach it at the Registered Office of the Company before the closure of working hours on 26th September 2005.

The Directors recommend the special resolution for member's approval.

None of the Directors is concerned or interested in the passing of this resolution

BY ORDER OF THE BOARD OF DIRECTORS

S. K. SHAHI
CHAIRMAN & MANAGING DIRECTOR.

Registered Office :

404, Abhay Steel House,
Baroda Street,
Mumbai - 400 009.

Place : Mumbai

Dated : 5th August 2005

SKS**(SHIP) LIMITED****15th Annual Report 2004-2005****DIRECTORS' REPORT**

To

The Members

Your Directors have pleasure in presenting their **Fifteenth Annual Report** and **Audited Statement of Accounts** of the Company for the year ended **31st March 2005**.

Financial Results :

The summary of financial results of the company for the year ended 31st March, 2005 are furnished below :

	2004-05		2003-04	
		Rs. Lacs		Rs. Lacs
Gross Profit		1632		1481
Less: Interest & Finance Charges		363		341
Less: Provision for Depreciation		327		379
Profit before Tax		942		761
Less: Provision for Taxation:				
Current Tax	213		17	
Deferred Tax	105	318	29	46
Profit after Tax		624		715

Your company improved upon last year's performance during the year under review. The sales and income from operations increased by 11.73% to Rs. 3205.27 Lacs as against Rs. 2868.70 Lacs in the previous year. The profit before tax increased by 23.79% to Rs. 942.32 Lacs as against Rs. 761.23 Lacs in the previous year. This has been achieved through continued focus on providing value added services and lowering the operating costs.

However, profit after tax for the year has been significantly affected on account of the withdrawal of the tax benefits under Section 33AC of the Income Tax Act 1961 during the year under review.

Tonnage Tax

During the year "Special Provision Relating to the Income of Shipping Companies" under a new Chapter XII-G of the Income Tax Act, 1961 commonly known as Tonnage Tax regime, has been introduced. The Indian shipping industry has been benefited by Tonnage Tax Scheme. Your Company has also opted for computation of income from a vessel under the Tonnage Tax Scheme.

Dividend

In view of interim dividend of 5% paid on 25th November 2004, and the necessity to conserve resources to fund expansion plans, the Directors do not recommend any final dividend.

MANAGEMENT DISCUSSION, ANALYSIS AND REVIEW :**a) Industry Structure and Development :**

Your company is in the coastal shipping business, operates within the territorial waters of Indian ports and provides a variety of support services. The activities in this segment can broadly be classified into providing liquid cargo lighterage operations of petroleum and chemical products, lighterage operations of bulk cargo, tug services, supply of bunkers to vessels, container feeder service on Indian coasts, water supply services and port services. The need for such services primarily is as a result of ships needing to anchor away from the harbour on account of the shallow coastal waters and thereby needing a variety of support services. Your company specialises in transportation of bulk and liquid cargo in sea.

b) Opportunities and outlook :

India has a long coast line of around 7517 kms, a number of ports (13 major and 185 minor ports) and a vast hinterland. Nearly 95 % of the country's foreign cargo moves by sea and therefore ports and the development of coastal shipping is inevitable. The company has certain inherent advantages i.e focus on coastal shipping, young fleet with an average age of 11.2 years, efficient utilization of fleet, experienced personnel and innovation and diversification. The present Government policies allow private entrepreneurs to develop minor ports as ships repairs and dry dock constructions. The Company proposes to diversify into ship repairs and set up dry dock facilities in Mumbai and Goa. The economic reforms have started yielding dividends and trade volumes have increased. The maritime structure is undergoing major structural reforms. With the increased focus on economical long distance transport, maritime transport will continue to enjoy a pivotal share of this spectrum of business and Indian ports promise to become busier than ever. Container trade traffic is expected to grow significantly in future as a result of containerization of general cargo and investments in container handling facilities. The company is optimistic about its future prospects and shall continue to concentrate on achieving operational efficiency and an effective cost control measures. The Government of India's Sethusamudram project connecting the east and west coast of India and the Sagar Mala will help develop the maritime sector and lead to increased activity.

c) Risks and concerns:

The shipping industry is prone to fluctuations in demand and supply. Individual companies are also subject to risk of regulations, state controls and government policies. High costs of replacing ageing ships and the consequent need to have state of the art ships to cater to modern demands of international operators continue to be a cause of intense concern. The company in its endeavour to minimise the risks associated with its type of business is employing competent team of professionals and is focused towards implementation of modern shore based management practices. Manning scale standards, levy of duty on oil bunkers and spares continue to be a concern for the industry.



15th Annual Report 2004-2005

SKS
(SHIP) LIMITED

d) Risk Management :

A judicious mix of time and voyage charters has helped your company to cash in on the spurt in the freight rates. This strategy has also helped your company to maintain consistency in revenues. Risk is an inherent aspect of any business and risk taking is an essential ingredient of company's strategy in supporting customers growth and competitiveness. Towards this, your company ensures to build long-term relationship. This strategy has helped your company to have sustainable, predictable and stable growth.

e) Segmentwise Performance :

The company operates in only one segment i.e. Shipping, and therefore, has no separate reportable segments. Your company continued to provide services in the areas of Liquid Cargo lighterage operations of Petroleum & Chemical Products, lighterage operations of Bulk Cargo, Tug services for port related activities, supply of bunkers to vessels and Container Feeder Service on Indian Coasts through its fleet of 33 vessels. The Industry being seasonal in nature, operations close during rains for a period of three/four months. The lean period provides an opportunity for repairs and maintenance. The fleet utilisation during the period under review has been efficient.

f) Operational efficiency :

Your Company's personnel are well trained in the up-keep of the vessels. Much of the success of your company is attributed to the quality of its people, their extremely dedication and contribution. The dedicated team of shore and floating staff provides continuous support to the operations of the company which is reflected in the operational efficiency. Voyage operations are managed professionally, ensuring high productivity levels, thus increasing the operational efficiency and utilisation, thereby, increasing the revenues. Your Company employs skilled personnel to monitor and maintain its oil-spill and other emergency response plans.

g) Quality & Safety :

Your company continues to focus on the safety, training and development of the employees. The company also conducts frequent training sessions including onboard drills to enhance the effectiveness of the safety of the staff. Your company firmly believes that pursuit of excellence is one of the critical components for competitive success in the global market. Your Directors takes pleasure in informing you that your company continues to have the prestigious ISO 9001-2000 Certification and is on continuous journey towards continual improvement to make its Quality Management System more effective.

h) Human Resources :

Skilled professionals in all its operations are basically its human resource assets and are integral to the Company's ongoing successes. They have played a significant role and enable the company to deliver superior performance year after year.

i) Project :

The process of setting up dry-dock facility at Alibaug, in the state of Maharashtra, is in its finalisation stage and the commencement of work will take place soon. The project is spread over 35 Acres of land.

The first phase will provide dry-dock facility for 6 – 7 vessels per month of 3000 DWT. The second phase will create facility for dry-docking offshore supply vessels of upto 10,000 DWT, while the third phase will see vessels upto 50,000 DWT. The Company has also planned its fleet expansion by building four new vessels of 3600 DWT each. Two of these vessels have already joined the fleet. These vessels are estimated to cost around Rs. 30 crores and will serve dual purpose of Dry Bulk and Container. The vessels will have a capacity of 165 TEUs. The vessels are proposed to be deployed in JNPT, Mumbai, Kandla and Kolkata Ports.

j) Industry review and prospects :

There is a improvement in Indian tonnage carrying Indian cargoes. The government's acceptances towards long standing demand of the ship owners for the tonnage tax system as is followed the world over, to enable the Indian industry to cope with international competition is encouraging. The introduction of tonnage tax should go a long way in improving the fortunes of the shipping companies.

k) Adequacy of Internal Controls :

The Company has adequate and effective internal control systems commensurate with the size of its operations. The internal control system provides for well-documented policies, guidelines, authorizations and approval procedures. Internal audit is being carried out extensively throughout the year in areas such as Income, Expenditure, Financial Accounting and statutory compliances. The primary objective of such audit is to test the adequacy and effectiveness of all internal controls laid down by the Management and to suggest improvements.

l) Cautionary Statement :

Statements in the Management Discussion and Analysis describing the Company's strategies on business, projections and estimates are forward looking statements. The actual results may vary from those expressed or implied, depending upon economic conditions, Government policies, regulations, tax laws and other incidental factors.

Subsidiaries :

Information pursuant to the provisions of Section 212 of the Companies Act, 1956, relating to the subsidiary companies forming part of this report is annexed. Your company has the following subsidiaries :

1. Shahi Shipping (Singapore) Pte Ltd.
2. Shahi Shipping (BD) Ltd.

Directors :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Cmde. M. Bhada. I.N. (Retd.), and Mr. Hetal N Thakore, Directors of the Company, retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.