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ANNUAL REPORT  
2006 - 2007



**SARVESH KUMAR SHAHI**  
Chairman & Managing Director



## 17th Annual Report 2006-2007

# SKS LOGISTICS LIMITED

### BOARD OF DIRECTORS

Mr. S. K. Shahi	Chairman & Managing Director
Mr. F. M. Koli	Wholtime Director
Capt. Walter Gonsalves	Wholtime Director
Mr. R. V. Iyer	IDBI Nominee Director
Cmde. M. Bhada I. N. (Retd.)	Director
Mr. H. N. Thakore	Director (up to 31.12.2006)
Mr. B. B. Bhawsar	Director
Mr. Tony Adam	Director

### COMPANY SECRETARY

Mr. A. A. Lambay

### BANKERS

State Bank of Indore, Mumbai  
HDFC Bank Ltd., Mumbai

### AUDITORS

M/s. N. D. Heda & Co.  
Chartered Accountants

### REGISTERED OFFICE

404, Abhay Steel House,  
Baroda Street, Mumbai - 400 009.  
Tel. : 2373 0713 / 14 / 15 / 16  
Fax : 91 (22) 2371 0362 / 2374 0219  
Website : [www.shahiship.com](http://www.shahiship.com) / [www.shahilogistics.com](http://www.shahilogistics.com)  
E-mail : [shahi@bom3.vsnl.net.in](mailto: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. : 2784 3047-49 / 2784 3051-53  
Fax : 91 (22) 2784 3041 & 2784 3044  
E-mail : [sks@sksship.com](mailto:sks@sksship.com)

### REGISTRAR & SHARE TRANSFER AGENT

System Support Services  
209, Shivai Industrial Estate,  
89, Andheri Kurla Road,  
Sakinaka, Mumbai - 400 072.  
Tel. : 2850 0835 / 3940  
Fax : 2850 1438  
E-mail : [zip@sysss.com](mailto:zip@sysss.com)

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## CHAIRMAN'S STATEMENT

*Dear shareholders,*

I take this opportunity to thank you all for your continued trust and support to the Company. I am, indeed, delighted to speak to you today at this 17<sup>th</sup> AGM of the Company.

The year under review was quite successful with your company turnover above Rs. 40.00 crore and the gross and net margins improving significantly. During the year we have also added one M.S. class vessel to our fleet thus taking the total number of vessels in the fleet to 37 and significantly raising our tonnage.

The Company is very seriously thinking of entering into offshore segment and planning to buy some offshore vessels and conversion of one of the floating vessel into offshore accommodation vessel.

We have also signed two MOU's with Inland Waterways Authority of India for construction and operations of 14 vessels in the National Waterways No. 1 i.e. between Kolkata and Pandu and National Waterways No. 2 i.e. between Kolkata and Mongla. Once in operation, these two projects will significantly add to the profit and growth of our Company. We are also planning to acquire a few more MS class vessels with a view to expand into global operations.

As you all may be aware, the Inland Waterways Transportation in India is still an insignificant percentage of the total transportation requirements. This mode of transportation has comparatively greater advantage on energy efficiency and pollution fronts vis-à-vis rail and road transportation and also is a cheaper mode. The Inland Waterways transportation share in some of the advanced countries like Netherland, France, Hungary, Germany, Belgium and USA etc. varies between 13% to 42% whereas this share in India is merely 0.28%. This demonstrates the tremendous scope which lies ahead for growth in this field in the country and therefore for your Company.

To keep up with the fast and ever increasing needs of the Container Trade Industry, the Bulk Cargo Export and Import Market and also the emerging tanker market we are continuously striving to strengthen our fleet, improve productivity and provide quality services thereby creating a strong position for us in the market.

As you all are aware, there has been tremendous boost and exceptional growth in the world economy which, in turn, has great impact on our industry as well. The demand on shipping tonnage continues to be greater than the supply which is leading to continuous rise in the shipping trades.

I assure you that the future is bright and the initiatives we have undertaken and our vision for the near future as well as long term will enable the Company to achieve sustained profitability and attain global presence.

I once again thank you for your continued support and we shall move together to higher and higher goals

Place : Mumbai  
Date : 20<sup>th</sup> August 2007

**Sarvesh Kumar Shahi**  
Chairman & Managing Director





## NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the members of SKS LOGISTICS LIMITED will be held on Thursday, 27th September, 2007, at 11.00 a.m. at Walchand Hirachand Hall, Indian Merchants' Chamber Building (4<sup>th</sup> Floor), Churchgate, Mumbai – 400 020, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Cmde. M. Bhada, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Capt. Walter Gonsalves, who retires by rotation and, being eligible, offers himself for reappointment.
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 till the conclusion of the next Annual General Meeting at a remuneration to be mutually decided between them and the Board of Directors.

By order of the Board of Directors,

Place : Mumbai  
Date : 14th August, 2007

**Registered Office:**  
404, Abhay Steel House,  
Baroda Street, Mumbai - 400009

**S. K. Shahi**  
Chairman and Managing Director

### Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIM/HER SELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be lodged with the Company at its Registered Office, not later than 48 hours before the commencement of the meeting.
3. A body corporate being a member shall be deemed to be personally present at the meeting, if represented in accordance with the provisions of Section 187 of the Companies Act, 1956.
4. Register of Members and Share Transfer books will be closed from 21.9.2007 to 27.9.2007(both days inclusive) for the purpose of declaration of dividend.
5. All correspondence regarding shares of the Company should be addressed to the Company's Registrar and Transfer Agent (RTA) viz. System Support Services, 209, Shivai Industrial Estate, 89, Andheri Kurla Road, Sakinaka, Mumbai 400 072. Members who hold shares in physical form and wish to make/change a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit the prescribed Form 2B to System Support Services.
6. Members who wish to obtain any information on the Company as regards the accounts for the financial year 31<sup>st</sup> March 2007 are requested to write to the Company at least 10 days before the Annual General Meeting.
7. For convenience of the members and for proper conduct of the meeting, entry to the place of meeting will be regulated by the attendance slip, which is annexed to the Proxy Form. Members are requested to sign at the place provided on the attendance slip and hand it over at the entrance of the Meeting.
8. 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.
9. Members/Beneficial Owners are requested to quote their full name as per the Company's record, Folio No. / DP and Client ID Nos., as the case may be, in all correspondences with the Company.
10. Members who hold shares in dematerialized form, are requested to bring their depository account number for identification.
11. pursuant to Section 205A(5) of the Companies Act, 1956, the Company has transferred all unclaimed / unpaid dividends on their respective due date to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205 C of the Companies Act, 1956. 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 of unclaimed dividend once the same is transferred to the above fund.


**12. Details of Directors seeking Re-appointment at the forthcoming Annual General Meeting in pursuance of Clause 49 of the Listing Agreement.**

1 Name of Director	<b>Capt. Walter Gonsalves</b>	<b>Cmde. M. Bhada I: N. (Retd.)</b>
2 Date of Birth	21 - 04 - 1942	21 - 03 - 1940
3 Experience in Specific Functional area and Position held :	Capt. W. Gonsalves has more than three decades of experience to his credit in the Shipping Sector. During his tenure he has served in the Merchant Steam Navigation Co. as Cadet & Navigation 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. He is a member of the Audit Committee & Shareholders/ Investors Grievance Committee	Cmde. 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.
4 Qualification	Master Marine (Ex-Merchant Navy)	Graduate from National Defence Academy, M. Sc.(Defence Studies). Certificate in Advance Management from Jamnalal Bajaj Institute of Management, Mumbai.
5 Directorship in other Companies (Excluding foreign Company )	NIL	Total Service Providers Pvt. Ltd.
6 Shareholding	NIL	NIL

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

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

By order of the Board of Directors

Place: Mumbai

Date : 14<sup>th</sup> August , 2007

**S.K. Shahi**

Chairman & Managing Director



## DIRECTORS' REPORT

To,  
The Members of SKS Logistics Limited

Your directors have pleasure in presenting the 17th Annual Report together with the Audited accounts of the company for the financial year ended on 31st March 2007.

### 1. FINANCIAL RESULTS:

The summary of financial results of the company for the year ended 31st March 2007 is furnished below.

	2006-2007 Rs in lacs	2005-2006 Rs in lacs
Gross Profit	1697	1379
Less: Interest and Finance Charges	488	348
Less: Provision for Depreciation	615	501
Profit before Tax	594	530
Less: Provision for Taxation		
Current Tax	110	108
Deferred Tax	76	76
Fringe Benefit Tax	8	10
Profit After Tax	400	336

### 2. DIVIDEND:

Your Directors are pleased to recommend dividend of 7.5% (Rs 0.75 per share) on 1,44,94,874 equity shares of Rs 10/- each for the year ended 31st March 2007. The total payout on dividend (including corporate tax thereon) will be Rs 1,27,18,707/- as against Rs 82,63,890/- in the previous year.

### 3. PERFORMANCE:

Income from operations during the current year was Rs. 40.62 crores as against Rs 35.33 crores in the previous year registering a growth of about 15% over the previous year. The gross profit of Rs 16.97 crores registered an increase of about 23% over previous year's 13.79 crores. This is considered significant in view of the fact that during the current year the Interest and Finance Charges have increased significantly from Rs 3.48 crores in the earlier year to Rs 4.88 crores during the current year.

Indian economy has been poised for major growth. It expanded by an impressive 9% growth during 2005-2006 and by 9.2% during 2006-2007. With all sectors of the economy including services sector registering robust growth rates, the Government is now targeting a sustained 9% future growth. This definitely augurs well for shipping and logistics industry as well.

The Government has also been giving boost to shipping industry and accordingly has undertaken various measures such as encouraging public and private investment in development and improvement of ports, tonnage tax, dedicated freight corridors, 100% FDI in shipping etc.

Keeping the overall growth rates in mind, the company has also been continuing with its expansion drive and has acquired one more vessel during the year under review. The vessel is of M.S. Class and named M.V. Royal Pisces has a DWT of 4562 Tons and is expected to boost the company's revenue by a significant margin. With this acquisition, the total fleet strength of your company goes up to 37.

### 4. FIXED DEPOSITS:

The company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956 during the year under review.

### 5. POLLUTION, ENVIRONMENT AND SAFETY:

The conservation of Energy and Technology Absorption under the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are not applicable to your company. However all measures are taken by your company to ensure that conservation of energy takes place at all stages of operations of the vessels as well as onshore activities.

There is no import of technology during the current year. The details of Foreign exchange earned and out go are separately given in this report.



## 6. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (1) In the preparation of the annual Accounts, the applicable accounting standards have been followed with explanatory notes relating to material departures.
- (2) Appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and the profit and loss account of the company for that year.
- (3) Proper and sufficient care has been taken for maintaining 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.
- (4) The annual accounts have been prepared on a going concern basis.

## 7. CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to clause 49 of the listing agreement with the stock exchange, Management Discussion and Analysis Report and a report on the corporate governance are given as annexures "A" and "B" to this report. A certificate from the statutory auditors of the company regarding compliances of conditions of corporate governance is also enclosed hereto.

## 8. PARTICULARS REGARDING THE EMPLOYEES:

The information required under section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules 1975, as amended, forms part of this report. However as per section 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being circulated to all the shareholders excluding the aforesaid information. Shareholders interested in obtaining this information may write to Compliance Officer of the company.

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

Pursuant to the notification No GSR 1029 dated 31-12-1988, companies are required to furnish prescribed information regarding conservation of energy and technology absorption. However this does not apply to your company as the shipping industry is not included in the schedule to the relevant rules. The details, however, as regards Foreign exchange earnings and out go are given below.

- |                             |                  |
|-----------------------------|------------------|
| (a) Foreign Exchange earned | Rs. 29.16 Lacs   |
| (b) Foreign Exchange outgo  | Rs. 2123.15 Lacs |

## 10. SUBSIDIARIES:

As required under section 212 of the Companies Act, 1956, we are required to attach to the directors Report, the Balance sheet and Profit and loss account of our subsidiary companies. Accordingly these have been appended to this report.

## 11. DIRECTORS:

Comde. M. Bhada I. N. (Retd) and Capt Walter Gonsalves retire by rotation and being eligible offer themselves for reappointment. The Board recommends their reappointment.

Mr. H. N. Thakore resigned during the year with effect from January 01, 2007 due to preoccupation. The Board wishes to place on record its gratitude for the valuable services rendered by him during his tenure.

## 12. AUDITORS:

You are requested to appoint auditors for the financial year 2007-2008 and authorize the Board to fix their remuneration. The retiring auditors M/s N. D. Heda & Co, Chartered Accountants, Mumbai being eligible offer themselves for reappointment.

## 13. OTHER NOTABLE DEVELOPMENTS:

During the year under review the name of the company has been changed from SKS (Ship) Limited to SKS Logistics Limited. This is in keeping with the broad scope of activities undertaken by the company.

During the year under review, MOUs have been signed by your company for joint venture with Inland Waterways Authority of India Limited, for acquisition, operation, management and /or maintenance of barges/ vessels on National Waterway No. 1 viz Kolkata - Pandu stretch and National Waterways No.2 viz Kolkata - Mongla stretch.

## 14. ACKNOWLEDGEMENTS:

Your directors take this opportunity to place on record the appreciation of the technical, commercial and financial teams of the company for their untiring efforts. Your directors also wish to thank the officials of Directorate General of Shipping, Indian Registry of Shipping, Mercantile Marine Deptt, Financial institutions and Banks for their continued support during the year. Your directors are also thankful to the shareholders and other business partners for the trust reposed in them. Your directors also thank the employees at all the levels without whose support the growth levels achieved by the company would never have been possible.

For and on behalf of the Board of Directors





## ANNEXURE A

### MANAGEMENT DISCUSSION, ANALYSIS AND REVIEW

#### a. INDUSTRY STRUCTURE AND DEVELOPMENT

The overall economic growth coupled with removal of trade barriers resulted in growth for the Indian shipping industry. Statistics reveals that the shipping industry in general is expected to grow at 11% in the next few years.

The shipping industry can be generally classified into wet bulk, dry bulk and liners. Your Company is in the coastal shipping business and 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 a result of ships needing to anchor away from the harbour on account of the shallow coastal waters and non availability of berths inside the port thereby needing a variety of support services. Your company specialises in transportation of container, bulk and liquid cargo in sea.

The Indian freight transport system carries more than 1000 billion tonne-kilometers in India. The share of coastal shipping in this is barely 6-7% and bulk of transport takes place through rail/road transportation means. The share of coastal shipping in western countries is more than 40%. With Indian economy registering a growth of more than 9%, the freight transport demand is likely to grow to 2000 billion tonne-km in next 8-10 years. As such, there is a need for integrated transport planning accompanied by modal shifts in favour of cost efficient mode such as coastal shipping.

With a view to give much needed fillip to Indian shipping industry, the government is formulating a comprehensive National Maritime Policy, which will facilitate enhanced private investment, improve service quality and promote competitiveness. With this objective, the Department of Shipping has taken up the preparation of National Maritime Development Programme (NMDP) to complement the National Maritime Policy by implementing time bound schedule for schemes/projects for enhancing capacity and transport efficiency.

The NMDP would also include a major drive for promotion of coastal shipping through various schemes such as Coastal Shipping Development Fund (CSDF) for soft lending for the purpose of acquisition of coastal vessels and Centrally Sponsored Scheme (CSS) for development of coastal shipping infrastructure.

#### b. OUTLOOK ON OPPORTUNITIES

As India continues to pursue liberalized economic regime, it is expected that industry would post a healthy growth rate in the coming years. Continuous robust economic growth accompanied by increase in domestic consumption would lead to vibrant growth especially for shipping industry in container, bulk cargo both in liquid and dry cargo segments.

The government, with a view to give boost to shipping industry, is undertaking various initiatives such as encouraging private and public investments in development of ports, tonnage tax, dedicated freight corridors, 100% FDI in shipping etc. As per the draft NMDP, the government proposes to invest Rs. 1,00,000 Crores in NMDP in the next 10 years.

All these initiatives coupled with the economic growth would translate into better opportunities for Indian Shipping Industry including the Coastal Shipping.

With certain inherent advantages i.e. mixed fleet with a focus on coastal shipping, efficient utilization of fleet, experienced personnel and innovation and diversification, that your Company has, it is expected to be benefited from this emerging scenario.

#### c. THREATS, RISKS AND CONCERNS

Amongst the cyclical industries, the shipping industry is considered to be most cyclical with shortest buoyancy and longest recessionary periods. This is reflected in volatile freight rates. Thus, aligning with the international trends, the shipping industry in India is also exposed to perceived risks of decline in charter/freight rates from time to time.

India's shipping industry is governed by the Ministry of Shipping and thus is exposed to risks arising from political instability and changes in government policies from time to time.

Shipping Industry being highly capital intensive, there is no assurance that additional resources would be available when needed.

The substantial upsurge in fuel costs world over in the past year has created a hindrance in the growth of the profitability of the company since fuel forms a major part of operating costs for ships.

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.

In order to mitigate the risks the Company has taken various steps to limit the various factors that emanate risks. These factors include :



- Insurance
- Proper credit check of the client portfolio
- A judicious mix of time and voyage charters to hedge spurt in the freight rates.
- Supporting customers, growth and competitiveness
- Engaging in long term charter hires.

#### **d. SEGMENT WISE 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 Container 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 37 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.

#### **e. OUTLOOK**

The Indian Shipping industry is poised for growth in the next few years. Your Company, with some inherent advantages such as low operational costs, committed professional manpower and proper upkeep of vessels, is expected to cash on the opportunities provided.

Your Company has since last few years taken initiatives to broaden its fleet base to minimize the risks and maximize the gains. In its effort in this regard, the Company is in talks to acquire two more vessels for international charter. With expansion of fleet the Company would be in a better position to maximize its gains from the buoyant markets.

#### **f. 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 Company is converting one of the dumb barge into offshore accommodation vessel, which will accommodate nearly 500 persons and will have helipad and crane to carry out various support services in offshore field.

#### **g. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

Much of the success of your company is attributed to the quality of its people, their 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 revenues. Your Company employs skilled personnel to monitor and maintain its oil-spill and other emergency response plans.

#### **h. 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 take 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.

#### **i. HUMAN RESOURCES**

The Company considers its employees as partners in growth. They have played a significant role and enabled the Company to deliver superior performance year after year.

#### **j. 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 and ensures optimal use of resources at its disposal.

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.

#### **k. 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.