



ANNUAL REPORT **2008-09**



SARVESH KUMAR SHAHI
Chairman & Managing Director



19th Annual Report 2008-2009

SKS LOGISTICS LIMITED

BOARD OF DIRECTORS

Mr. S. K. Shahi	Chairman & Managing Director
Mr. F. M. Koli	Wholetime Director
Capt. Walter Gonsalves	Wholetime Director
Mr. R. V. Iyer (up to 31/8/2008)	IDBI Nominee Director
Cmdr. M. Bhada I. N. (Retd.)	Director
Mr. B. B. Bhawsar	Director
Mr. Tony Adam (up to 5/5/2009)	Director

COMPANY SECRETARY

Mr. A. Thanthoni Rao

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.: 91 (22) 61454545 / 23487340/41/42
 Fax: 91 (22) 23487350 / 51
 Website: www.shahilogistics.com
 E-mail: 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

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

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The year gone by has indeed been one of the most challenging for the world economy. The unprecedented financial crisis, acknowledged today as the worst since the Great Depression, has brutally shaken the foundations of some of the strongest economies in the world. Bankruptcy of companies and job losses continue to haunt the developed as well as developing economies. Though Governments across continents have responded speedily and in rare unison, the path to recovery is expected to be long and arduous.

Indian economy was also not immune to this shock. The economy is estimated to have recorded growth rate of about 6.5% during the year ended 31st March 2009 as against 8.7% during the year ended 31st March 2008.

The performance of the company during the year has been adversely impacted. The income from operations during the year was Rs. 32.83 crores as against Rs 45.93 crores in the previous year. The Gross Profit of Rs 15.99 crores was almost down by about 17% from the previous year figure of Rs 19.33 crores. In view of above, your directors have decided to skip declaration of dividend for the current year and I am sure all of you will support the management at this crucial juncture.

To meet the extra ordinary situation arising out of financial instability, your company has initiated several steps at micro level. These include fleet rationalization (getting rid of vessels that were un economical), rationalizing the branch infrastructure and significant reduction in operational costs on all fronts. While doing this, the quality of service has not been compromised anywhere as your company is well aware of the importance of quality.

Your company is also in the process of setting up floating dry dock and is at the advanced stage of discussion. Floating dry dock is a relatively new concept and will be the first of its kind here. Preliminary inspection and negotiations have already taken place in this regard.

As you are aware, your company has signed MOU with Inland Waterways Authority of India for acquisition and running of barges on the eastern sector about which I have spoken to you in my earlier communiqué. We are now going ahead with acquisition of five barges in the next few months. The project will be fully on steam within a period of year or so.

On behalf of the Board of Directors and on my on behalf, I place on record our sincere thanks to our customers, shareholders, bankers and other stakeholders for their unstinting support.

I would also like to thank all the employees of the company for their commitment and consistent efforts that helped us overcome several challenges and look forward to their continued contribution as the company grows from the strength within.

**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the members of SKS LOGISTICS LIMITED will be held on Friday, 25th September, 2009, at 11.30 a.m. at Walchand Hirachand Hall, Indian Merchants' Chamber Building (4th 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 2009, the Profit and Loss Account for the year ended as on that date, together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Commodore Medioma Bhada, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary resolution.

"RESOLVED THAT M/s N D Heda & Co, Chartered Accountants, Mumbai, the retiring auditors of the company be and are hereby appointed 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 on such remuneration, as may be fixed by the Board of Directors"

By order of the Board of Directors,

Place : Mumbai
Date : 14th August 2009

S. K. Shahi
Chairman and Managing Director

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

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**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 19th September 2009 to 25th September 2009 (both days inclusive) for the purpose of AGM.
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 31st March 2009 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 warrants(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 the Director seeking re-appointment at the forthcoming Annual General Meeting in pursuance of Clause 49 of the Listing Agreement.

1. Name of Director	COMMODORE MEDIOMA BHADA I.N (Rstd.)
2. Date of Birth	21-03-1940
3. Experience in Specific Functional area and Position held	<p>Comde. Bhada was General Manager, Projects and Corporate Administration of Mahindra and Mahindra Limited and was handed over the additional responsibility as CEO of Guestline Hospitality and Management Development Services Limited. He was in charge of Management of the company's projects and properties and Administration of Corporate Centre.</p> <p>He has 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 and Shareholders / Investors Grievance Committee.</p>



4. Qualification	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 Companies)	Total Service Providers Pvt. Ltd.
6. Shareholding	NIL

13. Corporate Members intending to send their authorised representative are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting as per Section 187 of the Companies Act, 1956.
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 : 14th August 2009

S. K. Shahi
 Chairman and Managing Director





DIRECTORS' REPORT

To

The Members of SKS Logistics Limited

Your directors have pleasure in presenting the 19th Annual Report together with the Audited Accounts of the company for the financial year ended on 31st March 2009.

1. FINANCIAL RESULTS:

The summary of financial results of the company for the year ended 31st March 2009 is furnished below.

Particulars	2008-2009 Rs. In Lacs	2007-2008 Rs. In Lacs
Gross Profit	1599	1933
Less: Interest and Finance Charges	718	674
Less: Provision for Depreciation	763	806
Profit before Tax	118	453
Less: Provision for Taxation:		
Current Tax	13	135
Deferred Tax	87	46
Fringe Benefit Tax	10	11
Profit After Tax	8	261

2. DIVIDEND:

In view of inadequacy of profits, your Directors do not recommend any dividend for the year ended 31st March 2009.

3. PERFORMANCE:

Income from operations during the current year was Rs.32.83 Crores as against Rs.45.93 crores in the previous year. This indicates decline of about 29% over the previous year. The gross profit of Rs.15.99 crores registered a decrease of about 17% over the previous year's Rs. 19.33 crores. During the current year the interest and finance charges have increased from Rs 6.74 crores to Rs. 7.18 crores which indicates increase of about 7% over the previous year.

The economy worldwide went through major recessionary phase and drastically impacted the economies of countries like US, UK and other European countries. The Indian economy also has witnessed the major recession.

There are however definite signs of recovery. Green shoots are evident in certain manufacturing and services sectors.

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 judgments 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 corporate governance are given as annexure "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. NIL |
| (b) Foreign Exchange Outgo | Rs. 0.29 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 subsidiary companies. However SKS Logistics (Singapore) Pte Ltd and Shahi Shipping (BD) Ltd have not started their business operations. The Board reviewed the position from time to time and has decided to liquidate the aforesaid subsidiary companies. Accordingly the consolidated statements of SKS Logistics Limited and the subsidiaries viz SKS Logistics (Singapore) Pte Ltd and Shahi Shipping (BD) Ltd have not been prepared and do not form part of the accounts.

11. DIRECTORS:

At the ensuing Annual General Meeting, Commodore Medioma Bhada retires by rotation and is eligible for re-appointment. Brief resume of Commodore Medioma Bhada, the nature of his expertise in specific functional areas and other details as stipulated under clause 49 of the listing agreement with the stock exchange are provided in the report on the corporate governance forming part of this Annual Report.

12. AUDITORS:

M/s N D Heda & Co, Chartered Accountants, Mumbai, the statutory auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act, 1956.

13. 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

Place: Mumbai
Date: 14-8-2009

S. K. Shahi
Chairman and Managing Director



ANNEXURE - A

MANAGEMENT DISCUSSION, ANALYSIS AND REVIEW

(a) INDUSTRY STRUCTURE AND DEVELOPMENT

Economies around the world have been seriously affected by the financial crisis and slump in activity. The advanced economies experienced an unprecedented 7½ percent decline in real GDP during the fourth quarter of Calendar Year 2008, and output has fallen almost as fast during the first quarter of 2009. Going forward, the stabilisation of the financial markets might take longer than previously envisaged, even with strong efforts being made by policymakers. Monetary policy interest rates are expected to be lowered or remain near the zero bound in the major advanced economies, while central banks continue to explore ways to use both the size and composition of their balance sheets to ease credit conditions. Fiscal deficits are expected to widen sharply in both advanced and emerging economies, as governments are assumed to implement fiscal stimulus plans in G20 countries amounting to 2 percent of GDP in 2009 and 1½ percent of GDP in 2010.

Overview of the Indian Economy

The Indian economy, which was on a robust growth path up to 2007-08 averaging at 8.9 per cent during the period 2003-04 to 2007-08, witnessed moderation in 2008-09, with the deceleration turning out to be somewhat sharper in the third quarter. The slowdown in the Indian economy during 2008-09 has been associated with a deceleration in investment demand, which had been an important driver of growth in recent years. The adverse conditions for access to external capital, and the depressing effects of the global crisis on domestic business confidence contributed to the moderation in investment demand.

Based on recent production / sales data on cement, steel and automobiles there are visible indications of a strong recovery in the industrial sector. The current recovery seen in cement, steel, automobile and in the core industries index is expected to gather further momentum as the two major problems that the industry faced in the October-December quarter of the financial year 2008-09 are being addressed - inventory levels declining and liquidity easing. The industrial sector continues to repose faith in domestic demand as its investment intentions remain robust. Several new capacities whose commissioning was deferred during October-December 2008 are now being commissioned. New capacity expansion plans are being announced. Hence we are likely to see growth albeit at a slower rate than the one witnessed in last 5 years.

Your Company's Business Performance, Opportunities and Outlook

The Container Division has witnessed a major setback. Hence the overall performance of the company reduced by 29%.

(b) OUTLOOK ON OPPORTUNITIES

Notwithstanding the decline in turnover of Shipping Industry, it is expected that the 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 industries in container, bulk cargo both in liquid and dry cargo segments.

The Government, with a view to giving 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 economic growth would translate into better opportunities for Indian shipping industry including coastal shipping.

With certain inherent advantages i.e. mixed fleet with a focus on coastal shipping, efficient utilisation 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

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.

The industry is also capital intensive. A single ship can cost anything between US \$ 20 mn to US \$ 300 mn. Also there are a large number of players in the market due to which no single company has significant pricing power.

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 developed world may reduce its oil consumption but the developing world will increase its consumption resulting in growing opportunities in developing countries like China, India and Indonesia.

Due to current economic meltdown, there will be good opportunities for acquisition of good quality vessels at reduced prices. However, at the same time due to global economic slowdown and financial crisis, it will become increasingly difficult to obtain financing for acquisition of vessels in the global market.

The freight rates are mainly determined by the fine balance between future demand and supply of ships. Currently, there is a large order book of vessels in most sectors which coupled with economic slowdown may affect the freight rates adversely but at the same time with increased difficulty in obtaining finance for new building which are on order, it is expected that some of the new building orders will be cancelled.