



The Scindia Steam Navigation Co. Ltd.

84th ANNUAL REPORT AND

STATEMENT OF ACCOUNTS

2002-2003

Annual General Meeting

on Saturday, 13th September, 2003 at 11.30 A.M. at M.C. Ghia Hall,
Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001.

THE SCINDIA STEAM NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS

Shri K. V. Unni — *Chairman and
Managing Director
(from 20.9.2002)*

Shri K. Venugopal (CMD)
(up to 15.9.2002)

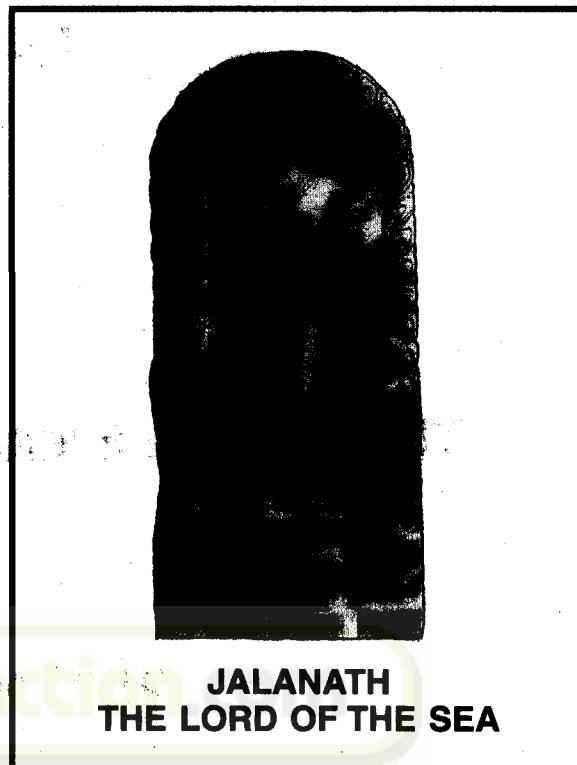
Shri Pradeep Kumar (up to 27.6.2003)

Shri K. H. Vora

Shri P. M. Sirajuddin

Shri Dinesh Kumar (from 27.6.2003)

Dr. S. R. Chougule (from 20.9.2002)



Auditors:

Messrs K. S. Aiyar & Co.

Registered Office:

Scindia Colony, Building No.III,
Sir M.V. Road, Opp. Vishal Hall,
Andheri (East), Mumbai 400 069.

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Notice

NOTICE is hereby given that the Eightyfourth Annual General Meeting of The Scindia Steam Navigation Company Limited, will be held on Saturday, the 13th September 2003 at 11-30 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai 400 001, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account of the Company for the year ended on that date together with the Directors Report and Auditors Report thereon.
2. To consider, and if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution** :

"RESOLVED that Messrs K. S. Aiyar & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of the 84th Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, and the Board of Directors of the Company be and is hereby authorised to fix their remuneration."

By Order of the Board of Directors,
For THE SCINDIA STEAM NAVIGATION CO.LTD.,

K.V. Unni
Chairman and Managing Director

Date: June 27, 2003.

Registered Office:
Scindia Colony, Building No.III,
Sir M.V. Road, Opp. Vishal Hall,
Andheri (East), Mumbai 400 069.

- Notes:**
1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
 2. An Explanatory Statement as required under Section 173 of the Companies Act, 1956, in respect of Item No. 2 is annexed.
 3. The Register of Members and Share Transfer Register will remain closed from 4th September, 2003 to 11th September, 2003 (both days inclusive).
 4. The Company's equity shares are listed at The Stock Exchange, Mumbai (Regional Stock Exchange), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. The Company has paid annual listing fee to the Stock Exchange, Mumbai, for the financial year 2003-2004.

Annexure to Notice

[EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956].

Item No. 2

Public Financial Institutions hold, in aggregate, more than 25% of the Subscribed Share Capital of the Company. Thus, in terms of the provisions of Section 224A of the Companies Act, 1956, appointment or re-appointment of Statutory Auditors is required to be made only by passing a Special Resolution. Messrs.K.S.Aiyar & Co., have intimated that their appointment, if made, will be within the limits specified in Section 224 (1B) of the Companies Act,1956. The Directors recommend the Resolution for approval of the Shareholders. None of the Directors is concerned or interested in this Resolution.

By Order of the Board of Directors,
For THE SCINDIA STEAM NAVIGATION CO.LTD.,

K.V. Unni
Chairman and Managing Director

Date: June 27, 2003.

Registered Office:
Scindia Colony, Building No.III,
Sir M.V. Road, Opp. Vishal Hall,
Andheri (East), Mumbai 400 069.

Directors' Report and Management Discussion & Analysis

To

THE MEMBERS OF

THE SCINDIA STEAM NAVIGATION COMPANY LIMITED.

Dear Shareholders,

Your Directors present the Eightyfourth Annual Report of the Company with Audited Statement of Accounts for the year ended on 31st March, 2003.

2. (i) Since April 1997, the Company could not undertake any shipping/shipping-related activity. Operations related primarily to maintenance and sale of Company's properties. The financial results for the year ended 31.3.2003 show profit of Rs. 6703 lakhs as against loss of Rs. 2272 lakhs for the year ended on 31.3.2002. The results are summarised below:-

| | Year ended 31.3.2003 Rs. (Lakhs) | Year ended 31.3.2002 Rs. (Lakhs) |
|-------------------------------------|--|--|
| Freight and Charter hire | — | — |
| Other Income | 512 | 34 |
| Surplus on sale of assets | 8464 | — |
| | <u>8976</u> | <u>34</u> |
| Less: | | |
| Administrative Expenses | 95 | 78 |
| Profit/Loss before | | |
| Interest and Depreciation | (+) 8881 | (-) 44 |
| Less: | | |
| Interest | 2177 | 2271 |
| Depreciation | 1 | 1 |
| | <u>(+) 6703</u> | <u>(-) 2316</u> |
| Adjustments relating to prior years | — | 44 |
| Profit/Loss for the year | <u>(+) 6703</u> | <u>(-) 2272</u> |

- (ii) The "Scindia House" property at Ballard Estate, Mumbai, was sold to Income-Tax Dept. The interest income of Rs. 218 lakhs on part consideration received from the buyers deposited in a bank has been taken into "Interest Income". During the year, a suit filed earlier against a guarantor bank was resolved out of Court resulting in interest income of Rs. 48 lakhs. The interest income during the year is, therefore, higher at Rs. 292 lakhs compared to Rs. 28 lakhs during the last year.
- (iii) While the accumulated loss as on 31.3.2002 was Rs. 349 Crores, the Company carried in the books Capital Reserve, Investment Reserve and General Reserve aggregating Rs.1.32 Crores. These reserves have been transferred to Profit and Loss Account.
- (iv) The staff position was further rationalised during the year under review and services of all ten employees were retrenched. The Company presently has only six temporary personnel on contract basis.
- (v) The year ended with profit of Rs. 6703 lakhs because of surplus on sale of assets. The Company has been advised that in view of set-off available in respect of carried over business loss and depreciation, there will be no tax liability. Accordingly, no provision for taxation has been made. Sale proceeds received, net of related expenses, were remitted to Government of India (GoI) towards partial payment of Company's dues.
3. Since the close of the year, GoI, the Mortgagee, has sold the "Scindia sadan" property at Walkeshwar, Mumbai, to Export Import Bank of India for Rs. 13.97 Crores. Necessary steps are being taken for disposal of other properties also.
4. There is no public deposit unclaimed or outstanding as at March 31, 2003.
5. (i) As you are aware, after the acquisition of land and buildings of the Company's 100% subsidiary, Scindia Workshop Ltd. (SWL), by the State Government for expansion of Mazagon Dock Ltd. "for Defence purposes" in May 1988, there has been no shiprepair activity for the past several years and there was no change in the position during the year under review.

- (ii) The Code of Corporate Governance was reviewed by the Audit Committee comprising three Directors- Shri K. H. Vora (Chairman), Dr. S. R. Chougule and Shri K.V.Unni. The consolidated financial accounts, duly incorporating the financial results of the subsidiary, SWL, are annexed. Statement of Corporate Governance Code and Accounts of SWL are not annexed. However, any Shareholder desiring a copy of these may write to the Company.

6. The Company has no employees covered under Section 217(2A) of the Companies Act, 1956.

7. Having no manufacturing activity, there is nothing to report regarding Conservation of Energy and Technology Absorption. The foreign exchange receipt was Rs.5.85 lakhs and foreign exchange outgo was Rs.11.45 lakhs.

8. Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, it is hereby stated :

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- (ii) that the accounting policies have been selected and applied consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review :
- (iii) that proper and sufficient care has been taken for 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; and
- (iv) that annual accounts have been prepared on a 'going concern' basis.

9. Observations of Auditors:

In respect of observations made by the Auditors in their Report, the same are self-explanatory and, apart from what has been stated in this Report and in the Notes to the Accounts, do not require any further clarification.

10. (a) Since the last report, in terms of the provisions of the Shipping Development Fund Committee (Abolition) Act, 1986, ["the said Act"] Shri Pradeep Kumar ceased to be a Director of the Company. Shri K. Venugopal ceased to be CMD/Director on the Board from 16.9.2002. The Board places on record its appreciation of the valuable contribution made by them during their tenures as Directors on the Board of the Company. In place of Shri Pradeep Kumar, GoI appointed Shri Dinesh Kumar on the Board of the Company. GoI appointed Shri K.V.Unni as CMD in place of Shri K. Venugopal.
- (b) As per the provisions of the said Act, nothing in the Companies Act, 1956, or the Articles of Association of the Company, insofar as it relates to holding any share qualification, age limit, restriction on number of Directors or Directorships, retirement by rotation or removal from office in respect of Director appointed under the said Act, is applicable to such Director. Since your Directors are appointed pursuant to the provisions of Section 10 of the said Act, the above provisions of the Companies Act, including retirement by rotation, are not applicable to them.
- (c) Further, under Section 14 of the said Act, the Shareholders of the Company, on whose Board Directors are appointed under Section 10 of the said Act, do not have the right to nominate or appoint any person to be a Director of the Company and no Resolution passed at any meeting of the Shareholders can be given effect to unless approved by the Central Government.

11. Your Directors wish to thank the Ministry of Finance, Ministry of Shipping, ICICI Bank Limited (Designated Person), Company's Bankers, employees, etc. for their support and co-operation.

12. Auditors:

Messrs. K.S.Aiyar & Co., the Auditors of the Company, hold office until conclusion of the ensuing Annual General Meeting. Messrs. K.S.Aiyar & Co. have given their consent to continue as Auditors, if appointed. As required under Section 224A of the Companies Act, 1956, a Special Resolution for their re-appointment is recommended for adoption.

On behalf of the Board of Directors,

K.V. Unni

CHAIRMAN AND MANAGING DIRECTOR

Mumbai,
June 27, 2003.

Auditors' Report

TO

THE MEMBERS OF

THE SCINDIA STEAM NAVIGATION COMPANY LIMITED

Report on the Accounts for the year ended on 31st March, 2003 in compliance with Section 227(2) of the Companies Act, 1956

We have audited the attached Balance Sheet of The Scindia Steam Navigation Company Limited as at 31st March, 2003 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of provisions of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and the explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Company's books of account.
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) We are informed that in terms of clarification issued by Ministry of Finance, Justice and Company Affairs, Department of Company Affairs, Government of India vide General circular No.8 dated 22nd March, 2002, the directors of the Company are not subject to any disqualification under section 274(1)(g) of the Companies Act, 1956, as their appointment is made by the Government of India;

- f) The shipping operations of the Company stand suspended. Further, the Company has continuously incurred losses and thereby the net worth of the Company has been totally eroded and a substantial loss is carried forward as at 31st March, 2003. Despite this, the accounts of the Company have been prepared on a 'Going Concern Basis' in the absence of adequate data and information for its compilation on an alternative basis. Consequently, no adjustments are made in the accounts relating to the recoverability of recorded asset amounts and in respect of recorded liabilities and contingent liabilities that might devolve on the Company. (Refer note no. 6 forming part of accounts)
- g) The Company has granted a loan to Scindia Workshop Limited, the Subsidiary Company. Outstanding amount of such loan with accrued interest as at 31st March, 2003 is Rs. 1895 Lakhs (Previous year Rs. 1949 Lakhs). The recoverability of this amount is, in our opinion, dependent on outcome of the reference made under section 18 of the Land Acquisition Act, 1894 against the award given by the Special Land Acquisition Officer (MHADA) for the land and buildings acquired by the Government of Maharashtra, particularly in the context of the said subsidiary having filed petition for voluntary winding up under the provisions of the Companies Act, 1956 (Refer note no. 7 forming part of accounts)
- h) Sale of Scindia House leased property has been booked based on the value stated in the memorandum of understanding and accordingly profit has been recognised. In view of steep increase in lease rental, many lessees have filed civil appeal in the Supreme Court against Mumbai Port Trust for determination of lease rental. The final consideration is dependent on the outcome of the appeal filed. Therefore the profit for the year and sale consideration may vary depending on the verdict of the Supreme Court (Refer Note No.27 forming part of accounts)

We further report that subject to f, g and h above, the effect of which could not be quantified, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
- (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For K. S. AIYAR & CO.,
Chartered Accountants

Raghuvir M. Aiyar
Partner

Mumbai 30 June, 2003.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our Report of even date)

In our opinion and on the basis of such checks of the books and records as we considered appropriate, and according to the information and explanations given to us during the normal course of audit, which were necessary to the best of our knowledge and belief, we report that:

- i. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets and the same have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- ii. None of the fixed assets have been revalued during the year.
- iii. Since the Company does not hold any stock during the year, the requirement of clauses (iii, iv, v, vi and xii) of the Order are not applicable to the Company.
- iv. The Company has not taken any loans from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a Company with effect from 31.10.1998.
- v. The Company has not given any loans to the parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a Company with effect from 31.10.1998.
- vi. In respect of the Loan granted to subsidiary company, Scindia Workshop Limited of Rs.1895 Lakhs outstanding as at the year end there is no stipulation as regards repayment. Interest charged up to financial year 1995-96 is also not recovered.
- vii. On the basis of checks carried out in course of our audit and according to the information given to us, we are of the opinion that there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of fixed assets. The Company does not have any sale of goods.
- viii. There were no transactions of purchase of goods, materials and services and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the

Companies Act, 1956.

- ix. The Company has not accepted any deposits from the public, therefore the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable to the Company.
- x. The Company does not generate scrap nor does it have any realisable by-product.
- xi. In our opinion, the Company's present internal audit system is generally commensurate with the size and nature of its business.
- xii. The maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 is not applicable to the Company.
- xiii. The Company was regular in depositing Provident Fund dues with the appropriate authorities. We have been informed that the provisions of Employees State Insurance Act are not applicable to the Company.
- xiv. No undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31st March, 2003 for a period of more than six months from the date on which they became payable.
- xv. No personal expenses have been charged to the Profit and Loss Account other than those payable under contractual obligation or in accordance with the generally accepted business practices.
- xvi. The provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.
- xvii. The requirements of Para 4(B), 4(C) and 4(D) of the Order are not applicable to the Company as there are no such activities carried on by the Company.

For K. S. AIYAR & CO.
Chartered Accountants

Raghuvir M. Aiyar
Partner

Mumbai, 30th June, 2003.

Balance Sheet as at 31st March, 2003

| | Schedule | As at 31st March, 2003 Rupees | As at 31st March, 2002 Rupees |
|---|----------|-------------------------------------|-------------------------------------|
| SOURCES OF FUNDS: | | | |
| Share Capital | I | 18,94,58,620 | 18,94,58,620 |
| Reserves and Surplus | II | — | 1,31,97,236 |
| Shareholders' Funds | | 18,94,58,620 | 20,26,55,856 |
| Loans: | | | |
| Secured | III | 309,78,41,288 | 3,26,65,48,003 |
| | | <u>3,28,72,99,908</u> | <u>3,46,92,03,859</u> |
| APPLICATION OF FUNDS: | | | |
| Fixed Assets | IV | | |
| Gross Block | | 43,16,648 | 75,41,530 |
| Less: Depreciation | | 32,57,882 | 61,39,592 |
| | | 10,58,766 | 14,01,938 |
| Investments | V | 25,768 | 1,01,472 |
| Amount receivable on sale of a property | | 31,02,95,228 | — |
| Loan to Subsidiary Company | | 18,94,97,954 | 19,48,94,009 |
| Current Assets, Loans and Advances | VI | | |
| Cash and Bank Balances | | 2,18,45,989 | 3,98,99,002 |
| Loans and Advances | | 1,45,68,233 | 1,67,93,243 |
| | | 3,64,14,222 | 5,66,92,245 |
| LESS: | | | |
| Current Liabilities and Provisions | VII | | |
| Current Liabilities | | 3,64,38,243 | 25,38,36,873 |
| Provisions | | — | 2,35,00,000 |
| | | 3,64,38,243 | 27,73,36,873 |
| NET CURRENT ASSETS | | (-) 24,021 | (-)22,06,44,628 |
| PROFIT AND LOSS ACCOUNT | | 2,78,64,46,215 | 3,49,34,51,068 |
| | | <u>3,28,72,99,908</u> | <u>3,46,92,03,859</u> |
| Notes forming part of Accounts | XII | | |

As per our Report annexed.

For K. S. AIYAR & CO.
Chartered AccountantsRAGHUVIR M. AIYAR
Partner.

K. V. UNNI

Chairman &
Managing DirectorK. S. CHOKSI
General ManagerK. H. VORA
S. R. CHOUGULE

Directors

Mumbai, June 30, 2003.

Mumbai, June 27, 2003.

Profit and Loss Account for the year ended 31st March, 2003.

| | Schedule | 2002 - 2003 Rupees | 2001 - 2002 Rupees |
|--|----------|-----------------------|-----------------------|
| INCOME: | | | |
| FREIGHT AND CHARTER HIRE | | — | — |
| INCOME FROM INVESTMENT AND DEPOSITS, ETC.(Note 27) | VIII | 2,92,29,855 | 28,28,769 |
| OTHER INCOME | IX | 2,19,44,705 | 5,55,207 |
| SURPLUS ON SALE OF ASSETS, etc., | | 84,63,87,859 | 9,412 |
| (Note 27) | | | |
| TOTAL INCOME: | | 89,75,62,419 | 33,93,388 |
| EXPENDITURE: | | | |
| SHIPS OPERATING EXPENSES | | — | — |
| ADMINISTRATIVE EXPENSES | X | 90,46,377 | 75,82,487 |
| INTEREST ON BORROWINGS | XI | 21,76,93,516 | 22,70,51,701 |
| DEPRECIATION | | 60,953 | 86,504 |
| DIRECTORS' FEES AND REMUNERATION | | 4,53,956 | 2,78,157 |
| TOTAL EXPENDITURE: | | 22,72,54,802 | 23,49,98,849 |
| Profit/Loss before prior period adjustments | | (+) 67,03,07,617 | (-)23,16,05,461 |
| PRIOR PERIOD ADJUSTMENTS (NET) | | — | (44,23,762) |
| PROFIT/LOSS FOR THE YEAR | | (+) 67,03,07,617 | (-)22,71,81,699 |
| Transferred from Capital Reserve | | 1,21,11,295 | — |
| Transferred from General Reserve, | | 9,84,469 | — |
| Transferred from Investment Reserve | | 1,01,472 | — |
| Provision for taxation, written back | | 2,35,00,000 | — |
| BALANCE BROUGHT FORWARD FROM LAST YEAR'S ACCOUNT | | 3,49,34,51,068 | 3,26,62,69,369 |
| BALANCE CARRIED TO BALANCE SHEET | | 2,78,64,46,215 | 3,49,34,51,068 |
| Earning per share of Rs. 20 each | | | |
| Before non-recurring items | | (-) 21.38 | (-) 23.98 |
| After non-recurring items | | (+) 70.76 | (-) 23.98 |
| Notes forming part of Accounts | XII | | |

As per our Report annexed.

For K. S. AIYAR & CO.
Chartered Accountants

RAGHUVIR M. AIYAR
Partner.

K. V. UNNI

Chairman &
Managing Director

K. S. CHOKSI
General Manager

K. H. VORA
S. R. CHOUGULE

Directors

Mumbai, June 30, 2003.

Mumbai, June 27, 2003.