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The Scindia Steam Navigation Co. Ltd.

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85th ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

2003-2004

Annual General Meeting
on Tuesday, 28th December, 2004 at 11.30 A.M. at M.C. Ghia Hall,
Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001.

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THE SCINDIA STEAM NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS

Shri K. V. Unni	— *Chairman and Managing Director*
Shri Dinesh Kumar	(from 27-6-2003)
Shri G. Srinivas	(from 27-1-2004)
Shri B. D. Berwal	(from 29-10-2004)
Shri Pradeep Kumar	(upto 27-6-2003)
Shri K. H. Vora	(upto 28-10-2003)
Shri M. K. Malhotra	(from 31-07-2003, upto 29-10-2004)
Dr. S. R. Chougule	(upto 27-1-2004)
Shri P. M. Sirajuddin	(upto 31-07-2003)

JALANATH
THE LORD OF THE SEA

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.
Tel : 022-26848120 - 8121
Fax : 022- 2684 8587

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Notice

NOTICE is hereby given that the Eightyfifth Annual General Meeting of The Scindia Steam Navigation Company Limited, will be held on Tuesday, the 28th December 2004 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, 2004 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 85th 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. S. Choksi
General Manager

Date: October 29, 2004.
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 HIMSEL/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 closure; from 19th July, 2004 to 23rd July, 2004 (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.

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. S. Choksi
General Manager

Date: October 29, 2004.
Registered Office:
Scindia Colony, Building No.III,
Sir M.V. Road, Opp. Vishal Hall,
Andheri (East), Mumbai 400 069.

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Directors' Report and Management Discussion & Analysis

To

THE MEMBERS OF

THE SCINDIA STEAM NAVIGATION COMPANY LIMITED.

Dear Shareholders,

Your Directors present the Eightyfifth Annual Report of the Company with Audited Statement of Accounts for the year ended 31st March, 2004.

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 31.3.2004 show loss of Rs. 544 lakhs as against profit of Rs. 6703 lakhs for the last year.

The results are summarised below:-

	2003-2004 Rs. (Lakhs)	2002-2003 Rs. (Lakhs)
Freight and Charter hire	—	—
Other Income	23	512
Surplus on sale of assets	1395	8464
	1418	8976
Less:		
Administrative Expenses	40	95
Profit/Loss before Interest and Depreciation	(+) 1378	(+) 8881
Less:		
Interest	1922	2177
Depreciation	—	1
Profit (+) / Loss (–) for the year.	(–) 544	(+) 6703

(i) As informed earlier, all the real estate properties of the Company are mortgaged to Government of India (GoI) as security. During the year under review, GoI, the Mortgagee, sold the "Scindia Sadan" property at Walkeshwar, Mumbai to Export-Import Bank of India for Rs.1397 lakhs. The proceeds were remitted to GoI towards the Company's outstanding dues. GoI has already initiated steps for disposal of remaining three properties.

(ii) The Company presently has only five temporary personnel on contract basis.

3. There is no public deposit unclaimed or outstanding as at March 31, 2004.

4. (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. 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 G. Srinivas (Chairman), Shri M. K. Malhotra and Shri K.V.Unni. During the year, the Audit Committee was reconstituted and Shri G. Srinivas became Chairman of the Committee. 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.

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

6. Having no manufacturing activity, there is nothing to report regarding Conservation of Energy and Technology Absorption. The foreign exchange receipt in respect of earlier year transactions was Rs.1.55 lakhs and foreign exchange outgo was Rs.1.58 lakhs.

7. Directors' declaration:

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 loss 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.

8. 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 the Report and in the Notes to the Accounts, do not require any further clarification.

9. (a) Since the last Report, in terms of the provisions of the Shipping Development Fund Committee (Abolition) Act, 1986, ["the said Act"], Shri K. H. Vora, Dr. S. R. Chougule, Shri Pradeep Kumar and Shri P.M. Sirajuddin ceased to be Directors of the Company. The Board places on record its appreciation of the valuable contributions made by them during their tenures as Directors on the Board of the Company. GoI appointed Shri M.K. Malhotra as a Director in place of Shri P. M. Sirajuddin, Shri G. Srinivas in place of Dr.S.R.Chougule and Shri Dinesh Kumar in place of Shri Pradeep Kumar.

(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.

10. 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.

11. 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,
For THE SCINDIA STEAM NAVIGATION CO. LTD.

K. V. Unni
Chairman and Managing Director

Mumbai,
June 22, 2004.

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Auditors' Report

TO
THE MEMBERS OF
THE SCINDIA STEAM NAVIGATION COMPANY LIMITED

Report on the Accounts for the year ended on 31st March, 2004 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, 2004 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 Companies (Auditor's Report)Order,2003 issued by the Central Government 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, 2004. 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. 5 of notes 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, 2004 is Rs. 1891 Lakhs (Previous year Rs. 1895 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. 6 of notes forming part of accounts)*

h) *In the year 2002-03, Company has accounted Sale of Scindia House based on the value stated in the memorandum of understanding and accordingly profit was recognised. This was subject to decision of Supreme Court in the case of civil appeal filed by many lessees against steep increase in lease rental by Mumbai Port Trust (MbPT). The final consideration of the sale is yet to be determined in accordance with the Supreme Court Decision dated 13-1-2004 in the said matter as the revised lease rentals have not been determined by Mumbai Port Trust (MbPT). (Refer note no 20 of notes 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 read together with the notes thereon 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, 2004; and

(ii) in the case of the Profit and Loss Account, of the loss 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

Membership No: 38128

Mumbai 24th June, 2004.

ANNEXURE TO THE AUDITORS' REPORT

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management at reasonable intervals and no discrepancies were noticed on such verification.

(c) The Company has not disposed off substantial part of its fixed assets during the year. (Also refer point f of our main report.)

(ii) Since the Company does not hold any stock during the year, the requirement of clauses 4 (ii) (a), (b), (c) of the Order are not applicable to the Company.

(iii) The Company has not granted or taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 except for a loan of Rs. 1891 lakhs to its subsidiary namely Scindia Workshop Limited (SWL). In respect of loan granted to subsidiary company there is no stipulation as regards repayment. Interest charged up to the financial year 1995-96 is also not recovered. The recovery of the principal and interest due from the said subsidiary is dependent on the outcome of the reference filed for enhancement of compensation as detailed in note no 6 to the accounts.

(iv) 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 purchase of fixed assets. The Company does not have any sale of goods.

(v) As informed to us, there are no transactions of purchase of goods, materials and services and sale of goods, material and services with the parties stated in the register maintained as per section 301 of the Companies Act 1956.

(vi) During the year the Company has not accepted any deposits from the public, threfore the provisions of Section 58A and 58AA of the Companies Act, 1956 are not applicable to the Company.

(vii) In our opinion, the Company's present internal audit system is generally commensurate with the size and nature of its business.

(viii) The maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 is not applicable to the Company.

(ix) (a) The Company is regular in depositing undisputed statutory dues including Income Tax, Sales Tax and other statutory dues applicable to it.

(b) There are no disputed amounts outstanding in respect of Income Tax, Wealth Tax, Sales Tax, Excise duty and Cess. The details of disputed custom duty are as under.

Name of statute and nature of dues	Amount Rs. in Lakhs	Period	Forum where dispute is pending
Customs Act, 1962 Duty amount	54.04	1983-84	Customs Department-Mumbai
Customs Act, 1962-Cargo claims	0.46	1981 to 1992	Customs Department-Kolkata.

(x) The Company's accumulated losses, as on 31st March 2004 are more than fifty percent of its net worth. The Company has incurred cash losses in the financial year covered by this report, however there are no cash losses in the immediately preceding financial year.

(xi) As per the books of the Company and as per the information and explanations given to us, the Company has defaulted in payment of dues to a bank on Cash credit account and the total amount due including interest threon up to 31.03.2004 is Rs. Rs. 975 Lakhs.

(xii) The Company has not granted loans and advance on the basis of the security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit fund and nidhi / mutual benefit funds / societies and therefore the requirements of clauses 4 (xiii) are not applicable to the company.

(xiv) The Company does not deal or trade in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given gurantee for loans by others from bank or financial institutions.

(xvi) There are no term loans obtained by the Company during the year.

(xvii) The Company has not utilized funds raised in short term basis for long term invesments but long term funds of Rs. 3019 Lakhs were utilized for short term applications.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered under section 301 of the Companies Act, 1956.

(xix) During the year Company has not issued any debentures.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedure and the information and explanation given to us, we report that there are no frauds on or by the Company noticed or reported during the year.

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

Raghuvir M. Aiyar
Partner

Mumbai 24th June, 2004

Membership No. 38128

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