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The Scindia Steam Navigation Co. Ltd.

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87th ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

2005-2006

Annual General Meeting
on Tuesday, 19th September, 2006 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 D. A. Biwalkar	— *Chairman and Managing Director*
Shri Dinesh Kumar	
Shri G. Srinivas	
Shri Makaradwaj Sahu	(from 28-04-2006)
Smt. Margaret Gangte	(upto 28-04-2006)
Shri B. D. Berwal	(upto 23-6-2005)

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

Contents **Page**

NOTICE	2-3
DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS	4-6
AUDITORS' REPORT	7
BALANCE SHEET	8
PROFIT AND LOSS ACCOUNT	9
SCHEDULES	10-13
CASH FLOW STATEMENT	14
CONSOLIDATED ACCOUNTS	15-20

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Notice

NOTICE is hereby given that the Eighty-Seventh Annual General Meeting of The Scindia Steam Navigation Company Limited, will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai 400 001 on Tuesday, the 19th September, 2006 at 11-30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. *To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and the Profit and Loss Account 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 modifications, 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 87th 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."

SPECIAL BUSINESS:

3. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the limits specified in Sections 198 and 309 and Schedule XIII to the Companies Act, 1956, approval of the Company be and is hereby accorded to the appointment of Shri D.A. Biwalkar as Chairman and Managing Director of the Company, for a period of one year from March 26, 2006 on the terms and conditions as set out in the Explanatory Statement annexed to the Notice.

   "RESOLVED FURTHER THAT the Board may, subject to the consent of Shri D.A. Biwalkar, accept alteration and/or modification, if any as may be required or directed by the Government of India."

   "RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps and do all such acts, matters, deeds and things as may be necessary and desirable to implement the foregoing Resolution."

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

D. A. Biwalkar
Chairman and Managing Director

Date: August 10, 2006.
Registered Office:
Scindia Colony, Building No. III,
Sir M.V. Road, 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 at its Registered Office 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,and 3 is annexed.

3. The Register of Members and Share Transfer Register will remain closed from 08-09-2006 (Friday) to 18-09-2006 (Monday), both days inclusive.

4. The Company's equity shares are listed at Bombay Stock Exchange Ltd, Mumbai, (Regional Stock Exchange), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. The Company has paid annual listing fee to the Stock Exchange for the financial year 2006--07.

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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, the 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.

Item No. 3

3. One year tenure of Shri D.A. Biwalkar as Chairman and Managing Director of the Company expired on March 25, 2006. The Government of India (GOI), has extended his period for one year on the same terms and conditions.

The Board of directors of the Company at its Meeting held on April 28, 2006 has re-appointed him as Chairman and Managing Director for a period of one year from March 26, 2006 on the same terms and conditions as approved by the Members at the 86th AGM held on August 03, 2005. The re-appointment is subject to approval of the Company in a General Meeting. The material terms and conditions for the appointment and remuneration payable to him are given below:

1. Shri D. A. Biwalkar, Chairman and Managing Director, shall perform such duties and exercise such powers as may be assigned to or vested in him, from time to time, subject to the superintendence, control and direction of the Board of Directors.
2. Period : One year from March 26, 2006.
3. Remuneration:

(i)	Salary	:	Rs. 22,500 per month.
(ii)	Perquisites:		
(a)	House Rent Allowance	:	30% of the salary.
(b)	Medical Reimbursement (Domiciliary)	:	For self and family on production of actual bills, subject to a ceiling of one month's salary per year.
(c)	Hospitalisation	:	For self and family as per the rules of the Company.
(d)	Conveyance	:	Car for use on Company's business.
(e)	Telephone	:	For use on Company's business. Personal long distance calls paid by him.
(f)	Leave Travel Concession	:	For self and family, as per the rules of the Company.
(g)	Leave	:	30 days leave on full pay and allowance for 11 months service.

4. The terms and conditions of the said appointment may be altered and/or varied from time to time as may be directed by the GoI and agreed to between the Board and Shri D.A. Biwalkar within the limits laid down as above.
5. If, at any time, Shri D.A. Biwalkar ceases to be a Director of the Company for any reason whatsoever, he will also cease to be the Chairman and Managing Director.
6. Shri D.A. Biwalkar is concerned or interested in the Resolution to the extent of remuneration receivable by him. No other Director is concerned or interested in the above Resolution.
7. The aforesaid, together with the Resolution under Serial No. 3 to the accompanying Notice is and be treated as abstract under Section 302 of the Companies Act, 1956. Relevant resolution passed by Board of Directors of the Company at the Meeting held on April 28, 2006 for his appointment as CMD is available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day up to the date of the Annual General Meeting.

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

D. A. BIWALKAR
Chairman and Managing Director

Date : August 10, 2006.

Registered Office:
Scindia Colony, Building No. III,
Sir M.V. Road, 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 Eightyseventh Annual Report on the Company with Audited Statement of Accounts for the year ended March 31, 2006.

2. (i) The financial results for the year ended March 31, 2006 show loss of Rs. 1766 lacs as against loss of Rs. 1094 lacs for the last year. Results are summarised below :

	2005-2006 (Rs. Lacs)	2004-2005 (Rs. Lacs)
Freight and Charter hire	-	-
Other Income	21	123
Additional consideration on sale of Scindia House	-	718
	21	841
Less: Administrative Expenses	31	40
Profit(+)/Loss (-) before Interest and Depreciation	(-) 10	(+) 801
Less : Interest	*1756*	*1895*
Depreciation (Rs. 39356)	-	-
Loss (-) before taxation	(-) 1766	(-) 1094
Taxation (FBT) (Rs. 21834)	-	-
Loss (-) for the year	(-) 1766	(-) 1094

Since April 1997, the Company could not undertake any shipping/shipping related activity. Operations related primarily to maintenance and sale of the Company's properties.

(ii) As informed in the last year's report, additional consideration of Rs. 717.60 lacs was receivable in respect of sale of Scindia House property to Income Tax Department. An amount of Rs. 711.94 lacs was received on March 31, 2006, leaving a balance of Rs. 5.66 lacs. As the amount was received on the last day of the financial year, it is shown in the accounts as 'balances with scheduled banks on current account'. The said amount, on realisation, was remitted to GoI towards the Company's outstanding dues.

(iii) As informed earlier, all the real estate properties of the Company are mortgaged to the Government of India (GOI) as security. GOI initiated steps for disposal of remaining three properties. Two properties were put up for sale by tender cum public auction and the third property, Scindia Colony was put up for sale by tender cum auction restricted to Central Government/State Government, public sector undertakings/Government Departments. In regard to two properties offered for sale by tender cum public auction, Walchand Bhawan property at Panchgani, District Satara, Maharashtra, was sold to a private party, however, the second property—flat at Lakshmi Mahal Co-operative Housing Society, Bomanji Petit Road, Mumbai, could not be sold as the highest offer was not acceptable. Scindia Colony property at Andheri (East), Mumbai, offered for sale by tender cum auction to public sector undertaking/Government departments was sold to one of the public sector undertaking. The process of execution of sale documents is in progress. The sale proceeds will be directly received by ICICI Bank (Designated Person), which in turn will be remitted to GOI towards adjustments of the Company's outstanding loans.

(iv) The Company, at present, has only three temporary personnel on contract basis.

3. There is no public deposit unclaimed or outstanding as on March 31, 2006.

4. The code of corporate governance was reviewed by the Audit Committee comprising three Directors. A report on corporate governance is annexed to this Report.

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. During the year, no foreign exchange was spent; and foreign exchange equivalent to Rs. 6.95 lacs was received from P & I Club and it is shown in the Notes to the Accounts.

7. Directors' declaration:

As per the requirements under Section 217 (2AA) of the Companies Act, 1956, it is hereby stated:

(a) 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;

(b) 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:

(c) 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. The consolidated financial accounts, duly incorporating the financial results of the subsidiary, 'Scindia Workshop Ltd., are annexed. Accounts of SWL are not annexed. Any Shareholder desiring a copy may write to the Company.

10. (a) Since close of the year, the Government of India appointed Shri Makaradwaj Sahu, Under Secretary, Ministry of Finance, Department of Economic Affairs, Banking Division, as Director in place of Smt. Margaret Gangte. He was inducted on the Board on April 28, 2006. The Board places on record its appreciation for the valuable contribution made by her during her tenure as Director.

(b) Item No. 3 of the accompanying Notice for the 87th AGM pertains to re-appointment of Shri D. A. Biwalkar as Chairman and Managing Director of the Company for a period of one year from 26 March, 2006 on the same terms and conditions as approved by the Members at the last AGM held on August 03, 2005. The re-appointment has been made by GOI. The Board recommends the item for your approval.

(c) As per the provisions of the Shipping Development Fund Committee (Abolition) Act, 1986, nothing in the Companies Act, 1956, or the Articles of Association of the Company, in so far 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 as per 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.

(d) 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 Ltd (Designated Person), Company's Bankers, employees, etc. for their support and co-operation.

12. Messrs K. S. Aiyar & Co., the Auditors of the Company, hold office until conclusion of the ensuing Annual General Meeting. They 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.

D.A. Biwalkar
Chairman and Managing Director

Mumbai, August 10, 2006

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Corporate Governance Report

(A) *The Company believes in transparency in all its dealings and lays emphasis on* regulatory compliance. The Company has complied with the mandatory requirements of Corporate Governance in all material aspects.

(B) Board of Directors:

All the Directors on the Company's Board are appointed by Government of India (GoI) under the provisions of the Shipping Development Fund Committee (Abolition) Act, 1986.

None of the Directors has any pecuniary relationship with the Company. Shri D. A. Biwalkar, Chairman and Managing Director (CMD) draws managerial remuneration approved by GoI and he does not have any other pecuniary relationship with the Company.

The Company does not have, at present, shipping operations. The day-to-day work is being attended to by three contract officers.

The Board, as on March 31, 2006, consisted of four Directors. Shri D. A. Biwalkar (CMD) is an Executive Director and remaining three Directors are Non-Executive Independent Directors. The CMD may also be considered as an 'Independent Director' as, apart from receiving Director's remuneration, he does not have any other pecuniary relationship with the Company.

The Composition of the Board and related information as on March 31, 2006 is as follows:-

Name	Executive Director (ED) Non-Executive Director (NED)	Board Meetings attended (5)	Attendance at the AGM on 03-08-2005	Directorship in other Companies	No.of other Board Committees of which Chairman/ Member
Shri D. A. Biwalkar CMD	ED	5	Yes	2 (a)	2 (b)
Shri Dinesh Kumar	NED	—	No	2 (c)	—
Shri G Srinivas	NED	5	Yes	—	2 (d)
Smt. Margaret Gangte (from 23.06.2005)	NED	2	No	—	1 (e)
Shri B. D. Berwal (upto 23.06.2005)	—	—	N. A.	—	—

ED : Executive Director NED : Non Executive Director

(a) Scindia Workshop Ltd. Chairman
Unimin India Ltd. Director

(b) Member of Audit Committee, and Share Related Work Committee of the Company.

(c) Director, Hindustan Shipyard Ltd. and Hooghly, Dock & Port Engineers Ltd.

(d) Chairman of Audit Committee and Share Related Work Committee of the Company.

(e) Member of Audit Committee of the Company.

None of the Directors on the Board holds the office of Director in more than 15 companies or Membership of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees across all companies.

Board Meetings held during the year:

Five Board Meetings were held during the year ended March 31, 2006 – two on 23.06.2005, on 29.07.2005, 28.10.2005 and 31.01.2006.

(C) Committees of the Board:

(1) Audit Committee:

The Committee consists of three Directors: Shri G. Srinivas, Smt. Margaret Gangte and Shri D. A. Biwalkar. Shri G. Srinivas, Non-Executive Independent Director, is the Chairman.

The terms of reference of the Audit Committee include the matters specified in Clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd., and also matters stated in Section 292A of the Companies Act, 1956, generally commensurate with the size and nature of the Company's business. The Audit Committee reviews the financial statements before submission to the Board.

During the year, four meetings of the Audit Committee were held on: 23.06.2005, 29.07.2005, 28.10.2005 and 31.01.2006. The first Meeting on 23.06.2005 was attended by all the three Members. The remaining three Meetings were attended by two Members. The Chairman of the Committee was present in all four Meetings. Shri N. I. Sheth, Manager of the Company, acted as the Secretary to the Committee.

(2) Share Related Work Committee:

The Committee consists of two Members - Shri G. Srinivas and Shri D. A. Biwalkar. Shri G. Srinivas, a Non-Executive Independent Director, is the Chairman of the Committee. During the year, 24 Meetings of the Committee were held and were attended by both the Members.

The Company's shares are listed on Bombay Stock Exchange Ltd., under Stock Code 1887. The Company's shares are traded in physical mode and are not dematerialised.

All the shares received for transfer are registered and despatched to the Shareholders within 30 days of receipt if the relevant documents are correct and valid in all respects. As on March 31, 2006, no share transfer deed was pending. During the year, no complaint was received from any shareholder. The Committee also looks into grievances of shareholders pertaining to transfer/transmission of shares, non-receipt of Annual Report, etc. Shri N. I. Sheth, Manager of the Company, acts as the Compliance Officer.

Status of communications received from shareholders for the year 2005-06 is given below;-

Sr. No.	Nature of request contained in the letter	Letters received	Issue resolved	Action pending
1.	Change of address	140	140	—
2.	Bank mandate	—	—	—
3.	Nomination	2	2	—
4.	Non-receipt of Share Certificate/(s)	—	—	—
5.	Transfers/Transmissions	6,920	6,920	—

(c) Remuneration Committee:

The remuneration payable to the Chairman & Managing Director, (CMD) is approved by GoI. The other Directors are not entitled to any remuneration, and no sitting fee is payable to Directors for attending the Board Meetings or Committee Meetings. Hence, a Committee for this purpose was not constituted. The remuneration paid to CMD was Rs.3.51 lacs. The Company has not issued any Stock Options.

(D) Board Procedure:

The Members of the Board are being provided with the requisite information specified in the Listing Agreement before the Board Meetings.

(E) General Body Meetings:

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Place/Venue
2004-2005	03.08.2005	11-30 A.M.	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushroo Dubash Marg, Mumbai 400 001.
2003-2004	28.12.2004	11-30 A.M.	— do —
2002-2003	13.09.2003	11-30 P.M.	— do —

There were no special resolutions required to be passed through Postal Ballot at the last AGM. None of the resolutions proposed for the ensuing AGM needs to be passed by Postal Ballot.

(F) Other Disclosures:

(i) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large:

The Board has received disclosures from the Directors relating to their holding of office of directorship in other Companies. There were no transactions of material nature between the Company and its Directors and management and their relatives or promoters that may have potential conflict with the interests of the Company.

(ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Bombay Stock Exchange Ltd., or The SEBI or any statutory authority on any matter related to capital markets during the last three years ..... None

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