



MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DFY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		CHI	<input checked="" type="checkbox"/>
PH	<input checked="" type="checkbox"/>			

Annual Report 1996 - 97





TOLANI
Bulk Carriers Limited**SIXTH ANNUAL GENERAL MEETING**

Date : 16th September, 1997
Day : Tuesday
Time : 3.30 p.m.
Place : Ashoka Hall, Arcadia Building
N.C.P.A. Marg, Nariman Point
Mumbai 400 021.

BOARD OF DIRECTORS

Dr. N. P. Tolani – *Chairman*
Mr. R. N. Tolani
Mr. D. M. Harish
Mr. P. L. Nain
Mr. Anil Harish
Mr. N. P. Gidwani
Mr. A. K. Srivastava
Vice Adm. (Retd.) M. P. Awati
Lt. Col. (Retd.) T. J. Reejhsinghani
Capt. S. K. Mansukhani
Mr. V. R. Mehta (Nominee of ICICI Ltd.)

MANAGER CUM SECRETARY

Mr. R. Kumar

BANKERS

Dena Bank
State Bank of India
Corporation Bank

AUDITORS

Messrs Chandabhoy & Jassoobhoy
Kamanwala Chambers
Sir P. M. Road
Mumbai 400 001.

REGISTRARS & SHARE TRANSFER AGENTS

Messrs Sharepro Services
912, Raheja Centre
Free Press Journal Road
Nariman Point
Mumbai 400 021.

REGISTERED OFFICE

10-A, Bakhtawar
Nariman Point
Mumbai 400 021.

CONTENTS	PAGE NOS.
Board of Directors	1
Notice	2-4
Directors' Report	5-9
Auditors' Report	10-11
Balance Sheet	12
Profit and Loss Account	13
Schedules forming part of Balance Sheet	14-22
Schedules forming part of Profit and Loss Account	23-24
Significant Accounting Policies	25-26
Notes forming part of Accounts ...	27
General Business Profile	28
Cash Flow Statement	29-30

NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of Tolani Bulk Carriers Limited will be held on Tuesday, 16th September, 1997 at 3.30 P.M. at Ashoka Hall, Ground Floor, Arcadia Building, N.C.P.A. Marg, Nariman Point, Mumbai 400 021 to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet of the Company as on 31st March, 1997, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend for Financial Year 1996-97.
3. To appoint a Director in place of Dr. N. P. Tolani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. N. Tolani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Vice Adm. (Retd.) M. P. Awati, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Capt. S. K. Mansukhani who was appointed as an additional Director by the Board of Directors and holds office upto the date of ensuing Annual General Meeting of the Company, and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.
7. To appoint Auditors and to fix their remuneration and for that purpose to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. Chandabhoy & Jassoobhoy, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting, on a remuneration of Rs. 60,000 (Rupees Sixty Thousand only) excluding travelling and out-of-pocket expenses and any fees that may be payable for other services rendered."

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT in supersession of the resolution passed by the Members at the Fifth Annual General Meeting held on 3rd September, 1996 and in pursuance to Sections 198, 269, 309, 310, 387 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, the terms and conditions of appointment of Mr. R. Kumar, Manager, be and are hereby revised/modified so as to increase the basic salary from Rs. 10,000/- per month to Rs. 12,000/- per month with effect from 1st April, 1997.

FURTHER RESOLVED THAT except for the modification mentioned hereinabove all other terms and conditions of appointment and/or remuneration payable to Mr. R. Kumar, Manager, as approved by the shareholders at the Annual General Meeting held on 21st July, 1995 shall remain unchanged."

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

"RESOLVED THAT subject to the provisions of Companies Act, 1956 (including amendment to or re-enactment thereof) and subject to the compliance of applicable provisions of the Foreign Exchange Regulation Act, 1973 (including amendment to or re-enactment thereof) the relevant laws as applicable from time to time and subject to such consents, permissions and sanctions as may be required from

Annual Report 1996 - 97

appropriate authorities, the consent of the Company/Members be and is hereby accorded for acquiring and holding by Foreign Institutional Investors (FIIs), Overseas Corporate Bodies (OCBs) and Non-Resident Indians (NRIs) of Equity Shares and/or any other permissible securities of the Company, acquired by market operations or otherwise, with or without repatriation benefit, in excess of 5% but not exceeding 24% of the total paid-up value of each class of securities of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof or any person authorised by the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents, deeds and writings as may be required for the aforesaid purpose in the best interest of the Company."

Mumbai, Dated : 24th June, 1997

By Order of the Board of Directors

Registered Office :

10-A, Bakhtawar
Nariman Point, Mumbai 400 021.

R. Kumar
Manager cum Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, 10-A, BAKHTAWAR, NARIMAN POINT, MUMBAI - 400 021 NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
3. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 6, 8 and 9 is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 2nd September, 1997 to 16th September, 1997 (both days inclusive).
5. Dividend, as recommended by the Board of Directors, if declared by the members at the meeting, shall be paid to those members whose names appear in the Register of Members of the Company as on 16th September, 1997.
6. Members are requested to notify the Company's Registrars and Share Transfer Agents, Sharepro Services, Unit : Tolani Bulk Carriers Ltd. 912, Raheja Centre, Nariman Point, Mumbai - 400 021 before 10th September, 1997, any change in their address to enable the Company forward the dividend warrants to their current address. Members are also advised to intimate to the Company's Registrars and Share Transfer Agents before 10th September, 1997, the details of their bank account to enable the same to be incorporated in the dividend warrants. This would help avoid fraudulent encashment of dividend warrants.
7. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company Secretary at the Registered Office at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.

Mumbai, Dated : 24th June, 1997

By Order of the Board of Directors

Registered Office :

10-A, Bakhtawar
Nariman Point, Mumbai 400 021.

R. Kumar
Manager cum Secretary

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 annexed to Notice dated 24th June, 1997.

ITEM NO. 6

Capt. S. K. Mansukhani was appointed as an Additional Director of the Company with effect from 24th June, 1997. Pursuant to Section 260 of the Companies Act, 1956, Capt. S. K. Mansukhani will hold Office of Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Capt. S. K. Mansukhani for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company other than Capt. S. K. Mansukhani is interested in this resolution.

ITEM NO. 8

Members of the Company had at the Fourth Annual General Meeting held on 21st July, 1995, approved the appointment of Mr. R. Kumar as Manager of the Company, with effect from 25th May, 1995 on a basic salary of Rs. 8,000 per month plus perquisites as per the rules of the Company. By a resolution passed by the members at the Fifth Annual General Meeting held on 3rd September, 1996 the basic salary of Mr. R. Kumar was revised and raised to Rs. 10,000 with effect from 1st April, 1996.

It is now proposed to revise/modify the terms of appointment and remuneration of Mr. R. Kumar, with effect from 1st April, 1997 so as to increase the basic salary from Rs. 10,000 per month to Rs. 12,000 per month. Except for the above all other terms and conditions of the appointment remain unchanged. The said increase in the remuneration which is within the limits prescribed under Schedule XIII of the Companies Act, 1956 has been approved by the Board at its meeting held on 24th June, 1997. The Board has now recommended the same for the approval of the members to be passed as a Special Resolution.

None of the Directors of the Company is interested in the resolution.

ITEM NO. 9

At present NRIs, OCBs, FIIs are holding approximately 2% in the paid up capital of 24,000,000 Equity Shares of Rs. 10 each of the Company. NRIs, OCBs, FIIs can participate upto 24% in the paid-up capital of listed companies under the Portfolio Investment Scheme provided the same is approved by the members and a copy of the resolution is furnished to Reserve Bank of India. It is therefore proposed that the members consider and pass enabling resolution providing for participation by NRIs, OCBs, FIIs upto 24% in the paid-up capital of the Company.

None of the Directors of the company is interested in the resolution.

Mumbai, Dated : 24th June, 1997
Registered Office :
10-A, Bakhtawar
Nariman Point, Mumbai 400 021.

By Order of the Board of Directors

R. Kumar
Manager cum Secretary

DIRECTORS' REPORT

To

The Members of Tolani Bulk Carriers Limited

Your Directors are pleased to submit their Sixth Annual Report on the operations and performance of the Company as well as the audited statement of accounts for the year ended 31st March, 1997.

1. FINANCIAL RESULTS

	(Rs. in million)	
	1996-97	1995-96
Profit before Depreciation & Taxes	110.73	105.35
Less : Depreciation	84.13	41.34
Profit before Tax	26.60	64.01
Less : Provision for Taxation	3.43	—
Profit after Tax	23.17	64.01
Less : Prior period adjustments (net)	0.86	—
Less : Depreciation for earlier years	11.74	—
Add : Balance brought forward from previous year	45.64	7.60
Add : Transferred from Reserve under Section 33 AC of the Income Tax Act, 1961	67.90	—
Add : Excess provision for dividend of previous year written back	—	0.03
Amount available for appropriation	124.11	71.64
Appropriations have been made as under :		
(i) Transfer to General Reserve	—	2.00
(ii) Proposed Dividend	24.00	24.00
(iii) Tax on Proposed Dividend	2.40	—
(iv) Balance carried to Balance Sheet	97.71	45.64
	124.11	71.64

Your Directors are pleased to recommend a dividend of 10% (previous year 10%) on 24,000,000 Equity Shares of Rs. 10 each for the year ended 31st March, 1997. The dividend, if approved by the members at the Sixth Annual General Meeting will be paid to those shareholders whose names appear in the register of members as on 16th September, 1997. The dividend will be tax free at the hands of shareholders since the Company will bear the tax on dividend.

2. OPERATIONS

The year was characterised by mixed fortunes for the Shipping Industry. The Baltic Freight Index slid to a long term low of 960 points in September, 1996 before recovering to 1513 points by the close of the year in March, 1997. The drop was almost 60% from the peak achieved in May 1995. In spite of the poor

freight levels, with the Company's most recent acquisition, M.V. Prabhu Mihika, having operated for the Company for the full year, gross earnings registered a 28% increase over the previous year's Rs. 458.13 million to reach Rs. 588.02 million. However, the unremunerative freight market, the high interest and depreciation costs on M.V. Prabhu Mihika as well as the newly introduced Minimum Alternate Tax had a telling effect on the company's net profit which fell to Rs. 23.17 million from Rs. 64.01 million of the previous year.

The Government of India had relaxed the age norms for acquisition of second hand bulk carriers, justified by a technically viable economic life of 25 years against the earlier benchmark of 20 years. Accordingly, the Company has revised the expected balance life of its vessels, M.V. Prabhu Satram and M.V. Prabhu Mihika. Depreciation has now been provided on the above vessels over the revised balance useful life. Similarly the Bare Boat Charter cum Demise Agreement for M.V. Prabhu Parvati entered into with the holding company, Tolani Shipping Co. Ltd. has been extended by 5 years until 1st June, 2008. The daily charter hire payable has consequently been reduced.

3. FUTURE PROSPECTS

Looking forward to the current year, the freight markets promise little cheer. With the Baltic Freight Index declining to the 1200 level during the first quarter, freight and charter rates have remained unremunerative in all segments of the dry bulk market. At these levels profitability is likely to be further eroded. However, short term movements in freight rates during the previous year have demonstrated that supply and demand in the dry bulk market is still finely balanced such that a modest favourable shift in this balance can raise freight rates substantially and rapidly.

While this points to some uncertainty about the current year's performance, one thing that is certain is the cyclical nature of the shipping markets. And experiencing a depressed market today we can look forward with confidence to a better market in the not too distant future.

A large part of the world's dry bulk fleet is over 20 years old or approaching that age. The increasing emphasis on safety and quality within the industry have led to the developed maritime countries evolving a new international regulatory framework for ship operations and management. This burden along with poor freight rates can rapidly squeeze out marginal tonnage, which is old and unable to justify large investment in upgrading of equipment and systems. This phenomenon can reasonably be expected to emerge over the next two years when most of the new regulations become mandatory.

Therefore, as world trade expands, in spite of the large addition of new ships to the world dry bulk fleet during the latter half of this decade, there appears to be a consensus that the end of the next year will bring with it a new surge in freight rates. In the interim your Company will strive to consolidate its position, pare down debt and position itself for a strong growth in profits.

4. GENERAL INDUSTRY SCENARIO

Although dry bulk freight rates have remained weak, prices of second hand vessels have not softened commensurately, making ship acquisition proposals quite unattractive for the immediate future. The still relatively high cost of funds together with poor Capital Market conditions have further dampened expansion plans amongst Indian shipowners.

The long standing demand of the Indian Shipping Industry for evolving a National Shipping Policy has found favour with the Government of India. The Government has recently reconstituted the National Shipping Board and also constituted National Shipping Policy Committee to bring a fresh impetus to such an effort. While it is unlikely that a new policy will provide for soft loans and freight rate

preference for Indian ships as was the case in the 1960's and 1970's; there is a general awareness that a level playing field vis-à-vis foreign shipowners is necessary in terms of regulation and access to both manpower and financial resources if Indian shipping is to even survive the globalization of our economy. Considering the vital role played by shipping in a country's economic development and its potential role in national security it is hoped that the government will see fit to recognize shipping as an Infrastructure and Export Oriented Industry.

With the developing countries focussing efforts on globalisation of their economies by opening their trade frontiers, free trade is expected to be the epitome of future international business. As majority of these initiatives are concentrated in the Asian region, rapid growth in seaborne trade can be expected in this region. Your company is well equipped with a relatively young fleet to take full advantage of this upsurge.

India's external trade is also expected to experience a boost with the relaxation in the export and import regulations initiated by Government of India. The role of Indian shipping will thus become more significant considering the fact that 95% of the overseas trade in terms of volumes moves by sea. Transchart under the aegis of The Ministry of Surface Transport has continued to support Indian ships by giving them preference for carriage of government cargoes. This is a situation that Indian Shipping and your Company can utilize to leverage for growth. The missing ingredient, heretofore has been competitively priced capital which we can look forward to if a cohesive and supportive National Shipping Policy emerges.

5. SUPPORT FROM PROMOTERS

The Promoters, Tolani Ltd. and Tolani Shipping Co. Ltd. continued to extend their invaluable support to your Company by extending financial assistance which enabled your Company to tide over temporary tight monetary situation arising out of depressed freight market conditions, higher interest burden on account of the new acquisition. During the financial year 1996-97 subordinated loans aggregating to Rs. 125 million (over and above Rs. 150 million placed in FY 1995-96) were placed by the promoter companies enabling your Company to attain a debt to equity of 1.5:1.

6. PERFORMANCE V/S PROSPECTUS PROJECTIONS

Particulars	Rs. in million	
	For the year ended 31st March, 1997	
	Performance	Projections
Gross Income	588.02	217.30
PBIDT	239.27	155.30
Interest	128.54	21.40
Depreciation	84.13	49.20
PAT	23.17	84.60
Equity Capital	240.00	240.00
Reserves & Surplus	101.08	157.90
Dividend (%)	10.00	15.00
EPS (Rs. per share)	0.97	3.51
Book Value (Rs. per share)	14.21	16.58

Notes :

- The projections of gross income were made exclusively on the basis of time charter employment. Actuals reflect a large proportion of the employment being on voyage charters.
- Gross income, interest and depreciation have significantly exceeded projections on account of an additional vessel acquired in January, 1996.
- Projections did not include provision for Minimum Alternate Tax.

7. INSURANCE

The fleet of the Company has been insured against Marine and War Risk for Rs. 1770 million.

8. FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of foreign exchange earnings and outgoings are as follows :

Particulars	Rs. in million	
	1996-97	1995-96
Foreign Exchange earnings/savings.	535.65	394.61
Foreign Exchange used (including Rs. Nil for ship acquisition and Rs. 100.37 million towards loan repayments and interest; previous year Rs. 844.43 million for ship acquisition and Rs. 52.70 towards loan repayments and interest).	296.08	1045.93

The other particulars in the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are not applicable to the Company.

9. DIRECTORATE

Dr. N. P. Tolani, Mr. R. N. Tolani and Vice Adm. (Retd.) M. P. Awati, retire by rotation at the Sixth Annual General Meeting and being eligible have offered themselves for re-appointment.

Capt. S. K. Mansukhani was appointed as Additional Director of the Company on 24th June, 1997 under provision of Section 260 of the Companies Act, 1956 and he holds office till the date of the ensuing Annual General Meeting. In terms of Section 257 of the Companies Act, 1956, the Company has received notice from a member proposing the candidature of Capt. S. K. Mansukhani for the office of Director at the ensuing Annual General Meeting.

10. PARTICULARS OF EMPLOYEES

During the year under review, there was no employee drawing remuneration of more than Rs. 300,000 per annum and/or Rs. 25,000 per month.

11. AUDITORS

M/s. Chandabhoy and Jassoobhoy, Chartered Accountants, the auditors of the Company hold office until the conclusion of the Sixth Annual General Meeting and are eligible for reappointment.