

# ANNUAL REPORT 2000-2001

  
**TOLANI**  
Bulk Carriers Limited

**TOLANI**  
Bulk Carriers Limited**TENTH ANNUAL GENERAL MEETING****Date** : 27<sup>th</sup> July, 2001**Day** : Friday**Time** : 3.00 P.M.**Place** : Kamalnayan Bajaj Hall  
Bajaj Bhavan  
Jamnalal Bajaj Marg  
Nariman Point  
Mumbai - 400 021.**BOARD OF DIRECTORS**

Dr. N. P. Tolani – Chairman Emeritus

Mr. R. N. Tolani – Chairman

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. N. C. Singhal

Mr. R. Kumar

Mr. B. R. Gupta – ICICI Nominee

**MANAGER AND SECRETARY**

Mr. S. Venkatachalam

**BANKERS**

State Bank of India

Corporation Bank

HDFC Bank Ltd.

**AUDITORS**

Messrs Chandabhoy &amp; Jassoobhoy

208, Phoenix House

"A" Wing, 2nd Floor

462, Senapati Bapat Marg

Lower Parel, Mumbai - 400 013.

**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.

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**Notice**

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Tolani Bulk Carriers Limited will be held on Friday, 27<sup>th</sup> July, 2001, at 3.00 P.M at Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai - 400 021 to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2001, 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 the financial year 2000-2001.
3. To appoint a Director in place of Mr.P.L.Nain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.A.K.Srivastava, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Lt.Col.(Retd.)T.J.Reejhsinghani, who retires by rotation and being eligible, offers himself for re-appointment.
6. To re-appoint Auditors and in this connection, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Chandabhoy and 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 Tenth Annual General Meeting till the conclusion of Eleventh Annual General Meeting on a remuneration and reimbursement of travelling and all out of pocket expenses and any fees that may be payable for other services rendered, as may be approved by the Board of Directors of the Company."

**Special Business**

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr.N.C.Singhal, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office upto the date of Tenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing the candidature of Mr.N.C.Singhal for the office of Director, be and is hereby appointed Director of the Company."

8. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr.R.Kumar, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office upto the date of Tenth Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing the candidature of Mr.R.Kumar for the office of Director, be and is hereby appointed Director of the Company."

9. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311, 387, 388 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Members be and is hereby accorded to the appointment of Mr.S.Venkatachalam as Manager and Secretary of the Company with effect from 1<sup>st</sup> August, 2000, on the terms and conditions as set out hereunder:

## 1) Basic Salary :-

Within the scale of Rs.18,000 - Rs.30,000 per month, the Board of Directors will determine the amount of Basic Salary payable and the amount of increments payable every year depending on the performance of the appointee, profitability of the Company and other relevant factors.

## 2) Perquisites :-

Within the overall ceiling of 300% of the annual Basic Salary, Mr.S.Venkatachalam will be entitled to the following perquisites in each financial year: -

- a) House Rent Allowance - Limited to 15% of Basic Salary or such other rate as may be determined by the Board of Directors from time to time.

- b) Supplementary Allowance - Limited to 150% of Basic Salary or such other rate as may be determined by the Board of Directors from time to time.
- c) Other Allowances - As per the rules of the Company in force from time to time.
- d) Medical Reimbursement - Expenses incurred for self and family subject to a ceiling of one month's Basic Salary in a year or three months Basic Salary over a period of three years, whichever is lower.
- e) Provident Fund - Company's contribution to Provident Fund will be in line with the rules of the Company.
- f) Gratuity - As per provisions of Gratuity Act or Company's Gratuity Scheme in force from time to time.
- g) Leave Travel Concession - For self and family incurred in accordance with the rules of the Company.
- h) Superannuation - Company's contribution to Superannuation Fund will be limited to 15% of the monthly Basic Salary.

The appointee will also be entitled to such other perquisites and allowances to be determined by the Board of Directors in accordance with the rules of the Company.

**Explanation :**

- I. Company's contribution to Provident Fund and Superannuation Fund to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid.
- II. Family for this purpose shall mean the spouse, the dependent children and the dependent parents of the appointee.

- 3) Bonus :-  
As per Company rules to be paid as and when declared by the Company.
- 4) Reimbursement of Expenses :-  
Mr.S.Venkatachalam will also be entitled to reimbursement of any expenses incurred by him for business of the Company and for professional development which may include membership of professional institutes/associations.
- 5) Entitlement of Leave :-  
Mr.S.Venkatachalam will be entitled to leave as per the rules of the Company.
- 6) Remuneration in case of inadequacy of profits :-  
In the event the Company has no profits or the profits are inadequate in any financial year, the appointee may be paid remuneration as stated above subject to the limit prescribed under Schedule XIII of the Companies Act, 1956, as amended from time to time.
- 7) Maximum Remuneration :-  
The total remuneration payable to Mr.S.Venkatachalam shall not exceed the overall ceiling laid down under Sections 198 and 309 of the Companies Act, 1956, as amended from time to time."

Mumbai, Dated : 14<sup>th</sup> June, 2001.

By Order of the Board of Directors

Registered Office :  
10-A, Bakhtawar,  
Nariman Point, Mumbai-400 021.

S.Venkatachalam  
Manager and 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. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- 4. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of items of Special Business is annexed hereto.
- 5. The Register of Members and Share Transfer Books of the Company will remain closed from 17<sup>th</sup> July, 2001, to 27<sup>th</sup> July, 2001 (both days inclusive).



# **TOLANI**

**Bulk Carriers Limited**

6. 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 27<sup>th</sup> July, 2001. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership as per the details furnished by NSDL and CDSL for this purpose.
7. Members are requested to inform the changes, if any, in their registered address to the Company's Registrars and Share Transfer Agents, Sharepro Services, 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai-400 021. Members whose shareholding are in the electronic mode are requested to send the intimation for change of address to their respective Depository participants.
8. Members are hereby informed that pursuant to Section 205 of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investors Education and Protection Fund.  
Members who have not encashed the dividend warrants for the financial year 1995 - 1996 or any subsequent dividend payments are requested to make their claims to the Company.
9. All documents referred to in the resolutions and Explanatory Statements are available for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Tenth Annual General Meeting.
10. Members can avail of the nomination facility by filing Form 2B with the Company or its Registrars. Blank forms will be supplied on request.
11. Members who are 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 : 14<sup>th</sup> June, 2001.

By Order of the Board of Directors

Registered Office :  
10-A, Bakhtawar,  
Nariman Point, Mumbai- 400 021.

S.Venkatachalam  
Manager and Secretary

## **Annexure to the Notice**

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

In terms of Clause 49 (VI) of the Listing Agreement, the details of Directors who are appointed or retiring by rotation and are eligible for re-appointment are furnished under Items 3 to 7 below.

### **ITEM NO.3**

Mr. P.L.Nain, Senior Advocate of the Bombay High Court, is the Director of the Company since 5<sup>th</sup> July, 1991. He has vast experience in corporate and business laws and ably guides the Company in all legal matters. Mr.P.L.Nain is also a Director of Tolani Shipping Co. Ltd.

### **ITEM NO.4**

Mr. A.K.Srivastava is an Ex-Chief Engineer who has extensive experience and considerable expertise in the operation and management of ships. He heads the technical department and brings to the Company's Board most valuable operating knowledge and personal rapport with the people who man the Company's ships. Mr.A.K.Srivastava is also a Member of the Company's Shareholders/Investors Grievance Committee. He is the Executive Director of Tolani Shipping Co. Ltd. and is also a Director of Tolani Investments Pvt. Ltd.

### **ITEM NO.5**

Lt.Col.(Retd.)T.J.Reejhsinghani is a graduate in Engineering and a Fellow of Institute of Engineers. He retired from the army after two decades of experience with the Army Engineering Corps. He was in charge of the purchasing functions of the Tolani Group for nearly twenty-four years before his retirement in 1996. He has been the Member of the Board since 5<sup>th</sup> July, 1991, and is also a Member of the Company's Shareholders/Investors Grievance Committee. He is a Director of Tolani Shipping Co. Ltd., Tolani Engineers Pvt. Ltd. and Jivesh Investments Pvt. Ltd.

### **ITEM NO.7**

Mr.N.C.Singhal was appointed as an Additional Director of the Company with effect from 24<sup>th</sup> October, 2000. Pursuant to Section 260 of the Companies Act, 1956, Mr.N.C.Singhal will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a Member proposing the candidature of Mr.N.C.Singhal for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr.N.C.Singhal, former Vice-Chairman & Managing Director of erstwhile SCICI Ltd., is a development banker by profession and possesses vast knowledge in shipping. He is a Financial Expert and has extensive experience in the field of Banking and Finance. His professional expertise and varied experience would be of immense benefit to the Company. Mr.N.C.Singhal is the Member of the Company's Audit Committee. He is also Director and Member of various committees in other companies as detailed below:

1. Cholamandalam Investment and Finance Company Limited – Director and Member of Audit Committee.
2. Shapoorji Pallonji Finance Limited – Director.
3. Deepak Fertilisers and Petrochemicals Corporation Limited – Director and Member of Audit Committee.
4. Koshika Telecom Limited – Director.
5. Max India Limited – Director and Member of Shareholders Grievance Committee. Also Chairman of Audit Committee.
6. Devki Devi Hospitals Limited – Director.
7. Binani Cement Limited – Director and Member of Audit Committee.
8. The Shipping Corporation of India Limited – Director and Member of Audit Committee.
9. Kothari Pioneer AMC Limited – Director.
10. Max New York Life Insurance Company Limited - Director and Member of Audit Committee.
11. Atcom Technologies Limited – Director.
12. SIV Industries Limited – Director.
13. Samalpatti Power Company Pvt. Limited - Director.
14. Ambit Corporate Finance Pte. Limited - Director.
15. Sharat Chatterjee & Co.(VSP) Pvt. Limited - Director.

The Board of Directors recommend the appointment of Mr.N.C.Singhal as Director of the Company at the Tenth Annual General Meeting.

None of the Directors other than Mr.N.C.Singhal is concerned or interested in the said resolution.

#### **ITEM NO.8**

Mr.R.Kumar was appointed as an Additional Director of the Company with effect from 1<sup>st</sup> August, 2000. Pursuant to Section 260 of the Companies Act, 1956, Mr.R.Kumar will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a Member proposing the candidature of Mr.R.Kumar for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr.R.Kumar is a qualified Cost Accountant and Company Secretary and has vast experience in finance, secretarial and treasury operations. He has been with Tolani Group since 1991 and is well conversant with the affairs of the Company. With a wealth of knowledge in finance and accounting, Mr.R.Kumar brings to the Board an insight on all financial matters. Mr.R.Kumar is the Member of the Company's Audit and Shareholders/Investors Grievance Committee. Mr.R.Kumar is also the Finance Director of Tolani Shipping Co. Ltd. besides being a Member of the Audit Committee.

The Board of Directors recommend the appointment of Mr.R.Kumar as Director of the Company at the Tenth Annual General Meeting.

None of the Directors other than Mr.R.Kumar is concerned or interested in the said resolution.

#### **ITEM NO.9**

The Board of Directors of the Company at its meeting held on 26<sup>th</sup> July, 2000, has appointed Mr.S.Venkatachalam as Manager and Secretary of the Company w.e.f 1<sup>st</sup> August, 2000, subject to the approval of the Members. Mr.S.Venkatachalam is a qualified Company Secretary and a law graduate and has been associated with the Tolani Group for over ten years, managing the legal and secretarial functions. His wide and varied experience can advantageously be availed of by the company to its benefit. The appointment of Mr.S.Venkatachalam is in accordance with the provisions of Sections 198, 269, 309, 310, 311, 387 & 388 read with Schedule XIII of the Companies Act, 1956.

The terms and conditions including the remuneration payable to Mr.S.Venkatachalam is specified in the resolution at Item No. 9 of the Agenda. The Board recommends the resolution for the approval of the Members.

None of the Directors is concerned or interested in the resolution.

Mumbai, Dated : 14<sup>th</sup> June, 2001.

By Order of the Board of Directors

Registered Office :

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

S.Venkatachalam  
Manager and Secretary

**Directors' Report**

Dear Shareholders,

Your Directors have pleasure in presenting their Tenth Annual Report on the business and operations of your Company and the audited accounts for the year ended 31<sup>st</sup> March, 2001.

**1. FINANCIAL RESULTS**

	(Rs. in million)	
	2000-01	1999-00
<b>Profit before Depreciation and Taxes</b>	<b>167.21</b>	<b>104.89</b>
Less: Depreciation	92.98	93.49
<b>Profit before Tax</b>	<b>74.23</b>	<b>11.40</b>
Less: Provision for Taxation	5.71	1.32
<b>Profit after Tax</b>	<b>68.52</b>	<b>10.08</b>
Add/Less : Prior period adjustments (Net)	0.98	(0.16)
Add/Less : Excess/Short provision of Income Tax in earlier years	—	(0.30)
Add : Balance brought forward from previous year	27.77	34.13
<b>Amount available for appropriation</b>	<b>97.27</b>	<b>43.75</b>
<b>Appropriations have been made as under :</b>		
(i) Proposed dividend	19.20	14.40
(ii) Tax on proposed dividend	1.96	1.58
(iii) Balance carried to Balance Sheet	76.11	27.77
	<b>97.27</b>	<b>43.75</b>

Your Directors recommend payment of an enhanced dividend of 8% (previous year 6%) on 24,000,000 equity shares of Rs.10 each for the year ended 31<sup>st</sup> March, 2001. The dividend, if approved by the Members at the Tenth Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on 27<sup>th</sup> July, 2001.

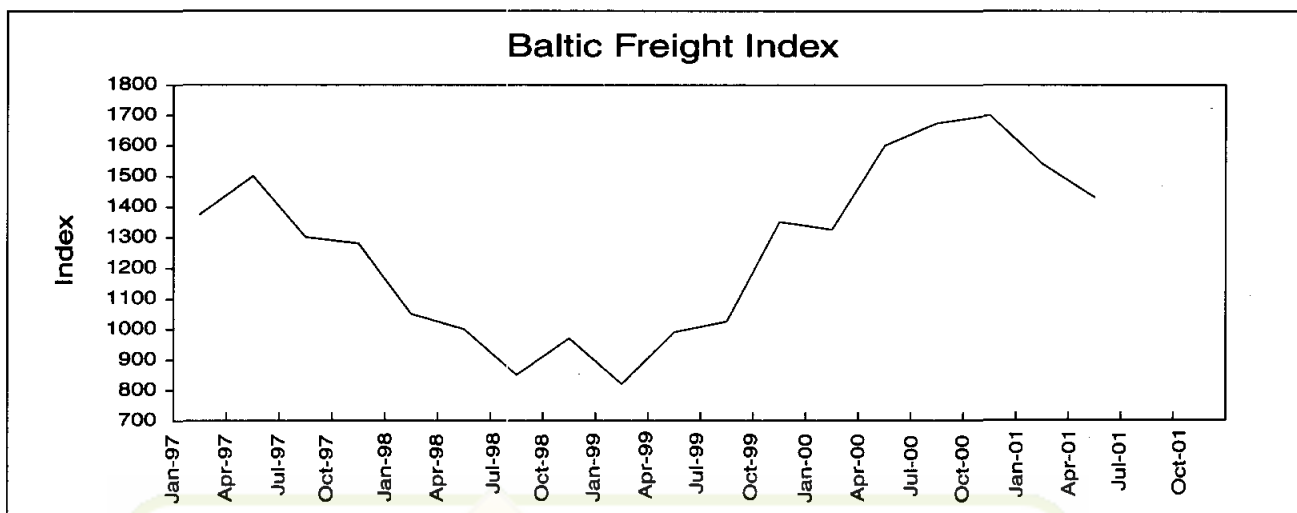
**2. OPERATIONS AND FINANCIAL PERFORMANCE**

The year 2000-2001 saw dry bulk shipping markets enjoy reasonably stable and profitable freight and charter rates with the Baltic Dry Index moving between 1400 and 1600. This was in contrast to the previous twelve months when the Index had slowly climbed from a level below 1000 to 1400. As anticipated in our last report, your Company was well positioned to take advantage of the positive developments, and its operating revenues reached a new high of Rs.708.62 million against Rs.558.86 million of the previous year. A major component of the year's business was the long-term charters entered into by the Company for carriage of thermal coal along the Indian East Coast. With a commitment of three vessels to this trade on a continuous basis, your Company chartered in two vessels from Tolani Shipping Co. Ltd. leading to significant increases in income and profits. The sustained efforts of the Company in pursuing its recoveries from Shaw Wallace & Co. Ltd. were also successful, with the Company recovering principal outstanding of Rs.6 million and interest of Rs.8.25 million. The Company's Net Profit Before Tax rose to a healthy 551% to Rs.74.23 million in comparison to Rs.11.40 million of the previous year.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### a) Industry Structure and Developments

The recovery in the world economy had very positive impact on most sectors of tramp shipping. Beginning the calendar year 2000 tentatively at 1276 points, the Baltic Dry Index (BDI) gathered momentum in March, before peaking in November at 1762 points. The BDI however lost grounds by December to close below 1600 points. The weaker tone was sustained into the first quarter of year 2001, due to an accelerated pace of new ships joining the world fleet resulting in the BDI slipping to 1438 points by end of March 2001. Thus the dry bulk markets completed a full cycle of over the past four years as a chart of the BDI very vividly illustrates.



The shipping environment in India has also resembled a roller coaster but unfortunately continues to exhibit a distinct downward trend that has continued to militate against improved global competitiveness of the Indian shipowner. In response to industry demands for lower taxation for shipping profits, the budget for 2000-01 enhanced Section 33AC shelter for shipping profits, but in the presence of a Minimum Alternate Tax this did not provide any significant relief. On a very much more negative note the Government found it fit to introduce a Special Import License for the purchase of second-hand ships from overseas which put a complete stop to additions to the Indian fleet. The budget presented in February 2001 again appeared to direct some largesse towards shipping with the withdrawal of the Special Import License and enhancement of the depreciation rate for ships from 20% to 25%. However, the imposition of a 5% duty on the purchase of ships from overseas and a withholding tax for interest paid on External Commercial Borrowings came as much greater setbacks to ship acquisition under the Indian flag. Acceding to strong representations from the industry, the finance minister rolled back the import duty on acquisitions, but the withholding tax remains. The impact of all this is clearly evident with no noteworthy tonnage being added to the Indian fleet since mid 2000, as the modest amount of tonnage purchased by Indian owners since then has been acquired under offshore subsidiaries and registered under foreign flags. The experience of the past twelve months has made it amply clear that the growth of Indian shipping is inextricably linked to the fiscal and regulatory environment within which it has to operate and no progress will be achieved unless the Government ensures that Indian shipping does not face costs and controls that their foreign competitors do have to contend with.

For your Company, it is time to consolidate and conserve its reserves for future expansion. Your Company, with its relatively young fleet, is focussing attention on technological upgrading, improving the cost and quality control systems to face the emerging global competition.



**b) Future Outlook**

According to the World Trade Organisation (WTO), world trade during 2000 rose by more than 10%, the highest rate in the last 10 years, primarily due to strong economic growth in Europe and in Asia. The WTO expects world trade for 2001 to grow at a slower pace but still in excess of 6.5%. There is reason, however, for caution as the US economy faces an imminent slow down and Japan remains bogged down in the woes of its financial sector, on the brink of another recession.

Looking ahead at the demand for dry bulk shipping, the consensus opinion indicate that :

- a moderate increase in the world steel consumption on a world-wide basis is expected, resulting in increase in seaborne transport of iron ore, coking coal, steel products;
- steam coal volumes should continue their strong growth profile in the medium term as numerous new coal-fired power stations come on stream; and
- as a result of lower grain production in parts of Asia, droughts in the Middle East and in North Africa, an escalation of long hauls in grain transport could be expected.

However, a very large number of new bulk carriers are expected to enter the world fleet over the coming 12 – 18 months, as a result of ordering between mid 1998 and early 2000 that was prompted by low new-building prices and the rise in freight rates during 1999. Consequently, freight rates are expected to remain soft during 2001 and into 2002 till all the new tonnage is absorbed and ageing vessels are scrapped under the burden of improving quality standards and freight rates that are not remunerative. Beyond that, dry bulk markets look forward to a period of excellent returns due to the virtual cessation of new vessel orders after early 2000 since when tanker orders have ruled the roost. It is at then that dry bulk freight rates are expected to adjust upwards to reflect the leap in vessel replacement costs between the mid eighties and the nineties.

**c) Opportunities, Risk and Threats**

Infrastructure development and emergence of a strong, competitive agricultural sector are two major generators of dry bulk trade. As India accelerates her growth in these areas, Indian sea borne dry bulk trades can be expected to expand very significantly. This provides a great opportunity for Indian shipping companies as their comparative advantage lies in servicing national trades. With a relatively modern fleet and the support of a similar larger fleet of the group company, Tolani Shipping Co. Ltd., your Company is well poised to capitalize on such an opportunity.

At the same time under the pressure of WTO initiatives, the urge to globalize, and liberalization, the Government is consciously dismantling the cargo support regime that had been put in place for the Indian flag to stimulate growth of Indian shipping, conserve foreign exchange and protect Indian sea borne trade. If this is done without leveling the playing field for Indian shipping by reducing taxation and controls, even within home markets, more competitive foreign shipping could easily overrun Indian shipping. This would indeed be a tragedy in light of the investment the country has made in the development of the shipping industry and its manpower over the fifty years since independence. This represents the greatest risk and threat to Indian shipping and your Company.

On a global basis, in the dry bulk sector, where the cost of freight is a significant component of the delivered cost of a commodity there has been a constant push to achieve economies of scale through the use of larger ships. However, port development has always been a limiting factor in the ability to handle larger ships. In this context, the size of ships that have had the widest appeal have been referred to as the handy-size vessels. In the sixties, these were of the 15,000 - 20,000 deadweight tons (dwt) size, progressing to 25,000 - 28,000 dwt during the seventies and then to about 35,000 in the eighties when the larger popular 40,000 dwt ships came to be known as the handymax size. During the nineties the handymax size matured to 43,000 - 48,000 dwt and now we are witnessing the influx of the new super-handymax bulk carriers that boast a capacity of about 52,000 dwt.

As the cost of building these larger ships has not increased proportionally, the advent of larger vessels has exerted pressure on the earnings that are enjoyed by the somewhat smaller ships. Therefore, to remain competitive in the principal dry bulk trades it is paramount for a shipowner to develop its fleet on this size dimension. This involves fleet renewal, which in turn needs competitively priced equity and borrowings as well as tax shelters, to be accomplished economically and competitively. Government policies in these areas must be designed to encourage and facilitate Indian shipping's fleet renewal otherwise the industry will surely be forced to drift towards offshore registries, while depleting the Indian registry.

**d) Internal Control System and Adequacy**

Your Company has adequate internal control systems and procedures, which are constantly monitored by the Management and Internal Auditors and reviewed by the Audit Committee appointed by the Board.

**e) Human Resource Development**

During the year, your Company continued to enjoy cordial relations with its employees. As a result employee turnover has not been excessive. This in turn strengthens the efficacy of the Company's initiatives in improving quality and safety.

Increasing standards of safety within the shipping industry mandated by the International Maritime Organization and endorsed by most maritime nations continue to require ever increasing training and updating of personnel skills, competencies and knowledge base. In the office and on ships, as information technology leads the way to cost control and quality assurance, improved training in this area has become a permanent endeavour for all. Your Company continues to enhance the potential of its personnel through an unfailing commitment to personnel training to face these challenges.

**4. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2001, and of the profit of the Company for the period 1<sup>st</sup> April, 2000 to 31<sup>st</sup> March, 2001 ;
- (iii) the Directors have taken proper and sufficient care 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 ;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

**5. CORPORATE GOVERNANCE**

Your Company has taken adequate steps for compliance of all mandatory provisions of corporate governance norms as prescribed under the listing agreements entered with the Stock Exchanges. A separate report on corporate governance is furnished as part of this Annual Report along with Auditors' statement of compliance.

**6. DEMATERIALISATION**

Securities and Exchange Board of India (SEBI) has placed the Company's shares in the list of securities for compulsory settlement in dematerialised form for all the investors effective from 26<sup>th</sup> February, 2001.