

## REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

### SCI's Philosophy on Corporate Governance

SCI constantly keeps the Corporate Governance issues in focus. It is SCI's policy to provide adequate and timely information to all stakeholders. SCI's endeavour in this respect has been acknowledged and appreciated year after year. SCI has been awarded accolades for providing meaningful information on its activities. This year too, SCI will strive to meet the expectations of various stakeholders.

### SCI's Code of Conduct

The Board of Directors of the Company adopted "Code of Conduct for Board & Senior Management Personnel". This Code of Conduct is bifurcated into the "Code of Conduct for Board Members" & "the Code of Conduct for Senior Management Personnel". The Code is in alignment with Company's vision and values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. The Code is posted on the Company's [Website - www.shipindia.com](http://www.shipindia.com).

The Board members and Senior Management Personnel have affirmed compliance to this code and a declaration to this effect signed by Chairman & Managing Director is provided at the end of this Report.

### Composition of the Board of Directors

As of date, the Board of Directors of your Company comprises 12 members with a mix of 4 executive (including Chairman & Managing Director) and 8 non-executive Directors. Of the 8 non-executive Directors, 2 Government Directors represent the Promoters i.e. Government of India and 6 are Independent Directors.

The Clause 49 of the Listing Agreement dealing with Corporate Governance requires at least 50% of the total strength of the Board of Directors of a company to comprise of Independent Directors, which has an Executive Chairman. In terms of the nominations received from the Ministry of Shipping, Road Transport & Highways, the administrative Ministry of the Shipping Corporation of India Ltd., six non-official part time Directors have been appointed on the Board of Directors on 28.07.2007 and the Company is fully compliant with Clause 49 of the Listing Agreement at the current juncture.

The directorships held in other public limited companies and memberships/chairmanships held in the Committees of such Boards by the members of the Board of your Company as on 31st March 2007 are set out below:

Name	Designation	No. of Directorships and committee memberships / chairmanships		
		Directorships in other public limited companies**	Committee memberships**	Committee chairmanships**
<b>Executive Directors (Whole-Time)</b>				
Shri S. Hajara	Chairman & Managing Director	1	NIL	NIL
Shri S.S. Rangnekar *	Director (Liner & Passenger Services)	NIL	NIL	NIL
Shri B.K. Mandal	Director (Finance)	NIL	NIL	NIL
Shri U.C. Grover	Director (Technical & Offshore Services)	NIL	NIL	NIL
Shri Kailash Gupta	Director (Personnel & Administration)	NIL	NIL	NIL
<b>Non-Executive Director (Part-Time Ex-Officio)</b>				
Shri C. Balakrishnan	Addl. Secretary & Financial Advisor	NIL	NIL	NIL
Shri P.C. Dhiman*	Joint Secretary	1	NIL	NIL
<b>Non-Executive Directors (Part-Time Independent)</b>				
Shri M.G. Bhide*	Director	8	2	4
Shri S.H. Khan*	Director	6	3	3
Dr. Pritam Singh*	Director	4	NIL	NIL



\*Shri S.S. Rangnekar and Shri P.C. Dhiman ceased to be Directors w.e.f. 18.06.2007 and 05.06.2007, respectively. On cessation of tenure of directorships of Shri M.G. Bhide, Shri S.H. Khan and Dr. Pritam Singh as conveyed by the Ministry of Shipping, Road Transport & Highways, they have ceased to be directors on 26.07.2007, 24.07.2007 and 27.07.2007, respectively.

\*\*In accordance with Clause 49(I)(C) of the Listing Agreement with the Stock Exchanges, only directorships on public limited companies have been considered and the directorships on private limited companies, foreign companies and companies under Section 25 of the Companies Act have been excluded. Similarly, in terms of the above Clause, membership/chairmanship of only the Audit Committee and Shareholders'/ Investors' Grievance Committee of all Public Limited Companies has been considered.

### Board Meetings / Annual General Meeting

During the financial year 2006-2007, 12 Board Meetings were held, the dates being 25.04.2006, 15.06.2006, 28.07.2006, 17.08.2006, 01.09.2006, 26.10.2006, 02.12.2006, 07.12.2006, 27.01.2007, 05.02.2007, 12.02.2007 and 17.03.2007.

The details about attendance of the Directors at the Board Meetings and at the 56th Annual General Meeting (AGM) held on 29.09.2006 are given below:

Name of the Director	No. of Meetings		Attendance at the last AGM held on 29.09.2006
	held during the tenure of Directors	attended	
Shri S. Hajara	12	12	Yes
Shri C. Balakrishnan	12	08	No
Shri P.C. Dhiman #*	11	09	No
Shri M.G. Bhide *	12	12	No
Shri U.C. Grover #	12	12	No
Shri Kailash Gupta #	10	10	Yes
Shri S.H. Khan *	12	08	Yes
Shri B.K. Mandal	12	12	Yes
Shri R.K. Mitra *	11	10	Yes
Shri S.S. Rangnekar *	12	11	Yes
Shri Pradip Shah *	09	06	Yes
Dr. Pritam Singh *	12	04	No
Shri N.C. Singhal *	05	04	No

\*The following Directors ceased to be Directors on the Board w.e.f. the dates mentioned alongside their names :-

Shri N.C. Singhal	19.10.2006
Shri Pradip Shah	29.01.2007
Shri R.K. Mitra	01.03.2007
Shri P.C. Dhiman	05.06.2007
Shri S.S. Rangnekar	18.06.2007
Shri M.G. Bhide	26.07.2007
Shri S.H. Khan	24.07.2007
Dr. Pritam Singh	27.07.2007



**#The following Directors were appointed as Directors on the Board w.e.f. the dates mentioned alongside their names :-**

<b>Shri U.C. Grover</b>	<b>01.04.2006</b>
<b>Shri P.C. Dhiman</b>	<b>12.05.2006</b>
<b>Shri Kailash Gupta</b>	<b>20.07.2006</b>

### **Committees of the Board**

To enable better and more focused attention on the affairs of the Company, the Board has constituted Contracts Committee of the Board besides other Committees as required under Clause 49 :

#### **Contracts Committee of the Board**

This Committee of the Board comprises the whole-time Directors, including Chairman & Managing Director as the Chairman of the Committee. The Committee deliberates on the matters pertaining to contracts having financial implication of high value nature or any other matter, which in the view of Chairman & Managing Director requires the attention of the Committee. During the year under review, 4 meetings of the Contracts Committee of the Board were held.

#### **Committees of the Board constituted under Clause 49**

##### **Audit Committee**

The Board of Directors of the Company had constituted an Audit Committee in 2000 comprising four Non-Executive Independent Directors viz. Shri S.H. Khan, Shri M.G. Bhide, Shri N.C. Singhal and Dr. Pritam Singh. Shri S.H. Khan was the Chairman of the Committee. Consequent to the cessation of directorship of Shri N.C. Singhal from the Board of Directors on 19.10.2006, the Audit Committee was reconstituted with Shri S.H. Khan, Shri M.G. Bhide and Dr. Pritam Singh as its members. Subsequently, with the appointment of six independent Directors on the SCI Board w.e.f. 28.07.2007 and cessation of the tenure of Shri Khan, Shri Bhide and Dr. Pritam Singh as Directors, the Audit Committee has been reconstituted with Shri U. Sundararajan as Chairman, and Shri A.K. Mago, Dr. Bakul H. Dholakia and Shri Keshav Saran as its members. All the members of the Committee are 'financially literate' and have accounting and financial management expertise.

The Company Secretary acts as Secretary to the Committee. The Finance Director and the Directors in charge of operations attend the meetings as invitees. The Statutory Auditor and Internal Auditor also attend meetings at which the audit reports / Company's financial statements are reviewed by the Committee. The internal audit function continues to be outsourced to a firm of outside Chartered Accountants.

The terms of reference of Audit Committee include all matters specified in Clause 49(II) of the Listing Agreement with Stock Exchanges and covers, inter-alia, overseeing Company's financial reporting process, adequacy of internal control systems, reviewing financial risks management policies, compliance with Accounting Standards, etc.

The Audit Committee held 9 meetings during the year. Apart from reviewing the quarterly / annual financial results of the Company, the Committee devoted these meetings inter alia for detailed review of the systems and procedures, accounting practices, internal control measures, status of risk management and process review of statutory and regulatory compliances. The attendance of each member of the Committee is given below:

Name of the Directors	No. of meetings held	No. of meetings attended
Shri S.H. Khan *	09	09
Shri M.G. Bhide *	09	09
Dr. Pritam Singh *	09	02
Shri N.C. Singhal *	05	05

\* Shri N.C. Singhal ceased to be a director on 19.10.2006. Shri S.H. Khan, Shri M.G. Bhide and Dr. Pritam Singh ceased to be directors w.e.f. 24.07.2007, 26.07.2007 and 27.07.2007, respectively.

The Chairman of Audit Committee was present at the Annual General Meeting of the Company held on 29.09.2006.

#### **Share Transfer Committee**

This Committee of the Board comprising of Chairman & Managing Director and an Executive Director, regularly approves the transfer and transmission of shares and other related matters. Since the number of shares in demat format hovered between 99.97% to 99.98%, the physical scrips were very few. Further, as and when the shareholders made lodgements for transfer, the Share Transfer Committee held their Meetings promptly to effect the transfers.

#### **Shareholders/Investors Grievance Committee**

The Shareholders/Investors Grievance Committee of the Board met four times during the financial year 2006-2007 i.e. on 12.06.2006, 28.07.2006, 26.10.2006 and 23.01.2007, which were attended by all its members. On cessation of directorship of Shri N.C. Singhal (who was the Chairman of the Shareholders/Investors Grievance Committee) from the Board of Directors of the Company on 19.10.2006, Shri M.G. Bhide (an Independent Director and a member of the Shareholders Grievance Committee) was appointed as Chairman of the Shareholders/Investors Grievance Committee in place of Shri N.C. Singhal and the reconstituted Committee comprised of Shri M.G. Bhide as Chairman and Shri B.K. Mandal, member. Subsequently, with the reconstitution of the Board on 28.07.2007, the Shareholders' Grievance Committee was reconstituted with Shri A.K. Mago as Chairman and, Shri Keshav Saran and Shri B.K. Mandal, as its members.

- **Grievances & their redressals** : During the year under review, 7 complaints were received. Out of these, six complaints have been replied/sorted out within 7 days of receipt of each complaint as against the stipulated time of 15 days as per SEBI norms. One complaint is pending. No share transfers were pending at the end of the financial year. The sources of complaints received and other details are given below:

Source(s) of Complaints	Received	Redressed	Pending
SEBI	5	4	1
Stock Exchange, Mumbai	1	1	Nil
Shareholders (other than SEBI)	1	1	Nil

- **Compliance Officer** : The Compliance Officer for monitoring the share transfer process and for carrying out other related functions as per Listing Agreement requirement is Shri Dipankar Haldar, General Manager (Legal Affairs) & Company Secretary and can be contacted at:

"Shipping House"  
245, Madame Cama Road,  
Nariman Point,  
Mumbai – 400 021

Tel : 2202 6666 Extn. - 2246  
2202 4572 (D)  
Fax: 2202 2906  
E-mail: dipankar.haldar@sci.co.in



As required by the SEBI, an e-mail ID has been separately generated for redressal of investor complaints viz. [shippingcorp@shareproservices.com](mailto:shippingcorp@shareproservices.com).

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company is required to transfer the unpaid dividends remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund (IEPF) set up by the Central Government.

Given below are the due dates for transfer of unclaimed and unpaid dividend to the IEPF by the Company:

Financial Year	Date of declaration	Proposed date for transfer to IEPF
1999-2000	03.11.2000	15.12.2007
2000-01 (Interim)	14.06.2001	14.07.2008
2000-01 (Final)	28.09.2001	28.10.2008
2001-02 (Interim)	30.04.2002	30.05.2009
2002-03 (Interim)	10.03.2003	09.04.2010
2003-04 (Spl.Interim)	03.10.2003	02.11.2010
2004-05 (Interim)	30.10.2004	29.11.2011
2004-05 (Final)	28.09.2005	28.10.2012
2005-06 (Interim)	27.01.2006	26.02.2013
2006-07 (Interim)	17.03.2007	14.04.2014

#### General Body Meetings

The date, time and venue of the last three Annual General Meetings of the Company held are given below:

General Meetings	Date	Time	Venue
54 <sup>th</sup> AGM (FY 2003-2004)	30.11.2004	1530 hrs.	Registered Office of the Company, Mumbai
55 <sup>th</sup> AGM (FY 2004-2005)	28.09.2005	1530 hrs.	Registered Office of the Company, Mumbai
56 <sup>th</sup> AGM (FY 2005-2006)	29.09.2006	1530 hrs.	Registered Office of the Company, Mumbai

**54<sup>th</sup> Annual General Meeting** : At this meeting no Special Resolution was proposed.

**55<sup>th</sup> Annual General Meeting** : At this meeting no Special Resolution was proposed.

**56<sup>th</sup> Annual General Meeting** : At this meeting one Special Resolution was proposed.

**Postal Ballot** : During the year under review, no postal ballot voting was exercised in your Company as no issue arose requiring consent by postal ballot.



## Means of Communication

<p><b>Half-yearly Report sent to each household of shareholders</b></p>	<p>No, as the unaudited financial results of the Company are published in the newspapers every quarter and are also made available on the EDIFAR and the Company's website.</p>
<p><b>Quarterly Results published in newspapers</b></p>	<p>Yes, the newspapers being:</p> <p><b><i>For Quarter ended June 2006 -</i></b></p> <p>a. The Times of India, Mumbai Edition b. Maharashtra Times, Mumbai Edition</p> <p><b><i>For Quarter ended September 2006 -</i></b></p> <p>a. The Times of India, Mumbai Edition. b. Maharashtra Times, Mumbai Edition</p> <p><b><i>For Quarter ended December 2006 -</i></b></p> <p>a. The Times of India, Mumbai Edition b. Maharashtra Times, Mumbai Edition. c. DNA, Mumbai Edition d. Business Line, Mumbai Edition e. Hindustan Times, Mumbai Edition</p> <p><b><i>For Year ended 31st March 2007</i></b></p> <p>a. Times of India, Mumbai Edition b. Hindustan Times, Mumbai Edition c. DNA, Mumbai Edition d. The Business Line, All India Edition e. Maharashtra Times, Mumbai Edition</p>
<p><b>Website, where results and/or official news are displayed</b></p>	<p>On the Company's Website <a href="http://www.shipindia.com">www.shipindia.com</a> On the Edifar Website <a href="http://www.sebiedifar.nic.in">www.sebiedifar.nic.in</a></p>
<p><b>The presentation made to Institutional Investors or to the analysts</b></p>	<p>No presentation has been made to any of these fraternities.</p>
<p><b>Whether Management Discussion and Analysis is a part of Annual Report or not</b></p>	<p>Yes.</p>

## General Shareholder Information

<b>Annual General Meeting - Date, Time &amp; Venue</b>	28th September 2007, at 1530 hrs. at the Registered Office of the Company, "Shipping House", 245, Madame Cama Road, Mumbai - 400 021.	
<b>Financial Calendar</b>	<ul style="list-style-type: none"> <li>The financial year under review covers the period from 1st April 2006 to 31st March 2007.</li> <li>First Quarter Results - July 2006.</li> <li>Second Quarter Results - October 2006.</li> <li>Third Quarter Results - January 2007.</li> <li>Audited Results in lieu of Fourth Quarter Results - June 2007.</li> </ul>	
<b>Date of Book Closure</b>	21.09.2007 to 28.09.2007 (both days inclusive)	
<b>Dividend Payment Date</b>	<b>Interim Dividend @ 85%</b> was declared on 17.03.2007. <b>Final Dividend.:</b> The Board has not recommended any final dividend for the year 2006-07.	
<b>Listing on Stock Exchanges &amp; payment of listing fees</b>	The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	
	National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Mumbai - 400 051.	The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Kolkata - 700 001.
	The Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002.	Madras Stock Exchange Limited Exchange Building, 11, Second Line Beach, Chennai - 600 001.
	The Company has paid the annual listing fees for the year 2007-2008 to the aforesaid Stock Exchanges within the stipulated time.	
<b>Stock Code</b>	The Stock Exchange, Mumbai - <b>523598</b> National Stock Exchange of India Limited - <b>SCI</b> Demat-ISIN Number for NSDL & CDSL - <b>INE 109 A 01011</b>	
<b>Monthly high and low quotation of shares on the BSE and NSE during the financial year 2006-2007</b>	Please see ANNEXURE - 'A'.	
<b>Stock Performance in comparison to BSE Sensex</b>	Please see ANNEXURE - 'B'.	
<b>Registrar and Transfer Agents</b>	<b>M/s. Sharepro Services (India) Pvt. Ltd.</b>	
	<b>Regd. Office:</b> Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400 099. Tel. 2832 98 28 / 2834 82 18 Fax. 2837 56 46	<b>Investor Relation Centre:</b> 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai - 400 021. Tel. 2282 80 43 / 2288 15 69 Fax. 2282 54 84
<b>Share Transfer System</b>	The transfers' processing are done by the Registrar and Transfer Agents and approved by the Share Transfer Committee of the Company. There are no pending share transfer requests as on 31st March 2007.	
<b>Distribution of Shareholding as on 31st March 2007</b>	Please see <b>ANNEXURE - 'C'</b> .	
<b>Dematerialization of shares and liquidity</b>	With effect from 26.06.2000, trading in the Company's shares was made compulsory in the dematerialized form. The Company's shares are available for trading in the depository systems of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As at 31st March 2007, 99.97 % of the equity share capital, representing 282222790 shares was held in depository mode. The processing activities with respect to the requests received for dematerialization are completed within 15 days from the date of receipt of request.	
<b>Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity</b>	Not issued.	
<b>Plant locations</b>	The Company has no Plant.	
<b>Address for Correspondence</b>	Shareholders' correspondences should be addressed to the Company's Share Transfer Agents, M/s. Sharepro Services. (India) Pvt. Ltd. at their addresses mentioned above.	



## ANNEXURE – ‘A’

Monthly high and low quotation of shares on the BSE and NSE during the financial year 2006-2007

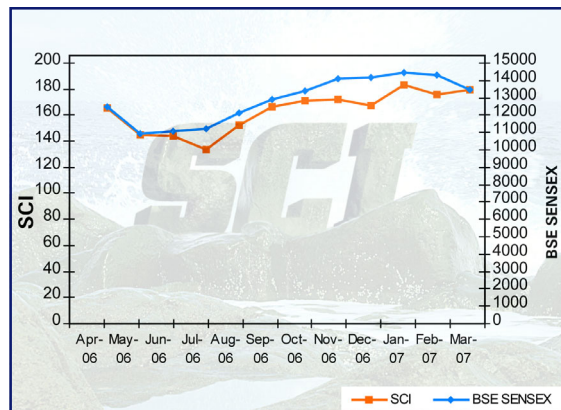
Month	Share Price on BSE		Share Price on NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April-06	173.40	151.00	172.90	150.00
May-06	174.90	129.00	174.40	125.50
June-06	145.40	118.15	149.90	118.50
July-06	139.50	120.00	138.90	120.60
August-06	148.20	125.05	148.20	125.00
September-06	162.00	144.00	167.00	138.65
October-06	177.45	153.95	177.40	135.00
November-06	174.80	147.30	175.50	154.45
December-06	169.50	153.00	169.40	151.50
January-07	188.00	161.50	184.70	160.00
February-07	215.95	155.00	217.70	168.00
March-07	176.00	151.00	175.00	150.50

## ANNEXURE – ‘B’

Stock Performance in comparison to BSE Sensex

Month	SCI's Closing Price (Rs.)	BSE Sensex
April-06	159.90	12042.56
May-06	138.30	10398.61
June-06	137.00	10609.25
July-06	127.05	10743.88
August-06	145.95	11699.05
September-06	160.05	12454.42
October-06	165.55	12961.90
November-06	166.40	13696.31
December-06	161.65	13786.91
January-07	177.75	14090.92
February-07	170.15	13938.09
March-07	174.35	13072.10

Graph showing the SCI share price movement based on the above data

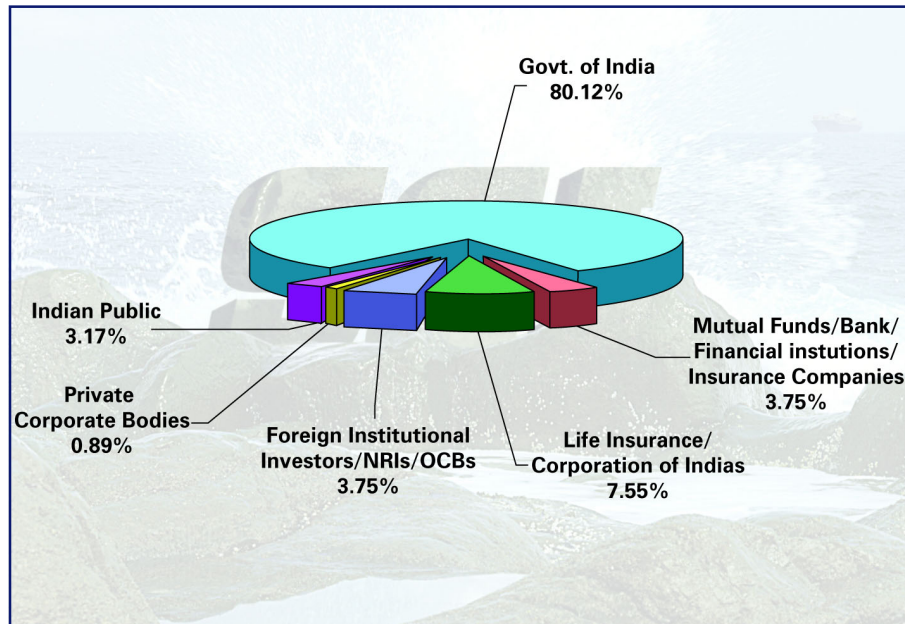


## ANNEXURE – ‘C’

### Distribution of Shareholding as on 31<sup>st</sup> March 2007

No. of Shares Held	Dematerialized Holding		Physical Holding		Total		%	
	No. of Folios	No. of Shares	No. of Folios	No. of Shares	Total No. of Folios	Total No. of Shares	Folios	Holding
1-500	26718	3450795	172	24825	26890	3475620	89.9091	1.2312
501-1000	1606	1331045	7	5700	1613	1336745	5.3932	0.4735
1001-2000	710	1097335	5	6415	715	1103750	2.3907	0.3910
2001-3000	231	595474	0	0	231	595474	0.7724	0.2109
3001-4000	107	384814	1	4000	108	388814	0.3611	0.1377
4001-5000	91	428625	0	0	91	428625	0.3043	0.1518
5001- 10000	127	950258	1	6000	128	956258	0.4280	0.3387
10001 & Above	130	273984444	2	32700	132	274017144	0.4414	97.0651
<b>Total</b>	<b>29720</b>	<b>282222790</b>	<b>188</b>	<b>79640</b>	<b>29908</b>	<b>282302430</b>	<b>100.0000</b>	<b>100.0000</b>

### Distribution of Shareholding by ownership as on 31<sup>st</sup> March 2007



## Director's Remuneration

The details of the remuneration paid to the Executive Directors and sitting fees paid to the Independent Directors during the year under review are set out below:

(Rupees)

Name of the Director	Consolidated Salary (Note No.1)	Perquisites, Allowances & Other Benefits	Performance Linked Incentives	Sitting Fees	Total
<b>Executive Directors (Whole-time)</b>					
Shri S. Hajara	701387	202063	-	-	903450
Shri U.C. Grover #	565236	172936	-	-	738172
Shri Kailash Gupta #	469976	103669	-	-	573645
Shri B.K. Mandal	690039	241308	-	-	931347
Shri R.K. Mitra *	1299825	569809	-	-	1869634
Shri S.S. Rangnekar *	679382	456545	-	-	1135927
<b>Non-Executive Director (Part-Time Ex-Officio)</b>					
Shri C. Balakrishnan	-	-	-	-	-
Shri P.C. Dhiman #*	-	-	-	-	-
<b>Non-Executive Directors (Part-Time Independent)</b>					
Shri M.G. Bhide *	-	-	-	125000	125000
Shri S.H. Khan *	-	-	-	85000	85000
Shri Pradip Shah *	-	-	-	30000	30000
Dr. Pritam Singh *	-	-	-	30000	30000
Shri N.C. Singhal *	-	-	-	55000	55000

Note No. 1:- Consolidated Salary includes Basic Salary, Dearness Allowance, Contribution to Provident Fund, Leave Encashment and Leave Salary on superannuation.

\* The following Directors ceased to be Directors on the Board w.e.f. the dates mentioned alongside their names :-

Shri N.C. Singhal	19.10.2006
Shri Pradip Shah	29.01.2007
Shri R.K. Mitra	01.03.2007
Shri P.C. Dhiman	05.06.2007
Shri S.S. Rangnekar	18.06.2007
Shri M. G. Bhide	26.07.2007
Shri S. H. Khan	24.07.2007
Dr. Pritam Singh	27.07.2007

# The following Directors were appointed as Directors on the Board w.e.f. the dates mentioned alongside their names :-

Shri U.C. Grover	01.04.2006
Shri P.C. Dhiman	12.05.2006
Shri Kailash Gupta	20.07.2006



- i) SCI, being a Government Company, the remuneration of the Executive Directors, who are Government appointees, is decided by the Government.
- ii) The part-time official Government Directors do not receive any remuneration from the Company.
- iii) The non-executive Directors (Independent Directors) are paid only sitting fees of Rs.5000/- per meeting per day of attendance. They do not receive any other remuneration.
- iv) In addition to above, wherever necessary, the Directors are reimbursed the traveling and other related expenses for attending Board and other Meetings.
- v) Criterion for payment of performance related link incentive is based on the policy prevailing in the Company.
- vi) SCI being a Government Company, the appointment, tenure and remuneration of Directors are decided by the Government of India. All appointments of Executive Directors are contractual in nature. Government nominates non-official part-time Directors from time to time on board of the Company.
- vii) The Company presently does not have any stock option scheme
- viii) The non-executive Directors do not hold any equity shares in the SCI. Shri C. Balakrishnan, Government Director, is holding 1010 shares. Shri P.C. Dhiman, the erstwhile Government Director held 20 shares which, consequent to cessation of his directorship on his relinquishment of the charge of Joint Secretary (Shipping), Ministry of Shipping, Road Transport & Highways, and appointment of Shri Rajeev Gupta, Joint Secretary(Shipping) as Director in his place, have been transferred to Shri Gupta.

### **Subsidiary Companies**

The Company does not have any subsidiary company.

### **Disclosures**

During the year under review, the Company has not entered into financial or other transactions of material nature with its Promoters, the Directors, etc. that may have potential conflict with the interests of the Company at large.

No penalties/strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

### **Related Party Transactions**

The details of all the transactions with related parties which are entered into the ordinary course of business are placed before the audit committee on quarterly basis. However the related party disclosures, as required under Accounting Standard 18 "Related Party Disclosures", are given in the Notes on Accounts of the Balance Sheet. There were no material individual transactions with related party which were not in normal course of business required to be placed before the Audit Committee that may have potential conflict with the interest of the Company at large. All individual transactions with related parties were on arm's length basis.

### **Accounting Treatment**

In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

### **Risk Management**

As informed in the last Report, the Company had appointed M/s. Ernst & Young (E&Y) to undertake an analysis of risk assessment and minimization procedures. M/s. E&Y reviewed the mechanism and submitted their report to the Audit Committee and the Board which was thereafter adopted by the Board. The Company proposes to appoint Divisional Risk Officers who will report to the Chief Risk Officer on a quarterly basis or on the emergence of a new risk or change in profile of the existing risks. The Chief Risk Officer in turn, will report it to the Management Committee on semi-annual basis and the Management will inform the same to the Board on yearly basis.

### **Proceeds from public issues, right issues, preferential issues etc.**

During the year under review, the Company has not raised any money through public issue, right issue, preferential issue, etc.

### **Management Discussions and Analysis Report**

The report forms a part of the Directors' Report to the Shareholders and it includes discussions on matters, as required under the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges.

### **Material Financial and Commercial Transactions of Senior Management Personnel**

There have been no material financial and commercial transactions entered into by the Senior Management Personnel where they have personal interest that may have a potential conflict with the interest of the Company.

### **CEO/CFO Certification**

A certificate from Chairman and Managing Director and Director (Finance) on the financial statements of the company



and on the matters which were required to be certified according to the clause 49 (V) was placed before the Board.

**Compliance with Non Mandatory Requirements of Clause 49**

***Maintenance of Office and reimbursement of expenses of Non-Executive Chairman***

As the Company has an Executive Chairman, the requirements of this clause are not applicable.

***Tenure of Independent Directors on the Board***

SCI, being a Government Company, the appointment and tenure of the Directors are decided by the Government of India; however, currently, they do not exceed the time limits provided in this Clause.

***Remuneration Committee***

SCI, being a Government Company, the remuneration of the Executive Directors, who are Government appointees, is decided by the Government and hence, the Company has not constituted a Directors' Remuneration Committee.

***Shareholder Rights - Declaration of financial performance***

The financial results are posted on the EDIFAR Website as also the Company's website immediately. The results of the Company are also published in the newspapers within the time limits prescribed under the Listing Agreement.

***Audit Qualifications***

Efforts are being made to move towards the regime of unqualified financial statements of the Company.

***Training of Board members***

Besides the executive directors who have wide experience in the field of shipping, the Company has drawn professionals on its Board who have served as head of Financial Institutions, Banks and other institutions. The Company Board is also represented by senior IAS Officers. Keeping the above in view, it appears that there is no requirement for training of Board members at the current juncture.

***Mechanism for evaluating Non-Executive Board Members***

SCI being a Government Company where the Directors are appointed/nominated by the Government, the requirement of performance evaluation as envisaged in this clause does not apply.

***Whistle Blower Policy***

The Company being a Government Company, Whistle Blower policy is followed as per Central Vigilance Commission(CVC) guidelines which was approved by the Board.

For and on behalf of the  
Board of Directors

**S. Hajara**

**Chairman & Managing Director**

Place : Mumbai

Dated : 9th August, 2007

**DECLARATION OF COMPLIANCE OF CODE OF CONDUCT  
BY CHAIRMAN & MANAGING DIRECTOR**

The Company has adopted a Code of Conduct for the Board Members and Senior Management of the Company, which has been posted on the web site of the Company.

It is hereby affirmed that all the Directors & Senior Management personnel have complied with the Code of Conduct and a confirmation to this effect has been obtained from the Directors & Senior Management personnel.

For The Shipping Corporation of India Ltd.

**S. Hajara**

**Chairman & Managing Director**

Place : Mumbai

Dated : 14th June 2007



## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF THE SHIPPING CORPORATION OF INDIA LTD.**

We have examined the compliance of conditions of Corporate Governance by THE SHIPPING CORPORATION OF INDIA LTD. for the year ended on 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Corporation with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Corporation for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that the number of independent directors on the Board of Directors was lower than 50 per cent of the total strength of the Board of Directors as required under Sub-Clause 1(A) of Clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Corporation nor the efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

**For KHANDELWAL JAIN & CO.**  
Chartered Accountants

**(Narendra Jain)**  
**Partner**  
Membership No.048725

Place : Mumbai  
Dated : 10th August 2007.

