



Annual Report 2017-18  
**Essar Shipping Limited**



**BOARD OF DIRECTORS**

**Mr. P. K. Srivastava**  
Non - Executive Chairman

**Mr. Ranjit Singh**  
Executive Director and CEO

**Mr. N. Srinivasan**  
Independent Non-Executive Director

**Captain Bhupinder Singh Kumar**  
Independent Non-Executive Director

**Ms. Neelam Kapoor \***  
Non-Executive Director

**Captain Rahul Bhargava\*\***  
Executive Director

\* Appointed w.e.f. July 31, 2017 (in the place of Ms. S. Gayathri who ceased to act as Director w.e.f. May 24, 2017) and regularized as Non-Executive Director at 7th AGM of the Company held on December 29, 2017.

\*\* Appointed w.e.f. November 14, 2017 and regularized as Executive Director at 7th AGM of the Company held on December 29, 2017.

**COMPANY SECRETARY**

Mr. Awaneesh Srivastava

**AUDITORS**

C N K & Associates LLP, Chartered Accountants  
(Firm Registration No. 101961 W/W - 100036)  
Add.: Mistry Bhavan, 3rd Floor, Dinshaw Vachha Road,  
Churchgate, Mumbai - 400 020.

**COMMITTEES OF THE BOARD****AUDIT COMMITTEE**

Mr. N. Srinivasan (Chairman)  
Captain Bhupinder Singh Kumar  
Ms. Neelam Kapoor

**STAKEHOLDERS RELATIONSHIP COMMITTEE**

Captain Bhupinder Singh Kumar (Chairman)  
Mr. Ranjit Singh

**NOMINATION & REMUNERATION COMMITTEE**

Mr. N. Srinivasan (Chairman)  
Captain Bhupinder Singh Kumar  
Mr. P. K. Srivastava

**CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

Captain Bhupinder Singh Kumar (Chairman)  
Mr. Ranjit Singh  
Ms. Neelam Kapoor

**RISK MANAGEMENT COMMITTEE**

Captain Bhupinder Singh Kumar (Chairman)  
Mr. Ranjit Singh  
Mr. Sandeep Akolkar (in place of Mr. Vikarm Gupta who ceased to hold office w.e.f. December 22, 2017.)

**REGISTERED OFFICE**

EBTSL Premises, ER-2 Building  
(Admin. Building),  
Salaya, 44 KM, P.O. Box No. 7,  
Taluka Khambhalia,  
Devbhumi Dwarka,  
Gujarat - 361 305

**CORPORATE OFFICE**

Essar House  
11, K. K. Marg,  
Mahalaxmi,  
Mumbai 400 034.  
Maharashtra, India  
E-mail: [esl.secretarial@essar.com](mailto:esl.secretarial@essar.com)

**REGISTRAR & TRANSFER AGENT**

Data Software Research Company Pvt. Limited  
19, Pycroft Garden Road, Off Haddows Road,  
Nungambakkam, Chennai - 600 006  
Ph.No.044-28213738 / 28214487  
Fax No.044-28214636  
email.: [essar.shipping@dsr-cid.in](mailto:essar.shipping@dsr-cid.in)

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## NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth Annual General Meeting (the Meeting) of the members of Essar Shipping Limited (the Company) will be held on Wednesday, September 26, 2018 at 3:00 p.m. at Registered Office of the Company at EBTSL Premises, ER-2 Building (Admin. Building), Salaya, 44 KM, P.O. Box No. 7, Taluka Khambhalia, Devbhumi Dwarka, Gujarat - 361 305, to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive, consider and adopt:
  - a) The Audited Standalone Balance Sheet and Statement of Profit and loss Account together with the Cash Flow Statement of the Company for the financial year ended March 31, 2018, the reports of the Board of Directors and Auditors thereon; and
  - b) The Audited Consolidated Balance Sheet and Statement of Profit and loss Account together with the Cash Flow Statement of the Company for the financial year ended March 31, 2018 and report of Auditors thereon.
2. To appoint a Director in place of Mr. P. K. Srivastava (DIN: 00843258), who retires by rotation and being eligible offers himself for re-appointment.
3. To ratify the appointment of Auditors.

To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution;

**“RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 as amended from time to time, consent of members be and is hereby given to ratify the appointment of M/s C N K & Associates LLP, Chartered Accountants (Registration No. 101961 W/W - 100036), as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of 10th Annual General Meeting of the Company, to be held in year 2020, to examine and audit the accounts of the Company at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

### SPECIAL BUSINESS

4. To consider and if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Section 188 of the Companies Act, 2013 (“the Act”) and Regulation 23 of the LODR regulation 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the members of the Company be and is hereby accorded to the Audit Committee and the Board of Directors to authorize the management of the Company to enter into agreement(s) and/or transaction(s), as may be appropriate, with the following Related Parties as defined under Section 2(76) of the Act and Clause 23 of LODR Regulation 2015 for sell, purchase, transfer or receipt of products, goods, materials, services or other obligations, if any, on such terms and conditions as may be mutually agreed upon between the Company and any of the Related Party, for the amount in aggregate not exceeding as mentioned against the name of each of the following Related Party during the period mentioned against the name of each Related Party:

Sr. No.	Name of Related Party	Nature of Transaction(s)	Amount (₹ In crores)		
			2017-18	2018-19	From April 01, 2019 till the date of 9th Annual General Meeting to be held in Calendar Year 2019
1	Essar Shipping (Cyprus) Limited	Direct Voyage Expenses	90.43	100.00	40.00
2	Essar Steel India Limited	Fleet operating and chartering services on Contract(s) of Affreightment and Spot fixture basis	471.02	700.00	300.00
3	Arkay Logistics Limited	Chartering Services	25.47	100.00	50.00

**“RESOLVED FURTHER THAT** consent of the members of the Company be and is hereby accorded for ratification of the aforesaid related party transactions already entered into by Company exceeding the threshold limits as specified in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 and which are material in nature in terms of Regulation 23 (1) of LODR Regulation 2015.

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

By Order of the Board

Sd/-  
**Awaneesh Srivastava**  
Company Secretary

Mumbai, May 30, 2018

### Registered Office:

**Essar Shipping Limited**  
EBTSL Premises, ER-2 Building (Admin. Building),  
Salaya, 44 KM, P.O. Box No. 7, Taluka Khambhalia,  
Devbhumi Dwarka District Jamnagar, Gujarat - 361 305  
CIN: L61200GJ2010PLC060285

### Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Pursuant to the provisions of Section 105 of the Companies Act, 2013(‘the Act’), a person can act as a proxy on behalf of not more than fifty members and holding in aggregate

not more than ten percent of the total Share Capital of the Company. Members holding more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting. A Proxy Form is annexed to this Report. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

2. **The business set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means.** Instructions and other information relating to e-voting are given in this Notice under Note No. 14. The Company will also send communication relating to remote e-voting which inter alia would contain details about User ID and password along with a copy of this Notice to the members, separately.
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. In terms of Section 152 of the Companies Act, 2013, Mr. P.K. Srivastava (DIN: 00843258), Director, retires by rotation at the Meeting and being eligible, offers himself for reappointment. Brief resume of the Director proposed to be re-appointed, nature of his expertise in specific functional areas, names of companies in which he hold Directorships and memberships / Chairmanships of Board Committees, shareholding and relationships between Directors inter-se as stipulated under SEBI (LODR) Regulation, 2015, are provided in the Corporate Governance Report forming part of the Annual Report.
5. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
6. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
9. The Register of Members and Share Transfer Books of the Company shall remain closed from, September 19, 2018 to September 26, 2018 (both days inclusive) for the purpose of this Annual General Meeting.
10. Members who have not registered their e-mail addresses so far, are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc.

11. The shares of the Company are under compulsory Demat trading. Members holding shares in physical form are requested to convert their shares into dematerialized form in their own interest and convenience purpose.
12. The members can attend the Meeting on September 26, 2018, at 3:00 p.m., in person or through proxy to vote on the resolutions set forth in the notice, if they are not able to exercise their votes through e-voting. The Scrutinizer shall submit the report for both physical and e-voting to the Board of Directors which shall be published on the website of the Company within 48 hours.
13. Considering the recent amendment in the Regulation 40 of SEBI (LODR) Regulations, 2015, all the shareholders who continue to hold shares in physical form are advised to get the shares dematerialized by December 05, 2018 as it is mandated that transfer of securities would be carried out in dematerialised form only. The shareholders are requested to contact the Registrar and Share Transfer Agents in order to complete the process.
14. **Voting through electronic means:**

Pursuant to Section 108 of the Act, read with the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means (e-voting) in respect of the resolutions contained in this Notice.

The Members, whose names appear in the Register of Members / list of Beneficial Owners as on September 18, 2018 (cut-off date), are entitled to vote on the Resolutions set forth in this Notice. Members who have acquired shares after the dispatch of the Annual Report and before the book closure may approach the Company for issuance of the User ID and Password for exercising their right to vote by electronic means.

The e-voting period will commence at 9.00 a.m. on, Saturday, September 22, 2018 and will end at 5.00 p.m. on September 25 2018. The Company has appointed M/s. Martino Ferrao & Associates, Practicing Company Secretary, (in their absence M/s. Santosh Singh & Associates) to act as the Scrutinizer for conducting the scrutiny of the votes cast. The result declared along with Scrutinizer Report shall be placed on the Company's website [www.essar.com](http://www.essar.com) and the same shall be sent to the Stock Exchanges simultaneously.

The Company is providing e-voting facility to its members to enable them to cast their votes electronically. The Company has entered into an arrangement with Central Depository Services (India) Limited (CDSL) for facilitating e-voting for AGM. Members are requested to carefully read the instructions for e-voting before casting their vote.

**The instructions for shareholders voting electronically are as under:**

- (i) The voting period begins on September 22, 2018 at 9:00 a.m. and ends on September 25, 2018 at 5:00 p.m. (IST). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of September 18, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iii) Click on Shareholders / Members
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

**For Members holding shares in Demat Form and Physical Form**

<b>PAN</b>	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN Field.</li> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
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<p>Dividend Bank Details</p> <p><b>OR</b> Date of Birth (DOB)</p>	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> <li>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>
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- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/ NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If a Demat account holder has forgotten the changed login password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) Note for Non – Individual Shareholders and Custodians
  - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same..
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013****Item No. 4**

The Company is an integrated logistics services provider engaged in the businesses of sea transportation, logistics services and oilfields services. The Company currently operates a diversified fleet of Very Large Crude Oil Carrier and bulk carriers including Capesize, Minicapes, Supramaxes and Handysize bulk carriers. The Company in the ordinary course of its business provides sea transportation, logistics services and oilfields services to Essar Steel India Limited (ESIL) and Arkay Logistics Limited (ALL). They are companies engaged into manufacturing and Logistics activities and require services of the Company for transportation of raw materials and finished goods. The fleet of the Company includes vessels owned by the Company as well as those taken on finance and/or operating lease. The Company is required to give/take vessels on hire to/from Essar Shipping (Cyprus) Limited (ESCL) for its business purposes.

ESIL, ALL and ESCL are Related Parties of the Company within the meaning of Section 2(76) of the Companies Act, 2013 and Clause 49(VII) of the Listing Agreement/Regulation 23 of the SEBI (LODR) Regulations, 2015. Current and future transactions with ESIL, ALL and ESCL are/will be deemed to be 'material' in nature as defined in Clause 49(VII) of the Listing Regulation 23 of SEBI (LODR), Regulations 2015 as they may exceed 10% of the annual turnover of the Company consequent on future business projections. Thus, in terms of Section 188 of the Companies Act, 2013 and Clause 49(VII) (E) of the Listing Agreement, these transactions would require the approval of the members by way of a Special Resolution.

The transactions entered during the year with the said related parties are in accordance with the approval taken from Shareholders in the last Annual General Meeting and approval taken from the audit committee at their respective meeting for the quarter in which the transaction took place

The particulars of the contracts /arrangements /transactions are as under:

Name of the Related Party(ies)	Essar Steel India Limited, Arkay Logistics Limited and Essar Shipping (Cyprus) Limited
Name of Director(s) or KMP who is/are related	None
Nature of Relationship	Fellow Subsidiaries/Associate Companies
Nature of contracts / arrangements /transactions	Providing Sea Transportation Service for transportation of raw materials and finished goods Giving/Taking vessels on hire
Material terms of the contracts /arrangements / Transactions	To be determined on an arm's length basis
Monetary Value	Amount mentioned in the resolution for corresponding period
Are the transactions in the ordinary course of business	Yes

Are the transactions on an arm's length basis	Yes
Whether the transactions would meet the arm's length standard in the opinion of the Company's Transfer Pricing Consultants	Yes
Whether the transactions have been/would be approved by the Audit Committee and the Board of Directors of the Company	Yes
Any other information relevant or important for the members to make a decision on the proposed transactions	None

The monetary value of the transactions proposed is estimated on the basis of the Company's current transactions and future business.

The Board is of the opinion that the transactions referred in the resolution would be in the best interest of the Company. The Board accordingly recommends the Special Resolution at Item No. 4 of the accompanying notice for your approval.

**Details of Director seeking/ Re-appointment at Eight Annual General Meeting in pursuance of SEBI (LODR) Regulations 2015.****Mr. P K Srivastava**

Mr. P. K. Srivastava was appointed as Director at Annual General Meeting held on December 29, 2017 who shall retire by rotation under the provisions of section 152 has offered himself for re-appointment.

Mr. P. K. Srivastava, age 73 years, has around 50 years of experience in Shipping Industry and has also served as Chairman and Managing Director of Government owned undertaking, Shipping Corporation of India. He was group advisor (Trading & Shipping Division) of Emirates Trading Agency L.L.C., Dubai, UAE.

Mr. P. K. Srivastava is also Director on the Board of various Indian Public Limited Companies, viz., Essar Bulk Terminal Limited, Essar Ports Limited, Essar Oilfield Services India Limited, Essar Bulk Terminal Paradip Limited, Essar Bulk Terminals (Salaya) Limited, Vadinar Ports and Terminal Limited, Hazira Cargo Terminal Limited and Essar Vizag Terminals Limited.

Mr. P. K. Srivastava does not hold any shares in the Company.

The Company has received a notice in writing from a Member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. P K. Srivastava for the office of Director of the Company.

Keeping in view the expertise of Mr. P K. Srivastava the Board is of the opinion that the appointment of Mr. P K. Srivastava would be in the best interest of the Company. The Board accordingly recommends the resolution at Item No. 2 of the accompanying notice for your approval.

None of the Directors other than Mr. P K. Srivastava is concerned or interested in the resolution at Item No. 2 of the accompanying Notice.

## DIRECTORS' REPORT

### To the Members of Essar Shipping Limited

Your Directors are pleased to present the Eighth Annual Report and Audited Financial Statements of the Company for the financial year ended March 31, 2018.

### FINANCIAL RESULTS:

The Company's financial performance, for the year ended March 31, 2018 is summarized below:.

₹ in Crore

Particulars	Consolidated		Standalone	
	For the year ended 31-03-2018	For the Year ended 31-03-2017	For the year ended 31-03-2018	For the Year ended 31-03-2017
Total Income	1,287.23	2,125.38	703.55	790.66
Total Expenditure	961.66	1814.73	488.69	438.86
<b>EBITDA</b>	<b>325.57</b>	<b>310.65</b>	<b>214.86</b>	<b>351.80</b>
Less: Interest & Finance charges	386.80	466.98	265.24	352.63
Less: Provision for Depreciation	304.12	390.50	125.04	137.14
<b>Profit / (Loss) before Tax</b>	<b>(365.35)</b>	<b>(546.83)</b>	<b>(175.42)</b>	<b>(137.97)</b>
Less: Provision for Tax	(3.24)	(37.85)	(3.24)	(2.65)
<b>Profit / (Loss) for the year before share of profit of associate</b>	<b>(368.59)</b>	<b>(584.68)</b>	<b>(178.66)</b>	<b>(140.62)</b>
Add: Exceptional item	(1,280.50)	-	224.31	-
Add: Share of profit of associate	(35.77)	1.24	-	-
Add: Other Comprehensive Income/loss	0.88	(0.38)	0.75	(0.38)
<b>Profit / (Loss) for the year</b>	<b>(1,683.98)</b>	<b>(583.82)</b>	<b>46.40</b>	<b>(141.00)</b>

### DIVIDEND

Due to inadequate operating profit, the Board of Directors has not recommended any dividend for the year under review.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Overview of the World Economy & Shipping Industry

With over 80 per cent of global trade by volume and more than 70 per cent of its value being carried on board ships and handled by seaports worldwide, the importance of maritime transport for trade and development cannot be overemphasized. Thus, making ocean shipping the most important mode of transport for international

merchandise trade. Seaborne trade continues to expand, bringing benefits for consumers across the world through low and decreasing freight costs. Thanks to the growing efficiency of shipping as a mode of transport and increased economic liberalization, the prospects for the industry's further growth continues to be strong.

The International Monetary Fund (IMF) has published its World Economic Outlook for January 2018 and has subsequently revised its original forecast for global growth in 2018 and 2019 - up by 0.2 to 3.9% for both years. The development in global growth is driven by a higher growth from advanced economies than first anticipated. The IMF now expects the GDP for advanced economies to grow by 2.3% in 2018 and 2.2% in 2019, which is an upward revision of 0.3 percentage points for 2018 and 0.4 for 2019. This is the highest upward cumulative revision for advanced economies since January 2010, when we saw a false dawn for an improvement in the global economy. If this growth materializes, it will be highly beneficial for the shipping industry, as growth in advanced economies generates the highest trade-to-GDP multiplier.

To support this momentum, Ministries of transport and planning, and maritime and port authorities worldwide need to understand the determinants of maritime transport connectivity, as well as the associated opportunities and risks, to ensure informed policy and decision-making processes and adequate investment plans in shipping, ports and their hinterland connections.

#### Developments in International Seaborne Trade

In 2016, the maritime transport sector continued to face the prolonged effects of the economic downturn of 2009. Seaborne trade remained under pressure owing to continued weak global demand and heightened uncertainty stemming from factors such as trade policy and low commodity and oil prices. World seaborne trade expanded by 2.6 per cent, up from 1.8 per cent in 2015, which is below the historical average of 3 per cent recorded over the past four decades. Reflecting the state of the world economy, demand for shipping services increased moderately in 2016. World seaborne trade volumes expanded by 2.6 per cent, up from 1.8 per cent in 2015 reaching 10.3 billion tons, reflecting the addition of over 260 million tons of cargo, about half of which was attributed to tanker trade.

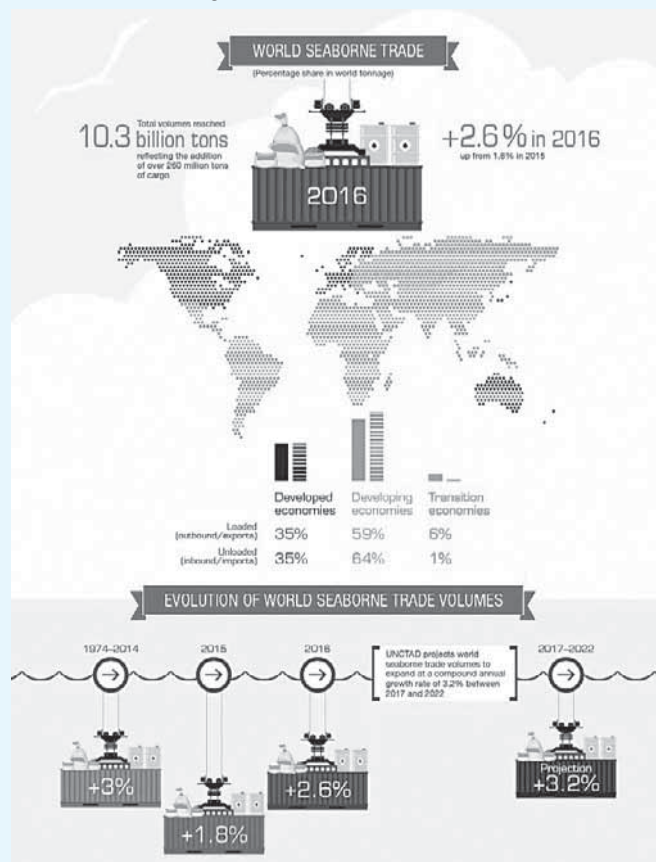
Strong import demand in China in 2016 continued to support world maritime seaborne trade, although overall growth was offset by limited expansion in the import demand of other developing regions.

In 2017 & 2018, the outlook for the world economy and merchandise trade is expected to improve somewhat. However, uncertainty and other factors, both positive and negative, continue to shape this outlook. In this context, it is estimated that seaborne trade will increase by 2.8 per cent, with total volumes reaching 10.6 billion tons. Volumes are set to expand across all segments, with containerized trade and major dry bulk commodities trade recording the fastest growth.

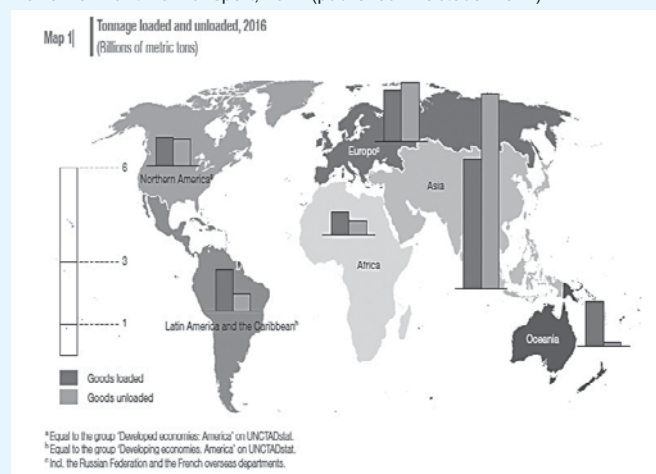
Seaborne dry cargo shipments totalled 7.23 billion tons in 2016, reflecting an increase of 2 per cent over the previous year. The share of the major bulk commodities (coal, iron ore, grain and bauxite/

alumina/phosphate rock) amounted to about 43.9 per cent of total dry cargo volumes, followed by containerized trade (23.8 per cent) and minor bulks (23.7 per cent)

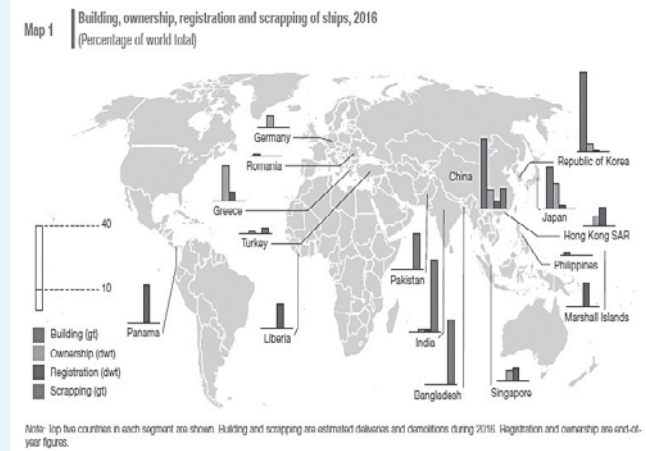
In 2016, developing economies grew by 3.7 per cent. However, there were considerable regional variations.



Source: United Nation Conference on Trade and Development (UNCTAD) – Review of Maritime Transport, 2017 (published in October 2017)

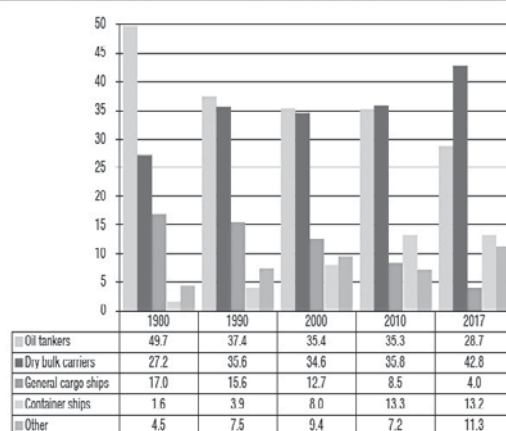


## Structure of the world fleet



Source: United Nation Conference on Trade and Development (UNCTAD) – Review of Maritime Transport, 2017 (published in October 2017)

## World fleet by principal vessel type, 1980-2017. (Percentage share of dead-weight tonnage)



Sources: UNCTAD secretariat calculations, based on data from Clarksons Research and the Review of Maritime Transport, various issues. Note: All propelled seagoing merchant vessels of 100 gross tons and above, not including inland waterway vessels, fishing vessels, military vessels, yachts and offshore fixed and mobile platforms and barges (with the exception of floating production, storage and offloading units, and drillships), beginning-of-year figures.

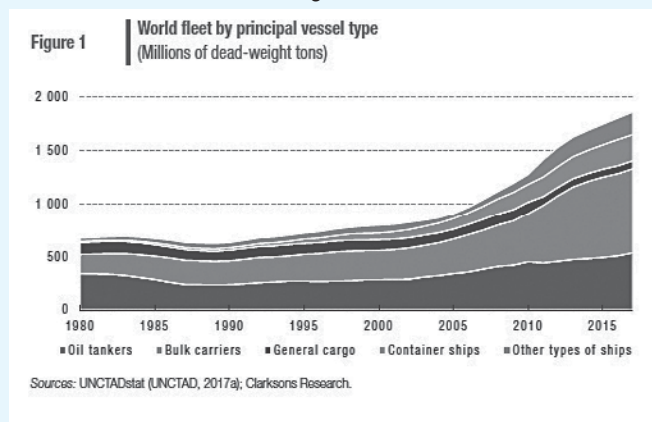
In 2017, the world fleet reached 1.9 billion dwt, twice the size as it had 12 years ago. Today, bulk carriers account for 43 percent of the fleet, followed by oil tankers (29 per cent) and container ships (13 per cent). The top five ship owners at the end of 2016 were Greece, Japan, China, Germany and Singapore; together they had a market share of 50 per cent in dead-weight tons. Only three economies, the Republic of Korea, China, and Japan, constructed 92 per cent of world tonnage in 2016. Four economies, India, Bangladesh, Pakistan and China, together accounted for 95 per cent of ship scrapping in 2016.

For the fifth year in a row, world fleet growth has been decelerating. The commercial shipping fleet grew by 3.15 per cent in 2016, compared with 3.5 per cent in 2015. Despite this further decline, the supply still increased faster than demand, leading to a continued

situation of global overcapacity and downward pressure on freight rates. In the beginning of 2017, the average age of the commercial fleet was 20.6 years, representing a slight

increase over the previous year. Fewer newbuildings than at the beginning of the decade, combined with similar scrapping levels, have led to an aging fleet.

In 2016, shipbuilding activity contracted by 1.7 per cent, while ship scrapping went up by 25.7 per cent. The higher growth of demolition led to a slowdown in world fleet growth.



## Overview of the Indian Economy

India is the sixteenth largest maritime country in the world. The Indian government has initiated National Maritime Development Programme (NMDP), an initiative to develop the maritime sector; with a planned investment outlay of US\$ 11.8 billion.

A consequence of strong GDP growth has been rising energy demand; the country currently meets about 75% of total crude oil demand by imports. India's crude imports touched 214.9 MMT in FY17, implying a CAGR of 6.7% over FY07–17. Private ports have been especially good at attracting crude import traffic. – Petroleum, Oil, and Lubricants (POL) have been the major contributors to total traffic at ports.

The Central Government is planning to setup logistic hubs near seaports with the help of private sector players, to augment exports from the country. Cargo traffic is expected to witness growth and is said to reach 2,493.1 MMT by 2017. This is against 1,806.8 MMT recorded in 2015. The increase in India's refining capacity will benefit the offshore shipping lines as demand for their services picks up. As a result of the commissioning of large domestic refining capacities, the imports are expected to jump in the future. This would benefit shipping majors operating in India. The dry bulk business segment in the shipping industry has been impacted by the global commodity slump. While China's slowdown has led to a sharp moderation of imports like Iron ore, on the other hand, emphasis on the environment has led to the lower usage of coal. This has impacted coal imports. Further, India's domestic coal production has also improved over the years leading to fewer coal imports. All these factors have led to decline in demand for commodities, thereby reducing commodity moments. The trend is quite visible from the Baltic Dry Index or BDI. If the slowdown in China widens and the movement of coal remain as it is now, the future prospects in this space seem unfavorable.

The shipping industry is impacted by numerous short term and regional factors such as political fallouts, weather changes, etc. This could result in great amount of volatility in the freight market.

## BUSINESS PERFORMANCE, OPPORTUNITIES AND OUTLOOK

### Freight rates and Maritime trade by Cargo type

#### (a) Tanker trade

In 2017, world seaborne tanker trade – crude oil, refined petroleum products and gas – continued to grow amid a surplus in oil market supply and low oil prices. Total volumes reached 1.8 billion tons, reflecting an increase

of 4.2 per cent over the previous year. These positive trends were underpinned by strong demand for crude oil imports in China, India and the United States and a high level of exported petroleum products from China and India. However, overcapacity, political concerns in the Middle East, increase in production, sanctions by the US government led to a fall in rates

Market conditions were altered with the arrival of new vessels and a slowdown in oil demand growth. This led to steep declines in freight rates. These imbalances in markets fundamentals had a repercussion on earnings which came under further pressure, particularly in the last six months of the year. Overall, tanker earnings averaged about \$17,917 per day in 2017-18, a 42 per cent decline, compared with 2016. This decline was affected by the rise in crude oil prices, which also had an impact on bunker (ship fuel) costs.

The outlook appears challenging in the short term, given expectations for continued strong supply growth and numerous risks to the demand side. However, one important regulatory development may reduce fleet supply and support freight rates in the future. New IMO ballast water management standards, which became effective in September 2017, require ships using ballast water in international trade to be retrofitted with a ballast water treatment system. This would come at an estimated cost ranging between \$1 million and \$5 million (Barry Rogliano Salles, 2017) that may push shipowners to increase scrapping of their old tonnage with low earnings potential, instead of incurring the additional cost. This may also lead to better balanced market fundamentals as supply may contract considerably, in particular in the very large oil carrier segment, which constitutes a big fraction of today's older tonnage.

In the tanker business, companies are wary of a dent to oil demand as crude prices rise. Brent prices have more than doubled since the low of January 2016, with a proposed cut in supplies by the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC countries likely to keep prices elevated in the near term. Also, as prices rise, demand for offshore tankers will decline, as will the drive to increase strategic reserves.

#### (b) Dry cargo trade: Major and minor dry bulk commodities and other dry cargo

Overall, weak global investment and industrial activity have weighed down on the dry bulk trade segment, which continues to be heavily dependent on developments in China. In 2017, world demand for dry bulk commodities grew at a modest rate of 1.3 per cent, taking total shipments to 4.9 billion tons. China remained the primary source of growth, owing to the positive impact of the stimulus measures introduced during the year. Policy-driven support measures helped