



61<sup>st</sup> Annual Report 2010-2011



**भारतीय नौवहन निगम लिमिटेड**  
***The Shipping Corporation Of India Ltd.***

Transporting Goods. Transforming Lives.

## Glimpses of Golden Jubilee Celebration at New Delhi, on 2<sup>nd</sup> October, 2010.





## **THE SHIPPING CORPORATION OF INDIA LTD.**

### **50 GLORIOUS YEARS**

Among the many milestones on the voyage which Shipping Corporation of India commenced on October 2, 1961- the date of its incorporation - the year which just passed has been especially momentous. It has witnessed the completion of its first half-century as India's premier shipping company, and its embarkation on its next.

Through these years, SCI has remained true to its guiding stars, namely the mission and objectives with which it has been charged: to serve India's overseas and coastal seaborne trade as its primary flag carrier, and be an important player in the field of global maritime transportation, as well as in diverse fields like Offshore and other marine transport infrastructure.

In discharging these responsibilities, SCI has proven itself, time and again, as a reliable, economical and efficient provider of shipping services to a diversified global clientele. It has demonstrated its agility and alertness in adapting to change, and swiftly responding to the shifting winds and currents of emergent conditions and opportunities. It has fostered professional and personal growth in its people, while also enlarging its fleet in scope, scale and variety. It has fanned out into a diversified array of segments and sectors, crafting services uniquely suited to their needs.

This is a record of achievement which propels SCI into its next half-century of even more dedicated service and distinguished performance.



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# Corporate Information

## BOARD OF DIRECTORS

### Shri S. Hajara

Chairman & Managing Director

### Shri Vijay Chhibber

Government Director

### Shri Rajeev Gupta

Government Director

### Shri J.N. Das

Director

### Rear Admiral (Retd.)

T.S. Ganeshan

Director

### Shri Arun Kumar Gupta

Director

### Shri Kailash Gupta

Director

### Prof. Sushil Khanna

Director

### Shri B.K. Mandal

Director

### Shri Nasser Munjee

Director

### Shri Arun Ramanathan

Director

### Shri Sushil Kumar Roongta

Director

### Shri U. Sundararajan

Director

### Capt. Sunil Thapar

Director

### Shri S.C. Tripathi

Director

### Shri Arun Kumar Verma

Director

## COMPANY SECRETARY

### Shri Dipankar Halder

Sr. Vice President (Legal Affairs)

## AUDITORS

Messrs. P.S.D. & Associates, Jaipur

Messrs. Sarda & Pareek, Mumbai

## SOLICITORS

Messrs. Mulla & Mulla Craigie Blunt & Caroe

## REGISTERED OFFICE

Shipping House,  
245, Madame Cama Road,  
Mumbai 400 021.

## REGISTRAR & TRANSFER AGENTS

M/s. Sharepro Services (India) Pvt. Ltd.,  
Samhita Warehousing Complex,  
Gala No-52 to 56, Bldg No.13 A-B,  
Near Sakinaka Telephone Exchange,  
Andheri-Kurla Road, Sakinaka,  
Mumbai-400072.

## INVESTOR RELATION CENTRE

912, Raheja Centre, Free Press  
Journal Road, Nariman Point,  
Mumbai-400 021.



Name of Directors (other than S/Shri S. Hajara, Vijay Chhibber and Rajeev Gupta) appear in alphabetical order of Surnames





## Chairman's Statement to Shareholders



**Shri S. Hajara**  
Chairman &  
Managing Director

### **Dear Shareholders, Ladies and Gentlemen,**

On behalf of the Board of Directors and on my personal behalf, I extend very warm greetings to all of you. May I also compliment all the esteemed shareholders on the occasion of the Golden Jubilee of your Company. The Directors' Report describes, in detail, the working of your Company for the financial year ended March 31, 2011. I would like to share with you the important highlights of your Company's performance in the backdrop of the conditions prevailing in the shipping industry.

### **SHIPPING SCENARIO**

The dry bulk market started the period under review on a bullish note. However, slowdown of the global economy and continuously pouring in newbuilding deliveries suppressed the market. Despite a healthy global tonne-mile demand growth, the dry bulk market remained subdued with the BDI falling to 1,040 - its lowest level in two years - in the first week of February, 2011. Although, the index climbed to nearly 1,550 in March 2011, it was still down nearly 50% compared to its year-earlier level.



Tanker market strengthened in the first quarter of 2010 and remained firm in the second quarter 2010. However, market hit a soft patch in July 2010

and by the end of August, 2010 rates on many routes were hovering close to operating cost levels. Declining trade demand as well as combination of reduced floating storage and continued fleet growth created conditions for a depressed market and relatively low rates persisted throughout the remainder of 2010. The rates on nearly all routes collapsed in April, 2011 with very little relief in May, 2011. Product tanker freight rates experienced a modest dip in the second quarter 2010 and thereafter increased in the third quarter 2010. The product tanker market experienced much less volatility than the crude tanker market in the second half of 2010. By historical measures, however, product rates were very depressed.

At the start of 2010, the containerized trade volumes were seen picking up and freight rates were on rise, mainly due to increase in the Asia-Europe Westbound and the Transpacific Eastbound trades. However, the scenario drastically changed by end 2010, with vessel utilization in these lanes declining and spot freight rates falling 30 percent below their July, 2010 peaks. Even though box-rates saw some minimal gain at the start of 2011, the rates resumed their downward trend by the end of January 2011.

### **FINANCIALS**

I am happy to share your Company's financial performance during the financial year 2010-11. Your Company recorded the Gross Earning of ₹ 4,019.8 crore as against ₹ 3,902.7





crore in the previous financial year. The Net Profit after Tax earned for the review period stood at ₹ 567.4 crore, which is higher by 50.5 percent compared to ₹ 376.9 crore for the same period last year. The Earning Per Share of ₹ 13.01 for FY11 is higher by 46.2 percent compared to that for FY10. At the overall level, the Net Worth saw 13.1 per cent annual increase and stood at an impressive ₹ 7,168.13 crore at the end of the period under review. A shipping company's financial performance mirrors the conditions prevailing in the global shipping markets and all of you will appreciate that your Company's performance is certainly laudable as it comes in the midst of slowdown in the shipping industry.

## OPERATIONS

The tankers and dry bulk carriers were deployed in a judicious mix of gainful employments. Your Company's container services as well as break-bulk services were operated with specific thrust on increasing marketing effort and cost optimization so as to maximise the yield. In offshore sector, your Company's OSVs continued to be



gainfully employed under long term time charter arrangement. For the managed vessels also, your Company's performance has been to the complete satisfaction of its customers, which will help us further strengthen relations with the valued clientele.

The crude oil carriers constitute over 60 percent of your Company's fleet and I would like to mention that in this segment, being an integrated tanker operator has greatly helped your Company tide over the difficult market conditions because of the flexibility for deploying its tonnage. Your Company has managed to retain COA arrangements with Indian oil industry, which has ensured gainful employment of tankers in subdued market conditions. Your company also deployed a few tankers in cross trades, which accounted for about 15 percent of the total crude carried by your Company. Your Company took steps to improve the marketability of its tankers, particularly in respect of the crew matrix and onboard maintenance.



In the container sector, your Company's focus was on reducing the overall system cost. In addition to the route rationalization, which is an on-going activity, your Company also placed considerable emphasis on reducing the fuel consumption by its ships. Your Company's effort in increasing the geographic coverage of its services has also positively impacted the equipment cost. I would like to particularly mention that the commencement of the East Africa service on slot-swap agreement was done without any additional cost on hardware.

I report with a sense of satisfaction that your Company has continued its tradition of efficient, safe and environment-friendly onboard operations. A particular emphasis was





laid on Port State Control and Flag State Control performance with the result that your Company has recorded a satisfactory performance in inspections by the Flag State Administration as well as at various ports of call overseas. Having said that, I must also submit that improvement is a continual process and your Company would continue to further enhance its performance in this respect.

Success of the shipping operations requires joint effort from ships and shore. Shore support in technical matter to the ship was ensured through effective co-ordination with ships and ship visits of the shore-based technical superintendents. In addition to this, regular briefing and debriefing session with the senior fleet officers is an important checkpoint in your Company's operations.

The international shipping industry is deeply concerned about the problem of piracy. I would also like to mention that your Company has adopted adequate measures in this regard and would also like to assure the shareholders that your Company shall spare no effort in ensuring the safety and security of its personnel and assets.

### SHIP ACQUISITION PROGRAMME

Your Company had planned acquisition of 62 newbuilding vessels during the Eleventh Five Year Plan period i.e. 2007 to 2012 and the year under report is fourth year of this Plan period. During the first four years of this Plan period, your Company placed orders for 35 newbuildings - including 11 during the period under review. I am also

happy to share with all of you that thereafter during April 2011, your Company has placed order for acquisition of 2 resale Supramax bulk carriers and during July, 2011 signed contract for 1 newbuilding Cellular Container vessel of 3,500 TEU capacity.

### OTHER CORPORATE DEVELOPMENTS

In November, 2010, your Company came out with a Further Public Issue of 84,690,730 equity shares - including sale of 10% of the existing equity out of the Government shareholding and issue of fresh equity of 10%. I am happy to share with all of you that this equity issue was oversubscribed 4.8 times. Your Company garnered an amount of ₹ 582.45 crore through the sale of additional equity, which would be utilized for the Company's capacity enhancement plans.



I would like to mention another quite significant development regarding your Company's Information Technology integration project - "SET-IT". Your Company has achieved the project go-live. Considering the complexity and scope of the entire project, this is an important achievement for the Company.

You Company carried out with zeal its corporate social responsibility activities, which are in the areas such as support to the socially disadvantaged and physically handicapped, public health, preservation of cultural heritage and assistance to the victims of natural disaster. Your Company has always emphasised development of seafaring talent and welfare of seafarers, and during the period under review, this focus was duly maintained.





I am happy to share with all of you the following accolades received by your Company -

- "Leadership Builders Award" at Asia Pacific HRM Congress in September, 2010.
- "Ship Owner of the Year - India" Award at Maritime and Logistics Awards 2010 in September, 2010.
- "Gold Award in Transport Category" at India Pride Awards 2010.
- "Indian Shipping Company With Highest Growth Of Indian Vessels" trophy on 48<sup>th</sup> National Maritime Day held on April 05, 2011.
- "Dun & Bradstreet - Rolta Corporate Awards 2010" in Shipping sector.
- "Outstanding Contribution to the Seafaring Community Award" on the occasion of 'Day of the Seafarer' on June 25, 2011.

#### **CORPORATE GOVERNANCE**

The Report of Directors on Corporate Governance placed in the Directors' Report comprehensively describes the structure and practice of Corporate Governance of your Company. As a salient feature for the year under review, I would like to inform that in addition to complying with the requirements of Corporate Governance emanating from various statutes, rules and regulations, your Company has also adopted the guidelines issued by the Department of Public Enterprises in 2010 on Corporate Governance. I may also add that the Corporate Governance issues are kept in constant focus by the Board of Directors of your Company and your Company complies with the applicable guidelines both in letter and spirit.

#### **DIVIDEND**

I am happy to share with you that the Board of Directors of your Company has recommended a final dividend of 25 percent, which will be in addition to 30 percent interim dividend already paid to the shareholders. You may also like to note that the total dividend of 55 percent for the

financial year 2010-11 is on the enhanced equity capital base, post FPO.



#### **GLORIOUS FIFTY YEARS**

Your Company came into existence on October 2, 1961 with the merger of two existing shipping companies. From a small shipping line with predominantly liner fleet to becoming a highly diversified and the largest Indian shipping company with a distinct global standing, your Company has been through a remarkable journey over the past fifty years. I would seek your indulgence in noting that today your Company's fleet stands at 5.8 million deadweight tonnage as against mere 0.2 million deadweight tonnage at the Company's inception in 1961. In this all-round growth, your Company has not only facilitated India's seaborne trade and contributed to the national economy; but has also developed and nurtured maritime culture in the country.



## **WAY FORWARD**

In the coming months, high oil prices are likely to act as a drag on the world economy. In tanker segment, while tonnage demand is anticipated to grow at a steady rate, tonnage supply is forecast to expand at a much more rapid pace. Further decline in floating storage over the next few months is also expected to increase the tonnage supply. This is likely to maintain downward pressure on freight rates in the near future. In the dry bulk sector, while global iron ore and coal demand is expected to increase, the market outlook remains sluggish in the near to medium term, particularly due to tonnage oversupply. In container sector, there remains some uncertainty regarding future trade developments. At the same time, the sector will have to accommodate an influx of mega-ships in the coming months.

Your Company would continue its effort to optimise its operations through various means such as judicious deployment of fleet, effective cost control and other performance improvement initiatives. I seek your continued support in these endeavours.

## **ACKNOWLEDGEMENT**

I would like to express my gratitude to the Government of India for their support to your Company. I wish to thank the hon'ble Union Minister of Shipping Shri G.K. Vasan for leading the growth of India's maritime sector and for providing his kind support to your Company. I would also like to thank the hon'ble Minister of State for Shipping, Shri Mukul Roy for his encouragement to your Company. I wish to also express my indebtedness towards Shri K. Mohandas, Secretary, Shipping for guidance provided to your Company. My sincere thanks are also due to other officials of the Administrative Ministry, other Ministries and Departments of the Government of India. I would also like to express my sincere appreciation towards Directorate General of Shipping for its support and kind understanding of various problems being faced by the Indian shipping industry and specifically by your Company. It is with a deep sense of gratitude that I put on record my sincere appreciation towards my colleagues on the Board of Directors of your Company. I also wish to express my sincere appreciation towards all the floating and shore employees of your Company. Finally, I express my gratitude to all the esteemed shareholders as well as all the customers and patrons for their valued patronage.

**Shri S. Hajara**

Chairman & Managing Director