



TRANS PORTING GOODS.
FORMING LIVES.

**ANNUAL
REPORT
2012-2013**



Navratna Company
ISO 9001 - 2008 Company

भारतीय नौवहन निगम लिमिटेड
The Shipping Corporation Of India Ltd.

CORPORATE SOCIAL RESPONSIBILITY



The Shipping Corporation Of India Ltd.

Serving Nation Successfully

The Shipping Corporation of India was established on October 2nd, 1961. For the last fifty one years, Shipping Corporation of India has been providing yeoman service to the country's economy by meeting its ocean transport requirements. Starting out as a Marginal Liner Shipping Company with just 19 vessels, the SCI has today emerged as the undisputed leader in India's shipping industry. The SCI continues to be the only Indian mainline carrier providing liner services from India to the major global destinations.

SCI's owned fleet includes Bulk carriers, Crude oil tankers, Product tankers, Container vessels, Passenger-cum-Cargo vessels, Phosphoric Acid / Chemical carriers, LPG / Ammonia carriers and Offshore Supply Vessels. Sailing through for nearly five decades, the SCI today has a significant presence on the global maritime map.

As the country's premier shipping line, the SCI owns and operates around 38% of the Indian tonnage, and has operating interests in practically all areas of the shipping business; servicing both national and international trades.

With a highly diversified fleet and a network, covering several major sea routes, SCI reaffirms its commitment to remain highly responsive and efficient in terms of its services, thus keeping abreast of latest development in shipping industry and maintaining itself as largest and most diversified shipping company.



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Corporate Information

BOARD OF DIRECTORS

Shri B. K. Mandal
Chairman & Managing Director &
Director (Finance)

Dr. (Ms.) T. Kumar
Government Director

Shri M. C. Jauhari
Government Director

Shri J. N. Das
Director

Shri Arun Kumar Gupta
Director

Shri S. K. Roongta
Director

Capt. B. B. Sinha
Director

Capt. Sunil Thapar
Director

Shri Dipankar Halder
Executive Director (Legal Affairs) &
Company Secretary

AUDITORS

Messrs. P.S.D. & Associates, Jaipur
Messrs. Sarda & Pareek, Mumbai

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 B.K. Mandal, Dr.(Ms.) T. Kumar and M. C. Jauhari) appear in alphabetical order of Surnames

Chairman's Statement to Shareholders



Dear Members,

On behalf of the Board of Directors and on my personal behalf, I extend a very warm welcome to all of you at the 63rd Annual General Meeting. It is my great privilege to address you for the first time in the capacity of CMD of SCI. As you know, the shipping industry in general is going through a very challenging time and facing one of the longest ever downturn in the shipping Industry. Shipping being a global industry depends heavily on global economic growth, supply and demand mismatch of goods in countries as well as interplay of supply and demand of available ships globally.

On the global economic front, it is a grim picture as major economies across the globe have underperformed and GDP growth has been just 3% in 2012 compared to 3.8% of 2011 and it is expected to prevail at 3% level in the 2013. India has also recorded a GDP growth rate of 10 year low at 5% in 2012.

The Directors' Report describes, in detail, the working of your Company for the last financial year. I would like to summarise some salient features of your Company's performance during the last financial year.

GLOBAL SHIPPING SCENARIO

Globally, all the shipping segments in general, have suffered with abysmally low freight levels which have affected the Top and Bottom line of the shipping companies. Although the fresh ship ordering has come down and scrapping has also gone up, it will still take some time to recover from the present dismal condition in the shipping industry. The global Crude Oil imports remained at previous year level of 2 billion tonnes. If US lift its ban on Crude Oil exports there is a possibility of shift in the global trade pattern as US domestic production is also on rise. Taking into account Crude Oil and Product tanker segments collectively, the year on year growth of tanker fleet which was 9.9% and 3.9% in 2011 and 2012 is expected to grow moderately at 2.9% and 1.6% in 2013 and 2014 respectively.

The benchmark BDI for dry bulk trade which averaged 1424 during 2011-12 has gone down to 900 levels in 2012-13. The dry bulk fleet size is expected to cross mark of 700 mn dwt by this year end with average year to year growth of 7% which is expected to further go down to 3.8% and 2.2% in 2014 and 2015 respectively.

The container trade globally grew at 2.6% in 2012 and likely to increase to 4.8% and 8.6% in 2013 and 2014 respectively. Swift changes are taking place in container sector with the introduction of large sized vessels by some container lines. The fleet growth was 5.6% in 2012 and expected to touch 7.1% in this year.

FINANCIALS

We have incurred a loss, after tax, of ₹ 114 crores in the financial year 2012-13 as compared to the loss of ₹ 428 crores in the 2011-12. I would like to mention here that the contributing factors for the losses in the 2012-13 though have been primarily the extremely low freight rates prevailing but are also due to the provisions made for diminution of investments in the Sethusamudram project (₹ 50 Crores) and SCI Forbes Ltd. (₹ 45 Crores). Although the total revenue has almost remained at the same level i.e. ₹ 4,434 crores in the year 2012-13 as compared to ₹ 4,466 crores in the year 2011-12, our revenue from operations on year to year basis has been on the rise by ₹ 332 crores i.e. by about 8.68%. The reason for total revenue remaining almost at the same level is due to lesser vessels sold during the last financial year (8 no.s) as compared to 14 no's in the 2011-12. Further on the expenditure side, there was also rise in depreciation due to deliveries of new vessels. We have operationally performed better in the 2012-13 fiscal as compared to 2011-12 when the impact of other income i.e., sale of vessels, interest income, extraordinary income and provisioning for impairment in investments are excluded.

OPERATIONS

SCI's operating divisions across all segments have suffered in line with the global trend. Although the Suezmax Tankers were mainly on CoA voyages primarily with Indian Charterers but prevailing lower AFRA have added to the blues of the Tanker segment. The new dry bulkers delivered during the year were also exposed to low BDI levels which have adversely affected the earnings of bulk segment. In the LNG area, it is heartening to note that your company has taken over the management of Third LNG Ship





"Aseem" belonging to JV Company from 27.03.13 over and above the two LNG vessels Disha & Raahi. SCI is also undertaking LNG terminal management of RGPPL in Dabhol and has already handled 5 operations.

In the Liner segment, in addition to 5 owned vessels, SCI continue to in-charter container vessels. Further, your company also has loading rights on vessels of its partners in various consortia arrangement with MSC, PIL of Singapore, K-Line and NYK etc. During the year, IMED service has been merged with existing ISES services and INDFEX-2 services was suspended due to adverse market conditions. In addition, your company continues to manage vessels belonging to Andaman & Nicobar Administration and plying between the Mainland, island and also inter-island and research vessels on behalf of government agencies.



In Offshore segment we have been replenishing our old tonnage with the newer ones. During the year, we continued to take delivery of AHTSV & PSV's and added new tonnage to our existing fleet. Our Clientele base has also extended from existing ONGC to British Gas, Adani Welspun, Transocean Drilling and many more. Your company has also in-chartered one Emergency Towing Vessel (ETV) for safety and security on the Indian coast for about 210 days. Further, this division continue to provide technical consultancy services to A& N Administration, UTL administration, UTL Tourism Depts., Directorate of Light Houses & Light Ships, Geological Survey of India, National Institute of Oceanography etc for their various ship acquisitions / retrofit projects.



For the first time, SCI's Offshore vessels were tested on foreign waters. During the year SCI's Offshore vessels were involved in various rig tow operations. Specifically, two of SCI's AHTSVs sailed to Port Hamariyah in UAE and towed a rig to West Coast of India in early 2013. In addition to the above, SCI's two AHTSVs were involved in FPSO hook up operations for M/s Bumi Armada in West Coast of India from December 2012 to April 2013.

As a policy, your Company remained committed to environmental protection as per International Convention for the Prevention of Pollution from Ships. All engines being fitted on board are meeting latest requirement of NOx compliance. Necessary steps have been taken to minimize air pollution from ships. New designs of critical ship's systems have been adopted which further minimize / eliminate risk of oil pollution. The Company took various steps to conserve energy loss at sea through the exhaust of Marine Diesel

Engines / Boilers in addition to other forms of conservation e.g. use of Fresh Water Generator. Application of Tin-free Self-Polishing Paints, etc. Ballast Water Treatment plants and Silt Water Management are being introduced for the recently ordered ships. Vessels antifouling coating has also been changed to TBT free paints. A ship recycling plan indicating details of all potentially hazardous material on board used during construction is provided to all new ships which will greatly contribute towards on board occupational health and safety and also environmentally friendly re-cycling of ships.

Your company has incorporated the concept of efficient ship design in the new vessels which will be ordered for construction. The energy efficiency of ships is measured by determining the Energy Efficiency Design Index which is essentially a measure of the energy used per unit weight mile of cargo moved. Efficient ship design will result in the new vessels being more cost efficient in that they will burn less fuel resulting in lower greenhouse gas emissions and validating SCI's commitment to sustainable growth.

SHIP ACQUISITION PROGRAMME

The year under report is the first year of the Country's Twelfth Five Year Plan. During the year under report, your company had not proposed any new acquisition due to the prevailing downturn in the shipping markets. However, SCI has been able to acquire one Suezmax tanker on resale basis during the year. The vessel has joined the SCI fleet during October 2012 and is named as M.T. Desh Shobha.

OTHER CORPORATE DEVELOPMENTS

Your company has been strictly complying with the norms of Corporate Governance, RTI Act and CSR guidelines and various other Shipping Industry statutory requirements from time to time.

Some Accolades and appreciation received by your company during the last year:

- In the 7th Employer Branding Awards held by the World HRD Congress SCI got awards in:
 - “General Awards for Excellence in Training”
 - “Best of Best Award for Excellence in Training”
 - “7th Best Employer of the Year Award”



- Best Shipping Line of the Year on 27.09.12 at 6th Express, Logistics & Supply Chain Awards
- BT STAR PSU Excellence Awards 2012 - in HR Management on 25.05.12
- Dun & Bradstreet : PSU Awards 2012 - in "Transport & Logistics Sector" on 28.05.2012
- "Tanker Operator of the Year" on 19.01.2012 at Gateway Awards of Excellence Port & Shipping 2012
- Appreciation letter dated 18.11.2012 received from ONGC, congratulating all members involved in the capping stack lowering operation on well G-1-9. They have also mentioned that this operation has been done first time in the oil industry in world and all the personnel of MSV "Samudra Sevak" & M.V. "SCI Kundan" are part of this success.
- The Government of India had decided to rehabilitate Kankasanturai (KKS) port located on northern coast of Sri Lanka as an aid. Your Company took up the project as "Project Managers" and successfully completed the project in 2012. Later, your Company earned appreciation in the excellent execution of this project.

WAY FORWARD

Though the present recession in the shipping has been quite a long one, I am confident we will come out of it soon. But even in the good days we have to remember that the next recession is near our door and be prepared for another recession or downturn - and that will be the real takeaway from our present experience.

Going beyond the various short term strategies to overcome the recession, as a going concern we need to go beyond the darkness and find ways to grow in the mid and long term. Our Company is in search of areas which can be added to the portfolio of business which will provide stability in the revenue. One such area is LNG transportation. We are the only Indian shipping company having experience in the LNG transportation. To capitalize further on this strength, our Company has signed a broad based MOU with GAIL to facilitate transportation of gas from USA to India. As per the plan, the transportation will start from 2016-17 onwards. Our Company is also exploring the possibility of entering into the area of dredging where there is enormous scope in the country and which can provide long term secured returns.

With the existing ship acquisition programme getting implemented, I am hopeful that we will achieve the 6 mn dwt mark in the near future with younger tonnage to augment the growth of the Indian shipping industry.

ACKNOWLEDGEMENT

I would like to express my gratitude to the Government of India for its 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 Milind Deora for his encouragement to your Company. I wish to also express my indebtedness towards Shri P.K. Sinha, former Secretary (Shipping) and Shri. Vishwapati Trivedi, present Secretary (Shipping) for their 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. Finally, I wish to express my deep sense of gratitude towards all the shareholders, stakeholders, my colleagues on the Board of Directors and all the floating and shore employees for their continued support extended towards the corporation over the years and particularly during the present turbulent period.