



2013-14

Annual Report



Navratna Company
ISO 9001 - 2008 Company

The Shipping Corporation Of India Ltd.

SCI OFFSHORE VESSELS CONTRIBUTION TOWARDS ISRO'S PRESTIGIOUS MARS ORBITER MISSION



On Nov 05th at 1438 IST, India's maiden Interplanetary mission , ISRO's MARS ORBITER PSLV C25, rocketed towards the planet from Sriharikota in Andhra Pradesh, creating history for India.

Two of our Offshore vessels- SCI Nalanda and SCI Yamuna which are Chartered by ISRO since 01st Aug 2013 onwards for a period of Approx 5 months , played significant role in the collection of data and the successful launch of the orbiter. The two Offshore vessels had sailed from Visakhapatnam on 15th of Sept 2013 after installation of Satellite tracking and communication equipment by ISRO, DRDO and Indian Navy. These two ships also carried Scientists from ISRO , DRDO and Indian Navy personnel on board for this special Mission.



Both these vessels were positioned suitably in the South Pacific Ocean (approximately 17000KM from India) to track the crucial separation of the 3rd stage and the ignition of 4th stage of the rocket which occurred approximately 20mins after Launching at 1438IST on 05th Nov 2013. The tracking of satellite remained crucial for ISRO at this point of time as the launch vehicle went out of range from all the

ground stations which were tracking the rocket (Bangalore, Port Blair, Brunei, Biak in Indonesia, Brazil, NASA's Deep Space Network). This was the time when the signal from one of our Ship borne terminal popped up and the tension evaporated in a cascade of Congratulatory pats and cheers at the scientific control room in Sriharikota. The Launching was declared 'Successful' by the Chairman of ISRO.



The efforts made by the Ship staff of SCI YAMUNA/ SCI NALANDA and our SCI Offshore team who worked relentlessly supporting the maiden 'Mars Orbiter Mission' launch of our country compliments poured in from Director ISRO and ISTRAC SDSC-SHAR, terming the scientific data collections from our vessel as 'Marvellous, unbelievable and undreamt support'. This also is SCI's first ever contribution towards India's adventure into the outer Space.

The Shipping Corporation Of India Ltd.

Transporting Goods. Transforming Lives



The Shipping Corporation of India was established on October 2nd, 1961. For the last fifty two 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 more than 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 developments in shipping industry and maintaining itself as largest and most diversified shipping company in India.

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Corporate Information

BOARD OF DIRECTORS

Shri A. K. Gupta

Chairman & Managing Director with additional Charge of Director (Technical & Offshore Services) & Director (Finance)

Dr. (Ms.) T. Kumar

Government Director

Shri M. C. Jauhari

Government Director

Rear Admiral (Retd.) T. S. Ganeshan

Director

Shri Ashish Makhija

Director

Capt. S. Narula

Director

Shri Arun Ramanathan

Director

Shri R. Santhanam

Director

Capt. B. B. Sinha

Director

Shri N. C. Sridharan

Director

Capt. Sunil Thapar

Director

Shri P. Umashankar

Director

Prof. Gopal V

Director

Shri Arun Kumar Verma

Director

Shri Dipankar Haldar

Executive Director (Legal Affairs) & Company Secretary

Name of Directors (other than Shri A.K. Gupta, Dr.(Ms.) T. Kumar and Shri M. C. Jauhari) appear in alphabetical order of Surnames

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.

* Upto FY 2013-14



Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I welcome you all to the 64th Annual General Meeting of your Company. Thank you for joining us today. It is indeed a privilege and honour for me to address your goodselves in my capacity as Chairman.

The Directors' report describes in detail the working of your company for the financial year ended March 31st, 2014. In context, I would like to briefly share with you the highlights of your Company's performance in the aforesaid year.

GLOBAL SHIPPING SCENARIO

It has been undoubtedly a challenging year for your Company. After passing through one of its best phase from 2004 to mid 2008, the industry has been facing a downfall. The global shipping industry has still not emerged from the unprecedented long recession and various market projections about recovery have been proven wrong. Due to the slow global economic growth coupled with continued excessive vessel ordering, the over-supply of tonnage has prevailed. However, now it seems that the worst is over and the good days are not very far. The world economies have finally started showing signs of a slow recovery.

The global tanker fleet has crossed 500 mn dwt mile stone. At the same time the global Crude Oil imports have declined marginally compared to previous year's level of 2 billion tonnes. Further, due to shale gas and oil discoveries, USA is turning out to be a net energy exporter. This has resulted in major change in transportation pattern and also reduction in tonne-mile demand. Overall the tanker freight rates remained subdued except for minor spike in the last quarter.



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The dry bulk market after having declined for the past two years finally turned around in the second half of this year. The benchmark BDI for dry bulk trade which averaged 902 during 2012-13 rose to 1357 levels in 2013-14. The global dry bulk fleet has grown by 6.5% on year on year basis and reached 700 million dwt. Hence in this sector too there has been no change in fundamentals and over supply of tonnage remains.

Though the container trade globally grew at 4% in 2013 compared to the previous year, the gain was far below the historical average of 7.3%. The freight levels across all major trade lanes were on the lower side with a brief respite in the 1st quarter of 2014.

The business in the Off Shore segment remained good and your Company made a record profit (after interest before tax) of ₹ 127 crores in the fiscal year.

FINANCIALS

Due to the continued depressed markets we have posted a net loss of ₹ 274.66 crores in the financial year 2013-14 as compared to ₹ 114.31 crores in 2012-13. It is pertinent to mention that extraordinary items to the tune of ₹ 299.74 crores were written back in 2012-13 and to that extent we have performed better in 2013-14. We have substantially reduced our losses from operations (before interest and tax) to ₹ 147.47 crores in 2013-14 as compared to ₹ 341.18 crores in 2012-13. We have curtailed our major expense head of bunkers to ₹ 1419 crores over ₹ 1581 crores of previous years. Our net sales, other operating income and overall total income were better in 2013-14 despite the fact that few vessels were sold. This underlines that we have generated more revenues from our operations.

OPERATIONS

SCI across all major segments has followed the market trend prevailing globally. Suezmax Tankers were mainly on Contract of Affreightment (CoA) voyages, primarily with Indian oil industry except performing occasional spot voyages. VLCC's were mainly on voyage charter. Earnings of Aframax tankers were better and the vessels were performing mainly India centric/Far East/ Red sea voyages. Two new dry bulkers were delivered during the year. Due to completion of CoA with SAIL your bulkers were deprived of captive cargo and exposed to prevailing low BDI. SCI alongwith its consortium partners has continued the winning streak by securing 4th LNG tanker Time Charter Agreement with M/s. Petronet LNG Ltd (PLL). To strengthen its presence in Indian LNG market, SCI has also entered into MOU with GAIL for transportation of LNG from USA to India in 2016-17, wherein it has step-in-right upto 26% and also providing technical consultancy. SCI is also undertaking LNG terminal management of RGPPL in Dabhol and has already handled nine operations during the year.

In the Liner segment, in addition to five owned vessels, SCI continues to in-charter container vessels. Further, your company also has loading rights on 21 vessels of its partners in various consortia arrangements with MSC of Switzerland, PIL of Singapore, K-Line of Japan, Wan Hai of Taiwan and Gold star line of Hong Kong. Your Company continues to carry break-bulk cargo on space charter basis on account of Government departments/ PSUs etc. Your company in addition to its one owned Passenger-cum cargo vessel continues to manage vessels belonging to Andaman & Nicobar Administration and plying between the Mainland and island, inter-island and coastal research vessels on behalf of various government agencies.

We have taken deliveries of two new bulk carriers during the year and disposed nine vessels. At present, SCI has three vessels on order of 636,000 dwt. In the current year, your company has finalised three years long term charter for three of its offshore vessels with ONGC through international competitive bidding. Your Company has also made a small beginning in salvage operations by providing its two offshore vessels for salvage and towage of "MOL Comfort." Similarly for "LNG RV Explorer" which was drifting in Arabian Sea, SCI had provided towage support. Your Company has also successfully assisted in ISRO's "Mars Orbiter Mission" by deploying its two vessels around Fiji islands for collection of data and tracking of satellite.

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 ship's critical systems have been adopted which further minimize risk of oil pollution. The Company took various steps to conserve energy. Ballast Water Treatment plants and Silt Water Management have been introduced for the recently ordered ships. 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 have been 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 second year of the Country's Twelfth Five Year Plan. During the year under report, your company has not proposed any new acquisitions due to the prevailing market recession in the shipping markets. On the contrary, judicious exercising of rescinding opportunities of 9 nos. ship building contracts, have contributed significantly to the bottom line as well as cash generation in the year.

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 as applicable.

WAY FORWARD

Your company is committed to continue serving the Indian sea borne trade. Over the last more than 50 years, your Company has played a pivotal role and maintained its "Numero Uno" position in Indian Shipping. Your company is constantly exploiting emerging opportunities. LNG and Offshore businesses have huge potential to be the future thrust areas. Your Company continues to work closely with PLL and GAIL in respect of the expected huge future LNG imports. In line with our strategy to focus on offshore segment, the same has been recognised as a separate business vertical in our financial reporting from April 2014.

It is pertinent to note that your Company now has a young fleet with average age of 9 years and is geared up to take advantage as soon as the market upturns.

ACKNOWLEDGEMENTS

As I conclude, on your behalf, I would like to express my gratitude to the Government of India for its support to your Company. I wish to thank Hon'ble Union Minister of Shipping, Shri Nitin Gadkari 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 Krishan Pal for his encouragement to your Company. I wish to also express my indebtedness towards Shri. Vishwapati Trivedi, Secretary (Shipping) for the 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 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. I am also indebted to the Ex Director (Liner & Passenger Services), Mr. J.N. Das & Ex- Director (Finance), Mr. B. K. Mandal who have demitted office in April, 2014 & May 2014 respectively. Their support and guidance have assisted us in carrying out the affairs of the company amicably and smoothly in such strenuous times. I also wish to express my deep sense of gratitude towards all the shareholders, stakeholders, my colleagues on the Board, for their continued support. Finally, I would like to thank all employees (including floating staff) for their dedication and contribution. On behalf of Board of Directors and all employees, I once again thank you for your enduring support and encouragement.

Arun Kumar Gupta





01 Shri Arun Kumar Gupta, Chairman & Managing Director with additional Charge of Director (Technical & Offshore services) & Director (Finance)

Shri Arun Kumar Gupta took over as the Chairman & Managing Director of the Shipping Corporation of India Ltd. (SCI) on 28th January, 2014. Prior becoming C&MD, he was functioning as Director (Technical & Offshore Services) since October, 2010. Presently he has also been entrusted with the additional responsibilities of Director (Technical & Offshore Services) and Director (Finance).

Shri Gupta has almost 38 years of shipping career in leading and managing challenging projects and assignments in various Divisions of Shipping Corporation of India. Mr. Gupta is a Marine Engineer from Marine Engineering College (DMET) and possesses First Class Engineer (MOTOR) Certificate of Competency from Ministry of Transport, Government of India.

Shri Gupta had earlier served Irano-Hind Shipping Co., Tehran as Director (Administration). He has been a Trustee of Kandla Port & V.O. Chidambaranar Port Trust, Tuticorin. He is a member of the Institute of Engineers (India), member of Narottam Morarjee Institute of Shipping and Fellow Member of Institute of Marine Engineers, (India). He was also the Vice President of Institute of Marine Engineers (India). He has been on the Governing Council of both, Institute of Marine Engineers as well as Narottam Morarjee Institute of Shipping. In context he has chaired sessions and also presented papers in several professional forums.



02 Dr. (Ms.) Tuk Tuk Kumar, Government Director

Dr. (Ms) T. Kumar, Additional Secretary and Financial Advisor, Ministry of Shipping and ex-officio part-time Director of the Company was appointed on the Board of Directors in November, 2012. Dr. (Ms) T. Kumar, an I.A.S. Officer of the West Bengal Cadre, holds a Ph.D in Ancient Indian History from the Delhi University. Before joining the I.A.S., she served Delhi University as a Lecturer for a brief stint. She has worked in the State Government of West Bengal in various senior positions in the Districts and the State Capital, including that of Labour Commissioner and Advisor, Industry. Dr. Kumar has also been on deputation with Government of India in Constitutional Organisations and Ministries such as the Union Public Service Commission, Ministry of Human Resource Development, Ministry for Development of the North East Region and Ministry of Culture. She was the Principal Secretary to the Speaker, Lok Sabha (Parliament of India) in the 14th Lok Sabha, between 2004-2009. Before her present posting

with Government of India in November, 2012, Dr. Kumar was Additional Chief Secretary with the Government of West Bengal.



03 Shri M. C. Jauhari, Government Director

Shri M.C. Jauhari, Joint Secretary (Shipping), Ministry of Shipping and ex-officio part-time Director of the Company, was appointed on the Board of Directors in January 2012. Shri Jauhari, an IAS Officer, is a post graduate in Physics from Allahabad University. He has worked in the State Government of Assam in various capacities and also as Joint DG/Director in DGFT in Commerce & Industry Ministry, Govt. of India, New Delhi. He has also worked as Advisor in Indian Mission to European Union. He has vast knowledge in different areas like land revenue administration, Labour & Employment, Town and Country Planning, Science & Technology, Foreign Trade, Agriculture & Cooperation, Personnel & General Administration, Planning & Programme Implementation, etc. He is also a Government Director on the Boards of Cochin Shipyard Ltd. and Chennai Port Trust.



04 Rear Admiral (Retd.) T. S. Ganeshan, Director

Rear Admiral (Retd.) T. S. Ganeshan is a part-time non-official Director reinducted on the Board in November 2013. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He is an electrical engineer. He has served in the Indian Navy for over three decades. He has held various posts including that of Director (Ship Production), Director (Naval Design) at Naval Headquarters and Project Director (Electronics, Weapons & IT) for the nuclear submarine project (ATV). He has vast experience in naval shipbuilding and management of Public Sector Undertaking. He is the recipient of Nao Sena & Vishisht Seva medals and is an alumnus of the National Defence College. He has been the Chairman & Managing Director of GRSE (Garden Reach Shipbuilders and Engineers Ltd.), Kolkata, a Defence PSU, from May 2005 to April 2008.



05 Shri Ashish Makhija, Director

Shri Ashish Makhija is a part-time non-official Director inducted on the Board in May 2014. He is the member of Nomination and Remuneration Committee and the Strategy Committee. Shri Makhija has over 25 years of experience in corporate law, bankruptcy, anti-money laundering, litigation, risk management, corporate governance with strong hands on track record of practice of law and teaching. He is a Fellow member of Institute of Chartered Accountants of India (FCA) and also a Fellow Member of the Institute of Cost Accountants of India (FCMA). He is a Master of Laws with Distinction Honor from Thomas Jefferson School of Law, California, USA. He has also done LLM from Kurukshetra University, Haryana, India.

He is presently the Standing Counsel for the Official Liquidator (Ministry of Corporate Affairs) attached to Delhi High Court besides dealing with multi-disciplinary legal cases with specialization in Corporate

Laws. He is also heading a multi-disciplinary law firm in New Delhi. Shri Makhija is also the Adjunct Professor at Thomas Jefferson School of Law, California.

For several years, Shri Makhija has been faculty & Resource Person for several Institutes. He has authored two books on Company Law namely Guide to Memorandum, Articles and Incorporation of Company and Guide to Company Law Settlement Scheme 2000. He has also authored a Handbook on Mergers and Amalgamations. He has presented papers in many national and international conferences.



06 Capt. Sarveen Narula, Director

Capt. S. Narula was inducted on Board in July 2014. He has taken the charge of Liner and Passenger Services of The Shipping Corporation of India Limited (SCI) from 01 May 2014. Capt. Sarveen Narula has more than 35 years of Maritime Experience both afloat and ashore. He has had more than 7 years command experience on several type of ships including Tankers, Bulk Carriers, Cargo ships and Container ships. He has extensive shore experience in various aspects of Liner and Passenger services which includes port and dock operations, Line Operations and Management, consortium formations, Hazardous cargo and break bulk shipments, Safety and Quality Management, Coastal Shipping, Cargo claims and claim Minimization. He has also chaired or participated in several workshops/conferences on coastal shipping, port development, freighting and commercial aspects of liner trade. Prior appointment as Director, Capt. S. Narula was working as Senior Vice President in charge of Container Services, Marketing and Break Bulk services.



07 Shri Arun Ramanathan, Director

Shri Arun Ramanathan is a part-time non-official Director reinducted on the Board in November 2013. He is the Chairman of the Stakeholders Relationship Committee and a member of Audit Committee. He joined the IAS in July 1973. Apart from holding post graduate degrees in Nuclear Physics, Business Administration and Development Economics, he is also an Associate Member of the Institute of Cost and Works Accountants of India. In the IAS, he has held several assignments in Industry, Finance, Food, Consumer Protection, Transport and General Administration. In the Government of India, he was Secretary (Chemicals & Petrochemicals), Secretary (Financial Services) and finally the Union Finance Secretary. Shri Ramanathan was the Finance Secretary at the time of the global financial crisis and was nominated by the Prime Minister to chair the Group of Secretaries to recommend measures needed to counter the meltdown in the financial and industrial sectors.



08 Shri R. Santhanam, Director

Shri R. Santhanam is a part-time non-official Director inducted on the Board in May 2014. He is a member of CSR and Strategy Committee. Shri R. Santhanam belongs to the 1972 batch of the Indian Administrative Service. He holds post-graduate degrees in Chemistry, Public Administration and Economics from the University of Madras and in Business Administration from the University of Hull, U.K. He has served as Secretary to the Government of Tamil Nadu in the Departments of Transport, Food & Cooperation, Planning & Development, Commercial Taxes and Finance. He was the ex-officio Chairman/ Director in a number of State-owned undertakings including the Poompuhar Shipping Corporation. As Principal Commissioner of Revenue Administration/ State Relief Commissioner, he coordinated relief operations during drought, floods and the unprecedented tsunami. He served as Member, Central Administrative Tribunal at Hyderabad for 5 years from Nov 2007 till Nov 2012. He is one of the Trustees of the Consumer Association of India based in Chennai and the WORTH Trust

based in Katpadi (Vellore) working for the welfare of differently abled persons.

Shri Santhanam is also the Honorary Director of the Chair on Consumer Law and Jurisprudence at the Tamilnadu Dr Ambedkar Law University, Chennai."