



# ANNUAL REPORT

2014-15



**The Shipping Corporation Of India Ltd.**

**भारतीय नौवहन निगम लिमिटेड**  
(भारत सरकार का उद्यम)

कार्गो मंजिल तक पहुँचाए. जीवन को राह दिखाए.



**SCI**  
Navratna Company  
ISO 9001 - 2008 Company

**The Shipping Corporation Of India Ltd.**  
(A GOVERNMENT OF INDIA ENTERPRISE)

TRANSPORTING GOODS. TRANSFORMING LIVES.



## New GME Course at MTI Powai

SCI Maritime Training Institute (MTI) has received the approval of DGS to start the ambitious GME (Graduate Mechanical Engineer) course at the Powai campus. The course started in November-2014 with 35 candidates, selected through all India test followed by an interview. The course requirements were surveyed by MMD Mumbai and found all satisfactory. All candidates have completed their eight months campus training successfully in July 2015. This will be followed by onboard training of total 10 months in the SCI fleet. The course was conducted as per the DGS guidelines. Subjects covered were Marine Engineering Knowledge, Naval Architecture, Marine electrical and electronics, safety and pollution prevention, watch keeping etc. Regular class-tests, mid-term tests were conducted in order to monitor their progress. An end-term test has also been conducted to assess their overall academic progress. In general, all cadets have performed extremely well. Honorable CMD of SCI graced the passing out ceremony, held at MTI campus and presented academic excellence prizes to cadets. Encouraged by this success, MTI is in the process of starting two batches of GME, total 80 candidates in 2015-16 and necessary approval of DGS has been obtained. MTI has been conducting pre-sea nautical cadets' course since long and the pre-sea marine engineering course was long overdue which has been started now to produce quality marine engineers that are in high demand globally.



Overall Proficiency in academics:  
FIRST PRIZE : GME Cadet Maria S Jerome L



Award for Overall BEST Cadet  
GME Cadet Sumit Kumar Singh



GME-01 Cadets after passing out  
ceremony at MTI 11/07/2015



GME Cadets before passing out  
ceremony at MTI 11/07/2015



GME-01 Cadets with  
MTI Principal and Faculty



MTI Powai, Campus Life : GME Cadets playing

# ***The Shipping Corporation Of India Ltd.***

The Shipping Corporation of India was established on October 2nd, 1961. For the last fifty three 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, 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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## BOARD OF DIRECTORS

**Shri A. K. Gupta**  
Chairman & Managing Director

**Dr. (Ms.) T. Kumar**  
Government Director

**Shri Barun Mitra**  
Government Director

**Capt. K. Devadas**  
Director

**Smt. H. K. Joshi**  
Director

**Capt. S. Narula**  
Director

**Capt. B. B. Sinha**  
Director

**Capt. Sunil Thapar**  
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 Barun Mitra) appear in  
alphabetical order of Surnames*

## STATUTORY AUDITORS

**Messrs. GMJ & Co., Mumbai**  
**Messrs. MKPS & Associates, Mumbai**

## SECRETARIAL AUDITOR

**Shri Upendra Shukla, Practicing  
Company Secretary**

## 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-400 072.**

## INVESTOR RELATION CENTRE

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





# Chairman's Message

Ladies and Gentlemen,

I have great pleasure to place before our esteemed shareholders, the 65<sup>th</sup> Annual Report of the Company for the financial year 2014-15. The said report describes in detail the working of your Company for the financial year ended 31<sup>st</sup> March, 2015. However, I would like to briefly apprise you about the performance of your Company during the aforesaid year.

## **Global Shipping Scenario:**

It has been eight years since the onset of global financial crisis and we are still in search of a sustainable growth path. Though the world economy grew 3.4% last year (as per IMF), but a robust and sustained recovery still remained elusive. Resultantly the global shipping industry is still struggling to come out of its unprecedented long recession.

As you all are aware, our industry is largely driven by the market forces i.e. supply of tonnage & demand of the world trade. This trade is dominated by the developed and the developing economies, primarily China. Euro zone and Japan have recovered from their negative growth and the US economy has also shown distinct signs of improvement. However there is a slowdown in China's growth which has touched a six year low. Despite all the above, we do see a marginal growth in world GDP in the coming years.



## Financials:

It gives me immense pleasure and satisfaction to inform you that we have finally steadied the ship and turned around to report a net profit of ₹ 200.93 Cr for the year ended 31<sup>st</sup> March 2015. This is against a net loss of ₹ 274.66 Cr in the previous year. It is heartening to note that all the three business segments of SCI have reported profits in the last quarter and also on annual basis. The losses due to unprecedented downturn in the dry bulk markets have been partially offset by the rally in the tanker market since early 2015.

While the net income from operations has almost remained flat, the appreciable decrease in various expenses, impact of judicious cancellation of new ship building orders, rally in tanker freights (basically attributed to fall in crude prices) and sale of old vessels have contributed to the positive results. The overall financial health of the company has improved, our borrowings are reduced, lenders are more comfortable and our creditability in the market is maintained.

## Operations:

The United States, once the largest importer of Crude Oil from the middle-eastern markets has over the years turned into a net exporter due to the shale revolution in the North American continent. This has drastically changed the dynamics of the crude tanker trade. Led by Saudi Arabia, the OPEC countries have maintained their production levels despite the fall in crude oil prices, triggering a price war with non-OPEC nations. Surprisingly the entire production and the surplus are being absorbed by the market. It is now understood that a part of the output is going towards built up of strategic petroleum reserves of various countries and also towards floating storage. Cost of storage of oil, even though minuscule has played its part in the marginal recovery in tanker trade. Saudi Arabia is in a transition phase in becoming the world's largest refiner. China is now the larger importer of crude oil and even India's appetite for import of crude is ever increasing. As a result of all above, there was an unseasonal sunshine in the tanker market since beginning of 2015 and SCI was able to take advantage of the rally. The successful conclusion of talks between Iran & P5+1 nations and the resultant thawing of relations between Iran & the West, has created positive signals. However, it may take some more time for the Iranian oil to start flowing into the market. The impact of the ban slapped on 100+ VLCCs by Nigeria's state oil company NNPC is significant however its influence on the rates is yet to be ascertained.

The dry bulk trade has indeed tested the nerves of most players in the industry. The Baltic Dry Index (BDI) had touched an all time low of 509 on 18<sup>th</sup> February, 2015 and continues to hover around 1000 levels. At this rate the owners / operators of dry bulk carriers can't even breakeven their daily standing charges. Already a record number of 71 Capesize bulk carriers have been sold for scrap this year. Still, some companies with deep pockets continue to take deliveries of VLOC / Valemaxes. However, overall efforts are there to cut capacity in this segment but seeing the order book in the pipeline a revival in the dry bulk market is not expected in the near future.

'Economies of scale to survive' says the industry and container trade is no different. There was a time when SCI's 4400 TEU vessels were called large vessels. Now, a couple of 19,000 TEU vessels are trading in the market. The container business across the world is dominated by a few players due to which they are in a position to dictate terms for doing business. SCI is dependent on her agents and consortium partners for the container trade. However SCI has been able to prevail upon our consortium partners for restructuring and rationalization of port calls. SCI has imposed tighter controls over agents, reduced container inventories and cut down on various cargo handling expenses. These efforts, though small, have significantly contributed to the overall results. The merger of two big Chinese players and devaluation of the Yuan is likely to play a major role in the days to come.

SCI's Offshore has been the consistent horse, giving steady and firm revenues over the years. This year was no different. SCI aims to expand in this segment; however we need to tread cautiously. The offshore market is a little depressed due to fall in crude oil prices and the resultant slowdown in E&P activities.



### **Ship Acquisition Programme:**

SCI prides in having a diversified fleet of 69 vessels of 5.89 mn DWT with an average age below 9 years. Your Company has taken delivery of a new crude tanker, Desh Vibhor, on 30<sup>th</sup> March, 2015 and with this SCI now owns five Very Large Crude Carriers. Thus your Company has been able to maintain her tonnage over the year and is aspiring to cross the 6 million DWT milestone in the near future. We are soon planning to order a few Anchor Handling Tugs to strengthen our Offshore fleet.

### **Other Corporate Developments:**

To remain in business, organizations have to constantly think of newer ideas. We are in the process of implementing IMS (integrated management system) in the Company across the fleet and establishment. We have also planned to further enhance structured training program to our shipboard personnel and marine professionals ashore. The shipboard training to ship staff will go a long way in ensuring improved safety culture onboard.

### **Way Forward:**

The faster growing emerging economies now account for more than half of the world economy. The World Bank predicts India to be the fastest-growing major economy and for the first time in Q4 of FY 2014-15, a growth rate of 7.5% was achieved. If this is sustained, India is projected to grow at 8.1% by 2016-17, thus emerging as a major driver for world economy.

As for the present, the business environment is still difficult and challenging due to prolonged recession. Not much has changed in terms of the market fundamentals and headwinds continue. At this stage, it is very difficult to predict the future. SCI's return to profits is encouraging and motivating. I agree that a lot has been achieved but there is so much more to be done. In this endeavour your Company has recently engaged a Consultant to drive our future strategy.

### **Acknowledgements:**

I would like to express my sincere gratitude to Shri Nitin J. Gadkari, Union Minister of Shipping, Government of India, for providing support to your Company. I would also like to thank Shri Pon Radhakrishnan, Union Minister of State for Shipping for his encouragement. I wish to express my gratitude to Shri Rajive Kumar, Secretary (Shipping) for the guidance provided by him. I sincerely acknowledge the support of all other officials of the Ministry of Shipping and various departments of Government of India.

I am thankful to all my colleagues on the Board whose support and guidance has assisted us in carrying out the affairs of your Company amicably and smoothly. I also wish to express my deep sense of gratitude to all the stakeholders, shareholders, all employees (shore & floating) for their continued support and dedication.

### **Conclusion:**

Your Company has tread a meaningful path for over 53 years, serving the nation with utmost dedication and commitment. Due to losses in three consecutive years (2011-12, 2012-13 and 2013-14) the Company was being categorized as "incipient sick PSU". Even our "Navratna" status was in jeopardy. However, we have weathered out the difficult period and emerged winners. I seek continued support and patronage of all stakeholders to further build up this great Institution. SCI has to aspire for greater heights and it is my firm conviction that collectively we can do it. This is just a beginning!





# Board of Directors

## Brief Profile of the Directors of the Company



### **Shri Arun Kumar Gupta, Chairman & Managing Director**

Shri Arun Kumar Gupta took over as the Chairman & Managing Director of The Shipping Corporation of India Ltd. (SCI) on 28<sup>th</sup> January, 2014. Prior becoming C&MD, he was functioning as Director (Technical & Offshore Services) since October 2010. During his tenure as C&MD, he was entrusted with the additional responsibilities of Director (Technical & Offshore Services) and Director (Finance) from 28<sup>th</sup> January, 2014 to 23<sup>rd</sup> September 2014 and from 01<sup>st</sup> June, 2014 to 05<sup>th</sup> February, 2015 respectively. With effect from 11<sup>th</sup> June, 2015, Shri Gupta has been given the additional charge as Managing Director of M/s. India Ports

Global Private Ltd. by Ministry of Shipping.

Shri Gupta has almost 39 years of shipping career in leading and managing challenging projects and assignments in various Divisions of The Shipping Corporation of India Ltd. Shri 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 is presently a Trustee in Cochin Port Trust and has earlier been on the Board of Trustees of Kandla Port & V.O.C. 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.

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### **Dr. (Ms.) T. Kumar, Government Director**

Dr. (Ms.) T. Kumar, Special 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 14<sup>th</sup> 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.

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### **Shri Barun Mitra, Government Director**

Shri Barun Mitra, Joint Secretary (Shipping), Ministry of Shipping and ex-officio part-time Director of the company was appointed on the Board of Directors in January 2015. Shri Barun Mitra, an IAS Officer from Manipur-Tripura cadre of 1987 batch is a post graduate in History from Delhi University. Shri Mitra also holds a law degree from Delhi University besides holding a Post graduate Diploma in Patents Law, Trademark and Copyrights from NALSAR, Hyderabad. Before joining IAS, Shri Mitra was in the IRS. He has served in various senior positions in the State Government of Manipur including Principal Secretary in the Departments

of Finance, Planning and Rural Development, Government of Manipur and also served as Principal Secretary to Chief Minister from 2012-14. Shri Mitra has also served earlier in the Government of India on Central deputation as Deputy Secretary in the Ministry of Human Resource Development. He also served in the President's Secretariat from 1998 to 2012 including as Joint Secretary to the President from 2007 to 2012.



**Capt. K. Devadas, Director**

Capt. K. Devadas started his professional journey as a Cadet (Floating Cadre) with SCI in 1976 and has been serving the Shipping industry for over 38 years. After serving on diverse types of ships in various ranks and sailing for nearly 17 years, he joined shore establishment in 1993 and worked in various departments in different capacities. He has vast experience and knowledge in handling all segments of shipping. Ashore in SCI, he worked in the Bulk & Tanker and Offshore divisions, deftly & smoothly handling intricate situations and bringing in the much required control to whichever department he served. During his tenure as SVP (Offshore) he

was the overall in-charge of the Technical & Commercial management of the entire fleet of offshore vessels of SCI and ONGC. Capt. K. Devadas is a Master Mariner, holding Master (FG) Certificate of Competency from GoI and also holds MBA degree in Shipping & Logistic Management. He is a member of Institute of Chartered Shipbrokers, London and a fellow of the Company of Master Mariners of India. He has been a Speaker and Panelist and has tabled several presentations in various Indian and Global Shipping Conferences and Seminars.

**Smt. H. K. Joshi, Director**

Smt. H. K. Joshi joined SCI as Director (Finance) on 5<sup>th</sup> February, 2015. She is a Fellow Member of the Institute of Cost Management Accountants of India with a B.Com, M.Com from Delhi School of Economics, Delhi University. She was a rank holder in her post graduation and is also a life member of the Institute of Public Administration, Delhi.

Smt. Joshi started her career as a Lecturer in Delhi University and joined the corporate world in 1984. Prior to assuming charge of the office of Director (Finance) in SCI, she was General Manager (F&A) in Oil and Natural Gas Corporation Ltd. (ONGC), Mumbai in the Offshore

Engineering Services wherein large Mega Offshore Construction Projects are handled. She has a shade over three decades of rich and diversified experience with ONGC which includes almost two decades with ONGC Videsh Limited (OVL – overseas arm of ONGC) which looks after the international business acquisitions of ONGC wherein she was actively associated with the path breaking international transactions which led the company (OVL) to turnaround.

**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<sup>st</sup> 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.

