

67TH ANNUAL REPORT 2016-17



भारतीय नौवहन निगम लिमिटेड
(भारत सरकार का उद्यम)



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

TRANSPORTING GOODS, TRANSFORMING LIVES.

ISO 9001 : 2008, ISO 14001 : 2004, BS OHSAS 18001 : 2007 Company



The Shipping Corporation of India Ltd. acquired secondhand Suezmax Tanker M.T. Desh Abhimaan to its fleet on 26th April, 2017. The vessel has a gross tonnage of 81084 and deadweight of 158710 tonnes.



The Shipping Corporation of India Ltd. acquired secondhand Multipurpose Support Vessel (MPSV) SCI Sabarmati on 18th November, 2016 having a gross tonnage of 3306 and deadweight of 3352.31 tonnes.



Hon'ble Union Minister of Shipping, Shri. Nitin Gadkari unveiled e – copy of in house magazine "SCI Sandesh" at the Mumbai office in presence of CMD Capt. Anoop Kumar Sharma and other Directors.



The Shipping Corporation of India Ltd. has been awarded the 'Best Enterprise Award' (Navratna category) - 3rd prize at the 27th National meet of Forum of Women in Public Sector (WIPS) held on 11th & 12th February, 2017 at Nagpur, Maharashtra.

SCI forays into Green Energy



The Shipping Corporation of India Ltd. is committed to sustainable development. It is a matter of profound joy and pride for the entire SCI family that, our commitment has materialized in the form of 353.5 kwp Solar Photo Voltaic Power Plant at SCI MTI, Powai. This plant is grid connected with net-metering arrangement. Installation of plant, with all requisite approvals, was completed on 30th November 2016. After successful test run, the plant was inaugurated on 23rd January, 2017 by Shri Rajive Kumar, IAS, the then Secretary of Shipping. This Roof-top Solar PV Plant, which is one of the largest installations in Mumbai, not only contributes to reduction in SCI's carbon footprint, but also provides substantial financial savings. In view of the benefits and actual cost savings derived from the Solar Power Plant at MTI, Powai, SCI has taken up expansion of installed capacity of plant by around 200 kwp during FY 2017-18.

The Shipping Corporation of India Ltd. (SCI) was established on October 2nd, 1961. For the last 56 years, SCI has been providing yeoman service to India's economy by meeting its ocean transport requirements. Starting out as a marginal Liner Shipping Company with just 19 vessels, SCI has today emerged as the undisputed leader in Indian shipping. 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 vessel, Gas carriers and Offshore Supply vessels. Sailing through for more than five and a half 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 34% 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 the largest and the most diversified shipping company in India.



CORPORATE INFORMATION	1
CHAIRMAN'S MESSAGE	2
VISION MISSION & OBJECTIVES	5
BOARD OF DIRECTORS	6
EXECUTIVE DIRECTORS AND SENIOR VICE PRESIDENTS	8
NOTICE OF MEETING	9
SALIENT STATISTICS	12
DECADE AT A GLANCE	13
GRAPHS	14
DIRECTORS' REPORT	16
REPORT ON CORPORATE SOCIAL RESPONSIBILITY FY 2016-17	39
BUSINESS RESPONSIBILITY REPORT FOR FY 2016-17	41
FORM MGT - 9 EXTRACT OF ANNUAL RETURN	48
FORM AOC-1 STATEMENT PURSUANT TO ASSOCIATE COMPANIES & JOINT VENTURES	54
FORM AOC- 2 PARTICULARS OF CONTRACTS/ ARRANGEMENTS ENTERED INTO WITH RELATED PARTIES	56
FORM MR-3 SECRETARIAL AUDIT FOR YEAR ENDED 31ST MARCH, 2017	57
REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE	60
AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE	70
COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA	71
STANDALONE FINANCIAL STATEMENTS	
• INDEPENDENT AUDITORS' REPORT	73
• ANNEXURES TO THE INDEPENDENT AUDITORS' REPORT	75
• STANDALONE BALANCE SHEET AS ON 31 ST MARCH 2017	85
• STANDALONE STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 ST MARCH 2017	87
• STANDALONE CASH FLOW STATEMENT	88
• STANDALONE STATEMENT OF CHANGES IN EQUITY	90
• SIGNIFICANT ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	91
• NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 ST MARCH 2017	99
CONSOLIDATED FINANCIAL STATEMENTS	
• INDEPENDENT AUDITORS' REPORT	144
• ANNEXURES TO THE INDEPENDENT AUDITORS' REPORT	147
• CONSOLIDATED BALANCE SHEET AS ON 31 ST MARCH 2017	155
• CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 ST MARCH 2017	157
• CONSOLIDATED CASH FLOW STATEMENT	158
• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	160
• SIGNIFICANT ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	161
• NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 ST MARCH 2017	169
GLOSSARY	217
IRQS CERTIFICATE OF APPROVAL	221
PROXY FORM	

CORPORATE INFORMATION

BOARD OF DIRECTORS

Capt. Anoop Kumar Sharma
Chairman & Managing Director

Smt. Leena Nandan
Government Director

Shri Arun Balakrishnan
Director

Shri Sukamal Chandra Basu
Director

Smt. H.K. Joshi
Director

Shri S.V. Kher
Director

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

STATUTORY AUDITORS

Messrs. GMJ & Co., Mumbai
Messrs. G.D. Apte & Co., 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. Bigshare Services Pvt. Ltd.
1st Floor, Bharat Tin Works Building,
Opp. Vasant Oasis, Makwana Road,
Marol, Andheri East, Mumbai 400 059.
Maharashtra.



Chairman's Message

Ladies and Gentlemen,

On behalf of the Board of Directors of The Shipping Corporation of India Ltd., I welcome you all to the 67th Annual General Meeting of your Company. I am pleased to place before our esteemed shareholders, the 67th Annual Report of the Company for the financial year 2016-2017. This report describes in detail the working of your Company for the financial year ended 31st March 2017. However, I would like to summarise some salient features of your Company's performance during the last financial year.

Financials

It gives me immense pleasure and satisfaction to inform you that SCI has reported a standalone net profit of ₹ 135.52 crores (consolidated net profit ₹175.62 crores) excluding Other Comprehensive Income for the year ended 31st March 2017 as against a restated standalone net profit of ₹753.28 excluding Other Comprehensive Income for the year ended 31st March 2016.

Your Company being a diversified company has been able to absorb the losses in certain segments. Losses in the bulk and container segments have been offset by the profits of Tanker and Offshore fleet. While the revenue from operations has decreased over the previous year, the overall financial health of the company has improved substantially, our borrowings have reduced, lenders are more comfortable and our creditability in the market is better.

Global Shipping Scenario

Maritime transport is the backbone of globalization and lies at the heart of cross-border transport networks that support supply chains and enable international trade. Gone are those days of cyclical shipping booms and busts. The period of recession in the shipping markets intertwined with depressed world economic activity has lasted for over nine years now. This has broken the back of the industry. The longer global economic growth remains weak and lacks investment, the lower future growth potential for shipping. However, the industry is surviving and limping back to normalcy. The full restoration of shipping markets will need several years of solid improvements to lift fleet utilisation rates. Sector overcapacity almost everywhere must be reduced.

The last year has been a mixed bag with the return of Iran, continued production cut by Saudi led OPEC, increasing Crude Oil output from North America, bankruptcy of Hanjin, Maersk Line-Hamburg Sud merger, slowdown in China, cyber-attacks on maritime assets, geopolitical incidents in Syria, Libya and now recently in Qatar. Tanker markets rallied for a while before going into a downward spiral, BDI recovered from its lowest mark and quadrupled, container revenues in the Europe sector rose significantly while the Offshore segment is marred by the low world crude oil prices.

I believe we are at the cusp of the emergence of a new phase in modern international shipping.

Operations

Last couple of years have been bad for the dry bulk shipping industry. After the Baltic Dry Index (BDI) reached an all-time-low of 290 last year, it improved steadily. This was driven by and benefitted mainly the capesize ships as they transported the key commodities of iron ore into China. As the year progressed, the situation eased as demand growth outstripped the impact of the net supply growth of the fleet.

During the last year, strong freight market was created by an increased throughput at global refineries causing up-front oil demand to run ahead of end-consumption and a moderate supply side growth for crude oil tankers. In 2016-17 the world fleet grew by 6% for both tanker segments. This unbalanced the market because demand growth eased off. Tanker demand growth in the next couple of years is expected to come predominantly from the greater Asian region led by China and India.

Global oil supply continued to grow last year despite many disruptions to production in key exporting countries. The re-entry of Iran into international oil stood as the single-most disruptive event to an established oil market. On lifting of Iran sanctions, your company, after a gap of almost four years, resumed shipments of Crude Oil from Iran in July 2016. This shipment was performed by your company Suezmax tanker, MT 'Ankleshwar'. Whether the changes to trade patterns end up benefitting the tanker markets remains to be seen.

As regards Containers, last year stands out in terms of consolidation, both in the form of outright mergers but also in the newer and larger alliances being forged to cut cost. Additionally, the very low number of newbuilding orders was backed up by an all-time high of demolition capacity reducing the harmful effects of new ships being delivered. Container lease rentals, of companies which were unwilling to negotiate, have been brought down substantially through concerted discussions, negotiations and reduction in idle inventory. As a result, liner losses are coming down. As a matter of fact during the Q1 of FY 2017-18, Liner segment has reported marginal profits.

On the finance side, your company has entered into attractive loan agreements with EXIM Bank for General Corporate Purposes at attractive borrowing rates and Your Company has also been successful in achieving a reduction in the interest margins of the existing FCNR loans. This has helped free up funds making them available for working capital and improved the cash flow of the company.

Ship Acquisition Programme

Over the years, your company has successfully retained its position as the largest and most diversified shipping company of the country and has been a frontrunner in terms of growth, diversification and replenishment of its tonnage. I am also very proud to declare that your company's tonnage recently touched the historic mark of six million deadweight for the first time ever.

The decline in the prices of secondhand tonnage across the world has presented an opportunity for your company to strategically expand through this route. Your company has during the last few months acquired two secondhand Multipurpose Support Vessels viz., 'SCI Sabarmati' and 'SCI Saraswati', one secondhand Suezmax tanker 'Desh Abhimaan' and one Very Large Gas Carrier 'Nanda Devi'. Tender for acquisition of yet another secondhand Suezmax tanker is in the pipeline.

Your company has also been periodically phasing out economically unviable ships from time to time. During the last few months two container vessels viz., MV 'Rajiv Gandhi' and MV 'Indira Gandhi' have been sold and handed over. Your company is also looking to sell two more economically unviable ships in the coming months.

With a younger and modern fleet, your company is fully geared up to take advantage of the much anticipated upswing in the markets.

Other Corporate developments

A wholly owned subsidiary 'Inland & Coastal Shipping Ltd.' has been incorporated on 29th September, 2016 for undertaking/ providing transportation services through inland waterways, coastal shipping and end to end logistics.

Your Company was awarded the Emergency Towing Vessel contract by Directorate General of Shipping (DGS) for the period from 24.06.2016 to 30.11.2016 during the monsoon period.

Your company has restructured its SMILE Service w.e.f. 09.06.2016 connecting Middle East with the East and West Coasts of India. Your company has entered into a Vessel Sharing Agreement with Shreyas Shipping Line in PIX2 Service by inducting one 1600 TEU vessel, w.e.f. 11.06.2016 which connects Middle East with Indian Subcontinent and Coastal Movement from West Coast of India to Vishakhapatnam and Kolkata / Haldia Port.

Your company's Maritime Training Institute has become a study centre of YCMOU (Yashwantrao Chavan Maharashtra Open University).

The 353.5 kWp Solar Photo Voltaic Power Plant installed at Maritime Training Institute (MTI) at Powai (Mumbai) was inaugurated early this year by Shri Rajive Kumar, Secretary to the Government of India, Ministry of Shipping. The plant capacity would be increased to 0.5 GW within this year.

LNG Carrier M.T. Prachi was constructed at M/s Hyundai Heavy Industries, Ulsan and delivered on 30.11.2016. This vessel is owned by a Joint Venture Company in which your company holds 26% share and your company is also the manager for this vessel.

Rescue operation in Gulf of Oman: Your Company owned Suezmax tanker 'Desh Shanti' was involved in a rescue operation on 03.02.2017 in the Gulf of Oman, approx. 50 nautical miles off Fujairah, saving seven (7) Indians from the dhow 'FRTK-1'. The rescue was meticulously planned saving all the seven crew onboard the dhow.

Awards & Accolades won by your company during FY 2016-2017

- 'Most Compassionate Employer of Indian Seafarers' at National Maritime Day Celebrations 2016.
- 'The Indian Shipping Company with the Highest Growth of Indian Flag vessels' at the National Maritime Day Celebrations 2016.
- 'Training Institute of the Year' to Maritime Training Institute at the Samudra Manthan Awards 2016.
- 'Shipping Company of the Year (Indian Flag)' at the Samudra Manthan Awards 2016.
- Awarded the 'Best Enterprise Award (Navratna category) – Third Prize' at the 27th National Meet of Forum of Women in Public Sector (WIPS) held on 11th& 12th February 2017 at Nagpur, Maharashtra.
- Captain Radhika Menon, Master of SCI's product tanker "Sampurna Swarajya" became the first female seafarer ever to receive the "IMO Award for Exceptional Bravery at Sea 2016"

Acknowledgements

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 Nitin J. 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 Ministers of State for Shipping, Shri Pon Radhakrishnan and Shri Mansukh L. Mandaviya for their encouragement to your Company. I wish to also express my indebtedness towards Shri Rajive Kumar, former Secretary (Shipping) and Shri Ravi Kant, existing Secretary (Shipping) for their guidance provided to your Company.

My sincere thanks are also due to the 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. I also 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 over the years.

Captain Anoop Kumar Sharma
Chairman & Managing Director



Navratna Company

ISO 9001 : 2008, ISO 14001 : 2004, BS OHSAS 18001 : 2007 Company

The Shipping Corporation Of India Ltd.

VISION

To emerge as a team of inspired performers in the field of maritime logistics, Offshore, Port and Terminal Management, serving Indian and global trade.

MISSION

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 logistics with focus on:

- Maintaining its 'Numero Uno' position in Indian Shipping.
- Establishing a major global presence in energy-related, dry bulk and niche container shipping markets.
- Evolving reliable and cost-effective business models to exploit emerging opportunities in maritime and allied industries.
- Achieving excellence in Quality, Occupational Health, Safety and Environmental Management Systems.

OBJECTIVES

The Shipping Corporation of India Ltd. works to fulfil its objectives as mentioned below:

- To provide its clientele safe, environmentally sustainable, reliable, efficient and quality shipping services, complying with all legal and other requirements.
- To be an optimally profitable, viable, ethical and socially responsible commercial organization contributing to the national economy by securing a reasonable return on capital and serving the nation's needs.
- To own or acquire an adequate, well designed and efficient fleet to cater to the demand of global maritime trade through options like leasing, demise charter, joint ventures and other innovative financial measures.
- To be a major player in India's offshore and other marine activities and to continue to explore opportunities for diversification for steady growth of the Company.
- To enhance competency and professionalism among its fleet and shore personnel through effective and dynamic Human Resource Management.
- To continually improve its efficiency in process and technology, adopting various measures including E-governance and optimum use of Information Technology.
- To minimize risks and environmental impacts for achieving Safety, Health and Environmental performance.

BOARD OF DIRECTORS



Capt. Anoop Kumar Sharma, Chairman & Managing Director

Capt. Anoop Kumar Sharma is a Master Mariner (FG) and has served the shipping industry for over 35 years at various responsible levels. He is a Fellow of Institute of Chartered Shipbrokers, London and holds a Diploma from Narsee Monjee Institute of Management Studies.

In his previous stints, Capt. Sharma has served as the CEO and whole time Director on the Board of the Essar Shipping Ltd. Subsequently, he was elevated to serve as the Managing Director of Essar Shipping. Presently, Capt. Sharma is on the Boards of Indian Register of Shipping (IRS), North of England Protection & Indemnity Club, Irano-Hind Shipping Company and India LNG Transport Companies (SCI's Joint Ventures).

Capt. Sharma is President of the Indian National Shipowners' Association (INSA) and Co-Chair of the National Committee on Shipping & Transport of Confederation of Indian Industry (CII). He is also a Member on high level committees of international Classifications Societies such as Bureau Veritas, Lloyds' Register and American Bureau of Shipping. In addition he also holds memberships of several technical and commercial committees in the fields of Maritime & Logistics.

Capt. Sharma also presently holds additional charge of the posts of Director (T&OS) and Director (L&PS) in SCI consequent upon the superannuation of Capt. K. Devadas on 28.02.2017 and Capt. S. Narula on 31.07.2017 respectively, till further orders or till a new incumbent is appointed by the Government of India for both the posts.



Smt. Leena Nandan, Government Director

Smt. Leena Nandan is an IAS Officer of the 1987 Batch, UP Cadre. Presently, she is working as Additional Secretary & Financial Advisor of the Ministries of Road Transport & Highways, Shipping and Tourism. She has served in the Central Government earlier as Joint Secretary (Tourism) and till recently, as Joint Secretary (Highways) in the Ministry of Road Transport & Highways. Mrs. Nandan is a Graduate in English (Hons.) from Patna Women's College. She completed her Masters in Development Management from the Asian Institute of Management Manila.



Shri Arun Balakrishnan, Director

Shri Arun Balakrishnan superannuated as Chairman and Managing Director of Hindustan Petroleum Corporation Ltd (HPCL), a Fortune 500 Company, in 2010 after having joined the company as a Management Trainee in 1976. A Chemical Engineer, with a Post Graduate Diploma in Management from the Indian Institute of Management, Bangalore, he has held functions such as Marketing, Operations, Import-Export, Human Resources, etc. at HPCL. He is also the Founder Chairman of HPCL-Mittal Energy Ltd. (HMEL), a Joint Venture Company of HPCL and L.N. Mittal Investments, and is currently an Independent Director of the Board.

Additionally, Shri Balakrishnan is Non Executive Independent Director on the Boards of a number of prestigious companies in the Oil and Gas, Power, Real Estate, Space, Trading, Commodities Exchange, etc. He is the recipient of "The Distinguished Alumni Award 2008" from his alma mater, the Indian Institute of Management,

Bangalore amongst others.



Shri Sukamal Chandra Basu, Director

Shri Sukamal Chandra Basu was the Chairman and Managing Director of Bank of Maharashtra from the year 2000 to 2006. He has rich corporate experience with Price Waterhouse, United Bank of India, Bank of Baroda and Bank of Maharashtra. He was the Director on Board of EXIM Bank, Chairman of Audit Committee of EXIM Bank, Governing Council member of the Board of National Institute of Bank Management, Executive Council Member of Maharashtra Chamber of Commerce, Pune, Dy. Chairman of Indian Banks' Association, Permanent Member of FICCI Arbitration Board (Domestic and International) and Ex-Invitee Member of Peer Review Board of ICAI. Shri Basu has been a guest faculty to National Institute of Bank Management, Pune and various management institutes. He is currently a Member of the Board of a pharmaceutical organization.