



Navratna Company
(ISO 9001:2015, ISO 14001:2015
& BS OHSAS 18001:2007 Certified)



ANNUAL REPORT

★ ★ ★ 2017-18 ★ ★ ★

भारतीय नौवहन निगम लिमिटेड
(भारत सरकार का उद्यम)

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

कार्गो मंजिल तक पहुँचाए. जीवन को राह दिखाए.

TRANSPORTING GOODS. TRANSFORMING LIVES.

• Website: www.shipindia.com • Twitter: @shippingcorp

Contribution to Sustainable Development



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 the 353.5 kwp Solar Photo Voltaic Power Plant at SCI MTI, Powai. This plant is grid connected with a net-metering arrangement. SCI-MTI became the first Green Campus in the Maritime Education Industry in 2017. This Roof-top Solar PV Plant, which is one of the largest installations in Mumbai, not only contributes to the reduction in SCI's carbon footprint but also provides substantial financial savings. SCI-MTI has already increased its solar power generation capacity to 0.5 MW and reduced its electricity bills by approx. 50 – 60% on a monthly basis this year.

High Level Interactions



Capt. Anoop Kumar Sharma, CMD, SCI at the Banquet hosted by the President of India in honour of 'His Excellency Dr Hassan Rouhani, President of the Islamic Republic of Iran' on 17th, February 2018, held at Rashtrapati Bhavan, New Delhi



Capt. Anoop Kumar Sharma, CMD, SCI interacting with Shri Arun Jaitley, Minister for Finance & Corporate Affairs then Minister for Defence, GOI in the presence of V. Admiral Luthra, FOC-in-C(W)

Augmentation of Tonnage



The Shipping corporation of India Ltd acquired second-hand Multi Purpose Support Vessel (MPSV) SCI Saraswati on 7th July, 2017 having a gross tonnage of 3,616 and deadweight of 3719 tonnes



The Shipping corporation of India Ltd acquired second hand Very Large Gas Carrier (VLGC) 'Nanda Devi' on 14th September 2017 having a gross tonnage of 46,506 and deadweight of 53,503 tonnes

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 fulfill its objectives as mentioned below:

- ✦ To provide its clientele safe, environmental 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 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 minimise risks and environmental impacts for achieving Safety, Health and Environmental performance.

INDEX

CORPORATE INFORMATION	03
CHAIRMAN'S MESSAGE	04
BOARD OF DIRECTORS	07
EXECUTIVE DIRECTORS AND GENERAL MANAGERS	12
DECADE AT A GLANCE	13
GRAPHS	14
SALIENT STATISTICS	16
NOTICE OF MEETING	17
DIRECTORS' REPORT	23
REPORT ON CORPORATE SOCIAL RESPONSIBILITY FY 2017-18	49
BUSINESS RESPONSIBILITY REPORT FOR FY 2017-18	52
FORM MGT - 9 EXTRACT OF ANNUAL RETURN	59
FORM AOC-1 STATEMENT PURSUANT TO ASSOCIATE COMPANIES & JOINT VENTURES	69
FORM AOC- 2 PARTICULARS OF CONTRACTS/ ARRANGEMENTS ENTERED INTO WITH RELATED PARTIES	71
FORM MR-3 SECRETARIAL AUDIT FOR YEAR ENDED 31ST MARCH, 2018	72
REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE	75
AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE	86
COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA	87
STANDALONE FINANCIAL STATEMENTS	
• INDEPENDENT AUDITORS' REPORT	89
• ANNEXURES TO THE INDEPENDENT AUDITORS' REPORT	91
• STANDALONE BALANCE SHEET AS ON 31 ST MARCH 2018	98
• STANDALONE STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 ST MARCH 2018	100
• STANDALONE CASH FLOW STATEMENT	101
• STANDALONE STATEMENT OF CHANGES IN EQUITY	103
• SIGNIFICANT ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	104
• NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 ST MARCH 2018	112
CONSOLIDATED FINANCIAL STATEMENTS	
• INDEPENDENT AUDITORS' REPORT	155
• ANNEXURES TO THE INDEPENDENT AUDITORS' REPORT	158
• CONSOLIDATED BALANCE SHEET AS ON 31 ST MARCH 2018	162
• CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 ST MARCH 2018	164
• CONSOLIDATED CASH FLOW STATEMENT	165
• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	167
• SIGNIFICANT ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	168
• NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 ST MARCH 2018	177
GLOSSARY	223
IRQS CERTIFICATE OF APPROVAL	227
PROXY FORM	

CORPORATE INFORMATION

BOARD OF DIRECTORS

Capt. Anoop Kumar Sharma
Chairman & Managing Director

Shri Shambhu Singh
Government Director

Shri Satinder Pal Singh
Government Director

Shri Arun Balakrishnan
Independent Director

Shri Sukamal Chandra Basu
Independent Director

Smt. H.K. Joshi
Director

Shri S.V. Kher
Director

Dr. Gautam Sinha
Independent Director

Shri Raj Kishore Tewari
Independent Director

Dr. P. Kanagasabapathi
Independent Director

Smt. Sangeeta Sharma
Director

Shri Rajesh Sood
Director

Shri Surinder Pal Singh Jaggi
Director

Shri Vijay Tulshiramji Jadhao
Independent 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 68th Annual General Meeting of your Company. I am pleased to place before our esteemed shareholders, the 68th Annual Report of your Company for the financial year 2017-2018. This report describes in detail the working of your Company for the financial year ended 31st March 2018. 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 Rs. 253.75 crores (consolidated net profit Rs.306.5 crores) excluding Other Comprehensive Income for the year ended 31st March 2018 as against a standalone net profit of Rs.142.28 excluding Other Comprehensive Income for the year ended 31st March 2017.

Your Company being a diversified company has been able to absorb the losses in certain segments. There has been marginal increase in the operating revenues compared to the previous year. It is also interesting to observe the increasing contribution of liner and dry bulk segments to your company's revenue which has been able to offset the losses from the tanker segment.

Global Shipping Scenario

While factors such as global GDP and world merchandise growth are aiding gradual recovery in shipping; geo-political and local factors are offering a drag. Most recently, the threat of 'Trade Wars' has become very real. Modern world has been spectacle to numerous wars and crises such as military wars, civil wars, proxy wars and most recently currency wars. Such crises of the modern era have affected the Shipping business quite directly. The looming clouds of uncertainty over the impact of 'Trade Wars' has already started disrupting the recovery process.

In addition to the trade war dynamics, other geopolitical events such as the return of US sanctions on Iran, attack on maritime assets near the maritime borders of Yemen, war concerns in Syria, currency and debt crisis in Argentina and Turkey, economic concerns in Italy and Spain, record inflations in Venezuela etc are adding further uncertainty to the global trade. Last year was a

mixed bag of problems with OPEC agreements, increasing Crude Oil output from North America, bankruptcy of large companies, slowdown in China, cyber-attacks on maritime assets etc. This year has been far worse. Protectionism is the word that is looming large over the developed and developing economies.

The rising world crude oil prices have resulted in an increase in the bunker prices across the world. This coupled with extremely low charter rates and erratic foreign exchange rates, is causing further strain across various segments of shipping. Shipping is further gearing up to comply with IMO's Sulphur norms by 2020. The additional costs likely to be incurred on account of Scrubbers / low Sulphur fuel / New Engine designs have to be weighed in keeping techno-economic feasibility in mind. Therefore, extremely trying times continue to hover around us.

Operations

It is heartening to see that depressed sentiments have been replaced by cautiously optimistic sentiments. During the past couple of quarters, certain segments of shipping such as Liner and Dry Bulk segments have seen some revival and moderate increase in charter rates. 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. The longer global economic growth remains weak and lacks investment, the lower future growth potential for shipping.

Tanker segment (Crude as well as Product) are yet to recover from the lows. Charter rates across the segments of the tanker trade are at dismal levels. VLCC rates are at abysmally low levels. In comparison, the Container trade has seen some improvement during the second half of the year which has led to increase in revenues from your company's Liner Division. The dry bulk segment has also seen some decent revival and increase in charter rates. As a result, dry bulk segment has also increasingly contributed to the overall revenue of your company. The Offshore market has continued to remain tepid and the revenue from the segment has remained flat.

Acquisitions and Disposals

Over the years, your company has successfully retained its position as the largest and India's most diversified shipping company of the country and has been a frontrunner in terms of growth, diversification and replenishment of its tonnage. During the financial year, your company has acquired one second-hand Multipurpose Support Vessels viz., 'SCI Saraswati', one second-hand Suezmax tanker 'Desh Abhimaan' and one Very Large Gas Carrier 'Nanda Devi'.

Your company has also been periodically phasing out economically unviable ships from time to time including the erstwhile oldest vessel in SCI's fleet viz., 'Harshavardhana'. Your company is also looking to sell and replace more economically unviable ships in the coming months. With a younger and modern fleet your company will be fully geared up to take advantage of the better freight market conditions.

Other Corporate developments

Your Company was awarded the Emergency Towing Vessel contract by Directorate General of Shipping (DGS) for the period from June 2017 to October 2017 during the monsoon period. This contract ensures that the contracted vessel of your company stays in a state of readiness to attend to any distress call of any vessel on the coast of India during the monsoon. Your company is glad to once again bag this contract and would like to get into a long term arrangement with DGS.

In line with Indian government's policy of promoting coastal shipping and connectivity, your company has started a new service between the Indian mainland and Andaman and Nicobar Islands viz., Chennai Port Blair Service. This new service is expected to facilitate and augment the movement of cargo from ports on the west coast of India to Port Blair via Chennai. This service will immensely benefit the shippers and the trade between east and west coasts of India. It is also proposed to expand this service to other ports in the eastern coast of India in the near future.

SCI and Petronet LNG Limited signed a Memorandum of Understanding on 1st Feb 2018 to develop potential business opportunities in the field of LNG and other hydrocarbons around the Indian coast and Inland waterways.

The Shipping Corporation of India Ltd. is committed to sustainable development and has taken major steps. It is a matter of profound joy and pride for the entire SCI family that our commitment has materialized in the form of the 353.5kwp Solar Photo Voltaic Power Plant at SCI's Maritime Training Institute (MTI) at Powai. This plant is grid connected with net-metering arrangement. The installation of the plant, with all requisite approvals, was completed on 30th November 2016. SCI-MTI became the 1st Green Campus in Maritime Education Industry in 2017 upon its inauguration. This Roof-top Solar PV Plant, which is

one of the largest installations in Mumbai, not only contributes to the reduction in SCI's carbon footprint, but also provides substantial financial savings. SCI-MTI has already increased its solar power generation capacity to 0.5 MW and reduced its electricity bills by approx. 50 – 60% on a monthly basis.

During financial year 2017-2018, your company has also undertaken various initiatives under Corporate Social Responsibility (CSR) broadly in the areas of 'Swach Bharat Abhiyan & Ganga Rejuvenation', Promotion of Education, Women Empowerment & Gender Equality, Preventive Health Care, Ensuring Environment sustainability, employment enhancing vocational skills for Divyangjans / PwDs and few others.

Your company has signed the Memorandum of Understanding with the Ministry of Shipping for the Financial Year 2018-2019 on 08th May 2018 at New Delhi. The evaluation for performance of your company for the financial year 2017-2018 is under progress and the Government of India shall come announce the final ratings in a couple of months. We expect to achieve a better rating as compared to financial year 2016-2017.

Awards & Accolades bestowed upon your company during FY 2017-18

- ✦ 'Coastal Shipping Operator of the Year' at The Gateway Awards 2017, Mumbai.
- ✦ 'Coastal Container Vessel Operator of the Year' at India Seatrade Awards 2017, Kochi.
- ✦ 'Pride of the Nation' Award at 'Pride of Seas' 2017, Chennai.
- ✦ 'The Maritime Education & Training Award' at The Maritime Standard Awards 2017, Dubai.
- ✦ 'Training Award' at Lloyds' List South Asia Middle East & Africa Awards (SAMEA) 2017, Dubai.
- ✦ 'First prize – Best Corporate Film' at SCOPE Corporate Communication Awards 2017, Delhi.
- ✦ 'Shipping company of the year – Indian flag' at Samudra Manthan Awards 2017, Mumbai.

Employee engagement

Despite such challenging times, your company has been winning awards both nationally as well as at international level. Especially in troubled times, it is important to keep the morale of the employees high and their spirits directed towards better objectives. It is said that better communication within the organisation is a system of incentivisation.

Numerous employee engagement and Smart Manager initiatives have been commenced at your company. Plethora of activities were conducted to give fillip to the employee engagement programmes which include Breakfast series, a 12 week Yoga programme, WIPS activities, Cultural programmes during the Incorporation day and a few others. SCI LEAP has been initiated to sensitize employees on MOU targets and challenges faced by SCI and to therefore enthuse employees to put forward their best collective effort towards the growth of the company. SCI EMPOWER, Chairman's Trophy for young managers has been launched with a view to promote managerial excellence among young managers. In addition, SCI's Women in Public Services team has been actively participating in various events across Mumbai and have aimed to win the First prize at National Level this year.

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 his leadership and for providing consistent 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 gratitude towards Shri Gopal Krishna, Secretary (Shipping) for his guidance 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 gratitude towards Directorate General of Shipping for its support and understanding of various problems being faced by the Indian shipping industry and specifically by your Company. I also wish to express my special appreciation 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

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 36 years at various responsible levels. He is a Fellow of Institute of Chartered Shipbrokers, London and holds a Diploma in Marketing Management from Narsee Monjee Institute of Management Studies, Mumbai. In his previous stint, Capt. Sharma has served as the Managing Director of Essar Shipping Ltd.

Capt. Sharma is currently the President of Indian National Shipowners' Association (INSA), Member of the Research Council of CSIR - Central Electrochemical Research Institute (CECRI), Karaikudi, is on the Boards of Baltic and International Maritime Council (BIMCO), Indian Register of Shipping (IRS), North of England Protection & Indemnity Club, Bombay Chamber of Commerce & Industry and SCI's Joint Venture companies. 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.



Shri Shambhu Singh - Government Director

Shri Shambhu Singh after having worked as a teacher of Economics and in the Indian Revenue Service, joined the Manipur-Tripura Cadre of I.A.S. in the year 1986. He has varied administrative experiences, particularly in insurgency affected areas. Having worked in the border areas, he understands the complexities involved in border policing and other related issues. Besides having worked in various capacities in the State, he has served as Joint Development Commissioner for Small Scale Industries, Director and Joint Secretary and Financial Advisor in the Ministry of Science & Technology, Government of India. In that capacity, he was also on the negotiating team of India in the United Nations Framework Convention on Climate Change. He worked as Joint Secretary in the Ministry of Home Affairs, looking after the North-East. He also worked as Addl. Chief Secretary, Manipur looking after Forest, Environment & Climate Change and Public Health Engineering Departments. Presently he is serving as Additional Secretary & Financial Advisor in Ministry of Road Transport & Highways and Shipping.



Shri Satinder Pal Singh - Government Director

Shri Satinder Pal Singh is a Part Time Official (Nominee) Director of the Company representing Ministry of Shipping, Government of India. He was inducted into the Board from 28th August, 2017. Shri Satinder Pal Singh is a Civil Engineer and also holds Post Graduate degree in Law from Brunel University, London and a Master's Degree in Police Management from Osmania University, Hyderabad. He is an IPS Officer of 1995 batch (Himachal Pradesh cadre) and has served in senior positions in the State Government of Himachal Pradesh, including Superintendent of Police, Special Secretary in the Department of Home and Inspector General of Police. He is currently posted as Joint Secretary, Ministry of Shipping, Government of India and prior to this he has served as Director (Housing) in the Ministry of Housing and Urban Affairs.



Shri Arun Balakrishnan - Independent 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 a Non Executive Independent Director on the Boards of a number of prestigious companies in 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.

BOARD OF DIRECTORS



Shri Sukamal Chandra Basu - Independent 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 the 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.



Smt. H.K. Joshi - Director

Smt. H.K. Joshi, Director (Finance) joined SCI on 5th February, 2015 and was also appointed as CFO of the Company w.e.f the same date. She has also held the additional charge of Director (P&A) w.e.f. 11th August, 2017. The charge was handed over to the new incumbent w.e.f. 24th April, 2018.

With a very rich and diversified experience spanning over three decades with ONGC, a Mammoth Maharatna PSU, her experience 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. This assignment gave her a lot of opportunity to travel and develop her professional attributes to International standards. She started her career as a Lecturer in Delhi University and joined the corporate world in 1984. She is a Fellow Member of the Institute of Cost Management Accountants of India. Mrs Joshi, a B.Com (Honours) & an M.Com from the prestigious Delhi School of Economics, Delhi University has been a rank holder in her post-graduation and is also a life member of the Institute of Public Administration, Delhi.

She has been the recipient of "The Most Influential CFOs of India Award" from Chartered Institute of Management Accounts, UK for two successive years, 2015 and 2016. She has also been awarded with "The Tenth India CFO Awards – Excellence in Finance to enable a Turnaround" hosted by International Market Assessment India Private Limited in association with Pierian Services in May 2016. In July 2015, she was honoured with "CMA CFO Award 2014" from The Institute of Cost Accountants of India. On 3rd of February 2018, she has been conferred with the Best Woman Employee Award 1st Place (Executive Category) by the Forum of Women in Public Sector (under the aegis of SCOPE).

She believes in team work which is evidenced with the various group awards that she received in her previous assignment with ONGC.



Shri Shrikant V. Kher - Director

Shri Shrikant V. Kher, Director of Bulk Carriers and Tankers joined the Shipping Corporation of India in 1985 and has served in various Divisions of the Corporation. He is a holder of MBA in Marketing and has completed his M.Sc. (Shipping Management) from the World Maritime University, Malmö Sweden.

Shri Kher has vast experience in Off Shore projects, Business Development and Commercial operations of Bulk Carriers & Tankers and LNG Tankers. He was closely involved in the formation of LNG JV Companies which now own a total of 4 LNG tankers. These are fully managed by SCI through a pool of qualified and experienced Officers. During his tenure as Senior Vice President of Bulk Carriers, he has acquired in depth understanding in the trade and nuances of the Dry Bulk Sector. At the helm of the BNT Division, he continues to provide a thrust for catering to the requirement of sea transportation for various energy resources required by the Indian Charterers/Industry.