

# 1

## Introduction

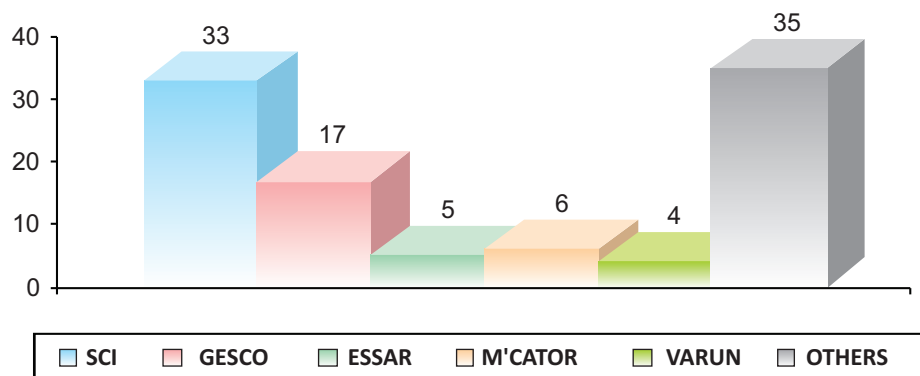
### 1.1 Shipping Industry

The shipping industry being global in nature, its prospects are linked to the growth of trade and services of the countries. India has a long coastline of 7517 kilometres with 12 major and 200 minor ports and about 95 per cent of India's international trade by volume or approximately 70 per cent by value is seaborne (March 2009). The performance of the shipping industry assumes great significance in the Indian economy as it contributes 2.5 to 3 per cent of GDP. A study conducted (2006) by the Working Group on Shipping and Inland Water Transport constituted by Planning Commission emphasized the need for increased national tonnage, as out of the total freight bill of ₹ 73,300 crore of the country an amount of ₹63,900 crore was paid to foreign flagged vessels towards freight.

Around 65 per cent of the total Indian fleet of 9.61 million Gross Tonnage<sup>1</sup> (March 2010) was owned by five big companies, viz. the Shipping Corporation of India Limited (33 per cent), Great Eastern Shipping Company Limited (17 per cent), Mercator Lines Limited (6 per cent), Essar Shipping and Logistics Limited (5 per cent, Varun Shipping Limited (4 per cent) and balance by other smaller companies as depicted in the graph below.

GRAPH-1

Share of Fleet by Companies in India



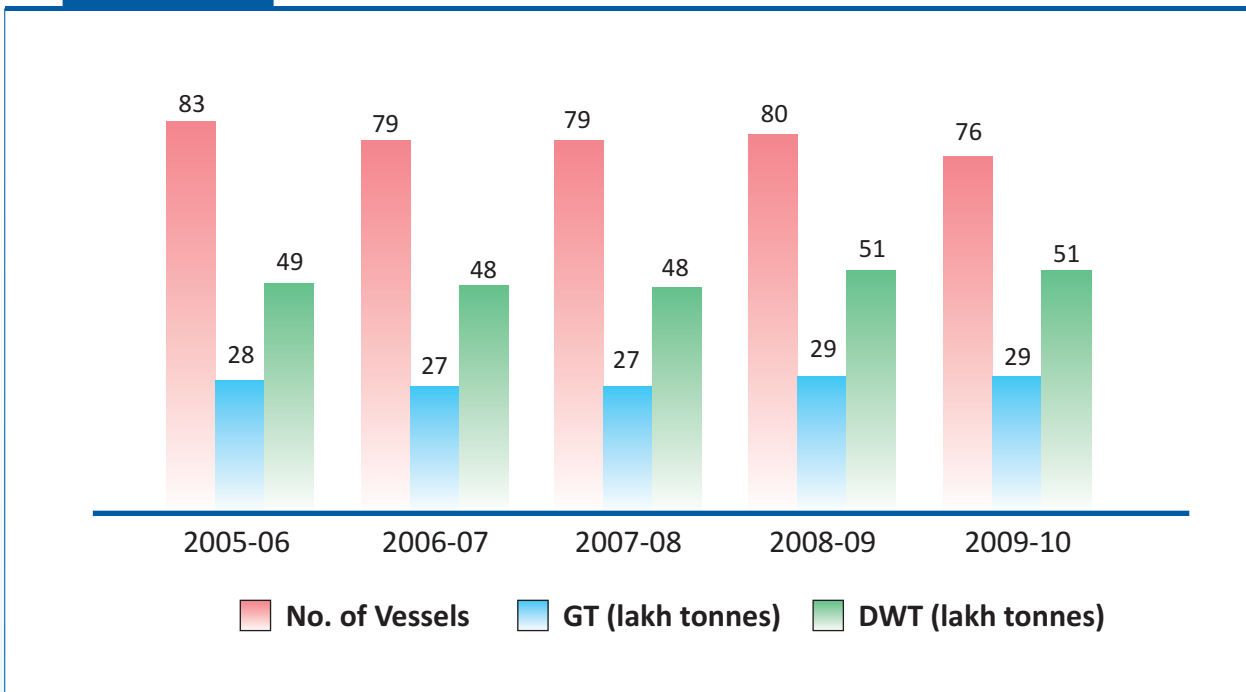
<sup>1</sup> Gross Tonnage (GT) or Gross Registered Tonnage (GRT) is a notified measure of ship capacity calculated from the total volume of all enclosed spaces measured in cubic meters, using a standard formula.

## 1.2 Company profile

The Shipping Corporation of India Limited (Company) was formed in October 1961 by amalgamating Eastern Shipping Corporation and Western Shipping Corporation. Since August 2008, the Company is enjoying Navratna status. Being the country's largest shipping company, it owns and operates around one third of the Indian tonnage and provides various kinds of marine trade services such as tanker, break bulk, liner services, etc. Besides, it also mans and manages number of vessels on behalf of various Government departments and organizations.

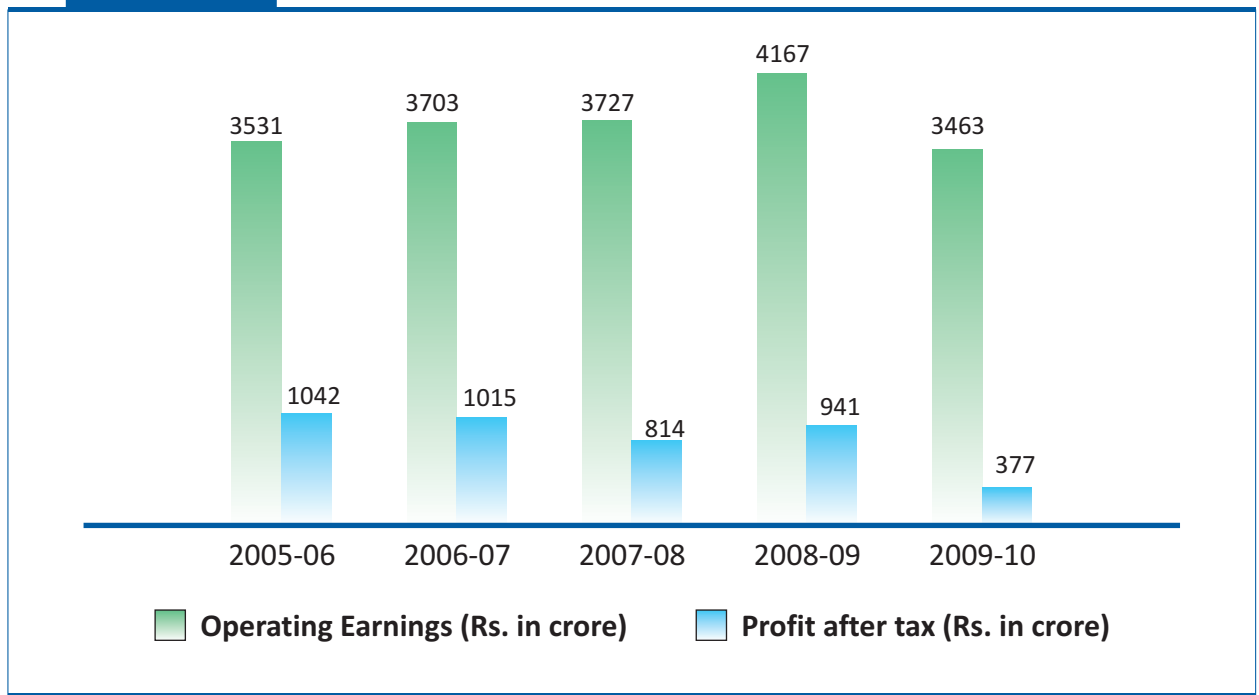
The fleet represents the assets of the shipping company and the growth of the operating revenue is linked to its fleet strength. The key parameters of the Company like fleet strength, Dead Weight Tonnage (DWT)<sup>2</sup>, Gross Tonnage (GT), Operating Earnings and Profit after tax for the five years ending 31 March 2010 are briefed in the following graphs:

GRAPH-2



<sup>2</sup> Dead Weight Tonnage (DWT) is the displacement of any loaded condition minus the lightship weight. It includes the crew, passengers, cargo, fuel, water and stores.

GRAPH-3



As may be seen from the above graphs, the fleet strength of the Company reduced from 83 in 2005-06 to 76 in 2009-10 and there was only marginal increase in the Gross Tonnage during this period. Consequently, the growth of the Company in terms of earnings and profit remained dismal over the period of five years from 2005-06 to 2009-10 in general and in particular in 2009-10; which was one of the main reasons for undertaking the present study.