

**Shipping Corporation of India Ltd.**

November 30, 2010

<b>Price Band</b>	: ₹135 - 140per share
<b>Minimum Bid Lot Size</b>	: 50 Equity Share
<b>IPO open during</b>	: Nov. 30 – Dec. 3, 2010 (for QIBs issue closes on Dec. 2, 2010)
<b>Book Running Lead Managers</b>	: SBI Capital Markets, IDFC Capital, and ICICI Securities
<b>To list on</b>	: NSE & BSE
<b>PE</b>	: 14.8x (based on base price)*
	: 15.3x (based on cap price)*
<b>Market Cap post-listing</b>	: ₹6521Cr or \$1426mn (based on the cap price)
<b>Market Cap of Free-Float</b>	: ₹2364Cr or \$517mn (based on the cap price)

\* based on FY10 EPS.

IPO of 84.69mn equity shares of ₹10/- each, aggregating to ₹1185.7Cr or \$259.28mn (at the cap price) consisting of a fresh issue of 42.35mn shares aggregating to ₹592.84Cr (at the cap price) and an offer for sale of 42.35mn shares aggregating to ₹592.84Cr (at the cap price) by Government of India.

**Shareholding Pattern**

Shareholder Categories	Pre-Issue		Post-Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters & Promoters Group	339,288,342	80.12%	296,942,977	63.75%
QIBs excl. Mutual Funds	84,165,303	19.88%	168,856,033	36.25%
Mutual Funds				
Non-Institutional Investors				
Public				
<b>Total</b>	<b>423,453,645</b>	<b>100.0%</b>	<b>465,799,010</b>	<b>100.0%</b>

**Executive Summary**

- Shipping Corporation of India Ltd. (SCI) is one of the largest shipping companies in India in terms of Indian flagged tonnage with approx. 35% share of Indian flagged tonnage as of June 30, 2010.
- As of October 31, 2010, SCI's fleet included 18 dry bulk carriers of 781,777 DWT, four VLCCs of 1,274,175 DWT, 18 crude oil tankers of 2,081,003 DWT, 15 product tankers of 877,726 DWT, 10 offshore supply vessels of 17,904 DWT, five container vessels of 202,413 DWT, three phosphoric acid and chemical carriers of 99,174 DWT, two gas carriers of 35,202 DWT and two passenger-cum-cargo vessels of 5,303 DWT.
- SCI's customers comprise of Government agencies, large industrial concerns, international oil companies and public sector undertakings. The company has also entered into six strategic joint ventures.
- The Government has awarded SCI with a 'Navratna' status in August 2008 leading to enhanced delegation of powers to the Board, including, the areas of capital investment, formation of joint venture, and opening of new offices.
- SCI is one of India's leading shipping companies with a long established reputation and strong customer relationships with various public sector undertakings and the Government, among others.
- SCI owns a variety of modern and technologically advanced vessels, which include bulk carriers, VLCCs, crude oil tankers, product tankers, container vessels, passenger-cum-cargo vessels, phosphoric acid and chemical carriers, LPG and ammonia carriers, and offshore supply vessels.
- SCI is a key beneficiary of India's economic growth. Capability to grow fleet size positions helps the company to take advantage of attractive asset prices and anticipated growth in the shipping industry.

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- As of September 30, 2010, SCI has ₹2310.34Cr cash and cash equivalents on its balance sheet with a debt to equity ratio of 0.55x and a current ratio of 2.96x.

### **Company Background**

Shipping Corporation of India Limited (SCI) was incorporated as Eastern Shipping Corporation Ltd. in March 1950. With effect from October 1961, Western Shipping Corporation Limited was amalgamated with the company under the Shipping Corporations Amalgamation Order, 1961, issued by the Government and the name of the company was changed to the Shipping Corporation of India Limited on October 21, 1961. The company came out with its IPO of 52,245,900 equity shares held by Ministry of Shipping by way of an offer for sale in September 1992.

### **Promoters and Management**

The promoter of SCI is the President of India acting through the Ministry of Shipping and currently holds 80.12% of the pre-Issue paid-up equity share capital of the company.

Mr. S. Hajara is Whole-time Director, Chairman and Managing Director of SCI since September 2005. He has experience in marketing, chartering, import operations, liner conference/bilateral matters, LNG projects and commercial operations in liner, dry bulk and tanker sectors.

### **Industry Overview**

The shipping industry is fundamental to international trade, being the only practicable and cost effective way means of transporting large volumes of many essential commodities and finished goods. In 2008, total annual world seaborne trade amounted to 8.7bn tonnes of goods (loaded). Dry cargo, including bulk, break bulk and containerized cargo, accounted for the largest share of goods loaded (66.3%) while oil and related products made up the balance.

### **World Seaborne Trade**

Although maritime transport has generally been associated with the carriage of high-volume, low-value goods such as iron ore and coal, over recent years the share of low-volume, high-value goods such as manufactured goods carried by sea has been growing. This shift is a function of global and regional GDP growth and a growing dislocation between the locations of resources, manufacturing bases and key areas of consumption. During the past three decades, the annual average growth rate of world seaborne trade is estimated to have been 3.1% per annum. At this rate of growth, UNCTAD expects global seaborne trade to increase by 44% in 2020 and double by 2031, potentially reaching 11.5bn tonnes and 16.04bn tonnes, respectively.

### **Indian Seaborne Trade**

In 1990, India had 12 Major Ports, and these ports achieved a total throughput of 148mn tonnes per annum, 272mn tonnes per annum and 561mn tonnes per annum in FY90, FY00 and FY10, respectively. The traffic at Indian ports has grown at a CAGR of 7.4% during the period from 1994 to 2010.

## Commodity Traffic at all Major Ports (“000 tonnes)

	Petroleum Oil & Lube	Fertili zers (finished)	Fertili zer (raw material)	Food grain	Iron ore	Coal	Other cargo	Total
1993–94	76,922	4,256	3,187	1,440	34,128	26,427	32,900	179,260
1998–99	107,444	4,664	8,105	3,571	34,288	42,762	50,886	251,720
2003–04	122,163	2,857	8,973	6,831	58,810	53,538	91,627	344,799
2007–08	168,897	10,612	6,052	2,903	91,974	64,725	174,077	519,240
2008–09	176,138	12,153	6,074	NA	94,036	70,399	171,733	530,533
2009–10	165,482	10,949	6,779	NA	99,914	71,584	196,260	560,968

### Indian Merchant Fleet

Shipping plays an important role in Indian economy. Approximately 95% of the country’s import and export merchandise trade by volume, and 70% by value, is moved by sea. The size of the Indian merchant shipping fleet has grown with the volume of Indian import and export trade. The Indian merchant shipping fleet grew from 59 vessels of 192,000 GT (Gross Tonnage) in 1947 to 1007 vessels of 9.61mn GT as of June 30, 2010.

Approximately, the Indian merchant fleet carries 9.5% of India’s overseas trade. Historically, there has been a significant gap between growth in India’s overseas trade and available tonnage in the Indian merchant fleet. As a result, the share of Indian overseas trade being shipped by the Indian merchant fleet has declined.

According to DG Shipping, the Indian merchant fleet consists of 1,007 vessels comprising of 15.9mn dead weight tonnage (DWT), as of June 30, 2010, which makes its fleet one of the largest merchant shipping fleets among developing countries, and ranked 15th in the world. Crude oil tankers comprise 36% of the Indian merchant fleet by tonnage, representing 74 vessels of 5.82mn DWT. The next largest category is dry bulk cargo carriers, comprising 32% of the fleet, and representing 175 vessels of 5.1mn DWT.

### Indian Tanker and the POL Product Fleet

As of June 30, 2010, crude oil carriers and the product carriers represent 60% of India’s merchant fleet by DWT. As of June 30, 2010, the Indian crude tanker fleet consist of 63 vessels aggregating to 5.85mn DWT with an average age of 15 years and average capacity of approximately 93,000 DWT and the Indian product tanker fleet consist of 70 vessels aggregating to 3.61mn DWT with an average age of 17.6 years and an average capacity of 51,650 DWT.

### Business Operations

Shipping Corporation of India Ltd. (SCI) is one of the largest shipping companies in India in terms of Indian flagged tonnage with approx. 35% share of Indian flagged tonnage as of June 30, 2010. The company’s fleet includes dry bulk carriers, very large crude carrier (VLCC) tankers, crude oil tankers, product tankers, container vessels, passenger-cum-cargo vessels, phosphoric acid and chemical carriers, LPG and ammonia carriers and offshore supply vessels. As of October 31, 2010, its fleet included 18 dry bulk carriers of 781,777 DWT, four VLCCs of 1,274,175 DWT, 18 crude oil tankers of 2,081,003 DWT, 15 product tankers of 877,726 DWT, 10 offshore supply vessels of 17,904 DWT, five container vessels of 202,413 DWT, three phosphoric acid and chemical carriers of 99,174 DWT, two gas carriers of 35,202 DWT and two passenger-cum-cargo vessels of 5,303 DWT. The company has ordered the construction of 26 vessels as of October 31, 2010 while delivery is scheduled between the year ended 2010 and 2013.

SCI's customers comprise of Government agencies, large industrial concerns, international oil companies and public sector undertakings. The company has also entered into six strategic joint ventures.

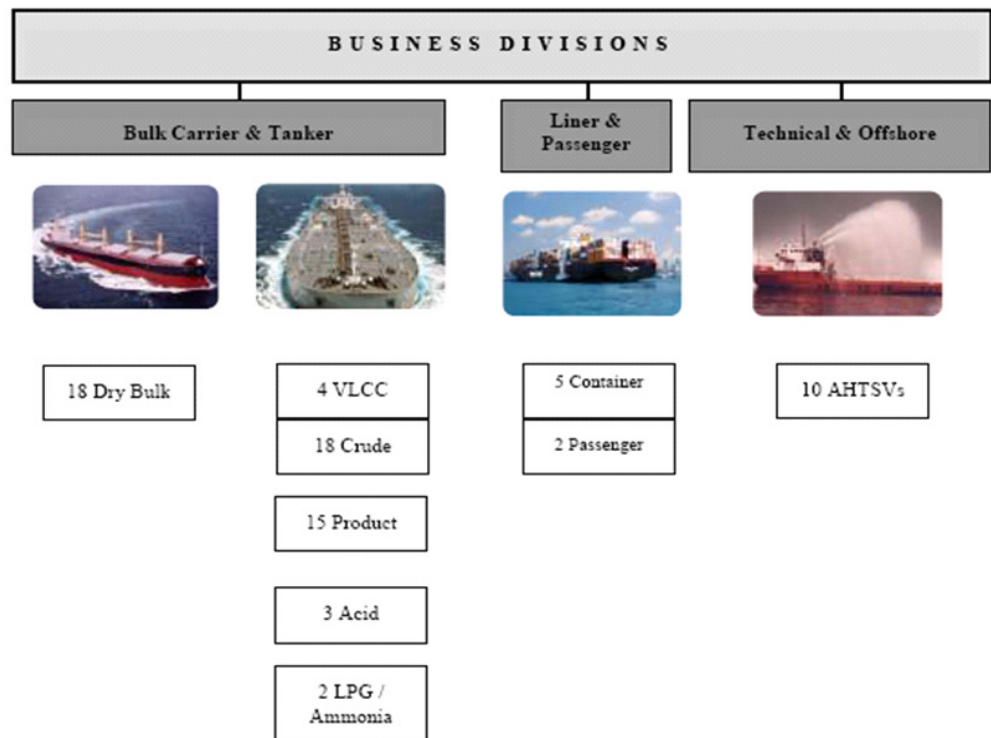
The company operates through offices located in Mumbai, Delhi, Chennai and Kolkata. It also has an office in London. As of October 31, 2010, SCI has a network of more than 121 agents worldwide.

The Government has awarded SCI with a 'Navratna' status in August 2008 leading to enhanced delegation of powers to the Board, including, the areas of capital investment, formation of joint venture, and opening of new offices. Its performance has been rated 'excellent', the highest rating, for 18 years pursuant to its Memorandum of Understanding with the Government.

Economic activity and international shipping volumes, particularly in the energy-related shipping sector have direct impact on SCI's business. In the twelve months ended December 31, 2009, demand for shipping services as well as the prices charged by international shipping companies dropped significantly, as the world economy came under pressure and shipping markets underwent a correction, including the Indian shipping market.

**Business Units**

SCI's existing business operations are divided into the following three divisions: (1) bulk carrier and tanker, (2) liner and passenger services, and (3) technical and offshore services.



## **Bulk Carriers and Tankers**

The bulk carrier and tanker division together are the primary income source and a profit centre for the company, accounting for 71.14%, 71.71%, 68.43% and 62.88% of its total income for FY08, FY09, FY10 and the six-month period ending September 30, 2010, respectively.

## **Liner and Passenger Services**

The liner division accounted for 20.3%, 18.09%, 21.37%, and 27.56% of its total income for FY08, FY09, FY10 and the six-month period ending September 30, 2010, respectively.

## **Technical and Offshore**

Technical division supports in vessel acquisition, disposal of vessels and provides technical consultancy services to various organizations. This division monitors its fleet and plans for the replacement of existing vessels or the requirement of additional tonnage, as may be required by developments within the company or other organizations in the shipping industry. SCI also offers vital offshore logistics support services to the Indian oil industry in its oil exploration activities. As of October 31, 2010, SCI owned a fleet of ten offshore vessels. These vessels are specifically designed for anchor handling operations, with open sterns for the decking of anchors.

## **Strengths**

### **Established brand name and reputation**

SCI is one of India's leading shipping companies with a long established reputation and strong customer relationships with various public sector undertakings and the Government, among others. The Government bestowed the status of 'Navratna' to the company in August 2008.

### **Diversified fleet**

SCI owns a variety of modern and technologically advanced vessels, which include bulk carriers, VLCCs, crude oil tankers, product tankers, container vessels, passenger-cum-cargo vessels, phosphoric acid and chemical carriers, LPG and ammonia carriers, and offshore supply vessels. This fleet diversification allows it to enter into chartering arrangements of varying duration with different types of customers.

### **Experienced management team**

SCI is led by an experienced and qualified management team with a proven track record of success and knowledge of the Indian and international shipping industry. Many of its senior managers are former sailors with years of operational experience.

### **Well-positioned to grow fleet size to take advantage of India's growth**

SCI is a key beneficiary of India's economic growth. Capability to grow fleet size positions helps the company to take advantage of attractive asset prices and anticipated growth in the shipping industry. The company is able to provide services to all major ports on the east and west coast of India.

### **Strong balance-sheet**

As of September 30, 2010, SCI has ₹2310.34Cr cash and cash equivalents on its balance sheet with a debt to equity ratio of 0.55x and a current ratio of 2.96x.

### Strategic joint ventures

SCI has six strategic JVs, which provides the company various synergies and access to markets. Through these JVs, SCI become the first Indian shipping company to participate in the transportation of LNG. The company partnered with three Japanese shipping companies to own and operate three LNG tankers and has taken over the operation and management of two LNG tankers.

### Preferred Indian shipping company with the largest all-India flagged fleet

SCI owns the largest fleet in terms of tonnage under the Indian flag, according to D.G. Shipping. All of its owned vessels are Indian flagged vessels, which provide the company certain advantages under cabotage laws and in capturing domestic contracts including those from the Government. In addition, because of its long standing history, the Government and public sector companies look to SCI for their shipping requirements, including transport services for certain sensitive sectors such as oil and gas.

### Objects of the Issue

The object of the Issue is to carry out the divestment of 42,345,365 equity shares by the Selling Shareholder and fresh issue of 42,345,365 equity shares.

The company intends to utilize the Net Proceeds for the following objects:

- (a) Part funding the acquisition of certain vessels by the Company; and
- (b) General corporate purposes.

Utilisation of Net Proceeds			(₹Cr)
Particulars	Estimated Total Cost	Amount proposed to be financed from debt	Total Amount to be financed from the Net Proceeds/ Internal Accruals
Acquisition of certain vessels by the company	2,663.96	2,026.12	637.84
General corporate purposes	[•]	-	[•]
<b>Total</b>	<b>[•]</b>	<b>2,026.12</b>	<b>[•]</b>

### Investment Risks

(Please refer to the RHP for a complete listing of risk factors)

SCI is susceptible to unexpected increases in operating costs, which may exceed estimates upon which its long-term contracts for the employment of its vessels are based and this could adversely affect the results of operations.

High risks from exchange rate fluctuations and movements in interest rates.

Reliance on a single customer to charter its fleet of anchor handling and towing supply vessel

SCI has not entered into any contracts to employ the vessels, which the company intends to acquire using the net proceeds of the Issue, and if it fail to secure sufficient demand for it's newly acquired vessels, or at all, its financial condition and results of operations would be adversely affected.

SCI is exposed to the credit risks of its customers and certain other third parties, and the nonpayment, non-performance or insolvency of these parties could adversely affect its financial condition and results of operations.

## Restated Profit & Loss Statements

(₹Cr)

	FY06	FY07	FY08	FY09	FY10	30th Sep 2010
<b>INCOME</b>						
Operating Earnings	3,613.65	3,717.56	3,738.99	4,166.77	3,460.40	1,789.36
Profit on sale of Ships	12.10	82.78	0.00	34.46	122.51	143.49
Interest Income	172.58	219.69	227.69	272.72	218.15	88.11
Excess provisions/ Sundry credit balances written back	24.42	158.19	57.76	10.15	66.18	17.37
<b>Total Income</b>	<b>3,822.74</b>	<b>4,178.22</b>	<b>4,024.44</b>	<b>4,484.10</b>	<b>3,867.24</b>	<b>2,038.33</b>
<b>EXPENDITURE</b>						
Operating Expenses	2,138.65	2,555.81	2,603.73	2,810.46	2,765.29	1,222.83
Administration Expenses	126.25	135.16	182.37	205.01	198.90	109.69
Other Expenses, Provisions etc.	11.04	26.21	40.42	53.81	16.11	8.88
<b>Total Expenditure</b>	<b>2,275.93</b>	<b>2,717.18</b>	<b>2,826.52</b>	<b>3,069.28</b>	<b>2,980.30</b>	<b>1,341.41</b>
EBITDA	1,546.80	1,461.04	1,197.92	1,414.83	886.94	696.92
Other Income	24.77	22.68	24.00	76.92	32.74	11.44
Interest	79.05	80.13	60.89	64.67	52.53	25.56
Depreciation	303.58	291.62	302.85	325.18	381.17	205.21
<b>EXTRA-ORDINARY ITEMS</b>						
Less: Provision towards loss of Ship / other incidental charges	0.00	0.00	0.00	21.40	0.00	0.00
Less: Provision towards NYSA USA pension liability due to exit from IDX Service	0.00	0.00	13.76	3.92	0.00	0.00
<b>PROFIT BEFORE TAX</b>	<b>1,188.94</b>	<b>1,111.97</b>	<b>844.42</b>	<b>1,076.58</b>	<b>485.97</b>	<b>477.58</b>
Provision for Indian Income Tax						
Current	69.47	92.94	85.94	109.94	99.28	45.00
Fringe Benefit Tax	3.00	2.90	3.85	4.00	0.00	0.00
<b>PROFIT AFTER TAX</b>	<b>1,116.47</b>	<b>1,016.13</b>	<b>754.63</b>	<b>962.64</b>	<b>386.70</b>	<b>432.58</b>
<b>EBITDA margin (%)</b>	<b>40.5%</b>	<b>35.0%</b>	<b>29.8%</b>	<b>31.6%</b>	<b>22.9%</b>	<b>34.2%</b>
<b>EPS (₹)</b>	<b>26.37</b>	<b>24</b>	<b>17.82</b>	<b>22.73</b>	<b>9.13</b>	<b>10.22</b>
<b>Book Value (₹)</b>	<b>103.18</b>	<b>120.70</b>	<b>131.87</b>	<b>146.97</b>	<b>150.24</b>	<b>160.45</b>

## Restated Balance Sheets

(₹Cr)

	FY06	FY07	FY08	FY09	FY10	30th Sep 2010
<b>FIXED ASSETS</b>						
Gross Block	6,818.87	6,705.38	6,694.25	8,161.82	8,893.20	9,133.70
Less: Depreciation	3,558.97	3,732.40	4,035.03	4,324.83	4,378.35	4,267.07
Net Block	3,259.90	2,972.98	2,659.22	3,836.99	4,514.85	4,866.63
Assets under Construction	237.26	762.55	2,007.20	2,099.85	1,854.70	2,756.20
Assets held for Disposal	-	-	0.018	0.017	0.015	0.016
Total Fixed Assets	3,497.16	3,735.54	4,666.43	5,936.86	6,369.56	7,622.85
<b>INVESTMENTS</b>	<b>8.963</b>	<b>24.001</b>	<b>41.465</b>	<b>111.47</b>	<b>166.67</b>	<b>280.28</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>						
Inventories	70.25	73.849	90.066	63.336	83.207	88.868
Sundry Debtors	385.21	345.19	398.33	439.90	339.93	391.88
Cash & Bank Balances	2,097.33	2,624.69	2,091.21	2,672.86	2,406.46	2,310.34
Deposit with Public Financial Institutions	150.00	-	165.00	160.00	270.00	522.50
Other Current Assets	82.86	109.56	93.871	101.81	139.12	154.99
Amounts advanced to Joint Venture Companies	218.93	314.28	265.90	263.43	234.83	227.86
Loans and Advances	356.17	326.06	295.13	331.42	319.86	321.63
<b>Total Current Assets</b>	<b>3,360.75</b>	<b>3,793.63</b>	<b>3,399.50</b>	<b>4,032.76</b>	<b>3,793.40</b>	<b>4,018.06</b>
<b>LOAN FUNDS</b>						
Secured Loans	1,374.40	1,244.71	1,454.20	2,471.68	2,696.86	3,768.20
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>						
Sundry Creditors & Other Liabilities	1,054.21	1,139.32	875.938	978.92	930.14	1,017.54
Provisions	68.963	57.962	192.98	406.81	340.63	341.31
Total Current Liabilities & Provisions	1,123.17	1,197.28	1,068.92	1,385.73	1,270.77	1,358.85
<b>Net Worth</b>	<b>4,369.30</b>	<b>5,111.18</b>	<b>5,584.27</b>	<b>6,223.68</b>	<b>6,362.00</b>	<b>6,794.13</b>
Share Capital	282.30	282.30	282.30	423.45	423.45	423.45
Reserves & Surplus	4086.992	4828.876	5301.97	5800.221	5938.547	6370.674
<b>Net Worth</b>	<b>4,369.30</b>	<b>5,111.18</b>	<b>5,584.27</b>	<b>6,223.68</b>	<b>6,362.00</b>	<b>6,794.13</b>

**Keynote Capitals Ltd.**

**Member**

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