



WELCOME TO THE PRESS CONFERENCE

OCT 11, 2011



Purpose of Press Conference

Certain reports have appeared in the press questioning SCI's financial health, debt-raising ability, etc. Such reports had adverse repercussions on share prices and raised doubts in the mind of various stake holders.

SCI would like to address these issues and clarify the doubts.

Points raised in the Media

– SCI Financial conditions ?

Rs.Crores

Particulars	2009-10	2010-11
Earnings	3896	4019
Profit	377	567
Equity	6337	7168
Debt	2697	4715
Debt/Equity Ratio	0.43	0.66
Earnings per share	Rs 9/-	Rs.13/-
Dividend per share	Rs. 5/-	Rs.5.50

The above shows sound financial health of SCI.

Is SCI getting in to Debt trap ?

- SCI has low debt compared to equity i.e. 0.66 as on 31st March 2011.
- SCI's debt equity ratio will not exceed 1:1 even with the implementation of all the CAPEX program of XI plan.
- SCI's Cash Reserves as on 31st March 2011 stood at 2467 crores.
- SCI does not avail any Working Capital Loan because of its Cash reserves.
- In view of above getting into debt-trap does not arise.

Doubts on SCI borrowing capacity

- SCI raises funds at very attractive rates on the strength of its strong Balance Sheet. The average interest on borrowings in 2010-11 was less than 2%.
- SCI has excellent track record of debt servicing.
- SCI does not arrange loan immediately on placement of contract with shipyards. Ships are constructed over 2-3 years and payments are made in about 5 installments including the delivery payments. First 1-2 installments are released from equity.

Doubts on SCI borrowing capacity

- In fact the Shipyards do not start building the ordered Ships immediately. They start after quite sometime depending on their order book. As payments are event based, loan requirement arises much later.
- SCI approaches lenders only when installment from loan falls due. There is no delay in arranging Loan ever in the past.
- Early arrangement of Loan than required, will attract payment of commitment charges.



The Firm stands to lose around 200 million from the proposed purchase of Vessels ?

- Present order book of 28 vessels.
- Orders placed from 2008 to 2011.
- Shipping- Cyclical industry. Asset prices and freight rates both fluctuate from time to time.
- Out of 28 vessels, market price of 9 vessels have declined. Prices of other vessels remain in line with the present market.

The Firm stands to lose around 200 million from the proposed purchase of Vessels ?

- Being a going concern SCI keeps placing orders for vessels.
- Life span of Ships – 25 years. Even though prices of few vessels ordered come down, average price for all the ships ordered remain reasonable. Prices which have come down will again go up with the revival cycle.
- In a cyclical industry like shipping, not possible to order at bottom level of prices all the time.



The Firm stands to lose around 200 million from the proposed purchase of Vessels ?

- As on 31st March 2011, Book value (net block) of entire Fleet of SCI was Rs. 7282 crores., whereas their present market value today is Rs. 8400 crores.



Company Board in its last meeting had proposed a complete ban on fresh acquisition ?

Though long term plan for Capex is prepared, the same is reviewed by management every year and every quarter aligning them with the market conditions and resource availability. This is nothing new. In fact after the financial market turmoil in 2008, SCI slowed down its Capex and resumed in 2010-11.

Board has reviewed the program again and looking at the present market conditions, decided to go slow.

Financials of SCI as on 31st March 2011

Rupees

Particulars	Rupees
Equity	7168 Cr
Debt	4715 Cr
Debt Equity Ratio	0.66
Book Value of Shares	154/-
Book Value (Net Block) of Fleet	7282 Cr
Market Value of above Fleet	8431 Cr
Net Asset Value (NAV)	181/-
Cash and Bank Balances	2467
Earnings per share	13/-
Dividend per share	5.50
Profit for the year 2010-11	567 Cr
Interest on Loan as %age of Total expenses	2%



SCI Fleet Profile as on 01st Oct 2011

- No of vessels – 81
- DWT – 5.82 Million
- Average Age 14.50 years

SCI Fleet Profile as on 01st Oct 2011

Particulars	No	DWT /mill ton
Dry Bulk Carriers	17	0.83
VLCC	4	1.27
Crude Oil Carriers	20	2.35
Product Carriers	15	0.95
Chemical / LPG	5	0.13
Offshore Vessels	11	0.02
Passenger Vessels	2	0.01
Container and Break- Bulk	7	0.26
TOTAL	81	5.82



Advantage of Young Fleet.

- Lesser repairs and maintenance.
- Lesser idle time.
- More Acceptability by Charterers and Port State Control.

Fleet Position - Going Forward.

With delivery of 28 ships year wise Fleet position

Particulars	Mar-12	Mar-13	Mar-14	Mar-15
Number of Vessels	93	103	108	108
DWT (Million Tonnes)	6.17	6.74	7.63	7.63
Average Age	14.08	13.69	14.06	15.06

With Additional capacity, SCI is poised for better Future as the market picks up.



THANK YOU