



A Navratna Company
ISO 9001:2008

भारतीय नौवहन निगम लिमिटेड

(भारत सरकार का उद्यम)

पंजीकृत कार्यालय: शिपिंग हाउस, 245 मादाम कामा रोड, मुंबई - 400 021.

फोन: 91-22-2202 6666, 2277 2000 फैक्स: 91-22-2202 6905 वेबसाइट: www.shipindia.com

The Shipping Corporation Of India Ltd.

(A GOVERNMENT OF INDIA ENTERPRISE)

Regd. Office: Shipping House, 245, Madame Cama Road, Mumbai-400 021. Ph: 91-22 2202 6666, 2277 2000

Fax: 91-22 22026905 • Website: www.shipindia.com

सीआईएन/CIN-L63030MH1950GOI008033

Ref.No.: A10-SEC- BD-808-16

27.07.2016

To,

Corporate Relationship Department,
Bombay Stock Exchange Ltd, 1st Floor, New
Trading Ring, Rotunda Building, P.J. towers,
Dalal Street, Fort, Mumbai – 400 001

The Manager,
Listing Department, **The National Stock
Exchange of India Ltd.**, 'Exchange Plaza'
Bandra-Kurla Complex, Bandra (East)
MUMBAI - 400 051.

The Secretary
The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, KOLKATA 700 001.

Dear Sir,

At the meeting of Board of Directors of SCI held on 27.07.2016, the Annual Consolidated Financial Results for Financial year ended on 31.03.2016 were approved.

Please find enclosed herewith following:

- 1) A copy of Consolidated Financial results for Financial Year ended on 31.03.2016.
- 2) Statement of Assets and Liabilities.
- 3) Copy of 'Audit Report' by Auditors of the company.
- 4) Statement on Impact of Audit Qualifications.

The Meeting of the Board of Directors commenced at 11:30 am and concluded at 5-30

Thanking You,

Yours faithfully,

कृते भारतीय नौवहन निगम लिमिटेड
For THE SHIPPING CORPORATION OF INDIA LTD.


दिपांकर हालदार/DIPANKAR HALDAR
कार्यकारी निदेशक (विधिक मामले) एवं कंपनी सचिव
Executive Director (Legal Affairs) & Company Secretary

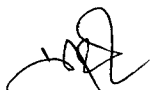
THE SHIPPING CORPORATION OF INDIA LTD.
CONSOLIDATED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2016

Amount in ₹lakhs			
SR NO	PARTICULARS	YEAR ENDED	
		31.03.2016 (AUDITED)	31.03.2015 (AUDITED)
1 a)	Income from Operations	421,387	427,394
b)	Other Operating Income	3,411	3,730
c)	Profit on Sale of Ships	-	12,055
	Total Income from Operations	424,798	443,179
2	Expenditure -		
a)	Employee Cost (shore & floating)	46,623	42,217
b)	Bunker	63,749	118,420
c)	Port dues	34,566	36,066
d)	Cargo Handling Expenses	16,799	16,418
e)	Repairs & Maintenance	37,203	30,108
f)	Charter Hire	50,382	47,371
g)	Provisions	5,277	5,811
h)	Depreciation	61,072	80,149
i)	Impairment on assets	13,638	-
j)	Other Expenses	46,700	43,253
	Total Expenses	376,009	419,813
3	Profit from Operations before Other Income, finance costs & Exceptional Items (1-2)	48,789	23,366
4 a)	Interest Income	10,648	13,799
b)	Other Income	5,246	13,627
	Total	15,894	27,426
5	Profit before finance cost and Exceptional	64,683	50,792
6	Finance Costs	21,089	23,767
7	Profit from ordinary activities after finance cost but before Exceptional Items (5-6)	43,594	27,025
8	Exceptional Items	-	-
9	Profit from Ordinary Activities before Tax (7-8)	43,594	27,025
10	Provision for Current Tax	4,654	7,524
11	Net Profit from Ordinary Activities after Tax (9-10)	38,940	19,501
12	Extra Ordinary Items	-	-
13	Net Profit (11-12)	38,940	19,501
14	Paid Up Equity Share Capital (Face value Rs.10 each)	46,580	46,580
15	Reserves excl Revaluation Reserves as per Balance Sheet	644,256	605,336
16	Earning per Share (in Rs.)		
a)	Basic and diluted EPS before Extraordinary Items	8.36	4.19
b)	Basic and diluted EPS after Extraordinary Items	8.36	4.19

Segment-wise Revenue, Results and Capital Employed			
SR NO	PARTICULARS	YEAR ENDED	
		31.03.2016 (AUDITED)	31.03.2015 (AUDITED)
1	Segment Revenue		
	i. Liner Segment	53,471	90,185
	ii. Bulk Segment	336,039	317,017
	iii. Technical & Offshore Segment	33,955	34,891
	iv. Others	1,333	1,086
	Total	424,798	443,179
	Unallocated Revenue	5,246	13,627
	Total	430,044	456,806
2	Segment Results		
	Profit/(Loss) before Tax and Interest		
	i. Liner Segment	(15,900)	1,571
	ii. Bulk Segment	56,187	10,474
	iii. Technical & Offshore Segment	10,401	11,310
	iv. Others	1,008	720
	Total	51,696	24,075
	Add: Unallocated income (Net of expenditure)	2,339	12918
	Profit before Interest and Tax	54,035	36,993
	Less: Interest Expenses	21,089	23767
	Add: Interest Income	10,648	13799
	Profit before Tax	43,594	27,025
3	Capital Employed		
	i. Liner Segment	7,576	25,310
	ii. Bulk Segment	1,032,059	1,032,159
	iii. Technical & Offshore Segment	120,768	131,237
	iv. Others	66	(88)
	Total Capital Employed in Segments	1,160,469	1,188,618
	Unallocable Capital Employed	53,866	35,342
	Total Capital Employed in Company	1,214,335	1,223,960

The Shipping Corporation of India Limited
Consolidated Balance Sheet as at 31st March 2016

Particulars	As at 31st March, 2016 ₹ In lakhs	As at 31st March, 2015 ₹ In lakhs
I EQUITY AND LIABILITIES		
(1) Shareholders' Funds:		
(a) Share capital	46580	46580
(b) Reserves and surplus	644256	605336
(2) Non-current liabilities		
(a) Long-term borrowings	524832	614903
(b) Other Long-term liabilities	9	41
(c) Long-term provisions	14451	13797
(3) Current liabilities		
(a) Short term borrowings	-	3857
(b) Trade payables	100632	99499
(c) Other current liabilities	212028	195618
(d) Short-term provisions	6763	4257
TOTAL	1549551	1583888
II ASSETS		
(1) Non-current assets		
(a) Fixed Assets		
(i) Tangible assets	1245318	1226766
(ii) Intangible assets	58	1209
(iii) Capital work-in-progress	15793	56697
(b) Non-current investments	6	-
(c) Long-term loans and advances	37472	43358
(d) Other non-current assets	1242	1215
(2) Current assets		
(a) Current investments	3795	7718
(b) Inventories	8635	9266
(c) Trade Receivables	71832	79901
(d) Cash and Bank balances	136756	133547
(e) Short-term loans and advances	20057	13960
(f) Other current assets	8587	10251
TOTAL	1549551	1583888





Notes:

1. The above results were reviewed by the Audit Committee in its meeting held on 28.06.2016 and approved by the Board of Directors at its meeting held on 27.07.2016.
2. Segment Results:
 - a) Segment definitions - Liner segment includes breakbulk, container transport, passenger vessels and also passenger vessels & research vessels managed on behalf of other organisations. Bulk segment includes tankers (both crude and product), dry bulk carriers, gas carriers, phosphoric acid carriers, LNG vessels and income from management of LNG vessels. Technical & Offshore services segment include Group owned offshore vessels, offshore vessels managed on behalf of other organisations and income from technical consultancy. Others segment include income earned from Maritime Training Institute. Unallocable items and interest income/expenses are disclosed separately.
 - b) All expense & revenue items are allocated vessel wise wherever possible. Expense & revenue items that cannot be allocated vessel wise are allocated on the basis of unit cum GRT method i.e. 50% allocated on the basis of units & balance 50% on the basis of adjusted GRT. For vessels which are bigger than 20000 GRT, GRT is adjusted to one third of GRT or 20000 GRT, whichever is more.
 - c) Agent advances are allocated to segment in the ratio of expenses booked by the agents during the year.
3. The agency agreement with the agent at UAE ports was terminated w.e.f. 21.03.2015. The Company has invoked revolving bank guarantee of USD 1.6 million to recover outstanding dues of ₹ 1115 lakhs from the said agent. However, the agent has got injunction through court on encashment of bank guarantee. The company has already submitted all the documents to its appointed lawyers to enable the vacation of the injunction. Till date, 14 hearings/adjournments have taken place. Further, the Company is also simultaneously pursuing the matter with the agent for reconciliation of accounts and the bank has confirmed its liability to honour the bank guarantee once the Court injunction is lifted. Since the matter is still sub-judice in the Court of Fujairah, no provision is made in the books on this account as on 31.03.2016.
4. During the year the company has adopted the useful life of 25 years in respect of Tankers & Offshore vessels which is different from the useful life of 20 years specified in part C of Schedule II to the Companies Act, 2013 based on the technical parameters including design life and the past record. Further, the company while calculating the depreciation for the year has adopted the residual value of all the vessels as 5% of initial cost of vessels as against Re 1/- considered earlier, keeping in view the actual realisation in the past and the limit specified in part 'C' of Schedule II to the Companies Act, 2013. Consequent to the change, the depreciation for the year is lower & the profit for the year is higher by ₹ 19878 lakhs.
5. As per the requirements of Schedule II to the Companies Act, 2013, where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part shall be determined separately for depreciation purpose.

After detailed study, the company is of the view that none of the components of the fixed assets is having useful life different from the useful life of the remaining assets. Consequently, the ascertainment of cost of the components whether significant or not to the total cost of asset was not required. However, the option of treating dry docking expenses as a separate component is being studied by the management.

6. The carrying amounts of Company's assets have been reviewed at the Balance sheet date to determine whether there is any indication of impairment. Such indication exists in the case of few vessels. There is an impairment loss of ₹ 13638 lakhs provided in the statement of profit and loss account for the year which arose out of cash flow projections based on management's best estimate of the set of conditions that exists over the remaining useful life of the asset taking into consideration the following assumptions:
- a. Time charter yield is taken for next five years based on external evidence i.e, report of Drewry, a reputed research and advisory organisation for the maritime sector.
 - b. For the remaining economic life of the asset, the yearwise growth in the time charter yield has been extrapolated based on the historical data of last 15 years for the vessels published by Drewry taking the growth in the year 2003 over the year 2002 as the base year.
 - c. Budgeted standing charges and management expenses of the year 2016-17 are increased for each year from 2017-18 based on the management's best estimate of the likely increase in future.
7. The Company has made a provision of ₹ 900 lakhs for self lease of staff and officers from 01.04.2011 to 31.03.2015 on estimated basis
8. The auditors in their audit report for the year ended 31st March 2016 have brought out that;
- a. The direct access of overseas foreign agents to fund collected on account of freight and other charges without adequate security and regular monitoring mechanism is prone to risk of non /short-payment, the consequential effect of which on the statement of profit and loss remains unascertainable.
 - b. One of the vessels acquired in the year 2012-13 was undercapitalised by 3.50 million USD and the provision for interest @ 2.5% pa on this amount has not been made in the accounts from the year 2012-13. This has resulted in understatement of fixed assets by Rs.20.28 crores, overstatement of profits by Rs.4.98 crores and understatement of liability of Rs.25.25 Cr.

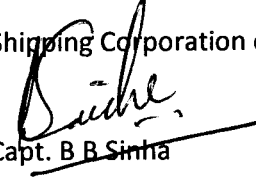
The management's views on the above observations are as below:

- a) The Bank Guarantees (BG) are taken from the Agents as per the defined Company Norms in order to mitigate risks in case of delays/default in non-payment of freight beyond stipulated period. These BGs are reviewed on annual basis to ensure their adequacy in terms of the company policy. There is an online system for monitoring of the outstanding from the agents which provide system reports. These reports are used for regular follow up with the agents.
- b) Since the accounts for FY 2012-13 have already been audited by the statutory auditors as well as by the C & AG and approved by the Board; the issue of undercapitalization in 2012-13 is being referred to Board for its consideration. Depending on the Board decision, necessary accounting entries, if required, will be passed in the books in FY 2016-17. Pending Board decision, interest @2.5% pa till 31.03.2016 on USD 3.5 million amounting to Rs. 2 crores is shown as contingent liability. In view of foregoing, there is

no impact on the profit, net worth, total assets and EPS of Company in the FY 2015-16 as the necessary accounting treatment, if required, will be given in the next financial year.

9. The audited annual accounts are subject to review by the Comptroller & Auditor General of India under section 143(6) of the Companies Act , 2013
10. The figures of the previous year/ period have been regrouped or rearranged wherever necessary / practicable to conform to current year / period's transactions.

For The Shipping Corporation of India Ltd.


Capt. B B Sinha

Chairman & Managing Director

Place: Mumbai

Date: 27.07.2016



INDEPENDENT AUDITORS' REPORT

To
The Members of
THE SHIPPING CORPORATION OF INDIA LIMITED

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE SHIPPING CORPORATION OF INDIA LIMITED**, (hereinafter referred as the Venturer company) and its jointly controlled entities (the venturer company and its jointly controlled entities together referred to as the "Group"), which comprise the Consolidated Balance Sheet as at **March 31, 2016**, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

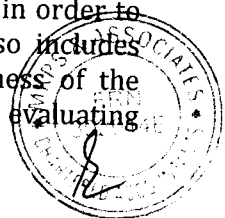
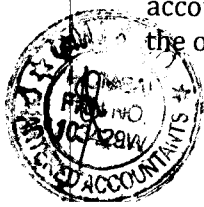
The Venturer Company's Board of Directors of the Venturer Company is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (the Act) to give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of the Consolidated financial statements by the Board of Directors of the venturer company, as aforesaid.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We have conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Venturer Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. Basis for Qualified Opinion

- a. The direct access of overseas foreign agents to fund collected on account of freight and other charges without adequate security and regular monitoring mechanism is prone to risk of non /short-payment, the consequential effect of which on the statement of profit and loss remains unascertainable.
- b. One of the vessels acquired in the year 2012-13 was under capitalised by 3.50 million USD and the provision for interest @ 2.5% pa on this amount has not been made in the accounts from the year 2012-13. This has resulted in understatement of fixed assets by Rs.20.28 crores, overstatement of profits by Rs.4.98 crores and understatement of liability of Rs.25.25 Cr.

5. Opinion

In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matter described in the 'Basis for Qualified Opinion' paragraph above**, the consolidated financial statements which include the results of jointly controlled entities namely India LNG Transport Company (No. 1) Ltd.; India LNG Transport Company (No. 2) Ltd.; India LNG Transport Company (No. 3) Ltd. and India LNG Transport Company (No. 4) Ltd. give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group as at 31 March 2016, its consolidated profit and its consolidated cash flows for the year ended on that date.

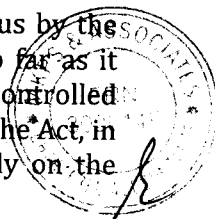
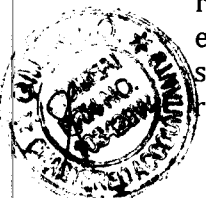
6. Emphasis of Matter

We draw attention of the management to the following observations without qualifying our opinion:

- a) The adjustments required in the accounts not likely to be material in the opinion of management on confirmation and reconciliation of outstandings in respect of trade payables, trade receivables and loans & advances (Refer Note 45 to the financial statements).
- b) The financial statements of these Jointly controlled entities used in the consolidation have been drawn up for the calendar year ended 31st December 2015 which is different than the Venturer Company whose financial year ended on 31st March 2016. Adjustments have been made for the effect of the significant transaction or other events that have occurred between these two reporting dates. (Refer Note No.31)
- c) The financial statements of Irano Hind Shipping Company Ltd. have not been considered in the consolidated financial statements due to the entity operating under severe long term restrictions that significantly impair its ability to transfer funds to the venturer company, as confirmed by the management. (Refer Note. No.32).

7. Other Matters

We did not audit the financial statements / financial information of four jointly controlled entities whose financial statements / financial information reflect total assets of Rs. 99460 Lacs as at December 31, 2015, total revenue of Rs. 12973 Lacs and net cash flows amounting to Rs. 200 Lacs for the year ended on that date, as considered in the Consolidated financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities and our report in terms of sub-sections (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid jointly controlled entities is based solely on the reports of the other auditors.



Our opinion on the Consolidated Financial Statements and our report on Other Legal and Regulatory Requirements below are not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

8. Report on Other Legal and Regulatory Requirements:

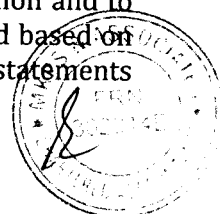
- a. The reporting requirements as required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act are not applicable while issuing the Auditors' Report in respect of Consolidated Financial Statements.

As required under sub section (5) of Section 143 of the Act, in case of venturer company being a Government company and the other jointly controlled entities whose financial statements have been consolidated not being Government companies under the Act, we give in the Annexure - I a statement on the matters specified in the directions and sub-directions issued by Office of the Comptroller and Auditor General of India with respect to the Venturer Company only.

- b. As required by section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on the separate financial statements of the jointly controlled entities, we report that:

- i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the consolidated financial statements;
- ii. **Except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph above,** In our opinion, proper books of account as required by law relating to the preparation of Consolidated Financial Statements have been kept by the Group so far as appears from our examination of those books and the reports of the other auditors;
- iii. The consolidated Balance Sheet, consolidated Statement of Profit and Loss and consolidated Cash Flow Statement dealt with by this Report are in agreement with relevant books of account maintained for the purpose of consolidated financial statements;
- iv. In our opinion, the aforesaid consolidated financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- v. The matter described in the "Basis for Qualified Opinion" paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;
- vi. On the basis of written representations received from the directors of venturer company as on March 31, 2016 and taken on record by its Board of Directors and the reports of the auditors of jointly controlled entities, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164(2) of the Act;
- vii. With respect to the adequacy of the internal financial controls over financial reporting of the venturer company and the operating effectiveness of such control in venturer company, refer to our separate report in Annexure-II. Our comment on the adequacy of the Internal Financial Control over Financial Reporting is not applicable for the Jointly Controlled Entities whose financial statements have been consolidated since these are not companies under the Act.

- c. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on the separate financial statements of jointly controlled entities :



- i) The Group has disclosed the impact of pending litigations on its financial position in Note – 33 to the Consolidated Financial Statements.
- ii) The Group does not anticipate any material foreseeable losses on long- term contracts including derivative contracts.
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund (IEPF) by the Company in respect of Venturer Company. IEPF is not applicable to the jointly controlled entities.

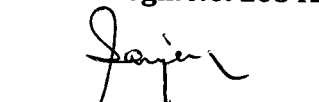
For MKPS & Associates
Chartered Accountants
Firm's Regn. No. 302014E


CA Nikhil Kumar Agrawalla
Partner
M. No. 157955

Mumbai
27th July, 2016



For GMJ & Co.
Chartered Accountants
Firm's Regn. No. 103429W


CA Sanjeev Maheswari
Partner
M. No. 038755

Mumbai
27th July, 2016



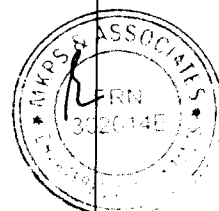
**ANNEXTURE-I
TO THE INDEPENDENT AUDITORS' REPORT**

**Directions under Section 143(5) of the Companies Act, 2013
On the Accounts of The Shipping Corporation of India Ltd. for the year 2015-16**

On the Accounts of The Shipping Corporation of India Ltd. for the year 2013-16

Sl. No.	Directions	Auditor's comments including Action taken wherever required to be taken	Impact on the Accounts and financial statements															
1	Whether the Company has clear title / lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title / lease deeds are not available.	As per information given to us, the corporation has clear title/ lease deeds for freehold and leasehold land. As explained, the only leasehold land is the land on which the Shipping house of Mumbai has been constructed.	No Impact															
2	Whether there are any cases of waiver / write off debts / loans / interest, etc? If yes, the reasons therefore and amount involved.	There has been write off in respect of trade receivables amounting to Rs.2,251,562.71 during the year as detailed below: <table><tr><th>Name of the party</th><th>Amount of write off</th><th>Reasons for write off</th></tr><tr><td>Sinostar Dsthapa</td><td>2,112,689.37</td><td>The party is dissolved during the year, hence the amount is written off.</td></tr><tr><td>Asha Agencies</td><td>66,631.88</td><td>The goods were abandoned and same were auctioned.</td></tr><tr><td>Centurion Marine</td><td>24,640.00</td><td>VAT not recoverable</td></tr><tr><td>Liner Misc Customer</td><td>47,601.46</td><td>The goods were abandoned and same were auctioned.</td></tr></table>	Name of the party	Amount of write off	Reasons for write off	Sinostar Dsthapa	2,112,689.37	The party is dissolved during the year, hence the amount is written off.	Asha Agencies	66,631.88	The goods were abandoned and same were auctioned.	Centurion Marine	24,640.00	VAT not recoverable	Liner Misc Customer	47,601.46	The goods were abandoned and same were auctioned.	Not material
Name of the party	Amount of write off	Reasons for write off																
Sinostar Dsthapa	2,112,689.37	The party is dissolved during the year, hence the amount is written off.																
Asha Agencies	66,631.88	The goods were abandoned and same were auctioned.																
Centurion Marine	24,640.00	VAT not recoverable																
Liner Misc Customer	47,601.46	The goods were abandoned and same were auctioned.																





3	Whether proper records are maintained for inventories lying with third parties and assets received as gift / grant(s) from the Government or other authorities?	As explained to us, there are no inventories lying with third parties. Further, there is no gift received from Govt. or other authorities.	No Impact
---	---	--	-----------

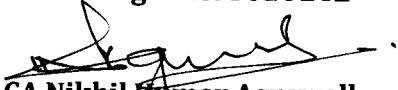
Sub-directions under Section 143(5) of the Companies Act, 2013 in respect of the Shipping Corporation of India Limited for the year 2015-16

Sl. No.	Directions	Auditor's comments including Action taken wherever required to be taken	Impact on the Accounts and financial statements
1	State the area of land under encroachment and briefly explain the steps taken by the Company to remove encroachments.	As explained to us, there is no land under encroachment.	No Impact
2	(i) Whether amount of (a) bank balance (b) trade receivable (c) trade payables (d) loans and advances for which third party confirmation was not made available has been reported.	The corporation has sent letters for balance confirmation of bank balances, trade receivables and trade payables. However, no confirmation has been sent for loans & advances. The third party confirmation received by us has been 175 out of total number of confirmation being 2010 sent to the parties.	Adjustments required in the accounts on confirmation and reconciliation are not likely to be material, in the opinion of the management.
	(ii) Where such balance has been confirmed by respective parties, whether it varies widely from the amounts reflected under respective heads in the financial statements? If so, the difference and action taken by the management to reconcile the difference should be disclosed.	The balance confirmation received wherever varying with the amount as per the books of account by more than Rs. 5 lakhs (approx) is shown in Annexure -'1'. As explained, the necessary steps shall be taken by the management to reconcile the difference.	Adjustments required in the accounts on confirmation and reconciliation are not likely to be material, in the opinion of the management.
3	Independent verification may be made, of information / inputs furnished to actuary, viz. number of employees, average salary, retirement age, etc. and assumptions	The information/ inputs furnished by the company to the actuary for valuation of the provision for liability of retirement benefits, i.e. number of employees, average salary, retirement age etc have been reviewed and the same are based on actual for the	No Impact



made by the actuary regarding the discount rate, future cost increase, mortality rate, etc. for arriving at the provision for liability of retirement benefits, viz. gratuity, leave encashment, post-retirement medical benefits, etc.	current year. The assumption made by the actuary for valuation of the liability of retirement benefits i.e., discount rate, morality rate, future cost increase are consistent over the period. The actuary has confirmed in its report that the liability of retirement benefits has been valued as per the provisions of Accounting Standard-15.	
--	---	--

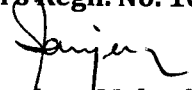
For MKPS & Associates
Chartered Accountants
Firm's Regn. No. 302014E


CA Nikhil Kumar Agrawalla
Partner
M. No. 157955

Mumbai
27th July, 2016



For GMJ & Co.
Chartered Accountants
Firm's Regn. No. 103429W


CA Sanjeev Maheshwari
Partner
M. No. 038755

Mumbai
27th July, 2016



ANNEXURE - III TO THE INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 7(b) (vii) of our Independent Auditors' Report to the members of the company on the financial statements for the year ended 31st March, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act.

1. We have audited the internal financial controls over financial reporting of **THE SHIPPING CORPORATION OF INDIA LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143 (10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

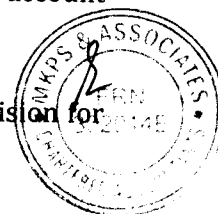
6. A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

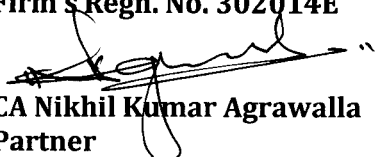
8. According to the information and explanation given to us and based on our audit, the following material weakness have been identified in the operating effectiveness of the Company's internal financial control over financial reporting as at 31st March, 2016.
 - a) Freight & other charges collection done by certain overseas agents on behalf of the Company are getting credited to their bank accounts, instead of the bank account of the company, which in the absence of adequate security could potentially result in the non/ short receipt of such collections by the company in the event of either fraudulent intention of the agent, as was happened in the past or any dispute by either party.
 - b) The timely verification of claims of agents needs to be further strengthened.
 - c) The control on the timely reversal of stale cheque needs to be further strengthened.
 - d) The control on the booking of bunker consumption to the correct voyage of the vessels needs to be strengthened.
 - e) The control in the system to ensure that the bunker consumption in case of time charter is recovered from the charter instead of debiting to the consumption account needs to be further strengthened.
 - f) The system has to ensure that the tax is deducted at source on all the provision for expense made.



In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2016 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India and except for the possible effects of the material weakness described above on the achievement of objectives of the control criteria, the internal financial controls over financial reporting of the company were operating effectively as at March 31, 2016.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the company as of 31st March, 2016 and these material weakness do not affect our opinion on the Standalone Financial Statements of the Company.

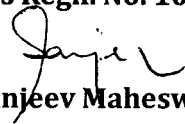
For MKPS & Associates
Chartered Accountants
Firm's Regn. No. 302014E


CA Nikhil Kumar Agrawalla
Partner
M. No. 157955

Mumbai
27th July, 2016



For GMJ & Co.
Chartered Accountants
Firm's Regn. No. 103429W


CA Sanjeev Maheswari
Partner
M. No. 038755

Mumbai
27th July, 2016





A Navratna Company
ISO 9001:2008

भारतीय नौवहन निगम लिमिटेड

(भारत सरकार का उद्यम)

पंजीकृत कार्यालय: शिपिंग हाउस, 245 मादाम कामा रोड, मुंबई - 400 021.

फोन: 91-22-2202 6666, 2277 2000 फैक्स: 91-22-2202 6905 वेबसाइट: www.shipindia.com

The Shipping Corporation Of India Ltd.

(A GOVERNMENT OF INDIA ENTERPRISE)

Regd. Office: Shipping House, 245, Madame Cama Road, Mumbai-400 021. Ph: 91-22 2202 6666, 2277 2000

Fax: 91-22 22026905 • Website: www.shipindia.com

सीआईएन/CIN-L63030MH1950GOI008

Statement on Impact of Audit Qualifications on Consolidated Financial Statements for the Financial Year ended March 31, 2016

[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income (Rs. In Lacs)	440692	440692
	2.	Total Expenditure (Rs. In Lacs)	401752	402250
	3.	Net Profit/(Loss) (Rs. In Lacs)	38940	38442
	4.	Earnings Per Share (Rs.)	8.36	8.25
	5.	Total Assets (Rs. In Lacs)	1549551	1551578
	6.	Total Liabilities (Rs. In Lacs)	858715	861240
	7.	Net Worth (Rs. In Lacs)	690836	690338
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification: Auditors have given the following qualifications in their Audit report: 1. The direct access of overseas foreign agents to fund collected on account of freight and other charges without adequate security and regular monitoring mechanism is prone to risk of non short-payment, the consequential effect of which on the statement of profit and loss remains unascertainable. 2. One of the vessels acquired in the year 2012-13 was under capitalised by 3.50 million USD and the provision for interest @ 2.5% pa on this amount has not been made in the accounts from the year 2012-13. This has resulted in understatement of fixed assets by Rs.20.28 crores, overstatement of profits by Rs.4.98 crores and understatement of liability of Rs.25.25 crores.			
	b. Type of Audit Qualification : Qualified Opinion			
	c. Frequency of qualification: Point '1' appeared during the financial year 2014-15 and 2015- 16 Point 'ii' appeared first time in the year ended 31st March 16			

d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Point '2' Since the accounts for FY 2012-13 have already been audited by the statutory auditors as well as by the C & AG and approved by the Board; the issue of undercapitalization in 2012-13 is being referred to Board for its consideration. Depending on the Board decision, necessary accounting entries relating to capitalization & depreciation, if required, will be passed in the books in FY 2016-17. However, it may be noted that no interest is payable as per the understanding between the parties.

e. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:
Cannot be ascertained.

(ii) If management is unable to estimate the impact, reasons for the same:

Point no. 1,

SCI has opened bank accounts in its name for collection of freight and other charges directly from customers at all ports except the ports where local laws do not permit opening such accounts by non-resident companies. SCI collects bank guarantee from its foreign agents to cover its risk on account of freight & other charges collected by agents. While 100 % risk cannot be mitigated in any business, SCI ensures that any risk associated with freight collection is minimised to the extent possible without affecting its business interests.

As collections are ongoing, the bank guarantee/security amount is periodically reviewed vis a vis the amount of business done by agents. However, due to the time lag which is inherent in the business model, the impact thereof on the accounts is not determinable.

(iii) Auditors' Comments on (i) or (ii) above:

For II. D:

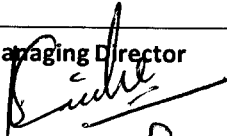
The management has stated "However, it may be noted that no interest is payable as per the understanding between the parties". During the course of audit no documentary probf in support of any understanding between the parties produced before us.

For II. E. ii:

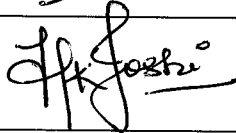
We may like to further add to management's reply that in case of accounts opened in the name of agents and freight collections directly credited to the account of the agent, there is a probability of certain freight collections directly credited to the account of agent but not deposited to the account of the company by the agents, as has happened in the past and due to such probability; its impact on the accounts is not determinable.

III Signatories:

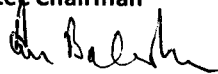
- CEO/Managing Director



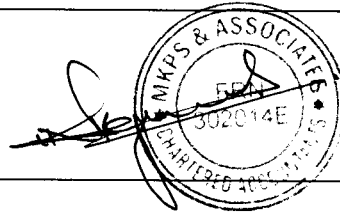
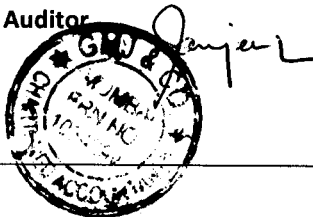
- CFO



- Audit Committee Chairman



- Statutory Auditor



Place: Mumbai

Date: 27-07-2016

ml