

**Title: Shipping Corp fails to take MoU advantage**

**Author: Manu Balachandran**

**Location: Mumbai**

**Article date: 12 June, 2013**

Shipping Corporation of IndiaBSE -0.55 %, which signed several MoUs with its state-run peers such as Coal India, ONGC, SAILBSE -2.24 % and Gail India, has been struggling to take advantage of the pacts and its financials continue to be under stress. SCI is yet to form joint ventures with Coal IndiaBSE -1.63 % and Oil and Natural Gas Corporation which could have provided the firm with assured cargo and revenues. The company has not acquired vessels yet for operation as per a joint venture agreement signed with the Steel Authority of IndiaBSE -2.24 % in 2010. Its talks with National Thermal Power Corporation to transport cargo also did not yield results. "We will form joint ventures with companies only if they can add value. With SAIL, we are in the process of acquiring vessels while with NTPCBSE 0.87 % the talks did not yield results," SCI director Sunil Thapar said. He is expected to take over as the chairman of the company soon.



Shipping Corporation of India has been struggling to take advantage of the pacts and its financials continue to be under stress.

Experts believe that the shipping major would have been better off to face the downturn in the industry had it formed some joint ventures with these PSUs. "Charter rates are very low due to excess supply of vessels in the market and the demand has also not picked up. Had the firm signed deals with the PSUs to ferry cargo, they could have been assured of some revenue. In addition, the company should have also ventured into allied sectors earlier," a former official at the shipping ministry told ET

Recently, the shipping company signed an MoU with Gail IndiaBSE -0.52 % to transport gas from the US and experts believe that the move is likely to help SCI improve its financials. For the year ended March 2013, SCI had posted net loss of Rs 114 crore while its total revenue stood at Rs 4,152 crore.

**"The problem with the MoUs is that the contracts do not assure return cargo and that will be a loss for SCI. SCI cannot operate if they only have cargo for one journey. Despite being very close to the government owned companies, SCI has not been able to strike deals as the PSUs are also looking for cheaper options," said Anand Sharma, Director at Mumbai-based Mantrana Maritime Advisory."**

Despite having signed an MoU with ONGCBSE -0.31 % to help in its offshore operations in 2006, when the charter rates were very high, the companies could not form a joint venture. SCI is now seeking a revival of talks with ONGC to form a JV to expand its offshore operations. The shipping ministry has also asked the company to form a joint venture with ports to enter into the lucrative dredging sector to help its financial position.