February 17, 2010

Shipping Corporation of India (SCI)

Rs 146

Rating Matrix

RATING	:	**Add**
TARGET	:	Rs 159
TARGET PERIOD	:	12 Months
POTENTIAL UPSIDE	:	9%

Rs. Crore

	FY09	FY10E	FY11E	FY12E
Total Revenue	4167	3486	3591	3739
EBITDA	1084	530	757	1040
Net Profit	1019	335	358	301

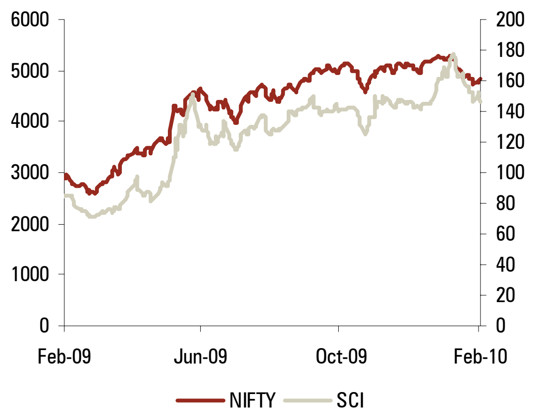
Stock Data

Bloomberg Code	SCI.IN
Reuters Code	SCI.BO
Face Value (Rs.)	10
Promoters Holding	80.1
Market Cap (Rs Cr)	6183
52 week H/L	182/70
Sensex	16038
Average Volumes	556828

Comparative Return Matrix (%)

	1M	3M	6M	12M
SCI	-8.0	4.5	16.1	74.9
Mercator	-16.6	4.4	2.9	85.3
GE Shipping	-14.3	4.2	2.0	26.0

Price Movement (Stock vs. Nifty)



Analyst's Name

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Jehangir Master
jehangir.master@icicisecurities.com

Prerna Jhunjhunwala
prerna.jhunjhunwala@icicisecurities.com

Preparing for the long haul…

Shipping Corporation of India (SCI) is the largest shipping company in India and operates 80 vessels with tonnage of ~ 5.1 million dead weight tonne (dwt). The company has a strong client base consisting of PSU majors IOC, ONGC, SAIL and international clients such as Shell, BP and Exxon. In order to replace its ageing fleet, SCI has committed a capex of ~ Rs 8069 crore to be incurred over the next two years. The new vessel fleet would lead to an expansion of the operating margin due to higher freight rates along with reduction in dry docking expenses. Considering the fleet renewal plans and improvement in freight outlook, SCI is poised to deliver reasonable returns. The Shipping Ministry has indicated that disinvestment in SCI is likely in the next fiscal (GoI holds 80.1% stake). This will also be an added trigger for the stock.

Fleet replacement powered by ~Rs 8069 crore capex

Currently, 22% of SCI's fleet is more than 25 years old and needs to be replaced over the next two years. The GoI has approved a capex spend of Rs 13135 crore for acquiring new vessels. Of this, SCI has already placed orders worth Rs 8069 crore for 31 vessels of which 27 would be delivered by March 2012. On completion of fleet replacement the average fleet age is expected to drop from 18.1 to 11.0 years. This would enable SCI to command higher freight rates and also reduce dry docking expenses leading to margin expansion from 15.2% in FY10E to 27.8% in FY12E. However, higher interest (Rs 72 crore in FY10E to Rs 201 crore in FY12E) and depreciation (Rs 388 crore in FY10E to Rs 660 crore in FY12E) cost would result in drop in net margin from 9.6% in FY10E to 8.0% in FY12E.

Valuations

At the CMP of Rs 146, SCI is trading at 21.0xFY12E earnings and 0.94xFY12E P/BV. Current replacement value per share of SCI post capex completion in FY12 works out to Rs 165 per share. We have discounted it by 25% to give effect to asset price correction and arrive at a replacement value of Rs 123 per share. FY12E book value of SCI is Rs 156 per share. We have valued SCI at 1.25x its book value to arrive at a value of Rs 195 per share. We have derived our final valuation by averaging the replacement value and book value to arrive at our price target of Rs 159.

Exhibit 1: Key Financials (Rs crore)

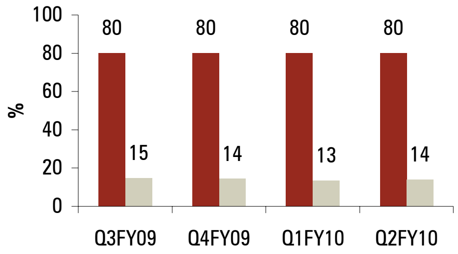
	FY08	FY09	FY10E	FY11E	FY12E
Net Sales	3726.8	4166.6	3485.6	3590.9	3738.8
EBITDA	911.2	1084.3	529.5	756.7	1040.0
EBITDA Margin (%)	24.4	26.0	15.2	21.1	27.8
PAT	813.9	1018.7	334.7	358.0	300.7
EPS	28.8	24.1	7.9	8.5	7.1
P/E (x)	4.6	3.7	18.5	17.1	20.0
P/BV (x)	200	147	150	154	156
EV/EBITDA (x)	5.69	5.52	15.69	14.48	11.16
RONW (%)	15.2	17.2	5.3	5.6	4.6
ROCE (%)	9.1	9.6	1.7	2.7	3.3

Source: Company, ICICIdirect.com Research

Shareholding pattern (Q3FY10)

Shareholder	% Holding
GOI	80.1
FII	2.2
DII	11.8
Others	6.0

Promoter & Institutional holding trend (%)

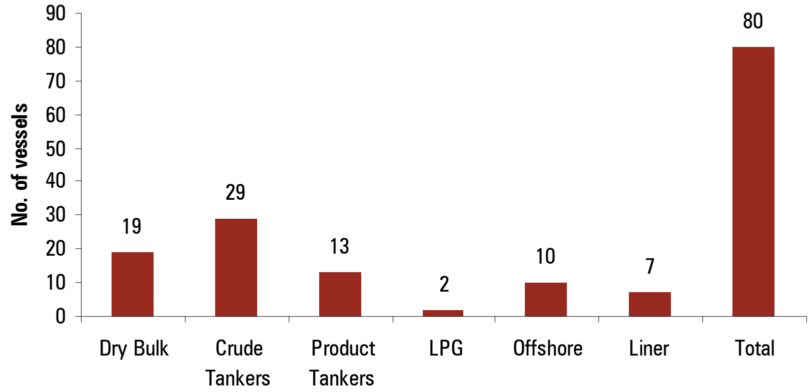


SCI also manages the fleet on behalf of various government organisations and departments for which it receives management fees

Company Background

Shipping Corporation of India was established in 1961 by the amalgamation of Eastern Shipping Corporation and Western Shipping Corporation. Starting with a small fleet of 19 liner vessels, SCI has over the last 49 years increased its fleet size to 80 vessels with an approximate capacity of 5.1 million dwt to emerge as the largest shipping company in India. Currently, it operates a diversified fleet of dry bulk, crude, product, LPG, LNG, offshore, passenger and container vessels. The company is also the only shipping company in India, which provides liner service (break bulk and container service).

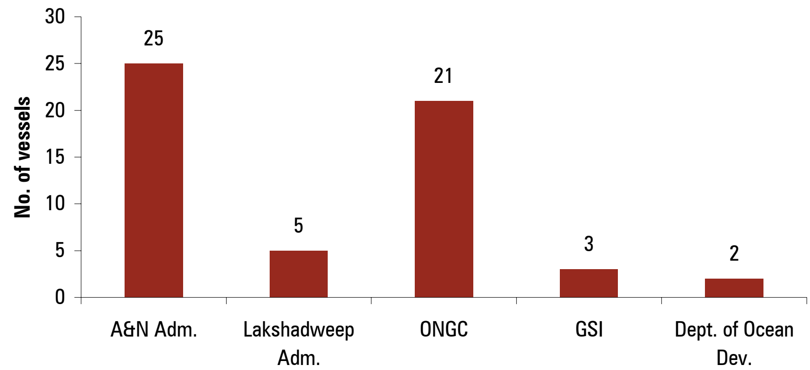
Exhibit 2: Current fleet profile (Q3FY10)



Source: Company, ICICIdirect.com Research

In addition, SCI manages another 56 vessels on behalf of various government departments and organisations. With respect to these vessels SCI is paid remuneration according to the terms of the contract in addition to reimbursement of overheads incurred for manning the vessels. In FY09, SCI received a sum of Rs 28.9 crore as remuneration and Rs 39.7 crore towards reimbursement of expenses.

Exhibit 3: Fleet of managed vessels



Source: Company, ICICIdirect.com Research

The average age of SCI's fleet is 18.1 years more than the average age of Indian shipping companies

Total 22% of SCI's fleet is over 25 years old and require replacement on an urgent basis. Another 53% of the fleet is above 20 years and needs to be replaced over the next five years

Granting of Navratna status is a positive development as it will enable the management to take faster decisions and also improve operational efficiency

Exhibit 4: Age profile of vessels

Vessel Type	No.of vessels	Average Age
Crude Tankers	29	16
Dry Bulk	19	19
Product Tankers	13	19
Offshore Vessels	10	25
Liners	7	15
LPG	2	18
Total vessels	**80**	
Average age		**18.1**

Vessel Age	% of fleet
Above 15 years	75%
Above 20 years	53%
Above 25 years	22%

Source: Company, ICICIdirect.com Research

Navratna status PSU

SCI was granted Navratna status in August 2008. This has provided it significant autonomy with regard to capex spending, formation of joint ventures and other additional powers to take faster decisions and also ensure timely completion of its capex plans.

Another important advantage on account of Navratna status is that earlier SCI was not allowed to purchase vessels from the second hand market. The company had to place tenders for construction of new vessels with shipyards with two to three years of delivery time. Due to this restriction, SCI was neither able to time its purchases to perfection nor take advantage of the sharp correction in asset prices to acquire vessels from the second hand market. However, now SCI would be able to purchase second hand vessels. This will help in ramping up its fleet rapidly at a competitive price.

Investment Rationale

Shipping Corporation of India (SCI) is the largest shipping company in India and operates 80 vessels with a tonnage of ~ 5.1 million dead weight tonne (dwt). The company has a strong client base consisting of PSU majors IOC, ONGC, SAIL along with international clients such as Shell, BP and Exxon Mobil. In order to replace its ageing fleet, SCI has committed a capex of ~Rs 8069 crore to be incurred over the next two years. With new vessel additions, the average age of its fleet is expected to come down to 11.0 years from the existing 18.1 years. This would result in an expansion of the operating margin as it will be able to command higher freight rates along with reduction in dry docking expenses. Considering the fleet renewal plans along with improvement in freight outlook, SCI is poised to deliver reasonable returns. The Shipping Ministry has indicated that disinvestment in SCI is likely in the next fiscal (GoI holds 80.1% stake). This will also be an added trigger to the stock.

Ageing fleet requires urgent replacement

The average fleet age of 18.1 years is almost twice the age of its domestic peers i.e. MLL at 9.5 years and GE at 11.0 years

The average age of SCI's fleet is 18.1 years, which is twice the age of its domestic peers i.e. GE Shipping at 11.0 years and Mercator at 9.5 years. Currently, about 75% of SCI's fleet is more than 15 years old, 53% more than 20 years old and 22% more than 25 years old. The vessels older than 25 years of age require replacement on an urgent basis.

Fleet replacement powered by ~Rs 8069 crore capex

In order to replace the ageing fleet, SCI has lined out aggressive fleet replacement plans. Under the Eleventh Five Year Plan, GoI has approved a total outlay of Rs 13135 crore for acquiring new vessels. Out of the same, SCI has already placed orders for 31 vessels worth Rs 8069 crore. Of this, 27 vessels would be delivered before March 2012.

Orders for 31 vessels worth Rs 8069 crore have already been placed while orders for the rest of the vessels will be placed over the next two years

Exhibit 5: Capex plan for new vessel additions

Rs crore

Vessel Additions	No.of vessels	Order Value	Present Value *
Tankers	15	4574	
Dry Bulk	10	1766	
Offshore Vessels	6	1728	
Total	**31**	**8069**	**6715**

* For details please refer Exhibit 6

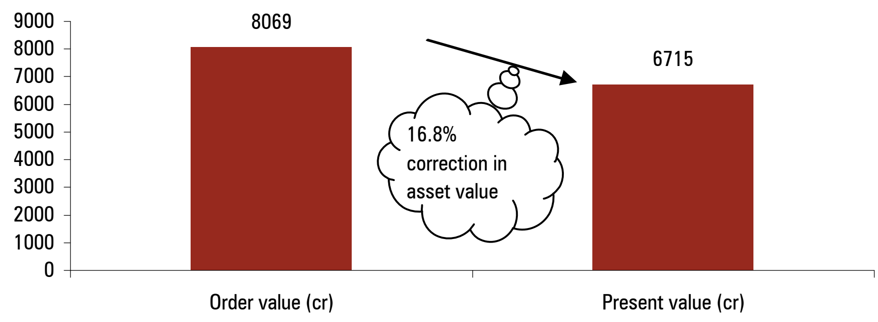
Source: Company, ICICIdirect.com Research

Not well timed…

Although fleet replacement is a welcome step the timing could be suspect keeping in mind the size and scale of capex as a periodic fleet replacement programme would have been more rewarding. Further, the acquisition was timed at the peak of the freight cycle when asset prices had also seen a spike. However, since then new build prices have corrected to coincide with weakness in freight rates. The present value of order placed by SCI has since eroded by almost 17% as depicted in the exhibit below.

Total value of orders placed by SCI was to the tune of Rs 8069 crore, which has since eroded by almost 17% to Rs 6715 crore in the last one year

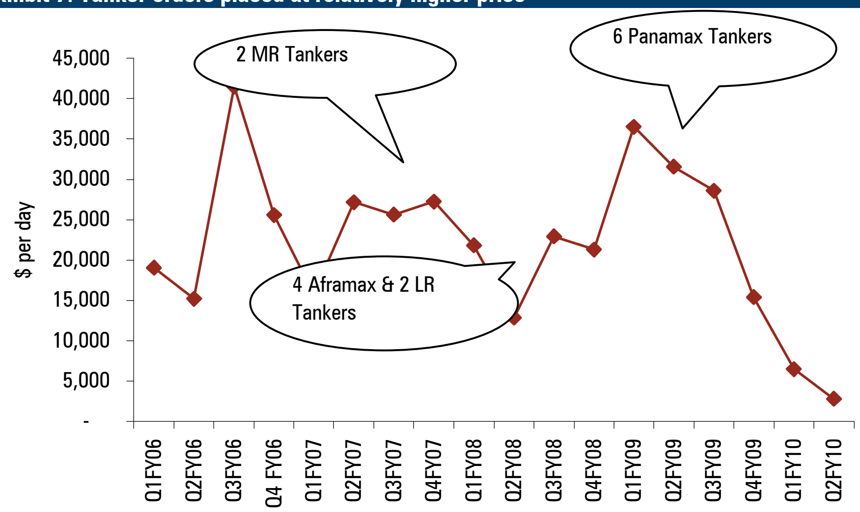
Exhibit 6: Value erosion with respect to orders placed



Source: Company, ICICIdirect.com Research

Orders for two MR Tankers and six Panamax tankers were placed at the peak of the freight rate cycle

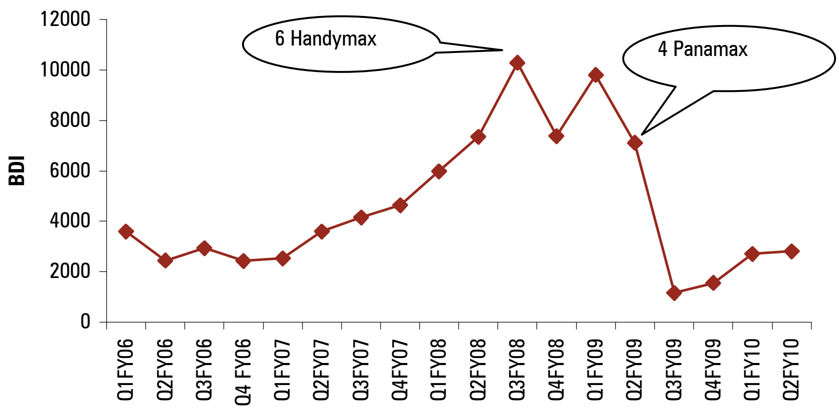
Exhibit 7: Tanker orders placed at relatively higher price



Source: Company, ICICIdirect.com Research

Orders for six Handymax and four Panamax vessels were placed at the peak of the freight cycle when the Baltic Dry Index (BDI) was at ~ 11000 and ~ 7000 level, respectively, and asset prices were also at their peak level

Exhibit 8: Dry bulk orders placed at peak of freight cycle



Source: Company, ICICIdirect.com Research

All not lost as second round of orders yet to be placed; SCI can take advantage of drop in asset prices for tankers

Asset prices for tankers have corrected significantly over the last year due to the general weakness in freight rates. New build as well as five year old vessel prices are trading at a discount of 20–45% compared to last year. As SCI plans to place additional orders worth ~ Rs 5000 crore over the next two years it could make the most of softening asset prices as it has already received approval from GoI for incurring the capex. In addition, SCI has also been granted approval from the Shipping Ministry to acquire second hand vessels. This would enable it to take advantage of depressed prices in the second-hand market. Further, as the vessels have a useful life in excess of 20 years, the present price correction in asset prices would improve the return ratios in future when freight rates recover.

Asset prices for bulk carriers had corrected significantly in the past six months but have recovered. However, asset prices of tankers are still trading at a significant discount ranging from 20% to 45%. This provides a good opportunity for SCI to acquire the assets either in the second-hand market or place order for a second round of acquisitions from shipyards

Exhibit 9: Price correction across asset classes

Asset Class		(USD Mn)		1 M Change (%)		3 M Change(%)		1Yr. Change(%)	
Tankers	**DWT**	**NB**	**5Yr.**	**NB**	**5Yr.**	**NB**	**5Yr.**	**NB**	**5Yr.**
VLCC/ULCC	300,000	97.0	77.0	0.0	0.0	-4.9	-0.3	-26.1	-33.2
SUEZMAX	150,000	68.0	59.0	0.0	-1.7	-1.4	-3.0	-20.5	-26.0
AFRAMAX	105,000	49.0	39.0	0.0	0.0	0.0	-1.5	-29.7	-33.9
PANAMX	70,000	41.0	33.0	0.0	-2.9	-9.3	-12.0	-29.0	-30.2
MR TANKERS	47,000	33.0	24.0	0.0	0.0	-5.7	-13.0	-31.1	-43.5
Bulk	**DWT**								
CAPESIZE	170,000	68.0	52.0	1.5	4.0	5.8	3.0	-13.1	15.6
PANAMAX	74,000	41.0	33.0	-1.2	1.5	2.5	-2.9	4.5	28.2
SUPRAMAX	52,000	33.0	27.0	-2.9	1.1	-1.2	-3.6	-2.9	16.8

Source: Company, ICICIdirect.com Research

Average age of fleet to reduce from 18.1 to 11.0 years

As new vessels join the fleet and older ones are sold/scrapped over the next two years the average age of SCI's fleet is expected to come down to 11.0 years from the present 18.1 years. This will be at par with the average age of other leading domestic shipping companies.

New vessel additions to lead to improvement in operating margin

The operating margin is set to improve on the back of higher freight rates, increase in operating days and reduction in dry docking expenses

SCI has historically operated at a lower operating margin compared to domestic peers. This was on account of the loss making liner division and the ageing fleet of SCI, which fetched lower freight rates and also increased operating expenses. However, as new vessels join the fleet, the operating margin is expected to improve. The main reason for margin expansion would be the higher freight rates commanded by new vessels as compared to discounted freight rates for aged vessels. Further, operating days are also expected to be higher as new vessels would require fewer dry docking days as compared to older vessels. Also, dry docking expenses are also expected to drop, thereby improving the operating margin for SCI. However, despite the above fact the operating margin for SCI would continue to be lower compared to its peers on account of the loss making liner division.

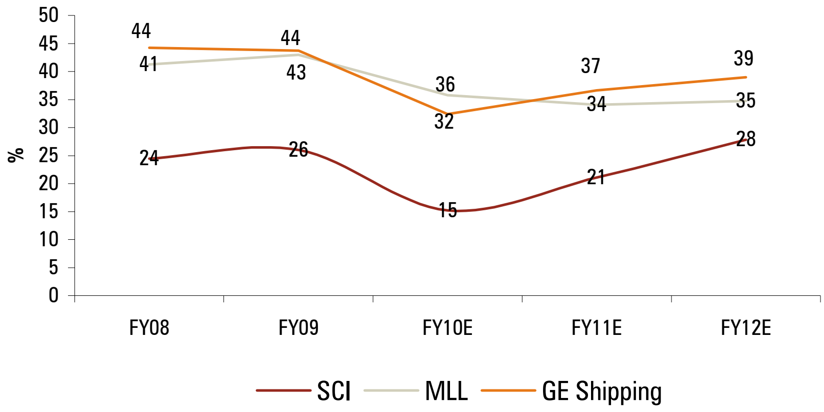
Global companies operating in the liner business are facing considerable pressure as a result of the drop in container volumes to the US and Europe

Liner business to report modest recovery

The liner business globally is passing through a rough patch with demand slowdown in US and Europe and a resultant drop in container volumes. Despite some early signs of demand pick-up in the container segment the revival in demand remains sluggish. SCI is only Indian shipping company that is operating liner vessels. However, it is a loss making division for it, which drags down the performance of the profit making bulk division.

The operating margin is expected to improve from 15% in FY10 to 28% in FY12 as new vessels join the fleet. Although the operating margin is unlikely to match the level of Mercator Lines and GE Shipping the differential is expected to narrow

Exhibit 10: Operating margin set to improve but still lower compared to its peers



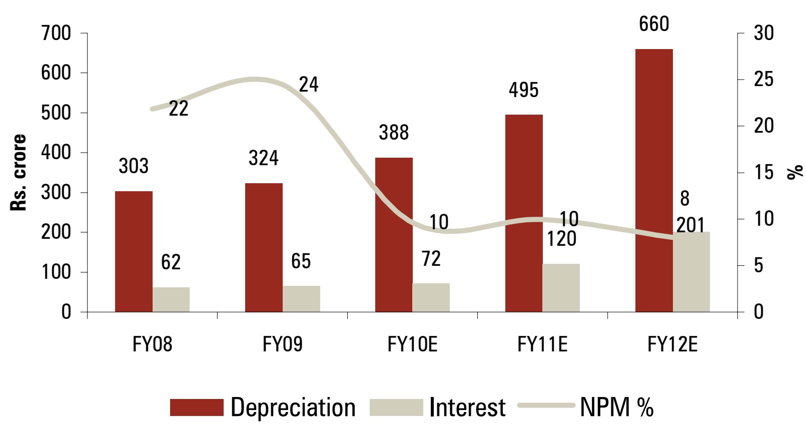
Source: Company, ICICIdirect.com Research

Rise in capex spend to result in severe pressure on net margin

SCI has historically reported a lower operating margin compared to domestic peers. However, since SCI incurred marginal depreciation and interest costs it enabled it to post a reasonable net margin. However, the same is unlikely to continue, going ahead, as depreciation and interest costs rise substantially. SCI has a committed capex of Rs 8069 crore of which Rs 6862 crore would be incurred by FY12 towards procuring new vessels. This will lead to a substantial rise in interest costs that are likely to increase from Rs 72 crore in FY10E to Rs 201 crore in FY12E. Provision for depreciation is also expected to rise from Rs 388 crore in FY10E to Rs 660 crore in FY12E. Rise in both depreciation and interest is likely to result in a drop in net margin from 10% in FY10E to 8% in FY12E.

The net margin is expected to drop from 10% in FY09 to 8% in FY12 on the back of higher depreciation and interest costs

Exhibit 11: Net margin to be under pressure on rising depreciation, interest costs



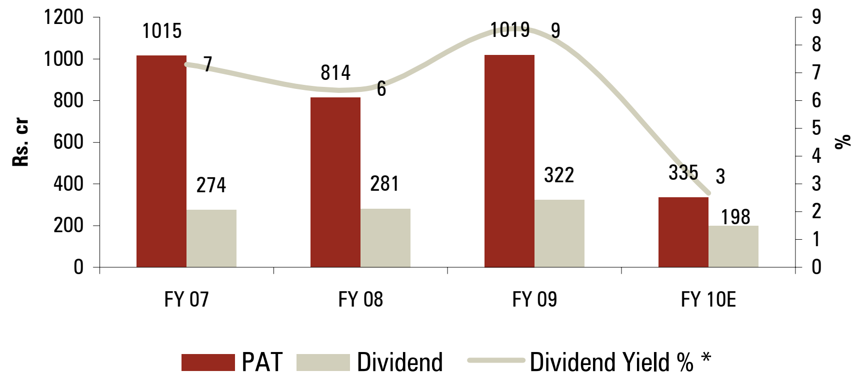
Source: Company, ICICIdirect.com Research

Dividend yield to drop as net profit is expected to decline

Although SCI would continue to maintain a high payout ratio it would find it difficult to match the dividend yield of earlier years as the payout in absolute terms is expected to drop due to decline in net profit

SCI has traditionally been a high dividend yield stock. However, capex plans over the next couple of years would lead to a decline in net profit. This would result in a drop in dividend. We have assumed 40% dividend in FY10 as compared to 65% in the previous year. At the current market price dividend yield works out to ~ 2.7% for FY10.

Exhibit 12: Dividend yield to drop as net profit is likely to decline



Source: Company, ICICIdirect.com Research

PSU clients, other international clients a major plus for SCI

A significant portion (almost 80% of crude tankers) of revenues for SCI is derived from PSU clients. An assured client base of financially strong PSU companies is a source of comfort for SCI especially in the turbulent freight rate environment

SCI has a strong client base consisting of PSU majors such as IOC, ONGC, and SAIL, which provides steady revenues and good earnings visibility to SCI. In FY09, SCI transported a total of 24.7 million tonnes (MT) of crude oil out of which 19.7 MT i.e. 79.8% was for Indian PSU refineries. Reliance, ONGC, Shell, BP, Total and Exxon Mobil are some other reputed clients.

Exhibit 13: Strong client base a big comfort for SCI in volatile freight environment

Dry Bulk	Crude & Product Tankers	Offshore
BHEL	IOC	ONGC
SAIL	BPCL	
Indian Railways	Reliance	
BHEL	Shell	
Bharat Forge	BP	

Source: Company, ICICIdirect.com Research

Disinvestment likely next year: To be an added trigger

GoI has an 80.1% stake in SCI and the Shipping Ministry has indicated that it would consider disinvestment in SCI in the next fiscal

GoI holds an 80.1% stake in SCI with minimal institutional holding as FIIs, DIIs and retail hold 2.2%, 11.8% and 6.0%, respectively. The Shipping Ministry has indicated that it will consider disinvestment in SCI in the next fiscal as GOI has indicated towards reducing its stake in the company.

With the global recovery gaining strength over the next year, freight rates are expected to head higher which would improve outlook for SCI.

Industry Outlook

Large supply of new build vessels to cap upside in freight rates

Total 410 tankers and 622 dry bulk vessels joined the global shipping fleet in 2009 while another 1069 tankers and 2607 dry bulk vessels are expected to join the fleet over the next three years. Exceptionally high freight rates in 2007 and 2008 encouraged most shipping companies to expand their capacities. As order execution needed three to four years on account of overbooked shipyards, most deliveries would arrive in the market only from 2009 onwards. Such a large fleet addition would cap any significant upsides in freight rates.

Exhibit 14: New vessel deliveries to cap upside in freight rates

Asset Class	2009	2010	2011	2012	2013	Total Order Book
Tankers						
VLCC/ULCC	28	71	88	13	0	200
SUEZMAX	39	44	57	9	1	150
AFRAMAX	36	83	49	7	3	178
PANAMAX	23	29	36	2	2	92
MR TANKERS	131	192	114	17	2	456
0-35K DWT	153	183	62	13	1	412
Total(a)	**410**	**602**	**406**	**61**	**9**	**1488**
Bulk						
CAPESIZE	115	328	217	103	36	799
80-100k WT	49	192	187	62	23	513
PANAMAX	24	84	65	35	9	217
SUPRAMAX	222	363	245	73	7	910
HANDYMAX	212	301	249	103	9	874
Total(b)	**622**	**1268**	**963**	**376**	**84**	**3313**
Total Vessel(a+b)	**1032**	**1870**	**1369**	**437**	**93**	**4801**

Source: Company, ICICIdirect.com Research

Dry bulk rates likely to remain range bound

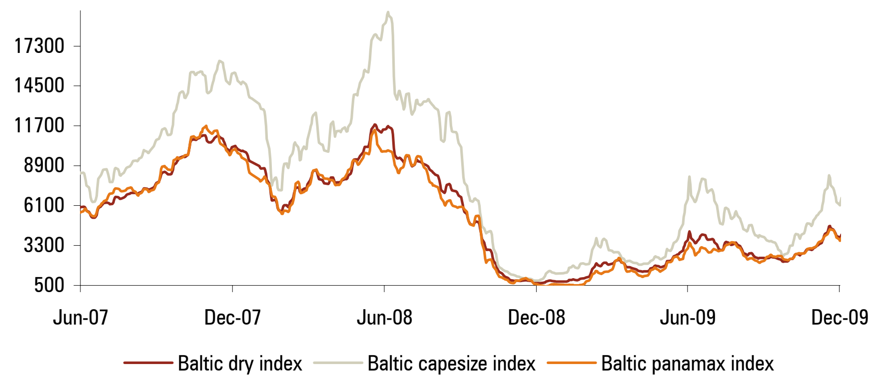
Demand for iron ore and coal, which constitutes 55% of the dry bulk tonnage, is expected to increase in FY11 and FY12. However, a correspondingly large supply of new build vessels entering the market would cap the upside in freight rates as it would absorb additional demand. Hence, freight rates are expected to be range bound in FY11 and fluctuate depending on the demand scenario emerging out of China.

The last two years have been very volatile for the dry bulk market as the Baltic Dry Index touched an all-time high of 11793 in May 2008 and, thereafter, corrected by ~ 95% in the next six months to 663 in December 2008

Since then for the whole of CY09 the BDI has remained range bound between 2000 and 4500 levels

Over the next one year, BDI is also expected to be range bound within the same range. A demand revival will provide a push to the Baltic Dry Index while a large supply of new build vessels would cap any upside in freight rates

Exhibit 15: Dry bulk freight rates to remain range bound



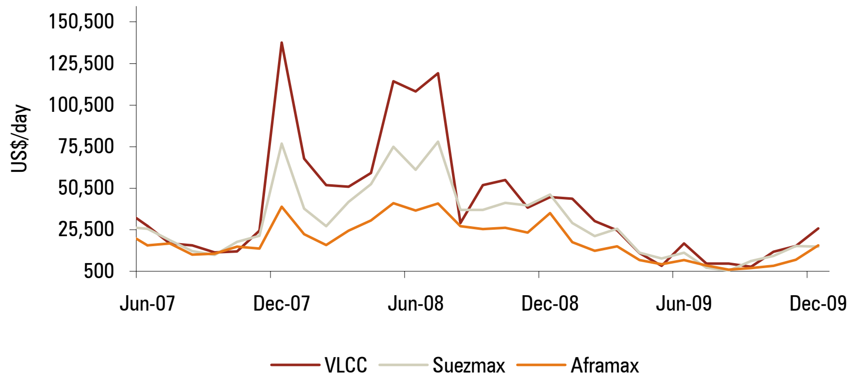
Source: Company, ICICIdirect.com Research

Tanker rates have shown signs of recovery from Q3FY10 onwards. Although the recovery will be gradual, the phasing out of single hull tankers by 2010 would lend support to the freight rates

Tanker rates expected to gradually increase

After bottoming out in Q2FY10, tanker rates have shown signs of recovery from the second half of Q3FY10. Although the recovery, going ahead, will be gradual, the phasing out of single hull tankers by 2010 would lend support to freight rates.

Exhibit 16: Tanker rates show traction

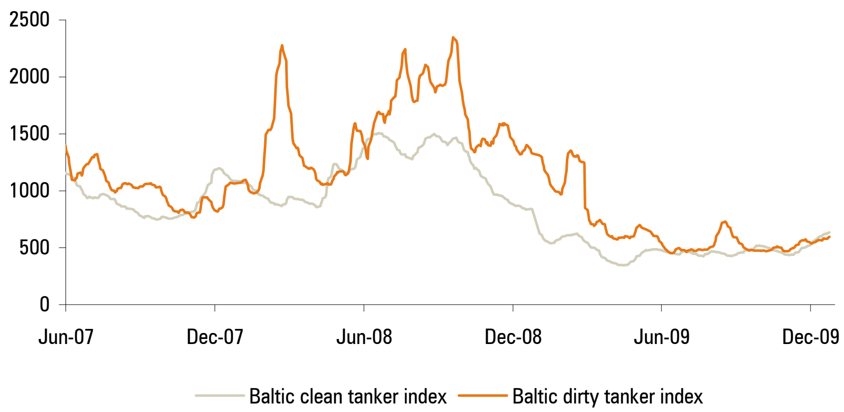


Source: Company, ICICIdirect.com Research

IEA has revised upwards its estimate of global crude oil demand from 84.9 million barrels in 2010 to 86.2 million barrels in 2011. If the recovery takes place as estimated it would lead to a rise in freight rates

The International Energy Agency (IEA) has estimated that global crude oil demand will rise from 84.9 million barrels in 2010 to 86.2 million barrels in 2011. A rise in demand coupled with an increase in crude oil prices above $80/barrel could compel Opec to raise crude oil production, thereby resulting in a rise in freight rates.

Exhibit 17: Tanker index has bottomed out



Source: Company, ICICIdirect.com Research

Risks and Concerns

Staggered global recovery in 2010

The global recovery is expected to gather pace in FY11 with India and China leading the pack. However, if there is a delay in global recovery then it could lead to a drop in shipping volumes adversely affecting the prospects of shipping companies

The global economy, especially of developed countries, has managed to wriggle out of the recession on account of some extraordinary measures initiated by the respective countries to kick start demand. The International Monetary Fund (IMF) has revised upward the global growth prospect to ~ 3% growth forecast in 2010 following a contraction of ~1% in 2009. China's GDP is expected to grow at 9% in 2010 and has a major bearing on global commodity demand. If, on the other hand, the recovery gets delayed it could lead to a drop in demand for shipping vessels across segments.

Weakness in freight rates

The strength of freight rates would largely depend on the demand for commodities especially from China, which is the main driver of iron ore and coal demand. If there is a softening of freight rates it would not only directly affect the revenues of shipping companies but would also act as a dampener of sentiment for shipping companies

Freight rates for dry bulk vessels remained range bound and volatile for the major part of CY09. A similar trend is expected to continue in CY10 as demand for dry bulk vessels is likely to increase gradually. However, a constant supply of new vessels entering the market would cap any rise in freight rates. Still, dry bulk freight rates could drop if there is a fall in demand for commodities such as iron ore and coal from China.

After plunging steeply in H1FY10, tanker rates started to recover only towards the end of 2009. Tanker rates are also expected to gradually rise as the scrapping of single hull tankers gathers pace in 2010. However, tanker rates could remain under pressure if Opec fails to increase its crude production in 2010.

Drop in vessel scrapping and reduction in slippages

Any decline in scrapping of vessels would delay the exit of older vessels. This would lead to excess supply of vessels in the market leading to softening of freight rates

Scrapping of vessels continued unabated throughout 2009 as depressed freight rates and high scrap metal prices forced many ship-owners to scrap their vessels before the end of their useful life. However, if scrapping activity slows down it could put pressure on freight rates.

Despite the vast order book prevailing with major shipyards, there was a considerable slippage in deliveries, which managed to keep the supply of vessels under check. If the slippages continue in FY11 as well it would lend support to freight rates. Conversely, a reduction in slippages could exert pressure on freight rates

As many shipping companies faced a liquidity squeeze, shipbuilding work slowed down and there were significant slippages in new deliveries in 2009. With improvement in liquidity, the amount of slippages is expected to reduce, going forward. This could lead to pressure on freight rates as additional vessels join the global fleet.

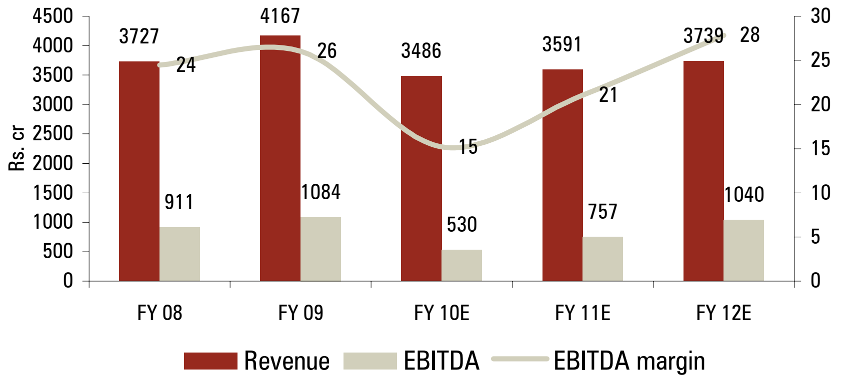
Financials

Revenue to pick up in FY11, FY12 after a sharp drop in FY10

FY10 is likely to end as a very challenging year for SCI with its revenue declining by 16.3% to Rs 3486 crore as against Rs 4167 crore in the previous year mainly on account of weakness in freight rates across categories. However, going forward, we expect revenues to pick up on account of higher utilisation of vessels along with gradual improvement in freight rates. In FY11E, we expect revenues to come in marginally higher at Rs 3591 crore and to rise further to Rs 3739 crore in FY12E.

Revenues are expected to pick up on account of firmness in freight rates

Exhibit 18: Revenue to gain traction along with improvement in operating margin



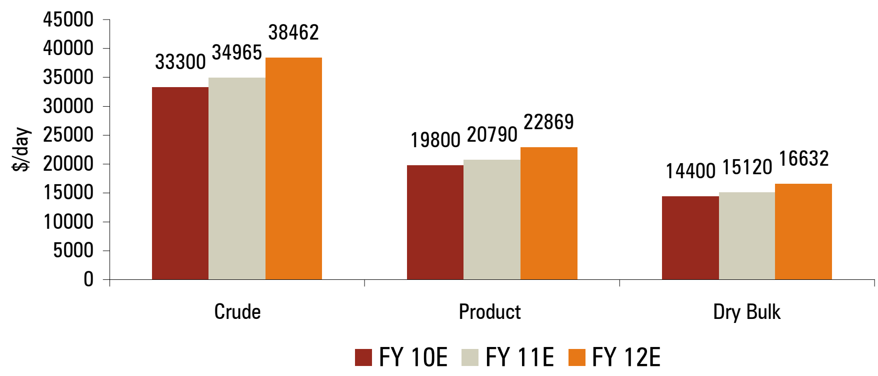
Source: Company, ICICIdirect.com Research

Freight rates to recover across asset categories

We expect the average and blended freight rates for SCI to move up by 5% in FY11 and a further 10% in FY12. This would result in a 3.0% rise in revenue in FY11 and a further 4.1% rise in revenue in FY12.

We expect the average and blended freight rates to recover by 5% in FY11 and 10% in FY12 resulting in a 3.0% and 4.1% rise in revenue in FY11 and FY12, respectively

Exhibit 19: Expected average freight rates across asset categories



Source: Company, ICICIdirect.com Research

Bulk segment to continue to be mainstay for SCI

SCI operates in three main segments: bulk, liner and others. Bulk segment includes crude tankers, product carriers, dry bulk carriers and LPG carriers. The liner segment includes break bulk and container transport business while the other includes offshore vessels, passenger vessels and ships managed on behalf of other organisations. The bulk segment is the main revenue driver for SCI and in 9MFY10 constituted 72.5% of the topline while the liner segment contributed to 22.3% of the revenue.

The bulk segment will continue to be the leading contributor of revenues for SCI in FY11 as well as FY12. However, its share is likely to drop marginally to 70% in FY12 while the share of the offshore segment is likely to increase to 8% in FY12.

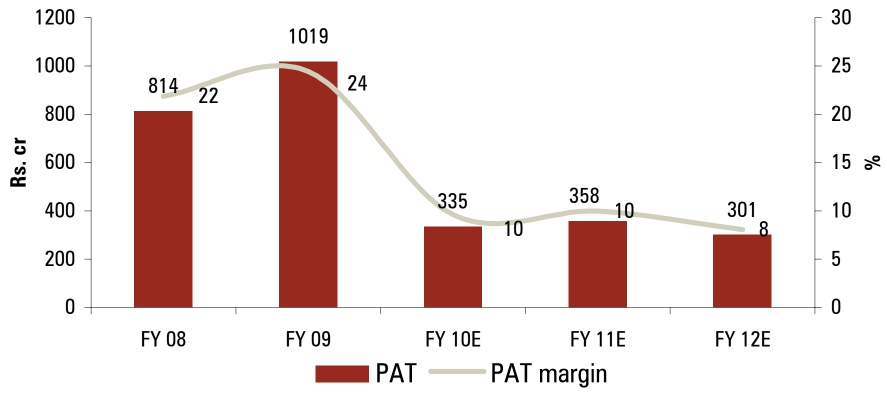
Net profit registers severe drop with no recovery in sight

The net profit in 9MFY10 declined 67.4% to Rs 241.1 crore as against Rs 739.9 crore in 9MFY09. The net profit margin has also declined very sharply from 22% in 9MFY09 to 9.4% in 9MFY09. Further, the net profit for the quarter also included a Rs 89.8-crore gain on sale of ships as against Rs 27.9 crore in the corresponding nine month period. This clearly indicates that the operating performance of SCI has been under severe strain over the last nine months. Going forward, we expect net profit to decline from Rs 335 crore in FY10E to Rs 301 crore in FY12E on account of rising interest and depreciation costs.

The net profit has witnessed one of the worst declines in recent times as the net margin dropped to 8.5% in 9MFY10 and is expected to end the year with 9.6% net margin and net profit of Rs 335 crore

Despite an improvement in revenue and expansion of operating margin, SCI would be unable to increase its net profit meaningfully

Exhibit 20: Sharp drop in net profit



Source: Company, ICICIdirect.com Research

9MFY10 performance of SCI

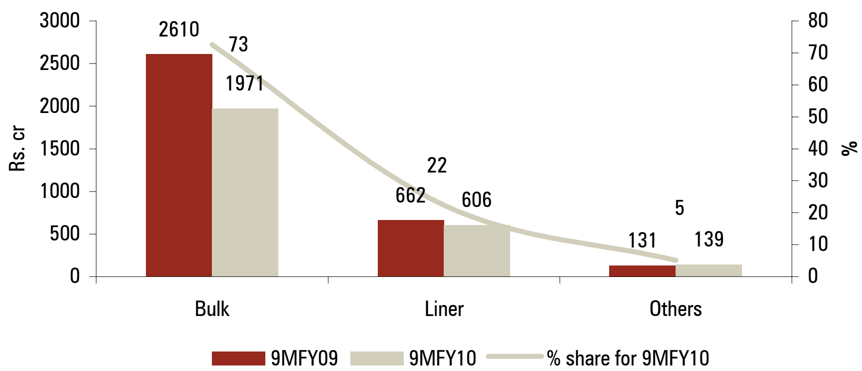
Revenues drop on 24.5% decline in bulk segment revenue

The bulk segment was the main casualty of softening freight rates as it contracted by 24.5% to Rs 1971 crore for 9MFY10 from Rs 2610 crore in 9MFY09. Revenues from the liner segment declined 8.5% to Rs 606 crore in 9MFY10 from Rs 662 crore in 9MFY09.

The bulk segment consists of dry bulk vessels. Crude tankers and product carriers are the main revenue drivers for SCI

The bulk segment consists of dry bulk vessels. Crude tankers and product carriers are the main revenue drivers for SCI. Revenues from the bulk segment contracted by 24.5% in 9MFY10 as against the corresponding previous year while revenues from the liner segment contracted by 8.5% over the same period

Exhibit 21: Comparative performance in 9MFY10 as against 9MFY09



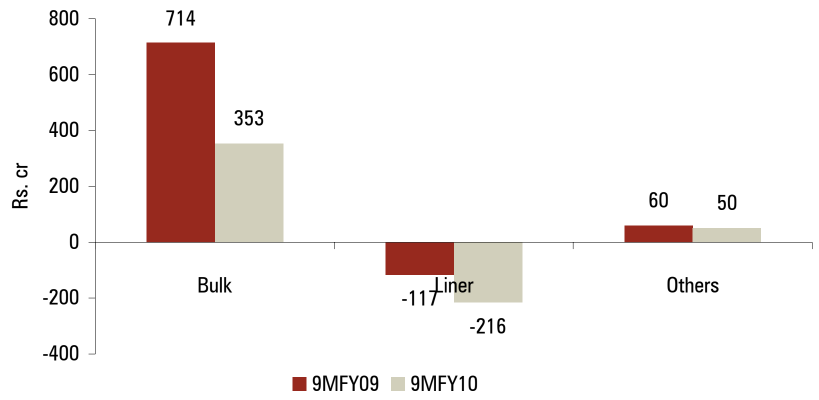
Source: Company, ICICIdirect.com Research

Liner business continues to drag down the performance of the bulk division

Liner business continues to bleed

The liner business was the most affected by the slowdown in global demand as shipments from Asia to Europe and the US dropped for the first time in history. Global major liner companies posted record losses. Not much was different for SCI as its loss from the liner segment almost doubled from Rs 116.6 crore in 9MFY09 to Rs 215.9 crore in 9MFY10.

Exhibit 22: Operating profit from different divisions



Source: Company, ICICIdirect.com Research

Sensitivity Analysis

Since the shipping industry is very sensitive to freight rate changes we have carried out a sensitivity analysis to spell out the implications of freight movement on the financials of SCI.

Exhibit 23: Sensitivity Analysis

	Sales (Rs Crore)		EPS (Rs Crore)	
Day Rate	**FY11E**	**FY12E**	**FY11E**	**FY12E**
10%	3950	4061	11.4	9.9
5%	3770	3900	9.9	8.5
Base Case	**3591**	**3739**	**8.5**	**7.1**
-5%	3411	3578	7.0	5.7
-10%	3232	3416	5.5	4.3

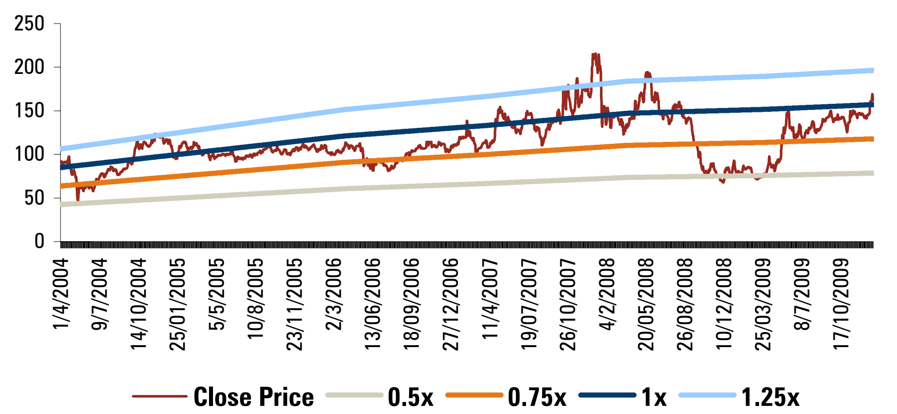
Freight rates assumed	FY 10E	FY 11E	FY 12E
Crude	33300	34965	38462
Product	19800	20790	22869
Dry Bulk	14400	15120	16632
Offshore	10800	11340	11907
Liner	66650	76648	88145
LPG	30000	30000	30000

Source: Company, ICICIdirect.com Research

Valuations

At the CMP of Rs 146, SCI is trading at 21.0xFY12E earnings and 0.94xFY12E P/BV. The current replacement value per share of SCI post capex completion in FY12 works out to Rs 165 per share. We have discounted it by 25% to give effect to asset price correction and arrive at the replacement value of Rs 123 per share. The FY12E book value of SCI is Rs 156 per share. We have valued SCI at 1.25x its book value to arrive at a value of Rs 195 per share. We have derived our final valuation by averaging the replacement value and book value to arrive at our price target of Rs 159.

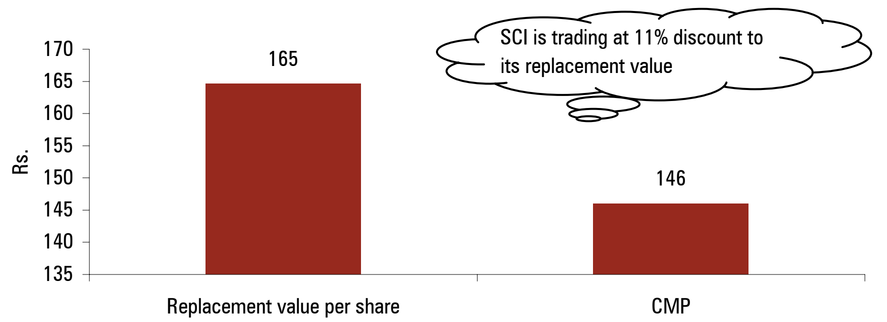
Exhibit 24: P/BV of SCI over the years



Source: Company, ICICIdirect.com Research

SCI is currently trading at almost 11% discount to its replacement cost per share post completion of its capex plans. For our valuation we have discounted the replacement price by 25% to arrive at replacement value of Rs 123 per share to be used as one of the parameters in valuation.

Exhibit 25: P/BV of SCI over the years



Source: Company, ICICIdirect.com Research

Exhibit 26: Valuation

Valuation based on	Replacement Cost	Global average	Target multiple	Target price(Rs)
Price to book value (x)	-	1.39	1.25	195
Replacement value per share	165	-	0.75	123
Average target price (Rs.)	-	-	-	**159**
Current market price (Rs)				146
Upside (%)				9

Source: Company, ICICIdirect.com Research

Exhibit 27: Global peer valuation

Company	Country	P/BV (x) CY08	P/BV (x) CY09E	P/BV (x) CY10E	P/E (x) CY08	P/E (x) CY09E	P/E (x) CY10E	EV/EBITDA (x) CY08	EV/EBITDA (x) CY09E	EV/EBITDA (x) CY10E	ROE (%) CY08	ROE (%) CY09E	ROE (%) CY10E
Dry Bulk/Tankers													
Teekay Corp.*	USA	0.7	0.9	1.0	6.9	-	54.2	7.6	12.4	9.6	9.9	0.4	3.9
Diana Shipping*	USA	1.5	1.3	1.2	5.5	10.5	10.6	4.8	7.6	7.4	27.4	13.3	11.7
Genco Shipping*	USA	0.9	0.9	0.8	3.7	5.5	7.8	5.8	6.4	7.1	28.3	17.7	9.9
Dry Ships*	USA	0.2	0.7	0.6	0.6	7.5	7.0	4.8	8.0	6.8	26.7	5.7	7.8
Frontline Ltd*	Norway	3.4	3.6	3.4	4.2	24.6	21.0	5.5	11.2	10.7	100.3	15.4	14.4
G.E Shipping#	India	0.9	0.8	0.7	2.7	2.8	8.0	4.0	3.6	6.6	33.6	27.1	8.8
Mercator Lines#	India	0.8	0.6	0.6	4.0	3.4	29.8	4.2	3.5	5.6	20.2	16.5	1.9

**consensus*

 # FY

Source: Company, ICICIdirect.com Research

Exhibit 28: Domestic peer valuation

					Sales (Rs. Crore)	EPS (Rs.)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
G.E Shipping										
Idirect Code	GESHIP	**CMP (Rs.)**	268	**FY10E**	2830.2	32.7	8.2	6.6	8.8	4.4
		Target (Rs.)	387	**FY11E**	3379.9	41.9	6.4	5.0	10.2	6.4
MCap	4073.6	**% Upside**	44	**FY12E**	3832.2	58.5	4.6	3.1	12.6	7.7
Mercator Lines					**Sales (Rs. Crore)**	**EPS (Rs.)**	**PE (x)**	**EV/EBITDA (x)**	**RoNW (%)**	**RoCE (%)**
Idirect Code	MERLIN	**CMP (Rs.)**	57	**FY10E**	1856.0	1.8	30.9	5.6	1.9	5.6
		Target (Rs.)	74	**FY11E**	1978.8	2.9	19.7	4.8	2.9	5.8
MCap	1345.2	**% Upside**	30	**FY12E**	2152.6	6.5	8.8	3.5	6.2	7.1
Varun Shipping					**Sales (Rs. Crore)**	**EPS (Rs.)**	**PE (x)**	**EV/EBITDA (x)**	**RoNW (%)**	**RoCE (%)**
Idirect Code	VARSHI	**CMP (Rs.)**	51	**FY10E**	679.5	-3.3	-15.3	16.5	-	5.8
		Target (Rs.)	40	**FY11E**	771.8	-1.2	-44.3	10.3	-	9.6
MCap	765.0	**% Upside**	-22	**FY12E**	819.0	1.7	30.6	9.4	3.3	10.5
Aban Offshore					**Sales (Rs. Crore)**	**EPS (Rs.)**	**PE (x)**	**EV/EBITDA (x)**	**RoNW (%)**	**RoCE (%)**
Idirect Code	ABALLO	**CMP (Rs.)**	1171	**FY10E**	3151.7	80.2	14.6	10.0	7.6	8.4
		Target (Rs.)	1448	**FY11E**	5243.0	332.4	3.5	5.5	30.8	15.0
MCap	4426.4	**% Upside**	24	**FY12E**	4815.4	280.3	4.2	5.7	19.2	12.9
Garware Offshore					**Sales (Rs. Crore)**	**EPS (Rs.)**	**PE (x)**	**EV/EBITDA (x)**	**RoNW (%)**	**RoCE (%)**
Idirect Code	GARSHI	**CMP (Rs.)**	206	**FY10E**	239.9	22.4	9.2	9.0	19.0	9.4
		Target (Rs.)	182	**FY11E**	244.2	23.3	8.8	8.2	16.9	10.0
MCap	490.3	**% Upside**	-12	**FY12E**	232.4	21.2	9.7	8.2	13.5	9.2
Great Offshore					**Sales (Rs. Crore)**	**EPS (Rs.)**	**PE (x)**	**EV/EBITDA (x)**	**RoNW (%)**	**RoCE (%)**
Idirect Code	GREOFF	**CMP (Rs.)**	415	**FY10E**	1094.8	46.3	9.0	7.8	19.4	11.2
		Target (Rs.)	430	**FY11E**	1266.6	49.8	8.3	5.9	17.8	11.6
MCap	1539.7	**% Upside**	4	**FY12E**	1318.5	67.3	6.2	4.5	20.0	13.5
Bharati Shipyard					**Sales (Rs. Crore)**	**EPS (Rs.)**	**PE (x)**	**EV/EBITDA (x)**	**RoNW (%)**	**RoCE (%)**
Idirect Code	BHASHI	**CMP (Rs.)**	288	**FY10E**	1321.4	49.3	5.8	8.5	16.5	11.3
		Target (Rs.)	369	**FY11E**	1361.7	76.7	3.8	7.4	13.7	12.3
MCap	794.9	**% Upside**	28	**FY12E**	1214.6	79.8	3.6	7.8	10.5	11.4

Source: Company, ICICIdirect.com Research

Exhibit 29:Profit and Loss Account

(Rs Crore)

	FY08	FY09	FY10E	FY11E	FY12E
Sales	3726.8	4166.6	3485.6	3590.9	3738.8
Growth (%)	0.6	11.8	-16.3	3.0	4.1
Op. Expenditure	2815.6	3082.3	2956.1	2834.2	2698.8
EBITDA	911.2	1084.3	529.5	756.7	1040.0
Growth (%)	-22.5	19.0	-51.2	42.9	37.4
Other Income	357.5	397.9	376.0	323.5	227.1
Depreciation	303.2	323.9	387.6	494.9	659.8
EBIT	965.5	1158.3	517.9	585.3	607.3
Interest	61.6	64.7	71.7	120.4	201.0
PBT	903.9	1093.6	446.3	464.9	406.3
Growth (%)	-19.0	21.0	-59.2	4.2	-12.6
Tax	90.0	113.9	111.6	106.9	105.6
Extraordinary Item	0.0	39.1	0.0	0.0	0.0
Rep. PAT before MI	813.9	1018.7	334.7	358.0	300.7
Minority interest (MI)	0.0	0.0	0.0	0.0	0.0
Rep. PAT after MI	813.9	1018.7	334.7	358.0	300.7
Adjustments	0.0	0.0	0.0	0.0	0.0
Adj. Net Profit	813.9	1018.7	334.7	358.0	300.7
Growth (%)	-19.8	25.2	-67.1	7.0	-16.0

Source: Company, ICICIdirect.com Research

Exhibit 30:Balance sheet

(Rs crore)

	FY08	FY09	FY10E	FY11E	FY12E
Equity Capital Class A	282.3	423.5	423.5	423.5	423.5
Equity Capital Class B	0.0	0.0	0.0	0.0	0.0
Share Warrants	0.0	0.0	0.0	0.0	0.0
Reserves & Surplus	5349.9	5785.0	5922.2	6083.3	6188.5
Shareholder's Fund	5632.2	6208.5	6345.7	6506.8	6612.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Secured Loans	1454.1	2471.7	2123.8	4775.9	5428.0
Unsecured Loans	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0
Source of Funds	8120	10068	9489	12353	13190
Gross Block	6738.0	8162.7	9187.7	12933.7	14975.7
Less: Acc. Depreciation	4047.8	4334.5	4722.1	5217.0	5876.8
Net Block	2690.1	3828.2	4465.6	7716.6	9098.9
Capital WIP	2007.2	2099.8	2179.8	2600.8	2100
Net Fixed Assets	4697.3	5928.0	6645.4	10317.4	11198.7
Intangible asset	0.0	0.0	0.0	0.0	0.0
Investments	41.4	111.5	120.0	130.0	150.0
Cash	2091.2	2672.8	1371.4	576.8	524.7
Trade Receivables	377.8	429.5	435.9	398.4	373.9
Loans & Advances/Others	822.2	862.9	847.2	858.4	868.1
Inventory	90.1	63.3	69.7	71.8	74.8
Total Current Asset	3381.3	4028.5	2724.3	1905.4	1841.5
Current Liab. & Prov.	1033.5	1387.6	1020.0	1070.0	1150.0
Net Current Asset	2347.8	2640.9	1704.3	835.4	691.5
Application of funds	8120	10068	9490	12353	13190

Source: Company, ICICIdirect.com Research

Exhibit 31:Cash flow statement

(Rs crore)

	FY08	FY09	FY10E	FY11E	FY12E
Net Profit Before Tax	903.9	1054.5	446.3	464.9	406.3
Other Non Cash Exp	61.6	64.7	71.7	120.4	201.0
Depreciation	303.2	323.9	387.6	494.9	659.8
Direct Tax Paid	90.0	113.9	111.6	106.9	105.6
Other Non Cash Inc	331.4	341.4	320.7	263.5	157.1
CF before change in WC	847.3	987.7	473.2	709.8	1004.4
Inc./Dec. in WC	-477.5	-118.5	-364.8	74.2	91.9
CF from operations	369.8	869.2	108.5	784.0	1096.3
Pur. of Fix Assets	1277.1	1517.3	1105.0	4167.0	1541.0
Income from Inv	-314.0	-271.3	-312.2	-253.5	-137.1
CF from Investing	963.2	1246.0	792.8	3913.5	1403.9
Inc./(Dec.) in Debt	209.5	1017.5	-347.9	2652.1	652.1
Inc./(Dec.) in Net worth	0.0	141.2	0.0	0.0	0.0
Others	-149.9	-200.4	-269.1	-317.3	-396.5
CF from Financing	59.6	958.3	-617.0	2334.8	255.6
Opening Cash balance	2625.0	2091.2	2672.8	1371.5	576.8
Closing Cash balance	2091.2	2672.8	1371.5	576.8	524.8

Y-oY Growth (%)	FY08	FY09	FY10E	FY11E	FY12E
Net sales	0.6	11.8	-16.3	3.0	4.1
EBITDA	-22.5	19.0	-51.2	42.9	37.4
Adj. net profit	-19.8	25.2	-67.1	7.0	-16.0
Cash EPS	-15.2	-16.6	-67.1	7.0	-16.0
Net worth	10.4	10.2	2.2	2.5	1.6

Source: Company, ICICIdirect.com Research

Exhibit 32:Key ratios

(%)

	FY08	FY09	FY10E	FY11E	FY12E
Operating Expenses	62.5	61.1	24.8	23.7	21.7
Repairs & Maintenance	7.1	6.5	42.0	38.0	34.0
Administrative Expenses	4.9	4.9	10.5	10.3	10.0
Other Expenditure	1.1	1.5	7.5	7.0	6.5
Effective Tax rate	10.0	10.4	25.0	23.0	26.0
Profitability ratios (%)					
EBITDA Margin	24.4	26.0	15.2	21.1	27.8
PAT Margin	21.8	24.4	9.6	10.0	8.0
Per share data (Rs)					
Revenue per share	132.0	98.4	82.3	84.8	88.3
EV per share	123.4	141.3	163.8	245.2	261.8
Book Value	199.5	146.6	149.8	153.6	156.1
Cash per share	74.1	63.1	32.4	13.6	12.4
EPS	28.8	24.1	7.9	8.5	7.1
Cash EPS	39.6	31.7	17.1	20.1	22.7
DPS	8.5	6.5	4.0	4.0	3.9

Source: Company, ICICIdirect.com Research

Exhibit 33:Key ratios

					(%)
Return ratios	**FY08**	**FY09**	**FY10E**	**FY11E**	**FY12E**
RoNW	15.2	17.2	5.3	5.6	4.6
ROCE	9.1	9.6	1.7	2.7	3.3
ROIC	12.1	12.9	3.9	3.6	2.6
Financial health ratio					
Operating CF (Rs Cr)	369.8	869.2	108.5	784.0	1096.3
FCF (Rs Cr)	21.5	-428.4	-322.3	-3591.4	-698.5
Cap. Emp. (Rs Cr)	7086.3	8680.1	8469.4	11282.6	12039.9
Debt to equity (x)	0.3	0.4	0.3	0.7	0.8
Debt to cap. emp. (x)	0.2	0.3	0.3	0.4	0.5
Interest Coverage (x)	14.7	16.9	6.2	3.9	2.0
Debt to EBITDA (x)	1.6	2.3	4.0	6.3	5.2
DuPont ratio analysis					
PAT/PBT	0.9	0.9	0.8	0.8	0.7
PBT/EBIT	0.9	0.9	0.9	0.8	0.7
EBIT/Net sales	0.3	0.3	0.1	0.2	0.2
Net Sales/ Tot. Asset	0.4	0.4	0.3	0.3	0.3
Total Asset/ NW	1.6	1.8	1.7	2.1	2.2

Source: Company, ICICIdirect.com Research

Exhibit 34:Key ratios

					(%)
Working Capital	**FY08**	**FY09**	**FY10E**	**FY11E**	**FY12E**
Working cap./Sales	63.0	63.4	48.9	23.3	18.5
Inventory turnover	8.0	6.7	7.0	7.2	7.2
Debtor turnover	34.2	35.4	45.3	42.4	37.7
Creditor turnover	0.0	0.0	0.0	0.0	0.0
Current Ratio	327.2	290.3	267.1	178.1	160.1

Source: Company, ICICIdirect.com Research

Exhibit 35:Key ratios

					(Rs crore)
FCF Calculation					
EBITDA	911.2	1084.3	529.5	756.7	1040.0
Less: Tax	90.0	113.9	111.6	106.9	105.6
NOPLAT	821.2	970.4	417.9	649.8	934.4
Capex	1277.1	1517.3	1105.0	4167.0	1541.0
Change in working cap.	-477.5	-118.5	-364.8	74.2	91.9
FCF	21.5	-428.4	-322.3	-3591.4	-698.5

Source: Company, ICICIdirect.com Research

Exhibit 36:Key ratios

Valuation					(x times)
	FY08	**FY09**	**FY10E**	**FY11E**	**FY12E**
PE (x)	5.1	6.1	18.5	17.3	20.6
EV/EBITDA (x)	3.8	5.5	13.1	13.7	10.7
EV/Sales (x)	0.9	1.4	2.0	2.9	3.0
Dividend Yield (%)	5.8	4.5	2.7	2.7	2.7
Price/BV (x)	0.7	1.0	1.0	1.0	0.9

Source: Company, ICICIdirect.com Research

Annexure

Fleet Details

The ageing fleet is likely to get a makeover with the induction of new vessels and the simultaneous phasing out of older vessels. With the same, the average age of the fleet is also expected to drop from 18.1 years to 11.0 years. This will align the average age in line with its domestic peers.

Crude tankers form the largest part of SCI's fleet, which consist of 29 crude tankers with an aggregate dwt of 3.47 million

	Crude Tankers	Vessel Type	DWT	Year	Age
1	ANKLESHWAR	Suezmax	147564	1994	15
2	C.V.RAMAN	Panamax	41123	1981	28
3	CAPT SALARIA	Panamax	67167	1984	25
4	COL.ARDESHIR B.TARAPORE	Panamax	67123	1985	24
5	COMP.H.M.PIRU SINGH	Panamax	67161	1984	25
6	DESH BHAKT	Aframax	113928	2003	6
7	DESH GAURAV	Aframax	113913	2003	6
8	DESH PREM	Aframax	113976	2003	6
9	DESH RAKSHAK	Aframax	113918	2003	6
10	DESH SHAKTI	Suezmax	157957	2004	5
11	DESH SHANTI	Suezmax	158030	2004	5
12	GANDHAR	Suezmax	147474	1994	15
13	GURU GOBIND SINGH	Suezmax	147498	1995	14
14	HAVILDAR ABDUL HAMID	Panamax	67164	1985	24
15	JAWAHARLAL NEHRU	Aframax	94512	1992	17
16	LANCE NAIK KARAMSINGH	Panamax	67153	1984	25
17	LT RAMA RAGHOBA RANE	Panamax	67153	1984	25
18	M T ABDUL KALAM AZAD	Aframax	92687	1999	10
19	MAHARAJA AGRASEN	Suezmax	147469	1995	14
20	MAHARSHI PARSHURAM	Aframax	93322	2002	7
21	MAJOR DN THAPA	Panamax	67153	1984	25
22	MAJOR S SHARMA	Panamax	67225	1984	25
23	MAJOR SHAITAN SINGH	Panamax	67185	1985	24
24	MOTILAL NEHRU	Aframax	94540	1990	19
25	NAIK JADUNATH SINGH	Panamax	67169	1984	25
26	SUBEDAR JOGINDER SINGH	Panamax	67167	1984	25
27	DESH UJAALA	VLCC	316217	2005	4
28	DESH VAIBHAV	VLCC	316409	2005	4
29	MT Desh Viraat	VLCC	319000	2008	1
	Average dwt/age		**119599**		**16**
	Total mln dwt		**3.47**		

SCI's fleet consists of 13 product carriers with an aggregate dwt of 0.57 million

	Product Carriers	Vessel Type	DWT	Year	Age
1	MAHARSHI KARVE	Combination Carrier	123465	1978	31
2	A.KHETRAPAL	MR Tanker	40828	1985	24
3	BC CHATTERJI	MR Tanker	44000	1994	15
4	BHARATIDASAN	MR Tanker	29755	1996	13
5	L/N A EKKA	MR Tanker	40848	1985	24
6	MAJOR HOSHIAR SINGH	MR Tanker	40976	1985	24
7	N S SHEKHON	MR Tanker	45485	1985	24
8	R N TAGORE	MR Tanker	44000	1993	16
9	SAMPURNA SWARAJYA	MR Tanker	32940	1999	10
10	SUVARNA SWARAJYA	MR Tanker	32940	1998	11
11	PALANIMALAI	MR Tanker	31013	1992	17
12	SABARIMALA	MR Tanker	31013	1992	17
13	THIRUMALAI	MR Tanker	31004	1991	18
	Average dwt/age		**43713**		**19**
	Total mln dwt		**0.57**		

Dry bulk carriers also form a very significant part of SCI's fleet and the fleet consists of 19 bulk carriers with an aggregate dwt of 0.81 million

	Dry Bulk	Vessel Type	DWT	Year	Age
1	ALAKNANDA	Handymax	47222	1986	23
2	DAKSHINESWAR	Handymax	47277	1987	22
3	DEV PRAYAG	Handymax	47349	1986	23
4	GANGA SAGAR	Handymax	47281	1987	22
5	GOA	Handymax	45801	1998	11
6	HARDWAR	Handymax	47311	1987	22
7	KANPUR	Handymax	47175	1986	23
8	LOK PRAKASH	Handysize	26790	1989	20
9	LOK PRATAP	Handysize	26700	2005	4
10	LOK PREM	Handysize	26450	1990	19
11	LOK RAJESWARI	Handysize	26639	1988	21
12	M V TAMILNADU	Handymax	45792	2000	9
13	MAHARASHTRA	Handymax	43037	1996	13
14	MANDAKINI	Handymax	47195	1986	23
15	MURSHIDABAD	Handymax	47311	1987	22
16	PATLIPUTRA	Handymax	47303	1987	22
17	RISHIKESH	Handymax	47315	1987	22
18	UTTARKASHI	Handymax	47223	1986	23
19	VARANASI	Handymax	47351	1987	22
	Average dwt/age		**42554**		**19**
	Total mln dwt		**0.81**		

Offshore fleet consists of 10 vessels, which have a very negligible presence in terms of dwt and also revenue contribution

	Offshore	Vessel Type	DWT	Year	Age
1	C.P.SRIVASTAVA	Offshore support vessel	1406	1984	25
2	CAPT. F.M.JUWALE	Offshore support vessel	1442	1985	24
3	DR.NAGENDRA SINGH	Offshore support vessel	1450	1985	24
4	FEROZE GANDHI	Offshore support vessel	1361	1984	25
5	S C I - 01	Offshore support vessel	1408	1984	25
6	S C I - 02	Offshore support vessel	1409	1984	25
7	S C I - 03	Offshore support vessel	1404	1984	25
8	S C I - 04	Offshore support vessel	1445	1984	25
9	S C I - 05	Offshore support vessel	1452	1984	25
10	S C I - 06	Offshore support vessel	1451	1985	24
	Average dwt/age		**1423**		**25**
	Total mln dwt		**0.01**		

The liner business of SCI consists of seven liner and passenger cum cargo vessels. However, it has been a loss making division for the last many quarters

	Container	Vessel Type	DWT	Year	Age
1	INDIRA GANDHI	Liner	28800	1994	15
2	LB.SHASTRI-N	Liner	28800	1994	15
3	RAJIV GANDHI	Liner	28800	1994	15
4	SCI CHENNAI	Liner	57860	2008	1
5	SCI MUMBAI	Liner	57860	2008	1
6	HARSHA VARDHANA	Passenger-cum-Cargo	5271	1974	35
7	RAMANUJAM II	Passenger-cum-Cargo	150	1987	22
	Average dwt/age		**29649**		**15**
	Total mln dwt		**0.21**		

SCI operates two mid-size LPG carriers, which have a negligible contribution to revenues

	LPG	Vessel Type	DWT	Year	Age
1	ANNAPURNA	Midsize gas carrier	17601	1991	18
2	NANGA PARBAT	Midsize gas carrier	17601	1991	18
	Average dwt/age		**17601**		**18**
	Total mln dwt		**0.04**		
	Average Age of fleet				**18.1**
	Total mln dwt of fleet		**5.10**		

New vessel additions

SCI has already placed orders for 31 new vessels of which 27 are expected to join the fleet by March 2012.

Further due to correction in asset prices the value of assets has since eroded by almost 17%

Total 27 new vessels are scheduled to join the fleet over the next two years.

		Order Date	Delivery Date	Order value mln $	Present value mln $
	Tankers				
1	VLCC	Oct-05	Jun-09	135	97
2	Aframax	Aug-07	Jul-10	69	49
3	Aframax	Aug-07	Aug-10	69	49
4	Aframax	Aug-07	Sep-10	69	49
5	Aframax	Aug-07	Sep-10	69	49
6	Aframax	Aug-07	Feb-11	49	49
7	Aframax	Aug-07	Feb-11	49	49
8	MR Tanker	Dec-06	Oct-09	48	33
9	MR Tanker	Dec-06	Dec-09	48	33
10	Panamax	Aug-08	Apr-10	58	41
11	Panamax	Aug-08	Apr-10	58	41
12	Panamax	Aug-08	Apr-10	58	41
13	Panamax	Aug-08	Jul-10	58	41
14	Panamax	Aug-08	Jul-10	58	41
15	Panamax	Aug-08	Jul-10	58	41
	Total			**953**	**703**
	Dry Bulk				
1	Handymax	Dec-07	Aug-11	34	34
2	Handymax	Dec-07	Aug-11	34	34
3	Handymax	Dec-07	Aug-11	34	34
4	Handymax	Dec-07	Mar-12	34	34
5	Handymax	Dec-07	Mar-12	34	34
6	Handymax	Dec-07	Mar-12	34	34
7	Panamax	Aug-08	Jul-12	41	42
8	Panamax	Aug-08	Jul-12	41	42
9	Panamax	Aug-08	Oct-12	41	42
10	Panamax	Aug-08	Oct-12	41	42
	Total			**368**	**372**
	AHTS				
1	AHTS	Oct-07	Apr-10	50	45
2	AHTS	Oct-07	Jul-10	50	45
3	AHTS	Oct-07	Oct-10	50	45
4	AHTS	Oct-07	Apr-11	50	45
5	AHTS	Jul-09	Apr-11	80	72
6	AHTS	Jul-09	Jul-11	80	72
	Total			**360**	**324**
	Total cr			**8069**	**6715**
	Value erosion				**16.8%**

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Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICIdirect.com Research Desk,
ICICI Securities Limited,
7th Floor , Akruti Centre Point,
MIDC Main Road, Marol Naka,
Andheri (East)
Mumbai – 400 093

research@icicidirect.com

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