CHAPTER 5

CONCLUSIONS AND FINDINGS
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In the last chapter, we have seen that the SCI has made financial studies, its financial performance and the capital structure have been the themes which have been attempted in that chapter. The fourth chapter will provide insight into the final outcome of the research and hence conclusions have been made about the findings of the whole work.

In the first chapter it has been observed that development and maintenance of a strong and adequate shipping transport is a must for the country not only for conserving and earning foreign exchange, servicing and promotion of national and international trade and smooth progress of economic development but also to strengthen the defence requirement of the nation. Shipping transport plays an important role in a nation's economy. Before the advent of Roadways and Railways, Shipping transport had a paramount importance to export and import goods from one country to another. Even today shipping transport plays an important role to export and import goods because it has some advantages over road, rail and air transport. All the
developed maritime countries have long recognised the needs and importance of this vital shipping transport and support it in their endeavours to maintain its competitive and strategic advancement in enhancing our national and international trade. Probably no better illustration of the economic significance of shipping transport can be found than in the role it played in the location of market centres.

Today three fourth of the world’s trade is performed through the shipping. In the international means of transport, shipping is the only best means to carry bulk cargo from one country to another because of their large carrying capacity and cheap transport services. The shipping industry through centuries has increasingly added to the convenience and comforts of people all over the world, by enabling them to enjoy a better life and a higher standard of living by ensuring a proper exchange of goods and services. This supplied all the essential commodities which were needed for a institutional life and aroused the standard of living and made them cultured. Indian shipping has been playing a pivotal role in shipping the economy of a nation since dawn of civilisation. The opening centuries of the critian era which saw a remarkable growth of foreign
trade specially with Rome that was shared equally by the north and the south. The chief items of Indian export were the renowned art industrial fabrics. India had a good market for her superfluous manufactured luxuries goods in Rome and thereby suck out her wealth and drain her gold. India had commanded for more than a thousand years the markets of the East as well as West, and secured to her an easy and universally recognised pre-eminence among the nations of the world in export and manufactures. Besides the Roman trade and the trade with West generally, there was developed along with East. This maritime enterprise reached its climax in the age of Gupta to promote international trade and Colonising activity and laid the foundation of greater India. It is no accident that many of the world's great commercial centres developed at or near points where navigable rivers entered the ocean or at the confluence of two rivers or other bodies of waters. London, Rollerdam, Humburg, Constantinople, Cairo and Shanghai are a few of such old world points which are giant commercial centres of world and situated on the different banks of river or sea. In the United States this same relationship between shipping transport and the development of great commercial centres is evident.
Shipping has not only been a commercial asset but a powerful means of combat and defence of the country. The history of the last four centuries is replete with illustration of shipping as a second line of defence. Three centuries prior to the middle of the 19th century, it was sea power which contributed spearhead for political domination and emerging industrial powers of the West established in far flung areas of the world. It is said with great justification that the first World War was essentially won by the Allied powers who had strong shipping power. Even today, it is strategically important enough to assist in the defence of the country both from internal and external threat. The geo-political framework of the world is changing fast and new and unexpected political alliances are emerging. It is no longer possible to anticipate who, when hostilities break out, will be the friend or foe. The maintenance of security and stability may require for the overall development of a nation. In this changed framework, the role of the navy is essential and gets enhanced.

Shipping transport developed and became more popular internationally after Industrial Revolution and now world's
75 percent of trade takes place through shipping. The Indian shipping industry has also been of fundamental importance to the growth of Indian economy. Even during the recessionary periods, the shipping industry has been a net earner/saver of much needed foreign exchange. It is an acknowledged fact that shipping earns/saves substantial foreign exchange for the country, even with its meagre share of participation in the shipment of country's trade. The earnings/savings of foreign exchange by Indian ships are estimated to have been over Rs.1000 crores during 1990-91 and Rs.1412 crores during 1991-92. It is to be noted that even during the period of recession in shipping, the net foreign exchange earnings/savings of shipping have been positive. There is considerable scope to increase these earnings and save the vast outgoing by way of foreign being paid out and that would became payable to a much greater extent to foreign ships if Indian ships share is not increased. Shipping should also be recognised as an export industry and require to support measures adopted to encourage its speedy growth and development. This speedy growth and development will save foreign exchange for the country by carrying its own cargo and earn foreign exchange for the country by carrying other countries' cargo. India
The chapter has also highlighted the method of the certain periods of study. The study has revealed the hypotheses. The SCI has provided evidence and evaluated the functional performance of the different parameters which have been used to critical. The chapter also presents the conceptual framework of the six objectives have also been discussed in full length. Development of India and apart from the these many of Indian improvements, to study the construction of Indian structure of SCI and gives certain measures for parameters, to study and analyse the organizational the shipping corporation of India on the basis of certain objective. To examine and evaluate the functional performance highlthetic objectives of the study. The main objectives in the second chapter efforts have been made specifically during the difficult times.

Major role in transporting this strategic commodity depends to a large extent on transport or crude oil.
the mainly based on the secondary sources. Some primary sources have also been relied upon. Essential informations and necessary data have been collected from various secondary sources. Such as journals, periodicals, annual reports, directors reports, auditors report, newspapers etc on the shipping corporation of India and analysed and interpreted to critically examine and to evaluate the financial performance of the Shipping Corporation of India. In addition to these, a number of executives and officers like Mr B.N. Purzi, Director of Shipping in the Ministry of Surface Transport, Mr Sivraman. disc officer, Ministry of Transport, Mr D.K. Karnik, deputy Manager of the Shipping corporation of India, Head Office Bombay have been approached and interviewed for collecting essential informations and data. The work of presentation of statistics, their computation, analysis and interpretation have been conducted by the research scholar, mainly from the secondary sources.

Finally, this chapter has critically reviewed the literature available on the subject. During the course of the study and completion of this thesis a number of books, journals, research papers, periodicals, annual reports hand books, directors reports, auditors reports, newspapers and
many articles have been consulted and reviewed on the subject. Most of these books and journals have covered and depicted the role and significance of the shipping transport in general and the shipping corporation of India in particular. Some books have critically examined the financial performance, growth and organisational structure of the Shipping Corporation of India.

In the third chapter an attempt has been made to exhibit the growth and organisational structure of the shipping corporation of India. The year 1961 came with recommendations of the Estimate Committee of the Lok Sabha to amalgamate the Eastern Shipping Corporation Ltd. and the Western Shipping Corporation Ltd. and form a new the Shipping Corporation of India. The Committee gave a suggestion in its report that there would be co-ordination in policy for a better economic and efficient services in long run. The shipping corporation of India was established on 2nd October 1961 to merge both government companies the Eastern Shipping Corporation Ltd and the Western Shipping Corporation Ltd. on the day of amalgation the total authorised capital was Rs.35 crores and paid up capital of Rs.23.45 crores. It commenced its operation with a fleet of
19 vessels of 1.39 lakh GRT. The shipping corporation of India had an increasing trend. In 1962 it had 20 vessels of 138598 GRT and 24.24 crores investment. In 1963, total ships were 27 with 201968 GRT and total investment was 29.75 crores. Every year the corporation had positive growth and in 1966, it had 35 vessels with 304244 GRT and total investment was 44.90 crores. In 1966 the shipping corporation of India had taken the management as well as complete affairs of the Jaymati company Ltd. The Jayanti company became a subsidiary of the shipping corporation of India. For the purpose of security coordination in policy efficiency and economical operation and in public interest, the Jayanti Shipping Company was amalgamated with the Shipping Corporation of India on 1st January 1973 and the entire fleet of Jayanti Shipping Company comprising 16 ships of a total GRT 2.95 lakh became part of the shipping corporation of India’s fleet. With these ships, the fleet of the shipping corporation of India was increased to 93 ships of 11.96 lakh GRT. After a decade, the shipping corporation of India had absorbed the Mogul Line Ltd. Shipping Company in 1986. At the time of absorption the shipping corporation of India’s position was very satisfactory. The total vessels were 147 with 3214044 GRT.
and total investment was Rs.1688.42 crores. The Shipping Corporation of India had grown in all directions during this period. To meet the requirement of anation the objectives were divided into different heads and these objectives became the guide line for the growth and development of the shipping corporation of India. The macro-objectives include the development of infrastructure for economic development and promotion of self reliance. shipping is one of the sectors which falls within amoi of Industrial policy, a strong public sector in shipping is also important for national security to serve and maintain essential foreign trade and move men and material during emergencies and national shipping is one of the most important invisible contributors to the country’s balance of payment and has a special role in promoting exports. The basic objectives of the shipping corporation of India are to acquire own and operate ships on a commercial basis so that public sector has an increasing and predominant role in Indian shipping to promote and assist India’s international trade in general cargo and bulk commodities, to generate surpluses from commercial shipping services at a level which, over a period is comparable to that of surpluses generated by the shipping industry of other
countries employed in international trade, to maximise earnings and savings of foreign exchange by increasing participation in national sea borne trade and in international cross trade, to develop close relations in the field of shipping with the shipping interests of other countries, especially those of developing nations, to provide such assistance to the public sectors, and to the Government of India in the field of shipping as may be required from time to time, to operate non-commercial shipping services at the direction of the Government of India on behalf of the Government etc. Apart from these major and basic objectives of the Shipping Corporation of India, there are some micro objectives also which come under these broad objectives. To achieve the above objectives the shipping corporation of India has opted some strategies important strategies opted by the shipping corporation of India for achieving the objectives are -
- Rapid expansion of fleet,
- Active participation in movement of general and bulk cargoes to all parts of the globe, crude oil and petroleum products and passengers,
- Financing capital outlay for acquisition of ships through maximum internal resources and
- Measures for rapid development of maritime manpower required to operate growing fleet.

The shipping corporation of India has achieved its objectives to some extent and has been making its veritable efforts to obtain its objectives intoto. The corporate plans are based in the direction of these objectives.

In 1994, the growth and development of the shipping corporation of India is very satisfactory the total number of ships is 124 and total tonnage is 2.98 million GRT. The investment shows the highest figure Rs.3409.24 crores during 1994. The company takes a line share in the total export and import of Indian shipping. The Shipping Corporation of India takes 47.3 percent alone of total Indian tonnage and other 66 companies and government department take the remaining 52.7 percent of total Indian tonnage. This line share exhibits the growth and development of the shipping corporation of India. The shipping corporation of India is not only aid to trade and commercial of the country but also very important earner of foreign exchange for the country. Even during the recession period, it has been a net earner/saver of much needed foreign exchange in the year 1961, when this corporation
was formed, at that time it earned/saved Rs.2.74 crores and just after a decade this foreign exchange increased to Rs.35.04 crores. In 1981, after two decades this corporation earned a very handful foreign exchange of Rs.195.21 crores which helped to meet the country's foreign debt. In 1991, the net foreign exchange earning was Rs.269 crores and it increased to Rs.353 crores during the year 1991-92. In 1992-93, total net earning of foreign exchange was Rs.425.28 crores and this figure increased to Rs.561 crores, which is highest figure of foreign exchange earning during the year 1993-94. These figures shown a satisfactory growth and development of the shipping corporation of India in the field of foreign exchange earnings.

Practically, the shipping corporation of India operates in all areas of the shipping business both national and international. It operates a net work of global services covering the four continents of the world. Infact, the shipping corporation of India is the only Indian shipping line offering worldwide container and break-bulk liner services. The tanker fleet of the shipping corporation of India transports almost all of India’s crude oil and a major portion of petroleum products thereby making the country self-reliant in the transportation of
this crucial commodity. Over 95 percent of Indian crude oil imports are lifted by the shipping corporation of India's tankers. In addition to international operations the shipping corporation of India also operates domestic passengers-cum-cargo services between the Mainland and Andaman and Lakshadweep group of islands. The corporation has diversified into the offshore marine business in a big way and today provides vital offshore support services to the Indian oil industry in the quest for indigenous offshore oil exploration. The shipping corporation of India has developed considerable expertise in offshore operation and during the 8th plan period it is expected that all offshore operations would be performed by its personnel in owned as well as managed ships. In addition to this the shipping corporation of India has also developed into a major ship management company managing and manning 26 ships on behalf of other organisations and government departments. The diversification has been a key thrust area of the shipping corporation of India to maintain its competitive edge in the national and international shipping business. All these show the satisfactory growth and development of the SCI.
The shipping corporation of India has a dynamic organisational structure and over the years, it has been changing from time to time due to change of market forces, developmental change in shipboard, technological changes and change into area area of business. From beginning the shipping corporation of India has been expanding its fleet in various fields to meet the requirement of a nation. It has diversified its fleet from predominantly a liner fleet into cargo liner Tanker, bulk carrier, combination carrier fleet and commercial activities of the corporation also increased in tune with the change in composition of its tonnage. While the shipping corporation of India was so expanding, the shipping industry began to face severe recessionary trends. The shipping corporation of India has been no exception and to meet the new challenges faced by the shipping corporation of India in view of its expanded tonnage and new type of ships as well as to meet recessionary trends which had effected international shipping, a new management structure was evolved with consultation of the Indian Institute of Management, ahmedabad. The basic purpose of this reorganisation was to design a structure which could facilitate performance of various task to achieve the objectives of the shipping
corporation of India and would also provide a much stronger organisation based for operating divisions by grouping them into profit centres. The philosophy behind re-structuring of the organisation has been to create well segregated, clearly identifiable and well defined areas of responsibilities which cover preparation of strategic plans to achieve operating results with responsibilities resting near the scene of operations.

Organisation structure of the shipping corporation of India has been broadly grouped under five divisions which include two profit centres covering liner and passenger and carrier and tanker operations. Each of these five divisions is headed by an Executive Director at corporate level of management forming a corporate group. The corporate group works under the direction and control of the Chief Executive of the shipping corporation of India namely Chairman and Managing Director. The establishment of the corporate group has ensured a closer team work leading to better and efficient administration of the fleet. Again the operating functions have been regrouped into three profit centres, namely Liner Services, Bulk Carrier and Tanker Services and coastal and passenger services, and each headed by joint Managing Director. There are three service
Divisions also namely Finance, Technical Services and Personnel and Administration each headed by an Executive Director. The head office frame the basic policy and supervise the overall performance of the corporation. The chairman and Managing Director is the Chief Executive of the Corporation and he is assisted by various Joint Managing Directors and Executive Directors of various heads. The Board of Directors may exercise all administrative powers to form strategy and policy for the shipping corporation of India.

The fourth chapter is a core chapter of the study where an attempt has been made to critically examine and evaluate the financial performance of the shipping corporation of India. It has a huge investment and at present has total authorised capital of Rs.350 crores. It is said that to acquire capital is very easy but to use it efficiently is difficult. To know the financial performance, different parameters have been used.

Current ratios have been calculated to measure the short term solvency of the SCI. The current Ratio has been computed by dividing the total current assets by the total current liabilities. The table of the current ratio of
corporation shows, overall the satisfactory performance. A high current ratio is an indicator of a good liquidity position of the corporation. It means the SCI has the ability to pay its current obligations when they become due. In 1989-90, Current Ratio is just near to banker’s rule of thumb as 1.89:1 but in 1990-91 it comes down to 1.75:1. It means, current liabilities have increased faster than current assets. In 1991-92, there is a slight increment in current ratio but in the year 1992-93, the ratio has again fallen. These current ratios show the overall satisfactory liquidity position of the corporation because it has current ratio just near to the rule of thumb.

In order to have a test of liquidity current ratios have been calculated. It establishes a relationship between quick or liquid assets and current liabilities. Inventories and prepaid expenses are excluded from the list of quick assets because they are not expected to be converted into cash quickly. Bank overdraft is also excluded from current liabilities because bank overdraft is generally a permanent way of financing and is not subject to be called on demand. It is calculated by dividing the total quick assets by quick liabilities.
The table of the Quick Ratio shows the very satisfactory performance of the SCI. In 1988-89, Quick Ratio is 1.79:1 which more than rule of thumb. It means the corporation has Rs.1.79 lakhs quick assets for Rs.one lakh per quick liabilities. In 1990-91, there is a slight decrement in the Quick Ratio but in 1991-92, it increases to 1.71:1. In 1992-93 again the Quick Ratio decreases but in 1993-94, it increases to 1.69:1. Overall Quick Ratio maintains better liquidity position of the SCI.

Absolute Quick Ratio has been calculated to establish the relationship between absolute liquid assets and current liabilities. This ratio shows a very satisfactory liquidity position of the corporation. These ratios indicate the overall the SCI has good liquidity position an short term solvency is sound.

Gross Profit Ratio has been rehead upon to measure the overall efficiency of he corporation. It has the relationship between gross profit and income from operations. It is an important ratio because the corporation covers its operating expenses and provides adequate return to proprietors out of the gross profits. This ratio is calculated by dividing gross profit by income
from operations. The table shows ten years Gross Profit Ratio which reflects the efficiency of the corporation. In 1984-85, ratio is 20% and after a decade, means 1993-94 it comes to 27.8%. The whole decade depicts the good ratio and is the indicator of a good financial performance.

Net Profit Ratio is very useful to the proprietors and prospective investors because if profit is not sufficient the corporation will not give a better return on its investment and interest to its creditors. Net profit ratio attracts the investors and existing investors to reinvest in the corporation. The table shows ten years Net Profit Ratio. In the year 1984-85, the ratio is very low and has been continuing till 1988-89. But after this corporation increases the ratio and after a decade in 1993-94, it has the highest ratio of 11.32 percent and shows the better performance than earlier.

Operating Ratio shows the relationship between cost of goods sold plus operating expenses on one hand and income from operation on the other. This is the most important ratio to measure the operating efficiency of the corporation. This ratio of the SCI does not show good performance.
Debt Equity Ratio is a yardstick to measure the long-term solvency of the corporation. It has a relationship between external equities or outsiders' funds and internal equities or shareholders' funds. A low ratio indicates favourable from the long-term creditors' point of view because a high proportion of owners' funds provided a longer margin of safety for them. A high debt equity ratio tells that the claims of outsiders are greater than those of owners and it gives a lesser margin of safety. This ratio does not show the good performance because the table shows the high ratio and high ratio indicates margin of safety.

Earning per share is an indicator of the financial performance of the corporation. High per share earning lures the prospective investors to invest and existing investors to reinvest in the corporation. In 1989-90, Earning per Share is Rs.4 and in 1990-91, it increases to Rs.5. In 1991-92, it again goes up to Rs.6 and in 1992-93 is Rs.10. But in 1993-94, it increases to Rs.15 which is very satisfactory earning and shows good performance of the corporation. Apart from these Net worth to Total Assets Ratio and Fixed Assets to Net Worth Ratio are used to
measure the financial performance of the corporation. But these ratios do not show satisfactory performance.

Funds Flow Analysis establishes the relationship between sources of funds and application of funds. Sources of funds means reduction in assets and increment in liabilities and application of funds means increment in assets and reduction in liabilities. The purpose of this statement is to show clearly the requirement of funds and how they are proposed to be raised and the efficient utilisation and application of the funds. In 1991, total funds are generated Rs. 29693 lakhs to decrease various assets and to increase various liabilities and in the same year these total funds are used to increase other assets and to decrease other liabilities. In 1992, 1993 and 1994 total funds are generated Rs. 51176, Rs. 28872 and Rs. 31371 lakhs and these amounts are used in the same years to increase various assets and to decrease various liabilities.

Apart from these parameters, common size statement is used to examine the financial performance of the corporation. The statement has a relationship between various items of the balance sheet and common item. Total
assets are taken as 100 and all individual asset is expressed in percentage which is a part of total assets. Similarly, total liabilities are taken as 100 and all individual liabilities is expressed in percentage which is also a part of total liabilities. These statements show the share of individual liability of total liabilities and individual asset of total assets. Overall these statements donot show the better financial performance of the SCI.

Hence the following may be observed as findings of this thesis. On the basis of these findings and conclusions steps should be taken to develop the SCI.

1. The shipping corporation of India is suffering with an acute manpower shortage which affects the smooth, uninterrupted and sound operation of the corporation. This acute problem of manpower shortage has arisen mainly due to continuing large out flow of skilled and qualified Indian officers from employment on the SCI to foreign flag ships by lure of much higher wages with they earn net without having to pay any tax. There must be considerable reduction in the drift of Indian seafarers to foreign flag vessels.
2. Today the major differential between an Indian seafarer working on a foreign flag vessel and an Indian vessel, is high taxation. This needs to be corrected for the long term benefit of both, the seafarer and the corporation.

3. As it has lost the competitive edge in manning its fleet, it is left with no choice but to follow the international trend and reduce its manning strength to implement new technology and automation.

4. The corporation has already become an active partner of the government to impart training and set up training institutions and it should take major step to pursue vigorously the setting up of the Indian Maritime university, followed by post graduate courses and research in different aspects of shipping to develop and to meet challenges of globalisation of Shipping.

5. A new system was introduced by the government that Indian Financial Institutions have started levying a special interest tax on the interest paid to them and these financial institutions are passing on the burden to the borrowers. This has made the cost of finance
higher for an Indian shipowners. Since they have to compete with foreign shipowners with a much lower overall cost of financing, consideration should be given to the withdrawal of special interest tax in respect of loans and advances to the shipping industry.

6. A major hurdle in the growth of the shipping corporation of the India is uneconomic unit of operation. This unit operates its services at various places on full reimbursement basis like inter island services in Andaman and Nicobar island, Mainland Lakshdweep and inter island Shipping services, Haj pilgrimage services, Management of Research and Light Ships Services for the overall economic development of a nation.

7. Short term solvency of the shipping corporation of India is to some extent satisfactory but it further needs to strengthen more to have adequate working capital in the corporation.

8. Earning per share is showing an upward trend but it is not yet satisfactory and it needs fast increment in
earning per share to maintain fair rate of return in the corporation.

9. There is over capitalisation in the corporation and it requires reduction of idle capital and proper utilisation of remaining capital to maintain fair return on investment in the corporation.

10. After critical analysis and evaluation of various ratios, it has been observed that long term solvency of the shipping corporation of India is in a poor shape. The external equities are too high and internal equities are too low. There is a need to enhance the equity share capital and reduce the loans and advances to have a proper gearing ratio to strengthen long-term solvency of the shipping corporation of India.