ABSTRACT

Water Transport is one of the oldest means of transport. It has been used since the dawn of civilisation in shaping the economy of the nations. It is believed that development and maintenance of a strong and adequate shipping transport is a must for our country, not only for earning and saving foreign exchange, servicing and promotion of national and international trade and smooth progress of economic development but also to strengthen the our defence requirements. In the international means of transport, the ships are the best means to carry bulk cargo from one country to another because of their large carrying capacity and cheap transport services. Shipping transport developed and became more popular internationally after Industrial Revolution and now World’s 75 percent trade takes place through shipping. The Shipping Corporation of India plays a pivotal role in the economic development of our country. It is not only an important aid to trade and commerce of the country but is also a very important earner and saver of foreign exchange for the country. The Corporation takes a lion’s 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 lion's share of the SCI exhibits the growth and development of the Corporation. It has been a net earner/saver of much needed foreign exchange. In the year 1961, when this Corporation was formed, it earned Rs.2.74 crores and just after a decade these earnings increased to Rs.35.04 crores. In 1981, after two decades of establishment of the SCI, it 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 which increased to Rs.353 crores during the year 1991-92. In 1992-93, total net earnings of foreign exchange was Rs.425 crores and this figure increased to Rs.561 crores which is the highest figure of foreign exchange earning during the year 1993-94.

The development of the Shipping corporation of India has brought numerous benefits to our country such as, contributing to promotion of exports and imports of the country and to develop economic relations, saving foreign exchange for the country by carrying its own cargo, being a major earner of foreign exchange for the country by
carrying other cargo as well, act as second line of defence to protect country's maritime interest and preserve the channels of communication flying the flag around the world in peace time and serving a reserve fleet in times of war and providing certain countervailing power vis-a-vis the monopolistic liner Conferences and there by act as a major force in bringing down the freight rate for the country's exports and imports. India depends to a large extent on import of crude oil and petroleum products and the Shipping Corporation of India has been playing a major role in transporting this strategic commodity especially during the difficult times.

The following are the objectives of the study:-

To examine and evaluate the financial performance of the SCI on certain parameters.

To study and analyse the organisational structure of the SCI and give certain measures for their improvements.

To study the contribution of Indian Shipping in general and the Shipping Corporation of India in particular towards the economic development of India.
To examine the growth of the SCI and its share in overseas trade.

To study the various problems of the SCI and suggest preventive measures.

To look into the weak areas of the SCI and give remedial measures.

To examine the financial problems of the Shipping Corporation of India and give suggestions for remedy.

To study allied matters pertaining to the performance of the SCI.

All these objectives are critically examined to evaluate the whole work of the study.

The financial performance and structure of the shipping Corporation of India are the main key thrust area of this work. Various parameters are used to critically examine short-term financial performance as well as long term financial performance of the Shipping Corporation of India. For the short-term solvency many ratios like liquidity ratios as well as profitability ratios are used. These ratios show to some extent satisfactory performance
of the SCI but it needs further strengthen of the short term solvency of the Corporation.

For long term solvency various ratios like debt equity ratio, earnings per share, net worth analysis funds flow statement and common size statement are used. These ratios show poor financial performance in long run and long term solvency is quite adverse and unsatisfactory.

The Shipping Corporation of India was a fully government owned company initially but now the government has disinvested 29 percent of its shares and the governmental shares would be reduced to 71 percent. It has a total authorised capital of Rs.35,000 lakhs which has been divided into 35,00,00,000 Equity Shares of Rs.10 each. Out of these 26,46,12,870 equity Shares have been issued and subscribed by the government of Rs.10 each full paid up and 1,76,89,540 equity Shares of Rs.10 each fully paid up and 10 equity Shares of Rs.10 each, Rs.9 paid up for consideration other than the cash. This amount is not sufficient for this giant capital intensive Corporation. To meet the Capital requirements, this Corporation has taken loans from many financial institutions and bodies like from government of India (formerly Shipping Development Fund
Committee) against mortgage of a part of the fleet and Assignment of Work in Progress in respect of Ships under construction. The State Bank of India and some foreign Banks also have granted loans to the Shipping Corporation of India which has been guaranted by the Government of India.

The capital structure of the Corporation shows the ratio of 3.7:1 which is highly geared. It means the equity shareholders have a little share in the assets of the Corporation. But the capital structure of the SCI is not static and it varies from time to time. In 1984-85, the capital gearing ratio was very high, i.e. 8.8:1. This ratio increased every year and in 1988-89 it exhibited extremely high ratios which were very hazardous for the Corporation. After this year the capital gearing ratio showed a decreasing trend and the year 1993-94, showed the ratio as 2.1:1, although it was high gear. It has been observed that there is an adverse relationship between capital gearing ratio and earnings per share. The conclusion of this whole discussion is that if the capital gearing is reduced to the rule of thumb i.e. 1:1 the earning per share will be increased and this will enhance the credit worthiness of the Shipping Corporation of India. It will thus attracts
new prospective investors and stimulate the existing investors to invest more in the Corporation.

It has been seen that the Shipping Corporation of India is not able to pay interest on its loans and the instalment of principal money regularly. The interest of Rs.2,258 lakhs in 1993 and of Rs.2245 lakhs in 1994 is due on the loan taken from the Government of India (formerly Shipping Development Fund Committee) and instalment of Rs.5840 lakhs in 1993 and Rs.3654 lakhs in 1994 is accrued and unpaid. The instalment is also due to the State Bank of India and the Foreign Banks due to inadequate return on investment. This inadequate return on capital is due to overcapitalisation of the Shipping Corporation. Idle capital must be reduced to maintain fair capitalisation to have a fair rate of return on the investment.

It may also be observed that the 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.

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

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.

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 which they earn net without having to pay any tax. There must be considerable reduction in the drift of Indian seafarers to foreign flag vessels.

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.
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.

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.

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 Indian shipowner. 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.
A major hurdle in the growth of the Corporation is uneconomic unit of operation. This unit operates its services at various places on full reimbursement basic 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.

After critical analysis and evaluation of the performance of the Corporation, it can be 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 Corporation of India.