

A large cargo ship with a blue upper hull and a red lower hull is sailing on a blue sea. The ship is viewed from a low angle, showing its bow and side. The text is overlaid on the left side of the image.

Report
on

**Indian
Shipping
Industry**

May 2008

by

 CARE Research

Index of Contents

SECTION I

Executive Summary

Chapter 1 Wet Bulk Market 2007

- 1.1 Tanker freight market
- 1.2 Oil trade
- 1.3 World tanker orderbook position & Outlook
- 1.4 Tanker asset price
- 1.5 Indian POL port traffic
 - 1.5.1 POL traffic
 - 1.5.2 POL demand

Chapter 2 Dry Bulk Market 2007

- 2.1 Dry bulk freight market
- 2.2 World dry bulk volumes
 - 2.2.1 Steel
 - 2.2.2 Iron ore
 - 2.2.3 Coal
 - 2.2.4 Grain
- 2.3 World dry bulk orderbook position & Outlook
- 2.4 Dry bulk asset price
- 2.5 Indian dry bulk port traffic
 - 2.5.1 Iron ore
 - 2.5.1.1 Iron ore traffic in FY07
 - 2.5.1.2 Iron ore traffic projection
 - 2.5.2 Coal
 - 2.5.2.1 Coal traffic in FY07
 - 2.5.2.2 Coal traffic projection

Chapter 3 Containership Market 2007

- 3.1 Containership freight market
- 3.2 World container volumes
- 3.3 World containership orderbook position & Outlook
- 3.4 Indian container traffic

Chapter 4 Shipping Industry - Cost Dynamics

- 4.1 Bunker expenses
- 4.2 Crew expenses
- 4.3 Dry-docking, repair & maintenance expenses
- 4.4 Port calling dues
- 4.5 Insurance expense
- 4.6 Depreciation
- 4.7 Operating margins

Section II

Chapter 5 Ship Classification

- 5.1 Ship classification
 - 5.1.1 Wet bulk carriers
 - 5.1.2 Dry bulk carriers
 - 5.1.3 Containerships
 - 5.1.4 Specialized vessels

Chapter 6 Fleet Description

- 6.1 World fleet
- 6.2 Indian shipping industry
 - 6.2.1 Indian fleet
 - 6.2.2 Share of Indian Ships in India's overseas trade

Chapter 7 Industry Features

- 7.1 Demand-supply dynamics
- 7.2 Choppy revenue streams
- 7.3 Capital intensive
- 7.4 Pricing power
- 7.5 Regulatory requirements
- 7.6 Ways of deployment
- 7.7 Ship financing
- 7.8 Tonnage tax
- 7.9 Age profile
- 7.10 Vessel flags
- 7.11 Productivity of vessels

Chapter 8 Indian Shipping Industry – Challenges

- 8.1 Challenges
 - 8.1.1 Onerous tax regime

- 8.1.2 Multiplicity of regulations
- 8.1.3 Declining share of Indian shipping tonnage in India's overseas trade
- 8.1.4 Declining cargo support
- 8.1.5 Manpower shortage
- 8.1.6 High port calling costs
- 8.1.7 Ports congestion and connectivity with hinterland
- 8.1.8 Underdeveloped coastal shipping
- 8.2 Steps taken to meet the challenges

Section III

Chapter 9 Company Profile

- 9.1 Shipping Corporation of India (SCI)
- 9.2 Great Eastern Shipping Company Ltd. (GE Shipping)
- 9.3 Mercator Lines Ltd. (MLL)
- 9.4 Inter firm Comparison

Annexure 1 Vessel Description

Annexure 2 Tonnage Tax Scheme

Annexure 3 IMO Phase-out Time table for single Hull tankers

Shipping Terminology & Abbreviations

List of Tables

| Table No. | Particulars | Table No. | Particulars |
|-----------|---|-----------|---|
| 1.1 | Average tanker freight rates | 4.4 | Port calling dues as % of total operating income |
| 1.2 | Oil statistics | 4.5 | Insurance Expense as % of total operating income |
| 1.3 | Crude oil seaborne trade | 4.6 | Depreciation Expense as % of total operating income |
| 1.4 | World oil demand (2005-2008) | 4.7 | Operating Margins |
| 1.5 | World tanker orderbook position | 7.1 | Age profile of world fleet (as on January 1, 2007) |
| 1.6 | Tanker asset price | 7.2 | Age profile of Indian fleet (as on January 1, 2007) |
| 1.7 | Domestic crude oil production & imports | 7.3 | Simple average age of Indian Fleet |
| 1.8 | Domestic Oil demand | 7.4 | Tonnage (DWT) registered under foreign flags |
| 1.9 | POL traffic at Indian Ports (Projected) | 7.5 | Productivity of vessels |
| 2.1 | Average dry bulk index | 8.1 | Tax Rates |
| 2.2 | Growth in Crude Steel Production | 8.2 | Major Acts governing the Indian shipping industry |
| 2.3 | Iron ore trade | 8.3 | Average turnaround time at Indian ports |
| 2.4 | Coal trade | 8.4 | NMDP Projects |
| 2.5 | Grain trade | | |
| 2.6 | World dry bulk orderbook position | | |
| 2.7 | Dry bulk asset price | | |
| 2.8 | Dry Bulk (5 year CAGR) | | |
| 2.9 | Iron ore traffic at Indian ports | | |
| 2.10 | Coal traffic at Indian ports | | |
| 3.1 | Average yearly containership index | | |
| 3.2 | Cargo handled by top container port | | |
| 3.3 | World containership orderbook position | | |
| 3.4 | Share of Container traffic in total traffic handled at major ports in India | | |
| 3.5 | Container traffic at Indian Ports (Projected) | | |
| 4.1 | Bunker expenses as % of total operating income | | |
| 4.2 | Employee expenses as % of total operating income | | |
| 4.3 | Dry-docking, repair & maintenance expenses as % of total operating income | | |

List of Figures

| Figure No. | Particulars |
|-------------------|--|
| 1.1 | Demand Supply Drivers for Wet Bulk Carriers |
| 1.2 | Tanker freight market |
| 1.3 | Major oil importing/exporting countries |
| 1.4 | POL Traffic at India's major ports |
| 1.5 | Oil Import as a % of total Oil Demand |
| 1.6 | India's Petroleum product trade |
| 2.1 | Dry bulk freight market |
| 2.2 | Major iron ore importing/exporting countries |
| 2.3 | Major coal importing/exporting countries |
| 2.4 | Major grain importing/exporting countries |
| 2.5 | Share of Major Dry Bulks at Indian Ports |
| 2.6 | Iron ore Traffic at India's Major ports |
| 2.7 | Coal Traffic at India's Major ports |
| 3.1 | Containership Average Charter Rates |
| 3.2 | World container throughput |
| 3.3 | Distribution of existing containership tonnage as per size |
| 3.4 | Container Traffic at India's Major ports |
| 4.1 | Bunker cost-VLCC rate movement |
| 5.1 | Ship classification |
| 6.1 | World Tonnage and trade growth trend |
| 6.2 | World Capacity break-up of vessels (as on January 1, 2007) |
| 6.3 | Types of Cargo Carried by world shipping fleet (as on January 1, 2007) |
| 6.4 | Capacity break-up of total Indian Cargo Carrying Tonnage (in DWT) |
| 6.5 | Type of Cargo Carried by world shipping fleet (as on January 1, 2007) |
| 6.6 | Indian overseas seaborne trade trend |
| 6.7 | Indian tonnage and trade growth trend |
| 6.8 | Share of Indian ships in different types of Indian Overseas Cargo |
| 7.1 | Demand- Supply Dynamics of Ships |
| 7.2 | Correlation between Time Charter and Spot Rates of Panamax Bulk Carriers |
| 8.1 | TRANSCHART cargo trends |
| 8.2 | Worldwide supply and demand of officers |

The report elucidates facts about the Indian Shipping Industry, supplemented by latest statistical data and comprehensive analysis.

Emphasis is laid on the following key subject matters to accomplish the report

Section I: Market in 2007

- The performance of Wet Bulk, Dry Bulk and Containership Freight Market in 2007 is focused on. The new building and second hand asset price is provided. The orderbook position for all the categories and their delivery schedule as per vessel size as on January 1, 2008 is given. The report gives detailed analysis of past and future cargo volumes for the above three segments. Finally, outlook for these three markets for the medium and long term is arrived at.
- Cost & Profitability of the Indian Shipping Companies are provided. The main cost heads analyzed are bunker expense, crew expense, dry-docking, repair & maintenance expense, port calling dues, insurance expense and depreciation expense.

Section II: Industry Basics & SWOT

- The characteristics of the industry are explained. These include: demand-supply dynamics of ships, cyclicalities, capital intensity, pricing power, regulatory requirements, ways of vessel deployment, ship financing, tonnage taxation, age profile, vessel flag, vessel productivity.
- A detailed analysis of the challenges faced by the Indian shipping Industry is provided. The challenges discussed include: onerous tax regime, multiplicity of regulations, declining share of Indian shipping tonnage in India's overseas trade, declining cargo support from TRANSCHART, manpower shortage, high port calling dues, port congestion and poor connectivity with hinterland, underdeveloped coastal shipping. This is followed by a SWOT analysis of the industry.

Section III: Company Profile

- The companies covered include: Shipping Corporation of India Limited, Great Eastern Shipping Limited, Mercator Lines Limited. For each of these companies its financial profile, fleet profile, vessels on order and their delivery schedule, strengths & weaknesses along with corporate action are presented.

For in-depth analysis and CARE's view on the future of this sector, please refer to the Report on Indian Shipping Industry, May 2008 by CARE Research.

Price : Domestic Customers: Rs. 15,000/copy

Overseas Customers: USD 600/copy

careresearch@careratings.com

Ms. Revati Kasture

revati.kasture@careratings.com

Head – Industry Research

(D): +91-22-6754 3465

Ms. Sudeshna Das

sudeshna.das@careratings.com

Manager

(D): +91-22-6754 3409



CREDIT ANALYSIS & RESEARCH LTD.

4th Floor Godrej Coliseum, Off Eastern Express Highway, Somaiya Hospital Road,

Sion East, Mumbai – 400 022.

Tel: +91-22-6754 3456 Fax: +91-22-6754 3457

DISCLAIMER

This report is prepared by CARE Research, a division of Credit Analysis & REsearch Limited [CARE]. CARE Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Research operates independently of ratings division and this report does not contain any confidential information obtained by ratings division, which they may have obtained in the regular course of operations. The opinion expressed in this report cannot be compared to the rating assigned to the company within this industry by the ratings division. The opinion expressed is also not a recommendation to buy, sell or hold an instrument.

CARE Research is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product. This report is for the information of the intended recipients only and no part of this report may be published or reproduced in any form or manner without prior written permission of CARE Research.