

Shipping Min to nudge for U-turn on SCI divestment

Cabinet nod needed to remerge Shipping Corp with land arm

DHRUVAKSH SAHA
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With India planning a major maritime push led by domestic shipping through Shipping Corporation of India (SCI), the shipping ministry is in talks to seek reversing the 2019 Cabinet nod for the company's disinvestment, according to people in the know.

In November 2019, the Union Cabinet had approved disinvestment plans for several government-owned entities, including SCI.

In 2021, SCI Land Assets Ltd (SCILAL) was carved out of the non-core assets of SCI to facilitate the latter's disinvestment process "in an effective, efficient and rapid manner and also to unlock the value of the business and the assets".

These non-core assets include Shipping House, where the SCI headquarters are, and a Maritime Training Institute in Mumbai.

According to officials in the know, the idea to seek the reversal was mooted after the shipping ministry earlier

this year moved a proposal for the merger of SCI and SCILAL through the inter-ministerial consultation route, before approaching the Cabinet for this.

The shipping ministry, in its proposal then, had sought the reunion of the two companies and a dividend exemption for five years, which would have given SCI access to around ₹1,000 crore of SCILAL's cash balance and around ₹2,500 crore from the dividend-declaration exemption.

The latest proposal was planned after the Department of Investment and Public Asset Management (Dipam) opposed the merger during inter-ministerial consultation on the grounds that the demerger had taken place, to begin with, to enable the disinvestment of SCI, which the department is mandated to undertake.

Dipam cited the Cabinet approval granted in November 2019.

Queries sent to the Ministries of Finance and Ports, Shipping and Waterways did not get a response until press time. Turn to Page 6

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As of Friday evening, SCI had a market capitalisation of ₹13,824 crore on the National Stock Exchange, and at the current valuation, SCI's disinvestment would fetch the government ₹8,812 crore.

The government has been pushing for a greater share in global maritime operations and SCI will be a major enabler towards that, according to sector watchers. In October, Prime Minister Narendra Modi announced maritime initiatives ₹2.2 trillion, which included a ₹1 trillion plan for SCI to increase its fleet to 216 vessels by 2047. SCI will also lead the government's two proposed shipping lines.

The two ventures that will require SCI to invest as an equity partner are Bharat Container Shipping Line, slated to be India's national container carrier, and a joint venture with oil-marketing companies for joint ownership in crude-oil tankers.

The investment required by stakeholders in these two ventures is in the range of ₹12,000 crore. Of this, between ₹5,000 crore and ₹6,000 crore is expected to come from the national carrier as equity infusion.

Bharat Container Shipping Line's capital expenditure will be ₹60,000 crore over the long term and it will support the government's ambition of increasing India's share in global maritime cargo movement.

India's plans to become a leader in shipbuilding — recently boosted by a memorandum of understanding with HD Korea Shipbuilding & Offshore Engineering Co Ltd. to develop a shipyard in Tamil Nadu — also rely on SCI and domestic carriers.

The government expects that the new ventures will generate demand for ships made in India, giving the initial cushion required to support the nascent shipbuilding ecosystem into a virtuous investment cycle.

SCI has begun floating tenders for vessels, where Indian yards have the right to first refusal.