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भारतीय नौवहन निगम लिमिटेड

(भारत सरकार का उद्यम)

पंजीकृत कार्यालय: शिपिंग हाउस, 245 मादाम कामा रोड, मुंबई - 400 021.

फोन: 91-22-2202 6666, 2277 2000 फैक्स: 91-22-2202 6905 वेबसाइट: www.shipindia.com

The Shipping Corporation Of India Ltd.

(A GOVERNMENT OF INDIA ENTERPRISE)

Regd. Office: Shipping House, 245, Madame Cama Road, Mumbai-400 021. Ph: 91-22 2202 6666, 2277 2000

Fax: 91-22 22026905 • Website: www.shipindia.com



सीआईएन/CIN-L63030MH1950GOI008033

To,
The Board of Directors
The Shipping Corporation of India Limited
Shipping House, 245 Madame Cama Road,
Mumbai - 400021

Report on recommendations of Independent Directors Committee of The Shipping Corporation of India Limited on the Scheme of Arrangement for Demerger of Non-Core Assets (Demerged Undertaking) of The Shipping Corporation of India Limited (Demerged Company or 'SCI') with a newly formed wholly owned subsidiary of the Demerged Company (Resulting Company) for the purpose of Demerger.

A meeting of the Committee of the Independent Directors of The Shipping Corporation of India Limited was held on 03rd August 2021 to consider and recommend the proposed Scheme of Arrangement for Demerger of Non-Core Assets ("Demerged Undertaking") of The Shipping Corporation of India Limited ("Demerged Company") into newly formed wholly owned subsidiary of the Demerged Company for the purpose of Demerger ("Resulting Company") under Sections 230 to 232 of the Companies Act, 2013 in accordance with the SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/2020/249 dated December 22, 2020. This report of the Committee of the Independent Directors of the Company is being made in order to comply with the requirements of the aforesaid circular. The Independent Directors Committee has considered and reviewed the Scheme of Arrangement for Demerger and drawn out the following major points:

Background of the Companies involved in the proposed scheme:

- A. **The Shipping Corporation of India Limited** (hereinafter referred to as "SCI" or "Demerged Company"), is a Government Company, within the meaning of section 2(45) of the Companies Act, 2013, incorporated under the Companies Act, 1956 on October 2, 1961, by the amalgamation of Eastern Shipping Corporation Limited and Western Shipping Corporation Limited by the order of Government of India. It is having its registered office at 'Shipping House', 245, Madame Cama Road, Mumbai-400021 India. It is a widely held listed company, with its equity shares listed on National Stock Exchange of India Limited and BSE Limited.
- B. **A newly formed wholly owned subsidiary of the Company for the purpose of Demerger**, (hereinafter referred to as "a newly formed wholly owned subsidiary" or "Resulting Company") shall be incorporated as a public limited company under the

Companies Act, 2013 and shall have its registered office at 'Shipping House', 245, Madame Cama Road, Mumbai-400021 India. It is incorporated with the object of acquiring and carrying on the business of Non-core Assets of SCI. The Resulting Company shall be incorporated as a wholly owned subsidiary of Demerged Company. However, once the scheme is effective, the Resulting Company will have a replica shareholding of the SCI and thereafter it shall function as an Independent Listed Company.

Following documents were placed before the Independent Directors Committee:

1. Draft scheme of Arrangement for Demerger of Non- Core Assets of The Shipping Corporation of India Limited into newly formed wholly owned subsidiary of the Demerged Company.
2. Share Entitlement Report dated 03.08.2021 issued by independent IBBI Registered Valuer Mr. H.C. Dhamija.
3. Fairness opinion dated 03.08.2021 issued by Corporate Professionals Capital Private Limited, SEBI Registered (Category I) Merchant Bankers.

Salient features of Scheme of Arrangement:

The Committee noted the following salient features of the scheme:

- The scheme provides for Demerger of Non-core Assets of The Shipping Corporation of India Limited into a newly formed wholly owned subsidiary of the Company, with effect from the Appointed Date i.e. 01.04.2021;
- SCI (the demerged company) is the largest Indian Shipping Company. The SCI has substantial interests in various segments of the shipping trade. SCI's owned fleet includes Bulk carriers, Crude oil tankers, Product tankers, Container vessels, and Passenger-cum-Cargo vessels, Phosphoric Acid / Chemical carriers, LPG / Ammonia carriers and Offshore Supply Vessels. Sailing through for six decades, SCI today has a significant presence on the global maritime map.

Need and Rationale of Scheme of Arrangement:

1. The Government of India is in the process of Strategic Disinvestment of its equity stake in SCI together with transfer of management control. To facilitate disinvestment process of the Company in an effective, efficient and rapid manner and also to unlock the value of the business and the assets, it is found appropriate that the Non-core Assets of the Company, the value of which is not getting reflected in the value of business of SCI, should be separated from SCI and should be kept in an independent entity and a separate strategy should be formed for unlocking the value of such Non-core Assets. Considering this, and in line with the guidance of DIPAM and other Competent Authority, the demerger of Non-Core Assets of SCI into a newly formed wholly owned subsidiary of the Company pursuant to this Scheme, *inter alia*, would lead to following benefits:
 - (a) Creation of a separate and distinct entity for the Non-Core Assets would lead to greater operational and administrative efficiency for the Demerged Company and would also allow the Resulting Company to manage the Non-core assets more efficiently;
 - (b) enabling the business and the activities to be pursued and carried on with greater focus and attention through two separate parallel companies with separate

administrative set up of each of them in place. Defined objects of each of the Companies i.e SCI and a newly formed wholly owned subsidiary of the Company will have required focus in terms of Core Business and Non-Core business and this will ensure adoption of strategies necessary for the growth of the respective companies. The structure provides independence to the management in decisions regarding the use of their respective cash flows for dividends, capital expenditure or other reinvestment in their respective businesses in lines with the directions of the Competent Authority; and

- (c) unlocking of value for SCI by transfer of Non-Core Assets, which would enable optimal exploitation, monetization and development of both the Companies i.e SCI and the Resulting Company, attracting focused investors and strategic partners having the necessary ability, experience and interests in this sector and by allowing pursuit of inorganic and organic growth opportunities in such businesses.

Scheme Not Detrimental to the Shareholders of the Demerged Company:

The Committee members discussed and deliberated upon the rationale and salient features of the scheme, the share entitlement report, fairness opinion presented before the Committee.


In terms of the scheme, the Resulting Company will issue equity shares to the shareholders of the Demerged Company based on the Share Entitlement Ratio. The shares will be issued by the Resulting Company in the same proportion in which the shareholders hold the shares in the Demerged Company (subject to the receipt of regulatory approvals). The overall economic interest of the equity shareholders of the Demerged Company shall remain the same in both the Companies. As there is no proposed change in the shareholding pattern of the Company pursuant to the proposed Scheme, the Committee is of the informed opinion that the proposed Scheme is in the best interests of the Shareholders of the Company and not detrimental to the interest of the Shareholders, including the minority shareholders of the Company.

Recommendation of the Independent Directors Committee:

Having considered the documents, Share Entitlement Report, Fairness Opinion, the Independent Directors Committee hereby unanimously recommends that the aforesaid Scheme of Arrangement for Demerger is not detrimental to the interest of the Shareholders.

By and on behalf of the Committee of the Independent Directors of

The Shipping Corporation of India Limited


(Chairman of the Meeting)

Place: Gandhidham

Date: 3rd August, 2021