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## SCI grappling with an ageing fleet

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ET reported that the global financial slowdown weighed on international trade and it hit the shipping industry hard in the last quarter of fiscal 2009.

SCI's current owned fleet consists of 78 vessels with a total capacity of 5.03 million DWT. Also, it has deployed nearly 70% of its fleet capacity towards the tanker segment. However, an operational difficulty is the ageing profile of SCI's fleet, which makes it difficult to quickly deploy vessels.

In its bid to remain competitive, SCI is aggressively expanding fleet capacity it has 31 vessels on order at a total cost of nearly INR 7,500 crore and these additional vessels are expected to be delivered in phases over the next 3 years. This expansion will add nearly 2.19 million DWT of fleet capacity to SCI. Senior company management highlighted that they will use a combination of internal accruals and debt, to finance this fleet expansion. The company's debt equity ratio at the end of FY 2008 was 0.25, and this is expected to rise in the medium term, but SCI's leverage ratio is much lower than its peers. In addition, its cash flow for FY 2009 amounted to INR 1268.7 crore.

According to sourced, SCI has nearly 60% of its capacity on long term contracts. Nevertheless, its net sales declined 23.6% YoY to INR 807 crore in the Q4 of FY 2009 and its operating profit margins also fell.

(Sourced from Economic Times)

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