

## Revival of the Shipping Corporation of India - Explained

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### Shipping Corporation of India Latest News

- The Government of India has announced a major revival plan for the **Shipping Corporation of India (SCI)**, including the purchase of over 200 merchant ships through joint ventures with other PSUs.

### Evolution of the Shipping Corporation of India

- For decades, the SCI stood as one of the world's leading national carriers, operating **over 120 ships** across categories such as oil tankers, gas carriers, chemical tankers, passenger vessels, liners and offshore vessels.
- SCI symbolised India's maritime pride, combining national service with commercial capability.
- SCI also led technological upgrades, introducing the latest German marine engines, operating India's first LNG carrier, and building vessels in Indian shipyards despite delays and cost overruns.
- Its diverse fleet and national obligations made it central to India's maritime economy.

### Role in National Interest and Strategic Missions

- **Energy Security:** Historically, SCI had first rights on transporting India's oil, making tankers the backbone of its fleet.
- **National Service:** It transported civilian workers at concessional rates to the Andaman Islands and supported defence logistics during crises.
- **Risk Operations:** During the Iran-Iraq war, SCI tankers bore the word *INDIA* in large white letters to signal non-hostility and ensure safe passage.
- **Skill Development:** SCI's Mumbai-based training institute in Powai trained thousands of marine professionals who went on to earn significant foreign exchange for India.

## Decline During Liberalisation

- The 1990s ushered in the era of **Liberalisation-Privatisation-Globalisation** (LPG), and Indian maritime policy moved in line with global trade norms.
- Under WTO rules, India had to dilute preferential treatment for its national carrier in EXIM cargo.
- Key consequences included:
  - Loss of "right of refusal" over oil cargo, a major revenue source for SCI.
  - Neglect in fleet modernisation, only two ships were ordered in 10 years before the recent purchases.
  - Shrinking tanker capacity and rising average fleet age (18 years, nearing scrapping levels).
  - Collapse of Indian presence in container shipping after cabotage relaxation.
- India's share of EXIM cargo carried by Indian vessels fell from 27% earlier to just 7%, illustrating a precipitous decline.

## COVID-19 and the Reassessment of Strategic Shipping Capacity

- The pandemic became a turning point. Global freight rates skyrocketed, up to 10 times pre-pandemic levels, as port delays and geopolitical bottlenecks grew.
- Many global carriers skipped developing country ports, disrupting India's key exports such as rice and shrimp and affecting essential imports such as rubber.
- India's lack of national container capacity left it vulnerable to:
  - Supply chain disruptions
  - High freight costs
  - Loss of export competitiveness
- This renewed recognition of maritime self-reliance prompted the shift away from privatisation and toward rebuilding SCI.

## Global Trends Supporting Public Ownership

- The revival of SCI is not an isolated move. Across the world, governments have increased intervention in strategic sectors:
  - **United States:** The Biden administration invested billions in semiconductors, while the Trump administration acquired stakes in companies including Intel and U.S. Steel, abandoning earlier reluctance toward industrial ownership.
  - **Rare Earth Sector:** U.S. government investment has grown due to supply chain vulnerabilities.

- This global shift toward strategic state-driven industrial capacity strengthens the logic behind reviving SCI.

## Government's New Revival Plan for SCI

- **Large-Scale Ship Acquisition Through PSU Joint Ventures**

- The government plans to purchase 200+ merchant vessels for SCI through joint ventures with other PSUs using funds from the Maritime Development Fund.
- PSU partners, such as oil companies, the Container Corporation of India (CONCOR) and others, will provide long-term assured cargo contracts, enabling SCI to finance new ships sustainably.

- **Rebuilding Container Shipping Capacity**

- One major initiative includes the creation of Bharat Shipping Line, a joint venture of SCI and CONCOR, to buy 20 new container ships, reviving India's long-neglected container fleet.

- **Balancing Newbuilds and Market Realities**

- While the revival is ambitious, experts note that global ship prices are currently extremely high due to a prolonged post-pandemic shipping boom.
- Therefore, expansion will be gradual, balancing strategic needs with market conditions.

## Need to Support Private Indian Shipping

- Industry experts emphasise that revival efforts should not remain limited to SCI.
- India's broader merchant shipping capacity can grow only if private operators also receive:
  - Long-term cargo contracts
  - Support for capital investment
  - A competitive taxation and regulatory environment
- A holistic approach would build India's overall flag tonnage, enhancing supply chain resilience and global trade competitiveness.

**Source: TH**

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