



**Ceylon Shipping Corporation Ltd.**



**Corporate Plan  
2018/2019 - 2022/2023**



***“The National Sea Carrier of Sri Lanka”***

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### LIST OF ACRONYMS

<b>ASYCUDA</b>	-	<b>Automated System for Customs Data</b>
<b>C&amp;F</b>	-	<b>Clearing &amp; Forwarding</b>
<b>CEB</b>	-	<b>Ceylon Electricity Board</b>
<b>CFB</b>	-	<b>Central Freight Bureau</b>
<b>CFS</b>	-	<b>Container Freight Station</b>
<b>CGES</b>	-	<b>Commissioner General of Essential Services</b>
<b>COA</b>	-	<b>Contract of Affreightment</b>
<b>CPC</b>	-	<b>Ceylon Petroleum Corporation</b>
<b>CSC</b>	-	<b>Ceylon Shipping Corporation Ltd</b>

DWT	-	Dead Weight
ETCA	-	Economic and Technology Co-operation Agreement
F/T	-	Freight Tons
FOB	-	Free On Board
FOC	-	Flag of Convenience
H&M	-	Hull & Machinery
HRD	-	Human Resources Development
IMO	-	International Maritime Organization
KPIs	-	Key Performance Indicators
LCC	-	Lanka Coal Company
LDWT	-	Light Dead Weight
LKR	-	Lankan Rupees
MICS	-	Member of Institute of Chartered Ship Brokers
Mn	-	Million
MOU	-	Memorandum of Understanding
MT	-	Metric Ton
NMTA	-	National Maritime Training Academy
NOL	-	Neptune Orient Lines
NVOCC	-	Non Vessel Operating Common Carrier
P&I	-	Protection & Indemnity
PESTEL	-	Political, Economical, Social, Technological, Environmental & Legal
PPP	-	Public Private Partnership
SCARC	-	Standard Cabinet Appointed Review Committee
SLPA	-	Sri Lanka Ports Authority
SOR	-	Scheme of Recruitment
SPB	-	Self Propelled Barges (SPB)
SWOT	-	Strength, Weaknesses, Opportunities, Threats
TEU	-	Twenty foot Equivalent Unit
UAE	-	United Arab Emirates
UPB	-	Unaccompanied Personal Baggage
USD	-	US Dollar
YOY	-	Year over Year

# PART I



## **1. INTRODUCTION**

### **1.1. Vision & Mission**

#### **Vision**

**To develop a dependable and effective National Fleet of Ships and shipping logistics facilities for the country.**

#### **Mission**

- **To cater to the sea transportation and related logistics needs of the export, import and local coastal trades of Sri Lanka that needs assistance from the National Carrier and create Sri Lankan Seafarers conforming to international standards.**
- **To be a partner in people to people connectivity in the region.**

## **1.2. Business Objectives**

### **1.2.1. Towards the Trade and Customers:**

- To act as a facilitator of nation's economic development by capitalizing on business opportunities in booming economies in the region.
- To satisfy Customers' needs at the least cost and time with the highest degree of reliability.

### **1.2.2. Towards the Country and Society:**

- To facilitate developing the country as the Maritime hub in the region as envisaged in the Government policy.
- To provide competitive charges for any shipping needs of customers.
- Saving of valuable foreign exchange in carriage of government import cargoes on freight "to collect in Colombo" basis.
- To continue to be a logistics partner in country's thermal power generation.
- To become a logistics partner in the country's energy / petroleum sector.
- To provide total logistics solution for government customers and any customers in need.
- To provide essential on board maritime training for Sri Lankan cadets.

#### At our office premises

- To develop human resource capital of the Corporation and upgrade the skills and knowledge of the staff.
- To minimize energy, water consumption & wastage.

#### In operating ships:

- To take all necessary steps to avoid environmental pollution.
- To take all necessary precautions for ensuring safety of lives and properties in compliance with International Safety Management System.

### **1.2.3. Towards the Owners:**

- Highest contribution to the Government coffers by maximizing profit and saving much needed foreign exchange.

### 1.3. What we seek to achieve

- a) To transform from, being a Non Vessel Operating Common Carrier to a Vessel owning and Operating Carrier.
- b) Maximizing carriage of import cargoes of Government Sector Organizations.
- c) Carriage of crude oil for Ceylon Petroleum Corporation with the objective of owning a Tanker/(s) (Suez Max) through strategic partnerships with CPC and an Investor.
- d) Operate and manage CSC owned Dry-bulk vessels (Panamax) to carry coal shipments to Lakvijaya Coal Power Plant at Puttalam.
- e) To become a fully pledged Logistics provider in the country with a Public Private sector participation.
- f) To provide sea training opportunities for Sri Lankan seafarers Cadets thereby earn foreign exchange to the country by securing employment in foreign ships.
- g) To engage in trading services with the intention of securing supply and shipment contracts for commodities such as fertilizer, coal, bitumen by bidding for tenders published by the government/private institutions.
- h) To operate a Personal Baggage Clearance Warehouse in Colombo to cater to the personal baggage shipments of Sri Lankan expatriate workers.
- i) To act as General Sales Agent and the Ground Handling Operator for Passenger vessels between Colombo and India which is expected to recommence with new strategies to operate it viably.
- j) To strengthen own fleet of ships of Sri Lankan National Carrier through strategic partnerships with ship owners and investors on Public Private Partnership Model (PPP).

#### **1.4. Principle Objectives of CSC as specified in the Articles of Association**

- a) To carry on business locally and internationally as Ship owners, Cargo / Passenger ship operators, Ship brokers, Merchants, Shipping agents, Ship managers, Consultants, Insurance and General brokers, Carriers, Forwarders and Clearing agents.
- b) To establish, maintain and operate shipping and road transport services.
- c) To purchase, sell, charter, hire, build or otherwise acquire ships or other vessels or any other mode of transport with all equipment and furniture, and to employ the same on the high seas, or on rivers, canals or lagoons in the conveyance of all kinds of cargoes of dry, bulk, liquid and gaseous cargo of any kind or description whatsoever .
- d) To purchase, sell, charter, hire, lease, build or otherwise acquire multi-model transport system and to employ same in the conveyance of all kinds of cargoes.
- e) To carry on business as tourist agents and contractors, and to facilitate traveling, and to provide for tourists and travelers, or promote the provision of conveniences of all kinds.
- f) To act as agents and managing agents, brokers or in any other capacity for any person, firm or company now existing of hereafter to be formed in connection with the business of shipping and multi-model transport operations.
- g) To acquire concessions or licenses for the establishment and working of lines of ships or sailing vessels, or multi-modal operations between any ports or destinations of the world.

# PART II



## 2. CORPORATE PROFILE

### 2.1. Historical Highlights

#### 2.1.1. Inception and the early years from 1971 – 1980

Ceylon Shipping Corporation (CSC) which was incorporated in 1971 under the Ceylon Shipping Corporation Act No 11 of 1971 is the only Government owned national carrier of Sri Lanka. “Lanka Rani” was the first vessel commissioned by CSC in 1971. This Break- bulk conventional vessel was deployed in exporting of rubber to China and importing of rice from there under the Rubber / Rice Bilateral Agreement between Sri Lanka & China. By 1985, CSC owned a fleet of nine secondhand vessels (eight conventional and one tanker purchased in 1974). During this period CSC was able to operate in the main routes from Colombo to Europe, China, Karachi and Middle East. Major exports carried were tea, rubber, coconut and coconut products. Australia, South Africa, West & East South America were catered through in collaboration with other lines. CSC was supported by Central Freight Bureau (CFB) by allocating all government imports and 70% of private sector exports to strengthen the business performances of CSC. Moreover, CSC offered promotional freight to exporters to support export oriented industries in Sri Lanka which facilitated and encouraged Sri Lankan exporters in their overseas trading activities. CSC as the ‘one-stop-shop’ for all shipping needs was able to render an excellent service to her worldwide customers.

#### 2.1.2. CSC’s progress during 1980 to 1989

The port of Colombo was containerized in the year 1980 prompting CSC to commence containerized operations in the same year. CSC operated 04 container liner services to UK & Continent, Far East, Arabian Gulf & Red Sea and entered in to a joint venture with Neptune Orient Lines (NOL) and it operated on the UK and North Europe routes. CSC was proud to offer the first containerized operations in the Indian Sub - Continent and

supported containerization of Sri Lanka Port Authority thereby facilitating Colombo port as the hub port in the region.

The joint venture with NOL was discontinued in 1982 and operated UK / North Europe service with her own chartered three vessels of 668 TEU capacity of each. This service earned enormous revenue and CSC commissioned the fourth vessel to Bombay and Karachchi to get cargo for the return trip as well. During this period, "Lanka Mahapola", with a capacity of 408, TEU was introduced to Red Sea service in 1983 and an additional vessel was introduced in 1985 to cover Singapore as well. Further, Sri Lanka – Arabian Gulf service operated with 175 TEU vessels and South Asia Far East routes were covered by using another three vessels. It is also very vital to mention that, CSC could offer a car carrier service for importers with the collaboration of Mitsui OSK Line, Japan. CSC had joint services to USA with Maersk Line and United States Lines. Australian National Line joined with CSC to operate the Australia service and also a service to Colombia was launched in 1986 with the participation of Columbian National Line.

In addition, CSC was able to launch a shuttle service from Colombo to Karachchi, West Coast of India to Colombo and from the East Coast of India to Singapore. During the pre liberalization era, the upward trend of CSC emerged herself at the peak level in South Asian Region and she was proud to be the National carrier of Sri Lanka. The monopoly, which was prevailing in Sri Lankan shipping industry created many advantages to the country in many aspects.

### CSC Owned / Operate Vessels (From the inception)

#### ➤ Conventional Vessels owned / operated by CSC

Vessel Name	Delivery Date	Capacity (DWT)	Capacity (TEU)	Date of demise
1. Lanka Rani	15-01-1971	15,472	18,382	22-05-1986
2. Lanka Devi	11-04-1972	14,326	17,908	01-02-1985
3. Lanka Kalyani	20-09-1972	6,376	8,734	02-09-1985
4. Lanka Kanthi	28-11-1972	6,790	10,680	21-08-1985
5. Lanka Shanthi	May – 1973	14,580	17,086	07-05-1986
6. Lanka Keerthi	Feb - 1975	12,068	15,463	26-03-1985
7. Lanka Ratna	29-08-1975	15,305	19,798	26-05-1986

Table – 1

➤ **Container Vessels owned / operated by CSC**

Vessel's Name	Date of Delivery	DWT (MT)	TEUs	Date of Sales
1. Lanka Amitha	1977	13,880	606	
2. Lanka Amila	1977	13,880	606	
3. Lanka Aruna	1983	20,144	1,074	
4. Lanka Asitha	1983	20,137	1,074	
5. Lanka Sagarika	08-02-1972			05-07-1983
6. Lanka Siri	Feb.- 1982	3,831	175	08/02/1993
7. Lanka Seedeivi	March – 1982	3,831	175	08/02/1993
8. Lanka Srimani	August – 1982	9,700	412	20/07/1992
9. Lanka Srimathi	October- 1982	9,700	412	20/07/1992
10. Lanka Athula	09-09-1983	10,600	537	05-10-1989
11. Lanka Ajitha	10-01-1985	10,600	537	17-10-1989
12. Lanka Mahapola	29-06-1983	11,372	410	08-10-2013
13. Lanka Muditha	Dec- 1982	3,000	86	30-01-2014

Table – II

➤ **Bulk Vessels own / operate by CSC**

Vessel's Name	Date of Delivery	DWT (MT)
1. Ceylon Breeze	30-01-2016	63,600
2. Ceylon Princess	23-06-2016	63,600

Table – III

### 2.1.3 Liberalization in the Shipping industry and its impacts to CSC (During 90's)

The Shipping Industry was fully liberalized by the government of Sri Lanka in 1989/1990 and CSC was exposed to the highly competitive market conditions. However, only the Europe service was allowed one year grace period for CSC to be steady when facing the competition. In order to face the competition, in 1990 CSC incorporated a marketing arm namely Ceylon Shipping Agency Pvt. Ltd., in the year 1990 the Europe Service was also fully liberalized and CSC had to operate in highly competitive open market conditions. CSC was converted to a Government owned Company as Ceylon Shipping Corporation Limited (CSCL) in the year 1992 under the Conversion of Public Corporations and

Government Owned Business Undertakings into Public Companies Act No 23 of 1987. Unfortunately, CSC failed to compete with the lower freight rates as quoted by other Container Shipping Lines. They enjoyed the benefit of economies of scale as a result of operating new generation vessels round the world with larger capacities where CSC was unable to respond to that fierce competition as our vessels were of approximately 1000 TEUs capacity with charter hire as high as US\$ 12,000 per day. The freight rate to Europe that was at US\$ 1600 per TEU drastically dropped around US\$ 450 creating unfavorable impacts and damages to CSC business profitability. During this period CSC continuously recorded loss from her business activities and Treasury granted financial assistance to overcome the financial instability of the Corporation. CSC market share in the Europe Service drastically declined from 81,500 TEUs in 1991 and 34,000 TEUs in 1995. In 1996, it further decreased to 24,292 TEUs. CSC had to off hire four chartered vessels that plied the Europe route in 1996. With this decision, the market share reduced to 2275 TEUs in 1999 losing her hard won market share, setting red alarms to the future of CSC business conducts.

There were some important changes and decisions made by CSC to overcome the difficulty in trade that affected the organization in numerous ways. Some of those decisions were,

- The operation of the Europe service continued as a Non Vessel Operating Common Carrier (NVOCC) with Shipping Corporation of India and Zim Line of Israel.
- Aggressive canvassing of Government cargo.
- Introduction of cargo forwarding and clearing service to Government and private sector customers with competitive rates.
- Canvassing nominated cargo from ports world over to Colombo.

## 2.2 Highlights of services rendered by CSC

- First Break Bulk vessel Mv. Lanka Rani was purchased by CSC to facilitate Rice-Rubber bilateral Agreement between Ceylon and China in order to importing rice and exporting rubber.
- Operated CSC owned /chartered container Vessels in the main shipping routes – Far –East - Europe- Red Sea - P. Gulf.
- Joint shipping services to USA with Maersk Line & United State Lines.
- Connecting carrier arrangement with feeder operators in order to facilitate Multi-Fiber Agreement with USA.
- Offered promotional freight rates to Sri Lankan exporters to support export oriented industries in the country.
- Pioneers of operating container services in south - East Asia region.
- Saving foreign exchange in carriage of Govt. import cargoes on freight “to collect” in Colombo basis.
- Catamaran L/Rani & L/Devi constructed by Singapore yards for armed forces using technical know-how of CSC.
- Developed human capital in the maritime industry by providing practical training onboard CSC vessels.
- Facilitate for the transportation of goods required to North & East during war time by developing CSC owned vessel –L/Mudithe.
- Carriage of cargo needed to Sri Lankan armed forces at competitive rates all over the world.
- Transport of container cargo, break bulk cargo, project cargo, household effects /baggage and vehicles.
- Global cargo logistics services (Door to Door delivery/ packing / Unpacking/ stuffing/ De stuffing) with value added services.
- Ship Agency Services.



## 2.3 Progress up to 2018 and beyond

- Transport of Coal for the Lakvijaya power plant of CEB since 2010 as entrusted by the Cabinet decision in February 2010 (From load port to anchorage in Puttalam port & lightering of coal from anchorage to jetty of the power station using barges).
- CSC was the ground handling operator & the agent for the operator of passenger ferry service between Colombo and Tuticorin.(The service was operated from January to November 2011).
- CSC signed the new contract for transport of coal from Oct 2014 to April 2017 with ship owning company M/s PCL (Shipping) Pte.Ltd., Singapore, who was selected through a competitive Bidding process and evaluation by a Pricing committee (TEC Level) appointed by the Treasury and SCAPC. PCL owns about 100 bulk carrier ships.
- Transport of Crude oil for the CPC as entrusted by the Cabinet decision in June 2014. ( A Joint committee consisting senior officials of CSC, CPC, Ministry of Ports & Shipping and Ministry of Petroleum Resources Development was appointed in 2015 to look in to the ways and mean to deploy a Tanker for the transportation of Crude oil).
- CSC Newly built Ultramax Bulk Carrier ship MV Ceylon Breeze was delivered from the AVIC shipyard on 30<sup>th</sup> January 2016 and the receiving ceremony was held on 15<sup>th</sup> March 2016 at Port of Colombo.
- CSC newly built second Ultramax Bulk Carrier ship MV Ceylon Princess was delivered from the AVIC shipyard on 23<sup>rd</sup> June 2016 and the receiving ceremony was held on 05<sup>th</sup> October 2016 at port of Colombo.
- Certificate for the compliance with the Maritime Labour Convention - 2006 was awarded to CSC by Lloyd's Registry, UK, for maintaining of the necessary training and recruitment procedures.
- South Asian Association for Regional Cooperation (SAARC) together with Asian Development Bank conducted an event of Expert Group meeting on SAARC Cargo

and Passenger Ferry service between 01<sup>st</sup>02<sup>nd</sup> December 2016 at JAIC Hilton, Colombo to finalize the Feasibility Study CSC acted as the Host.

- CSC won 'Sri Lanka/ China Business Award in 03 consecutive years – 2016 & 2017, Bronze Category Large Service Sector' and Silver Award in 2017/18 services State Own Enterprises (Large) Category conducted by Sri Lanka China Business Co-operation Council (SLBCC).
- Unaccompanied Personal Baggage (UPB) Warehouse License was issued to CSC by the Sri Lanka Customs in 2017.
- CSC 02 new dry bulk carriers have been hired on time charter under world recognized commercial management company during the south west monsoon with around 98% utilization of vessels.

## 2.4 Financial Performances of CSC

CSC kept working hard to make profits even at difficult periods and time to time it was able to report considerable amount of profits by overcoming all hurdles in the trade. The following table depicts the financial performances of CSC during last ten years.

### 2.4.1 Review of past 10 years (2008/09 to 2017/18)

Year	Operational Profit (Rs. Mn)	Y-o-Y change %
2008/09	(35)	-
2009/10	23	(52)
2010/11	13	(77)
2011/12	88	85
2012/13	219	60
2013/14	250	12
2014/15	125	(100)
2015/16	74	(69)
2016/17	* 897	92
2017/18	*757	(18)

Table - IV  
(Source: CSC - Annual Reports / Draft Accounts)

\* Profit from Operations before impairment of Assets taken into account for Y2016/17&Y2017/18.

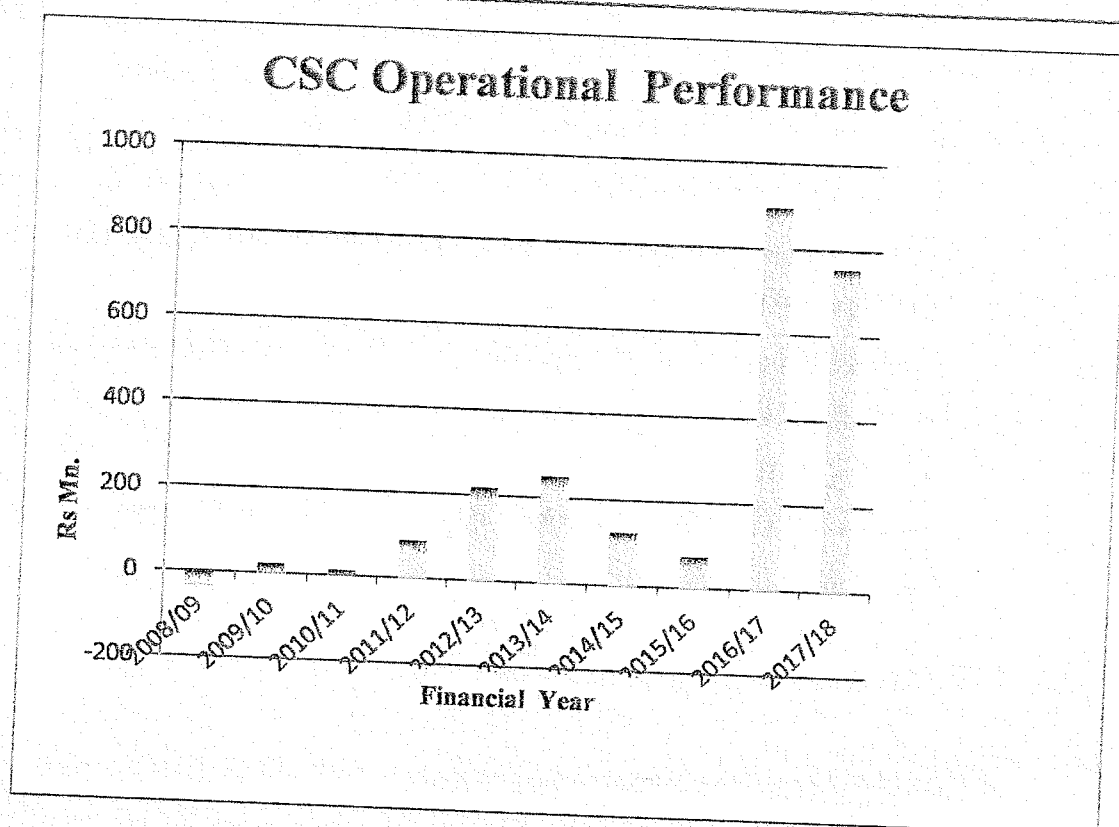


Figure – I  
(Source: CSC - Annual Reports / Draft Accounts)

\* Profit from Operations before impairment of Assets taken into account for Y2016/17&Y2017/18.

The above table – IV and the Figure – I indicate the financial performance of CSC up to the year 2017/18. From 2009/10 onwards for consecutive 07 financial years CSC had made net profit after tax. It is imperative to mention that, CSC has not burdened to the Government for funding after the year 1998 and it has sustained on income generated by its own from the services offered. CSC was able to generate profits during 2012/13 & 2013/14 financial years and was declined in 2014/15 due to impairment of trade receivable amounting Rs.Mn. 138.0. In 2016/17 & 2017/18 CSC has an operational profit of Rs.Mn 897.0 & Rs.Mn 757.0 respectively. However, with the payment of Interest and due loan install amount of Rs.Mn 652.0 & Rs.Mn 759.0 which was borrowed to build the CSC's owned ships CSC had acquired loss of Rs. Mn. (211.0) & Rs. Mn. (304.0) due to the payment of interest expense on vessel loan and the calculation of exchange loss of Rs.Mn 501.0 and Rs.Mn 292.64 which is merely a book value as per the financial standards.

Further, it is expected that this position will improve in forthcoming years with envisaged new business activities and new management strategies and also it is forecasted that the bulk market will pick up in forthcoming years with the implementation of new ballast water management system (BMS) and new regulations on CO<sub>2</sub> emissions by IMO.

The Following Figure II indicates the CSC Net Profit/Loss before and after Finance Expenses (Loan Interest + Exchange Loss) and before Income Tax for Y2016/17 & 2017/18.

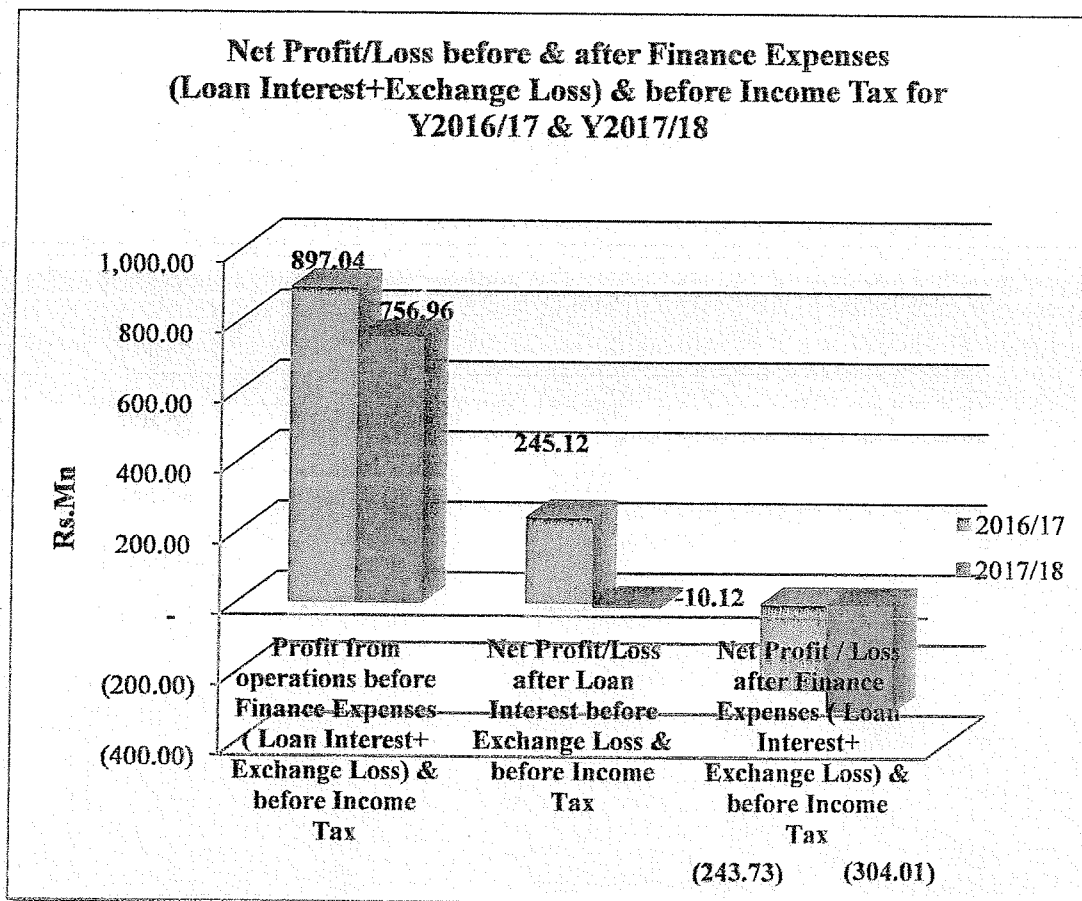


Figure – II  
(Source: CSC Draft Accounts)



# PART III

### 3. PRESENT STATUS

#### 3.1. Global Shipping Industry Outlook

➤ Vessel Grouping used in the Maritime Transport

Grouping	Ship Types	Vessel size
Container Ships	Fully Cellular Container Ships	<ul style="list-style-type: none"> <li>• Panamax(Above 3000TEUs vessels with a beam of below 33.2 m)</li> <li>• Neo-panamax (With up to 49m beam)</li> </ul>
Bulk Carriers	Bulk carriers Combination carriers	<ul style="list-style-type: none"> <li>• Cape size -100,000 dwt+</li> <li>• Panamax – 65,000- 99,999 dwt</li> <li>• Handymax – 40,000- 64,999 dwt</li> <li>• Hand size -10,000 -39,999 dwt</li> </ul>
Crude Oil Tankers	Very Large Crude Carrier Super Max Tanker Aframax Tanker Panamax Tanker	<ul style="list-style-type: none"> <li>• 200,000 dwt+</li> <li>• 120,000-200,000 dwt</li> <li>• 80,000-119,999 dwt</li> <li>• 60 ,000-79,999 dwt</li> </ul>
General Cargo Ships	Multi- purpose & project vessels ,Roll-on/Roll- off Cargo ,General Cargo	
Other Ships	Liquefied Gas Carriers Liquefied Natural Gas Carriers Parcel(Chemical) Tankers Specialized Tankers Reefers Car Carriers Cruise/Ferries Off-shore suppliers Other Non-Cargo Tugs	

Table V



### ➤ World Seaborne Trade

World Seaborne Trade is the backbone of globalization and lies at the heart of cross-border transport networks that support supply chains and enable international trade. According to the UNCTAD Report 2017, demand for shipping services improved in 2016, in line with developments in the world economy, albeit only moderately. World seaborne trade expanded by 2.6 per cent, up from 1.8 per cent in 2015, which is below the historical average of 3 per cent recorded over the past four decades. Total volumes reached 10.3 billion tons, reflecting the addition of over 260 million tons of cargo, about half of which was attributed to tanker trade. Strong import demand in China in 2016 continued to support world maritime seaborne trade, although overall growth was offset by limited expansion in the import demand of other developing regions. Seaborne dry cargo shipments totaled 7.23 billion tons in 2016, reflecting an increase of 2 per cent over the previous year. As shown in figure III, the share of the major bulk commodities (coal, iron ore, grain and bauxite/alumina/phosphate rock) amounted to about 43.9 per cent of total dry cargo volumes, followed by containerized trade (23.8 per cent) and minor bulks (23.7 per cent). Remaining volumes were accounted for by “other” dry cargo, 3 namely breakbulk shipments. In 2016, the major bulk commodities increased by 1.6 per cent, while other dry cargo expanded by 2.2 per cent. (UNCTAD Report, Review of Maritime Transport 2017).

### ➤ International Sea Borne Trade Selected Years( Millions of Tons Loaded)

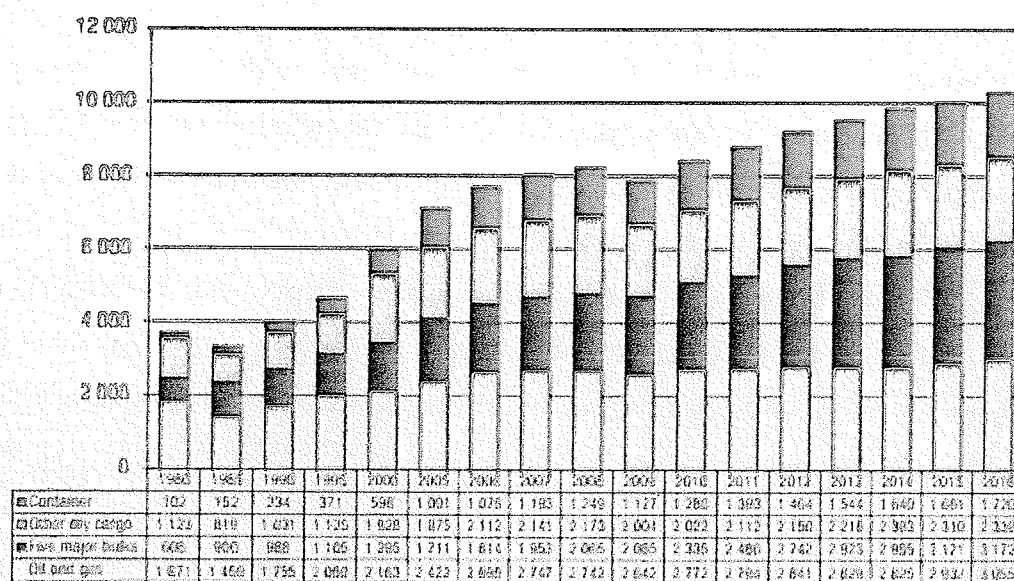


Figure III  
(Source: UNCTAD, Review of Maritime Transport, 2017)

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➤ **Development Affecting Sea –Borne Trade & Potential Opportunities**

-One Belt, One Road Initiative

A recent development with potentially significant implications for seaborne trade is China's One Belt, One Road Initiative. Launched in 2013, this initiative aims to establish new trading routes, links and business opportunities by further connecting China, Asia, Europe, Africa and countries with economies in transition along five routes. The implementation process was initiated in 2015, and full implementation across all the countries involved is a long-term endeavor. If the initiative is fully implemented, the expected benefits are likely to be broad-based and to span a number of areas and various countries and regions.

The initiative envisages the construction of a trade and transport infrastructure network involving 60 countries accounting for 60 per cent of the world's population and representing a collective GDP equivalent to 33 per cent of the world's total. Six international economic cooperation corridors have been identified. In China, the initiative is expected to help revitalize domestic industries; bring higher returns for Chinese capital and higher demand for Chinese goods and services; absorb China's labour; and use China's excess industrial capacity, such as cement for ports and roads and steel for rails and trains, among others. China's western region is expected to benefit through the building of hinterland connections and infrastructure, and the generation of demand for high value-added steel products, such as for pipelines and high-speed railways.

From the transport sector perspective, the success of the initiative rests heavily on optimization of the transport infrastructure and services, including shipping and logistics, required to support connectivity in China and beyond. In turn, the transport sector may benefit from the trade growth opportunities generated by the initiative and growth in volumes stemming from reduced transport costs, greater market access and connectivity, and infrastructure and industrial development. With regard to shipping, these may provide an additional boost to lift volumes and reverse the recent trends of weak demand and slowly growing trade, and help bring balance to the market, which currently faces a mismatch between supply and demand, as well as continued excess capacity. Surface transport offers alternative logistics options for business and trade, especially for high value added and time-sensitive goods. Several railways that already operate between China and Europe provide an advantage with regard to average travel days, which hover at 15 compared with 30–40 by sea. In addition, rail compares favorably with air with regard to shipping costs, and constitutes a more environmentally friendly mode of transport.

### ➤ Dry Bulk Freight Rates

2016 was another difficult year for the dry bulk sector, which continued to face overcapacity and weak growth in demand. The year started with historically low freight rates as demand remained weak and the inflow of new vessels continued. The Baltic Exchange dry index experienced record lows in 2016. It reached its lowest average – 307 – in February. Dry bulk demand, especially for iron ore, improved towards year's end, when Chinese imports expanded in response to a new round of fiscal and financial stimuli launched by the Government to boost economic growth. This mainly benefited the Capesize bulk carriers as they transported the key commodity of iron ore into China. The industry continued taking steps to limit fleet supply growth through increased scrapping and postponing or reducing deliveries of new vessels during 2016. As previously noted, the fleet capacity of bulk carriers grew by 2.22 percent, one of its lowest rates of growth since 1999. As such, the management of supply growth and the boost in demand supported freight rates as they increased in the second half of the year, with the Baltic Exchange dry index reaching 1,050 in December 2016. Nevertheless, freight rates remained relatively low compared with historical data. As a result of market imbalance in the dry bulk market, average earnings fell in all fleet segments, with figures dropping below \$4,000 per day. (UNCTAD Report, Review of Maritime Transport 2017).

#### Daily earnings of bulk carrier vessels, 2007–2017 (\$ per day)

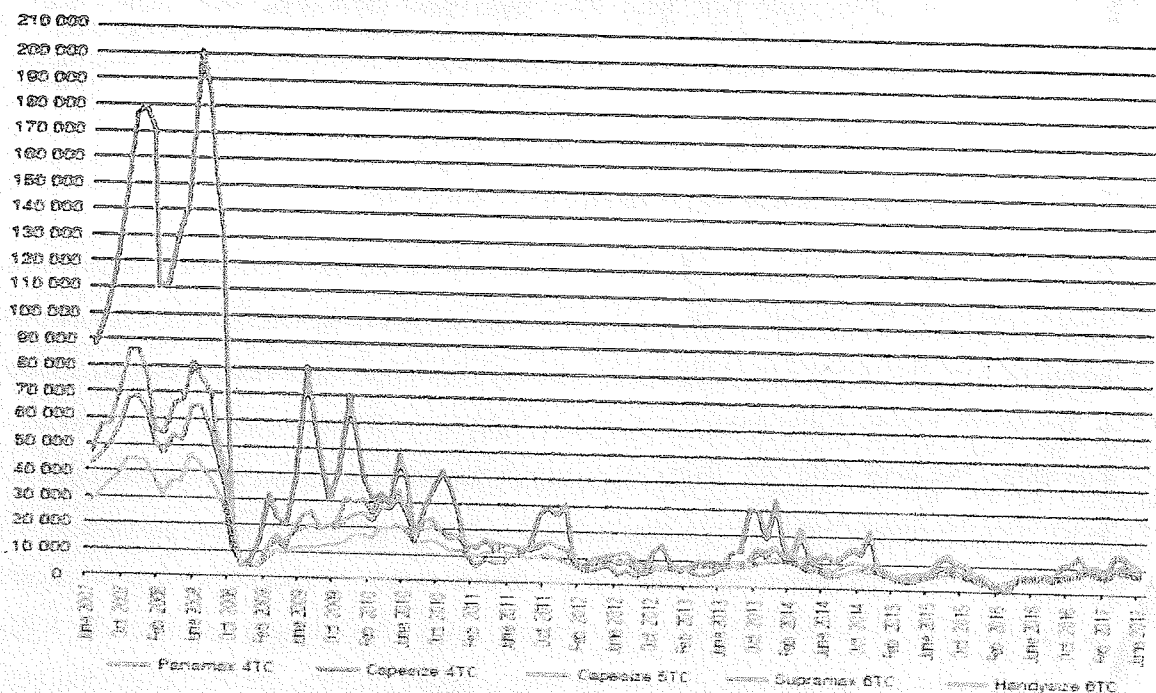


Figure IV  
(Source- UNCTAD report on Review of Maritime Trade- 2017)

➤ Dry bulk trade volume and tone-mile demand: Moderate growth ahead

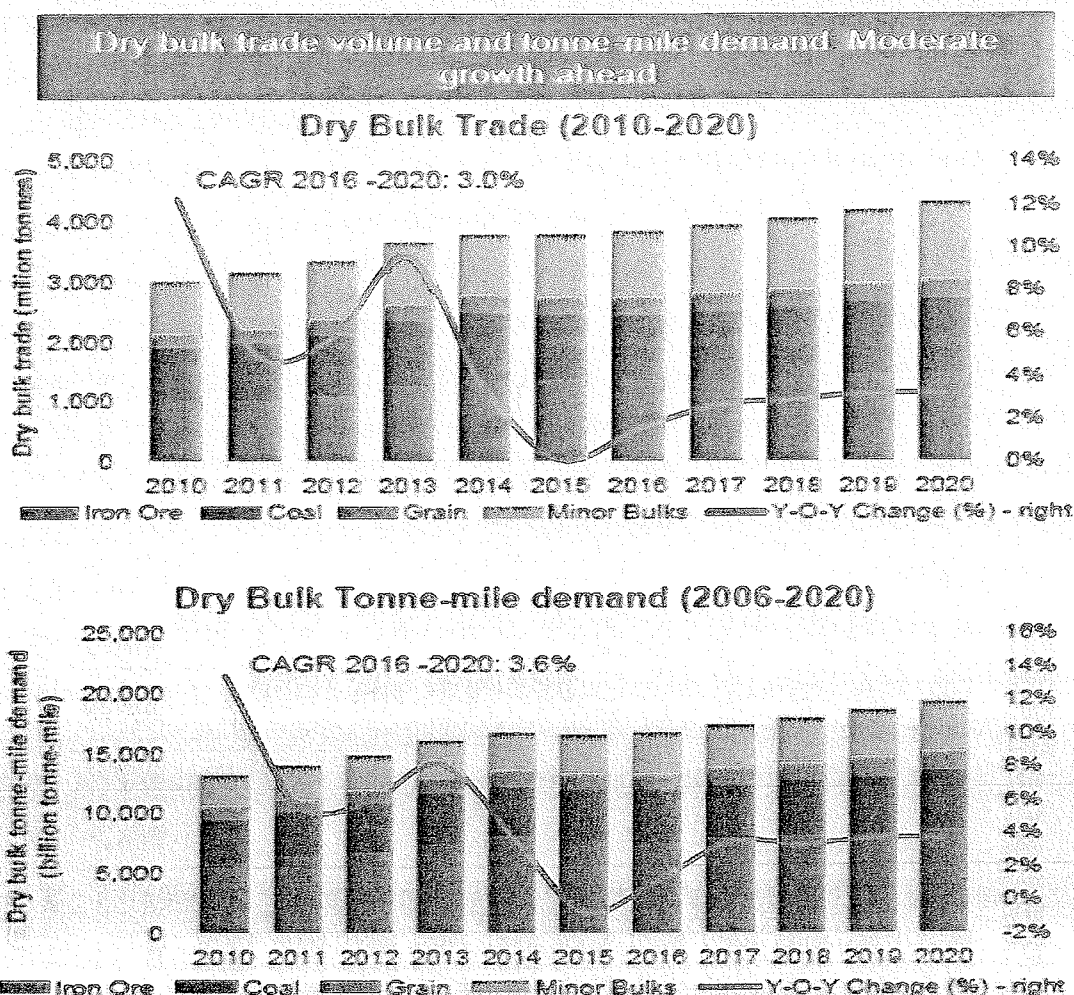


Figure V

(Source- Industry Overview – Drewry Maritime Advisors 2015/16)

### 3.2. Sri Lankan Shipping Industry Analysis

Sri Lanka is blessed with a geographical location where the busy East-West shipping route passes just six to ten nautical miles south of the island. More than 60,000 ships ply this route annually, carrying two-thirds of the world's oil and half of all container shipments. Sri Lanka is also at the doorstep of a dynamic market – India and 75% of Colombo port volumes are transshipments from India. Sri Lanka's geographic location and access to regional markets are key reasons to attract foreign Investments into the country and logistics and transport services sector is an important sub-sector of the Sri Lankan economy. Sri Lanka is expected to attract an increasing share of trans-Indian Ocean trade as well. According to estimates by KPMG, the Asia-Pacific freight industry is set to grow at around 12 percent each year, and the Port of Colombo already seeing around a 15 percent annual growth in transshipments.

The South Asia Gateway Terminal (SAGT) is running profitably and pushing regional boundaries in efficiency and performance. The new Chinese-run Colombo International Container Terminals (CICT) is also making waves. When the CMA CGM *Marco Polo* until a couple of years ago the world's largest container ship, with a capacity of 16,020 twenty-foot-equivalent units (TEUs) arrived in Colombo in September 2015, it showed Colombo's emergence as a growing transshipment hub capable of handling the increasingly large number of mega-ships that are plying Asia-Europe trade. Fourteen services using mega-ships call at CICT weekly. The importance of Sri Lanka's ports in international trade as well as linking the East-West shipping route has created much interest among global Shipping industry. The significance of Sri Lanka's maritime location and as a gateway destination to Asia is seen by many major industry players and are now focusing on relocating logistic & shipping to the Indian Ocean island where great opportunities are available to speedily connect many continents, consumers including Asia and Africa. Sri Lanka is considered as the best location in South Asia with modern infrastructure, customs and human capital availability at low cost. Being located at the southern tip of South Asia, and situated between the major ports of Middle East, East Asia, Sri Lanka is ideally located for feeder connectivity in the region. The port of Colombo has the deepest draught and most efficient terminals in South Asia which is considered world class. In addition many other ports are available for bulk, Ro/Ro, cruise shipping, bunkering etc. around the island.

The tax regime for shipping and logistics is one of the lowest in the world. The geographic location is Sri Lanka's number one unique selling proposition (USP) for shipping and logistics and it is a major advantage for speedy connectivity, which no other port in the region can claim for. The port of Colombo is ranked among the top 30 ports in the world.

As per the Sri Lanka Central Bank Report- 2017, the expansion in the trade deficit was driven by the reduction in earnings from exports compared to 2016. Accordingly, the trade deficit widened to US dollars 9.619 million in 2017 compared to US dollars 8.873 million recorded in 2016 and the trade deficit as a percentage of GDP increased to 11.0 per cent in 2017 compared to 10.9 per cent in 2016. (Annual Report- CBSL 2017).



➤ Performance of Sri Lankan Ports

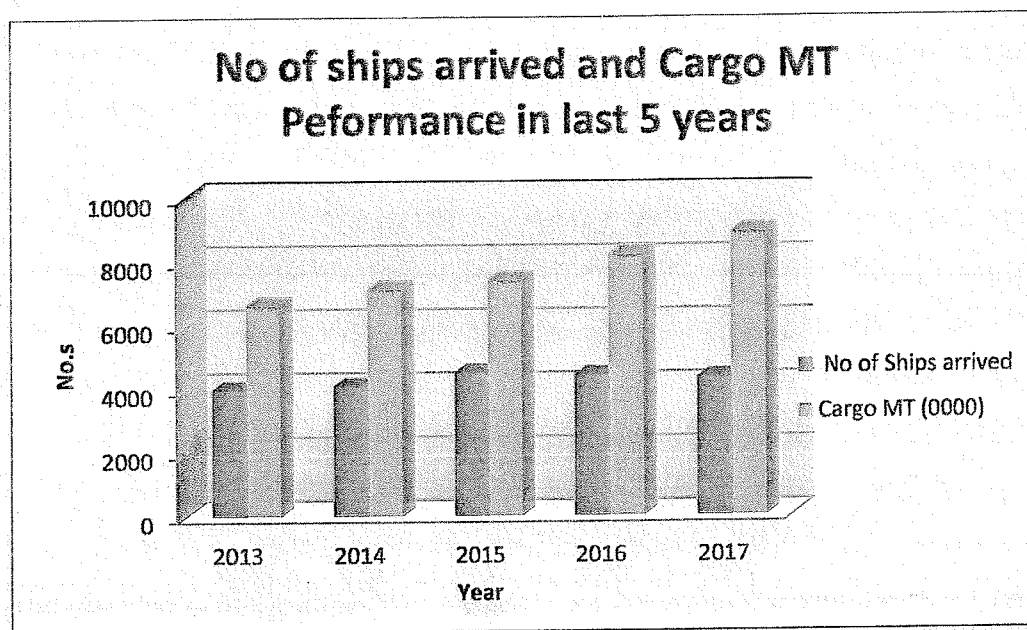


Figure VI  
(Source – Annual port Statistics- 2017 – SLPA)

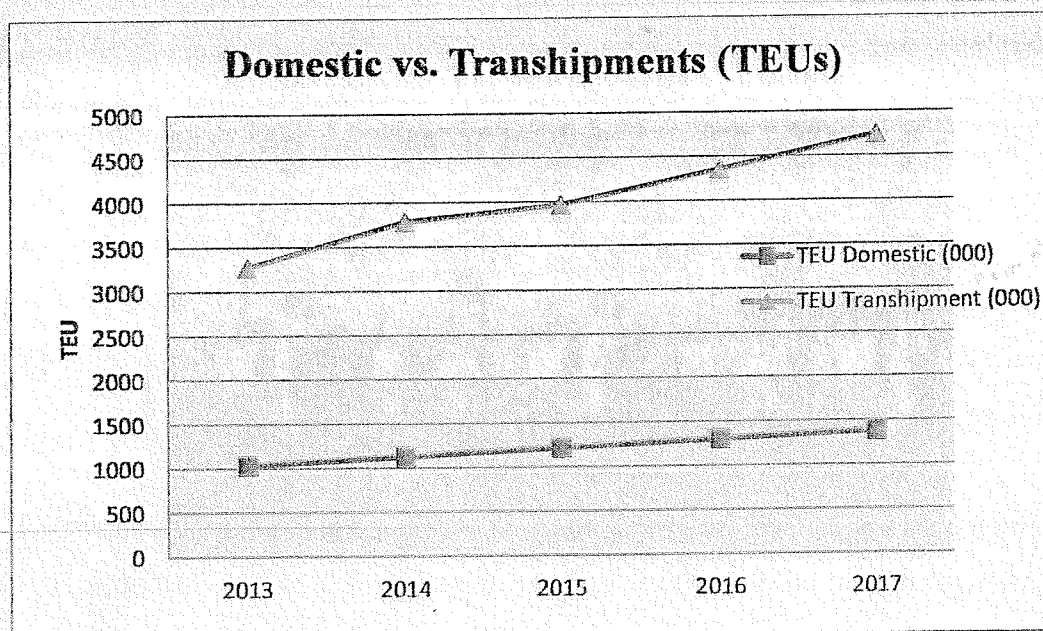


Figure VII  
(Source – Annual port Statistics- 2017 – SLPA)

With the above data (figure VI), it is apparent that the number of vessels calling Sri Lanka has not much being increased compared to the increased of volume of cargo. This is due to ships becoming bigger and hence a single ship is able to carry more cargo than before. Also, as noted (figure VII) an increase in transshipment by 3-4 times higher than domestic cargo, which is an indication that Sri Lanka is developing as a hub in the region.

### **3.3. Current Status of CSC Business**

#### **➤ Major Activities of CSC**

- Ship Owning, Management and operations
- Carriage of Coal for Lakvijaya Power Station which involves shipments by bulk carriers to off shore anchorage and lightering operation to the Jetty of the Plant
- Non Vessel Operating Common Carrier (NVOCC) Service
- Total Logistics solution. Customs Clearing and Forwarding (Door delivery and pick up services of any type of import and export cargo along with value added services)
- Ship Chartering
- Ship Agency Functions
- Ship Brokering
- Sea Training provided to Sri Lankan Merchant Shipping Cadets (Government Sector & Private Sector Institutes)

#### **3.3.1 Organization Structure**

Please refer Annexure 03

#### **3.3.2 Operation of CSC Two Vessels (Mv. Ceylon Breeze and Mv. Ceylon Princess)**

##### **Phase 01 -Vessels deployment for the transportation of Coal**

The CSC two bulkers are mainly deployed for the transportation of coal requirement to Norochohole of Thermal power plant of Ceylon Electricity Board during September to April in the following year. Coal requirement for the coal power plant is as follows:



➤ **Coal requirement for the coal power plant**

Unit	Generating Capacity (MW)	Coal Requirement per annum (MT)
Phase - 01	300	750,000
Phase - 02	300	750,000
Phase - 03	300	750,000
<b>Total</b>	<b>900</b>	<b>2.2 Mn +/- 20%</b>

Table VI

Lanka Coal Company (Pvt) Ltd, a subsidiary of CEB which has been established for the supply of coal in which CSC is a share holder of the company. Coal transportation is carried out in 02 phases due to the weather pattern in the Norochcholae, Puttlam in the following manner;

**a. Carriage of Coal from Mother Vessels** -From load ports to anchorage of the port of Puttlam, situated about 4.2km offshore, by Supramax/ Ultramax sized bulk carriers. Their needs to perform 38 to 39 voyages of mother vessels for the carriage of around 2.2 Mn Mt per annum. From which Mv. Ceylon Breeze and Mv. Ceylon Princess are performed 05 to 06 voyages each per annum carrying around 730,000 Mt from 12 voyages. Balance quantity of the coal carried by third party operator under Contract of Affreightment (COA). Loading ports are RBCT, South Africa, Indonesia and Russia. From South Africa to Puttlam total duration per vessel will be around 38 to 40 days.

**b. Lightering-** From Anchorage to jetty of the power plant, coal is carried by Self - Propelled Barges (SPBs) for lightering operation. Presently there are 06 barges deployed for lightering through a third party operator. The rate of lightering from SPBs are around 10,000MT of coal per day.

**Phase - 02- Vessels Employment during Monsoon - from the month of May to September each year**

Two vessels have been employed in the global charter market under reputed Commercial Manager who was selected upon inviting bids on close tenders. Considering the limited duration for trading the vessels in the open market, the longer time charter engagement for the vessels were not possible instead employed on trip charters and voyage charters with the view to repositioning of the vessels at the loading ports to load coal for the season. The two vessels performed following fixtures during the year 2016/2017.

➤ **Mv. Ceylon Breeze -Fixtures - 2016/17**

Voyage No.	Voy 03	Voy 04	Voy 11	Voy 12	Voy 13
Port of Loading	Puttalam	South Korea	Santoz	Paradip	Xingian/ Bayuquan
Days on charter	9/5/2016	12/7/2016	17/04/2017	21/07/2017	25/08/2017
Port of discharging	China	Mumbai	Kakinada/ Haldia	Caofeidian	Jakarta/ Surabaya
Cargo	Iron Ore	Iron	Sugar	Iron Ore	Steel
Ballast	19.67				
Voyage duration	44.37	37.37	95.42	28.71	33.078
Charter hire per day	8,600.00	7,150.00	11,500.00	7,850.00	7,750.00

**Average Charter rate - USD 8570.00 per day**

Table VII  
(Source – Business Plan for the two Bulkers)

➤ **Mv. Ceylon Princess -Fixtures - 2016/17**

Voyage No.	Voy 01	Voy 07	Voy 08	Voy 09	Voy 10
Port of Loading	Tianjing	Kakinada	Shenjiang	Samarida	Kalimantan
Days on charter	7/9/2016 3:30	4/8/2017 16:00	5/25/2017 4:00	7/28/2017 12:48	8/17/2017 5:00
Port of discharging	Koahsiung/ Cebu	Longkou	Sandakan	Taipei	Vizag/ Haldia
Cargo	Iron Ore	Laterite	Fertilizer	Coal	Coal
Ballast	-	-	-	-	-
Voyage duration	48.57	38.88	64.37	19.67	28.17
Charter hire per day	6,500.00	10,500.00	6,500.00	10,000.00	7,750.00

**Average Charter rate - USD 8250.00 per day**

Table VIII  
(Source – Business Plan for the two Bulkers)

- \* Mv. Ceylon Breeze & Mv. Ceylon Princess' Total Voyage Performance- Annexure 13.
- \* Mv. Ceylon Breeze & Mv. Ceylon Princess' Voyage Performance for Y2017/18 – Annexure 7

### 3.3.3 Department of Liner & NVOCC

This Department engages with NVOCC (Non Vessel Operating of Common Carrier) and freight forwarding operation which is a way of sending cargoes through other shipping lines by hiring space on their ships. This is a kind of shipping forwarder's function and CSC is earning commission through this business due to non-availability of owned container vessels. This is one of the main profit centers in CSC. CSC offers world wide NVOCC service through CSC long years experienced agency network in the globe. At past, CSC operated a Liner service and the Department was established to facilitate those functions as a Liner Department. At the moment CSC does not own a Liner service due to the non-availability of its own vessels suitable for the purpose and doing NVOCC and freight forwarding activities. Hence, the Department mainly handles cargoes imported by the Government Institutions and export consignments of Sri Lankan Diplomatic staff that are posted to overseas locations.

The main functions of the department are as follows;

- Overseas agency appointments, review of agents performances and control of such agents.
- Contracting and co-ordination of contracts with overseas service suppliers such as container services suppliers, container terminals, transport operators, other shipping lines etc.
- Commercial decision making with regard to routes, rates etc.
- Costing of voyages, evaluation of voyage performances and preparation of various reports for the MIS.
- Booking space from Main Line Operators.
- A range freight transportation for government sector imports.
- Preparation of Management Information Reports for decision making purposes.
- Liaising with the Shippers' Council.
- Compilation of statistics, competitor activities and recent developments.
- Provision of customer services such as provisions of information, Government sector FOB cargo acceptance, booking passage etc.

Critical success factor of this operation is the full implementation of the Public Finance Circular 415 dated 06/05/2005 issued by the Treasury to be applied for the Government Institutions, which has been reissued in February 2016 with the concurrence of the Cabinet of Ministers.

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### 3.3.4 Department of Logistics, Clearing & Forwarding

This Department provides Logistics supports to NVOCC (Non Vessel Operating Common Carrier) / Freight forwarding operations. Main functions are handling of customs clearance of cargo and providing total logistics services on behalf of CSC customers. In addition, this department undertakes separate government and private sector cargo clearance with total logistics solution and specially handles Sri Lankan diplomats' export cargo freight forwarding. This section is one of the profit generators of CSC. It is expected to further strengthen this operation with Public Private Sector participation.

### 3.3.5 Department of Chartering & Agency

CSC offers agency services for own vessels and foreign vessels calling Sri Lankan ports for cargoes discharging/loading/Bunkering etc.

➤ **Key functions of the department are;**

- Handling of port agencies on behalf of Owners, Charterers and Receivers
- Chartering functions
- Ship Broking functions
- Port/Documentation, Agency functions and Customs Clearance of coal shipments for Lakvijaya Power Station in Puttalam
- Compilation of Statistics
- Project/special studies
- Operational aspects of the transportation of coal
- Lightering Coal
- Deployment of 02 CSC owned Bulk carriers

➤ **Agency Functions;**

This department acts as Colombo Port Agents for foreign Principals, the Government and Local Institutions.

- Handles receiver's agency functions of vessels carrying fertilizer consigned to Ceylon Fertilizer Co. Ltd. and Colombo Commercial Fertilizer Ltd.
- Agent for M/s PCL (Shipping) Pte. Ltd., Singapore Handles port agencies for Ad-Hoc callers.
- Owned vessels

Agency functions at the ports of Trincomalee, and Galle are handled through sub-agencies.

➤ **Chartering/ Brokering Functions;**

- This department functions as an in house chartering broker for CSC and for government institutions and the Private Sector as and when required such services.
- Prepare charter parties.

➤ **Port Agency/ Documentation functions of the Coal Shipments;**

- Coordination with all relevant stakeholders and Sri Lanka Customs and monitor port/documentation functions to ensure smooth functioning of coal discharging operations and looking after the interests of the power plant by giving the vessels fast turnaround.

➤ **Key income sources are,**

1. The agency fees charged from relevant parties/principals as Receiver's Agent / Owners Agents.
2. Customs clearance charges of bulk, address commissions, commission on lightering of bulk shipments and additional commission on coal discharging over 2.2 million MT +/- 10% annually.
3. The freight & demurrage earned on owned vessel.
4. Charter hire on owned earned vessels.
5. Commission on Demurrages of the coal vessels if any.
6. Other Agency Activities such as crew changes/Cash to Master/ Ships' Provisions/Delivery of Spare Parts etc.

### **3.3.6 Department of Business Development & Marketing**

Business Development Department has been entrusted with exploring new business opportunities and projects for CSC. This Department would initiate and set up new business activities for the organization and look for new market opportunities and endeavor to grab potential new businesses in order to face intense competition in the shipping industry and enhance the profitability of the organization. Followings are the main functions presently handled by the Business Development Department.

- Maritime training and Crew Agency functions for the vessels owned by PCL and its affiliate companies and providing training opportunities for Sri Lankan Marine Cadets.
- Prepare Business plan and Business reports.
- Carry out Feasibility studies on new projects.
- Represent CSC to pursue the maritime activities in bilateral agreements signed between Sri Lanka and other neighboring countries / SAARC .
- Compiling statistics and preparing performance reports: - Monthly / Quarterly /Annually.
- Prepare 05 years Corporate Plan for CSC.
- Arrange all ground work activities for following new projects.
  - i. Purchase of Maintenance Emergency Response Work (MERW) vessel for deployment at the SPBM for Mooring/Unmooring of Tankers.
  - ii. Unaccompanied Personal Baggage (UPB) delivery Warehouse.
  - iii. Operation of Less Cargo Load (LCL) & Multi Country Consolidation (MCC) cargo at Port of Colombo.
  - iv. Operating of Floating Bunker Storage.
  - v. Operating of Self Propelled Barges (SPBs) for Lightering of coal.
  - vi. Operating of Passenger Ferry service between Colombo /Tuticorin/Colombo.
  - vii. Coastal Shipping Service.
  - viii. Flag of Convenience (FOC).
- Media coordination, publishing paper advertisements and paper articles.
- Arranging Business Meetings locally and internationally.

Marketing plays a vital role in attracting both government and private sector customers and puts the fullest effort to generate more businesses to CSC. In early days CSC had a very strong in house marketing force but after the liberalization process in the Shipping Industry CSC's market share has been dramatically decreased which was a big challenge to regain it. However, with the approved SOR from the General Treasury being adopted by the new management, it is anticipated that a full restructuring process would be taking place to meet the objectives of the CSC in more aggressive and effective manner.



### 3.3.7 Department of Technical

Technically functioning of CSC owned two vessels and coal lightering operation are mainly monitored by CSC Technical Department. Functions of the department are as follows;

- Technical functions including .Maintenance, repairs, supply of spares, supply of Bunkers, supply of crew, supply of provisions and arranging class surveys for the CSC owned vessels.
- Function of Designated Person Ashore for owned vessels.
- Function of Company Security Officer for owned vessels.
- Implementation and maintaining of International Safety Management System on board CSC own vessels.
- Technical functions of coal lightering operation.
- Technical Management of CEB lightering vessels (02 Nos Tugs and 03 Nos Barges and 01 Line Boat).
- Technical Management of CSC 02 owned Bulk carriers.

### 3.3.8 Department of Finance

The Finance Department provides assistance to the management of the CSC on financial affairs, where such financial matters are conducted in an effective manner.

This department is responsible mainly for the following functions.

1. Finance, Accounting & Reporting.
2. Budgeting.
3. Treasury Operations.
4. Taxation.
5. Corporate Reporting.

The Finance Department acts as a guide to various internal Departments in matters such as Finance Regulations, Circulars, rules and amendments thereon.

The Finance Department consists of the following divisions.

- Revenue
- Liner/Container Service



- Payments
- Management Information
- Bookkeeping
- Supply and Crew Wages

### **3.3.9 Department of Internal Audit**

This Department is an independent body and functions directly under the Chairman. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. The authority has been given to the Audit Committee to act independently. According to the Audit Committee, Internal Auditor should assist the Audit Committee through the submission of relevant reports to assist in the deliberation and Internal Auditor should arrange Audit Committee which should meet at least once in three months time.

### **3.3.10 Department of Legal and Insurance**

The Legal & insurance Department is entrusted to handle all Legal & Insurance matters pertaining to the day to day operational activities of CSC. Some of the important Insurance covers arranged by this Department entail vessel fleet insurance, both Hull and Machinery (H&M) and Protection and Indemnity (P&I), vehicle fleet insurance and the office equipments against burglary and theft. The Personal Accident cover and Health Insurance Cover for CSC employees are also under the purview of this Department. Apart from above, a burglary cover for Cash in Transit and Cash in Safe units are also placed appropriately. The handling of all incidental claims in relation to insurance constitutes a significant part of daily work of the Department. Further, this Department safeguards the legal interest in all litigation activities for and against CSC in liaison with Attorney General's Department and also by retaining prominent legal counsels as and when deemed necessary. Attending to labor and Human rights matters are also a part of the routine work of this Department.

### 3.3.11 Department of Human Resources

Human Resources Department handles all the Human Resources related activities within CSC. The total 124 staff strength of CSCL is comprised of

Permanent cadre		Contract/ Casual/Trainees	
Executives	- 57	Contract	- 05
Clerical Staff	- 45	Casual	- 01
Minor Staff	- 22	Trainees	- 07
<b>Total</b>	<b><u>124</u></b>	<b>Total</b>	<b><u>13</u></b>

Ceylon Shipping Corporation operates worldwide services in sea transportation as the National Carrier of Sri Lanka. Since Shipping is an international industry, which needs to update and upgrade skills of the human resources in the industry, foreign and local training facilities are provided to the employees in CSC to enhance the knowledge and skills in the Maritime Sector in keeping with the International Standards.

#### ➤ Training and Development

Training and development is a one of the activities of CSC. It ensures randomness is reduced learning or behavioral changes take place and thereby we are creating a smarter workforce and yield the best results we identify training needs in relation to organizational goals and provided the necessary training to our staff to enhance their knowledge due to the high standards required in the Maritime Trade. We provide the employees for overseas training which includes workshops, seminars, conferences and meeting etc on operational efficiency.

#### ➤ Local Training

The HR Department annually organizes training programs for the employees in all the Departments of CSC in association with key training institutions such as Sri Lankan Universities, SLIDA, FDSL, IPM (Institute of Personal Management), National Institute of Labour Studies, Center for Banking studies, Academy of Financial Studies, PRAG Institute & Vocational Training Center, Miloda in the year 2017/18 there were 97 nos. of employees were encouraged to participate in various seminars, competitions, events, workshops and forum which enable them to develop and sharpen their knowledge and skills.

➤ **Overseas Training**

CSC has continued to send one or two executives annually to follow a course of MSc. in Shipping Management at World Maritime University, Sweden to develop knowledge in rigorous procedures complying with Maritime laws and exchange views internationally.

➤ **Travel sponsorship for Athletic meets and cricket team for staff members.**

In addition, employees were participated for foreign training programmes on Maritime activities in China in the year 2017. Our primary objectives are to ensure high level of professional standards and to ensure optimum utilization of Human Resource at the organizational as well as international level.

### **3.3.12 Department of Administration**

This department carries out all administration/procurement related functions of CSC. The followings are some of the major functions currently performed by the department.

- Supervision and maintenance of the CSC building premises, CSC Quarters including water supply, electricity, telephone, cleaning and the security service.
- Overall supervision of the CSC vehicle fleet (License, Insurance, Fuel and repairs & replacements).
- Overall supervision of postal work, distribute and dispatch official letters.
- Supervision and maintenance of CSC Telephone System.
- Supervision of repairs of office equipment and CSC vehicles in accordance with the Tender Procedures.
- Over all supervision of CSC Library and the General Stores.
- Carryout all Procurement matters of CSC according to the Tender Procedures and followed by the Government Procurement guide lines.

According to the new structure of CSC, IT department, Procurement and Building Maintenance are also the responsibility of the Administration Department.

### 3.3.13 Department of IT

- Supervision of Net work system, administration of Web site & E-mail facilities with SLT Domain Functions and the Antivirus maintenance
- Maintaining Electronic Cargo Manifest System Shipping Module and the ASYCUDA system (Online entry process of CUSDEC with the Custom System).
- Overall supervision Backup system, Hardware & Software maintenance and purchasing software & spares.
- Implement of new ERP System for integrated CSC Operation and Service Departments.

### 3.3.14 Department of Documentation

Main functions of the Documentation Department are as follows;

- Receiving Shipping Documents from the loading port agents for import cargo.
  - House Bill of Lading copy.
  - Master Bill of Lading copy.
- Getting cargo arrival details from the carrier's local agent.
- Preparing Import Cargo Manifest.
- Reporting ASYCUDA E-manifests to the SL Customs.
- Reporting Hard copies of Import cargo Manifest to the SL Customs and SLPA.
- Collecting Master Delivery Order's from various shipping Lines after Paying relevant charges.
- Issuing Delivery Order's to the customers for clear the cargo.
- Handling container damage claims and cargo damage claims.
- Getting B/L instructions from local agents, shipper's, Liner Departments, Logistic Department and discharging port agents for prepare Bs/L for Export cargo.

### 3.4. Our Resource Base

#### ➤ Human Resources

##### Chairman and Board of Directors

Ranjith Athukorala	Chairman
Buddhika Madihahewa	Executive Director
Dr. Parakrama Dissanayake	Director
Deshamanya Chinthaka Vithanage	Director
A.K. Janaka Nandakumara	Director
N. Purna Perera	Director
A.K.Seneviratne	Director (Treasury Representative)

##### Team of Management

S. M. D. N. Dharmapriya	General Manager
C. Jayasinghe (Mrs.)	Deputy General Manager (Commercial)
Prasanna Samaranayaka	Deputy General Manager (Human Resources, Legal & Insurance)
Vikum Pradeepa	Assistant General Manager (Finance)
Y. S. Wettasinghe (Mrs.)	Assistant General Manager (Business Development & Marketing)
Mr. Kingsley Wijerathne	Technical Superintendent
I. Danthanarayane	Manager (Chartering & Agency)
N. P. Kalpage	Manager (NVOCC & Logistics)
M. Maduraja	Manager (Documentation)
W.A.D.S. Wijesinghe	Manager (Finance)
S. M. Gunasekara (Mrs.)	Manager (Human Resource)
Y.Ponnampereuma	Internal Auditor
Lalith Gunarathne	Head of Administration & Procurement

The present cadre of human resources is 124 permanent employees as of today, which includes skilled, trained and professionally qualified staff.

## ➤ **Physical Resources**

### • **Ships**

The two dry-bulk vessels Mv. Ceylon Breeze and Mv. Ceylon Princess were delivered on 30<sup>th</sup> January 2016 and 23<sup>rd</sup> June 2016, respectively from the Chinese shipyard. Ships have been designed to cater to transportation of Coal for the Ceylon Electricity Board as well as to provide mandatory Sea-training for Sri Lankan trainee Seafarers (officer Cadets) with Cabins in one whole deck that can accommodate up to 26 Cadets per vessel at any given time totaling to 52 Cadets. Two dry-bulk vessels Mv. Ceylon Breeze and Mv. Ceylon Princess have been deployed to transport of Coal to Norochcholai Power Plant at Puttlam before and after the South-West Monsoon period. During the Monsoon period the vessels will be employed in the open market on time charter basis under a world recognized commercial manager.

Voyage details of two bulk ships in the year 2017 (Annexure 06)

### • **Buildings**

CSC does not have an own building for the office except for two residential Quarters. The management is exploring the opportunities to construct an office building for CSC in affiliation with the Sri Lanka Ports Authority. CSC has also requested to allocate a building for CSC office premises within the city of Colombo from Ministry of Mega polis & Western Development.

## ➤ **Investments**

CSC has investments in following companies;

- Ceylon Shipping Lines – 156,948 shares to the valued of Rs. 35.1 Mn (39% of shares are now retained with CSC).
- Ceylon Port Services Ltd – 5,000 shares (value: Rs 2.09 Mn).
- Mercantile Shipping Co – 238,506 shares (value: Rs. 21,607,005).
- Ceylon Shipping Agency Pvt Ltd, Sri Lanka – Fully owned subsidiary of CSC currently pending wind up.
- Ceylon Shipping Agency Pvt Ltd, Singapore – 24,500 shares (value: Rs. 4.9Mn).
- Associated Newspapers of Ceylon Ltd – 31,206 shares (value: Rs. 4,680,900).

- Sri Lanka Port Management & Consultancy Ltd – 1,500 shares (value: Rs.15, 000 this is an Investee Company.)
- Lanka Coal Company Ltd – (200,000 shares valued at Rs. 2 million).

➤ **Achievements in 2016/17 & 2017/18**

- CSC built Ultramax Bulk Carrier ship MV Ceylon Breeze was delivered from the AVIC shipyard on 30<sup>th</sup> January 2016 and the receiving ceremony was held on 15<sup>th</sup> March 2016 at Port of Colombo.
- CSC built second Ultramax Bulk Carrier ship MV Ceylon Princess was delivered from the AVIC shipyard on 23<sup>rd</sup> June 2016 and the receiving ceremony was held on 05<sup>th</sup> October 2016 at port of Colombo.
- Certificate for the compliance with the Maritime Labour Convention - 2006 was awarded to CSC by Lloyd's Registry, UK, for maintaining of the necessary training and recruitment procedures.
- South Asian Association for Regional Cooperation (SAARC) together with Asian Development Bank conducted an event of Expert Group meeting on SAARC Cargo and Passenger Ferry service between 01<sup>st</sup> 02<sup>nd</sup> December 2016 at JAIC Hilton, Colombo to finalize the Feasibility Study. CSC acted as the Host.
- CSC was awarded 'China/Sri Lanka Business Award – 2015 & 2016 Bronze Category Large Service Sector' conducted for two consecutive years by the Sri Lanka China Business Co-operation Council (SLBCC).
- CSC was awarded 'China/Sri Lanka Business Award – 2017/18 Silver Category Large Service Sector' conducted for two consecutive years by the Sri Lanka China Business Co-operation Council (SLBCC).
- Unaccompanied Personal Baggage (UPB) Warehouse License was issued to CSC by the Sri Lanka Customs in 2017.
- CSC 02 new dry bulk carriers have been hired on time charter under world recognized commercial management company during the south west monsoon without idling.



### **3.5. Empowering CSC as the National Carrier**

CSC now functions under the Companies Act and has adopted a Memorandum and Articles of Association, which provides a considerable degree of autonomy to the Institution. Therefore, the necessary regulatory framework is in place for CSC to forge ahead as an enterprise, generating its own funds for future expansion and growth. The trade bodies of Sri Lanka, which were instrumental in liberalization of shipping, have now, realized the necessity of a strong national fleet. They have emphasized and highlighted the need of revamping the National Carrier, due to various bitter experiences encountered in the hands of cartels of foreign lines that increase freight rates and other related expenses at their whims and fancies. Sri Lankan exporters and importers have been facing various problems such as shut-out of cargo, roll-overs, non-availability of containers, sailings and space, by-passing of vessels at short notice, freight rate increases in every 2-3 months, application of surcharges, lack of consultation between ship owners and trade bodies etc. which ultimately discourage Shippers and Consignees in various aspects. Rate stability and frequent sailings are of utmost importance for shippers. Fixed sailings are required for planning productions ahead and exporting goods to foreign markets satisfying today's just-in-time logistics and supply requirements of buyers with minimum warehousing. The present management has realized the pitfalls of a pronounced Public Dimension in seeking to infuse CSC with a strong Enterprise Dimension to implement strategies to once again reach and sustain the pre-eminent position it enjoyed in the past and to meet the expectations of the trade and the national security. In that, internal and external environments are conducive for such revival. Further, strengthening the CSC activities Cabinet decision has been granted in February 2016 to empower the Public Finance Circular No.415 issued in 2005 and instructed all the Government institutions to import their cargo under CSC Bills of Lading.

### **3.6. Financial Performance over last 05 years**

The following Chart (Figure VIII) shows the source of Net profit generated over last 05 years.

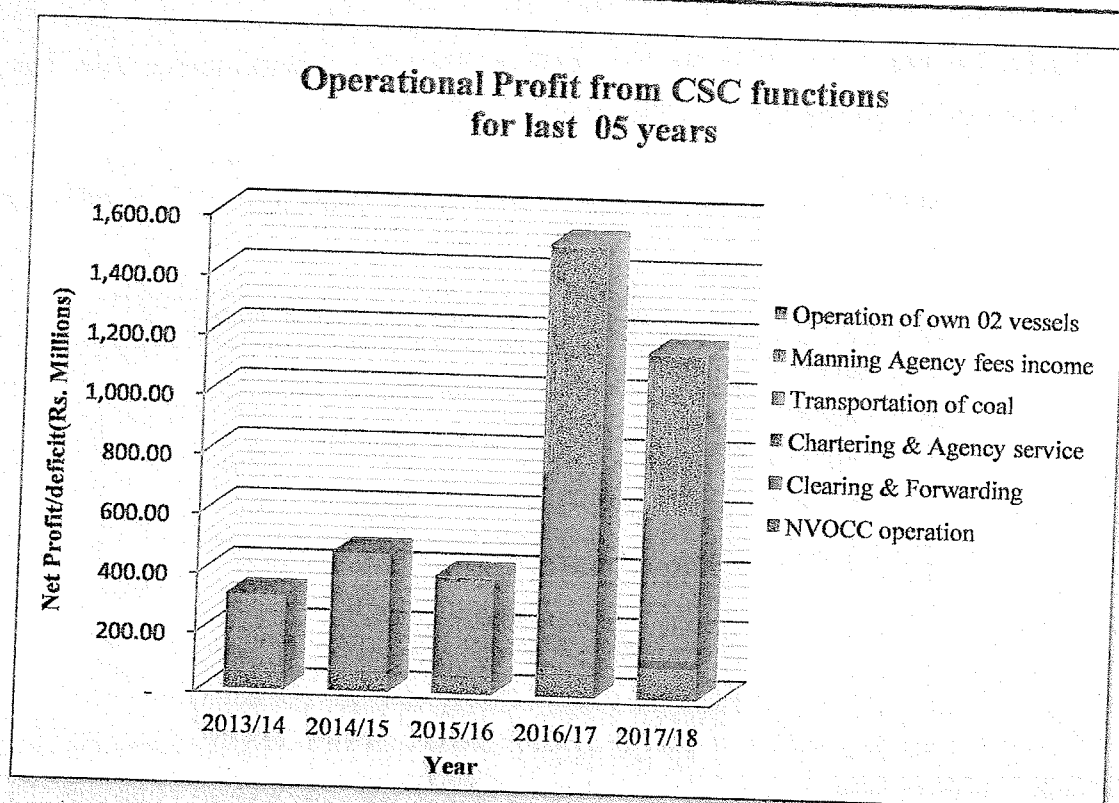


Figure VIII  
(Source: - CSC Draft Accounts)

### 3.6.1. Carriage of Government and Non- Government Cargo on NVOCC basis – (Non Vessel Owning Common Carriers)

This Scheme has been a way of steady income for CSC and effective mechanism in saving freight cost of Government institutes in terms of foreign exchange. The Marketing force of CSC does an aggressive cargo canvassing from the Government institutions that do not support CSC under the Circular No 415 dated 6<sup>th</sup> May 2005 issued by Department of Public Finance, and reviewed in 2016.

CSC continues to serve export and import trades on NVOCC basis since CSC has no container fleet/ vessels on its own that is suitable to operate liner services. This operation is specially handled by the Department of Liner and Documentation. CSC has not been able to recommence liner services due to lack of capital to acquire new container vessels which is very capital intensive. Also, it must be recorded and agreed that the success of a Liner operation using own vessels would be on CSC's ability to secure sufficient cargo for the vessels on both directions i.e. In-bound and Out- bound, which is the real challenge due to low

exports from Sri Lanka. On NVOCC basis, CSC carries cargo in many trade lanes such as Europe, Far East, USA, Australia, New Zealand, Black Sea, Mediterranean, India, Pakistan, Bangladesh etc. earning decent profits from these activities.

➤ **Net Profits earned from NVOCC operation during past 05 years**

Year	Net Profit (Rs. Mn.)	Y-o-Y change %
2013/14	52.34	-
2014/15	61.62	15
2015/16	44.24	(39)
2016/17	74.13	40
2017/18	106.16	30

Table IX  
(Source: - CSC Draft Accounts)

Despite the fact that outlook for shipping industry was not so promising due to the impact of global financial crisis in the past few years, CSC continued to engage in its core business sector of NVOCC operation in a profitable manner.

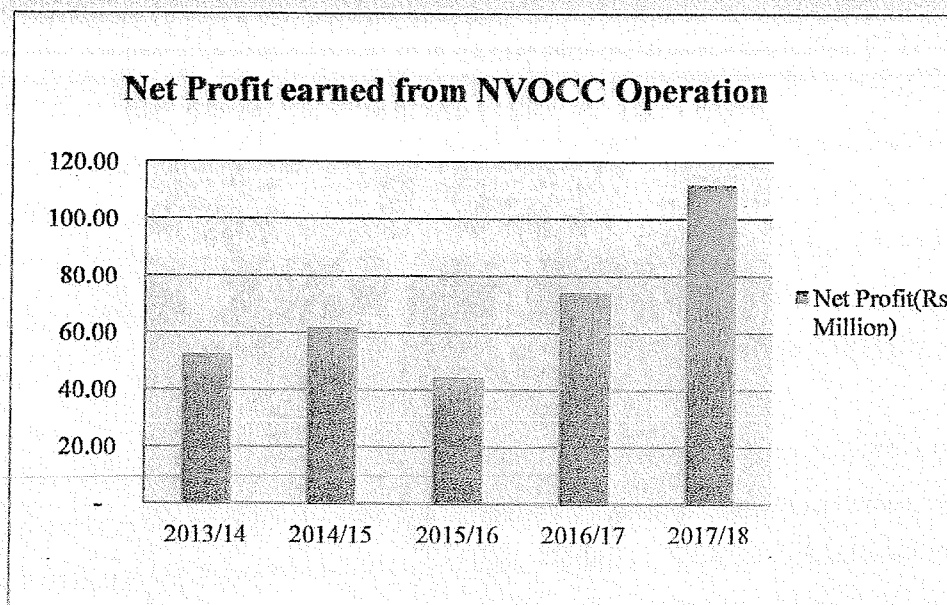


Figure IX  
(Source: - CSC Draft Accounts)

Due to the impact of global economic crisis CSC also had to experience a downward trend in profits earned throughout the period concerned. In view of the current difficult conditions which are affecting not only CSC but almost all business sectors in the economy due to global economic downturn, CSC has been trying its best to secure more Government sector business. However, the continuation of Government Sector Import Cargo Reservation Scheme under Public Finance Circular no.415 dated 06/05/2005 which was re issued on 18/02/2016 is a major success factor for CSC.

### **3.6.2. Customs Clearing and Forwarding**

Even though clearing and forwarding business is very competitive, CSC has achieved a considerable progress in this sector. CSC offers these services for Government sector as well as for private sector customers. CSC's total logistics solutions include, but not limited to; fumigation, obtaining approvals from various authorities such as Forest Dept. Archaeological Dept, Quarantine, etc. on behalf of customer, packing, labeling, stuffing, lashing, securing cargo in containers, picking up from door to the CFS or port, Customs clearance and delivery up to the door at the destination country with value added services. Depending on the requirements of customers CSC can offer tailor-made logistics solutions. CSC is planning to capture more private sector customers in future, by enhanced marketing efforts and offering most competitive rates and quality service. Presently, CSC provides total service package by outsourcing transport requirements, which is very costly. CSC intends to increase profit margins with the infusion of additional resources such as setting up of a warehouse deploying more wharf personnel and vehicles and thereby cutting costs.

#### **➤ Net Profit Earned from Clearing & Forwarding**

<b>Year</b>	<b>Net Profit (Rs.Mn)</b>	<b>Y-o-Y change %</b>
2013/14	4.88	-
2014/15	8.01	39
2015/16	5.31	(51)
2016/17	5.92	10
2017/18	29.81	80

Table X  
(Source: - CSC Draft Accounts)

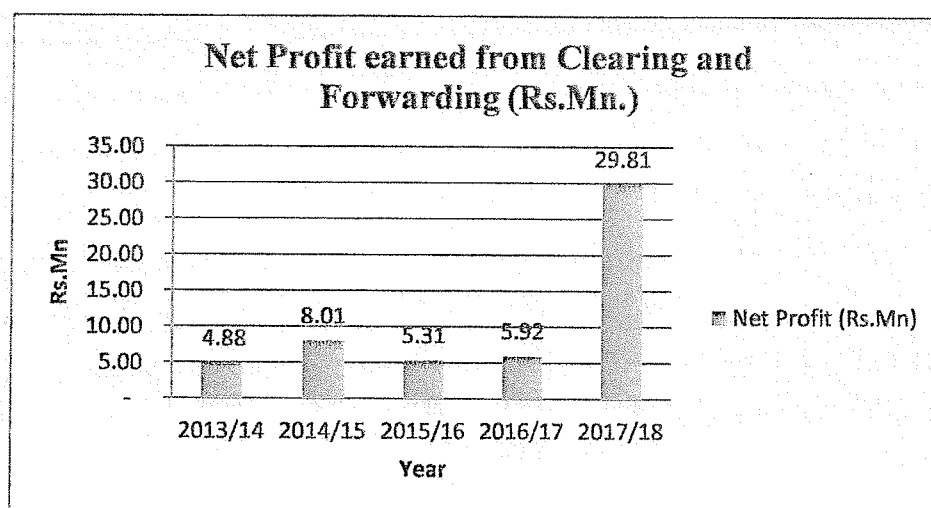


Figure - X  
(Source: - CSC Draft Accounts)

Customs Clearing and Forwarding section as one of the lucrative business segments of CSC had increased their profits YOY bringing favorable financial supports. CSC handles most of Government cargoes of Ministry of Foreign Affairs, Sri Lanka Railways, Sri Lanka Broadcasting Corporation, State Pharmaceutical Manufacturing Corporation and shipments of local Universities etc. In 2015/16 & 2016/17, the Net profit of the department was decreased due to the competition and high cost of service. In 2017/18, the Net profit has been increased as the customs clearance and transportation of rice shipments in large consigned to Co-operative Wholesale Establishment (CWE) CSC was successfully handled by CSC.

### 3.6.3. Transportation of Coal for Lakvijaya Power Plant

Coal requirement of CEB's current coal fired thermal power plant is as follows.

Power Plant	Unit	Generating Capacity (MW)	Operational from (year)	Coal requirements (Per annum) MT
Lakvijaya at Puttalam	1	300	2010/11	750,000
	2	300	2013/14	750,000
	3	300	2014/15	750,000
	1	300	2015/16	2,191,749
	2	300		
	3	300		
	1	300	2016/17	2,209,983
	2	300		
	3	300		
	1	300	2017/18	2,117,165
	2	300		
	3	300		

Table - XI

Lanka Coal Company (Pvt) Ltd. (LCC) has been established as a subsidiary of Ceylon Electricity Board for the supply of coal for CEB's coal fired power plant, by a Cabinet decision. Other stake holders of LCC are General Treasury, CSC & Sri Lanka Ports Authority. Coal transportation to the power plant involves two modes;

1. From load ports to anchorage of the port of Puttalam, situated about 4.2km offshore, by Supramax/Panamax sized bulk carriers. In the year 2016/17, 37 vessels were performed to carry the shipments of 2.20 Million MT of coal.
2. From anchorage to Jetty of the plant by Self-Propelled Barges (Lightering Operation). Presently there are 05 SPB barges have been deployed and 10,000 MT of coal discharged per day.

Following chart XI denotes the financial output of the coal operation for last five years.

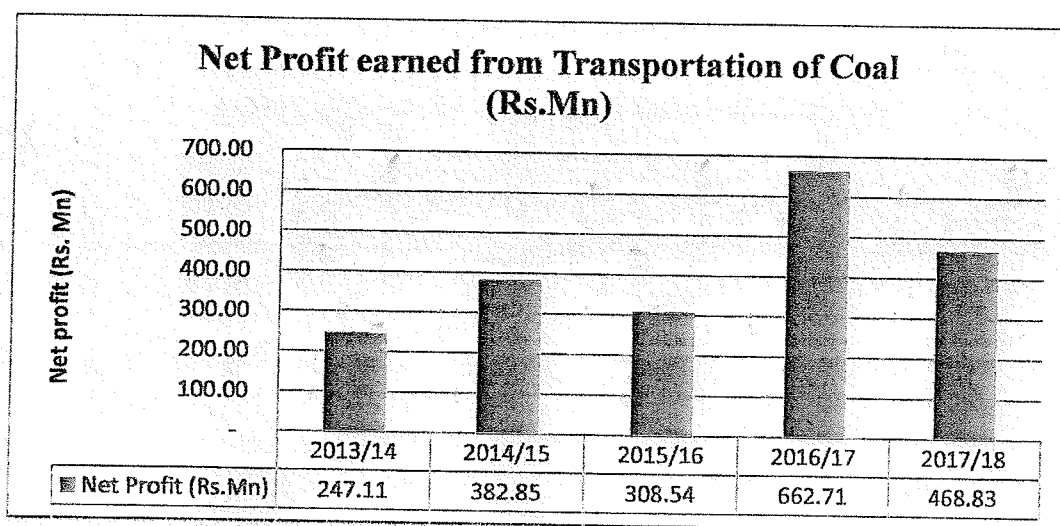


Figure XI  
(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

In 2017/18, a decision was taken by the Cabinet of Ministers to share the Net profit on Address commission gained from lightering operation among CEB and CSC on 50:50 basis. Accordingly, Address Commission on freight is USD 0.25 per Metric Ton and Address Commission on Lightering is USD 0.78 per Metric Ton.

This was affected to decline the profit generation on coal operation in 2017/18.



### 3.6.4. Operation of CSC own Vessels

The two dry-bulk vessels Mv. Ceylon Breeze and Mv. Ceylon Princess were initially deployed in 2017/18 to transport of Coal to Norochcholai Power Plant at Puttlam before and after the South-West Monsoon period. During the Monsoon period the vessels are employed in the open market on time charter basis under a world recognized Commercial Manager.

**The Profit generated from operation of CSC own vessels before the Loan & Interest.**

Year	Rs. Mn	Y-o-Y change %
2016/17	754.93	-
2017/18	545.26	(38)

Table -XII  
(Source: - CSC Draft Accounts)

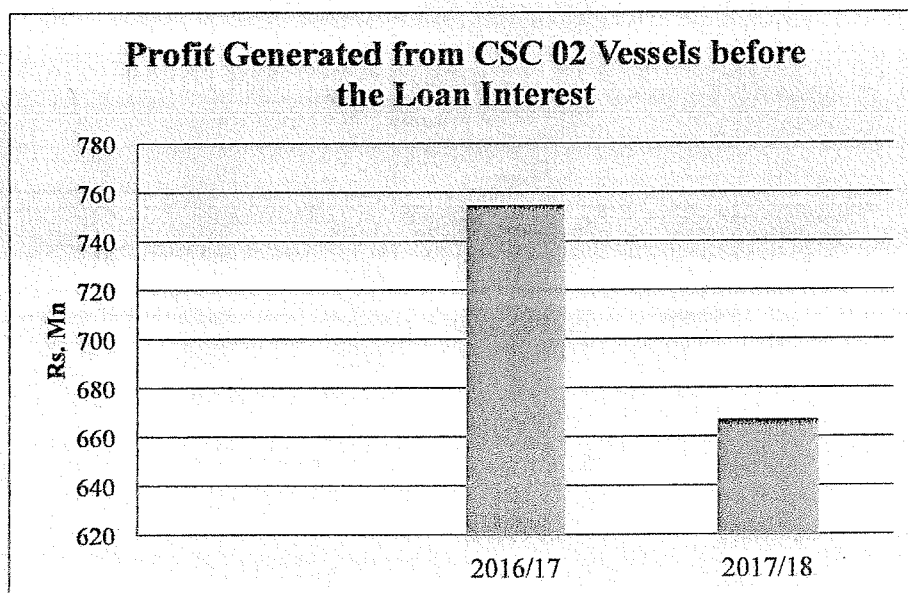


Figure -XII  
(Source: - CSC Draft Accounts)

- Income & Expenditure of CSC 02 vessels' for the year 2017/18 was given in Annexure 9.



According to the above Figure XII, the decline of Net profit from the vessel operation YOY (Year over Year) is recorded due to increase of fixed operational expenses in the year such as Daily operating cost and increase of the Bunker price.

The below figure XIII and Annexure 11 is referred to the budgeted Vessels Operating Cost of CSC two vessels for the year 2018/19 and the following chart denotes its cost contribution as follows;

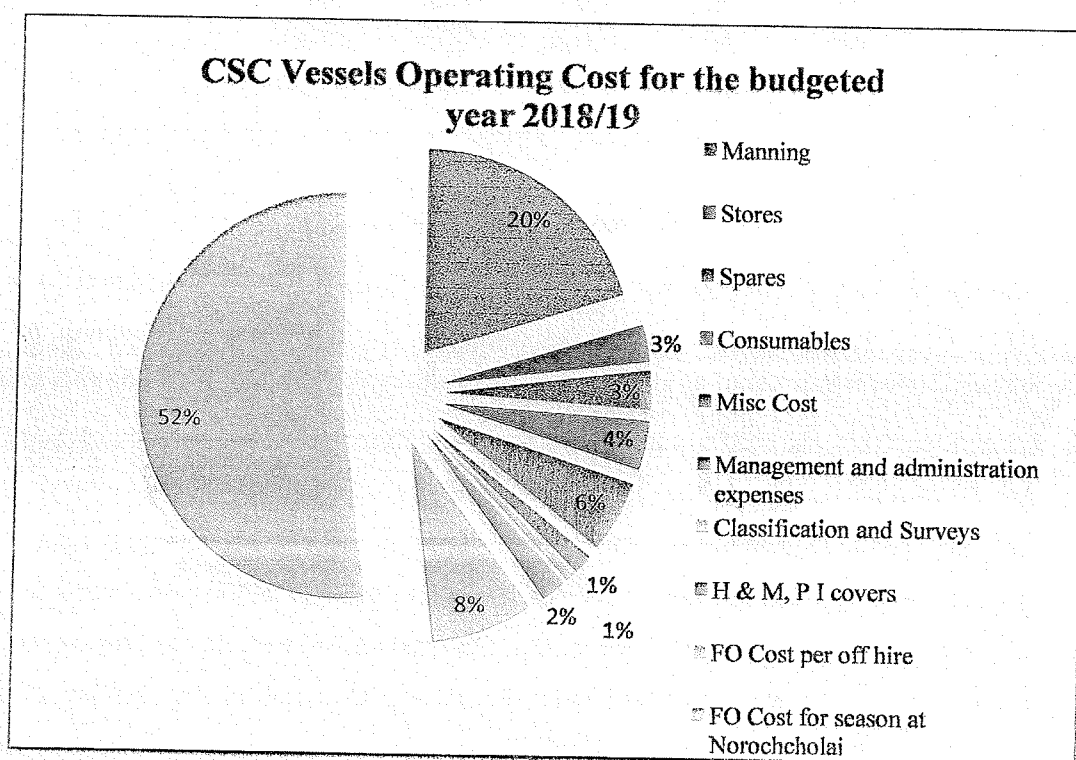


Figure XIII  
(Source: - CSC Technical dept.)

### 3.6.5. Chartering and Agency Functions

Year	Net Profit (Rs.Mn)	Y-o-Y change %
2013/14	13.0	-
2014/15	12.0	(8)
2015/16	17.0	29
2016/17	16.0	(6)
2017/18	10.4	(60)

Table XIII  
(Source: - CSC Annual Reports / Draft Accounts / Department's Records)

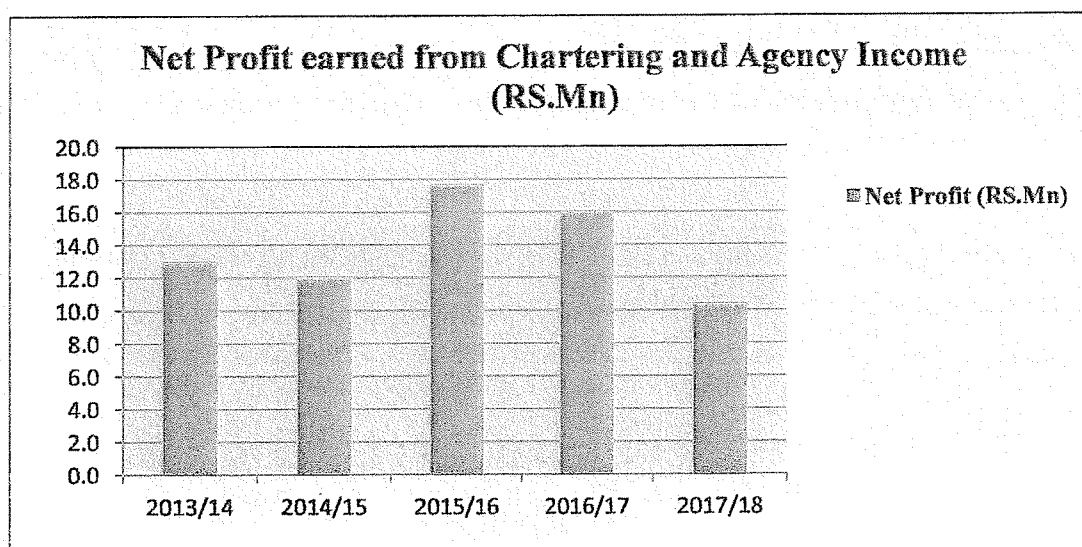


Figure XIV  
(Source: - CSC Draft Accounts)

The above chart XIII shows overall income from Chartering & Agency functions handled by CSC. CSC performed the agency functions for the Commissioner General of Essential Services (CGES) to carry essential goods to North from 1995 and it generated a considerable income to CSC but CGES ceased operation and therefore CSC lost the agencies in 2009. Lanka Muditha, which was one of the vessels of CSC chartered to Sri Lanka Navy off hired in February 2010. Thereafter, this Department started to make less income on Agency functions mainly due to the loss of CGES's chartered vessels operation and also the redelivery of Lanka Muditha by Sri Lanka Navy. Further, this Department handled the Colombo port agency of coastal tankers operated by the Ceylon Petroleum Corporation for carriage of petroleum products to North of Sri Lanka. However, with the opening up of A9 road, it became less costly to transport oil products by road to the North and therefore sea transportation was discontinued which affected vessel agency earnings for CSC. The Department presently handles the CEB Tugs and Barges for transportation of coal, port agency functions of the vessels carrying coal to the country under the agreement with the partner – M/s PCL, Singapore and the Agency for Fertilizer vessels.

### 3.6.6. Maritime Training

#### ➤ Onboard own 02 vessels

Since the number of Cadets who had completed the theory phases of their academic programs was less than the training opportunities available on two ships owned by CSC, the opportunities were offered to the students studying in the private sector maritime schools also with the consent of the Ministry considering this as an important Vocational Training leading to very lucrative foreign exchange earning professions up to Master Mariners and Marine Chief Engineers.

Accordingly, in addition to the merchant shipping Cadets from the University of Moratuwa and the Institute of Engineering & Technology (IET) of Katunayake, Cadets from the Colombo International Nautical & Engineering College (CINEC) and Mercantile Seaman Training Institute Ltd. also were provided training opportunities during the year.

#### Cadet Training details from 01.04.2017 to 31.03.2018

Total number of contract MV. Ceylon Breeze & MV. Ceylon Princess = 97  
(Including 1 voyage contract = 11 & Port duty = 5)

MV. Ceylon Breeze			MV. Ceylon Princess		
Institute	No. of cadets trained	Remarks	Institute	No. of cadets trained	Remarks
University of Moratuwa	34	1 Voyage – 9 Port Duty - 5	University of Moratuwa	10	1 Voyage – 2
Institute of Engineering Technology	01		Institute of Engineering Technology	04	
CINEC	10	1 Voyage - 2	CINEC	21	1 Voyage - 2
Mercantile Seaman Training Inst.	07		Mercantile Seaman Training Inst.	10	
Total	52		Total	45	

Table XIV

- Incomplete sea training – 05
- 19 Cadets could not complete their sea training due to fire damage of Mv. Ceylon Princess

➤ **Onboard 03<sup>rd</sup> party vessels**

CSC has also developed a “Business Model” that can address the sea training problem by finding the best capable partners to CSC for the carriage of coal. Accordingly, it was able to find a partner for coal transportation M/S PCL Shipping PVT LTD, Singapore who has agreed to provide 100 sea training billets for Sri Lankan trainee Seafarers during their 03 years contracted period of carriage of coal and also provide employment opportunities for Sri Lankan seafarers on their fleet of ships. Total No. of Cadets trained onboard 3<sup>rd</sup> party vessels up to now is 67.

**Cadet Training details from 01.04.2017 to 31.03.2018**

Institute	No. of Cadets trained	Remarks
University of Moratuwa	01	Engine -01
Institute of Engineering Technology	0	
CINEC	07	Engine -01 Deck -06
Mercantile Seaman Training Inst.	02	Deck -02
<b>Total</b>	<b>10</b>	

Table XV

**3.6.7. CSC Profit Distribution Over Functions in the Year 2017/2018**

The following Chart (Figure XV) shows the source of Operational profit distribution over functions in the year 2017/18.

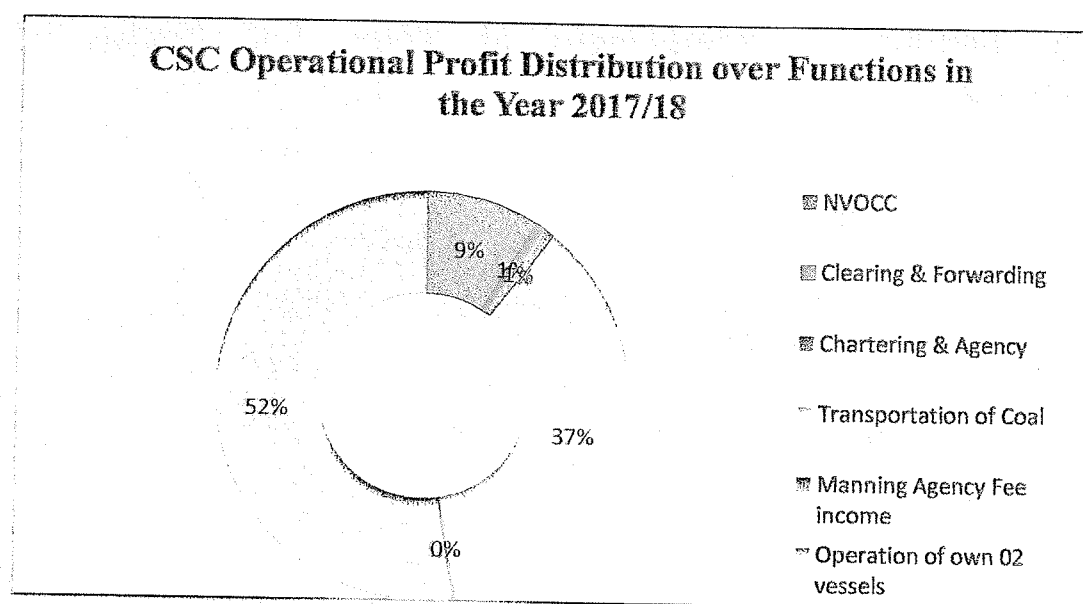


Figure-XV  
(Source- CSC Annual Reports/Draft Accounts/Departments' records)

### 3.7 Contribution to the National Economy

Ceylon Shipping Corporation Ltd., as a National Carrier in Sri Lanka contributes to the National Economy in following areas.

- Transportation of coal which is required for Lakvijaya Power Plant which generates electricity to National grid at cheaper rate in compared with most of the other power generating sources.
- Owning, Operating and Managing of CSC owned vessels.
- Saving of freight bills in terms of foreign exchange for the Government institutions at large by carrying their import cargoes at competitive lower freight rates on FOB terms under the Government sector Import Cargo Reservation Scheme than the higher freight rates which would have been incurred on CIF terms.
- Foreign exchange earnings through local agency service for Fertilizer vessels.
- Providing Mandatory sea training for Sri Lankan merchant cadets, in order to develop Sri Lankan Seafarer base.
- Maintaining Profit and Financial contribution towards the General Treasury by way of dividend.

### 3.8 Financial Arrangement of Ships and Status of Loan Repayment

#### 3.8.1. Loan Facility

##### (a) Term Loan USD 70 Million

	Existing	Revised
Interest Rate	5.5% + 6 months LIBOR	5.25% + 6 months LIBOR
Tenor	15 years including Grace Period 26 months	15 years including Grace Period 26 months.  Grace Period will be further extended bi-annually, if CSC is unable to pay for a period of 05 years from 03 <sup>rd</sup> August 2016. Remaining outstanding balance at the end of 05 year Grace Period will be rescheduled with a payment of 15 bi- annual installments.

Table – XVI

##### (b) Interest Capitalized Loan USD 4.72 Million

The Interest Capitalized loan facility was secured to cover the Interest for the Term Loan accumulated during the Grace Period. The remaining balance after the upfront payment in the interest capitalized loan is as follows;

	Existing	Revised
Interest Rate	3.0% + 6 months LIBOR	3.0% + 6 months LIBOR
Tenor	5 years including Grace Period 26 months	12 years & 02 months including Grace Period of 07 years and 02 months.

Table -XVII

Date	Interest Paid (US\$)		Loan Paid (US\$)	
	Term Loan	Interest Capitalized Loan	Term Loan	Interest Capitalized Loan
19/08/2016 – First Payment	24,980.86	-	-	725,019.14
01/02/2017–Second Payment	2,322,985.99	98,295.94	1,000,000.00	-
03/08/2017 – Third Payment	2,287,183,.56	102,853.40	1,800,000.00	-
02/02/2018 – Fourth Payment	2,399,500.28	108,955.16	-	-
03/08/2018 - Fifth Payment	2,437,210.51	117,552.06	1,000,000.00	-
<b>Total</b>	<b>9,471,851.20</b>	<b>427,656.56</b>	<b>3,800,000.00</b>	<b>725,019.14</b>

• Total Loan Paid	US\$ 4,525,019.14
Total Interest Paid	US\$ <u>9,899,507.76</u>
<b>Total</b>	<b>US\$ 14,424,526.90</b>

- |                           |                           |
|---------------------------|---------------------------|
| Term Loan                 | US\$ 66,200,000.00        |
| Interest Capitalized Loan | US\$ <u>4,710,464.32</u>  |
| <b>Total</b>              | <b>US\$ 70,910.464.32</b> |



### 3.9. Internal & External Analysis

#### 3.9.1. PESTEL Analysis – (External Analysis)

This PESTEL Analysis mainly focuses on the dry-bulk shipping industry, which has the greatest relevance to CSC.

##### 1) Political Factors:

- (a) China's Belt and Road initiative will increase constructions in the associated countries in the venture, which needs raw materials such as steel, cement, aggregates as well as power to produce such construction raw materials. Power generation will need coal. This will increase the demand in ton-miles for dry-bulk ships and in long-hauls, which will be a positive factor for the growth and substance of the dry bulk shipping sector.
- (b) President Trump's executive order signed on 08<sup>th</sup> May 2018 will withdraw the U.S. from the Iran nuclear deal. The presidential memo starts a 180-day countdown timer for the U.S. administration to re-impose all of the sanctions on Iran that were relaxed under the previous regime.

The order specifies that many of the sanctions should be re-imposed in 90 days i.e. by 6<sup>th</sup> Aug 2018. After passing a 90-day mark on 6<sup>th</sup> Aug 2018, the following sanctions will snap back on Iran, according to the Treasury Department of the US Government:

- Sanctions on Iran buying or acquiring U.S. dollars.
- Sanctions on Iran trading gold and other precious metals.
- Sanctions on Iran's sale, supply or trade of metals such as aluminum and steel, as well as graphite, coal and certain software for "integrating industrial processes".
- Sanctions on "significant" sales or purchases of Iranian Rials, or the maintenance of significant funds or accounts outside the country using Iranian Rials.
- Sanctions on issuing Iranian debt Iranian auto sanctions.

At the end of the 180-day interval on 4<sup>th</sup> Nov 2018, another set of sanctions will once again be clamped down on Iran:

- Sanctions on Iran's ports, as well as the country's shipping and shipping sectors.
- Sanctions on buying petroleum and petrochemical products with a number of Iranian oil companies.
- Sanctions on foreign financial institutions transacting with the Central Bank of Iran and other Iranian financial institutions.
- Sanctions on the provision of certain financial messaging services to Iran's central bank and other Iranian financial institutions.

- Sanctions on the provision of underwriting services, insurance, or reinsurance.
- Sanctions on Iran's energy sector.

If Iran and the US cannot come to better terms by the deadlines, the imposition of above sanctions will have an impact on the global shipping industry and the fuel prices. These sanctions will have a negative impact for the seaborne trade.

- (c) Peace initiative between the US and North Korea is a positive sign on world peace and economic stability required for the trade and shipping. Hopefully, it will take some time for the industry to feel its effects.

## **2) Economic Factors:**

### *Demand for Ships:*

- (a) The increased demand for iron ore in China has increased the demand for dry-bulk ships. The reason for the increase in demand originates from the increase of imported iron ore in 2016 and 2017 to China substituting domestically mined ore of low iron content for imported ore of much higher iron content and thereby, squeezing more domestically sourced Iron ore out of the market.

On the other hand, China has turned to buy iron ore from far away source of Brazil than from Australia causing the increase in demand for dry-bulk ships in ton-miles, which has helped push dry-bulk charter markets up in 2016 and 2017.

China's import of iron ore will continue to be a key driver for the demand growth in 2018 as well for the dry bulk shipping industry, alongside shipping of other bulk cargoes.  
(Source: BIMCO)

- (b) India's thermal coal imports rose by more than 15 percent in the first three months of 2018, with Indonesia accounting for about three-fifths of total supplies, according to vessel arrival data from Dubai-based coal trader American Fuels & Natural Resources.

South Africa was the second-largest source of foreign coal for India during the first quarter, supplying about one-fourth of the total imports, with the United States and Australia being the next largest sources.

India will likely to increase 2018 thermal coal imports after two straight years of declines because of domestic logistic bottlenecks, regulatory changes and surging power demand.

India's demand for coal with a higher calorific value, most of which has to be imported, was increasing since buyers want more energy from the coal they purchase to offset higher prices and the logistical problems, mainly railway delays.

(Source: Reuters)

*Supply of Tonnage (Ships):*

- (a) Environmental regulations such as Ballast Water Management Convention and Emission Control measures has come into play as drivers of change for shipping bringing with it the anticipation of increased scrapping.

CSC's two ships falls into the category of Handymax size ships, which ranges from 40,000 MT DWT to 65,000 MT DWT.

The world fleet of Handymax size ships has been about 166.8, 179.5, 188.4 and 196.0 million MT in DWT at the end of the year in 2014, 2015, 2016 and 2017 respectively. As of 01<sup>st</sup> June 2018 the number of ships in this category stands at 3,593 equivalents to 198.6 million MT in DWT.

The Order Book as of 01<sup>st</sup> June 2018 stands at 192 ships equivalent to 11.8 million MT in DWT scheduled to be delivered in 2018, 2019 and 2020 and beyond at about 3.9, 4.3 and 3.6 million MT in DWT. These anticipated deliveries represent an increase of Handymax fleet by about 1.96%, 2.17% and 1.81%, respectively in 2018, 2019 and 2020, with an average fleet size growth rate of about 1.98%.

The scrapping rate of bulk carrier ships in 2017 was 2.2%.

The increase in size of overall Bulcarrier Fleet are as follows (y-o-y):

2017/2016 3.0%

2018\*/2017 1.3% as of 15<sup>th</sup> June 2018

(Source: Clarkson SIW 15/06/18)

With the anticipation of continuous scrapping rate of about 2.2%, the outlook for Handymax fleet charter market is going to positive for next few years.

**3) Social Factors:**

*Capacity Building*

The Maritime Industry is passing through global challenges. Hence most of the countries are taking measures to develop human resources and invest on capacity building which would be comparative advantage in terms of economic development of the countries.

Sri Lanka Shipping industry has the capacity to expand and grow in to maritime hub facilitating global trade and transportation in line with the Government's development programme. The country is still lacking skilled workers to meet the challenges ahead though there are many institutes which provide maritime and logistical training.

CSC mainly focuses on developing its capacity building as a commercial oriented organization and has designed the programmes to develop skills and professional knowledge of its employees. The continuous process of local and foreign training opportunities were given to CSC's employees in the respective fields with the aiming of creating skilled work force in the organization.

#### **4) Technological Factors:**

##### **Automation:**

Modern ships are becoming highly automated. They are increasingly dependent on computer software-based control systems.

Planned Maintenance, Procurements and Crew Management are already managed with the assistance of computer systems. Computer based procurement management helps owners to control inventories, timely re-ordering, avoid duplicate orders, reducing pilferage and waste etc.

Increased automation and availability of high-reliability, software-controlled, cyber-physical systems will allow for advances in automation and remotely controlled operations.

Automation will reduce the number of seafarers needed on board leading to economies in crewing costs and increased competitiveness.

Advanced software and simulation capabilities will result in more complex systems being controlled by software, while near real-time evaluation possibilities will be available, accompanied by suggestions for corrective actions by the crew and providing supply chain management decision support.

Unless CSC goes ahead with these developments, the competitiveness in the market will be eroded.

#### **5) Legal Factors:**

##### **Ballast Water Management:**

Since the introduction of steel-hulled vessels, water has been used as ballast to stabilize vessels at sea. Ballast water is pumped in to maintain safe operating conditions throughout a voyage.

While ballast water is essential for safe and efficient modern shipping operations, it may pose serious ecological, economic and health problems due to the multitude of marine species carried in ships' ballast water. These include bacteria, microbes, small invertebrates, eggs, cysts and larvae of various species. The transferred species may survive to establish a reproductive population in the host environment, becoming invasive, out-competing native species and multiplying into pest proportions.

Quantitative data show that the rate of bio-invasions is continuing to increase at an alarming rate and new areas are being invaded all the time.

The spread of invasive species is now recognized as one of the greatest threats to the ecological and the economic well-being of the planet. These species are causing enormous damage to biodiversity and the valuable natural riches of the earth upon which we depend. Direct and indirect health effects are becoming increasingly serious and the damage to the environment is often irreversible.

International Maritime Organization (IMO) has been at the front of the international effort by taking the lead in addressing the transfer of invasive aquatic species (IAS) through shipping.

After more than 14 years of complex negotiations between IMO Member States, the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) was adopted by consensus at a Diplomatic Conference held at IMO Headquarters in London on 13 February 2004.

Finally, the BWM Convention entered into force on 8<sup>th</sup> September 2017. Ships built before 8<sup>th</sup> September 2017 should comply with the Convention as follows;

- Existing ships of which the renewal Survey to issue the International Oil Pollution Prevention Certificate (IOPPC) was between 8<sup>th</sup> Sep 2014 and 8<sup>th</sup> Sep 2017, the vessels must have fully complied with the Convention (D1 and D2 Standards).
- If the renewal Survey to issue the IOPPC was before 8<sup>th</sup> Sep 2014, then those vessels must fully comply by the date of next renewal date of Survey.

Ultimately, all the existing ships as well as new ships must comply with the Convention fully by 08<sup>th</sup> Sep 2024.

In order to comply with the BWM Convention, ships must be fitted with Ballast Water Treatment Plants. Various types of technology is being applied and the cost of retrofitting could from USD 1.0 to 3.0 million. Since it is not worthwhile and cost effective to make such expenditure for old ships, they are expected to be scrapped, which will reduce the supply side in the ship charter market pushing charter and freight rates upward.

### 3.9.2. SWOT Analysis

a) Strengths;	
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Government wholly owned National Sea Carrier.</li> <li>• Location of the office premises close to the port and other commercial centers are within manageable time.</li> <li>• Cargo Reservation Scheme through Public Finance Circular No. 415 of 2005 and reviewed in 2016.</li> </ul>
<b>Goodwill</b>	<ul style="list-style-type: none"> <li>• Most of the Shipping professionals working in the Sri Lankan Shipping industry have been trained by CSC.</li> <li>• Training opportunities have provided for Sri Lankan Cadets to create qualified seafarer base in the country.</li> </ul>
b) Weaknesses;	
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Overall Productivity of rendering services is low due to bureaucracy.</li> <li>• Promotions and increments are based on experience (seniority) instead of performance.</li> <li>• Over staff in certain categories. Heavy paper works due to lack of integrated network (ERP System).</li> <li>• Human resources requirements and recruitment are reflecting different ways due to preferences and interference.</li> <li>• Inability to exercise real commercial and operational functions due to Government AR and FR to follow.</li> <li>• Lack of autonomy to make quick decision on competitive shipping market.</li> <li>• Traditional administrative practices that kill the time and opportunities.</li> <li>• Unavailability of own office premises.</li> <li>• Lack of commercial flexibility.</li> <li>• Appearance of office premises is not attractive for commercial organization.</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>• Lack of capital to venture into new profitable business opportunities.</li> <li>• Delay in receiving freight payments from public sector customers.</li> <li>• Inability to secure financial guarantee from the Treasury.</li> <li>• Higher Interest rates on Ship financing.</li> <li>• Higher Capital value of ships comparatively with market value of ships at the date of placing orders.</li> </ul>

**c) Opportunities;**

**Corporate**

- Expansion of target market with the reissuance of Finance Circular No. 415.
- Since public entities are motivated to increase their ongoing output there expected to be an expansion of the target market to CSC especially for NVOCC and logistic sector.
- Lakvijaya Coal Power Plant phase I, II & III which generate the electricity at cheaper rates compared to other sources.
- New ports being developed in the country will offer more shipping and logistics opportunities to CSC to commence coastal cargo and passenger services and ship agency representations and ship supply service.
- Interest shown by reputed foreign ship owners and operators to work jointly with CSC in venturing in to new business activities.
- Providing investments on PPP business model.
- Comply with new Conventions of Ballast Water Management and CO<sub>2</sub> Emission Policy with the aim of protecting the Sri Lankan Marine Environment from the transfer of harmful aquatic organisms.
- Ship owners and operators, and the associated supply chains will need to make major investments to comply with new global limits reduce the emissions produced by vessels using heavy marine fuel oils.

**Human Resources**

- Professional trained and experienced staff.
- 21 out of 61 executives have trained abroad (34%).
- 04 executives are holding professional qualification in Shipping MICS (Members-3/ Fellows-1 of Institute of Chartered Shipbrokers, London).
- 14 executive officers possess Master Degree in Maritime Affairs / Shipping Management & Logistics.
- Personnel reputation on rendering an efficiency service.
- Logistic Department consists of skilled wharf clerks.

**d) Threats;**

- Government policy changes on public enterprises would impact on CSC's future.
- Negative fluctuation of charter market, especially in dry bulk trade.
- Dry bulk charter market is presently undergoing slump which would be affected to the cash flows of CSC when the nearly built vessels will be employed in the Global Market during the Monsoon period.
- Currency Fluctuation and its effects to the loan borrowed to build ships.
- Many of the top level managers who are nearing retirement and non-availability of trained, competent staff to fill this gap.



### **3.9.3 External Environment**

#### **3.9.3.1. Regional Environment in Shipping Industry**

Neighboring India has become one of the biggest import and export centers in the world. Cargo movements between India and Sri Lanka are on the increase and this is expected to further grow with impending conclusion ETCA between the two countries. Moreover Sri Lanka being one of the important gateway locations for Indian Cargo movements to the rest of world, shipping and port sector in Sri Lanka will have greater opportunities for further development.

#### **3.9.3.2. Country Environment in Shipping Industry**

Peace benefits are currently spreading all over the country along with Good Governance Policy creating new business opportunities in a sound economic and social environment. Many reputed foreign companies engaged in the shipping industry are showing keen interests for joint cooperation with CSC in investing for new business ventures. The Government policy on supporting to empower and strengthen the Public Enterprises in Sri Lanka on PPP model has uplifted the commercial activities of organization such as CSC to be profit earning centers.

### **3.9.4. Achieving towards Maritime Hub Status in Sri Lanka**

In terms of the Government Policy, Maritime Hub status in Sri Lanka is one of the strategies to develop the maritime industry in Sri Lanka. Following actions have been highlighted in achieving this objective;

- Develop Sri Lankan ports to provide fastest & efficient services and quicker turnaround.
- Relaxing Regulations in the shipping trade, in particular under Sri Lanka Flag and Coastal Shipping around the country.
- Promulgating regulations to suit present & future aspirations of the shipping industry in Sri Lanka.
- Strengthening National Carrier to own and operate ships and cater for growing demand for seafarers training.
- Strengthening of the status of Director General Merchant Shipping.
- Cruise Tourism Industry

- Developing maritime training & recruitment.
- Develop passenger ferry activities in the Indian Ocean.
- Facilitate the National Carrier for the transportation of crude oil required for the country.
- Promote Sri Lankan Flag Registry

### 3.10 Corporate Strategies

Based on the objectives mentioned above, following strategies are implemented to achieve targets and goals of the Organization.

Item	Activity	Key responsible officer/ Department
S1	<p><b>Deployment of CSC vessel for coal transportation.</b></p> <p>a) Matching the lowest freight rate quoted on CIF basis for coal transportation to LCC.</p> <p>b) Deploying CSC vessels to carry maximum volume of cargo.</p>	<ul style="list-style-type: none"> <li>❖ General Manager</li> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Manager(Chartering and agency)</li> </ul>
S2	<p><b>Finding employment for 2 vessels during Southwest monsoon period.</b></p> <p>Chartering Committee to find a Commercial Ship Broker to utilize vessels in optimum way without idling.</p>	<ul style="list-style-type: none"> <li>❖ General Manager</li> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Manager (Chartering and agency)</li> <li>❖ Chartering Committee appointed by Board of Directors.</li> </ul>
S3	<p><b>Securing third party vessels for coal transportation.</b></p> <p>a) Securing third party vessels for balance cargo.</p> <p>b) Negotiating favorable terms and conditions of the carriage.</p>	<ul style="list-style-type: none"> <li>❖ General Manager</li> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Manager(Chartering and agency)</li> </ul>

Item	Activity	Key responsible officer/ Department
S4	<b>Development of NVOCC Operation</b> <ol style="list-style-type: none"> <li>Securing all government sector import cargo under Cargo Reservation Scheme.</li> <li>Negotiations with Mega Carriers/ Ship owners to get concessionary rates for space hire.</li> <li>Guiding &amp; monitoring Foreign Agency network.</li> <li>Expansion of Marketing Strategies and implement aggressive marketing policy.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Manager (Liner/NVOCC)</li> </ul>
S5	<b>Fully Pledged Logistic Solution</b> <ol style="list-style-type: none"> <li>Door to door delivery services with value added supportive services.</li> <li>Cater for all government sector logistics service.</li> <li>Guiding &amp; monitoring field staff.</li> <li>Reduction of clearing time.</li> <li>Expansion of Marketing Strategies.</li> <li>Infrastructure development.</li> <li>Minimizing cost of Business.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Manager (Liner/NVOCC)</li> </ul>
S6	<b>Chartering &amp; Agency functions</b> <ol style="list-style-type: none"> <li>Uplifting of Ship Agency, Port Agency, Receivers' Agency &amp; Ship brokering functions.</li> <li>To engage in Trading Services.</li> <li>Expansion of Marketing Strategies.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Manager (Chartering &amp; Agency)</li> </ul>
S7	<b>Maritime Training</b> <ol style="list-style-type: none"> <li>Providing Mandatory Practical training on board CSC vessels.</li> <li>Coordination with Govt. &amp; Private.</li> <li>Maritime Training Academies.</li> <li>To secure more training facilities for trainee cadets on third party vessels.</li> <li>To engage in crew agency function.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Technical Superintendent</li> <li>❖ Designated Person Ashore (DPA)</li> <li>❖ AGM (Business Development and Marketing)</li> </ul>

Item	Activity	Key responsible officer/ Department
S8	<b>Strengthening National Fleet</b> <ol style="list-style-type: none"> <li>Operation of 02 new bulk ships.</li> <li>Technical management &amp; Manning of two vessels.</li> <li>Coordination with Treasury &amp; Ministry facilitate of vessels.</li> <li>To employ 02 new ships in the Global Market during Monsoon period.</li> <li>Coordinating with Ship Yards &amp; Ship Financier and other relevant parties.</li> <li>To acquire tanker vessel.</li> </ol>	<ul style="list-style-type: none"> <li>❖ General Manager</li> <li>❖ Technical Superintendent</li> <li>❖ TEC &amp; Tender Board appointed by the Secretary- Ministry of Ports &amp; Shipping</li> </ul>
S9	<b>Resumption of passenger ferry service between Colombo/Tuticorin/Colombo.</b> <ol style="list-style-type: none"> <li>To coordinate with all stake holders.</li> <li>Inviting Expression of Interest.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Assistant General Manager (Business Development and Marketing)</li> <li>❖ Ministry appointed Project Committee (PC)</li> </ul>
S 10	<b>Operation of Unaccompanied Personal Baggage (UPB) Warehouse / LCL&amp; MCC Cargo Warehouse.</b> <p>To build a State of the Art Warehouse and Logistic City, in close proximity of the Port of Colombo, with a centralized office comprising of related Authorities to fulfill the requirement of the Industry whilst contributing towards the Governments "Single Window" Concept under the Private Public Partnership.</p> <ol style="list-style-type: none"> <li>Secure a plot of land.</li> <li>Appoint UPB Foreign Agency Network.</li> <li>Coordinate/ discussion with Customs/ Ministry of Finance to obtain the license.</li> <li>Infrastructure Development.</li> <li>Deploy labour force/ outsource where necessary.</li> <li>Canvassing through Foreign Employment Bureau and foreign missions.</li> <li>Implement Marketing strategies.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Assistant General Manager (Business Development &amp; Marketing)</li> </ul>

Item	Activity	Key responsible officer/ Department
S 11	<b>To operate a Feeder service between Colombo &amp; Bangladesh</b> <ol style="list-style-type: none"> <li>To formulate business proposal with a suitable partner/Investor to commence the service.</li> <li>MOU was signed between two countries.</li> <li>Delegations from Bangladesh are invited to discuss operational issues.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Assistant General Manager (Business Development &amp; Marketing)</li> </ul>
S 12	<b>Flag of Convenience</b> <ol style="list-style-type: none"> <li>Promoting the Sri Lankan Flag Registry.</li> <li>Concessions to be considered under the Sri Lankan Flag.</li> <li>CSC as the Marketing Agent.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Commercial)</li> <li>❖ Assistant General Manager (Business Development &amp; Marketing)</li> </ul>
S13	<b>Operate a MERW Tug</b> <ol style="list-style-type: none"> <li>To sign the MOU between CSC &amp; CEYPETCO.</li> <li>To secure prospective partners on PPP model.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Technical Superintendent</li> <li>❖ Deputy General Manager (Commercial)</li> </ul>
S14	<b>Human Resources Development</b> <ol style="list-style-type: none"> <li>Continues training and capacity building of the Human Resources to meet with future challenges.</li> <li>Knowledge base Management.</li> <li>Learning &amp; Growth.</li> <li>Restructuring of organization structure in line with present business scenario &amp; according to new SOR.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Deputy General Manager (Legal/ Insurance &amp; Human Resources)</li> </ul>

Item	Activity	Key responsible officer/ Department
S15	<b>Streamlining Administration Function</b> <ul style="list-style-type: none"> <li>a) Minimizing Wastage.</li> <li>b) Streamlining repair &amp; maintenance of vehicles and office building.</li> <li>c) Streamlining of overall administration functions.</li> <li>d) Monitoring &amp; keep track record of pool vehicles.</li> <li>e) Maintain and keep good appearance in the office as commercial oriented organization</li> </ul>	<ul style="list-style-type: none"> <li>❖ Executive Director</li> <li>❖ Head of Administration</li> </ul>

### 3.11

## Organizational Results Framework

Name of the Organization: Ceylon Shipping Corporation Ltd.

Vision: To develop a dependable and effective National Fleet of Ships and shipping logistics facilities for the country.

Mission: To cater to the sea transportation and related logistics needs of the export, import and local coastal trades of Sri Lanka that needs assistance from the National Carrier and create Sri Lankan Seafarers conforming to international standards. To be a partner in people to people connectivity.

No.	Description of Results	Key Performance Indicators	Baseline 2017/18 (with Unit of Measurement)	Targets				
				2018/19	2019/20	2020/21	2021/22	2022/23
Thrust Area 1: Shipping related Operations								
Key Result Area 1: Shipping & Logistics Services								
Preliminary Outcomes								
1		KPI 1: Level of Customer Satisfaction	10	10	10	10	10	10
		KPI 2: Time of readiness the Documents (Days)	3	3	3	3	3	3
		KPI 3: Time of raise the debit note to Customers (Minutes)	15	15	15	15	15	15
2	Preliminary Outcome 2: Financial Performance (Rs.Mn.)	KPI 1: Revenue (Non Vessel Operating Common Carrier,NVOCC)	360.99	292.04	301.92	317.01	332.86	349.51
		KPI 2: Revenue (Logistics)	117.50	23.50	24.68	25.91	27.20	28.56
		KPI 3: Revenue (Agency)	10.41	9.05	9.05	9.05	9.05	9.05
Outputs								
3	Output 1: Facilitation of Govt. sector import cargo(NVOCC)	KPI 1: Quantity (Full Container Load)	1685	1769	1857	1950	2048	2150
		KPI 2: Quantity (Freight Tons)	3,706.00	3892	4086	4291	4505.48	4730.75
		KPI 4: Cost (Rs.)	254.83	224.33	237.79	252.06	267.18	283.21
4	Output 2: Providing Logistics solutions for import & export cargo	KPI 1: Average time of job completion (No. of days)	3	3	3	3	3	3
		KPI2: Recovery period (No. of Months)	3	3	3	3	3	3
		KPI 4: Quantity (No.of Jobs)	480	504	529	556	583	612
		KPI 5: Cost (Rs.)	87.69	15.50	16.28	17.09	17.94	18.84



No.	Description of Results	Key Performance Indicators	Baseline 2017/18 (with Unit of Measurement)	Targets				
				2018/19	2019/20	2020/21	2021/22	2022/23
Key Result Area 2: Transportation of Coal to Lakvijaya Power Plant								
Preliminary Outcomes								
5	Output 3: Providing Chartering, Ship brokering, Ships Agency & Port Agencies Services	KPI 1: Quantity (Fertilizer Vessels)	2	2	2	2	2	2
		KPI 2: Quantity (Coal Vessels)	26	23	23	23	23	23
		KPI 3: Quantity (Other Vessels)	0	depend on the Ad'hoc Agency Function				
		KPI 4: Cost (Rs.)	-	-	-	-	-	-
6	Preliminary Outcome 3: Increase Customers satisfaction	KPI 1: Level of Customer Satisfaction	10	10	10	10	10	10
7	Preliminary Outcome 4: Financial Performance (Rs.Mn.)	KPI 1: Revenue (Ad.com. on freight)	151.33	112.24	202.30	202.30	202.30	202.30
		KPI 2: Revenue (Ad.com on lightering)	295.66	251.22	160.00	160.00	160.00	160.00
		KPI 3: Revenue (Custom Clearance)	20.50	16.50	16.50	16.50	16.50	16.50
Outputs								
8	Output 4: Sea Transportation of Coal & improved access to lightering operation	KPI 1: Quantity (Mn MT)	2.19	2.01	2.01	2.01	2.19	2.19
		KPI 2: Cost (Rs)	0.52	0.23	0.23	0.23	0.23	0.23

No.	Description of Results	Key Performance Indicators	Baseline 2017/18 (with Unit of Measurement)	Targets				
				2018/19	2019/20	2020/21	2021/22	2022/23
Key Result Area 3: Deployment of own Vessels								
Preliminary Outcomes								
9	Preliminary Outcome 5: Increase Customer Satisfaction	KPI 1: Level of Customer Satisfaction	10	10	10	10	10	10
10	Preliminary Outcome 6: Financial Performance (Rs.Mn)	KPI 1: Revenue (coal transportation by own vessels)	1,104.36	1,098.00	1,457.08	1,457.08	1,457.08	1,457.08
		KPI 2: Revenue (charterout own vessels)	430.56	645.32	477.31	529.82	588.07	658.65
11	Output 7: transportation of coal by own 02 vessels	KPI 1: No. of voyages (coal)	12	10	10	10	10	10
		KPI 2: No. of trading days	241	241	241	241	241	241
		KPI 3: Quantity of coal loaded (MT)	0.73	0.73	0.73	0.73	0.73	0.73
		KPI 4: Operational Expenses (Rs. Mn)	44.10	52.59	52.59	52.59	52.59	52.59
		KPI 5: Daily Operating Cost (Rs.Mn)	223.80	274.34	274.34	291.50	291.50	325.79
12	Output 8: Charterout own 02 vessels	KPI 1: No. of time charter days	109	165	165	165	165	165
		KPI 2: No. of idling days	15	15	15	15	15	15
		KPI 3: Average time Charter rate/day	\$ 10,000.00	\$ 12,000.00	\$ 12,000.00	\$ 13,000.00	\$ 13,000.00	\$ 13,000.00
		KPI 4: Daily Operating Cost (Rs.Mn)	195.10	239.18	239.18	254.12	254.12	284.02
13	Output 9: Training Seafarers in the	KPI 2: No. of Officers/Cadets (3rd party vessels)	10	9	9	9	9	9
		KPI 3: Revenue Rs. Mn (3rd Party vessels)	2.50	1.00	1.00	1.00	1.00	1.00

**Note:**

1. CSC always perform its duty to entire satisfaction of customer with the limited resources and try to enhance its productivity
2. Customer Satisfaction is measured by a scale of 1-10
3. All the Figures are on estimated basis
4. Some Key functions' KPIs are difficult to analyse quarterly as its operations going on a particular period yearly.

Eg: Transportation of Coal to Lakvijaya Power Plant

Deployment of own vessels

Training of Seafarers own vessels

# PART IV

## 4. FUTURE ACTIVITIES

### 4.1. Development of Ongoing Business Activities for next 05 Years (2018/ 2019 to 2022/ 2023)

CSC major income is generated from carriage of Coal from Indonesia, South Africa or Russia to Lakvijaya Coal Power Plant. It is expected to increase of freight rates in the bulk trade and hence the freight per ton of the coal would be increased during next season onward. As per the directive of the cabinet of ministers CSC has deployed its owned 2 bulk carriers for the transportation of coal. During the monsoon period the two vessels will be hired on Time charter basis in the Global Charter market thereby earned charter hire on daily basis under Time charter. The bulk charter rates were weak last couple of years but its picking up and the rates are in the range of USD 10,000 -11,000 per day for Ultramax type vessel. It is forecasted to increase up to USD 15,000 to USD 16,000 per day during next five years (Source- Drewry Report- Revenue forecast for CSC vessel). During the FY2017/18 the two vessels have been earned Revenue USD million 2.75 (SLRS. 430.52 million) during the period on Time Charter. The Bulk Market Industry Analysis predicted that market would recover soon after correction of supply and demand imbalance by end of next year. Since lots of Chinese yards have been closed down and more stringent international rules and regulations are being imposed considering environmental issues by the governing body of the industry (IMO) which are expensive for compliance, old ships are expected to be phased out from the market by 2021. One of the mandatory registrations is the IMO Convention on Ballast Water Management System which entered into force on 8<sup>th</sup> September, 2017. It will be implemented gradually and will have an impact on the supply side of the market after 2019 and is expected to send vessels older 18-20 years to scrap yards thereby pushing the earnings of existing modern vessels complying with regulatory requirements.

In 2017/18 Financial Year, the revenue on carriage of Government and Nongovernment cargo on NVOCC basis was increased by 51%. This would be a result of strengthening of Public Finance Circular FOB 415 is re-issued by the treasury and aggressive marketing campaign that is carried out by CSC through government banks.

#### **4.1.1. Transportation of Coal to Lakvijaya Coal fired Power Station at Puttalam**

CSC has entered in to a contract with Lanka Coal Company (PVT) limited, on behalf of CEB for the carriage of coal mainly from South Africa to the Puttalam power plant on FOB terms under the Phase I, II and III. CEB invites the quotations for the supply of coal on CIF basis where CSC has been requested to match the freight component of the lowest quotation received. CSC was success to meet this requirement in partnering with a suitable bulk ship operator /owner with a view to catering for the carriage of coal required for Norochcholai power plant. The existing contract was extended for further period of one year with the concurrence of the Cabinet of Ministers. CSC will build up a business model with 3<sup>rd</sup> party operation to generate more income for CSC from carriage of coal.

#### **4.1.2. Operation of CSC Vessels- MV. Ceylon Breeze and MV. Ceylon Princess**

CSC's first new vessel, Ultramax bulk carrier, MV. Ceylon Breeze was delivered to CSC on 30<sup>th</sup> January 2016 at Avic Shipyard, Weihai, China. The second brand new vessel MV. Ceylon Princess was delivered to CSC on 23<sup>rd</sup> June 2016 at Avic Shipyard, Weihai, China. Both the vessels are Sister Ships and specifications are given in the Annexure 05.

##### **➤ Programme for the employment of two vessels**

The two vessels have been fixed for the shipments of 55,000 MT of coal from South Africa, RBCT port to Lakvijaya Power Plant, Norochcholai during the non monsoon period of September to April. Thereafter, under the guidance of Chartering Committee of CSC consisting of senior officials of CSC and TEC appointed by CSC Officials and the Ministry of Ports & Shipping, the vessels will be employed in the Global Market during the Monsoon period, commence from May to September where the carriage of coal is not possible to the Port of Norochcholai.

The following chart, Figure XVI shows that 58% of CSC profit will be generated by the operation of own two vessels in the year 2018/19.



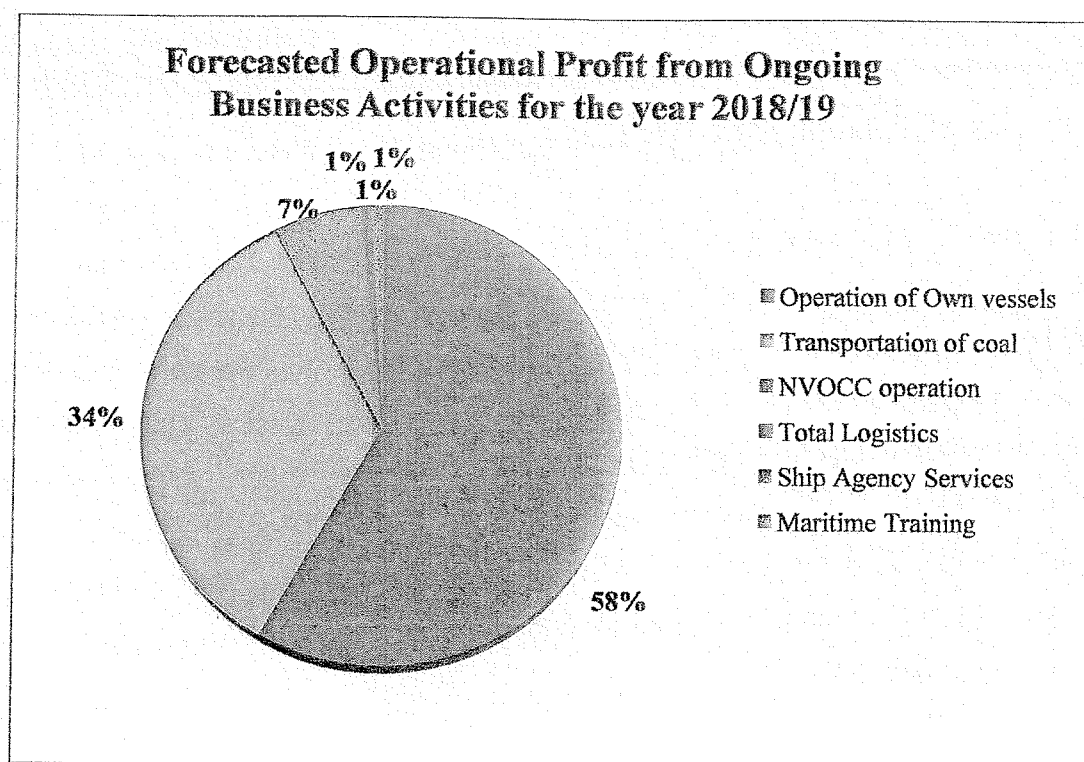


Figure XVI

(Source- CSC Annual Reports/Draft Accounts/Departments' records)

The 02 new ships have been designed and equipped with an additional deck for the accommodation of 52 Sri Lankan cadets/officers to be trained, and also with the CSC understanding of the National requirement of serving the Maritime educational sector by producing experienced and qualified Marine Cadets for the country's need as well as securing a considerable inflow of FOREX earning into the country in future.

#### 4.1.3. Carriage of Government and Non-Government Cargo on NVOCC basis

The imports into Sri Lanka have been 80% over than the exports in value as per 2017 Central Bank Report; total value of imports in the year was \$ 20,979 million. Assuming that the share of import cargo by the Government sector is about minimum 15% of this value and the freight quantum are about nominal 3% Government sector freight bill for shipment on line vessels could be estimated about Rs 15 billion. If at least 50% of this estimated freight bill payable to foreign lines could be saved by securing business for CSC foreign exchange to the turn of Rs. around 7.0 billion could be retained within the country.



In order to target an enhanced share of this market, CSC has strengthen its aggressive marketing efforts to secure all Government sector imports under the circular of PFD:-415 dated 06/05/2005 reviewed in 2016 and developing contacts with container liner operators for obtaining competitive freight rates for ship space and wider coverage of world-wide locations. CSC also intends to cater for private sector cargo and build up business relationships with them through proper marketing strategies.

#### **4.1.4. Customs Clearing & Forwarding**

CSC will continue to further develop the customs clearance and the forwarding function as detailed as per figure x in the page 38, which also a support service for the NVOCC operation. CSC provides total logistics solutions to the customers including packing labeling, stuffing, lashing / securing, transport, customs clearance of cargo. Efforts will be made to target handling more project cargo which is giving a higher profit margin. CSC is having a disadvantage of not having required equipment and infrastructure to handle such cargo which will be overcome by entering in to long term agreements with reputed providers of such services. CSC has successfully carried out the clearance of the Rice MT 100,000 shipment imported to the country during drought season and made a profit of approximately Rs. 25 million from clearance on this shipments. CSC handled the Agency function of Bulk vessels which were carried Rice.

#### **4.1.5. Chartering & Agency Service**

CSC will continue to act as agents for foreign ships calling Sri Lankan ports and also as receivers' agent for Govt. sector importers by protecting the interests of Govt. sector clients. In order to further improve this business, CSC is essentially required to have close contacts with the foreign ship owners and the local importers. CSC is currently in the process of developing such contacts by establishing close relationships with the foreign ship owners and operators. CSC expects to secure owners agency of all the vessels chartered to transport coal to Norochcholai Power Plant.

#### **4.1.6. Maritime Training for Sri Lanka Youth on CSC owned Vessels**

CSC provides more essential mandatory practical training for marine cadets onboard CSC 02 new Break bulk Vessels with facilities to accommodate 26 Cadets per vessel. There is a worldwide shortage of navigational and engineering professionals required to work on ocean going merchant vessels. Those who are trained in the fields of Navigational and Marine Engineering are expected to secure high paying employments on board the foreign vessels whereby earning most needed foreign exchange to the country. CSC will provide this facility for the marine cadets of Government Institutes mandatory on-board training on the CSC vessels. This project is to focus on training of marine officers and will also be equipped to provide professional and vocational maritime training that meets the national and international Standards.

#### **4.2. Proposed New Businesses for Future**

(Subject to approvals from the Line Ministry and Cabinet of Ministers)

##### **4.2.1. Unaccompanied Personal Baggage (UPB) Clearance & Custom Bonded Warehouse and LCL / MCC cargo Operations at the Port of Colombo on PPP basis**

In terms of the Budget speech – 2017, provision of 207 and 213, to build a State of the Art Ware – House and Logistic City, in close proximity of the Port of Colombo, with a centralized office comprising of related Authorities to fulfill the requirement of the Industry whilst contributing towards the Governments “ Single Window” Concept. This Proposal is under the Private Public Partnership (PPP) with the contribution from the stakeholders of the trade. The Proposed “Logistic City will be equipped with State of the Art Infrastructure and Technology to overcome the prevailing impediments. It is projected an Investment of USD 20 million for this project. At present the process is underway to secure a suitable Investor, Operator through Request for Proposal (RFP).

For UPB Warehouse Project, as of present it is estimated that around 1.9 million Sri Lankan workers are serving in various parts of the world. Currently there are five private companies approved to operate UPB warehouses and CSC is also making plans to establish a business venture for Customs Bonded UPB Warehouse.

#### **4.2.2. Container Feeder Service between Sri Lanka & Bangladesh/ South Indian Ports**

CSC intends to recommence the feeder operation between Sri Lanka and ports of South India Region which was operated by CSC during 80's & 90's. CSC is looking for new Partner / Investor to recommence this feeder service. A MOU was signed between the Bangladesh Shipping Corporation and Ceylon Shipping Corporation during the state visit of His Excellency the President to Bangladesh to harness joint business opportunities. There is a proposal from the Bangladesh Shipping Corporation, to operate a joint Container Feeder Service between two countries by the two entities. Draft Standing Operating Procedure (SOP) has been scrutinized by both CSC and BSC and legal clearance have been given to proceed with this project.

#### **4.2.3. Promotion of Sri Lanka Flag as a Flag of Opportunity for Worldwide Ship Owners**

With the consent of the Director General of Merchant Shipping, CSC intends to promote the Sri Lanka Flag as a Flag of Opportunity for Worldwide Ship Owners, with the view to increase the earnings for the Ministry of Ports & Shipping as well as CSC in foreign exchange. CSC wishes to act as the exclusive marketing arm with a suitable partner to be selected on competitive basis on PPP Model for marketing of the Flag around the world. Request for Proposal (RFP) is to be invited to select suitable parties/ agents.

#### **4.2.4. Resumption of passenger ferry service between Colombo / Tuticorin/ Colombo**

An Expression of Interests has been invited from the parties who wish to recommence the Ferry for the Passengers as well as for the cargo with the approval of the Cabinet of Ministers. Presently, Feasibility Study in progress in order to submit to the Cabinet of Ministers.

#### **4.2.5. Floating Bunker Storage**

It is being processed to reapply the bunker license under CSC after the License with CSC Kandia Ltd was withdrawn. It would be expected to set up a joint venture with relevant foreign parties for the operation and management of offshore floating storage for marine fuels in Sri Lanka once the bunker license is issued to CSC. With this operation, the bunker suppliers in the industry would benefit from a lower breakeven marine fuel cost per ton with healthy competition among them. Therefore the lower cost will translate into lower bunker prices offered in Sri Lanka comparatively with Singapore market.

#### **4.2.6. Operating a Coastal Shipping Service**

Ceylon Shipping Corporation has identified the necessity of commencing a shipping connectivity between Sri Lankan ports. Being an island Sri Lanka has not utilized the coastal water to maximize the transportation links like Australia, Japan, Phillipines and United Kingdom. In order to extend the connectivity the state needs to build roads, rail lines, water systems, telecommunication and electricity lines, where as coastal shipping only requires the bare minimum of investment. It would be the most environment friendly and least disruptive method of cargo movement that the CSC could look for at present.

Coastal shipping service connects different parts of the island through the water, which as a result will have a strong socioeconomic impact around the island, especially outside Colombo. The proposed coastal service will open up the job opportunities in the other related areas rather than coming from the south, east or north of Sri Lanka to find a job in the western city especially in Colombo.

They will have jobs created in their own regions where they live. That will actually build much greater understanding among different communities, create better family atmospheres, offer a highly motivated and productive work force, and a much more peaceful society. These factors would enable to stimulate the economy in the entire country, and thus help to create a more even and rapid socioeconomic growth.

#### 4.2.7. Building of Vessels

##### ❖ Suezmax Tanker

Purchasing a 01 Suezmax tanker about 163,000 DWT that is dedicated to the transportation of Crude Oil to Sri Lanka will enable the vessel to be operated at a fixed cost per annum. This will save the country substantial amount of foreign exchange now being paid to foreign companies as freight charges, demurrage cost & bunker escalation costs on Crude oil transportation to the country.

As per the records of Ceylon Petroleum Corporation Crude Oil transport operation, it is presently required to ship **around 90,000-135,000 Metric tons of Crude oil +/- 5%** per every fifteen days or in every three weeks respectively from Persian Gulf to Colombo. The project is based on the captive market opportunity of CPC. They currently import 2 Million Metric Tons of Crude Oil per annum, which is expected to be doubled since CPC refinery capacity is planned to be increased from current 50,000 barrels per day to 100,000 barrels per day.

A feasibility study and the business proposal, which was approved by the Department of National Planning of the General Treasury has already been submitted to the Standard Cabinet Appointed Review Committee (SCARC) for final approval to proceed with this project. Discussions are underway with CPC to form a Joint Venture with a suitable partner on PPP business model to build / purchase suitable Tanker Vessel/s.

##### ❖ Operation of a Maintenance and Emergency Response Work (MERW) Tug

MERW is a tug that is used for "Maintenance and Emergency Response Work. The type of operation of the tug is mooring and unmooring of Tankers, meeting emergency response requirements attending to regular maintenance support services at Single Point Buoy Mooring (SPBM). Ceylon Petroleum Corporation (CPC) has hired a tug on time charter basis from 1987 for carrying out offshore operations, mainly connected with the discharging of Crude Oil through Single Point Buoy Mooring (Crude Oil SPBM) facility and the submarine pipe line connected to the Buoy.

In the present Scenario, CPC uses a time charter MERW tug from a Private Owner at daily time charter rate of USD 5300/- per day. Therefore, it is a viable project to CSC to build a MERW tug for CPC for maintenance & emergency response work connected with SPBM. The Cabinet approval has been granted and facilitation needed to secure a soft loan through Treasury/ERD.

#### **4.3. Streamlining & Strengthening of National Carrier**

- Own, operate & manage the 02 Ultramax Vessels owned by CSC for the transportation of coal required for the country.
- Continuous implementation of Cargo Reservation Scheme to secure the Government import cargo under the Ceylon Shipping Corporation Bill of Lading.
- To re-commence Container Feeder Service between Colombo and Indian sub- continental ports.

#### **National Service – Human capacity building in the maritime field**

- To provide mandatory practical training on board vessels for Sri Lankan marine cadets to complete their Navigation and Maritime Engineering Studies with a view to developing Sri Lanka seafarer base in keeping with the Government policy to make Sri Lanka a 'Maritime hub' and develop human capital in the Sri Lankan maritime sector.
- To provide industrial training for undergraduate students of Sri Lankan Govt. & Private Universities, Higher educational institutes in the maritime field.

# PART V



## 5.1 Financial Forecasts for On-going Businesses

No	Project Name	2017/18 (Base year)	Rupees Million				
			2018/19	2019/20	2020/21	2021/22	2022/23
1	Operation of own vessels						
	Carriage of coal by own vessels	1104.36	1,345.76	1,457.08	1,457.08	1,457.08	1,457.08
	Charterout own vessels	430.56	645.32	477.31	529.82	588.07	658.65
	Daily Operating Cost (DOC)	419.30	545.26	545.62	561.67	577.71	609.81
	Operational Expenses (OPEX)	44.1	52.58	52.59	52.59	52.59	52.59
	Voyage Expenses	526.26	750.02	840.02	940.83	1,053.72	1,180.17
	<b>Profit</b>	<b>545.26</b>	<b>643.22</b>	<b>496.16</b>	<b>431.82</b>	<b>361.12</b>	<b>273.16</b>
2	Transportation of coal to Lakvijaya Power Plant (on 3rd party vessels)	151.33	112.24	202.30	202.30	202.30	202.30
	Revenue- Address Com. on Freight						
	Revenue- Address Com. on Lightering	295.66	251.22	160.00	160.00	160.00	160.00
	Revenue- Customs Clearance	20.50	16.50	16.50	16.50	16.50	16.50
	Cost on Customs Clearance	0.52	0.23	0.23	0.23	0.23	0.23
	Cost on Coal Transportation	1.81	1.60	1.60	1.60	1.60	1.60
	<b>Profit</b>	<b>465.16</b>	<b>378.13</b>	<b>376.97</b>	<b>376.97</b>	<b>376.97</b>	<b>376.97</b>
3	Transport of cargo (on chartered ships/space-NVOCC Operation)	360.99	292.04	301.92	317.01	332.86	349.51
	Cost	254.83	224.33	237.79	252.06	267.18	283.21
	<b>Profit</b>	<b>106.16</b>	<b>67.71</b>	<b>64.13</b>	<b>64.95</b>	<b>65.68</b>	<b>66.30</b>
4	Total Logistics	117.50	23.50	24.68	25.91	27.20	28.56
	Cost	87.69	15.57	16.28	17.09	17.94	18.84
	<b>Profit</b>	<b>29.81</b>	<b>7.93</b>	<b>8.40</b>	<b>8.82</b>	<b>9.26</b>	<b>9.72</b>
5	Chartering & Agency Services	10.41	9.05	9.05	9.05	9.05	9.05
	Cost	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Profit</b>	<b>10.41</b>	<b>9.05</b>	<b>9.05</b>	<b>9.05</b>	<b>9.05</b>	<b>9.05</b>
6	Maritime training on 3rd party vessels	2.53	1.20	1.20	1.20	1.20	1.20
	Cost	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Profit</b>	<b>2.53</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>
<b>TOTAL</b>	Total Revenue	2,493.84	2,696.83	2,650.04	2,718.87	2,794.26	2,882.85
	Total Cost	1,334.51	1,589.59	1,694.13	1,826.06	1,970.98	2,146.45
	Profit/Loss	1,159.33	1,107.24	955.91	892.81	823.28	736.40

**Note:**

All the figures are given on estimated basis.

1) Operation of own vessels

\*The figures on 2017/18 was taken as per the Draft Accounts and 2018/19 was taken as per the Budget

\*Next four years was taken as per the Cash flow which was prepared for vessels valuation by the Government Valuation Department.

\*DOC for 2017/18 was taken as per the Technical budget    USD 4396.61 per day per vessel

\*Assumed that Bunker cost was increased by 12% annually

2) Transportation of coal to Lakvijaya Power plant on 3rd party vessels

a) Address commission on freight

\* April 2017

USD 0.25 / MT

\* Mid - september 2017 to 31 March 2018

USD 0.50/MT

b) Address commission on lightering

USD 0.78 / MT

## 5.2 Financial Forecasts for Future Projects

No	Project Name	Expected period of Commencement		2018/19					Rupees Million			
				2019/20	2020/21	2021/22	2022/23					
1	Operation of Container Feeder Service between Colombo/ Chittagong /Colombo	4Q in 2018/19	Revenue	1,271.90	2,560.00	2,640.00	2,640.00					
			Operating Cost	1,235.56	1,746.00	1,787.00	1,781.00					
			Profit	36.34	814.00	853.00	859.00					
			CSC Profit share 50:50	9.12	-	-	-					
2	Operation of Passenger Ferry service between Colombo/Tuticorin/Colombo	4Q in 2018/19	Revenue	7.89	2,272.00	2,317.44	2,411.06					
			cost	-	256.00	258.56	263.76					
			Profit	7.89	2,016.00	2,058.88	2,147.31					
			CSC Comm.5%	7.89	100.80	102.94	107.37					
3	Operation of Customs Bonded Personal Baggage (UPB) Clearance Warehouse and Operation of LCL & MCC Cargo	1Q in 2020/21	Revenue	-	384.00	496.00	512.00					
			Operating Cost	-	193.00	196.00	203.20					
4	Operation of Floating Bunker Storage	1Q in 2020/21	Revenue	-	666.00	746.00	768.38					
			Operating Cost	-	143.00	159.00	162.18					
5	Purchase of a Tug for MERW Vessel	1Q in 2022/23	Revenue	-	523.00	587.00	606.20					
			Operating Cost	-	-	-	-					
	TOTAL		Profit CSC Profit sharing 40%	-	-	-	-					
			Revenue	1,279.79	4,832.00	6,245.79	6,640.37					
			Cost	1,235.56	2,340.56	2,403.15	2,577.38					
			Total Profit/Loss	44.23	2,824.00	3,842.64	4,063.00					

**Note:**

All the figures are given on estimated basis

US\$1.00=LKR.160.00

**1 Operation of Container Feeder Service between Colombo/Chittagong/Colombo**

Loading Factor	85%
Days for Round Trip voyage	12
Laden TEUs per voyage	1175
Empty TEUs per voyage	100

**2 Operation of Passenger Ferry Service between Colombo / Tuticorin/Colombo**

Vessel occupancy is 409/450 PAXs (88%)

Number of Voyages per year are 104 voyages

Proposed Ticket Prices	
1st Class	USD 320/- return 45 PAXs
Delux Class	USD 210/- return 85 PAXs
Economy Class	USD 120/- return 279 PAXs

**3 Customs Bonded Personal Baggage (UPB) Warehouse & Operation of LCL & MCC Cargo**

expect the container volumes to grow at a conservative rate of 5%

**4 Operation of Floating Bunker Storage**

Revenue is increased by	3%
Operating cost is increased by	2%

**5 Purchase of a Tug for MERW vessel**

Revenue is increased by	1%
Operating cost (DOC) is increased by	1%

## 5.3 Summary

## Financial Forecasts for On-going business &amp; Future Projects

	2017/18 (Base year)	2018/19	2019/20	2020/21	2021/22	2022/23
Revenue	2,493.84	2,696.83	5,210.04	6,328.87	6,676.26	6,803.23
Less;						
Operational Expenses	1,334.51	1,589.59	3,446.13	3,908.06	4,112.98	4,292.83
NVOCC insurance	-	1.05	1.05	1.05	1.05	1.05
Depreciation of two vessels	408.17	408.16	408.16	408.16	408.16	408.16
Direct Operational Expenses	1,742.68	1,998.80	3,855.34	4,317.27	4,522.19	4,702.04
Gross Profit	751.16	698.03	1,354.70	2,011.60	2,154.07	2,101.19
Add;						
Other income						
Income from Joint operations	-	20.09	100.80	102.94	105.13	164.04
Profit from disposal of Assets	0.03	5.00	-	-	-	-
Dividends	0.40	1.00	1.00	0.45	0.45	0.48
Exchange Gain	34.86	-	-	-	-	-
Interest income FD&TB	67.83	60.00	-	-	-	-
Interest income Staff loans	1.51	1.80	1.80	1.80	1.80	1.80
Demurrage recoveries own vessels	117.85	-	-	-	-	-
Management Fees (CEB Tugs & Barges)	7.89	-	-	-	-	-
Others	1.17	-	-	-	-	-
Total of other income	231.54	87.89	103.60	105.19	107.38	166.32
Total	982.70	785.92	1,458.30	2,116.79	2,261.45	2,267.51
Less; Administration expenses	225.76	267.46	267.46	267.46	267.46	267.46
Profit from Operations before impairment of Assets	756.94	518.46	1,190.84	1,849.33	1,993.99	2,000.05
Less;						
Finance Expenses						
Peoples Bank vessel loan interest	767.08	811.46	832.74	857.24	881.73	930.71
Exchange Loss	293.90	378.85	-	-	-	-
Profit /Loss before Income Tax	-304.04	-671.85	358.09	992.10	1112.26	1069.34
Less;						
Loan Capital re-payment for two vessels	277.03	627.00	952.00	980.00	1008.00	1064.00
Interest Capitalized Loan re-payment						
Net Profit/Loss after Loan capital	-581.07	-1298.85	-593.91	12.10	104.26	5.34

Note:

1. Based on Draft A/C 2017/18 & Budgeted figures 2018/19
2. Revenue = Ongoing business revenue + Future projects revenue
3. Cost of sales = Ongoing business cost + Future projects cost
4. All the figures are given on estimated basis
5. Exchange Loss was not included from 2019/20 -2022/23





# ANNEXURES

## ACTION PLAN - 2018

### Division - Ceylon Shipping Corporation Ltd., (CSC)

Project Name : Deployment of CSC two Vessels (On Going Operations)  
 Category : Budget Proposal/GOSL Budget/Off Budget/Foreign-Funded  
 Type of the project : Development/Operation/Administration/.....  
 Objective : Deploying CSC two vessels to carry maximum volume of cargo.  
 Contribution for National Economy.  
 Total estimated cost (Rs.Mn) : 978.75

(Coal-778.4+Charter hire-200.35)

Location : Worldwide destinations

Funding Agency : (GOSL/SLPA/CSC/ADB/JICA/.....)

Person(s) Responsible with contact details : Mr. J Danthanaravana , Manager - Chartering & Agency  
 011-2436819 / Fax 011 2447547 / Mobile – 0710215702 / e mail- dantha@csl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come	
		Year - 1				Fund requirement	Other resources			
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter					
1	Deployment of CSC 02 Vessels	1.1	Freight income own vessels (Transportation of coal)	40%	20%	0%	40%	Self	1.No. of Voyages 2.Total Volume (Mn. MT) 3.Revenue (Rs.Mn)	10 0.61 1,063.68
		1.2	Charter hire income own vessels	0%	40%	60%	0%	Self	1.No. of Voyages 2.Revenue (Rs.Mn)	06 402.10

# ACTION PLAN - 2018

## Division - Ceylon Shipping Corporation Ltd., (CSC)

Project Name : Transportation of coal for Lakvijaya Power Plant (On Going Operations)  
 Category : Budget Proposal/GOSL Budget/Off Budget/Foreign Funded  
 Type of the project : Development/Operation/Administration/.....  
 Objective : Supply of coal for Power Generation  
 Total estimated cost (Rs.Mn) : 3.11

(Lightering - 2.86+Customs Clearance-0.25)

Location : Norochcholai Power Plant

Funding Agency : (GOSL/SLPA/CSC/ADB/JICA/.....)

Person(s) Responsible with contact details : Mr. I Danthanarayana , Manager - Chartering & Agency  
 011-2436819 / Fax 011 2447547 / Mobile - 0710215702 / e mail- dantha@csl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come	
		Year - 1				Fund requirement	Other resources			
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter					
2	Transportation of coal for Lakvijaya Power Plant	2.1	Address Commission Coal Transportation (Freight)	56%	12%	0%	32%	Self	1.No. of Vessels 2.Total Volume (Mn. MT) 3.Revenue (Rs.Mn)	25 1.5 116.25
		2.2	Address Commission Coal Lightering	56%	12%	0%	32%	Self	1.No. of Vessels 2.Total Volume (Mn. MT) 2.Revenue (Rs.Mn)	35 2.1 253.89
		2.3	Customs Clearance	52%	14%	0%	34%	Self	1.No. of Vessels 2.Revenue (Rs.Mn)	35 17.5

Division - Ceylon Shipping Corporation Ltd.,

Tel: 2325744, Fax: 2449486, Email: [niroshana@cscsl.lk](mailto:niroshana@cscsl.lk)

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## ACTION PLAN - 2018

### Division - Ceylon Shipping Corporation Ltd., (CSC)

Project Name : Agency Services (On Going Operations)  
 Category : Budget Proposal/GOSL Budget/Off Budget/Foreign Funded  
 Type of the project : Development/Operation/Administration/  
 Objective : Uplifting of Ship Agency, Port Agency, Receivers' Agency & Ship brokering functions  
 Total estimated cost : No operational cost  
 Location : Port of Colombo  
 Funding Agency : (GOSL/SLPA/CSC/ADB/JICA/.....)  
 Person(s) Responsible with contact details : Mr. I Danthanarayana, Manager- Chartering & Agency  
 011-2436819 / Fax 011 2447547 / Mobile – 0710215702 / e mail- dantha@cscl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come	
		Year - 1				Fund requirement	Other resources			
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter					
5	Agency Services	5.1	Vessels carried Fertilizer	0%	0%	50%	50%	Self	1.No. of Vessels 2.Revenue (Rs.Mn)	02 0.15
		5.2	Vessels carried other Bulk cargo (Rice Shipments for CWE and Rails Shipments for Sri Lanka Railways)	25%	25%	25%	25%	Self	1.No. of Vessels 2.Revenue (Rs.Mn)	04 0.62
		5.2	Port Agent for Coal vessels (Coal supply for Power Generations)	56%	12%	0%	32%	Self	1.No. of Vessels 2.Revenue (Rs.Mn)	25 8.52

**Division - Ceylon Shipping Corporation Ltd., (CSC)**

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Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected
		Year - 1				Fund requirement	Other resources		
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter				
6 Maritime Training	6.1 Maritime Training by own vessels	100%				Treasury		1.No. of Cadets/Officers trained 2.Fund Allocated (Rs.Mn)	52.0 57.0
	6.2 Maritime Training by 3 <sup>rd</sup> party vessels	25%	25%	25%	25%	Self		1.No. of Cadets/Officers 2.Revenue (Rs.Mn)	50 10.0

## ACTION PLAN - 2018

### Division - Ceylon Shipping Corporation Ltd., (CSC)

**Project Name** : Unaccompanied Personal Baggage (UPB) Clearance & Custom Bonded Warehouse and LCL / MCC cargo Operations at the Port of Colombo on PPP basis. (New Projects)

**Category** : Budget Proposal/GOSL Budget/Off-Budget/Foreign Funded

**Type of the project** : Development/Operation/Administration/.....

**Objective** : To develop a quality warehousing system and operation of LCL & MCC cargo at international standards

**Total estimated cost (Rs.Mn)** : Land value - 1,270,600,000.00

**Location** : Colombo

**Funding Agency** : (GOSL/SLPA/CSC/ADB/JICA/.....)

**Person(s) Responsible with contact details** : 1. Mrs. Chitra Jayasinghe, Deputy General Manager (Commercial)  
Mobile: 0710215701 Fax: 0112327801 mail: cj@csl.lk  
: 2. Mrs. Yamuna Wettasinghe, Assistant General Manager - Business Development & Marketing  
Mobile: 0712223877 Fax: +9411 2327801 Mail: yamuna@csl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come	
		Year - 1				Fund requirement	Other resources			
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter					
7	Unaccompanied Personal Baggage (UPB) Clearance & Custom Bonded Warehouse and LCL / MCC cargo Operations at the Port of Colombo on PPP basis.	7.1	Infrastructural Development				100%	PPP		* Upgrade the prevailing process and provide a quality service. * Offer standard/competitive Prices. * Avoid malpractices and Smuggling. * Offer safe and reliable environment to Sri Lankan Expatriate workers.
		7.2	Operation Process							



## ACTION PLAN - 2018

### Division - Ceylon Shipping Corporation Ltd., (CSC)

**Project Name** : Resumption of passenger ferry service between Colombo / Tuticorin/Colombo (New Projects)  
**Category** : Budget Proposal/GOSL-Budget/Off Budget/Foreign Funded  
**Type of the project** : Development/Operation/Administration/.....  
**Objective** : To commence the Ferry Service between Colombo/Tuticorin/Colombo  
**Total estimated cost (Rs.Mn)** :  
**Location** : Colombo/Tuticorin/Colombo  
**Funding Agency** : (GOSL/SLPA/CSC/ADB/JICA/.....)  
**Person(s) Responsible with contact details** : 1. Mrs. Chitra Jayasinghe, Deputy General Manager (Commercial)  
 Mobile: 0710215701 Fax: 0112327801 mail: cj@csl.lk  
 : 2. Mrs. Yamuna Wettasinghe, Assistant General Manager - Business Development & Marketing  
 Mobile: 0712223877 Fax: +9411 2327801 Mail: yamuna@csl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come
		Year - 1				Fund requirement	Other resources		
8	Resumption of passenger ferry service between Colombo / Tuticorin/Colombo.	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	PPP			* Save the Foreign Exchange to the Country.
	8.1 Operation Process	100%							

**Division - Ceylon Shipping Corporation Ltd., (CSC)**

9	Operation of Floating Bunker Storage through JV	9.1	Operation Process	Sub Activity	Target (as a percentage)				Resources needed	KPIs / Measurement Unit for the out put	Target / Expected Out Come							
					Year - 1				Fund requirement	Other resources								
					1 <sup>st</sup> Quarter				100%	ppp	*To reduce local bunker prices and match the bunker rates with the prices at Singapore *To capture the higher market by reducing the prices.							
					2 <sup>nd</sup> Quarter													
					3 <sup>rd</sup> Quarter													
					4 <sup>th</sup> Quarter													

## ACTION PLAN - 2018

### Division - Ceylon Shipping Corporation Ltd., (CSC)

Project Name : Flag of Convenience (FOC) (New Projects)  
 Category : Budget Proposal/GOSL Budget/Off-Budget/Foreign-Funded  
 Type of the project : Development/Operation/Administration/.....  
 Objective : Promotion of Sri Lanka Flag as a Flag of Opportunity for Worldwide Ship Owners

Total estimated cost : .....

Location : Sri Lanka

Funding Agency : (GOSL/SLPA/CSC/ADB/JICA/.....)

Person(s) Responsible with contact details

: 1. Mrs. Chitra Jayasinghe, Deputy General Manager (Commercial)

Mobile: 0710215701 Fax: 0112327801 mail: cj@csl.lk

: 2. Mrs. Yamuna Wettasinghe, Assistant General Manager - Business Development & Marketing

Mobile: 0712223877 Fax: +9411 2327801 Mail: yamuna@csl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come
		Year - 1				Fund requirement	Other resources		
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter				
10	Promotion of Sri Lanka Flag as a Flag of Opportunity for Worldwide Ship Owners	10.1	Operation Process			100%	PPP		* Save the Foreign Exchange to the Country

## ACTION PLAN - 2018

### Division - Ceylon Shipping Corporation Ltd., (CSC)

Project Name : Feeder Service between Colombo /Chittagong/ Colombo (New Projects)

Category : Budget Proposal/GOSL Budget/Off Budget/Foreign Funded

Type of the project : Development/Operation/Administration/.....

Objective : To operate a joint Container Feeder Service between two countries by the two entities

Total estimated cost (Rs.Mn) : 2,389,000,000.00 (Operating cost)

Location : Colombo/Chittagong/Colombo

Funding Agency : (GOSL/SLPA/CSC/ADB/HICA/.....)

Person(s) Responsible with contact details : 1. Mrs. Chitra Jayasinghe, Deputy General Manager (Commercial)  
Mobile: 0710215701 Fax: 0112327801 mail: cj@csl.lk

: 2. Mrs. Yamuna Wettasinghe, Assistant General Manager - Business Development & Marketing  
Mobile: 0712223877 Fax: +9411 2327801 Mail: yamuna@csl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come
		Year - 1				Fund requirement	Other resources		
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter				
11	Feeder Service between Colombo & Bangladesh	11.1	Operation Process			100%	PPP		* Save the Foreign Exchange to the Country

# **ACTION PLAN - 2018** **Division - Ceylon Shipping Corporation Ltd., (CSC)**

Project Name : Purchase of a Maintenance and Emergency Response Work (MERW) Vessel through JV (New Projects)

Category : Budget Proposal/GOSL Budget/Off Budget/Foreign Funded

Type of the project : Development/Operation/Administration/.....

Objective : Own and operate a MERW tug for CPC

Estimated cost (Rs.Mn) : 157.00

Location : Port of Colombo

Funding Agency : (GOSL/SLPA/CSC/ADB/JICA/.....)

Person(s) Responsible with contact details : 1. Mrs. Chitra Jayasinghe, Deputy General Manager (Commercial)  
Mobile: 0710215701 Fax: 0112327801 mail: cj@cscl.lk

: 2. Mrs. Yamuna Wettasinghe, Assistant General Manager - Business Development & Marketing  
Mobile: 0712223877 Fax: +9411 2327801 Mail: yamuna@cscl.lk

Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the output	Target / Expected Outcome
		Year - 2017				Fund requirement	Other resources		
12	MERW Vessel Operation	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	PPP			*To provide high quality service to another sister organization *To operate and acquire a MERW tug on PPP model on BOT basis
	12.1 Technical Management	100%							

# **ACTION PLAN - 2018** **Division - Ceylon Shipping Corporation Ltd., (CSC)**

Project Name

Category

Type of the project

Objective

- : Renovation of Office Building (Administration Functions)
- : Budget Proposal/GOSL Budget/Off Budget/Foreign Funded
- : Development/Operation/Administration/ .....
- : To secure and provide a better and quality working environment for employees of the Corporation

Total estimated cost (Rs. Mn)

: 114.0

Location

: Colombo

Funding Agency

: (GOSL/SLPA/CSC/ADB/JICA/.....)

Person(s) Responsible with contact details

: Mr. Lalith Gunarathne, Head of Administration / Procurement

Mobile: 0710215720 Fax: 0112327801 mail: lalith@csl.lk

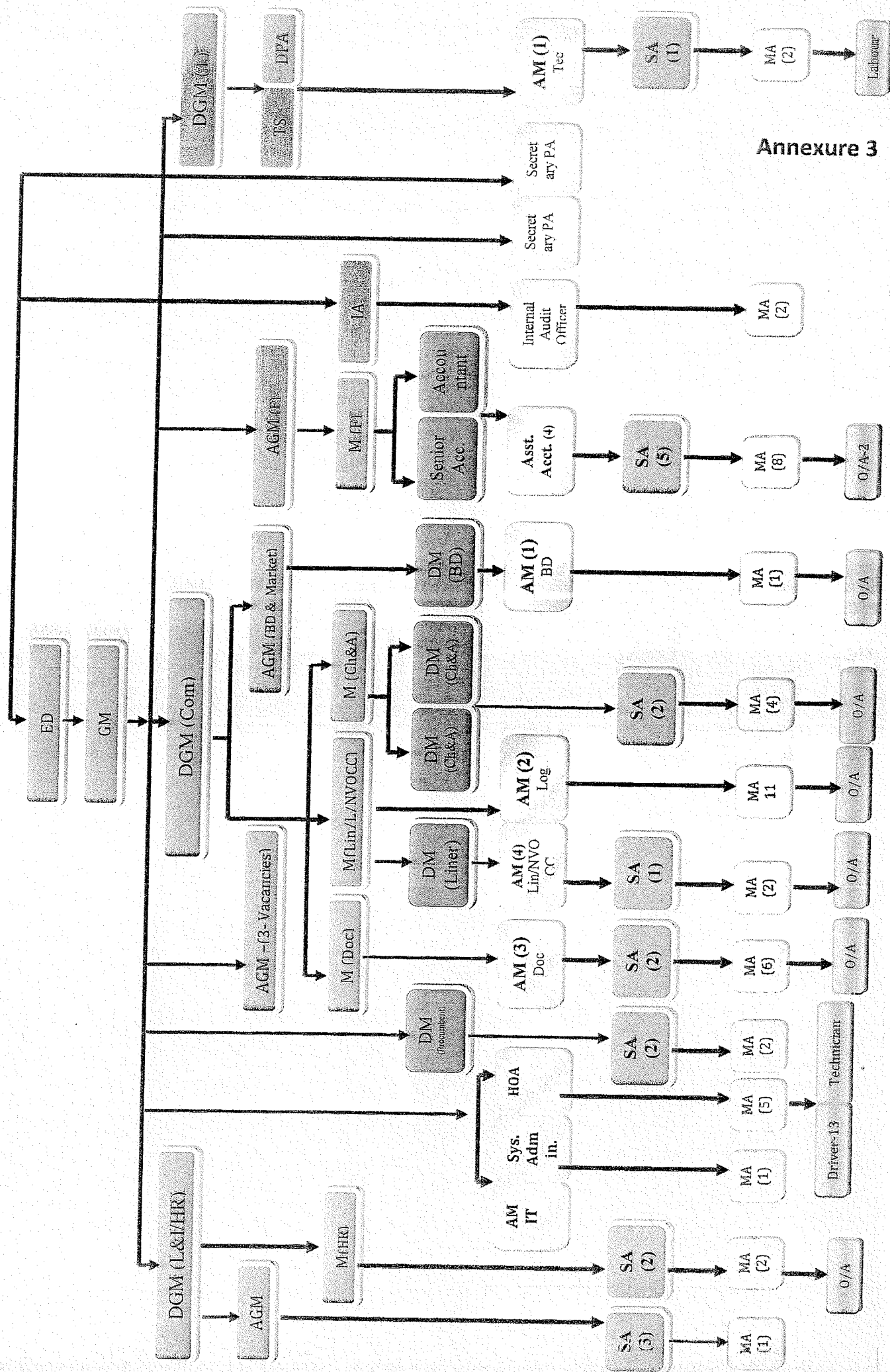
Activity	Sub Activity	Target (as a percentage)				Resources needed		KPIs / Measurement Unit for the out put	Target / Expected Out Come
		Year - 1				Fund requirement	Other resources		
		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter				
13 Administration	13.1 Purchase of 02 Motor Vehicles	-	100%	-	-	Self		Cost Rs.Mn.	17.0
	13.2 Modernize CSC premises	15%	30%	20%	35%	Self		Cost Rs.Mn.	90.0
	13.3 Computer UPS System	100%	-	-	-	Self		Cost Rs.Mn.	2.0
	13.4 Network, Telephone system	100%	-	-	-	Self		Cost Rs.Mn.	5.0

## Annexure 2

Action Plan for Implementation of New Projects							
No.	Project Name	2018/19	2019/20	2020/21	2021/22	2022/23	Officer Responsible
1	Operation of Container Feeder Service between Colombo/Chittagong/Colombo	Q4					-Deputy General Manager (Commercial) -Assistant General Manager (Business Development & Marketing)
2	Operation of Passenger Ferry Service between Colombo/Tuticorin/Colombo	Q4					-Technical Evaluation Committee (TEC) -Deputy General Manager (Commercial) -Assistant General Manager (Business Development & Marketing)
3	Operation of Customs Bonded Personal Baggage (UPB) Clearance Warehouse and operation of LCL & MCC cargo Warehouse			Q1			-Technical Evaluation Committee (TEC) -Deputy General Manager (Commercial) -Assistant General Manager (Business Development & Marketing)
4	Operation of Floating Bunker Storage			Q1			-General Manager -Deputy General Manager (Commercial)
5	Purchase of a Tug for MERW vessel					Q1	-Deputy General Manager (Commercial) -Technical Superintendent



# Ceylon Shipping Corporation -2018 – Existing Organization Structure



Annexure 3

Statement no.

CBO 1500116

Page 1 of 1



# Statement of Compliance for Recruitment and Placement Service, Regulation 1.4, Maritime Labour Convention, 2006

This Statement of Compliance is issued for the information of interested parties to indicate compliance with the requirements of the Maritime Labour Convention, 2006 (referred to below as "the Convention") by Lloyd's Register Asia

Particulars of the Company

Company Name	Ceylon Shipping Corporation Ltd
Office Address	# 27 MICH Building Sir Raski Farzed Mawatha Colombo 01
Country	Sri Lanka

This is to certify that the above Company's office has been inspected and found to be in compliance with the requirements of Regulation 1.4 and Standard A1.4 of the Convention

This Statement of Compliance is valid until **19 November 2020** subject to annual inspections.

Completion date of the inspection on which this statement is based **20 November 2015**

Issued at **Colombo** on **20 November 2015**

In  
Witness whereof, the  
Surveyor to Lloyd's Register Asia

Alim Wijesinghe

Surveyor to Lloyd's Register Asia

a member of the Lloyd's Register Group

## Endorsements annual inspections

This is to certify that the activities of the Private Recruitment and Placement Service was inspected and found to be in compliance with the requirements of Standard A1.4 of the Convention.

### 1<sup>st</sup> Annual inspection

Signed

Place

Date

Colombo

17 February 2017

  
Jagath Kumara

### 2<sup>nd</sup> Annual inspection

Signed

Place

Date

### 3<sup>rd</sup> Annual inspection

Signed

Place

Date

### 4<sup>th</sup> Annual inspection

Signed

Place

Date

## Annexure 5

### Vessel Specifications ( Mv. Ceylon Breeze and Mv. Ceylon Princess)

Type / Built	Bulk Carriers / Jan 2016	
Yard	Avic Shipyard, Weihai China	
Flag / Class / Callsign / IMO	Sri Lanka/ DNV-GL/ 4RDW/9734563	
Dead Weight / Draft (Design)	51,300T / 11.30 M	
Dead Weight / Draft (Scantling)	63,600T / 13.30 M	
LOA / Beam	199.85 M/32.25 M	
GT / NT (International)	37,000/21,500	
Holds / Hatches /Hatch type	5 HO /5 HA /Double skin folding	
Hatch sizes ( LxB )	No 1: 19.68 m x 18.26 m	No. 4: 22.96 m x 18.26m
	No.2: 22.96 m x 18.26m	No. 5: 22.96 m x 18.26m
	No. 3: 22.96 m x 18.26m	
Cargo gears	12CBM x 4 Nos 30Tcranes	
Grain Capacity	78,500 m <sup>3</sup> (100 % Full)	
Tank Top Strength	Design for Heavy Dry Cargo, discharging by Grabs with unladen weight of 20 T	
Speed	12 KNOTS	

## Annexure 6

## Employment of CSC Owned Vessels during 2017/18

## • MV Ceylon Breeze

	Start	End	Time Period	Cargo	QTY(MT)
Voyage 10 Coal Transportation	Richards Bay South Africa	Puttalam	10/3/2017 17/04/2017	Coal	61,494
Voyage 11 Time Charter	Puttalam via Santos, Brazil	Chittagong Bangladesh	17/04/2017 21/07/2017	Raw Sugar	60,000
Voyage 12 Time Charter	Haldia, India	Port of Caofee, Duna	21/07/2017 19/08/2017	Iron Ore	60,500
Voyage 13 Time Charter	Port of Dlosp, Weihai	Port of RBCT	25/08/2017 29/09/2017	Steel Products	21,075
Voyage 14 Coal Transportation	Port of puttalam	Port of RBCT	6/11/2017 27/12/2017	Coal	61,077
Voyage 15 Coal Transportation	Port of RBCT	Port of puttalam	27/12/2017 6/2/2018	Coal	61,067
Voyage 16 Coal Transportation	Port of puttalam	Port of RCBT	6/2/2018 14/03/2018	Coal	61,074
Voyage 17 Coal Transportation	Port of RBCT	Port of Puttalam	14/03/2018 15/04/2018	Coal	61,348

## • MV Ceylon Princess

	Start	End	Time Period	Cargo	QTY(MT)
Voyage 6 Coal Transportation	Richards Bay South Africa	Puttalam	10/3/2017 5/4/2017	Coal	60,912
Voyage 7 Time Charter	Puttalam Via Kakinadu, India	Longkou, China	5/4/2017 17/05/2017	Laterite	61,288
Voyage 8 Time Charter	Longkou, China	Lahad Datu Sandakan Malaysia	17/05/2017 28/07/2017	Fertilizer	46,790
Voyage 9 Coal Transportation	Malaysia	Port of Taipei	28/07/2017 17/08/2017	Coal	60,000
Voyage 10 Coal Transportation	Port of Taipei	Port of Dlosp Haldia	17/08/2017 14/09/2017	Coal	60,500
Voyage 11 Coal Transportation	Port of Puttalam	Port of RBCT	21/10/2017 27/10/2017	Coal	60,970
Voyage 12 Coal Transportation	Port of RBCT	Port of Puttalam	11/12/2017 15/12/2017	Coal	61,314
Voyage 13 Coal Transportation	Port of Puttalam	Port of RBCT	22/01/2018 25/01/2018	Coal	61,039
Voyage 14 Coal Transportation	Port of RBCT	Port of Puttalam	26/02/2018 1/3/2018	Coal	60,983

## Annexure 7

### Vessels Employment during Monsoon - from the month of May to September each year

#### ➤ Mv. Ceylon Breeze -Fixtures - 2017/18

Voyage No.	Voy 11	Voy 12	Voy 13	Voy 14	Voy 15	Voy 16	Voy 17
Port of Loading	Colombo	Haldia	Buanquan	Surabaya	Puttalam	Puttalam	Puttalam
Days on charter	95.425	28.713	34.674	47.45	47.31	40.63	34.98
Port of Discharging	Santoz	Paradip	Weihai	Puttalam	Puttalam	Puttalam	Puttalam
Cargo	Sugar	Iron Ore	Steel	Coal	Coal	Coal	Coal
Ballast	-	-	-	16.74	-	-	-
Voyage Duration	95.425	28.713	34.674	64.19	47.31	40.63	34.98
Charter Hire per day (USD)	11500	7,850	7,750	10,703	14,521	16,913	19,731

Average Charter rate - USD 12,648.69 per day

#### ➤ Mv. Ceylon Princess -Fixtures - 2017/18

Voyage No.	Voy 07	Voy 08	Voy 09	Voy 10	Voy 11	Voy 12	Voy 13	Voy 14
Port of Loading	Kakinada , India	Zhenjiang , China	Sandacan , Malaysia	Taipe, Taiwan	Haldia, India	Puttalam	Puttalam	Puttalam
Days on Charter	38.8833	64.3667	19.6750	28.2542	43.9542	48.0938	41.9271	35.0000
Port of Discharging	Lonkou, China	Lahad Datu & Sandacan, Malaysia	Taipe, Taiwan	Haldia, India	Puttalam	Puttalam	Puttalam	Puttalam
Cargo	Literarite	Fertilizer	Coal	Coal	Coal	Coal	Coal	Coal
Ballast	2.7917	7.6167	-	-	-	-	-	-
Voyage Duration	41.6750	71.9833	19.6750	28.2542	43.9542	48.0938	41.9271	35.0000
Charter Hire per day	10,500.00	6,500.00	10,000.00	7,650.00	17,228	16,497	18,722	22,703

Average Charter rate - USD 13,648.93 per day

# Voyage Plan of CSC own 02 vessels

## Mv Ceylon Breeze

Consecutive Voyages to Puttalam	
Ballasting Time to Load Port	12.9144 Days
Port Stay at Load Port	4.1033
Steaming Time from Load Port to Puttalam	15.1526
Port Stay at Puttalam	8.95
	41.12 Days
Commencing Date of Consecutive Voyages to Puttalam	26th Aug
Target Date to Commence Discharging in Puttalam	16th Sept
Completion Date of Consecutive Voyages to Puttalam	30th April
Total Duration	247 Days
Mv Ceylon Breeze No. of Voyages to Puttalam	6

## Mv Ceylon Princess

Consecutive Voyages to Puttalam	
Ballasting Time to Load Port	12.9144 Days
Port Stay at Load Port	4.1033
Steaming Time from Load Port to Puttalam	15.1526
Port Stay at Puttalam	8.95
	41.12 Days
Commencing Date of Consecutive Voyages to Puttalam	05th Sep
Target Date to Commence Discharging in Puttalam	25th Sep
Completion Date of Consecutive Voyages to Puttalam	29th Mar
Total Duration	206 Days
Mv Ceylon Breeze No. of Voyages to Puttalam	5

## Open Market Operations

Commencing Date of Open Market Operations	1st May
Completion Date of Open Market Operations	25th Aug
Total Duration	118 Days 365 Days
Anticipated Ballasating Days	20 Days
Anticipated Days on Charter	98 Days

## Open Market Operations

Commencing Date of Open Market Operations	30th Mar
Completion Date of Open Market Operations	04th Sep
Total Duration	159 Days 365 Days
Anticipated Ballasating Days	30 Days
Anticipated Days on Charter	129 Days



**CEYLON BREEZE AND CEYLON PRINCESS**  
**INCOME & EXPENDITURE FOR THE PERIOD**  
**01<sup>ST</sup> APRIL 2017 TO 31<sup>ST</sup> MARCH 2018**

Freight Income Ceylon Breeze	489,207,437.49	
Freight Income Ceylon Prince	615,160,426.77	
Charter Hire Income Cey Breeze	238,955,666.62	
Charter Hire Income Cey Princes	191,606,748.98	1,534,930,279.86

**Add**

Demurrage Income Cey Breeze	65,417,679.93	
Demurrage Income Cey Princes	52,439,078.13	117,856,758.06

**TTL VESSEL INCOME****1,652,787,037.92****Less**

Despatch Cey Breeze	(8,306,682.82)	
Despatch Cey Princes	(11,148,139.38)	
Management Fees Cey Breeze	(6,491,559.37)	
Management Fees Cey Princes	(6,482,240.64)	
Chartersing Hire Commission	(25,711,881.42)	
Chartersing Fees Cey Princers	(2,365,393.06)	
Chartersing Fees Cey Breeze	(3,020,174.34)	
Port Handling Expenses	(41,670,275.94)	
Bunker Expenses	(461,518,627.58)	
Fixed operating Expenses	(418,904,594.86)	(985,619,569.41)

**Operational Surplus/(Deficit) Before Interest****667,167,468.51****Less**

Interest on Vessels Loan	(759,266,000.00)
--------------------------	------------------

**Operational Surplus/(Deficit) After Interest****(92,098,531.49)****Less**

VSL Depreciation	(408,178,758.00)
Exchange Loss on Vessels Loan 67.2MX3.97(157.88-153.91)	(266,784,000.00)

**Operational Surplus/(Deficit) After Depreciation & Exchange Loss****(767,061,289.49)****Peoples Bank Vessel loan Capital Repayment****SLRS**

Total obligation per Annum	US\$	5,600,000.00	868,000,000.00
Settled During the Year	US\$	1,800,000.00	277,038,000.00

**BASED ON DRAFT A/C -2017/18**

## Projected Profit &amp; Loss Statement of CSC own 02 vessels

	Base Case 2017/18	Base Case 2018/19	Best Case 2017/18	Best Case 2018/19	Worse Case 2017/18	Worse Case 2018/19
Average days per voyage	42	42	42	42	45	45
Average no of voy per annum	5	5	6	6	5	5
Average Quantity(MT)	61000	61000	61000	61000	60000	60000
Freight	11	12	11	12	11	11
Average Days for coal transportation	195	195	230	230	210	210
Revenue from Coal transportation	\$ 3,355,000	\$ 3,660,000	\$ 4,026,000	\$ 4,392,000	\$ 3,300,000	\$ 3,300,000
Average days for charter employment	155	155	130	130	155	155
Forecasted Charter hire	10000	11000	11000	12000	10000	10000
Charter Earnings	\$ 1,550,000	\$ 1,705,000	\$ 1,430,000	\$ 1,560,000	\$ 1,550,000	\$ 1,550,000
Rev.per vessel	\$ 4,905,000	\$ 5,365,000	\$ 5,456,000	\$ 5,952,000	\$ 4,850,000	\$ 4,850,000
Total Rev.for 02 vessels	\$ 9,810,000	\$ 10,730,000	\$ 10,912,000	\$ 11,904,000	\$ 9,700,000	\$ 9,700,000
Opex-Coal Transportation	\$ 2,454,732	\$ 2,577,469	\$ 2,706,342	\$ 2,841,659	\$ 2,454,732	\$ 2,577,469
DOC	\$ 3,560,940	\$ 3,917,034	\$ 3,560,940	\$ 3,917,034	\$ 3,560,940	\$ 3,917,034
Fixed+Variable cost	\$ 6,015,672	\$ 6,494,503	\$ 6,267,282	\$ 6,758,693	\$ 6,015,672	\$ 6,494,503
Net Earnings from 02 vessels	\$ 3,946,828	\$ 4,235,497	\$ 4,644,718	\$ 5,145,307	\$ 3,684,328	\$ 3,205,497

	SN	DESCRIPTION	Total Cost (USD)
CREWING COST	MN 1	<u>Manning</u> 1. Crew wages without cadets for two bulk carriers 2. Victualing 3. Sundry Miscellaneous (PPE,Airfare, Handling cost)	1,474,104.00 112,420.00 30,000.00 1,616,524.00
	ST 2	<u>Stores</u> Deck stores (Deck,Cabin stores, Medical,Charts Engine stores paint	132,000.00 48,000.00 50,000.00 230,000.00
	SP 3	<u>Spares</u> Including Main propulsion unit, Generator engines, Boilers, Auxiliary Machinery,Deck Machinery,	250,000.00 250,000.00
	LU 4	<u>Consumables (Lubricating , Gases,Greases,Chemicals)</u> Main and Aux .Sys oil and Cyl oil Chemicals,greases, gases	288,000.00 24,000.00 312,000.00
	RM 5	<u>Misc cost</u> 1. Attended Services from makers (Engine & Deck Machinery,Cargo system , Tanks 2. Service attendance navigation Equip 3. Annual Calibration 4. Electrical Repairs (SP) 5. LSA /FFA service attendance 6. Communication cost 7. Disposal (slops& garbages) 8. Sample testing 9. Upgradation	30,000.00 30,000.00 20,000.00 34,000.00 10,000.00 10,000.00 325,000.00 459,000.00
	RM 6	<u>Management &amp; Administration Expenses</u> Management fee (office ),Miscellaneous, Periodical inspection and audits	110,000.00 16,000.00 126,000.00
Staturoy and Class	SC 7	<u>Classification and Surveys</u> Annual and occasional surveys	56,000.00 56,000.00
	SC 8	<u>H &amp; M, P I covers</u>	160,000.00 160,000.00
FO Cost for off season	SC 9	FO cost per off hire/non charter days  HFO cost per non charter days (HFO 500 USD/MT) 25 MT/Day MGO cost (USD 700*0.1MT/Day*365 Days*2 Ships)	  625,000.00 16,000.00 641,000.00
FO Cost for season (Noroch)	SC 10	<u>FO cost for season at Norochcholai</u>  HFO Cost for Consumption of ceylon Breeze for 6 voyages (772.2 Mts / voyage *6 voyages)* USD 490 HFO Cost for Consumption of Ceylon Princess for 5 voyages (772.2 Mts / voyage *5 voyages)* USD 490 MGO cost (USD 700*0.2MT/Day*30 Days*2 Ships)	  2,269,680.00  1,891,400.00 8,400.00 4,169,480.00

# Loan Repayment Plan for Next 05 years

Term Loan \$ 70,000,000.00  
 Term Loan Interest 5.25% + 6 Months LIBOR  
 Interest Capitalized Loan \$ 4,720,000.00  
 Interest Capitalized Loan In 3.00%+ 6 Months LIBOR

Loan outstanding for Y2018/19

Term Loan \$ 67,200,000.00

Interest Capitalized Loan \$ 4,710,464.32

Total outstanding -US\$ as at  
 September 2018 71,910,464.32

\* Proposed Loan repayment plan for next 05 years

	2017/18 (Base year)	2018/19	2019/20	2020/21	2021/22	2022/23
Profit on Operations SLRS.	756,960,000.00	986,293,472.00	1,604,520,374.40	2,458,229,652.09	2,630,513,606.46	2,623,639,206.15
Profit on Operations USD.	\$ 4,731,000.00	\$ 5,977,536.19	\$ 9,438,355.14	\$ 14,047,026.58	\$ 14,613,964.48	\$ 13,808,627.40
Revenue on Charter Hire of 02 vessels USD	\$ 2,690,000.00	\$ 3,910,000.00	\$ 2,810,000.00	\$ 3,030,000.00	\$ 3,270,000.00	\$ 3,470,000.00
Proposed Loan Repayment						
Interest on TL	\$ 4,686,683.84	\$ 4,686,683.84	\$ 4,686,683.84	\$ 4,686,683.84	\$ 4,686,683.84	\$ 4,686,683.84
Interest on ICL	\$ 211,808.56	\$ 211,808.56	\$ 211,808.56	\$ 211,808.56	\$ 211,808.56	\$ 211,808.56
Total Interest	\$ 4,898,492.40	\$ 4,898,492.40	\$ 4,898,492.40	\$ 4,898,492.40	\$ 4,898,492.40	\$ 4,898,492.40
Capital on TL	\$ 1,800,000.00	\$ 3,800,000.00	\$ 5,600,000.00	\$ 5,600,000.00	\$ 5,600,000.00	\$ 5,600,000.00
Capital on ICL						
Total capital on Loan	\$ 1,800,000.00	\$ 3,800,000.00	\$ 5,600,000.00	\$ 5,600,000.00	\$ 5,600,000.00	\$ 5,600,000.00
Total Payment to be paid	\$ 6,698,492.40	\$ 8,698,492.40	\$ 10,498,492.40	\$ 10,498,492.40	\$ 10,498,492.40	\$ 10,498,492.40



Total Loan payment to be paid by profit on Charter out 02 vessels	\$	2,690,000.00	\$	3,910,000.00	\$	2,810,000.00	\$	3,030,000.00	\$	3,270,000.00	\$	3,470,000.00
Balance payment to be paid after set off the Revenue on Charter hire of 02 vessels to the Loan Repayment	\$	4,008,492.40	\$	4,788,492.40	\$	7,688,492.40	\$	7,468,492.40	\$	7,228,492.40	\$	7,028,492.40
Balance payment to be paid by SLRS. Value		641,358,784.00		790,101,246.00		1,307,043,708.00		1,306,986,170.00		1,301,128,632.00		1,335,413,556.00
Profit/Loss	\$	(1,967,492.40)	\$	(2,720,956.21)	\$	(1,060,137.26)	\$	3,548,534.18	\$	4,115,472.08	\$	3,310,135.00
Total Balance Loan Payment to be paid	\$	70,110,464.32	\$	66,310,464.32	\$	60,710,464.32	\$	55,110,464.32	\$	49,510,464.32	\$	43,910,464.32

Note;

1. All the figures are given on estimated basis.
2. Loan Outstanding as at todte was taken according to the records of CSC Finance dpt.
3. Profit on Operations before impairment of Assets was taken as per the summary of Financial Statements.
4. Exchange rate was taken as per the Central Bank Forecast ;
  - 2017/18 ; USD 1.00 = Rs.160.00
  - 2018/19 ; USD 1.00 = Rs.165.00
  - 2019/20 ; USD 1.00 = Rs.170.00
  - 2020/21 ; USD 1.00 = Rs. 175.00
  - 2021/22 ; USD 1.00= Rs.180.00
  - 2022/23 ; USD 1.00=Rs.190.00
5. Allocation for loan interest & capital are to be paid based on estimated profit on operations before impairment of Assets.
6. Payment allocation can be vary according to the financial situation of the organization by time to time
7. Summary of proposed loan repayment plan is given by annually.
8. Above provisions was made based on the interest rate 5.38+ LIBOR
9. Considered that the Loan amount will be Set off by the Revenue in time charter and balance will be paid by the Sri Lankan Rupee value.

Mv. Ceylon Breeze Voyage Performance from 16/02/2016 to 11/08/2017

Annexure 13

	Voyage 01	Voyage 02	Voyage 03	Voyage 04	Voyage 05	Voyage 06	Voyage 07	Voyage 08	Voyage 09	Voyage 10	Voyage 11
Voy Commenced at	Wei Hai	Puttalam	Puttalam	South Korea	Mumbai	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Voyage 11
Voy Commenced date	2/16/2016 17:00	3/21/2016 20:18	5/9/2016 14:00	7/12/2016 14:20	8/18/2016 23:12	10/4/2016 23:50	11/27/2016 17:00	12/29/2016 20:24	1/31/2017 22:00	3/10/2017 9:30	4/17/2017 6:30
Voy Completed at	Puttalam	Puttalam	China	Mumbai	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Santoz
Ballast Leg			19.67	37.37	13.46						
Voy Completed date	3/21/2016 20:18	5/9/2016 14:00	7/12/2016 14:20	8/18/2016 23:12	10/4/2016 23:50	11/27/2016 17:00	12/29/2016 20:24	1/31/2017 22:00	3/10/2017 9:30	4/17/2017 5:00	7/21/2017 16:42
Voy Duration (days)	34.14	48.74	44.35	37.37	47.03	53.72	32.14	33.07	37.48	37.81	95.425
Cargo	Coal	Coal	Iron Ore	Iron	Coal	Coal	Coal	Coal	Coal	Coal	Sugar
Quantity	55,000.00	61,520.00			61,224.00	61,901.00	60,953.00	61,646.00	61,303.00	61,494.00	60,000
Freight per ton (USD)	11.50	11.50			11.50	11.50	11.50	11.50	11.50	11.50	11,500
Per day (USD)			8,600.00	7,150.00							
Revenue base - Freight (USD)	632,500.00	707,480.00		0	704,076.00	711,861.50	700,959.50	708,929.00	704,984.50	707,181.00	
Positive Bunker Adjustment (USD)					40,407.84	44,568.72	37,790.86	72,125.82	75,402.69	79,327.26	
Negative Bunker Adjustment (USD)											
Lead Port Dem/Dest (USD)	(44,550.00)	(11,073.60)			11,794.40	57,585.49	(4,314.50)	23,633.50	21,438.30	38,932.40	
Dis Port Dem/Dest (USD)	(5,308.13)	(1,134.80)			-	(3,641.50)	(14,539.00)	(15,406.50)	(4,071.50)	(5,007.50)	
Gross Revenue (USD)	579,124.67	774,948.40	369,800.00	272,788.37	756,278.24	810,374.21	719,896.86	789,301.82	797,753.99	820,433.16	1,057,461.36
Port charger (USD)	(51,497.06)	(22,505.44)			(26,502.43)	(24,060.43)	(24,673.08)	(24,571.04)	(25,662.73)	(26,210.23)	
Fuel cost (USD)											
Voyage revenue before DOC			158,094.60	235,815.05							971,938.07
DOC (USD)											
Voy Commenced at	Paradip	Wei Hai	Surabaya	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	
Voy Commenced date	7/21/2017 16:42	8/25/2017 7:55	9/29/2017 0:06	11/15/2017 11:00	1/1/2018 18:30	2/11/2018 9:30	3/18/2018 9:00	4/20/2018 19:48	5/31/2018 11:00	7/11/2018 17:30	
Voy Completed at	Paradip	Wei Hai	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	Puttalam	
Ballast Leg			16.74								
Voy Completed date	8/19/2017 9:48	9/29/2017 0:06	11/15/2017 11:00	1/1/2018 18:30	2/11/2018 9:30	3/18/2018 9:00	4/19/2018 21:12	5/29/2018 4:36	7/10/2018 8:30	8/11/2018 15:18	
Voy Duration (days)	28.713	34.674	47.45	47.31	40.63	34.98	32.51	38.37	39.90	1.38	
Cargo	Iron Ore	Steel	Coal	Coal	Coal	Coal	Coal	Gypsum	Gypsum		
Quantity	60500	60000	61070	61067	61074	61348	61297	55000	60500	60213	
Freight per ton (USD)	7850	7750	11.25	11.25	11.25	11.25	11.25				
Per day (USD)			687,037.50	687,003.75	687,082.50	690,165.00	689,591.25	437,380	16050.00	10100.00	
Revenue base - Freight (USD)											
Positive Bunker Adjustment (USD)											
Negative Bunker Adjustment (USD)											
Lead Port Dem/Dest (USD)			49,636.60	159,959.25	88,184.02	22,716.11	(476.92)				
Dis Port Dem/Dest (USD)			5,007.10	-13,307.20	-17,408.13	-17,106.80	-15,719.90				
Gross Revenue (USD)	230,828.75	268,725.87	741,681.20	833,655.80	757,858.39	695,774.31	673,394.43				
Port charger (USD)			(25,991.00)	(25,036.30)	(27,323.11)	(28,380.65)	(28,833.12)				
Fuel cost (USD)											
Voyage revenue before DOC	212,184.25	241,329.07						401,561.25	556,507.82	296,737.79	
DOC (USD)											



**Mv. Ceylon Princess Voyage Performance from 09/07/2016 to 14/09/2017**

	Voy 01	Voy 02	Voy 03	Voy 04	Voy 05	Voy 06	Voy 07	Voy 08	Voy 09	Voy 10
Delivery at	Weihai, China	Cebu, Philippines	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Kakinada, India	Zhenjiang, China	Sandacan, Malaysia	Taipei, Taiwan
Delivery date	7/9/2016 3:30	8/26/2016 17:24	10/12/2016 20:42	11/23/2016 19:30	1/3/2017 8:30	2/16/2017 19:30	4/8/17 16:00	5/25/2017 4:00	7/28/2017 12:48	8/17/2017 3:00
Re-delivery at	Cebu, Philippines	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Puttalam, Sri Lanka	Lonkou, China	Lahad Datu & Sandacan, Malaysia	Taipei, Taiwan	Haldia, India
Re-delivery date	8/26/2016 17:24	10/12/2016 20:42	11/23/2016 19:30	1/3/2017 8:30	2/16/2017 19:30	4/5/2017 21:00	5/17/17 13:12	7/28/2017 12:48	8/17/2017 5:00	9/14/2017 9:06
Voyage Duration (days)	48.5792	47.1375	41.9500	40.5417	44.4583	48.0625	38.8833	64.3667	19.6750	28.2542
Ballast days	-	-	-	-	-	-	2.7917	7.6167	-	-
Cargo	Steel	Coal	Coal	Coal	Coal	Coal	Literarite	Fertilizer	Coal	Coal
Quantity	42,000	61,186	60,773	61,224	61,708	60,911	61,288	46,790	54,621	60,500
Freight (USD Per ton)	-	12.16	12.24	12.67	12.73	12.79	-	-	-	-
Charter Hire (USD Per day)	6,500.00	-	-	-	-	-	10,500.00	6,500.00	10,000.00	7,650.00
Revenue (USD)	315,764.58	744,021.76	743,861.52	775,708.08	785,542.84	779,051.69	408,275.00	418,383.33	196,750.00	216,144.37
Voyage / Operating Cost (USD)	(31,309.10)	(518,063.72)	(437,571.87)	(429,043.96)	(481,589.42)	(527,656.96)	(30,787.14)	(41,229.63)	(16,306.88)	(19,295.01)
Voyage / Operating Revenue (USD)	284,455.48	225,958.04	306,289.65	346,664.12	303,953.42	251,394.73	377,487.86	377,162.71	180,443.13	196,849.36
Other Income (USD)	6,895.68	-	-	-	-	-	5,661.86	21,174.25	4,373.25	5,889.25
DOC & Other Expenses (USD)	(272,920.92)	-	-	-	-	-	(191,267.12)	(316,754.63)	(96,781.33)	(138,372.33)
Load Port Dem / Des (USD)	-	(2,553.50)	65,455.03	72,494.35	109,827.90	64,352.00	-	-	-	-
Discharge Port Dem / Des (USD)	-	(8,209.00)	(13,598.50)	(15,156.00)	(11,152.50)	(3,288.50)	-	-	-	-
Net Voyage Income	18,430.25	215,195.54	358,146.18	404,002.47	402,628.82	312,458.23	191,882.61	81,582.32	88,035.05	64,166.28
Total Net Charter Hire Income / Day	5,855.50	4,793.59	7,301.30	8,550.81	6,836.82	5,230.58	9,708.22	5,859.60	9,171.19	6,967.09
Total Net Voyage Income / Day	379.39	4,565.27	8,537.45	9,965.12	9,056.32	6,501.08	4,934.83	1,267.46	4,474.46	2,271.04
Net Freight Income / Ton	6.773	3.693	5.040	5.662	4.926	4.127	6.159	8.061	3.304	3.254
Total Voyage Net Freight Income / Ton	0.439	3.517	5.893	6.599	6.525	5.130	3.131	1.744	1.612	1.061

**Mv. Ceylon Princess Voyage Performance from 09/07/2016 to 14/09/2017**

	Voy 11	Voy 12	Voy 13	Voy 14	Voy 15	Voy 16	Voy 17	Voy 18	Voy 19	Voy 20
Delivery at	Haldia, India	Putlam	Putlam	Putlam	Putlam	Putlam	Fujairah Anchorage	Singapore DLOSP	Haikou, China	Peunaga Anchorage
Delivery date	9/14/2017 9:06	10/28/2017 8:00	12/15/2017 10:15	1/26/2018 8:30	3/2/2018 8:30	4/9/2018 15:30	5/12/2018 1:30	6/27/2018 17:30	7/19/2018 13:12	8/31/2018 1:00
Re-delivery at	Putlam	Putlam	Putlam	Putlam	Putlam	Bin Qasim, Pakistan	Haldia, India	Fuzho, China	Chittagong, Bangladesh	Dharanitar Bandar & Hazira, India
Re-delivery date	10/28/2017 8:00	12/15/2017 10:15	1/26/2018 8:30	3/2/2018 8:30	4/8/2018 8:30	5/9/2018 21:00	6/21/2018 11:30	7/16/2018 5:54	8/26/2018 1:00	9/25/2018 1:00
Voyage Duration (days)	43.9542	48.0938	41.9271	35.0000	37.0000	30.2292	40.4167	18.5167	37.4917	25.0000
Ballast days	#VALUE!	-	-	-	-	1.2917	2.1875	6.2500	3.3042	5.0000
Cargo	Coal	Coal	Coal	Coal	Coal	Coal	Petroleum Coke	Coal	Clinker	Coal
Quantity	60,970	61,314	61,039	60,983	61,170	60,355	55,000	60,500	59,200	60,500
Freight (USD Per ton)	12.42	12.94	12.86	13.03	13.22	12.75	-	-	-	-
Charter Hire (USD Per day)	-	-	-	-	-	-	14,000.00	13,100.00	12,250.00	11,750.00
Revenue (USD)	757,247.40	793,403.16	784,961.54	794,608.49	808,667.40	769,526.25	565,833.33	242,568.33	459,272.92	293,750.00
Voyage / Operating Cost (USD)	(445,830.05)	-	-	-	-	(19,238.16)	(44,656.92)	(20,850.86)	(37,513.72)	-
Voyage / Operating Revenue (USD)	311,417.35	793,403.16	784,961.54	794,608.49	808,667.40	750,288.09	521,176.42	221,717.47	421,759.19	293,750.00
Other Income (USD)	-	-	-	-	-	-	53,993.15	5,852.27	9,602.38	-
DOC & Other Expenses (USD)	-	-	-	-	-	-	(230,321.32)	(97,669.68)	(197,756.92)	-
Load Port Dem / Des (USD)	18,775.00	-	-	-	-	(7,963.53)	-	-	-	-
Discharge Port Dem / Des (USD)	(19,854.18)	-	-	-	-	(6,003.67)	-	-	-	-
Net Voyage Income	310,338.18	-	-	-	-	736,320.89	344,848.25	129,900.07	233,604.66	293,750.00
Total Net Charter Hire Income - Per Day	7,085.05	-	-	-	-	24,820.01	12,895.09	11,973.94	11,249.41	11,750.00
Total Net Voyage Income - Per Day	7,060.50	-	-	-	-	24,357.96	8,532.33	7,015.31	6,230.84	11,750.00
Net Freight Income - Per Ton	5.108	-	-	-	-	12.431	9.476	3.665	7.124	4.855
Total Voyage Net Freight Income - Per Ton	5.090	-	-	-	-	12.200	6.270	2.147	3.946	4.855

# CSC Cash Flow

## Cash Flows of 02 Ultramax Bulk Carrier Ships

Year	1	2	3	4	5	6	7	8	9	10
Earnings	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Less: Fixed Cost	8,618,735	9,044,479	9,918,119	10,298,433	10,610,489	11,321,593	11,504,076	11,730,188	12,109,253	11,721,871
Less: Special Survey / Dry-Docking	3,470,944	3,560,141	3,657,890	3,748,693	3,848,897	3,943,067	4,042,779	4,137,630	4,242,397	4,342,064
Net Earnings, \$	-	1,000,000	-	-	2,000,000	-	1,100,000	-	-	2,200,000
	5,147,791	4,484,338	6,260,229	6,549,741	4,761,592	7,378,526	6,361,297	7,592,558	7,866,836	5,179,807

## Cash Flows from Other Businesses

### Cash In Flows

	1	2	3	4	5	6	7	8	9	10
Income from lightering	1,560,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Commission coal	670,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000
Income from Custom clearance coal vessels	119,355	119,355	119,355	119,355	119,355	119,355	119,355	119,355	119,355	119,355
Income from NVOCC function	1,398,335	1,468,251	1,541,664	1,618,747	1,699,685	1,784,669	1,873,902	1,967,597	2,065,977	2,169,276
Income from Logistics function	127,381	133,750	140,437	147,459	154,832	162,573	170,702	179,237	188,199	197,609
Income from Chartering & Agency	57,200	57,200	57,200	57,200	57,200	65,000	65,000	65,000	65,000	65,000
Total	3,932,270	3,783,556	3,863,656	3,947,761	4,036,071	4,136,597	4,233,959	4,336,189	4,443,531	4,556,240

### Cash Out Flows

	1	2	3	4	5	6	7	8	9	10
Expenses for Lightering	14,690	14,690	14,690	14,690	14,690	14,690	14,690	14,690	14,690	14,690
Expenses for Customs clearance	1,694	1,694	1,694	1,694	1,694	1,694	1,694	1,694	1,694	1,694
Expenses from NVOCC function	939,768	996,154	1,055,923	1,119,279	1,186,435	1,257,622	1,333,079	1,413,064	1,497,847	1,587,718
Expenses from Logistics function	82,134	87,063	92,286	97,823	103,693	109,914	116,509	123,500	130,910	138,764
Expenses from Chartering & Agency	194	194	194	194	232	232	232	232	232	232
Total	1,038,480	1,099,794	1,164,787	1,233,680	1,306,744	1,384,152	1,466,204	1,553,180	1,645,373	1,743,099
NET CASH FLOW	2,893,790	2,683,762	2,698,869	2,714,081	2,729,327	2,752,445	2,767,755	2,783,010	2,798,158	2,813,141
Total Operational Surplus / (Deficit)	8,041,581	7,168,100	8,959,098	9,263,822	7,490,919	10,130,971	9,129,052	10,375,568	10,665,014	7,992,948
Less: Administration Cost	1,618,903	1,651,281	1,684,307	1,717,993	1,752,353	1,787,400	1,823,148	1,859,611	1,896,803	1,934,739
Surplus/(Deficit) after Admin cost	6,422,678	5,516,819	7,274,791	7,545,829	5,738,566	8,343,571	7,305,904	8,515,957	8,768,211	6,058,208

### Assumptions:

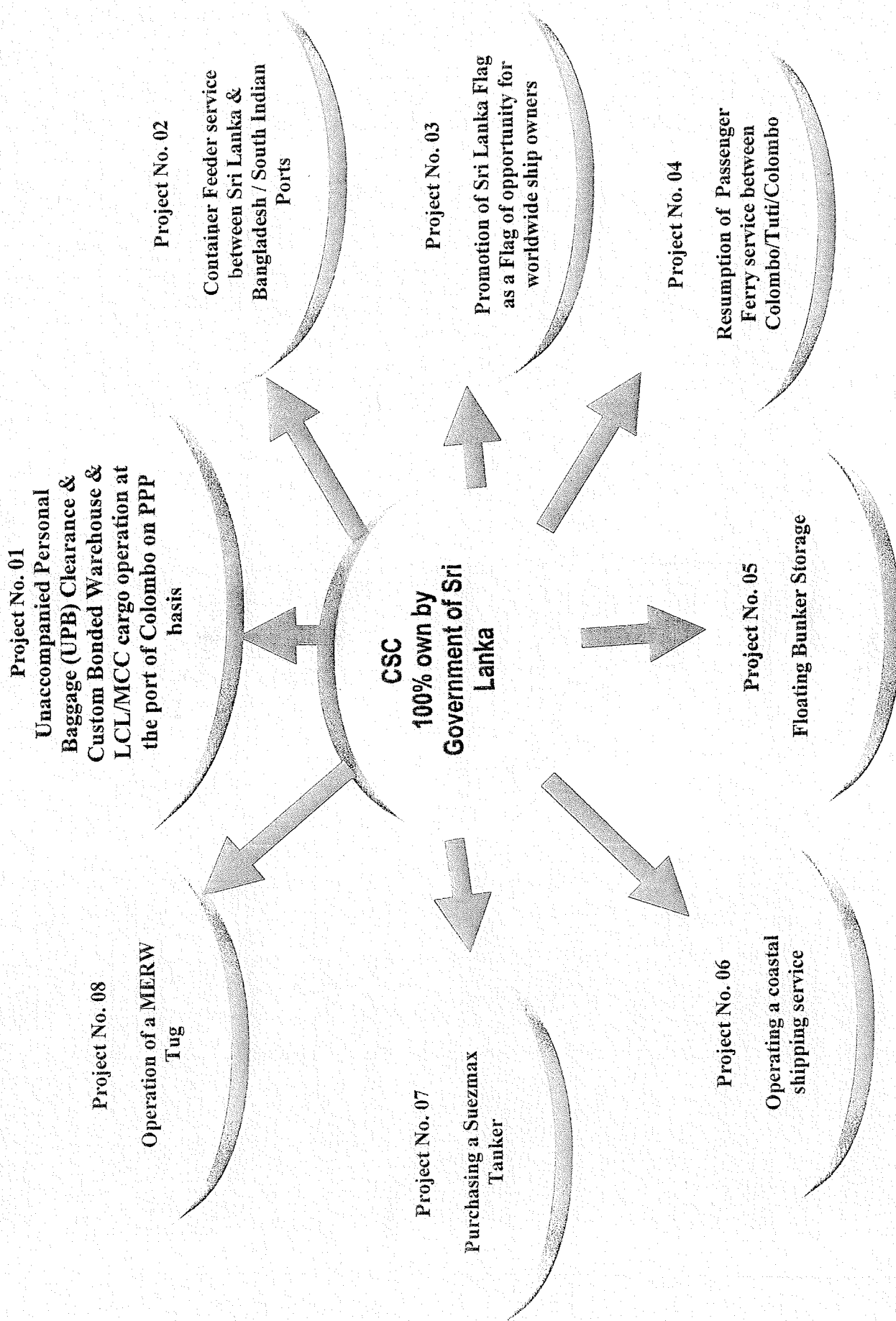
1. Transportation of Coal by 02 vessels of CSC

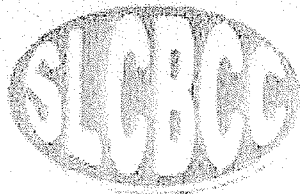
\* Average revenue per voyage has been taken for the calculation of income from coal transportation by CSC 02 vessels.

\* Total no. of voyages are 11 during the operation of coal transportation

2. Exchange rate USD 1.00 = 1.18 156

## Ceylon Shipping Corporation (CSC) - The Way Forward





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