

**Government of India
Ministry of Finance
Department of Investment & Public Asset Management**

Date: 11 Feb 2021

Preliminary Information Memorandum (PIM) issued on 22 December 2020 for inviting Expression of Interest (EOI) for strategic disinvestment of 29,69,42,977 equity shares (63.75%) held by Government of India (GOI) in Shipping Corporation of India Limited (“SCIL”) - Replies to queries raised prior to submission of EOIs.

- 1) The Preliminary Information Memorandum (PIM) for inviting expression of interest for strategic disinvestment of 29,69,42,977 equity shares (63.75%) held by GOI in SCIL was issued on 22 December 2020.
- 2) The last date for submission of written queries on PIM was 23 January 2021.
- 3) The queries received within the due date have been considered and the responses are given as under:

S.No.	Query from Potential IP	Response to the query
1	Can a newly formed company (less than 12 months old) be the sole Bidder if it qualifies on the basis of Net-Worth Criterion?	As per clause 2.2 (e) (Pg 54), a newly formed company (less than 12 months old) cannot be sole bidder even if it qualifies on the basis of Net-Worth Criterion, unless the said newly formed company is able to fulfil the Financial Criteria (as set out in clause 2.2.2 on Pg 58) by placing reliance on both , the Net Worth and EBIDTA of its Parent.
2	Can a company which is for existence for less than 3 years and qualifies on the Net-Worth basis satisfy the profitability criterion on the basis of its Parent?	As per clause 2.2 (e.) (Pg 54), an IP (Interested Party) which has been in existence for less than 3 years can fulfil the Financial Criteria (as set out in clause 2.2.2 on Pg 58) if it qualifies on the basis of both , the Net-Worth and EBITDA of its Parent.

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3	In case, a company fulfils the profitability criteria but does not satisfy Net-Worth criteria as on 31 March 2020 and satisfies such criteria during FY 2020-21 be eligible to submit the EOI? In such case, what will be the supporting documents to be submitted for satisfying such Net-Worth criterion?	Basis the corrigendum appended, the Net Worth criteria has to be satisfied as on 31 December 2019 or thereafter and it shall continue to remain satisfied till the time the Transaction is consummated or such other period that may be disclosed at the RFP stage.
4	Will there be an option to buy non-core assets for an additional price?	As per clause 2.12 (Pg 29), Non-core assets are to be hived off from SCIL and shall not form part of the Transaction.
5	Could you provide us the details of the non-core assets proposed to be transferred and the mechanism of the transfer process	As per clause 2.12 (Pg 29), the details pertaining to non-core assets shall be shared at the RFP stage.
6	What will be the long stop date (final date of completion) for the transfer of non-core assets and who will bear the costs for such transfer	The process of segregating the non-core assets from the Company is running in parallel to the divestment process and is expected to close before the transaction. The cost of this transfer shall be borne by the Company. It is further clarified that in case the divestiture falls beyond the divestment process the long stop date shall be mentioned in the SPA.
7	Will the Joint Venture (“JVs”) that are held for sale get sold prior to the transaction? If the sale is not completed prior to the transaction, will the JVs form part of non-core assets that are not forming part of the divestment? Considering the sensitivity of the Iranian JV and its potential sanctions implication, clarity on this matter is essential	The JVs that are held for sale i.e. Irano Hind Shipping Company (IHSC), and SAIL SCIL Shipping Pvt. Ltd. (SSSPL) will not form part of the divestment, and shall be separately hived off.
8	Could you detail out the overall lock-in conditions expected to be adhered by the Interested Party (“IP”)	As specified in clause 2.3 and 2.4 (Pg 63), the confirmed selected bidder could be required to undertake obligations relating to certain matters such as asset stripping, business continuity, employee protection and lock in of shares shall be detailed in the RFP/SPA.
9	Could you outline the flexibility available to the IP to demerge assets or part of the business of SCI to IP or its affiliate with in the lock-in period	
10	We would like to understand the flexibility for divestment of assets/ business and the potential threshold around the same	
11	Could you outline the approach with employees of SCI post acquisition and restrictions of making the operations efficient	

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12	<p>As mentioned in point no. 1, certain non-core assets may make up a large part of balance sheet of SCI. In the event the transfer of these non-core assets is pending as of the date of transaction announcement and considering the pricing for open offer is to be based on the 60-day volume weighted average market price, it will entail a substantially large outflow by successful bidder to minority shareholders towards non-core assets which the successful bidder is not going to ultimately own.</p> <p>Considering this, we request clarity on the matter and request government to evaluate possibility of seeking necessary exemptions from SEBI for allowing open offer pricing to be same as that of the price per share paid by the IP for the purchase of 63.75% stake owned by the Government of India in SCI.</p>	We may respond to this query at the time of RFP/SPA.
13	Given the pricing risk between the bid-submission date and the actual date of signing of the transaction documents- subject to above comment on pricing carve out for non-core assets can the bid submission date be considered for the purpose of calculation of open offer price as per the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.	We may respond to this query at the time of RFP/SPA.
14	Assuming full response in the open offer, the promoter shareholding will be 89.75% post the completion of the transaction and there will be a sell-down requirement for IP to comply with the minimum public shareholding norms. Currently, the regulations allow 1 year from the date of exceeding the maximum permissible non-public shareholding, can this period be extended to 3 years from the date of a) hive-off of non-core assets (if non-core assets are getting transferred via demerger) or b) the completion of the open-offer, whichever is later.	The IPs may consult their legal counsel with respect to the matter.
15	We would like to understand the proposed transition terms for the contracts with PSUs and certain other government departments and thereby assessment of impact on the business post acquisition by IP.	All the details including transitions terms may be provided at the due diligence stage.

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16	We understand that the office building is likely to be classified as a non-core asset, can we understand the proposed transition terms for the office building post transaction. For the sake of smooth operations, government should provide a reasonable period for the transition.	The details pertaining to non-core assets and other transition terms shall be shared at RFP stage.
17	Based on the last balance sheet, there are contingent liabilities in excess of INR 1,800 Cr mainly related to tax claims. We would like to understand the proposed representation, warranties and indemnities being provided to IP around contingent liabilities and other key aspects of the business.	Terms of the SPA, including warranties (if any) will be disclosed at the RFP stage.
18	Since most of the critical information will be provided only via the Request For Proposal's document, the demand draft of INR 1 million at EOI stage should be refundable.	Bidders are requested to comply with the provisions mentioned in the PIM.
19	Please confirm the date to be considered for computation of Net-Worth of the Interested Party. In some clauses it is mentioned as 31 December 2019 and whereas in other clauses it is mentioned as 31 March 2020	Basis the corrigendum appended, the Net-Worth criteria has to be satisfied as on 31 December 2019 or thereafter and it shall continue to remain satisfied till the time the Transaction is consummated or such other period that may be disclosed at the RFP stage.
20	It is mentioned that Net-Worth of the Parent may be counted by the Lead Member of the Consortium for purpose of meeting Qualification Criteria. Please confirm whether Other Members of the Consortium can also consider the network of their respective Parent Entities while computing Net-Worth for the purpose of this EOI	Only Net-Worth of the Parent of the Lead member in the consortium shall be considered for the computation of Net-Worth for minimum eligibility criteria. For other members, parent's Net-Worth shall not be considered for the same.
21	Please confirm whether consortium can be formed between a company and a fund	Yes, the consortium between a company and a fund is allowed. The eligible entities for the same shall be as per clause 2.2 (Pg 53) of the PIM.
22	The clause (Annexure- IV, Sl. No. 10) is asking to provide basis of eligibility for participation in the process along with supporting documents. This clause is not clear. Kindly elaborate	The clause talks about the entity structure of the bidder (as detailed in the eligibility criteria in clause 2.2) along with the financial eligibility criteria (as detailed in clause 2.2.2), backed with the requisite documents, as mentioned in the PIM) to support the same.

S.No.	Query from Potential IP	Response to the query
23	The EOI Due Date is mentioned as 13 February 2021. We will require some more time to prepare the documentation for the EOI. We request you to kindly extend the Due date for EOI submission by at least 3 weeks	Basis the corrigendum appended, the last date and time ("EOI Due Date") for EOI's submission via email is 01 st March 2021, and the due date for hard copy submission is 15 th March 2021
24	Average age of vessels	The details may be made available to QIPs in the virtual data room.
25	Planned addition of Tonnage/ New building of vessels in pipeline	
26	Current charter term of vessels along with customers / period / charter rates/ in USD or INR	
27	Management period/ term for presently managed Oceanographic & Coastal Research vessels	
28	Management period/ term for ten vessels owned by Andaman & Nicobar (A&N) Administration & also 17 Foreshore passenger vessels of A&N Administration technically managed by SCIL	
29	Contractual terms for 3281 employees in the company	
30	Kindly advise if 4 operational Joint ventures are also part of disinvestment process.	The 4 operational Joint ventures i.e. India LNG Transport Co. (No.1) Ltd., India LNG Transport Co. (No.2) Ltd., India LNG Transport Co. (No.3) Ltd., and India LNG Transport Co. (No.4) Pvt. Ltd. shall be part of the divestment process.
31	If all vessels in the fleet are retrofitted with scrubbers, complying with global emission standards.	These details may be made available in the virtual data room.