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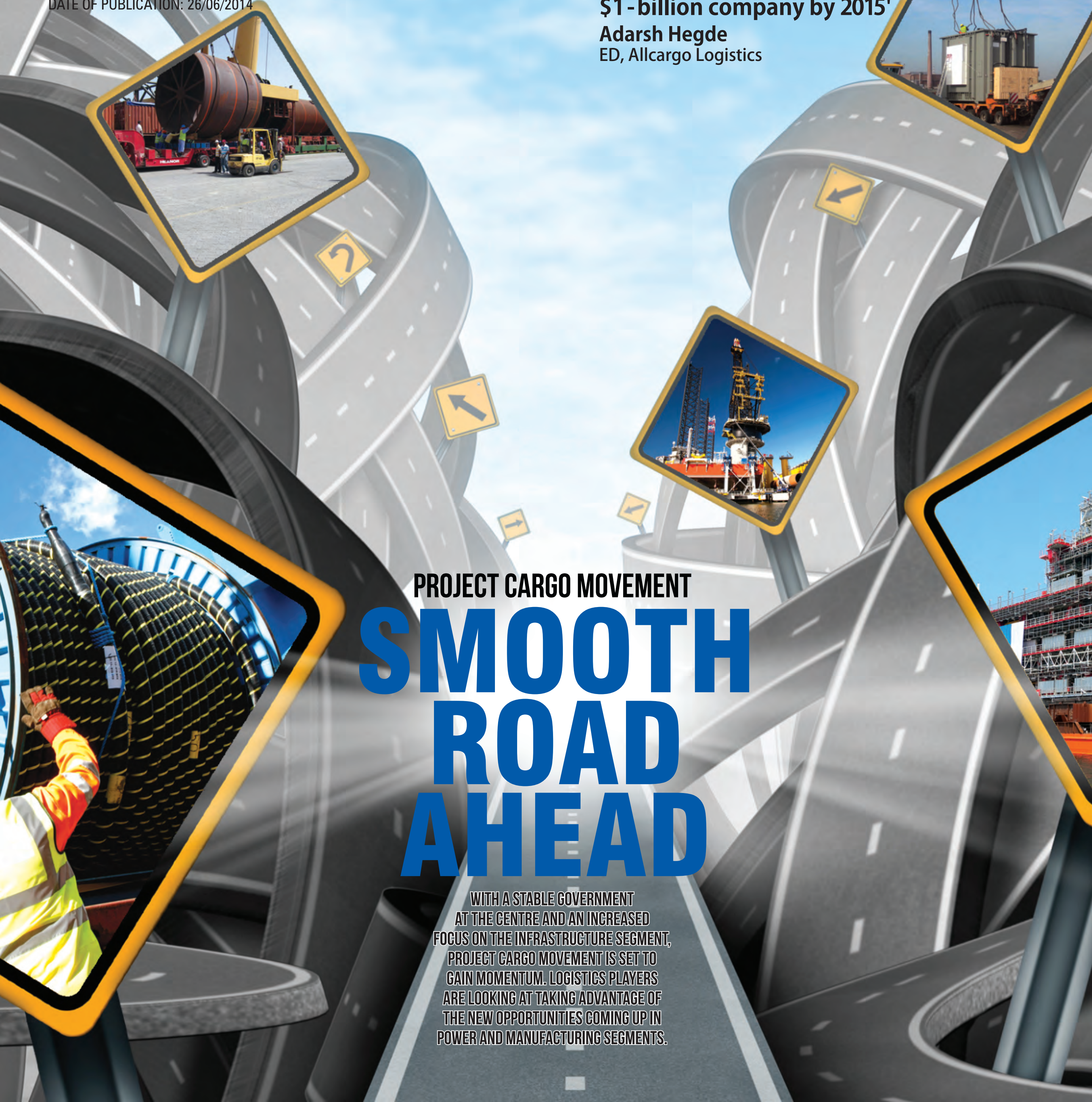
'We aim to become a $1-billion company by 2015'

Adarsh Hegde

ED, Allcargo Logistics



PROJECT CARGO MOVEMENT

SMOOTH ROAD AHEAD

WITH A STABLE GOVERNMENT AT THE CENTRE AND AN INCREASED FOCUS ON THE INFRASTRUCTURE SEGMENT, PROJECT CARGO MOVEMENT IS SET TO GAIN MOMENTUM. LOGISTICS PLAYERS ARE LOOKING AT TAKING ADVANTAGE OF THE NEW OPPORTUNITIES COMING UP IN POWER AND MANUFACTURING SEGMENTS.

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Feedback
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Scrapping P3, an indication of Chinese hegemony in world trade

The proposed P3 alliance between the world's three largest container carriers will not come into existence as initially planned after Chinese regulatory authorities refused to approve it. The P3 was a long-term operational sharing agreement that was to operate a capacity of 2.6 million containers between Asia and Europe, across the Pacific Ocean and the Atlantic Ocean.

The Chinese Ministry of Commerce (MOFCOM) decided not to approve the P3 Network as it fears it would hurt other operators. Besides, the applicants had failed to cite any positive aspects of the alliance that can outweigh the adverse impacts it may have on Chinese trade. The three companies together control a combined 46.7 per cent market share.

Originally proposed back in June 2013, P3 has been taking a long time to come to fruition because it has had to gain regulatory approvals from Europe, the US and China. What's really surprising here is that China refused to approve the plan despite the go-ahead from US and EU regulators, indicating a clear shift in world trade balance. Unfortunately, carriers too have decided not to go ahead with the plan as they surely cannot ignore China's disapproval.

Unfortunately, carriers too have decided not to go ahead with the plan as they surely cannot ignore China's disapproval.

China is the world's second-largest economy. According to Chinese government reports, shipments abroad from China advanced 7 per cent in May from a year earlier, with imports down 1.6 per cent. China recorded a $35.9 billion surplus for May. In such a scenario, it would have been difficult for carriers to overlook Chinese disapproval.

As major countries in the world and leading carriers are now trying to realign their strategies, India is not affected as the country was never part of the alliance. But we also need to analyse the repercussions of the scrapping of the alliance as our national economy is not insulated from the vagaries of world trade.

Some analysts feel the decision in some ways won't change anything because Maersk, CMA CGM and MSC are already market leaders. However, it does raise the question of whether each individual line of the three will have enough volume to fill the size of ships they have been building and ordering.

However, there is still plenty of uncertainty surrounding the issue. Analysts speculate that there are chances that two of the three lines form a kind of P2 alliance or there could be moves to involve one or both of the big Chinese lines in some kind of alliance, in order to establish a better position with the Chinese authorities. Till we find answers to these probabilities, it remains uncertain how global shipping industry would be in the coming years.

Ramprasad

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Corrigendum

Rajieve Krishnan is the Chief Operating Officer of APM Terminals Mumbai. His designation was incorrectly printed in the May issue. We stand corrected and this error is deeply regretted.

OTHERS

Panama Canal New Locks to Work by January 2016

The Panama Canal's new set of locks will be operational by the January 2016 deadline. The recent strike, which ended on May 8, brought work to widen the 100-year-old canal to a halt for more than two weeks.The expansion was originally scheduled to be completed this year, but has been delayed several times, in part due to a dispute earlier this year, resulting in about $1.6 billion in cost overruns. The expansion involves building a third set of locks to allow bigger ships to pass through the 50-mile (80-km) waterway.

Paradip Port Trust registers 20% growth

Paradip Port Trust (PPT) has registered a growth rate of 20.25 per cent in cargo handling and 34 per cent growth in revenue generation in the 2013-14 financial year. The traffic handled by PPT was the second highest among all major ports in India, officials said.

"When all other ports registered a growth rate between 7 and 8 per cent only, PPT has achieved a 20 per cent plus growth in traffic and 34 per cent in revenue, which is remarkable," said PPT chairman S S Mishra. The port has handled all-time high cargo of 68 million tonnes (MT) during 2013-14 against last year's 56.55 MT.

Government grants security nod to three port gear makers

The government has granted security clearance to three top port cargo-handling gear makers as it looks at ways to break a logjam over delays in building port projects. US-based Terex Corp., Finnish company Cargotec Oy and Anupam-MIH Industries Ltd have been given security clearance to supply gears to Indian ports, a spokesman for the shipping ministry said. The security clearance is valid for a three-year period, according to the guidelines for security clearance for port projects approved by the cabinet in December 2012. The delay in getting security clearance was one of the reasons for the slow implementation of several port projects over the last 3-4 years.

VIKING and Topaz sign major Shipowner Agreement

Marine and fire safety equipment leader VIKING Life-Saving Equipment and Topaz Energy and Marine, a leading offshore support vessel company, jointly announced the signing of a multi-million dollar, 10-year combined fixed price and exchange service agreement for liferafts. Under the terms of the contract, VIKING will upgrade all of Topaz's current liferafts and manage the ongoing servicing and certification of Topaz's liferaft fleet.

“This agreement significantly enhances our ability to operate safely, which is a top priority for Topaz and for our clients,” says Topaz CEO, René Kofod-Olsen. The offshore-focused company enjoyed a 2013 year free of lost-time accidents and has won several safety awards recognising its leadership in safe operations and employee protection. The new agreement further strengthens Topaz's health and safety credentials, raising the bar in an increasingly competitive market.

Exports of marine products all-time high of $5 bn in FY'14

Exports of marine products during the financial year 2013-14 has reached an all-time high of $5007.70 million, said official data. Compared to the previous year, seafood exports recorded a growth of 5.98 per cent in quantity, 60.23 per cent in rupee and 42.6 per cent growth in dollar earnings respectively.

Frozen shrimp continued to be the major export value item accounting for a share of 64.12 per cent of the total USD earnings. South East Asia continued to be the largest buyer of Indian marine products with a share of 26.38 per cent. USA is the second largest market with a share of 25.68 per cent followed by European Union (EU) (20.24 per cent), Japan (8.21 per cent), other countries (8.20 per cent), China (5.85 per cent) and Middle East (5.45 per cent).

VPT registers growth in cargo traffic this fiscal

Visakhapatnam Port Trust (VPT) has registered a growth of 4.10 per cent in cargo traffic in April-May this year compared to the corresponding period last year. The port handled 10.3 million tonnes during April and May this year as compared to 9.9 million tonnes last year in the same period, according to statistics released by the Indian Ports Association (IPA). The growth in cargo handling puts VPT in the fourth position among the 12 major ports of the country. During the last fiscal, VPT had dropped to the fifth place after being overtaken by Mumbai Port in terms of cargo traffic. According to VPT sources, the port can expect an improved performance by the end of this fiscal after various ongoing projects are completed. With two dredging projects related to the inner harbour and northern arm expected to be completed by the year end, sources said that increased depth of the channel would allow panamax vessels to berth at the port, adding value to customers and increase the amount of cargo handled at the port.

Chennai Port Trust slips into red

The Chennai Port Trust (ChPT) has posted a loss of ₹174 crore for the first time in 2013-14, following an overall drop in cargo and container traffic and a steep increase in expenditure. As a result, the port trust has slipped to the sixth position from fifth among major ports across the country. During the year under review, ChPT achieved a throughput of 51.10 MT compared to 53.40 MT in the previous year, a decline of 4.3 per cent.

Dighi Port handles 2 gearless Panamax vessels

After commissioning the longest single linear quay length of 650 m by a non-major port in Maharashtra, Dighi Port successfully accommodated and handled two gearless Panamax vessels simultaneously. Both the vessels, namely, *MV FD Isabella* of 82,108 DWT and *MV Navios Centaurus* of 81,742 DWT, were carrying imported coal.

Ennore Port to up car park slots by 5,000

Kamarajar Port in Ennore is planning to expand its car parking yard within 18 months to add a capacity of 5,000 units according to highly placed authorities. Addressing concerns raised by representatives of car exporter Renault-Nissan at Madras Chamber and Commerce and Industry's Second Trade Meet, KPL's General Manager of Corporate Planning and Business Development R Senthil Kumar said tenders for the same were already being floated in this regard. The yard can currently accommodate 10,000 units.

Chidambaranar Port challenges PSA terminal arbitration award

Union government-owned V.O. Chidambaranar Port in Tamil Nadu has challenged an arbitration tribunal award that backed the demand made by Singapore's PSA International Pte Ltd to move to a revenue-share format from a royalty model for the residual period of its container terminal contract at the port that ends in 2028. "The port has filed an appeal in the Madras high court against the arbitration tribunal award," a spokesman for the port, said.

Adani now sets sights on top spot in dredging

After becoming India's largest private port operator, the Adani Group wants to be the country's top dredging company as well. The group's fleet of 16 dredgers that are used to deepen and maintain shipping channels in harbours will soon be operated by Adani Ports and Special Economic Zone Ltd (APSEZ), Vinod George, Chief Operating Officer, dredging, Adani Group, said. The ships are currently manned and operated by an in-house team under the banner of PMC Projects (India) Pvt. Ltd. Adani's dredgers have so far been used for work at its own ports, but it has started taking up outside work.

SCI appoints 5 new directors

Shipping Corporation of India Ltd have appointed five persons as Non-official part-time Directors on the Board of the Company. They are

- R Santhanam
- Dr. V Gopal,
- Ashish Makhija
- P Umashankar
- N C Sridharan

Expedite Chennai-Cuddalore east coast rail project: Forum

The demand for railway connectivity between Chennai and Cuddalore via Mamallapuram and Puducherry along the east coast has gained momentum with a newly-formed railway development council urging the Union railway ministry, Tamil Nadu and Puducherry governments to coordinate for a speedy implementation of the project. The project was conceived as early as 2008 and the Union railway ministry approved and accorded sanction for the new line the same year. Estimated at a cost of ₹800 crore then, there was also a proposal to extend the line up to Karaikal via Mayiladuthurai. However, the project did not kick start as the ministry has been focusing on projects on its priority list for the past few years.

Alibaba and China's shipping problem

The Chinese shipping industry is still fragmented into lots of small companies that ferociously compete to undercut each other on price, and timeliness and package care often suffer.

Difficulties of logistics in China aren't confined to the shipping companies. The infrastructure companies rely too much on road transport for transporting their goods but it is still uneven – the highway system isn't nearly as extensive as in the US, and it peters out in the country's rural reaches, while the rail system still focuses more on passengers than on freight. Many rural residents don't have formal addresses. And the country is woefully short of warehouse space.

Source: Bloomberg Businessweek

VOICES

There is a need to reduce the cost of doing business in this country to revive the investment cycle.

- Arun Jaitley
Union Finance Minister

We will endeavour for speedy implementation of projects both in the roads and shipping sectors with no tolerance for delay. All projects will be approved in a fully transparent manner through e-governance mechanism.

- Nitin Gadkari
Union Minister for Road Transport, Highways and Shipping

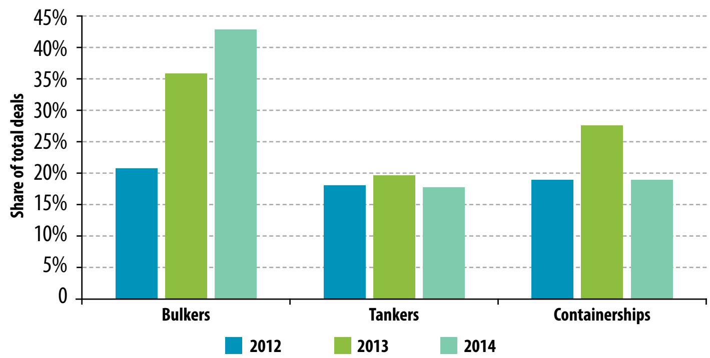
The benefits of our continuous improvement approach to productivity, operational excellence, liner network solutions and portfolio management continue to deliver positive results for our customers and shareholders.

- Kim Fejfer
CEO of APM Terminals commenting on the strong first quarter results.

We expect a volume growth of 12 per cent in EXIM and 15 per cent in domestic. Any rail freight hike may affect our top line and bottom line growth, depending on our capabilities of passing the burden on to the traders.

- Anil K Gupta
CMD, CONCOR

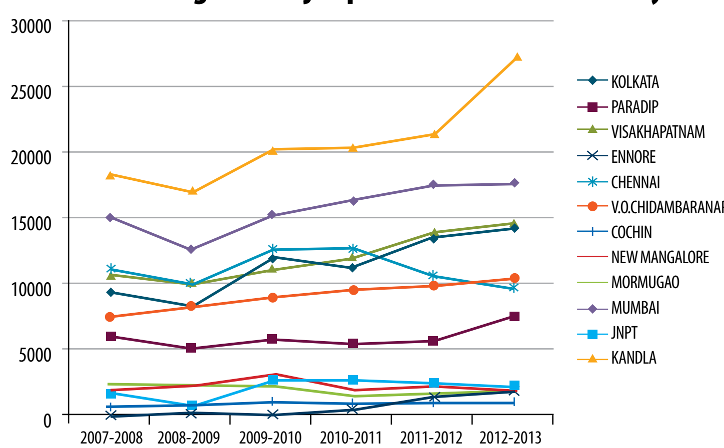
Greek buyers prefer bulkers



Source: BIMCO, VesselsValue

The buying interest from **Greek ship owners** is focused on bulkers to an increasing extent. Data from VesselsValue.com reveal that Greek owners were at the buying end of **43 per cent** of all bulker sales completed so far in 2014. As of June 2014, the number of Greek bulker purchases so far is 91, compared to 81 for the full year of 2012.

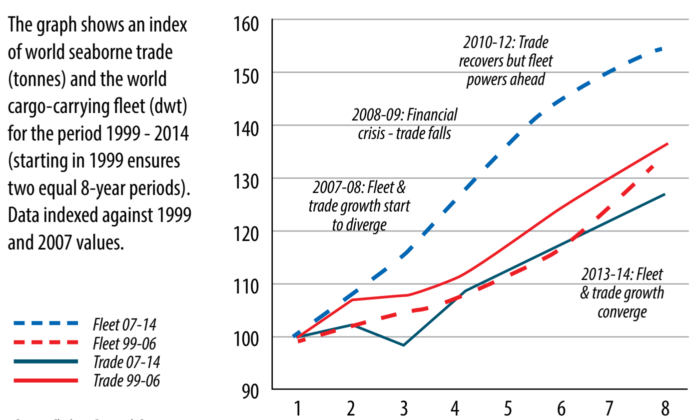
Break bulk cargo at major ports across the last six years



Source: Ms. Sharmila Amin's presentation at IMW 2014

21st century cycles

The graph shows an index of world seaborne trade (tonnes) and the world cargo-carrying fleet (dwt) for the period 1999 - 2014 (starting in 1999 ensures two equal 8-year periods). Data indexed against 1999 and 2007 values.



Source: Clarkson Research Services

DB Schenker India receives CII award

From right: Mayur Gandhi,CFO and Shubhendu Das, COO, Schenker India receiving award from Vijay Kalanthri

Schenker India Pvt. Ltd. has received "National Award for Supply Chain & Logistics Excellence" – Top Freight Forwarder of India" from the Confederation of Indian Industry (CII) at a function in Mumbai.

The company has received the Supply Chain And Logistics Excellence (SCALE) Award 2013 under the freight forwarding category. Around 203 companies from the user and logistics segment had participated in the 14 award categories event organised by CII's Institute of Logistics.

The recognition of SCALE Awards 2013 encompasses the excellence amongst logistics service providers and supply chain aspect of user industry. The user industry stakeholders includes from automotive, engineering, consumer, retail and pharmaceutical industries.

DB Schenker in India offers a complete range of international air and ocean freight and contract logistics and global supply chain solutions from a single source. With 37 offices, 1,200 logistics professionals and 53 warehouses covering more than 2 million sft of space, the company is one of the leading providers of integrated logistics services in India.

> DB Schenker always tries to serve its customer with the best in class end-to-end solutions. The award underscores not only our innovative freight solutions, but also the high degree of customer orientation of our services.
>
> **Shubhendu Das**
> Chief Operating Officer, Schenker India

The award emphasises DB Schenker's leading position in India for providing international freight solutions and its ability to cater to any destination across the world.

E-commerce logistics firm Delhivery in talks to raise up to ₹175 crore

E-commerce logistics services company Delhivery is in the final stages of negotiations to raise up to ₹175 crore ($30 million) in fresh funding, a development that comes at a time when a number of India's top private equity funds are betting big on the country's digital commerce sector.

The company has had discussions with a number of bluechip private equity firms, a list that also includes marquee growth-stage risk capital investor Warburg Pincus, and a deal is expected to be finalised by mid-June, according to sources with direct knowledge of the talks. In September last year, it raised about ₹35 crore from Nexus Venture Partners, having raised an undisclosed sum from Times Internet Ltd earlier in 2012. The existing venture capital backers are also expected to participate in the new round.

Delhivery, which counts almost every e-commerce venture among its clientele, including, Snapdeal, Flipkart and Rediff, has a monthly revenue run-rate of ₹12 crore. Founded by a group of IIM and IIT alumni, the company currently ships more than 51,000 orders per day, to 150 cities across the country.

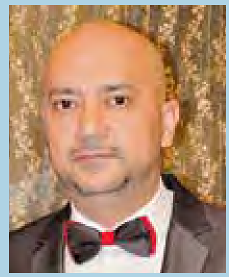
In June 2013, it acquired the cash collection services and brand name of Hyderabad-based startup Gharpay Technology Services for an undisclosed sum.

DHL Express sets up facility in Sriperumbudur

Logistics service provider DHL Express has set up its one of the biggest facility at nearby Sriperumbudur with a capacity to handle over one lakh shipments a year.

DHL Express India Senior Vice-President and MD R S Subramanian and Raj Impex Managing Director, George Cherian were among those who inaugurated the facility. The modernised facility, spread across 8,000 square feet was to add capacity and support growth, DHL Express said in a statement. It would serve Sembarambakkam, Melnalathur, Irungatukottai, Padappai, Gowrivakkam and Mahindra World City and other areas. "Over the past few years due to rapid industrialisation, Sriperumbudur has grown in prominence as an auto and manufacturing hub. The new service centre is our commitment to our customers in this belt and will provide reliable support", DHL Express Senior Vice President and MD R S Subramanian said. DHL Express which has been present in India for over 35 years serves 650 cities and over 33,000 locations in the country, the statement added.

Survival Craft Inspectorate gets a new Managing Director



Survival Craft Inspectorate (SCI) has appointed **Mohit Batra** as its Managing Director for Asia and Australasia region. The move is in line with Survival Craft group's plans to grow its market share of core services within the region and expand local presence. Mohit comes to Survival Craft with a strong network and rich background in the maritime industry, having spent 12 years at sea and the last 10 years ashore in senior positions with top tier multinationals including most recently American Bureau of Shipping where he was heading up the Strategy and Business Development efforts for Greater China Division. He is a master mariner and holds a MBA from Oxford University.

Survival Craft Inspectorate was incorporated in 1991 and has grown to become a leading global supplier of certified safety equipment and services to an international portfolio of customers in the Oil, Gas and shipping industry. With a strategic network of offices in the UK, Norway, USA, Canada, Malaysia, Singapore and Australia: SCI can guarantee consistent quality – and continuity – of service, as assets move around the globe.

Hamburg representation in Mumbai

Hamburg Representation Mumbai initiates, supports and deepens economic, political and cultural relations between India and Germany by connecting prospective business partners and organisations. Their partners include Senate's Office Hamburg, Hamburg Chamber of Commerce and Hamburg Port Marketing. It has strong and deep connection to maritime business sector, including ports, shipping and logistics industries.

Mrs. Hannah Truxius, who is born and brought up in Hamburg, is appointed as the new Hamburg Business Manager in Mumbai in March this year. Large projects, such as onsite-marketing for the Hamburg Port, intervention of knowledge partners, trade fair participation and delegations are planned. Together with Mr. Peter Deubet, Deputy Director General of the Indo-German Chamber of Commerce and Hamburg Representative, Mrs. Hannah Truxius will take the tasks of the Hamburg Representation forward.

DHL opens facility in Ludhiana

DHL Express, one of the global logistics players, recently inaugurated a new, enhanced Service Centre facility in Ludhiana, an industrial hub in Punjab.

The new service centre is spread over 3,200 sq feet and can handle a volume of over 100,000 shipments a year. The new facility will serve as a DHL's local pickup, delivery and sorting centre and will also cater to customer requirements of same-day delivery in Jalandhar, Phagwara, Amritsar, Mandi, Gobindgarh and Moga, said a release.

DHL Express' customers in Ludhiana are from industries such as textiles, hosiery, bicycle manufacturers, auto part dealers, precision equipment dealers, manufacturers of electronic goods, tyres and tubes industries.

DTDC bags Supply Chain and Logistics Excellence award

DTDC Courier & Cargo Ltd, India's largest express delivery network, has bagged the national award 'Supply Chain and Logistics Excellence 2014' at the first-ever CII SCALE Awards 2014 held in Mumbai. The award recognises DTDC's outstanding leadership and innovation for the development of the express courier's network across the nation. Abhishek Chakraborty, Executive Director of DTDC Courier & Cargo Ltd. said, "The award is in recognition of our longstanding excellence in values focusing on quality of service, power of a superiorly well-entrenched distribution network and encouragement to entrepreneurial thinking. Our ability to reach across such large network of pincodes across the nation is a testament to the hard work, expertise and focus of our employees & partners across India. DTDC definitely aspires to become India's most preferred end-to-end Logistics, Express and Retail Services conglomerate, both nationally and internationally, by 2020."

Ennore Port looking at setting up an SEZ

Kamarajar Port Ltd is exploring the possibility of setting up a Special Economic Zone or a Free Trade Zone on surplus land available with it, according to MA Bhaskarachar, Chairman and Managing Director, Kamarajar Port.The port at Ennore, about 25 km north of Chennai, is considering various options to utilise over 650 acres land that is available with it. It has decided to appoint consultants to study the prospects of setting up a special economic zone (SEZ) or free trading zone (FTZ). It is also consulting with port users and has obtained five Expressions of Interest from some of the major users, he said.

Potato exports to Pak surge in FY15

Export of potato to Pakistan through the Attari land route in Amritsar (Punjab) witnessed a quantum jump in the current financial year following Pakistan government's move to import around 2 lakh tonnes of potatoes from India to stabilise prices in the domestic market.

According to Central Warehousing Corporation (CWC) data, around 1,468 trucks, each laden with 20-25 tonnes of potatoes, crossed the border in the past two months. During the previous financial year, 207 trucks laden with the crop crossed into that country.

Traders said potato price in Pakistan is around ₹50-60 a kg, whereas the retail price in Amritsar is ₹20-25 a kg.

Pakistan had a poor crop in the last Rabi season due to adverse weather conditions and crop diseases. As the production was hit, the demand from India rose. The firm produces high yielding, early generation seed potatoes for India and neighbouring export markets.

An official of CWC said exports picked up in April. During January-March, only 52 trucks of potato were exported. He said around 20-25 trucks cross the border every day.

The Pakistan government's decision to withdraw regulatory duty of 25 per cent, 17 per cent sales tax and 5 per cent withholding tax on potato imports between May 5 and July 31, making imports viable from India.

In India, potato prices have gone up by 28-30 per cent in the wholesale market, compared to last year. There has been intermittent rain in major producing areas like Uttar Pradesh, Punjab, Haryana and Bihar, in November-February affecting the crop.
The adverse weather conditions in different areas have led to shortfall in production. According to estimates, there has been an overall production loss of 25-30 per cent.

According to government data, India produced 453 lakh tonnes of potato from 19.92 lakh hectares in 2012-13. Of the total produce, farmers keep 10 per cent of potato for seeds and 15 per cent is post-harvest loss.

Newly elected executive committee team in IFCBA

Gati inks pact with Uttarakhand govt

Express distribution and supply chain Indian major Gati Limited has signed a Memorandum of Understanding (MoU) with the government of Uttarakhand to construct a multipurpose community centre at Rudraprayag, Uttarakhand. Post the natural calamity, i.e. flash floods in 2013, Gati has taken the initiative to ensure that during and post such events the residents and people around should be equipped with a community centre where they can take shelter and be safe.

The multipurpose community centre will be jointly constructed by Gati Ltd and the government of Uttarakhand. The government has allotted land in Government Intermediate College (GIC), Rudraprayag and Gati has undertaken the onus of construction at its own cost.

> We can't risk and not be prepared for any such calamity in the future. The joint initiative to construct a multipurpose community centre shall benefit the people to a great extent and act as a relief in such times. Our objective is to be prepared from any perceived threat of such calamities and also extend our support in redevelopment of the region in any possible manner.
>
> **Mahendra Agarwal**
> CEO and Managing Director of Gati

The community center will be used for college and school trainings, gatherings, corporate training programs, government department meetings, relief and rehabilitation to the people during any natural disasters and any other community welfare activities.

IndoSpace Chakan delivers 64,000 square feet manufacturing facility to ATS Automation

IndoSpace has leased a 64,000 square feet light manufacturing facility in IndoSpace Industrial Park Chakan I to ATS Automation – a leading provider of assembly systems and feeder technology.

From product assembly and testing to specialised processing machinery, ATS offers an extensive range of manufacturing technology and expertise to deliver turnkey manufacturing solutions. This state-of-the-art facility will be used to manufacture assembly systems for Automotive (Transportation), Life sciences and consumer industry.

Speaking about the new manufacturing plant in Pune, Rajendra Phatak, Managing Director, ATS said, "Large international manufacturers use Pune as a springboard for international markets like Europe and North America, and wherever they go, their suppliers follow. India promises attractive medium and long-term growth prospects for several of our targeted industrial markets."

The commissioning of this new facility in Pune is intended to help ATS leverage the growth potential of the Indian market.

> We are delighted to partner with ATS as the company continues to expand in India. IndoSpace provides global customers like ATS with state-of-the-art and efficient facilities and world class infrastructure that are at par with global standards.
>
> **Brian Oravec**
> Managing Partner of IndoSpace Development Management

Located on the northern side of Pune, Chakan is a major industrial centre in western India, and is home to a large number of Indian and multinational manufacturing facilities. IndoSpace Industrial Park Chakan I is a 1.7-million square feet industrial park spread across 100 acres. The integrated industrial park consists of modern warehouses and light manufacturing facilities which are designed to meet the logistics and supply chain needs of large companies.

McQuilling moves into India

US broking house and consultancy McQuilling Partners has established Indian concern Seaways McQuilling Private Limited. This new company is a joint venture between McQuilling and Seaways Shipping and Logistics Limited (SSLL).

Through offices located in Mumbai and New Delhi, the company's core business will be to provide tanker, drybulk, chemical and offshore brokerage services, as well as research and logistics consultancy within India and its related markets.

> McQuilling's joint venture with Seaways is consistent with our long-term expansion plan of joining with a valued partner in a strategic market.
>
> **John Schmidt**
> President and CEO, McQuilling Partner

Capt Harihar Prasad, Managing Director of McQuilling Shipping Services DMC, commented, "Seaways' extensive network provides us with an immediate platform to bring McQuilling's array of services to its clients and the increasingly important Indian market."

"Our partnership with McQuilling is an important step in Seaway's progression. The synergy between both companies is accretive to our joint long range plan and provides additional benefits to our clients," Capt PVK Mohan, chairman and Managing Director of Seaways Shipping and Logistics said in report.

Transport Corporation of India to invest ₹250 crore in 2014

Transport Corporation of India, a logistics service provider, is planning to invest ₹250 crore to improve its customer services with investments in infrastructure and key account management.

The company is looking at growing the business by 10-15 per cent. The company will invest ₹250 crore this year on purchase of a new ship, trucks, create hubs and warehouses, according to a senior official of the company.

The company is now considering diversifying outside the Port Blair sector, including the West coast to further grow the seaways division.

TCI, which currently offers multiple services in both the B2B and B2C categories through 'TCI XPS', is now fully geared up to cater to the logistics requirement of the e-commerce sector and can cater to the specific warehousing requirements of the sector due to its ability to deliver products to customers in a safe, secure and cost effective manner across the country.

"Steady implementation of large infrastructure projects despite tight credit situation and fewer policy reforms also contributed to sector growth. The volumes across the country did not really pick up substantially," the official said. Despite slow recovery of the economy, TCI has been to deliver stable performance and managed to hold on to market share with improved margins. For fiscal 2014, the sector witnessed slow but sustained growth in the movements of goods across sectors such as automotive, commercial vehicles, heavy engineering and capital goods.

Shapoorji Pallonji in talks to acquire stake in LNG terminal project

The Shapoorji Pallonji group is in talks with the US-based VGS Group to buy 13-17 per cent stake in the latter's floating LNG terminal project coming up off Kakinada on India's east coast. The move by the infrastructure group comes amidst VGS' plans to revive its LNG project after ending a two-year-old pact with the Andhra Pradesh government and IL&FS.

If it fructifies, the equity buy in the VGS Group entity will help the Shapoorji Pallonji group, an important shareholder in Tata Sons, have a presence in the LNG business on both the coastlines of the country – Gujarat in the west and Andhra Pradesh in the east. It forged a joint venture with HPCL for an LNG terminal in Gujarat last year.

SP Ports, a unit of the Mumbai-based Shapoorji Pallonji group, is setting up a 5-million tonne liquefied natural gas terminal at Chhara in Gujarat involving ₹5,000 crore of investment in a 50:50 joint venture with HPCL. It is also developing a greenfield all-weather direct berthing port in Gujarat to handle bulk including coal, containers, LNG and automobiles.

Heatwave boosts India coal imports

Indian coal imports climbed 12 per cent in May from the year before, with power companies scrambling to meet demand as scorching weather drove customers to crank up fans or air conditioning. Electricity demand hit multi-year highs in many states.

Veteran freedom fighter, ex-MP Shanti Patel dead

Eminent freedom-fighter, veteran trade unionist and former parliamentarian Shanti Patel died here early Friday following age related problems, family sources said. He was 93.

Patel was associated with the shipping industry for over six decades and was a trustee of Mumbai Port Trust for 62 years till he resigned two months ago. He also served as the president of National Union of Seafarers of India (NUSI) for over 40 years till his death. During his stewardship of NUSI, Patel championed the cause of workers and sailors movement nationally and internationally, especially the seafarers.

Ahmadabad WISTA sub chapter launched

Finally the vision and plans by the WISTA India President Ms. Sanjam Gupta has once again been achieved with the launch of Wista India - Ahmedabad Chapter which was launched by Gen. Secretary - WISTA India Executive Committee Ms. Sharmila Amin, also MD of Bertling India, on May 22, 2014 at the Ahmedabad Management Association. The event was organised by WISTA Member Ms. Ronak Shaikh, MD, RaPharo Consultants Pvt. Ltd., who shall be taking the lead to further the setup of WISTA in Gujarat. The occasion was graced by some of the leading veterans form the Shipping & Logistics related Industry.

Interested women may contact wistaindia@gmail.com for memberships or call 9920755617.

Nitin Gadkari to study Sethusamudram project

The new government may have spared no time to announce its big plans and revival of projects undertaken during the last NDA regime but it is in no hurry to take a call on the sensitive Sethusamudram project. Sources said shipping minister Nitin Gadkari is likely to go through a detailed presentation on the status of the controversial project in the next two weeks before taking a decision. "We have kept the presentation ready. It's up to the new government to take a call on the recommendation of the R K Pachauri Committee report that the project is both economically and ecologically unviable. The committee report was earlier rejected by the UPA government to push the project. The fate of the project will depend on the Supreme Court verdict," said a shipping ministry official. Just after Gadkari had taken charge of the ministry, BJP leader Subramanian Swamy had asked him to scrap the project and declare Ram Setu a national heritage site. The BJP in its manifesto had said, "Ram Setu is a part of our cultural heritage and also of strategic importance due to its vast thorium deposits. These facts will be taken into consideration while taking any decision on Sethusamudram channel' project." While pushing for the project, the UPA government had earlier filed an affidavit before the Supreme Court that about ₹850 crore had been spent for dredging. Sources said that the shipping ministry is yet to release over ₹350 crore which Dredging Corporation of India has raised for its work. In June 2005, the Sethusamudram Ship Channel Project at a cost of ₹2427.4 crores was started by the UPA-I. The project proposed to link the Palk Bay and the Gulf of Mannar between India and Sri Lanka by creating a shipping canal.

Jeyakumar takes charge as Deputy Chairman of CPT

Jeyakumar I, an Indian Railway Traffic Service officer of the 1997 batch, took charge as Deputy Chairman of Chennai Port Trust. Before joining ChPT, he was the Deputy Chairman of Kolkata Port Trust from December 3rd 2012. He also held the additional charge of CMD of Central Inland Water Transport Corporation of India Limited and Hooghly Dock and Port Engineers Limited since July 2013.

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Government plans shipping vehicles from Chennai to Delhi via Mundra

In a bid to save on fuel cost and promote water transport, the Shipping Ministry is preparing a blue-print on the ambitious plan to ship vehicles made in Chennai to Gujarat via sea route and from there to Delhi via road. "The Ministry has been asked to prepare a report on the feasibility of transport of vehicles manufactured in the South, from Chennai-based ports to Gujarat-based ports and automobiles built in Delhi and surrounding regions to South from Gujarat-based ports," a Shipping Ministry official said. Last week, Road, Transport, Highways and Shipping Minister Nitin Gadkari had asked officials to come up with a report in this regard.

“Officials have been asked to come up with a report for shipping vehicles manufactured in Chennai from ports in Chennai to Mundra in Gujarat and from there to Delhi via road to minimise fuel cost,” Gadkari had said. The same route could be adopted for transfer of vehicles from manufactures like Maruti to South, he said.

The Minister also said that waterways is a fuel-efficient mode of transport with a cost of barely 55 paise a km as against ₹1.5 on transportation through road, besides it being environment-friendly. It may be noted that Ennore Port has already seen exports of 4,49,720 automobile units till December, 2013 including by automobile manufacturers like Nissan, Ford and Ashok Leyland from Chennai, Toyota from Bangalore and Honda from Delhi.

UK prime minister visits £300m container port at Liverpool

Once completed, Europe’s first semi-automated container port will be able to accommodate 95 per cent of world container vessels

UK Prime Minister, David Cameron, has made his first visit to the construction site of the major expansion project currently underway at the Port of Liverpool, which is being developed by Peel Ports, one of the UK’s largest port groups. The £300-million major expansion programme at Liverpool2 will create the most central deep water container terminal in Great Britain and will offer companies ship-to-door access to the majority of UK consumers.

The tour coincided with Cameron announcing a £150m partnership to create the first canal-linked logistics park in the UK, with a direct feed from Liverpool2, connecting directly to a number of portcentric logistics hubs along the Manchester Ship Canal via barge.

Cameron said: “Liverpool2 will allow the biggest container ships in the world to unload their cargo via Merseyside. This new terminal in Liverpool will ensure that freight can come directly to the North of England.”

The port has excellent multi-modal connections, with 10 motorways within 10 miles (about 16km) and 10 rail linked terminals. It also offers the ability to move goods onwards by water, either through the Manchester Ship Canal or via Peel Ports’ direct shipping links to Scotland and Ireland.

ADPC launches the security drone’s camera ‘eye in the sky'

Abu Dhabi Ports Company (ADPC) has launched its new high security ‘Eye in the Sky’ cameras. The two new cameras, which comply with international regulations, will cover specific areas at Khalifa Port, Zayed Port, the Free Port, and the New Free Port. The increased surveillance will strengthen the maritime security of international ships in the port, with even difficult to access locations being comprehensively monitored, offering a higher level of reassurance to visiting foreign vessels or ships with high value or sensitive cargos.

Should there be any accident or search and rescue situation, the cameras will be able to view, assess and monitor an incident, hopefully meaning that people’s – staff or contractors – exposure to high risk situations can be minimised. The security drone’s camera is very stabilised and fitted with an integrated GPS auto-pilot system offering position holding, altitude lock and stable hovering. The camera can capture full HD video 1080p at 30fps and 14 megapixel still photographs and comes equipped with its own Wi-Fi network for data transfer.

SCI lines up big LNG push

Shipping Corporation of India is expanding operations to rapidly grow the business as a separate vertical.

It is in talks with foreign companies to offer technical and commercial management. “We are also in talks with few like-minded companies where we are venturing towards technical and commercial management of ships,” Sunil Thapar, director, bulk carrier and tanker division. SCI is targeting to manage at least 20 ships eventually.

India's gas production to stagnate without pricing reforms: HIS

India's natural gas production will stagnate at current levels if pricing reforms are not implemented and it will have to import heavily to meet the demand, a report by US-based consultancy IHS has warned. IHS said low regulated gas prices have precipitated a supply shortfall in India, but proposed that reforms to the pricing formula could yield higher domestic production and boost India's economy.

"At (current gas price of) $4.2 per million British thermal unit and with no reforms enforced, the production will stagnate at 3 Billion Cubic Feet (BCF) per day and India will need to import around 9.7 BCF per day LNG to meet demand. The unmet demand would imply a significant drag on Indias economy," it said.

DHL eCommerce names Monteiro CEO for Asia Pacific

Deutsche Post AG, which runs one of the world's top courier brands, Deutsche Post DHL, named Malcolm Monteiro as the new chief executive for Asia-Pacific region of DHL eCommerce. Monteiro was formerly the managing director of India's Blue Dart Express Ltd and CEO of DHL Express South Asia since 2006. This announcement is another step by the company to ride the global momentum in online retail. Last month Deutsche Post had renamed its old mail division as Post-eCommerce-Parcel (PeP). DHL eCommerce is a unit of PeP.

PSA International receives AFSCA awards for a ninth year in a row

PSA International Pte Ltd (PSA), one of the leading global port groups, was awarded with the "Best Global Container Terminal Operating Company" for the ninth year at the 28th Asian Freight & Supply Chain Awards (AFSCA) held in Shanghai. PSA Singapore Terminals was also voted "Best Container Terminal – Asia (over 4 million teu)" for the 25th time, an achievement which earned PSA a place in the prestigious AFSCA Hall of Fame. On winning these awards, Fock Siew Wah, Group Chairman of PSA International, said, "We are honoured to receive these awards and humbled by our industry's continuing vote of confidence in PSA. This is testament to the collective zeal and efforts of our staff, unions and management, and I thank them for consistently delivering the reliable service and value-add which PSA is renowned for."

AFSCA is an annual event organised by leading shipper and supply chain newspaper Cargonews Asia. More than 11,000 readers of Cargonews Asia were polled to select best-in-class companies in 39 industry-specific categories. Award winners are regarded as industry benchmarks of excellence in their respective areas. PSA participates in port projects across Asia, Europe and the Americas with flagship operations in PSA Singapore Terminals and PSA Antwerp.

George Soros-backed fund to invest $2 million in Indian logistics company

Aspada Investment Company, which is backed by billionaire investor George Soros' Economic Development Fund, is investing $2 million (₹11 crore) in integrated cold chain trucking operator Schedulers Logistics.

The Mumbai-based firm which provides end-to-end storage and distribution for fruit, vegetable, food processing and pharmaceutical industries will use the funds to expand in Eastern and North-Eastern states.

Experts say the cold chain sector in India is still in the nascent stage with enormous growth potential on the back of climatic diversification and geographically vast size of the country.

The Indian cold chain sector which was estimated to be at ₹24,500 crore in 2013 is expected to cross ₹60,000 crore mark in the next four years, according to research firm Research and Markets.

"The cold chain market will offer opportunities for consolidation and professionalisation in what is a highly unorganised space," said Tom Hyland, partner of Aspada Investment Advisors.

India, the world's second largest producer of fruits and vegetables, is throwing away fresh produce worth ₹13,300 crore every year because of the country's lack of adequate cold storage facilities and refrigerated transport, according to data compiled in a report by Emerson Climate Technologies India.

Schedulers Logistics is one of the few players operating in tier-II and tier-III towns in the country that can offer temperature controlled loads as small as 500 kg. The company has plans to continue to increase its fleet of part-truck-load and secondary distribution vehicles in order to connect small manufacturers with major market hubs.

Cargo handling terminals at 24 airports

Air cargo handling terminals will be developed at 24 airports, identified by the Airports Authority of India (AAI). Civil Aviation Secretary Ashok Lavasa reviewed the functioning of AAI recently and asked it to develop domestic cargo terminals throughout the country, an official statement said. Currently, air cargo represents about ten percent of the airline industry's revenue. About 35 per cent of all goods traded internationally are transported by air. The ministry had setup a working group to study the air cargo logistics in India and had released the report in May 2012.

The report had envisaged a strong relationship between growth in international trade and logistics infrastructure. During 2013-14, all airports taken together handled 2 million tonnes of cargo. According to AAI, the freight traffic at a growth rate of five percent by 2017-18, is expected to touch 2,796 thousand tonnes and at a growth rate of 8.2 percent beyond 2017-18.

Wärtsilä has signed a ten-year maintenance and technical support agreement with Royal Caribbean Cruises Ltd (RCL), which includes a subcontract with ABB Turbocharging. One of the largest between Wärtsilä and a marine customer, the service agreement covers 142 Wärtsilä engines and 170 ABB turbochargers in 36 vessels.Oasis of the Seas is one of the 36 vessels in the Royal Caribbean Cruises fleet that will be covered by the new maintenance and support agreement.

Paradip Port to invest ₹16,000 crore on capacity expansion

State-run Paradip Port Trust said it is looking to capture at least one-third of container traffic of India's largest container port Jawaharlal Nehru Port Trust (JNPT) in Mumbai and will invest ₹16,000 crore in multiple projects in 10 years to increase the port's capacity by two-and-a-half times to 270 million tonnes per annum (mtpa).

The port's expansion plans include various projects such as construction of

a "western dock" with six berths and a total capacity of 75 mtpa, mechanisation of its existing berths, construction of offshore breakwater with LNG terminal, development of multi-purpose clean cargo berth and iron ore berth.

Total investment required for these projects is pegged at ₹16,000 crore. The port trust plans to raise ₹15,100 through the PPP (public-private-partnership) route and the remaining amount will be invested by the port.

In fiscal year 2014, Paradip Port handled 68 million tonnes (mt) of traffic, the second highest among all major ports in the country. The port currently has a capacity to handle 108.5 mtpa. In a presentation to potential investors recently, Paradip Port Trust chairman S S Mishra said he is aiming at making the port the mother port on the country's eastern coast and is looking for various expansion programmes.

Mishra said the port expects to be able to capture at least one-third of container traffic of JNPT in the next 5-10 years. Towards that, he said, the port is planning to develop an inland container depot (ICD). Only 1-2 per cent of the port's ₹1,068 crore revenue in FY 2014 came from container traffic.

First German flagged vessel joins ClassNK Register

Leading classification society ClassNK has announced that it has registered its first German-flagged vessel, as well as earned expanded authorisation from the German flag administration for the classification of German flagged vessels. The announcement was made at a ceremony to mark the successful transfer of the vessel *M.V. BREMER FORTUNA* to the ClassNK Register held at Hamburg's Hafen-Klub. The transfer of the vessel, a 6,668 GT multi-purpose cargo ship (MPP) owned by Kollmar-based Rörd Braren Breederungs GmbH & Co. KG, marks the first time that ClassNK will provide classification services for a German-flagged vessel, a major achievement for the classification society which has been rapidly expanding its services in Germany.

JSW Jaigarh Port

Gears Up For Container Commencement

JSW Jaigarh Port, the first deep water, all-weather, 24/7 private port in Maharashtra, has commenced container handling in June, 2014, along with charted out an expansion plan to increase its cargo handling capacity.

Emphasizing on the present container infrastructure and development plans of the port, Capt. Jasbir Singh, Unit Head, JSW Jaigarh Port, said, "With the Phase II, we have plans to develop a dedicated container terminal on Berths 4 and 5 having capacity of 1.1 million teu per annum."

Inaugurated in August 2009, the greenfield port is strategically located on the west coast between the ports of Mumbai and Goa. JSW Jaigarh's current draught of 14 mtrs makes it the deepest port on the Maharashtra coast which is being deepened further to 19.8 mts to accommodate largest container vessel and the cape size vessels. "The current two mobile harbour cranes will then give way to 8 quay cranes and 24 RTGs, with CFSs and marshalling yards also planned," Singh said.

According to Raymond Samarvel, VP (Commercial), Samsara Shipping, the huge containerised cargo potential in the region, estimated at around 7,500 teu of exports, which could increase further, and around 900 teu of imports per month. The varied cargo mix includes everything from agri products and minerals to textiles, steel, automobiles and heavy engineering. Therefore, there existed tremendous opportunities for the port.

"

The port is currently fully operational with 2 berths having cargo handling capacity of 15 million tonnes per annum. In Phase II, the capacity will be expanded to 50 million tonne with a total of nine berths catering to RoRo, liquid, containers, break-bulk and bulk cargoes.

"

BVJK Sharma
JMD & CEO of JSW Jaigarh Port

The huge containerised cargo potential in the region, estimated at around **7,500** teu of exports, which could increase further, and around **900** teu of imports per month.

"The containerised cargo from the port's hinterland would be feedered to the key gateways, thereby saving on logistics costs," the statement said. Currently, the port's secondary and tertiary hinterlands extend up to a distance of almost 600 km, covering areas such as Pune, Solapur, Ahmednagar, Bijapur, Hubli, Belgaum, Aurangabad, Raichur, Hospet, Bellary, etc.

The port is now connected by a two-lane road to NH-17. According to Sharma, the Union government is expected to soon approve rail connectivity to the port from the Konkan Railway railhead of Digni, which would link it to the national rail network.

Capt. Swaminathan Rajagopalan of MSC India said, "MSC is ready to connect cargo through JSW Jaigarh port to gateways such as Mundra and Nhava Sheva as well as to hubs like Colombo, Salalah and Jebel Ali." Currently, the standalone services of the line from India, such as IPAK, ISES, South Africa service and East Africa service connect the gateways of Nhava Sheva, Mundra and Hazira, as well as the transhipment offerings through Colombo and reefer handling at Pipavav. mg

Able administrator with a VISION FOR CHANGE

Union Road Transport, Highways and Shipping Minister **Nitin Gadkari**, wears many hats. He is an agriculturalist, who believes in and promotes the use of modern technology and management tools in agriculture. He is an entrepreneur whose social enterprise has brought enormous development in the catchment areas of Nagpur region, notorious for farmers' suicide. He is also a politician who has a vision for a strong India and he earnestly believes that the 21st century politics is the politics of progress and development.

A post-graduate in commerce, Gadkari also holds a degree in law and a Diploma in Business Management (DBM).

Born into a middle class family in Nagpur in 1956, he worked for the Bharatiya Janata Yuva Morcha and the student union ABVP during his teens.

After becoming the mayor of Nagpur's, Gadkari began his journey into state politics. In 1989, he got elected as an MLC from the Nagpur's graduate constituency. He served as an MLC for five terms but has never fought an Assembly election.

In 1995, Gadkari was made Minister of Public Works Department in Maharashtra. As the PWD minister, Gadkari was instrumental in streamlining several projects, including the Mumbai Pune Expressway and 55 flyover bridges in Mumbai at a cost way below the original estimates, thereby improving the lot of Mumbai's traffic.

“With ₹5 crore equity, I earned the distinction of completing works worth ₹8,000 crore,” Gadkari often recalls this unique distinction he earned as the PWD minister.

He also played a role in shaping up Pradhan Mantri Gram Sadak Yojana during Atal Bihari Vajpayee's tenure as the prime minister. He also served as the state chief of Maharashtra BJP.

Gadkari was brought to the BJP's centre stage as part of a well thought-out move to push forward younger leadership after the 2009 Lok Sabha polls when the party registered its second consecutive defeat. Unknown in the corridors of power in the capital, Gadkari came to Delhi in 2009 end as the party president. During his stint as party chief, Gadkari sought to adopt a consultative approach in running the party, where he continued until 2013.

As party president, Gadkari laid thrust on issues of good governance, development and empowerment of the poor. He took keen interest in areas such as water conservation, cooperative sector and renewable energy. He set up good governance cells in the party, encouraged younger leadership and sometimes interacted with party functionaries through video conferencing to cut down on time delays.

However, his political life met with a severe challenge when Gadkari was seeking second term as the party chief. He was forced to resign from the post on January 22, 2013, following allegations of irregularities in his firm Purti Group.

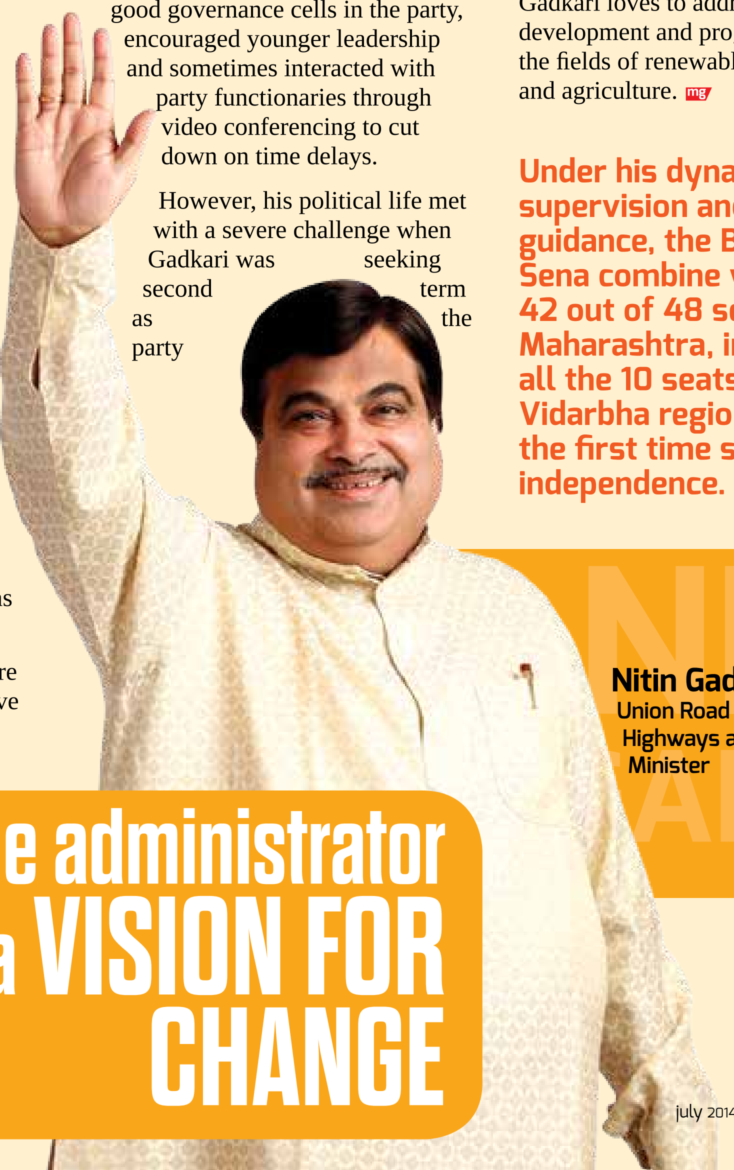
Gadkari, 57, managed to overcome these challenges and in the 2014 Lok Sabha elections, he successfully contested from Nagpur constituency, a traditional Congress stronghold, defeating seven time winner Vilas Muthemwar by a margin of about 3 lakh votes.

His presence in the cabinet is a proof to the faith his party has in him and Gadkari is the second former party chief to find a berth in Modi's cabinet after M Venkaiah Naidu.

Gadkari was given additional charge of Rural Development, Panchayti Raj and Drinking Water and Sanitation Ministries after Gopinath Munde died in a road accident.

Gadkari loves to address rallies on development and progress, especially in the fields of renewable energy, industry and agriculture. mg

Under his dynamic supervision and able guidance, the BJP-Shiv Sena combine won 42 out of 48 seats in Maharashtra, including all the 10 seats in the Vidarbha region for the first time since independence.



Nitin Gadkari, Union Road Transport, Highways and Shipping Minister

NITIN GADKARI

Project cargo movement

Smooth Road

With a stable government at the Centre and an increased focus on infrastructure segment, project cargo movement is set to gain momentum. Logistics players are looking at taking advantage of the new opportunities coming up in power and manufacturing segments.

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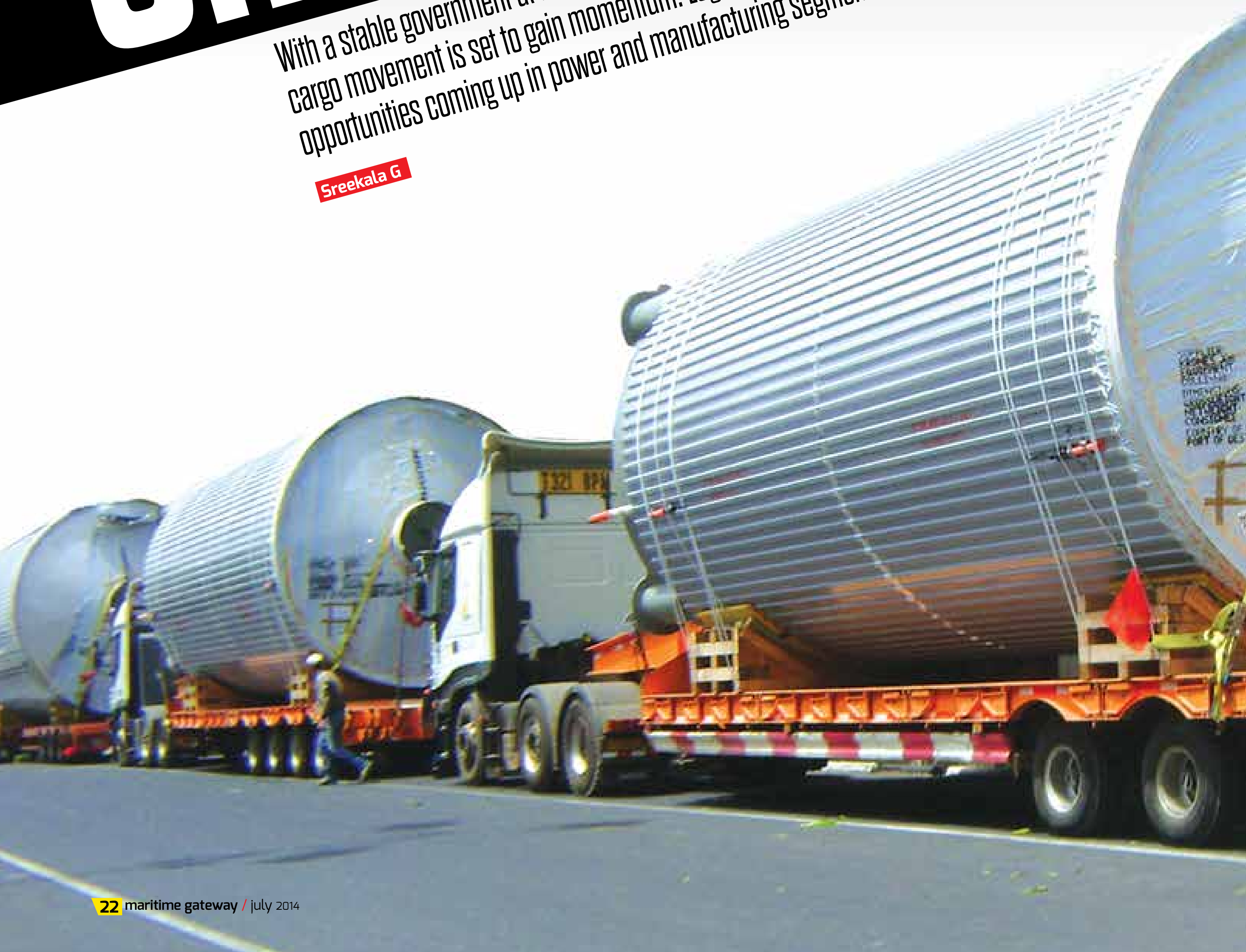


Ahead

The new government at the Centre and its ambitious policy announcements for development has helped rekindle the spirit of growth in Indian industry. The government's focus on manufacturing and infrastructure are expected to help boost the trade prospectus and demand across various industry verticals. And, logistics is one such industry segment that is eagerly waiting to lap up the new opportunities arising out of the new policy initiatives.

Logistics industry, which has been bearing the brunt of a protracted global economic slowdown along with policy paralysis in the domestic market, is betting big on the increased demand for over dimensional cargo (ODC) or project cargo by various industries in power, mining and petroleum segments.

The industry feels once the infrastructure bottlenecks at ports and roads coupled with the absence of uniform rules and regulations across the country is resolved there is no stopping it from cashing in on the demand opportunity.

New Hopes

Logistics industry's hopes emnate from President Pranab Mukherjee's address to the joint session of Parliament on June 9. In his address, he outlined the government's plans to augment electricity generation capacity through a mix of conventional and non-conventional sources. From the president's address, it is clear energy will be at the core of the Narendra Modi government's developmental agenda to enable an overall economic revival. A revival on the manufacturing front will largely depend on the government's energy and infrastructure agenda.

The government will also frame an ambitious infrastructure development programme to be implemented through the next 10 years. A fast-track, investment-friendly and predictable PPP (public-private participation) mechanism will be put in place. Modernisation and revamping of the Railways is on top of the infrastructure agenda.

To boost its share in global trade, the government will reduce procedural hurdles and trade infrastructure will be strengthened to reduce transaction time and costs. Besides, the government will set up a diamond quadrilateral project for high-speed trains.

To transform India into a globally competitive manufacturing hub, the government will set up world-class investment and industrial regions, especially along dedicated freight corridors and industrial corridors.

The government will also evolve a model of port-led development. The government will facilitate modernisation of existing ports on the one hand and development of new world-class ports on the other. Stringing together the Sagar Mala project, it plans to connect ports with the hinterland through road and rail.

"While the formation of a stable majority government at the Centre will aid positive development in this space, the actual improvement in logistics movements will only commence 15 to 18 months down the line," says Dhruv Kotak, Joint Managing Director, J M Baxi Group.

According to him, there has been a severe contraction in the movement of project cargoes and ODC in the Country over the last three financial years due to policy paralysis in the previous government regime.

"The drivers in this segment have predominantly been power, cement, steel, petroleum, refining, urban transport, oil & gas and fabrication. Going forward, we believe that the mining sectors, renewable energy and water management will also play a large role in the growth of this business," he says.

Projects and Over Dimensional Cargo (ODC) movement is the backbone for any major infrastructure project being set up. All heavy industries at various stages of development from planning to commissioning need continuous supply of machineries, parts and bulky equipments.

The project cargo industry in India is slowly maturing with more and more players and the demand /supply scenario is becoming more complex given that each project player is trying to create its own niche market wherein they would be able to stand apart from competition.

Market & Opportunities

India is having a very long coastline and favourable conditions for the movement of cargo through waters. However, due to the recent crisis in the supply of coal, many organic and inorganic expansion plans pertaining to power generation have been either curtailed down or ceased. Such steps have given a setback to the infrastructure sector involved in fabricating these thermal power plants and resulted in reduction of demand for port and logistics services. As soon as the issue gets resolved, the power industry will regain momentum thereby accelerating the demand for project cargo.

"The size of projects that are announced and held up due to various reasons is around ₹7 lakh crore. This is a huge figure, if these projects do manage to take off, the logistics requirements for these projects would be around ₹50,000 crore conservatively. In addition, this is not including the projects, which will be launched in the future. The potential is enormous as one can see," says Sharmila H Amin, Managing Director - South Asia India, Bertling Logistics India Pvt. Ltd.

She also believes power sector will be the leading industry apart from major projects in mining, petroleum and public infrastructure that will drive the growth in project cargo market.

J M Baxi is a leading player in project cargo movement. In a market where there are very few national players with full project cargo logistics capability, J M Baxi stands out with its efficiency and dominant marketshare. It also owns special equipments such as hydraulic axles, cranes, deck barges and Customs Licence that ensure smooth movement of ODC. In an interview with Maritime Gateway, **Dhruv Kotak** – Joint Managing Director, J M Baxi Group, talks about the project cargo division of the company and the opportunities ahead.

Q How do you see the demand and supply scenario for project and ODC cargo in the country?

A There has been a severe contraction in the movement of project cargo and ODC in the Country over the last three financial years due to policy paralysis in the previous government regime. Currently, the ODC and project cargo logistics industry is facing an oversupply situation compounded by extremely poor cash flow cycles caused by weak balance sheets of the infrastructure companies.

Q How big the market is in terms of business and what is the growth expected in 3-4 years?

A While the formation of a stable majority government at the Centre will aid positive development in this space, the actual improvement in logistics movements will only commence 15 to 18 months down the line. The entire Project Logistics market in India ranges from ₹3,000 crore to ₹8,000 crore depending on the position of the economic cycle. Currently, we are in the lowest trough in the cycle and hence the market can be pegged at approximately ₹3,000 crore. We believe that with positive reforms, stable governance, increased demand and release of animal spirits, this sector may even balloon to approximately ₹12,000 crore within the next 3-4 years.

Q Which are the sectors you feel will drive the growth of project cargo movement?

A The drivers in this segment have predominantly been power, cement, steel, petroleum, refining, urban transport, oil & gas and fabrication. Going forward, we believe that the mining sectors, renewable energy and water management will also play a large role in the growth of this business.

Q Which are the leading ports that handle project cargo in India?

A The major ports through which these cargoes are moved are: Mumbai, Kandla, Vizag, Paradip, Chennai and Haldia. Mundra Port and Hazira Port are the two major-minor ports through which these cargoes are moved.

Q Do you think the ports and allied infrastructure are equipped to handle project cargo?

A For this new economic cycle, there has been a considerable addition in port capacity and hence berth availability will not be an issue. Some of the major ports need to add heavy duty harbor mobile cranes with higher safe working load lifting capacity (up to 250 tonnes) as well as develop dedicated paved yard areas for the storage and dispatch of such project cargoes.

Q What are the challenges/ constraints faced by companies in moving these types of cargo?

A Two major challenges currently faced by Heavy Lift Transport companies:

(i) A plethora of permissions that needs to be taken state-wise as well as centrally, cutting across multiple departments to carry out such movements. This is extremely time consuming and in some cases a virtually impossible task that a transporter needs to undertake leading to many operators carrying out unsafe practices and taking risky shortcuts.

(ii) Conditions of roads, bridges, converts- standards of construction and edges of some of these assets are extremely old and ancient. They cannot absorb the loads that are carried on them. Hence, the logistics provider needs to spend on diversions which are both costly as well as time consuming.

Q How big is the project cargo division within your group?

A Project Cargo division contributes approximately 20 per cent of our Group's top line. It is a flagship division and in many sectors proves to be a strong brand identifier for our Group.

Q What kind of policy support you expect from the government for this segment?

A Three distinct policy supports which we expect from the Transport Ministry are:

(i) To provide a single window clearance for movement of heavy cargoes from point-to-point. A single clearance to be granted by the Ministry of Road Transport and Highways (MORTH) enabling the safe and clear passage through State and National highways without the need to secure further commission from National Highway Authority of India, PWD at State level and RTO. In short, a single window clearance.

(ii) Granting a priority status to Project Cargo ships at all major ports in the Country enabling quick and timely discharge and loading of capital goods which is the need of the hour. Preferably dedicating a single berth for Project Cargoes at each and every major port.

(iii) To make it mandatory for all infrastructure developers to get a transport methodology clearance for movement of heavy cargoes in addition to getting environmental and financial clearances.

Q What kind of unique services your company provides for clients in this segment?

A Boxco Logistics India (Pvt.) Ltd. is arguably India's largest and most experienced project logistics service provider. It is the only Company that has the distinction of servicing all segments of the industry right from containers to flat-tracks to turnkey projects to moving super ODC cargoes to pan-country logistics movement, International Freight Forwarding, Shipping& Chartering, Route Surveys and being a market leader in all the above mentioned segments. We provide a single window solution to all needs for the movement of raw materials, capital goods and finished products.

According to her, the scenario for capital expenditure in the country looks robust, particularly in the next five years. "With a stable government, which is bullish on growth, especially Infrastructure, we may witness a move ahead in terms of stalled projects. Once these take off, the flow of capital goods for these projects will follow with a lag of about 6-9 months. Thus, overall I am hopeful about the potential of growth in the next five years," she says.

Analysts say the project cargo market is expected to grow at over 25 per cent year-on-year and will reach $4.7 billion by 2022. As per the 12th Plan, India aims to achieve capacity addition of 80,000-100,000 MW. The Plan also envisages Twelve supercritical ultra mega power projects UMPP) in Chhattisgarh, Gujarat, Tamil Nadu, Andhra Pradesh, Odisha, Maharashtra and Karnataka. The projected capacity addition in non-fossil fuel plants includes hydro capacity of 10,897 MW and nuclear capacity of 5,300 MW. In addition, it is planned to add a grid interactive renewable capacity addition of about 30,000 MW comprising 15,000 MW wind, 10,000 MW solar, 2,100 MW hydro and the rest from biomass.

Challenges

"Challenges faced by logistics sector for project cargo include inefficiencies in organised transportation, poor condition of storage infrastructure, low rate of technology adaption, poor skills of logistics professionals, complex tax structure with various pending tax resolutions has created a block in planning and systematic investment and complex and ambiguous process for application of movement permits for special cargo and equipment, often leading to extended project timelines," says an official of Apeejay Infralogistics.

While the movement of project cargo during monsoons would not be possible due to poor infrastructure conditions, even in the months of November, December and January, logistics players faced difficulties in moving cargo across the bridges and roads of the country.

"Some bridges are over 100 years old and are very strong. But with the size of cargo becoming big, we find it difficult to move them on these bridges. Varanasi bridge for instance, the clearance is for about 9.5 metre diameter cargo. In Hooghli River we get permission to move cargo only in March and April. If a bridge is 70 R it means we can move 100 tonnes per square km as per a study done along with Engineers India. On 40 R bridges, we can move maximum 49-50 tonnes of cargo in a single package. There are 30 R bridges where we can move only up to 20 tonnes including vehicle weight," says Vimal Vimal Kumar, Head, Projects, NYK Lines. Main ports in India that account for maximum project cargo traffic are Mumbai, Kandla and Mundra on western coast line and Chennai, Vizag, Paradip and Haldia on southern and eastern coastlines of India. Unfortunately these ports are ill-equipped to handle ODC cargo. Mumbai for instance can maximum import only 200 MT single cargo, to inland transportation by road out to city.

The exit roads from ports are not suitable for heavy equipment transportation. There are various obstructions on port roads like conveyor belts, gates, toll booths, security cabins, power line, railway electrical lines, road over bridges, welcome board and walk ways. Besides, every state has multiple entry rules and permits required to move project cargo and each of which take a long time to come. Add to that the waiting cost at state borders leading to the cost to move project cargo becomes prohibitive for the end user / exporters.

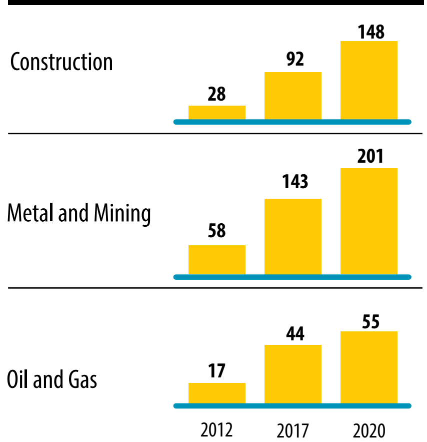
According to Vimal Kumar, there is an urgent need to have clear, well-set guidelines for heavy haulage by road. There are no clear norms, or timeline to get the necessary approvals and permissions.

"We require clearances from multiple agencies such as the Public Works Department, the National Highways Authority of India for using roads and bridges; the State Electricity Boards for overhead wires; Forest department for trimming roadside trees. We are nowhere near the West, where there are clear guidelines on which lane a heavy cargo vehicle should move, and where even the route is well-planned and followed. There are no specific rules governing OD cargo movement, even on National Highways," he says.

Port Infrastructure

Ports are congested and no priority is given to heavy lift vessels, leading to huge detention charges imposed on shippers. Special permissions are

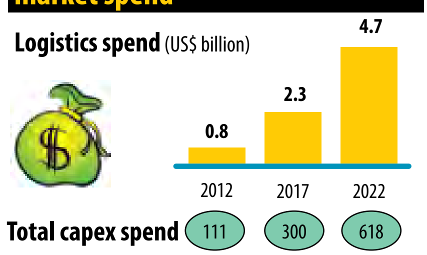
Capex spending (US$ billion)



Drivers beyond industry growth

- Increasing offsite fabrication from outsourcing of construction sub-jobs (solves issues like skilled labor, reduced pollution clearances, etc)
- Increased mechanisation and equipment sophistication for metals and mining (e.g., increase in imported equipment, bigger drag lines for mining)

Over dimension logistics market spend



required to be taken for the evacuation of such large sized cargo. Besides, some of the old ports are located in the city. So, the ODC cargo movement is possible only during night to avoid congestion.

"The ports and the allied infrastructure are surely not well equipped to handle the cargo. The infrastructure has not expanded as has the demand and the increasing dimensions of project cargo. I feel in future, we will start getting bigger cargoes and this will test the capabilities of all ports," says Sharmila.

It is the infrastructure outside the port that is the key and critical issue. With rapid urbanisation, and with urban development, it is getting more and more difficult to move project cargo once you step outside the port gates.

Sharmila narrates a case where a well-known EPC major had their cargo stuck at the outskirts of Mumbai for six months. "This problem is endemic to all major ports around the country and we are likely to see more and more such cases. Add to it the weak bridges crossing major rivers, and you have a situation where it is getting more and more difficult to move really big project cargo," she points out.

Apart from road/rail connectivity, most ports do not have high capacity berths, cranes for loading and discharging heavy equipment and RO-RO facilities. Lack of storage capacity is another problem. While the lack of physical space is well known and well documented, the neglected dimension is the higher average storage time at the port. Lack of permissions for onward journey and lack of adequate documentation at the Customs means that the cargo is not immediately moved out of the port as it is discharged from the vessels. This in turn means that other incoming cargo will find it that much more difficult to get a berthing space at the port.

While logistics players face various challenges that lead to escalation in cost, customers seek reduced rates. "Customers' sole criteria for selection of their logistics service provider is cost. This approach may have benefits in terms of cost savings when you have commodities like steel rods and cement being moved, i.e. goods that are replaceable and low cost. However, when you are moving critical cargo like turbines, generators, transformers and process columns, special consideration must be given to other aspects as well. These aspects include equipment, route planning, load plans etc. The lowest cost provider is willing to overlook these aspects to provide the lowest cost and thereby endangering the cargo safety," says Sharmila.

Considering these circumstances, the industry feels that future growth of this segment to a great extent will depend on government policies. "A single window clearance would be most welcome. This would reduce turnaround time and hence lead to lower costs for our customers. With the new government's initiative of creating a single Surface Transport ministry, we hope this is a realisable goal," says Sharmila. mg

Punctured Romance

> The stage was set and everyone including the naysayers awaited the (in) famous P3 alliance to commence operations. As the big three flexed their muscles threatening to rule the seas, China decided to play truant and create panic. Though short lived, this romance between the lines had created a flutter in the otherwise dull industry.

In a show of unquestionable might, the Asian super power, China vetoed the much awaited P3 alliance between the three shipping lines - AP Moller - Maersk, Mediterranean Shipping and CMA CGM - leaving them wanting for a fresh lifeline.

The three lines called off all ground work being undertaken to start the alliance later this year. This sudden announcement took the alliance members by surprise as none of them were equipped with a contingency plan. Chief executive of Maersk Line, Nils Anderson said his company would go it alone and had not planned any other move as yet, attempting to cloak his disappointment. The stock market's reaction, however, could not be masked, with the company's shares falling by 7 per cent on the day this announcement came.

Switzerland's Mediterranean Shipping said in a brief statement that it would now explore alternate ways of achieving cost efficiencies admitting the alliance would have certainly helped the company in this direction. While CMA CGM said it was confident of achieving good results unassisted by its peers.

With the alliance coming to naught, the investment made by the firms in opening offices in London and Singapore comes under question. When the alliance came to be last year, the three shipping companies agreed to deploy 255 ships along the Atlantic and Pacific connecting Asia and Europe - the world's busiest shipping routes. Together, the companies would move about 2.6 million boxes from one part of the word to another controlling 40 per cent of the world's container capacity.

It's perhaps for this reason the Chinese regulator refused to grant approval. In a veiled statement, all the Chinese Commerce Ministry said while justifying blocking the alliance is that the partnership would 'restrict competition'. While analysts and other industry professionals are yet to point out clearly why this alliance was prohibited, it is clear that China feared European dominance. The two biggest shipping lines from China including a government controlled company ran into losses last year owning to over capacity and low freight rates. Cosco and China Shipping Corporation Limited barely managed to make some profits after selling some assets.

It is perhaps the first time that China's regulators have refused a nod after US and Europe regulatory agencies have given the green signal for a commercial transaction with as big an implication as this one. Some brave the argument saying the alliance would have come through if a Chinese player was part of the P3, but China firmly maintains that the three lines could come up with a satisfying explanation of how this partnership would benefit China.

With the P3 gone, there are two main alliances in place that are functioning. The G6, which includes Germany's Hapag-Lloyd AG and five Asian carriers, and CKYHE, an alliance which comprises China's leading shipping company Cosco Container Lines Co. From the start, the alliance drew mixed responses. While some thought it would change the character of the shipping industry, some others believed it to be a paper tiger saying it would make matters more complex for the operators.

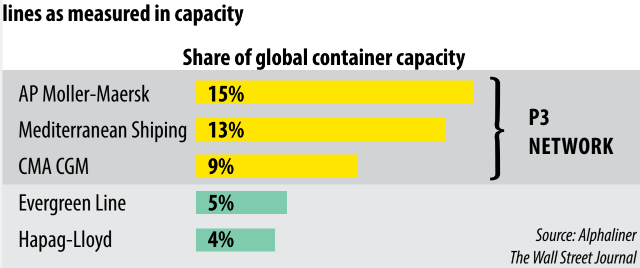
However, the happiest to hear this announcement are smaller shipping lines, logistic providers and fuel suppliers. They were a worried lot as smaller ships would be used as feeders and the new alliance matrix would send the logisitics companies into a tizzy leaving them with many hours of meticulous planning to do. In fact, fearing the impact of the tie up, many shipping companies, such as Chile's Compania Sud Americana de Vapores SA merged with Germany's Hapag Llyod AG in some select countries of South America.

The three lines might resume business as usual trying to reduce emissions and costs independently, but the impact will probably be greater on ports and terminals who have undertaken expansion programmes keeping in view the alliance.

The P3 tried hard to convince the Chinese authorities. But the world's largest importer of coal and second largest economy construed this alliance as a de facto merger. With the partnership between Maersk, CMA CGM and MSC disapproved in the current form, what will they do? Given that Maersk has been doing business with China for 80 years, will they amend the alliance to please the dragon or look away?

Big Players

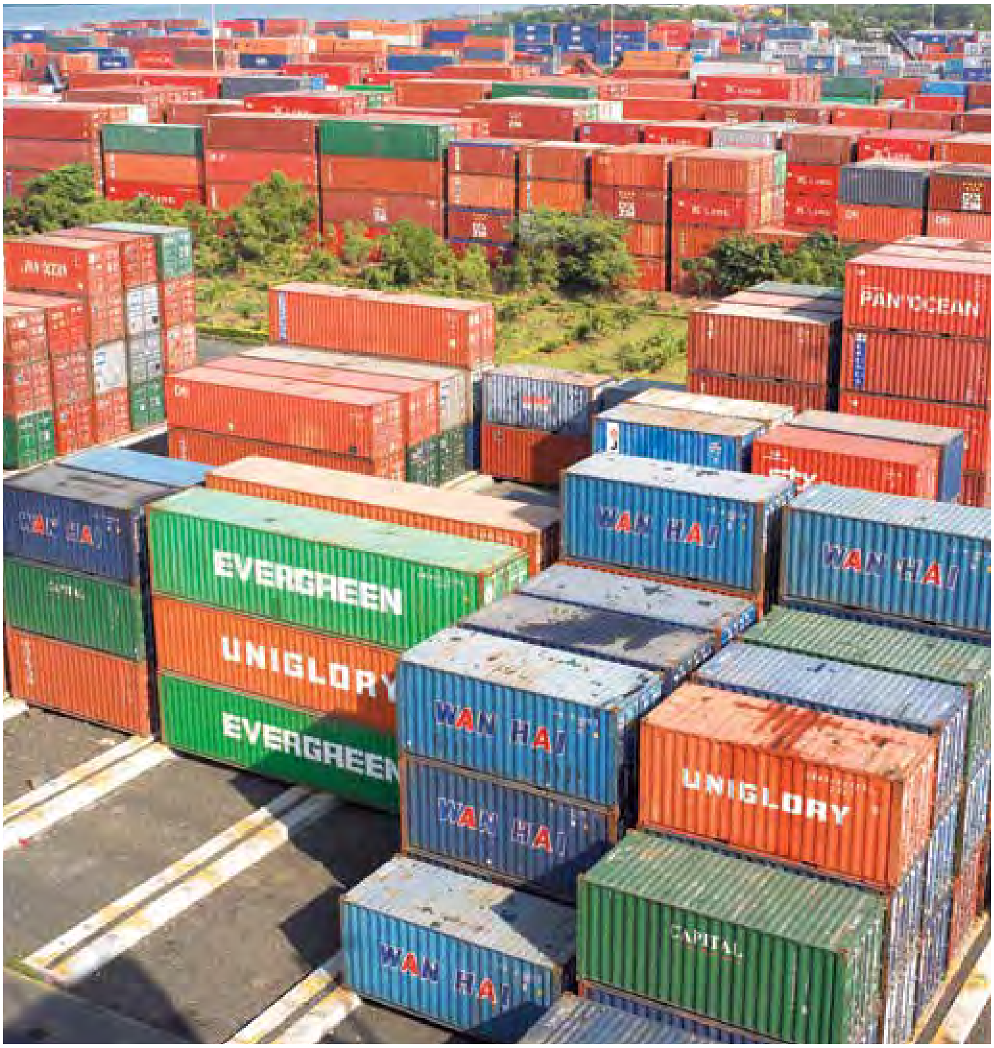
The P3 Network would have combined the world's three biggest shipping lines as measured in capacity



Terminal shake-ups triggered

As shipping lines are busy cobbling up alliances with their peers on preferred routes of trade, terminals are getting equally busy. There is considerable consolidation among terminal operators with the efficient ones buying up the others and shipping lines trying to streamline their calls at terminals where they own a stake.

Bigger container ships are resulting in much greater peaks in container terminal activity. This, together with the ever larger combined volumes of bigger alliances, demands fewer, larger terminals in each port. Terminal operators are reacting by consolidating terminal layouts and ownership – and by working more closely together – but what are the consequences for their customers?



A recent visit to the Eurogate terminal in Hamburg by China Shipping's post-Panamax vessel CSCL Le Havre involved an exchange of 11,600 teu, illustrating the sheer scale of volumes per call that terminals increasingly have to deal with. The vessel is shared with CMA CGM and UASC.

Whilst this was an extreme example, even at more typical levels each call by an Ultra-Large Container Vessel (ULCV) can be expected to generate upwards of 5,000 teu of activity for a terminal (see Figure). This peaking demands larger, more capable terminals than before, even if the annual throughput is no greater.

Alliances are also having a huge impact on terminals. At the Port of Antwerp for example, MSC alone accounts for a massive throughput of 4.5 million teu per annum, around half of the port's container traffic. The knock-on effects of bigger ships and alliances are already becoming apparent therefore. Numerous reshuffles of terminals both physically (in terms of layout and location) and in terms of ownership are being triggered. For example, in Antwerp, MSC has been given the go ahead to move its traffic from its terminal behind the locks to an enhanced riverside facility in the Deurganckdok. The move will see the redevelopment and expansion of the existing PSA terminal to create the MSC PSA European Terminal (MPET) with an initial capacity of more than 7 million teu p.a.

In Hong Kong, just a year after acquiring it from DP World and PSA, Hutchison's HPH Trust has sold stakes in Asia Container Terminals

(ACT) to Cosco Pacific (40 per cent) and China Shipping Terminal Development (20 per cent). ACT operates Container Terminal 8 West, located at Kwai Chung, Hong Kong, adjacent to HPH Trust's existing container terminals HIT and Cosco-HIT. The acquisition has created common ownership of contiguous berths and will therefore help with berthing and handling larger ships.

Meanwhile in the US, last year saw the Port of Oakland facilitate the expansion of SSA Marine's Oakland International Container Terminal, taking over the former APL and Hanjin terminals and creating a single, much larger terminal with a linear berthing line, able to accommodate bigger ships and greater volumes.

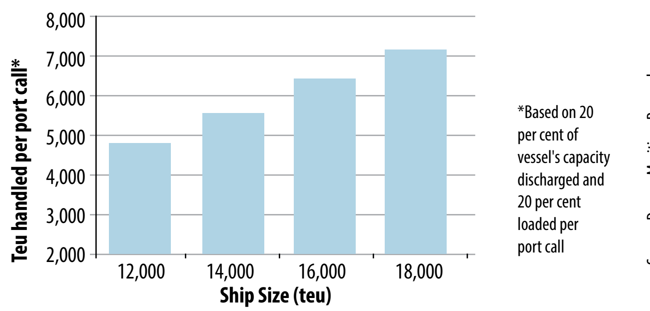
The formation and expansion of alliances has resulted in many carriers (or related terminal companies) having terminal interests which do not neatly correspond with those of their alliance partners. This is especially challenging on the USWC with its history of each carrier having its own terminal in each main port.

Besides the physical and commercial consolidation of terminals, another important trend is also evident. Global/international terminal operators (GTOs/ITOs), whilst competing strongly with each other in many places, are also increasingly opting to cooperate in selected locations.

APM Terminals (APMT) and MSC-affiliated Terminal Investment Limited (TIL) for example, now have joint ownership of terminals in Santos, Callao and Marseilles-Fos. In addition, the A.P. Moller-Maersk Group has signed a strategic cooperation MOU with China Shipping (Group) on container terminals. China Shipping Terminal Development, the terminals arm of the group, is said to be seeking to expand its European port network.

Meanwhile ICTSI has reached an agreement with CMA CGM (CMA Terminals) to sell it a 25 per cent stake in its Lekki terminal. Lekki is a large greenfield port complex being developed 60 km east of Lagos, Nigeria. ICTSI has also made an agreement with PSA in Buenaventura, Colombia to jointly develop a new terminal. Originally this project was solely ICTSI as the international operator, and PSA has joined the deal.

Illustration of teu volumes per port call



Neither company has said why PSA has taken a stake, other than that both companies share the same aspirations for the port, and that they would bring 'complementary strengths'. Given the similar nature of both companies it is not clear what these are and perhaps the main purpose is that it allows the spreading of risk on the project.

The extent to which these various GTO/ITO collaborations are being driven by the increasing size of both ships and carrier alliances is not clear, but what is evident is that bigger ships and bigger alliances increase the challenges and risks for GTOs/ITOs. Greater cooperation is one way to mitigate this.

The growth in ship size and alliances means less ocean carrier product differentiation as far as shippers are concerned, who argue that container shipping is increasingly becoming 'a commodity'. Container terminals though will retain their differentiation, despite their increasing size and greater homogenisation of ownership, due to factors such as service levels, infrastructure, location and inland connectivity. This should ensure that terminal operators are able to maintain their price levels, or indeed arguably increase them given the extra demands being placed on them by ocean carriers. mg

Source: Drewry Maritime Research (www.drewry.co.uk/ciw)

Carriers and Direct and Indirect Interests in Main Benelux and German Terminals

Port	Maersk Line	MSC	CMA CGM
Antwerp	No terminal stakes	50 per cent stake (through TIL) in MSC Home Terminal in JV with PSA	10 per cent stake in DP World's Antwerp Gateway Terminal
Zeebrugge	APM Terminals has 75 per cent stake in APMT Zeebrugge Terminal	No terminal stakes	35 per cent stake in OCHZ Terminal in JV with PSA
Rotterdam	APM Terminals owns 100 per cent of APMT Rotterdam Terminal and also new APMT Maasvlakte II Terminal, operational late 2014	TIL has 50 per cent stake in Delta Dedicated North Terminal in JV with Hutchison (ECT)	10 per cent stake in DP World's new Rotterdam World Gateway Terminal, operational late 2014
Bremerhaven	APM Terminals has 50 per cent stake in North Sea Terminal in JV with Eurogate	TIL has 50 per cent stake in MSC Gate Terminal in JV with Erogate	No terminal stakes
Wilhemshaven	APM Terminals has 30 per cent stake in Container Terminal Wilhelmshaven JV with Eurogate	No terminal stakes	No terminal stakes

Note: Stakes in terminals are not necessarily held directly by each carrier and in some cases are held by related companies with their own mission and strategy e.g. APM Terminals Source: Drewry Maritime Research

Destination Kalinganagar

After many years of sparse industrial activity, Odisha will now suddenly overtake many states in terms of housing the most noted industrial houses in India. From the Tatas, Jindals to state owned steel and power manufacturers, they have all pledged to invest ₹1 lakh crore in the state. To cater to their logistics requirements, Kolkata-based conglomerate, the Apeejay Group, has put up its first ICD at Kalinganagar.

Deepika Amirapu

The Apeejay Infra-Logistics' logistics park at Kalinganagar is the first purpose-built transport and warehouse facility in Odisha State and has been set up to service the local steel and metallurgical industry. The 30-acre facility has a domestic warehouse of 65,000 square feet, a bonded warehouse of 19,000 square feet and a container yard of 185,000 square feet. The domestic warehouse and a substantial area of the open yard are leased to logistics services provider Tata TKM.

Situated about 12 km from Odisha's Jajpur district, this ICD facility boasts o being surrounded by almost 10 steel plants that are at various stages of development. Some major industrial houses that are hoisting their manufacturing facilities are Tata Steel, Bhushan Steel, BRG Steel, Neelachal ISpat Nigam Limited, MESCO Steel, Rohit Ferro Tech, Jindal Steel, Yazdani Steel and Power and Visa Steel. The combined investment pumped in by all the steel plants is expected to peak ₹1 lakh crore. The steel plants get their raw materials- iron ore and coal from much of the minerals mined at Talcher, Badbil, Daitari and Sukhinda mines. Pig Iron, steel pellets and coils are other products that are meant for export.

The ICD was constructed in partnership with UK Eredene Capital Plc where both companies enjoy an equal share. The ICD was built at a cost much less than ₹50 crore. Built to engage domestic and exim cargo, the ICD can handle upto 10,000 containers per month. Currently about 1,000 to 1,500 boxes make their in and out of the

facility. What perhaps distinguishes this facility at Kalinganagar from the others in India is there are just two facilities in India that handle scrap, Kalinganagar being one of them.

The cargo profile of this ICD will perhaps be restricted to steel and alloy products given the industrial activity in the surrounding area although other products can be containerised and sent out for export.

Rajiv Kumar says their ICD, being the only one in Odisha will also target cargo from western parts of the state. The ICD is recognised by Code-INSKD, a unique number given to all main

ports where cargo transfers are high. This global identification is helpful as containers will marked and blocked for this ICD by ships and other carriers- road and rail.

"Out ICD is not assigned to any particular port and we have four ports to choose from - Paradip, Dhamra, Haldia and Kolkata - to transport our cargo within and outside of Indi," Kumar said. Apart from using the sea routes, this ICD leads to the National Highway-5. Officials from the organization say the transit by road to Visakhapatnam is the same as the time taken to ship cargo to Kolkata and, therefore, can choose any route depending on the cargo being transported. The ICD is about 1.5 km from the nearest railway line, so the cargo could be transported immediately as it is bagged, if required. And official working at the ICD said the company is in discussion with all the major railway operators for a dedicated rake movement between the Vizag Port and ICD. "We ensure our staff works on a triangulation basis so there is no wastage on transportation of empties," an official said. Containers are cleared by customs officials within 24 hours of their arrival so they can be dispatched to the destinations without any delay.

Although both Visakhapatnam and Kolkata ports have customs clearances centres, some cargo clearances would be cleared at the Kalinganagar facility owing to good rail connectivity. This could come as a big boon for manufacturers as they could have their cargo cleared for a lesser amount. "We have special customs officials from the deputy commissioner rank deployed at the ICD," Rajiv Kumar, Chief Operating Officer told MG.

Being the lone ICD of Odisha has rendered another advantage of being the only area connected by EDI other than the Paradip Port Trust. The ICD gets its revenue in the form of handling and storage charges. Kumar said his facility plans to offer incentives in terms of volumes and rebates to customers to draw them from using the CFS located closer to the Kolkata and Visakhapatnam ports. However, this ICD could face stiff competition in the coming years with other players planning facilities in the state.

"To ensure most customers transact with us, we are tying up with ports- both major and private ports." The company is in talks with a shipping line for the containers to be brought to the Kalinganagar facility from where it can be shipping to rest of India. State owned container rail transporter Container Corporation of India (CONCOR) is scheduled to construct at least two facilities in Odisha in the next few years. Apeejay's ICD too is being in developed in two-three phases where the facility will be expanded gradually to fit the requirement of the trade.

Apeejay Infra-Logistics Private Limited, in partnership with Eredene operates another CFS in Kolkata, the Haldia Logistics Park in Haldia, West Bengal. The Apeejay Infra logistics park in Haldia operates on a 90-acre site close to the port of Haldia, a petrochemical hub at the mouth of the Hooghly River and the major gateway to Kolkata. It has a bonded warehouse of 54,000 square feet, three domestic warehouses totalling 86,000 square feet and a container yard of 300,000 square feet, and customers include shipping lines MSC, CMA-CGM, Tata NYK, Hanjin and Maersk, and industry leaders such as Hindustan Unilever and Tata Steel. In addition, the company also undertakes project cargo management and warehouse management activities.

Speaking of the company's plans for the next few years the chief executive said, "We would also look to put up ICDs in the eastern coastal region up to Chennai." The company also hopes to tap some marine products and a reefer facility would shortly come up at the facility. mg

‘We aim to become a $1-billion company by 2015’

Adarsh Hegde
Executive Director,
Allcargo Logistics

Integrated logistics major Allcargo Logistics Limited, part of the Avvashya Group, is on a growth path expanding its presence across verticals and seeing both organic and inorganic growth. Having presence in more than 80 countries across the globe, the Group has set a goal to become a $1-billion company by the year 2015. In an interview with Maritime Gateway, **Adarsh Hegde**, Executive Director of Allcargo Logistics, shares the company’s strategies to achieve its target in a year’s time.

Q How was the last financial year for you and what are your projections for the financial year 2014-15?

A The year 2013-14 was not a great year for us. For the first time in our operational history, we saw a de-growth. However, our situation was not as bad as the rest of the industry looked like, we managed to survive. On the overall perspective, we managed to bring down gap due to our acquisition that happened last year and on a standalone perspective, we saw a de-growth in India.

But now, situation is changing; companies are recovering and a good vibe has already come in. It’s not because of the change in government. But in the last 2-3 months, a lot of projects have started reviving, a few projects that were on standstill are now materialising and equipment utilisation is also increasing to 95 per cent from the earlier 55-60 per cent. With orders at hand, we are hopeful to get back on track in the next two months. Along with the market, things have changed for us as well. Almost 90 per cent of our recovery has been done. Finances have started coming in.

Compared with other competitors, our volumes have grown but the numbers

have crunched. Our port volumes have squeezed down, share has shrunk and the number of competitors has gone up. Some of our projects in Hyderabad, Nagpur and Bangalore didn't take off. We have huge land banks of around 200 acres. We had put a stall on those as the markets didn't perform well.

We have two CFSs in Jawaharlal Nehru Port Trust (JNPT). Both CFSs put together, we have around 60 per cent of capacity there. The new one which has come is a 43-acre property and the existing one is a 25-acre property.

We tend to retain the number one position in Chennai, number 1-2 position in Mundra. The bottoms are getting eroded. That is going to be a challenge. We have done a lot of operational excellence that we had implemented in the year when the markets were down, which have paid off. We launched Samrudhi and Crosscell; these projects paid off and we have saved a lot of money. It also helped the organisation to stay afloat.

Currently, a gap exists in our asset utilisation. In terms of our investment in 2014-15, we are focusing on complete utilisation of our assets in equipment business, CFS & ICDs and land banks for the next one year.

The excellences managed the operational cost. In the year 2014-15, new products are going to come in, we want to launch an integrated logistics. We have CFS, freight forwarding business and our own transport and crane equipment. We have set a concept of "From factory to foundation". This concept has been very successful.

Q Avvashya Group has presence across verticals as part of its business strategy to become an integrated logistics player. Going forward, which verticals you will be focusing more for growth?

A Allcargo operates across several verticals including equipment division, project and engineering, CFS, coastal shipping, 3PL warehousing, etc. Currently, around 70 per cent of our revenues are coming from international consolidation and rest from our Indian business. Of the 30 per cent, project and engineering and CFS business contributes majorly. The share has changed over the period. Earlier, our international business was small and Indian business was bigger. But now, with the inorganic growth that had happened internationally, that has taken a larger chunk of the business and India has become smaller. Going forward, our focus will be on the consolidation business as we are now world's number one consolidators in terms of revenue.

Secondly, we have set a goal to become a $1-billion company by 2015. We are almost close to it, but the challenge will be to retain the number one position. We have invested a lot on technology and want to be a quality based company – now we are the only CFS in the country which is ISO certified, first company to go for RFID, etc. We are going to integrate all the businesses where a customer has to cherry pick which product he wants to use.

Q You have been acquiring companies across regions and verticals. Usually, the major challenge in any acquisition remains the cultural clash, integrating into the company's business philosophy, business strategy, etc. How it has worked for you so far?

A Honestly speaking, initially we thought it would be a major challenge. Our Group Chairman got involved in it and took charge. When we acquired United States-based Econocaribe Consolidators Inc, we were already their agent. So there was already a connection. We knew the company a decade before which helped us in building the momentum. We had few challenges initially, but we were able to bridge the challenges. It was a smooth transition for us.

Q You run in two business models – you acquire a company, integrate it into your business and develop core competencies, secondly you have different companies across value chain and all grow in respective verticals. In the long term, what will be your growth strategy? Are you looking at any acquisitions?

A At Allcargo, there is an organic growth happening and at the same time we are also going for acquisitions under respective verticals. Generally it works like when the business is small, the growth percentage remains high. But when you reach at a certain level, then the growth percentage comes down to only 15-20 per cent. You cannot have a market share beyond an 'X' number as it will lead to monopoly. In this scenario, our strategy has been to acquire and take the inorganic growth route.

Coming to our Indian business, we were among the top four companies in projects business. We acquired the No.1 and No.2 companies and jumped to the No.1 position. For us as a Group, we cannot stay afloat as small units with less than ₹2 crore revenue, and we need to have good products under each verticals or else it will be difficult to run the business.

Going forward, we will take both organic as well as inorganic route for growth. We will scout for opportunities, evaluate and if it will fit into our business strategy we will acquire.

Q Do you have any plans to acquire Indian companies as well?

A The above said strategy applies here as well. If the Indian company will make sense to us, we will acquire.

Q The Avvashya Group or Allcargo Logistics is widely known as an integrated logistics player. How do you tell your clients/customers about your diverse services?

A We have built expertise in every vertical and we have aligned Avvashya Group for brand building. Allcargo brand has been serving international markets for 25 years. In India, if you say Ecu Line, nobody will know that it is part of Allcargo. So, we needed a brand to create the brand proposition and approach the customers. As we expanded inorganically, there was a disconnection among our clients and customers. So, we created the parent brand 'Avvashya Group'. We have now presence across more than 80 countries. We want consolidate all our business verticals and align all products. Going forward, Avvashya Group will be known as an integrated logistics player.

We are looking at working with corporate clients. If a corporate is doing ₹100 crore of business and Allcargo is doing only of ₹10 crore. That means we just have 10 per cent of the wallet size of the corporate. Our focus will be to increase the 10 per cent to 15-20 per cent. We have built a team that will go to the market and sell our integrated logistics services.

Q Who are your major clients and which are the key verticals for Avvashya Group?

A Currently, LCL (less-than-container-load) cargo segment is our major vertical and FCL (full container load) is a small segment for us. In LCL alone we have around 14,000 customers and more than 90 per cent of our business comes from LCL consolidation. Shipping liners are our biggest customers in CFS business and power companies, oil and gas companies and infrastructure. EPC contractors are our major clients in project and engineering. But at the same time things have now changed. Now most of the corporate are our customers.

Q Today, increasing logistics cost is a major concern for any logistics company. On top of that, logistics players are also facing stiff competition with growing demand from cost-conscious consumers. How do you cope up with this changing market dynamics?

A It has been a big challenge for us and that is the reason we started having integrated business. Logistics involves a chain of things, and huge cost is involved across the value chain. Over the years, we have built infrastructure. As a country, we should have focused on infrastructure.

Q How has been your growth?

A It is again going to be integrated with our business. For an example, in our first trial with one of major client (name is not disclosed), we brought down their cargo share and 70 per cent of their cargo was shipped and only 30 per cent were moved by air. Second, LCL containers came in so huge quantity, and we were telling that was huge. The inventory was piled up. This is all happened due to the coordination done by us, freighting done by us, we had control over the box, scheduling, etc. Containers came to the ports of Mumbai and Chennai, we made sure the cargo to move in one or two days.

We started doing **15/20** containers, today we are doing about **200** boxes for them per month.

Q You have ventured into coastal shipping. As now the government is showing keen interest in pushing this sector, what's your take on this?

A It was a nightmare for us in the first few months. But over a period, things started falling in place. In the last 4-5 months, we are back on track. India has a huge coastline and the future looks bright. We might look at bringing in more ships and start putting more focus on this vertical. mg

Advantage Adani 100m tonne dream on India's east coast

The acquisition of Dhamra Port brings many benefits for Adani Ports

Adani Ports has acquired an interest in Dhamra Port, situated between the major ports of Haldia and Paradip. Its deep-water container terminal, if developed, will be a major threat to nearby Kolkata and Visakhapatnam.

Adani Ports and Special Economic Zone recently announced the much-anticipated acquisition of Dhamra Port Company Limited (DPCL), a joint and equal ownership by Larsen and Toubro and Tata Steel. DPCL is a concessionaire at Dhamra Port (in the state of Odisha on the east coast of India) and has been entrusted with the responsibility of building and operating a multi-user, multi-cargo port. DPCL holds a 34-year concession which can be renewed for two additional 10-year periods. The 100 per cent stake was acquired by Adani Ports for an enterprise value of ₹55 billion ($928 million), which implies an EV/EBITDA multiple of 14.1x for FY14 EBITDA of ₹3.91 billion ($66 million). DPCL had ₹34 billion ($574m) of debt on its books for the year ending March 2014. Adani Port reportedly had been awaiting environmental clearances (received early this year) for Phase 2 expansion at the port and has also been serving as management consultants to the port. Dhamra Port handled 14.3 million tonnes of bulk cargo in the year ending March 2014, ~70 per cent of which included coal imports.

Phase 2 of the Dhamra Port project is targeting an additional capacity of 75 mtpa over the current capacity of 25 mtpa. Presently the port has one berth of 12 mtpa import handling capacity and one berth of 13 mtpa export/coastal movement capacity. From the current two berths, the port could expand to 15 berths after the completion of Phase 2. In its press release on the acquisition, Adani Ports mentioned that second phase development will be initiated within 90 days, with a completion targeted of 30 months. However not all capacity/berths will come on stream by end of the targeted 30 months; capacity will be added as and when required.

The acquisition of Dhamra Port brings many benefits for Adani Ports, such as:

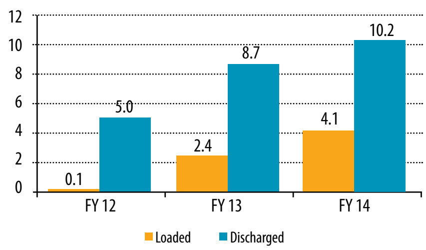
Proposed ultimate handling capabilities at Dhamra Port

Cargo type	Number of berths	Existing berths	Cargo handling
Dry bulk	6	2 (phase 1)	Coal, limestone, iron ore and others
LNG/Crude	2	0	Crude and LNG
Container	2	0	Containerised cargo
Multi purpose	4	0	Steel products, fertilizer, edible oil and other general cargo
Transloading	1	0	
Total	**15**	**2**	

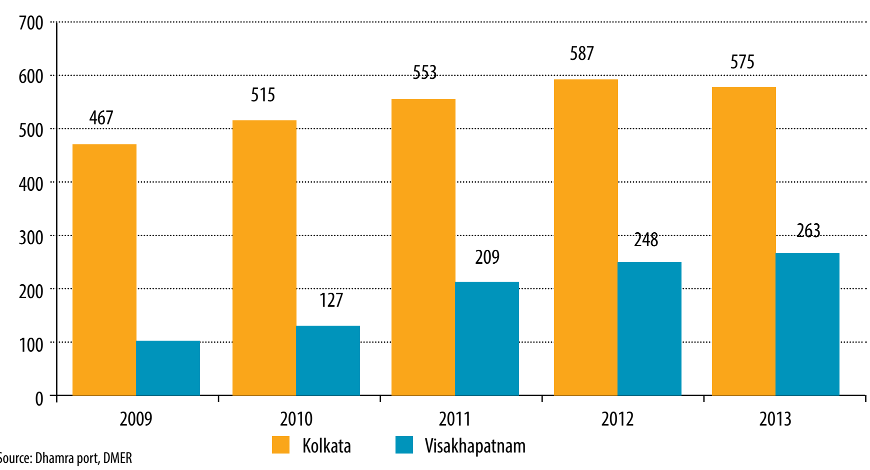
1) Dhamra Port gives Adani a scalable 100 mtpa facility on the east coast of India, which, along with 101m tonnes handled at Mundra in FY14, will further strengthen its existing position in the Indian port sector;
2) Dhamra Port has sea-side infrastructure and rail connectivity already in place along with the environment clearance for the second phase, however it needs to improve road connectivity;
3) The port can handle capesize vessels;
4) The acquisition could enable Adani Enterprises to route greater amount of coal imports for SAIL to Dhamra Port from their current discharge at competing ports once the required capacity at Dhamra Port is in place;
5) Last, but perhaps the most important, is the ports' proximity to the mineral belt of Jharkhand, Odisha and Chhattisgarh, along with proximity to end consumers. The port saw increased loaded volumes of 4.08m tonnes in FY14 compared with 2.35m tonnes in FY13, possibly suggesting increased coastal movement.

In terms of container handling facilities, the proposed development pipeline has a provision for two container berths. It is worth noting that, in the past, APM Terminals was reportedly interested in taking a stake in Dhamra Port to develop a 500,000 teu (which could be expanded) container facility. Figure 2 highlights the market share of upper east coast ports in total container volumes handled at Indian ports. Figure 3 highlights the container volumes handled by Kolkata and Visakhapatnam ports which would be the key competitors to any container facility developments at Dhamra. In addition a new multipurpose facility is under plans at Paradip, which can add to the competition.

Volumes handled at Dhamra Port in the past (m tonnes)



Container handling by competing ports ('000 teu)



Source: Dhamra port, DMER

It is worth noting that Adani Ports' east coast entry actually happened late last year when the company announced that it had completed the construction of the steam coal import terminal at the Visakhapatnam Port, eight months ahead of schedule. The company had entered a concession agreement with Visakhapatnam Port Trust (VPT) in March 2011 to redevelop and operate the facility. According to the company, the redeveloped terminal can handle ~6.5m tonnes, and it is expected to handle ~3m tonnes in FY15. The company's existing port assets (prior to Vizag and Dhamra), which include Mundra Port, Hazira and Dahej, were all located on the west coast of India.

Adani Port's stock has surged 45 per cent since at the beginning of the year. The strong performance has partly resulted from the recent bull run in the Indian markets along with positive news flow from the company. In March, the company announced that it had met the targeted handling of more than 100m tonnes of cargo in FY14, while in mid-May it announced the acquisition of Dhamra Port. mg

Source: Drewry

A close look at what determines the success of ports in India will reveal that sea ports boasting of good rail-road connectivity from their hinterland to consumption centres have outperformed their peers. While ports have invested sizeable amounts in laying roads, few ports have focused on strengthening rail connectivity from their ports to the arterial routes.

Port rail connectivity is strategic to a port's efficiency both in terms of cost and minimising the impact of pollution on the environment. A railway line connecting the port also helps in expanding the hinterland, thereby, allowing the port to own and offer new value added freight and services.

Not all ports premises in India vaunt windings sidings much beyond their bounds in to the hinterland. Some private ports such as Krishnapatnam and Adani's Mundra have invested huge sums in improving their competitiveness by moving transport by rail and expanding their cargo production centres geographically.

Take for instance Krishnapatnam's port railway system. It has railway sidings inside the port leading to most warehouses thus resolving problems of cargo accumulating in the yard area. Its sidings inside the port are aimed at reducing time in loading and unloading cargo and the rail infrastructure outside the port is aimed at carrying cargo to customers.

For this purpose, the Krishnapatnam Port, in partnership with Indian Railways, established Krishnapatnam Rail Company Limited, an SPV for construction of the railway line linking the port and Indian Railways system. KRCL was given the concession on BOT basis by Indian Railways to construct and operate 113 km railway line connecting Krishnapatnam Port with Obulavaripalle station (near Kadapa) on Chennai-Mumbai route.

The stakeholders in KRCL are Indian Railways through RVNL, Krishnapatnam Port, Government of Andhra Pradesh NMDC, and Bramhani Steels. RVNL holds 30 per cent, the port 30 per cent, state government 13 per cent and rest is held by state owned National Mineral Development Corporation.

Port Railway System: Lifeline to hinterland

Krishnapatnam Port was conceptualised with the Port Railway System as its backbone and mainstay. With the country expected to increase its import of coal and fertilizers, the Port envisaged a two-pronged approach for rail transport of import/export cargo to build a comprehensive railway system in the port and providing the rail connectivity between Krishnapatnam Port and Indian Railways.

Deepika Amirapu

The project was envisioned in 2008 and completed in 2009. As Phase I of the project, Krishnapatnam Port to Venkatachalam Rd Jn line (21km) was commissioned in July 2009. Doubling of this section was completed in February 2014. Phase II of the project connecting Venkatachalam Rd. Jn with Obulavaripalle (92 km) is under construction. The work pertaining to substructure and bridges is in progress in different stretches. This line involves two tunnels, totalling 8.2 km for which preliminary work has been taken up. Out of 1,866 acres of land required, 1,283 acres have already been acquired and acquisition of remaining land is in different stages of progress. This line which is targeted for completion by June 2016 will reduce the distance between Krishnapatnam Port and major customers' terminals by about 70 km. The existing congested route via Gudur and Renigunta can be avoided and thereby reducing running time for goods trains by 2 hours each way.

Coal, iron ore, fertilisers and food grains are usually imported and exported from the port. In its first year of operations the company earned a revenue of ₹49 crore and now, after years, the earnings have escalated to ₹1,200 crore, most of the revenue comes from transporting bulk cargo. The company attributes this to the laying of cargo specific and company specific sidings.

"We have separate rakes for fertilizer rakes and coal. As volumes pick up,

Year	No. of Rakes loaded/ unloaded	Cargo carried (million tonnes)	Railway Freight paid (₹crore)
2009-10	1534	5.0	194
2010-11	2273	7.66	459
2011-12	3114	10.45	668
2012-13	3845	13.4	1049
2013-14	3990	14.4	1135

> "Each day there are close to 15 trains that ply in and out of the port. We intend to increase this to more than 20 in the coming year."

Anil Yendluri
CEO, Krishnapatnam Port Company Limited

we will also undertake movement of container cargo," Yendluri said. Each rake of fertlisers can currently transport 2,600 tonnes of cargo, while about 4,000 tonnes of coal can be moved out to power plants from the ports. The line currenly brings cargo from Andhra Pradesh, Karnataka, Maharashtra, Telangana and some parts of Chhattisgarh. Some of its notable customers are Jindal Steel, Zuari Cements, AP Genco, Maha Genco and the state owned power generating units of the two states. Division of work is meticulous and planned at the port. While commodities get bagged at the port and loading and unloading is taken care at the yard, the railways take care of transporting cargo to the destination.

The traffic potential for cargo moved out of the port using the railway line connecting to the South Central Railway is projected breach 14 million tonnes by 2016. The Vijayawada division of the South Central Railway earns ₹2,933 crore annually, of which ₹2,294 comes from freight. The Krishnapatnam Port is the second largest contributor to SCR's revenue after Singareni Collieries. The railway siding inside the port help in faster evacuation of cargo, thereby, reducing costs for the customer.

In the current financial year Krishnapatnam Port expects to handle 21 million tonnes of cargo by rail which will be an increase of about 45 per cent over previous year's achievement. The revenue generated for Indian Railways in current financial year will be in the range of about ₹1,500 crores. In the year 2013-14 Krishnapatnam Port Railway's contribution to the traffic originating in Vijayawada Railway Division was 48 per cent and for South Central Railway, the contribution was 11 per cent. Krishnapatnam Port had achieved the distinction of being the single largest customer for South Central Railway.

The Port Railway System is equipped to handle a wide variety of cargo that includes coal, fertilisers, granite, barytes, clinker, gypsum, wheat, maize, rice, vegetable oil, containers etc. Plans are afoot for handling liquefied natural gas and edible oil in bulk by rail. Exclusive sidings have been provided for each type of cargo to avoid contamination.

> The port railway system is expecting to handle **35** million tonnes of cargo in 2015-16 and **41** million tonnes of cargo in 2016-17.

This quantum increase in cargo volumes calls for scaling up operational efficiencies. For this purpose, the port is augmenting its loading/ unloading, capacity by constructing three more coal loading lines, construction of wagon loading stations and installation of mechanised system for bagged cargo. Line capacity of the railway system is also being augmented by doubling of track and construction of a bulb line which provides uni-directional flow of traffic. mg

The logistics infrastructure conundrum

Come 2020, India is set to secure its place among the top five automobile exporters in the world. This means more action at the sea side of the eastern and western ghats. Currently only four ports in India are engaged in exporting two and four wheelers. The article examines the potential and constraints of the logistics infrastructure that is restricting movement of vehicle exports outside India.

The Indian automotive market has witnessed a significant growth over the last few years. Increasingly automotive OEMs view India as not just a market with significant domestic demand but also as a place for setting up their global supply hubs. As can be seen in the graph below exports are increasing at a growth rate of 18.8 per cent. Export movement from India is basically from four ports- Mumbai, Mundra in west and Chennai, Ennore in south. Split of automobile exports from the major ports is given in the figure below

Modal share in automobile logistics

In terms of modal share, more than 95 per cent of India's outbound automotives logistics is road based, unlike USA or EU where railways and inland water ways play a key role in automobile movement. Even though automobile transportation via road over long distances has inherent problems like traffic congestion, high cost and time uncertainty, railway mode of transport has a negligible market share in India.

Lack of required wagons and proper car parking terminals adjacent to rail sidings, no transit time commitment by the Indian Railways etc. are some of the major reasons due to which automobile manufacturers do not rely on rail mode for automobile transportation. Currently only Maruti uses rail for transporting cars from NCR region to Mundra Port for export. Rest of the manufacturers still use road for transporting automobiles to ports and face long queuing at the port gates besides the inherent problem of having to monitor hundreds of trucks which carry the automobiles to the port.

Issues to be addressed

Logistics supply chain from exports perspective needs to be not only cost competitive but also more flexible & responsive to market variables. Such flexibility can be possible only if efficient alternatives of inland transport modes and sea side port evacuation are available. The current state of logistics infrastructure has challenges on both these aspects

1. Low modal share of rail and hence lack of alternative options for OEM

2. Adequate port infrastructure and proper last mile connectivity to ensure infrastructure keeps pace with expected export plans of OEM's

The low rail modal share: Policy initiative by Indian Railways

The Ministry of Railways, in 2013, came out with an Automobile Freight Train Operator (AFTO) policy that provides a 20-year concession period to AFTO, to own and operate specialised wagons for automobile transportation. The new AFTO policy allows introduction of higher capacity and advanced BCACBM wagons. These wagons, in contrast to wagons that were used earlier (NMG and BCACM), can carry all kinds of automobiles. The wagon can accommodate up to 11 to 12 cars (as compared to 6 cars in the BCACM wagon). Each rake will be composed of minimum 27 wagons, thus the maximum number of cars that can be transported in one rake is about 318.

While this is a good initiative by the Indian railways, two factors will play an important role. First would be a visibility to the railway tariff profile for the period of the concession period, i.e. 20 years. At present railways tariffs are changed as and when deemed necessary by the Ministry. The second key issue that needs to be addressed is provision of proper infrastructure at loading/ unloading terminals. At present there is a lack of proper parking space near the railway sidings that handle automobile movement.

Port & last mile infrastructure

In order to secure the supply chain, many OEM's have entered into long term agreements with ports. Maruti has a 25 year contract with the Mundra port for export of its vehicles. Ford has recently signed a 10-year contract with Ennore Port, while Hyundai has a contract with Chennai port.

RoRo infrastructure would need to be developed in tandem with increasing capacities especially in new clusters like Sanand-Halol where many OEMs have significant green field expansion plans.

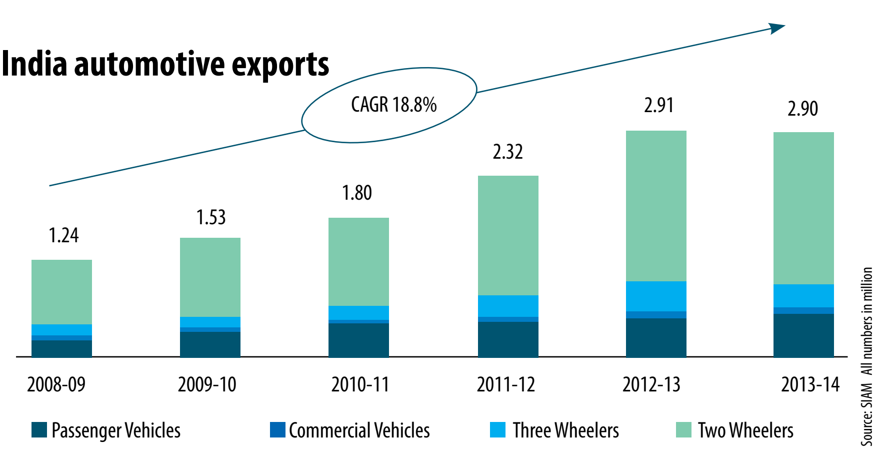
Moreover, current road network and traffic congestion issues in accessing key ports like Chennai, Mumbai would need to be addressed in order to ensure timely turn around time for outbound logistics.

BCACBM Wagon

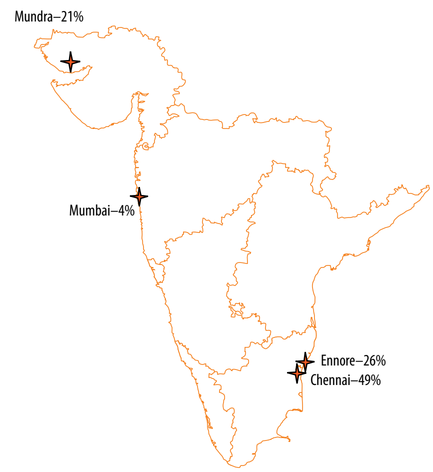
Source: APL Vascor Rail Transport for Finished Vehicles: Bringing the Vision to Reality

> The wagon can accommodate up to 11 to 12 cars. Each rake will be composed of minimum 27 wagons, thus the maximum number of cars that can be transported in one rake is about 318.

India automotive exports



Export split across key RoRo terminals in India



Conclusion

While aspects like growing technology capabilities, localized availability of auto components supply chain, large pool of skilled manpower are some inherent advantages that India offers, challenges in logistics infrastructure pose significant problems to automobile manufacturers. Logistics infrastructure development needs to keep pace with the expected high growth trajectory of automotive production catering to both the domestic and export markets. Logistics cost in India are typically 30-40 per cent higher than countries like China, USA etc. A key reason for the high costs is the lack of the right infrastructure and policy initiatives like the AFTO policy are steps in the right direction. mg

With inputs of Rajaji Meshram, Associate Director - Capital Projects and Infrastructure, PwC India and

Dhruv Gadh, Manager - Capital Projects and Infrastructure, PwC India

Balmer Lawrie

"Project Logistics will be our major focus area"

Balmer Lawrie has been one of India's oldest conglomerates operating in the manufacturing and service sectors. It is known for its specialisation in handling aerospace refinery & oilfield equipment and handling high value time sensitive cargo. In his first interview with Maritime Gateway's **Deepika Amirapu**, the Chairman and Managing Director of Balmer Lawrie, **Viren Sinha** speaks of his plans for the company.

Q Could you detail the expansion plans of your warehousing and distribution facilities undertaken in the country and overseas?

A The logistics sector in India has evolved over the past two decades. It has witnessed a double digit y-o-y growth rate since 2002 and this is expected to be more than ~$120 billion by 2015. Therefore, in tandem with this growth, as far as our Logistics Infrastructure business is concerned, we will continue to focus and invest only in India over the next 3-5 years as it has tremendous potential and opportunities for growth. As part of the immediate expansion plans, we are foraying into the areas of Cold Chain Logistics and Multi Modal Logistics Hub (MMLH).

Two of our multi product Temperature Controlled Warehouses (TCW), one in Hyderabad and the other in NCR, are expected to be operational by early next fiscal followed by more TCWs in other parts of the country which will primarily cater to Quick Service Retail (QSR), Multi Retail (MR), Pharma and F&V segments of the market. We are also setting up a first of its kind MMLH at Visakhapatnam in association with Visakhapatnam Port Trust (VPT) on an area of approximately 55 acres of land provided by VPT. First phase of this project is expected to be completed by mid of 2015.

Q Are you open to venturing into partnering with logistics companies and improving your international footprint?

A Yes for sure! This is extremely critical for our Logistics Services business, especially for the segments such as domestic & international freight forwarding, freight consolidation etc. We already have a number of strategic alliances on board in countries such as UK, France, Germany etc. Moving forward as we aim at securing a double digit YoY growth in our logistics business, we will continue to expand and strengthen our network across the globe through the right kind of strategic alliances with reliable associates and partners, having high level of service capabilities and brand value in their respective geographies that they operate.

Viren Sinha
Chairman & Managing Director, Balmer Lawrie & Co. Ltd.

Q What initiative has been taken to further project logistics as a service offering to your customers?

A As part of the ambitious growth plan for Logistics Services business, we have identified Project Logistics as one of the major focus areas. We have the requisite expertise to provide total solutions to our customers for handling and managing complex, high-value, heavy-lift and over-dimensional project cargo by customising the services as per customers' requirements. We are currently catering to some major customers such as BHEL, ONGC, and PSU Refineries for their end to end project logistics requirements. Moving forward we are planning to increase our focus in sectors such as Chemicals, Petroleum Products and Power. We shall continue to build and strengthen our capabilities to deliver end to end solutions which will include first and last mile connectivity right from picking the cargo, its movement and ultimate delivery to the consignee using multimodal transportation.

Q What kind of new cargo would you look at transporting in the coming year?

A Some of the new areas that are identified for cargo transportation are automotive, pharma, engineering, goods, granites and agri products.

Q The market is abuzz with third party and fourth party logistics. How prepared is your company is to take on this challenge?

A As we are present both in Logistics Services and Infrastructure segments, we have the wherewithal to offer 3PL and 4PL services. We have already started providing 3PL services to select customers and we are in advance stages of discussion with some of the potential customers to handle their entire logistics requirements.

To bring in the right kind of focus required to grow our logistics business in the areas of third and fourth party logistics, project cargo, Air and Sea Import and Export Consolidation, we have recently reorganised ourselves and put together vertical based teams to focus in these high growth areas.

Q What percentage of growth do you envisage for your company in the coming years and would you look at consolidation as an option to grow?

A We have been witnessing YoY double digit growth in our logistics business for last several years. Moving forward we intend to grow at 10 to 12 per cent CAGR over the next five years. With stiff competitive environment, pressure on price etc., it is not going to be an easy task but we are confident that with our strong team of professionals, long experience, satisfied customer base, right kind of investment and expansion plans that are in place, we can keep growing at a pace higher than most of our peers. Consolidation/inorganic growth are options that we are not ruling out at this point in time.

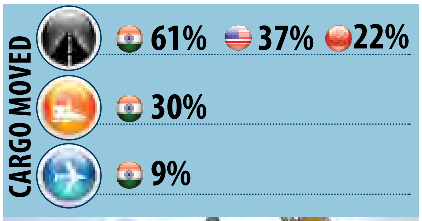
Q Could you care to explain the focus areas for your logistics infrastructure and logistics services business?

A We have been operating in the logistics industry for a long time and have witnessed the gradual change in customer requirements from pure transportation or warehousing functional services to more value added offerings like customs clearance, domestic and international freight forwarding, cross-docking, reverse logistics, freight consolidation, warehousing of modern standards etc. Also, Customers are now increasingly demanding very high level of reliability, service quality and cost effective solutions. In my view, now with online retail gaining further ground, the single window service concept in the logistics industry is going to gain further momentum. Therefore, moving forward, we will be focusing on integrating our infrastructure and services capabilities and further strengthening them to offer end to end integrated solutions to our customers. With respect to Logistics Infrastructure, we are already in the process of setting up an MMLH at Vizag and TCWs in different parts of India. With GST likely to come in soon, we are also actively considering creation of Warehouse space in many cities in India to improve our storage and distribution capabilities. As far as Logistics Services is concerned, we will be focusing in the areas of third party logistics, Air & Sea import export and Project Logistics. Like in the past, we will continue to invest in required Information Technology for our logistics businesses to further improve our service, reliability and cost effectiveness.

Q India's freight transport is expected to triple in the next five years and the current logistics infrastructure is insufficient to handle the growth in volume. How can India gear up to meet the challenge?

A Despite holding promise, the logistics sector in India remains mired in several complexities which hold it back. These include significant inefficiencies in transportation, poor condition of storage infrastructure, a complex tax structure, low rate of technology adoption and poor skills of the logistics professionals.

In India, roadways have become the predominant mode of transportation of freight cargo. The rail networks are oversaturated, rail freight tariffs are high, transit times are long and uncertain, rail terminal quality is poor, less flexibility in carrying different types of products, and railway carriage is not easy for industries which cannot provide full train loads. The private rail operators who came in with huge investments now find themselves struggling to survive. Even the road network coverage focus challenges of poor road quality, expressway road network taking time to develop and multiple check points increasing the turnaround time. The port sector also suffers from high turnaround times, inadequate depth at ports and the coastal shipping has not yet taken off.



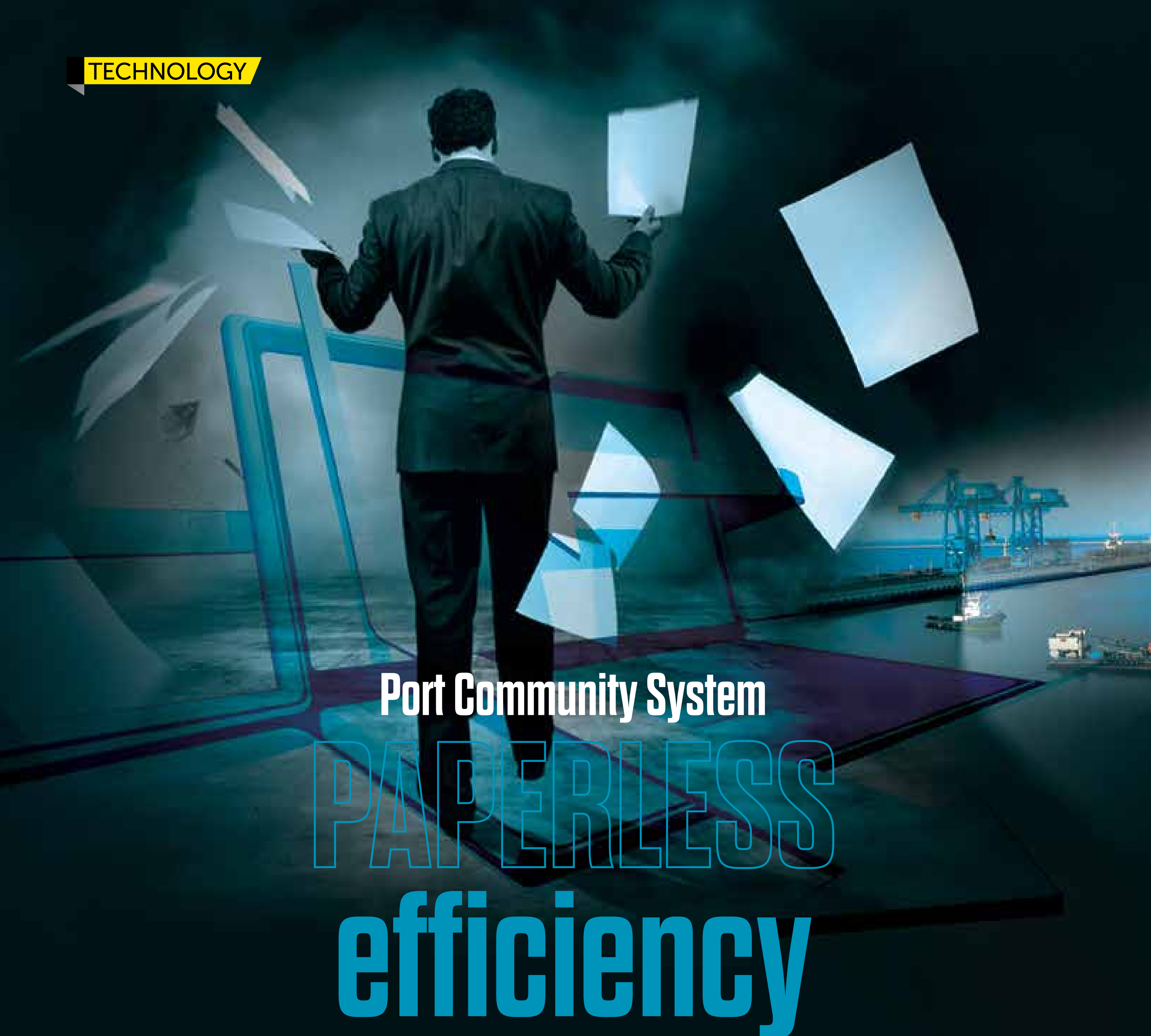
Therefore the cost of logistics in India is significantly high compared to other developed nations. The new Government is talking about increasing the speed in delivery through rail mode and simultaneously improving the road connectivity and conditions. Coastal shipping will have to be become a reality. Only if these modes become a part of the "growing freight volume", can India meet the growth targets set for the next five years.

Q India's cost of moving cargo from one destination to another is among the highest in the world. What in your opinion can be done to lower cargo costs?

A Poor condition of roads cause delays in delivery and increases the turnaround time. Non availability of return load also impacts the overall efficiency of operation. This is primarily due to isolated pockets of growth witnessed in India. For the movement costs to become competitive and in sync with global trends, it is important that India addresses the need to have inclusive and widespread growth across regions that will help in reducing the demand-supply gap of vehicles for movement. The faster the delivery, the lower the operating costs. Here India has quite some catching up to do.

Q How do you think the NVOCC division adjusted to the economic scenario of low freight rates? How do you see this business play a larger role in the Full Container Load (FCL) market?

A At the moment we do not have a NVOCC division but I firmly believe that this business along with FCL will continue to grow. mg



Port Community System
PAPERLESS efficiency

With the implementation of PCS, Indian Ports are expected to transform from antiquated hubs to modern ports by bringing in a paperless regime and improving productivity and communication.

Sreekala G

Indian economy, the fourth largest in the world, in terms of purchasing power, is going to touch new heights in coming years. According to Goldman Sachs, a global investment bank, India would be the third largest economy of the world by 2035, just after US and China.

In this growth economic matrix, seaports play a vital role. And, to become globally competitive, due importance needs to be given for development of infrastructure in general and port sector in particular as around 95 per cent of India's foreign trade by volume and around 70 per cent by value move through sea.

To maintain the competitiveness of the Indian exporters in the global market, the Central Government is taking a number of trade facilitation initiatives. As part of this effort, thrust is given on electronic data interchange (EDI).

Considering that many companies have significantly changed the way they do business by implementing enterprise resource planning (ERP) and supply chain management (SCM)) models and expect others in the supply chain to match their speed and accuracy, EDI can play a major role in enabling inter organisational exchange of data and to meet the higher demands on the entire supply chain to maintain competitiveness in the global market.

Customer demand

Leading carriers, consolidators, freight forwarders, and agents around the globe are beginning to introduce electronic commerce to serve their customers better. These companies recognise that global visibility is critical to customers and to the success of their supply chain logistics.

All these changes require the links in the supply chain to provide on line information, facility for instant booking of facilities, faster booking confirmations, frequent updates on status, alerts on delays and facility for quick and secure way of making payment.

In order to develop themselves as logistics platforms, ports have to simultaneously work in several directions, by also taking into account the requirements of senders and receivers of goods as they become their partners in addition to the traditional ones such shipping companies, terminal operators, forwarding companies, etc. The requirements for sea port companies are increasing gradually; physical accessibility from land and systematic organisation of the information flow are decisive factors for the industry with regards to the choice of a seaport.

Subsequently, the competitive position of a port is not only determined by its internal strengths but it also affected by its given link in the supply chain. As a consequence, risk of ports of losing important customers can derive not only from deficiencies in port infrastructure, terminal

The requirements for sea port companies are increasing gradually; physical accessibility from land and systematic organisation of the information flow are decisive factors for the industry with regards to the choice of a seaport.

operations and inland connections, but also from the customer's service network reorganisation and its entry into new partnership into logistics service providers, which may be using different hub. In other words, port competitiveness is becoming increasingly dependent on external coordination and control of supply chain.

The major ports of India handle large volumes of imports and exports cargo and in the process interact with a large number of the other stakeholders in the maritime transport chain including shipping lines, shipping agents, custom house agents, banks, stevedores, railways and container freight stations.

Though some members of the Indian port community have computerised their internal operations, it is difficult for them to transfer data electronically to all their trading partners. Therefore, exchanging data, getting status updates from trading partners or transacting business with other members of the community take place manually resulting in re-entry of data into their internal systems at the cost of speed and accuracy affecting their service levels to their customers.

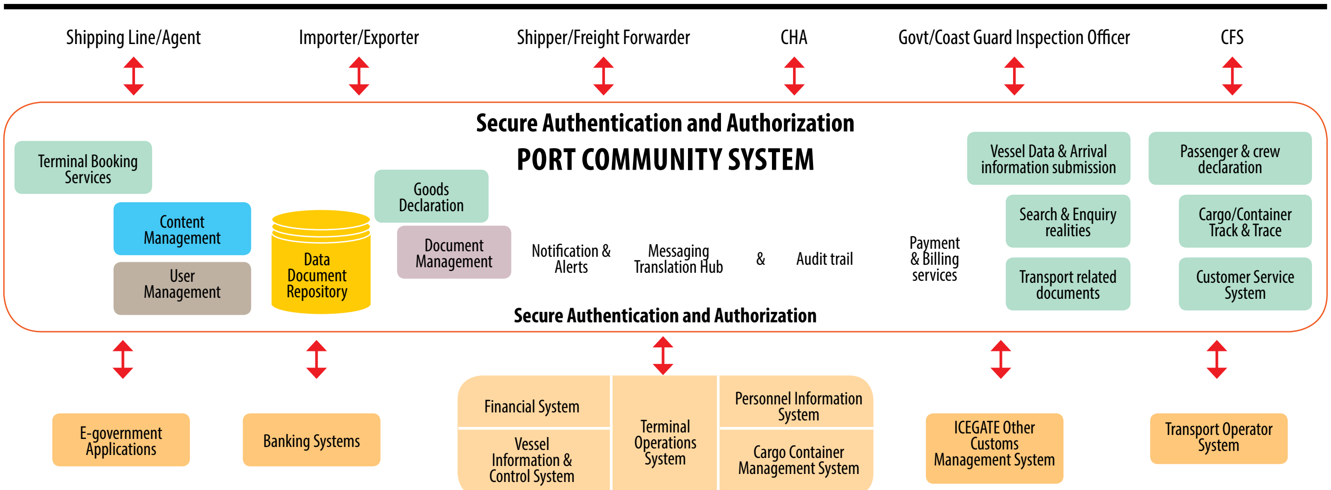
Port Community System

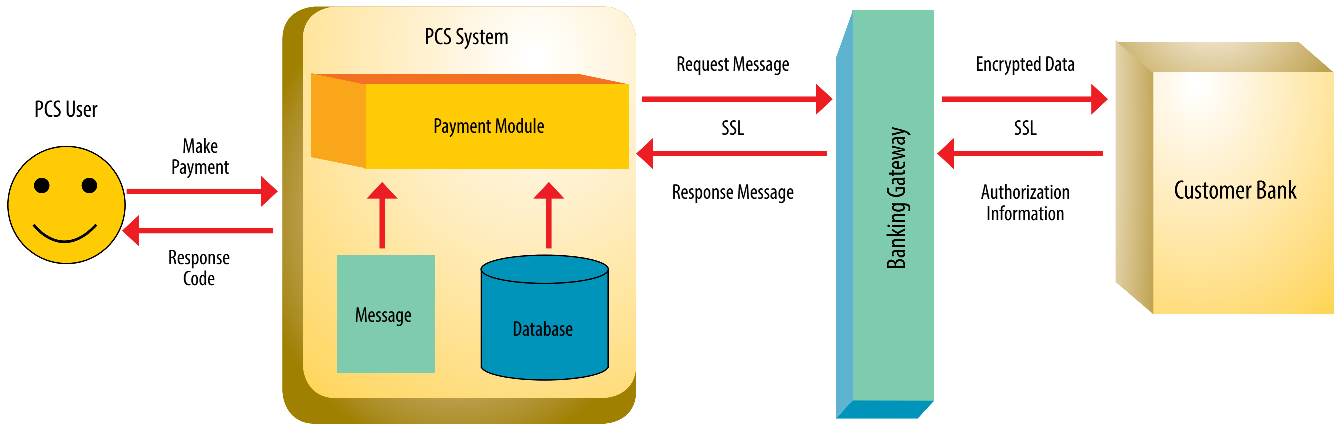
As the dominant players of the community including customs, ports and bank begin to adopt electronic exchange of data and e-commerce practices, other members of the community are forced to comply. They may reach a stage where they may have to maintain links with many agencies for doing their business.

"Hence, integrating port related activities across maritime transport chain electronically into a common Port Community System, which meets the requirements of stakeholders, is current, consistent and easily accessible through the internet is the need of the hour," says an official of Indian Ports Association (IPA).

In order to facilitate this, the project 'Centralized Web Based-Port Community System (PCS)' has been implemented at all major ports including Ennore and six non-major ports namely Mundra, Pirpavav, Dahej and Cuddalore at Chennai, Krishnapatnam and Kakinda. The capital expenditure for the project is about ₹17crores.

"Now it is being extended to others non-major ports of India," says the official.





PCS, an initiative taken up by IPA, as part of the effort by the Ministry of Shipping to integrate the electronic flow of information and function as the centralised hub for Indian ports and other stakeholders is expected to provide global visibility and access to the central database to all its stakeholders through internet based interfaces.

The initiative will help develop a centralised web-based application, which act as single window, for the port community members and stakeholders to exchange messages electronically in secure fashion. "It also helps reduce transaction time and cost in port business and achieve paperless regime in port sector. It will act as an e-commerce portal for the port community and data repository for research and analysis," he says.

Though there exist different IT systems deployed by ports and other port community players, these systems only used to provide limited interfaces to others. The community at large had no single point of information consolidation and retrieval. Shipping goods from one port to another port in India makes it even more difficult for the stakeholders since they had to liaise with multiple systems to do transactions over different ports.

"In general, documentation and processing was still manual without PCS application for most of the stakeholders in the ports community, except few international players. Therefore, exchanging data or information, getting status updates from trading partners or business transaction with other members of the community use to take place manually resulting in re-entry of data into their internal systems and the increase in the dwell time for the vessels visiting the ports," the official explains.

Improving Productivity

With the introduction of PCS, the integration among ports and stakeholders have been standardised and streamlined and flow of messages has becomes seamless, which is a step towards improving Productivity and Communication.

Primary outcome of the PCS is to achieve excellent level of enterprise integration for different players across different ports, thereby increasing the business value for all the players in the Port Community.

PCS provides all the stakeholders, including the business, players and the government agencies, the facility to securely exchange the electronic documents/information with respect to the maritime transport chain in real time through the centralised intelligent electronic exchange components, such as Messaging Hub (for messaging), Transwork (for translation), and Maestro (for business process routing).

All the ports together are exchanging around 10 lakh messages per month through PCS. Around 12,000 e-mail notifications are being sent to users. Users are also receiving SMS on vessel approval and e-payment. "

With the introduction of PCS at Kolkata Port Trust (Kolkata Dock System) for instance, resulted in the elimination of hard copy and there has been savings of 2,69,638 pages which in turn would save 30 trees annually. This is considered an important step towards reduction of carbon footprint and reflects concern for global warming and climate change. The result made customers happy.

PCS provides a comprehensive, easily deployable, highly secure extensible and scalable solution that meets the requirements of the disparate legacy systems and seamlessly integrates them over the ubiquitous internet and wireless technologies orchestrating all the activities in and around the ports and beyond. PCS is also a component of Maritime Domain Awareness (MDA) and will be integrated into National MDA Centre (NMDAC).

With PCS, e-payment module with 14 Banks has already been implemented. "We are including more banks. These are mostly nationalised banks within the vicinity of ports," Ultimate aim and goal of the project is to achieve paperless regime, reduce transaction cost and bring Indian ports as world-class e-ports," says the official.

It minimises transaction time and cost to Indian export-import trade. Contribution of PCS to Indian trade, though not quantifiable in exact terms, will definitely herald new chapter in India by way of e-trade. However, it is expected to reduce a transaction cost at ports at least by 15 per cent and empower Indian ports to join the premier league of international technology advanced e-ports.

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Former Secretary, Ministry of Shipping and
Chairman, Kerala Shipping and Inland Navigation Corporation

Capt Deepak Tewari
President,
Container Shipping Lines Association

Mr Anil Devli
COO-Commerical,
Indian Register of Shipping

Mr A Janardhana Rao
Managing Director,
Indian Ports Association

Mr Shantanu Bhadkamkar
Chairman, International Federation of
Custom Brokers Association (IFCBA)

Mr Naresh K Parekh
Managing Director,
Parekh Marine Agencies

Mr Harmohindar Gandhi
Senior Principal Surveyor,
India - Area Office

Mr Sailesh Bhatia
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Mr Umesh C Grover
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Jury members rotate through a three-year service period, which guarantees a diverse and different jury each cycle with new points of view and experiences that reflect the broad expertise of the membership.

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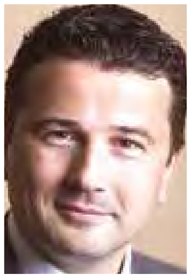
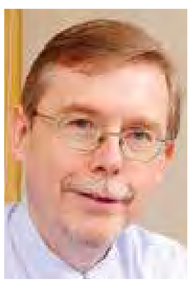
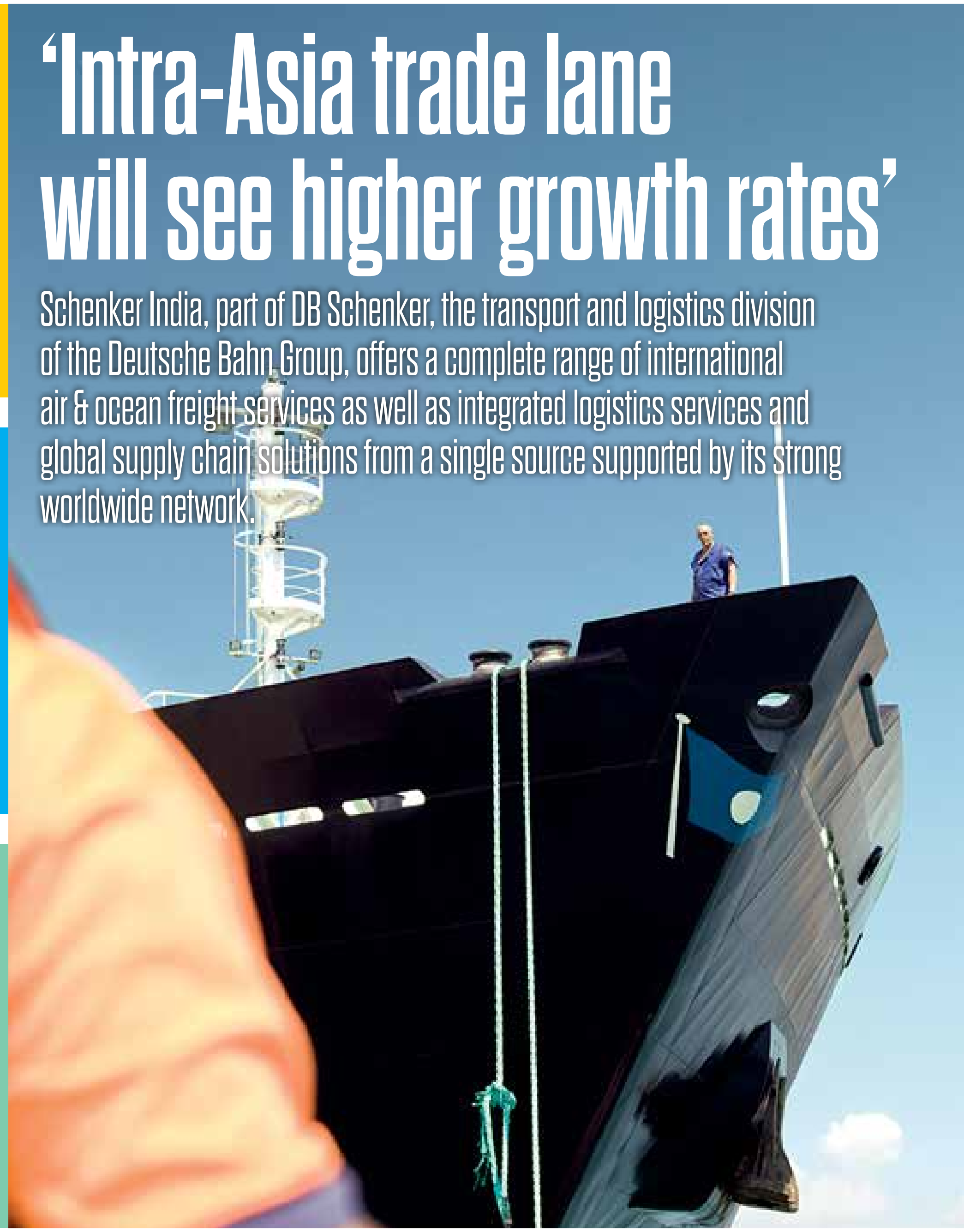


Diederick de Vroet
Senior Vice President,
Global Ocean Frieght
DB Schenker Logistics



Reiner A Allgeier
Managing Director
Schenker India

Shubhendu Das
COO, Schenker India



'Intra-Asia trade lane will see higher growth rates'

Schenker India, part of DB Schenker, the transport and logistics division of the Deutsche Bahn Group, offers a complete range of international air & ocean freight services as well as integrated logistics services and global supply chain solutions from a single source supported by its strong worldwide network.

Q Recently, we have seen some depressing time in global economic scenario where different regions and markets have performed differently. As a leading operator in global ocean freight, how do you assess the current situation?

Diederick de Vroet: From a global perspective, especially, if you consider the Asia Pacific region in terms of growth, 15-20 years back growth levels were healthy.

A recent Bank of America report says the golden age for freight forwarding and logistics are over, where the growth rate was in double digits. The growth rate has come down tremendously during the last decade. Companies and individuals should get used to the low growth rate. At the same time, we should not talk about growth rate in a too depressed way as we are still considering a good growth rate. Going further, we expect the global container market to grow at 3-4 per cent for this year as well as for 2015.

DB Schenker has a 1.4 per cent market share in carrier volume in the global container market. With this low market share, we have a huge market opportunity to grow in the next couple of years. And, we are backed by a global economy which is still growing at 3-4 per cent. I think, still it is a positive outlook, yet the growth rates are still conservative.

Q What challenges you have observed in the ocean freight segment?

Diederick de Vroet: From an ocean Freight perspective, the carriers are looking for cost savings in the slowing-down market. Over the years, the vessels capacity and their size are increasing. Players are going for bigger vessels to reduce cost. According to our estimates, by doubling the vessel size from the 8,000-9,000 teu (previously) to 18,000 teu (today's), a carrier can save around 20-25 per cent of its total operational cost. In the last 3-4 years, carriers have struggled financially to get real benefit from this cost savings. Notwithstanding Maersk Line's $1.5 billion registered profits, the carrier industry has recorded $1.5 billion loss last year. So for a carrier, the dynamics seems to be bigger vessels for cost optimisation. This calculation only works in load factors in certain carriers. This will be one of the biggest challenges for the carriers moving forward.

While from the freight forwarding perspective, the ocean freight has been commoditised and the real challenge is to find different revenue sources.

Q Many carriers have been dynamically changing their routes and reducing port calls in an effort to cut costs in recent times. What kind of pressure does it bring on board for a freight forwarder?

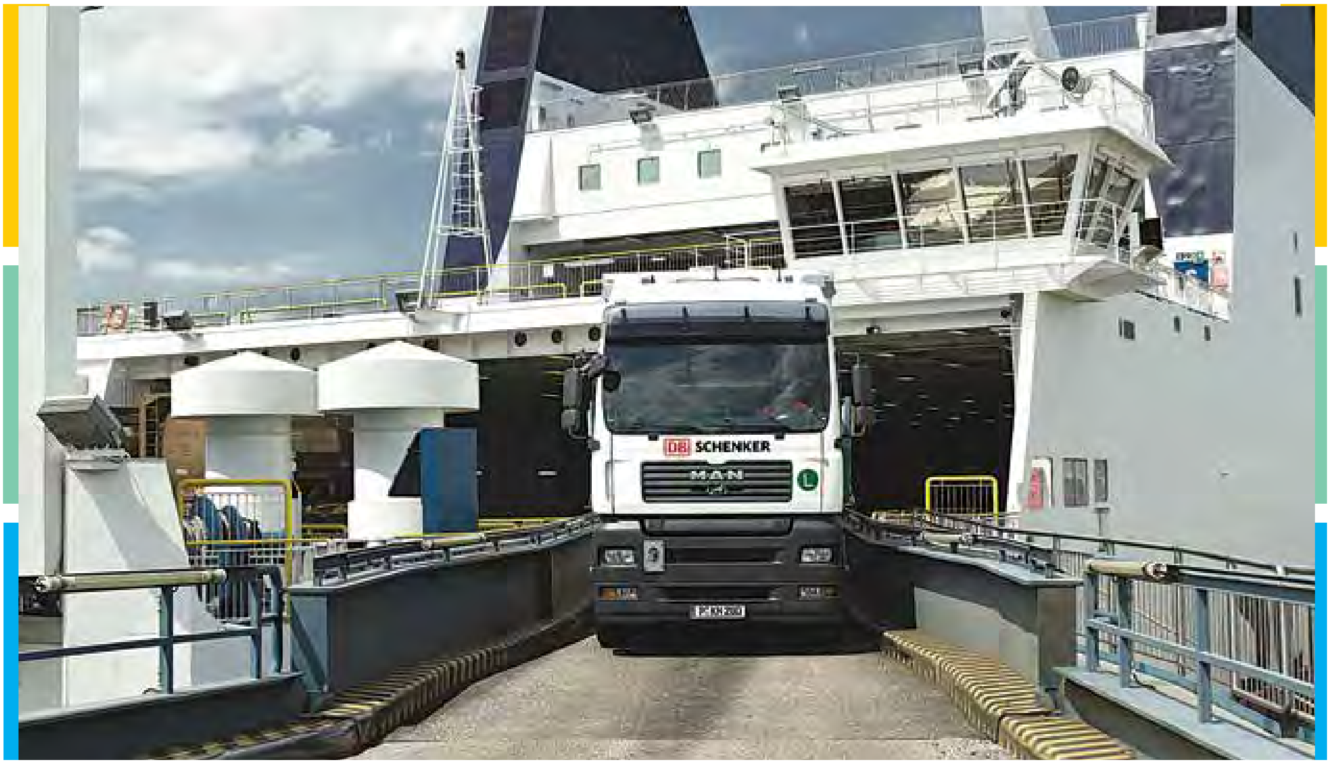
Diederick de Vroet: It puts less pressure on us as freight forwarders and more pressure on supply chains of our customers. So, whenever a carrier integrates new capacity into its service portfolio, you see changes which have effects on the customers supply chain. For us, freight forwarding is an opportunity to deal with these changes on behalf of our customers to find solutions for them. So, it does not have any negative or positive impact for a freight forwarder. However, it has negative impacts on some of our customers that were used to shipping on certain route that were fast, while in the new schedule the carrier might have added the 4-5 days which are not beneficial of customers.

Whenever a carrier integrates new capacity into its service portfolio, you see changes which have effects on the customers supply chain. For us, freight forwarding is an opportunity to deal with these changes on behalf of our customers to find solutions for them.

Q You have mentioned about over-capacity. Does it bring advantages to you in terms of freight negotiation or the consistently falling of freight rates?

Diederick de Vroet: The overall capacity drives the market behavior and volatile development of freight rates. For us, over capacity doesn't help.

Over the last 15 years, we have seen great developments in cycles of five years where the freight rates fluctuate from high to low. The change in freight rates does not happen within the span of five to 10 years, rather happens within 9-12 months' time and that too very aggressively. For instance, in the Asia- to-Europe trade, freight rates change every month or every second month. The problem here is that the GRIs (General



Rate Increases) are not fully accepted by the market, and the predictability whether they get accepted or push through is not very cumbersome. For DB Schenker, which deals with more than 700,000 customers globally, fluctuations of freight rates put a lot of burden. As keeping the rotations updated and provide accurate to all our customers requires a lot of administrative work.

Q The global maritime industry has seen recent developments such as the Panama Canal expansion and P3 Alliance. How significant are these developments for DB Schenker?

Diederick de Vroet: The Panama Canal expansion is helpful to service the US East Coast from the Asia Pacific. We have seen alternative services being offered from Asia to the other side. Bigger vessels are now going through Suez Canal and taking hubs in Meditarrean area on services to the East Coast.

So, due to big capacity to Far East Europe, that service can also be used as an alternative service to serve the East coast. The markets of Gulf will benefit with the East coast from the extension of Panama Canal.

In terms of introduction of P3, it is a next step in the evolution of the consolidation of industries. All these years, we have seen consolidation, but not like this. It is a neutral co-operation putting all network assets to one new company based out of London with its subsidiary in Singapore where the three partners will optimise their cost further. Across the three carriers, it will standardise the levels of service in terms of goods, save transit time. I think customers will welcome this stability of these services once the whole new network will be deployed.

Q What is your perspective on the intra-Asia trade and what is your presence in intra-Asia region?

Diederick de Vroet: Currently, the intra-Asia trade is one of the biggest globally with a trade movement of around 25-30 million teu. Backed by the increasing intra-Asia economy, the intra-Asia trade is set to growth further. At DB Schenker, we see a lot of growth opportunity in this region. Currently, we cover about 1 per cent of intra-Asia trade and expect higher growth rate in the coming years. Part of our strategy is to benefit from this growth by strengthening our focus in individual countries. We will not only use our expertise in supply chain and but also deploy our IT functionalities within the Asia pacific countries.

Q Where does India stand in your growth radar? Which regions have more growth potential?

Diederick de Vroet: India is a significant market for us. Currently, we have just covered 1.2 per cent of the market and have huge potential to grow in this market. We need to develop

Currently, we cover about 1 per cent of intra-Asia trade and expect higher growth rate in the coming years. Part of our strategy is to benefit from this growth by strengthening our focus in individual countries.

our strengths and look for the right verticals and right customers to offer our services.

In India, we use the main ports including Mundra Port and Pipavav Port. Currently, around 20-35 per cent of our business comes from South, 60 per cent from North and West, and 57-8 per cent from the East. We see a huge growth potential on the North-West corridor as well as in South.

Q In the last few years, manufacturing activities and exports have come down in India. So how are the growth prospects?

Shubhendu Das: At DB Schenker India, we are well-placed in terms of exports and imports. On an average, we do around 88,000 teu. Of which, around 48,000 teu are exports. We have seen significant growth in our exports and grown higher than the Indian market. In terms of business, 2013 was a good for year for us and we have grown 10 per cent in exports this year compared to last year. We have seen growth in agricultural products, stones and marbles. With our strategies which are aligned with the local as well as our global strategies, we expect to see similar growth rate in 2014-15 and expand our footprint and market share in India.

Q Apart from India, which are the other markets for your growth?

Diederick de Vroet: We will continue with the traditional countries where we still believe we are going to see some growth, yet in the current global scenario it is less anticipated. China will be a major market for us, and in terms of an import market Australia is on our agenda to expand our footprint and market share.

Q How you meet the challenging demands of delivering shipments door-to-door?

Diederick de Vroet: The door-to-door delivery differentiates us from traditional freight forwarders. The reason why customers consider NVOCCs as opposed to shipping lines is the value added services we offer at origins and at destinations be in customs clearance, warehouses or distribution. Besides our traditional freight forwarding services, our next step is to focus on supply chain services with an objective to help our customers to save cost in their supply chain. By understanding our customers, we want to put our customers' interest first and then try and develop solutions around that.

Q How do you handle the challenges in India especially where you don't have a good warehousing? How do you constantly maintain the growth rate for your customers?

Reiner A Allgeier: Remaining market-competitive is a key challenge. The point is that everyone operating out of here have similar conditions. In India, we are not able to execute a delivery from arrival of ship to the premises of the consignee in a time frame like we do in Europe. So, the customers also have accepted the delays in delivery. We have to somehow live with the conditions. In India, we operate in a number of warehouses that offer complete supply chain solutions. The warehouses which we operate are not of European standards, but they are of much better standard than most of our customers find here in India.

Q What is your footprint in project cargo in India and what is the outlook for the coming years?

Shubhendu Das: In India we still do not have a strong footprint in project cargo. However, this is a very important product in our portfolio and we have set an ambitious target. We have recently done some restructuring within the organisation and I am confident that with our existing network, we will make good progress in handling project cargo. It is one of my highest priorities for this year.

Q What is the USP of DB Schenker?

Diederick de Vroet: DB Schenker is the provider of global integrated logistics solutions under one roof. This is our biggest strength and USP to customers. Our global portfolio gives the customers a unique opportunity of buying multiple products from one business – be it ocean freight, land transportation and contract logistics, etc. Within these products, the customers have the opportunity to dynamically control their flow of planning.

Customer centric approach and the ability to accommodate any logistical requirement from any customers and high-engaging our employees – these are the three pillars of our success historically. With our customer friendly approach, we intend to build a very strong and responsive relationship with our customers and by being flexible in terms of building our solutions to the meet their needs which is another core strengths of the company.

One of the USPs of DB Schenker is that we are a customer friendly company. We intend to build a very strong and friendly relationship with our customers and by being flexible in terms of building our solutions to the meet their needs which is one of the core strengths of the company.

Our global portfolio, being an integrated service provider, gives the customers a unique opportunity of buying multiple products from one business – be it ocean freight, land transportation and contract logistics, etc. Within these products, the customers have the opportunity to dynamically control their flow of planning. Customer centric approach and the ability to accommodate any logistical requirement from any customers and high-engaging our employees – these are the three pillars of our success historically.

Q What is your agenda for 2014-15? And what are the key segments/verticals that you are betting on to grow?

Diederick de Vroet: Our key verticals that we will focus on from an ocean freight perspective are automotive, retail, electronics and industrial. So, those four we specifically have separate programmes with our key colleague in management. In terms of agenda, it is profitable growth. We are deploying our capabilities to our supply chain solutions on a regional and country level.

Q Are all these four verticals focus for India as well?

Reiner A Allgeier: Yes. At the moment, the automotive segment is going through a very difficult time. Even at this point, automotive plays a significant role for us. We have quite a number of global car manufacturers with production facilities whom we serve. Auto sales have gone down over the last few years, but we believe the automotive segment will gain momentum in the coming years. Industrial and retail segments are very significant for us here. So, our focus in India is absolutely 100 per cent aligned with the global focus.

Concor Eastern Region draws big plans to expand network

Aims to contribute 20 per cent more revenue to parent company once MMLPs are ready.

With four mega multimodal logistics park planned in the eastern region, Sharad Verma, Chief General Manager, Concor, admits he has enough on his plate to keep him busy for the next couple of years. His immediate focus area to help the eastern region contribute a greater pie to the parent company's fortunes will be by diverting westbound cargo east wards. Next would be to increase the quantum of exim cargo originating from the eastern region. With steel and other industrial units dotting his region, he is optimistic of a bullish year ahead. Edited excerpts of an interview with MG's *Deepika Amirapu*.

Sharad Verma
Chief General Manager, Concor

Q Could you please update us on the progress of your upcoming Inland Container Depots (ICDs) and warehouses due for expansion?

A We have planned four multimodal logistics parks, MMLPs in Odisha and two warehouses in Assam and Tripura. The first one is at Jharsuguda where work is progressing steadily and we expect to begin operations in less than a year. Land acquisition for other locations in the state in Muniguda and Jajpur is pending approval from the government. However, a month ago the single window committee that approves all projects granted us permission for the ICD at Paradip. We are exploring the feasibility of setting up a facility in Angul district as well.

Q What rationale was adopted when Concor decided to increase focus in the eastern region?

A Our main focus was to ensure we build our facilities closest to the ports and by the industries coming up in the states. In tandem with that rationale, one can see that there a paper and aluminum industries in Muniguda. Most industries may have their own railway siding, but the sidings are always not made for carrying containers.

Q In the last few years, Concor has made attempts at improvising and incentivising containerisation. What efforts were made by you?

A From our figures it is visible that the viability of movement through containers is less but growth in containerisation in the eastern region is 23 per cent higher compared to last year. New commodities containerised last year in Orissa and Jharkhand are sponge iron and pig iron. The boxed cargo every year from West Bengal include rice, steel and FMCG cargo from Johnson & Johnson, Hindustan Unilever.

Our customers are certainly interested to switch to using containers, but they want reliable service and competitive rates. We are able to make the change from road cargo to rail by providing good service with our assets. Around 25-30 per cent of eastern region is gunny based from our two terminals in Shalimar and Majhera. This is followed by sponge iron and pig iron.

Q Concor has enjoyed monopoly in as the sole container rail operator for many years until the sector was opened to 16 new operators. Would you explore any alliances in areas where there is not enough penetration?

A Our proposal to create more MMLPs in all regions of India is an initiative to be a competitive player in the country. We believe creating assets will help us retain our market share. We have a steady partnership with the Transport Corporation of India and we carry out our logistics business together. For the moment, we do not have plans for any new tie-ups in the eastern region.

Q Concor in the western region has begun operating double stacked container trains. When would your division consider such a possibility?

A We would not venture in to moving double stacked container trains at the moment because we are yet to conduct a preliminary survey and obtain the necessary permissions from the government. Once the Dedicated Freight Corridor (DCF) comes up, I see this becoming a reality. Yet, the constraints of Kolkata and Haldi ports are still a hurdle as we cannot berth biggest vessels owing to the draft problems. Our focus would be to move trains along the coastal region of Andhra and Odisha.

Q Most logistics players are improving their services offering door-to-door services, single window service and single document procedures. How has Concor adapted these changes?

A Concor also offers all the services in the most efficient manner including door-to-door services. We get the commodities from the factory or we have them stuffed in our warehouse and it gets delivered in the respective location. The customer pays the freight from factory to delivery point for the entire destination.

Q Concor has been very bullish about transporting cargo by air. Would the eastern region also have any air cargo complexes?

A We are exploring this opportunity it in Kolkata and we are in touch with the authorities. We will have both bonded trucking services and allow our CFS to handle air cargo. We might also have air cargo complexes constructed. The commodities that could be air lifted and sent from and to the Kolkata region are goods coming from Bombay. We can bring goods from Bombay under bonded trucking. Else, if there is any possibility of moving something from here, that will be explored too.

> That the viability of movement through containers is less but growth in containerisation in the eastern region is 23 per cent higher compared to last year. New commodities containerised last year in Odisha and Jharkhand are sponge iron and pig iron.

Q How many controlled atmosphere stores will be opened in the next year?

A We already have two in West Bengal at Bagdogra and Singur that operate as perishable cargo centres. As of now we don't have any plans to have more

such facilities. The cargo from here is primarily vegetables and fruit. The rest of it comes from other regions and gets distributed here.

Q The railways has been awaiting reforms both in the passenger and freight sectors. What changes in freight policies would you like to see?

A We would like have more clarity on notified cargo. If the procedures are simplified, even railways could possibly be allowed to carry notified cargo and not just the road operators. Once that is simplified, there is ample scope for container operators to move more cargo.

Q How would you place your bets on 3PL as an evolving trend in India?

A For eastern region, this will be a possibility after 3-4 years after all our facilities come up.

Q What challenges does the eastern region face in moving cargo compares to the others?

A The eastern region is the only one that has to deal with 6-7 jungle railways. Others have maximum two or three and this region is spread across five states which in itself a big challenge. What is challenging is the coordination with the many agencies involved to move a rake. If a rake has to move from one place to another, we have to rope in so many officials for the cargo to pass by safely and on time.

Q About 22 green private freight terminals are expected to come up in the country. Why haven't they taken off so far?

A Earlier there was an arrangement for sharing of revenue between Concor and the railways where both parties could claim 50 per cent each of the revenue. Subsequently, the railways added its profit margin to the freight component. Now, if we tell the customer to pay us higher freight on account of the increased profit margin of the railways and our original margin, the freight rate would be uncompetitive. This has to be revised now. The PFTs were supposed to provide value added services. But the commodities are largely bulk such as coal, iron ore and food grains that customers would want to be carried right away to the destination than store them at warehouses. We are yet to consume cargo that requires value added features.

> The next step is to enable an increase in Exim cargo originating from this region. We want to take the number of rakes to 23 rakes a month, that's about 500 containers to Birgunj and Nepal from the current 18 rakes.

Q What is the eastern region's revenue contribution to Concor's overall revenue?

A Currently, it is around 8-10 per cent. For the last financial year, our revenue was ₹300 crore. Our revenue share will increase by up to 20 per cent at least once all the MMLPs are functional.

Q What are Concor's focus areas in the eastern region?

A Our immediate focus areas are to explore streams on how to divert cargo moving towards west to east. We understand that Polymer granules, steel cargo and a few others move to Mundra and other southern destinations. We want to develop a regular line to these destinations. For this, we need to create a demand for that direction from Kolkata. The next step is to enable an increase in Exim cargo originating from this region. We want to take the number of rakes to 23 rakes a month, that's about 500 containers to Birgunj and Nepal from the current 18 rakes.

Q How are you developing your container freight station at the Kolkata Port?

A Currently, we have only one CFS that we operate at Majherah, close to the Kolkata Port. We intend to develop the areas in the CFS unused for stacking of empties and providing warehousing facilities as well. mg

Flourishing Business with Perishables

With a booming retail and growth in pharma and agri products exports, the reefer cargo industry in India is set to grow.

Walk into any supermarkets in India, you will find exotic fruits, vegetables and other products from across the globe. Refrigerated or temperature-controlled cargo has made it possible. Nearly $6 billion of refrigerated cargo, which includes perishable products and goods, is transported every day to supply the world that consumes it. India being one of the largest producers of agricultural products and one of the global leaders in pharmaceuticals, it plays a major role in reefer business. Among temperature controlled products, India hugely exports fish, vegetables, fruits, eggs, chemicals, dairy products and processed frozen food and imports exotic fruits, chocolates along with other reefer commodities. Currently, India is the second largest exporting country of buffalo meat globally.

Reefer traffic across ports

Given the burgeoning exports and imports of marine products, pharmaceuticals and chemicals, agri products and exotic fruits, the reefer cargo segment is expected to see a tremendous growth in the near future leading to more reefer volumes to be handled across ports.

For an example Vizag Port has been seeing an increase in reefer traffic since the year 2011. Since July 2013, reefer traffic at the port has been averaging over 1,000 teu per month. About 98 per cent of its reefer traffic is marine exports including shrimp and fish, and the rest 2 per cent comprises of pharmaceuticals. With the pharmaceuticals and chemicals that are expected to add more reefer volumes in the coming years given the large multinationals and other companies present and coming up around Visakhapatnam, overall reefer traffic at Vizag Port is set to increase further.

Among the private ports, the Krishnapatnam Port currently does around 200 feu (forty-foot equivalent unit) of exports per month and around 150 FEU of imports. According to N Jithendra, Chief Operating Officer of Krishnapatnam Port Container Terminal (KPCT), "Around six months ago, we used to do only 30-40 boxes per month which has increased to 200 boxes per month currently. We are now seeing a pretty good growth and expecting to do around 400 boxes by end of this financial year."

The terminal has adequate infrastructure to support growth in reefer cargo volume. "We have good facilities provided at the terminal for the reefer goods exporters and importers. Our less turnaround time, easy access, good equipment, efficient customer service, and faster clearances and no congestion at the port have helped us in gaining growth in reefer traffic," Jithendra said.

"We are ready to scale the reefer cargo segment to meet all the demand from importers and exporters," he added. KPCT has capacity to handle upto 600 feu once expanded. Its key customers are wellcome fisheries, DMR and ITC Limited. It connects directly with importers, exporters, and other stake holders thereby reducing the time taken for transports.

For Tiger Logistics India Limited, reefer cargo segment contributes only 10 percent of its overall volume. "The sector has enormous scope for expansion," Malhotra said. Tiger Logistics currently does roughly 100 feu of reefer cargo per month. It exports from Nhava Sheva, Pipavav and Mundra, and has plans to expand to the Vizag and Tuticorin Ports.

"We are also looking at expanding in pharmaceutical and eggs exports in 2014-2015 and also planning to have our own cold storages for exports/ imports of fruits and vegetables," Malhotra added.

Market size and growth opportunities

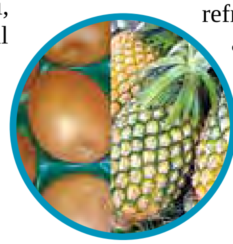
According to a recent Drewry Maritime Equity Research report, refrigerated cargo will grow by 4.5 per cent annually through 2016, which is up from 3.3 per cent annually over the last 10 years. Exotic fruits such as kiwi, pineapples and avocados as well as meats like poultry, pork, beef, veal, offal and lamb will offer a major share in the cargo.

India's increasing seafood exports over the years is also making the industry more optimistic. The country's seafood export has crossed the one million tonne mark in 2013-14, as against 928,215 tonne in 2012-13 and 862,021 tonne in 2011-12, according to the provisional estimates of the Marine Products Export Development Authority (MPEDA).

"Countries such as Vietnam, China, Japan, US and Thailand imported more shipments from India last year. Increasing seafood export from India is a good news for the reefer cargo industry," according to an official. Even in the state of Andhra Pradesh, growing acqua culture n Nellore and Bhimavaram has supported the growth of reefer cargo on the eastern coast.

Reefer traffic at Vizag has averaging over 1,000 teu per month since July 2013. About 98 per cent of reefer traffic is marine exports, which include shrimp and fish.

According to industry estimates, around 104 million metric tonnes of perishable produce is transported between cities each year. About 100 million metric tonnes moves via non-reefer mode and only four million metric tons is transported by reefer. Even though, India has about 250 reefer transport operators that transport perishable products and less than 30,000 refrigerated vehicles currently ply in India.



For the maritime industry, refrigerated cargo is lucrative. As a refrigerated container costs nearly 6 times as much as a dry container to fabricate and maintain, but freight rates for refrigerated cargo are nearly 3.5 times that for ordinary dry cargo.

"The additional cost (extra freight rates) involved shipping reefer cargo compared with the non-perishable cargo - freight of reefer container is 5 to 6 times more than a normal container. Even the port charges are 5-6 times high," Harpreet Singh Malhotra, Chairman & Managing Director of Tiger Logistics, told Maritime Gateway.

According to a recent Drewry Maritime Equity Research report, refrigerated cargo will grow by 4.5 per cent annually through 2016, which is up from 3.3 per cent annually over the last 10 years.

Infrastructure

Most of the ports of the country including Nhava Sheva, Pipavav, Mundra, Krishnapatnam, Vizag and Kolkata Port have adequate infrastructure to support the burgeoning reefer cargo segment. Even the inland container depots have also developed reefer infrastructure to support the growth momentum.

Vizag Port has a dedicated yard for reefer containers at the Visakha Container Terminal (VCT) with 192 plug points with capacity to handle double the present reefer volumes. VCT offers PTI facility inside the terminal, saving cost for shipping lines. Besides, it provides more-than-required power back-up ensuring that there is no power shortage at any given point of time and 24x7 temperature monitoring.

"When it comes to temperature controlled goods a dedicated team looks after the complete shipment. We have to ensure that even during inland transport temperature has to be maintained in container otherwise it may lead to cargo damage," Malhotra of Tiger Logistics said adding that "We also have to make sure that containers are working properly at the time of gate-in and pick up as incase of any malfunction it has to be dealt then and there. Because of the multiple parties involved the responsibility continues to shift from one service provider to another."

Despite the lucrative growth potential the industry has, it faces with several challenges and high cost of transportation pose a major challenge for refrigerated vehicles market.

"KPCT is also facing certain challenges in terms of getting adequate reefer imports. Now, there is a gap between the reefer exports and imports. For us, reefer exports are more than imports, so a sizable number of reefer containers are returning empty. We are trying to create a balance between our reefer imports and exports," Jithendra said. mg

Flagship E-mobility Project BESIC Enters Crucial Phase

The HHLA Container Terminal Altenwerder (CTA) is becoming an open-air laboratory for Germany's energy transition. Ten battery-operated heavy goods vehicles now transport containers between ships and the yard at the highly automated handling facility in the Port of Hamburg. The aim is to charge the batteries of these container transporters when the grid has a surplus of renewable energy generated in northern Germany. In addition to practical considerations, the project focuses on the model's commercial viability.

The first battery-powered heavy goods vehicles in the world went into use at the HHLA Container Terminal Altenwerder (CTA) back in 2011. Now, a project is bringing together businesses and research institutions that are keen to find out how the batteries for these automated guided vehicles (AGVs) can be charged using surplus green power generated in northern Germany. To this end, a battery administration system is being developed as part of the BESIC research project (Battery Electric Heavy Goods Transports within the Intelligent Container Terminal Operation). The system calculates the ideal charging times – in both ecological and economic terms – by exchanging data with Vattenfall's load forecasting system and the CTA terminal management system.

Dr. Stefan Behn, HHLA's Executive Board member responsible for the Container segment, said: "The highly efficient HHLA Container Terminal Altenwerder is characterised by an advanced level of automation and electrification. We consistently use cost-cutting, environmentally friendly technology at this facility." Hamburger Hafen und Logistik AG (HHLA) is a leading port logistics group in Europe.

The BESIC project is part of a research programme funded by the Federal Ministry of Economics and Technology entitled "ICT for E-mobility II – Smart Car – Smart Grid – Smart Traffic" in which 18 projects are developing new concepts and technologies to facilitate the interaction of intelligent vehicle technology in smart cars with smart grids and traffic control systems based on modern information and communication technology until the end of 2015.

BESIC and HHLA have joined hands with Vattenfall, a Swedish owned energy company with operations in about 10 countries. Vattenfall's vision is to create a strong and diversified European energy portfolio and to be among the leaders in developing an environmentally sustainable energy system. Dr. Oliver Weinmann, Managing Director of Vattenfall Innovation GmbH, added: "In order to ensure efficient electricity management do this, we are linking the future battery administration system with our load forecasting system and the terminal management system to identify suitable charging windows. If we succeed in realising clear cost reductions with this charging strategy, other logistics applications could also benefit from it."

Terex is the fourth partner in this project. With its Material Handling & Port Solutions segment, Terex Corporation is a supplier of industrial cranes, crane components and services under the Demag brand name as well as port technology with a wide range of manual, semi-automated and automated solutions. Terex Material Handling & Port Solutions manufactures in 16 countries on five continents and is present in more than 60 countries.

Port technology is concentrated in the Terex Port Solutions business group, where Gottwald Port Technology GmbH is managed. Dr. Mathias Dobner, Managing Director of Terex Port Solutions, said: "With BESIC, we are building on established, tried and trusted AGV technology and battery technology which have proved successful in recent tests. Now, we are developing alternative systems using lighter batteries with a higher energy density and an intelligent battery administration system. With this system, we would like to ensure that the batteries of the AGVs are charged when surplus green power is available in the grid."

For electric mobility to succeed in practice, the terminal needs information and communication technology (ICT) which can manage fleets of electric vehicles with a pool of battery systems, for example. As part of the BESIC project, standard diesel/electric automated guided vehicles are being compared with AGVs that are powered by conventional lead-acid batteries or by innovative lithium-ion technology. If the intelligent charging strategy significantly cuts operating costs, it could pave the way for heavy goods vehicles.

For the project, the companies Hamburger Hafen und Logistik AG (HHLA), Gottwald Port Technology GmbH – which belongs to Terex Port Solutions – and Vattenfall have joined forces with the universities of Oldenburg, Göttingen and Clausthal, which are being coordinated by the Energy Research Centre of Lower Saxony (EFZN). The project was rolled out in January 2013 and was already selected by the German government as a flagship e-mobility project in May 2013. mg

Menlo Worldwide Logistics: From Auto to Food & Beverages

In an interview with Maritime Gateway, **Desmond Chan**, Managing Director (South Asia), Menlo Worldwide Logistics, talks about the company's business plans and growth strategies.

Q In 2013, we have seen many challenges such as the economic slowdown and slow manufacturing growth. How do you see the growth for the year 2014?

A If we limit our discussion to South East Asia, we see growth in markets such as Indonesia and Malaysia. Thailand is struggling. We have seen growth opportunities in Singapore as it benefits from the shipping activity because of the port connectivity here. We have seen a major shift in the supply chain module in the last three years. Earlier, the supply chain segment was more or less very structured. But due to disruptive events like the massive flood in Thailand and the tsunami in Japan, a lot of customers are now trying to put inventories within a single country rather than in many countries. In India, we saw growth in the automotive sector. For this year, growth has not picked up much for the cars. Currently, most of our businesses in India are supported by the passenger cars, industrial parts and engines. General Motors and VOLVO Truck are among our major customers in India. We are upbeat about the economy for 2014 and we hope it will still drive the demand. But the main challenge is how to create right facility and infrastructure in the country.

Q What are your key verticals of business?

A We have recently entered into the food and beverages segment. For an example, for Starbucks we provide warehousing services for their coffee beans, sandwiches, muffins, etc. Our

Desmond Chan
Managing Director, South Asia,
Menlo Worldwide Logistics

warehouses support more than 150 stores in Bangkok, Thailand. We operate seven days a week. Every day, when all the 150 stores order to us for sandwiches and other products, we replenish the stock even if the store is closed. Next day, when the Starbuck store opens at 6 am, they are ready to serve to their customers. We make sure for seamless supply of goods to the stores despite several disruptions.

This apart, we cater to the medical devices segment. We have warehouses in New Delhi which service the medical devices segment.

Q Since how long you have been operating in India and how has been your overall experience from the beginning?

A We started operating in India in 1998. We used to operate in small warehouses as the country had restrictions on movable consumer goods. Directly, Menlo has been in operation for about 10 years up to 2009. For over a decade we operated only out of three or four locations and added a dozen locations in last four years. We have grown four times over the last four years in India. As a multinational company, we not only bring the latest technology, but also bring the process and skill sets required among supply chain professionals. We have given years of training to build manpower and optimise the supply chain segment.

Q Can you tell us about your current operations in India?

A In India, we are currently operating out of 16 locations from across all the regions. We believe that India will soon implement GST (Goods and Service Tax) which has pending for a long time now. Once GST is in place, warehousing scenario will change.

Keeping this in view, we are planning ahead of time and investing in big warehouses. With goods split over 50 warehouses across India, you cannot optimise your inventory. Currently, the inventory cost is higher than the supply chain cost. You can optimise the inventory cost, handling cost and administrative cost. At Menlo, we are right now looking at warehouses in northern India in Gurgaon and in Chennai, and currently are in discussions with some players.

> Keeping in mind their requirement, we provide customised services. When a customer imports goods, they need to have certain points to distribute among the consumers. Today warehouses are multi-functional and fulfilling all the customer requirements.

Q Which are the specific verticals that you are looking to service?

A We are mainly looking at the automotive sector. We have already achieved success in automotive segment. Currently, we have many automotive customers in India. We bring modern technology to the warehouse and our customers like our service. We are keen to enter into the consumer goods segment in India. But the challenge in the consumer goods today is that there are so many warehouses across India. India being such a big country, to invest in each state is a big challenge right now. Once the GST will come in, the model will change.

Q How big is your presence in warehousing?

A We see volumes growing in consumer goods segment. Today customers do not buy one variety of products; rather they want different kinds of a single product. For an example, if they buy a camera, they need certain lenses and accessories. Keeping in mind their requirement, we provide customised services. When a customer imports goods, they need to have certain points to distribute among the consumers. Today warehouses are multi-functional and fulfilling all the customer requirements.

We have recently invested to add 50,000 square meters of inventory space for consumer goods, while last year we had added 40,000 square meter of space in the same segment.

Q E-commerce is catching up in a big way in India. Do you see this driving demand for warehousing ?

A Yes, definitely. The key for e-commerce is the last mile delivery. The process involves goods picking from the sourcing point to delivering at the customers doorstep. From a global standpoint, we have tie-up with a major e-commerce player for their warehouses in US and one in Europe. E-commerce growth is happening in a big way in Asia which will require a lot of services. mg

No Infrastructure: No Investment

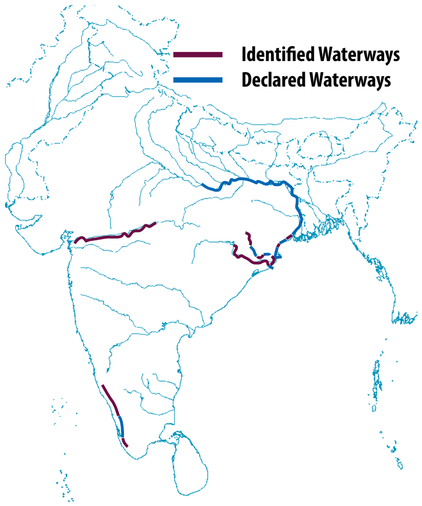
After much goading from the industry, the Ministry of Shipping inaugurated the first national waterway at the Hoogly River last year to enable movement of coal and other commodities. But this system could age even before it is used if the Inland Waterways Authority does not take adequate steps to provide required infrastructure and enhearten barge operators. Deepika Amirapu

To most countries, waterways within their country are the nucleus of the transport system. But sadly in India, canals and waterways are an unreliable form of moving goods. It remained largely unnoticed for a prolonged period because there were too many concerns – from traffic to affordability.

But last year, after much hullabaloo, the first national water ways I (NW 1) running through the Ganga-Bhagirathi-Hoogly River was inaugurated in November. Kolkata being a transportation hub on the Ganga, the new terminal is expected to serve the states of Uttar Pradesh, Bihar, West Bengal and the North-Eastern Region. The construction of this RCC Inland Waterways Terminal (IWT) terminal was taken up at a cost of ₹38.47 crore and was to ostensibly give a fillip to inland navigation in the region.

Amid much fanfare, the then shipping minister G K Vasan flagged off coal barges of 2,100 DWT (Deadweight tonnage) of Jindal ITF Ltd, to formally launch the movement of imported coal on NW-1 by inland vessels from Sandheads in Bay of Bengal to Farakka Thermal Power Plant of NTPC in District Murshidabad, West Bengal.

The coal movement had started under a Tripartite Agreement among Inland Waterways Authority of India, NTPC and Jindal ITF in August, 2011. Jindal ITF invested about ₹500 crore for transshipper at Sandheads, coal carrying barges, inland water terminal at Farakka with state-of-the-art coal unloading cranes and conveyor system. The operator, Jindal ITF will transport minimum 3 million tonnes of coal per annum for seven years. NTPC can also receive additional coal for the Kahalgaon Thermal Power Plant through this operation. This will augment coal supply to the NTPC Power Plant at Farakka enabling increased power generation.



This was the first project where a private entrepreneur had made a substantial investment in the IWT development for the first time in the country. A conveyor belt system from the jetty on National Waterway-1 to the coal stockyard of NTPC power plant was also set up at Farakka. While the plan looked perfect on paper, it did not take off as envisaged. Cut to 2014, barge operators say Jindal operates just a handful barges at 40 per cent capacity, thanks to poor draft. "The firm has in fact leased out its other barges to regular operators in Kolkata to move other cargo," a barge operator from Kolkata said who did not want to be named. He says much of the coal is being transported from Dhamra to Haldia by big vessels and coal to Dhamra comes by wagons from the mines. "Jindal is not to blame," he says. He asks how the government expects an operator to move cargo with insufficient draft. At most places, the river channel's depth is just about two metres, he says. River Sea Vessels or RSVs need a depth of 3.5 m to operate optimally without having to offload cargo midstream onto other vessels.

Although the Inland Waterways Authority of India owns a number of dredgers and promised to improve the depth of the channel, little has been done to facilitate transfer of cargo. Indian barge operators have to contend with a number of other issues as well.

The trade treatise with Bangladesh, for instance, allows barge operators of both countries move equal amount of cargo using the waterways. However, Indian operators are unable to compete with their counterparts. Surendra from Sohom Shipping says Bangladesh scores over India on many counts. "Their fuel cost is 60 per cent cheaper compared to India's. To add to it, our neighbours operating barges are not bound by the Minimum Wages Act or conform to certain Class precondition for building barges."

Indian barge operators, though exempt from conforming to rules laid down by the Indian Register of Ships, have to build their vessels according to norms prescribed by the West Bengal class. "We are denied funding otherwise," he laments. The Indian government earlier had a 30 per cent subsidy allowed to barge operators for constructing barges that was subsequently discontinued. Public sector banks insist on providing collateral equal to the amount borrowed. "The process is too circuitous and the basic objective of the bank is to deny us finance," Shamshad Khan, Secretary, Bengal Water Transport Association says. It costs nearly 10 crore to build a sturdy barge and private operators with deep pockets can venture into this business, he augurs.

The IWAI has also invited criticism for poor implementation. Funds allocated to IWAI were used to construct a separate jetty at the Kolkata port for barge operators but they are currently denied permission to use the jetty. As a result, the barge owners have to transport their cargo entering the port using its infrastructure and dealing with customs authorities. "What could have been completed in an hour took two days," Khan says. The entrance to the jetty bypasses the main entrance and the barge operators need not wait for their turn in the port.

"The IWAI has never mentioned the prerequisites for using the jetty," he exclaims.

But has no representation been made? A dozen times, the barge operators say. There are about six big owners in Kolkata who move goods and not all of them have the strength to take on the IWAI, says Khan. Those moving cargo upstream from Varanasi to Patna face most difficulty. A lot of project cargo such as transformers and other equipment currently get transported on this route.

In response to all the concerns, an official with the IWAI disagrees with this pessimism attributing the issues faced by operators as 'teething problems' given this is the first year of operations for the NW-1. Although he agrees Jindal may not be transporting all the coal through barges, he augurs it could perhaps be because of paucity in the availability of barges.

On the issue of draft, "we have provided the 2.5 m draft as promised in the Memorandum of Understanding with the firm," quickly pointing that the additional dredging up to 3 m shall be undertaken subsequently. The IWAI expects a grant of ₹200 crore this year that it expects to spend on improving infrastructure and acquiring some vessels. The official quoted above reckons that although it is the government's responsibility to provide infrastructure, private players have not been too participative and forthcoming. "The first water ways inaugurated was just a demonstration to understand the feasibility of using this system to transport cargo. We expect it to be better in the coming years," he added.

India is perhaps one of the few countries that transport almost all of its coal by railways and some by road. This could change if critical repairs are undertaken immediately. Else, this will remain another project dying a premature death.

Apart from the NW 1, other water ways in Kerala and Assam transport commodities and food grain. Tata Chemicals, IFFCO, the fertilizer cooperative and a clutch of other firms Transport cargo through the Hoogli. Private players see tremendous potential for the use of waterways saying it could be the lifeline for many areas in the country that have poor road connectivity. "Operators in Kolkata are the most experienced in the world as can tackle all the vagaries of weather- winds, currents and fog. But I don't see a future unless the government has a serious plan, Surendra says.

The Inland Water Transport is economical, environmental friendly and is most suitable for bulk cargo movement. IWAI is developing two other National Waterways the NW-2 (Brahmaputra) and NW-3 (on the West Coast Canal system) for shipping and navigation by providing navigational channel with targeted depth and width for most part of the year. Intermodal connectivity with rail and road has also been planned for selected locations depending on the hinterland cargo projections. The infrastructure so far created will be further developed if any other specific projects targeting large quantity of bulk goods like coal, fertilizers, and food grains etc. are identified and committed for transportation on National Waterways.

However the planning will all come to naught if the agency does not ensure effective implementation. What the waterways need is timely investments, some major rehabilitations and modernisation of capacity with systematic maintenance schedules in place. With close to 10 Thermal Power Stations operational in the proximity of National Waterway-1 and another 11 expected to come up along the NW-1 in the next 5-8 years, the revamping of the waterways could not have come at a better time. IWAI could help employ a number of people if planned projects are implemented correctly. Statistics reveal that the world over, countries transport nearly half the coal mined or imported to inland destinations by waterways. India is perhaps one of the few countries that transport almost all of its coal by railways and some by road. This could change if critical repairs are undertaken immediately. Else, this will remain another project dying a premature death.

Fertilizer imports: To decline further

Fertilizer being a seasonal cargo, its import outlook for the year 2014-15 looks bearish. According to industry insiders, the imports of fertilizers may further go down in this financial year.

Itishree Samal

Fertilizer import in India is declining. Price fluctuations and a policy uncertainty resulted in a drop in demand from the farmers, leading to market erosion.

"Fertilizer imports have diminished rapidly. There is around 60 per cent reduction in fertilizer consumption. Three years back, the consumption of fertilizers had picked, now it has decreased," MN Bhaskaran, Executive Vice President, Nagarjuna Fertilizers, told *Maritime Gateway*, adding that several market dynamics and changing market behaviour have affected the fertilizer imports.

"There will be a decline in the imports in this financial year as well," Bhaskaran added.

Ports see decline in imports

Even most of the major ports and private ports in India have reported decline in fertilizer imports. For ports, fertilizer is seasonal and usually occupies warehouse space for only nine months in a year between the months of April to January.

Paradip Port, being one of the major ports on the East coast of India that serves a large hinterland covering the states of Odisha, Jharkhand, Bihar, West Bengal, Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Panjab and Haryana, has been recording a dip in its fertilizer imports on a continuous three years in a row. The port has recorded 121,678 metric tonnes of fertilizer imports in FY 2013-14, down by 14.13 per cent compared to the previous year FY 2012-13. And for the current financial year (upto May'14), the port has recorded 50,756 metric tonnes of imports.

Same also is the case with Krishnapatnam Port Company Limited (KPCL); KPCT has recorded a decline in fertilizer imports. The port's fertilizer imports declined to 1.7 million tonnes in the financial year 2013-14 from 2.04 million tonnes in the previous financial year in FY 2012-13.

"The year 2012-13 was good for us in terms of fertilizer handling as the monsoon was good that year. For this financial year, we had an initial projection to do about 20 lakh tonnes, but the current scenario is not encouraging. We may remain stagnant this year as well in fertilizer imports," said P Mahesh, GM (Marketing – bulk & Breakbulk), KPCL.

In contrast to the current scenario, the ports had geared up and expanded their infrastructure to meet future demand of fertilizer imports. Most of the ports had developed dedicated fertilizer berths and warehouses in order to handle fertilizer cargo. "For example, Paradip Port has two dedicated fertilizer berths (Berth-I and Berth-II, both are captive berths) which are being used by IFFCO and PPL to handle fertilizer raw materials, two warehouses (7,740 square meters) owned by the port, two privately owned warehouses (12,000 square metres)," a senior official of Paradip Port said. KPCL, with having handling capacity of about 3.5 million tonne of fertilizers annually, has built one dedicated berth for fertilizer handling, 16 warehouses, four railway sidings dedicated for warehouse operations, etc.

Despite the dip in imports, the demand-supply dynamics of fertilizers remain strong in India. Currently, India is the third largest producer and consumer of fertilizers in the world after the United States and China.

Consumption Vs Production

The Mismatch (FY14)

Product	Demand (mt)	Output (mt)
Urea	32.0	23.0
DAP	12.5	5.4
NPK	11.3	8.1
MOP	4.9	-

Current scenario

Despite the dip in imports, the demand-supply dynamics of fertilizers remain strong in India. Currently, India is the third largest producer and consumer of fertilizers in the world after the United States and China. With a growing population and increasing demand for food grains, the consumption of fertilizers continues to increase in India. The fertilizer consumption in India stood at an estimated 47.5 million MT in 2013.India meets 28 per cent of urea consumption and 50 per cent of non-urea fertilizer demand through imports.

Urea and Nitrogenous fertilizers are most widely used among Indian farmers and they also opt for DAP, SSP, MOP and complex fertilizers depending upon the requirement. Urea accounts for majority of the market share in terms of volume consumption of fertilizers in the country. While the total demand for urea in the country is 32 million tones, the domestic production is only at 23 million tonnes. The difference in demand and domestic availability is met through supply of 2 million tonnes from IFFCO's joint venture in Oman and the rest through imports from other countries.

With an estimated demand of 12.5 million tonnes against 5.4 million production for DAP, 11.3 million tonne demand as against 8.1 million production for NPK (Nitrogen, Phosphorous, and Potash (Potassium) and 4.9 million tonne demand for MOP, where production is nil in India and the country is majorly dependent on imports. Indian fertilizer companies rely entirely on imported potash and heavily on phosphate produced elsewhere. Since 2010, India has reduced its subsidies for potash and phosphate. That has resulted in urea becoming a more attractive option for farmers. The reduction in potash and phosphate cost in international markets is expected to increase the consumption of complex fertilizers in India.

Two major fertilizer suppliers to India – Potash Corp of Saskatchewan and Mosaic Co – had predicted in January this year that India will see an increase in potash and phosphate imports. Potash Corp had predicted that India would import 3.7 million to 4.2 million tonnes of potash from all suppliers in 2014, up from 3.1 million last year, due to thin Indian inventories and a small bump in consumption, while Mosaic had said that phosphate imports would jump to about 9 million or 9.2 million tonnes of phosphate in 2014, up from 8 million.

Potash Corp had predicted that India would import **3.7** million to **4.2** million tonnes of potash from all suppliers in 2014.

However, this favourable mismatch, with the strategic importance of the sector to maintain the national food security value chain, may prove supportive for imports. There lies a huge opportunity for fertilizer imports in the country seeing the current huge production-demand gap in fertilizer, according to industry insiders.

Indian Maritime History: A lost heritage

Buried deep in the recess of the cavernous building of the National Museum in New Delhi, is a section set aside for the Maritime Heritage, showcasing the history of the Indian maritime.

Vijay Kurup

Did you know that United States' national anthem, '*The Star-Spangled Banner*', was first composed on board the ship *HMS Minden*, an Indian teakwood vessel, which was constructed at the Duncan Dock in Bombay? That Alexander the great, towards the end of his campaign in India used 800 ships built from the Indian subcontinent, to transport his weary soldiers from the mouth of the Indus to the Persian Gulf?

Buried deep in the recess of the cavernous building of the National Museum in New Delhi, is a section set aside for the Maritime Heritage, showcasing the history of the Indian maritime. The walls of the museum are peppered with interesting tidbits of information and exhibits and that sets you on a journey from the antiquity days of the Harappan period to the early 20th century.

India's first known boat was constructed during the Harappan period dating back to 3000 BC. The excavations at Mohenjadaro and Harappa had brought out, among others, a pot-sherd painting depicting a boat with mast yard and helm. Another boat was shown on a seal had a cabin midship with a man at the helm. A replica of the seal has been exhibited here.

The recently discovered Dry Dock in Lothal at the tip of Gulf of Khambat in Gujarat dates back to the pre Mauryan period.

The seas around the Indian subcontinent served a unique purpose for its inhabitants. Whereas the Arabian Sea and the Indian Ocean were the medium for the maritime trade, the Bay of Bengal was used by the Kingdoms in the East coast to embark on proselytising, cultural and colonising missions in Ceylon and to other countries in the Far East.

Early in the 17th century a major shipbuilding yard in Surat was set up by the East India Company. The four Pinnaces (boats) and other large vessels that were built were the first record of any of its shipbuilding activities in India. The shipyard was subsequently shifted to Bombay in 1735 since it was 'closer to the scene of action.' It was Lowjee Nuserwanjee Wadia, a descendent from a long line of famous Parsi master shipbuilders, who selected the site for the Naval Dockyard and which during the course of next 100 years, built 115 war vessels and 144 merchant ships including 84 gunships. The quality of these ships was of such high order that they were acclaimed by shipbuilding nations around the globe.

The ship *HMS Minden* was the first ship to be launched from this dock and was commissioned to the Royal Navy in India. In 1814 when the ship was anchored in Baltimore, Francis Scott Key, a prisoner in the ship, composed the words which later acquired the status of a national anthem of United States of America. The ship was built by master ship builder Jamshedji Bomanji Wadi in 1810. The Bombay Courier wrote in June 23, 1810, "….the Minden, for beauty of construction and strength of frame, may stand in competition with any man-o-war that has come out of the most celebrated dockyards of Great Britain. For the skill of its architects, for the superiority of its timber, and for the excellence of its docks, Bombay may now claim a distinguished place among naval arsenals".

HMS Trincomalee which was built by the Bombay Naval Dockyard in 1817 for Royal Navy is yet another example of the fine quality of ships built by the Indian shipyards. She saw many battles during the period of her commission and is still in use at Portsmouth in England. It has been renamed as *TS Foudroyant* and is used for training school and college students in seamanship and navigation. It is the oldest sail driven warship afloat today. Her Malabar teak hull and superstructure, despite several major modifications, damage suffered during battles and storms is still as good as new and to quote a well-known shipbuilder, "good for another 300 years."

The Duncan Dock named after Jonathan Duncan, then Governor of Bombay, consisted of two dry docks, namely the Upper Duncan Dry Dock built in 1807 and Lower Duncan Dry Dock built in 1810. This dock is fully operational even today.

The Indian Ship building industry has had its prestige moments of glory. But somewhere down the ages India had lost that edge. Today the global share of the Indian shipbuilding industry is less than 1 per cent. The ace Indian ship designer, Anthony Prince, in the recently concluded India Maritime Week conference, said that Indians has excelled in IT and many other areas world over. In shipbuilding too they can be on par with the best. These words, coming from a master designer who has won several accolades from long established maritime nations, hold considerable significance that cannot be discounted. mg

Sagarmala
Dream Project back in News

1

What is Sagarmala?

ON August 15, 2003, Prime Minister Atal Bihari Vajpayee announced an ambitious plan christened ‘Sagarmala’, a la the national highway development programme, for the development of India's maritime sector. The project proposes to cover all areas of maritime transport, including ports, shipping and inland waterways, and is aimed at realising the potential of trade.

2

What is the cost and budgetary support?

This project targeted an investment of ₹1,00,000 crore. The government planned to impose a 5 paise maritime development cess for a period of 10 years for part funding the cost. The cess is likely to be imposed from the second year of the project at the rate of 5 paise per kilogram of cargo passing through ports.

The government also thought of setting up a development authority on the lines of National Highways Authority of India (NHAI) to channelise budgetary support and implement projects assigned to it.

However, with the change in government in Delhi, the Sagarmala project was later renamed as National Maritime Development Programme (NMDP) in August 2004.

3

How it will benefit Maritime Sector?

Sagar Mala will not only encompass the seas of the subcontinent but will have glittering ports connected to vibrant inland waterways. Under Sagar Mala, all major ports will be connected with the Golden Quadrilateral through high-speed expressways. The rail connectivity to such ports will also be strengthened so that adequate line capacity and speed of movement are available. Yet another feature of Sagar Mala is that it seeks to promote commodity-based transportation whereby a commodity moves by the most efficient mode of transport.

4

Why do we need this project?

Without strong national maritime capabilities, Delhi will find it hard to either compete or cooperate with Beijing in Asia’s waters. Beijing has trumped the talk of rivalry with India by inviting Delhi to join China in the building of a maritime silk road across the Indo-Pacific. This has put Delhi in a spot of bother. It is in no position to stop China from building up its presence in the Indian Ocean. But Delhi is also reluctant to “endorse” China’s rising maritime profile in what India considers its backwaters. There is only one way out of this corner.

It is to build up India’s own comprehensive maritime power that will let Delhi consolidate its geographic advantages in the Indian Ocean, build partnerships in the Pacific Ocean, compete with China’s infrastructure-building in the littoral where necessary and cooperate with Beijing where possible.

5

What is the status of this project?

Prime Minister Narendra Modi recently announced his governments' keen interest to take up "Sagar Mala" project whereby all coastal cities in India would be interconnected through road, rail, ports and airports through a special development package. The project would enhance the unique identities of these coastal cities in consonance with sea-side life. mg

Dates for your diary

It's time for trade shows, exhibitions and conferences in the maritime sector. Here are a few events lined up for the coming months.

India Shipping Summit

October 13-15, 2014

Venue: The Palladium Hotel, Mumbai

10 years is a very short time in history, however since the first edition of the India Shipping Summit held in Mumbai in September 2005, there have been many changes to the local and global maritime economy. The tenth edition of the India Shipping Summit will examine these changes, sharing the highs and lows of the industry, and will also contemplate the future, discussing solutions to current problems and the way forward into the next decade of shipping in India.

More information:
www. indiashippingsummit.com

CONTAINERS INDIA 2014

A maritime gateway event

TOMORROW IS HERE

August 20, 2014

Venue: The Lalit Mumbai, Mumbai

Some of the world's most admired speakers examine:

- How will future global and regional cargo flows change?
- What are the emerging transhipment opportunities?
- How the supply/demand balance will change?
- What Port / Terminals are doing to add value?
- How much further the containerisation process can go?

More information:
vinod@gatewaymedia.in

Asian Offshore Support Journal Conference

October 8-9, 2014

Venue: Singapore

This conference is a focus for all of those involved in offshore support in Asia - from oil companies to suppliers. Shipowners will hear where oil companies will be driving the market and solution providers will be able to present to 280 plus industry experts and demonstrate their innovation and cutting edge technologies.

More information:
www.rivieramm.com

Cruise Shipping Asia Pacific

November 20-21, 2014

Venue: Hong Kong Convention & Exhibition Centre, Hong Kong

The annual cruise event will focus on the entire Pan-Asia cruise market,ingexplore the revenue outlook throughout the region.

More information:
www.cruiseshippingevents.com

Coastal Shipping - The Road Ahead

July 4, 2014

Venue: The Bengal Chamber of Commerce and Industry,6, Netaji Subhas Road, Kolkata

With coastal shipping on top of Agenda in shipping ministry, this seminar will look at economics of coastal shipping, incentives needed for promotion and cargo support.

More information:
Contact: Capt SB Mazumdar, Chairman, Shipping Committee, BCCI

THE GATEWAY AWARDS 2014
THE BENCHMARK OF INDIAN MARITIME BUSINESS

Maritime Gateway Awards, August 20, 2014, The Lalit Mumbai, Mumbai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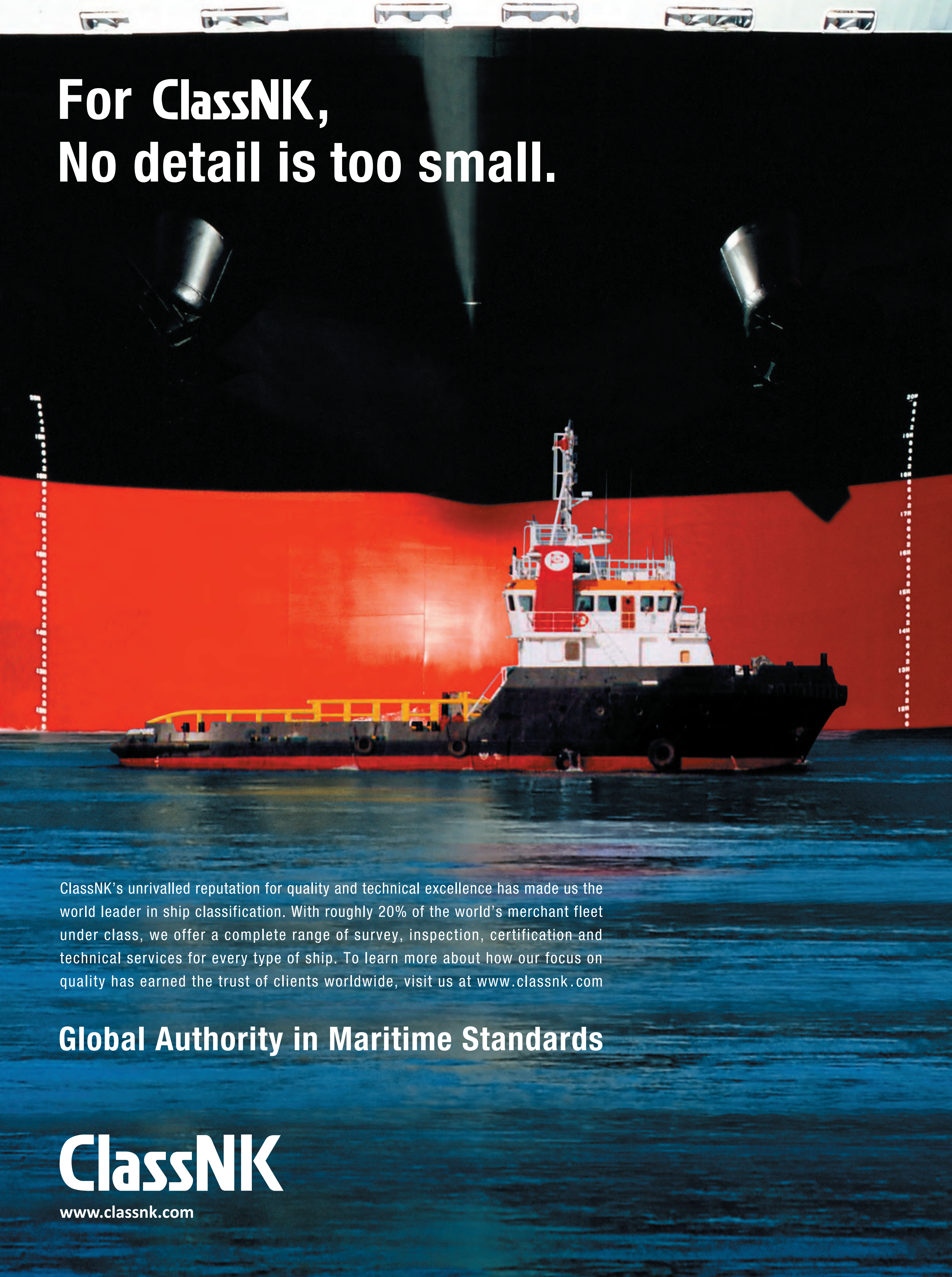
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