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₹ 100

maritime gateway

JANUARY 2015 WWW.MARITIMEGATEWAY.COM

RNI NO: TELENG/2009/30633 POSTAL REGISTRATION NO: LII/RNP/HD/1137/2013-15

DATE OF PUBLICATION: 05/01/2015 DATE OF POSTING: 07/01/2015

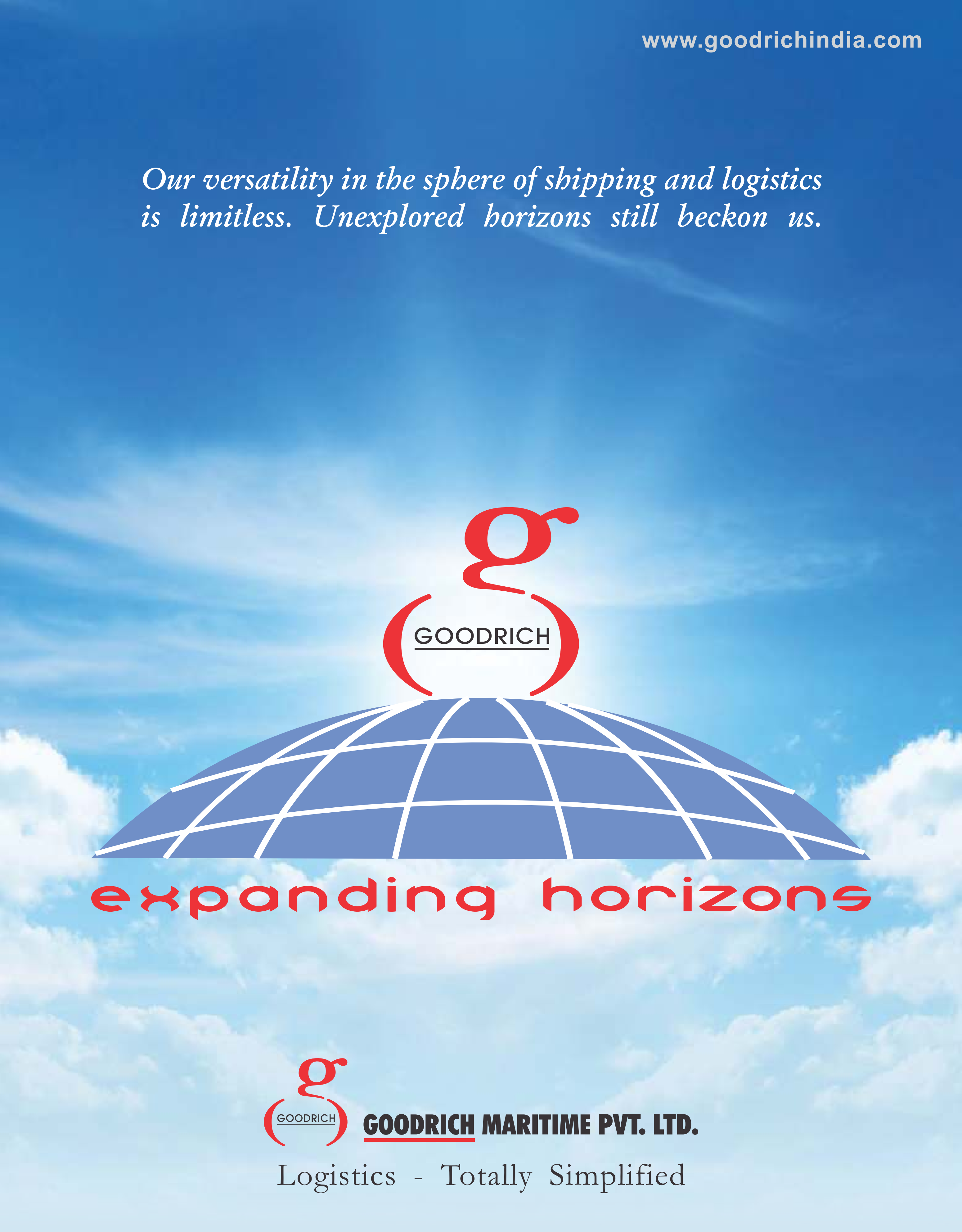
NEW VESSELS AND NEW ALLIANCES: EXPANSION ALL THE WAY

Mahesh Sivaswamy Iyer
Managing Director, Transworld Group

OUTLOOK 2015

OPTIMISTIC, YET GUARDED

With 2015 touted to be the year of revival for world shipping, 2014 can be bid a enthusiastic farewell having experienced a fair amount of smiles and sighs. Shaping of new alliances, big ships and a more stable demand situation are three things the industry can look forward to.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Maritime Gateway is printed by R Ramprasad published by R Ramprasad on behalf of Gateway Media Pvt Ltd, #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India and Printed at M/s Kala Jyothi Process Pvt Ltd, 1-1-60/5, RTC Cross Roads, Musheerabad, Hyderabad - 500 020. and Published at Gateway Media Pvt Ltd #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India

Regd. Office: H.No. 8-2-293/82/A/379 & 379/A, 2nd Floor, Plot No. 379, Road No. 10, Jubilee Hills, Hyderabad - 500 033.

CIN: U74900AP2007PTC054344

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Feedback
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2015: A year of expectations

2014 has largely been the year of elections, BJP's victories and Modi's celebrated visits to many countries including the US and Australia. Although the government made some progress by going the ordinance way to pass the Insurance and Land Bills, there has not been any serious effort towards creating avenues for foreign and Indian investment to stay.

The stock market was supportive to the government right from the new government formation, but the highest quarterly rate of growth the nation was able to clock remained at a meager 5.7% and all the optimism did little to boost growth. But the year cannot be written off for it has upped the spirits of the people and the industry as a unit from a near depression mood after 10 years of the Congress' rule. That said 2015 will be the year of expectation. It goes without saying that the budget will be most looked forward to see if the premier's rhetoric on development will be propelled by passing important pieces of legislation. The softening of crude prices should be counted as a big blessing because it has helped in the war against inflation.

While the job of leveling the fiscal deficit has been many a government's bête noire, measures to axe unnecessary taxes and procedures should be implemented to ensure ease of doing business. If Make in India for India and for the world has to become a reality, certain aspects of taxation such as retrospective tax have to be cleanly spelt out by the government in the upcoming budget. The maritime industry is looking forward to more clarity on the cabotage relaxation policy to ensure more movement of cargo along the coast. A reintroduction of subsidies for the ship building sector is welcome as it will give great impetus to the 'Make in India' campaign. For the major ports, a big surprise would be to convert them in to corporate entities so that a level playing field may be created for all in the sector. Secondly, there have to be more saving options for the tax-paying middle and upper middle class so that the money can be re-invested in to rural and Tier two infrastructure development.

Certain aspects of taxation such as retrospective tax have to be cleanly spelt out by the government in the upcoming budget

Modi, undoubtedly has a long 'to-do' list. 2015 will be the most watched to see how he pulls along his cabinet to achieving real growth and making good all the promises he made during different election campaigns. Modi made a good start in building economic relationship with strategic neighbours and if these victories are anything to by, he is ready to deliver growth to the country.

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JANUARY 2015
VOLUME 7 ISSUE 04

Corrigendum
In the previous issue of Maritime Gateway, there was a cartographic error in representing the Indian state of Jammu and Kashmir in an infographic depicting the inflows of foreign direct investment in to the Asia Pacific region. The error is deeply regretted.

From L to R: Robert Sumantri, Director, Altus Group Ltd, Rupert Bray, Marine Services Director, Swire Pacific Offshore Operations (Pte) Ltd, Neil Glenn, MD, Swire Pacific Offshore Operations (Pte) Ltd, Michael Ellsworth, CEO, Altus Logistics Pte Ltd, Charles Brembridge, Director, John Swire & Sons (S.E.Asia) Pte Limited

Altus Logistics installs solar panels at its warehouse

Altus Logistics has installed its first-ever solar panel system at its warehouse in Loyang, Singapore. This installation is designed to generate 152,517 kWh of electricity each year which is equivalent to powering 18 average three-bedroom apartments for one entire year. It will also bring about an estimated annual savings of $39,000 on electrical bills for Altus Logistics. "Altus Logistics seeks to promote sustainable development in the way we operate our business and this is closely aligned with the corporate mandate of our parent company, Swire Pacific Offshore," says Michael Ellsworth, CEO of Altus Logistics Pte Ltd.

Better access to Bangladesh land and river routes needed

Tripura Chief Minister Manik Sarkar has urged the Prime Minister to pursue Bangladesh for better access to its water and land routes for transporting material to the northeastern states. Access to Chittagong international port and Ashuganj river port in Bangladesh is crucial for ferrying men and material from the other parts of India and abroad to the northeastern states, said Sarkar. A multi-modal transportation system using Bangladeshi ports is the need of the hour for the northeastern states. "If necessary, after talking with the Bangladesh government, India can invest in developing the infrastructure of the two ports," he said.

The Merchant Shipping (second) Amendment Bill, 2013 passed in Rajya Sabha

The Merchant Shipping (second) Amendment Bill, 2013 has been passed in Rajya Sabha to amend the Merchant Shipping Act to enable India to accede to a global convention that exempts Indian vessels on international voyages from inspection and aimed at improving the working condition of seafarers. After the amendment, every Indian flag vessel of 500 gross tonnage or more and engaged in international voyage, would be issued with Maritime Labour Certificate after inspection of the ship concerned.

PM Jal Marg Yojna to revive the shipping sector

In an attempt to revive the shipping sector government has decided to launch PM Jal Marg Yojna and initiate projects for setting up dry and satellite ports, besides converting riverways into waterways. Ninety per cent of the Exim cargo in India is transported through ships but the contribution of domestic cargo in it is only 10 per cent. The PM Jal Marg Yojna will boost water transport, which will change the face of India, road transport, highways and shipping minister, Nitin Gadkari said.

Rajive Kumar is the new Secretary, Ministry of Shipping

Rajive Kumar took charge as Secretary, Ministry of Shipping on December 01, 2014. He belongs to the 1981 Batch of IAS, Uttar Pradesh Cadre. He holds a post-graduate degree in Physics as well as a Masters degree in Public Administration (MPA) from Harvard.

He has handled several key assignments in the state including Urban and Rural Development, Personnel, District Administration and a long stint in the Industrial Development Sector serving as Chief Executive Officer in several State PSUs.

He has also held important positions in Government of India as Special Secretary/Additional Secretary in Ministry of Petroleum & Natural Gas, Joint/Additional Secretary in the Cabinet Secretariat and Joint Secretary in the Department of Economic Affairs, Ministry of Finance.

Government to divest 5 per cent stake in DCI

The government plans to divest 5 per cent stake in state-owned Dredging Corporation of India (DCI). The shipping ministry will float a Cabinet note soon to bring down the government's stake in the company to 73.5 per cent from 78.5 per cent. Once the Cabinet's nod is secured, the government will launch an offer for-sale. DCI is the only public sector company in its sector.

Besides the divestment, the shipping ministry has also floated a Cabinet note for DCI's clearance of payment on account of actual expenditure on dredging of the Sethusamudram channel. Nearly two-third of the company's annual revenue makes up for its dues from Sethusamudram Corporation at ₹309 crore. DCI has 15 dredgers, with an average age of 25 years, and a total dredging capacity of 70 million cubic metres a year.

DB Schenker opens new office in Gujarat

DB Schenker has opened a new office in Vapi to serve customers in the industrial areas of Gujarat state. The new office was inaugurated by Reiner A Allgeier, Managing Director along with Shubhendu Das, Chief Operating Officer, Schenker India Pvt. Ltd. Since the state is located closer to the west coast, hosting several small and medium scale manufacturing industries, the company has chosen to establish its offices in several parts of Gujarat. The company has more than 44 offices in India, and the western region is the biggest market for DB Schenker in India where it operates in 11 cities. Gujarat has densest network of DB Schenker offices which include Ahmadabad, Baroda, Gandhidham and now Vapi. The new office will provide world-class service to the customers operating in auto components, engineering manufacturing, textile, industrial and chemicals sectors in the region.

JNPT puts liquid cargo terminal project on hold

The Jawaharlal Nehru Port Trust (JNPT) has decided to put on hold the ₹2,500-crore liquid cargo terminal project, barely two months after it shortlisted five bidders for it. According to the port Chairman, NN Kumar, the port trust has decided to go for a review of the project following concerns that demand for liquid cargo handling capacity will be much lower than the projected traffic volume.

The project was designed to have a capacity to handle 15 million tonnes a year. "We may scale down the capacity to 7.5 million tonnes and instead of four berths, we may go for two," Kumar said. According to the port officials, the project was put on hold following advice from the Shipping Ministry. Apparently, the Ministry is not too keen on JNPT going in for liquid cargo terminal; instead it wants the latter to focus on container cargo. In September, the port had shortlisted six parties, including Adanis, Shapoorji Pallonji Group and United Liner Agencies for setting up the project on public private partnership basis.

Central railway may acquire MbPT rail

The Central Railway, in order to expand its existing network and create space for the proposed elevated fast Harbour Line corridor between Mumbai CST and Panvel, plans to take over the 10 km long Mumbai Port Trust's (MbPT) railway for operations. According to Sunil Kumar Sood, General Manager of Central Railways, Mumbai Port Trust had asked them to take over the operations which they had agreed, but the final decision in this regard is yet to be taken by MbPT and the policymakers.

Visakha Container Terminal becomes first container port in India to be certified as AEO

Visakha Container Terminal Pvt. Ltd (VCT) has received official certification as an Authorised Economic Operator (AEO) from the Indian Customs. The certificate was presented to Sushil Mulchandani, COO of VCT, by Dr P K Mohanty, Director-General (Inspection), Customs. VCT is the first port in the country to receive this coveted certification.

The Customs has developed an AEO programme in line with the World Customs Organization (WCO), with a common objective of standardising the procedures and securing the supply chain amongst business partners. The AEO is a voluntary programme for global supply chain security and trade facilitation. The aim of the programme is to enhance security through granting recognition to reliable operators and encouraging best practices at all levels in the international supply chain.

With the certification, VCT will be able to provide speedy, smooth and secure services to meet the increasingly sophisticated and diverse needs of its customers.

Shardul Thacker makes to Lloyd's list

Renowned lawyer Shardul J Thacker put India on the map legally by figuring as the third most influential lawyer in the world, in Lloyd's list, for his deft work in the maritime law sector. His experience of four decades as a lawyer led him to areas of maritime law- from infrastructure and finance to liquefied natural gas and ships. He currently heads Mulla and Mulla's banking and maritime practice wing. He has extensive experience in Project finance and transactional project work, particularly ports, power, construction and oil & gas. He acts as Indian Counsel to international/ domestic lenders and has handled over 300 ship finance deals in the last decade. He acted for a consortium of international lenders in the financing LNG tankers chartered by Petronet LNG into India.

VOICES

"Shipping industry is in a very bad shape. We are making every possible effort to revive it. Dry and satellite ports would be set up in states like Uttar Pradesh and Telangana. We are also taking steps to double the capacity of our 12 major ports."

– **Nitin Gadkari**
Union Minister for Road Transport Highways and Shipping

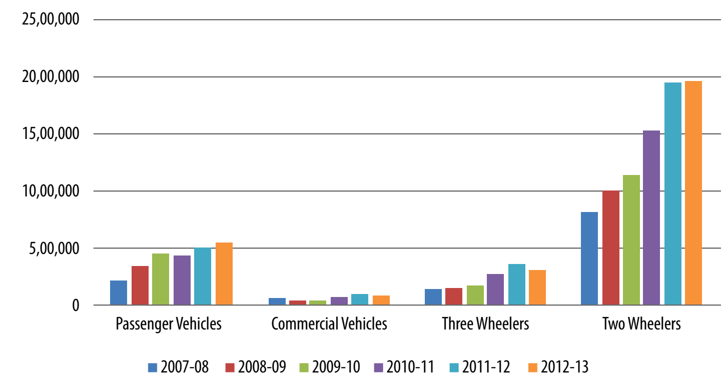
'Make in India' is a great initiative but it will not deliver as expected unless logistics costs come down. Very large container vessels will continue to dock elsewhere so long as legislative and other related environment in India does not promote the development of hubs."

- **Julian Michael Bevis**
Senior Director,
Group Relations in South Asia
Maersk

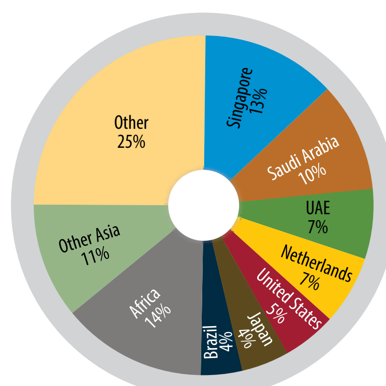
We have to put in place a framework to facilitate investment on a long-term sustainable basis. The idea is to make Indian Railways better than what it is today, in three years. We welcome private sector participation in infrastructure development."

- **Suresh P Prabhu**
Union Minister for Railways

Indian Automobile Exports (FY'08 - FY'13)

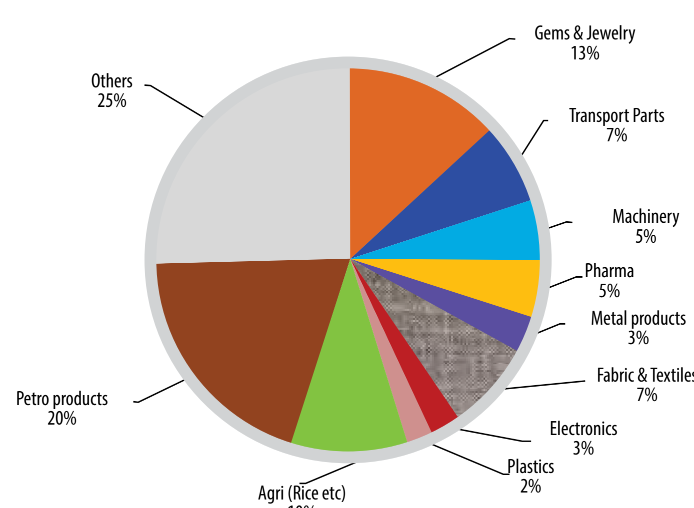


India motor fuel, kerosene, jet fuel, and naphtha exports -2013



Source: U.S.Energy Information Administration, Global Trade Atlas.

India's Top Export (US$ 2013-14)



Azamara Quest to cut India from its route

The US-based Azamara Club Cruises owned by Royal Caribbean Cruises Ltd is planning to take India off its route map if the immigration and customs formalities are not systematised to ease the hardships faced by passengers. "When the immigration and customs formalities are completed in a short time at Indian airports, the seaports can also do that," said Jose Vilarinho, Captain, Azamara Quest. The potential for cruise shipping is good in India, but crew and passengers have to spend around two hours at the port gate owing to duplication of paper work, which needs to be streamlined. Azamara's 2015 voyages programme will comprise 52 voyages, ranging from 5-18 night itineraries to some of the world's most intriguing destinations.

Allcargo Logistics logistics partner of DBS Singapore Slammers IPTL team

Allcargo Logistics Ltd, part of the Avvashya Group, has partnered with DBS Singapore Slammers as their 'Logistics Partner' for the International Premier Tennis League (IPTL). Allcargo is also the co-owner of DBS Singapore Slammers team, with other owners being Sunil Gavaskar, Ajay Sethi and Kishan Gehlot.

Trade portal to help exporters

In a bid to help the exporters in the country the government has unveiled a website which is marked by its user friendly features. Nirmala Sitharaman, The Minister of State (Independent Charge) Commerce and Industry, inaugurated the trade portal (www.indiantradeportal.in) which is aimed at providing information pertaining to Most-Favoured Nation (MFN) and preferential tariffs, rules of origin, technical barriers to trade faced by Indian exporters at single point. It will help Indian exporters to utilise the Free Trade Agreements.

AK Mittal appointed as the new Chairman, Railway Board

AK Mittal has been appointed as the new Chairman of the Railway Board. He succeeds Arunendra Kumar who has superannuated on December 31, 2014. An officer of the 1976 batch of Indian Railway Service, Mittal served as Member Staff, Railway Board before taking over the top job.

He has earlier held various important positions including General Manager of South Western Railway (Hubli), Executive Director/Vigilance and Executive Director/Stores in Railway Board and Chief Material Manager in Northern Railway.

Gopalpur port may resume operations from July 2015

The port that expected to restart operations by January 2015, is now looking at a revised timeline of July 2015 after very severe cyclonic storm Hudhud damaged the port's breakwater in October, 2014.

The port's operations came to a standstill after cyclone Phailin hit the state's southern coast on October, 2013. Exactly a year later, the port was hit again by Hudhud. The port had incurred around ₹250 crore loss due to Phailin.

The seasonal port was upgraded to an all-weather port in May, 2013. Gopalpur Ports Ltd has proposed to enhance the port's cargo handling capacity from 3.5 million tonne per annum (mtpa) to five mtpa and also enable the port to handle big vessels.

HPCL completes survey for oil refinery project

A team comprising officials of the Hindustan Petroleum Corporation Limited (HPCL), Mumbai and the Andhra Pradesh Gas Distribution Company Limited (APGDC) has completed the first phase of the field study along the coastline of Krishna district to identify nearly 5,000 acres of land for setting up of an oil refinery.

According to Krishna district revenue officials, who accompanied the team during the survey on December 3, the HPCL was all set to spend more than ₹70,000 crore in the first phase of the project. "The team has inspected a few suitable locations such as Interu, Pedapatnam, Manginapudi and Polatitippa.

Kolkata port reverses decision on LNG facility

The Kolkata port trust has reversed its decision taken in November to allow a Hiranandani Group company to set up a gas storage and re-gasification unit on a nomination basis, after the Union shipping ministry advised in late August that the plan was in violation of rules that mandate open tendering. In November 2013, the trust that runs the Union government-owned port had decided to allow the private firm to set up a so-called liquefied natural gas (LNG) floating storage and re-gasification unit (FSRU) on a nomination basis (without a tender). Recently, the port invited so-called expressions of interest (EoIs) from firms to set up and operate a non-jetty-based LNG-FSRU floating storage unit (FSU) at Sandheads within port limits.

IWAI signs MoU for developing commercially viable stretches of NW-5

Memorandum of Understanding (MoU) has been signed by the Inland Waterways Authority of India (IWAI) with the government of Odisha, Paradip Port and Dhamra Port Company Ltd to develop commercially viable stretches of National Waterway-5 (NW-5) in two phases, revealed the Minister of State for Shipping, Pon Radhakrishnan.

The 588-km long East Coast Canal in the National Waterway-5 has been integrated with Brahmini and Mahanadi delta rivers. The Minister also said that a project for the development of Sholinganallur-Kallapakkam stretch of South Buckingham Canal has been sanctioned on the 1,095-km long NW-4 connecting Andhra Pradesh, Tamil Nadu and the Union Territory of Puducherry.

The Tamil Nadu government was approached for providing assistance with regard to identification and handing over of land for the development of terminals and dumping of dredged materials to facilitate the execution of the work, he said.

DICT-Sonepat now fully operational

The J.M.Baxi Group's Delhi International Cargo Terminal (DICT), at Sonepat (Haryana), is now fully operational. It has received all the relevant permissions, among them being those pertaining to Customs and rail operations. Developed at an initial investment of ₹200 crore, this integrated, rail-linked cargo terminal and inland container depot (ICD) will cater to the growing trade of NCR and North India, benefiting the exim, domestic and retail trades. The facility, spread across 65 acres, is located near Sonepat, off National Highway No.1, the most important road corridor running across North India. DICT has capacity to handle 500,000 teu annually. Located closer to the major cargo hubs north of Delhi, the facility has fulfilled the long-awaited need for an ICD between Delhi and Ludhiana.

Capt P V K Mohan elected President of International Billiards & Snooker Federation

Capt P V K Mohan, Chairman of Seaways Group and former Chairman of National Shipping Board, is the first Indian to be elected as President of International Billiards and Snooker Federation (IBSF) for a period of two years. He has been the Vice-President of IBSF for some time.

The Federation consists of 85 countries. Among his priorities as IBSF President, are to increase the popularity of cue sports in Africa, Oceania and the Middle East, and start an Asian tour for professionals, similar to the European circuit. He will also be targeting inclusion of cue sports in the Olympics, Asian Games and the Commonwealth Games, and intends starting a Masters League for top Indian players.

Allcargo Chairman Shashikiran Shetty awarded Distinction of Commander of the Order of Leopold II

Shashikiran Shetty, Chairman of Ecu-Line and Allcargo Logistics has been conferred the Distinction of Commander of the Order of Leopold II by HM King Philippe of Belgium.

The decoration is awarded for his remarkable efforts in strengthening economic relations between India and Belgium, notably by creating a significant economic impact in the Antwerp Port by the activities of Ecu-Line and Allcargo Logistics.

The decoration will be conferred on Shashikiran Shetty on February 12, 2015 in Mumbai. The Consulate General of Belgium in Mumbai and the Antwerp Port Authority expressed their pleasure in conferring this prestigious distinction to an Indian entrepreneur in the logistics sector.

NEWS

SAIL to increase production to 50 mtpa by 2025-26

Steel Authority of India Ltd (SAIL) plans to invest ₹1.50 lakh crore by 2025-26 to increase the production capacity at its five integrated plants from 23.5 million tonnes per annum (mtpa) to 50 mtpa. On average, India will have to invest $1 billion to increase steel production capacity by 1 mtpa, 60 per cent of which would go into establishing plant machinery.

India hopes to triple steel production to 300 mt in the next 12 years, for which it will have to import equipment worth $120 billion. But this dependence can be reduced if the country sets up manufacturing units for this equipment. By 2025-26, India will have to import about 160 mtpa of coke to support its steel industry. The country could benefit from the emerging area of synthetic coke to reduce dependence on these imports. Many Indian companies are forced to import iron ore, and scarce coking coal is being diverted to thermal power plants to produce electricity instead of using it in steel production.

PSA Group Chairman Fock Siew Wah conferred 'Commander of the Order of the Crown'

PSA Group Chairman Fock Siew Wah was conferred the national distinction 'Commander of the Order of the Crown' from His Majesty King Philippe of Belgium, for his merit, dedication and services rendered to the Kingdom of Belgium.

Her Royal Highness Princess Astrid, representative of His Majesty the King of Belgium, who was visiting PSA as part of the Belgian Economic Mission in Singapore, personally bestowed the award on PSA Group Chairman Fock Siew Wah at a ceremony held in the presence of dignitaries from the Belgian government and business community, ambassadors of Belgium and Singapore; and PSA senior leaders.

Fock Siew Wah said, "It is a rare honour to be conferred this distinction and it is something that I will always cherish in my heart. I receive this with gratefulness and a lot of deep feelings for Belgium. I believe it is also a deeper and greater recognition of our people in Belgium, Singapore and around the world where we have a presence, for their hard work and dedication."

India-Myanmar container service yet to become sustainable

The new India-Myanmar shipping container service will need time to get off the ground, according to the secretary of Myanmar Pulses, Beans and Sesame Seeds Merchants Association. The Economic Times is said to have reported that the service had "run into a rough patch" just two months after it was launched, as initial container shipments posted a loss, raising questions over the sustainability of the service.

Container ships from India are reported to be 90 per cent full, but the return journeys with produce from Myanmar have been limited. At this rate, the service will use up all of its contingency funds in the next five months if cargo volumes do not pick up. However, the government did not expect the service – part of the commercial outreach of India's Look East Policy – to make a profit in the first year.

VPL Integral sets up a CFS in Kanithi village

VPL Integral has set up a container freight station (CFS) in Kanithi village, near Gangavaram Port, at a distance of about 22 km from Visakhapatnam Port Trust. This facility is strategically located near the national highway network and equipped with state-of-the-art infrastructure and information technology to facilitate all the needs of EXIM trade under one roof.

VPL Integral CFS has a paved yard with capacity to store more than 2500 teu at any given time. It has a covered warehouse with a capacity of 25,000 square feet and designated area for examination and verification of containers for general and project cargo. CCTV surveillance system ensures safety of the cargo going through the CFS. Specialised equipment has been deployed to handle specific cargos like scrap and waste paper. VPL Integral CFS is a joint venture between M/S Vizag Profile Group and M/S Integral Trading and Logistics.

A dedicated team of highly qualified staff members ensures the smooth running of the container freight station spread across an area of 10 acres. It has a handling capacity of 4,500 teu.

Rail connectivity for Vizhinjam seaport

According to Excise and Ports Minister K Babu, the detailed project report (DPR) on rail connectivity for the proposed Vizhinjam seaport will be ready soon. Work on drawing power lines to the project site is progressing and 90 per cent of the land needed for the project – excluding the land needed for laying railway tracks – has been acquired.

The government, through its port company Vizhinjam International Seaport Ltd (VISL), had taken over 206.64 acres of land for the port project. A 3.3-MLD project for supply of water to Vizhinjam had been completed in April 2013 itself. Five companies had been shortlisted by the government for the project. If things go as planned, the government hopes to award the work and start construction on the port by November 2015.

Rail connectivity for JSW Jaigad Port

The JSW Jaigad Port has inked a MoU with Konkan Railway for building a 34-km railway line that will help the port enhance its cargo handling capacity from 10 million tonnes to 50 million tonnes. The project cost is estimated at ₹775 crore, in which the equity participation would be ₹194 crore. According to Sajjan Jindal, Chairman and Managing Director of JSW Group, even though the port has a capacity of about 10 million tonnes but currently it is operating at 8 million tonnes due to lack of proper rail connectivity. The project is expected to be completed in a period of 30 months.

ZPMC cranes arrive at JN Port

DP World Ltd has unloaded four new quay cranes purchased from Shanghai Zhenhua Heavy Industries Co Ltd (ZPMC) at Jawaharlal Nehru Port. They will be used at its new container terminal being designed to load 800,000 standard containers a year and which is expected to start operations in 2015. While Indian security agencies have denied clearance to ZPMC to sell gear to ports, JN Port has not sought clearance to allow ZPMC cranes to be erected by DP World at its terminal. Security clearance is not forthcoming for ZPMC cranes, a spokesman for the shipping ministry said. In a related development, US-based Terex Corp., Finnish company Cargotec Oy and Anupam Mitsubishi Heavy Industries Ltd have been given security clearance to supply gear to Indian ports.

Ministry of external affairs to lobby Korea and Japan

With key South Korean and Japanese shipbuilders staying away from the bidding process for developing LNG carriers for GAIL India, the shipping ministry has called on the foreign ministry for assistance. The idea is to lobby South Korea to push its companies to provide technology support to domestic yards, especially since Samsung and Hyundai – both of which have shipbuilding arms of repute – have found a lucrative market in India for their refrigerators, cars, phones and other products. This is their chance to play a significant role in the Make in India campaign, the shipping ministry opines.

Japanese and South Korean shipyards are famous for their expertise in making LNG carriers at a price that's competitive compared with European yards. However, governments of these countries guard this knowhow closely and do not want to part with it even on commercial terms. Japanese shipyards have cited a labour crunch and said they don't have enough personnel to supervise construction in India, with too many orders to meet.

More thermal power for Telangana

NTPC has approached the Ministry of Environment and Forest seeking amendments to terms of reference for its proposed expansion of Ramagundam power plant to 2x800 MW. NTPC was earlier granted permission for expanding the capacity to 2x660 MW. This is part of the 4000 MW power plant proposed to be set up in Telangana state for which NTPC is seeking land from the state government. The project cost would be between ₹5.5 crore to ₹6 crore per MW, and is proposed to allocate 100 per cent power to Telangana state subject to approval by Ministry of Power. Coal requirement for the project is estimated as 7.37 MTPA (20,197 tonnes per day) to achieve 90 per cent PLF.

Presently, coal is sourced from Singareni Collieries. The state government has recently requested Ministry of Coal to allot 8 MTPA coal for the proposed expansion (Phase-I), which is expected to begin April 2018.

Sail from Delhi to Agra

Union minister for road transport, highways and shipping Nitin Gadkari has set in motion the process for creating a Delhi-Agra waterway via the River Yamuna. “We will float a Cabinet note within 10 days to specify works for the project by our ministry and the Delhi government. We will request Prime Minister Narendra Modi and Finance Minister Arun Jaitley to ensure special funds for the project,” said Gadkari.

The project to be worked out in collaboration with the Netherlands government envisages building barrages and water terminals on both sides of the river. Barrages would ensure at least 5 metres water in Yamuna round-the-year to ensure passengers and goods transportation through the waterways. A Netherlands government agency will prepare the project management report including technical consultancy.

Mundra International Container Terminal handles one million TEUs in 2014

Mundra International Container Terminal (MICT) has hit the 1 million teu annual container throughput milestone for the first time. From handling 20,000 teu in its first year of operations in 2003, the terminal has achieved the landmark while pioneering the container revolution in the Kutch Region and emerging as the gateway for the north and north-west regions of the country. Tejas Nataraj, Chief Executive Officer, MICT said, “This remarkable achievement means that MICT has carved a place for itself in the premier ranks of the global container market. Customer service is central to everything we do and we constantly invest in infrastructure, equipment, technology and training to increase our operational efficiency and ensuring a fast turnaround of vessels. We service over 55 vessels and more than 160 trains a month with over 30 crane moves an hour. The confidence of our partners, the local community and our customers has helped us achieve this remarkable growth and we hope to continue this success while delivering world-class service to our clients.”

Softlink Global wins Express IT Award 2014 for Best Cloud Solution

Softlink Global has won the prestigious Express IT Award 2014 in the category of Cloud Solutions. The company was chosen based on key criterion such as solution innovation, a track record for delivering customer value, catering to business critical requirements, increasing productivity & revenue and providing cost savings.

Softlink CEO, Amit Maheshwari commented, “The Express IT Awards is where India’s biggest names in IT & Software compete with each other. To be recognised as a winner in such competition is the testament for Softlink’s capabilities as software and technology innovator.”

Ministry working on multimodal transport policy

Shipping and Road Transport Minister Nitin Gadkari recently announced that his ministry is working on a new multimodal transport policy. The purpose is to have an integrated approach to the development of transport infrastructure. The multimodal system will enable movement of goods by road, rail, air and water to ensure seamless flow of passenger and cargo traffic. A single operator will be able to undertake transport of goods by different modes from the origin to the destination.

There are already laws (under the Multimodal Transportation of Goods Act 1993) governing multimodal transport of goods, but they mainly cover export-import trade. The ministry now aims to develop a multimodal system for domestic movement of goods and passengers. This would need better coordination among ministries (railways, civil aviation and shipping and road) or agencies involved in development and operation of the different modes of transport. It also needs creation of additional infrastructure wherever necessary to provide adequate connectivity.

Govt to remove customs duty on ship fuel

The government plans to remove the 25-30 per cent customs duty levied on fuels used by Indian ships and ease other logistical hurdles to push for more usage of the sea route for both domestic and international cargo. The immediate impact of such a move will be a revenue loss of just around ₹60 crore per annum, but its potential in driving the use of sea route for moving goods for domestic and export markets is seen at an additional ₹1,000 crore. The relaxation is also on fuels used by transshipment ships sporting the Indian flag when they ferry items to and from Indian ports.

Government asks RBI to relax norms for shipyards

The government has requested the Reserve Bank of India (RBI) to relax norms for restructuring of shipyards, considering the capital-intensive nature of the sector and the prevailing slowdown in the industry. The government has requested for sanction of a special dispensation for five years, i.e. up to March 31, 2020, to treat repeat restructuring of shipyards, after failure of first Corporate Debt Restructuring (CDR), as equivalent to first restructuring.

“Other steps taken by the government to revive shipbuilding industry include extension of the Shipbuilding Subsidy Scheme of 2002-2007 from October 2009 till March 31, 2014, for liquidation of committed liabilities for shipbuilding contracts secured during 2002-2007 under the scheme," said Pon Radhakrishnan, Minister of State for Shipping.

"The current meltdown in the international financial markets has placed the Indian shipping industry in a situation where assets are available to be acquired at reasonable prices, but the availability of money on loan is almost dried up through the normal international commercial bank channels; if any credit is available, it is at a very high cost and stringent terms," Radhakrishnan added.

Private ports to change cargo profile

In an attempt to shore up investor confidence in the ports sector the government is allowing private firms to set up container terminals to change their cargo profile either permanently or as a stop-gap measure to deal with circumstances that have rendered their facilities idle. The latest such case involves a new container loading facility being built by Gammon Infrastructure Projects Ltd at Union government-owned Mumbai port.

Gammon has completed the construction of the berth for the ₹1,228 crore project but is unable to start operations because the port is yet to complete the dredging work and hand over the entire back-up area required to store containers. Gammon is also awaiting security clearance from the government for buying cranes used for loading and unloading containers at the terminal.

Mundra Port handles largest bulk carrier to call on West Coast

Mundra Port successfully berthed the largest bulk carrier to call at any port on the west coast of India, thereby making history in the Indian maritime sector. *MV Orange Phoenix*, a Panama registered vessel, with overall length of 299 m and draft 16.7 m, was berthed at Mundra's West Basin Coal Terminal. The vessel has a Dead Weight Tonnage of 207,529 tonnes and has brought 179,741 million tonnes of Indonesian coal.

Mundra Port is designed to handle bulk vessels upto 250,000 dwt. These vessels have not been built as yet but are on the drawing board. However the port has always been proactive and hence has already designed the berth to handle the future coal vessels which will be built and operated by the world-wide trading community.

Singapore: Indonesia's major trade and investment partner

Singapore was among the five countries with the largest FDI in Indonesia in 2013 and could become the largest investing country in 2014. By the third quarter of 2014, Singapore was in the lead, with FDI totalling $4.9 billion, or 22.5 per cent of the total FDI. In 2013, the largest investor was Japan, with FDI reaching $4.71 billion, followed by Singapore, with FDI of $4.67 billion; the United States, 2.4 billion; South Korea, $2.2 billion; and Great Britain, $1.1 billion. Other countries had invested a total of $13.5 billion, or 47.2 per cent of the total new investment.

"Singapore could invest up to $5 billion in Indonesia this year," Indonesian Ambassador to Singapore Andri Hadi said. "We expect that investors will flock to the six economic corridors of Indonesia that have been designated as growth centers within the Master Plan for acceleration and expansion of Indonesias economic development," added Hadi.

Tariff Authority for Major Ports to be disbanded

The Tariff Authority for Major Ports (TAMP) will soon be disbanded, leaving major ports free to set market-driven rates. This is the first instance of a government winding down a sectoral regulator. The government plans to amend the port laws for this purpose. The shipping ministry is moving the Cabinet for approval to place a Port Laws Amendment Bill, 2014, in Parliament. "Ports are not uniformly developed and nor are non-major ports uniformly distributed across the coastline. A blanket rule like this might not be the best bet," said Hemant Bhattbhatt, chief executive of HMSA Consultancy Services.

The main purpose for introduction of TAMP was to ensure prospective commercial gains did not lead to exploitation of clients. There is no rationale for continuing with such a regulating authority any longer, said shipping ministry officials.

Hoegh Autoliners' first call at Mumbai Port's offshore container terminal

Hoegh Autoliners car carrier has made its first call at Mumbai Port's offshore container terminal. *MV Hoegh Delhi* loaded about 2000 units of vehicles (cars, buses and trucks) bound for Mexico and Africa. A brief reception was held on board *Hoegh Delhi* to commemorate the trial berthing, giving Hoegh Autoliners and Samsara Group chance to felicitate the Master of the vessel, Mumbai Port Trust and Gammon India officials who were instrumental in making the berthing of the 200m long and 6000-vehicle capacity pure car and truck carrier a success. The successful trial berthing opens opportunities for the commencement of regular vessel calls at the terminal. The automobile manufacturers can benefit from expeditious loading, accommodating their consistent growth in exports whereas the shipping line would be able to offer dedicated scheduled services with faster turnarounds, simultaneously relieving the pressure of congestion at Mumbai Port Trust's other berths.

Cost of goods moved by freight trains set to increase

A series of increases in charges imposed by the Indian Railways and container shipping lines may push the prices of commodities transported by container trains. The railways has levied a 10 per cent congestion charge on base freight rates for goods that originate at ports. The new surcharge has been effective since November 24. Haulage charges have also been raised by 27 per cent, starting December 5. Sectors that may be hit include fast-moving consumer goods, steel, automobiles and ancillaries among others. These increases will get passed on to importers, industrial hubs in the New Delhi region will be the most hurt. This is the ninth round of rate increase in rail haulage charges since 2006 when this sector was deregulated, said Sharat Chandra Misra, president of the Association of Container Train Operators.

An increase in haulage charges will also shift cargo traffic from railways to roads as the recent cut in diesel prices has resulted in softening of rates charged by truckers. Once the new railway rates come into effect, transportation by roads will become at least 20 per cent cheaper than container trains.

APM Terminals Pipavav and NYK Auto Logistics create RoRo facility

APM Terminals operated Gujarat Pipavav Port Ltd and NYK Auto Logistics (India) have announced setting up of a dedicated automobile yard (RoRo) at Pipavav Port. Under the arrangement, NYK Auto Logistics has been sub-leased land parcels by Gujarat Pipavav Port inside its premises for developing a dedicated common user integrated RoRo terminal with India's first port based PDI and Vehicle Processing Center. The Yard is expected to be commissioned in Q2CY15.

Cochin Port Trust re-acquires unused land from old lessees

Efforts of Cochin Port Trust in taking back the unused land from old lessees who no longer do traffic through the port have received the nod from the Kerala High Court. The court also permitted the port to allot the land to Malabar Cements Ltd for its proposed 1.3 million tonne per annum cement handling project.

FinMin rejects Cochin Port Trust's demand for interest waiver

The Finance Ministry and the Planning Commission have rejected the Union Shipping Ministry's proposal to waive ₹715 crore of penal interest due from Cochin Port Trust (CPT) on a ₹258-crore loan. The total penal amount is of ₹729 crore and CPT's request for the waiver had been pending for over a year.

While considering the proposal for waiver, the department of expenditure under the finance ministry had raised questions on CPT's performance and asked it to prepare a turnaround plan. Based on those observations, the port had started preparing a strategy, of which interest waiver was a part, a senior port official said.

In addition to CPT's request, Paradip Port Trust (PPT) and Visakhapatnam Port Trust (VPT) had also approached the ministry for waiver of penal interest on government loans. A Cabinet note is in the final stage of preparation for both.

Refiners hit by fall in exports

Indian petrolium exports have been on a decline for the third month as reported in October last year. The falling petroleum product prices in the export market have become a matter of concern for Indian refiners, especially those in the private sector. Analysts say globally refinery margins have been one of the highest this year but going forward as winter demand tapers off, the situation can become worrying for refineries since there has been no real increase in demand.

For public sector refiners, however, the quarter ending September 2014 has not been good. The country's largest fuel retailer, Indian Oil's gross refining margin stood at a negative $1.95 a barrel during the second quarter against a positive margin of $7.43 a barrel (in the year-ago quarter).

Since the increase in refinery margins, globally, has not been prompted by an increase in demand, when winter demand tapers off, product cracks are likely to fall due to increased supply and lack of demand. "That should in turn start to impact the export refineries, however, until then it is a good margin environment to be in," said Tushar Tarun Bansal, senior consultant, head of east of Suez oil service, Facts Global Energy.

Sachin Bhanushali appointed as CEO of Gateway Rail

Gateway Rail Freight Limited (Gateway-Rail), subsidiary of Gateway Distriparks Limited (GDL) has appointed Sachin Bhanushali as the CEO of the company. Bhanushali is also the President of the company and had joined Gateway-Rail in January 2007. Earlier, he was with Indian Railways and Container Corporation of India Limited (CONCOR).

Gateway Rail Freight Ltd has emerged as a leading rail logistics service provider in containerised cargo segment. It is one of the 11 private container train operators of India who have been given permission to operate container trains over the entire Indian railways network.

India invests $3 billion in Nepal

Within just six months at the helm, Indian Prime Minister Narendra Modi injected over $3 billion of investments into Nepal which may change its economic landscape. The latest Indian initiatives are the 900 MW each Upper Karnali hydropower project in west Nepal and the Arun III power project. India has also offered soft loan of 1billion for various infrastructure projects. The Investment Board of Nepal and Satluj Jal Vidyut Nigam of India have signed project development agreement for the Arun III project.

With the signing of the power trade agreement with India and two project development agreements with GMR and Satluj Jal Vidyut Nigam, many foreign investors are keen to invest in Nepal's hydropower sector, the obvious market of which is India, said Nepal government.

Eighteen more coal blocks up for sale

The coal ministry will auction or allot 18 more coal blocks in addition to already announced 74 mines for sale in the first lot to meet the growing demand for the fossil fuel. These 18 blocks will have an additional capacity of about 120 million tonnes and will be primarily for the power sector. Out of the 92 coal blocks to be alloted and auctioned in the first lot, 57 mines would be given to the power sector, while the remaining mines would be for the sectors like steel and cement.

Who will bridge the Muriganga?

With inadequate draught in the navigation channel preventing the entry of ships with large parcel loads into the ports of Kolkata and Haldia, the only option is a deep-draughted facility at Sagar Island. But this will only be possible after a road-cum-rail bridge comes up across the River Muriganga that separates the mainland from the largest island in the West Sundarbans. Unfortunately, nobody seems to be interested in investing in this bridge which is likely to cost nearly ₹3,500 crore. According to Kolkata Port Trust officials, "There are several companies interested in investing in the port at Sagar Island but they want work on the bridge to commence before making a commitment. There are few takers for the bridge as it would ultimately have to connect to the Diamond Harbour Road which is narrow and congested. Discharge of cargo from the port by road would be a matter of serious concern unless something is done to widen the D H Road or create a bypass to connect Namkhana (the point on the mainland across Sagar) to the national highways."

Reliance uses smaller vessels for shipping diesel to Singapore

In a rare move, Reliance Industries has chartered a medium-range vessel to carry diesel from India to Singapore. The refiner usually uses long-range 2 sized vessels, or Aframaxes, that can carry about 80,000 to 100,000 tonnes of fuel, or long-range 1 sized vessel, or Panamaxes that can carry about 50,000 to 60,000 tonnes of fuel. It is unclear if Reliance plans to store the oil product in Singapore or sell it directly to customers in the region. Reliance ships diesel to Europe or Africa when arbitrage economics are viable and moves the fuel to Singapore only when demand in Europe is weak.

Kamaz trucks to be exported from India

Kamaz, a leading Russian commercial vehicle brand that started its Indian operations in 2010 with an assembly facility in Hosur, Tamil Nadu, through a partnership with the Vectra Group, has joined hands with Omax Auto to assemble its trucks. Sergey Kogogin, CEO, Kamaz Russia has announced that the company has already started shipping its India-built trucks to African countries and new export markets like Bangladesh and Myanmar would join that list soon.

While Kamaz is yet to officially launch its products in India, top official from the company said during FY2013, its Indian facility had built 152 trucks. In FY14, the company has built 55 units so far and is confident about reaching the 150 unit mark by the end of this fiscal. The firm has shipped its entire inventory overseas. The company has localised 80 per cent of the components in India, which indicates that the truck maker is betting big on India as an export hub, and the local launch of its products can be expected next year.

The Indian plant of Kamaz has a design capacity of 5,000 trucks per year. The company has identified two more markets apart from India, which include Latin America and China.

Gateway SpotLight, a special feature by *Maritime Gateway*, showcases the unique initiatives of business groups across maritime sectors in their products, services and processes that helps them achieve and sustain better productivity, efficiency, environment conservation and above all judicious business practices. **Gateway SpotLight** provides an opportunity for businesses to bring to light their best practices at work and thereby such a **FOCUS**.

Presenting JSW **Jaigarh Port** under this feature.

Sugar, Containers to scale up Jaigarh Port fortune

Enfolded by swaying coconut palms and canopied by vast swathes dewy mango trees, lies quietly the Jaigarh Port, shipping many millions of sugar and coal, among other commodities, to different parts of India and the world. The scenic drive along the balmy sea front in Maharashtra's Ratnagiri district, the Alphonso capital of India is what Jaigarh first welcomes you to.

The port is located about 110 nautical miles South of Mumbai and as you swivel past the mountainous roads, a flat muddy stretch announces the start of the port area. Brick red residential buildings meant for its 100 odd employees and a tall school structure fall on either sides of the single road connecting to the port. A few 100 hundred yards down that road, in the clearing, you see bulky structures billowing smoke from their outlets. The judder of the machines makes it an easy guess that power plants are busy puffing away smoke to light up many homes and offices. In fact, it was for these coal guzzling power plants that the port was first warranted for five years ago in 2009. As operations began and performance improved, the port began to cater to all forms of bulk and break bulk cargo ferrying and facilitating movement of goods from far and near. Today, it stands as Maharashtra's first deep-water, all-weather private port that came up in a record time of just 18 months with a draft of 14m.

The location of the port is strategic as it is poised to move cargo from both the states of Goa and Maharashtra. The port currently handles bauxite, iron ore, sugar, rock phosphate, coal and limestone from the close to 20 vessels that call every month. The two operational berths handle cargo 24 hours a day, seven days a week. Vice President and Unit Head of Jaigarh, Capt Jasbir Singh talks of broadening his hinterland and says, "The chemical industry at Chiplun offers a huge potential besides pharmaceuticals from around the area. Other clean cargo in the form of agricultural commodities from Sangli, Kolhapur and Satara is also something we are eyeing," he said.

These tens of thousands of cargo is lifted by two Liebherr Mobile Harbour Cranes with Bromma Single lift Spreaders, Reach Stackers and other associated equipments for handling containers. Berth one, the port manager says can discharge 60,000 tonnes of cargo in 24 hours. With three more berths coming up, the port has also created necessary infrastructure

Konkan Railway to embrace Jaigarh

Here, finally, is the lifeline for Port Jaigarh. After a long wait of five years, Jaigarh Port, owned and managed by the Jindal Group's Infrastructure arm has a railway line approved to improve flow of cargo into and out from the port. The port signed a memorandum of understanding with the Konkan Railway Corporation and Maharashtra Maritime Board for laying the 35 km stretch at a cost of ₹775 crore.

This railway line will be developed jointly by the Port and the state owned organisations and will help boost the industrial growth for sure, but most importantly, play a major role in Maharashtra retaining its cargo. Sanctioned fron Digni by the Railway Ministry, the traffic and bankability studies have already been carried out for the project. It has a 30-month timeline with a revenue projection of ₹114 crore for the first year. The port is currently connected to the National Highway 17 through the existing State Highway 106.

Shri Sajjan Jindal, Chairman & Managing Director JSW Group presenting a bouquet to Hon'ble Chief Minister **Shri Devendra Fadnavis**; **Capt BVJK Sharma,** JMD & CEO JSW Infrastructure; **Shri Parag Jain-Nainuttia**, IAS, CEO, MMB and **Shri Dinesh Kumar,** GM (Infra) KRCL exchanging the MoU documents

for handling containers including two warehouses and more than 1,000 ground slots. Since its inception in 2009, with an initial investment of ₹850 crore, the port has handled about 25 million tonnes of cargo and now as the second phase of expansion is underway; the capacity is being augmented to 65 million tonnes per annum for handling containers, RoRo vessels, LNG, POL, bulk and break-bulk cargo.

"We have tied up Volkswagen and Posco Steel for shipping container cargo through our port and both firms have already conducted a trial at our facility," Capt Singh said. With the container capacity in place by 2016, the port can steer all the mango exports off from JNPT to its port also adding poultry to the list of perishable commodities. Jaigarh will also boast of owning three additional barges to aid quicker discharge of cargo. These barges can direct ferry cargo to Dharamtar where coal is required by third parties for their power plants. Jaigarh is expected to own a total of eight barges of 8,000 tonnes each to move cargo to nearby destinations that can't support big vessels.

Jeetendra Dharu, Director, Shri Dutt Sugars who uses the port to export his produce says, "We are very happy with the port's facility and the quick loading and unloading capacity as this port exceeds the services offered by Bombay Port. But the only issue we face is with storage. There is not much space for storing clean cargo such as Sugar."

Yet, exporters come to Jaigarh because JNPT and Bombay simply cannot provide good service. Besides saving time and cost overruns, exporters from Jaigarh avail of additional discounts for high volume cargo. In the coming years, cargo growth will be spurted by sugar, chickpeas, containers and steel coils movement from different parts of Karnataka, Maharashtra and Goa. But what you'll see sooner to facilitate movement of this cargo is the development of four-lane roads up to port connecting to the state highway for cargo to find its way to Jaigarh.

Like every port, this one too is trying to woo customers. Ask the port manager about his wish list and he names three cargoes looking up from his vessel log sheet. Fertilizers, Fisheries and Automobile, he says, hurriedly summoning his men over a handset to empty the iron ore laden vessel that colours the waters with its ferrous hue.

With containerisation on top of their minds, the firm has a new team in place to fetch more box cargo to send back with these ships. Jaigarh is also talking to Sai Shipping and Shreyas Shipping to carry coastal cargo to ports along the West Coast of India.

But before the box business picks up, the port will have to rev up its turnaround time and implement more safety measures inside the port. Also on the Captain's 'to-do' list are connecting the state highway to the national highway and ensuring the railway line coming well in time. In the next two years, Jaigarh will spend ₹2,500 crore to dredge its berths to 19m from 14m currently and also have the container and multi-purpose berths in place. Jaigarh handled 8.5 mt so far. But if this number has to go up in the planned time, the port will have to capitalise on its strengths and address connectivity issues.

Thus far, Jaigarh has achieved many firsts. The success of the railway link and the road development projects underway will determine its stand in the Indian private ports segment. mg

Assam supports GST, but wants petro products excluded

The Assam government is supporting the introduction of GST, but wants petroleum products to be outside the purview of it. Since many other state taxes and Central Sales Tax (CST) would get subsumed into GST, it would have a "severe adverse impact" on state's own tax revenue, said Assam Chief Minister Tarun Gogoi in a memorandum submitted to Prime Minister Narendra Modi. It would not be possible to compensate the loss of revenue by service tax as the service sector in the state is still at a nascent stage. Moreover, the quantum of revenue losses through GST would increase in time. In recognition of this fact, the Parliamentary Standing Committee has recommended suitable amendments in the Constitutional Bill for providing built-in permanent compensation mechanism, added Gogoi.

Chennai Express comes to Kattupalli

Maersk Line (India & Sri Lanka cluster) has announced that its Chennai Express service which connects the Far East to the South and East of India has added Kattupalli Port in Tamil Nadu in its rotation. The calls will be fortnightly and will serve as an additional option for auto and electronics import customers and the diverse export businesses based out of the South of India. This service enhancement comes at a time when there is an increased emphasis on improving regional trade, especially with the Far East Asian markets.

Franck Dedenis, Managing Director for Maersk (India and Sri Lanka), said, "Our decision to call on Kattupalli Port reiterates Maersk's commitment to bringing tremendous value to customers. We are expecting a surge in trade through Kattupalli as it is fast becoming the preferred port by businesses in close catchment areas. Also, this addition comes at a good time given the recent increased engagement between the Indian government and the counterparts in the Far East, under the Act East policy."

Maersk Line believes that advantages like reduced transportation time to the port as well as the catering CFSs, quicker turnaround of trailers at the port, better road connectivity via the national highways will help in increasing proximity with the customers, reduce their lead times and make logistics operations more cost effective for customers. This has been the company's core motivation for investing in an additional port call on the Chennai Express.

Chennai Express Rotation: Qingdao – Xingang – Busan – Shanghai – Nansha – Tanjung Pelepas – Chennai – Krishnapatnam* – Kattupalli* – Visakhapatnam – Tanjung Pelepas

* – fortnightly or Bi-weekly

First East bound call: 16/12 (East bound and west bound)

Dhamra Port may soon get land for expansion

Dhamra Port Company Ltd expects to soon get 736 acres of land for its second phase expansion. The expansion is estimated to cost ₹10,000 crore and would add 11 new berths to the port. It will also raise the port's capacity four-fold to 100 million tonnes, up from 25 million tonnes presently. The port has obtained environment clearance for the expansion.

The second phase capacity ramp up would also pave the way for a five mtpa LNG terminal to be set up within the port premises by Indian Oil Corporation Ltd. The terminal will cost ₹5,000 crore and will require 150 acres of land. Both IOCL and DPCL had signed a MoU for the project.

Dhamra Port handled 14.31 million tonnes of cargo in 2013-14, 29.3 per cent higher than 11.07 million tonnes in 2012-13. This included 10.23 million tonnes of import cargo and the balance 4.08 million tonnes of exports. A total of 192 vessels, including 46 Capesize vessels called at the port in the last fiscal.

"Clearance through INDIAN Customs" released

Rakesh Misra, IRS Chief Commissioner, releasing the book along with Samir J Shah, partner, JBS Group

The third edition of the book *"Clearance through INDIAN Customs,"* re-edited by Samir J Shah, partner, JBS Group of companies, is a comprehensive guide to make customs clearance simple and increase domain knowledge of the readers about the working of customs in India.

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Chairman
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MR GIRISH PILLAI, IRTS
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MR AMITABH VERMA, IAS
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Company Limited

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Joint Managing Director
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MR S VARADARAJAN
Chief Executive Officer
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Lemuir Group

CAPT K N RAMESH
Chief Executive Officer
SICAL Logistics Limited

CAPT RAMNATH VAIDYANATHAN
Associate Vice President &
Head Container Terminal
Adani Ennore Container Terminal Pvt Ltd.

22 JANUARY 2015 — INAUGURAL

Registration Open	2:00pm onwards
CEO Round Table (By Invitation only)	3:30pm to 4:30pm
Inaugural Session	4:30pm to 5:30pm
Keynote Session: **MARITIME BUSINESS GROWTH ON EAST COAST -VISION AND ROAD MAP**	5:30pm to 6:30pm
NETWORKING, COCKTAIL DINNER	**6:30PM ONWARDS**

23 JANUARY 2015 — SESSION-01

CARGO TRACK : 9:00AM TO 11:00AM

VIBRANT HINTERLAND AND RISING CARGO VOLUMES

- How are the volumes of Coal, Agro commodities, Containers poised? Which are the growth drivers?
- Where are the hottest cargo centers on east coast?
- What are the opportunities and obstacles for cargo growth?

TEA & COFFEE BREAK — 11:00AM TO 11:30AM

Supported By: Ministry of Shipping | Presenting Sponsor: Visakha Container Terminal | Host Port: Visakhapatnam Port Trust | Corporate Sponsors: KPCT Krishnapatnam Port, Samsara Group Success in Service, Port Gangavaram | Inland Waterways Authority of India | Associate Sponsors: DPCL The Dhamra Port Company Limited, vedanta

SPEAKERS FROM EXIM AND RAILWAYS

THIRD EDITION
East Coast Maritime Business Summit

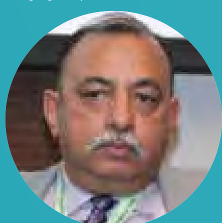
CAPT D K MOHANTY
Chairman & Managing Director
Dredging Corporation of India Limited

CAPT G K SARKARI
Managing Director
Samsara Group

MR JASJIT SETHI
President & CEO, Transport Corporation of India-Supply Chain Solutions

MR BILL SMART
Managing Director
Bengal Tiger Line Pte Ltd

MR V KALYANARAMA
Executive Director
Container Corporation of India Limited



CAPT SANJEEV RISHI
Advisor
Worlds Window Infrastructure

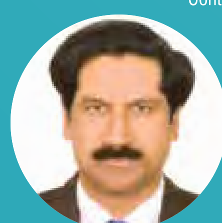
MR PRADEEP KUMAR SRIVASTAVA
General Manager
South Central Railway

MS VINITA VENKATESH
Director
Krishnapatnam Port ContainerTerminal

MR SANTOSH K MOHAPATRA
Director, The Dhamra Port Company Limited

CAPT S B MAZUMDER
Executive Director
Seahorse Ship Agencies Pvt Ltd.

MR M N BHASKARAN
President - Sustainable UpstreamBusiness
Nagarjuna Fertilisers & Chemicals Ltd



MR V PADMANABHAM
President, Andhra Pradesh Seafood Exporters Association of India

MR G SAMBASIVA RAO
Managing Director
Sravan Shipping Services Pvt Ltd.

MR ANTTI HALONEN
Sales Manager
KONECRANES

SESSION-02

CONNECTIVITY TRACK : 11:30AM TO 1:30PM

CORRIDORS OF GROWTH

- Direct and Feeder services on the East Coast
- Rail logistics: How is the rail connectivity aligned with cargo growth?
- Industrial and Freight Corridors: The Game Changers
- Regional Maritime connectivity: Kaladan
- Waterways: Increasing traffic; Evolving Business
- Coastal Shipping: Unlocking the Potential

NETWORKING LUNCH 1:30PM TO 2:30PM

SESSION-03

INFRASTRUCTURE TRACK: 2:30PM TO 4:00PM

GROWTH STRATEGIES AT PORTS AND TERMINALS

- New and Expansion projects at Ports and Terminals
- Cargo handling Capacities: Existing and projected; Adequate or excess?
- Mechanisation and Makeovers
- Support Infrastructure: CFS/Multimodal Logistics Parks/FTWZ
- Surface logistics; Storage solutions; Integrated Logistics

CLOSING REMARKS 4:00PM

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22-23, JANUARY 2015
NOVOTEL VISAKHAPATNAM VARUN BEACH

OUTLOOK 2015

OPTIMISTIC, YET GUARDED

With 2015 touted to be the year of revival for world shipping, 2014 can be bid a enthusiastic farewell having experienced a fair amount of smiles and sighs. Shaping of new alliances, big ships and a more stable demand situation are three things the industry can look forward to.

As the curtains are drawn to announce the end of 2014, the year, that has been a mixed bag for the sector looks forward to better economic conditions to do business with ease. Low freight rates on account of over capacity continued to daze shipping lines across the dry bulk, tanker and container segments. High bunker prices are also to be blamed for a poor show by most of the big boys among the shipping lines. This, certainly, is not news, but what is making headlines is the way lines are accepting this phase of high debt and low profit as the new normal making structural changes to the way they operate in the major trade lanes.

Carriers are devising ways to consolidate operations to offset the losses faced by this urge to deploy larger vessels at sea. Alliances are expected to show the way forward while those lines that have been left out of these groups are scurrying to find new ways to fill their hulls. Container lines hope these alliances and cost cutting measures they put in place will spring a surprise if not spin the wheel of fortune in their favour.

In many ways, 2015 is the year that shipping companies have been looking forward to from the last two years as it is predicted to be more benevolent towards the industry. The mega vessels that are waiting to be deployed are anticipating lower slot costs on account of fuel efficiency and other benefits arising from economies of scale. Much like last year, lines will pull off from ports that don't make calls sound economical and grab every opportunity to save on costs. This has already resulted in an inter-port competition with terminal and port operators around the globe leaving no stone unturned to be their efficient best and please vessels. This, in turn, is changing the way feeders, NVOCCs, truckers and dry port owners function, charge and offer services. While middlemen are being eliminated from processes, many of these companies offering off shore services are divesting from non core activities. Consolidation is the name of the game in this aspect of service too with the stronger ones buying up competitors to strengthen specific areas of service.

In a statement that was issues, AGS World Transport, a leading provider of LCL services, has seen sustained growth in the NVOCC sector in Asia and expects that to continue in 2015. Trade is increasing between Asian countries particularly on short sea and feeder routes between Japan and Korea and also Singapore, Thailand, Philippines, Indonesia, Malaysia and Sri Lanka. "We see more demand for LCL shipments across Asia, as freight forwarders want the flexibility of moving smaller shipments with greater frequency and to work with a neutral service provider," said Mike Dye, Group President and Chief Executive Officer of AGS World Transport. "Many of the ports in Asia's emerging markets are served by smaller container ships, due to infrastructure constraints. Typically the journey time is three or four days, our customers, the freight forwarders need to work with a reliable, responsive NVOCC with access to a multiple carrier network," he said.

The fastest growing trade area worldwide is the Intra-Asia trade corridor; in 2013 Intra-Asia trade counted for 25 percent of Asia's total of $6 trillion in annual exports. 1.4 million TEUs moved in Intra-Asian trades by the end of 2013, this statistic is nearly double the container volumes moved in 2007. Emerging Asia economies are expected to grow by 6.9% per annum in 2014-18.

While the transatlantic and transpacific routes will be the most watched, shipping lines are cocking an ear to see how India and China perform too. The ostensible stability in demand in the US market coupled with manufacturing activity in India and China is what is expected to help lines fare better in 2015. Research firm India Ratings predicts that Indian shipping lines that focus on off shore and drilling activities are likely to maintain their credit worthiness in the New Year. The logistics sector that seems aflush with funds is seen fighting off poor infrastructure and stringent trade regulations to emerge as the star of the year. A senior leader from the industry expects the coming year to be ushering a lot of scope for companies investing in soft infrastructure such as education, training and policy framework. The biggest boost to the growth of the industry is coming from the increasing consumer demand, particularly in the Tier 2 and 3 sections of the country. This is being further fueled by the revolutionary growth being seen in e-commerce which is leading to logistics companies responding with new innovations in service since logistics is the most critical ingredient in the success of an online business, he says.

Whatever the market outlook may be, the predominant mood of the stake holders is optimistic, yet guarded. They're ready to engage in fierce competition and take risks as much as they are ready to fighting off any fumes from the past that may unexpectedly fire.

Dr AK Balyan
MD & CEO, Petronet LNG Limited

How did your company perform in the year 2014?

Keeping pace with past, Petronet LNG Limited has done very well in 2014. Our company has imported 8.35 MMT LNG upto November, 2014 & provided regasification service for around 1.70 MMT.

To cater the India's growing gas demand-supply gap, Petronet LNG Limited is in constant touch with various potential LNG suppliers and has entered three new Master Sale Purchase Agreements (MSPA) with LNG Suppliers and Traders for the purposes of expanding the potential supplier base for procurement of spot cargoes. PLL has carried out feasibility study for the development of small LNG terminal and power plant at Port Blair with the Andaman & Nicobar Administration. Preliminary feasibility study is also carried out for the Air Separation Unit and Cryogenic Warehouse at Dahej.

PLL has commissioned its second LNG terminal of 5.0 MMTPA capacity at Kochi in the State of Kerala on the South coast of India during September 2013. However in the absence of planned pipeline network, the terminal is being operated at less than 2 per cent of its nameplate capacity. During 2014, Kochi terminal has received two cargoes (0.13 MMT LNG) including one reload cargo (0.07 MMT). Under this new reload arrangement, PLL will allow the suppliers to store LNG using its twin tanks in Kochi and ship off the consignments according to their requirement.

In 2014, Petronet has obtained all statutory and other approvals for the process of setting up an LNG terminal at Gangavaram Port in the State of Andhra Pradesh with an approximate investment of ₹5000 crore. For this, PLL along with Gangavaram Port Ltd (GPL), has entered into an Memorandum of Understanding (MOU).

What has been your experience so far for 2014? What new developments happened where LNG is concerned?

In 2014, global LNG market has witnessed a sharp delicine in the LNG prices. LNG prices in the USA, have also come down and presently hovering around 3-4 USD/mmbtu. The global LNG supply has improved by the pre scheduled commissioning of PLNG Liquefaction plant. PLL has imported cargoes at lower price and supplied RLNG in Indian market at very competitive price especially to fertilizer and power consumers such as NFL, KRIBHCO, Torrent Power in 2014.

What are your present business expansion plans? Could you give us an update on your plans for the coming year, highlighting any important developments scheduled for 2015?

Presently, Petronet LNG Limited (PLL) is operating 10 MMTPA Dahej LNG terminal in the State of Gujarat. Further, PLL is in the process of expanding Dahej capacity from 10 MMTPA to 15 MMTPA, which is scheduled to be completed by end 2016. PLL also commissioned 5 MMTPA Kochi terminal in the State of Kerala.

PLL is also pursuing setting up an LNG terminal at Gangavaram Port in the State of Andhra Pradesh with an approximate investment of ₹5000 crore. For this, PLL along with Gangavaram Port Ltd (GPL), has entered into an Memorandum of Understanding (MOU). All pre-project studies and approvals have been obtained by PLL. PLL is actively working on the consumer tie-up.

Further, we are also working on following areas to diversify:

- Wind power project to be set up in Gujarat
- Harnessing cold energy through Air Separation Units
- Coastal trade through smaller ships – Andaman, Sri Lanka
- Increasing penetration of LNG by Road – Taral Gas
- City Gas Distribution through consortium
- Reload opportunities at Kochi

What is your outlook for the market in 2015?

Global LNG Market will be tight until 2015 as very little LNG supply comes to the markets, as Australian and US LNG projects are likely to come up only after 2015. Major demand is likely to increase from Asia. New US LNG supply is expected to begin by early 2016. The Indian economy presently is believed to have established itself on a healthy growth path and this would increase going forward the energy consumption in the country. This increase in consumption is expected to be supplemented by an alteration in the primary energy mix of India on account of the substitution of oil by natural gas. The share of natural gas in the energy mix of India is expected to increase to 20 per cent in 2025 as compared to around 9 per cent in 2014. However, given that all the plans for expansion in natural gas supply in the country with the help of additional LNG terminals, nation-wide transmission pipeline network and transnational pipelines are expected to materialize by 2025, it is envisaged that the share of natural gas in the primary energy mix is bound to increase over next 10 years.

Could you tell us about the steps taken by the governments for the promotion of business?

Government of Kerala recently has waived VAT on natural gas for Fertilisers and Chemicals Travancore Limited (FACT). With the recent waiver of K-VAT on natural gas for FACT and price ruling low, has enabled FACT management to initiate process of drawing up a long-term agreement with the gas suppliers. It will also increase utilisation of Kochi terminal which is at present being utilised less than 2 per cent due to unavailability of pipeline network.

What further steps or policy changes do you think are required for boosting the market?

- Robust growth in Infrastructure development such as LNG Terminal, gas storage, gas Pipelines on state/ national & transnational basis, City Gas network etc.
- Sector reforms like Power tariff review, day of time tariff, Tax effective Swaps in Gas industry, entry & exit tariff and rationalisation of taxes etc.
- Declared goods status for Natural Gas/RLNG in line with Coal, crude oil, LPG.
- Import duty exemption on LNG should be extended to all sectors & not just power, similar to crude petroleum.
- Exemption of Excise Duty for compression of natural gas into CNG for use in NGVs Activity of LNG loaning and borrowing in quantity terms in LNG terminals should be specifically kept out of purview of taxable transactions.
- Government support & creation of Sovereign fund to handle stiff global competition enabling acquisition of overseas upstream assets
- Consumers mindset in pricing, supply security needs to undergo change: Market driven
- Government should move to promote domestic shipbuilding industry for manufacturing LNG ships.

Shailesh Garg
Director, Drewry Maritime Services

What have been the major developments in the Indian shipping and logistics sector in 2014?

- PSA getting fourth container terminal at JNPT
- Dredging at JNPT
- Adani Ports acquiring Dhamra Port
- Growth in on-line retail – leading to investments in logistics infrastructure

How do you see the competition shaping up among ports? Non - major ports seemed to have taken the lead. In which areas do you see major ports lagging behind?

- Major ports need to improve project planning and implementation.
- Multiple and regulations and ambiguity
- Draft- dredging required to allow handling of bigger vessels.
- Port based industries and economic zones
- Mechanisation and IT

What could be the biggest concern for the Indian maritime sector?

- Indian ports lack efficient landside capacity. Lack of road and rail capacity and connectivity results in higher logistics costs and underutilisation of port infrastructure.
- Lack of flexibility and freedom in tariff setting at Major Ports

Shipping lines are confronted with a major challenge of declining freight rates. How do you see this scenario unfold in the new year?

2015 is expected to remain challenging for shipping lines. One of the major concerns is increasing supply, which in turn would exert pressure on the freight rates.

How do you see the logistics sector gear up in the near future given the M&A and fund raising deals in the sector?

Indian logistics sector is quite fragmented and therefore it provides opportunities for consolidation. Further, some of the leading players will have to scale up the operations for increased coverage and to provide value-added services. Some of the global players would like to form JVs or look for M&A opportunities to expand their India operations and to also have higher control over quality and service levels.

Is the logistics sector going the IT way when the dot com boom suddenly left many players in the lurch?

Logistics is going to be the key differentiator for e-commerce and IT will be a key enabler for logistics player to achieve the required efficiency and cost advantage. In many cases logistics players will have to act as partners for on-line retailers to minimise the logistics costs and lead times and this can be achieved through higher penetration of IT in the sector. Some of the leading on-line retailers may look at the opportunity of developing in-house logistics capabilities through JVs or M&A.

Anil Singh
Senior Vice President and MD, DP World Subcontinent

"2014 was a good year for DP World in India. We have registered a positive growth at all our terminals in India with Mundra terminal registering extraordinary success and achieving one million TEUs annual container throughput for the first time this year. In the new year we will add 850,000 TEUs per annum capacity on the west coast of India with the 330 meter project at Jawaharlal Nehru Port Trust (JNPT)."

"The industry witnessed EXIM volume growth in excess of 7 per cent against 4 per cent in 2013 and an average of 4 per cent over the last three years. There are positive signs that the power of the Tariff Authority will be reduced allowing major ports to set market-driven rates."

Source: Internal data from each terminal

"There is a positive sentiment in the industry as we see a focus on infrastructure development by the new Government. We will be keenly observing the direction taken by the government through the provisions in the forthcoming fiscal budget and we will have greater clarity."

"We expect the demand and supply balance to remain favourable in the industry. However without a final decision on the Tariff Regulations and with Non Major ports registering robust volume growth we will continue to see some challenges."

"We believe that if the issues affecting the industry are addressed in a continuous and dynamic manner we will see healthy and strong volume growth in the future."

Exports

Pinning hopes on the 'Make in India' campaign and a conducive business environment, India expects a promising year ahead for its exports and improve on its estimated $300-billion plus tally in 2014. However, it would be the revival in global economy that would matter the most for the shipments leaving Indian shores, said the government officials and exporters while striking a note of caution for 2015. This cautious optimism follows a subdued performance on exports front for several years now, largely because of a fragile global economic situation.

India's exports are estimated to have remained at around $312 billion in 2013, while the final figures for 2014 could be around this figure only. The overall exports during the first ten months of calendar year 2014 stood at about $270 billion. Exporters, as also the Commerce Ministry, are keeping their fingers crossed on account of tepid situation in mark markets like the European Union, Japan, Russia and Middle East, which account for over 20 per cent of the total Indian exports. The country's monthly merchandise shipments have so far shown a mixed trend this year – from a robust growth of 12.4 per cent in May to entering into negative territory in October, 2014. Exporters body Federation of Indian Export Organisations (FIEO) also said that "there cannot be a drastic increase in exports growth next year", given the global demand economic situation. Besides the global economic scenario, the exporters are also concerned about delay in the announcement of the the country's new Foreign Trade Policy (FTP). "Timely release of the FTP would help exporters in finalising their deals. Government should announce fiscal and non-fiscal incentives for exporters soon," said an official of FIEO. India's exports in last three years have been hovering around $300 billion. Falling short of the $325 billion target, India's exports in 2013-14 stood at $312.35 billion. Special Economic Zones (SEZs), which contribute about 23 per cent of the country's total exports, too are facing problems and the developers are demanding to roll back minimum alternative tax and dividend distribution tax to revive investors sentiment for these zones. The government has fixed an export target of $340 billion for the current fiscal, ending March 31, 2015, but high gold imports have pushed the country's trade deficit higher and it touched $83.75 billion during April-October 2014. Besides, top exporting sectors showed a decline in export figures during October. These include engineering (-9.18 per cent), pharma (-8.33 per cent), gems and jewellery (-2.25 per cent), cotton yarn/fabrics (-13.84 per cent) and petroleum products (-0.16 per cent).

Atul Kumar
President, Indian Importers Association

How did India's import sector perform in the year 2014?

The import of various products were steady during 2014. There was not much change in the product mix and value as compare to 2013. The most significant thing was that due to the curbs imposed by the government on gold imports, there was significant drop in the official import of gold. The RBI restricted gold imports in early 2013 as India battled a balance of payments crisis triggered by the Federal Reserve's announcement that it would start to ease its programme of quantitative easing. In addition to imposing a record high duty of 10 per cent on overseas purchases of gold, the RBI introduced a rule making it mandatory to re-export a fifth of all bullion imports.

Which were the key items of import?

The major imports were in 3 f's-Food, Fuel and Fertilisers. There was no import of wheat and rice but there was increase in import of pulses and palm oil. The import of petroleum products didn't show any increase as the demand in the domestic market was constant, and same was with fertilizers. The other imports included consumer goods, machinery, and chemicals. Pharmaceutical raw materials also were stable and there was no change as compared to 2013.

Did any major change took place in the import pattern?

There was no major change in the import pattern.

What is your outlook for the sector in 2015?

As oil prices has gone down the value of petroleum products has also decreased. Import will be less but volume will be the same. Due to new initiative of the government in the area of infrastructure, there will be significant imports of construction equipment, and construction materials, among other things.

What changes (taxes/policy) are required to facilitate growth of the sector?

Import of products need better infrastructure both at the ports and also down the line services like local transportation, warehousing etc. With regard to taxes, introduction of GST will make things easier for imports.

Mohinder Pal Jindal
President, All India Rice Exporters Association

How did the rice export market perform in the year 2014? What was the total volume till now, and what was the worth of the trade?

The total volume exported in FY 2014 was 10.7 million tonnes. In the FY 2015 (up to September 2014), the total volume of rice exported is 5.07 million tonnes with the following breakup: Basmati 1.6 million tonnes and Non Basmati 3.4 million tonnes.

In November 2014, basmati exports were falling. What is the present situation?

As per our information, there is marginal fall for Basmati exports in the present. Earlier in the year, higher taxes in importing countries, along with absence of government support at home, were squeezing India's basmati exporters. Shipments of the premium quality aromatic rice had taken a hit. In 2013-14, India exported 10.5 million tonnes of rice, helping keep its top position in the global market for the staple grain. Out of this, more than 4 million tonnes were basmati, with Iran being the biggest market. But Iran increased import duty from 10 per cent to 45 per cent, because of which India's import suffered. The average price realisation of Indian basmati in global market has come down to $1,100 a tonne from $1,450 last year. This has led to a drop in basmati prices in the local wholesale markets, too.

As per contracted data from APEDA, the export situation is the same as November. However since Iran has placed a ban on import of rice from all origins, which is expected to last till the end of their domestic harvest (i.e. January 2015), we are expecting a fall of 10-15 per cent in the volume exported.

What is your outlook for the market in 2015?

Outlook for the market in 2015 would be average since we are expecting the current market scenario to overlap into the next financial year.

What changes are required to boost agri trade in India?

The government of India through Ministry of Commerce should do the following:

- Mediate with government of Iran and pursue them to keep import duty at the lowest to encourage trade.
- Reduce the rate of interest and re-institute interest subvention of 3 per cent and harmonise state mandi taxes to a minimal level.

Could you give us an update on your association's plans for the coming year, highlighting any important developments scheduled for 2015?

The Association in coming year plans to interact with the government and impress upon them the need to do the following:

- Reduce bank rate of interest
- Provide benefits such as duty drawback
- Increase interest subvention from 3 per cent to 5 per cent
- Institute minimal Mandi tax across the country.
- Set up schemes for the promotion of marketing in small packages, which will help in developing brands.

In addition the association will conduct a number of extension activities to sensitise farmers to increase production and on safe use of agro chemicals. The association will also organise seminars and conferences to bring the farmers, the scientist and the industrialist on the same platform so that a safe good quality product is available in the international market.

Shantanu Bhadkamkar
Managing Director
A.T.C (Clearing and Shipping) Pvt Ltd

How has been your business performance in 2014? What factors led to improving your business?

2014 was not the best year for the industry as we did not see growth in imports & exports. However, there are some signs of revival, hopefully growth to follow in the year 2015.

What are your operational goals for 2015?

We will focus on strengthening the domestic logistics network with increased presence in Tier-II cities, the Tier-II are expected to be not only the locations for growth but in addition they will be centers of excellence.

The Government is planning for a multimodal transport system. How do you see it impact your business?

The development of structured Multimodal Transport system will impact both the domestic transportation of goods and the international transportation of goods. They will play big role in increased competitiveness of manufactured goods and agricultural produce in International market. A structured and developed Multimodal Transport system will ensure shorter time to market with increased reliability. However, the biggest impact it will have is the support for creation of newer clusters for manufacturing. Development of new manufacturing clusters in newer centers for manufacturing will mean a need for the logistics service providers to have a greater local presence and network at those centers. Clustering facilitates industrial reorganisation, and since the clusters will be specialised for specific manufacturing industries, it will mean need for the logistics service providers to specialise in servicing the respective industries.

Where do you see the growth in exports/imports happening?

A successful 'Make in India' initiative will give much needed impetus to the manufacturing sector. Hence it will lead to growth in both exports and imports by the manufacturing sector. This also means greater import of capital goods, components and raw material and will result into growth in export of manufactured products.

What are the challenges and opportunities in this sector?

The greatest challenges of the logistics sector particularly international logistics sector are thinning of margins due to commoditisation and undifferentiated services coupled with over delayed payments by the customers. This is further proliferated by increased presence of multinational and regional forwarders resorting to market penetration strategies, including penetrating pricing using their strengths in their parent markets. They also have the advantage of global contracts, which precludes the Indian forwarders from catering to the Indian operations of the global corporations. The initiatives for improving infrastructure and 'Make in India' initiative will increase the opportunities for the Indian logistics service providers. The national skill development program will lead greater availability of much necessary trained manpower, which will help the industry to establish world class standards with consistency.

PK Srivastava
General Manager,
South Central Railway

How was the year 2014 in terms of performance for the South Central Railway?

Overall, it was a commendable year. Consistent performance so far in the fiscal has resulted in the zone posting impressive growth rates, surpassing the Railway Board's targets in freight loading and gross earnings for the period April to October 2014. We imported iron ore for Jindal Steel Plant in Karnataka and sent it to Bellary from the Krishnapatnam Port. We operate 22 trains a day to and from the Port. This improvement is because of our connectivity. However, we wish to iron out the last minute bottlenecks such as doubling, electrification and crew management.

How do you ensure that the container trains do not take long to pass through the stations and are signaled to pass through quickly?

We have made sure that the container/ goods train pass through passenger tracks than separate lines. We have ensured that the crew management system is strengthened to make sure there is minimal time in changing crew. We are adopting a profit centred approach to improve our operations. What used to take the train 10 minutes to pass by the station now takes just two minutes.

Special emphasis is being given on minimising umproductive expenditure and maximising revenue to enhance financial efficiency of the zone. These conscious efforts in this direction have resulted in generating an operating surplus of ₹2,905 crore and a healthy operating ratio of 82 per cent on SCR for the period April-October 2014.

How has the South Central Railway division performed compared to other divisions?

South Central Railway stands first in reporting an increase in incremental traffic. Iron Ore, Granite to China from Karimnagar, Krishnapatnam; in addition to imported coal and fertilizers make up for cargo for SCR division.

What is your view on the recent increase in haulage charges for private train operators?

I am of the view that the Dynamic pricing policy should start functioning and the fare should be adjusted to the prices of diesel and tariff should be regulated accordingly. The fare could also be adjusted depending on the demand-supply situation of the rakes.

What is your outlook for the East Coast?

Currently we run around six trains to Kakinada and around 22-24 trains to Krishnapatnam Port. We also intend to develop new lines under the Machilipatnam Port as and when it comes up. However, the share of conatainerised cargo we carry is only around 3-4 per cent. We are also proposing a North-South Freight corridor connecting AP and UP. It is still on the drawing board.

What new cargo has been captured by SCR?

Focused and intensive marketing efforts have yielded fruitful results as the zone captured new streams of freight traffic on SCR in the current fiscal. These include 2.4 MTs of imported iron ore from Krishnapatnam, export cement inn containers for cement manufacturers, and 11,500 tonnes of Bauxite from Kakinada Port, generating a revenue of ₹230 crore.

Capt. Viren Bawa
Chief Executive Officer
CMA CGM Logistics Park Dadri Pvt Ltd

How has been your business performance in 2014?

The company was able to perform slightly better over the previous year and we should be just able to manage to post decent numbers by the year end. Though EXIM volumes have shown an improving trend, we are still not able to keep pace with the CFS supply. Our overall EXIM volumes increased due to sudden ingress of imports in September but as the year is coming to an end, noticeable drop is being noticed in exports due to uncertainity over the rail freight and economic slowdown. Our performance has been affected by freight rates/ haulage charges which have been progressively increased by the cash-trapped Indian Railways and fuel adjustment charges added to them, making rail services even less competitive for shippers and/ or consignees. Delays in rail out of exports and provisioning for rebates continued to impact our operational performance this year.

What are the major industry developments that have impacted your business in the past year?

CONCOR's Multimodal park at a place called Kathuwas, which is around 35 km from Rewari (near Delhi), has become operational in 2013. This facility is on current existing rail corridor and double stack trains are already running between Mundra, Pipavav and this terminal. As a result import containers are being evacuated more rapidly from congested ports of Pipavav and Mundra and thereafter the feed from Kathuwas is going to all major terminals in North including our terminal at ICD Dadri. As a JV partner of CONCOR this arrangement has impacted our import business in the past one year. Commencement of double-stack, high cube trains to Kathuwas will be a game-changer for not just us, but the country at large, and translate into even more efficient and speedy delivery to the end users.

What are your operational goals for 2015?

Going forward we estimate stable performance of our CFS in FY 15. This is based on the strong likelihood of the sector continuing to display overall moderate growth despite a sustained on-going economic slowdown. With a view to increasing the revenues and overall performance, the company will further add additional yard space and venture into non-bonded warehousing in the vicinity of existing facility. The operational goals identified are:

- To handle 80,000 teus of EXIM in 2015
- Improve efficiency by adding two new machines
- Expand CCLP to new locations
- Connect hinterland
- Provide better connectivity by road to gateway ports.

How do you look at the changing dynamics of hinterland in central, east and west India?

The road transport network has significant impact to logistics system hence this system needs further improvement in hinterland due to the fact that this has become very crucial to boost economic growth and physical transformation. We need to examine what extent the effectiveness of transportation network system in hinterland in central, east and west India can contribute towards logistics.

The objectives should be to identify the impact of the road transportation network, connectivity to the nearest port and the current structure and pattern in the hinterland areas. There is a need to focus on infrastructure development in these areas as it is undeniable that the planning of infrastructure development should be embodied in sustainable planning. We need to develop efficient road network, which can cater the needs of population growth and cover the areas, business and industries. It is very important to take into account the needs of local communities in order to ensure that the design of highways and roads make use of technology and resources in more efficient manner

The successful planning must consider the demands of freight movement such as a pickup and delivery, intermodal connections, and regional consolidation in the context of urban passenger transportation issues such as congestion and accessibility. Planning should be investigated further and be revised in ways that enhance environments of living and working in maritime zones.

The government is planning to implement tracking of containers using RFID. How will this impact your business?

Our facility at ICD Dadri is the only facility in Northern India where RFID tracking is in place since last six months. Our RFID system coupled with government plan to implement tracking of containers using RFID will have significant and very poistive impact on our business. Radio-frequency identification (RFID) as an emerging technology has generated enormous amount of interest in the supply chain arena. With RFID technology, we'll be able to track containers more accurately in real time between gateway ports and our CFS resulting in precise and improved efficiency and realiability of the entire chain. RFID increases available data quality, improves protection against counterfeiting, quality management, traceability and process knowledge as a result of higher visibility/transparency. RFID technology based information generates several advantages, which will be achieved in the future of container management. It will certainly help in reduction of: misrouting, losses, thefts, stock outs, human errors, minimum inventory level, real-time inventory data, time of circulation or loading and unloading time as well as expenses for searching multi-way containers.

Capt S S Mahapatra
CEO, Apeejay Shipping

How has the year 2014 treated shipowners such as you? In which segment of carriers did you find a lot of traction?

During start of 2014, general industry sentiments were very positive and markets were expected to average out around $13K for panamax and supramax. However, by march market started deteriorating due to a variety of reasons. Panamax segment was the most affected.

The present government seems serious in its efforts to help the shipping sector. Full-term ship licensing and permission to flag-out vessels shows the government

is willing to support the demands of owners. What other immediate support are you seeking from the government?

There have been some positive announcements of policy changes especially with respect to flagging out, FROR and coastal shipping. Also worth mentioning is the Finance ministry's decision on taxation for NRI seafarers. But how all these have actually affected Indian shipping is not very clear yet. We think we have to wait and watch.

With India's demand for coal, iron ore and petroleum projected to breach all limits in the coming years, do firms like yours see greater demand for dry bulk vessels and tankers?

Yes, demand has increased, but so has the supply of tonnage. Dry bulk shipping is still affected by the huge over supply of the recent years. Net result being the markets are just not picking up.

What prospects does the year 2015 hold in store for you in terms of demand for vessels and cargo?

Commodity prices are generally at all-time lows and with more than 500 vessels being delivered in the next two years and Chinese economy stagnant, market would average out around the $8K for panamaxes and $9K for Supramaxes. Owners (including us) would be operating on paper thin margins; no room for errors. Positioning vessels properly and judicious market selection will be critical. Key aim is to avoid idling and tighten operating expenses.

Do you think there is scope for coastal shipping to take off in the country given the current restrictions and tax structure?

Yes, coastal shipping will definitely increase primarily because of the local requirements of power plants. Coastal coal movements are (and always have been) a major trade and keeps a significant tonnage engaged and employed.

Can you give us an update on your fleet size and how you plan to deploy your fleet in the coming year?

ASL's fleet size is currently seven dry bulkers with a total DWT capacity of 403,000 tonnes and an average age of about 11 years.

The fleet consists of four supramaxes, two gearless panamaxes and a handymax. These are all deployed to cater to both international cross trades as well as coastal shipping. Future employment and trading pattern will necessarily depend upon how the market moves and in which geographical segment we see more value. Making trading plans as we go along is a good strategy; it's better one stays focused on the changing market scenarios and emerging opportunities.

Protik Guha
CEO, Amira India

How did the rice export market perform in the year 2014? What was the total volume till now, and what was the worth of the trade?

The total volume exported till now in this year was about 12 million tonnes, of which basmati was about 1.9 million tonnes, and rest was long grain. India is the leading exporter of the basmati rice to the global market. The country has exported 37,57,271.44 MT of basmati rice to the world for the worth of ₹29,299.96 crores during the year 2013-14.

Major Export Destinations (2013-14) are: Iran, Saudi Arabia, Iraq, Kuwait and United Arab Emirates.

In November2014, basmati exports were falling. What is the present situation?

Basmati exports have not changed dramatically. A drop in Indian exports could help Thailand trim a record inventory chalked up under a controversial rice-buying scheme. Thailand may also be able to reclaim its status as the world's biggest rice exporter, which it lost to India two years ago. It will also leave more rice in Indian hands at a time when the country's stocks are bulging and it faces the prospect of a record harvest, creating problems of storage. India toppled Thailand in 2012 to become the world's biggest rice exporter after the government lifted a four-year-old ban on non-basmati rice shipments in 2011 to trim a growing mountain of the grain following bountiful harvests.

What is your outlook for the market in 2015?

Outlook for the market in 2015 would be overall good, with not much changes happening. We are expecting a slight drop in exports.

Peter Deubet
Deputy Chief Executive
German-Indian Chamber of Commerce

How has been your business in 2014? What factors led to improving your port's business? Please state the commodities and volumes handled.

With total throughput of around 110 million tonnes, the Port of Hamburg set a new record in the first nine months of 2014. Almost all throughput segments contributed their share to this growth, which at 5.7 per cent was outstanding compared to the same period of the previous year. Container handling, which dominates in Hamburg as a universal port, also achieved a record mark of 7.4 million teu (20-ft standard containers). Gaining 6.4 per cent here, Hamburg is growing faster than competing ports in Northern Europe. These reported average growth of 1.9 per cent in total throughput and of 4.0 per cent for container handling. The Port of Hamburg accordingly enlarged its market share of container traffic for the period January to September from 26.1 per cent to 26.7 per cent.

Hamburg is profiting especially from the double-digit growth in the container trade with Asia. With 12.8 per cent growth, China particularly, Hamburg's largest partner in the container trades, contributed to the immense boost in seaborne foreign trade for Germany's largest universal port. The Port of Hamburg handled 2.3 million teu containers to and from China in the first nine months of 2014. In direct container trade with Indian ports, in the first three quarters of the year Hamburg achieved a 15.4 per cent advance to 176,000 teu. Development of container trade with Malaysia during this period was also highly satisfactory, advancing by 10.2 per cent to 203,000 teu. Container trade with Africa also made excellent progress, increasing by 28.2 per cent. Here it is primarily the container trades with Northern and South Africa that are ensuring steep growth

Between January and September, 374 ultra-large containerships with slot capacities of over 10,000 teu called at Hamburg. Up by 23.8 per cent or almost one quarter on the comparable period of the previous year at 302, the figure for calls by ships of this size class underlines that for the sake of the port and shipping generally, the dredging and widening of the navigation channel on the Lower and Outer Elbe must be implemented. For 2015, the first registrations have been received for calls in Hamburg by ultra-large containerships of over 400 metres in length.

What are your operational goals for 2015?

The Hamburg Representation Mumbai will strongly focus on promoting the port of Hamburg in India to increase the cargo throughput coming into Europe via Hamburg port. Furthermore we are concentrating on events like IAPH (29th World Port Conference) which will be held on June 1-5, being the premier event of the global port industry featuring top notch speakers focusing on topics like logistics concepts, smart ports and security in Ports. In addition, we will also foster closer relationships between the Hamburg port and Indian ports as well as promote knowledge transfer of green port, port city and hinterland issues.

Capt Sudhir Vasudev Subhedar
President, ICCSA

Could you share with us the progress made and the initiatives taken by the government on the report submitted by Capt PVK Mohan committee?

What we were looking forward to the most is the incentive scheme that offers a rebate on terminal handling charges for coastal shippers at ports. But to our dismay, this has not been notified yet. However, I must say the present government is more proactive than the previous government. What is welcome is the notification of a seamless transfer of the river sea vessels, or RSVs from deep sea to coastal to river operations. The government has also comprehensively revised the inland waters of India. However, we would like the Centre to make haste on putting into force the recommendations suggested by audit, tax and advisory firm KPMG. The incentives can help the Indian coastal shipping community greatly.

Could you state a few measures the present government has undertaken this year to make plying of coastal ships more viable?

The government has done quite much to enhance the role of coastal shipping. They have facilitated easier custom procedures to reduce transaction costs by using technology such as EDI. This move has been having an effect over the operation as it has resulted in greater ease of doing business. The other upside is the notification that has been issued to all the major ports asking them to allow priority berthing for coastal vessels.

What changes do you expect in the year 2015 and have you made any representation in this regard to the government?

In continuation of the efforts made by the Indian government, we are looking for the implementation of the KPMG report that urged the Centre to offer incentives. We are also looking to increase the size of domestic shipping. Awarding the shipping sector an infrastructure status is among our tasks so as to avail long-term cheap finance from banks and financial institutions. Finally, to make the modal shift to rail and sea viable and possible, we are asking for long-term cargo support from the government.

How have Indian shipowners performed this year and how much cargo has moved along the coasts?

This year has been fairly encouraging for us. Coal is moving from Sand Heads to Farakka in Bengal and the India Bangladesh protocol is being operationalised. We hope that the same would be extended to Myanmar also. Public sector undertakings such as Food Corporation of India and Fertilisers Corporation of India have taken measures to move produce on both coasts. Coastal traffic along the regions has considerably improved to major ports and there has been a 10 per cent increase in container movement along the East and West coasts of India.

Gubba Nagender Rao
MD, Gubba Cold Storage Limited

When you look back upon 2014, what do you think were the significant challenges and achievements of the cold chain industry?

The cold storage Industry in India is valued at ₹245 billion and has been constantly growing at a healthy rate of 18 per cent for the last three years. The future looks quite promising and it is expected to grow by 20 per cent for the next five years, thanks to the increasing demand for concrete cold chain solutions by various sectors such as processed food, pharma etc., and large credit also goes to the changing Indian consumer eating habits. The government is going in hand glove by the support of various capital back end subsidies and essential power tariff in few states. Government initiating in developing cold chain solutions and the adoption of PPP model will further drive a growth in the industry.

How do you look at the current status of the cold chain and related infrastructure in the country?

Thanks to the growing volumes, automisation is the need of the hour and Indian cold storage industry is stepping up at par with global leaders in infrastructure, paving way for racking systems, forklifts, MHEs, bulk bags, online temperature and inventory systems, apps, Controlled atmosphere cold storage, IQFs etc. Coming to logistics, we are witnessing reefer logistics even in 2 tier and 3 tier towns of India. Thanks to high technology and overseas technology transfer in bringing out the best of refrigeration equipments and trucks backed up eye GPS Systems and to user friendly Apps for the trucks, the cold chain logistics is here to grow. Logistics play a critical role in a farm to fork concept.

What are the top opportunities for the industry?

The dark horse and the unnoticed cold storage industry is suddenly under the scanner of foreign investors. Adding to the momentum snowman logistics IPO was the biggest hit of the Indian stock market for the primary investors with over 60 times over subscribed. The financial pundits are bullish about the significant leap in foreign investments in the next decade.

What do you think the year 2015 will unfold?

Achhe din aaye, with feel good factor in the country the same would impact the cold storage industry and expecting a cold storage friendly budget in 2015. With economy growing, the cold storage industry would go hand in glove with the growth.

As the cold chain needs more funding and organised players, what kind of policy supports and initiatives you expect from the government?

Think cold storage; think capital, with Asset heavy module cold storage requires decent money and high end cold storages required all the more; more funds so soft loans at 4 per cent per annum from Government to part finance some cost of the project; competitive lending rates from the Banks; and reduced power tariffs across the country, excise duty and VAT exemptions on capital equipment. With all this the promoter would automatically transfer the benefits to the Indian farmer. And at ground level, constant training to the farmers on harvesting procedures and techniques, shifting the produce to the cold storage as quick as possible, usage of plastic crates or wooden boxes for transportation, proper handling, and such quality steps if adhered would minimise the loss of perishable goods.

What were the significant milestones for Gubba Group in 2014?

Adding two more cold storage facilities, making it to a total of 11 cold storage plants with a capacity of 90 lakh cubic feet, being the largest in the country in terms of volume. Bagging two prestigious cold storage Industry Awards, 'Emerson cup-2014, outstanding and innovative HVACR design for a seed cold storage in India', and the other at All India cold chain show at Mumbai for the 'Best cold storage for general commodities in India'. And Kaizen lean management practices for the next level services.

Capt Ashok Kumar Shrivastava
CEO (Shipping Services), Allcargo Logistics Limited

How was the year 2014 for the coastal shipping sector?

As you are aware, in the first half of 2014, entire nation was in a state of limbo just waiting for a change. The business scenario and the sentiments were really low. It is a different situation in the second half. There seems to be a sense, of positivity and hope and one can also see some proactive measures on the ground. However for all the measures to translate into business, it would take some time. In that sense there has not been a drastic change in terms of business, but all of us are hopeful that coming year will be much better.

What are the prospects for coastal shipping in India and how is the sector faring currently?

If the business grows in India, which it is projected to grow, there will be a huge opportunity for coastal Trade. Our road and rail system is over burdened and can't really cope with our incremental growth so shift to coastal is the only answer. Moreover, it is already working beautifully in other parts of the world so it is just a matter of time before we as a nation also adopt it to its fullest potential.

How do you think the year 2015 will unfold?

Last year we waited for change of Government. This year our hopes are pinned on budget and new policies. There is great expectation from the government. Also, the world has been in a slowdown mode for far too long and a turnaround is expected in 2015.

India will do very well in 2015 as there will be internal growth and better environment around the world. Better growth rate is already being projected by leading agencies. This will also translate into coastal shipping in India as well.

With the new government putting more stress on coastal shipping, do you see the sector revamping itself in next few years?

It is about time really. In past few years there has been lot of interest generated in coastal shipping. Despite various issues and elections in many states, the government has already taken some proactive measures towards improving coastal trade. If this is any indication to go by, we can hope for many policy changes. I do not see any reason why this mode of transport can't live up to its potential in next few years.

What initiatives and strategies have been laid down to promote cargo movement through the costal shipping?

Government has already taken certain steps to ease the documentation procedure. There is also an intention to shift cargo to coastal mode by incentivising the shippers. Government expects to shift 20 million tonnes of cargo by this initiative. Dedicated berths at major ports are another initiative in the right direction. We expect to see many more easing of procedure and coastal friendly approach. All this will promote coastal trade and will give a boost to coastal shipping.

Ganesh Krishnan
Chief Executive Officer,
Albatross Inland Ports

2014 has been historic in terms of getting a stable government at the Center, after many years we got a government with one party majority. We are quite hopeful that this will benefit economic growth of the country in the coming years.

2014 we saw decent growth in our business, we could do various technology upgrade in our facilities which give our customers much benefits. We also increased our capacity to handle reefer containers to cater to the demand of the trade. We obtained prestigious "AEO" status from the Indian customs, we are the First custodian to receive this certification. Customers benefited by our RFID implementation.

We are looking at energy efficient solutions and alternative power sources as part of our commitment to the environment, this will be our focus for the year 2015. Now as far as industry is concerned we see more and more players commencing operations in various hinderlands, One may say its good that country is getting more infrastructure. I would like to see structured developments so that all can benefit from proper connectivity by rail and road. Unplanned developments may lead to adding the transactional cost for the trade. Even viability of some of the facility poses question mark.

Regarding container Ports : its good to see capacity being developed in Nhava sheva , hopefully 330 mtrs will be ready in 2015 for operations , JNP have installed new cranes.. even shallow berths getting cranes .. the results will be seen in 2015 itself .. we would like to see road connectivity improving.

MUNDRA port has emerged as the largest port in terms of Cargo handled.

In Kolkata we would like to see simplified procedures, they can follow other major container ports of the country, which will be great help for the trade at large.

Nice to see L & T ports starting operations in Chennai, Krishnapatam has evolved as a good alternative. At Tuticorin we would like to see DBCT getting QC's.

We welcome governments initiative to implement RFID, our facilities are already using this technology.. this will give greater visibility and help us in safety and security.

Capt Vinay Singh
MD, Anglo-Eastern Ship Management

How has the year 2014 treated your firm and workforce? Could you give us an update on measures you are initiating to strengthen your workforce and training?

2014 has been a subdued year with about 8 per cent growth, which has helped us in strengthening our manpower and training. We train more than 14,000 officers every year through our various in-house courses, including about 500 new cadets. Such training will help us preparing manpower for coming year, which will be a high growth year.

How has the situation improved for ship management firms after the recession?

Recession had not impacted management companies in the initial years since most owners find it cheaper to hand over the management aspect to professional ship managers, which allows them to focus more on commercial aspect of operating the vessels.

However once shipowners decide to prune the cost further, then at times quality takes a back seat and ships are moved to cheaper nationality since manning budget accounts for nearly 60 per cent of Ship operating costs.

In either case it is rare for most of the foreign ship owners to manage the ships in-house.

Could you give us an idea of the market size for third-party ship

managers today? Which are the most sought after areas of service that keeps ship management firms in demand?

There are close to 25,000 ocean going cargo ships operating and nearly 65 per cent (16000 ships) of them are registered in open registry. The ships in the open registry, especially if owned by smaller shipowners, are primarily manned through third-party managers.

How are you dealing with the increasing demand for quality service with a low budget that is resultant of excess capacity of ships and low charter rates?

Ships are manned by seafarers hence so far as ships are operating, the demand for quality seafarers remains. In an era of low charter rates this puts huge pressure on ship managers. The shipowners are looking at better quality of service at lower cost, which is difficult to achieve when seafarers are in short supply. In order to enhance quality, as a prudent ship managers, we have increased the bar at entry level of seafarers and enhanced training requirement for existing seafarers.

Where are the biggest perceived challenges – crewing, technical and financial management, quality and safety or procurement?

Challenges at each level are different and it is difficult to quantify any of the above challenges as a less important. At each level, the biggest challenge is to motivate in the suitably qualified manner to deliver services to the level of expectation. Since crewing employs largest number of manpower, the biggest challenge remains to motivate fully qualified seafarers to deliver service up to the expected level of shipowners.

What is your outlook for the industry in India and world over for 2015? Do you think ship management will also see a situation similar to that of the shipping lines where consolidation is key to survival?

Shipping Industry is in turmoil where only the shipowners with deep pockets can survive. Since ships have a long life up to 25-30 year, it can be expected that consolidation will be the name of the game, whereas similar rules do not apply to ship managers. However the demand for higher quality of services will ensure that either smaller managers upgrade themselves to provide higher level of service or lose their business to bigger groups.

Mrs Nafeesa Moloobhoy
Managing Director
A. S. Moloobhoy Pvt. Ltd.

How has been your business performance in 2014? How many new orders have you received from Indian ports?

2014 was certainly an improvement over 2013.

I can still distinctly recall that in 2013, the fear of downsizing, though thankfully not closure, due to strained cash flows and cancelled shipbuilding orders had been an ominous threat to all of us. This year has been more about consolidation and hopefully 2015 will be about growth.

Shipbuilding is picking up and with it all ancillary businesses and this will provide a major fillip to the industry. Port development hopefully will mean more VATMS etc. I think this year will see the actual translation of business opportunity into actual execution and delivery.

What are your operational goals for 2015?

We want to increase our service portfolio to include fire fighting and related life saving appliances services. And of course improve and increase the scope of the electronic services we provide. Further, we would like to include other value-added services like auto cad drawings etc. We also look forward to a final rush of students for our ECDIS training course (both Generic and Furuno type specific) due to the IMO deadline.

Which are the major issues that have impacted your business in the past year?

The WPC authorities made our lives miserable by withholding all licenses of all players of the marine industry.

When international companies complain that it is tough to do business in India - I relate to it completely. The challenge of dealing with our government authorities still persists and frustrates an entrepreneur and the experience is highly demotivating.

What are the key trends, you believe, that will drive the business next year?

Defense sector I think will be a major contributor if not the only contributor to enhancing our business. With a drop in oil prices, Oil and Gas sector is experiencing a slump which is concerning – so I guess we all will be concentrating on the Defense sector.

What do you think the industry needs to do to improve its performance?

1. Simplify procedures - specially governmental approvals.
2. Improve cash flows.
3. Recruit good people and retain and motivate them to outperform!

Pramod Kumar Srivastava
Director,
Allied ICD Services Limited

How has been your business performance in 2014?

The first two quarters were quite challenging due to the periodic increments in fuel prices. We had to optimise operations in order to provide services to our customers without increasing rates. A decline in fuel costs during the latter part of the year helped recover some of the earlier incurred losses. Overall, I feel that 2014 was a mixed bag having its share of ups and downs. Despite some challenging circumstances, we have been able to attain a growth of 12 per cent in terms of containers handled. The biggest achievement was receiving the 'Authorised Economic Operator' certification from Indian Customs. We have continuously strived hard to achieve the highest standards in security and infrastructure. Therefore, this recognition means a lot to everyone in our organisation and I once again thank the Government of India for the honour.

What were the major trends for logistics sector last year?

There has been a decrease in production in Eastern India. Despite the region having an abundance of steel industries, I feel that there is a policy crisis which is hindering the growth of the manufacturing sector. This has a direct impact to logistics of the region. Certain policies are in place by the Government which need to be reviewed and revamped.

What are your operational goals for 2015?

I am quite optimistic for 2015. I feel that the new Government is sincerely taking initiatives to create policies which will benefit the logistics sector. For 2015 my aim would be to increase our container handling volume by 15 per cent.

How do you look at the changing dynamics of hinterland in central, east and west India?

There has been a strong focus on the growth of smaller towns. I feel that this is the need of the hour and it must be encouraged. However, it is key for all regions to have a uniform policy and to complete infrastructure projects on a timely basis. Presently, I feel that different Indian regions are growing in a disjointed manner. It is important to have a wholesome view instead of studying the growth of each region in isolation.

The government is planning to implement tracking of containers using RFID. How will this impact your business?

I welcome this move by the Government. Tracking of containers using RFID is going to create more efficiency and it will provide a boost to the entire logistics trade.

Sunil Kalra
Divisional Manager – Maritime Cranes
Liebherr India Private Limited

How has been your business performance in 2014? How many new orders have you received from Indian ports?

Liebherr Maritime Cranes is about to set a new record for mobile harbour cranes in terms of annual deliveries and annual turnover, exactly 40 years after delivering the first of its kind. The 2014 year has been a fantastic one for Liebherr mobile harbour cranes so far. Although final figures cannot be specified at this stage, there is every indication that this year's results will top the delivery record of 2008, when 102 units were shipped worldwide. In a year full of highlights, May was the most successful month. Throughout the month 20 new order intakes filled the book, worth more than 60 million euros.

The Indian market is again an important reason for this success. At this stage, it looks that 2014 is going to be the second most successful year in India. In total, more than 10 new Liebherr mobile harbour cranes have started operation this year.

What are your operational goals for 2015?

Considering volatile exchange rates and the slowly recovering economic climate, the 2014 results are really outstanding. However, we are convinced that the demand for Liebherr mobile harbour cranes will be on a high level in 2015 as well. Innovative and flexible cargo handling solutions are required across the globe. Moreover, we achieved a significant market share increase which will be in the range of 70 per cent in 2014. For that reason, one goal will be to defend and further develop our share in the market to equip as many ports as possible with the leading mobile harbour crane solution in the market.

Which are the major industry developments that have impacted your business in the past year?

Vessel sizes are growing bigger and bigger, which leads to new challenges for ports around the world due to the cascade effect. Suddenly, ports which are not located along the main routes are faced with the arrival of bigger vessels and need to invest in new equipment. For these ports, mobile harbour cranes represent a great solution as they – besides their efficiency – can ease capacity bottlenecks throughout the port, thanks to their mobility

Could you elaborate on the key trends that will drive the business next year.

The mobile harbor crane sector is a very innovative one. New technologies are introduced to the market on a regular base. In June 2014, Liebherr introduced SmartGrip for its mobile harbour crane range. This unique technology operates as an intelligent system which optimises grab filling rates in a self-learning manner. SmartGrip provides a number of valuable advantages, including higher performance and zero overloads. Today, cranes across the globe are already equipped with this game-changing technology. SmartGrip is the continuation of a history full of innovative technologies, including Pactronic and Sycratronic. In our opinion, innovation will also be a key success factor in the upcoming years.

What major challenges the industry will need to overcome in the days to come?

Generally, growing vessel sizes are a challenge for the industry; ports have to invest in modern and highly efficient equipment to stay competitive. Investments may also include dredging. The reduction of port calls will be a challenge for the complete logistics sector.

Vikas Anand
Managing Director, DHL Supply Chain India

As we are entering 2015, what opportunities do you see in the logistics sector?

With the e-commerce and retail boom, we see a great opportunity in the logistics sector in the coming years. In addition to these, life sciences and healthcare industry is also maturing. These industries are scouting for top notch logistics players who can help them in maintaining the integrity of their supply chain. Many international retail brands are also entering Indian markets, so also single and multi-brand retail is happening in a big way in the country. It sends a very positive signal for the logistics and supply chain industry.

With the new government in place, there is already positivity floating around the business environment and country is looking forward to better growth. What kind of policy support you expect from the government?

The implementation of GST itself will be the mother of all reforms and will be a game changer for logistics industry.

As we all know logistics is a major employment generator. But the sector lacks in getting efficient workforce. Like we have ITIs in India which grooms workforce to be electricians and assist in engineering and manufacturing industry, similarly, the country should have vocational programmes and institutes to train individuals to make a career in logistics and supply chain industry. We're looking forward to logistics being acknowledged one among the vocational training programmes.

What's your expectation for DHL once GST gets approval from the Cabinet? How DHL Supply Chain is preparing itself to be GST-ready?

Currently in the pre-GST phase, many logistics companies have small and inefficient warehouses scattered across geographies in the country. But when you look at post GST, these companies will consolidate the warehouses and command the centre of gravity, demand and consumption. We believe GST will be very positive for the industry. At DHL, we are placed strategically to leverage once GST gets the final nod.

At DHL, we are way ahead of many of the service providers with our investments made at multi client sites across the country including Gurgaon and Mumbai, which will meet the future requirements once GST is implemented. We are GST-ready and positioned ourselves to leverage a larger pie.

How has been the year 2014 for DHL Supply Chain?

The logistics industry grew at around 12 per cent, two times of the country's GDP growth, in the year 2014. While at DHL Supply Chain, which started its India operation in 1997, we saw a two and half times higher growth than the country's overall growth in the logistics and supply chain sector.

Compared to other industries, women workforce in the logistics and supply chain industry is low. What's your take on that?

It's a myth that women cannot work in warehouses. Now more and more women are getting employed in warehouses across the country and in other logistics operations.

Gender diversity tops our agenda and we are working very aggressively on the issue. We always try to bring in more women workforce in our warehouses. Both in our western India and southern India operations, we have employed women across business verticals.

NEWS

Deepak Shetty named as new Director General Shipping

Senior IRS officer Deepak Shetty was appointed Director General of Shipping as part of a reshuffle involving 14 bureaucrats effected by the government. Deepak Shetty, a 1980 batch officer of Indian Revenue Service (Customs and Central Excise Cadre), has been appointed DG (Shipping) in the Directorate General of Shipping under the Ministry of Shipping in the rank and pay of Additional Secretary, it said. He is presently working as Joint Director General (Shipping) in the directorate. He replaces Gautam Chatterjee, IAS (1982 Batch) Director General of Shipping who was also the Ex. Officio Additional Secretary to the Govt. of India

Achhe din in 2015?

Pinning hopes on dividends from 'Make in India' campaign and a conducive business environment, India expects a promising year ahead for its exports and improve on estimated $300-billion tally in 2014.

However, it would be the revival in global economy that would matter the most for the shipments leaving Indian shores, said the government officials and exporters while striking a note of caution for 2015.

This cautious optimism follows a subdued performance on exports front for several years now, largely because of a fragile global economic situation.

"2015 will be a promising year. We are hoping that whatever measures we have put in place (this year) for ease of doing business, trade facilitation and initiatives in the area of boosting manufacturing, those should show sustained growth in exports in 2015," Commerce Secretary Rajeev Kher told PTI.

However, the global environment is still not conducive for trade as big markets like the EU are not doing well, he added.

India's exports are estimated to have remained at around $312 billion in 2013, while the final figures for 2014 could be around this figure only. The overall exports during the first ten months of calendar year 2014 stood at about $270 billion.

Exporters, as also the Commerce Ministry, are keeping their fingers crossed on account of tepid situation in markets like the European Union, Japan, Russia and Middle East, which account for over 20 per cent of the total Indian exports.

The country's monthly merchandise shipments have so far shown a mixed trend this year – from a robust growth of 12.4 per cent in May to entering into negative territory in October.

According to Kher, Indian exporters will have to focus more on standards, services sector and enhancing their product competitiveness in the global market.

Exporters body Federation of Indian Export Organisations (FIEO) also said that "there cannot be a drastic increase in exports growth next year", given the global demand economic situation.

"We are keeping our fingers crossed. Situation is getting worse in EU, Japan and Russia. Decline in oil prices are adding further woes for us," FIEO President Rafeeq Ahmed said.

Besides the global economic scenario, the exporters are also concerned about delay in the announcement of the country's new Foreign Trade Policy (FTP).

"Timely release of the FTP would help exporters in finalising their deals. Government should announce fiscal and non-fiscal incentives for exporters soon," Ahmed said.

India's exports in last three years have been hovering around $300 billion.

Falling short of the $325 billion target, India's exports in 2013-14 stood at $312.35 billion. The figures for 2012-13 were $300.4 billion, after $307 billion in 2011-12.

Special Economic Zones (SEZs), which contribute about 23 per cent of the country's total exports, too are facing problems and the developers are demanding to roll back minimum alternative tax and dividend distribution tax to revive investors sentiment for these zones.

To boost manufacturing, the government has launched 'Make in India' campaign. It aims at attracting global investments and put thrust on 25 major sectors, including automobile, textiles and chemicals.

The government has fixed an export target of $340 billion for the current fiscal, ending March 31, 2015, but high gold imports have pushed the country's trade deficit higher and it touched $83.75 billion during April-October 2014.

Gold imports surged by nearly four-fold to $4.17 billion in October to meet the festival season demand.

Besides, top exporting sectors showed a decline in export figures during October. These include engineering (-9.18 percent), pharma (-8.33 per cent), gems and jewellery (-2.25 per cent), cotton yarn/fabrics (-13.84 per cent) and petroleum products (-0.16 per cent).

A widening trade gap also directly impacts the current account deficit (CAD) and the rupee. The CAD widened to 2.1 per cent due to rising gold imports in the second quarter of this fiscal, up from 1.2 percent a year-ago. The rupee touched an over 10-month low of 62.33 earlier this month. mg

Source: Press Trust of India

AMENDMENT ON THE ANVIL

While it may be desirable to exercise absolute cabotage (total protection to Indian ships), given the current inadequacy of India's coastal fleet and the need to introduce competition and growth in containerisation, a certain degree of cautious relaxation of cabotage policy must be made for the next couple of years till coastal shipping grows sufficiently.

Ritu Gupta

The much controversial cabotage law is yet again in the news. The newly formed Union government is considering the idea of relaxing cabotage norms at some of the major ports, thereby enabling foreign-flagged vessels to carry empty containers on India's coastline without any restrictions. The Union shipping ministry has, in this regard, already sought the views of the Directorate General of Shipping as it is the latter which regulates shipping in the country through its notifications. The Prime Minister's office too has written to the Ministry of road transport and highways and shipping ministry to suggest ways to increase transshipment of cargo in India, and avoiding the offloading of containers in Sri Lanka's Colombo Port (which is currently causing a lot of loss to the Indian industry). "The shipping ministry will firm up its view in the near future about any changes in the cabotage law," said an official. The Shipping Ministry is also considering a comprehensive coastal shipping policy for transportation of goods domestically, and has invited comments from the finance ministry and the Planning Commission. It is also expected to write to all states, asking them to lower the level of value added tax (VAT) charges on bunker fuel, as has been done by the Kerala government.

Indeed, the cabotage law has become a bone of contention for many in the industry. The cabotage provisions in the Indian Merchant Shipping Act do not allow foreign flag vessels to carry local cargo from one Indian port to another. Such or similar laws are there in various other countries of the world, with the intent to promote/protect interests of domestic shipping industry. Countries like the US, China, and Indonesia have absolute cabotage only their own flagged ships are allowed for coastal cargo movement. In India, the cabotage, which is provisioned in the Merchant Shipping Act of 1958, is not absolute foreign flag ships can be used for coastal cargo movement, if Indian flagged ship is not available.

Of late, the anti-cabotage lobby has become stronger with large private ports and foreign terminal operators joining hands with shippers and the government-owned ports. Shippers and port operators feel the law is an impediment for the smooth flow of cargo. The Indian Private Ports and Terminals Association (IPPTA) has asked the shipping ministry to allow foreign lines to carry transhipment cargo from one Indian port to another. Currently foreign lines are allowed to load export cargo or unload import cargo at any Indian port, but they cannot pick up an imported consignment for delivery to any other Indian port or aggregate export cargo from different ports to one Indian port. In the process, Indian ports are losing the opportunity to become hub ports, pointed out the association. IPPTA says it is seeking permission to allow foreign vessels to carry only customs sealed transhipment containers bound for export from one Indian port to other. This will help foreign lines to aggregate export cargo and in turn reduce the logistics cost for Indian exporters. The planned container transhipment terminal at Vizhinjam Port in Kerala and a container terminal run by a joint venture of United Liner Agencies of India Pvt. Ltd at Vizag Port in Andhra Pradesh have also sought easing of cabotage.

The cabotage law has also come under the lens of the Competition Commission of India. "Why have a Cabotage Law when the Indian shipping companies are unable to transport all the required goods," R Prasad, a member of the commission, was quoted as saying by the media. "We are examining it (cabotage law) suo motu. We have just started the process," he added. "For many years, the cabotage law has been there but Indian shipping companies have not taken advantage of it. The law is not only affecting the industry but also the end consumers, who need to pay more for moving cargo by rail or road," he said. The Commission is responsible

for enforcing The Competition Act, 2002, and to prevent activities that have an adverse effect on competition in India. According to Prasad, the rail network is choked. Road is a cost to the nation and should be decongested. It is also three times costlier than river or sea transport. While river transport is hardly used in India, sea transport is a viable option to consider. "If cargo needs to come to Chennai from Jamnagar, why should it be moved by rail or road? It can come through the sea, which is cheaper and can be used to move more volume of cargo. Therefore, we need to change our policy on cabotage," Prasad averred.

But Indian shipowners have been opposing any relaxation in the cabotage law, as it ensures that coastal cargo is reserved for them. A change in the cabotage policy, they feel, will affect growth of Indian shipping tonnage. Their contention is that since 100 per cent FDI is allowed in shipping, foreign lines can bring their ships under Indian flag and carry local cargo. “The relaxation in cabotage given to Vallarpadam ICTT is coming up for review in 2015. The review should explore whether the relaxation has benefited the country and trade ahead of a decision on relaxing the law for more ports,” said Umesh Grover, CEO, Indian National Shippers Association. In 2012, the government had relaxed the cabotage regulation for Vallarpadam container terminal run by DP World of Dubai, for a period of three years.

The government may however not wait for the 2015 review of the Vallarpadam ICT to take its decision, as the national transport development policy committee headed by Rakesh Mohan, a former deputy governor at India’s central bank, also wrote in its recently finalised report that if the primary objective is to increase coastal shipping and make coastal tonnage competitive, it might be desirable to allow foreign vessels to compete for coastal cargo. The high-level committee has concluded that while it may be desirable to exercise absolute cabotage (total protection to Indian ships), given the current inadequacy of India’s coastal fleet and the need to introduce competition and growth in containerisation, a certain degree of cautious relaxation of cabotage policy must be made for the next couple of years till coastal shipping grows sufficiently. The Rakesh Mohan panel recommendations on cabotage will carry a lot of weight with the government, as (among other things) the report was signed off by Bharat Sheth, managing director of Great Eastern Shipping Co. Ltd. Great Eastern is India’s biggest private ocean carrier.

According to some industry players, there is limited capacity in the Indian shipping industry and thus relaxation on cabotage law is essential. Foreign flagged ships will not only bring the required capacity, but also competitiveness in prices and ease of planning in case of transshipment. Coastal cargo movement has inherent issue of one directional traffic leading to ship coming back empty in return trip. If foreign flagged ships are allowed for coastal cargo movement, overseas cargo ships can carry costal cargo and the issue of empty return can get addressed. Furthermore, over the years the share of Indian ships in the carriage of India’s overseas trade is declining. From about 40 per cent in the late 1980s, it has declined to about 11 per cent recently. Furthermore, Indian ships are ageing, with the average age of the Indian fleet increasing from 15 years in 1999 to about 17 years in 2012. Growth in capacity of Indian flagged ships has been lagging behind compared to the growth in cargo at Indian ports. The Indian shipping industry also faces hindrance in the form of multiple taxes. Apart from the tonnage tax, which is to be paid on the basis of cargo carrying capacity of a ship, there are other taxes, which Indian shipowners are required to pay. In fact, this is also being cited as one of the reasons why international shipowners are reluctant to register their ships in India despite 100 per cent foreign direct investment (FDI) permitted through the automatic route. The taxation hurdle is also cited as one of the reasons why foreign shipping companies can offer more competitive freight charges.

According to many industry experts, the mere continuation of cabotage laws in India is not sufficient enough for taking care of the interests of the Indian shipowners. "They need to be supported through various other policy initiatives like cargo support, tax rationalisation, dedicated port capacities for coastal cargo, promoting multi-modal linkages and port connectivity," says Vishwas Udgirkar, senior director, Deloitte Touche Tohmatsu India Pvt Ltd. Udgirkar added that the need of the day is to overhaul policies for port and shipping industry, while balancing the interests of various stakeholders including that of ports, users, shipping companies and shipbuilders. Such systematic reforms are also necessary as currently all the involved sectors and industries are in transient stage, requiring urgent attention from the government. mg

THE YEAR THAT WAS

As the global shipping industry welcomes the dawn of 2015, Maritime Gateway takes a quick look at the major events of the year that passed by

Omer Ahmed

Inspite of the economic slowdown and slump in business, the year 2014 has been quite an eventful. Shipping lines came together to form alliances, while the Indian government announced the Sagar Mala project and gave a push to coastal shipping. Listed below are some of the noticeable events that marked the year.

Shipping Alliances:

China rejects P3 alliance

The Chinese competition authorities rejected the P3 alliance. It is said that the Chinese saw the alliance as a merger. The alliance was to be formed between the three largest carriers in the world, Maersk Line, CMA CGM, and MSC. The rejection came as a surprise to many industry players as the alliance had gained acceptance from the US Federal Maritime Commission and the European Commission.

Maersk and MSC form 2M alliance

The world's two largest commercial shipping lines have reached a 10-year vessel sharing agreement to cut costs. Under the deal, vessels will be shared on 21 regular routes between Europe, Asia and the US east and west coasts. Maersk Line will contribute about 55 per cent of the total capacity, or 110 vessels. The arrangement is expected to come into force from early 2015.

COSCO and CSCL team up

China Ocean Shipping (Group) Co. and China Shipping Container Lines have agreed to share resources in crucial business areas, including ports, logistics, shipbuilding and shipping. The alliance is expected to improve the influence of Chinese shipping companies in the world shipping industry.

CMA CGM inks business deals with CSCL and UASC

The CMA CGM Group has signed three major agreements with CSCL and UASC. Termed as "OCEAN THREE," the agreements concern the following maritime trades: Asia-Europe, Asia-Mediterranean, Transpacific and Asia-United States East Coast. The agreements will complete the CMA CGM offering on the biggest global maritime markets:

- On the Asia-Europe trade: four weekly services, which complete the two existing services, thereby offering six departures per week
- On the Asia-Mediterranean trade: four weekly services, two to the Mediterranean, one to the Adriatic and one to the Black Sea
- On the Transpacific: four weekly services to California and one to the Pacific Northwest.

The merger of Hapag-Lloyd AG and CSAV

Hapag-Lloyd and the Chilean Compañía Sud Americana de Vapores (CSAV) joined forces, by merging CSAV's container business activities into Hapag-Lloyd, becoming the fourth-largest liner shipping company in the world. The merger is expected to result in many synergies. Annual savings of at least $300 million are anticipated simply as a result of network optimizations, improvements to productivity and reductions in costs. The merged company will have around 200 vessels with a total capacity of approximately one million TEU, transporting some 7.5 million TEU every year and will set up its fourth regional headquarter in Valparaiso, Chile. With revenue of around $12 billion, the combined entity joins the elite group of international shipping companies.

APL, Maersk, OOCL form new cooperation

APL, Maersk and OOCL have formed a new cooperation on three existing Far-East to Indian Subcontinent services, starting in February 2014. In a Slot Sharing Agreement that also includes partners CMA CGM, Emirates Shipping Line, Hamburg Süd and Regional Container Lines, 18 vessels with a total capacity of about 17,500 teu will be deployed to the three Far East-Indian Subcontinent services.

The enhanced services will enable the carriers to offer three weekly sailings – covering China, Korea, India, Pakistan, Malaysia and Singapore – compared to one weekly sailing offered earlier independently by each liner.

Panama Canal expansion

The Panama Canal expansion is the largest project at the Canal since its original construction. The project will create a new lane of traffic along the Canal through the construction of a new set of locks, doubling the waterway's capacity. The existing locks allow the passage of vessels that can carry up to 5,000 teu. After the expansion the Post-Panamax vessels will be able to transit through the Canal, with up to 13,000 teu. The expansion will double the Canal's capacity, having a direct impact on economies of scale and international maritime trade.

The doubling of capacity on the connector of the Atlantic and Pacific oceans will change the way the world's shipping lines ply their global routes when the project is completed. The doubling of the canal's capacity will allow shippers to bring their Asian goods to the Eastern and Gulf coasts for less money. The project is also expected to bolster Panama's strategic positions as a transshipment hub and business center for much of Central and South America.

Nicaragua Canal to rival Panama Canal

Nicaragua announced the start of work on a new canal linking the Atlantic and Pacific Oceans. The HK Nicaragua Canal Development Investment Co Ltd (HKND Group) is building the canal which is expected to cost $50 billion. The 278km (172 mile) waterway will be longer, deeper and wider than the Panama Canal. Omar Halleslevens, Vice-President, Nicaragua, expects the canal to move 5 per cent of the world's commerce that moves by sea, which will bring great economic benefits and double the GDP for Nicaragua.

The tender for the preliminary design of the project would be offered by the end of the first quarter of 2015, by which time an environmental impact study would also be finished. By the end of the third quarter, excavation work would begin, with a tender for the design of the locks due by the end of the year.

The Sagar Mala project

Prime Minister Narendra Modi proposed the ambitious "Sagar Mala" project whereby all coastal cities in India would be interconnected through road, rail, ports and airports. A key element of the project is the setting up of some 10 coastal economic regions (CERs), which will be the focal point for economic development along India's vast coastline. The CER will also develop transport systems for land- and water-borne evacuation of cargo from and to the ports on a regional basis, thus ensuring an optimal modal mix.

By linking major and non-major ports, industrial clusters and evacuation infrastructure into a single system at a larger regional level, a CER will enable seamless and efficient movement of cargo through gateways, thereby allowing ports to enhance competitiveness and offer multiple freight options to customers.

Reviving the ship building sector

Ships that are made and registered in India will be given preference over others to shift cargo within the country, is the latest policy move decided by the Indian government to help companies that build ships in India. The government announced this decision with an intention to help the beleaguered shipbuilding industry after it has been criticized for its impassiveness towards reforming the sector. The idea is to encourage a "Buy India" framework for ships. Similar policies are enforced by the US, Brazil, Indonesia and others to protect their shipbuilding industry.

In another move, the government is in advanced stages of implementation to have a dedicated fund for shipbuilding industry to be handled by Exim Bank which will help the ailing sector with at least ₹15,000 crore of funds. The fund will be for financing the construction, refitting and repair of ships, said Exim Bank chairman and managing director Yaduvendra Mathur. The fund will serve as the equity and when combined with Exim Bank's capability to leverage ten times, can result in the availability of ₹15,000 crore in fresh liquidity to the sector.

India's first Women's Sea Congress

The Indian Chapter of the Women's International Shipping and Trading

Association (WISTA) organised the first congress in India. It hopes to integrate more women in the maritime sector and offer training to cadets willing to join the trade, the forum decided as part of its goals for the coming year.

New system for customs clearances of export consignments

Risk Management System (RMS) has been introduced to speed up customs clearance of exports. The system was introduced by the Finance Minister P Chidambaram. Indian exporters will not only see the time taken for customs clearance of export cargo consignments reducing from a few days to just a few hours, they can also save huge transaction costs.

The RMS for Exports has been developed keeping in mind the following components such as ensuring appropriate control measures for proper and speedy disbursement of drawback and other export incentives, for effective utilisation of human resources and to match the workload with the resources available, ensuring proper and expeditious implementation of existing control over export under the applicable allied acts and rules.

Sri Lanka bans terminal handling charges

In a move to reduce the cost of shipping and attract more shipping lines to Sri Lanka's ports, Sri Lankan President Mahinda Rajapaksa in the 2014 Budget proposed abolishing the terminal handling charges (THCs) and other surcharges levied by the container lines from January. From January 2014, Sri Lankan shippers pay an all-in freight rate.

Govt unveils new land use policy for major ports

The government has unveiled new policy guidelines for major ports, aimed at helping them leverage their land resources for commercial advantage. These guidelines have been drawn to help the ports to carry out leasing and licensing of port land in a transparent manner. Discretionary powers have been reduced and tender-cum-auction has been prescribed as the most preferred method of allotment. Major ports in India have between them 2.64 lakh acres of land, which is a major resource. So far, the land utilisation has not been optimum and often yielded lesser returns. The thrust of the new policy has been on linking the value of land with prevailing market rates.

Under the new policy guidelines, land can be allotted only through licensing in custom bond areas by inviting competitive bidding, while land outside custom bond areas can be leased through tender-cum-auction.

Government plans to build 12 dry ports

To make Indian exports more competitive, the Narendra Modi government is drawing up an ambitious plan to build 12 dry satellite ports to spruce up the dozen major ports, so that they can dock super-sized ships and set up a new entity to speed up long-stalled port connectivity projects. Exporters would be able to conduct all their customs and export paperwork at the dry inland ports from where their consignments would be forwarded and loaded onto a ship at the nearest sea port.

Incentives for coastal shipping

To encourage transportation of goods by ships, the Shipping Ministry has approved a scheme to provide cash incentives to manufacturers and shippers for diverting the movement of their finished products from road and rail to coastal shipping. This is expected to augment the amount of cargo transported by sea by at least 25 per cent to 200 million tonnes by 2017.

APSEZ acquires Dhamra port

Adani Ports and Special Economic Zone (APSEZ) acquired Dhamra Port from Tata and Larsen and Toubro jointly for a price of ₹5,500 crore. Adani will put up 12 additional berths including a container terminal for which Dhamra Port Company Limited (DPCL) has already obtained the environmental and security clearance. Adani officials said the company's intent of buying DPCL was to expand its footprint outside of its home state Gujarat and achieve its target of raising the total handling capacity to 200 million tonnes by 2020.

Lifetime licence for ships

The Ministry of Shipping has decided to reduce the paperwork for the shipping industry by scrapping the requirement of annual renewal of licences for Indian ships and any other vessel charted by an Indian citizen or company. Licences will now be issued with a lifetime fee instead of annual fee, but the licence will be co-terminus with the certificate of Registry of the Ship.

Ministry of Shipping takes charge of ship breaking industry

In order to attract more ships to Indian ship breaking yards, including the world's largest at Alang in Gujarat, and for better marketing at international shipping fora, the Ministry of Shipping has decided to bring the ship breaking industry under its wings from the Steel Ministry. The Ministry has also constituted an inter-ministerial ship breaking scrap committee. The Ministry has saught help from the Japan International Cooperation Agency to upgrade the existing infrastructure at Alang. Besides, steps would be taken to modernise the Darukhana ship breaking facility at Mumbai Port.

Shipping service to Myanmar launched

As part of the Government's 'Look East Policy,' Shipping Corporation of India has started a fortnightly service to Myanmar. The container service was launched at Chennai, to link South & East India to Myanmar. m.v. SCI KAMAL, a 1,200 TEU capacity vessel is introduced in this service which carried out a throughput exchange of 200 TEUs with imports comprising commodities like pulses, timber, furniture etc. and exports comprising cement, general cargo & chemicals. The service will operate on the following port rotation: Chennai > Krishnapatnam > Yangoon > Colombo > Chennai.

On a separate note India and Bangladesh had signed an agreement to finalise the standard operating procedure (SOP) for coastal voyages between the two countries.

Foreign firms can now mine and sell coal from India

India will allow locally registered foreign firms to mine and sell coal when commercial mining is permitted as part of the opening up of the nationalised industry after four decades, Coal Secretary Anil Swarup said. To end a chronic coal shortage that cripples power plants and curb the country's imports of the fuel, the Narendra Modi government will also spend about $1 billion by 2019 to buy railway wagons and transport coal from remote mines, Swarup said.

The government in October last year made provisions for private firms to commercially mine coal but did not set any timeline for when actual digging

will start. The decision will open the door to global giants like Rio Tinto and BHP Billiton and help ramp up output from India's huge reserves – the world's fifth biggest. Opening up the industry will increase private coal production to about 400 million tonnes by 2019 from less than 50 million tonnes in 2013, Swarup said.

Narendra Modi lays foundation for SEZ at JNPT

Prime Minister Narendra Modi laid the foundation stone of the much awaited ₹4000 crore port based Special Economic Zone (SEZ) at Jawarhar Lal Nehru Port Trust (JNPT) at Navi Mumbai. The Prime Minister also laid the foundation of a ₹1926.57 crore port connectivity highway project along with the allocation of land for project affected persons. The SEZ project is expected to be completed within a time frame of three years.

JNPT plans fourth container terminal

The Jawaharlal Nehru Port Trust (JNPT) and the Port of Singapore Authority (PSA) signed a concession agreement for the Port's fourth container terminal. The ₹8,000-crore project is being funded through 100 per cent FDI and is the fourth project by PSA in India. It will have a capacity of 4.8 million TEUs.

Foundation stone laid for container terminal at Ennore

The Union Shipping Minister Nitin Gadkari laid foundation stone for container terminal to be developed at Kamaraj Port (Ennore) by Adani Ennore Container Terminal Pvt. Ltd. The Adani group has entered into a 37 per cent revenue sharing agreement with the Port management for this project. Adani will invest ₹1,270 crore to construct berths and equipments, while the Port will invest around ₹300 crore in dredging and to create rail and road networks.

OW Bunker files for bankruptcy

OW Bunker A/S, the Danish shipping-fuel supplier that sold 7 per cent of the fuel used by the world's shipping fleet, filed for bankruptcy on November 7 in Denmark, after a $125-million internal fraud and other failures surfaced, with Dynamic Oil Trading, the Singapore based subsidiary at the centre of the alligations. mg

NEW VESSELS AND NEW ALLIANCES: EXPANSION ALL THE WAY

Transworld GLS was floated out under BLPL that used to have a liner operating as Non Vessel Owing Cargo Carrier with a freight forwarder and logistics arm. Over a period of time, the freight forwarding and logistics grew quickly and had to be spun off as a separate company. So, BLPL that was originally called BLPL Logistics Singapore remained as a liner and the word logistics was dropped with a new company taking shape called Transworld to focus on port to port operating container ships which is currently their backbone. The logistics activity was then combined to form Transworld Global Logistics solution which is a Singapore-based company with branches in India, Myanmar, Vietnam and Malaysia. The company has also recently established the Thailand and Indonesia offices but is yet to begin operations independently under their banner by January 2015. They currently are wrapping up their contractual obligations with partners in Thailand and Indonesia.

In his first interview with Maritime Gateway, **Mahesh Sivaswamy Iyer**, Managing Director, Transworld Group talks of how the year 2015 will shape up and the opportunities he sees for feeders from the new alliances between shipping lines.

Mahesh Sivaswamy Iyer
Managing Director
Transworld Group

Q How is BLPL, the liner positioned now?

A We are now owning and operating about 22,000 teu. And by end of 2015, we will reach 25,000 teu operating actively from Midle East, East Africa, Indian subcontinent, Cambodia, South East Asia, East Malaysia and China. We operate in 18 countries and about 65 port and ICDs together. The idea is to grow this fleet to 25,000 teu with a healthy mix of cargo in the next two years. One of the most important products is reefer as it is a major segment for us. We have also taken a decision to plunge in to tanks used to carry palm oil and chemicals.

> In the coming years, I see greater potential and chance for development for the ports on the East Coast.

Q Which are the Indian ports you are now touching?

A Almost all major ports are covered by us. Kolkata and Haldia, Visakhapatnam, Paradip, Chennai, Tuticorin, Pipavav, Mundra, Krishnapatnam and Nhava Sheva barring Goa. Combining the strengths and resources of Transworld Group, we offer seamless, integrated shipping, logistics and marines services to customers in Indian ports and other locations.

Q How did you manage to move the scale so rapidly despite the freight rates oscillating?

A We focus on South East Asia and there are enough business opportunities in this region. If you look at the fleet, GPs in the dry containers, you will have less than 1,000 forty footers. We focus on three major commodities – food and agro, steel and minerals movement. Steel is catered to all the categories – from scrap to steel sheets. In this cargo, only Steel prices fluctuate, so it affects us marginally. In the intra-Asia trade, there is lot of potential in the infrastructure space. Irrespective of the price movement, cargo still moves in the region. Another major decision that worked in our favour is to work out of our own offices in the major cities and countries we operate to reach out to the customers directly than working through agents. This approach has had a massive growth in the business.

Q How do you see improvement of trade in Myanmar?

A The turnaround in the country cannot be as quick as Maggie noodles. Just because they opened up to trade two years before, you cannot expect Myanmar to become Manhattan in just so little time. For about 39-40 years they have been in cold storage, you can't expect them to turnaround so quickly. You have to first de-frost. There is huge potential undoubtedly and I am very confident. They have minerals, oils and a huge quantity of pulses. But the country is still not clear in terms of their banking and tax structures. Now OCBC is setting it up and Singapore is assisting them in their taxation policies. So, you have to give them some years to pick up trade. They are very well positioned between the world's largest democracy, India, and the largest market China.

Q How was 2014 for BLPL?

A Well, I think we have opened out a few more trade locations and some of them play a niche role in our trade. We got in to East Malaysia where there is a lot business. There is trade between Indian subcontinent and this part of Malaysia. There are not many lines operating in this small region and hence we have partnered and we are growing strongly. But as BLPL we have done well regionally. The volumes are good and we have got the right recognition. We have this flagship company Transworld GLS which has agency division as well and since we opened in some new locations Far East we hired many people and for 2015, we are looking good. With all the new locations, we will be covering eight countries and 35 offices as we provide end to end services everywhere.

Q You have OEL, Transworld, Liberty and BLPL. What is your focus for each of these divisions?

A Each one has their own area of operations, but they are all interlinked. Liberty is an owning company. Orient Express lines in Singapore is into feedering and we are enhancing our services in to various locations and have added two more routes- Vietnam (Ho Chi Minh) where there is lot of cargo from the India subcontinent locations. The other service is to Paradip where we started our own service once every fortnight jointly with Seaways Shipping. We also got in to buying some ships and bought two 15-year old feeders and we will add another two more by next quarter that are 1700TE vessels. The cost has come down on these ships and we are looking at strengthening this division.

> **Another major decision that worked in our favour is to work out of our own offices in the major cities and countries we operate to reach out to the customers directly than working through agents.**

As BLPL we have achieved significant growth and in fact, 2015 is looking very strong for us and last year we made a five year plan. This will be to increase our foot print, increase teu capacity. We also have special container 2,500 teu forty footer reefer units that continue to grow. We have gone as per plan so far in 2014.

Transworld GLS, here is no said boundary and is a continuing growing structure and we have about 35 offices at Transworld GLS where people of all nationalities looking for us. We are adding certain verticals in to the company which would see a fair growth even in 2015. So, overall, the company in our size has been going along well. We are not the big boys but are growing at our level strongly.

Q What is your experience of the Indian ports and how have they come up in the recent past?

A With regards to the imports, it has been pretty strong, but unfortunately, it has been a one-way trails. Exports have been a struggle all along in the last some months. But with the new initiative taken by the Indian Prime Minister, we want to see a good amount of manufacturing taking place in India. But at the moment, exports are struggling. With regards to the ports and infrastructure, we are seeing some efficiency in the East Coast Ports. On the West Coast, Nhava Sheva is limping, but some of the Gujarat ports are better. In the coming years, I see greater potential and chance for development for the ports on the East Coast. We have about six ships only to Kolkata, Haldia, Paradip. Volumes at Kolkata are growing and with PSA winning the tender, I would assume the problems will be short lived. Visakhapatnam is a good port.

Q You have been in to feeder operations for long now. Are they sustainable in times of volatility?

A This is an interesting point and with feedering it is all about having one very efficient port on the shuttle service and the other side, you have not so efficient ports. This works as we get to operate in these areas. While the big players are focusing on the 19,100 teu and with the new alliances, the bigger players are interested only in efficient ports. Their interest towards the feedering areas is much less. We are working also in the riverine ports such as Chittagong, Kolkata, Mogla that automatically creates some amount of inefficiency for our lines with the kind of limitations these small ports have in terms of draft and handling capacity-equipment. So, when there is so much planning required, the main lines may not want to invest here. Bangladesh has a growing textile market where there is much demand from the US and European countries for their garments. And the main lines are interested in such cargo as it is efficient and light as well. So, this creates opportunities for us feeders as well.

Q As an industry leader, what changes in trends do you see in shipping in the coming years?

A The alliances such as the "Ocean Three" (O3) alliance among CMA CGM, China Shipping and United Arab Shipping Co will make a difference. And with these kind of changes, there will be lot more opportunities for a feeder if one makes sure the costs are also rightly matched. The biggest ships in the world are coming through CMA and UASC which is 19,300 teu. It is making a first call to PSA. This alliance are very strong they have Port Klang and their hub over the west port in Port Klang, Malaysia. Then you have the 2M. When such things happen, we have to fit in to these alliances. We would look various means and ways to make sure such alliances are better taken care of. If Maersk has Palepas as their hub port, MSC has Singapore as their hub. This is why we are also buying new ships to make sure we address any new need that arises out of such alliances. mg

2014: The year of the tanker

In an unexpected turn of events, the tanker market has emerged as the winner of the 2014 year, exhibiting solid returns and healthy margins for the majority of tanker owners, following several years of weak returns.

According to the latest report from shipbroker Gibson, VLCC average TCE earnings (AG/Japan) stand at $27,500/day for the year to date, the highest level since 2010. Suezmax returns are the highest since 2008, with the WAF/UKC route earning on average $25,500/day. The picture is the same for Aframaxes trading N.Sea/UKC, with TCEs at $24,000/day so far this year.

Meanwhile, according to the London-based shipbroker, "the product sector had a poor start to 2014, but has still achieved strong annual figures. LR2 and LR1 AG/Japan routes achieved the highest annual average earnings since 2008 with $17,750/day and $15,000/day respectively. MRs are the only exception, averaging slightly more in 2013 than this year to date. Despite this, they have still had a strong performance at the end of 2014. Earnings volatility has also been greater this year. Over the same period, we have seen an increase in asset prices on the back of improving investor appetite for newbuildings and stronger spot revenues. However this is still below the 2008 peak in asset prices.

The shipbroker added that "combining asset prices and revenues, allows for a basic breakeven cost analysis to be performed. Here tankers ordered in 2012, and delivered in 2014 are considered. A 15-year loan at 4 per cent interest is assumed. The result of this analysis is encouraging with all newly delivered tanker types across dirty and clean achieving positive cash flows for the year to date. Aframaxes and Suezmaxes chartered on the spot market make the largest profit overall. LR1s achieved the lowest. This reflects the fact that crude tankers were the overall winner".

At the same time, "clean tankers received in the region of $2,500/day return on their investment, compared to the lowest crude return of $6,750/day for a VLCC. This may be true for tankers which were ordered over the last few years, but further analysis shows that tankers ordered at the peak of high asset prices in 2007/8 may still be struggling to achieve an overall profit on their investment (taking into account historic, current and forecasted tanker earnings). For example, VLCCs ordered in 2008 at the yearly average of $149m are estimated to require revenue of $32,750/day over 15 years to breakeven on the investment, including loan repayments, interest and operating expenses. Around 18 per cent of the VLCC fleet and 15 per cent of the Suezmax and Aframax fleet respectively were ordered in 2007/8", Gibson noted.

The shipbroker concluded that "in terms of the clean market the LR2s are worst affected with a total of 27 per cent of tankers ordered at this time. The MRs meanwhile have 19 per cent of the fleet at risk. LR1s seem to be best off in this situation with a meagre, in comparison, 8 per cent of the fleet in danger. This is because only LR1s ordered in 2008, not 2007, are potentially financially unsustainable. Therefore it can be concluded that although vessels ordered in 2007/8 may still be struggling to breakeven, the strength of this year's freight rate has helped asset liquidity and offset earlier losses. Developments in 2015 will be monitored closely to see how this picture pans out".

In its latest short-term outlook for the tanker sector, BIMCO noted that limited tonnage supply in the tanker market is the main reason behind the recent freight rate boom. According to the report, for December/January, BIMCO expects earnings for the VLCCs at $30,000-55,000 per day, Suezmax crude oil tankers at around $20,000-45,000 per day and Aframaxes are expected in the region of USD 20,000-40,000 per day. In the product tanker segment, BIMCO expects earnings on the benchmark routes from AG to Japan for LR1s to stay around $15,000-25,000 per day. LR2 earnings around $20,000-35,000 per day. Handysize rates are seen strong in the $18,000-30,000 per day, with MR average rates in the interval of $12,500-25,000 per day.

Source: Hellenic Shipping News Worldwide

GST READY TO ROLL

The Union Finance ministry has agreed to keep a provision in the Bill for compensation to states on any revenue losses from the roll out of GST for the first five years. The compensation would be paid in full for the first three years, followed by 75 per cent in fourth year and 50 per cent in the fifth. However, entry tax will be included in GST, but as a concession, states would be allowed to levy 1 per cent additional tax to meet any shortfall from the loss of entry tax.

Itishree Samal

After it has missed several rollout dates in the past due to lack of consensus between the Centre and states on a host of issues, the much-awaited uniform tax regime, Goods & Services Tax (GST), receives the Cabinet's nod.

Soon after reaching a consensus on the broad contours of the proposed tax reform measure with the states, the Union Cabinet approved the Constitutional Amendment Bill on GST on December 17, paving the way for its introduction in the ongoing session of Parliament. If approved by both Houses of Parliament and state assemblies, the GST rollout will be a big milestone for the country.

The Constitution amendment Bill for GST was originally introduced in the Lok Sabha in March 2011 by the UPA government and was examined by the Parliamentary Standing Committee on Finance. But it didn't see the daylight

and lapsed with the dissolution of the Lok Sabha.

However, the new government at the Centre is keen to get the Bill approved from both the houses during the current winter Parliament session. Once approved, it is expected to get implemented by April 1, 2016. The details of the proposed legislation have not been formally announced.

Industries to benefit from GST

For the country to tap its full potential as a global trading hub and to add efficiency in the system, there is a need for globally accepted policies and regulations like GST. Industry experts believe the rollout of the ambitious indirect tax reform is expected to augment revenue collection for the government and boost the overall growth of the country. GST would add 2 per cent to gross domestic product (GDP) growth.

The tax reform will benefit several industries such as automobiles, logistics and entertainment sectors. However, there have been a few compromises – petroleum products have been exempted for now. So are alcohol and Tobacco. While petroleum products may get included in the new tax set up in the future.

Logistics: The logistics industry is going to be one of the major beneficiaries of GST. Currently the industry faces several obstacles due to complicated tax structures coupled with poor infrastructure that has led to high logistics costs in the country at around 14 per cent of the total value of goods against seven to eight per cent in developed countries. Inter-state transactions will become tax-neutral, and the country will emerge as a single market without state borders, which will have a positive impact on logistics and distribution models. It lowers logistics cost and reduces delivery time for goods manufacturers.

After GST implementation, companies will be encouraged to follow hub-and-spoke model - large hubs in key strategic locations and smaller spoke warehouses closer to consumption centres. It will allow logistics companies consolidate their warehouses into four or five big ones rather than keeping one in every state to save on central sales tax.

Retail: In the pre-GST scenario, goods trucks or vehicles pay multiple taxes that vary from states to states. While GST will rationalise current tax structure and will replace prevailing indirect taxes such as excise, VAT, sales, service and entertainment tax. The rollout will help free movement of goods across states. Since tax paid in a previous state is treated as input credit, it will allow the retailers to reach out anywhere in the country without a tax burden, thereby reducing additional price burden on the customers.

Automobile: Automotive industry will also reap rich dividends. Certain segments of the automotive industry such as large and heavy vehicles and sports utility vehicles will be of great beneficiary. Once GST gets implemented, the cumulative duty rates on large cars and sports utility vehicles would fall from 41-41 per cent to 20-24 per cent, making these the biggest beneficiaries of the rollout, according to industry experts.

Entertainment and telecom sectors: Entertainment and telecom sectors would be big beneficiaries as the GST would eliminate a multiplicity of taxes– entertainment tax, luxury tax, VAT and service tax– and end classification disputes on software, SIM cards, franchise fees, and annual maintenance contracts for telecom companies.

Other industries

Apart from these key industries, GST will also benefit the food products and processing and fast-moving consumer goods sector as the sector currently faces with multiple taxes.

Despite GST's multiple benefits, compensation, entry tax and keeping petroleum out of its purview are stated to be the stumbling blocks for introduction of GST, according to experts.

Pointers

The GST will subsume most indirect taxes at both the Central and state level including central excise duty, service tax, value added tax and local levies.

The final implementation of GST is likely to have a very positive impact on the economy, with estimates indicating a potential 1-2 per cent incremental GDP growth.

Not only the government, but consumers and industry also will be the biggest beneficiaries of the GST rollout.

Once implemented fully, GST will make transaction costs of doing business, especially export-import, more competitive and make the logistics value chain more efficient.

GST will ensure smoother and faster movement of goods, thereby reducing the burden on the consumer.

DHL SUPPLY CHAIN
WAY AHEAD WITH INVESTMENTS

Indian logistics and supply chain industry is at an interesting phase. Despite being crippled by several bottlenecks including poor infrastructure, the industry has been growing in leaps and bounds. It is expected to grow further once the proposed infrastructure projects such as dedicated freight corridors, development of highways and port projects come into place. Players existing in the industry are leaving no stones unturned to take a major pie in the growth share. Global logistics and supply chain major DHL Supply Chain is not left behind; the company is confident its ongoing expansion projects will fetch a good growth in the coming years. In an interview with MG's **Itishree Samal**, DHL Supply Chain Managing Director **Vikas Anand** talks about how adequate logistics and efficient manpower can turn the faith of the industry in the globally competitive industry.

Vikas Anand
Managing Director
DHL Supply Chain, India

Q As the year 2014 comes to an end, how has been the year for the logistics industry and specifically for DHL Supply Chain?

A The logistics industry grew at around 12 per cent, two times of the country's GDP growth, in the year 2014. While at DHL Supply Chain, which started its India operation in 1997, we saw a two and half times higher growth than the country's overall growth in the logistics and supply chain sector.

Our growth largely came from our strategic investments made in four key divisions in the last three years. In 2012, we had announced an investment of €100 million (around ₹700 crore) to strengthen our logistics infrastructure in India. With a sound focused approach and a consistent strategy, we have been steadily investing in facilities across the country mainly in four key areas – in

We have been steadily investing mainly in four key areas – in large multi-client sites, transport management system, innovation and IT and lastly manpower.

large multi-client site (large warehouses of international standard across India), transport management system, innovation and IT and lastly manpower or training people.

Q What is your current presence across these divisions?

A In warehousing, we are present in more than 50 cities across 150 locations. Our overall footprint in warehousing is more than 5 million square feet. We are continuing with our investments in multi-client sites, and wherever we have done warehouses we are now doing the Phase II, starting with Bangalore and Mumbai. The warehouses are not very high in India and a typical warehouse is of 8/9 m high, whereas we have set up efficient warehouses of global standard as high as 14 m coupled with innovative solutions meeting the Indian requirements. We have already set up large warehouses (upwards of 2 lakh sft) in Chennai, Bangalore, Mumbai (4 lakh sft), Gurgaon (3 lakh sft) and have plans for Ahmedabad and Kolkata. Under our IT & Innovation division, we have implemented fully automated transport management and warehouse management system. Our innovative IT solutions provide upto 12 per cent reduction in inventory cost. And having 'efficient manpower' has always been our prime focus. We provide several training programmes, for e.g. in 2014 DHL Supply Chain implemented CSCS (Certified Supply Chain Specialists), a modular programme to train every employee of DHL India.

Q Apart from your existing verticals, are you looking at entering into newer business divisions?

A E-commerce is a sunrise industry and doing extremely well in the country. Globally, we have partnerships with major e-commerce players and in India DHL company Blue Dart caters a very strong portfolio in e-commerce sector. We believe by 2015-16 we will support the growth of e-commerce industry in the country and have plans to set up e-fulfillment centres across the country. E-commerce companies need e-fulfillment centres to run efficiently.

Currently, we cover a wide array of sectors such as automotive, retail, consumers, energy, manufacturing, life sciences and healthcare and technology, etc.

Q How much you have set aside for the expansion of your projects?

A We had announced ₹700 crore of investments in 2012 for the Indian market. We have not exhausted the amount; the investment is still in progress. Further investments will be made as and when it's required depending upon the market growth. There are no bottlenecks to our investments; however, we will continue to invest in India. It will depend upon the business phase and depend on the kind of grow that we want to see.

Q What are the challenges faced by the logistics industry and DHL in particular?

A The major challenges of the logistics industry are manpower and infrastructure. In India a vehicle on road covers only 30-40 km in an hour due bad road condition and poor infrastructure while the same takes less than half time in developed countries. Bad road condition is also causing high cost and bringing inefficiencies in the system.

Q Despite the several bottlenecks existing in the logistics and supply chain industry, what opportunities do you see in the India?

A As we are seeing a two-three times growth of the overall logistics industry in India, our aspiration is to continue outgrowing the market in the long run. The contract logistics market is highly segmented and we see a lot of opportunities in this sector. Post GST, we believe medium and large players along with 3PL providers will be of great beneficiaries.

Q Once GST is approved by the Cabinet, what's your expectation for DHL? How DHL Supply Chain has prepared itself to be GST-ready?

A In the current pre-GST scenario, many companies have small and inefficient warehouses across the states. We believe, post GST these companies will consolidate the warehouses and command a major role in both demand and consumption. The implementation GST will be very positive for the industry.

At DHL, we are way ahead of many of the service providers with our investments made at multi client sites across the country including Gurgaon and Mumbai, which will meet the future requirements once GST is implemented. We are GST-ready and positioned ourselves to leverage a larger pie. mg

Karanja Port
Options for JNPT users?

Seriel entrepreneur Nikhil Modi makes a comeback with Karanja Port aiming to slice down JNPT's cargo and offer another option to exporters. The port signed a memorandum of association with the Maharashtra Maritime Board three years ago and has obtained key clearances to commence development.

Deepika Amirapu

Mumbai based Karanja Terminal & Logistics Private Limited "KTPL," owned by investors from UK, USA, Europe and Nikhil Gandhi, Chairman of SKIL Infrastructure Group, plans to develop a modern port and logistics facility at Karanja Creek in the Raigad District of Maharashtra. This will be the firm's maiden port project under this banner.

At an expense of ₹1,000 crore, the port will take about two years to commence operations. The facility will be developed over 200 acres of land with a sea frontage of approximately 1,000 m. The site's prime location will be key to the facility's success, given its proximity to Mumbai and the fact that the surrounding area is expected to undergo substantial regeneration including the building of the planned Mumbai Trans Harbours Link (MTHL) bridge, the Dedicated Freight Corridor, expansion of JNPT and the proposed new international airport, all of which will significantly improve transportation links and access to and from the facility.

Development Status:

- Received Environment & CRZ Clearance from MoEF, New Delhi
- Achieved financial closure
- Master Plan prepared by globally renowned maritime engineering firm
- Appointed world class EPC contractor for construction of the facility
- All preparatory pre-construction works completed
- Dredging commenced and construction team mobilized

Karanja Port will be the third private port to develop a facility along Maharashtra's 720-km coastline with Dighi Port and Jaigarh Port already commencing operations in the Ratnagiri district of Maharashtra. The berths will have an initial draft of 6.5 m and will be dredged subsequently as cargo movement picks up. The port is being designed to handle an initial capacity of eight million tons. Possible users that the port management is targeting are car manufacturers from Pune and cement manufacturers from Southern Gujarat who are found queuing up outside JNPT.

The proposed multi-purpose terminal will include highly specialized Defence Logistics, critical oil & gas sector logistics support, container and general cargo jetties and corresponding ultra modern logistics facilities to handle containers, steel coils, electronics, electrical goods, pharma products, food grains, engineering & plastic goods, other clean cargo. The facility will serve as a complement to the Mumbai and Jawaharlal Nehru Ports (JNPT) and will contribute towards easing the cargo traffic congestion in the region and significantly promote industrial development in the area.

The biggest advantage the port will have is the reduction in cost and time to lay any connecting road lanes to the state and national highways since JNPT has the existing infrastructure in place.

The project is planned to have a soft launch within 12 months, whereby operations will commence. Total construction is due to be completed within 24 months. The port intends to be of immense benefit to the state by strengthening infrastructure and bringing connectivity along the Maharashtra coastline. The port will result in a multi layered increase in trade & commerce, facilitating socio-economic elevation, boosting the government's policy of manufacturing goods in Maharashtra. On the port front, it will help in easing up of cargo traffic congestion in the region and offer an alternative to many exporters and importers. Other benefits to the trade include seamless and efficient port operations and therefore faster transaction times for customers, almost NIL waiting times for cargo, eliminating demurrage charges and offer modern port based logistics facility with assurance of last mile connectivity.

Located just 10 nautical miles south of the country's largest container port at JNPT, Karanja could divert container movement from JNPT once the new facility is up and running.

The 3PL market in India is expected to grow at a CAGR of 21 per cent to become a ₹48,000-crore industry by the year 2019.

India's 3PL industry set to touch a new high

Itishree Samal

Fuelled by the growth in retail and pharmaceutical outsourcing, the third-party logistics (3PL) industry in India is expected to see a robust growth over the next few years, according to a recent survey. According to a report by research and consultancy firm RNCOS, the 3PL market in the country is set to growth at a CAGR (compounded annual growth rate) of 21 per cent to touch the ₹48,000 crore mark by the year 2019.

The increasing dependence of the retail, automobile, FMCG and pharmaceutical and e-commerce industry on outsourcing has fuelled the growth of the 3PL market in the country, the report said.

Third-party logistics or 3PL is a business process followed by companies to outsource their logistics and supply chain activities to a service provider specialised in handling different logistics functions. With many companies investing and focusing on their core competencies and outsourcing the logistics to third-party vendors to save effort and time, the third-party logistics vendors grabbing these opportunities are growing in leaps and bounds. For example, Flipkart, the largest e-commerce player in the country, even after having its own logistics and supply chain network depends upon third-party logistics vendors to meet its growing requirements.

The third-party logistics is proved to be successful in enhancing logistics efficiency of many organisations and gained popularity while spreading across the country. The 3PL players are emphasising more on the technological upgradation to engage with the customers.

The report also points out a trend of Fourth-party logistics (4PL) that is emerging to support the 3PL business in the country. The concept of 4PL is expected to catch momentum over the coming years and it is expected to address the strategic failures of 3PL services and proposes the opportunity to achieve incremental benefits.

Majority of third-party logistics is organized mainly in industrial and automobile sectors followed by pharmaceutical, consumer products and retail. As most of the revenue in the industry is contributed by big players, share of organised segment is expected to rise in future due to tie-ups and mergers and acquisitions which are anticipated to be more within domestic and international third-party logistics companies.

However, several challenges cripples the 3PL industry in the country such as low flexibility of third-party logistics systems to model different clients supply chain needs, congestion in ports due to less storage capacity, poor transport vehicles, jammed roadways and ports causing delay in movement of goods and lack of quality manpower that needs to be addressed.

At the same time, the overall logistics industry in India is also writing a growth story backed by the ongoing infrastructure development that is happening in the country. With the government's increasing focus and investment towards the development of allied infrastructure such as ports, highways, industrial freight corridors, the industry is expected to get a boost. The industry is expected to see a huge growth in the coming years.

ON-TIME, SAFE AND COST-EFFECTIVE DELIVERY OF CARGO

While there is huge potential for moving domestic cargo through air, inland waterways can play a major role in cost-effective and hassle-free movement of cargo, emphasise **Amit Sen** and **Kingshuk Dey** in an interview with **Omer Ahmed**.

Q In Ocean freight what services you are offering? In which regions you have operations?

A For over 79 years JLG Group has been offering a variety of ocean freight services for time definite, door-to-door ocean delivery to all major points on the globe. JLG has a well-diversified presence in the logistics industry. We have a multi-disciplined diversely talented workforce of 330 staff spread across 6 countries and 12 offices. Rest of the countries we are integrating through our strong agent networks. These factors combine effectively and we are able to deliver client needs in LCL, FCL, Break Bulk cost effectively.

We ensure supply chain solutions for our customers across the globe and Ocean freight services worldwide.

Q What are the challenges you face in freight forwarding and how are you able to overcome them?

A Biggest challenge is to “Stick On” through offering competitive prices. The relation with clients is also undergoing change and switching cost that are no longer relevant. Increased levels of competition, port infrastructure, government policies, ongoing new technology demand and a demand of cheaper freight rates definitely increasing some question marks.

Undoubtedly, some weaker freight companies will find it difficult as the challenging trading conditions define the winners and also the losers in the international freight market. But the stronger freight forwarding companies may become still stronger as they continue to innovate to address the market challenges.

Q Has the slowdown in economy/ shipping business affected you? If so, in what way and to what extent?

A Shipping companies have been hit by a double whammy, falling global demand and, even more importantly, paralysis in the financial markets.

The shipping industry is not immune from the current economic recession. In fact, companies are laying up container ships and laying off workers around the world. Bulk carriers have also not fared well as exports of dry bulk goods have declined.

Slowdown or certain stoppage of some commodity export, like iron ore affects us a lot, we did regular good volume movement of containers for same commodity but today this has come to a complete stop.

Q What is your experience in dealing with Indian ports both major and private?

A Congestion and capacity constraints at some of the key Indian gateways have led to pressure from the shipping industry and customers for the Indian government to open up the sector and develop suitable infrastructure for what is now the world’s third largest economy. Much has already been done. The Indian government is already trying to coordinate new port development in key strategic hubs and to encourage private investment to ensure that these key elements of infrastructure allow the country to keep a pace with the demands of its economic development.

In addition to the need to secure substantial investment in port

The most important element of India's cargo industry is the growth of domestic air cargo.

The potential is huge as India is a large country with manufacturing region specific and the need to move products quickly and safely assume greater importance.

Kingshuk Dey
Director, J.L. Goward & Co

Developing inland waterways is a key agenda for the National Democratic Alliance government as it attempts to decongest communication bottlenecks and open up options for high volume freight.

Amit Sen
Director, J.L. Goward & Co

infrastructure, the Indian ports sector will face several other challenges to increasing port capacity and efficiency.

Q Where are the growth areas for cargo in India?

A Air Cargo has finally shown some signs of growth in the country in the last financial year 2013-14.

Overall Sea cargo growth has been positive for the country, the cause of concern is the continuing negative growth for Kolkata /Haldia Port one of the major port located in eastern India. This negative growth rate can be largely attributed to the falling Industries growth in West Bengal.

Domestic cargo is growing fast. The most important element of the India's cargo industry is the growth of domestic air cargo.

The potential is huge as India is a large country with manufacturing region specific and the need to move products quickly and safely assume greater importance. India's road transportation, which moves the majority of domestic freight, is beset with problems of missing cargo, pilferage, delays and increasing cost. Domestic air cargo which remained largely untapped until the advent of low cost carriers into the Indian market suddenly boomed from 2009 onwards. A few years back it was hardly significant. Today it is 0.8 MT and growing at the rate of above 10 per cent year-on-year.

Q When you say moving the cargo "cost-effectively," what are the factors that come into play?

Factors are as follows:

- Infrastructure
- Freight demand will continue to grow.
- Introduction of technology to decrease time frame & man power.
- Custom Tariff's & exchange rate.
- Govt policies & trade policies.

Q The government is in the process of planning a multimodal transport system. What are the Key elements you would like the government to take care while developing such a system?

A Multimodal transport (also known as combined transport) is the transportation of goods under a single contract, but performed with at least two different means of transport; the carrier is liable (in a legal sense) for the entire carriage, even though it is performed by several different modes of transport (by rail, sea and road). As Multimodal Transportation is a major key aspect for any country to grow however there are some areas which the government need to identify:

1) Multimodal Transportation increases the time frame for any cargo.
2) Multiple Transportation increases the cost.
3) Chances of damage of goods.
4) Infrastructure facilities.

Q The government is giving a major push for use of inland waterways. How feasible do you feel it is for moving cargo?

A India has about 14,500 km of navigable and potentially navigable waterways of which around 55 per cent is used regularly. Inland waterways in

India consist of the Ganges(GANGA)–Bhagirathi–Hooghly rivers, the Brahmaputra, the Barak river, the rivers in Goa, the backwaters in Kerala, inland waters in Mumbai and the deltaic regions of the Godavari – Krishna rivers. About 44 million tonnes of cargo is moved annually through these waterways using mechanized vessels and country.

The Modi government will give a decisive push to make the Ganga-Hooghly waterway navigable for freight movement by vying for a World Bank loan of up to $1 billion or about ₹6,000 crore.

Developing inland waterways is a key agenda for the National Democratic Alliance government as it attempts to decongest communication bottlenecks and open up options for high volume freight.

The coming days is likely to see discussions between senior officials of the World Bank and Inland Waterway Authority officials on determining the exact loan amount for constructing two barrages on the Ganga-Hooghly River. These barrages will be part of the government's recent announcement of a series of barrages on the Ganga from Allahabad to Haldia, which will facilitate movement of larger vessels.

The plan has drawn criticism from environmentalists who have highlighted the dangers of sedimentation and decline of fisheries.

On the other hand, the government believes that river transportation is the cheapest available option and should be maximised to boost economic growth. Already barges have begun supplying imported coal to the Farakka super thermal power plant in the absence of land-based transportation alternatives.

The government wants to emulate China

which has been building up an inland waterway network from its resources and World Bank funding. It already has 15,000 km of navigable waterways and hopes to add 5,000 km over the next decade. New Delhi also plans to spend about ₹1,00,000 crore on developing waterways of which ₹20,000 crore is likely to be raised from government resources and the rest from borrowings or the private sector The waterways authority has asked the state government to remove the existing barriers at Sujanpur along the Kani-Kharasuan river system for unhindered navigation between Paradip and Dhamra.

The anicut over the Kani river has emerged as a stumbling block for navigation and it needs to be removed before the waterways-5 could get under way. Besides, it also wants construction of a new barrage at Jakodia – the project could be taken up by the state government in a joint endeavour with the waterways authority.

A senior officer of the commerce and transport department said the state water resources department and director of ports had been apprised of the prerequisites of the national waterways project.

The authority has sought for the clearance of the navigational hurdles. Accordingly, the concerned state government wings have been told to initiate measures in this regard.

The all-important waterway would cover a 588-km stretch, including Talcher coal belt and port hubs such as Paradip and Dhamra.

Of the 588-km long waterways-5, nearly 323km from Talcher coal belt to Paradip and Dhamra has been identified as economically viable waterway zone.

A large number of industries and coal companies could reap benefit if the waterways-5 comes up. The project would be environment-friendly and pollution-free, said an official.

Coal, coke, fertilizer, cement, mineral iron, steel and aluminium are important cargo to be transported through this proposed national waterway. Besides, agricultural produce such as paddy, rice, straw, animal feed, fodder, jute, coconut, fish products, house-building materials, finished products, cruise parties for tourism will also add to the traffic.

The proposed national waterways would come in handy for Paradip port. Though the project is at an infant stage, it would boost the economy of the riverside areas. Besides, waterway cargo transportation would be hassle-free than the rail and roadways.

Q In the coming year what do you wish to see happen?

1) Air, Road & sea fright volumes have continued to rise
2) Development of roads & ports infrastructure
3) Volume of cargo during the downturn & recovery period should stabilize.
4) Upward pressure on sea/air-freights need to be controlled so that margin of freight forwarder should not get squeezed. mg

Logistics providers get into gear

Logistics players gear up to serve the drastically growing Indian e-commerce market where customer base is projected to grow to a whopping 100-million.

Omer Ahmed

If you fail to prepare, you prepare to fail, goes the saying as e-commerce companies and their logistics partners pulled up their socks to handle the deluge of orders during the mega Google Online Shopping Festival, having learnt their lessons the hard way from the innumerable delivery bloopers and delays that happened during the Diwali sales last year.

A report from Google reveals that India's e-commerce market is likely to have a whopping 100-million customer base, with women being the major contributors, and would be valued at $15 billion by 2016. From eight million customers in 2012 it has grown to 35 million in 2014. Logistics firms that shapeup to serve this drastically growing market will obviously lead in the days to come.

Logistics company Gojavas increased the count of its delivery centres across India to 40. It further beefed up its capacity to manage delivery of 75,000 packages a day compared to 55,000 packages earlier. Snapdeal.com is expanding its network in tier-2 and tier-3 cities, while developing its partner network to improve delivery efficiencies.

India Post is gearing up to serve the growing ecommerce services industry in the country. Initiatives include setting up data centres, arming the postman with hand-held devices and implementing softwares for facilities like cash on delivery. By December next year, 15,000 postmen are expected to be armed with handheld devices and related hardware will be installed in mail offices. This will help in providing connectivity in rural areas.

Softwares are being developed for real time delivery data updation, money remittance systems for Cash on Delivery (CoD)/electronic generation and settlement of bills and interface with tracking systems of railways and airlines for complete visibility.

Efforts are in-progress for providing standard Web-based integration system and an end-to-end tracking service for the e-commerce firms. This will also enable the department to undertake large consignments of goods and services. The modernisation project is being supervised by an Inter Ministerial Steering Committee.

Future Supply Chain Solutions (FSCL), the logistics and supply chain vertical of Future group will be investing ₹300 crore every year to scale up its infrastructure. The logistics arm aims to complete its pan India reach by 2016.

The company has formulated a 9/11 infrastructure strategy which it aims to accomplish by 2016. It will develop nine large logistics parks in nine cities and mid-sized facilities in 11 other cities. These 20 logistics centres, each ranging from half a million square feet to 3 million square feet, would take care of logistics requirement of all the customers. It has also started providing last-mile connectivity to e-commerce service providers and this service is being improved by introducing a lot of technology and automation.

The company currently has 4.5 million square feet of warehousing area and every year it plans to add 1.5 to 2 million sq feet. The investment expected will be around ₹150 crore for every 1 million sqft, says Anshuman Singh, MD and CEO of Future Supply Chain Solutions.

A staggering 62 per cent of the respondents in Google's survey revealed that they were not satisfied with the service from the merchants, which means its high time logistics players tied up the loose ends in their service networks. mg

TIME TO TRADE WITH RUSSIA

Going by the proverb "Make hay while the sun shines," its time for Indian businesses to capitalise on the window of opportunity opened by the Russian ban on imports from the west.

Omer Ahmed

With Russia imposing ban on food imports from US, Canada, Europe and Australia, the opportunity for India to grow trade with this old business partner has become even brighter. In fact, Indian Commerce Ministry has planned a strategy to export 24 items that Russia usually imports from the US and European Union, which include vehicles, aircraft and spacecraft, optics, electrical machinery, pharmaceuticals, plastics and meat. The ministry has advised to the sector-specific Export Promotion Councils to focus more on exporting to Russia. Imported items account for 25-35 per cent of the goods sold by retailers in Russia. All exporters to Russia need to be certified by Rosselkhoznadzor (Federal Service for Veterinary and Phytosanitary Surveillance). Indian businesses have obtained approval from Russian authorities for exporting buffalo meat, non-basmati rice, oilseeds, egg products, milk and cheese.

Russian President Vladimir Putin and Indian Prime Minister Narendra Modi are likely to announce a Joint Study Group for a feasibility study on a Free Trade Agreement between the two countries, which would boost trade further. Moscow-based analytical company VVS opines, India can seek greater potential in the items that are already being exported to Russia such as potatoes, onions, preserved vegetables, nuts, fruits and fish.

India and Russia are good political partners, but when it comes to trade it is not even 1 per cent of Indian total trade, says Ajay Sahai, Director General and Chief Executive of the Federation of Indian Export Organisations. India's exports to Russia decreased 6.46 per cent in 2013-14 to $2.15 billion, while its imports from the country shrank 7.85 per cent to $3.9 billion. A sizeable population in Russia has high purchasing power, and if Indian companies can offer quality products, they can make hefty margins, adds Sahai. Kanwal Sibal, a former Foreign Secretary and Ambassador to Russia sees huge potential for exporting pharmaceuticals and information technology to Russia.

Dairy products

Russia is facing acute shortage in milk and cheese products, and India's renowned cooperative brand Amul is trying to capitalise on this business opportunity. Amul is in discussions to partner with Galactika Group to export dairy products to Russia. Galactika has a 3 per cent share in the country's dairy market and is part of FoodLine Holding, which is among Russia's largest dairy product distributors. The partnership will make Amul the first Indian dairy manufacturer to enter the sanctions-hit market. For the export to start moving Amul's plants and products need to get approval from the Russian authorities. Primarily, cheese, butter and milk powder will be exported.

"Russia represents a huge market because they are deficit in milk by about 20 per cent. It's a big opportunity not just for Amul but also other Indian dairy companies," said RS Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation. "We are in a position to export dairy items worth $400 million in the first year itself. It is likely to go up several fold subsequently," said Ajay Sahai, Director-General and CEO of FIEO.

Precious stones

Creating an alternative source of rough diamonds for the Indian cutting and polishing industry, Russia's state-led Alrosa Mining Group has entered into direct selling agreements with 12 diamantaires for supplying rough diamonds worth $2.1 billion over three years. Globally, Russia is the top producer of rough diamonds and Alrosa controls around 27 per cent of global trade.

Russia keen to improve industrial cooperation

Russia is keen to import components for its aviation sector from India, said trade and industry minister Denis Manturov. Industrial cooperation between the two nations needs to be developed to boost the trade turnover to 30 billion roubles ($530 million) by 2025. "The potential of the industrial cooperation is not used fully, and our objective is to fill it with new contents. We mean both traditional sectors of cooperation and mutually advantageous contacts in new spheres," added Manturov.

Earlier, Antwerp-based De Beers, which is said to control 40 per cent of global rough diamonds trade, was the bulk supplier to India. In 2013, India imported 163.11 million carats of rough diamonds worth $16.34 billion and exported 36.46 million carats of polished diamonds valued at $20.23 billion.

Liquefied natural gas (LNG)

In an attempt to position Russia as a reliable energy supplier to Asia, President Vladimir Putin is keen to export LNG to India. Deepening energy ties with India, Russia wants to involve ONGC in oil and gas exploration in the Arctic. According to Putin, shipping LNG to India will be much cheaper than selling it through a cross country pipeline. ONGC Videsh Limited (OVL) and Russia's biggest oil company Rosneft had in May last year signed a MoU for cooperation in the Artic shelf. Russia's Gazprom has signed a long-term agreement with GAIL India Ltd for supply of 2.5 million tonnes a year of LNG for 20 years. India will start receiving LNG shipments as early as in 2017, and in case the shipments get delayed it will be no later than in 2021.

OVL has expressed interest in expanding its presence in Russia as it looks to source one million barrels per day of oil and oil-equivalent gas from Russia. OVL already holds a 20 per cent stake in Sakhalin-1 oil and gas field in Far East Russia and the Indian oil major had in 2009 acquired Imperial Energy, which has fields in Siberia, for $2.1 billion.

"We hope that our increased cooperation in the energy sector will contribute to India's sustainable and progressive social and economic development and help improve the quality of life of Indian people," Putin said.

US cautions on improving trade with Russia

The US has cautioned India that it was not the right time to have trade deals with Moscow because of a series of international sanctions against the country. The US has advised that countries around the world do not move forward with the same kind of economic relationship with Russia which they have done in the past.

Improving transport

Setting aside the sanctions on Iran, Russia has moved forward and both the countries have inked a MoU to intensify economic cooperation. India along with the two countries can push for marked progress on the North-South Transport Corridor which involves ship, rail and road connectivity for Indian ports on the west coast to Bandar Abbas in Iran, then overland to Bandar Anzali Port on the Caspian Sea and through former Soviet republics right up to Russia. The route can pass via either Armenia and Georgia or Azerbaijan and Kazakhstan. An inter-governmental agreement on the corridor was signed between Russia, Iran, India and Oman, back in 2001, but there has been very little progress in making it functional. The corridor would also open Russia and many former Soviet states to India's fruit and vegetable exporters.

Competition

Indian businesses will have to compete with Brazil and Argentina who are already exporting to Russia. China appears to be one step ahead as the Chinese Trade Chamber has signed an agreement with Rusprodsoyuz (Russian Food Manufactures and Suppliers association) under which trade rules are discussed and customs codes for about 50 commodities have been exchanged between the two countries and the Russian authorities are helping Chinese businesses with certification procedures.

Board of Investment (BOI) is the national investment promotion agency of the Government of Mauritius with the mandate to promote and facilitate investment in the country. BOI, the first point of contact for investors exploring business opportunities in Mauritius and the region, assists investors, facilitates the implementation of investment projects, and works in close collaboration with Government bodies, institutions and private sector companies. In an interview with MG's **Itishree Samal**, Board of Investment Managing Director **Ken Poonnoosamy** talks in length about 'Ocean Economy' and what business opportunities the country offers for Indian investors.

MAURITIUS CALLING!

Ken Poonnoosamy
Managing Director
Board of Investments (Mauritius)

Indo-Mauritius relationship

India and Mauritius share a unique relationship, where nearly 68 per cent of the Mauritian population is of Indian ethnicity. The other affinity is strategic with India protecting the country from possible aggression and it in turn protecting Indian ships passing through its territorial waters from attacks by pirates. In recent years, the trade ties between the two countries have also increased many folds. In order to further boost the ties between the two countries, the Government of Mauritius has laid down a vision to promote "Ocean Economy" as one of the main pillars of development by optimizing the opportunities available to the country as an Ocean State.

Q The Government of Mauritius recently launched a roadmap for 'Ocean Economy'. Can you elaborate more on its purpose?

A The roadmap on 'Ocean Economy' is the result of public consultations held with representatives of the private sector, local ocean specialists, international experts and researchers to assist the Government in evaluating the potential of the Mauritian Exclusive Economic Zone, and it provides the vision and high level actions to increase the contribution of the ocean economy from a current 10.8 per cent to 20 per cent by 2020.

Several opportunities exist in 'Ocean Economy', where ports, shipping and logistics industry promotion is of prime importance. Its main objective is to develop Mauritius into a major hub in the region for petroleum products, container transshipment, logistics and port services. The Ocean Economy will also serve as a platform to make Mauritius a high value-added services economy, by harbouring a regional platform for marine finance, ICT and ship registration based on successful country models.

Q What opportunities have been identified in the roadmap that can be of interest to Indian companies?

A The roadmap identifies seven priority areas that can be of interest of Indian companies. These include seabed exploration for hydrocarbon and minerals; fishing, seafood processing and aquaculture; Deep Ocean Water Applications (DOWA) that consists of the extraction of deep sea water for cooling purposes as well as a range of downstream activities such as the production of premium bottled water, pharmaceuticals, cosmetics, thalassotherapy and high-end aquaculture; marine services including marine finance, ship registry, marine ICT, marine tourism and leisure, and marine biotechnology; seaport-related activities such as bunkering, transshipment, ship repairs and cargo handling; marine renewable energies and ocean knowledge, making Mauritius a centre for teaching and research on oceans.

Q What is the role of the Board of Investment with respect to 'Ocean Economy'?

A As the official investment promotion agency of the Republic of Mauritius, the Board of Investment's main role is to promote foreign direct investment across all sectors of the Mauritian economy. This includes the seven priority areas identified by the Ocean Economy roadmap. In addition, BOI is represented in the eight Advisory Councils that have been set up to steer the development of projects identified under each of the priority areas. BOI has also been appointed as the chair of the Deep Ocean Water Applications (DOWA) priority area and is responsible for driving the rapid implementation of this new activity.

Q What type of support the government provides in order to attract investors in this emerging sector?

A Mauritius is one of the most competitive tax regimes in the world with harmonised corporate, personal income tax and VAT at 15 per cent. There is also no tax on interests, dividends and capital gains among others. In addition, several incentives apply specifically to the ocean sector including a reduction of the monthly aquaculture concession fees from MUR 1 million to MUR 100,000 and the proclamation of 20 aquaculture sites to boost the aquaculture sector; liberalisation of bunker trade activities that will favour an increase of petroleum products to serve the growing market for bunker fuel, aviation fuel and heavy oils and subsequently transform Mauritius into a regional petroleum and bunkering hub; and the setting up of a fiscal, regulatory and legal framework that will enable prospection and exploitation of petroleum and mineral resources, among others.

Q Can you share some of the on-going projects in 'Ocean Economy'?

A There will be sustained development of the aquaculture industry with the proclamation of 20 in-lagoon sites, the possibility to engage in inland and off-lagoon activities, with the vision to raise production from a current 500 tonne to 1,500 tonne in 2015 and 8,000 tonne by 2020.

The deep ocean water applications sector has seen the interest of two upstream consortiums for the extraction of deep sea water for cooling purposes and selling to downstream users. Currently efforts are centered on facilitating these upstream projects. BOI will begin the marketing of the lucrative downstream activities such as premium bottled water, high-end aquaculture, thalassotherapy, pharmaceuticals and cosmetics in 2015.

Bunkering is also seen as a promising sector where operators have begun to invest in larger storage infrastructure. The forthcoming land reclamation of 4 Ha in the port area for dedicated bunkering activities as well as the further liberalisation of the sector will considerably boost this activity.

Marine biotechnology has long-term growth prospects as the local agencies explore high value biological strains particularly those from the deep sea waters.

The Ocean Knowledge sector has also been kick-started with the creation of a faculty of ocean sciences at the University of Mauritius.

Finally the framework for exploration of subsoil and seabed in our Exclusive Economic Zone and the Joint Management Area with Seychelles will provide the possibility for private operators to engage into exploration of deep sea minerals and hydrocarbons.

Q How many Indian companies have so far expressed interest in exploring business opportunities in the Ocean Economy of Mauritius?

A BOI is in receipt of interest from several companies for the above seven priority areas. However, the information is restricted.

> Ocean Economy roadmap is to develop Mauritius into a major hub in the region for petroleum products, container transshipment and port services.

Q With the seaport Port Louis strategically located in Indian Ocean, the region is emerging as a major maritime hub. How strong is Mauritius's Maritime infrastructure?

A Mauritius is centrally located in the South-West of the Indian Ocean with major regional ports in its vicinity (Durban (South Africa): 1835 nautical miles, Toamasina (Madagascar): 582 nautical miles, Mombassa (Kenya): 1853 nautical miles and Dar-Es-Salaam (Tanzania): 1886 nautical miles). The port contributes about 2 per cent to the country's GDP and supports 99 per cent of the country's external trade. Government's objective as per the Ocean Economy roadmap is to develop Mauritius into a major hub in the region for petroleum products, container transshipment and port services. The Port Louis seaport has seen a noticeable 30 per cent increase in containers transshipment from 2009 to 2013 and a boost in container transshipment are further expected following infrastructure investments of some MUR 6 billion that are being engaged to upgrade port and cargo handling three facilities until 2015.

The port extension work has already been launched and will be conducted in two phases. Phase 1 due to be completed by mid-2016 includes an extension of 240 m of the berthing quays with a designed dredged depth of 18 m which will accommodate vessel of 11,000 teu. The annual throughput capacity is expected to increase to 750,000 teu from a current 550,000 teu with the expansion of the container yard by 6.5 ha. Phase 2 will include reclaimed land of 60 ha, a quay length of 1 km and a container yard of 60 Ha. The throughput capacity is expected to exceed 1 million teu. Moreover, two emerging activities which are being encouraged in the port – cruise liners to choose Port Louis for home porting and develop the region as cruise destination, and attracting petroleum storage and bunkering from Port Louis – would further increase value addition from this sector.

The regional market Potential for bunker in the region is 8.6 million tonnes/annum and set to increase with south-south trade. In 2013, registered bunker to ships was 269,322 tonnes representing an increase of 30 per cent compared to 2009. Works are underway to increase storage capacity for bunker fuel and oil storage at Port Louis from 120,000 MT to over 270,000 MT with a throughput capacity of about 2.7 million tonnes. Bunkering and Petroleum product exports are expected to increase to 1 million metric tonnes by 2020.

With the increased interest from cruise operators to home port from Mauritius, a dedicated cruise jetty was established at the former bulk sugar terminal. In 2010, 27 cruise liners called to Mauritius with a total passenger traffic of 26,751. Nevertheless, due to the global economic crisis experienced by advanced economies, in particular, the euro-zone countries in 2012 a decrease in the number of cruise vessels calling at Port Louis was noted with 21 calls and passenger traffic of 17, 865 passengers. The cruise segment is expected to peak up in 2015 with the decision of costa cruise to home port from Mauritius and the setting up of a dedicated cruise terminal at the cost of MUR 150 million by 2016.

Q What is your outlook for 'Ocean Economy' over the next five years?

A The objective for the next five years is to increase the GDP contribution of the Ocean Economy from a current 11 per cent to 17 per cent by 2020. This will be achieved through increasing the output of our seafood and aquaculture industries by some 50 per cent and a four folds growth of our bunkering and oil export potential. Moreover, Mauritius will fully capture emerging opportunities in coastal tourism, ocean-based leisure as well as marine services. The Hydrocarbon and mineral potential of our EEZ will also be explored.

7 VESSELS THAT HAVE TAKEN NAVAL ARCHITECTURE TO NEW HEIGHTS

Through the years there have been great innovations in the field of Ship Design and Naval Architecture, especially over the last century. Something which came up during this time was the introduction of Computer Aided Design and simulation, which has added a lot of flexibility to workflow. The Science of Naval Architecture owes a lot to learning from case studies and disasters. As is the case with Automobile Design and other similar disciplines, Naval Architects usually do not have the luxury of prototypes. However this does not deter the efforts of some specialists who love to play with the particulars to achieve the best possible results. Some innovative ships thus developed broke the stereotypes in design set by traditional 'safe' shipbuilding practices and brought an era where the best solutions are often offbeat ones.

Mentioned herein are 7 such ships which have taken naval architecture to new heights:

1

Reverse Bows: Zumwalt Class and the Ulstein X-BOW

What would happen if you took a paper boat and let it float upside-down? It would continue to float. What if similar things were done with ships, only that they were constructed purposefully in such a manner? The result is that they would actually be feasible and efficient designs as is the case with the Zumwalt Class Destroyers of the US Navy. These vessels have a longer waterline as compared to a vessel of same length having a conventional upright bow, this means they have greater hull speeds. The flare (you know, the outward curving of the hull plating above waterline) at fore end is also greatly reduced to almost non-existence in such designs, therefore reducing the risk of slamming.

These hulls also cut down the fuel consumption as opposed to climbing over waves, they pierce through them. This action of the bow also reduces the water spray as the bow enters the water more 'softly', which means that there is less backflow from direct impact with the ship's bow. These ships are highly manoeuvrable and handle quite well in rough seas.

Another feature in this design is the return of the tumblehome which is the narrowing of the ship hull above the design waterline which had become a rarity in modern ship design as opposed to the flare. Do you find any similarities between these and the fore part of submarines (Look closely at the ones designed by Ulstein Group)?

2

Baltika Icebreaker

Usually the to and fro motion of icebreakers is time consuming, this prompted designers to come up with something new. The idea of this vessel called Baltika came into being, the asymmetrical hull shape which you might have seen in the picture allows the vessel to change its original waterline, allowing a larger sweep from the new icebreaking width. The specialty of the design lies in the use of a combination multiple azipods, specially fitted electronic equipment on an oblique Navigation Bridge which can function for both modes of motion. The first when it operates bow-stern aligned and second when operating obliquely astern to allow more ice clearance for wider vessels. The azipods make such demanding manoeuvres possible. The propeller pods are designed such that the ice breaks away totally before impact.

This ship can also perform rescue and oil recovery operations. The latter aided by its unique orientation of motion as discussed above.

The Bottsand Class Oil Recovery Vessel – Ship that splits into two

Oil recovery vessels have often been area where the designers have tried to optimise the area of collection of contaminated seawater by slight changes in propulsion machinery alignment. The icebreaker Baltika, which also doubles up as an oil recovery vessel, is an example of such a vessel.

Now, here is a ship which literally ‘eats’ into the oil deposition from some oil spill and stores it into its recovery tanks. The ship currently owned by the German Navy has the ability to split along the length to allow a larger area for trapping the oil contaminated water which is pumped into the tanks and here they are separated from oil. This allows a lot of flexibility and saves a lot of time in the recovery process. However this is only possible because of the twin hull concept which has greater transverse stability as compared to a single hull design which has a bow opening mechanism.

E ship 1: Magnus sailing

This is indeed one of the most unique looking ship designs ever, with a superstructure resembling a chimney from some factory. Actually these ‘chimneys’ are not ‘chimneys’ are called Flettener Rotors being named after the gentleman named Anton Flettner, who first constructed the first rotor ships as early as the 1920’s. These ships use the famous Magnus effect to propel the ships, do you remember the famous banana kicks in football or the ball of the century in cricket? Well, the principle remains pretty much the same, here the pressure difference created on a spinning body (in this case, the Flettner Rotor) causes it’s displacement along the same, only here all the rotors aboard such ships are electronically manoeuvred by on-board wind sensing and control system which obviously cuts down on highly probable human errors. Also, you might question why these rotors have to be exceptionally high and exactly four in number? Well, here we have a situation where you are using air as the fluid medium to generate thrust, for a ship of this magnitude, the surface area required to generate usable thrust would then be quite enormous, precisely what these large Flettener Rotors offer. Also the direction of the rotation in all four of these would obviously matter. This job as mentioned before, is left to the on-board control system.

Ramform Titan Class Seismic Vessels

To you, this ship might look like it has been sliced off from the mid body, actually it wasn’t. Rather, it is another novel design which has its own unique benefits. Intended to collect seismic data from the oceans, this ship has additional benefits in that it is able to deploy easily and has large accommodation and deck area and exceptionally large fuel capacity in comparison to vessels of same length. The ship makes a waveform that is sinusoidal along its length. By the way, why would the designers be interested in the so called sinusoidal waveform? You’ll come to know soon. The unusually large beam which you can easily notice at the aft part of the ship allows for greater initial stability and consequently a very large period of roll which makes the ship a smoother sailing one, very crucial in carrying out seismic data acquisition operations. The large fuel capacity allows for long survey endurance lasting around 150 days.

Remember, the ship features a sinusoidal wave formation along its length? Why? Time to know. Well, as you have already noticed the sudden discontinuity in the ship at its aft, you might as well be interested to know that this comes with a big disadvantage to the ship. The flow of water around the ship’s hull suddenly breaks as it reaches the aft. We designers call it flow separation, which leads to the formation of eddies. Now eddies are nothing, but water particles in circular turbulent motion, which in simple terms means, that the water particle has gained some energy. Where did this energy come from? From the power provided by the propeller, therefore causing a loss of propulsive efficiency of the ship. Wondering why the designers didn’t pay heed to this? Well, they designed the length and the hull form in such a way such that the wave formed by the ship is always sinusoidal along its waterline, which by the theory of hydrodynamics, induces minimum drag on the ship.

6

Pieter Schelte – The monstrous largest floating vessel

Conceptualized by the Allseas Company and already the contender for the ‘Biggest Ship in the world’, this is a “One of a kind in the world” vessel which is involved in lifting and replacing almost entire offshore platforms and often doubling up as a pipe lay vessel, something which Bloomberg describes as ‘picking a 48,000-ton flower’. The topside is lifted on the decks which look like two fingers at the bow. This process uses simple buoyancy manoeuvres and hence you really don’t need to know every bit about weight and C.G. of the platform. The jacket of a platform is carried on the stern, now both parts may now be transported to other places or brought to the shore for dismantling, or simply ‘delivering’ such platforms in the first place. Today this is capable doing such things for 95 per cent of the world’s existing platforms, but the company hopes to upgrade it for all offshore platforms in existence today owing to its shallow draught. Besides it is also an excellent pipe-lay vessel with a removable stinger to allow its other functions.

Additional Mention

1

Containerships with movable superstructures- The Sky Bench (Concept)

What if someday ships could have movable superstructures? Which means the loading on board such a vessel has been optimised when tested to such an amount that when loaded, the superstructure’s positioning has little effect on structural strength or atleast, it (the still water bending moment) can be controlled to allow the vessel to be operated at required cargo set up. The people at Hyundai Heavy Industries analysed the stress distribution to every tiny bit and made certain modifications over traditional design (like adding insert plates) which gives you that extra tonnage on your Container ship. These will probably make their first appearances in Container ships and LNG Tankers where the excess size of their tanks will be compensated for. However, this project is still in the phase of concept design.

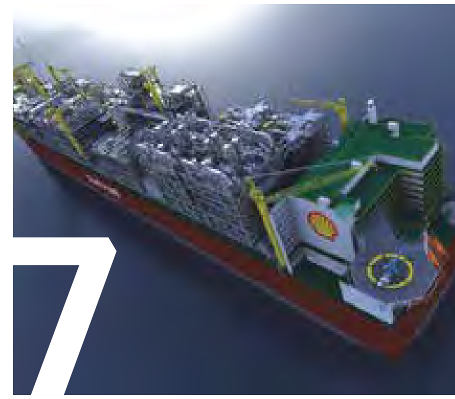
Amazingly, this SkyBench can automatically detach from the supports as a last resort in the event of an emergency ensuring the crew are safe.

The Flip Ship Research Ship

This is not a newly built vessel, but the Flip Ship (Floating Instrument Platform) is a unique Research Ship created by the US Navy in collaboration with the Marine Physical Laboratory in the year 1962. It is designed like a spoon, stands at 355 ft and is unique in the sense that it has the flexibility to stand vertically from a routine ship’s position of being horizontal.

2

The entire shift of the ship from its horizontal to vertical position takes around 28 minutes. By allowing water to seep into its ballast tanks, 300m of the ship is submersed in the water thus allowing the Flip Ship to carry out its purpose of being an accurate Research Ship. The main reason why this Research Ship is designed in this manner is because, generally the horizontal position of the ship does not allow accurate readings of waves and other oceanic data relevant because of the movement that a ship’s natural shape reduces the potency of the measuring devices.



7

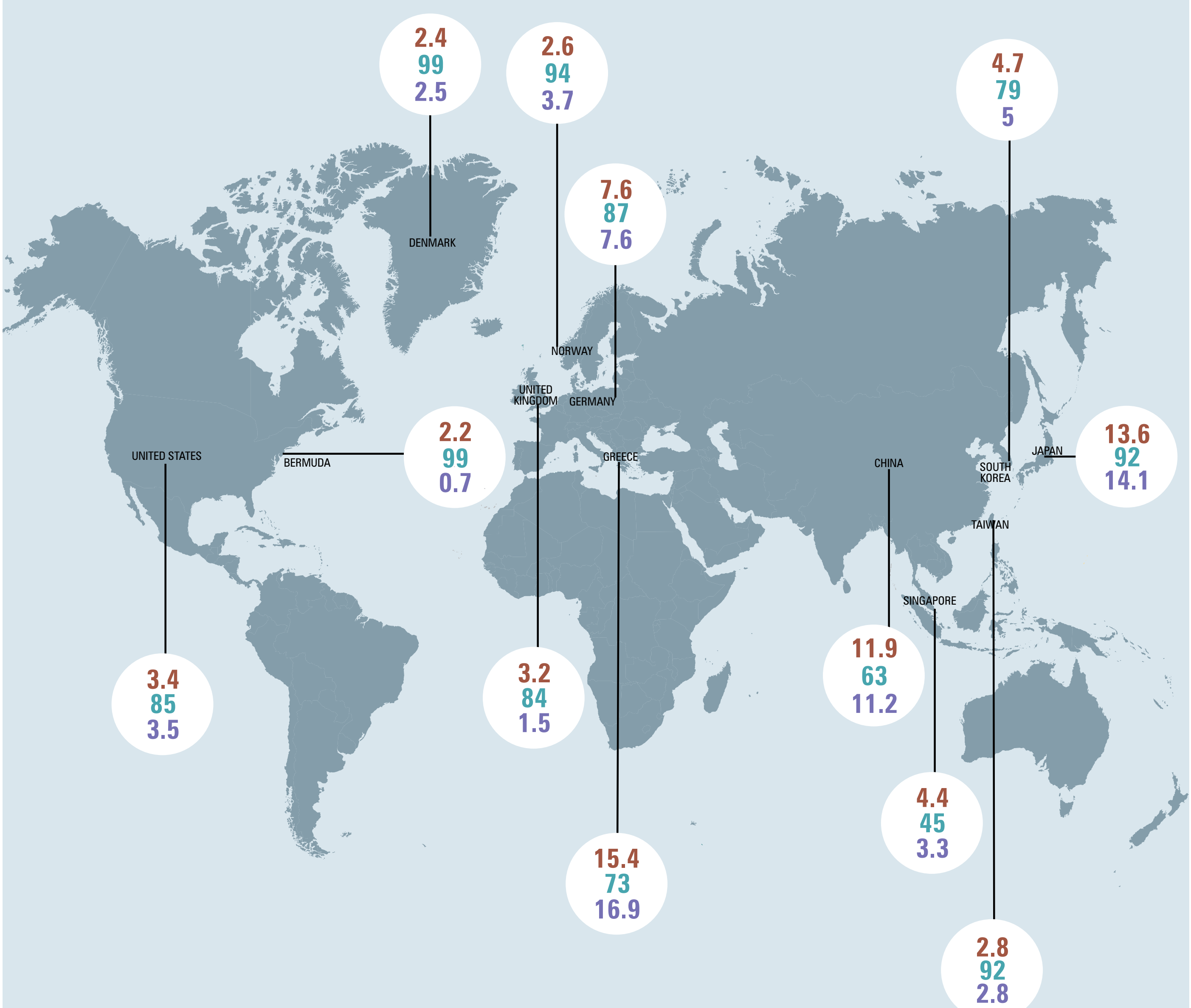
World’s First Floating Liquefied Natural Gas Platform – Shell Prelude

Prelude FLNG is the world’s first floating liquefied natural gas platform as well as the largest offshore facility ever constructed. The Prelude is being built by Samsung Heavy Industries in South Korea for Royal Dutch Shell. It is 488 metres (1,601 ft) long, 74 metres (243 ft) wide, and made with more than 260,000 tonnes of steel. In operation, it would weigh more than 600,000 tonnes; more than five times the weight of the largest aircraft carrier. Prelude FLNG is the first deployment of Shell’s FLNG technology and will operate in a remote basin around 475 kilometres north-east of Broome, Western Australia for around 25 years. The facility will remain onsite during all weather events, having been designed to withstand a category 5 cyclone.

FLNG will allow Shell to produce natural gas at sea, turn it into liquefied natural gas and then transfer it directly to the ships that will transport it to customers. It will enable the development of gas resources ranging from clusters of smaller more remote fields to potentially larger fields via multiple facilities where, for a range of reasons, an onshore development is not viable. This can mean faster, cheaper, more flexible development and deployment strategies for resources that were previously uneconomic, or constrained by technical or other risks. mg

(Courtesy: Marine insight)

TWELVE LARGEST SHIP OWNING COUNTRIES AS ON 1 JANUARY 2014 ALL 12 COUNTRIES WITH 2 PERCENT OR MORE OF WORLD FLEET SHOWN INDIVIDUALLY



	■	■	■
Sub-total of 12 countries:	74.2	-	72.8
Other countries:	25.8	-	27.2
Total:	**100**	**-**	**100**

■ Beneficial owner location as % of world dwt tonnes

■ Foreign Flag as % of beneficial owner dwt tonnes

■ Real Nationality of owner as % of world dwt tonnes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