India's premier maritime business magazine

₹100

maritime gateway

OCTOBER 2015 WWW.MARITIMEGATEWAY.COM

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

DATE OF PUBLICATION: 26/09/2015 DATE OF POSTING: 28/09/2015

'BOOSTING BILATERAL TRADE'

– Jan LUYKX, Ambassador of Belgium

agri logistics

uphill task

Despite the exports of agricultural commodities growing from $5 billion in 2003 to $39 billion in 2013, India faces with numerous challenges such as lack of covered warehousing, shortage of rakes and congestion at ports when it comes to transporting food grains from fields to markets.

Ripley & Co. Stevedoring & Handling Pvt. Ltd.

RIPLEY STEVEDORING

KOLKATA • HALDIA • PARADIP • VISAKHAPATNAM

BARGING

STEVEDORING

LOGISTICS

EQUIPMENT HIRE & MINING

CUSTOM CLEARANCE

VESSEL AGENCY

CORPORATE OFFICE
22, Lee Road, C-Block,
Kolkata-700 020.
Phone: (033) 22893918 / 6146
Fax: (033) 22896121
Email: mail@ripley.co.in

HALDIA
Chiranjibpur, P.O.: Debhog,
CPT Block-L,
Purba Midnapur (W.B.).
Telefax: (03224) 251738
Mobile: +91 9732816707
Email: haldia@ripley.co.in

PARADIP
60, Madhuban Market Complex,
Paradip Port - 754 142.
Phone: (06722) 222570, 222504
Fax: (06722) 222745
Mobile: +91 9937528005
Email: paradip@ripley.co.in

VISAKHAPATNAM
Door No. 32-1-186 / 28
Flat No. – T-3, 3rd Floor, Block – C,
Pragathi Apartment Bowdara Road
(Near Manorama Theatre)
Visakhapatnam – 530 002
(M): +91 7093664007 / 3007
Email: vizag@ripley.co.in

Visit Us: www.ripleygroup.co.in

www.elektrans.net

Doehle Danautic is now Elektrans Global.

Sometimes it takes 14 years for an idea to be born.

Doehle Danautic India Pvt. Ltd. (Since 2001) is now Elektrans Shipping Pvt. Ltd.

We at Elektrans transform our clients' dreams into reality by offering them customised, innovative solutions in:

E - E commerce
T - Transport
S - Shipping

We invite you to Dream with Us.

ELEKTRANS
Where Dreams Turn Into Reality...

Make the first move

The last two months, admittedly, have kept both the government and the Indian industry on pins and needles with various global developments threatening to not destabilise but to break the speed of development in the country. The sudden devaluation of the Chinese Yuan that led to a slowdown in demand for major commodities from the neighbour had let our currency down sending down shock waves in the Indian stock markets.

Although the volatility in the capital and currency market is seen to be transient, investors are playing their favourite wait and watch game to see how global markets respond to this scenario. However, there has been some positive advancement as well. The cost of building infrastructure has come down because of commodity prices slouching. Cheap oil markets have paid off well in lessening prices of some essential commodity markets.

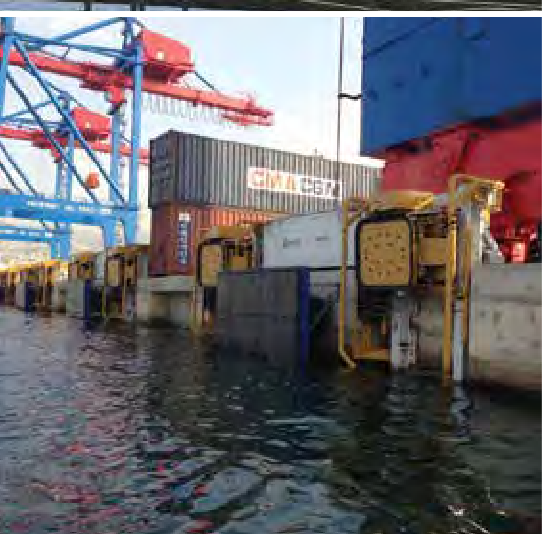
It is perhaps counting on these developments that Prime Minister Modi convened a meeting of top industrialists and bankers earlier this month asking them to increase their risk appetite and invest in India. India Inc, however, did not respond so kindly to the Prime Minister's request stating it is the government's prerogative to ease environment of doing business and take steps to strengthen the economy. Come to think of it, the industry is not wrong in stating the truth in such plain simple terms.

India is at a situation now where national issues such as the GST Bill and the Land Reforms Bill are arresting growth than external factors. The devaluation of the Indian currency will boost exports, but the government has to step in to stem other factors that hinder development. The monsoon session of the parliament was a total washout where the opposition united to strike down the Land Reforms Bill and GST bill. The government should realise that the onus is on it to take the first step to smoothen hurdles that block investment from coming into India. Only then can it expect the industry to match its step to come forward and make an investment. Without the government pushing for critical statues, any efforts by the industry in stepping up the reform impetus will be a dud.

Several laws, including the one on TAMP regulating tariff for the major ports need to be amended for export import trade to benefit. The government is seen to initiate reforms, but it needs to see through them and make sure the industry and country is benefitted ultimately.

R Ramprasad
Editor and Publisher
ramprasad@gatewaymedia.in

> India is at a situation now where national issues such as the GST Bill and the Land Reforms Bill are arresting growth than external factors.



India's premier maritime business magazine

maritime gateway

Editor and Publisher
R Ramprasad
ramprasad@gatewaymedia.in

Editorial

Associate Editors
Deepika Amirapu
deepika@gatewaymedia.in

Omer Ahmed Siddiqui
omer@gatewaymedia.in

Assistant Editor
Itishree Samal
itishree@gatewaymedia.in

Sr Correspondent
Mohammed Shareef MP
shareef@gatewaymedia.in

Contributing Editor
Ritu Gupta
ritugup@gmail.com

Sub Editor
Reshmi Chakravorty
reshmi@gatewaymedia.in

Design Team

Sr Designer
Vijay Masa

Designers
Nagaraju N S
Nadeem Ahammad

Marketing & Sales

National
Satish Shetti, Manager – Sales
satish@gatewaymedia.in
+91 99207 05534

South & International
Vinod G, Sr Manager – MarCom
vinod@gatewaymedia.in
+91 99498 69349

East
Nikhil Doshi, GM – Sales
nikhil@gatewaymedia.in
+91 98369 96293

Client Relations
Madhukar – Manager
madhukar@gatewaymedia.in
+91 93937 68383

Research
Rakesh Oruganti
rakesh.oruganti@gatewaymedia.in

Event Manager
Mayuri Tanna
mayuri@gatewaymedia.in

Finance
C K Rao – General Manager, Rakesh U

Adminstration
Kishore P, Neelima R

Digital Edition
Wesley Rajiv

Database Management
Srinivas P

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

Printed at M/s Kala Jyothi Process Pvt Ltd, 1-1-60/5, RTC Cross Roads, Musheerabad, Hyderabad – 500 020.

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

Editor: R Ramprasad

Feedback

Readers are advised to send all feedback and comments to editor@gatewaymedia.in

SPEEDWAYS

SHIPPING TRANSPORT OPERATOR WAREHOUSING.
CUSTOMS CLEARANCE CRANE HIRING

www.speedways.biz

WHO WE ARE

We are a dedicated team working united for the past three generations. Commitment, dedication, patience and excellence resulting to a good service has always been our motto and that's the passion that drives us. We at Speedways welcome you to venture into a world where we define Logistics Supply Chain Management towards a whole new level.

1. LOGISTICS **2. TRANSPORT OPERATOR**
3. CLEARING **4. WAREHOUSING**
5. CRANE

WHAT WE DO

Speedways, providing complete logistics solution to our customers with a one window service station by enabling all services when it comes to executing the supply chain management system. From freight forwarding to transportation of laden containers to warehousing cargo and crane hiring to customs clearing, a customer generally gets all the solutions under various departments of our firm when it comes to logistics.

CUTTING EDGE

"The one who innovates is the one who leads". Leading the industry in its own ways, we at Speedways never focused on doing different things but dedicated ourselves to do things differently. Accepting challenges and crossing hurdles, we have done what was feared to be taken as a thought, from handling huge volume of cargo in one go from customers end to the port, we accomplished it all and still are working towards a future brighter than our past.

" Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. excellence, then, is not an act but a habit.

MISSION

Gaining mass success with a remarkable reputation built over the years in the sector, Speedways has now made its existence in Kolkata, Haldia, Vishakhapatnam and Raipur providing the best service to our customers at a competitive price.

VISION

With the coming of Speedways Logistics PVT LTD, the company has now established its position in the industry providing "Total Logistics" solution with services provided for Transportation, Warehousing, Packaging, etc...

WHY SPEEDWAYS

Standing firm in the sector for about four decades, we have gained mass success and reputation standing on the pillars - GOOD SERVICE, RELIABILITY, TRUST, DEDICATION AND PROFESSIONALISM, experiencing the services, one does say - DEFINITELY SPEEDWAYS!!

CHAIRMAN SPEAKS

SPEEDWAYS LOGISTICS PVT LTD, a pioneer company in the Logistics trade stands strong and firm in the Eastern Sector to provide the best solutions to all customers, reputed amongst all, we have been serving the EXIM trade for more than four decades with an endless list of satisfied customers.

SPEEDWAYS LOGISTICS PVT LTD has come into being with a view to provide the EXIM trade with "Total Logistics /solution" including "Containerised and Project Sea freight Consultancy and Forwarding", with allied services being provided for Transportation, Warehousing, Packaging, Stuffing/ De stuffing, Ship Chartering, Handling of project machinery originating from anywhere, or destined to anywhere in the world, and delivering it up to the shippers/ consignees door.

YOUR TRUSTED PARTNER FOR WAREHOUSING & DISTRIBUTION OF YOUR PRODUCTS

SPEEDWAYS

Shipping + Transport Operator + Warehousing + Custom Clearing + Crane Hiring & Allied Logistics Services.

Office: P-66, Circular Garden Reach, Road, Kolkata - 700 043
Phone: 2439-4587, 6724, 3473 | Fax: 91-33-2439 1417
E-mail: info@speedways.net.in | Web: www.speedways.biz

CONTENTS

VOLUME 8 | ISSUE 01 | OCTOBER 2015

Mobile science lab in containers

Shipping containers are being converted into high-tech, movable labs for research in the Arctic region. They are being created through a multimillion-dollar project spearheaded by the Arctic Research Foundation. Six shipping containers decked out with 15 solar panels each and equipped to support two wind turbines are arriving via water from southern Canada. Five will be in Cambridge Bay and one is bound for Gjoa Haven, on King William Island. One of the containers will be equipped to measure heart rates of fish and other aquatic animals.

New record at Gangavaram

Gangavaram Port created a milestone by discharging a record 1,12,599 metric tonnes of steam coal from the capesize vessel *M V Cape Jupiter* in 24 hours.

COSCO orders container ships

China COSCO Holdings Co. agreed to have 11 new container vessels built for $1.51 billion, as it seeks to cut costs. The ships will each have capacity of 19,000 standard 20-foot containers.

MRPL to get Colombian oil

Mangalore Refinery and Petrochemicals Ltd is in talks with Colombia's Ecopetrol to buy term crude oil and is exploring purchases of Iraq's Basra Heavy grade to diversify supplies and improve margins. MRPL could buy as much as 30,000 barrels per day (bpd) of Latin American oil. MRPL currently relies on the Middle East for most of its heavy crude needs.

Greater Kamarajar Port on the anvil

To cater to the ever growing export-import in and around Chennai, Kamarajar Port Ltd has embarked on an expansion plan which involves construction of harbour within harbour called the Greater Kamarajar Port or outer harbour project that will be constructed at the north of north breakwaters of the port. It will have a capacity to handle 100 million tonnes of cargo per annum. It will boost the port's capacity to handle 200 million tonnes of cargo.

SEZ developers ask for MAT exemption

SEZ developers have requested the government to remove minimum alternate tax (MAT) as it is hurting their investments. The issue was raised during a stakeholders meeting convened by the Commerce Ministry. SEZs, which emerged as major export hubs in the country, started losing sheen after the imposition of MAT. Removal of MAT will help in boosting exports and attracting more investments in SEZs.

Mumbai Port Trust to stop coal handling

Mumbai Port Trust will discontinue handling of coal at Haji Bunder and Storage plots.

Logistics centre in Kochi

The Greater Cochin Development Authority has come up with a proposal for setting up a logistics centre in Kochi. The facility will be the largest one of its kind in India, set up on 105 acres land which has been identified in Edayar. It will have an exclusive parking area for trailers, container storage in 20 acres, warehouses in 10 acres.

SAIL modernises and expands

SAIL is planning to increase hot metal production to 50 million tonnes by 2025-26. The capacities of iron mines are being expanded and new iron ore mines are being developed to ensure regular supplies of iron ore post ongoing modernisation and expansion programme. Modernisation and expansion of IISCO, Rourkela and Salem steel plants has been completed. The growth plan involves higher production, technology update, enriching product-mix. SAIL has teamed up with Arcelor Mittal to set up an automotive steel manufacturing facility. It plans to add 70 MW of power generation capacity during next year to support growth in production.

More logistics parks in Tamil Nadu

Embassy, an Indian property developer will invest ₹9 billion in the development of industrial and logistics parks in Tamil Nadu. An MoU has been signed to this effect between Embassy and the state government. The move marks Embassy's entry into the industrial, logistics and warehousing business. The project will be developed in Sriperumbudur and will be spread over an area of around 198 acres.

Work starts on smart port cities

Kandla and Paradip have been chosen to lead the government's ambitious smart port city project. Kandla Port Trust (KPT) and Paradip Port Trust (PPT) will soon invite consultants to carry out techno-feasibility studies for the same. KPT intends to develop 1,500 acres while PPT has plans to develop 400-500 acres. The government wants industries, townships, SEZ along with wind and solar energy parks around these ports. The ports will also have international benchmarking, ship-breaking and shipbuilding centres.

GAIL hires LNG ships

GAIL has re-floated the tender to time-charter or hire nine LNG ships quoted in three lots of three ships each, for a period of 18 years. One ship in each lot is to be built at an Indian shipyard that should hold 5 to 13 per cent stake in the vessel. GAIL reserves the right to take up to 10 per cent equity stake in any or all of the nine ships. Overseas shipyards need to deliver the ships by May 31, 2019, while those built at Indian shipyards are to be delivered between July 1, 2022 and June 30, 2023. The ships will be used to transport up to 5.8 million tonnes per annum of LNG from the US.

Navigation lock on Farakka Barrage

The Inland Waterways Authority of India will soon invite tenders for setting up a navigation lock on the 2.2-km-long Farakka Barrage, which could open up almost 200 km of the Ganga for movement of goods. The UK-based HR Wallingford had finalised the design of the lock, which would take around two years to complete.

The ₹300-crore Farakka Barrage Project, funded by the World Bank, is designed to serve the need of preservation and maintenance of Kolkata Port by improving the navigability of the Bhagirathi-Hoogly river system. It would allow the movement of cargo for another 170 km up the Ganga till Barh, near Patna.

10,000 teu vessel at APM Terminals Pipavav

APM Terminals Pipavav announced the berthing of the largest container vessel *Maersk Saltoro* with an overall length of 299m with capacity of approximately 9,971 teu in the history of the port. Port said in a release that the berthing of the vessel is testimony of the infrastructure capabilities APM Terminals Pipavav has built over the years in handling large vessels and cargo.

Funding for Vizag-Chennai corridor

The Visakhapatnam-Chennai industrial corridor is set to get a major boost as the Asian Development Bank and Andhra Pradesh government negotiate for another $200-million credit line, which is likely to be a retroactive loan. This would be in addition to the $500 million, on the verge of being closed by ADB for development of infrastructure in Vizag, Kakinada, Gangavaram-Kankipadu and Yerpadu-Srikalahastri, along the 900-km long coastline.

Contracts to be awarded based on revenue share

While allotting land and waterfront to port-based industries through auction for development of berths and jetties for captive use, the shipping ministry will follow the model wherein the bidder willing to share the highest share of annual revenues with the port authorities will get the contract.

Such captive use facilities have so far been allowed to be developed by industries without going through tenders and had no element of revenue sharing.

Kandla Port expands infra

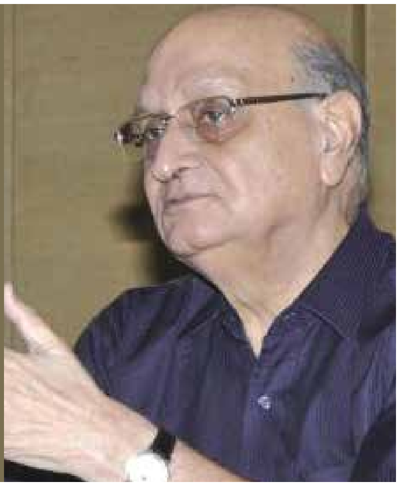
Kandla Port has installed multiple gates at West Gate No. 2 and West Gate No. 3, along with developing a 34-hectare stack yard for timber logs. The gates developed at a cost of ₹150 lakh, will minimise the detention as well as turnaround time of trucks/trailers, and also improve the regulation of transport movement within the cargo jetty area. The stack yard is developed at a cost of ₹38 crore and will enable safe, fast and easy movement of timber logs.

First Indian on IMO committee

Capt. Ashok Mahapatra has been appointed as Director, Maritime Safety Committee at the International Maritime Organisation. He is the first Indian to be appointed to this post and also the first member from a developing country.

Iron ore imports may total 10 million tonnes this year and exports are slumping due to government taxes on shipments. The restrictions on mining are hurting the steel industry. We will have to import high grade iron ore to feed steel plants.

R K Sharma
Secretary general of the Federation of Indian Mineral Industries



We should actually build ships. Seventy per cent of ships which are built in India are using imported components. We don't make even the steel used in shipbuilding. So, Exim Bank is committed to supporting the whole maritime sector.

Yaduvendra Mathur
Chairman and Managing Director of Exim Bank

The vessels will be designed to operate in and perform efficiently across many trades and not just designed for one specific trade. They will help us stay competitive and make our fleet more flexible and efficient.

Søren Toft
Chief Operating Officer
Maersk Line

Overdependence on Colombo is going to hurt us in the long run as it adds up to the cost and time. Even today, 60 per cent of India's containers are shipped to destinations via Colombo.

K Unnikrishnan
Joint Deputy Director General,
Federation of Indian Export Organizations

If the present level of dumping continues unchecked, the domestic textile industry will be extinct over the next few years. China has for long been dumping their fabrics and ready-made garments to our market.

Premal Udani
Chairman,
Apparel Export Promotion Council

EXIM

Freight rates for iron ore slashed

The Indian Railways has slashed the cost of transporting iron ore for exports for the first time since March 2012 by levying a flat distance-based charge across all slabs. The new distance-based charge has been set at a uniform ₹300 for all slabs. The move is part of the railways' dynamic pricing policy, which reviews charges in step with market rates. It is expected to boost exports to Japan and South Korea.

Tuna terminal handles first fertilizer rake

AKBTPL Tuna terminal has handled the first fertilizer rake from the newly developed port and recorded a turn around time of less than 4.5 hours, as against the free loading time of six hours permitted under the Engine on Load scheme of Indian Railways.

Promoting food export

The Agricultural and Processed Food Products Export Development Authority (APEDA) and the central government are together setting up a corpus trust fund of ₹50 crore for promoting Indian processed food in international markets. The fund will help the small and medium scale industries to market their brands abroad by hiring space in the markets or conducting food festivals to increase exports.

DP World Cochin cuts free time for imports

Vallarpadam International Container Terminal has received regulatory approval to reduce the number of free days allotted to laden import containers. This will help the terminal to ease congestion and handle a projected throughput of 668,000 teu this year.

TAMP has allowed to slash the free storage time in two stages, scaling it down from seven days to five days, beginning September 1, and from five days to three days, effective December 1.

MPT to increase rents

Mormugao Port Trust (MPT) has increased the rentals of foreshore land, which has put shipyard owners in Goa in troubled waters, especially at a time when shipping is out of business after closure of mines in the state. The rents have been increased from ₹79.10 per 10 sq. mt per month to ₹350. The Goa Chamber of Commerce and Industry has made a representation to the port authorities for rollback of rent hike.

Prabhat Singh, CEO, Petronet

Prabhat Singh, has been appointed as the MD and CEO of Petronet LNG Ltd. Earlier he was the Director (Marketing) at GAIL (India) Ltd. Singh, a civil engineer from Kanpur, has 35 years of experience in the hydrocarbon industry in both multinationals as well as public sector units. Earlier he held the position of Chairman of Ratnagiri Gas and Power Private Ltd.

BPCL imports ethane

Bharat Petroleum Corporation (BPCL) is mulling to import ethane from the United States to power its refineries. BPCL has an integrated refinery expansion project in Kochi at the cost of ₹14,225 crore augmenting its refining capacity to 36.5 mmtpa from the present 30.5 mmtpa. An additional 5.3 mmtpa of petroleum products will be available in the market after the expansion. Ethane is the cheapest feedstock for refineries and will bring down the production cost for BPCL.

General Motors exports from India

General Motors has tapped into its Indian subsidiary, instead of the Korean facilities, to build the Chevrolet Spark for export to Mexico. Exports of the India-built Spark began in September 2014 with a shipment of 1,000 units to Chile. Mexico will raise that number to 20,000 through year's end. The company is closing its Halol plant and consolidating assembly operations at the Talegaon facility.

Import duty exempted for more products

India and China have agreed to remove import duties on close to half the goods traded between them under the proposed Regional Comprehensive Economic Partnership (RCEP) pact. The Commerce and Industry Ministry has started to identify goods for which duties can be eliminated and those that need to be protected. The elimination of duties will be carried out over a 10-year period.

New Delhi has offered to open its markets widest for the ASEAN, by eliminating tariffs on 80 per cent of items, and this will be reciprocated by all the members of the bloc.

Interest subsidy may be extended for exports

The government is expected to extend the interest subsidy scheme for exporters for three years to help boost overseas shipments that have been in the negative zone since last December. The interest subvention scheme of 3 per cent ended on March 31 last year. Federation of Indian Exports Organisation is demanding to extend it retrospectively from April 2014. Earlier, eight sectors including handicrafts, handlooms, carpets, sports goods, and few engineering products were availing the benefit of this scheme.

Boosting sugar exports

India is working on a multi-year plan to boost sugar exports to deal with local oversupply, targeting markets in Africa, China and neighbouring countries in a move that could weigh on international prices.

Following a directive by Prime Minister Narendra Modi to boost sales, the government is likely to bring in rules to make it compulsory for sugar mills to export millions of tonnes of surplus supplies to support local prices.

Direct imports of cashew at Kollam Port

To the much-needed relief for cashew exporters and the industry in Kollam, the major hub for the cashew sector, Kollam Port recently received the first direct cashew imports after a gap of almost 50 years.

Till now, imported cashew were delivered at the V O Chidambaranar Port and at Cochin Port, and transported by road to Kollam, incurring additional cost of ₹4,500-7,000 for the processors. At present, VOC Port handles 60 per cent of the 7.5 lakh tonnes of cashew, and the rest is handled by Cochin Port. Efforts are in progress to promote movement of cashew through coastal shipping from major ports to bring down the transport cost.

Investment focus

Gujarat has come out on top in the World Bank's first ever ranking of states on the ease of doing business in India. States were assessed on the implementation, over a six-month period from January to June, of a 98-point reforms agenda. Gujarat implemented 71.14 per cent of the reforms.

On a separate note, the Adani Group, HCL, Mahindra & Mahindra, US-based SunEdison Inc and Thailand-based Delta Electronics, have evinced keen interest to invest in sectors such as ports, renewable energy, financial services, automobiles and IT in Tamil Nadu with a total investment of ₹50,000 crore

Vedanta reopens India's mines

After a prolonged wait for three years, Vedanta's iron ore operation in Goa will resume exports, mainly to China. After the monsoon ends, other miners, too, are all set to restart mining.

Apple imports only through Nhava Sheva

The government has restricted the import of apples only through Nhava Sheva Port. The move is a kind of non-tariff barrier as apples are the most heavily consumed imported fruit in India.

PORTS

Essar Ports to raise up to $1bn

Essar Ports is seeking shareholders' approval to raise up to $1 billion through securities to fund its expansion plans. The company plans to increase its cargo handling capacity from 104 million tonnes per annum (MTPA) to 194 MTPA. The company is exploring various options to raise fresh capital by issuance of either Equity Shares and/or Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs) or any other security either by way of a public issue or a private placement.

Coal stocks at power plants slip to lowest

Combined stocks of thermal coal at 100 Indian power plants were the lowest level since April this year. CEA's data showed that the number of Indian power plants with less than a week's supply of coal. Low industrial activity and better availability of domestic coal has been hindering demand for imported thermal coal in India, while sources also said Indian buyers were waiting for seaborne thermal coal prices to reach a floor before stepping in.

Fleet support ships for Navy

Prime Minister Narendra Modi has advised the Defense Ministry to develop fleet support ships for the Navy in collaboration with Hyundai Heavy Industries. The Defense Ministry is anticipated to place an order for five fleet support ships this year.

Hindustan Shipyard Ltd will be incharge of constructing the ships. One of the ships will be constructed by Hyundai and during the process some of the workers from Hindustan Shipyard will be sent there to gain expertise. The remaining four ships will be made at Hindustan Shipyard with technological assistance from Hyundai. The cost of constructing a fleet support ship is ₹20 billion. It will have a speed of 16 knots, range of 12,000 nautical miles, and can carry ballistic weapons.

AP govt to acquire 4,100 acres for Bhavanapadu Port

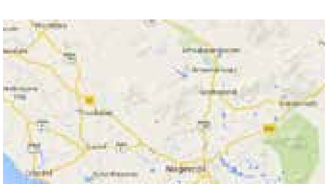
The Andhra Pradesh government has issued six notifications for acquisition of around 4,100 acres for Bhavanapadu Port in Srikakulam district. According to sources, while this project is estimated to require around 4,763 acres, the government already holds around 600 acres. Meanwhile, sources at the department of ports said that the entire process for finalising the developer of the Bhavanapadu Port will be finalised by the end of December or early January next year.

New land policy for major ports

Government will soon come out with a policy for awarding land to port-based industries at 12 major ports, which among them have an estimated 264,000 acres. The development follows directions from Road Transport and Highways Minister Nitin Gadkari to major ports asking them to come up with a project shelf and land database on the premise that leveraging land for commercial advantage would generate additional revenue for ports.

"The policy envisages grant of concession to port dependent industries (PDIs) for setting up dedicated facilities in major ports for import and/or export of cargo and their storage before despatch to their destinations for a period not exceeding 30 years," the shipping ministry said.

Colachel to become major port



Tamil Nadu Government has given its accent to develop major port at Colachel with transshipment facilities. The state government will create road and rail connectivity for the port fully financed by the centre. The ₹21,000-crore project will involve reclaiming 500 acres of land from the sea, and will take three years to complete. The project will be taken up in three phases – the first phase, estimated to cost about ₹6,628 crore and the next two about ₹7,000 crore each.

IOC to set up captive jetty for POL cargo

The Kamarajar Port Ltd has allowed Indian Oil Corporation (IOC), in principle, to set up a 300-m long captive jetty with a handling capacity of three million tonnes per annum of imported petroleum, oil and lubricants (POL) cargo.

IOC is setting up a ₹5,150-crore LNG import terminal at Ennore, and KPL had earmarked waterfront for LNG jetty and land for storage and re-gasification facility. It is expected that the terminal would become operational by early 2018.

DP World Nhava Sheva strengthens infrastructure

DP World Nhava Sheva has inaugurated its new facility NSIGT for vessels to berth and handle their EXIM cargo. The 330-m terminal adds 800,000 teu in capacity to the region and is able to accommodate some of the largest vessels calling at the Jawaharlal Nehru Port. The wharf is equipped with the world's largest and technologically advanced quay cranes. To ease the congestion on the roadways leading to the port, DP World Nhava Sheva inaugurated a world-class parking facility on the 6-hectare plot provided by JNPT at Sonari Village.

Multipurpose terminal at VPT

Visakhapatnam Port Trust (VPT) is planning to develop a multipurpose terminal by revamping four existing berths to cater to shipping vessels of higher draft in the inner harbour of the major port. The four berths (EQ 2 to 5) are being dismantled and reconstructed in order to facilitate navigation of Panamax vessels by increasing the width of the basin.

The project will be funded internally. It will have a capacity of 6.45 million tonnes per annum and is estimated to cost around ₹537.48 crore. The project is estimated to complete in 60 months.

SHIP BUILDING

Reliance Defence MoU with Abu Dhabi Ship Building

Reliance Defence Ltd has teamed up with Abu Dhabi Ship Building to construct naval ships, including frigates and destroyers, for the Gulf Cooperation Council countries over the next 10 years.

Both the entities are said to be forming a joint venture for construction of new naval vessels as well as maintenance, repair, overhaul and refit opportunities of existing commercial and naval vessels in the region. Reliance Defence will be the majority partner in this proposed venture with 51 per cent stake and will use its newly acquired shipbuilding facilities at Pipavav for implementation of this collaboration.

Subsidy for shipbuilders

The government is set to re-introduce a new subsidy scheme for local shipbuilders, hoping that the support will help shipyards better compete with global shipbuilders for orders. The subsidy scheme is part of a shipbuilding policy package and includes granting infrastructure status to shipyards.

The government proposes to offer a subsidy for a 10-year period, scaling down the quantum by three percentage points every three years, starting with 20 per cent during the first three years, 17 per cent for the next three years, 14 per cent for the next three years and 11 per cent in the 10th year.

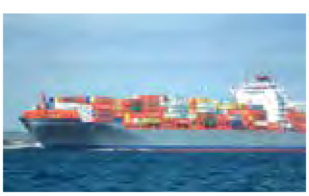
The shipping ministry has also asked the cabinet to sanction a special dispensation for five years or up to March 2020, to treat repeat restructuring of financially-stressed shipyards, after failure of the first corporate debt restructuring.

SHIPPING

Bi-monthly service from Mundra to Chennai

Encouraged by the growing response from the trade and construction industry in southern India, Shipping Corporation of India is considering a proposal to make its coastal service from Mundra Port to Chennai bi-monthly. It has also received representations from the trade in Chennai and Vizag to make the service either bi-monthly or weekly. SCI is already running its container vessel *Lal Bahadur Shastri* as a monthly service from Mundra to Chennai and Vizag.

Licensing of ships to be scrapped



According to the draft of a new Merchant Shipping Bill, India-registered ships will no longer need to hold permits from the Director General of Shipping to operate. The new bill is expected to make it easier for companies to do business. Once cleared by the Parliament it will replace the existing Merchant Shipping Act which was framed in 1958. The scrapping of the licensing requirement will help simplify Customs procedures and dispense with port clearance requirements. The licensing requirement will, however, remain for ships registered overseas when they are hired to operate on local routes.

Maersk Line shuts service from Chennai

Maersk Line has shut its weekly Indian subcontinent-Mediterranean direct service or ME5. Now exporters and importers shipping cargo containers directly to Mediterranean destinations through the Chennai Port will have to re-route them via Colombo, Salalah or Singapore from October onwards.

"The termination of the service will not impact our ability to serve our customers in the market that the ME5 covers. We are adding new port calls to the ME1, ME2, ME3 services and, at the same time, launching a dedicated feeder shuttle between Chennai, Colombo and Salalah to ensure a world-class product between West Central Asia and Europe," Maersk Line said in a statement.

New services connecting Nhava Sheva & Pipavav

The South Korea-headquartered Sinokor Merchant Marine Co. Ltd has commenced services from JN Port. Among the services is the CISC [CIX-2] which has the following port rotation: **Nhava Sheva,** Colombo, Port Klang [N], Port Klang [W], Tanjung Pelepas, Singapore, Tianjin, Qingdao, Singapore, Port Klang [N], Port Klang [W].

Sinokor also plans to have service arrangements on the CIX with a port rotation covering Kwangyang, Pusan, Shanghai, Ningbo, Shekhou, Singapore, **Nhava Sheva, Pipavav,** Port Klang, Singapore, Hong Kong, Kwangyang.

Exim Bank moots SPV for ship financing

The Export-Import Bank of India is planning to get shipping companies and shipyards to float special purpose vehicles for each ship, with investors, including banks, investing in the financial instruments issued by these vehicles.

To get all players in the maritime industry on board vis-à-vis the funding mechanism, Exim Bank will seek to establish a Maritime Financing Facility (MFF) at the International Financial Services Centre (IFSC), Ahmedabad, in association with commercial banks.

NYK services to Ford extended

The scope of services that NYK Auto Logistics (India) Pvt Ltd offers to Ford India has been extended to cover Chennai plant stockyard management and inland transportation from plant to Chennai and Ennore Ports. NYK is also working with Ford on a proposal to introduce a dedicated car carrier trailer fleet to transport cars from Sanand Plant to Pipavav RO-RO terminal.

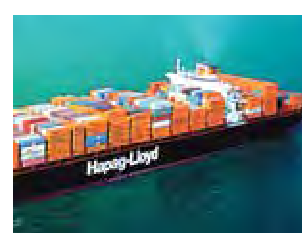
NYK will provide complete outbound logistics of finished vehicles for the Ford plant in Chennai. A part of exports from the Ford Chennai plant is also loaded on NYK vessels at Chennai Port, extending the supply chain further to overseas dealers.

Linking India and Charleston

CaroTrans is offering a new direct LCL import service from Nhava Sheva to Charleston, South Carolina, for expedited delivery to the US South Atlantic and Gulf regions. The weekly service has a 25-day transit and offers a convenient Friday cut-off date, which is an important feature for time-sensitive garment and fabric imports.

At origin, CaroTrans' partner, Globelink WW India, will provide consolidation service and "full India market penetration" with 15-plus inland container depots. Additional CaroTrans-Globelink WW direct India import services include: Chennai to Los Angeles and New York, and Nhava Sheva to Los Angeles and New York.

Cabotage relaxed for special vessels



The government has relaxed cabotage law for five years to allow certain special foreign vessels like Ro-Ro, Ro-Ro cum Passenger, ODC, project cargo vessels, to facilitate transportation of cargo between different ports along the country's coastline. Such special vessels are in short supply in India, but since they cater to specific class of cargo, their availability will make it possible to shift cargo movement for these commodities from road and rail to coastal shipping.

Maersk's FM3 calls at Mundra

Maersk has commenced its FM3 service at Mundra International Container Terminal (MICT) with the maiden call of *Maersk Senang* vessel. This weekly service will connect Mundra to the Far East.

The service is scheduled to call at MICT every Tuesday and will sail out at 1600 hrs. It will deploy 9,000-teu capacity vessels with the following port rotation: Mundra – Port Qasim – Singapore – Xingang – Dalian – Qingdao – Kwanyang – Busan – Ningbo – Singapore - Tanjung Pelepas – Colombo – **Nhava Sheva – Mundra**.

New scheme promotes coastal shipping/inland waterways

The government has approved a revised central sector scheme for providing support to major and non-major ports, state governments for creation of infrastructure to promote movement of cargo/passengers by (short) sea shipping/national waterways.

Financial assistance under the scheme would be given only for construction/upgradation of exclusive coastal berths for coastal cargo, berths/jetties for passenger ferries in major/non-major ports; construction of platforms, jetties for hovercrafts, seaplanes by ports; and construction of berths/jetties in national waterways by the state governments concerned.

Coastal berths proposed to be constructed under the scheme should preferably be outside Custom bond area so that they can be notified as exclusive coastal berths.

Ocean Three expands fleet

China Shipping Container Lines Co. (CSCL) intends to buy 10 ultra-large ships for $1.5 billion to fulfill its capacity commitments to the Ocean Three Alliance. CSCL needs the ships to join its fleet by 2018-19. The order will add to the estimated 30 per cent capacity glut on the Asia-Europe trades, which is already causing rates to fall dramatically.

Evergreen adds 10 more vessels

Evergreen Group has roped in Japanese shipbuilder Imabari for 10 2,800-teu class B-type vessels. These are in addition to the order for ten similar vessels placed recently with CSBC in Taiwan. The first ship is planned to be delivered during the first half of 2018 with the completion of the series due by the first half of 2019. All 20 newbuildings are planned to be deployed in the intra-Asia trade.

B-type vessels will be nearly 700 feet in length, 108 feet wide, and have a design draft of 33 feet with a capacity of around 2,800 teu. The ships are designed to load 13 rows of containers on deck, which is within the span of existing gantry cranes in the major ports on the intra-Asian trade.

Singapore is again no. 1

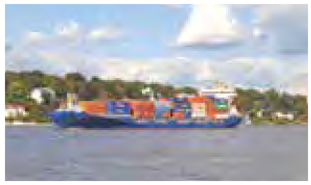
The International Shipping Centre Development Index that ranks shipping centres based on performance, has ranked Singapore number one for the second time in a row. London took second place and Hong Kong was third. The three cities were said to be "the absolute leaders" due to their large port facilities and comprehensive maritime business service sectors. Shanghai overtook Dubai to move up to sixth place from last year, while New York and Busan both advanced one rank. Four of the top 10 shipping centres are in Asia, four in Europe, one in the Middle East and one in the United States, said the report.

INFRASTRUCTURE

Amazon opens more centres

Amazon India has opened seven new fulfilment centres to help the sellers on its online platform stock products that are shipped to customers. With the new centres located in Ahmedabad, Delhi, Kolkata, Nagpur, Gurgaon, Pune and Mumbai, the total number of Amazon India's fulfilment centres has increased to 20. The fulfilment centres are spread across 10 states in India over 1.6 million square feet with a total storage capacity of nearly 4 million cubic feet.

Linking rivers



To create three waterways between landlocked Tripura and Bangladesh, two major rivers of the state-Howrah and Gomati-would be linked with the river Meghna in Bangladesh.

'ZHENG HE' joins CMA CGM fleet

'ZHENG HE' is the new container ship manufactured by Shanghai Waigaoqiao Shipbuilding Co Ltd that joins the CMA CGM fleet in Shanghai. The 18,000-teu vessel is the largest container ship China has ever made, designed by China State Shipping Corporation. It is the seventh-generation container ship, manufacturing of which has long been monopolised by the Republic of Korea.

Indo-Lanka road link

India is mulling over constructing a sea-bridge and an underwater tunnel for both road and rail transport that would connect Rameswaram in Tamil Nadu with Colombo in Sri Lanka through the Palk Strait. Asian Development Bank has shown interest to carry out the socio-economic feasibility study for this 23-km project which is estimated to cost $5.19 billion. The proposed sea-bridge will help in expanding the trans-SAARC road and transport network. The rail-road project would be built in a manner that would allow unhindered movement of ships through the Pamban channel.

India's first e-cargo platform

Blue Bird Logistics has started the first ever online platform for cargo delivery– e2ecargo – which aims at solving the problems of the traditional cargo delivery business. "It is like Makemytrip – there is a uniform rack rate for the sender. Once they fill the forms online, and book their shipment their work is done," said Sanjay Aiyer, director at Blue Bird Logistics, of which e2ecargo is a subsidiary. The cargo business out of India is estimated to be more than $1.5 billion, which measures 8 lakh metric tonnes of cargo every year. "Even if we get 10 per cent of the business ($150 million), that's huge," said Aiyer.

Sembcorp's first coal-fired power plant in India

Thermal Powertech Corporation India (TPCIL), a Sembcorp Industries power project in India, has successfully commenced full commercial operation with the completion of its second and final 660-megawatt unit. Located in Krishnapatnam, the $1.5 billion coal-fired power plant has a total capacity of 1,320-megawatts. A second 1,320-megawatt coal-fired power plant, located adjacent to TPCIL, is expected to be completed in 2016. When fully operational, both plants will generate a total of 2,640 megawatts of gross capacity.

Oil and gas exploration rules

India is set to ease the rules for new oil and gas exploration blocks to lure foreign investment and tap the nation's vast energy resources in a bid to cut its crude import bill. To begin with, New Delhi has decided to auction 69 small, marginal oil and gas fields to private firms on a revenue-sharing model, offering pricing and marketing freedom to the operators. These fields hold about 89 million tonnes of hydrocarbon resources worth ₹700 billion.

Foreign terminal operators may hike rates

The chances of global container terminal operators winning rate hikes for their facilities operating in state-owned ports have brightened after the government changed the way it calculates revenue earned in excess of estimates. The main beneficiaries of the rule change will be five terminals run by APM Terminals Management BV, DP World Ltd and PSA International Pte Ltd at JNPT, Chennai Port and VO Chidambaranar Port. The rate calculation exercise using the new formula will be applicable from the next rate revision cycle.

Earning on empties

Finally a rational scheme makes earning additional revenues possible on empties. Will it bring down cost of rail transport?

by Ritu Gupta

Similar to how some airlines hold flash sales in order to sell empty seats on flights, the Indian Railways now wants to use the about 46,000 empty rakes to earn revenue. For this purpose, the ministry of railways has come out with a new scheme called Automatic Freight Rebate for Traffic Loaded in Traditional Empty Flow Direction, which aims to optimise and garner the much needed additional revenue from freight traffic. According to a recent circular, the ministry is going to provide automatic rebate from the computerised freight operations information system (FOIS) to customers offering traffic in traditional empty flow direction (inter-zonal and intra-zonal). The scheme is said to have come into effect from June 25, 2015. Apart from helping generate additional revenue, introduction of the scheme may mitigate the adverse trend of cargo diverting to roadways due to constant increase in railway freight rates. Moreover, till now empty rakes have been unnecessarily using up fuel but now they will be able to reduce their carbon footprint through constructive use. At present about 40 per cent of freight rakes move empty, wasting fuel and infrastructural capacity.

Except for commodities like mineral and ores, coal and coke, POL traffic, RMC traffic, military traffic and commodities falling under class LR2 and LR3 all other commodities including new commodities will be charged at class-LR1 (low rated traffic lines) for trainload traffic and at base class 100 for wagonload traffic irrespective of the terminal, commodity and customer. The users will be offered a discount that could go up to 30 per cent of the normal freight rates. "The discounts could be as much as ₹400 per tonne of freight, carried at a distance of 800 km. In simple terms, a bag of cement could be cheaper by ₹20," said an official of the Railway ministry. "We want to compete with the roadways. This scheme will bring down the cost for transporting commodities like cement by 32 per cent, iron and steel by 42 per cent, and fertilizers and food grains by 27 per cent. We are expecting an additional flow of 10 million tonnes of cargo by the end of this financial year and hopefully an added revenue of around ₹700 crore," he added. According to him, proper data analysis has been done and it has been made sure that the railways will be able to monetise on these schemes in spite of giving such heavy discounts. In order to be eligible for this scheme, the customer will have to offer half rake of the permitted goods and should be transporting the goods for more than 200 kms. The permitted wagons for this scheme are open wagons (BOXN group), Covered wagons (BCN and BCNHL group) and Flat wagons and mixed steel rakes (BRN group, BOST group and CONCORD). In addition to the commodities which are not eligible for this scheme certain commodities are not permitted to be transported between designated inter-zonal and intra-zonal divisions.

An official at the traffic directorate was quoted as saying by the media that availing the scheme will be just as easy as getting an auto-rickshaw with no processing, waiting or delays. The scheme is said to be simple whereby automatic rebates will be offered to customers over-the-counter, and everything is computerised. This scheme will not only help the customer to carry freight at cheaper rates and target new markets, it will also help in bringing down the cost of commodities, benefiting the consumers. It is going to be a game-changer. The traffic directorate worked out the scheme after detailed surveys of rakes running empty in what it calls "back haul freight." The affected sectors and commodities were studied before devising the scheme. Efforts were made to ensure ease of business for customers, and many of the existing norms were relaxed. A wagon, for example, can be loaded with a single or multiple commodities. Railways have also reduced the minimum load size carried from 2,400 tonnes to 1,200 tonnes. The Railways had run a pilot of this scheme in North Frontier and Southern Railways. In the North Frontier Railways, an additional 15-17 rakes were loaded a month, while in the Southern zone, an additional two rakes were booked a month. Both the pilot schemes are said to be successful. mg

Only a meager 0.02 per cent of Indian roads are capable of supporting the high speed transportation. On top of it, the current structure of toll collection and state border crossing procedures brings further inefficiencies to the road-based cargo movement.

Unavailability of railway wagons remains another bottleneck, especially during the peak season and harvest periods, mostly caused by the rising demand from private players to transport commercial cargos such as fertilizer and cement.

More exports are now shifting to private ports with better infrastructure, smooth cargo handling system, quick turnaround time, advanced technology and storage facility for agro products across ports, despite higher charges.

agri logistics

uphill task

Despite the exports of agricultural commodities growing from $5 billion in 2003 to $39 billion in 2013, India faces with numerous challenges such as lack of covered warehousing, shortage of rakes and congestion at ports, when it comes to transporting food grains from fields to markets. At the same time, dependency on road transportation to move the cargo leads to extended turnaround time and impacting the growth of exports

by Itishree Samal

During July-September last year, when Food Corporation of India (FCI), the government's nodal agency for procurement and distribution, chose the sea route to transport rice within the country from Kolkata to the north eastern state Tripura via the Ashuganj Port in Bangladesh, it sent a mixed signal.

On the brighter side, the corporation tasted success with its first-of-its-kind initiative to cut distance and save time in transporting subsidized grain – the Kolkata-Bangladesh-Tripura cuts short the 1,650 km road transport route to only 350 km via Bangladesh, avoiding the rough geographical terrain along the on-land route. Whereas on the negative side, the move gave a loud and clear message of India's inefficient road and rail network, especially for foodgrain transportation.

India faces with numerous challenges when it comes to transporting food grains from fields to markets.

Currently, the average truck speed in India is only 30 kmph, which is much lesser than the global average of 70 kmph. In road infrastructure as well India has only 1,000 km of expressways while countries like China boasts a staggering 74,000 km of expressways, according to the report "*Outlook on Road Logistics for Finished Vehicles*," published in 2015. "At present, only a meager 0.02 per cent of Indian roads are capable of supporting the high speed transportation. On top of it, the current structure of toll collection and state border crossing procedures brings further inefficiencies to the road-based cargo movement," the report added.

Unavailability of railway wagons remains another bottleneck in India, especially during the peak season and harvest periods, mostly caused by the rising demand from private players to transport commercial cargos such as fertilizer and cement. Shortage of rakes leads to huge dependency on road transportation and congestion at ports. Road transportation dominates in agri-cargo movement with close to 80 per cent share, rest by rail.

"The demand for rakes highly depends upon the harvest period and availability of foodgrains. During the peak harvest time demand rises and we face shortage of wagons or delay in receiving the wagons," according to Natbar Pal, Deputy General Manager (Movement & Transportation), FCI, New Delhi. Last year, FCI moved 35 lakh MT of domestic cargo and 9 lakh MT of cargo for exports. For FCI, the case is different. It moved 90 per cent of its domestic cargo via rail (around 32 lakh MT) and rest by road. Its transportation via sea route remains negligible.

"The delay in receiving the wagons also increasing our turnaround time," he added. On an average, FCI needs roughly 1,200 wagons every month to transport foodgrains across the country. It moves foodgrain – mostly wheat and rice – between the five grain-surplus states like Punjab, Haryana, Andhra Pradesh, Madhya Pradesh and Chhattisgarh to other states. It moved around 3-3.5 million tonnes of grain every month pan-India, mostly through the road and rail routes.

On similar account, foodgrain exporters had also suffered from lack of sufficient wagons for the movement of wheat and rice from north India to Visakhapatnam last year. During the last fiscal, the port exported 19.16 lakh tonnes of foodgrains (wheat 14.66 lakh tonnes, rice 4.5 lakh tonnes), whereas it has handled only 10.73 lakh tonnes of foodgrains (wheat 10.35 lakh tonnes and rice 38,000 tonnes).

After Kolkata-Bangladesh-Tripura sea transportation success, FCI has again scouted for the sea route for moving foodgrains from Andhra Pradesh to Kerala to tide over the poor rail-road infrastructure and make savings in terms of central sales tax, octroi and entry charges. Mumbai-based Shreyas Relay System is transporting around 20,000 tonnes of rice every month from the Kakinada Port to Vallarpadam Container Terminal in Kerala.

In addition to these transportation woes, agri logistics – that takes into account warehousing and port handling services as well – also suffers from inadequate warehouses to store grains and congestion at ports.

Warehousing woes

Every year media publishes dozens of pictures of rotten agri products laid hayware in certain government warehouses causing debates on the need for an efficient logistics system in place. A large part of the food produced in India is lost due to poor distribution and storage. Though the government has announced several schemes and projects, most of it is still on paper.

India annually produces close to 255 MMT of food grains, and to top it up, there is an enormous portion of imports, the demand for warehousing goes up. Estimates say the total warehousing space requirement in India is expected to grow at a CAGR of 9 per cent from 919 million sq ft in 2014 to 1,439 million sq ft by 2019. While an Ernst & Young report says, the warehousing capacity was pegged at only 120 MMT.

India emerging as agri-export destination

The export of agricultural commodities from India grew from $5 billion in 2003 to $39 billion in 2013 and the country emerged as the seventh-largest agro products exporter in the world during the period. During the last financial year, the country produced 252.68 MT of foodgrains, of which the production of rice and wheat was 104.8 MT and 88.9 MT respectively.

Despite the current agri production paints a bleak picture, experts believe, the rice production will hit the 103 million tonnes (MT) mark if the weather will support the crop and the exports to reach at 12 MT in 2015-16. During the last four years since 2011, India has been top exporter in global rice trade of about 42 MT by averaging 10.5-11 MT (25 per cent of world trade) annually. It caters to the Middle East and Africa for non-Basmati and the EU and the US for the Basmati variety. Iran is the biggest importer of Basmati rice from India. Out of the total exports of 3.7 million tonnes of Basmati rice in 2013-14, India shipped 1.4 million tonnes to Iran. Rice (both Basmati and Non-Basmati variety) contributes more than 64 per cent in the total cereals exports every year.

Though India is emerging on the global map as one of the leading exporters of foodgrains, it falls back on many aspects compared to its global counterparts such as Canada, US, Australia, Brazil, among other exporting countries, mainly for its lack of efficient transport system.

In an average year, the global foodgrain majors export majority of their agri produce. For instance, Canada exports 70 per cent of its wheat and 30 per cent of its coarse grains. Australia exports 66 per cent of its wheat and 50 per cent of its coarse grains, while, Brazil exports 15 per cent of its coarse grains and US, the larger exporter than Canada, exports about 50 per cent of its wheat crop and 15 per cent of its coarse grains. Between 2008 and 2012, Canada grew an average of 50 million tonnes of wheat, coarse grains and oilseeds a year, compared to the average annual production of these same crops of 31 MMT in Australia, 128 MMT in Brazil, and 464 mmt in US. While India exports only 10 per cent of its produced rice.

Port-wise grain shipments

In India, ports on the west coast such as Mundra Port and JNPT take the lead in basmati rice and wheat exports (Vizag Port is an exception) as most of the cargo originates from north India, whereas ports on the east coast take the lead on the exports of non-basmati rice and maize, most of it originates from the eastern and southern states.

Generally, the export of basmati rice and non-basmati rice goes hand in hand; when non-basmati rice export increases, export of basmati rice goes down and vice-versa. During last financial year, Chennai Port and Krishnapatnam Port saw good growth, while Mundra and JNPT took the lead this year as exports of basmati rice is more compared to non-basmati rice this year, according to an industry expert.

Kakinada Port, situated on the east coast having a vast hinterland of rice growing states, exported about 22.67 lakh MT of rice in 2013-14, mostly to African countries. Among its hinterland, East Godavari district produces about 20-25 lakh MT of paddy and also similar quantum is produced in West Godavari district in a year.

> **“To bring change in the industry, many investors have started showing interest in agri-logistics firms. The PE investments in infrastructure-related firms have quadrupled this year, compared with an average investment of around $250 million in the last two years”**

Similarly, another port on the east coast, Krishnapatnam Port exports about 750 containers of non-basmati rice in a month. “Our agri exports go up during peak seasons, while during non-harvest periods, the port exports about 300 containers,” said an official of Krishnapatnam Port Container Terminal, adding that the port also imports about 100 to 200 containers of pulses and around 50 containers of Sri Lankan bran rice every month.

Also, in an emerging trend, more exports are now shifting to private ports with better infrastructure, smooth cargo handling system, quick turnaround time, advanced technology and storage facility for agro products across ports, despite higher charges.

In the last few years state-run Kandla Port has been seeing a decline in exports of agri produce, which is likely go down further on the account of inefficiency and lack of modern storage facility. Also, its high turnaround time is making the port less competitive.

Kandla Port’s exports came down to ₹5,374.79 crore in FY 14-15 (Till Jan) from ₹10,479.33 crore in FY12-13, at the same time Mundra Port’s share in the overall exports from all ports in Gujarat has increased to 68 per cent in 2014-15, from 51 per cent in 2012-13. During the same period, Kandla Port also saw a fall of 48.71 per cent in its overall volume of agri cargo handling.

Similarly, KPCT, having 2 lakh sq ft of closed warehousing space that can house 300-400 containers and 6 lakh sq ft of bulk warehousing space, sees growth in agri-commodity handling. In recent years, agri major ITC has even shifted its focus towards the private port due to better infrastructure.

In the recent years, ITC has diverted agri-induced cargos towards Krishnapatnam Port due to better infrastructure. During the first year of our trade with KPCT, ITC moved only 39 feu (valued at ₹20 crore) in the year 12-13, which increased it to 1,000 feu in for the year 13-14. “At present, we move about 1,200 feu valued at ₹500 crore from KPCT. More than 46 per cent of our cargo is moved through Krishnapatnam Port,” said Sanjiv Rangrass, Chief Executive, Agri business division, ILTD, ITC. ITC is the largest exporter of tobacco from the port.

Conclusion

Though export of agricultural commodities grew from $5 billion in 2003 to $39 billion in 2013, not much has happened on the infrastructure front. The current scenario calls for an urgency to mend the issues of unavailability of rakes, built more covered warehousing and improve functionality of ports.

To bring change in the industry, many investors have started showing interest in agri-logistics firms. The PE investments in infrastructure-related firms have quadrupled this year, compared with an average investment of around $250 million in the last two years. In the last one year, about 40 projects have received approvals and more than 20 have been notified in the private freight terminal. Among the deals, Star Agri has received ₹250 crore from Temasek and Shri Shubham Logistics, a group company of Kal-pataru, has raised ₹80 crore from Taro Capital.

AGRI WAREHOUSING MAJOR BETS BIG

SLCM offers technologically advanced storage spaces which help in reducing post-harvest wastage

by Itishree Samal

Though India's agri exports saw a growth from $5 billion in 2003 to $39 billion in 2013 to become the world's seventh-largest exporter in the world, the country still experiences roughly about 10 per cent of loss during the post-harvest period due to lack of infrastructure.

Realising the market opportunity of modern, scientific warehousing, Sohan Lal Commodity Management Pvt Ltd (SLCM) was established in 2009 to bridge the demand-supply gap and provide storage spaces for the farmers and traders through its first-of-its-kind "Scientific Warehousing" concept. The concept is unique as SLCM, being an integrated player in warehousing, does not invest on building infrastructure such as warehouses rather it invests on technology and works on a lease model.

What are the crucial issues pertaining to the agri logistics industry in India?

Though agriculture sector is losing its share in GDP, which accounts for only 16 per cent, it still remains the largest economic sector. Also, India has emerged to become the seventh largest exporter of agriculture commodities including in the world. The main issue lies in post-harvest loss that varies between 10 and 40 per cent due to lack of efficient infrastructure depending on the nature of commodity.

How can our country achieve zero loss during the post-harvest period and drive further growth in exports of agri commodities?

As on today, the top five commodities showing robust growth in domestic as well as international markets include pulses, cotton, mustard seed, mentha oil and maize. If we work towards reducing this wastage, there is a lot of scope in growing and coping with the nation's biggest challenge of "Food Security" as well as drive exports. The need is to change the perception from infrastructure-driven to process-based, which is crucial for the turnaround of the agriculture sector. However, government policies governing export of commodities are very dynamic and change with time.

The gap between the demand and supply of logistics services, which has been left unattended due to the unorganised nature of the market, has opened up many opportunities for players.

How has been the demand-supply gap in agri warehousing? What opportunities do you see in Indian market?

According to an Ernst & Young report, agri warehousing accounted for about ₹80–85 billion in FY13 and grew at 12 per cent in previous three years and in terms of warehousing capacity, the industry was pegged at 120 MMT (million metric tonnes) during the period. While a Knight and Frank report says, the total warehousing space requirement in India is expected to grow at a CAGR (compounded annual growth rate) of 9 per cent from 919 million sq ft in 2014 to 1,439 million sq ft by 2019.

The agri warehouse receipt financing market is more than ₹90,000 – 95,000 crore. If we talk about opportunities, we feel we are very small compared to the size of the market we are addressing. India annually produces 255 MMT of food grains, and to top it up, there is an enormous portion of imports and then we have other perishable products.

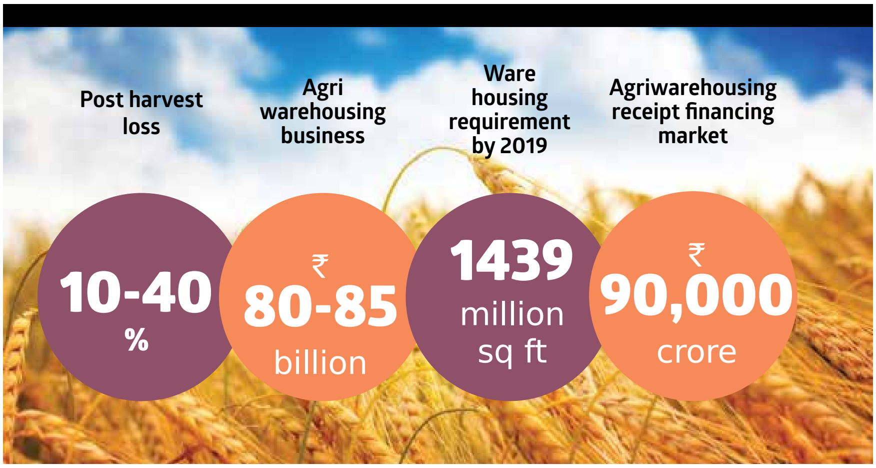
What are the trends that are emerging in agri logistics and movement of agri commodities currently?

The current logistics scenario in India is undergoing a tremendous transformation from being a product to a service-oriented. Earlier it was sufficient to move cargo from point A to B, whereas now the requirement is to not only move cargo but also to track the movement within a strict timeframe, apart from maintaining the health of the cargo. The mere truck which used to be the key element in cargo movement now considered as just a medium of transportation. It has become critical that we have the entire crop behavior with respect to value at risk being monitored where the timing of the movement with the protection of the crop has become of paramount importance.

What makes your business model different from the rest of the warehousing players?

Being a pioneer in the sector, we manage all our warehouses without investing in infrastructure. We thrive on an asset-light model, which has helped us achieve an EBITDA growth of 90 per cent y-o-y. We have developed processes that enable farmers save 9.5 per cent of agri wastage during the post harvest period and tied up with farmers, intermediaries, joint liability groups, SMEs, processors, traders, commodity exchanges to government.

Our 'Scientific Warehousing' process which is termed as "Agri Reach" works agnostic to the infrastructure, location or weather in any kind of agriculture crop. In turn, it means that unutilised spaces amalgamated with scientific processes can prove to be the best solution for agriculture warehousing in India. Available but vacant buildings should be looked upon as an option for warehousing spaces. SLCM has the ability to use these buildings and even open spaces as warehouses as we operate agnostic to infrastructure. For us, it takes just 48 hours to visit premises, survey it and establish our processes to start the management. I believe India has enough infrastructure and it is just the matter to know how to use it efficiently. Though, we can definitely look at creating linkages through the railway and road network for accessibility to the remotest location of India which will make the process even easier.



We operate multi-location and multi-layered operations on real time monitoring. The centralised real-time process management system which is independent of geographical location and infrastructure, removes any scope for deviation.

Our other features include NBFC christened as Kissandhan, launched in March 2014, provides agriculture loans at competitive commercial terms where storage receipt is taken as collateral. Till June 2015, Kissandhan has disbursed loans of more than ₹210 crore. Kissandhan provides an option to the farmer to store the crop for a small duration and get short term finance on his commodity. It enables him to do the price discovery and sell when he gets the best price and sow the next crop without selling the harvested crop and avoid distressed selling.

How big is your infrastructure network, and are you utilising full capacity?

At SLCM, we manage a technology-enabled network of more than 760 warehouses and 15 cold storages across 17 states with a total capacity of over 1.76 million metric tonnes, spread over 9.62 million sq ft, and a throughput of more than 240 MMT.

We have employed over 60,000 people directly and indirectly and employed approx. 12,000 trucks. In last three years, we have managed a network of 240 MMT while in last one year, Kissandhan has disbursed loans of 210 crore across 44 locations and 8,000 storage receipts.

We are present across the value chain and handle more than 157 agri commodities including cotton, barley, bajra, castor seeds, wheat, pulses, maize, spices and aloe vera etc. The current utilisation is about 75 per cent in warehousing.

What were your initial challenges?

The biggest challenge is the mindset of stakeholders. Perception of people used to be warehousing was a piece of land and a building, that has hampered the growth of the sector. Our first and foremost challenge was to break this misnomer and prove that crop management can be done agnostic to the infrastructure available on the ground. The second challenge was to get talent as the sector is not that glamorous, and two at the start we were a company which had no corporate backing.

What are your future plans?

Mapping major part of India, we have made a conscious decision to replicate this model in overseas that matches the DNA of India. We have launched a wholly-owned subsidiary in Myanmar in March 2014 engaging in warehousing and other allied services. Since its commencement, it has disbursed loans amounting 680 million kyats and managed 110,000 sq ft of space for 15 commodities with a throughput of 4 million MT. We aim to take our model to Africa, which is an agriculture-centric region.

Staying sustainable

The target revenue growth of 10 per cent shall come from a few measures the company enforces to preserve its margins

by Deepika Amirapu

One of the first initiatives is to move cargo through the coastal route with a lot of cargo that is waiting to be transported. Essar ships a lot of steel through trucks and rail currently that could soon be moved around India's coast. With the two 13,000-tonne ships it bought, its vessels will move cargo between Hazira, Tuticorin and Kattupalli, picking up cargo, predominantly steel pellets, from Vizag before it makes a trip back to the west coast. Moving cargo by sea will also help in reducing emissions and prove to be cost effective for those that choose this mode of transportation. However, for more cargo to be moved by sea, Essar's Capt. Sharma said, there needs to be concerted efforts to allocate demarcated coastal berths for coastal shipping vessels to berth at ports and reduction in fuel used for plying these vessels. Still, the firm will bid for long-term contracts to move fertilizers, grains, steel and other bulk cargo.

The other move that will help Essar perform better in the next couple of years is saving bunker by adopting slow steaming, extending the period of loan repayment and buying stressed assets for in-chartering them. They're also awaiting a surge in oil prices to press in to service its vessels that help in off-shore drilling. These measures are being put in place to tide over the volatile bulk cargo market because of a slowing Chinese economy and an over-supply of dry bulk carriers. Deploying ships on long-term contracts and taking delivery of new ones at a later date will usually help companies put away any blips in performance. About 25 per cent of Essar's ships are away on long duration contracts and the firm is taking delivery of four Supramax vessels in the next financial year from a domestic ship builder.

"In these tough times, an average earning is just about meeting operational expenditure. Those companies that have a healthy mix of other carriers will use them to cross-subsidise the bulk business. This is what we do to survive," Capt. Sharma says.

Sustainability Report

Essar has released its fourth Sustainability Report titled *'Strengthening and Creating a Sustainable Maritime Industry.'* Capturing ESL's performance in terms of impact on the environment, and social and governance initiatives for each of its business units, the report encapsulates all the activities undertaken to improve sustainability.

The report was audited by DNV GL Business Assurance Pvt. Ltd as per the DNV GL sustainability standard. Commenting on the report, Umesh Grover, CEO, Indian National Shipowners' Association, said, "The steps taken by Essar Shipping towards sustainability are definitely a road map for others to follow, not only in India, but globally."

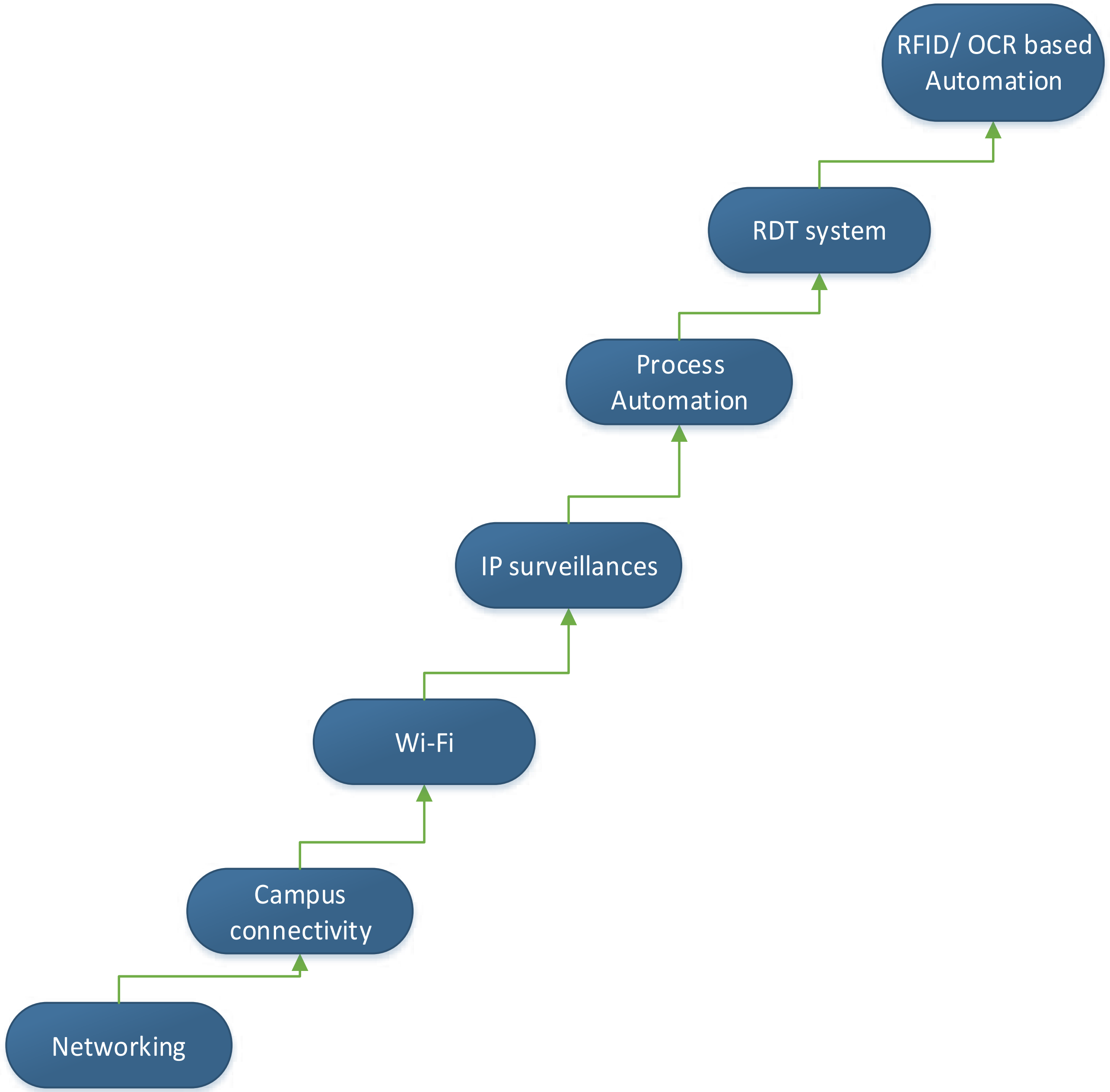
While it is not mandatory for shipping companies to publish a sustainability report, Essar Shipping uses its sustainability reporting to establish a code of reliability. This benefits the company in terms of better recognition from customers and smoother sailing on the high seas, both from an operational point of view and from policy and regulatory stand point. "From reducing emission levels on ships to the economic consumption of electricity in the offices, Essar Shipping has taken several initiatives towards a cleaner environment, and better governance and health, to create a sustainable industry," Capt. Sharma said.

Essar Shipping, that also has interests in integrated logistics solutions, sea transportation and oil field drilling services, operates a diversified fleet of 15 vessels, including very large crude carriers (VLCCs), Capesize, Mini-capesize, Supramaxes, mini-bulk carriers and tugs. The oilfields services business provides contract drilling services to oil and gas companies across the globe. This business owns one semi-submersible rig and 15 land rigs.

SURAJ INFORMATICS PVT. LTD

Inspiring Networks

Your IT Infrastructure and Automation Partner to support all of business application requirements



Corporate Office:

G-61 Gautam Complex, Sector 11 ,CBD Navi Mumbai: 400614

Tel: +9122 40309800 ,Email: sales@surajinformatics.com

Branches : Delhi, Gujrat,

Support Location: Hazira, Chennai, Cochin, Bangalore, Kolkata, Dehradun and Pune

GAAN GROTE KANONNEN

BOOSTING BILATERAL TRADE

Belgium is India's second largest trading partner in Europe with around 18,000 of the Indian diaspora settled there. India's IT & telecom sector is well represented in Belgium and several Indian companies in the chemicals sector have established offices/warehousing facilities in Belgium, particularly near the port city of Antwerp. The Indo-Belgian diplomatic relations were established just one year after India achieved independence and since then there has been a concerted effort for strengthening economic relations. Read excerpts from the interview with ambassador Jan LUYKX

by Ramprasad

How have the trade relations between India and Belgium progressed over the past years? What are the key elements in these relations?

The Indo-Belgian trade relations are evolving in a very dynamic way. Ofcourse, they do mirror to some extent the evolution of the global economy in general. We see continuous increase in bilateral trade figures. I think, last year we had bilateral trade of about €12 billion, which is quite big. The goods exchanged between the two destinations are very diverse. We have quite a number of Belgian companies that have invested in India and similarly there are many Indian companies doing business in Belgium.

Many companies prefer Belgium for its logistics and strategic location in the heart of a huge consumer market, reaching out to 500 million consumers to distribute their goods. In this context the ports do play an important role.

How big is the Indo-Belgian partnership exclusively in the shipping and maritime sector?

Belgium is indeed among the top three of India's largest trading partners from the European Union. More than 160 Belgian companies are operating in India with interests in dredging, chemicals, engineering goods, electronics and software etc.

In terms of FDI to India, Belgian investment is ranked 22nd by the Indian Ministry of Commerce. Maritime trade and shipping has been the engine of growth for trade between India and Belgium. There exists an extensive shipping traffic and movement of cargo between the two countries. In 2014, 5 million tonnes of total cargo to and from India was shipped from the Port of Antwerp alone. Cargo is also transshipped to Antwerp via Colombo, Salalah and possibly other ports and this adds another 5 million tonnes to the total.

For the growth in maritime trade, India and Belgium had signed an MoU in 1997, which was extended up to the year 2015. Going forward, what initiatives the Belgium government will take in order to strengthen the maritime trade further?

Under the India-Flanders MOU about 200 Indian Port professionals have been trained at the Antwerp/Flanders Port Training Centers (APEC). The Belgian Ports also aim to be a distribution hub for Indian exporters. The European market is demanding in terms of reliability and frequency of services. Such standards can be targeted and maintained only by having a distribution center in the ports as they are equipped for short distances with multi logistic and multi-modal possibilities.

The Belgian government hopes for the speedy conclusion of a comprehensive, balanced and mutually beneficial EU-India Free Trade Agreement as it would boost exports and thus maritime trade.

The two countries even have Sister Port Agreements. Considering the emergence of world-class private ports both on east and west coast of India, are there any plans to have further tie-up with other ports in India?

Chennai Port has an agreement with the Port of Zeebrugge and JN Port and Mumbai Port with the

Antwerp Port Authority for sharing of information on port infrastructure development, operations and service improvement.

The Port of Antwerp has been working with Mundra Port since 2006 and its officers have trained with the port on many occasions. The port of Zeebrugge is cooperating with the Adani Group in order to screen cargo flows and assist the whole chain end-to-end with logistic support and value-added services. The ports are also considering other avenues for collaboration, which will be made public in due course. There is no doubt that the Belgian ports will continue to establish tie-ups with Indian ports thereby augmenting existing maritime trade ties.

Belgian ports are autonomous in the sense that the government does not intervene in their operations. My interactions with the port operators in Belgium give me a sense that they are very interested in expanding their relations with India. Many Belgian ports are focusing on developing business in India and the ports on the east coast are certainly very interesting for them.

Another area where the two nations can work together is the use of inland waterways. Here I see the possibility of technology transfer from Belgium to India.

How big is the opportunity for both the countries in terms of maritime infrastructure and trade? What growth opportunities do you see in India?

The opportunities for cooperation in the field of maritime infrastructure and trade are immense, especially considering the fact that the scope for increasing bilateral trade between the two countries is substantial.

The need for up-to-date maritime infrastructure has affected the further development of trade relations with India. Some of the issues are the lack of capacities, poor hinterland connection, limited water depth, old and inefficient cargo handling system etc. These problems affect the ports' turnaround time and overall efficiency. If these issues are successfully tackled by putting in place additional world-class maritime infrastructure, this would help India compete at a global level for more opportunities.

In this context, Antwerp Port International and APEC, its training division, are already offering courses and consultancy to India to ensure increased efficiency in this sector.

> **"Many Belgian Ports are focusing on developing business in India and the ports on the east coast are certainly very interesting for them."**

In a recent trend, Belgium is emerging as a gateway to Europe for Indian exports. Many of the Indian exporters are setting up warehousing and distribution centers in Belgium. According to you, what advantages does Belgium offer to Indian exporters?

Belgian ports offer the best location in Europe, as some of them are located inland and have better access to the hinterland. These ports have the most extensive network of logistics services such as storage, packaging, testing, cleaning, cutting, weighing, sorting, processing, labelling and maturing. All types of freight are tailored to the local market needs for the customer in Belgium and Europe, thus avoiding unnecessary transport and operations and significantly reducing costs. Experienced professionals provide the perfect services to ensure all goods are delivered to the end customer under the most favorable of circumstances.

Belgian ports also have among the lowest warehousing costs thanks to the sprawling spaces available for storage and very responsive port authorities and Customs administrations. Together with the total lack of congestion and the ability to receive the largest container vessels, this makes Belgium the best location for Indian exporters. Other advantages such as a multilingual work force, including a good knowledge of English are very important as well.

What does Belgium offer to an investor from India?

We have the perfect location, excellent infrastructure and a very open economy making it easy for companies to come and do business here. We also offer investors certain tax benefits. On top of that we are at the heart of the EU and Brussels as the capital positions us very close to the decision makers which is very helpful in sorting out issues relating to regulations.

Apart from diamonds, chemicals and pharmaceuticals, what are the other emerging areas/sectors for boosting the bilateral trade?

Belgium aims to diversify and boost its trade with India in several key areas where we are pioneers. Sectors such as clean and renewable technologies, transport and logistics, agri-food and life sciences have been highlighted in this context.

What's your future outlook on the Indo-Belgian bilateral trade?

A restart of the negotiations on the delayed EU-India Free Trade Agreement and its conclusion and implementation would ensure standardised trade practices, and guarantee smooth bilateral investment and access to public procurement. In this regard, substantial progress has been made, and key areas that need to be further discussed include improved market access for some goods and services, government procurement and geographical indications, and sustainable development.

Regulatory bottlenecks should be smoothened for a sustained growth in trade between both the nations. The creation of further efficiency in cargo handling at the major ports and the construction of high-speed rail corridors connecting ports and major industrial areas are also important. Advantage can also be taken of India's extensive river systems and long coastline to develop inland waterways and coastal shipping, thereby creating increasingly efficient avenues for bilateral trade growth. We should not forget the investment side; Belgium is one of the best locations for Indian companies willing to reach their European customers. And the "Make in India" campaign offers new opportunities for Belgian companies in India as well. mg

Gaining foothold across infra sectors

French Consultancy firm Egis aims to strengthen its position across all infrastructure sectors to emerge as an integrated infrastructure company

by Deepika Amirapu

Egis India, the Indian arm of the French infrastructure consultant is on course to acquiring two engineering firms to enrich its expertise in the ports and the urban infrastructure segments and, thereby, expand its foothold in these segments, the firm's **Managing Director, Ashish Tandon** revealed.

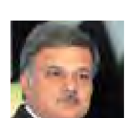
Egis has completed the due diligence process, an important requirement before acquisition, and is hopeful of closing the deals by December this year. These companies will come at a cost of ₹50 crore to ₹70 crore each, helping the company bag more projects, offer better services, ramp up volumes and increase its market share in the infrastructure consultancy space.

"We see great potential in these sectors and consider them fast-moving. These acquisitions will also help us become an independent entity in terms of technical expertise and our dependence on our parent firm will begin to wean," Ashish Tandon said.

Egis considers ports, waterways and mining as the sunrise sector and started taking up new projects in these segments in 2013 ago when a new vertical was started to handle projects announced by the government and private sector. Earlier, Egis' focus was on roads, urban transport and highways primarily where it has helped implement projects valued at more than ₹500 crore since the firm's entry into India in 1994. As an infrastructure consultant, Egis helps the developer or the tendering agency formulate detailed project reports, engineering designs and act as project management consultants.

The Delhi-based firm is currently consulting with the developers for a port at Daman and Diu, the fourth container terminal at the Jawaharlal Nehru Port Trust and a tender to study the feasibility of moving cargo along seven rivers in West Bengal. "Ports and waterways is one area where the government must invest for the Indian economy to grow. The development of the inland waterways will have two major benefits – one in transporting goods and the other in building a network of interconnecting rivers. This will also help in preventing flooding."

Work at the fourth container terminal for Egis is as an independent engineer to vet and review the designs that the concessionaire proposes. Here, Egis will appraise and validate designs and plans that Singapore-based PSA moots to construct the terminal. It will also monitor if the project is being develop in accordance with the timeline stated in the concession agreement and recommend qualitative measures to improve aspects of construction upon review.

> We see great potential in these sectors and consider them fast-moving. These acquisitions will also help us become an independent entity in terms of technical expertise and our dependence on our parent firm will begin to wean.
>
> 
>
> **Ashish Tandon**
> MD, Egis

Its current order book in addition to the port and waterways projects include the Mumbai Metro Line 3, Yamuna Expressway, Lucknow-Uttar Pradesh cross roads, operation and maintenance of the outer ring road in Hyderabad, Chennai and Kolkata Metros and consulting for a road network in Chhattisgarh. Egis is looking to win projects to develop waterways in India and other greenfield projects in the ports and coastal shipping segments. One of its biggest projects to date in India is the rehabilitation of 200 dams in country that is underway. With India as a base country for neighbouring nations in the Indian subcontinent and the Middle East, the firm will not miss an opportunity to develop projects in the urban transport (roads, railways and metros) and ports sector. "We will pick up one or two waterways projects and also a port in Bangladesh if things work in our favour," Tandon said. Egis has initiated talks with private port developer Adani and is evaluating the possibility of consulting for a terminal at Ennore Port.

With all the new projects at hand and the order book growing at more than 50 per cent annually, it expects a growth of 20 to 25 per cent in the coming few years. Its revenue last year (calendar year) stood at ₹210 crore. mg

GREENING THE BLUE

Krishnapatnam Port has set a remarkable precedent when it comes to protecting the environment

by Ritu Gupta

In India, many ports are creating a wide range of impacts on the environment through dredging, construction work, landfills, discharges from ships and waterfront industries, cargo operations, and other port related activities. The potential adverse effects of port development include water pollution, contamination of bottom sediments, loss of bottom habitat, damage to marine ecology and fisheries, beach erosion, current pattern changes, waste disposal, oil leakage and spillage, hazardous material emissions, air pollution, noise, vibration, light and visual pollution.

The water discharged during the cleaning of a ship and the discharge of ballast water is a well-known threat to marine ecosystems. In fact the introduction of invasive marine species into new environments (from ballast water, or from organisms attached to ships' hulls and via other vectors) has been identified as one of the four greatest threats to the world's oceans. Another activity which has numerous ramifications for the environment is capital and maintenance dredging. One of the fallouts of this is the marked increase in fine sediment suspension in the waters which results in increasing sediment deposits in marine habitats, and a lowering of light conditions. Other environmental degradation caused by ports includes loss of beaches due to shoreline impact of ports.

There is very little documentation of social impacts of port construction and operation other than from media reports. In most states, there have been conflicts recorded over port development plans between the state government and local fishing communities. The most significant and direct impact is the displacement of communities through land acquisition (where community land rights exist) or simply displacement of settlement without any compensation either.

Besides its own impact, port development is often accompanied by other activities such as the location of industries, power plants, railway lines, highways, hotels, Special Economic Zones, residential complexes and so on. These activities can exacerbate the negative influence of ports through the cumulative impacts on the environment and communities. With one fishing hamlet located along every 2 km of the coast and a port proposed every 28 km, the port development trend in India has serious implications and impacts on fishing communities and the environment.

Krishnapatnam Port, recognised as one of India's largest ports and ranked amongst world's finest ports connecting the eastern and western parts of the world, has won the Golden Peacock environment management award for its initiatives and achievements in the field of environment. The award, instituted by the Institute of Directors, is presented annually. This year, the winners were finalised by a grand jury headed by Justice P N Bhagwati, former Chief Justice of India.

Indeed, environment protection is at the heart of Krishnapatnam Port's corporate governance and philosophy. Some of the green initiatives taken by the port include plantation of over 20 lakh trees within the port and more than 50,000 trees in the surrounding villages, installation of solar lights in the port and solar water heaters in the employee colony, establishing gas connections for villagers so as to discourage them from cutting mangroves, and adoption of Nellore town traffic islands and public buildings for maintaining greenery around the areas. The port has adopted an environment, health and security programme that encourages continuous improvement in environment protection and includes waste management, pollution control, resource conservation, and use of renewable resources. Within their premises, the port authorities have electrified railway line network from all storage yards as part of the sustainable strategy, thus leading to a reduction in carbon dioxide emissions to the extent of 24,935 tonnes and also reducing the diesel consumption of railway engines. Currently the port is in the process of electrifying all its cranes so as to reduce diesel consumption and moving towards solar and wind energy to reduce fossil fuel usage.

Over the years, Krishnapatnam Port has taken considerable steps in maintaining and safeguarding environment not just around its own premises but also reaching out to the communities and nearby industrial region. Setting an example, the port has encouraged the surrounding areas and societies to adopt environment-friendly and sustainable operations, thus achieving a healthy balance between environment protection and development of the region. It is promoting the implementation of 4R`s – "Reduce, Reuse, Recycle, Recover" – among the employees and the local community for an inclusive and sustainable growth.

To ensure that environment is on the top of the port's agenda, senior level executives are being trained on in-house capacity building in all environmental aspects by experts. The port has also developed environmental cell with qualified personnel under the chief operating officer of the port. Regular review of implementation of environmental management programme is being undertaken. Considering such strong interests of the management in the environs, it is no wonder that the port is making itself green in endless ways composting is being done for biodegradable waste and the compost is being used for the development of a green belt within the port premises. Hazardous waste such as plastic and used oil is being disposed through an authorised agency. Lead acid batteries are being purchased on a buy-back basis and disposed through an approved agency. The port has also developed a rain water harvesting pond. Existing mangroves in the port area are being protected by fencing, and providing suitable display boards. About 50 ha of mangroves have been developed, and depending on survivability, re-plantation is also being undertaken wherever necessary. The port is developing an extensive green belt. So far 213.5 ha of green belt has been developed. The green belt is also being developed along the boundary and around coal stack areas. To abate air pollution, PUC certificates are insisted for all vehicles entering the port and random checks are also being carried out. The port is also undertaking the following air pollution control measures: dust suppression by means of water sprinklers for coal stack yards, roads and transit areas; development of drains, collection pits and guard ponds for runoff from coal stack yard, with the runoff being recycled for dust suppression. Disaster management plan, oil spill contingency, on site emergency plan, fire contingency plans have also been formulated. The port also has oil spill control equipment and chemicals and has even deployed trained staff for dealing with oil spills. It has established tie ups with coast guards for such emergencies. Mock drills are being conducted regularly, and safety awareness training programmes are being tailor made for all employees.

Ultra-modern foggers mitigate pollution by suppressing coal dust

Environmental parameters ambient air quality, ambient noise, marine water quality, marine sediment quality, ground water and soil quality in the periphery of the port are being monitored. Results of the monitoring are within the statutory norms and periodical monitoring reports are being submitted to the authorities. The port is doing extensive water recycling. Waste water generated from all domestic activities is collected through sewerage systems and treated in Sewage treatment plant (STP). The STP is equipped with advanced Fluidised bed Bioreactor followed by disinfection and dual media filter. The treated water is being used for activities such as greenbelt development, and dust suppression in coal yards. Krishnapatnam port has also developed a storm water system to collect the storm water inside the port. The port also constructed collection pits at tail ends of storm water system for purpose of removing floating matter and sediments in storm water. After filtering clear water is collected in guard ponds which is using for dust suppression in rainy season. Furthermore, the rooftop of all buildings is connected to storm water systems and at tail end rainwater harvesting pond has made to percolate collected water to ground strata. Apart from this guard ponds developed in all coal yards, small ponds are also developed based on catchment area for collection of runoff water and harvesting same to ground strata.

Greening all the way

- Plantation of **20** lakh trees
- Installation of solar lamps
- Gas connection to villages to discourage mangroove cutting
- **50** hectares of mangrooves
- **213.5** hectares green belt
- **24,935** tonnes of carbon emissions reduced due to Electrified railway line

GHERKINS: THE NEW GOLD

Demand – supply gap is leading to increase in exports of gherkins from India

by Itishree Samal

Whether you order a healthy SUB sitting in a swanky office in Bengaluru or a Pizza in France, one among the toppings you'll find is pickled gherkins. Gherkins – a small cucumber-like vegetable – is a major dietary constituent to many in USA and central or eastern European countries and almost ubiquitous in the salads and sandwiches of many multinational fast-food chains.

While gherkins is seasonal in most of the European countries, it is produced for 10 months in a year in India. The demand-supply gap leads to the increasing demand for Indian-produced gherkins in the western countries.

Currently, India exports gherkins to more than 50 countries – mostly to USA, Canada, Russia, UK, Australia and European countries. The largest market is the United States, where each person is estimated to consume a whopping average of four kilograms of gherkins every year. In USA, the estimated production of gherkins is over 600,000 MT and valued at $1.0 billion.

According to the Indian Gherkins Exports Association (IGEA), the opportunity for exports is huge. The global processed gherkin market is estimated at $2.85 billion and around 1.5 million metric tonnes by volume.

In the FY 2014-15, India recorded ₹1,200 crore in exports and 251,000 MT by volume, as per the Directorate General of Commercial Intelligence and Statistics (DGCIS) data. Globally, the top-five exporting countries include India, Turkey, Germany, US and Vietnam.

With the escalating demand for Indian-produced gherkins due to regular availability, exporters are seeing their shipments growing at a compounded annual growth rate of 25 to 30 per cent over the last three years. "We are seeing our exports growing at around 25 per cent year-on-year," according to HV Prakash, Logistics Manager of Bengaluru-based Vishal Natural Food Products, one of the grower, processor and exporter of gherkins. Its export shipments have nearly doubled in the last three years, from around 200-250 containers in 2012 to 400 containers in 2015.

Similarly, Global Green, the largest exporter of gherkins in India, sees good growth year-on-year. "Last year, we exported around 2,000 teu to more than 50 countries including Australia, New Zealand, US and Europe, our key markets. We expect to see more than 15 per cent growth in the coming years," according to Dr. MR Chandramouli, President, Indian Gherkin Exporter's Association (IGEA).

Challenges on domestic front & globally

According to Chandra Mouli, the gherkins industry saw good growth till the financial year 2008-09 and it then slowed down. However, the market has started picking up lately. But, the ongoing Rouble crisis may affect the industry and the exports may come down by 20 per cent. The collapse of the Rouble, although it seems to have stabilised for now, is likely to hit exporters in this fiscal year.

"Global Green used to be one of the leading exporters to Russia, which has seen decline in the recent few years," he added. Including Global Green, many other exporters are also getting affected and a huge volume downturn is being brought by the Russian currency issue.

In 2007, nearly 45 per cent of India's gherkin exports, valued at ₹502 crore for the year ending March, were shipped to Russia, followed by the US, Canada and Europe. However, due to the Russian crisis and tepid demand from the country, a key market, exporters are experiencing falling exports to the country over the years. About 30 per cent of Russian import of gherkins comes from India.

According to some reports, exporters of gherkins along with coffee and grapes have postponed their consignments due to the prevailing uncertainty about payments and uncertain economic climate. There is an expectation of a downfall in volume in the first half of the current financial year. At the same time, some exporters are even scouting for alternative markets such as Asia Pacific, Central Europe and Switzerland.

The second big challenge India faces is the stiff competition from other global exporters. In countries like Vietnam, Ukraine, China and Turkey, the gherkins industry gets good support from their respective governments,

$2.85 billion global market

2,51,000 MT exports from India 2014-15

25% annual growth of exports

70% bottled gherkins share in exports

Processing plants

28 Karnataka

20 Tamil Nadu

3 Andhra Pradesh

1 Maharashtra

1 Gujarat

which is rarely seen in India. It even suffers from high import duty in certain importing countries.

"Certain importing countries impose high duty fee. For instance, Canada imposes about 8.5 per cent duty, whereas it is whopping 14.5 per cent in Europe and 22 per cent in Russia, which makes the business tough," Chandra Mouli says.

On the domestic-front as well, the industry faces several constraints. The production, procurement, processing and export of gherkins are becoming a challenge. Rising real estate prices and shortage of agricultural land and labour in the traditional gherkin growing areas of Karnataka have also impacted operations of gherkin exporters.

"Earlier, gherkin production used to happen around Bengaluru and adjacent Kolar district, which has now shifted to other districts with Bengaluru's emergence as an IT hub," Prakash of Vishal Natural Foods said. Vishal Natural Food's processing units is situated in the town of Korategere in Karnataka, about a 100 km north-west of Bengaluru.

Land use planning has been changing and a lot of land around Bengaluru is going out of cultivation. Ten years ago, floriculture and cultivation of high value vegetables flourished in this region. The depletion of groundwater has also contributed to this. Farmers on the fringes of cities like Bengaluru do not prefer to grow gherkins since their resources will only sustain them to meet the vegetable demand for cities.

Even the real estate prices in semi-rural areas surrounding Bengaluru have shot up by more than 300 per cent since 2001 and this has forced exporters to venture into other parts of south India.

Meanwhile, the reduced availability of agricultural labour in the traditional growing areas has meant that exporters are looking at new areas such as Tiruvannamalai, Salem, Dharmapuri in Tamil Nadu and Kurnool in Andhra Pradesh. Gherkins are grown in and around Madurai, Tenkasi and Dindigul in Tamil Nadu.

Some exporters also feel that local climate conditions in those states will lead to a different gherkin quality. The colour and texture is not the same and these are important when supplying to discerning international markets, according to an exporter.

In another challenge, gherkin is monsoon-dependent and erratic rainfall can dent production and profits. Manufacturing companies have also had to invest in specialised training for farmers – seed sowing, drip irrigation to minimise water use and pest control – to ensure they deliver high-quality produce, he said.

Despite the production boom, the industry relies almost entirely on foreign demand. Almost 99 per cent of gherkins produced and processed here are exported, and the local market gets only 1 per cent.

"The domestic consumption is nearly negligible in India. On a count, If India's exports is at 10, then its domestic consumption will be around 0.1," according to Chandra Mouli. However, the advent of Quick Service Restaurants such as Subway, PizzaHut and Dominos is set to increase the growth of domestic consumption.

Along with Global Green, few other players including Neo Foods also started marketing gherkins in India for domestic consumption.

Logistics & Shipping

Gherkins is highly perishable in nature and must reach the production facility the very day it is picked to guarantee the quality of the pickled product and also processed to preserve the natural taste and freshness. Intensive cultivation, hand picking in India suits the market requirement of small to medium sized gherkins.

The production process involves from unloading fresh gherkins, to sorting by hand and to pickling in vinegar. Usually it is packed in plastic drums or glass jars, labeled and exported in containers. Processed gherkins are exported in bulk as industrial raw material as well as in ready-to-eat glass jars.

Bottled gherkins pickled in vinegar comprise nearly 70 per cent of the exports meeting world-class quality and compliance to importing countries food safety norms. “Around ₹850 crore worth of gherkins is exported in bottled jars (jar size ranging from 350 mL to 2 litres) and the balance is shipped via large drums of cans,” according to an exporter.

Mostly, the industry works on a ‘Seeds-to-Shelf” model, starting from receiving the order or forecast (A retailer places order 12 months in advance) to packing and exporting to destinations. Exporters send individual consignments; intra-trade also happens in the industry.

The trade even faces few logistics and shipping drawbacks. Due to the bad road infrastructure in the country, some exporters even face around 2-3 per cent loss while transporting the cargo from the processing units to the factory by road.

Another challenge the exporters face is transport cargo from their processing units to the ports and to load in the vessels. More than 80 per cent of the cargo is exported via Chennai Port, rest via Mumbai and Krishnapatnam Port.

The ports in India have several constraints. While the Chennai Port faces with issues like congestion, strikes and random custom inspections, the Krishnapatnam Port, also situated on the East Coast, faces issues like unavailability of food empties and mother vessels.

Expressing his concern, a Bengaluru-based exporter says, “At times, our average waiting period at Chennai Port to get on board stretches from 10 to 30 days, mainly during peak seasons. The customs department at Chennai Port also demands to number the boxes/cartons inside the container with a specific serial number, which makes it a lengthy and time-taking process.”

In another challenge, exporters even face high freight charges to export gherkins due to the longer distance of the target markets such as Russia, US and European countries. “It increases our overall logistics costs,” he said.

Outlook

Despite the several bottlenecks, the Indian gherkins industry is poised for growth. The country has been seeing growth year-on-year in gherkin production, processing and exports during the last three decades since gherkins made its entry to India during late 80s.

According to IGEA, gherkins production picked up sharply during the end of 90s to 24,290 MT (valued at ₹50 crore) in the fiscal year 1997. The exports rose to ₹857 crore in 2012 and ₹955.86 crore (218,750 MT in volume) in 2013-14. It is grown by more than 131,500 small and marginal farmers. The country now has 53 gherkin processing companies – 28 in Karnataka, 20 in Tamil Nadu, three in Andhra Pradesh, and one each in Maharashtra and Gujarat.

Prakash of Vishal Natural Foods, says, it didn’t take that long for the gherkins industry to reach this level. While during the year 2007, hardly around 15-18 gherkin processing units existed in Karnataka, they have nearly doubled.

Karnataka now accounts for nearly 70 per cent of India’s total gherkin production; the state got the country’s first gherkin export zone, established during the year 2001-02 in Bengaluru, for its moderate climate suited the crop. The soil and climate here – temperatures range between 15 and 35 degrees Celsius year-round – allow for up to three annual harvests, and produce gherkins considered to be of high quality, giving India an edge over rival producers such as Vietnam, Ukraine, China and Turkey.

Another exporter, Indo-Spanish, which started operation in India in 2004, is also quite positive about growth. The company expects its annual exports turnover to reach ₹100 crore in next two years from the current ₹75 core. It recorded ₹50 crore turnover in 2013,

The company’s current processing capacity is about 200 MT a day and it exports about 150 containers a month aggregating to 950 to 1,000 containers annually. “Spain dominates our exporting markets with 80 per cent share followed by other European countries like France,” according to Amit KR, imports & exports manager, Indo-Spanish.

The industry is further positioned to nearly double in the next five years. According to Chandramouli, “The current dollar appreciation is helping the exporting community. We expect the industry to reach ₹2,000 crore in the next five years.”

Ideal soil, climate, labor and cost of manufacturing makes it a popular crop. However, gherkins is still a foreign product in Indian kitchen. As of now, no promotions have been done in India to increase the domestic consumption. However, the country needs to develop newer markets, align gherkins with certain food trends and scout for options to market it as ready-to-eat food items.

Constraints at Ports

“At times our average waiting period at chennai Port stretches from 10-30 days”

- Congestion, strikes
- Random custom inspections
- Unavailability of food empties
- Mother vessels not calling

M/s Navkar Terminals Ltd
Container Freight Stations & Rail Terminals

www.navkarcfs.com

Our Competitive Strengths

- Strategically located in close proximity to JNPT by road and rail.
- Private freight terminal (PFT) to handle all types of cargoes and containers (domestic and exim) by rail
- Temperature controlled chamber
- 92 Reefer Points
- Bonded warehouses
- Designated area for LCL cargoes & Consolidation
- Buffer Yard
- Covered warehouses for cargo storage
- Efficient handling and movement of Out-of Gauge cargoes
- Container Depot for storing and repairing empty containers
- Safe and secure handling of hazardous cargoes
- Lashing, securing, chocking of cargoes carried out.
- Facility for survey, pest control and fumigation, shrink-wrapping, palletizing

NAVKAR CORPORATION LIMITED

Corporate Office: Survey No. 89/93/95/97, Somathane Village, Kon-Savla Road, Panvel, Dist. Raigad – 410 206, Maharashtra, India. Ph: +91-2143-662525 | Fax: +91-2143-262042 | Email: Admin@navkarcfs.com

Navkar Corporation Limited (the "Company") is proposing, subject to receipt of requisite approvals, market conditions and other considerations, an initial public offering of its equity shares and has filed a Draft Red Herring Prospectus with the Securities and Exchange Board of India ("SEBI"). The Draft Red Herring Prospectus is available on the website of the SEBI at www.sebi.gov.in and the websites of Axis Capital Limited, Edelweiss Financial Services Limited and SBI Capital Markets Limited at www.axiscapital.co.in, www.edelweissfin.com and www.sbicaps.com, respectively.

Investors should note that investment in equity shares involves a high degree of risk and for details refer to the Draft Red Herring Prospectus, including the section titled "Risk Factors"

This advertisement is not for publication or distribution to persons in the United States, and is not an offer for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including its equity shares, may not be offered or sold in the United States absent registration under U.S. securities laws or unless exempt from registration under such laws.

Soothing option for sufferers

By being an AEO, this logistics park is hassle free with less or no inspections of EXIM cargo

by Ritu Gupta

In India, perhaps the busiest corridor for rail cargo is between the Jawaharlal Nehru Port Trust or, JNPT and the inland container depots located in the North, with nearly 30 per cent of JNPT's north bound traffic emanating from here. It has been estimated that the containerised traffic in and around Delhi is growing at a CAGR of 20 per cent. In such a situation, the role of CFSs such as the CMA CGM Logistics Park at Dadri, Greater Noida, is an important one. Initiated with an eye on the constantly emerging needs of international trade in Northern India, CMA CGM Logistics Park is a leading CFS services provider for containerised sea cargo within the NCR region and adjoining big cities of western Uttar Pradesh. The good news for the region is that the CFS has now got an authorised economic operator (AEO) status. An AEO is essentially a firm involved in the international movement of goods and is complying with the World Customs Organization or equivalent supply chain security standards. The AEO certificate is an internationally recognised quality mark indicating that the AEOs role in the international supply chain is secure, and that its Customs control and procedures are efficient and compliant. After being accorded an AEO, Customs officers will trust the operator and perform less or no inspections on goods imported or exported by or via the AEO. This benefits the mover of the goods as goods are available more quickly at lower transport costs.

It is no wonder, however, that CMA CGM has obtained an AEO status as it efficiently offers a broad portfolio of CFS services including railways and roadways transportation, in-house Customs clearance and warehousing. Its expertise also includes providing comprehensive and tailor-made solutions for the clients – it coordinates the activities of various participants in the logistics chain to achieve the shipping objectives economically, efficiently and consistently. It is a joint venture between Ameya Logistics Private Limited and the Container Corporation of India Limited. Over the years, the CFS has been credited for providing hassle-free services for delivery and clearance of both export and import consignments. It is part of ICD Dadri, Asia's largest Inland Container Depot. Leveraging on an extensive logistics, communications network and support of shipping lines, the CFS has created cost-effective solutions to meet the needs of the trade. Spread over an area of 38,500 sq metres, CMA CGM logistics park has provided the trade in North India with the option to consolidate its cargo and route container movements through the ports of Mundra and Pipavav than the heavily congested Nhava Sheva terminal at JNPT. This has given the trade in northern India greater flexibility for timely delivery of cargo. This initiative has been possible because of its excellent connectivity to the Dadri railway station. It offers daily services to Nhava Sheva and alternate day services to Mundra and Pipavav. Additionally, there is a weekly block train movement between Dadri and Mundra provided by CMA CGM Agencies India Pvt Limited. The CFS also has an excellent rail linkage on the aerial freight corridor of the Delhi-Howrah rail route which forms a part of the golden quadrilateral of the railways. It is also well linked to various national highways like NH24, NH 58 and NH 91. In short, CMA CGM Logistics Park provides unmatched port access to the growing industry of the NCR region.

Apart from road and sea transportation, the CFS is among the few which is also providing services to and from the Indira Gandhi International Airport. "We have been providing our services for import and export of air Cargo in and out of IGI Airport Delhi for our clients. We expect demand to be strong for a variety of commodities going into and out of IGI Airport and have no doubt the two destinations will be a strong addition to our existing sea logistic services," said Captain Viren Bawa, the CEO of CMA CGM Logistics Park. The CFS is carrying on business and trade of all types of container exports, imports and repairs in addition to export and import of air cargo. For this, it is dealing with the entire chain of the trade related to business. It is dealing with owners, forwarding agents, CHAs, contractors, freight brokers, haulage contractors and chartering agents. It coordinates with carriers, multimodal operators, container storage facilitators and container business related service providers. Considering this, it is no wonder that the CFS is handling 5,500 teu monthly of export-import cargo. Its covered warehouse of 5,100 sq metres consists of a bonded warehouse, export consolidation area, LCL area and high value strong room. The open container yard is spread on a huge area of 27,200 sq metres and it has a container stacking capacity of 2,200 teu. "The CMA CGM Logistics Park has set itself on the path of creating and maintaining an ICD service standard that will set new benchmark in this intensive service industry," says Bawa. With this in mind, investment has been made in building the backbone of the CFS by building a stable support in terms of vital infrastructure. Apart from having world-class equipment, the CFS has also set up a professional team that knows and can cope up with constant demands of ICD Dadri. The Customs operations are headed by an additional commissioner, assisted by AC, DC, inspectors and superintendents.

38,000 Sq mtrs

Daily Service to **Nhava Sheva**

5,500 TEUS monthly handling

5,100 Sq mtrs covered warehousing

Q&A

CAPTAIN VIREN BAWA, CEO | CMA CGM LOGISTICS PARK AT DADRI

What is your USP?

It is our KPI system, wherein we evaluate each and every customer, and then see our shortfalls to do timely delivery remedials. Our customer relations are most important to us, and this is the reason why we are never running short of business.

Any expansion plans?

We are running short of warehouse space and are planning to soon construct mezzanine floors in our warehouse.

Any problems encountered during operations?

Increase in rail freight is affecting the movement to Mundra. Lot of customers are now preferring to use road transportation because of increase in railway freight rates. Moreover railway congestion affects the export of cargo such as handicrafts which need timely delivery. Our CFS handles a lot of handicrafts, and most of our customers of this cargo prefer transporting their goods via road than railways. Road transportation means that they are assured of timely delivery at less cost.

Any message for competitors?

One should give best service. Service standard has to be good

What about future growth?

Dadri is the main fulcrum of business. Most of the industry would be coming up here. Due to congestion, many are moving out of TKD and Dadri is a viable option for them. Hene the future of our CFS is very bright.

Staging a come back

After reeling under stressful financial conditions for the last couple of years, Dredging Corporation of India is all set for a comeback

By Mohammed Shareef MP

After reeling under stressful financial conditions for the last couple of years, stateowned Dredging Corporation of India Limited, a Mini Ratna Indian public sector unit engaged in the business of dredging, is all set for a comeback by diversifying its core business of dredging. The company forayed in to global dredging market over a decade ago. It had taken up projects in countries like UAE (Dubai and Abu Dhabi), Bahrain, Taiwan, Sri Lanka and after a long gap, the company has decided to make inroads again into foreign markets this year again, hoping to bring back the laurels.

Having assumed charge as chairman and managing director of Dredging Corporation of India (DCI) in February earlier this year, Rajesh Tripathi has his plans ready to broaden firm's horizons which are broadly to consolidate the presence in the domestic market and also to expand the company's footprint in foreign shores. The 53-year-old Indian Engineering Service officer joined the Indian Railways in 1984 and held important positions such as project director of Ircon (Ircon International Limited) and chief engineer of Jammu Kashmir Railway Project. In an exclusive interview with *Maritime Gateway,* the DCI CMD lists its plans afoot for polishing the business outlook of India's lone state-run dredger.

Plans

Talking broadly about the plans set for the year, Tripathi said for the last four to five years, the turnover of the company has been stagnating and in order to take a further leap, the firm has to diversify its activities. To start with, DCI has decided to opt for shallow water dredging, taking up projects abroad, project management consultancy and other dredging related activities. The company is already undertaking dredging at various ports in the country which include both maintenance and capital dredging.

At major ports, DCI's existing projects include maintenance dredging for Haldia, Ennore and Cochin. It is also doing some capital dredging and maintenance dredging at Visakhapatnam Port. The company is also gearing up to work for Andaman & Nicobar, Daman & Diu, Karwar and Ratnagiri.

Eyes set on foreign shores

In its plan to diversify into the international market, sand mining project is the new kid on the block to earn forex revenue, as part of its plan to diversify its business.

Offshore sand mining involves dredging, but with certain additional works such as cleaning the sand mined from the sea bed. According to Tripathi sand mining project is a first of its kind project which so far not many have explored even as demand of sand or silica, especially in the global construction market is increasing. Accelerations in construction spending and manufacturing output worldwide are expected to drive growth in important silica sand-consuming industries, including the glass, foundry, and building products sectors. This untapped sector has great potential as far DCI is concerned, Tripathi pointed out.

The company is looking at sand mining projects in the Far East, Gulf and Africa. "We hope to clinch a deal this fiscal," he said. Apart from this fresh project, DCI would tap its regular maintenance and capital dredging, beach nourishment and reclamation projects too from abroad. DCI has initiated its initial steps in penetrating into the foreign market by making constant contact with Indian embassies abroad and also has made talks with ministry of shipping in making the formalities cleared for them.

Revenue target and Navaratna status

Tripati said they had set a target to become Navaratna company by 2020 by increasing their penetration in both domestic and overseas market and becoming nodal agency for execution of integrated port infrastructure projects which included construction of berths and marine structures.

The biggest advantage that it will gain from its re-entry into overseas market is that it will earn dollar revenue, which can help it repay its external commercial borrowings. It currently has about ₹1,100 crore worth ECB on its books. For the current financial year, DCI has a target of ₹950 crore to rise as the revenue and of which more than a ₹100 crore they are expecting from the foreign market. Tripathi said he was hopeful that DCI would get back the ₹300-odd crore that it owes from the failed Sethusamudram project. "We are hopeful of recovering this money this fiscal," he said. It also has about ₹400 crore due from different ports in the country and towards getting that amount also talks are on, according to Tripathi. It notched up a turnover of ₹772 crore in 2013-14, with its net worth currently being about ₹1,423 crore.

Market share in dredging business

DCI, which is facing stiff competition from both overseas and domestic dredging companies, today has an 80 per cent market share in maintenance dredging of ports, but on the capital dredging front it has only a 20 per cent share, the bulk of this market being dominated by a clutch of foreign companies. Tripathi admits that margins are better in capital dredging. "But it is also a high risk business, as unexpected challenges such as underwater rock blasting crop up. And we do not have the required trained manpower and machines to undertake capital dredging," he pointed out.

Enhancing the fleet

To increase its share in capital dredging, DCI is planning to add one more cutter suction dredger to its fleet which would expect to bring more capital dredging revenue. "Once she is productive we are going to use her for our capital dredging activity and one more thing towards bringing more capital dredging business we are going to acquire knowledge about the associated fields of capital dredging such as underwater blasting, breaking rocks etc. to get expertise in capital dredging and obtain more orders," Tripathi said. DCI, which owns a fleet of 15 dredgers, has put up on its drawing board, plans to acquire two new trailer suction dredgers at a cost of ₹1,200 crore. "We are looking at various shipyards, including Indian yards, to place the order for the first of the two dredgers. We are looking at Indian yards, in tune with the Prime Minister's Make in India campaign," the DCI chief said. It is likely to place orders for one of the two dredgers this fiscal. Totally, it may take about three years to effectively take possession of the two dredgers.

Contribution to Inland Waterways

DCI also intends to get into inland waterways dredging in a big way, especially with the Central Government laying thrust on development of inland waterways. "We are looking at inland waterways projects on rivers Ganga and Godavari. The Ganga project involves dredging of 1 lakh cu m and is estimated to be worth ₹500 crore," Tripathi said. Although DCI has tried getting inland waterways projects on nomination basis, it has been, instead, asked to participate in competitive bidding. Rivers, canals, backwaters and creeks of 5,600 km have been identified as navigable – of this 4,382 km of inland waterways have been declared as National Waterways.

The process is currently on to develop the Kakinada-Puducherry along Godavari and Krishna rivers (1078 km) and East Coast Canal integrated with Brahmani and Mahanadi rivers (588 km). Further, a bill for declaration of 101 new waterways as National Waterways was introduced in the Lok Sabha during the Budget Session of 2015, which has been sent for examination to the Parliamentary Standing Committee on Transport, Tourism and Culture. "We see a lot of scope in dredging of inland waterways. For this, we require shallow water dredgers, which cost between ₹20 and ₹30 crore," Tripathi said.

Apart from these, the Andhra Pradesh state government has invited DCI for sand mining in the Krishna river, where the new capital is coming up. Also the dredging firm offered its services to the National Waterways Authority of India for the development of the Godavari river waterway and Buckingham canal. Probably, as soon as funds are arranged for the projects, DCI will be roped in, Tripathi said. mg

- Targetting to become a navaratna company by **2020**
- Increase presence in both domestic and overseas markets
- Getting into Inland waterways dredging
- **₹1100** crore worth ECB on books
- Hoping to get back **₹300** crore dues from sethusamudram project
- **₹772** crore turnover in 2013-14

"The Ganga project involves dredging of one lakh cubic metres. We see lot of scope in inland waterways"

Rajesh Tripati
CMD, DCI

Colonial Cousins

Though different entities functionally, these two play key role in efficient logistics chain and are attractive for investment

by Ritu Gupta

Many exporters, importers, Customs house and shipping line agents, and even some Customs officers often get confused between the difference in a Container Freight Station (CFS) and Inland Container Depot (ICD). The reason for the confusion is obvious in both the places, the import or export cargo is ordinarily kept before clearance by the Customs and where filing of Customs manifests, bills of entry, shipping bills and other declarations, assessment and all the activities related to clearance of goods, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export, and transshipment take place. So, CFS and ICD mean the same thing for many. However, there is a vast difference between both, say industry experts and officials of the Central Board of Excise and Customs (CBEC).

The first and most important difference is that an ICD is a larger entity and one or more CFSs can be a part of an ICD. For instance, in ICD Dadri, there are CFSs of Allcargo Logistics, CMA CGM and Albatross. Furthermore, in terms of connectivity, an ICD is better placed. "An ICD can be connected to many gateway ports, but a CFS can be connected only to one gateway port. For Instance, “My CFS is only connected to Nhava Sheva," says Captain Dinesh Gautama, president, Navkar Corporation Limited, Navi Mumbai. According to a CBEC circular, a CFS is merely an appendage to a parent Customs station at a port, airport, land Customs station (LCS) or an ICD; whereas an ICD is a Customs station in its own right having independent existence. A CFS is an extension of a port/airport/LCS/ICD Customs station, set up with the main objective of decongesting the ports, where only a part of the Customs process (mainly the examination of goods) is normally carried out by the Customs.

At a CFS, goods are stuffed into containers or de-stuffed, and aggregation/segregation also takes place. Custom’s function relating to processing of manifest, import/export declarations that are filed by the carrier/importer or exporter and assessment of bill of entry/shipping bill are performed in the Custom house/office that exercises jurisdiction over the parent port/airport/ICD/LCS to which the CFS is attached. In the case of Customs stations where automated processing of documents has been introduced, terminals have been provided at such CFSs for recording the result of examination. In some CFSs, extension of service centers has also been made available for filing documents and amendments. However, the assessment of the documents is carried out centrally. "On the other hand, an ICD would have an automated system of its own with a separate station code allotted by the Directorate General of Systems and with the inbuilt capacity to not only enter examination reports but also to enable assessment of documents, processing of manifest and amendments," says a CBEC official. So, a Commissioner can approve a standalone ICD but not approve a standalone CFS.

For an importer, exporter, CHA or shipping line how does it matter whether a place is designated as a CFS or ICD? Indeed, it matters a lot. Essentially, movement of goods from a port, airport or LCS to an ICD shall be in the nature of movement from one Custom station to another Custom station and will be covered by Goods Imported (Condition of Transshipment) Regulations, 1995. In contrast, movement of goods from a Customs station at port/airport/ LCS/ICD to a CFS would be akin to local movement from a Custom area of a Customs station to another Custom area of the same station and such movement is covered by local procedure evolved by the Commissioner of Customs and covered by bonds, and bank guarantee, among other things. And this means more paper work for an importer, exporter, CHA or shipping line.

Moreover, an ICD is a consolidation node for containers, where as CFS aggregates individual consignments into containers (stuffing), though both are transit facilities, which offer services for containerization of break bulk cargo and vice-versa. Furthermore, an ICD is generally located in the interiors (outside the port towns) of the country away from the servicing ports. The CFS, on the other hand, is an off dock facility located near the port which helps in decongesting the port by shifting cargo and Customs related activities outside the port area.

The differences in their functions notwithstanding both ICDs and CFSs are playing a key role in making India's logistics chain more efficient and hassle free for the industry. For instance, if an exporter located in Delhi sends his goods to Tughlakabad ICD (operated by Concor), he can be free of his export responsibility in Delhi, and not encounter some customs related problem later at the exporting port. His goods are cleared by customs and his container is sealed at Tughlakabad, and then sent to Jawaharlal Nehru Port (JNP) for directly loading onto a vessel. "CFS and ICDs continue to be attractive segments and constitute a growing assets category in the EXIM supply chain due to heightened trade with emerging countries, improved technological capabilities, favourable policies and high profitability," says Captain Viren Bawa, CEO, CMA CGM Logistics Park in Dadri. Though CFS and ICD collectively represent 13 per cent of the total logistics market size, they account for about 26 per cent of total profitability. Of the total ICDs/CFSs in India, nearly 40 per cent are owned by Concor and the Central Warehousing Corporation

(CWC), and the remaining by the private sector.

The market is set to expand predominantly owing to the growth in containerised cargo, improvement in custom clearance activities, higher margins in comparison to other logistics activities, and construction of dedicated freight corridor. Government initiatives in the form of allowance of 100 per cent FDI in logistics sector, development of the port sector via Maritime Agenda-Vision 2020, investments in shipbuilding along with policies to invite private sector to build logistics parks and Free Trade Warehouse Zones (FTWZ) have provided the much needed impetus to the container logistics market in terms of space, planned assets and low cost superior services. Moreover, increased investments from private players, along with intensified competition, is expected to encourage operators to develop innovative and customised solutions. However, the industry is facing some challenges. "Poor infrastructure facility and high costs associated with setting up of CFS and ICD facilities are the basic challenges faced by the industry. However, continuous investments in major ports towards capacity creation and improving container handling efficiency have well added to the advantage of the market," says Gautama. According to other experts, to sustain their growth, it is important for all CFS/ICD operators to enhance integration with other stakeholders within the EXIM supply chain for the seamless movement of container traffic, thereby enabling Indian ports to achieve superior operating standards. mg

RIDING ON WEAKENING RUPEE

Indian tea exporters are betting on the weakening of the Rupee against the Dollar to scale up their exports to Russia and the CIS countries and increase their earnings. Though Russia is under sanctions, import of food items is not covered under the terms of these sanctions. Russia, significantly, is the world's fourth largest tea consumer and India is going all out to tap this large market aggressively. This assumes significance in the wake of the fact that the Indian tea industry's effort to boost exports to key markets like Egypt and Pakistan did not succeed that well. The Commonwealth of Independent States together consumes 200-220 million kg of tea annually. India exports 50 million kg to the region and, therefore, there is huge opportunity to grow and expand. At present, Russia sources its teas from Sri Lanka (which sends 60-65 million kg to the region), Kenya and Indonesia.Indian exporters are also keen on tapping markets in Georgia, Turkey and Armenia. India exported 207.44 million kg of tea in 2014. Total exports in the six months to June stood at 88.94 million kg, 9 per cent less than 97.67 million kg a year ago.

"Formulate a holistic logistics policy"

Only such policy can help consolidate the industry, regulate it and develop benchmarks

by Ritu Gupta

How do you look at the Indian logistics market?

As far as the Indian market is concerned, there are different segments, such as the containerised section and the bulk cargo market. Where the containerised market is concerned, since the exim market has been going up and down, major imbalances have been created. This has become a big cause of concern for the industry. The other trend noticed is substantial stuffing and destuffing happening at the ports. This is defeating the purpose for which containers were created. Ideally, the container has to go to the doorstep of the shipper. The possible reasons for the trend could be many, with exim imbalance being one of them. There is a tendency among the industry players to destuff the container at the port and send it back. To reverse this adverse trend, the CTOs, the shipping lines and the respective ministry have to play a crucial role.

Can the problem of exim imbalance be addressed by reducing the logistics cost of exports?

It is a market related issue, and not much can be done to address it directly. Yes, one of the possible solutions is that one needs to incentivise exports. But at present Indian exports are not competitive in the international market. Our logistics cost to a certain extent make our exports uncompetitive. If we can achieve better logistics cost then it will definitely benefit the exports. Once they are more competitive, demand will automatically go up. Where transaction cost is concerned, logistics cost is the only way to reduce the cost of exports, as India's labour cost is at par with other countries such as Vietnam. For reducing the logistics cost, we first need to recognise it as an industry, and then consolidate it. Another important aspect is integration of logistics service. Today an exporter has to deal with many entities before he/she can ship out the goods. This has to change. The new government should try to formulate a holistic logistics policy. There are so many ministries that are involved in this entire chain that it creates a lot of mayhem. The need of the day is to have a national logistics commission, which can ensure that we have a coordinated approach towards the sector. The government should have a long-term policy for the sector for more private investment to flow into the sector. A holistic policy will not only help consolidate the industry, but also regulate it, develop certain standards and benchmarks, and with this, one will see a lot of infrastructure being created by the industry. We need a comprehensive logistic policy, which covers multimodal transportation and not only containerised cargo but others such as liquid, bulk and dry.

Does the industry need some incentives to grow?

Logistics industry has two parts – one that operates out of infrastructure and the other is non-asset based logistics. In a mature market (like that of Europe and the US), a lot of non-asset based logistics companies are found. In our country, where there is such a shortfall of infrastructure, the government needs to look at how it can help the logistics companies set up the requisite infrastructure. The government should look at incentivising setting up of logistics infrastructure, and not the companies. If companies are incentivised, then they might grow, but without adequate infrastructure the sectors will remain in the current state of plethora. Once you are able to create world-class infrastructure then a lot of issues will be addressed automatically. Without addressing the fundamental issues there is no point in giving the companies an incentive.

Is lack of adequate rail and road infrastructure a big problem?

It is a well known fact that road and rail infrastructure needs a lot of work to be done. The railways is trying to get its act together, by ensuring that it gets funding for creating the required infrastructure. Lots of reports have been prepared on the subject but at the end of the day we need to see action being taken on these reports. We have a huge challenge as far as railways are concerned. For example, the dedicated freight corridor project has been in the pipeline for so many years, but its deadlines have been shifting. Such delays discourage private investment. Essentially, we need to have a clearly defined regime wherein private sector can put in money and be assured that it would be reaping profits from it. The PPP projects also need to be made very easy, so that investors do not find it difficult even to commission their projects.

Apart from infrastructure, another problem of railways is the policy regime. For instance, because of railway policies on haulage charges, road transport has become very competitive. Many private CTOs are facing losses because of this. Today, transporting of goods for up to 1,000-1,100 km by road is cheaper than railways because of the haulage charges. We are losing out business because of this. If traffic is driven away to road, then it will need creation of additional infrastructure. But if crude prices rise in the future, then traffic may move back to railways. Additionally, railways will not have the infrastructure to deal with that traffic. The railways should not increase the charges as per its whims and fancies but rather have a consistent policy on it (maybe based on a yearly increase). This way even the industry players will be prepared for the hike. A private investor always expects certain amount of transparency and consistency in the government policies. There has been discussion with the ministry about this and we are hoping that something positive may come out. For a system which has capacity constraints, there is always a dilemma like the one railways face – should it give priority to a heavier cargo carrying train or go for a container train? This first needs to be addressed by the ministry, and then there will be a consistent policy for the CTOs.

> **"Substantial stuffing and destuffing is happening at the ports. This is defeating the purpose for which containers were created. Ideally, the container has to go to the doorstep of the shipper."**

What are the possible solutions to the problem of empties, and how can one encourage costal shipping?

Cabotage is one solution. Cabotage for transporting domestic containers has been used by Concor for a few years, but there is a fragmented approach to that. This needs to be done on a more systematic basis. Where coastal shipping is concerned, the ministry has introduced several incentives already, and this will greatly help. But we also need ports that only cater to the needs of coastal shipping. Where existing ports are concerned, coastal ships do not get priority, and the cost is very high. We need smaller draft ports and a properly regulated industry for costal shipping. A chain of small ports needs to be developed across the entire coast of India. These ports can provide a good back up for the congested road and rail transportation, and prove to be a cheaper alternative.

What about the state of warehousing?

There is a huge amount of warehousing that needs to be created. Here again the comprehensive logistics policy will play a huge role. Right now the industry is unregulated and small and not so good quality warehouses have been mushrooming everywhere. There are large warehouses coming up within the city limits. There are no controlling mechanisms. The need of the day is regulated warehousing hubs and distribution networks.

What are the opportunities and challenges for the Indian logistics sector?

The main opportunity is that there is still a lot of scope for the logistics industry to grow and the challenge is how to adequately achieve this growth trajectory.

Anand Sankeshwar
MD, VRL Logistics

Banking high on GST

With large operational base and efficiency, VRL Logistics poised to expand further into newer regions and also leverage on ever growing opportunities in this sector

by Itishree Samal

MG: VRL Logistics seems to be tasting success with the rise in its profits, as well as with its IPO. How do you define success for VRL?

Sankeshwar: The company was incorporated in 1976 with just one truck and an annual turnover of ₹2 lakh. However, we have grown substantially over the years to own one of the largest fleet of over 4,000 trucks and emerged into a ₹3,700-crore company. In the last four years, we have added 1,000 trucks.

Though we started operating in a small place in Hubballi, we have now grown to 1,000 branches, spread across 28 States and four union territories in India. We aim to expand our operations further in India as well as abroad. Recently, we have started our operations in Nepal.

MG: Finance and operation-wise, how are you placed currently in the Indian market?

Sankeshwar: We are well positioned in the market. While the big logistics players in the organised segment with more than ₹1,000 crore turnover are doing only 7-8 per cent in EBIDTA, at the same time we have maintained an EBIDTA rate of 15-19 per cent in all these years.

Our revenue and earnings have averaged an annual growth of 20 per cent and 18 per cent, respectively, between 2009-10 and 2013-14. While for the first quarter (April-June) in the current financial year, we have reported a 40 per cent jump in standalone net profit at ₹35.38 crore. Also, the net profit margins averaged 3-7 per cent in the last five years.

During the IPO, the private equity fund New Silk Route (NSR) has offloaded 17.5 per cent stake through this issue. We are in the process of purchasing 248 new goods transport vehicles, which was planned during the IPO.

Based on a unique model, we run independently without depending upon any particular line of products transportation or customers. Based on a hub-and-spoke model, the company has 48 hubs spread across the country.

MG: Which are your key verticals and their contribution to your overall revenue?

Sankeshwar: We are present across several verticals including courier, cargo transportation, passenger travel and wind mills. Goods transportation being our largest division contributes around 77 per cent share in the overall revenue. Unlike other competitors who cater to only limited industries such as mining and oil, VRL caters to a wide range of industries such as FMCG, food, textiles, automobiles, chemicals, pharmaceutical and metal. Besides trucks, VRL also operates car carriers and oil tankers.

Buses division, operating under the Vijayanand Travels brand, is comparatively smaller and accounts for 20 per cent of revenue and has a fleet of around 375 passenger buses. We operate bus services in eight states including all southern states; the Bengaluru-Jodhpur (Rajasthan) is our longest route covering 2,100 km in 34 hours. This apart, the wind power generation, courier and air charter segments account for 3 per cent of revenue. As of now, we have 34 wind mills across the country.

MG: Goods transportation seems to be your major division compared to passenger segment. Having a pan-India presence, what challenges do you face in moving the cargo?

Sankeshwar: As we move different kinds of cargo starting from general cargo to liquid and specialized ones, we face several challenges. Of the major challenges, the whole logistics industry is facing with shortage of efficient drivers. However, we are placed better than the industry in terms of retaining the drivers through the provisions of several incentives. Our attrition rate is minimal compared to other logistics players, who face as high as 20 per cent attrition. This apart, good transport involves several operational risks including accidents and goods damage.

We faced a bad time two years back during the Telangana agitation demanding for a separate state. It affected us badly, as around 18 per cent of our goods transportation revenue both inbound and outbound and 35 per cent of our passenger revenue used to come from the united Andhra Pradesh. However, we are back on track as the issue has been solved.

MG: How do you assess the current transport and logistics sector in the country? What trends have emerged in cargo transportation in the recent past?

Nalvadi: Though roads have improved to some extent, but the ongoing several taxations levied on vehicles movement from one state to another still remains a major concern. The hope lies in GST implementation.

If you take the last five years into consideration, the logistics industry in India has gone through a sea change. During the five years, freight rates have gone up and the size of vehicles have also gotten bigger to handle more volume. Earlier, we have seen vehicles having capacity to carry 10 tonnes, then came 12 and 16 tonnes and now 24 tonne vehicles are moving on Indian roads.

MG: Logistics accounts for a significant share in a manufacturer/exporter's overall cost of operations. What strategies you have adopted to reduce cost?

Nalvadi: We are competitively priced. We have in-house capabilities to design vehicle body and have own workshops to perform maintenance and track vehicle usage as well, which lead to high operational efficiency. It reduces the maintenance cost by 25-30 per cent. Having a large operational base, we also get discount on fuel that reduces our operational cost. For procurement of tyres and spare parts,

Sunil Nalavadi
CFO, VRL Logistics

we directly deal with manufactures.

MG: India has been seeing stagnant fuel and freight prices in the last few months. How has it impacted your transport business?

Nalvadi: Now the market has been stabilized. Due to the diesel deregulation, the fuel price has been stabilized and even declining since last one year. With respect to freight rates we need to consider the movement in other operational costs such as maintenance, tyre cost, driver and employee cost, lease rentals of the premises, loading and unloading charges etc, based on our detailed analysis on a monthly basis we will take a call on freight rates.

MG: What's your outlook for the logistics industry in India?

Nalvadi: The current logistics industry presents immense opportunities to grow faster than the any other industries in the days to come. Presently major portion of the logistics industry is covered by the unorganised players in India and operating on selective routes. Lot of transformation is taking place from the unorganised operators to organised operators. Only the operators who will concentrate on proper infrastructure back up in their operation module will survive in the industry. Apart from this, the government is also concentrating lot in creation of new infrastructure facilities by constructing new roads and highways, which will give a boost to the industry.

MG: Despite several recommendations and proposals made in the recent past, GST has not yet seen the light of the day. Once implemented, how the GST will bring cheers to the industry?

Nalvadi: At present, each state is levying different regulations and has separate taxation policies on the common products. The tax differs when a product needs to move from one state to the other. On account of this, the regulatory authorities have established several check posts at each state border crossings, even the manufacturers maintaining state-wise warehouses to manage their products supply in compliance with the different tax structure across states. Vehicles need to wait for several hours to complete several verification processes across check-posts, which is hampering in optimum utilisation of the vehicles. Once GST will come in place, the orgnised players who are operating through the hub-and-spoke model pan-India will gain from the single taxation policy. Even the manufacturers, which are now having warehouses in each state, will focus on last-mile connectivity and implement change in their transportation policy and can send the cargo from their manufacturing plants directly to customer's destinations.

MG: Lastly, what targets have you set for VRL and what opportunities do you see in Nepal?

Sankeshwar: Going forward, our target is to expand our presence in east and north-eastern states. We have set high hopes on GST. Once implemented, GST will be a game change in logistics sector and we want to seize the opportunity. We have started operations in Nepal, mainly in the cargo segment. As the logistics industry is highly unpredictable, it's too early to make any predictions.

VRL has grown substantially from 1976 to till date

MARINE HIGHWAYS LIFELINE FOR EMERGING PORTS?

Marine highways will continue to grow as a key component of the logistics value chain. Each port will need to connect with the domestic and international trade lanes and marine highways will play a key role

by Subhasis Ghosh

Marine highways or short-sea shipping refer to the historical terms coastal trade, coastal shipping etc, which encompass the movement of cargo and passengers mainly by sea along a coast, without crossing an ocean.

With the trade and shipping agreements with Bangladesh, announcement of subsidies incentivising modal shift of cargo, discussions around relaxation of cabotage and permitting the public sector to procure their own shipping freight, coastal shipping has been in the news for the last months.

Based on experience, during our recent conversations with industry participants and an advisory, we tested some of our assessment and predictions relating to this sector, which I am sharing below.

Importance of marine highways

Highways play a strategic role in the development of an economy. India's 7,500-km coastline has an immediate hinterland of 38,000 sq km.

Marine highways operate in the zone between the 'internal waters' (base lined as the point, where the waters recede during the lowest tide) to the zone with 'smooth/partial smooth waters', where the waves are of a height up to 2m. This is within the territorial waters of India, i.e. within 12 nautical miles from the baseline. To make the marine highway system work, service providers need to work towards a seamless flow of cargo between road & sea, rail & sea and inter-operate with inland waterways and international feeder operations.

Most developed nations have efficient maritime transportation systems, that supplement the cargo and passenger flows through the road and rail network, is more energy efficient and more environment-friendly. Twenty per cent of the cargo in China and 24 per cent of the cargo in Brazil moves through coastal shipping, as against 6 per cent in India. Bangladesh moves 32 per cent and Germany 20 per cent of its cargo through inland waterways, compared to less than 1 per cent in India. Whereas the operating cost per tonne kilometre is estimated as ₹1.51 and 1.18 for road and rail respectively, it is 0.75 for coastal movement. Further, whereas one litre of fuel can move one tonne of cargo for 24 and 85 km on road and rail respectively, the corresponding distance covered through marine highways would be 105 km, making it significantly more energy and resource efficient and resulting in lower emissions.

There are around 125 vessels deployed on marine highways presently, which include around 15 container ships and some passenger vessels. In comparison, there are over 12,000 vessels deployed in this sector in China. The imminent growth of the coastal shipping industry would drive demand for shipbuilding, ship repairs and their ancillary industries, generating employment and driving further consumption.

Why hasn't it taken off and what is driving growth now?

Marine highways have a meagre 6 per cent modal share in India, compared to 57 per cent by road and 36 per cent by rail because of challenges that include:

- Infrastructure related challenges include shortage of handling facilities for coastal vessels at ports, high port charges, draft at smaller ports, and connectivity among ports and inland rail/road connectivity with the hinterland.
- Regulation & taxation related issues include cabotage, tonnage tax, high import duties of bunker, personal income tax for the crew, customs issues.
- The above impacts consistency of service, i.e. frequency of sailings. Further, lack of formal coordination among sectors (rail-marine-road-air) and administrative requirements, create challenges in providing 'door-to-door' multi-modal service

The drivers for the rapid growth of marine highways include development of new ports, which to be successful would need to connect with respective hub ports for export/import and with other ports for domestic cargo movement. The Sagarmala project that envisages the integrated development of ports, hinterland and inter-connectivity. Conclusion of economic agreements with Bangladesh and Myanmar would help demand side and supply side economics. The above along with the outcome of the "Make in India" campaign would generate cargo for exports and domestic movement. Further, the need to move bulky over-dimensional (ODC) cargo for the windmills, power plants and oil exploration projects to support the growing infrastructure needs, would drive demand. Increasing congestion in the road & rail network and environmental awareness would lead to increase in demand for a less polluted mode of transportation. Recently announced government subsidies to shippers under the scheme for incentivising modal shift of cargo (SIMSC) for cargo, containers and vehicles would help.

Demand for coastal shipping

The present coastal cargo profile comprises largely of petrol, oil lubricants (POL), iron ore, pallets etc besides coal and fertilizers. These are mainly nominated for the Govt/PSU and captive private sector use. There is a significant potential for new cargo by enticing modal shift from road/rail to marine highways. For cargo originating closer to the west coast, these could include industrial and finished products like steel, tiles, cars cement and also marble, fertilizers and food grains. For the east coast these could include bulk and minerals like silica, bauxite, manganese and limestone besides cars and engineering good from the south. For containerised cargo, the market size for coastal shipping along with international feeder operations is estimated to be around $500 million in value and about 1.3 million teu in volume annually and

DRIVERS

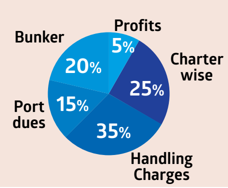
- New ports need to connect with hub ports for domestic movement of cargo
- Sagarmala envisages integrated development and inter-connectivity

DEMAND

- Significant potential for new cargo
- **West Coast:** Steel, tiles, cars, cement, marble, fertilizer, food grains
East Coast: Silica, bauxite, manganese, limestone, cars, engineering goods

COST / REVENUE

- Billing for sea voyage;
- THC at ports
- Detention charges



REGULATIONS

- Harmonised standards for RSV
- Dual registration for coastal vessels permitted
- Incentives to shippers declared

FUTURE TRENDS

- More mid-sizes players likely to enter
- Port operators will offer differentiated services and dedicated berths

KEY FACTS

COASTAL SHIPPING

Share	Country
20%	China
26%	Brazil
6%	India

INLAND WATERWAYS

Bangladesh	32%
Germany	20%
India	1%

OPERATING COST PER TON / PER KM

Road	1.51 paise
Rail	1.18 paise
Coastal	0.75 paise

is expected to grow at over 20 per cent per annum.

How do shippers procure freight?

Shippers usually take a supply chain perspective. For example a factory-to-store view of the transit could include inland transportation from the factory to the port, handling at the port, sea transportation, interim storage & handling at the intermediary/ destination port and inland transportation to the warehouse/store as required. Shippers usually tender their full/ part requirements of the transportation legs periodically. Unitisation and containerisation of the cargo could provide more choices and flexibility.

Shipping lines and freight forwarders, who work as aggregators, compete to move this cargo, quoting against such tenders. The assessment criteria of shippers usually includes the supply chain cost, transit time, frequency of services, reliability expected based on organisational capability, integrated offering and geographical coverage based on alliances.

Shippers requiring movement of large volume consignments from remote locations, if under-served by logistics service providers, would usually invest in captive transportation and port assets including captive jetties, to ensure smooth movement of bulk cargo from mines, plants etc.

How do service providers compete – The good practices

Market entry demonstrating a commitment- investing in assets. Depending on the choice of routes to compete, it could be 3-5 Indian flag vessels on long lease/hire purchase, own domestic and export containers. Targeting the new customer segments mentioned above with an integrated offering of road, rail and marine highway movement from origin to destination.

Organisation and systems design, enabling one view of the customer by the sales, trade, customer services, operations and billing teams. Having a dedicated team for demand analysis, solution design and intermodal collaboration. Solutions are design covering the assessment criteria mentioned above

Revenue and cost structure

The revenue for the integrated movement could include billing for the sea voyage, terminal handling changes at the port, handling charges, detention charges for the containers or vessel as applicable, miscellaneous and coordination charges, as may be levied

The cost build up for the coastal leg could include: Handling charges (35 per cent); Charter hire (25 per cent); Port dues (15 per cent); Bunker fuel (20 per cent); balance being the profits after catering to the marketing and admin/staff expenses. The road and rail charges, if billed together are usually a pass through.

Regulations and incentives

The Committee on Standards for Coastal and Inland Vessels, Sea Limits and Incentives, chaired by the Chairman of the national shipping board, submitted its report in January 2014 bringing several stakeholders together and providing necessary clarifications.

Shipbuilding norms for coastal and inland vessels with harmonised standards for river sea vessels (RSV) were issued by DG Shipping in July 2013 that have also permitted dual registration of coastal vessels by the Indian states seeking to develop coastal shipping.

The other relevant acts include – Coastal Vessels act 1838; Indian vessels act 1917; Merchant Shipping act 1858 (includes the cabotage law); Inland waterways act 1985 amended 2001; Multimodal transportation of goods act 1993; Inland waterways policy 2001 and Cruise shipping policy 2008.

The incentives declared by the government recently under SIMSC mentioned above, include payment to the shipper for transportation of new cargo, i.e. fertilizers, food grains, steel, marble, tiles, at a subsidy of –

- ₹1 per tonne per nautical mile(nm) up to 1500 nm for each trip
- ₹3000 per teu in terminal handling charges
- ₹300/2-wheelers, ₹300/3-wheelers and ₹3000 for all other vehicles

Emerging trends

Marine highways will continue to grow as a geo-economically important component of the economy and a key component of the logistics value chain in India, notwithstanding significant execution challenges. Given the attention and support that it is receiving from the government and the interest generated in the industry, expect more players to enter this sector, which has space for several mid-size operators that will further develop the market. While not all ports would become hub-ports, each port would need to connect with the domestic and international trade lanes through respective hub-ports. Marine highways would provide the opportunity to connect to the trade lane network. Some port operators would leverage the opportunity to provide differentiated services to coastal vessels and yet some port developers would build dedicated berths and land side assets to facilitate trade through marine highways and inland waterways.

As service providers using marine highways seamlessly integrate their services with feedering for International operations and inland waterways for the domestic operations, it would become the lifeline for emerging ports and a differentiator for hub-ports.

Lessons to learn

Adding to stringent regulatory standards companies should evolve their own supply chain risk management strategies to be safe than sorry

by Omer Ahmed Siddiqui

A nationwide order to inspect the storage and transport of dangerous chemicals is underway in China. But why is it that the latches or shortcomings in the state of affairs surface only after an accident happens and the damage is done. Lack of safety awareness among businesses, lax implementation of safety regulations, irregular practices among workers, and weak emergency response to incidents are said to be some of the key factors that caused the Tianjin blast, noted a report by the State Council Work Safety Commission. The incident not only underscored the need to enforce more stringent chemical storage standards, but also to implement better supply chain risk management strategies (SCRM).

While the immediate effects of the disaster include rerouting or cancellation of shipments to the Port of Tianjin – especially those containing hazardous materials; disruption of supply chain to more than 30 sites within a 10-mile radius of the explosion site and rise in property insurance rates, but the ripple effects and the actual impact on the global supply chain will be seen maybe weeks or months later.

The incident also points at the growth in accumulation risk (when a single event causes an exceptionally large group of related losses) in the maritime sector with the trend toward bigger container ships and the construction of extensive freight handling and storage facilities. Its high time businesses understand the regions where their supply chain is located, ensure proper visibility in the process and plan measures to proactively handle any disruptions.

Among the factors that will impact recovery speed for the commercial zone and affected companies include the regulatory measures taken by the Chinese government and their implications for the global commerce, the supply chain risk management and resiliency strategies and maturity of affected companies.

Companies that are procative in mitigating risk often have their crises response playbooks in place, and such companies are expected to recover much faster and gain a competitive advantage.

With SCRM and resiliency practices companies can map global dependencies inherent within their supply chains, proactively protect the highest impacting and most vulnerable areas in their supply chain, transfer some of the risk to insurance providers, particularly in areas which are vulnerable but too expensive to mitigate, and developing an understanding of the true nature of the man-made disaster beyond media reports.

So, when a catastrophe actually strikes, such companies can assess potential damage within no time and execute a response strategy that includes securing alternatives to production, shipping, and sourcing.

Safety gone for a toss

- Rui Hai began handling hazardous chemicals even before it obtained a permit to do so
- The company secured licenses and approvals from at least five local agencies that conducted questionable reviews of its operations
- It routinely packed huge volumes of different volatile chemicals together in haphazard fashion instead of storing them separately, at safe distances and in smaller quantities as recommended in the industry.
- It stored 700 tonnes of sodium cyanide while it was authorised to store only 10 tonnes at a time
- The Port of Tianjin had a reputation for lax oversight compared to its competitors

Some 40 percent of vehicle imports in China pass through the port at Tianjin and 10,000 vehicles are reported to have been destroyed by the explosions. The International Union of Marine Insurance (IUMI) said losses to motor vehicles alone could be $300 million. Hyundai and Kia lost a combined 4,000-plus high-end vehicles being stored at the site, and Volkswagen AG, reported more than 2,700 autos and SUVs destroyed.

MAKING THE BEST OF BOTH BRANDS

Safmarine is waiting to grow in the Indian market leveraging the differentiators with Maersk

by Deepika Amirapu

What do you think of the Indian market and the potential it offers?

It's a market we're heavily invested in, which is set to continue in the future as well. We believe we have a very strong value proposition based on the strengths of the most reliable products, network infrastructure and service differentiation. We believe India and our growth in India will be well above the global average that we have. But it will very much rest and rely on the Indian economic development. India is an incredibly important market. Traditionally, Southern Africa has also been a strong hold for Safmarine. But now it's neck to neck. There's constructive rivalry between our two offices in South Africa and India. And in the next couple of years, I see India over taking Southern Africa.

How has the change of ownership and headquarters had an impact?

Safmarine will mark 70 years in June 2016 having been formed in 1946 by South African Industrialists and American shipowners. Safmarine grew as a separate entity and later acquired CMBT, the Belgium shipping line that gave us a footprint in India. The acquisition of Safmarine by Maersk in 1999 has allowed us to grow significantly over the past 15 years. In volume terms, Safmarine is now five times larger and we cover significantly more of the globe.

What do the two companies give and take from each other given that you are both such well known brands?

The Safmarine brand has always been focused on the customer while Maersk Line has historically been operationally focused. I think it is a fantastic blend of having brilliant products focused on good quality service,

"We are certain that if not this year, then next year, India will be our biggest market."

reliability and adding a human touch in terms of customer focus. So, we are looking at how we can leverage the two together. There's been some convergence of what the two brands offer to the market place. But if you consider that we enjoy a 14 to 15 per cent global market share.

Is it going to be that Safmarine will focus on markets such as Africa, India and South East Asia and Maersk Line will concentrate on Europe and the Americas?

Maersk is a global carrier and covers virtually all markets. Safmarine's strengths and home markets are India and Africa. These two areas plus China and the markets that we serve to and from them, are our most important footprints. So, it is unlikely that we will get in to the East-West trades because they are already taken care of by Maersk.

I would like to understand the African market? Why is it that many in the trade are evincing much interest in the continent?

For us, the African business is for the long term and there is likely to be a lot of opportunity in the continent. The port infrastructure around Africa has improved and ports have deeper draft and we are able to bring in larger vessels with greater reliability. Our focus remains on the containerised trade. As the middle class grows (in particular in Nigeria and Angola), there is going to be more consumerism and foreign investment. We also expect more manufacturing and beneficiation to take place in these markets in the future.

The growth out of Africa is relatively low in terms of containerisation and may sum up to about 5-6 per cent. Mozambique remains one of the fastest growing economies, although it comes off a low base. The extent of containerisation is largely complete as commodities going to China such as chrome ore and manganese are already containerised. We believe the automotive segment will continue to grow and provide opportunities.

If you are talking of business in India overtaking South Africa's for Safmarine, in what aspects do you see Indian gaining more importance?

The South African economy doesn't have the same scale in terms of the manufacturing base or population compared to India. The Modi government is focusing a lot on "Make in India", innovation and manufacturing and they are connected to the main global markets. We hope all this will add to more growth for Safmarine. We are certain that if not this year, then next year, India will be our biggest market.

Which are the main trade routes you look at connecting from India?

The existing network is pretty comprehensive and it will depend on opportunities and customer's requirements going forward. Once the Nigerian and Angolan markets recover there will be more opportunity for exports from India to Africa as well as other global markets. Services to and from the Indian subcontinent will be continually assessed on customer demand and the ability to profitably serve these markets.

Are you going to be functioning independently of Maersk Line's services or act as feeders looking at the vessel sizes that are being deployed to smaller markets these days?

The deployment is entirely a Maersk Line operation and network. Under Safmarine, we have our market, brand and allocation on that network. So, in terms of operation it is fully handled by Maersk Line's operation and network team and we leverage that to provide our customers the best of both the services.

What are the top most markets for Safmarine today and where do you see growth coming from in the next couple of years?

Africa is a big part of our growth story – East and West Africa, with a large share of the business coming from Asia and India as well. Future growth depends on manufacturing development in India, what those products are and how the mature markets, the US and Europe recover from the economic downturn as well. We see positive development and growth in the US and a good part of our business transits the Suez to the East Coast. Europe is struggling in terms of recovery, but with competitive products and services, we expect to see it rebound. Russia has its own sets of challenges, but in the long run we hope to do good business.

What are your top priorities for Safmarine in India?

My key focus is that we are able to get our share of the market and growth while meeting our customers' expectations. A large part of our worldwide team, focusing on the customer experience is located in India. This team is an integral part of the service we deliver to our customers.

Could you state what your medium and long-term plans are as the new chief executive?

We find ourselves in a competitive market being pressured to deliver on volumes and ocean freight rates as well. So our immediate focus is to make sure we meet our volumes target. In my first 90 days I am gathering input and understanding from our teams and customers around the world. During the fourth quarter we will be reviewing that input and setting our medium and long-term objectives for implementation in 2016. In the long term we are looking for opportunities for unique growth that positions us differently from Maersk Line and the other competitors.

How much are you going to draw on Maersk Line's expertise to build volumes in India?

I think we have a history in India that establishes us a trusted partner. I don't think we need to rebrand or reposition, and will continue to evolve to our customers' needs. The two brands have their own value but we need to make sure we don't come too close and overlap too much. The engagement that the customers have with us should be distinct and appropriate to their needs.

How then do you plan to project yourself to the customer given that you have such a strong mother brand as Maersk to draw from?

That's a good question and one we continue to ask ourselves. We have to look at a different portfolio of customers and we do particularly well with the small and medium size customers. That is if they are small for Maersk, they are big for us. That's not to say this is exclusively what we focus on, but I think it's a good match if you consider that Maersk Line has 30,000 employees including about 8,000 seafarers, where we are about 1,400 people. We strive to create a different attitude, actions and behaviors that a smaller team can provide its customers. We have a more personal relationship with our customers. mg

HIGHER SMILE COUNT FOR NOW

Inspite of high expectations, returns may not be immediate from this ambitious project

by Omer Ahmed Siddiqui

The Egyptian government is embarked on a mission to boost the national economy ravaged by years of political unrest. As part of the initiative the government has achieved an astonishing milestone by deepening and widening the existing Suez Canal and developing a new parallel canal which is about 22 miles long. Inaugurated on August 6, the project has been completed in just one year and is said to cost $8 billion, much of which is locally funded through investment certificates.

The canal is 101 miles long and does not have locks like the Panama Canal, as it has the same water level as in the Mediterranean Sea. It is already the fastest route between Asia and Europe and accounts for 8 per cent of the world's sea trade. Originally, the canal was not wide enough through out its length to enable passage of two ships side-by-side, so several bays were constructed where ships had to wait for the lane to clear for transiting the canal. The expansion reduces waiting time, fuel consumption and operational cost for liners by allowing northbound and southbound ships to pass through the waterway simultaneously.

The widening will accommodate larger ships, increase traffic from 50 ships a day to 97 and reduce the time to travel through the canal from around 18 hours currently to 11 hours by 2023. Annual profits from the canal are forecast to more than double from $5.3 billion to $13.2 billion by 2023. Before the expansion, the canal was operating below its actual capacity of 78 vessels a day. According to an Egyptian economist, the maximum growth in revenue that the new dredging now allows from the passage of slightly bigger oil tankers amounts to just $200 million a year.The government has ambitious plans to develop a massive industrial and transportation hub, packing and packaging centres nearby and set up an international centre for shipping, vessel repair and maintenance. The services will include repairing ships, refueling, towing and rescuing, painting and cleaning ships and loading and unloading them. Ports will be developed at the entrance of the canal to increase the prominence of Egypt in global logistics.

Growth may not be as fast as expected

Industry analysts consider the Egyptian government's predictions about growth in traffic and revenue from the canal as unrealistic. The canal was hardly hitting its full capacity even before the expansion, so questions are being raised on how many more ships will take the route once the new channel is opened. A review of the traffic in the recent past reveals a declining trend, a result of tepid global trade growth and a drive by ocean carriers to consolidate more goods into larger ships.

Weekly services on Asia-to-Northern-Europe shipping lines and Asia-to-Mediterranean lines have been falling since the first quarter of 2013, although the number of shipping containers has risen, reveals Drewry. The average number of vessels passing daily through the canal is down from a daily average of 58.5 in 2008.

Liner's speak

The expansion surely brings some savings on cost and through the use of larger ships, but more ships will not be sent through the canal in 2015, says Maersk Line – the largest client of the canal. Last year the liner had sent 1,400 ships through the canal and it will send the same number this year as well.

The canal will not change much overnight, said Nicholas Sartini, SVP for CMA CGM Group. The investment is for long term to accommodate larger ships, he said.

The scale of expansion under question

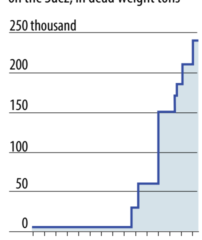
While Suez Canal is done with its expansion and its rival – The Panama Canal – will do it in a year's time, but it has been reported that none of them can accommodate the world's largest oil and natural gas tankers or the biggest container vessels. The VLCCs will not fit into the expanded canal, and the Q-Max LNG tankers will fit as long as they are only partly loaded. But if partly loaded it will not provide economies of scale to its owners. Similarly, the largest container vessels often called the Triple E class will not make it through the canal when loaded to their full capacity. However, the size limits of the canal do not appear to be a major concern at the moment because even the US ports are not big enough to dock such large vessels.

Even if such large ships arrive at the canal they could be anchored at a distance and have its cargo offloaded in a few trips by smaller ships, opines an industry expert. But the size constraints are a problem for LNG business as the capability to transport large volumes is central to their economies of scale.

Smoother Passage

Improvements to the Suez Canal will allow for more shipping traffic. A look at the waterway's growth, and how it compares to the Panama Canal.

Maximum weight of loaded ships on the Suez, in dead weight tons



A tale of two canals

	Suez	Panama
Year opened	1869	1914
Length, in miles	120	48
Share of seaborne trade	8%	2%
Ships transiting in 2014	17,148	13,482
Net tone transiting in 2014	963 million	327 million

SUEZ vs PANAMA

Suez will pose stiff competition to the Panama Canal for the trade traffic moving between China and the US, provided the toll does not rise significantly. According to a recent release by Alphaliner, The Panama Canal had recaptured the majority of traffic on the all-water shipping route between the Far East and the US East Coast that it ceded to the Suez Canal in late 2014. Weekly capacity on the route has surged by 20 per cent year-over-year to a record high of 143,000 teu in June and now accounts for 34 per cent of total trans-Pacific capacity from the Far East compared with 30 per cent 12 months ago.

A surplus of Panamax container ships, a shorter steaming distance and lower bunker fuel prices have combined to make the Panama route more alluring than the Suez Canal even though the Egyptian waterway can handle larger vessels.

Five of the six strings launched or relaunched between March and May this year use the Panama route, which now has 16 services with a combined weekly capacity of 73,000 teu and an average ship size of 4,570 teu. Nine strings are routed via Suez with a total capacity of 70,000 teu and an average ship size of 7,780 teu. However, Andy Lane of CTI Consultancy says, "A 4,500 teu service through the present Panama is far less efficient than a 10,000 teu service through Suez (typical Asia-USEC) even if the overall distance is a little longer." mg

Hazards of liquefaction

The Liquefaction project is expected to provide a better understanding of cargo liquefaction, and develop recommendations for ship design to avert future casualties

Over the past decade liquefaction has been linked to the loss of more than a dozen bulk carriers and over 90 seafarers. The Allianz Global Safety and Shipping Review 2015 identifies the topic as one of the "key risks to the future safety of shipping".

The priority being given to the phenomenon by shipping is demonstrated by the joint R&D Project for Bulk Carrier Safety – LiquefAction, whose partners include Hamburgische Schiffbau-Versuchsanstalt (HSVA), Hamburg University of Technology (TUHH) and key German owner Oldendorff Carriers. ClassNK is also taking part, alongside Ecole Central de Nantes (ECN), and the Institute of Science and Technology for Transport, Development and Networks (IFSTTAR).

The project's outcomes are expected to benefit the bulk carrier sector as a whole, and are expected to feed into relevant safety guidelines such as ClassNK's Guidelines for the Safe Carriage of Nickel Ore.

Although INTERCARGO has termed nickel ore "the world's most dangerous cargo", the liquefaction project examines the assumptions that lie unchallenged behind such statements. For example, ships go down quickly and catastrophically as a result of liquefaction, but do existing regulations really describe the conditions that cause cargoes to act under liquefaction? And would their full application avoid such circumstances?

Cargo profiles may differ regionally and even from within the same mine. Sampling methods may also be due for review. Thus, the condition of cargo on loading and the loading process itself therefore warrants close attention.

Capt Paul Jeffrey, of Lübeck-headquartered Oldendorff Carriers GmbH comments that typical geared vessel will see about 4,000-4,500 grab loads, dropping 10-15 tonnes of cargo from a height 10-15m above the cargo. This has the negative effect of imparting energy into the cargo, liberating water, and driving out air.

To help mitigate these effects, best practices for loading such cargoes includes using a 'soft drop' method, according to Oldendorff. Further research may help define the real consequences of such compaction, and the safety benefit of implementing 'soft drop' loading techniques.

Ship motions and the frequency range and amplitude that cause liquefaction of a given cargo with given moisture content over specific time periods are central areas of study within LiquefAction. Modelling the phenomenon's effect on stability by taking into account dynamic behaviour is also critical. Both factors will contribute to qualifying and quantifying preventive and mitigating measures in ship design and operation.

Capt. Jeffrey of Oldendorff comments: "We need to look at the puzzle from a forensic viewpoint, working backwards and involving not just academic science but also empirical science of natural moisture redistribution downward within the cargo column. Empirical evidence would therefore suggest there are factors at play not being considered in our general understanding of liquefaction."

"I'm hoping the ship and cargo modelling that the LiquefAction research will define can be used to help simulate and explain the empirical observations reported by survivors of real casualties."

The first and second editions of ClassNK's guidelines on nickel ore include the precondition that cargo should not be loaded with moisture content over the defined transportable moisture limit (TML). However, the guidelines also include warnings on measurement errors, environmental conditions during a voyage and other factors that could cause liquefaction even if the moisture content is less than the TML.

Amendments to Section 4 of the International Maritime Solid Bulk Cargoes (IMSBC) Code, which became mandatory from January 1, 2015, require the shipper to provide a certificate, signed by a port state-recognised organisation clearly stating the TML of a cargo provided that the cargo is categorised as Group A, which is defined as "cargoes that may liquefy". Vessels can carry cargoes subject to liquefaction even if the moisture content is above the TML, as long as the ship is "specially constructed or fitted to carry the cargo, and if evidence of approval by the Administration is stored on board the ship".

The second edition of ClassNK's guidelines on nickel ore include the world's first hull structure and stability requirements for "Specially Constructed Cargo Vessels," released as part of revised guidelines in February 2012. The requirements have since been approved by Panama, Japan, the Marshall Islands and Liberia, being also recognised by INTERCARGO, and went on to secure the Seatrade Safety at Sea Award in 2013, building on the reputation of the first edition which was awarded the Lloyd's List Global Safety Award in 2012.

However, in the interest of safety, some in the industry have called for re-evaluation of "low risk" cargoes, such as bauxite, which remains a 'Category C' cargo as defined under the IMSBC Code – the least dangerous category from a liquefaction point of view. Allianz also raises the point "whether the list of cargoes in the A, B and C categories in the IMSBC Code needs to be reassessed."

Action by regulators to sharpen definitions on or reclassify cargoes within the IMSBC Code will surely be welcome. However, the LiquefAction project is based on the premise that they do not provide an exhaustive response to the root causes of the phenomenon. It is surely worthy of note that accidents have occurred with vessels carrying screened bauxite products, effectively outside the standard run-of-mill grade envisaged when bauxite was originally introduced into the BC Code – the predecessor of IMSBC Code.

"Despite the positive steps that have been taken towards prevention of shipping accidents, there is still much more to be done," says Yasushi Nakamura, Representative Director and Executive Vice President of ClassNK. "A greater level of support and guidance is needed across the board to ensure safety, and ClassNK is convinced there are issues that need to be addressed in a holistic and comprehensive manner."

Capt. Jeffrey says that the various mechanisms which can lead to cargo instability, which are currently "lumped together as liquefaction", may not necessarily be the same. Slope failure or free water, for example, have specific dynamics. "We cannot conclude necessarily that ores with moisture content below TML will not, in fact liquefy; there being other engineering principles to consider."

The phenomenon of 'expressed water' at the cargo's surface, whether it be from pore pressure alone and/or some other mechanism, has been reported since the 1960s, but is still not fully understood, Capt. Jeffrey says. "Should we be able to predict the propensity for expressed water over a wide range of cargoes, then perhaps we'd have a better understanding of the 'liquefaction' risks that may in turn help explain why we see variances."

According to HSVA, LiquefAction is addressing both design and operational vessel perspectives, "based on extensive experience and accident data, numerical modelling and simulation concerning the behaviour of granular cargoes in various modes of motion".

One plausible theory might suggest an instability that is initiated by a surface level slurry (liquefaction) sufficient to cause free surface and ensuing 'angle of loll' to be developed. The subsequent regaining of neutral or even positive stability at this large angle may be supported by observed accounts. At these large 'angles of loll' the free surface effect is significantly reduced with the slurry now finding itself nestled within the 'v' shaped wedge between the ship side boundary and the cargo's surface. The weight of the slurry is now to one side and although the free surface is drastically reduced, the resulting displaced weight maintains the permanent list. This comprises the first of a two-part rolling motion that may merit further study.

"The proposition that cargo liquefies top-to-bottom or perhaps due to a wet base is itself questionable," says Capt Jeffrey. The project team's innovative experiments and scientific modelling will contribute to the collective knowledge so greatly needed. mg

GNSS READY TO SOAR HIGH

In the coming years, recreational vessels will drive growth of GNSS, which will almost double

In the maritime segment, global navigation satellite system (GNSS) is employed to satisfy the demand for navigation (in open sea or in specific situations, such as harbour entrances and approaches) and for positioning (including, among others, vessel monitoring, traffic management, locator beacons for distress situations, etc.) of vessels and crews by different stakeholders.

The end users are ship masters, pilots and port authorities. The beneficiaries are a much wider category, including passengers, companies served by the maritime supply chain and through logistic applications, and consumers of sea products.

The user needs and performance requirements of GNSS solutions depend heavily on the applications designed to satisfy needs of improved safety and productivity. In this sense, accuracy and integrity are key for navigating in restricted waters (e.g. port approach, inland waterways) as well as for positioning applications (e.g. manoeuvring, traffic management, search and rescue operations, marine engineering), as per IMO resolution A.915.

The e-Navigation initiative of the IMO aims to enhance the safety and ease of navigation by integrating all navigational tools in an all-encompassing bridge system. As e-Navigation systems should be resilient, they can drive the uptake of multi-constellation GNSS.

GNSS and the control of fishing vessels in the EU

There are almost 87,500 fishing vessels operational in EU of which 70 per cent belong to Greece, Italy, Spain, France, Croatia and the UK. The EU maritime surveillance system now relies on a series of GNSS-enabled technologies for vessels detection and monitoring:

The Vessel Monitoring System (VMS), a satellite-based system providing data to fishery authorities at regular intervals on the location, course and speed of EU fishing vessels above 12m. Notably, non-EU vessels of the same size must have an operational satellite tracking device whenever they are in community waters.

The Automatic Identification System (AIS) is an identification and monitoring system used for maritime safety and security (but also for control purposes), allowing vessels to electronically exchange identification data, position, course and speed. Since May 2014, it has been mandatory on vessels above 15 m. As a result of the regulation, 9,000 fishing vessels are now equipped with VMS devices in the EU, whereas 8,000 are fitted with AIS transceivers.

The EU GNSS industry in the global arena

European companies have a market share of 28 per cent among components and receivers manufacturers, with the market being dominated by Asian players. The top three European companies are Orolia (including McMurdo), Hexagon and Laird. Among system integrators, European companies have a strong presence with a 45 per cent share of the market, compared to North America's 35 per cent share. The top three European companies are Kongsberg, Navico and Safran.

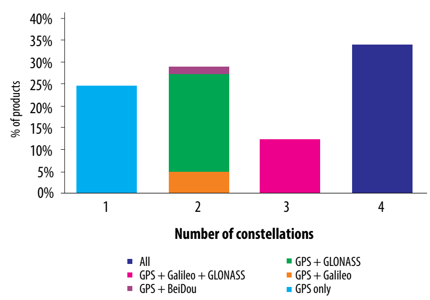
For both VMS and AIS, The largest regional market is China, where some 50,000 BeiDou enabled devices are used both for basic communication across the fleet and for monitoring the use of authorised fishing areas, and in particular in contested waters (e.g. Taiwan).

According to The International Council of Marine Industry Associations (ICOMIA), there are around 29 million recreational vessels in use worldwide, whereas other crafts, including fishing vessels, are estimated to be around 3.3 million. This explains the relevance of GNSS shipments for recreational navigation, despite the fact that GNSS penetration is higher in merchant vessels than in recreational and fishing vessels (87 per cent in merchant against 22 per cent in recreational vessels and 8 per cent in fishing vessels across all applications and globally).

Growth drivers for GNSS

In the coming years, recreational vessels will be responsible for the further growth of GNSS yearly shipments, which will almost double

Supported constellations by receivers – Maritime segment



Supported constellations by receivers - maritime segment

from 1.15 million units in 2013 to 2.0 million in 2023.

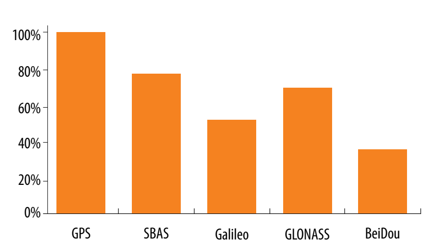
In recreational navigation, GNSS solutions are spreading quickly, as end users have a strong inclination towards technological aids to navigation tools and tend to exhibit robust spending power. Since skippers do not have to rely on mandated equipment, they also use non-professional handheld or portable navigation devices.

GNSS shipments for merchant navigation are expected to almost double in the next ten years, reaching some 50,000 units. Considering the geographical distribution of GNSS devices and revenues, North America is expected to remain the most important region in installed GNSS devices for maritime applications, although Asia-Pacific is growing at a faster pace. The installed base of GNSS devices in Europe is expected to increase slowly but steadily. Overall, the GNSS penetration is expected to double over the next decade, from 20 per cent to 40 per cent.

Performance standards set by IMO

The International Maritime Organization (IMO) has set operational performance requirements for GNSS to be recognised as World-Wide Radio Navigation Systems (WWRNS). These requirements are used as a benchmark to assess the performance of the potential core systems and their augmentations. They are expressed in the maritime context in terms of accuracy, coverage, availability, continuity and integrity warnings.

Capability of GNSS receivers – Maritime segment



Capability of GNSS receivers - maritime segment

The ability to concurrently receive GNSS and augmentation signals from multiple satellites belonging to different constellations allows receivers to have a higher probability of acquiring a greater number of satellites at any single point in time. Consequently, navigation performances will be greatly improved, enhancing the users' experience and increasing the possibility for GNSS receivers to meet IMO performance standards.

In order to ease the introduction of multi-GNSS receivers into the Maritime segment, the IMO "Maritime Safety Committee 90" introduced the need to develop new performance standards for navigation receivers. These new standards will enable full use of the availability, continuity and integrity, as well as increased accuracy, thanks to a combination of multi-constellation GNSS and terrestrial and augmentation systems. To this extent, the IMO "Sub-Committee on Safety of Navigation, Radio Communications and Search & Rescue" is charged with developing "Performance Standards for Multi-System Shipborne Navigation Receivers." The status of the initiative is advanced and such standards are expected to be provided in the course of 2015.

Anticipating the provision of standards, the adoption of multi-constellation in user equipment has already started. Around 75 per cent of all devices have implemented at least two constellations. The most popular system, after GPS, is GLONASS, supported by regulatory measures taken by the Russian Federation. Galileo and BeiDou are increasingly present, and more than 30 per cent of receivers are capable of processing all constellations simultaneously.

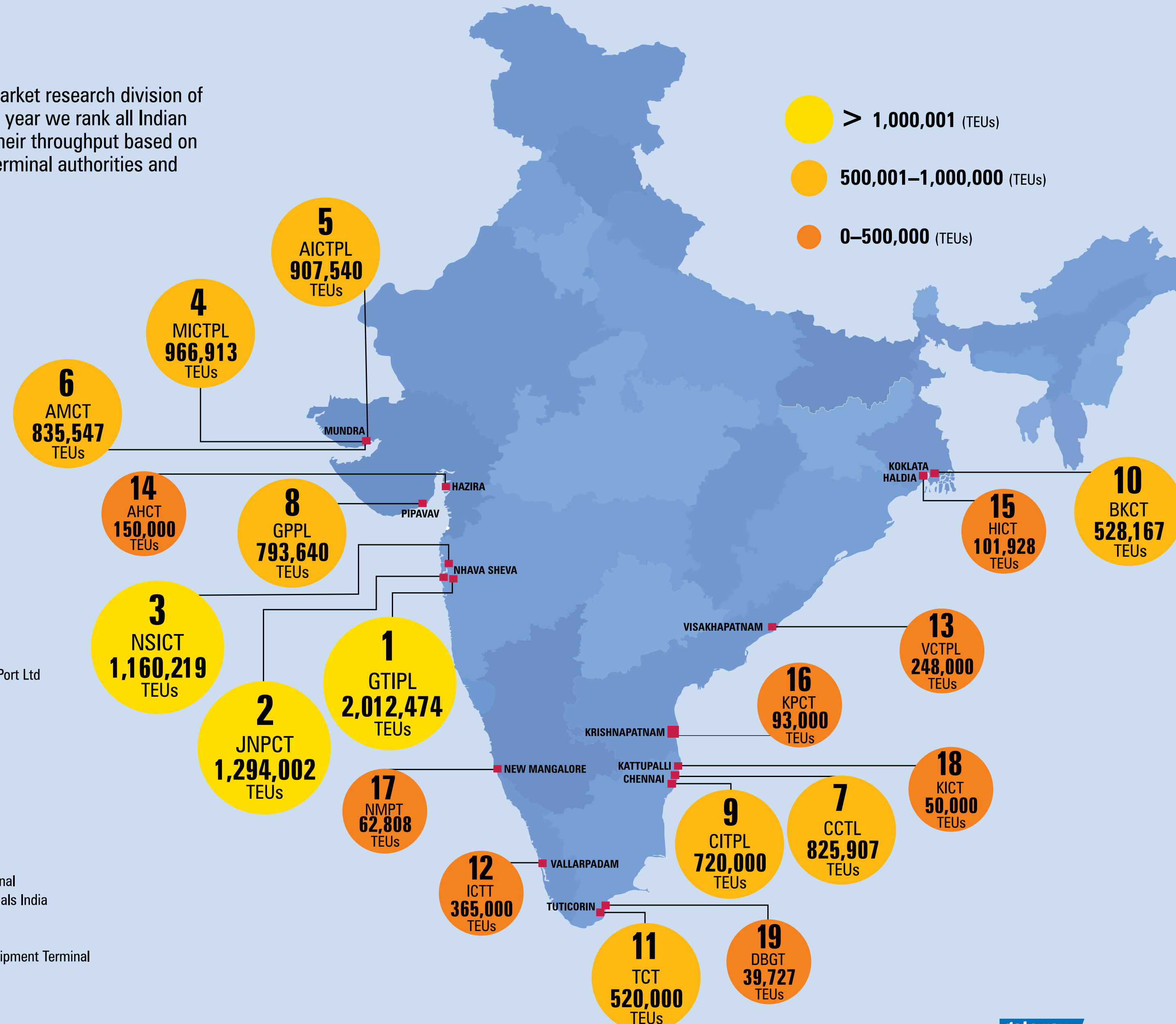
(Based on excerpts from the GNSS market report published by European Global Navigation satellite Systems Agency.)

INDIAN CONTAINER TERMINALS RANKING
(2014-15 FY)

Gateway Research is a full service market research division of Gateway Media Pvt Ltd. Starting this year we rank all Indian container terminals with respect to their throughput based on data obtained from ports/container terminal authorities and also from other reliable sources.

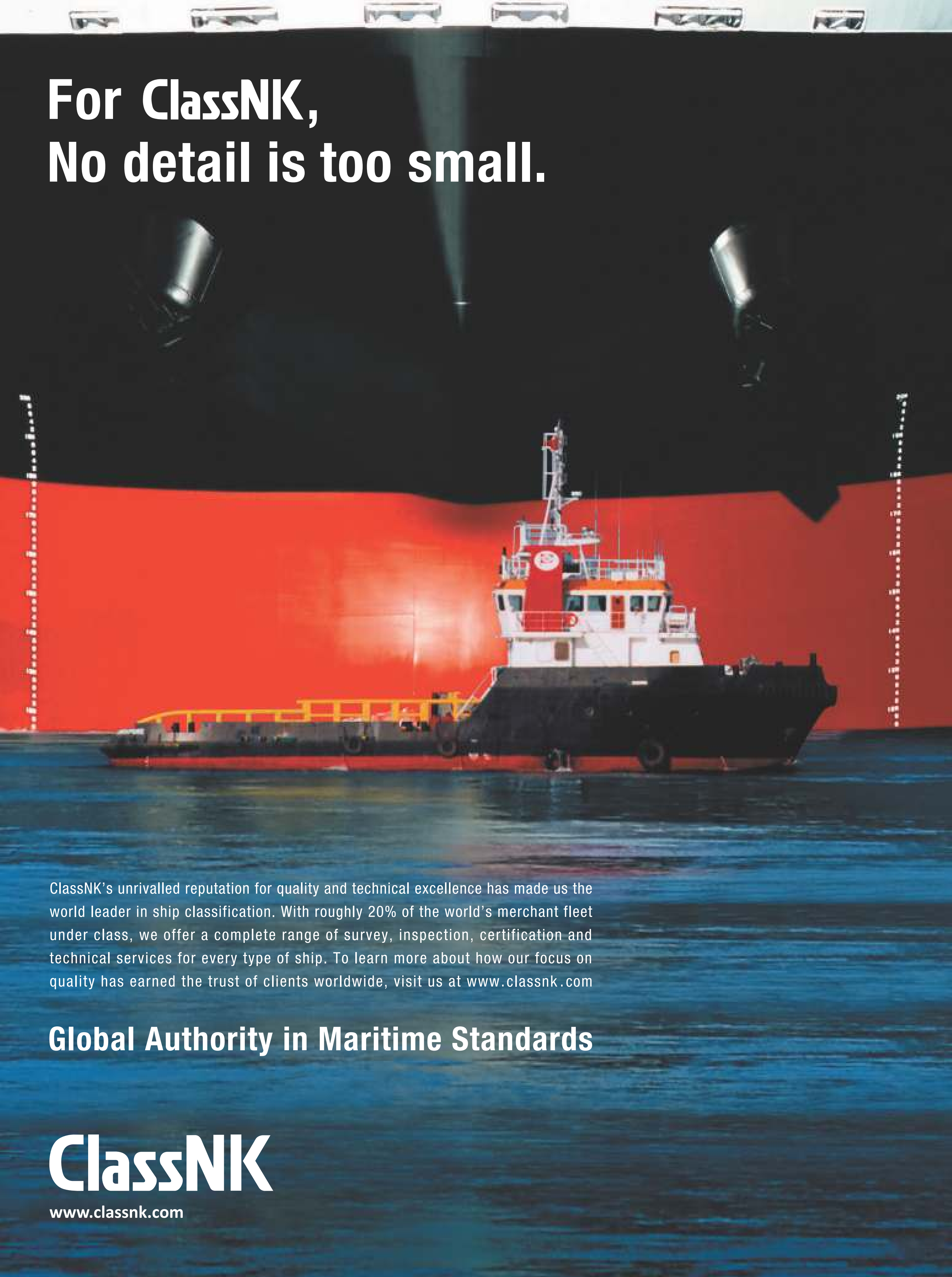
Total Installed Capacity
(2014-15 FY)
19,350,000 TEUs

Total Throughput
(2014-15 FY)
11,674,872 TEUs



GPPL : APM Terminals Pipavav – Gujarat Pipavav Port Ltd
MICTPL : Mundra International Container Terminal
AMCT : Adani Mundra Container Terminal
AICTPL : Adani International Container Terminal
AHCT : Adani Hazira Container terminal
CCTL : Chennai Container Terminal
CITPL : PSA's Chennai International Terminal
VCTPL : Visakha Container Terminal
KPCT : Krishnapatnam Port Container Terminal
KICT : Kattupalli International Container Terminal
JNPCT : Jawaharlal Nehru Port Container Terminal
NSICT : Nhava Sheva International Container Terminal
GTIPL : APM Terminals Mumbai – Gateway Terminals India
BKCT : Bharat Kolkata Container Terminal
HICT : Haldia International Container Terminal
ICTT : Vallarpadam International Container Transhipment Terminal
TCT : PSA SICAL Tuticorin Container Terminal
DBGT : Dakshin Bharat Gateway Terminal
NMPT : New Mangalore Port – (Containers)

Source by: gateway research | www.gatewayresearch.in


For ClassNK,
No detail is too small.
ClassNK's unrivalled reputation for quality and technical excellence has made us the world leader in ship classification. With roughly 20% of the world's merchant fleet under class, we offer a complete range of survey, inspection, certification and technical services for every type of ship. To learn more about how our focus on quality has earned the trust of clients worldwide, visit us at www.classnk.com
Global Authority in Maritime Standards
ClassNK
www.classnk.com