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INDIAN EXPORTS NEED TO IMPROVE

JOACHIM VON DER HEYDT
CHAIRMAN, BENGAL TIGER LINE

BUSINESS OUTLOOK 2016

VIEW FROM THE BRIDGE CLOUDY HORIZONS

We're sorry to be the New Year party poopers and the naysayers. We do not like bad news or talking about the hex markets put on the shipping industry. So here's our way of telling you what's coming – 2017 is when the industry can really party and celebrate the making of big bucks. 2016 is to be welcomed quietly and watched over carefully

JSW MODERNISES JAIGARH PORT TO HANDLE LARGER CAPESIZE SHIPS

A modern, mechanised and magnificent port for Maharashtra's economic growth.

KEY HIGHLIGHTS OF JSW'S JAIGARH PORT:

- A modern, mechanized, environment friendly deep water port (20 mtrs) in Maharashtra has handled large Capesize Vessels (200000 DWT) and is getting ready for a giant leap to handle 65 MTPA of cargo. Also, it is aiming for direct berthing of next generation vessels i.e. largest Dry Bulk Carrier (Vale Max), LNG Carrier (Q-Max), Container Vessel (EEE Series-18000 TEUs) & Very Large Crude Carriers (340000 MT) with active Government support.
- A 'Jaigarh-Digni Rail Limited' SPV has been formed and the project is being implemented as a joint venture with Konkan Railway and Government of Maharashtra. Jaigarh Port would be connected to Indian Railway Network by March 2018.
- Ministry of Shipping has identified Jaigarh Port in the formation of a Coastal Economic Region in the visionary Sagar Mala Project on the West Coast and is poised to drive economic development of the region.
- JSW Infrastructure is expanding the total capacity at its ports to 200 MTPA.

JSW Infrastructure

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Rough ride on roads to growth

The mighty Moody's and true to the word Fitch have watered down all hopes of the shipping industry or the global trade looking any better than it is today. But a short glimpse at the United Nation's World Economic Situation and Prospects 2016 Report makes us feel much better and more hopeful about the next 12 months.

Starting 2016, India will grow at 7.3 and 7.5 per cent for two years, making it the fastest growing economy in the world regardless of global financial conditions that will see diminished trade flows and stagnant investment. What would make us lick our lips in glee all the more is a downturn predicted in China's growth to 6.4 and 6.5 per cent in 2016 and 2017. While the slowdown in China was foretold earlier, the fragile business atmosphere in Europe, Russia and Brazil, which have been the fulcrum of global growth in the last couple of years have put the ball back in the developing nations' court, the report said. "Stronger and more coordinated policy efforts are needed to ensure robust, inclusive and sustainable economic growth, which will be a key determinant for achieving the 2030 Sustainable Development Goals," Assistant Secretary-General of the United Nations Department of Economic and Social Affairs, Lenni Montiel said. Growth in developed economies will gain some momentum in 2016, surpassing the 2 per cent mark for the first time since 2010, the report said.

These comments, however, come with a note of caution. While economic growth in developing nations in Asia, Africa, Latin America and other transition economies is expected to perform better gradually, the report says the course of recovery shall still be rugged and patchy. This would yield results, albeit a little slowly. Some of the sore areas that the report asked countries to watch out were persistent macroeconomic uncertainties, low commodity prices and diminished trade flows, rising volatility in exchange rates and capital flows, stagnant investment and productivity growth and continued disconnect between finance and real sector activities.

How does this augur for the shipping industry? A slackened demand from China might continue to put pressure on the freight rates, but one can hope for better demand from India, Africa and a few Lat Am countries that are at the cusp of economic revival. Shipping lines and management firms might have to do an encore trimming of their costs and keep operating expenses low. Intra Asia markets, the Middle East and Far East are the new hope markets.

R Ramprasad
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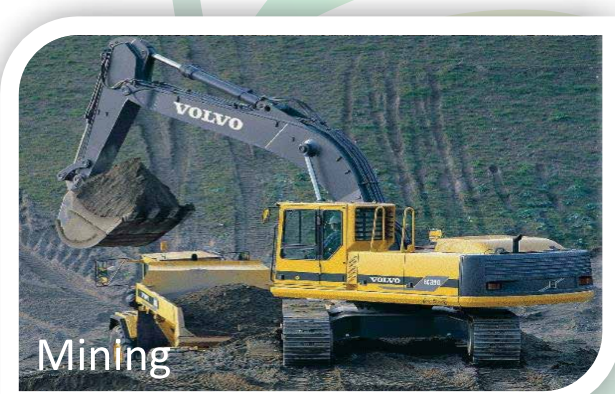

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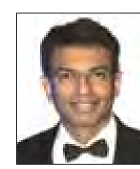
CONTENTS

VOLUME 8 | ISSUE 04 | JANUARY 2016

INTERVIEWS



OTHERS

Corrigendum

In the December issue the image used in the cover story "Another ace in the pack," relates to Hazira Terminal of Essar Ports, while the story focus was Adani Hazira Terminal. The image was wrongly used in the story and we deeply regret the error.

SPEEDWAYS

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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.

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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.

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Charity hits the road in a shipping container

Look Good Feel Better – A charity in New Zealand is hitting the road in a specially modified shipping container to reach more New Zealanders who are living with the gruelling side effects of cancer treatment. The charity provides free workshops for people with any type of cancer and will use the container as a mobile base for free Feel Better classes in areas of the country they have not previously been able to support.

The 40-foot container – named Look Good Feel Better On the Move – has been decorated with the charities trademark butterflies and modified inside to accommodate workshop participants with the addition of comfy couches, tables and chairs, storage, and floor to ceiling mirrors. The workshops are an occasion for participants to feel like a person, not a patient, and claim back their identity – while getting practical tips to combat the ongoing visual and emotional effects of therapy.

Look Good Feel Better wanted to have the opportunity to run pop up classes and the "LGFB On the Move" project has been made possible by a collective of companies coming together to get the container on the road.

Mazda has made a $10,000 contribution, shipping container specialists Royal Wolf painted and fitted out the container, Farmers provided furnishings and set up materials, and Sistema Plastics donated hundreds of storage boxes. BP Oil and Mitre 10 have also contributed significantly to the project.

Look Good Feel Better's General Manager Clare O'Higgins says the travelling container concept is not only unique but perfectly suited to the nationwide workshops LGFB run.

Reviving Hooghly Dock

The centre is mulling over plans to induct a strategic partner and give up its majority control in Hooghly Dock & Port Engineers Ltd (HDPEL) to revive it, by adopting an innovative model that will skirt privatisation. HDPEL will lease out its assets to a joint venture entity in which a private company will have a majority stake (76 per cent) and full operational and managerial freedom. HDPEL will become a shell company and earn rent apart from holding 26 per cent in the joint venture. The Shipping Ministry will select a private partner through a global tender by the end of March 2016.

Second port for Mumbai on the way

Mumbai is all set to get its second port, with the Yogayatan Group announcing plans of investing ₹250 crore for a mid-size all-weather port in the Thane creek near Mankhurd. The port will be operational in the next three months. Its draft will vary between 5.5 metres during low tide and 8.5 metres during high tide and it will have an initial capacity to handle 8 million tonnes of bulk cargo including coal, steel and cement. The port will spread across 10 acres of land and is well connected to the Mumbai-Pune highway and Mankhurd station on Harbour line.

New tech to bring down dredging cost

Work at Sagar Port in Bengal is set to start soon which includes dredging to improve the draft of the proposed port from 9.5 to 13.5 metres. A SPV is being set up for the purpose. The shipping ministry is working with IIT Chennai for a new dredging technology that will bring down the dredging cost by 50 per cent. It will be applied at Sagar Port and is expected to bring down the cost from ₹450 crore to ₹200 crore. The West Bengal government has committed 26 per cent stake for the port which has a total investment of about ₹10,000 crore.

Inland waterway from Varanasi to Haldia

Work on the proposed inland waterway from Varanasi to Haldia will start in the next few months revealed Shipping Minister Nitin Gadkari. The 1,620-kilometre waterways will start from Varanasi and will go through Sahebganj in Jharkhand to Haldia. Coal can be transported through this route to reduce power cost.

UAE to invest in Indian ports

UAE would contribute to the $75 billion fund allotted for investments in India for which it has identified key sectors including railways, housing, ports, roads and renewable energy. Abu Dabhi Investment Authority (ADIA) had announced to invest a huge $75 billion for various sectors where the government is seeking FDI to boost economy.

IOC to set up LNG terminal at Kamarajar Port

Kamarajar Port Ltd (KPL) and Indian Oil Corporation (IOC) are likely to sign a concession agreement in February for a ₹5,150-crore LNG import terminal at the port. The draft concession agreement is being finalised. The terminal, expected to become operational by early 2018, will have a capacity of 5 million tonnes per annum for storage and regasification. The Union Cabinet has allowed KPL to lease land for the terminal being built by a joint venture led by IOC, which will have a majority stake. IOC had obtained environment clearance and is in the process of selecting EPC contractors.

DMIC and NEC Corp to set up logistics data bank

Delhi Mumbai Industrial Corridor (DMIC) Trust and NEC Corporation of Japan have inked an agreement to form a SPV for setting up a logistics data bank. The data bank will reduce logistics cost, remove bottlenecks for faster development of the sector and ensure information on a real-time basis. Both the organisations will have 50:50 equity participation in the project that will integrate the information available with various agencies across the supply chain to provide detailed real-time information within a single window.

Kartik Subramaniam bids adieu to Cochin Shipyard

Commodore Kartik Subramaniam bids adieu to Cochin Shipyard after being at its helm for five years. During his tenure as CMD, the yard's turnover grew manifold from ₹35 crore to ₹1,900 crore. He steered the profit-making PSU into a new era of shipbuilding; CSL is all set to join the league of global yards capable of building LNG ships. Backed by GTT France, the yard has now obtained the strength and basic shipbuilding capability to undertake the construction of LNG carriers, Subramaniam said.

Adani mulls necklace of ports in India

Adani Group is stringing together its own Sagar Mala or necklace of ports dotting India's coastline. The group is keen to complete its necklace by having presence in the three key states of Maharashtra, Karnataka and Andhra Pradesh, apart from setting up transshipment terminals in Southeast Asia and East Africa. The company has set a target of exceeding 200 MT of cargo handling by 2020 at an investment of ₹9,000 crore, but it is likely to achieve it by 2018.

Shipbuilding materials exempted from taxes

To promote indigenous shipbuilding industry, inputs used in ship manufacturing and repair have been exempted from Customs and central excise duties. Earlier, ships could be imported at almost negligible rates of Basic Customs Duty and nil rates of Countervailing Duty. The inputs used in ship manufacturing and repair attracted normal rates of BCD and CVD. This had put the Indian shipyards, who build ships for the domestic market, at cost disadvantage.

Highway projects announced in AP

Union Minister for Transport and Shipping Nitin Gadkari has announced the sanction of highway projects worth ₹65,000 crore to Andhra Pradesh. This includes 220-km eight-lane inner ring road around capital city Amaravathi, to be constructed at a cost of ₹20,000 crore.' A 1,350-km highway worth ₹13,500 crore and 780-km highway worth ₹8,000 crore had been sanctioned to the state. Gadkari has asked Chief Minister of the state to prepare a detailed project report and acquire land for the projects. Gadkari wants all the projects to start by December 2016.

New port policy for Maharashtra soon

Maharashtra CM Devendra Fadnavis has revealed that a comprehensive new policy for development of ports will be unveiled soon. The objective is to transform Maharashtra into a significant import and export hub of India. The 720-km coastal stretch, coupled with human resources, makes the state an ideal destination for ports at every 100 km. The development model would be based on public private partnership with minimum investments from the state government. The project will involve a major investment of up to ₹50,000 crore.

"At a difficult moment of the cycle, consolidation is obviously a way for these players to gain greater market share and strength toward the customers. There's too much capacity and at these current rates, it's not a sustainable business, it cannot continue on a long-term basis.

– Esben Poulsson
President, Singapore Shipping Association

"I'm approaching my 40th year in this business, and I can't remember a harder year to move freight. We all felt like we were carrying every container on our backs as we pushed it and pulled it through the system on both coasts.

– Bill Payne
Vice-Chairman, NYK Line

"You can't ignore the role of sentiment in the markets. Right now dry cargo shipowners' heads are down and they are taking a daily battering at these earnings levels. The market is clearly very weak in the short term and 2016 is going to be very difficult.

– Tony Foster
Chief Executive of British Shipping Asset Manager, Marine Capital.

"We have about 45 running projects and 35 are in pipeline. Port sector has done comparatively better. It is a matter of great pride given the different projection of the economic growth we expect that the port capacity would be sufficient to handle growth in trade."

– Rajive Kumar, IAS
Secretary, Ministry of Shipping

"If mergers and acquisitions gain momentum, it will certainly have an impact on existing alliances, so we will need to re-examine whether the ongoing partnership is a viable solution.

– Junichiro Ikeda
President, Mitsui O.S.K.

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PORTS

JNPT implements e-delivery

Thirty shipping lines out of 31 associated with JN Port have implemented e-delivery of orders. Manual handing over of Delivery Orders by CHAs to CFSs has been done away with e-DO issued by shipping lines.

According to the e-DO procedure, upon receipt of original documents, i.e. Bill of Lading, consignee/ CHA approaches shipping agency and submits the same. Upon verification of documents, shipping agency sends Invoice to consignee/ CHA through email. The consignee/ CHA then makes payment though RTGS. Upon receipt of payment, shipping agency generates e-DO in a pdf format and sends the same to CFS/consignee/CHA through e-mail. The consignee /CHA can approach the shipping agency even before filing IGM / arrival of vessel if they receive original documents and obtain e-DO prior to landing of containers.

Telangana to fuel economic growth with dry ports

The landlocked Telangana state will soon have dry ports to anchor economic and business growth. "We have already commissioned a feasibility study on the identification of locations for proposed dry ports. The study findings will be submitted to the government in a couple of weeks," said E Venkat Narasimha Reddy, Vice-Chairman and Managing Director of Telangana State Industrial Infrastructure Corporation Ltd.

The government will also call for requests for proposals for the development of dry ports from suitable parties shortly once the location of ports is finalised. A proposal has been made for a dry port between Armoor and Balkonda in Nizamabad district which is home to many commercial crops and well connected with rail and road network. Telangana government is likely to pitch for Sattupalli in Khammam district due to huge agribusiness potential and proximity to ports such as Kakinada in Andhra Pradesh.

Connecting the port at Sagar Island

The Diamond Harbour Road (National Highway-117) and NH-35, the link between Barasat and Petrapole (on the India-Bangladesh border), will soon be turned into an expressway to facilitate better port connectivity and greater regional cooperation. This upgrade will be part of the $500-million loan from Asian Development Bank. There will also be a bridge across the Muriganga to connect Sagar Island with the mainland. The project includes a 231-km north-south corridor, parallel to NH-34, from East Midnapore to Murshidabad, which will cross six districts. From Mechogram near Haldia in East Midnapore to Morgram near Jangipur in Murshidabad, it will connect NH-6, NH-2, NH-60 and NH-34.

Gopalpur Port joins race for East Coast cargo

Competition is bound to grow among Visakhapatnam and Gangavaram ports with Gopalpur Port located near Berhampur in South Odisha on the East Coast re-commissioning its operations. Gopalpur is strategically located between Paradeep and Visakhapatnam and developed on a 4-km stretch with good road and rail connectivity. It presently has adequate stack yard space for storage of bulk and break bulk cargo with plans for up-gradation as per the traffic demand.

Gopalpur Port is mainly targeting factories and the mineral-rich hinterland of Odisha, Jharkhand, and Chhattisgarh. In the aftermath of Cyclone Phailin and Hudhud, the port has been renovated and has a multipurpose berth with semi-mechanised handling facilities.

Besides the open stack yards, there are 15 covered sheds with a total area of 12,000 sq. m. for storage of break bulk cargoes. Faster evacuation of the cargo will be through NH-516, a two-lane road upgradable to eight lanes in future connecting NH-16, 6 km away.

MANSA seeks berthing facilities at the offshore container terminal

In order to reduce congestion and lower the transaction cost, MANSA has sought berthing facilities at the offshore container terminal for higher dimensional vessels carrying large parcels of pulses, steel and general cargo. A letter by MANSA to the Chairman of Mumbai Port Trust states, "These vessels cannot be accommodated and are required to be lightened at the anchorage port lighterage point. Even after lightening, it is very difficult for them to be accommodated at the Harbour Wall Berths since they occupy more than one berth and block all the remaining berths for other vessels." Such repeated occurrences have contributed to frequent congestion at the port. Hence, under such circumstances, over dimensional vessels be permitted to berth at OCT as a special case to circumvent undue congestion at the port.

DB Schenker opens its 2nd largest warehouse in India

Schenker India Pvt Ltd has opened its biggest warehouse in India at Bhiwandi near Mumbai in western region. The 172,841 sqft (approx. 16,000 sqm) facility provides state-of-the-art warehousing operations for palletized and non-palletized cargo. DB Schenker customers in the western region of India will now be served even better with a shorter response time, availability of products and seamless last mile deliveries. Strategically located off National Highway no. 3 (Mumbai-Nashik Highway), the logistics centre features uninterrupted power back-up, advanced warehousing management and distribution system enabling convenient end-to-end logistics solutions.

Near-term volume woes for Adani Ports

After marking strong gains in the past two years, the Adani Ports and Special Economic Zone (APSEZ) scrip has come under pressure. The overall shipment volumes handled in the second quarter of FY16 grew a paltry 4 per cent year-on-year to 36.5 million tonnes (mt), versus expectations of 40 mt. With India's annual coal production set to increase from 494 mt in FY15 to 908 mt by FY20, the bulk cargo (mainly coal) segment could see muted growth. To counter this, APSEZ is working to increase its share in liquid and container cargos. Also, it is planning to expand to other locations in the country.

Container throughput remains flat at major ports

Container throughput at India's major ports inched up 1.83 per cent year-over-year in the first eight fiscal months as sluggish global demand dragged down volume growth. Volumes during April to November totaled 5.4 million teu, up from 5.3 million teu a year earlier. Traffic via JNPT was essentially on par with last year, at 2.97 million teu. Of this, Gateway Terminals India handled 1.22 million teu, down 6.7 per cent from 1.31 million teus during April to November 2014. DP World's Nhava Sheva International Container saw volume fall 5.6 per cent from 765,144 teu a year earlier to 722,219 teu, while Nhava Sheva (India) Gateway Terminal, racked up 89,281 teu in the same period. Traffic at Chennai was also flat year-over-year at 1.05 million teu in the eight-month period.

During April to November, other major public ports reported container volumes as follows: Kolkata up 2.4 per cent from 421,000 teu to 431,000 teu; V.O. Chidambaranar, up 10.3 per cent from 362,000 teu to 399,000 teu; Cochin via DP World-operated Vallarpadam International Transshipment Terminal up 8.5 per cent from 249,000 teu to 270,000 teu; and Visakhapatnam up 9 per cent from 169,000 teu to 184,000 teu.

Coal stocks at key Indian ports at 11.57 million mt

Coal stocks at 17 major Indian ports totaled 11.57 million mt as on December 17. The stockpile comprised 9.29 million mt of thermal coal and 2.13 million mt of coking coal. Anthracite stocks were at 32,000 mt, while petcoke stocks stood at 122,000 mt. Coal stocks at the major ports were at 13.13 million mt as of December 11, with 10.89 million mt of thermal coal and 2.11 million mt of coking coal. On December17, Paradip on India's east coast had the highest coal stocks at 1.98 million mt and also had the highest stocks of coking coal at 938,000 mt. Kandla on the west coast had the highest inventory of thermal coal at 1.37 million mt. The 17 ports surveyed by Interocean were Mangalore, Tuticorin, Kakinada, Paradip, Kandla, Gangavaram, Visakhapatnam, Krishnapatnam, Muldwarka, Bhavnagar, Pipavav, Goa, Haldia, Magdalla, Dahej, Mumbai and Karaikal.

VPT to set up logistics hub

Visakhapatnam Port Trust (VPT) is planning to undertake the detailed project report (DPR) of the mega logistics hub being planned in association with the AP government as soon as the district administration hands over possession of the land to the major port. Four hundred acres land has been identified in Anakapalli for the project. However, the equity model between the state government and VPT is yet to be finalised. As soon as the land is handed over, the port will go for a DPR with a consultant agency, after which the tendering process will start. The logistic hub will have rail sidings, roadway connectivity and comprehensive facility for packing raw materials and storing cargo in transit at the logistics hub.

Land at major ports underutilised

The 12 major ports failed to utilise close to half of the total land under their possession, official auditor CAG has said in a report. Land measuring 22,949.82 acres was identified for future activities by ports, while 13,045.56 acres were yet to be earmarked for any future activity. Thus, 35,995.38 acres representing 46.63 per cent of total land under the possession of ports remained unutilised. The audit report on 'Land Management in Major Ports' also said that of the total land holding of 77,191.14 acres, title deeds were not available for 34,943.41 acres representing 45.27 per cent of total land holdings.

MICT installs TOS ZODIAC

Mundra International Container Terminal (MICT) has installed technically advanced terminal operating systems TOS ZODIAC to optimise terminal operations, enhance competitive advantage and customer satisfaction. ZODIAC provides an enabler platform to inbound supply chain and terminal stakeholders with real-time container information and other features such as advanced Electronic Data Interchange (EDI), digital documentation, flexible reporting, smart planning components and web-enabled user interfaces. It comes with reliable core system architecture with the capacity to add other interfaces in the future.

Satellite port at Vadhavan approved

The government has approved setting up a satellite port project at Vadhavan near Dahanu in Maharashtra. A Techno-Economic Feasibility Report has also been prepared by M/s McKinsey & Co. in this regard. The 30-berth port will ease traffic currently handled by Mumbai Port.

Linking Mumbai Port to east coast

Vice-Chairman of Planning Board S Niranjan Reddy has requested the Union Minister for Road Transport and Highways Nitin Gadkari to take up the project providing for linkage from Mumbai Port to the existing and upcoming ports on eastern side in Andhra Pradesh via Telangana, on the lines of the proposed linkage of Mumbai Port to Gopalpur Port in Odisha. The linkage would shorten the distance between the strategic locations and help the exim community to save on their transport cost.

Government to rope in private players for Chabahar port

The government plans to rope in some of the leading private sector players in the infrastructure field such as Jindal Infrastructures, Essar, SAIL and IRCON to develop the area around Iranian port Chabahar. The plan is to build a free trade zone with the objective of attracting private investments in the first phase of the project. Additionally, India will also be setting up rail connectivity as the project takes off. The railway line will connect the port with Afghanistan. It will also link India with the entire Central Asian region. The $31-billion project once completed will raise the operational capacity of the port to around 86 million tonnes.

JNPT to get new equipment as volume grows

JNPT has embarked on an equipment upgrade plan to further improve service levels. The port trust issued a global tender for the acquisition of 15 rubber-tire gantry cranes that will double the number of RTGs deployed at the JNPT Container Terminal and also increase its cargo-handling capacity by 6.6 million tonnes per year. The ₹200-crore contract is expected to be awarded in early 2016. Despite slowing global trade, JNPCT has seen significant throughput gains this year. Throughput at JNPCT from April to November, the first eight fiscal months, expanded by 5.5 per cent compared to the same period in 2014.

Indian technology transforming South African ports

South Africa's Transnet has announced that all eight commercial ports on the country's coastline are now using Transnet National Ports Authority (TNPA)'s new web-based Integrated Port Management System (IPMS), a project aiming to transform them into 'smart ports.' The project cost is estimated at $5.5 million.

The new technology developed by Navayuga Infotech in collaboration with its South African partner Nambiti Technologies, replaces the manual processes used to monitor marine operations, vessel traffic services and terminal performance, and allows key port operations to be managed online and in real time across all the ports in the network. IPMS will boost transparency and efficiencies in the port while enabling business continuity for customers, visitors and general stakeholders.

Vizhinjam will need 10 million tonnes of cargo to break-even

Operations at Vizhinjam International Seaport are set to begin amidst huge expectations as the Adani group is at the helm of it but the port would need to handle 10 million tonnes of cargo to reach break-even which is equivalent to about 8.5-9 lakh teu. It has been reported that the Vizhinjam Port was part of Adani's strategy to expand its share of container cargo. The concession agreement of the port would allow Adani Ports to handle cargo for a period of 40 years ending in April 2056. The port will not be paying royalty in the initial years.

India keen to invest in Payra seaport

India has offered to invest in the proposed Payra Seaport on a government-to-government basis, in a move to further deepen ties between the two countries. Bangladesh appointed a British firm, Wallingford, to assess the capital and dredging requirements for development of the approach channel and its maintenance. A technical team led by the managing director of the Indian Ports Association has already conducted a preliminary study. If the British firm's study report is shared with them, they would be able to determine the funds required. The Bangladesh government is now contemplating setting up a large-scale seaport at Payra, instead of a deep seaport at Sonadia. Full-fledged port activities in Payra will start by 2023.

LNG terminal at New Mangalore Port Trust

A consortium of BPCL, ONGC and MITSUI had initially shown interest in development of LNG terminal at New Mangalore Port Trust. But since their progress was very poor, the port discussed the project with MRPL and an MOU was signed with MRPL in this regard. MRPL has informed that the ONGC Board has approved the proposal and they are in the process of engaging a consultant for techno-economic feasibility study.

VPT reports improved business

Beating slump in world market, Visakhapatnam Port has put up a better performance due to increase in draft to 14 metres in the inner harbour, slight improvement in container cargo and crude brought to fill newly-built underground rock cavern. During the first eight months of the financial year which ended on November 30, the port handled a throughput of 37.5 million tonnes as against 38.93 mt during the corresponding period last year. The port recorded a cargo of 58.04 mt during 2014-15 retaining its fifth rank among major ports with Kandla occupying the top spot followed by Paradip, JNPT and Mumbai.

Automated gates at Nhava Sheva

DP World has set up automated gates at Nhava Sheva International Container Terminal, JN Port, to speed up truck movement. Earlier, there used to be huge queues for trucks carrying containers at the check-post as papers were also checked at the entry-gate. Now, this paper checking has been compressed to a smart card swiping mechanism for trucks that enter the port. In effect, there will be sharp capacity expansion from the land side access to the port, which will add to the port's efficiency. About 2,800 trucks enter the gates every day, but with automation of gates the capacity is expected to increase sharply. DPW has already started handling ships at the 330-meters extension berth, although the entire berth, in phases, will start functioning from July 2016.

Chennai Port Trust announces 'Mission Resurge'

With stiff competition due to the emergence of four ports – Krishnapatnam, Karaikal, Kamarajar and Kattupalli Ports, the Chennai Port Trust (ChPT) has announced a new initiative called 'Mission Resurge.'

Faced with dwindling cargo traffic after the Madras High Court banned the handling of coal, the port is looking to deal with more of granite blocks, edible oil, fertilisers and others, said MA Bhaskarachar, chairman, Kamarajar Port, holding additional charge as ChPT chairman.

The ChPT handled the highest tonnage of 61.46 million tonnes during the year 2010-11. It dropped down to 52.541 million tonnes in 2014-15. However, Cyril K George, Deputy Chairman of ChPT said, "We will not do any project that would pollute the environment." The port has also decided to roll back vessel related charges by 50 per cent from January 2015 levels.

Floating cargo handling facility at Haldia Dock

Shipping Minister Nitin Gadkari has laid the foundation stone for 2.55 million tonnes a year floating cargo handling facility at Haldia Dock Complex. It will handle mini bulk carriers (with a capacity between 10,000 and 12,000 dead weight tonnes) and barges (for carrying coal). The proposed facility will be able to accept cargo from the deep draft unloading point (from large ships) at Sagar Island.

The ₹74-crore project will include setting up a pontoon, a crane capable of unloading about 10,000 tonnes a day and conveyor, transit 10,000 sqm storage area on shore, connecting road and other cargo handling equipment. Bothra Shipping, will construct the floating jetty and other infrastructure and operate it for 15 years.

LOGISTICS

Registration/ renewal of multimodal transport operator made online

DG Shipping has announced that application for registration/renewal as multimodal transport operator shall be made only through online mode in the form available in the MTO module in the DG Shipping official website. DG Shipping has emphatically specified that henceforth no application, documents or fee shall be accepted in offline mode. Once the application is approved by the competent authority online, the system will generate a certificate of registration that will be available in the said e-module in the PDF format. This change has been done to streamline the procedures further towards achieving the desired objective of rendering all such processes of the DGS completely online and paperless.

AP improves port connectivity

The state government is gearing up to set up the third railway line linking Gudur in Nellore district with Vijayawada and Duvvada near Visakhapatnam which is going to give a fillip to development of the coastal economy. Also, plans are being drawn for establishing the last mile road connectivity to Krishnapatnam, Kakinada, Machilipatnam and other seaports from the nearest railway stations.

This is a part of developing the coastal districts as a multimodal logistics hub with the larger objective of making some of the Southeast Asian countries to revive the maritime trade they had transacted with Andhra Pradesh centuries ago. Highways will be extended from Krishnapatnam Port to Bhavanapadu to attract investors.

Speedy approval of SEZs required

ASSOCHAM has advocated for single window clearance mechanism, ease of doing business and fiscal incentives both direct and indirect to arrest the exodus of investors from the SEZ scheme entirely benefitting the SEZs/FTZs/EZs in countries such as China, UAE, Malaysia, Thailand, Vietnam etc.

There has been massive exodus from SEZs of late. In fact, until 2013, nearly 580 formally approved SEZs have been de-notified or have exited from the SEZ scheme in the last two years. This massive exodus from SEZs is mainly attributable to the factors like unstable policies relating to availability of fiscal benefits promised under the SEZ Act (particularly, policy relating to taxation), challenge of maintaining attractiveness of the SEZ Policy after imposition of Minimum Alternate Tax on SEZ units and developers, and imposition of Dividend Distribution Tax on SEZ Developers.

SIIDCUL and CONCOR unveil first multimodal logistics park

Uttarakhand's first multimodel logistics park, jointly developed by the State Industrial and Infrastructure Development Corporation of Uttarakhand Limited (SIIDCUL) and CONCOR was inaugurated by Union Railway Minister Suresh Prabhu in Pantnagar. The logistics park would prove a milestone for the state, especially for its entrepreneurs, farmers and businessmen. This will decongest traffic and will boost environment protection. Chief Minister Harish Rawat reminded the Union Government that despite the Centre taking up state's rail infrastructure improvement projects around five to seven years ago, no such development is being witnessed.

DHL to invest in drones in India

DHL is planning to invest about $16.3 million in all its business segments in India and introduce new technologies, including drones, for deliveries and managing logistics. DHL has already invested €100 million ($109 million) for transportation, warehousing, information technology network and manpower training over the last three years. It plans to include a new Free Trade Warehousing Zone (FTWZ) in North India in 2016 and participate in the rail-based transportation.

DHL is expected to invest between €5 million ($5.4 million) and €15 million ($16.3 million) in the zone, which will be its third in India. As part of the elaborate investment plan, state-of-the-art warehouses will be set up near high demand growth regions such as Navi Mumbai, Ahmedabad, Kolkata, Ambala and Kochi. Long haul trucks are being used on the North-South Indian corridor for speedy delivery on long routes.

Work on Mumbai Trans-Harbour Link to start in 2016

Work on the longest cable-stayed bridge over the sea between Sewri and Nhava in Navi Mumbai is set to start in 2016 and is scheduled to complete by 2019. The project has been approved by the state forest department. It has a length of 16.5 km of which around 5.5 km will be on land on both ends. The project is expected to cost ₹11,000 crore, 70 per cent of which will be funded by the Japan International Co-operation Agency. The remaining funds would be provided by City Industrial Development Corporation, Jawaharlal Nehru Port Trust and the Mumbai Port Trust.

Rinac to set up perishable cargo complex

Rinac India Ltd, a cold chain turnkey solution provider, has bagged the contract to set up 'Coolport' a perishable cargo handling facility at Kempegowda International Airport, Devanahalli, Bengaluru.

This order was awarded by Air India SATS Airport Services Private Ltd (AISATS), a 50:50 joint venture company between Air India Ltd and SATS Ltd, a ground and cargo handling company. The contract valued at ₹21.75 crore envisages the setting up of an integrated cold room complex capable of handling food and perishable goods. Under the agreement, the facility will be set up on an area of 2.62 acres. The project commenced in November 2015, will be completed in six months.

IFC invests in Continental Warehousing

International Finance Corporation (IFC) will invest $60 million in Mumbai-based Continental Warehousing Nhava Sheva Ltd. The investment includes $25 million in equity and $35 million in debt that will help fund multimodal cargo handling facilities to handle both domestic and exim cargo. Continental Warehousing is looking to add MMT cargo handling facilities at two locations in India. It will add nine express logistics centres with 1.5 million square feet of rack space at key locations across India over two years at a cost of $90 million to strengthen its distribution capabilities. Thus the company will have four CFS and five MMT facilities with distribution capabilities across key locations in the country.

Bangladesh offers transit facility to Nepal

Bangladesh has offered transit facility to Nepal through its seaports for importing petroleum products from third countries to address its acute fuel crisis. Nepal plans to bring in aviation turbine fuel from Bangladesh. Nepal is also using the railway service extension from Bangladesh up to Rohanpur, Singha Durbar and Radhikapur for import and export of goods.

Pharmexcil to launch common warehousing facility in Nigeria

The Pharmaceuticals Export Promotion Council of India (Pharmexcil) is launching a common warehousing facility in Nigeria for the benefit of Indian pharma exporters to Nigeria and other neighbouring countries in Africa. It will have a bonded general area, non-bonded general area, non-bonded temperature controlled area and bonded temperature controlled area. Bollore Africa Logistics will help the council in setting up the warehousing facility.

The council is expected to take larger area on lease basis. The areas will be allotted to the council members, in smaller areas depending upon requirement of members. Bollore Africa will take care of storage and distribution of drugs and pharmaceuticals as per requirement of members. The exporters will have to pay monthly lease rentals for the space they acquire.

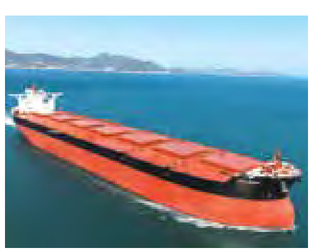
India and Myanmar to sign road pact

India will sign a road agreement with Myanmar and Thailand in March in an attempt to link the North-East to the two East-Asian countries. This will boost trade, education, healthcare and tourism among the nations. The plan is to develop road projects worth about ₹1 lakh crore in the North-East. Road construction projects worth ₹16,000 crore have commenced already.

Myanmar has demarcated an area in Rakhine State to establish a SEZ which aims to attract investors from Asean countries and export their goods to China and India. With Myanmar as the only strategic gateway between Asean, India and China, the SEZ of 1,737 hectares in Kyaukphyu town is the shortest and most economical gateway for trading goods between China and India. The initial phase of the Kyaukphyu SEZ will have three components, a deep-sea port, an industrial park and an integrated residential area.

SHIPPING

China Merchants Energy Shipping to add 10 new VLCCs

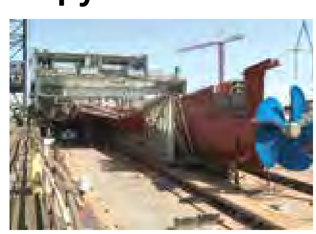


The board members of China Merchants Energy Shipping (CMES) have approved a plan to order an additional 10 eco-friendly VLCCs, which will be operated by its joint venture China VLCC. The 10 newbuilding crude oil tankers will be constructed at a local shipyard, CMES said.The joint venture China VLCC is 51 per cent owned by CMES and 49 per cent controlled by Sinotrans & CSC Group, which is currently in the midst of a merger with China Merchants Group, parent of CMES. As in December 2015, CMES owns a fleet of 34 VLCCs and has a orderbook of 19 new VLCCs, including the latest 10 units.

Focus on coastal movement of coal

APSEZ will focus more on coastal movement of coal in line with the Centre's directive to Coal India to produce more of the fuel internally. Currently 14-15 million tonnes of coal are moving through the coast between Tamil Nadu and Andhra Pradesh. If Coal India were to raise production, the volume is bound to go up. Having ports on both sides of the peninsula, Adani can catch coal for instance at Dhamra and ship it to Goa, Vizag, Mundhra or Dahej.

Govt announces package for shipyard



Indian government has come out with a 10-year, $600-million package aimed at boosting the nation's shipbuilding and ship repair capabilities as part of the 'Made in India' initiative. The policy includes a right of first refusal for Indian shipyards for government purchases; tax incentives and a grant of infrastructure status for the shipbuilding and ship repair industry.

"The policy for the grant of financial assistance to shipyards, after delivery of ship, to counter cost disadvantages at 20 per cent of the contract price or the fair price, whichever is lower; such assistance is to be reduced at 3 per cent every three years and will be given for all types of ships," the shipping ministry said.

CMA CGM adds two services to Salalah

APM Terminals (APMT)-managed Port of Salalah, Oman, has announced that French shipping line CMA CGM added two new weekly services to East Africa and Europe beginning the first week of December. CMA CGM's Noura Express service, on the East Africa trade lane, added Salalah to its port network, while the Europe Pakistan India Consortium (EPIC) service can now use the port as a transshipment hub.

The Noura Express, which will now link the ports of Jebel Ali and Khor al Fakkan in the United Arab Emirates, Mombasa in Kenya, Mogadishu in Somalia and Salalah in Oman, operates four vessels with a capacity of up to 2,755 teu. The Europe Pakistan India Consortium (EPIC) service, which links ports in South Asia, the Persian Gulf, the Red Sea, the Mediterranean and North Europe, is operated with eight vessels with a capacity of up to 9,400 teu.

Hooghly Dock and Port Engineers looking for partner

The Union Shipping Ministry has served an ultimatum to the sick Hooghly Dock and Port Engineers Ltd (HDPEL) to either float a joint-venture (JV) company next year or face disinvestment. Manish Jain, chairman of HDPEL, is confident of getting a private partner to continue its existence. The request for quotation for the JV will be floated shortly and will attract both global and Indian companies. Manish is particularly looking for a company with technological edge. The JV will take over the ship construction, repair and related activities and operate on 30 acres of leased land and other assets of HDPEL.

CMA CGM acquires NOL

CMA CGM has acquired Neptune Orient Lines (NOL) with a cash offer of S$1.30 ($0.93) per NOL share, valuing the deal at $2.4 billion. The strategic acquisition will result in a combined turnover of $22 billion and a fleet size of 563 vessels, giving it a global market share of approximately 11.5 per cent. Rodolphe Saade, vice chairman of CMA CGM said, "By bringing together the know-how of both teams, the enlarged group will be even better positioned to provide premium services to its customers across all markets. "At a time when the shipping industry is facing strong headwinds, scale is more critical then ever to capitalise on synergies and capture growth opportunities wherever they arise.

Shreyas Shipping signs agreement with Suzue Corporation

Shreyas Shipping and Logistics has signed an initial agreement with Yokohama-based Suzue Corporation to form a joint venture for exploring business opportunities in the logistics space in the Indian subcontinent and Japan. The joint venture will capitalise on the possibilities in international freight forwarding, Customs clearance service, warehousing services, land transport services and other related logistic services with additional focus on land bank development for commercial purposes in the two countries.`

Mohd Jamshed on Traffic Railway Board

Mohd Jamshed of the 1980 Indian Railway Traffic Service has taken over as member of the Traffic Railway Board. He was member of the advisory council for developing the railway's IT vision and is credited with development of paperless ticketing on mobile phones.

He has held several positions, including general manager of North East Frontier Railways, during which he is credited with opening of the Lumding-Silchar broad gauge line for passenger traffic and restoring the Darjeeling Hill Railways section that had been closed for many years.

Jindal Group orders new ships

Western Marine Shipyard initiated the construction for two 8,000-dwt cargo vessel for Jindal Group through a keel laying ceremony at its shipyard at Patiya in Chittagong. Jindal Steel Works has signed a contract with the shipyard for six units of 8,000-dwt, two units will be delivered in the first phase by 2016 and the rest four units will be built in the second phase after successful completion of the first phase. Each ship will be built for Tk 480 million, as such, it is one of the highest worth contract Bangladesh has signed so far with India. These ships will carry iron ore and coal to the steel factory and power plant of Jindal in Jaigarh and finished products – steel coils.

Hapag Lloyd to increase rates

With effect from January 1, 2016, Hapag-Lloyd will increase rates for all cargo and all container types from East Asia to Caribbean, East Coast Central America and Panama as follows: $700 per 20' container and $1,000 per 40' container. Rates for all cargoes and all container types from East Asia to Mexico, West Coast of Central America and West Coast of South America will be increased by $1,000 per teu. Hapag-Lloyd will postpone the previously announced September general rate increase from Indian subcontinent and Middle East to USA and Canada. The effective date now is January 15, 2016.

EXIM

Indian exports decline

India's export growth has been contracting, given the slowdown in the global economy. Exports have fallen around 17.6 per cent since the beginning of fiscal 2016 after declining marginally in fiscal 2015. What is worrying is that exports to Asia are also declining. In the past few years, India diversified its exports towards the Asian markets, especially after the financial crisis hit North America 2008-09.

Asia accounts for around half of India's total exports so far in 2015-16, which is more than the combined share of Europe and the US at 31.8 per cent. Asia is leading the fall in export growth following Africa in FY16, down 19 per cent, compared with a marginal decline seen in the previous fiscal year.

India restricts steel imports to one port

To curb cheap steel imports from China, Japan and Korea, the government is likely to restrict inward shipments to one port, apart from introducing a floor price for imports. Mundra in Gujarat might be the preferred choice for steel imports, since it is geographically furthest from the Asian peers with surplus steel. Confining imports to one port would also help the government check the quality of the imported products from a single location, and also put a vigil on the invoiced price. Steel from China, Japan and Korea are coming at $225-240 per tonne, which is much lower compared with the average manufacturing cost of Indian steel firms of around $350 a tonne.

India keen for preferential trade agreement with Iran

India has evinced interest in signing a preferential trade agreement with Iran once international sanctions are lifted. This will be India's first trade agreement with a country in West Asia and offer it a foothold to tap other markets in the region.

Iran is looking at cooperation in agro-processing, IT and steel with India, while India plans to invest ₹2 lakh crore in Iran's Chabahar Port and develop a gas-based urea manufacturing plant there. India imports mainly oil from Iran. The agreement will help India expand the volume of exports to Iran. Also, Iran could serve as an outlet for Indian goods to countries in Central Asia and Afghanistan. The deal will open up the entire West Asia market for us, said Ajay Sahai, Director General of the Federation of Indian Export Organisations.

Exporters would expect greater market access in sectors such as agriculture, pharma, chemicals, paper and paper products, synthetic textiles, garments, iron and steel products, aluminium products, two-wheelers, auto components, electrical machinery and parts, and mechanical machinery.

India diversifies oil import sources

India's crude oil import basket is diversifying with firms looking for hedging against possible supply disruptions and many newer PSU refineries being keen to process heavier crude to improve margins. The shift, although gradual, is away from West Asia, conventionally the largest supplier of crude oil to India of around 60 per cent, and towards South America and Africa.

Imports from West Asia dropped 5.16 per cent in FY15 to 109.88 million tonnes (mt) from the previous year; however, African suppliers exported 33.05 mt of crude oil to India in FY15, up 8.75 per cent from the year earlier, and South American explorers supplied 34.46 mt to Indian refiners in FY15, 8.6 per cent higher than in FY14.

Competition in sugar exports to intensify

An influx of 500,000 tonnes of Pakistani sugar exports will intensify competition with Indian mills and Middle Eastern refineries, adding downward pressure to world prices. Pakistan offers a subsidy of ₹13,000 per tonne and has set a minimum export price of $450 per tonne for sales into Afghanistan and other Central Asian countries. India has a surplus stock of the commodity and is exporting with the help of subsidies. The appetite for Indian mills to compete aggressively in the export market may be diminished with the influx of sugar from Pakistan.

Ford India plans exports to Europe

Ford India will soon start shipping cars to Europe from its Sanand plant from 2016 onwards. The Sanand plant, Ford's second manufacturing facility, was commissioned in March last year. The company is currently exporting to Mexico, Middle East and South Africa from Sanand plant. The plant initially manufactured 250 units per day which has now increased to 400 units per day. Currently, the Ford plant is operating on a single shift and will expand depending on the demand. Ford has invested $1 billion in the Sanand plant which will help the automaker triple exports from the country in the next five years. Ford currently exports cars to 40 countries from India.

Nippon Steel to buy iron ore from India

Japan-based Nippon Steel & Sumitomo Metal Corporation has renewed a contract to buy 1.8-2.6 million tonnes of iron ore annually from India-based Metals & Minerals Trading Corp (MMTC) over three years. Under the contract, India will supply 3.0-4.3 million tonnes of the steel-making material a year to Japanese steelmakers.

Despite the plunging price of iron ore in an oversupplied global market, Japan's steelmakers want to diversify procurement sources to ensure a long-term supply of the raw material, as Japan depends on Australia and Brazil for its imports.

BUSINESS OUTLOOK 2016

VIEW FROM THE BRIDGE CLOUDY HORIZONS

We're sorry to be the New Year party poopers and the naysayers. We do not like bad news or talking about the hex markets put on the shipping industry. So here's our way of telling you what's coming – 2017 is when the industry can really party and celebrate the making of big bucks. 2016 is to be welcomed quietly and watched over carefully.

Even as we prepare to armour ourselves for the coming year, one of the biggest upsides the world cheered about in 2015 was the plummeting of oil prices. While a drop in the oil prices has benefitted the world economy as a whole, it dulled the shipping industry's sparkle as not all segments of the sector were able to reap benefits of this fall in oil prices to a dizzying level. Undoubtedly, the tanker and LNG segments were exceptional in 2015 making a killing every time a ship set out to sail. Ship owners and charterers too have been able to take advantage of fall in bunker prices, real profits are yet to be seen because freight rates still remained low. The muted global trade growth, an economic slowdown in emerging markets and poor performance of the container and bulk segments have been a drag on the industry. As a result, in 2016 too performance will vary across segments.

Slower growth from China and the incomplete economic transition of power to developing nations will pose particularly several significant risks because China accounts for two thirds of the world's global iron ore imports and 20 per cent of the world's coal imports. This weaker demand is expected to lead to over capacity further, blighting the sector's recovery and putting pressure on freight rates. "We expect container shipping capacity to rise 6 per cent in 2016 on top of a 9 per cent increase in 2015, easily outpacing demand growth of 2 per cent this year and 3-4.5 per cent in 2016," rating agency Fitch said. An understanding of how each of the segments is expected to behave will help in comprehending the shipping industry better, telling you where to place your bets.

Containers

Credit managers and industry watchdogs have warned in as many words that the year 2016 is going to be much worse than the previous year. One of the main reasons for this panic alarm is the imbalance of the demand-supply situation that has worsened because of an over capacity in 2015. Experts say shipping lines will have to idle a bigger portion of their fleet than they have been prepared to do and the duration of the crisis depends on how well the container industry handles and deploys the excess capacity. With the continuing crisis looming large, Maersk has decided to cool down its orders for another eight 14,000 teu vessels. Research firm Drewry slashed its container shipping growth forecast for the coming year to just two per cent, indicating the possibility of a poor recovery in traffic volumes.

Dry Bulk

The dry bulk market has been the biggest casualty in the midst of falling freight rates and a mismatch in the demand supply environment. An optimistic survey indicates that the commodity-dependent vessel owners can look forward to an environment only in 2017. The market is expected to remain in recession all of next year as well because of contracting demand for iron ore and steel. Given the current situation, two scenarios are likely to emerge- The one that is most likely is where demand grows at a faster pace than supply in 2016, thus helping dry bulk shipping recover in 2017. The other pessimistic view, however, is the case of China and India thumbing their nose at ore and coking coal demand, thus pushing the segment deeper in to losses.

Tanker and Liquefied Natural Gas

If there is one reason to be happy about still being in the shipping trade, then it is the way tankers have performed in 2015. Shippers of crude oil and liquefied natural gas have charged as much as $57,000 a day this year at the highest given the mighty fall of oil prices from $150 to $20 a barrel. The hike in oil production and the fall in the prices have led to a strong shipping volume. In the next year too investors see the tanker fleet being busy as the Organization of the Petroleum Exporting Countries foresees an increase in oil production. Oil tanker investors look forward to a bountiful year in 2016 as they expect a surge in crude demand. LNG shipping is understood to have moved to a new era with heightened demand because of regasification terminal sprouting everywhere. While some masters say 2016 will reveal more about the optimal size of the LNG carrier fleet and its earning abilities, some are not too sure about the new production soaking up all the tonnage.

The outlook for 2016 does not seem to be any better than that in 2015. Yet, ship owners and charterers can hope to gradually improve their financials with the slew of cost cutting measures that have been implemented all through the year.

M A BHASKARACHAR
Chairman & MD
Kamarajar Port Limited

"To meet the EXIM demand, KPL is planning to develop 10 more berths viz., Dry Bulk Terminals, Liquid terminals, Ro-Ro Terminal, Container Terminal and Multi cargo Terminal with additional handling capacity of 48MTPA. When all the projects go on stream, the port capacity would be 124 million tonnes."

Business performance in the past years

KPL's total volumes have increased by a whopping 175 per cent over the last five years and the port witnessed a spectacular growth in the year 2015 also. Operating revenues have increased from ₹168 crore to ₹598 crore in the financial year 2015 and corresponding CAGR of 28.87 per cent.

Coal remains the most important cargo commodity for KPL. Out of 30.24 million tonnes of cargo handled in the year 2015, around 24 million tonnes of coal cargo was handled across three berths. Another 3.4 million tonnes of POL and Bulk chemicals cargo was handled at the liquid terminal and the remaining 2.6 million tonnes of vehicles were handled at the General Cargo Berth.

Major achievements

The port which was looked upon initially as a mono commodity coal port to serve the interest of Tamil Nadu Electricity Board, TNEB, has over the period developed as a multi cargo port and today has created facilities for handling liquid bulk, iron ore, automobiles and general cargo with a handling capacity of 34 MTPA. In the recent times, in order to meet the growing traffic demands, Kamarajar Port has initiated action for creating additional terminal facilities viz., construction of two more coal berths for TANGEDCO, a container terminal, a multicargo terminal and a LNG terminal for handling additional cargo of 42 MTPA. When the ongoing schemes get completed, it will commence the handling of containers, heavy project cargo and LNG. The port is poised for a greater growth in the years to come with handling capacity of 78 MTPA.

Plans laid out for the New Year

To meet the EXIM demand, KPL is planning to develop 10 more berths viz., Dry Bulk Terminals, Liquid terminals, Ro-Ro Terminal, Container Terminal and Multi cargo Terminal with additional handling capacity of 48MTPA. When all the projects go on stream, the port capacity would be 124 million tonnes. Thus by 2025, with the crossing the 100 million tonnes mark, the port will turn into a mega port.

Key developments expected on the regulatory front

With the encouragement of coastal shipping and Sagarmala concept, the Central Government is providing regulatory framework to efficiently integrate ports with industrial clusters, the hinterland and the evacuation systems through road, rail, inland and coastal waterways. Emphasis has been laid by government on better facilitation with all regulatory authorities for better and quality services to trade. We are hopeful to make the best out of the governmental plans put forth in front of us.

ANIL YENDLURI
Director & CEO
Krishnapatnam Port Company Limited

Business performance in the past year

Last year was better for us. Up to 2015 April, we grew well; we have seen 60 per cent growth in both our container terminal and bulk terminal. We handled as many as 961 vessels and we managed to raise our throughput cargo to 40.7 million tonnes during the financial year 2014-15, which in turn resulted to a whopping total growth rate of 67 per cent, year on year.

Achievements

KPCL's growth rate in the previous year is the best performance ever showcased in the history of ports in India. It can be hailed as an Indian maritime record as no other port in the history of Indian ports has been able to achieve such a humongous growth rate.

The port showed considerable expansion in the infrastructure development front too. While we added 24.37 million tonnes of capacity in the year 2013-14, we further added another 39.45 million tonnes of capacity, during the year 2014-15. While we were utilising 37 per cent of our total capacity during the last financial year, the port bettered the capacity by utilising 44 per cent of its capacity.

Average turnaround time for geared vessels is 4.05 days, for gearless vessels it is 5.04 days and for tanker vessels it is 1.55 days at the port. *MV Mina Oldendroff,* carrying the highest cargo of 1.89 lakh million tonnes of coal was berthed at the Krishnapatnam Port and it was the highest cargo carrying vessel to be ever berthed at an Indian Port. Towards further bettering a flawless and efficient coal handling, a mechanised

> **We are hoping to grow better with steps being taken by the government to develop the infrastructure facilities and towards ease of doing business. Once Goods and Service Tax, GST comes in place that would also add further charm in doing a neat business in the maritime sector too.**

system was installed during the last financial year.

Disappointments

To count something as a disappointment in our business in the past year, we hardly have anything to point out, however the macro economic factors, like the global dip in the business has affected us too. The heavy rain hit few weeks back had disrupted our operation for couple of days as road network from the leading business hubs to the port was cut off due to water inundation, however now things are back to normalcy.

Business Outlook for 2016

Compared to last year, we are not seeing much of a growth in the new year because of the various macro economic factors generally seen in the industry. Though our container terminal keeps growing on an average of 20 to 30 per cent, we are not seeing that sort of a growth in our bulk terminal. Since the prices of steel globally have crashed like we have never seen, iron ore imports have been almost nil. We are majorly depending on coal import. However, when the situation gets better we are hopeful in resuming the iron ore import.

With the bifurcation of the states, we are hoping to grow better with steps being taken by the state and the central government to develop the infrastructure facilities and ease doing business in the state. Once Goods and Service Tax, (GST) comes in to place, it would also add further charm in doing neat business in the maritime sector too.

CAPT JS GILL
MD-India
X-Press Feeders

Business performance in the past year

The first quarter was not too bad. But the subsequent quarters were troublesome. The capacities on the shipping lines went up and freight rates plummeted. The export market did not cooperate too. In India, although volumes at Mundra grew 18 to 20 per cent, Hazira surprisingly picked up, but they dropped at Pipavav. Nhava Sheva reported a status quo on its numbers. One of the reasons why demand stagnated was because we had a poor agricultural season. However, the only segment that brought cheer was the reefer segment.

Business outlook for the New Year

The coming year does not look too optimistic with the current market rates with the volume indicator still staying low. However, it is no longer a volume game. I don't hope too well for the first half of 2016. I expect the second half of the year to just even out because there's still excess capacity and both the European and American markets are under pressure. Some routes are still not economically viable. The freight rates for Nhava Sheva- Europe hover around $150 per teu and to Africa, they wallow in the lower three digits. Although there is a significant dip in the bunker prices and the charter market is fluid, the situation does not inspire better performance.

> **The coming year does not look too optimistic with the current market rates and volume indicator staying low. I don't hope too well for the first half of 2016. I expect the second half to just even out because there's still excess capacity and both the European and American markets are under pressure.**

Impact of the slump in Chinese economy

It has certainly brought the volumes down, but at these levels too it is sustainable. Although China is a production machine, the world over, buying power is low and niche products made in China and Vietnam are not finding a market.

Impact of cost cutting and streamlining measures

A number of liners have sold off their assets to bring in cash flow and those lines that have been exhibiting better results are being welcomed in to consortia. I see all the major alliances- G6, Oceans 3, M2 and the CYKH all being rescheduled. They are all taking a relook at the routes and are opting for routes that will help them sustain their operations. Ultimately it all boils down to what the capacity utilisation is and how much of a say each partner can still claim in the chain.

Opportunities

For Xpress Feeders, our India products have been limited right now. We do not have anything new coming up and we are not altering any routes within the continent. All our efforts and I'm sure of others too are on how to make our current products far more efficient and valuable, realigning them to match current capacity levels. The shipping community is adopting a wait and watch approach to see if capacity rationalization will help in upping the freight rates to avoid catapulting into a larger loss.

AJAY SAHAI
Director General & CEO
FIEO

Export scenario in the past year

Looking at the export growth numbers month-on-month since January 2015, the values indicate that the exports may settle around $270 billion. India's exports contributed 9.3 per cent of gross domestic product (GDP) in 2000-01 and this rose to as much as 16.8 per cent of GDP in 2013-14. We have seen that GOI data released on 15 November 2015, GDP growth was a full percentage point less i.e 7.4 per cent as against 8.4 per cent in the corresponding period last year.

The newly announced revision in MEIS schedule in October, I am sure, would have helped enhance price competitiveness to a certain extent. The new All Industry Rates of Duty Drawback announced will provide relief to some sectors, and the Interest Equalization Scheme on Pre & Post Shipment Rupee Export Credit would also provide some succor to the exports.

Reducing transaction cost to make exports competitive is a concern and FIEO has been part of the task force on 'Transaction Costs in Exports' formed in 2009 by MoC and responses highlight high transaction costs as a concern. Out of the 32 recommendations, 21 were reported to have been implemented in the task force report published in 2011.

The second task force 'Reduction in Transaction Costs in Exports' was constituted in 2013 to examine and identify difficulties that the exporters face and make recommendations to eliminate them. The report was published in July 2014. A major departure in the approach of the Second Task force compared to the earlier one was not to attempt any monetisation of the gain from mitigation of the issues highlighted in the report. It was a feedback based survey report. The report had stated 46 recommendations pertaining to nine ministries and seven separate recommendations relating to land border crossing and certain other miscellaneous issues which are yet to be implemented.

A thought needs to be spared at the global trade scenario which is going through an unprecedented change/decline for which euphemisms like "secular stagnation or "the new mediocre" being used and quantum of incentives as percentage of exports need to re-visited.

Business outlook

The IMF's latest World Economic Outlook update, published recently predicts that world trade volume will grow by a meager 4.1 per cent this year and by 4.4 per cent in 2016 and going forward on a higher export growth trajectory would require improving manufacturing competitiveness. GDP growth for India has been projected at 6 per cent and exports projections are not too encouraging.

> **World trade volume will grow by a meager 4.1 per cent this year and by 4.4 per cent in 2016 and going forward on a higher export growth trajectory would require improving manufacturing competitiveness.**

Since India exports few price sensitive items (like textiles, leather etc.) and more income sensitive items such as chemicals, engineering goods and petroleum products, making our export basket more income elastic means that we will require much bigger price cuts if global growth remains subdued.

UNCTAD estimates that a 1 per cent decline in global GDP growth leads to 1.88 per cent decline in India's growth of exports to the world. While a 10 per cent reduction in prices will lead to only a 5.4 per cent increase in exports. India's export performance is linked to the performance of the manufacturing sector and especially micro, small and medium enterprises, will be critical to India's export growth as SMEs account for 40 per cent of India's manufacturing exports and 45 per cent of manufacturing output.

Challenges

Issues like timely disbursal of export incentives, benefits under Export Promotion Schemes sometimes due to non-transfer of shipping bill from customs to DGFT; MEIS requiring tracking report for landing certificate adding to cost of business; operational problems such as separate claim for separate ports. Revamping of Major ports Act; corporatisation of major Ports may lead to some reduction in logistics costs but the unregulated element of logistics cost levied by shipping liners, NVOCC's, consolidators needs to be addressed in the absence of an overarching regulation/ authority like the FMC in the US.

Expectations on regulatory front

GST is being looked at as a game changer for the business environment; corporatisation of ports leading to better turnaround time/reduction in dwell time for exports; need for overarching regulatory framework to reduce cost of transportation of export goods.

VIKAS ANAND
MD
DHL Supply Chain

Business performance in the past year

With the strategic initiatives taken by

Deutsche Post DHL in the last few years, DHL Supply Chain has been growing at more than twice the rate of the logistics industry, which is growing at 11-12 per cent, and four times of India's GDP growth, which is growing at 6-7 per cent. On major achievements, we have opened new MCS sites, expanded our facilities and successfully trained our employees bringing standardisation in our services. We have also invested in large containerised vehicles which will be seen for the first time on Indian roads. We have launched two logistics service centres in Mumbai that provide innovative solutions and help in managing costs.

Impact of industry developments on business

The emergence of e-commerce has played a vital role in the growth of logistics in India. The encouragement provided by the government to startups and entrepreneurs has brought new technologies and fresh ideas into the industry. Oil prices holding firm and staying low has also helped fuel intensive industries like logistics.

Business outlook for the New Year

Having a uniform tax will help India become a hotspot for manufacturing, reduce the cost of production, lead to consolidation of warehouses, increase synergies in the supply chain leading to reduction in costs and greater investment into ancillary services which would greatly enhance last mile connectivity.

The rupee remained a bit of a concern as its value against global currencies affected both imports and especially exports which almost declined in 2015 and is an area of concern which the government should address in 2016.

> **"2016 should see added impetus into clearing huge infrastructure projects and formation of proper regulatory policies which will make land acquisition easy and attract private participation in infrastructure projects."**

Key trends that will drive the business

GST: The current government has shown a lot of determination in getting GST through. The early signs seem positive and one can be optimistic that 2016 will see a lot of action on GST. We strongly believe that the effective implementation of GST across the board will be a game changer for India in the next few decades and will unleash the potential of the Indian economy.

Infrastructure: Fresh off the announcement of 'bullet trains' we believe that India could further do with a shot of adrenalin in terms of infrastructure. Successive governments have done admirable work to prop the infrastructure but more needs to be done, especially with regard to delays in completing key infrastructure projects. 2016 should see added impetus into clearing huge infrastructure projects and formation of proper regulatory policies which will make land acquisition easy and attract private participation in infrastructure projects.

Global headwinds: Oil is currently at the center of a geo-political storm and the next few years in terms of oil prices look uncertain. India would need to tread carefully in international waters on several critical issues as it tries to balance regional bonhomie with its economic interests. Terrorism and natural calamities- all affect trade and the smooth flow of trade between countries.

Fiscal stimulus: We would still look forward to possible changes in interest rates and on the budget in the early part of 2016 to understand how far the economy could rally over the course of the next 12 months.

Challenges

Among the major challenges, the conditions of road network, not having enough fuel efficient vehicles, are the important ones in addition to inefficient distribution channels. Another challenge remains as to how the government can efficiently reduce slack in the system, build quality infrastructure and speed up the pace of reforms in the country.

Expectations on regulatory front

The biggest regulatory reform we are looking forward to is GST. A single unified tax on both "goods" and "services" with the objective of eliminating tax cascades, will bring about a transition from the existing origin-based to a destination-based taxation regime. Under the proposed taxation scenario, by using Network Strategy, every distribution-intensive company has an opportunity to take a re-look at their supply chain structure and gear up for the proposed tax reforms, to align their supply chain distribution network to customer markets moving away from tax issues.

Operational goals for the New Year

In 2012, we had announced an investment of €100 million for infrastructure development, of which seven large sites are already functional. We expect two more to be completed during the course of 2016. In addition to it, we will continue to focus on our key verticals and expand our MCS strategy that will help our customers enhance their efficiency. We will also expand our transport fleet to meet the demand.

ASHOK JANAKIRAM

President
Association of Shipping Interests in Calcutta

Industry/business performance last year

2015 has been a frontrunner to have in the permanent memory in the archive of international shipping with historic low freight, total capacity laid up, mergers and acquisitions, besides the unstable bunker market. Just after the second quarter, the market crumbled with weak demand and the overall growth in demand from the world consumer market was less than 2 per cent in most of the trade lanes.

Political instability in some parts of world, lower import volumes into China had affected the total throughput of container business, while bulk & break bulk had very low utilisation further affecting the charter hire market. Except tanker, no segment could perform. Even the operators are under tremendous challenge against their outlook fixed at the beginning of the year.

Business outlook

World consumer demand is the key. Unless demand catches up no one can pull out of the sliding trade. Series of new delivery is in the pipeline. Out of the existing order book, more than 70 per cent of the order-book is scheduled to be delivered before year-end 2016. Today, only 9 per cent of the world fleet is 20 years or older, while the order book currently stands at 17 per cent of the fleet (more than 4,700 vessels). On average, the vessels on order are currently about 60 per cent larger than those built 20 years ago. It is true that larger vessels can take more cargo and the cost of running a big vessel goes down and eventually the cost of a box but this formula works when the ship is full, which is not the current scenario now, as vessels are badly underutilized.

The freight market is expected to be volatile and the world economy will largely depend on USA, Gulf, besides parts of Africa. Considering the kind of tumultuous situation seen in Europe as regard to economy and number of jobless people, we should not expect any growth in demand. As a result, the Asia - Europe leg will be under a very tight situation. As far as India's domestic economy is concerned, it is expected to do well after GST implementation and we can expect a push in GDP growth for India.

> **In the coming days we look forward to relaxed norms of operation and level playing field for foreign lines on coastal waters, since there is mismatch of demand and supply in the coastal vessels. There is a need to make ax laws to be more transparent.**

Expectations on regulatory front

We would look forward to relaxed norms of operation and a level playing field for foreign shipping lines to operate on coastal waters, since there is mismatch of demand & supply in the coastal vessels. There is a need to make laws more transparent. For example, for Port Clearance Certificate, hard copy application and approval needs to be replaced with online submission. Looking forward to strict implementation of Citizen Charter to be made which is now on paper only.

ASHISH S. PEDNEKAR

President
Brihanmumbai Custom House Agents' Association (BCHAA)

Business performance in the past year

The year 2015 was pretty tough. The industry has been going through a rough phase. We expected some faster reforms which did not happen. It was a disappointment. We feel the things should happen faster at par with international standards. Now, people are looking up to India; if we don't perform in the long-run we will lose out on the advantage that we have.

> **We want everything to be on one portal, on a port community system. We hope the government agencies such as shipping and custom departments to come together under one platform. There should be less paper work and more of digitization.**

Challenges

We are now competing at international level; we see challenges as well as opportunities. Our role is changing. Earlier, our role used to be just a Custom broking house; now with many professionals joining the industry and with the changing mindset, our scope of our work has grown wider. There are a lot of issues.

The biggest challenge we are facing is in terms of FSSAI. At the same time, there should not be any differences in the import-export rates. As BCCHA is a major custom house, it should be done away with higher rates. Also, we have some infrastructure constraint issues at Nhava Sheva.

Business outlook for the New Year

Things are improving and we are hopeful of it improving further in the coming year. There are several measures initiated by the Prime Minister. A couple of ministries such as Ministry of Shipping and Ministry of Finance have taken up several initiatives. So. we soon expect some revival. We now look forward to more clarity in things. As there is a tendency of a log jam in implementation of plans, the government should ensure keeping a pace on the developments and the departments should move in right direction.

Developments on the regulatory front

We want everything to be on one portal, on a port community system. We hope the government agencies such as shipping and custom departments to come together under one platform. There should be less paper work and documentation, and more of digitisation. Information of all the key dealings and deliveries should be available online. All the activities such as paying custom duty, shipping company charges, container freight station charges etc. should be made available online in order to fasten the process. The Association has been in constant touch with the ministries in this regard.

Also, we are trying to pursue the customs department to revamp all its internal processes. There should not be any duplication of work and not much human intervention. Also, in the waste management system, they should increase the cap from 50 per cent to 75 per cent. Additionally, unwanted hurdles such as cap on some products pan-India, should not be any custom house specific.

R SUNDARESAN
Executive Director
All India Rice Exporters' Association

Business performance in the past year

The rice industry has been one of the largest and consistent foreign exchange earner for the past several years. A major achievement of the past few years has been that India has maintained position of top exporter in the world and second largest producer of rice. We have also been able to influence international regulatory bodies to modify their MRIs to facilitate trade without compromising on safety. We have also been deeply and regularly involved in extension activities with farmers for increasing rice production of safe quality by promoting safe use of pesticide.

Coming to the industry scenario, though we have been the top exporter, the realisation has not been very good. Iran has been a very uncertain market since it modified its imports norms. Similarly other countries in that region have been disturbed, though Saudi Arabia has enhanced exports, This has made a minor compensation. Over all, the experience has not been as promising as it appeared to be at the end of preceding years.

Disappointment experienced was that the industry did not receive any government support like interest subvention and duty drawback. Despite our repeated representations that the cost of production has increased, prices in international market have come down. Overall, the industry has been in a retrograde mode. The export is also suffering much due to the competition from other exporting countries like Thailand, Vietnam and Pakistan because the cost of production in these competing countries is low as compared to the cost of production in India.

> **"Iran has opened up its market which gives us a window for our rice. we are planning to explore new markets. The brand promotion is the initiative of government of India to promote brand India especially in developing countries and emerging markets with a demand for Indian products. The new markets we are looking to explore are Mexico, Brazil, South Africa, Nigeria, Benin and other African countries."**

As per the state government policy, various taxes are imposed on rice exports, such as the states are imposing purchase tax (on indirect export), market fees, rural development fund, administrative charges etc. These taxes are rendering the pricing of Indian rice uncompetitive internationally. Indian rice becomes costlier in the international market as compared to other competing countries and Indian rice exports have suffered a setback many times. In fact, in Pakistan for rice meant for exports, especially the branded ones, duties are extremely low or duty free. However to remain in the race we have to keep our prices lower which is reducing the profit margin.

Business outlook in the New Year

Iran has opened up its market which gives us a window for our rice. In addition, we are planning to explore new markets. Our association is engaged in several activities like international exhibitions, food shows and brand promotion. The brand promotion is the initiative of government of India to promote brand India and Indian industry especially in developing countries and emerging markets with a demand for Indian products. The new markets we are looking to explore are Mexico, Brazil, South Africa, Nigeria, Benin and other African countries. Recently AIREA participated in the CII India Show, Lagos, Nigeria to generate awareness and promote Indian Basmati Rice. India is the leading exporter of the Basmati Rice to the global market. The country has exported 3.7 mt of Basmati Rice worth of ₹27 crore and 8.2 million tonnes of Non Basmati Rice to the world for the worth of ₹20crore during the year 2014-15.

We do not foresee any declining trend in the exports. It has been more or less consistent and at the present rate of monthly exports we may still reach to 10-11 million tonnes.

Problems faced

The main problem our members face is low demand resulting in low prices. Other issues that our members face while exporting to EU and USA relates to meeting their MRL levels. Another issue is the acceptance of all our notified varieties as Basmati for getting duty benefits. I do not see any reversal trend in the high logistics cost.

Business plans in the New Year

We are in dialogue with the government of India and other international regulatory agencies for the universal acceptance of Codex norms for residues in pesticides and heavy metals. We are also developing schemes for promoting Indian rice all over the globe. At home, we envisage conducting more farmer training programmes. Another focus area is to bring all the major stake holders on a common platform. In other words, we are developing programmes in which the farmer, scientist, rice miller and exporter come on one platform so that what the exporter needs is developed by the scientist and produced by the farmers. We will also approach the trade bodies and major importers in new markets to plan visit of trade delegation and promotional activities.

Developments on regulatory front

On regulatory front the key developments we look forward to are harmonisation of the standards and MRLs without compromising safety. We are also in dialogue with EU for accepting all 23 varieties of Basmati as Basmati and provide relief as per their norms. Promoting and selling Indian rice with their brand names as per the new initiative taken by Government for India brands.

HARPREET SINGH MALHOTRA

MD, Tiger Logistics (I) Pvt Ltd

Business performance in the past year

2015 has been a mixed year for Tiger Logistics. The company has completed two years on BSE – SME platform and is now preparing to migrate on the BSE main board and subsequently to NSE. September end half yearly results were closed with more than 25 per cent. The company hopes to keep the growth momentum high in the next two quarters. The sluggishness in the export market remains a worry as commodity market is not picking up and the reefer business is also down. The company is looking at new avenues which could be the future growth engine.

Achievements

Tiger Logistics has opened four new branch offices in the previous financial year in locations including Veraval, Vadodara, Hazira, and Kanpur. The company has covered almost entire states having ports in India. The company has invested in the best technologies like customer redressal system, mobile applications, GPS tracking and cloud computing to improve communications, logistics, and inventory tracking. This works together to boost customer trust and brand loyalty.

> **The sluggishness in the export market remains a worry as commodity market is not picking up and the reefer business is also down.**

Challenges

The logistics sector in India is disorganised in nature. This manpower-intensive industry lacks adequate training institutions, which has led to a shortfall in skilled management and client service personnel. This growing concern affects both 3PLs and shippers. Another problem is high logistics cost reversal. Other problems include: Liquidity crunch, decreased profit margins, no clarity on certain service tax issues, upfront effort and costs to implement solutions and increased emphasis on regulations and requirements.

Business plans for the New Year

The company plans to enter the domestic logistics market in the coming two years and compete with logistics giants like Gati and TCI. We are in the process of setting up warehouses, CFS, ICD, logistics parks, distribution centers and other facilities to leverage the abundant opportunities. Our aim is to have a 100 per cent reach anywhere and everywhere.

The company would like to enter the defence forces arena and be a preferred vendor for logistics. Today the defence forces do not use any private logistics company and spends a huge amount in logistics and transport.

Tiger Logistics is planning to have a pan-India presence and venture majorly in domestic logistics with warehousing distribution and transportation. The company plans to open its own offices into different countries such as Singapore, the US, China, Mexico, and Panama.

Plans are being worked out to set up cold chain logistics warehouses.

The company plans to invest in developing a CFS in Gujarat not only to assist in doing the backward integration for our present corporate customer base but also to complement our various north India offices by providing end-to-end solutions for the entire cargo base moving by road to Gujarat Gateway Ports.

Implementation of GST

The Indian logistics industry spends around 14 per cent of the GDP on different types of cost incurred in logistics operation. The amount of cost incurred is very high in comparison to the logistics cost incurred by different nations. 3PL logistics market in India is expected to be worth $301.89 billion by 2020. This growth rate is based on the expectation that the new government will soon implement the GST regime and the logistics companies can optimise their operations to reduce cost and increase their margins.

P JAIRAJ KUMAR

Chairman & MD
Ocean Sparkle Limited

Business performance in the past year

In the services sector we are covered for the number of movements, so our revenues are linked to the number of movements happening through the ports. I don't see any drastic drop in the number of movements. In fact in certain ports the number of movements have increased. The only problem we have faced in the past year, which we did not face earlier, is the issue of cash flows of the ports facilitating us. Cash flows have become a big problem as we are not receiving payments on time. Although movements have not decreased and ports are getting vessels, many ports including private ones are defaulting on payments.

We have not seen any growth either in the private or in the public sector. At major ports we had no issues of payments

Reasons for private ports defaulting on payments

Certain private ports have invested heavily in areas like SEZs and power plants which have not been as fruitful as expected. So the debt burden on these companies has increased. Another reason could be that certain ports went overboard in developing the port and the traffic has not been as expected. Infrastructure development in sectors like power has been a total failure and port expansions took place expecting demand could come from the expanding power sector. So, as these developments did not work out as planned, the debt burden has increased.

Business has been stagnant at the major ports in 2014 and in the 9 months of 2015, but now we see activity picking up. The study that Boston Consulting Group (BCG) has conducted for improving the productivity of major ports is being effectively implemented at the ports. In this, we see a lot of business opportunity as BCG has clearly mentioned in its report that services need to be outsourced.

Business plans for the New Year

We are looking to expand our operations overseas in nearby locations like Myanmar and Bangladesh. In India, also I see some of the major ports coming up for tenders on which we are very bullish. Certain LNG terminal projects we feel will happen like at Kakinada Port – these are the ports where we are present operationally. Our thrust will still be on marine sciences, but dredging has also been decenty well with lake restoration projects which we are specialising upon. We are also bidding for desiltation and sand mining at Godavari and Krishna.

> **We are looking to expand our operations overseas in nearby locations like Myanmar and Bangladesh. Domestically also I see some of the major ports coming up for tenders for projects on which we are very bullish.**

Inland waterways are also a good opportunity for us but somebody needs to take responsibility here for dredging operations. So we see good opportunity in dredging. We also see huge opportunity in coastal transportation for both Ro-Ro and bulk cargo.

One year ago the offshore sector was very bullish. We had not ventured into this space for a long time because the contracts awarded in this domain are for a very short duration. When ONGC started production, it issued five-year contracts and we ventured into offshore last year. But today the situation is completely different as so many vessels have been lying idle. So this is not a sector where we would want to invest in the present scenario.

Expectations on the economy and regulatory front

A lot is being done for promoting coastal shipping and the government looks very serious about improving it but I feel a lot of bottlenecks with the ports and Customs need to be streamlined. Certain amount of cargo should be reserved for coastal movement as the subsidies given by the government alone may not be sufficient to develop the segment.

SUSHIL MULCHANDANI

Chief Operating Officer
Visakha Container Terminal

Business performance in the past year

VCT has witnessed an 8 per cent growth year on year. In spite of being hit by cyclone Hudhud in October 2014, the terminal and the industries in the local hinterland returned to normalcy in quick time and although the initial few months witnessed sluggish progress, the pace of growth picked up in subsequent months.

The industrial growth in the hinterland has continued with ferro alloys, aluminium, steel, refractories, seafood, paper, agri products and other commodities seeing an unprecedented increase in their volumes.

> **VCT's focus, therefore, for the coming year would be to attract the cargo from the ICDs in the secondary hinterland and transshipment cargoes from Kolkata, Haldia and Chittagong / Yangon going forward.**

Achievements

Several new services commenced operations, catering to the growing traffic in the hinterland. VCT had the privilege of the TSC Service commencing its operations from the terminal. The service operated by the consortium of Xpress Feeders, NYK, MOL and RCL provides direct service to South East Asia ports of Penang and Laem Chabang. Evergreen Line and Simatech jointly introduced a direct service (CCG Service) from Vizag to Jebel Ali and Sohar.

Shreyas Shipping introduced twin services to Jebel Ali and coastal feeder to Kolkata / Haldia and Kakinada making Visakhapatnam as their transshipment hub. Besides, feeder operator Herbilan Shipping started their Yangon service. VCT thus has established connectivity to Haldia, Kolkata, Kakinada, Chittagong (already existing) and Yangoon making it truly the regional hub port in the Bay of Bengal.

The longest container vessel ever to call VCT berthed during November 2015. These new services with additional vessel calls providing connectivity to different sectors have been the highlight of the year. Various new merchandises and increase in the existing commodities was an evidence of the trade's preference for VCT as a gateway to route their shipments.

Also, the much anticipated but long awaited rail movement was initiated and materialised with regular trains between some plants in Odisha and VCT, besides direct connectivity to ICD Raipur getting re-established.

Disappointments

The global recessionary trend has been a dampening factor, but for which the growth would have been much higher. Conversion of break-bulk cargo into containers has been slower than our expectations. A direct service towards the West, i.e. Europe and Mediterranean ports still evades us and rail connectivity to Hyderabad and Delhi is yet to be established.

Business outlook for the New Year

Post bifurcation, there are strong prospects of industrial growth in our hinterland. Vizag is the commercial capital of the state and several steps are being taken by the state and the central government to develop the infrastructure facilities and towards ease of doing business.

Continued increase in global container capacity coupled with subdued demand conditions, have led to a decline in container freight rates across most routes during the year 2015. It is expected that freight rates may stay under pressure during 2016 as global capacity growth is expected to outstrip demand growth.

EXIM cargo from the local hinterland continues to grow year on year averaging eight per cent which is basically an organic growth in the existing industries. With new industries slated to come up in the next few years, the volumes from the local hinterland is expected to grow multifold.

VCT's focus, therefore, for the coming year would be to attract the cargo from the ICDs in the secondary hinterland and transshipment cargoes from Kolkata, Haldia and Chittagong / Yangon going forward.

With a weekly coastal feeder service between Kolkata / Haldia and Vizag and direct connectivity to Chittagong and Yangon, transshipment at VCT of container to and from these ports would be encouraged.

A main line service to Europe is being targeted which should complete the basket of services from VCT to either parts of the globe.

CAPT. VIVEK KUMAR SINGH

CEO
Shreyas Shipping & Logistics

> **In the current scenario, the EXIM volume is coming down. The steel industry is not doing well as imports have become cheaper. The future does not look bright for the coming year. I don't see the markets improving globally as well. All we can say the year 2016 is not positive for the industry.**

Business performance in the past year

While the year 2014 was a good year for us, our expectations were very high for 2015. It was a challenging year for us both in terms of our domestic business as well as international operations. Around 50 per cent of our revenue comes from our international business. Both the domestic as well as the international markets are suffering from excess tonnage issue. Even the domestic container shipping has started to face the issue.

Achievements and challenges

We have taken delivery of two container ships, expanding the total fleet strength to eight. One of them *SSL Bharat* was delivered at Jebel Ali, Dubai while the other *SSL Chennai* became part of the fleet at Port-Kelang, Malaysia. We have also introduced a short-sea service linking Visakhapatnam and

Kolkata and Chittagong, Bangladesh.

Challenges

Among the challenges, erosion of ocean freight rates, capacity utilisation and more competition are of major concerns. The major challenge for the industry is 'cost'. Cutting the cost has remained a big challenge, and it will also remain the same in the next year till the industry starts improving. The industry has to create plans to cut operational costs.

Key Developments

Among the key developments, better utilisation of capacity will emerge as a key trend next year. We need to develop more cargo wherever there's scope. Maximum capacity utilisation will be the need of the hour.

Business outlook for the New Year

In the current scenario, the EXIM volume is coming down. The steel industry is not doing well as imports have become cheaper. The overall industry is not doing well. The future does not look bright for the coming year. I don't see the markets improving globally as well. All we can say the year 2016 is not positive for the industry. At the same time, we have lot of challenges.

Operational goals for the New Year

For the next year, we have added tonnage and also increased the utilisation. We would continue to grow and add capacity in the coming year. We need to continue with our market share. We have to focus on developing the east coast services, which is doing well at the moment. We have started two vessels and have added one large vessel. At the same time, we have to increase the volume.

JASJIT SETHI

CEO, Transport Corporation of India-Supply Chain Solutions

Industry/business performance last year

The year 2015 has not witnessed a significant industry growth while there were some sectoral reforms in the last quarter. The global slowdown has not helped and to some. the pace is akin to the slowdown of 2008. Going forward, we see these efforts paying off and expect better industrial growth to prevail in the latter half of 2016. As a business, we have been a bit more fortunate because of earlier investments in all facets of logistics from small parcels to ODC and a growing vertical based focus along with establishment of Control Towers for customer service. The vertical focus has seen a significant multiple in e-commerce and chemical verticals while cold chain is strengthening everyday. In shipping, we started the west coast service in March this year and look forward to its expansion in coming year.

Outlook for the industry in 2016

As mentioned earlier, we see 2016 emerging stronger in core sectors and traction in some of the 25 "Make in India" sectoral initiatives. Also the investments in Infrastructure, Roads, DMC/other rail projects and coastal shipping shall provide more growth opportunities. If GST gets through, it will bring about it a lot of flux and networks would be relooked at with new lens. Overall, 2016 could be the year when change becomes visible. In keeping with that thought, we have lot of investment and new products lined up to partner the industry on its growth plans.

Problems faced

It is a fact that the logistics costs in India are amongst the lowest in the world in real terms: both in transportation as well as warehousing. This is borne out by the GDP numbers and economic survey. Over time, we shall see increase in inputs costs – wages, vehicles, infra –which is a challenge for the industry and we hope that the ease of doing business and less roadblocks will help in bettering productivity to offset some of these inputs costs

Plans for the New Year

We plan to incur a capex in excess of ₹200 crore for logistics infrastructure. Besides, the company is planning to demerge its express division into a separate entity, which will enhance shareholder value in future. With the future prediction of e-commerce having a four-fold growth by 2020, TCI is planning to expand its end-to-end solutions in e-commerce sector. The company is also planning to expand cargo container shipping service from Gujarat to Kerala. Anticipating economic recovery in the coming years and believing Indian Logistics to be at the turning point of development, we intend to deploy significant capital over the next few years to support to company's growth plan.

Developments on regulatory front

Several initiatives have been taken by the government towards the development of the logistics sector. The introduction of Goods & Services Tax (GST) regime and Warehousing Act 2007, investments in logistics parks and free trade warehousing zones (FTWZs) have aided in the development of infrastructural facilities. An essential support in terms of demarking 10-20 per cent of each industrial zone as a Logistics Zone encompassing warehouses and truck terminals will go a long way in boosting the efficiency of the entire manufacturing industry.

Implementation of GST is seen as one of the important aspects in terms of ease of doing business. However, if the government wants to implement GST as passed in the Lok Sabha from 2016, then it is important to have the backend IT infrastructure in place through networks. Not only this check post should have prior information about cargo coming in, trucks that reached should not be kept for approval, else it would result in chaos.

While there have been appreciable building of warehouses in the last 10 years in anticipation of the GST, the services and softer aspects have yet to play their part. IT networks, contracts, network design and flows could change significantly as GST gets implemented. As TCI , we are following it closely and preparing various scenarios as the final shape of GST crystallises.

CAPTAIN RAJESH TANDON

MD, V Ships

Industry/business performance last year

The markets have been dismal for the shipowners and the pressures inevitably are shared with us. Despite that, we have been able to meet our budgets and targets on account of improved efficiencies and economies of scale that have been implemented on the business front to meet the increase in costs.

Outlook for the industry in 2016

The uncertainty in the freight markets remains an area of concern not only for our segment but for the entire industry. Global economic growth is a key driver for the shipping industry and if the economists are to be believed, the projections for the near future are not very encouraging.

Plans for the new year

Ability to react and respond to the market demand is a key element to be successful in ship-management and we are working closely with our clients to support the vessel operations during the challenging times ahead.

DANIEL CHOPRA

MD, Elektrans

Industry/business performance last year

The year 2015 has been one of the most challenging years since we started our journey as Danautic ship management in 2001. In 2006, the majority shares of Danautic ship management were acquired by one of the world's leading ship owners – Peter Doehle, whereby the organisation was transformed into Doehle Danautic. In 2015 the organisation once again went through a radical transformation whereby Peter Doehle exited the company as majority shareholder after retaining only a small share in view of our ongoing strong relationship and the organisation was renamed Elektrans. In its new avatar, the company is now Elektrans Shipping Pvt. Ltd. and is a part of the Elektrans Global Group.

Achievements

Taking over the majority stake was a real challenge in terms of fund generation. However being able to do so and, thereby, being in a position to chart our future course of growth have been the most significant achievement of 2015. Apart from that, being able to co-own three tankers including a Suez max with our partners, thereby etching our first foot step into ship owning is another feat. We have set up a specialised vertical of console business (consolidation) with pan-India presence in more than 14 cities and also have made significant progress in e-commerce primarily in our vertical of marine travels.

Problems faced

It is well known that 2015 has been a very challenging year for the maritime industry in view of the dramatic fall in the freight rates and charter hires in the container, dry bulk and even off shore segments. But every challenge is accompanied by opportunities and there were many opportunities to grow our organisation by appropriate acquisition of vessels. But due to a constraint in funds, we could not avail of all the suitable opportunities and that is our major disappointment.

> **Tanker market is the only bright spot where the rates had gone up over $100,000 for VLCC and has presently come down to the range of $60,000 to $70,000 which is quite comfortable for the tanker owners. Looking at the order book one can expect the tanker market to remain buoyant for the coming years.**

Outlook for the industry in 2016

Looking at the world economy, the scenario doesn't appear to be very rosy since the growth rate in China, which has been the main catalyst for the world economy and world trade over a decade, appears to be stalling. The Euro zone is also fraught with uncertainties and the growth rate in USA, after a promise, has come down a bit. There is also tremendous over supply of ships in the dry bulk, container as well as off shore segment and all these segments are expected to remain subdued for atleast another couple of years.

The tanker market is the only bright spot where the rates had gone up over $100,000 for VLCC and has presently come down to the range of $60,000 to 70,000 which is quite comfortable for the tanker owners. Looking at the order book situation, the present demand supply equilibrium as well as the strong expectation of continued cheap oil being available due to the glut situation, one can expect the tanker market to remain buoyant for the coming couple of years

As far as the economic condition is concerned, India remains the bright spot with growth rate expected to remain well above 7 per cent. The import of crude oil and thermal coal is also expected to be sustained at least at the current level. More over the Make in India campaign is expected to augur well for the manufacturing sector, thereby giving a flip to the container trade originating from and destined to India. All these are promising developments for Indian shipowners and thus the potential for Indian economy and maritime sector is huge, promising a bright future for Indian shipping in an otherwise subdued global scenario.

Plans for the upcoming 2016

Our specific plans are to consolidate the three main verticals of ElekTranS i.e. e-commerce, particularly in the marine travel segment and the transport sector by further expanding our console business not only pan-India but globally. Along with that we will concentrate on the shipping sector through increased ship owning, as well as increasing our customer base for third party crew manning and hopefully increased ship demolition along with our partners provided the ship demolition scenario improves somewhat from the present dismal state.

Outlook on Asia-Pacific trade for the upcoming 2016

Asia-Pacific trade is one of the very important segments of the international trade routes. Compared to the other different segments, this trade has done relatively better primarily on the back of the strength of Chinese exports. Despite a slowdown of the growth engine, viz. the Chinese economy, China has been doing its best to maintain its competitive edge in the international export market by adjusting its currency. I expect the Intra-Asia trade and Asia-Pacific trade to be the relative bright spots in otherwise subdued global trade in 2016 and even thereafter.

AMIT SARIN

CEO, M J Logistic Services Limited

Business performance in the past year

The year 2015 has been the year of productivity enhancement, sustaining the new bench marks of existing customers, pitching for new marquee customers but as GST roll out and start up of KMP are yet to take place, customers are wary of taking decisions. Off course as market sentiments are improving, reforms are underway but results are yet to come, 2015 can be considered as year of capacity build up in terms of team structuring, process mapping, quality accreditation, training and skill development etc. for MJ Logistic.

Major achievements like always have been to keep up the trust of customers with us in spite of financial market slow down, competitors and other factors. As such, there is no disappointment but then as inflation is rising, expectations are high from all stakeholders; keeping pace with this becomes a challenge at times. We are confident

> **“GDP growth and other parameters of improved economy will bring more opportunities.”**

to consolidate our market positioning as varied factors like a good customer base, land parcels with us, a positive outlook is going to give us dividend and we need to grab all opportunities which come in our way. Also post GST, MJ would emerge as pan-India company as seeds are sowed to get the same in time to come.

Business outlook in the New Year

Hopefully, as we are witnessing political will coupled with consensus of stakeholders, GST looks imminent as well as KMP and other reforms. I am sure that second half of 2016 will be a game changer. The company which is prepared in terms of providing better logistics solution and includes cost effective infrastructure, manpower, IT, transport will have an edge. MJ has been in industry for more than a decade and we have an unblemished record that never have any customers left us on service issues and we are sure our core competency coupled with sense of responsibility to sustain and enhance our footage will definitely yield results.

Challenges

The logistics industry, particularly warehousing, has always had infrastructure issues. Though we have made our world-class facility in Palwal which has close proximity with all major northern states and we have land parcels, we are awaiting our customer base to have a clear horizon which is after awaiting GST. Post that, things will change. Of course, logistics cost in a country like India is much more than developed countries and with wastage in terms of road transport cost where an Indian driver spends hardly 240 km in a day as compared to 600-800 km in other developed countries, more usage of space due to slow movements of goods, multiple tax regime and other issues, as of now logistics cost is much higher. While thrust is on better IT-enabled solutions and trained manpower, I am sure in the times to come, Indian logistics cost will also reduce. Even in our present business, we are witnessing the trend where semi automation and automation is need of hour but more saving will come by if we reduce the wastage.

Business plans for the New Year

We are going to have our presence in all major consumption or manufacturing locations. Our strategic team is sowing the seeds and we are giving more thrust on value added services and time is coming for consolidation.

Expectations on the regulatory front

Private warehousing should be recognized as pure infrastructure sector to avail low cost of funding. It is ironical that a better infra is key to reducing logistic cost but for private warehouses, thrust is not given. Another front is connectivity, whether rail or surface. While we all are witnessing reforms, infrastructure taking shape at snail's pace, it is time to accelerate the pedal.

GARY HODGSON
COO
Peel Ports

> "While areas such as textiles and ceramics are likely to remain very important to trade between India and the UK, we are excited by the potential for other sectors to emerge strongly, especially with the Make in India campaign."

Business performance in the past year

The year 2015 has been a milestone year for Peel Ports. Construction of our new container terminal, Liverpool2, has progressed and we have successfully taken delivery of five quayside cranes that are among the largest in the world and which are critical to our ambitions to provide a world-leading service. We have undertaken extensive relationship building in India this year and have been encouraged by the strong interest shown in our new development.

We are fortunate in that our business has not experienced any significant disappointments and container volumes are up at our existing terminals in the Port of Liverpool, Dublin and Glasgow but we have been acutely aware of the issues facing many in the global shipping and trading communities.

Business outlook

Although continued uncertainty in the world economy is still a concern and the shipping industry is facing major cost pressures, we remain broadly optimistic. Indeed, our approach to business is to take a long-term view, as can be seen in our decision to invest more than £650million in port and logistics infrastructure to meet cargo owners' supply chain needs.

Plans for the coming year

This year we will focus on completing the Liverpool2 terminal and building more support for our Cargo200 initiative, which already has backing from major brands, including several businesses with strong India ties such as Jaguar Land Rover and Typhoo Tea. The initiative is about improving supply chain efficiency, so reducing costs and carbon emissions, by shipping directly to the heart of the UK market via Liverpool instead of South-East ports.

Which are the Indian ports connecting to Peel Ports? In which commodities do you see export/import growing between India and Peel Ports?

This year we signed a partnership letter of intent with JNPT in Mumbai and Maharashtra remains the focus of our relationship building in India. While areas such as textiles and ceramics are likely to remain very important to trade between India and the UK, we are excited by the potential for other sectors to emerge strongly, especially with the Make In India campaign and the country's growing role as a major trading nation.

Developments on regulatory front

Our main interest is in seeing developments that support more efficient international trade, whether that is an improvement on customs procedures or a relaxation of rules governing coastal shipping, both of which will help India to improve its competitiveness with other countries and improve shippers' confidence in India.

HERVÉ MARTEL
CEO, Port Le Havre

Business performance in the past year

HAROPA ports' Strategic Projects were all approved by the Supervisory Boards of the three ports in 2015. Containers are undoubtedly one of the activities that have the greatest potential for development and are a major stake for the Seine corridor as a whole. The other activity is logistics. HAROPA has indeed a wide availability of land dedicated for storage as well as for warehouse building. Following are some of the on-going projects at HAROPA:

Port of Le Havre issued expression of interest/ tender:

- On port 2000 for the operation of 2 additional berths, bringing the available dock length to 4.2 km on the Asie/Osaka quays.
- Potential for warehouses to be built in Havre port logistics parks: PLPN 170,000 sq. m., PLPN2 around 100,000 sq. m., PLPN3 175,000 sq. m.

At Port of Rouen: Construction work of RVSL Amont (near HAROPA – Port of Rouen): 80,000 sq. m. of warehouses.

Port of Paris, Longueil Sainte Marie terminal: A river port to facilitate the container traffic.

2015 also marks for HAROPA the year of the environment. On November 16, in Antwerp, a panel of port professionals awarded the trophy "Environmental Protection Award" to HAROPA. Five months after being elected "Best green port in the world" by Asian professionals and 10 months after the PERS certification of HAROPA – Port of Le Havre, this third recognition emphasizes the central place occupied by environmental challenges among the concerns of each port of HAROPA.

2015 was also the year of the COP 21 Climate conference. Over the past year, HAROPA, a founding partner of SOLUTIONS COP 21, which brings together market participants and civil society taking action for the COP 21 climate conference, has thus been collecting the climate solutions devised in the transport and logistics sector on the Seine corridor: twenty-one initiatives backed by companies, institutions, research centres, local authorities and associations to fight against climate change have been selected and promoted during the United Nations Climate Conference in Paris from November 30 to December 11, 2015.

Connectivity and EXIM between India and Le Havre

HAROPA shipping service represents the ideal tool for trade between the Indian subcontinent and Europe thanks to excellent transit times to connect the Indian and European markets, 18 shipping companies, 120 liner commercial offers, 2 direct maritime services.

The ports of Le Havre, Rouen and Paris are connected to the following Indian ports: Chennai, Mundra, Bengaluru, Cochin, Kolkata, Mumbai, Haldia, Kandla, Tuticorin, Visakhapatnam, Nhava Sheva, Pipavav, JNPT, Hazira, Chennai, Mangalore, Goa, and Krishnapatnam.

Exports from India: leather, textile, garments, manufactured goods, chemicals

Imports from HAROPA: Cellulose and waste, manufactured goods, chemicals, machinery, motors and parts.

Ease of doing business

"HAROPA contributes to French attractiveness." The 2015 Doing Business report of the World Bank, which measures favorable and adverse regulations to business in 189 countries, takes HAROPA as an example. The report highlights the simplification of the existing administrative procedures and the low number of customs documents required. In 2016, owing to the quality and fluidity of its connection networks as well as its logistics solutions, HAROPA should reinforce its attractiveness the same way.

Customs facilities in HAROPA are simple, rapid, secure and easy-access. Procedures are paperless, and goods are cleared through customs in less than 4 min 34 (Le Havre 2014). The customs clearance is of easy access as the DELT@ customs clearance system is accessible 24/7. Then, the Port Single Window AP+ operated by SOGET allows Customs and port professionals to be interconnected. For the future, HAROPA has chosen S) ONE by SOGET, a collaborative platform enabling supply chain operators to streamline all foreign trade-related exchanges on a national level. S)ONE offers data confidentiality and procedure standardization for professionals. It is also a user-friendly interface which is accessed from any medium (tablets, smartphones, PC, etc.) It offers automatic and instant return of proof-of-export documents for VAT exemption on export from France.

J ANTONY SEKAR

MD, Kerry Reliable Logistics Pvt Ltd

Business performance in the past year

Though the year 2015 began on a positive-growth note, the third and fourth quarters witnessed a slump. The European export out of India did not meet the target as the demand from the western markets fell. This had an effect on the import of raw materials from South East Asia making it a vicious circle.

Milestones achived

Globally, we focused on integrated logistics, especially catering to the on-time delivery segment. These being the focus at Kerry's headquarter in Hongkong, Kerry Logistics India also realized the potential in the segment and commenced promoting 3PL warehousing solutions. Another achievement this year is our successful handling of breakbulk shipments which exhibits our forte in providing comprehensive logistics solution.

Impact of industry developments

Considerable volume of garment and retail exports from India got shifted to other South Asian countries. Increased labour cost is also one of the reasons for European and US buyers to focus on neighbouring countries. I have been witnessing a drastic decrease in the overall exports resulting in Indian suppliers coming forward to marginalizing their profits in turn making logistics service providers to work on reduced profit.

Like-wise import of raw materials, engineering goods and infrastructure materials have also reduced compared to past years.

Business outlook for the New Year

It is estimated that the Indian logistics sector will continue to show an annual growth of 10-15 per cent, leading the pace of growth for the economy.

We hope the business will start looking up by the end of second quarter, which again depends on the value proposition that logistics industry will be able to offer seamlessly. Well knit supply chain solution combined with cost effective offering will help logistics service providers to leverage and expand their services. Industries need to collaborate with their own vendors and suppliers to ensure quality response to the market trend and requirements.

Key trends that will drive the business next year

E-commerce will continue to increase its influence over the supply chain industry with its increasing investments in logistics and warehouses. The rise of the discount stores which can provide promising volume commitments to the logistics players and increasing integration of trading nations will encourage regional cross-border flows of goods. Also, logistics companies will invest in technology.

Major challenges

The major challenge the industry needs to overcome is "infrastructure". Domestic distribution in India is still fragmented and it takes several days for general cargo movement.

Expectations on regulatory front

We look forward to the quicker implementation of GST, which has been pending since last few years. Kerry Logistics India has a network of eleven offices across the country; it will make our job easy and hassle-free once GST comes into place.

Operational goals in the new year

In 2016, we will focus more on "3PL Warehousing". As e-commerce segment is seeing a tremendous growth, we plan to double our warehousing capacity from 2.5 lakh sft during the year.

D S BHARARA

Vice President National Association of Container Freight Stations

Business performance in the past year

The overall business in the logistics industry has been fair and stable. In our experience, while the imports are coming down slowly, the exports started rising in term of volumes. However, in the last quarter, even the exports have fallen short of their estimated targets which can probably be attributed to the general slowdown in the world economy.

Outlook for the economy

The current rate of growth in the economy is about 7.3 per cent which is as per NITI estimates and is expected to touch 8 to 8.5 per cent in the financial year 2015 -2016. On the other hand, China will witness a fall in the rate from currently 7.4 per cent to about 6.8 per cent which could help our industry in getting a good boost. Since logistics in India is a very important aspect of the trade and industry, it is expected that it would also be able to perform better in 2016.

Challenges

The main problems facing the logistics business have been the usual as in the past viz. unhealthy competition in the business, regulatory bottlenecks and high rail / road freight costs. With the government embarking on the "Ease of Doing Business" criteria, we hope and pray that things would be better in 2016 and the bottlenecks would be reduced substantially.

Need to consolidate ICDs and CFSs

Yes, in some areas / zones there is a need to consolidate ICDs and CFSs. As per the Ministry information, 221 ICDs / CFSs have been sanctioned out of which about 185 of them are fully operational. However, what has been ignored is the right location of these ICDs / CFSs vis-a-vis the ports they serve or are connected to. Thus, while in some locations there are too many of them existing side by side, there are areas / zones where there is an urgent need for such ICDs but they are not in existence, thus harming the development of trades in those areas.

Business plans in the New Year

Being a part of the service industry, it is always our endeavour to be at least one step ahead of the competition and thus, we are constantly evolving and implementing new techniques and raising the levels of the standard operating procedures. This, coupled with our strategies of imploring new talent in skill development and giving the best to the trade by providing high efficiency and performance in the service industry, is constantly being worked upon.

Developments on the regulatory front

The ease of doing business has to be further scaled down with documents getting fewer yet meaningful as well as Customs and Port regulations being toned down to facilitate trade. The implementation of GST on a pan-India basis would also provide the necessary boost in the ease of doing business and come a long way in improving of the trade especially the EXIM business making it internationally competetive.

Regulatory permissions which are supposed to be given in routine for EXIM cargo need to be drastically modified as part of ease of doing business. For example, take the factory stuffing permissions for export cargo, the procedure for obtaining such a permission is far from easy and involves several steps in getting approvals. There are similar regulatory formalities both for export as well as import cargo which lead to small but significant irritants in effecting a smooth trading practice.

ASHUTOSH JAISWAL

President - International Business Division & Logistics, Century Plyboards

Business performance in the past year

The year has gone quite well. Recently, due to the Nepal strike issue, the containers which were ready for transshipment were moved to CFS and, therefore, the volumes at the CFSs went up. We have witnessed a growth of around 10 per cent in our traffic.

Achievements

The volumes have gone up definitely and we are working on a master plan regarding expansion across India in consultation with various companies and

> "We are developing software to reduce our turnaround time and provide real time tracking to the customers."

are hoping that the things will materialise during the current fiscal year itself.

Problems faced

Kolkata Port has increased the vessel turnaround time but the time required for evacuation from the yard is not very encouraging as the yard is not yet ready for RTG operation. The officials at the port have though assured us that it should be ready in another six months. Once the RTG yard is ready, then the evacuation process will also be very fast and good.

Outlook for the industry in the new year

I do not find the next two years very encouraging due to the crisis in world economy. The growth in traffic in Kolkata Port will be very stagnant as the East region was already lagging behind as compared to other parts of India.

Business plans for 2016

We are putting a strong thrust on the IT and various projects are under development. In the coming years, we would definitely come up with high-end technology in the IT segment of CFS. In a way it will provide a clear picture of our operations to our customers in real time. We are developing various softwares which will help us to reduce our turnaround time along with the benefit of real time tracking to the customers.

JACKEY LI

Director, ZPMC INDIA

Business performance in the past year

ZPMC got nearly $32-million contract in the past year for our crane business and work in 90 countries. ZPMC's Indian branch was recently started in October 2014. ZPMC India got a good opening as we could deliver 4 QC in JNPT, 2QC+2RTG in Hazira Port and 2 SUL in GPL.

Business outlook in the New Year

According to the latest provisional data from Indian Ports Association, the publicly owned major ports in India reported healthier levels of growth in container handling in FY 2014-2015 than in the previous years. Container handling in FY-2015 expanded 6.7 per cent year over year to 8 million twenty foot equivalent units teu from 7.46 million teu through the same period in 2013-14. These figures show the importance of our role in the present economic scenario.

Business plans for 2016

As far as our business strategy for 2016 is concerned we will be shortly starting spare parts warehouse which will aid faster fulfillment of our customer necessity. We are also planning to build an equipment fabrication yard. So the present market condition is at its best for the company's growth. Also we could undoubtedly say that ZPMC India is a boon and will remain as a boon to the Indian economy. We will also be completing five projects by 2016. These five projects will altogether include the delivery of 20 equipments.

PRAMOD KUMAR SRIVASTAVA

Director & CEO
Allied ICD

Business performance in the past year

The industry scenario has not been very positive in 2015. Despite a good first quarter, our business was down by around 20 per cent during the second and third quarters. The West Bengal industrial belt is mainly composed of steel and steel related industries. Unfortunately, steel manufacturing has been low for the last couple of years due to a fall in the demand for steel-related products in the international market. However, we have observed that the market has become more stable during the fourth quarter and we are hopeful of a resurgence in steel-related manufacturing in the New Year.

Achievements

The industry-wide recognition and exposure that we have received due to our AEO Certification; AEO or an 'Authorised Economic Operator' is an international standard of security that was presented to us by Indian Customs in October, 2014 was an achievement. During 2015, we have used the various benefits that have come with this certification which has resulted in improved services to the end users. We are also very happy that the Durgapur Commissionerate has been formed this year and ICD Durgapur is now under their purview. The Durgapur Commissionerate has shown a lot of interest in boosting the export-import trade in the region and we appreciate their sincere efforts in this regard.

Problems faced

The lack of opportunities given to private ICDs and CFSs in terms of rail movement is one of the problems we faced. We are hopeful that this scenario changes soon as it will help improve overall productivity of the region. Another point that I would like to make is that we already have major shipping lines such as Maersk, MSC, OOCL, Safmarine who have their B/L point up to ICD Durgapur. The lines as well as the exporters and importers have benefited from this move and we expect more shipping lines to follow the suit and open up B/L Points at our ICD.

Outlook for the industry in 2016

I strongly feel that there are ample opportunities in 2016 for the development of logistic services in Eastern India. The state government and the Ministry of Shipping have been working closely to improve policies and procedures. We are hopeful that they continue this approach and create a work environment where service providers are encouraged to open up more warehouses, ICDs and CFSs. This will further ease congestion at Kolkata Port and assist in keeping up with the growing EXIM movement of the region. The trade must also accept and encourage the adoption of such national policies as this will result in an increased efficiency of the Kolkata Port.

The steel industry needs to be looked at with special attention as it is a major source of employment and revenue. I expect the Ministry of Commerce and Industry to come up with strong policies in order to promote our steel-related industries.

Developments on the regulatory front

I am highly appreciative of the initiatives taken by the Centre to create a Digital India and to improve our infrastructure. Keeping this in mind, I feel that policies in respect of container movement also need to be looked at as they are not in congruence with the current Indian scenario. The Motor Vehicle Act needs to be reviewed. We have seen technological advancements in manufacturing of trucks but a change in axle weight has not yet been considered. The horses and trailers are registered together currently but a separate registration of the two would optimise transaction costs. A review in such core matters will add value to all the stakeholders of the logistics trade.

INGO EGLOFF

Chairman, Port of Hamburg Marketing

Business performance in the past year

Even Hamburg as Germany's largest universal port clearly felt the effects of weakness in Chinese foreign trade plus the steep downturn in trade with Russia during the first nine months of the year. Totalling 104.6 million tonnes, seaborne cargo throughput in Hamburg was 4.8 per cent lower than last year. Even if bulk cargo handling in the first three quarters totalled 34.3 million tonnes and was, therefore, again substantially higher, being up 8.7 per cent. This could not fully offset the decline in general cargo throughput. Container throughput in the first nine months totalled 6.7 million teu, down by 9.2 per cent. It proved impossible to maintain the previous year's strong growth.

At 1.5 million tonnes (down 8.5 per cent), in the first nine months non-containerised general cargo throughput, of oversize plant elements and wheeled cargo for example, lagged behind the previous year's. Despite a rise in imports, that at 428,000 tonnes achieved a 7.2 per cent advance, throughput was lower of project and heavy cargoes, vehicles, iron and steel on the export side. At 892,000 tonnes, these were lower by 14.5 per cent and caused a slight downturn in this segment. Metal imports, e.g. of slabs from Russia and the East Coast of South America for steel production, were the main factor behind the favourable import trend there.

The trend for bulk cargo handling differed completely from the one for general cargo and container throughput. In the first three quarters of the year, the total of 34.3 million tonnes (up by 8.7 per cent) suggests a record figure for the full year. In this segment double-digit growth rates were based on grab cargo throughput of 16.9 million tonnes, up by 13.9 per cent, and suction cargo throughput of 7.0 million tonnes, up by 13.3 per cent. Of grab cargos, the bulk comprised ore and coal imports, at 7.6 million tonnes and 5.6 million tons respectively. On the export side, growth of 15.1 per cent in fertilizers handled produced total throughput of 2.6 million tons for the Port of Hamburg. The throughput trend was also positive for the remaining commodities in this segment such as scrap metal, building materials, stone and soil. At 609,000 tons, total throughput for this group was ahead by 25.9 per cent. In the period January to September, a total of 10.4 million tons (down by 1.4 per cent) of liquid cargoes were handled in Hamburg. At 4.9 million tons, down by 1.7 per cent, imports of oil products accounted for the major share here. On the export side, throughput of oil products, achieving a 12.2 per cent advance to 2.3 million tonnes, made up the bulk of the export total of 3.4 million tons (up by 1.7 per cent). In the suction cargo segment, booming grain exports, 38.1 per cent higher at 3.5 million tons, helped to produce the positive segment total of 7.0 million tonnes, up by 13.3 per cent.

Against the trend, in the period between January and September Hamburg's seaport-hinterland traffic generally developed very gratifyingly. A total of 4.5 million teu (up by 1.0 per cent) were transported. That is a fresh record for shore-side container transport. Rail container transport climbed to 1.8 million teu. This 4.1 per cent advance just shows that for container transport, rail is making above-average progress.

Business outlook in the New Year

The Port of Hamburg provides employment for more than 153,000 people in the Hamburg Metropolitan Region. With gross value-added of €20.5 billion, it is also of great importance for the entire German economy. To keep the universal port on its growth course, apart from dredging of the navigation channel on the lower and outer Elbe, adaptation and upgrading of the access and dispersal corridors for freight transport by rail, truck and inland waterway vessel are essential. For the year 2015 as a whole, we reckon with a continued positive trend in bulk cargo throughput and a drop in container throughput. For the end of the year, total throughput of 138 million tons (down by 5 per cent) may be expected, with container throughput not quite reaching 9 million teu.

The long overdue dredging of the lower and outer Elbe add to the difficulty of handling especially large ships better and more flexibly. If Hamburg is to continue to perform its vital logistics function of hub for transshipment cargoes, deepening of the navigation channel is of the utmost urgency for Germany's largest universal port. Some competing ports in the North Range are specifically attacking the related trades and are taking quantities away from Hamburg because the restrictions on the Elbe constrict utilisation of the transport capacities of large vessels. Arriving in or leaving the Port of Hamburg, following successful dredging of the navigation channel, which will produce one extra metre of draft, an ultra large containership could transport between 1600 and 1800 more containers teu to Hamburg. Against the background of increases in the number of calls by particularly large containerships with slot capacities of 10,000 to 13,999 teu, which rose in the first nine months to 394 (up by 19.4 per cent), and by vessels with slot capacities of 14,000 to 19,000 or more, teu slot capacity, which reached 88 (+100 per cent), the serious delay in dredging of the channel of the lower and outer Elbe hampers smooth access to the Port of Hamburg.

Connectivity and EXIM between India and Hamburg Port

Exports from Hamburg to India are mainly machinery, metals, chemical products and wood/paper products. On the import side from India to Hamburg chemical products, metals, textiles and machinery dominate the trades. The Port of Hamburg is connected with many Indian Ports via regular liner services: Chennai, Cochin, Ennore, Haldia, Kandla, Kolkata, Mumbai, Mundra, Nhava Sheva and Visakhapatnam. Other Indian Ports can be reached via transshipment.

VIJAYSINH VAGHELA

Sales Manager, Liebherr Maritime Cranes

Industry/business performance last year

After the record year 2014, 2015 figures show a stable performance on a high level in terms of Liebherr's mobile harbour cranes (LHM). The highlight of the year was the launch of the strongest and biggest mobile harbour crane in the world, type LHM 800, capable of lifting 308 tonnes and handling 22 container rows across. The first unit has already been delivered and further projects are in the pipeline. Additionally, our new reachstacker LRS 545 was presented to the market in June, certainly a new impulse for ports and terminals worldwide. In 2015, Liebherr also reached a special milestone: ever more countries join our LHM reference list and this year the one hundredth country joined this list. This means that by now Liebherr has delivered its mobile harbour cranes to over 100 countries worldwide. Breaking it down to India, 2015 has been another good year with high demand for our cargo handling solutions.

Outlook for the industry in 2016

Vessel sizes are still growing bigger and bigger, which leads to new challenges for ports around the world due to the cascade effect. This is a trend which might continue next year. Ports all over the world are faced with the arrival of bigger vessels and need to invest in new equipment. Mobile harbour cranes represent a great solution as they – besides their efficiency – can ease capacity bottlenecks throughout the port, thanks to their mobility.

The Panama Canal is scheduled to be opened in 2016. This might have a significant impact on the certain cargo routes. Business may shift from one port to another, which should result in new investments. However, some ports in the area have already upgraded their facilities over the past few years.

The International Monetary Fund (IMF) said that India's growth rate would be 6.5 per cent for 2016-17. On a different growth parameter, it projected India's economy to grow faster than China's by 2016-17. This methodology includes indirect taxes in gross domestic product, termed GDP at market prices. By this method, India would grow at 6.5 per cent in 2016-17 and China by 6.3 per cent in the calendar year of 2016. Meaning, India would be fastest growing large economy in the world by then. However, the growth forecast was broadly unchanged for India. In this predicted growth rate, infrastructure would play a vital role wherein port sector would be more focused on global trade.
In India, recent exchange rate movements have been unusually large specially on dollars, triggering a debate regarding their likely effects on trade. Considering this, the Indian ports sector has already taken the leap to create adequate capacity as well as modernise the existing port. In this regard, all existing ports are already in the process of modernisation and ordering state of art advanced material handling equipment like harbour mobile crane, container handling crane, floating cranes etc. The focus of government for development of coastal shipping, inland waterways transport as well as reviving ship building industry would surely increase in demand for maritime cranes. Hence, in coming near future we see a good potential for maritime cranes in India.

Plans for the upcoming 2016

With this year's expansion of the LHM range, we added a future-proof cargo handling solution to our portfolio. The new reachstacker LRS 545 is another great addition. Moreover, we launched innovative technologies over the past few years, like SmartGrip or our training simulator LiSIM. In 2016, we will continue to invest in research and development to make sure our existing products become safer, greener and more efficient. Additionally, we will continue to optimise our maritime portfolio according to the requirements of the maritime industry.

NAFEESA MOLOOBHOY

MD, A S Moloobhoy Pvt Ltd

Business performance last year

Business has improved in 2015. The retrofit market is relatively buoyant and shipyards are having substantial defense related orders. However Indian shipowners are cash strapped and there are severe delays in payment as a result our cash flows are very fragile.

Achievements

Our major achievement was moving out of Mazagon to Marathon Futurex and we hope that in a better ambience our teams' and our productivity will increase substantially.

Problems

All our new projects and thrust areas are crawling instead of running and I am a very impatient person, so delays really become a point of grief for me. I do see an improvement, but liquidity is still a big issue. At the end of the day, business only transpires when the money you have quoted for a particular job hits your bank account. Delays in payment even from government institutions like the Navy and SCI really hurt small companies like ours. So though we want to expand, we are treading carefully only due to cash flow issues. I feel at least government bodies must pay vendors promptly.

Business outlook for the New Year

We are opening a new branch in UAE and are entering into airtime and charts business and are opening a KPO – like a back office to engineers and customers who have problems with their electronic equipments. And a new office in Mundra – so lots of plans which entail a lot of hard work!

CAPT. RAHUL BHARGAVA

Head - Chartering & Operations Essar Shipping

> **There are about 190 cape size ships hitting the market in 2016, about the same number of panama ships. It is scary to think of how we will fill these ships.**

Business performance in the past year

The year 2015 was one of the worst we have ever seen. It's a year we would not want to think about. Earnings and volumes were very low for the bulk cargo segment. The freight rates for a capsize vessel averaged at $9,000 compares to $16000 last year and $18,000 the year prior to that. Panamas and Supramaxes were relatively low too. We were down and out on all fronts.

Impact of slump in Chinese demand

China was not importing as much and cargo volumes dropped as a result. The numbers of ships were way more than we needed. Historically, we witness a cargo increase of 4-5 per cent CAGR annually. But this year, my guesstimate is much lower than 4 per cent too. Trade was badly affected and there was a demand supply mismatch. In the cape sector, freight rates went down almost 40 per cent.

Cost cutting and streamlining measures

Many shipowners have implemented cost saving measures. This is because if you come down to levels when ships are not viable any longer, lay ups will start. But the catch is, if I lay off, it cost me a lot of money to reactivate it. So right now it is a wait and watch game where some shipowners are running theirs waiting for others to lay up their assets.

Long-term contracts in dry bulk/tanker

We have not been able to sign on any long term contracts because currently the market rates are not too good. It does not make economical sense to go long on a charter. In the dry bulk segment, we have been able to report earnings about 20 per cent above the market level of our captive businesses coming from Essar Steel and Essar Power.

Tankers have done exceptionally well this year. Nobody expected the oil process to crash and there have been fewer ships. A Very Large Crude Carrier was getting hired for $57,000 a day as against $16,000 two years back. We expect this trend to continue in the tanker segment as long as oil prices remain this low.

Business plans in the New Year

Well, there is nothing much you can do in the dry bulk segment. On the tanker front, we do not plan to acquire any new vessels. We would like to consolidate our business.

Market for bulk carriers in the New Year

The coming year too does not inspire much confidence. There are about 190 cape size ships hitting the market in 2016, about the same number of Panama ships and over 300 Ultramax and Supramax ships. It is scary to think of how we will fill these ships. The older ships cannot be scrapped either to make way for the new ones because their age profile is not too old either and the market does not offer an attractive scrapping rate.

Business derailed

The floods had brought movement of cargo to a grinding halt while cargo stored at CFSs/ICDs in the region was damaged due to water inundation. The impact was cascading as production units had to halt their operations which imapcted the business of shipping lines as well

by MD Shareef MP

The catastrophic flood that hit the Chennai city has left its impact on the shipping and logistics business and it would take some days for the parties to make up for the loss caused by the natural calamity. The colossal rain which had cut off the logistics connectivity to port, container freight stations, plants and warehouses had brought the shipping and logistics business affair in the southern industrial city to a standstill. While port activity was disrupted partially for a week, it had to stop the entire operation for a day due to power failure.

Container Freight Stations near the port vicinity were inundated, damaging properties and perishable cargo in the containers. Though there was not much of an impact at the port, it had severely affected the supporting activities connected to the port like the cargo movement, warehousing, storage etc. according to port authorities.

"Movement of containers had been severely impacted. This will have a cascading impact for a prolonged period even though the floods are over," B Vimal, Chief Traffic Manager, Chennai Port told MG.

Containers are usually deployed to carry specialised items including machinery parts and even fully built vehicles. Vimal said bulk cargo operations had also been impacted but that liquid handling was still fine.

"We are trying to assess the exact impact and will come up with some estimates shortly. As of now we can only point to a notional loss and the real picture will only come out later," he said.

Chennai Port, one of the busiest in the country, handles 1.5 million teu of container cargo and 52 million bulk cargo annually, Vimal said.

Chennai has been facing the heaviest rainfall in a century, leading to massive disruption of life and property, driving people from their homes, forcing a shutdown of factories and of the city's airport.

Top cargo operators have seen their businesses come to a standstill.

Gateway Distriparks, the top container operator out of Chennai Port, had to shut down its container freight station even though it's just 15 km away from the port. "Business had come to a complete standstill. The roads were flooded and reservoirs were overflowing. We closed our entire operation for four days," said V Baskaran, General Manager, South, Gateway Distriparks.

On notional figures we have almost ₹1 crore loss at the CFS itself, half of it is loss of property and half would be our revenue loss. Perishable cargos like paper rolls have completely been drenched due to water inundation. Rests of the damage to cargo are yet to be ascertained and we would be able to do that once the customer comes and open their containers, Baskaran added.

The industrial area that lies on the outskirts of Chennai is considered to be the 'Detroit of India' as it houses one of India's largest automotive hubs. The torrential rainfall had forced numerous plants to shut shop for an unprecedented second time in less than a month and has crippled production, sales, and deliveries.

Ford, Daimler, and Apollo Tyres are just three of the many automotive manufacturers affected. Ford Motors had also shut its manufacturing facility which has a capacity of making 340,000 engines and 200,000 cars per year. Since the production at the plants was stopped for some days, it had also taken a toll at the auto logistics companies based in Chennai.

Talking about the business affected due to the torrential rain, Captain Vignesh, Senior Executive, NYK Logistics said that since the production plants were shut for three to four days, they also had to halt their operations. "As compared to the normal business time we had incurred a loss of at least 30 per cent in our operations. It would take some time for us to make up for the loss and it would happen in tandem with the plants making up to their lost days of operations," said Captain Vignesh.

Indian exports need to improve

Even as the container terminals grow and service efficiency is increasing on the east coast, pressure on freight rates and the slump in Indian exports remain a key concern

MG Bureau

With freight rates continuously keeping shipping liners under pressure, what is your perspective of the current scenario?

As a feeder operator, we are also suffering from this situation. However, feedering is an important asset for the main lines in their entire service requirements. I look relatively faithfully into the future. All over the world, the situation regarding the pressure on the freight rates is very concerning.

When do you think the market will improve?

This is the problem we have in Europe, Latin America and Africa which are connected to our business. All those related to container traffic are suffering from this situation, except in Asia where we have a booming and bullish market. Inter-Asia traffic is one of the major columns of the container business, but that is too connected with China's restructuring which will continue to take place. The volume of the container traffic worldwide will be under serious pressure in the future and in order to combat this, there should be a check on the new ships coming into the market. Those who are going to order new ships need to think twice and there has to be some sort of capacity management which should be a repeat of what happened in 2010.

Since you mentioned intra-Asia trade, we see some of the services being cut down because of the situation. How does it impact feeders?

We are dependent on the import/ export situation that happens between Asian countries and India. Our focus is on India mainly and the import side is still doing well, however the export side from India is suffering a lot. Shipping lines cutting down services doesn't impact us much, as there is always new competition coming up in this regard.

Does this put some pressure on you to change your plans dynamically?

No, we are not really changing the plans. The market situation which includes production and exports/ imports is something we cannot influence. We have to check the current market situation and react accordingly, provide enough space in terms of demand, manage our services structure and adjust our cost structure accordingly.

What opportunities and challenges do the mergers and acquisitions of the leading container lines present to you?

Mergers or acquisitions mean that the traffic will still be there, but we have to adjust to the requirements of both sides. This means our service has to be at par with the requirements of the customers. The question is whether they will continue to use a common feeder carrier or not?

How was the year 2015 for BTL? Were there any significant achievements or disappointments?

On the achievements side, we have been doing well in maintaining our position in the market in spite of quite substantial downturn in volumes and we are also maintaining a very good service structure for our clients, but the concern is with regards to the global economy and what happens in India on the exports side.

How do you see the scenario on the east coast? With the kind of capacities coming up, what is your prespective as a feeder?

We are carefully watching the competition as the container terminals grow - the capacity that is provided on the east coast of India especially. We are dependent on the volume growth with regard to our business and so is all the trade. We, along with the main lines, are waiting for improvement in exports from India.

What significant changes have you seen recently in the Indian container business?

A significant change is the considerable improvement in terminals. Now you can rely on berth windows, especially in Kolkata. The performance of the Kolkata terminal was outstanding and there has been significant improvement.

FUTURE FAVOURS THE CARRIERS

Shipowners chartering container carriers to liner operators are optimistic that the container shipping market will turn around and that charter rates for their vessels will increase as shipping lines turn to them to fill a gap between supply and demand that will start to open up in 2016 and there after

Shipowners forecast that the combination of continuing global economic growth and declining delivery of new ships next year means that vessel supply and demand will come into balance and create more demand and thus higher charter rates for their assets.

"We are going to see a re-acceleration of trade over the next two years and given the fact that the orderbook now is at 18 per cent of the global fleet compared to 50 per cent in 2009, we believe that demand is going to outstrip growth and that we are going to have opportunities going forward to have pricing increases and a tighter overall market," predicts, Charles Lupinski, senior analyst at Global Hunter Securities.

Liner shipping companies are turning to the charter markets to fulfill their needs for new, more fuel-efficient and cost-effective container ships. "The liner companies want to preserve their capital for things like terminals" he said. More than half of the fleets operated by the top 20 container lines is chartered, according to Alphaliner.

Demand for newer charter vessels is picking up while ship operators are managing to control capacity through slow-steaming and alliances.

The outlook for better returns on capital invested in new container ships is being enhanced by low oil prices, said Dr. Herman Klein, President, German Society for Maritime Technology. "Lots of offshore projects are on hold, so the major shipyards of the world are hungry for new orders and this might lead to lower prices for new container vessels," he said.

Sai Chu, Chief Financial Officer, SeaSpan said, new ship orders are currently at the lowest levels they have been in 10 years. "The liners have been working together to rationalize supply, and there is an interest in large ships, so broadly we see a well-balanced orderbook with industry fundamentals improving, which we expect to continue going forward. So our forecast is for an improving environment for the industry and ultimately it's a good place for container ship owners to be."

The container ship market this year is expected to progress much as it did last year, but will show marked improvement next year, as new ship deliveries slow. "We see an improving market, not so much within this year, but more within next year," said Aristides Pittas, Chief Executive, Euroseas.

Global demand is likely to grow faster on the north-south trade lanes than on the east-west trades, Klein said. We will see a higher utilization and this will come from well-organized alliances," he said.

Source: JOC.com

Maritime Board for the sunrise state

The sunrise state of Andhra Pradesh is in the process of constituting a State Maritime Board that will function as the nodal agency, putting growth plans on the fast lane. The accompanying demand for skilled manpower will be met by the Logistics University, a first of its kind in the country

by Deepika Amirapu

One and half years after the creation of the residuary state, the Andhra Pradesh government is on course to constituting a Maritime Board to promote port-led development along its 974 km long coastline. The maritime board, once created will be the nodal agency in state for maritime activity, functioning both as regulator and developer of ports in Andhra Pradesh, **Ajay Jain, IAS, Secretary, Energy, Infrastructure and Investment** told MG.

The board will function from the port city of Kakinada and shall have 15 members to preside over its functioning. Representatives from the Ministry of Shipping, the Indian Navy, Coast Guard, secretaries of different state departments such as infrastructure, investment, transportation and tourism, port personnel and two independent professionals from the sector shall also be invited to be part of the body. The maritime board shall be formed once the draft bill is passed by the state cabinet and the President of India gives his assent to it. The functions of the newly created board include creating a rolling master plan for projects within a stipulated time frame, ensure all ports have adequate rail and road connectivity, develop and promote non-major ports, encourage and bolster industrial activity around the ports and protect the interests of all the stakeholders of this industry.

"The Andhra Pradesh chief minister also wants the state maritime board to participate in tenders that call for port and ancillary development within and outside of Andhra Pradesh as well," Director of Ports, V Ravi Kumar told MG. State government officials expect the maritime board to be constituted before the end of the financial year next March.

Port Project Plans

Once created, the board envisages seeing through the completion of a string of projects to improve connectivity, facilitate the setting up of export oriented units in the hinterland and help create more port facilities along the state's coastline. The Raipur-Vijayanagaram , or RV line, is among the first that will attract the government's attention to further electrify, double and extend it. Other lines shall also extend to improve connectivity between Andhra Pradesh and cargo centres in Northern India.

Out of the 14 minor ports the state is mulling over to develop, it is actively facilitating the creation of three new ports, viz. Bhavanapadu, Machilipatnam and the Vodarevu and Nizampatnam Port and Industrial Corridor (VANPIC) project which will comprise a port and vast stretches of smoke billowing plants that would churn out anything from trucks to engine spares and chemicals to cement. The request for proposal, or RFP, for the Bhavanapadu Port has been solicited and three firms have expressed interest in developing the port so far. Gangavaram Port Limited, Adani Ports and Special Economic Zone and Krishnapatnam Port Company Limited have stated their interest to develop the port. "We have asked them to submit their revenue sharing proposition as this will be developed as a PPP project. Once the firm is finalised, we would like to award the contract by March 2016," Ravi Kumar said.

For the Machilipatnam Port, the state government intends to adopt the land pooling policy that was successfully tested to amass land for the state capital in Vijayawada. The Machilipatnam Area Development Authority has been created to acquire land for the port and develop an industrial cluster as the Krishna district, where the port will be functional, is rich in limestone reserves and supports the cement industry. Farmers who own land along closer to the sea and mark the borders of the industrial zone will be allotted sites once the area is developed, the Director- Ports said. Work on these two ports is likely to be hastened before the VANPIC project takes off. The government officials are waiting for certain legal cases pertaining to the VANPIC project to be resolved before it is reopened for development.

"The maritime board will have 15 members and will focus on creating a master plan for projects within a stipulated time frame, ensure all ports have adequate rail and road connectivity, develop and promote non-major ports, encourage industrial activity around the ports."

The VANPIC project that is planned between the Guntur and Prakasam districts is currently under scanner by the Central Bureau of Investigation for illegal land acquisition. The state will decide on how the project can be revived once all the cases are closed.

Apart from the string of non-major ports, the Andhra Pradesh state government will also help in allotting land at Duggarajapatnam, where a major port will be developed by the Central government although the state machinery will also enjoy equity participation. "The Centre is yet to notify us on the port project. Once it flags us, we shall begin all the procedures duly," said V Ravi Kumar. This port was promised as a part of the industrial revitalisation package to Andhra Pradesh after the cessation of the state into a smaller territory with fewer industries.

By developing ports and industrial zones along the coast, the state hopes to attract more investments, thereby promoting exports leading to a higher state gross domestic product.

Logistics University

To keep up with the requirements of the industry and provide trained personnel to the trade, the ports department has drawn up plans to set up a logistics university in one of port cities. It has submitted a proposal to the AP Higher State Council for consideration for examination and be accorded the status of a private university.

The proposed logistics university will be a first of its kind in the country covering the entire spectrum of logistics and supply chain management. Currently, there are institutes that offer only graduate programmes in specific areas of logistics. This university will also focus on research, enhancing the process and effectiveness of the existing logistics and supply chain operation in the Indian context.

The modalities of setting up the university are yet to be discussed and finalised. At the moment, the department is considering two ways of setting up the university. The first is the possibility of seeking the help of a sponsoring body that would be formed for establishing the university at the state level. The sponsoring body could be formed through involvement of state government (directly or through state owned enterprises) and private layer (industry player, academic institutions). There are two ways in which a sponsoring body could be formed – First through a private player initiative where a society or a trust is formed by private players and an institute is set up. The Ahmedabad University is a private university promoted by Ahmedabad Education Society by local industry players to promote educational institutions in the state and ISB Hyderabad, a leading business school is promoted by group of industry players and academicians. The other manner in which the logistics university could be set up is by making it a public-private partnership like the way the Indian Institutes of Technology are set up.

"It will be a centre of excellence for various segments such as port logistics, air cargo logistics, surface transport, warehousing and other trade related concepts. The potential locations being considered are Kakinada, Visakhapatnam and Krishnapatnam," Ravi Kumar said. This university will offer graduate, post graduate, diplomas and skill development programmes in all the important fields pertaining to surface, air and sea transport. Students and professionals will also be given an option to pursue research in various streams within the ambit of the course programmes.

The worst is still not over

Expect freight rates to fall further in 2016 and shipping lines will continue to be under pressure before any improvement happens which is expected only after the Chinese new year

MG Bureau

What have been the major developments in 2015 and what is your outlook for 2016?

This year has been fairly good for Transworld Singapore. We had kept certain targets to be completed by 2016 and I am glad that we are quite ahead of time and have completed them in 2015. The year has been challenging to the extent of rates going down. But as we look forward I feel 2016 will be worst than 2015 because the rates are expected to slide further. The tonnage (ships) that are coming out are quite a lot. We have already seen a lot of ships laid up in 2009 and I feel the scenario is being repeated today again. Atleast until Chinese New Year I don't see any thing getting better. Up to first quarter of 2016 I don't see anything improve over what it is today. It may further go down before any improvement actually happens. I am looking at 2016 to be worst than 2009.

You have been trying to venture into more regional markets like Bangladesh and Myanmar. How are the plans working out for you?

We were earlier present in six countries, this year we have entered into two countries and in the new year we are looking to further expand our global footprint, which means Transworld GLS will have expanded into 10 more countries with 40 offices and manpower of about 500 people. Transworld Group is currently present in around 28 countries, servicing around 100 ports out of which we operate through our own offices at 10 ports while at some locations we operate through our agents. Much of our land side plan has been almost completed.

As regards to BLPL we had a target to reach 25,000 teu in 2016, but it has been achieved this year itself. In the past few years we have put a lot of thrust in the reefers sector and today we have more than 3,000 forty footer reefer containers. Last year we have started tank containers and project/ODC cargo as well. We had a clear focus on our goals which we have been able to achieve in spite of the dip in freight rates and difficult market conditions. We are present almost pan Asia and are planning to foray into Japan in the new year. In North Asia we are already present in China, Korea, Taiwan and the only missing link was Japan. Otherwise, we are present in the whole of Indian subcontinent, Southeast Asia and North Asia. Next year we are also going to focus on the Middle East and upto East Africa.

How has been your experience with Indian ports?

We are very closely cooperating with PSA and I am glad to say that Kolkata inroad especially on the east coast has been a joint effort between PSA and Transworld. We are the single largest operator at Kolkata, Haldia and Paradip, connecting them to Singapore, Malaysia. We are one of the pioneers at the Kakinada Port, which is a joint effort between Transworld, PSA and Bothras. Our services at this port as a feeder operator should start in January 2016 because even the liners and port authorities are very keen to get going. The next big project for PSA will be Nhava Sheva which JNPT wants to start.

How do you see container trade picking up in Myanmar and Bangladesh?

Myanmar has gone through a bit of low time because of the elections that happened there. We expect Myanmar to be the sunrise for the whole Asia. We have been there for about 15 years and also offer agency services to MSC and Hapag Lloyd. We are also the single largest agency company in Myanmar. The elections have opened the door for greater stability and there is a clear message that this is a smooth transistion and democracy is there to stay. We are watching the market very keenly and exports have opened up. Garments are being exported to US, Canada and Europe.

How is the intra-Asia trade and what has been the impact of the slowdown in the Chinese economy?

Intra-Asia trade has not been bad, the problem has been China. What China is going through is a different problem actually, which is the reason you see so many ships idling because the freight is all from China and Asia and the filling of cargo is from this region. East to west we have all the cargo flowing and West to East there is very little cargo. The devaluation of currency in China and decline in its economy is taking a toll on the world economy. Overall the shipping lines are under pressure because as a feeder whenever we meet them they ask for reduction in rates.

Greater challenges ahead

Falling freight rates, growing credit risk, rising operational costs, over capacity and consolidation in the industry are some of the key challenges the industry will continue to face in the days to come

MG Bureau

Ben Line Agencies (India) Pvt Ltd recently celebrated its 10th anniversary of successful operations in India. The company has presence in port agency and management, Liner business, offshore support services, project logistics and ship broking. With 23 offices spread across India, Ben Line Agencies represents companies like Swire Shipping, United Africa Feeder Lines, FESCO TG and Japan Oil Transportation.

In India it operates across almost 37 ports, providing port agency services. Offshore Support Services cater to the oil and gas segment, apart from representing almost all the undersea cable laying companies present in India. Ben Line Project Logistics provides tailor-made logistics solutions designed to move large and small project shipments.

How has been your business this year and what are your plans for the next year?

As a service provider for various verticals in shipping, we have managed to balance ourselves so far by being in multiple fields and still in the black. The coming year will be a bigger challenge and the only way we can face it is by keeping close to the market and fine tune our operational and financial strategies to be in sync with the overall market and capitalising on every opportunity.

The export/import trade is down and freight rates are under pressure. In this current market scenario what challenges do you face as an agency service provider?

Our biggest challenge is falling revenue since our revenue is also directly/indirectly related to the freight levels. A secondary challenge is credit risk since there is a dearth of cash flow and high chances of delays in payments not to mention defaults.

What will be the scenario of operating cost for shipping lines and ports in the days to come? Will it increase or decrease?

While bunkers are providing a cushion for Lines, the advantages are eroded by fall in freight rates which are falling faster in proportion to bunker rates.Other costs of running ships will continue increasing.Ports have a different model of financing and they suffer from lack of traffic due to the overall slowdown.

How has been the progress in terms of improving connectivity to ports and hinterland?

While there are many projects in the pipeline for hinterland connectivity, it is not possible that they will bear fruit before 2018-19. Port and terminal development is much faster and we are already seeing slight excess capacities in both bulk and container terminals which is a good sign since it gives cushion for trade growth.

As shipping lines merge or form alliances, what implications does it has on you?

As a third party agency,this can translate to loss of business for us when smaller lines which agents represent are taken over by larger lines who have their own agency infrastructure. However we are confident from our experience that there are niche areas where agents will always be required. Also new Liner players will emerge.

The trend towards megaships over the past years has created overcapacity in the industry. Do you see this trend taper in the years to come?

The delivery of such vessels are expected to peak by 2018 when it is expected that there will be a three-fold increase of ships in the 18-20k teu category compared to the 35+ such vessles. A lot depends on trade growth which is sluggish and certainly not keeping pace with ship capacity now. Shipping is a derived demand and if this situation persists, there will be serious corrections in capacities.

You have been present in the Indian market for over a decade. Would you like to share any major achievements/developments during this period?

In the last 10 years, BLA has developed as a recognised name as a multifacted agency in India with strong roots and a clean working culture and this has happened due to the efforts of all our senior managers and staff and support from our board.This has happened when the country itself has undergone major challenges and we wish and hope for continued growth of the nation and industry as a whole of which we are a small part. mg

“The change in ship fuel mix is changing our focus as well”

There is more to cleaner fuels in addition to emission reduction by ships. Availability of the fuels, their impact on the engine, operating cost to the shipowners and overall safety are some of the key concerns

MG Bureau

How has been the year 2015?

After the change in ownership in 2014, this year has been our transition year and I think we have done reasonably well considering the very difficult conditions for the shipping industry. We are a service provider and our core business is testing fuels for quality assurance and conducting quantity surveys to ensure that you have the right quantity. We tend to be a barometer to the shipping industry, so if there is a slow growth it could translate into our services as well. Recently, there has been a shift in the type of fuels in the market. Because of the emission control areas in Europe and America, the fuel mix has changed. In principle ships need to use cleaner fuel if they need to sail through these emission control areas. These clean fuels have less sulphur content because they have been blended with other types of component like automotive diesel.

There was recent news that the Volkswagen scandal was due to diesel because they were exceeding the emission limits, but it works well for the shipping industry because the emission limits are higher. Automotive diesel has a very low flash point which is not a problem with the way the car engine works, but on a ship it causes a storage safety problem. So, how to make sure that the shipowners and operators are controling these safety options is an area we are looking at. So the change in ship fuel mix is changing our focus as well.

Are the shipowners ready for this shift?

They have no choice if they have to trade. But they have had issues burning these fuels because they can’t control the way the fuels are made and this is the gap where we fit in as a service provider. I think we will continue to have a global market leadership position with about 60 per cent global market share. We have a big base in Rotterdam, where we have setup our new headquarter. We have our laboratories in Fujairah (Middle East), Africa and in Huston to cover the Americas. Our total group strength is also quite strong we have about 270 staff, so we are in a very strong position technically as well. The other area that we are focusing at is issues of crew training and competence. We have observed that in the valuation of field quality and sampling there are issues about field management that shows the lack in crew competence and training. We have our training courses and also conduct in-house training programmes, so this is another area that we will continue to focus.

Are there any regulations to control fuel quality?

There are fuel quality regulations like the ISO Standards, which are world trade standards the fuel industry follows. For example, if a shipowner wanted to buy fuel in Singapore, he can order the fuel to a certain standard. But one of the issues we are looking into is why the industry is not changing to a better fuel standard, which is a 2012 standard. For various reasons the shipping industry is reluctant to change to a better fuel standard. Very strangely, the objection we find is that the source providers don’t have the product, the fuel suppliers say there is not enough product available to meet these new fuel standards, and ship owners are not willing to pay for a better fuel. This is another area, as a fuel managing expert we are pushing the industry globally to change.

How effectively are you trying to convince the shipping industry to the better standards?

Even though the fuel prices have dropped by half in the last two years, they still account for 60 per cent of the ship's operating cost. If a shipowner orders oil and if it has a quality problem that damages the engine which costs about half a million dollars to repair, then it will be a disaster. So in this respect our mix service plays a central role in meeting the statutory or safety needs. So we are sitting with a type of product that is very important for your operations.

LNG is being actively considered for fueling ships. What is the status now?

For us it is a wait and watch to see if usage of LNG catches up. We know that Singapore is taking some key positions with that, but operationally we don't think global shipping industry will change to LNG, especially in the long range shipping in the next 20 to 30 years. There are about 80,000 ships at sea and I personally don't see majority of them changing to LNG so it will remain very regional and local usage. May be it will try to capture some intra trade in Singapore as a start up. There are many dynamics relating to LNG in terms of pricing, availability, infrastructure and safety that will play a very big role. It's not the same as filling up gasoline and if it is to be supplied by barges and bunker tankers which LNG has not been traditionally used to supply then they will need very specialised crew to ensure operational safety.

Is slow steaming still continued by shippers?

Based on the responses from shipowners that I deal with, I don't think they have changed their policy very dramatically even though the oil prices have dropped by half. Slow steaming offers cost savings so it is here to stay.

What is the scenario in the Asia Pacific region?

One interesting development is that in the next year China will put in place the emission control area and this will have major implications for trade. Once they put such as zone around the coast of China, it will follow Europe and America in terms of burning cleaner fuel. It will be very interesting to know what India wants to do. Few years back there was a talk about making India into a top refueling centre and now it's gone into cold storage. These are opportunities that places like Singapore will not miss because they are much more progressive and try to make things better. Another game changer will be in 2017 when Singapore will implement mass flow metre, a new technology for accurate form of measurement from barges to vessels. This will vastly improve the efficiency of ports especially for turn around time. Their concept is similar to cars filling up at gas stations, so they want to make it that fast and easier for fueling ships. The technology has been tried out and there are already about 30 to 40 barges equipped with this technology. We are looking at this as a competitive advantage, of course it needs to be trusted by ship operators. We will continue to play our role in that respect.

SEABIRD MARINE CFS

Meeting the needs of growing trade

Located just 3 km from the Krishnapatnam Port Container Terminal (KPCT), the Parekh Group's Seabird Marine Container Freight Station (CFS) has the distinction of being the first such facility to be notified by Customs at the port that is fast emerging as a multi-cargo gateway on the east coast. This modern and well-equipped CFS will cater to the needs of the growing trade at KPCT where traffic has been steadily increasing since its Phase 1 was commissioned in September 2011. Spread on an area of about 61,140 sq. metres, the CFS has a warehouse of about 9,000 sq. metres with carting/stuffing facility. A paved open yard measuring 52,140 metres has been developed to serve the exim traffic.

The CFS was inaugurated in October last year in the presence of key dignitaries: S Khader Rahman, Commissioner of Customs, Vijaywada, Anil Yendluri, CEO of Krishnapatnam Port Co. Ltd and Naresh Parekh, Director of the Parekh Group, besides a host of other key dignitaries and invitees.

The CFS has 400 ground slots developed in the first phase, two weighbridges with 100 metric tonne capacity, 24 reefer points (expandable), EDI connectivity with on-site Customs staff and is equipped with updated infrastructure for handling cargo to meet the growing traffic requirements at KPCT.

The CFS is strategically located 180 km north of Chennai on national highway – 5 (Chennai-Kolkata). The nearest rail head is at Venkatachalam on the Chennai–Kolkata main line. It caters to the vast hinterland covering Southern Andhra Pradesh, Districts of Rayalseema, North Tamil Nadu and Eastern Karnataka.

Key facilities offered include cargo consolidation, stuffing and de-stuffing, warehousing, Customs clearance and duty collection, processing of custom documents, cargo and container handling.

Indian exports ebb

Sluggish global demand, weak commodity prices and inadequate use of FTAs to promote trade have thwarted Indian exports

Indian exports are loosing steam and can as well prove to be a headwind to the ambitious Make in India campaign. Exports contracted 2 per cent in FY15 and the weakness has continued in FY16. Weak external demand has adversely impacted growth. India's exports are quite significant and account for 23 per cent of India's GDP.

Exports have been contracting since December-14. FY16 year to date growth was -17 per cent and the September-15 contraction was more significant at 20 per cent YoY. One obvious explanation is the weakness in global commodity prices. Commodity exports account for around 33 per cent of India's total exports. However, even non-commodity exports are down primarily due to weak global demand. As India's exports are more income elastic than price elastic, weakness in global demand impacts exports adversely.

Commodity exports have declined more sharply than non-commodity exports. Biggest decline is seen in petroleum & crude, agriculture and allied products, ores & minerals and electronic goods (most income elastic categories). Pharma exports however, have grown at 9.5 per cent on an average in FY16.

Three years back the export growth trajectory was different. Exports grew at a healthy annual average growth rate of 22 per cent in the five years preceding the Lehman crisis. After a small blip in FY10, exports smartly recovered and grew at an average pace of 30 per cent in the next two years post the crisis. However since FY13, export growth has remained flat. At the current rate the government's target to double exports to $900 billion by 2020 looks like a distant reality.

There is no doubt that the export sector has moved up the value chain. The share of traditional exports like primary products, textiles, readymade garments, leather products and agriculture commodities has nearly halved from 57 per cent in FY92 to 27 per cent in FY15. Petroleum products and engineering goods together now account for over 40 per cent of exports, as compared to 14 per cent in FY92.

Diversifying into new markets

Indian exports have gradually found their way into new markets. The size of developed countries in India's exports has declined and that of emerging economies has increased over the years. Even though United States and Europe still account for a sizeable portion of its exports, their share has declined significantly over the past decade. Asia and Africa together now account for 60 per cent of India's total exports up from 37 per cent two decades ago. This however doesn't mean that India is losing its traditional markets. In fact, this trend reveals that it is fast integrating into the global and Asian value chain.

Free Trade Agreements

Trade agreements are a means to promote trade, but India seems to have not benefitted much from its trade pacts. According to Asian Development Bank, the utilisation rate of India's Free Trade Agreements (FTAs) varies between 5 per cent and 25 per cent which is one of the lowest in Asia. Moreover exports to FTA partner countries and non-partner countries have grown at the same pace. Complex rules of origin criteria, lack of information on FTAs, higher compliance costs and administrative delays dissuade exporters from using preferential routes. India has actively pursued FTAs with several major trading partners in the past. India's trade deficit with FTA partners like ASEAN, Japan and Korea, has widened in the post FTA period. In this regard a comprehensive review of trade agreements is imperative.

Source: Market Express

Export (%yoy)	FY15	FY16
Total Exports	**-1.0**	**-17.4**
Agriculture & allied products	-8.2	-21.6
Petroleum & crude products	-10.9	-50.9
Ores & minerals	-33.2	-25.4
Manufactured goods	**6.1**	**-4.1**
Leather & leather manufactures	8.7	-9.6
Drugs, pharmaceuticals & fine chemicals	4.1	9.5
Inorganic/organic/ agro chemicals	5.6	-6.5
Engineering goods	16.2	-11.1
Electronic goods	-17.1	-12.1
Textile	1.1	-3.0
Gems & Jewelry	-0.1	-4.4
Other manufactured goods	0.2	-2.5
Other commodities	-35.7	-19.6

Trends shaping the industry

With most of the developing world in an economic slowdown, prolonged weakness in commodity prices will prevail over the next decade with prices for coal, iron ore and crude oil all likely to remain depressed for the next few years

For most shippers, the 5-10 years of slow growth ahead translates into depressed rates for shipping, particularly dry bulk shipping. Accentuating the price weakness is that most fleets – with the exception of Panamax fleet coal and grain cargo vessels – are fairly young, leaving little room to reduce capacity.

One exception to this trend is tanker shipping, which is expected to stay strong in the short term. Although lower oil prices will spur more consumption, overall global oil demand growth will average just 0.6 per cent per year through 2040.

"The possibility of low commodity prices for a prolonged period of time will mean readjusting current and near future fleet capacities, particularly in the dry bulk sector that experienced large growth of the fleets in last 10 years."

"After years of heavy investment in commodity extraction, the majority of commodity producers are concentrating their efforts on keeping their market share, which in turn influences oversupply situation," said principal analyst, Dalibor Gogic.

The second trend is that with the excess in industrial capacity, housing inventory and debt are expected to further dampen China's domestic demand in 2016. Slow and unstable global economic growth means that China will not be able to exports its way to recovery. From 7.3 per cent in 2014, China's GDP will sink to 6.3 per cent in 2016, before a modest rebound in 2017.

Government-controlled steelmakers in China are exacerbating the disconnect in the shipping industry between the expectations of owners and charterers for three- to five-year spot rates.

Newbuilding prices suggest that freight rates will drop further. While the larger Asian shipyards appear stable, smaller shipyards may be vulnerable, particularly those that specialise in the dry bulk and offshore vessel markets.

One bright spot for Chinese shipping is the container trade, where volume on routes to the western US is expected to rise 8 per cent in 2016 and on the European routes by 6 per cent.

"The slowdown in Chinese demand means most businesses will simply readjust to new economic realities. However, the situation for dry bulk shipping is much worse," Mr Gogic said. "The number of new ships and increased capacity expected to be hitting the waves in next couple of years is huge."

Iran's re-entry into the oil export market won't help tanker operators directly because most of the oil will likely be shipped in National Iranian Tanker Company's carriers sidelined in the Persian Gulf while sanctions were imposed.

The fourth trend identified is that shippers will soon benefit from better forecasts with the increased availability of shipping data and advances in big data analytics, providing shippers with greater visibility into market and pricing trends. 2016 will see an increased development and adoption of big data analytics by the industry to mitigate risks and transform challenges into opportunities. The fifth and final trend is that shifts in global demographics and population growth rates, coupled with long-term economic growth in developing markets, will have implications for the maritime sector over the course of the next decade.

One consequence for the maritime sector of a rise in consumer spending in developing markets will be long-term growth opportunities for container ships. More and larger container ships will require investment in ports, infrastructure, technology, and services to ensure that the flow of business remains efficient. mg

(Courtesy: IHS Global maritime)

Marred by inefficiencies

Over the next decade India is expected to become the world's second largest wood fiber import market, next to China. To meet this humongous increase in demand which largely depends on imports, infrastructure at ports and logistics services need to catch up

by Deepika Amirapu

The timber industry in India is an unorganised sector and most of the importers and saw mill owners operate from Gujarat, West Bengal, Southern Tamil Nadu and parts of Karnataka. To date, there exist more than 400 big traders in India importing, processing and selling timber operating in an unsecured credit market. The wood-based industry in India dates back to the early 19 century, yet it is considered primitive because of the methods adopted in handling, processing, financing and transporting the product. Wood in India is used primarily in the packing, construction, infrastructure and storage and cold chain industries. While different types of hard and soft wood are used in these industries, plywood is the most preferred because it is durable, allows itself to be molded well and its termite resistance.

All varieties of forest growth are found in India ranging from tropical hardwood forests to high altitude coniferous forests and plantation. For consumption and industrial purposes, India is particularly known for Teak, Rosewood and Padauk and these varieties are much sought after for their beauty of figure, grain and texture. But an unfortunate and continuous depletion of natural forest resources of the country due to unchecked consumption of solid wood pressed the government to enact a Timber Production and Conservation Legislature in the late 1990s to preserve the area shave of the indigenous varieties of plywood. The Department of Industrial Policy and Promotion declared Plywood as the major segment of wood-based industry in the country and announced in 1997 that business houses or individuals who wish to obtain a license from the government for setting up any wood based project should obtain prior approval from the Central Empowered Committee set up by the Ministry of Environment and Forest and the Supreme Court before commencing any operations. There was a ban on felling of tropical timber by private firms and only the Ministry of Forests is currently allowed to sell logs annually organising an auction. This stipulation led a number of traders to rely on the plantation of trees such as birch, beech oak and pine to cater to the growing demand of wood furniture.

However, in the wake of this direction from the government, domestic production fell steeply and imports began rising. From being a net exporter of timber, India turned to being a net importer over just a few years. India currently imports timber worth ₹10,000 crore. A comprehensive study on India's wood imports and consumption suggests that due to scarcity of domestic timber resources and rapidly growing demand, log imports in India have doubled since 2006 in order to meet the country's growing appetite for wood products. India's per capita consumption of paper and paper board is less that 10 kg, compared to China's 72 kg. Yet, demand has been growing rapidly and consumption of wood based products in furniture has not seen a dip too. Over the next decade, India is expected to become the world's next substantial wood fiber import market (second only to China). India is likely to remain, primarily, a log import market. Experts forecast a tripling in demand for softwood log imports by 2021 and more than a doubling of demand for teak log imports.

Timber SEZ in Kandla

India imports its timber from Kandla, Kolkata, Tuticorin, Mangalore and Mundra ports in both bulk and container vessels coming from South America, New Zealand, Far East, Malaysia, Papa New Guinea, Solomon Islands and Africa. The traders import Pine, Teak, tropical hardwoods, Walnut, Cherry, Hickory and Beech from these countries.

Much of the wood as logs is handled at Kandla because it is considered the gateway port to Western India and can dispatch cargo right up to Uttar Pradesh, Punjan, Haryana, Bihar, Madhya Pradesh and Andhra Pradesh because of good rail and road connectivity. Cargo handled at Tuticorin and Mangalore can at best service only Tamil Nadu and Karnataka, traders say. Timber is the third largest commodity imported at Kandla after coal and fertilisers. Kandla Port has been handling the import of timber logs since 1987. Witnessing a multi-fold increase in these imports in the 1990s and the 2000s, the average growth rate of the timber import has been over 20 per cent over a year of year basis.

The Kandla Timber Association or KTA was established in the year 1987 to promote the development and growth of the timber industry in the port town of Kandla and its adjacent areas.

Given this large quantity of cargo handled, the Gujarat government accorded permission for four taluks in the Kutch district to be declared as a special timber imports and conversion zone. "This zone has more than 2000 saw mill operators owning various sizes of saw mills, making it one of the largest timber yards in Asia," Tinu Gandhi, President of the Kandla Timber Association said. Timber comes to Kandla in Supramax and Capesize vessels bring about 40,000 cubic metres (cbm) of timber each trip. The port discharges close to 5,000 cubic metres of cargo a day using ship cranes and grabs that more than 30 consignees claim according to the size of their order. The port also offers its customers seven days free storage in the open yard after which cargo is moved to different warehouses. "More than 60 per cent of all timber imports go to Kandla as the region supports a strong ancillary industry supported by processing plants, saw dust and firewood industry where by products are used in several fibre board, block board and packaging industries minimizing wastage and maximizing usage," says KV Prasad, CEO, Forestry and New Businesses, Mayar Group that imports large quantities of timbre in to India.

Kandla has been such a successful zone for receiving and processing timbre because most consignee yards are located in the 10-15 km radius from the port minimising transport costs for the importers. Tuticorin Port, on the other hand, that is the second largest handler of timber has saw mills located in far flung areas and the commodity is trucked for at least 250 km from the port. Typically, each yard has a dedicated space of about 15 hectares for storing and processing the commodity. Once the timber arrives as logs, it is cured and treated by placing in large pools of water to help peel off the bark and then dried before it is cut in to different sizes before it is sent off to different parts of India by rail and trucks.

Challenges

The process of handling timber at these ports, however, is fraught with many challenges. Congestion at government-owned ports and high freight rates are the most common of complaints made by the industry. "The ocean freight difference between New Zealand, from where much of the imports come from to India and to China is $12-30 a tonne depending on how the freights are during a particular season," says Prasad. While China's ports can discharge up to 20,000 cbm a day, India's averages just around 5,000 cbm. Vessels wait for up to 10 days at Kandla and while the contract with the shipper in another country includes demurrage charges, the importer in India has to pay a huge sum for any additional charges incurred due to any further delay in berthing, Prasad says. Quoting from China's handling, he elaborates on how ill-equipped India's ports are to handle cargo. China's ports offer lot of storage space and its users can store cargo for up to six months without any hassle for a negligible fee of perhaps just $1 per cbm. The Jiangmen Port, which is the second largest riverine port in China handles 20 million cbm of timber at a single port, which is about four times India's total import at all ports. Chinese port users utilize the port's scalers and graders that weigh timber, label and segregate them basis their size and weight. This helps the importer sell his ware effortlessly. Contrast this with India. The private bonded yards in Kandla are not set up by the ports, but by CHAs and third parties that charge exorbitantly for storing cargo.

India's importers lose out even in transporting their wares as charges within the country are three to four times higher when compared to China. "China has a very well developed inland water ways system. For instance, to move 15 cbm of timber from Yangtze to Guangzhou which are 1,000 km away, it costs as little as $ 8-10 per cbm. If the same quantity of cargo had to be moved from Kandla to Chennai by road, it would cost $ 500 or ₹40, 000," Prasad says.

Talk about this discomfiture to Tinu Gandhi and he smiles wryly saying he is an optimistic man. He tosses some information about a new discharge system being toyed with at Kandla. This system will read a barcode printed on a sticker pasted on the lumber. This barcode will declare the weight of the logs and earmark it against the consignee who ordered the parcel. This will help in discharge and allocating cargo quickly compared to the current process where the port authorities count the logs manually before weighing them. "We are also talking to the port to incentivize port based industry related to timber imports. This will help us send processed timbre to the Middle East, Europe and Africa," Gandhi says. He also hopes for a speedy implementation of the Goods and Services Tax that will make inter-state movement of timber easier and cheaper.

But much more needs to be done for the industry to do better, Prasad quips. The import duty in India has to be slashed completely if the government's intention is to protect forest cover and encourage imports. Currently, India levies a duty of five per cent on logs and nine per cent on cut timber while it is nil in China. Ports have still to come a long way in improving customer experience, deepen their draft, have better discharge rate, improve rail linkage to the hinterland. "All the departments need to work together for business to be made easy in India. And for that, the attitude of the government has to change," he says. He suggests that the government should adopt a service-oriented approach than a profit-oriented one. mg

The composed Multi-tasker

Young, striking and unassuming, Sanjam Sahi Gupta, Director of Sitara Shipping and the President of WISTA India, wows us with not only her presence of mind but also with her ability to juggle roles. It is under her able administration which catapulted Sitara Shipping to where it is today and also provided an internationally recognized platform to Indian women in Shipping through WISTA

by Reshmi Chakravorty

"My father Capt. S S Sahi was a Master Mariner and from the time I was a little girl I was enthralled by stories of his experiences at sea – I was hooked!" reminisced Sanjam as how she was determined from the age of seven years. Her absolute love for maritime industry made her forgo contemplating to get into the field of education – with her own chain of pre-primary/play schools after completing her MBA. "I am an extremely soft spoken and shy person; I felt I wouldn't be able to do justice to the company as shipping was a male-dominated industry. I've had to change myself to push myself out of my comfort zone," smiled Sanjam.

She joined the company at one of its most difficult times, just as the Asian Economic crisis erupted and they were also breaking away from their NRI investors; matters were in court, Sanjam took full responsibility and attended court hearings as well. "The lessons I learnt then have been extremely valuable. The first breakthrough was when my sister Sumi and I decided to change focus of the company from the perishable cargo to the niche market of over dimensional cargo. That paid off and today we are one of the key players in the over dimensional cargo market," said Sanjam in her confident best.

A homemaker at heart, Sanjam is a hands-on mum who looks after her son and her official work with same gusto. She lets her work to do the talking on her behalf and believes that a lot needs to be done for women in shipping. "Apart from the 'mindsets' I don't see many hurdles or challenges but mindsets are extremely difficult to change. There's still a long way off to reaching a stage where there is some degree of gender equality in the industry. Women need to be taken seriously and not dismissed as non-serious. Women have different skill sets and strengths and bring great value and fresh ideas on a Board. They don't want special treatment but sadly discrimination exists. If till date I face the same biasness, I wonder what others undergo." But strong-headed Sanjam gets her inspiration to work tirelessly and perform from none other than her father, Capt. S S Sahi. "Work is worship for him and I have tried to follow the same," she added.

The maritime industry is a beautiful world as a whole and according to Sanjam, talented young people especially women need to join the shipping industry and take the Indian shipping industry to greater heights. "We need to change the 'stodgy image' the industry projects and create awareness of our industry so people take pride in being part of the same. If I can inspire women to join the shipping industry and create a better level-playing field I would feel my efforts would not be in vain," signs off Sanjam. "Each day I interact with people across the globe and be part of an industry which drives the global economy. I eat, breathe, live shipping!" That's Sanjam Sahi Gupta for you. mg

Not ready for container weighing

A recent survey by INTTRA uncovers the lack of preparedness and fear of disruption among the shipping industry for the SOLAS Container Weight Requirements

The maritime industry doesn't seem to be ready for the New SOLAS Container Weight Requirements, atleast the recent survey conducted by INTTRA reflects the same. Four hundred and ten respondents that participated in the survey overwhelmingly expressed concerns about the readiness of the industry for the implementation of SOLAS verified gross mass (VGM) regulations. The regulations stipulate that containers cannot be loaded onto ships until their weight has been verified and certified.

Only 30 per cent of respondents said they expected that their company and/or their customers will be prepared for compliance when the regulations are implemented in July 2016; 48 per cent said they "have their doubts," and 10 per cent said no. Two-thirds of respondents, or 66 per cent, said they expected either a moderate or major disruption in the industry. Respondents foresee the most disruption in Asia-Pacific (42 per cent), followed by Africa (22 per cent).

INTTRA has launched the eVGM Initiative to facilitate a smooth transition to industry-wide VGM compliance. The initiative is bringing together experts from carriers and NVOCC's, freight forwarders and shippers, terminal operators and Port Authorities, government regulators, and rail and trucking operators. To date, more than 100 industry participants are registered in the eVGM Forum, an online discussion group for shipping professionals.

The eVGM Initiative has two objectives:

1) To state a preference for electronic submission through a "digital-first" approach to SOLAS VGM compliance that allows trading partners ample time for preparations.
2) To support safety and efficiency by developing an industry community to foster consensus on a technology standard and standard business process for digital documentation of VGM submissions.

"Unless global VGM communication standards and practices are adopted quickly, the VGM requirements might create confusion and chaos when implemented," said Otto Schacht, Kuehne + Nagel's global director of Seafreight operations. "Therefore, we fully support eVGM efforts. For this system to work efficiently, shippers, freight intermediaries and ocean carriers have to work on solutions which are practical and in full compliance of the VGM requirements," Schacht stated.

"We recognise the need for a more contemporary approach to reporting under SOLAS' VGM regulation and support eVGM initiative," said BDP Vice President John Clark. "An e-commerce solution is necessary to minimize the impact of the reporting requirements which otherwise would result in a slow and costly process. While the human element cannot be dis-intermediated, the efficiencies and effectiveness of electronic integration solutions must be applied to eliminate dependency on document-based process."

"In these early stages of translating the new SOLAS amendments into operational processes, Damco is collaborating with INTTRA to ensure introduction of one global data format that meets all legal requirements while minimising the impact to our customers," says Simone Kraal, Global Ocean Operations Manager, Damco. "Damco is participating actively in developing an eVGM solution as envisioned by INTTRA, which will provide one global industry standard from shipper to carrier, helping our customers increase the ease of doing business." mg

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FOURTH EDITION

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JANUARY 28-29, 2016 | VISAKHAPATNAM

Ease of Doing Business at Ports

Programme

Day One : 28-Jan-2016

03.00pm – 04.30pm	:	Registrations and Networking
04.30pm – 06.30pm	:	CEO Roundtable (by invitation only) Topic: Ease of Doing Business at Ports
06.30pm – 09.00pm	:	Welcome Cocktail Reception and Dinner

Day Two : 29-Jan-2016

10.00am – 11.00am	:	Inaugural Session: East Coast Hinterland Waiting to be Served
11.00am – 11.30am	:	Coffee Break
11.30am – 01.30pm	:	Business Session 1: Shippers Panel
01.30pm – 02.30pm	:	Lunch
02.30pm – 04.00pm	:	Business Session 2: Service Providers Panel
04.00pm	:	Conclusion and Farewell refreshments

Why Attend

The CEO Roundtable limits attendance to top decision makers in companies, by invitation only. Therefore, participants are assured of peer level interaction and benefit by:

- *Networking with others at your level*
- *Exchanging new and innovative management ideas, solutions and strategies in a confidential setting*
- *Gaining the collective wisdom and multiple perspectives on business and operational issues through open and unbiased discussions*
- *Learning how to avoid mistakes, pitfalls and roadblocks with their business*
- *Gaining valuable information, insight and knowledge from other experienced CEOs*

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Supporting Partners: FIEO Federation of Indian Export Organisations; AP Chamber; CCHAA; The Association of Shipping Interest in Calcutta; UCCI – Pursuing Prosperity; CFBA Calcutta Freight Brokers Association

The gateway to Europe

India numbers among the top 10 business partners for the port of Antwerp with around 5 million tonnes of cargo moving between the destinations annually

by Omer Ahmed Siddiqui

Antwerp Port has been able to post record traffic growth during the first nine months this year. How has been the port able to attract more traffic?

We thank a huge part of this growth to the fact that MSC has decided to make the port of Antwerp their North-European hub port.

Tell us about your growing trade with the Asian market.

The traffic between Antwerp and Far East has grown significantly in 2015, in particular with China the maritime traffic has grown over 40 per cent. Containers and steel products are the main pillars of growth.

How is the bilateral trade between India and Antwerp?

On a yearly basis about 5 million tons of cargo are transported between Indian ports and Antwerp, most of the cargo via Mumbai Port, JNPT and Mundra. This makes India a top 10 partner country for us

Which are the major commodities being traded between Indian ports and Antwerp?

The largest trade between India and Antwerp consists of containers, followed by steel and liquid bulk.

What opportunities and advantages does the Port of Antwerp offer to the Indian trade?

We promote the port of Antwerp as THE gateway for Indian cargo in and out of Europe. Shippers can set up a cost-efficient supply chain, due to favourable inland location; excellent hinterland connections, a wide variety of regular connections, efficient and high skilled labour force, over 6 million m² of warehousing and many other trump cards.

Tell us about your particular interest in the "One Belt, One Road" strategy?

Collaboration between various Chinese port cities and Antwerp has expanded rapidly in the past few years. Antwerp is the market leader in five of the main six trading routes and acts as the European gateway for many overseas regions. Antwerp has an important role to play in developing a "New Silk Road" linking the Europe and the Middle East with the economic centres of China and other countries in South-East Asia and around the Indian Ocean.

Can you tell us about the China-EU-Africa-International Trade & Logistics Hub Center being developed at the Port of Antwerp. Which geographies and businesses stand to benefit from it?

The agreement, signed by the Antwerp Port Authority, the China Development Bank and Chengtong Holdings Group, has to be seen in the framework of the One Belt One Road strategy, where we the port of Antwerp presents itself as an attractive region to invest and a cooperation in which Antwerp is a hub for Chinese cargo to Africa.

You have been involved in the development of port of Baku in Azerbaijan and port of Duqm in Oman. How does this fit into your business strategy and how does the trade community stand to benefit from it?

Our cooperation with economic growth areas is of vital importance for the foreland strategy. Thanks to intensive cooperation and contacts of our subsidiary company 'Port of Antwerp International' an international maritime network between Antwerp and rapidly growing regions can be developed.

In 2013, the Port of Antwerp was under cyber attack. Subsequently what safety measures has the port taken?

That year a task force was established which, together with the people from APCS (our Antwerp Port Community System), port companies and CERT (federal cyber emergency team), shares best practices and learn from each other's policies. For example, MSC has launched a container release system for picking up containers in safe way.This technology is now available port wide. The main advantage of this application is that the crucial information needed to collect a container is not made up until the very last stage.

What are the key milestones achieved by the port this year?

Our largest milestone will be later this month when we reach 200 million tonnes cargo for the first time in our history. This year we see a strong growth in containers (+ 9 million TEU), + 8 per cent in total. This is the highest growth rate within the Hamburg-Le Havre range.

What are your plans/targets for 2016?

We will have some major events in the course of 2016: In April, we will open a new lock which will provide a second access to the Left Bank area. By the end of the year, we will move to the new port house, a magnificent piece of architecture, designed by Zaha Hadid. mg

To be or not to be

Amid catcalls from the global community on including shipping and aviation in the Paris Climate Change agreement, the IMO has a different take on many concerns raised by the world

by Deepika Amirapu

Two main reasons why shipping and aviation were not included in the Paris agreement were because the UN has not reached a stage of monitoring emissions from these sectors and secondly, it fears that sudden, unverified imposition on these two industries will dramatically affect world transport, trade and economic growth. The International Maritime Organisation has shelved a proposal from the Marshall Islands that called for external supervision of carbon emissions by the industry. Both Marshall Islands and Switzerland voted for inclusion of the shipping and aviation industries as they would suffer greatly because of a rise in temperature. Incidentally, Marshall Islands happens to be the third biggest registry of ships in the world.

The IMO primarily is not in agreement with the Paris COP because the recent convention deviates from the non-discrimination principle of the IMO that treats all countries equally in tackling CO_2 emissions. The Paris convention, on the other hand, mandates different standards for developed and developing nations to decarbonise energy supplies. Also, the IMO says its Marine Environment Protection Committee developed guidelines to support uniform implementation of regulations on energy efficiency for ships under the MARPOL Annexe VI for all ships that were registered from 2013 onwards.

This has worried environment experts and other regulatory organisations because both shipping and aviation are major contributors to the GHG emissions. And it is said that by 2050, these two sectors will contribute to about 40 per cent of the world's CO_2 output. However, the IMO chief has reassured the expert voices that the regulatory body has already been taking measures to curb emissions.

IMO Secretary-General Koji Sekimizu said, "The Paris Agreement represents remarkable progress and builds on the 1992 Rio Earth Summit, which was a significant step forward. The absence of any specific mention of shipping in the final text will in no way diminish the strong commitment of IMO as the regulator of the shipping industry to continue work to address GHG emissions from ships."

To date, IMO is the only organisation to have adopted energy-efficiency measures that are legally binding across an entire global industry and apply to all countries. Mandatory energy efficiency standards for new ships, and mandatory operational measures to reduce emissions from existing ships, entered into force under an existing international convention (MARPOL Annex VI) in 2013. By 2025, all new ships will be 30 per cent more energy efficient than those built last year, he said.

The IMO said in a release that continuing efforts will include development of a global data collection system for ship's fuel consumption to be discussed in detail at the next meeting of IMO's Marine Environment Protection Committee in 2016, further consideration of a total-sector reduction target for GHG emissions from international shipping as proposed by the Marshall Islands in 2015, and continued investigation of additional mechanisms for ships to support the implementation of the Paris Agreement. The Secretary General also said the challenge set by the Paris Agreement also extended to ship designers and marine engineers to develop the technological solutions, to those who operate and manage ships, to seafarers and those who educate them and, importantly, to the business of shipping, which needs to ensure that investment in innovative low carbon technologies is properly incentivised.

The Indian Register of Ships, India's classification society also called upon the need to provide a thrust for coastal shipping and inland waterways which has the potential to bring about a significant reduction of GHG emissions.

One of the ways of ensuring the air is less polluted is altering ship engine design. Several ship building experts suggest the use of friction-resistant coating and lubrication reducing ship speed. Since ships have a greater carrying capacity, the use of alternate fuels such as hydrogen and ammonia has also been suggested. But this will mean higher costs in buying ships and a proportionate increase in transport and freight rates.

Given the current deadlock, one can only hope that the IMO comes half way in accepting the climate deal of the Paris committee and agrees to shipping's inclusion in the final text. Because given the current emission levels, 2030 would be too late for the industry to take any corrective action.

Handholding to be compliant

Emission reduction, safety and marine environment conservation have taken the front seat. As a classification society, ClassNK assists shipowners with newbuilding programmes in achieving compliance with safety and environmental regulations

New ship designs are constantly evolving and being tested on the world's oceans. As these designs emerge, so do new design-related issues and it is only hands-on experience which allows a classification society to tackle these issues as they arise. Whilst many classification societies develop and update their design rules in line with IACS and IMO, ClassNK takes its commitment to ship design safety one step further.

In addition to updating its rules in line with international regulations, the Japanese class society also carries out damage analysis to improve the safety of all ClassNK-registered vessels. ClassNK's extensive survey records have been collected over many years and serve as a fount of knowledge. When necessary, it uses these survey records whilst conducting damage analysis in order to identify the root causes. The results are then used to improve existing rules.

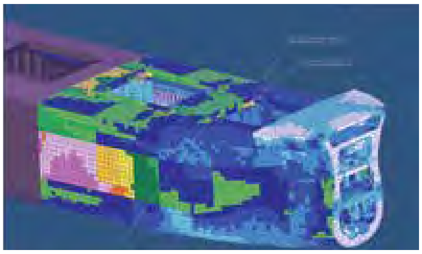
For example, in response to findings from a large container ship casualty investigation, ClassNK proactively revised its rules to improve the structural safety of large container vessels. These new rules are now approved by the ClassNK Technical Committee and apply to ships that are contracted for construction on or after April 1, 2016. This is ahead of the International Association of Classification Societies (IACS) Unified Requirements (UR) S34 and S11A which are set to apply to IACS Societies' ships that are contracted for newbuild on or after July 1, 2016, and this is just one example of ClassNK's commitment to securing a safer future. Using this system ClassNK can quickly advise on countermeasures to prevent the same kind of damage occurring in similar new vessel designs as well as making all vessels registered with ClassNK safer in general.

Supporting the industry's compliance with safety requirements is also a key activity. In December 2014, the amendments of the IACS Common Structural Rules for Bulk Carriers and Oil Tankers (CSR BC & OT) were adopted. In response to industry requests to assist in the development of safer ships that are compliant with these amendments, ClassNK released PrimeShip-HULL(HCSR) Ver. 2.5.0. This total design support tool allows shipyards to create newbuilding structural designs based on the latest prescriptive and direct strength calculation requirements. Furthermore, the powerful data linkage with various commercial computer aided design (CAD) software, including the widely used 3D design model software NAPA Steel, streamlines the design process, dramatically reducing the amount of time typically required.

The new SOLAS regulation II-1/3-10 made goal-based standards (GBS) applicable to bulk carriers and oil tankers of 150 m in length or above for which the building contract is placed on or after July 1, 2016 or the keel laying data is on or after July 1, 2017. The new regulation also requires that a Ship Construction File (SCF) be provided upon delivery of a new ship. The SCF will include important information on ship safety as well as confidential information related to the ship's design and construction. The SCF can be kept on board the ship and/or ashore.

ClassNK responded to the need for a GBS-SCF ashore archive center by joining forces with software giant IBM Japan and The Shipbuilder's Association of Japan (SAJ) to provide owners with a secure storage and enclosure service for SCF information. The service, known as the ClassNK Archive Center, will be online from July 2016.

In addition to ensuring the safety of newbuildings, ClassNK also supports the construction of greener ships through innovative software solutions. To help shipyards analyze and calculate a ship's speed trial results for EEDI calculation in compliance with the latest IMO guidelines, ClassNK released PrimeShip-GREEN/ProSTA on



1 May 2015. The software enables ship designers to calculate the vessel's speed in compliance with the new harmonised international standard ISO 15016:2015 and reduces the workload required for EEDI calculation.

PrimeShip-GREEN/MinPower was also developed to help shipyards comply with EEDI requirements by calculating the added resistance in irregular waves, allowing for minimum propulsion power requirements to be determined to an even greater accuracy. In line with its non-profit status, ClassNK provides both PrimeShip-GREEN/ProSTA and PrimeShip-GREEN/MinPower free of charge to shipyards.

Since the establishment of the ClassNK Joint R&D for Industry Programme in 2009, ClassNK has contributed to a number of joint R&D projects for safer and greener shipping operations. One example is the initiative for the world's first Exhaust Gas Cleaning System (EGCS) for use outside Emission Control Areas (ECAs). Complying with the revised MARPOL Annex VI which will limit SOx and PM emissions in areas outside ECAs to 0.5 per cent m/m in 2020 or 2025 is likely to prove challenging for shipowners and ship operators, and ClassNK is collaborating with key players to develop EGCS as a proactive initiative to ensure that the industry is prepared when this amendment comes into force.

ClassNK has also been collaborating on the use of LNG as an environmentally friendly marine fuel. In August 2015, NYK received delivery of *Sakigake*, Japan's first LNG-fueled tugboat. Compared with conventional tugboats that use marine diesel oil, *Sakigake* emits about 30 per cent less CO_2, 80 per cent less NOx and absolutely no sulfur oxide when using LNG as fuel. ClassNK played a key role in the project, drawing on its extensive technical experience and knowledge to contribute to the feasibility study, provide technical advice as a specialist of safety for the LNG system, and communicate for permission and authorization with the Administration.

Branching out from ClassNK's traditional role as regulator, the class society also acts as the infrastructure of the industry by creating smarter, more efficient shipping operations. The award-winning ClassNK-NAPA GREEN is a software solution that enables shipowners and operators to realise operational savings through increased awareness and performance analysis. Whilst currently used for voyage optimisation through minimising pocket time, weather analysis, and trim optimisation, big data collected from ClassNK-NAPA GREEN could be used by shipyards to help create more efficient newbuildings in the future by identifying key design features that increase efficiency. Similarly, although the main purpose of ClassNK's condition-based monitoring (CBM) system ClassNK-CMAXS is to prevent damage, big data collected from the system could enable manufacturers to know the performance of every one of their engines around the world so that they can make improvements to their products.

When the Hong Kong Convention (HKC) comes into effect, it will become mandatory for all vessels over 500gt to develop an Inventory of Hazardous Materials (IHM). Since IHM-related documents can easily exceed a few thousand pages, ClassNK joined forces with software giant IBM, Japanese shipyards, and marine manufacturers to develop a software solution to create and maintain a vessel's IHM electronically. The outcome of this joint R&D was PrimeShip-GREEN/SRM. ClassNK provides PrimeShip-GREEN/SRM free of charge to the industry and as of October 2015, some 120 shipbuilders and 2,300 suppliers are using the software.

By providing these services and software to shipbuilders and shipowners, ClassNK is assisting the maritime industry in achieving compliance with safety and environmental regulations for tomorrow's fleet. mg

Operating costs set to soar

Vessel operating costs are expected to rise in 2016 with crew wages, repairs and maintenance, and drydocking being the cost categories likely to increase most significantly, reveals a survey conducted by Moore Stephens

The survey is based on responses from key players in the international shipping industry, predominantly shipowners and managers in Europe and Asia, which revealed that vessel operating costs are expected to rise by 3.1 per cent in 2016.

Crew wages are expected to increase by 2.3 per cent, with other crew costs thought likely to go up by 1.9 per cent. The cost of repairs and maintenance is expected to escalate by 2.4 per cent, while drydocking expenditure is predicted to increase by 2.3 per cent in 2016.

The cost of hull and machinery insurance is predicted to rise by 1.9 per cent, while for P&I insurance the projected increase is slightly lower at 1.8 per cent.

Expenditure on spares is expected to rise by 2.2 per cent, while for stores the corresponding projected increase is 1.9 per cent. The increase in outlay for lubricants, meanwhile, is predicted to be 1.7 per cent in 2016, and that for management fees is 1.7 per cent.

For 2016, it is the tanker sector which was predicted to experience the highest level of increases at 3.4 per cent compared to the overall survey average of 3.1 per cent. The container ship sector, meanwhile, is not far behind at 3.3 per cent.

Costs are expected to increase as charter rates creep up, although they will probably lag behind the latter. With charter rates generally low at present, the provision of services to the shipping industry needs to remain competitive, with suppliers reluctant to put up charges too soon for fear of losing business.

Future operating costs will increase exponentially due to innumerable new regulations, the low competence of seafarers, the high bargaining power of the oil majors, stricter rules regarding maintenance and repairs carried out in ports, the advent of more sophisticated onboard machinery, and increasing consolidation in the marine equipment and services sector, resulting in more bargaining power for fewer, larger companies.

Ship managers are under increasing pressure as overcapacity within the markets is driving charter rates down, owners are facing higher costs to finance vessels, and operators are fighting much harder for cargo. Ship managers are now required to look after much more for the same management fees.

Due to the high costs involved in operating a newer world fleet, and to an over-supply of tonnage and depressed freight markets, there will be increasing pressure to maintain operating cost levels in order for owners to remain competitive. This is likely to change between 2017 and 2020, however, with significant capital expenditure for regulatory compliance.

Crew costs will continue to be the main area of increased operating expenditure, to offset that workforce will be recruited from cheap countries. Redundancy in electronic navigation and communication equipment, and increased port dues are among other issues adding to the operating costs.

“For 2016, it is the tanker sector which was predicted to experience the highest level of increases at 3.4 per cent compared to the overall survey average of 3.1 per cent. The container ship sector, meanwhile, is not far behind at 3.3 per cent.”

Three critical factors

Respondents also identified the three factors that were most likely to influence the level of vessel operating costs over the next 12 months. Overall, the most significant factors identified were finance costs at 22 per cent (compared to 21 per cent in last year’s survey) and competition at 22 per cent (up from 18 per cent last time). Crew supply was in third place with 17 per cent (down 3 percentage points on last time), followed by demand trends (down by one percentage point to 16 per cent) and labour costs, unchanged at 13 per cent. The cost of raw materials was cited by 8 per cent of respondents (compared to 10 per cent in last year’s survey) as a factor that would account for an increase in operating costs.

Shipping partner Richard Greiner says, “The predicted increases in ship operating costs for this year compare to an average fall in 2014 of 0.8 per cent in operating costs across all main ship types recorded in our recent OpCost report. Nevertheless, the level of increases anticipated for 2016 are low in comparison with many we have witnessed in recent years. Shipping has seen much worse, and prevailed. For example, many of the companies which endured a 16 per cent rise in operating costs in 2008 are still operating successfully today.”

“It is no surprise that crew wages feature near the top of the predicted operating cost increases for 2016, not least because of the entry into force of the Maritime Labour Convention 2006, which mandates the manner in which seafarers must be paid. For shipping, investment in good people will always be money well spent. “Expenditure on repairs and maintenance is expected to increase over the two-year period by the same aggregate amount as crew wages.”

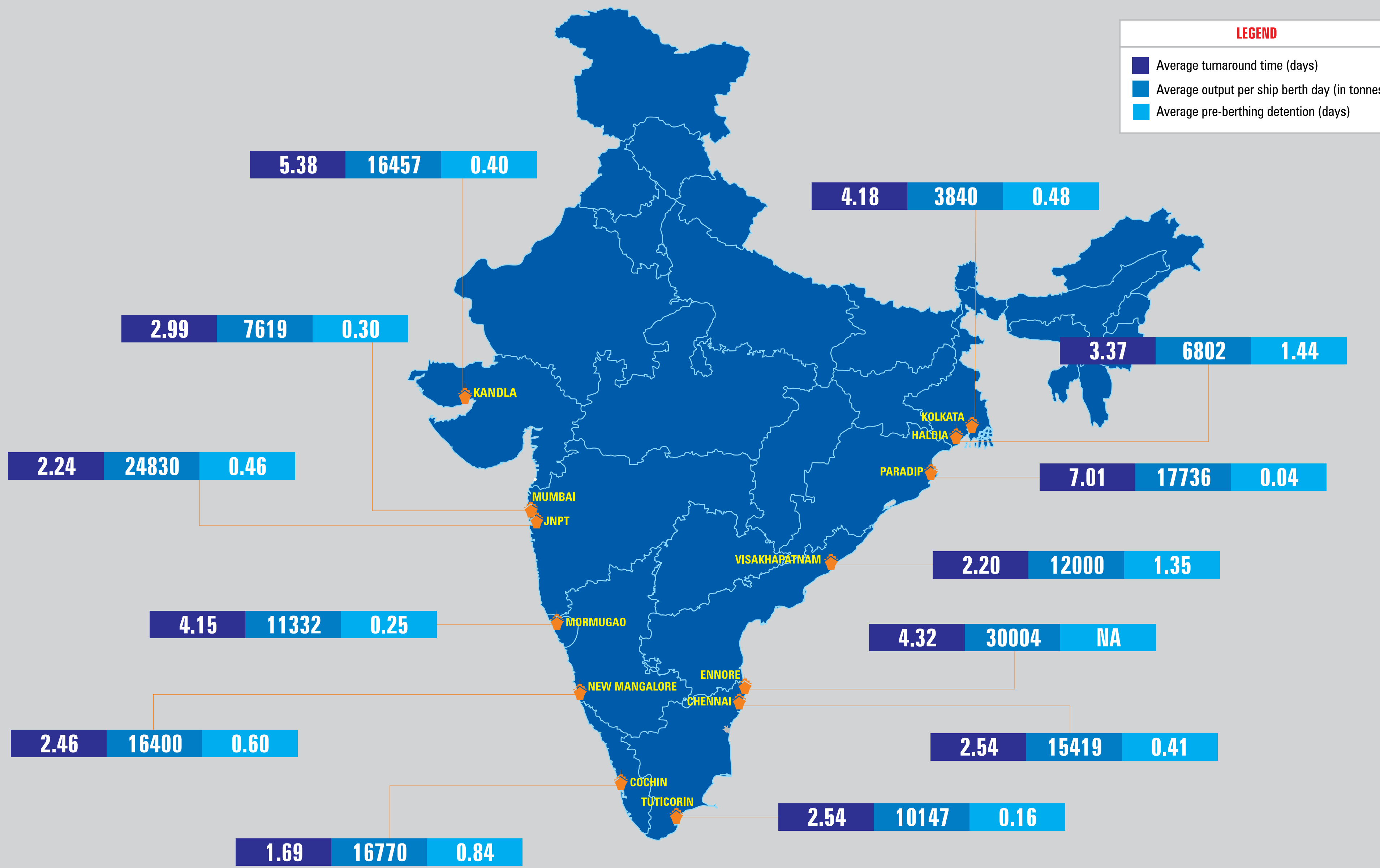
According to OpCost, repairs and maintenance expenditure was marginally down in 2014 on the previous year, attributable in part to world steel prices dropping to their lowest level in a decade during 2014/2015 and to disappointing freight rates. But, steel prices are predicted to rise over the next four years, there are realistic prospects of an improvement in the freight markets, and regulatory requirements are set to bite even harder. All these developments are likely to increase the repair and maintenance bill and will impact drydocking costs, which are predicted to be the subject of some of the biggest increases in 2016. Lube costs are also set to increase in 2016 on the back of recovering oil prices.

“In addition to traditional operating costs, the level of which can generally be predicted to a certain degree, shipping has other potential costs hanging over its head which are more difficult to budget. For example, ratification of the Ballast Water Management Convention has seemingly stalled at the finish line. It has more than enough signatories, but still needs slightly more than an additional 2 per cent in terms of tonnage to get itself on the books. Whilst the ratification is tardy, it will cost owners and operators a lot of money once enforced.”

“Meanwhile, a government spokesman for the Marshall Islands recently characterised the IMO secretary-general as a ‘danger to the planet’ for his alleged failure to endorse more stringent curbs on the shipping industry’s CO_2 emissions. This is what Sherlock Holmes described as a ‘three-pipe problem’ – politics, gas and competition. It is not an unusual combination in shipping. In the end, however, it is likely to have an impact on the industry’s operating costs, and there is no accounting for that.” mg

Source: Moore Stephens

OPERATIONAL EFFICIENCY INDICATORS AT MAJOR PORTS – FY15



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