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DICT: RE-DEFINING CONTAINER LOGISTICS

RMG: OPENING NEW MARKETS

With rising demand coming from UAE and African countries, Indian ready-made garments exporters are exploring newer markets to boost exports and compensate low demand coming from the traditional European markets

जनेपन्यास
JNPT
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JAWAHARLAL NEHRU PORT TRUST
10 solid reasons why JNPT is No. 1
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Extensive Warehousing
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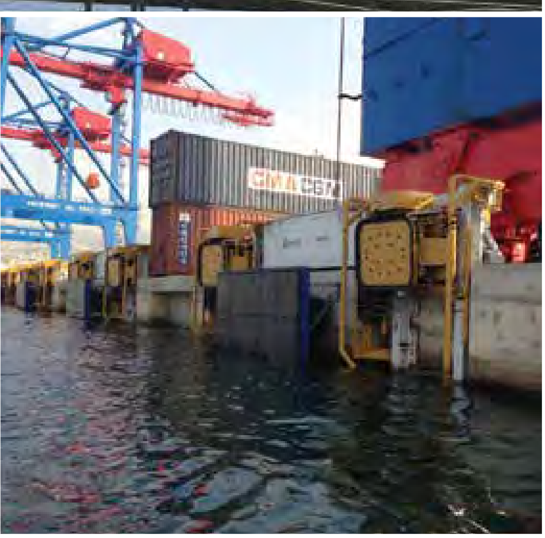

Slipping continues....

We don't like saying this, but here it is. It's going to be another quarter or two before the shipping lines are no longer in red. As of now, they continue to be whipsawed by plummeting freight rates and battered economies in the West that has left them with little to hope for in the next quarter.

It is not that the industry has not faced this before. When recession struck, they were confronting a similar situation, but this time recovery seems harder to come by because a combination of factors is responsible for the carriers' mounting losses. Lower freight rates, widening of the supply-demand imbalance and insufficient measures to reduce ship capacity are the main culprits, analysts say. This trio is preventing the lines benefit from lower bunker costs and bigger unit cost savings. What's keeping the freight rates as low as $815 for a twenty-foot container and $1,250 for a forty footer is the intense competition between the lines to garner a greater market share. In the first quarter of this year, only two shipping lines have made a profit, although they just about managed to remain in the black.

These may be known facts. What is alarming is that carriers will not be able to lower their unit costs any further than they already are because it will lead to a further fall in their margins and the costs for positioning empty containers and vessel lay ups will increase during 2016. Furthermore, the total idle is touching one million teu and this will require lines to restructure more trade lanes and draw up a new operational matrix to stay afloat. Bigger is no longer better. The alliances that were forged to cut costs are doing just that. They are not leading to an increase in the revenue. So, analysts say lines will soon begin to target over dimensional cargo and project cargo to make up for a steep fall in the number of boxes. Any improvement in the situation can be expected only during fall.

If the lines are re-drawing their routes, we, at *Maritime Gateway*, are doing the same too. This issue, you might notice, is slimmer than the ones before. We're down to 48 from 64 because we believe that slim is in. We're giving you more for less. Better stories, sharper analysis and all-round coverage. So like the rest of the industry, we're going to be working harder too to bring you the best each month. So keep calm and read on!

In the first quarter of this year, only two shipping lines have made a profit, although they just about managed to remain in the black.

R Ramprasad
Editor and Publisher
ramprasad@gatewaymedia.in

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Feedback

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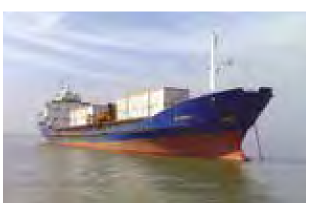

INTERVIEWS

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Vehicle testing in shipping containers

Ford has built a mobile wind tunnel out of shipping containers that can operate at a fraction of the cost of a conventional setup. It was built specifically to test for unwanted wind noise in early-production vehicles. The cars are pulled off the assembly line and tested on-site, which Ford hopes will shorten the amount of time needed to identify problems and implement fixes.

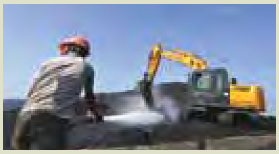
Compared to Ford's main wind tunnel in Allen Park, Michigan, which is the size of an office building and cost $50 million to build, the mobile wind tunnel is a bit more primitive. It consists of two 53-foot-long shipping containers that can be trucked wherever they're needed. Two six-foot-diameter fans powered by 250-horsepower electric motors can generate winds of up to 80 mph.

The two containers are fastened together side by side on a flat section of pavement. A third, 40-foot container serves as an office and control booth. Despite using 100-foot power-distribution cables that weigh 1,080 pounds each the entire assembly can be broken down within a day, and reassembled at a new site within hours.

AQUAVIVA to transport live lobsters

CMA CGM Group launches AQUAVIVA, a new generation of containers which allows for the safe carriage of live lobsters in water, maintaining their natural habitat conditions. The development of this global innovation relies on CMA CGM's Reefer specialist expertise and the unique technology INNOPURE®, developed by EMYG Environnement & Aquaculture. This guarantees first-day freshness and quality even over a long term conservation.

Mundra Port sets new record in coal handling



APSEZ accomplished a discharge record of 1,64,914 metric tonnes of steam coal from vessel *MV Marijeannie* within 24 hours. The vessel carrying 1,67,152 metric tonnes of steam coal for Adani Power Limited berthed at Mundra Port's West Basin Port and the entire vessel discharge was completed within 25 hours 15 minutes through efficient and versatile planning and execution. The current handling capacity of West Basin Port is 60 MMT of coal per annum.

Norms for road projects to be diluted

"I have decided to dilute technical and financial bid norms for road projects to increase competition," said Nitin Gadkari, Union Minister for Road Transport, Highways and Shipping. The current norms allow for about 100-125 contractors to participate in the bids, but the ministry is planning to increase the number to 500. The Central government will push ahead with the hybrid annuity model for funding road projects.

Suresh Babu N V is Director (Operations) of Cochin Shipyard

Suresh Babu N V assumed charge as Director (Operations) of Cochin Shipyard. He is a graduate in Mechanical Engineering from TKM College of Engineering, Kollam. Suresh Babu joined Cochin Shipyard in 1986 as management trainee and has served in various areas of operations of the shipyard, viz. shipbuilding, design, ship repair, material and projects department. Earlier, he was heading the ship repair division of Cochin Shipyard as Chief General Manager.

Dashboard for EXIM data

Union Commerce Ministry launched a web-based dashboard to provide easy access to detailed trade data of the country. The dashboard gives an accurate perspective to the general public on the facts around the trade performance in India. 'EXIM Analytics' would provide data graphically exposing patterns, trends and correlations that might go undetected in text based data.

ICTT Vallarpadam on path to rapid growth

After recording double-digit growth in the last fiscal year, ICTT got off to a powerful start in fiscal 2016-17 with volume up nearly 30 per cent y-o-y in April to 41,000 teu, its highest-ever monthly volume since the terminal opened in 2011. The port has average gross crane productivity of 31 moves per hour to turn around vessels faster than other ports in the region. Concor upsized its Cochin service by connecting Vallarpadam to Coimbatore, a key point in Tamil Nadu, with a weekly operation.

Zebroads secures $75,000 in angel funding

Hyderabad-based logistics and warehousing startup Zebroads has secured $75,000 (₹50 Lakh) in angel funding. The fresh funds will be deployed to increase warehousing space, strengthen technology, and improve manpower. The startup meets logistics and warehousing demands of small companies and SMEs who cannot afford big logistics companies. It exclusively aims towards offering tailor-made services in warehousing, logistics and distribution channel.

Port-based projects to boost exports by $110 billion

Twenty-nine port-based coastal industrial centres, planned under coastal economic zones, are expected to boost exports by $110 billion. Kandla Port will have petrochemicals, cement and furniture-based industries; JNPT will have power, electronics and apparel projects. Petrochemicals and marine processing are planned at Paradip while Kolkata will have leather processing industries. The projects have been formulated as part of National Perspective Plan (NPP) for the Sagarmala programme. These industrial cluster projects will enable creation of approximately 1 crore new jobs, including 40 lakh direct jobs.

National committee on trade facilitation

The government has started the process to set up a National Committee on Trade Facilitation (NCTF) to coordinate and implement the World Trade Organisation's Trade Facilitation Agreement (TFA) aimed at easing Customs norms to expedite global trade flows. The NCTF is meant to institutionalise coordination on trade facilitation between the 35-plus central government departments, private players and state governments. It will enable domestic manufacturers connect more easily to regional and global value chains.

Asian paints to set up facility near Vizag

Asian Paints is making hectic preparations for launching its India's largest manufacturing facility near Visakhapatnam. It has acquired 113.47 acres at Pudi village near Atchutapuram on payment of ₹61 lakh per acre to the AP Industrial Infrastructure Corporation. Environment impact assessment studies for the project are in progress. It will have a total production capacity of four lakh kilo litres per annum with an investment of ₹1,750 crore.The government has offered slew of incentives to the project including fast-track project status to the venture, 100 per cent reimbursement of gross value added tax (VAT) and gross state goods on eligible capital investment from date of launching commercial production.

Pashur river to be dredged

The government has taken up a project to dredge the Pashur river so that coal-laden vessels from India can travel through it to Rampal Power Plant to be set up only 14 kilometres away from the Sundarbans. Capital dredging of the Pashur channel from Mongla Port to the proposed power plant in Rampal, Bagerhat is estimated to cost Tk166.50 crore. The Executive Committee of the National Economic Council (Ecnec) approved the project at a time when environmentalists fear damage to the ecosystem of the world's largest mangrove forest due to the power plant scheduled to be completed by December 2017. The river will be dredged at a depth of 7.5 metre so that large ships can sail into it.

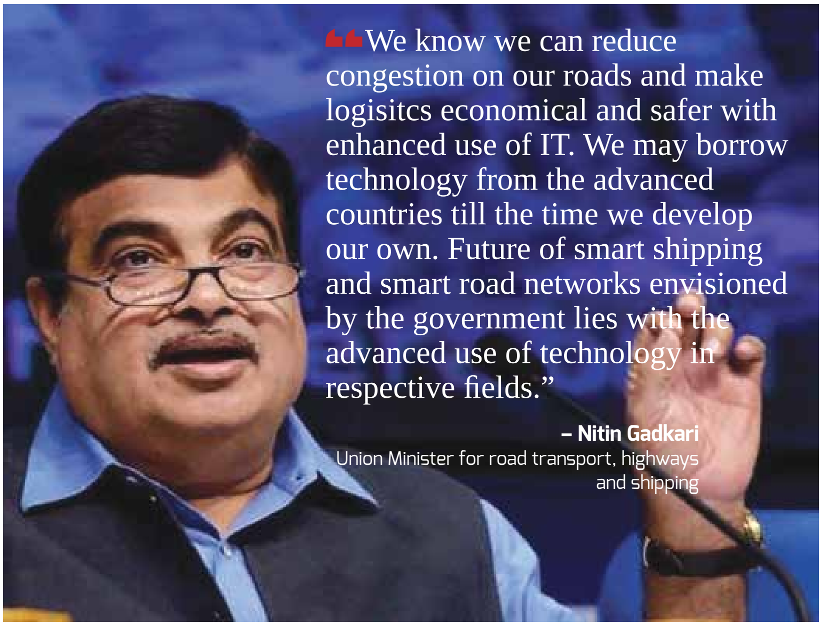
Economic gateway of Jharkhand

Resurrection of Sahebganj as economic gateway of Jharkhand and entire eastern India is on the anvil now. One road bridge is being constructed to connect Chhoti Kodarganna in Sahebganj with Manihari in Bihar thereby reducing the distance between north eastern India and Southern India by around 200Kms. Ground work has started for construction of a multimodal port at Sakrigali-Samda Nala region which includes one state-of-the-art terminal with berthing facility for vessels of 1500-2000 DWT capacity and to provide all ancillary facilities along with railway line and station and a four lane roadway as well.

Once the port is developed big vessels from Bangladesh, Thailand, Burma and Indonesia would be arriving for cargo transport at one hand and the road and railway infrastructure would help providing further carriage to all other parts of India.

Gangavaram Port commissions four new berths

Gangavaram Port Limited has commissioned four new berths to increase its handling capacity to 64 million tonnes. The port has invested around ₹1,300 crore on the expansion project. The expansion includes facilities to handle multi-purpose cargo and Panamax vessels with a 2,00,000 dwt, an additional fully mechanised coal terminal, additional rail sidings, ancillary civil work and stock yards. Currently the port has nine berths with up to 19.5 metre water depths. It has handled more than 112 million tonnes till March 2016. The port handled 19.5 mt of cargo during 2015-16, which was almost equivalent to the previous year's traffic.



"We know we can reduce congestion on our roads and make logisitcs economical and safer with enhanced use of IT. We may borrow technology from the advanced countries till the time we develop our own. Future of smart shipping and smart road networks envisioned by the government lies with the advanced use of technology in respective fields."

– Nitin Gadkari
Union Minister for road transport, highways and shipping

"The combination of good data analytics, technology, advanced computing of structures and alternative fuels is going to drive change. Don't be surprised if you see bulk carriers being built in 2025 very much like the designs of 2015."

– Tom Boardley
Marine Director
Lloyd's Register

"India offers competitive advantage in terms of both quality and cost. We have been exporting a lot of components from India both in terms of volumes and the basket of products we ship out. The domestic market is also large making the country a viable destination for making investments as far as manufacturing is concerned."

– Raman Kumar Sharma
Director, Honda Cars India.

"Changes in shipping require not only investment and increased efficiency at the individual port level, but the configuration of port complexes needs to adapt to cope with current trade flows, increased ship sizes and demands for lowest possible costs. There will be clear winners and losers in the coming years."

– Kim Fejfer
CEO, APM Terminals

"Currently, Indian exporters would see no benefit from Russian markets due to sharp decline in realisation from exports. However, opening up of Russian market would offer an opportunity for Indian dairy producers to expand capacity for future exports."

– R S Sodhi
Chairman of Gujarat Co-operative Milk Marketing Federation Ltd

PORT SHOTS

Singapore is one of the world's busiest ports, with a reputation of being one of the most efficient. Are its regional rivals overtaking it?

Average ship turnaround time 2014 *(days)*

The average time a port takes to handle one ship, from arrival to departure. Singapore took longer than the 2014 global average of 1.03 days. But service quality, connectivity also determine a port's attractiveness

Singapore	1.38
Tanjung Pelepas	1.09
Hong Kong	0.87
Port Klang	0.85
Shanghai	0.82
Shenzhen	0.64

Berth productivity 2014 *(containers moved per hour, per ship)*

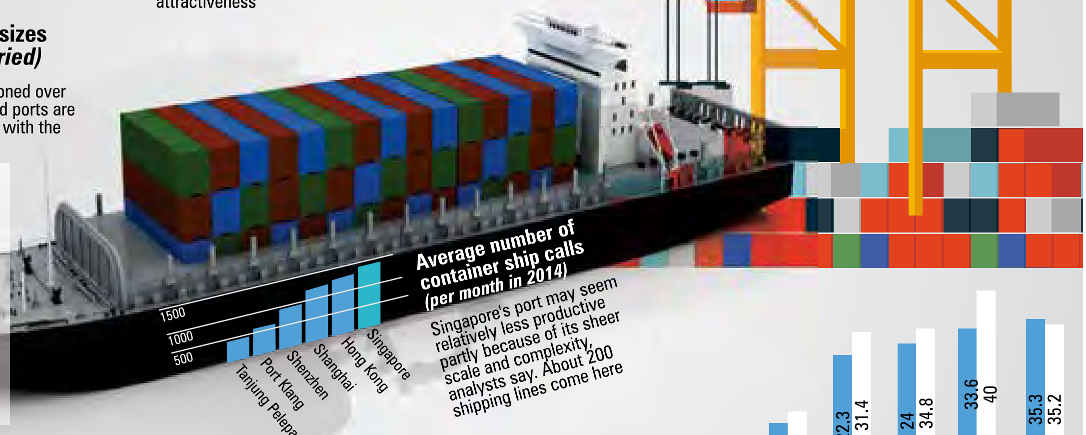
How quickly a port loads and unloads containers, Shanghai was the world's most productive in 2014

Shanghai	167
Shenzhen	133
Tanjung Pelepas	81
Hong Kong	74
Port Klang	69
Singapore	66

Maximum ship sizes *(containers carried)*

Ship sizes have ballooned over the past 15 years, and ports are struggling to keep up with the latest mega vessels

1991:	4,800
1997:	8,100
2006:	15,600
2014:	18,300
2015:	19,200
2017 (projected):	21,100



Average number of container ship calls *(per month in 2014)*

Singapore's port may seem relatively less productive partly because of its sheer scale and complexity, analysts say. About 200 shipping lines come here

Trade route

Singapore is the world's biggest transhipment port, sitting directly in the trade lane from Asia to Europe. However, its fortunes could change if the long-discussed Kra canal through Thailand ever materialises. that proposal has been brought up on-and-off over the past few decades, albeit fruitlessly, and recently came back into the spotlight after talk of China's Maritime Sik Road plans

MARKET SHARE ALONG ASIA-EUROPE TRADE LANE

19% Shenzhen	14% Shanghai	10% Singapore
7% Hong Kong	5% Tanjung Pelepas	3% Port Klang

Container throughput and capacity 2014

	Containers handled	Container capacity
Tanjung Pelepas	8.5	8.4
Port Klang	11	15.1
Hong Kong	22.3	31.4
Shenzhen	24	34.8
Singapore	33.6	40
Shanghai	35.3	35.2

Singapore's port handles 33.6m containers in 2014, near its maximum capacity of 40m. It is the world's second busiest port, having been overtaken in 2010 by Shanghai which still retains the crown

Sources: Drewry

ROUNDS OF ALLIANCE FORMATION IN CONTAINER SHIPPING

Q2 1996	Q1 1998	Q4 2001	Q4 2005	Q4 2009	Q1 2012	Q2 2015	Q2 2017
GLOBAL ALLIANCE: APL, MOL, NEDLOYD, OOCL, MISC	NWA: APL/NOL, MOL, HMM	NWA: APLNOL, MOL, HMM	NWA: APL/NOL, MOL, HMM	NWA: APL/NOL, MOL, HMM	G6 ALLIANCE: APL/NOL, MOL, HMM, HAPAG-LLOYD, NYK LINE, OOCL	G6 ALLIANCE: APL/NOL, MOL, HMM, HAPAG-LLOYD, NYK LINE, OOCL	THE ALLIANCE: HANJIN, MOL, K-LINE, NYK LINE, YANG MING, HAPAG-LLOYD (+UASC?)
GRAND ALLIANCE: HAPAG-LLOYD, NYK LINE, NOL, P&OCL	GRAND ALLIANCE II: HAPAG-LLOYD, NYK LINE, P&O NEDLOYD, OOCL, MISC	GRAND ALLIANCE II: HAPAG-LLOYD, NYK LINE, P&O NEDLOYD, OOCL, MISC	GRAND ALLIANCE III: HAPAG-LLOYD, NYK LINE, OOCL, MISC	GRAND ALLIANCE IV: HAPAG-LLOYD, NYK LINE, OOCL	CKYH: HANJIN, K-LINE, YANG MING, COSCO	CYKHE: HANJIN, K-LINE, YANG MING, COSCO, EVERGREEN	OCEAN ALLIANCE: CMA CGM, COSCO CS, OOCL, EVERGREEN
MAERSK: SEA-LAND	UNITED ALLIANCE: HANJIN, CHO YANG, UASC	CKYH: HANJIN, K-LINE, YANG MING, COSCO	CKYH: HANJIN, K-LINE, YANG MING, COSCO	CKYH: HANJIN, K-LINE, YANG MING, COSCO	MSC/CMS CGM: MSC, CMA CGM	2M: MSC, MAERSK LINE	2M: MSC, MAERSK LINE
	CYK ALLIANCE: K-LINE, YANG MING, COSCO					OCEAN THREE: CMA CGM, CHINA SHIPPING, UASC	
	MAERSK: SEA-LAND						

MAIN CARRIERS NOT PART OF AN ALLIANCE

Q2 1996	Q1 1998	Q4 2001	Q4 2005	Q4 2009	Q1 2012
		MAERSK SEALAND	MAERSK LINE	MAERSK LINE	MAERSK LINE
MSC	MSC	MSC	MSC	MSC	
CMA CGM	CMA CGM	CMA CGM	CMA CGM	CMA CGM	
EVERGREEN	EVERGREEN	EVERGREEN	EVERGREEN	EVERGREEN	EVERGREEN

Undecided or stand alone in top 20 container carriers

HMM, PIL, ZIM LINE, HAMBURG-SÜD, WAN HAI

Sources: PortEconomics

SHIPPING

Adani Logistics chooses Kale Terminal Operations System

Adani Logistics Limited is automating its operations and has selected Kale Logistics to develop a terminal operating system (TOS). This would encompass Adani's entire range of operations including, CFS & ICD, container train operations, coil & auto logistics and other allied processes and will help in improving efficiency, visibility and cost saving for customer. This is being done as part of the business process transformation that is happening across the Adani Group. Kale has been chosen for the project as it has one of the widest portfolios of proven logistics IT solutions.

Negative to stable outlook for FY17

India Ratings and Research has maintained a negative-to-stable outlook for the shipping sector for FY17. The tanker segment is likely to continue performing better than other shipping segments due to its sound fundamentals. However, the dry-bulk, off-shore and container segments will remain under pressure in FY17.

Pressure on container charter rates will continue in FY17 on account of slow growth in global trade volumes coupled with continued capacity additions. Capacity additions in FY16 continued to outpace trade growth with global fleet capacity growing 6.8 per cent yoy (FY15: 6.2 per cent). Furthermore, the global order book as a percentage of outstanding capacity remained substantial (16.9 per cent) indicating that further capacity is yet to come into the market. The agency does not expect the supply-demand gap to correct in the near term.

Six Merchant Shipping Act rules scrapped

Shipping Ministry has done away with six rules under the Merchant Shipping Act which had "become obsolete", in order to promote ease of doing business. The Ministry had earlier rescinded seven rules, so the total number has reached to 13.

The norms rescinded include merchant shipping (safety convention certificates) rules, 1975, merchant shipping (radio direction finders) rules 1968, merchant shipping (distress messages and navigational warnings) rules, 1964, merchant shipping (muster) rules, 1968, merchant shipping (pilot ladder) rules, 1967 and life-boatmen's (qualifications and certificates) rules 1963.

Dredging companies struggle for funds

Domestic dredging companies are finding it tough to get funds, as banks and financial institutions are not keen to fund shipping and shipbuilding sectors. "Banks are simply reluctant to lend (to this sector) on a long-term basis," said Prasad Patwardhan, chief financial officer at Mercator. "Funding tenure needs to match dredging contract period, which is usually for 15-20 years. But banks have been approving only medium-term funding of 3-5 years. This is making it difficult for dredging companies to raise funds." Bankers' reluctance has compelled domestic dredging companies to look at overseas funding, exposing them to currency fluctuation risk.

Dedicated fund for roads and ports

The government is setting up a dedicated funding agency for highways and ports. The move is in view of the ₹25-lakh-crore investments envisaged in these two infrastructure sectors in the medium term. The new institution would be set up with an initial equity capital of ₹500 crore. NHAI, major ports and Shipping Corporation of India will contribute to this fund. It will ensure that the companies involved in projects will get funds at 2-2.5 per cent cheaper than the bank rates.

Konecranes and Terex Corp merge

Konecranes and Terex Corporation have announced that their respective Boards of Directors have unanimously approved a definitive agreement to combine their businesses in a merger of equals. The parties have obtained antitrust clearances in India, Turkey, Ukraine, Russia and South Africa. The parties have also made the merger-related 'HSR filing' to the US Department of Justice and are in filing preparation and pre-notification discussions with the European Commission.

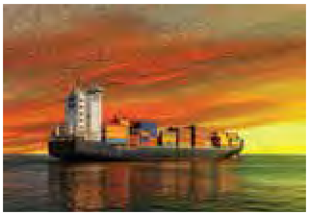
Upon signing of the business combination agreement, Konecranes and Terex announced annual operational synergies of more than $124 million and an additional $36.2 million post-tax income benefit from financing, cash management and structure optimisation.

It is anticipated that substantially all of the above financial and tax synergies of $36.2 million will be eliminated as a result of certain regulations promulgated and proposed by the Internal Revenue Service and US Treasury Department.

New consortium to compete with Ocean Alliance

A new consortium of container lines could soon be formed by CKYHE, G6 and Ocean Three consortia that were excluded from Ocean Alliance. The eight-member alliance could comprise Hapag-Lloyd, Hyundai Merchant Marine, MOL, NYK, K Line, Yang Ming, UASC and Hamburg Sud, and would represent a "serious counterweight" to the existing 2M and Ocean Alliance.

Parliamentary panel recommends for new ships



A parliamentary standing committee on transport headed by Kanwar Deep Singh has recommended that Shipping Corporation of India should buy fuel-efficient ships while replacing the old stock, provided the international market situation is viable. SCI has a fleet of 69 vessels, most of which are old. As SCI has marked a turnaround after posting sustained losses for more than three years, new fuel-efficient vessels will further help in increasing the bottomline of the organisation. On a separate note, another Parliamentary Committee has asked the government to substantially increase gross budgetary support to the shipping sector, including for its flagship Sagarmala project.

The committee said, while ₹1,000 crore was required to execute the Sagar Mala project this year, only ₹450 crore had been allocated. The budgetary allocation for major ports was also highly insufficient in 2016-17 and this would adversely affect the modernisation of Tuticorin, Chennai and Mormugao Ports. As per projection made by the Ministry, they demanded ₹467 crore whereas the allocation is just ₹29 crore. The panel called for examining the performance of ports to find out the real reasons for decline in generation of internal resources of revenue.

IRClass increases services to the Indian Navy

IRClass announced an increase in the range and level of the services it provides to the Indian Navy with the advent of naval vessels in service being maintained in IRClass. Naval vessels were earlier built in accordance with the Rules and Regulations of other classification societies, with IRClass being involved for some 'dual class' vessels. Now vessels are being specified as 'single' IRClass. The register of Shipping has developed specific naval rules for both, combatant as well as non-combatant naval ships. These vessels will be periodically surveyed by IRClass and subject to compliance with the criteria, their certificates of Class will be revalidated.

Wardha dry port to get land soon

The stuck dry port project in Wardha district has crossed a major hurdle as the state government has decided to set it up on the land belonging to the State Industrial and Investment Corporation of Maharashtra Ltd. The notification transferring SICOM land to JNPT, the developer of dry port, will be issued within a week.

The project was initially planned in Nagpur district for the Butibori MIDC but 700 acres needed for the dry port was not available. Centre will invest 10,000 crore in the facility. It will be a satellite port of JNPT, Navi Mumbai. Shipping Ministry has asked JNPT to set up two more satellite ports at Surat and Aurangabad.

PORTS

Cochin Port reports record handling in FY16

Traffic throughput at the Cochin Port went up by 5 lakh tonnes during the financial year 2015-16 compared with the previous financial year. The total cargo handled by the port during the last financial year stood at a record 22.1 million tonnes. The increase in cargo traffic has also led to substantial growth in operational income and operational surplus for the port authority. Handling of containerised and bulk cargo like cement moved up during the period. The operating income of the Cochin Port Trust increased from ₹386 crore to ₹433 crore in FY16, and it recorded an operational surplus of ₹67 crore. The operational surplus in the previous year was ₹19 crore.

Chennai Port announces special concession on wharfage

As per the request of the Auto OEMs and Ro-Ro vessel operators and based on the Ministry of Shipping initiative under "Sagar Mala," a special concession on wharfage on per unit basis is levied by Chennai Port instead of ad valorem. The concessional wharfage rates shall be levied retrospectively with effect from April 1, 2016 and will be valid up to March 31, 2017. Chennai Port takes the lead in starting the coastal Ro-Ro voyages between Chennai Port and west coast ports. This will consolidate the leadership position of Chennai Port in handling Ro-Ro cargo.

Major ports handle 606.37 MT cargo in FY16

Total cargo handled by major ports increased by 4.3 per cent to 606.37 million tonnes last fiscal as against 581.34 million tonnes in 2014-15. 94 MTPA of capacity was added to the ports in FY16 which is the highest ever in a single year.

The capacity of the major ports as on March 31 increased to 965 MTPA from 871.52 MTPA in March 2015. Operating income of major ports has increased at the rate of 8 per cent from 2014-15 (₹10,190 crore) to 2015-16 (₹10,961 crore).

JNPCT registers 35 per cent traffic growth in April

JNPCT has handled 133,195 teu in April 2016, which is the highest traffic handled in a month since inception of the terminal. On month to month comparison, April 2016 throughput has registered a growth of 35 per cent in comparison to April 2015. Further it registered a 12 per cent growth than the average monthly cargo handling of the year 2015-16. The earlier record handling was 1,32,155 teus handled during August 2015.

New toll collection system:

The long queue of container-laden trucks on the road leading to Jawaharlal Nehru Port has disappeared after the government shifted a toll collection point to the port complex's gate and entrusted the task of levying toll on cargo-carrying trucks arriving at and departing from the port to the port authority. The move, designed to decongest India's busiest container port, took effect on May 1 this year. Earlier, the toll was collected at the plaza located some 13 km from the port gate, where National Highway 4B and State Highway 54 converge.

JNPT will collect toll only on port-related traffic, thereby excluding non-port vehicles and other local commuters from the ambit of toll payment. The port has set the toll at ₹240 for a teu, ₹20 per metric tonne for project and liquid cargo and ₹5 per mt for cement and LPG.

Second phase of expansion at Dhamra Port

Dhamra Port Company Ltd (DPCL) has initiated work on its second phase of expansion, after getting advance possession of 740 acres of land from the Odisha government. The expansion, which is expected to involve an investment in excess of ₹10,000 crore, would ramp up cargo handling capacity to over 100 million tonne per annum, up from 25 mtpa currently. After the expansion, the port will be capable of handling clean cargo, containers, liquid cargo, LNG, containerised cargo and crude oil.

The port had recorded 8 per cent growth in cargo in 2014-15. Total cargo handled by the port inclusive of import and export traffic, stood at 15.45 million tonne (mt) by the end of 2014-15 compared to 14.31 mt logged in the year ago fiscal.

Paradip Port signs MoU with RITES

With a view to increasing productivity and to unearth the hidden potentials of revenue generation at the port, Paradip Port Trust (PPT) signed a Memorandum of Understanding with the Rail India Technical & Economic Services (RITES).

Rinkesh Roy, Chairman, Paradip Port Trust, and Arbind Kumar, Director (Projects), RITES, signed the MoU in the presence of senior officials from both the Port Management (including Mr N Vaiyapuri, Deputy Chairman) and RITES.

The MoU envisages the role of RITES as the multipurpose disciplinary project management consultancy services to Paradip Port for a period of five years for implementation of various civil, mechanical and electrical works of the port, in similar lines of some other Major Ports and PSUs.

Kandla Port gets quality evaluation lab of Spices Board

The Spices Board has set up Gujarat's first quality evaluation laboratory at the Kandla Port. The facility, which began its operations from May 4, 2016, will provide analytical services to the Indian spice industry, monitor the quality of spices produced and processed in the country and analyze all the samples collected by the Board.

The laboratory is the seventh such facility established by the Spices Board across India and has the latest machinery and equipment to test a range of parameters in spice and spice products. The laboratory has been set up on 1,618 square metres of land allotted by the Kandla Port Trust, at a cost of ₹9.9 crore with Central Government support of ₹4.98 crore under Infrastructure Development of Exports (ASIDE) scheme.

Kandla Port has handled 17 per cent more traffic during the first month of FY 2016-17 as compared to corresponding month of last year i.e. April'15. A quantity of 79.07 lakh MT has been handled in Apr'16 as compared to 67.46 lakh MT handled in Apr'15. The Dry cargo at Kandla has increased by 2.12 lakh or 10 per cent and liquid cargo at Kandla has increased by 1.68 lakh or 20 per cent, during Apr'16 as compared to Apr'15.

Essar Ports Hazira to handle 15 MT of third-party cargo

Essar Bulk Terminal Limited in Hazira has received an approval from Gujarat Maritime Board (GMB) to handle 15 million tonnes of merchant cargo over three years. Based on this approval, the Hazira Terminal, in keeping with its design and capabilities, will be able to handle a range of cargo for merchant customers, including dry bulk, liquid bulk, containers and so on.

The approval was granted under GMB's captive port policy where jetties built on captive licenses can handle third-party cargo up to a maximum of 50 per cent of the total cargo handled. It will also increase the revenue to the government because of better utilisation of port capacity.

Budgetary aid for 4 ports slides by 76 per cent

The Centre has announced a government budgetary support of ₹29 crore for the development of infrastructure projects in four ports for the current year against ₹120.58 crore for the year-ago period as major ports have not announced expansion plans due to excess cargo handling capacity.

V.O.C. Port is the major beneficiary with an allocation of ₹15 crore, followed by Chennai and Mormugao ports with ₹5 crore each, and Cochin Port Trust ₹4 crore. An official from the V.O.C. Port said the funds would be used for construction of coastal cargo berth.

DP World Chennai enhances infrastructure

In order to reduce congestion at Chennai Port, DP World operated Chennai Container Terminal, with the support of the Port Trust, has enhanced the infrastructure at the north gate to facilitate smooth movement of empty trailers to the terminal. The road approaching north gate, CCTPL through the erstwhile 'iron ore area' which was a gravel road,has been redeveloped with tar. This newly constructed road has further improved smooth movement of trucks to and fro from the terminal.

Gangavaram Port sets record for non-coking coal discharge

Gangavaram Port has created yet another historical milestone record by discharging 1,56,339 metric tonnes of non-coking coal from the vessel *M.V. Cape Asia* in 24 hours. This achievement stands out as the fastest discharge rate in the history of any port in India.

The vessel brought the coal for Hindalco Industries. Raj Dandu, Managing Director, Gangavaram Port, said this record discharge rate reaffirms the superior port infrastructure and operational efficiency at Gangavaram Port. The nine berths of the port with draft of up to 19.5 m handled more than 112 MMT of cargo till March 2016.

LOGISTICS

Railways to charge uniform freight for iron ore

In an attempt to boost iron ore exports, the Indian Railways has decided to withdraw the dual freight policy for transportation of the mineral and pellets. Freight rates for transportation of iron ore for domestic consumption and exports will be charged equally. The new policy will be effective from March 2017. For iron ore meant for exports, the Indian Railways used to charge ₹300 per tonne over and above the freight rate for domestic transportation of the mineral. This in turn was making iron ore exports unviable, especially given the international low prices. India's iron ore production for FY16 is estimated at 135 million tonnes compared with 129 MT in FY15.

Konkan Railway for a major overhaul

Konkan Railway which connects the states of Maharashtra, Goa and Karnataka is in for a major overhaul, with close to ₹20,000 crore of projects in the pipeline. The doubling of the 714-km section and its electrification are two projects that will bring about a marked improvement in the quality of freight movement on the line. The network is also commencing work on three links to connect the industries and ports of Maharashtra, Goa, and Karnataka with the hinterland. The Chiplun-Karad, Vaibhavwadi-Kolhapur and Jaigad-Dighni projects are expected to boost growth in the region. The 103-km line between Chiplun and Karad would help move cargo from ports in Maharashtra.

E-commerce to drive intra-asia logistics

The Chinese e-commerce market is already the largest in the world, having overtaken the US, with an estimated 400 million Chinese purchasers already buying online. Chinese online retail sales of goods and services in Q1, 2016 reached $158 billion, up 27.8 per cent year-on-year, driving rapid growth in China's logistics industry.

The Indian e-commerce market is much smaller than China, but is growing very rapidly, with e-commerce sales estimated to have risen from $4 billion in 2009 to $40 billion in 2016, helped by the rapid growth in sales of smartphones and tablets, which have facilitated online buying by Indian consumers. In Q1, 2016, sales of smartphones in India grew by 23 per cent year-on-year.

Intra-Asia containerised trade dominates all other container trade lanes in terms of volume, and is forecast to grow at 5.1 per cent per year over the medium term outlook to 2018. Total containerised trade in East Asia is forecast to rise from 25.9 million teu in 2014 to 31.6 million teu by 2018.

Freight rates for road transport increase

Demand for cargo transport by road has been boosted by higher output from industries such as cement, steel and fertilizer. Road freight rates for a return trip from Delhi to Mumbai and Delhi to Chennai, in April, rose 6.7 per cent (from ₹81,500 to ₹87,000 for 25.2 tonnes) and 4.4 per cent (₹128,500 to ₹134,200 for 25.2 tonnes), respectively. The pace of increase is the fastest in a year. Freight rates are rising at a time when supplies of both cargo and trucks have risen sharply.

EXIM

Steel imports at their lowest

Steel imports in India dropped to the lowest level last month in at least a year after the government imposed curbs to stem a surge in shipments from overseas, including China, the largest producer. Purchases fell to 654,000 metric tonnes in April, down from 994,000 tonnes in March. The monthly total is 15.5 per cent lower than in April 2015, and the smallest since at least the same month last year. India's steel output rose 3 per cent to 7.5 million tonnes in April from a year earlier, while consumption climbed 5 per cent to 5.75 million tonnes. Exports declined 27 per cent to 308,000 tonnes.

Honda cars to increase component exports

Honda is looking at stepping up supply of components from India to its various international operations. The company is targeting exporting components worth ₹1,400-1,500 crore in the current financial year, nearly double of around ₹700 crore registered two years back. In 2013-14, its component exports had a turnover of ₹420 crore, which increased to ₹722 crore in 2014-15 and to ₹1000 crore in 2015-16. The company ships engine parts, forgings and transmissions among others from its facility in Tapukara, Rajasthan to a host of global operations including Japan, Thailand, Malaysia, Indonesia, Philippines, Taiwan, Vietnam, UK, Turkey, Brazil and Mexico.

Green channel for exports

Goods made in India will be allowed 'warehouse to wharf ' export in a single day under a new Make in India green channel that seeks to give a big boost to local manufacturing and exports. Under the facility that will begin at select ports in a month, cargo clearance will shorten from about a week to a few hours and there will be no upfront payment of any duties, which means clearance of shipments without spot payment of duty. A new platform being developed will let companies know when to move goods from factories or warehouses so they don't have to wait at ports.

Indian dairy exports face price barriers in Russia

India is unlikely to benefit much from the opening up of Russian markets for hard cheese exports due to a sharp fall in prices in international markets. Against the current price of ₹350 a kg in Indian markets, skimmed milk powder (SMP) is being quoted at ₹180 a kg in international markets, including Russia. Hard cheese is also quoted in Indian markets at around ₹400 a kg compared with ₹200 a kg in the global market. Similarly, butter is quoted at $5,000 a tonne in Indian markets against less than $3,000 in the world.

Arshiya Rail flags-off its first exim service

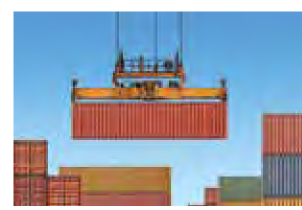
Arshiya Industrial and Distribution Hub Ltd (AIDHL) has commenced its export-import rail operations from its ICD at Khurja. The first rake departed from ICD Khurja to Mundra Port, carrying a full load of 90 containers including export reefer boxes. AIDHL has one of the largest infrastructure setup in North India with 18 rakes and 6 rail sidings. It has its own ICD, domestic services and a FTWZ setup at Khurja. The weekly Rail services has been commenced with support from leading main lines like MSC, CMA-CGM, BSL, BLPL, NYK, HMM, K-Line and others.

Textile sector seeks government support to boost exports

The textile sector, which posted a marginal drop in exports at $40 billion in 2015-16, may see further slowdown in outbound shipments in the absence of adequate policy support. Issues relating to cost of funds and adverse impact of preferential access given to competing countries need to be addressed.

India's total exports of textiles and clothing in 2015-16 stood at $40 billion as against $41.4 billion in 2014-15, a decline of 3.4 per cent. With Vietnam's textiles and clothing exports growing by 9.14 per cent and that from Bangladesh rising by 4.71 per cent last year, preferential trade agreements have been one of the major reasons for decline in India's exports.

Indian exporters seek exemption from VGM reporting



Indian exporters are seeking exemption from the new global regulation to verify the gross mass of a container before they are loaded onto ships. "It will add to the transaction costs and the liability will be fixed on the shippers. Therefore, it will be a major challenge to comply with the regulation," said Ajay Sahai, Director General, FIEO.

FIEO's call to drop the new rules has come a little late in the day. "It is not that it was framed overnight. The DGS have been in discussion with stakeholders since September last year. The initial draft was modified several times till it was acceptable to all. We had to agree to substantial changes to ensure that all interests are taken care of," the ministry spokesman added.

Indian Railways attracts ₹42,000 crore FDI

Indian Railways has attracted FDI to the tune of ₹42,000 crore and will soon float tenders for manufacturing rail coaches in the country. According to railway minister, Suresh Prabhu, this is one of the largest FDIs in terms of placing orders. The government is also planning to build new dedicated freight corridors that will again attract new investments. The government has planned as much as $16 billion investment for high speed trains.

India eyes Indonesia to export buffalo meat

India is trying to make inroads into the Indonesian market for exporting buffalo meat, currently monopolised by Australia. A team of veterinary experts from Indonesia has already inspected facilities in India. The experts reviewed the disease control system and visited some modern abattoirs. The market size of Indonesia is not big but it could generate an annual business of about $400 million for India. To begin with India could export as much as 1.5 lakh tonnes of buffalo meat to Indonesia. India exported buffalo meat worth $4.06 billion in 2015-16, which was 14.9 per cent lower than last year's export.

Boosting use of Indian registered ships

India plans to offer local fleet owners more flexibility to take up contracts either for moving cargo on domestic routes or for other marine-related activities in its Exclusive Economic Zone (EEZ), including its territorial waters and contiguous zone. The proposal involves tweaking a policy that grants first preference to Indian-registered ships.

Ships that are covered under the proposed policy include floating storage and offloading units, oil-field support services vessels engaged in towing, anchor handling, dredging, off-shore drilling/ production rigs, diving support, maintenance support, various types of surveys, cable laying, sea-bed mining operations, pipe-laying, salvage, marine construction, supply and transport of passengers, goods and material, port and terminal related support services vessels.

Cairn can't export till India is self-sufficient

The Indian government has informed the Delhi High Court that Cairn India cannot be permitted to export excess crude from its Rajasthan oil field, till India attains "self-sufficiency." The submission was made by the Ministry of Petroleum and Natural Gas which is opposing Cairn's request for permitting them to export crude oil.

"The decision of the government not to permit export of the oil produced by the petitioner (Cairn) is a policy decision taken by the government, which cannot be in anyway termed to be an arbitrary, irrational or a mala fide decision warranting interference by High Court," the central government submitted.

Imports from China jump six-fold in a decade

India's imports from China have jumped six-fold to $61.71 billion in 2015-16 from $10.87 billion in 2005-06. Imports are mostly manufactured items required to meet India's demand for fast expanding sectors like telecom and power, which China, due to variety of reasons, is able to export at competitive prices. The major imports included computer hardware, drug intermediates, consumer electronics, electrical machinery as well as iron and steel. India's pharmaceutical exports to China have grown by 17.3 per cent in 2014-15, but Indian companies do face certain regulatory impediments in accessing the Chinese pharmaceutical market.

Pakistan targets $1bn exports to India

As Pakistan's textile products and readymade garments have huge market potential in India, it is planning to increase its exports to $1 billion within a year. Due to close proximity and availability of land route, it will be cost effective to import from Pakistan. India mostly imports raw material for agriculture and textile products. Indian food manufacturers are also looking for various agricultural products such as mango and kinno from Pakistan which are available in specific seasons.

Iraq overtakes Saudi in oil export

Iraq overtook Saudi Arabia as the top crude exporter to India in April for the first time since December, as the two biggest OPEC producers fight for market share in Asia's fastest growing oil market. Saudi Arabia also lost its top spot in China, Asia's biggest oil consumer, last month when Russia overtook it due to strong purchases by Chinese independent refineries. Iraq accounted for 22 per cent of Indian imports in April, up from about 15 per cent a year ago, while Saudi Arabia's share dropped to 18 per cent from about 25 per cent a year ago. April oil imports by India rose 6 per cent from March and are up 9.9 per cent in the first four months from a year ago.

India to boost apparel trade with Iran

A trade delegation to Iran has opened the possibility of India emerging as the biggest partner in apparel trade with Iran. Target was set to $18,750 million in year 2016-17 against the likely performance of $17,000 million in FY 2015-16. There is market for simple but stylish apparel in Iran, which AEPC plans to tap. India's share in Iran's readymade garments import was 2.5 per cent in 2015.

Maersk sends two box ships to Alang

Maersk is sending two box ships to Alang for scrapping, a key trial for the Danish group's recycling plans which have hitherto focused on China. *The Maersk Wyoming and the Maersk Georgia* will be recycled at the Shree Ram yard which is certified to the standards of the Hong Kong Convention. Following several audits at upgraded facilities in Alang in 2015, the Maersk Group concluded that responsible recycling can be accelerated in the area, if the engagement is made now. To accelerate the upgrade of more yards in Alang, Maersk is working on building a broader collaboration with other shipowners to increase demand for responsible ship recycling and to find sustainable solutions.

Hyundai Merchant Marine to join 'THE Alliance'

Hyundai Merchant Marine (HMM) is in negotiations to enter THE Alliance, the brand new grouping made up of Hanjin, Hapag Lloyd, Yang Ming, K Line, NYK and MOL. HMM's entrance into The Alliance is only being postponed as there have been several media reports since the beginning of this year about the possibility that HMM might be under court receivership. The current members of THE Alliance are going to determine HMM's participation once its business is normalised.

Norms under MEIS eased

The government relaxed the norms for claiming duty benefits under the Merchandise Exports from India scheme (MEIS) by exempting merchandise exporters from mandatory submission of landing bills with immediate effect. Proof of landing, which exporters have long argued against, will not be required along the remaining 2,787 tariff lines. The MEIS scheme under the Foreign Trade Policy incentivises merchandise exports of 5,012 items currently. Exporters earn duty credits at fixed rates of 2 per cent, 3 per cent and 5 per cent depending upon the product and country.

Plastic manufacturers eye at Peru

Indian plastic manufacturers from across sectors, including products, raw materials, equipment and accessories and auxiliary, are exploring business opportunities in one of the Latin America's fastest growing economies, Peru. As a part of this strategy, nearly 48 leading plastic companies participated in the Expo Plast, which was held from May 3-6, in the Peruvian capital Lima.

At the event, an MoU between the Organisation of Plastics Processors of India (OPPI) and the Peruvian Association of Plastic Industry (APPIPLAST) and the other between FICCI and the Lima Chamber of Commerce and INCHAM were signed. India and Peru are currently looking to sign a Free Trade Agreement to take the bilateral trade from $1.5 billion to $2 billion.

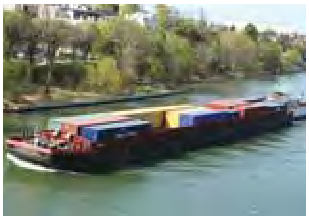
Airbus to source machine parts from India

Airbus SAS signed an agreement with Karnataka-based Aequs Aerospace to source 100,000 titanium machined parts for its A320 new engine programme. The parts will be delivered to Airbus plant at Toulouse, southern France where they will be assembled onto pylon structure for mounting engines on the aircraft wing. Aequs has set up a $100 million (₹667 crore) machining facility in the 250-acre SEZ at Belagavi. Airbus plans to procure components and sub-assembly parts cumulatively valued at $2 billion by 2020 from $500 million in 2015 from Indian suppliers. Airbus procurement from India has grown 16 fold since it started sourcing over a decade ago. Aequs plans to invest an additional $100 million during the next four years to expand production capacity and achieve $300 million from sales, including exports by 2020.

Two units get nod for Sinnar SEZ plants

Two companies – Japanese Koso Group and Mumbai-based AN Corp have got approval from the office of development commissioner (SEZ) in Mumbai to set up their units at the multi-product SEZ at Sinnar. The other four companies are Nashik-based Fox Solutions, Jalgaon-based Cogta Exports, Sinnar-based Chandra Bhaga Metals and Agrawal IMPEX Pvt Ltd.

Dollar-linked coastal tariff put on hold



To promote coastal shipping, the government has put in abeyance its notification for the dollar-linked coastal tariff issued last year. "The amended instructions provide that restatement of rates for coastal vessels should take into account the exchange rate fluctuation of Indian rupee versus the US dollar so that vessel-related all coastal charges should not exceed 60 per cent of corresponding charges for other vessels, which was notified to TAMP," Shipping Ministry said.

However, TAMP has noted that the general revision of proposals for a few ports in restatement of coastal rates has resulted in steep increase in rates of coastal vessels / containers. since this would seriously hamper the endeavour to promote coastal shipping as the transaction in coastal shipping/operations are entirely domestic and the tariff is collected in Indian rupee, the need to link the tariff to US Dollar and exchange rate fluctuations needs to be reviewed at length.

Boon for Bengaluru

The bi-weekly direct train service from ICD Whitefield to Krishnapatnam Port Container Terminal (KPCT) will help exporters and importers in and around Bengaluru city, transport cargoes efficiently in terms of cost, time and security.

by Itishree Samal

Giving a boost to the trade in the already crowded and land-locked city of Bengaluru, the Container Corporation of India (CONCOR) has increased the frequency of its direct train service to Krishnapatnam Port and made it into a bi-weekly.

CONCOR for the first time had launched a weekly direct train service from Whitefield Depot (WFD) to the fast-growing container terminal on the east coast, KPCT, last year on June 19. Earlier, the train used to run on every Fridays, while the frequency has been increased to – an export from ICD Whitefield, Bengaluru on every Tuesday and Friday and an import departure from Krishnapatnam on every Wednesday and Saturday.

Strategically scheduled to save time for traders, the train service will reduce the transportation time from 24-48 hours taken by road to just 18 hours for both import and export transits post discharge of the vessel, and benefit heavy cargoes like granite, gherkins, coffee, machinary etc., which otherwise face regulatory issues due to the weight restrictions via road transport. According to an industry insider, the road transport involves multiple examinations even after taking prior Customs clearance of the containers, while the train can directly enter the port without any further examination which makes it the fastest transit from Bengaluru to any gateway port.

Apart from time efficiency, the move is expected to help the customers to save on each container and eliminate the chances of pilferage which has been a major issue in case of road transits. It will help customers to save between $100-150 on each container. The train will have a maximum carrying capacity of 90 teu (containers) each way. The connectivity has carried a total of 106 teu and 117 teu of exports and imports respectively to and from Bengaluru.

"The new rail service has been strategically allocated to not just cater to the intense demand but also address the needs of our customers with efficient facilities which will enable them to leverage our association for the better," Anil Yendluri, CEO & Director, Krishnapatnam Port, said, adding that the industries in and around Bengaluru will get a major boost through this service.

The two-rakes per week service from ICD to KPCT provides hot connection to the vessel for exports from Bengaluru and also the fastest connection for imports clearance into Bengaluru, Anup Dayanand Sadhu, CGM, CONCOR, said.

"The service can be increased into a daily service as per the requirements of the trade," he said.

The service has drastically reduced the number of container trucks moving on the Bengaluru and Chennai highways. On every trip the train transports 80 containers, which means 80 trailer trucks are removed from the road. According to Anup Sadhu, the service has got a tremendous response and was overbooked for the first two trips on April 15 and 19 with both the rakes going full. The rakes move through the less congested route via Guddur. The consignments now reach Krishnapatnam Port from ICD Whitefield in 10 hours covering a distance of 486 km. From the port it takes five days to reach Salalah by ship. Altogether, a consignment bound for Europe from Bengaluru saves 10-15 days. After unloading, the rakes return to the ICD in 24 hours with imports laden. The ICD handles cargo bound towards the east coast of the US, Saudi Arabia and Europe. The service has brought cheers to almost 150 export houses in Bengaluru, the catchment area for which is around 200 km in radius and includes consignments from Hosur, Ramanagara and Chikmagalur.mg

RMG: OPENING NEW MARKETS

With rising demand coming from UAE and African countries, Indian ready-made garments exporters are exploring newer markets to boost exports and compensate low demand coming from the traditional European markets.

by Itishree Samal

In ready-made garments (RMG) sector, the US and Europe predominantly used to dominate as India's exporting hubs earlier. However, things seem to be changing now with demand coming from new emerging markets such as UAE and African countries.

The share to UAE, the second largest destination for India's apparel exports after USA, is growing. Major buyers are from all GCC countries. In 2014 alone, India exported $2,329 million of RMG to UAE, an increase of over 60 per cent from total trade of $1,432 million in 2012. While exports to UAE grew at a robust pace, demand from US remained steady. The South American market has grown to be very lucrative for Indian exporters. India exported about $480 million to America. Within the continent, two regions - Chile and Uruguay - have emerged. India exported about $53 million to Chile and $13 million to Uruguay, as per the data shared by the Apparel Export Promotion Council (AEPC). Colombia, which used to be unsafe due to high drug cases, is now receiving huge fillip in the trade with increased exports.

With the economic slowdown in Europe, Indian exporters are looking to tap newer markets such as Japan, Middle-East, South America and Africa to boost revenues.

Changing dynamics of global markets

The dynamics of RMG industry is changing globally. While the leading manufacturers and exporters have taken a backseat, their contemporaries have geared up to fill the space.

For instance, China, which used to be a leading player in RMG exports, is suffering from several bottlenecks. "China is becoming uncompetitive. Labour cost is going up there making it unviable for the industry," said **Gautam Chakravarti, Ex-CEO & Director of Gokaldas Exports Limited**, adding that China has the benefit of having a large manufacturing base. With its high production capacity, it has scope to cut cost and survive on low margin. Whereas, for Indian manufacturers, it becomes an economically unviable proposition to cut cost and survive on low margin.

China has a fairly large RMG industry compared to India. In the financial year 2013-14 alone, India's apparels and textiles exports were at around $40 billion, while China's exports stood at $274 billion, close to eight times higher. Even if 10 per cent of China's exports get diverted to India, Indian exports could double.

Similarly, Bangladesh is also facing a tough time. More than 100 garment manufacturing units were closed last year, this year as well some of the factories are shutting operations, Chakravarti told Maritime Gateway. Even, US, the largest importer of RMG, is not doing good since last six months. Even the Russian market which saw around 50-60 per cent of devaluation of its currency is impacting the sector.

The economic crisis and rising labour cost in neighbouring countries proves to be beneficial for the Indian industry. The country has been slowly biding its time to tap into China's footprint, with expected growth of its apparel exports over next two years. Even non-compliance of large number of factories in Bangladesh provides India a big opportunity.

Despite the growth potential, Indian RMG industry is dwindling with mere growth in exports.

Challenges and concern

India's shipments to key markets like US and Europe remained lower than expected due to the economic slowdown. Though, US remained a

Emerging trends in the RMG sector:

A decade back, manufacturers used to play the role of a tailoring store. Now, entire merchandising is being taken care of by the manufacturer. Brands have now shifted focus more towards brand building and brand visibility, leaving the design, fabric and other quality issues to the expertise of manufacturers. The entire sourcing model is maturing. Even, the cycle of production for a manufacturer is changing. With rapidly changing fashion trends, manufacturers are no more running similar products throughout the year. Earlier, a single design was produced for 3-4 seasons.

The industry is also going through a restructuring process. Some players facing de-growth, while others are growing. For instance, value-for-money and affordable brands are growing, while high-end brands are facing demand crunch.

key destination for textile and apparel exports, its import duties range between 15 to 50 per cent, depending upon woven or knit textiles, or the type of raw material used.

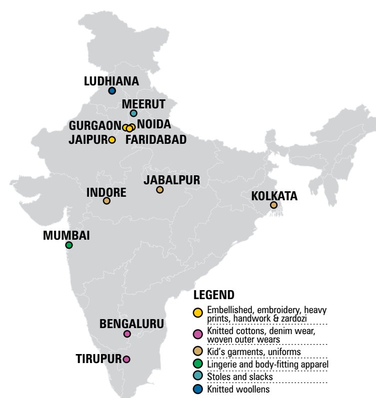
Similarly, garment exporters are also concerned about Vietnam, a key competitor, which is likely getting duty-free access to the EU market from 2017 under a FTA concluded between the two parties recently, while Indian exporters have to pay a 9.6 per cent duty.

Additionally, the Indian RMG industry is highly dependent on cotton, which is dependent on the crop. The cotton textile products also suffer the disadvantages of differential duties in major markets.

The low growth in apparel exports in India in last financial year was largely attributed to the sluggish demand from Europe and the devaluation of Chinese Yuan against the US dollar, which made India's apparel exports less competitive. Exports for the FY 2015-16 (from April 2015 till February 2016) indicated a meagre 1.5 per cent growth compared to previous year, translating to a lower than targeted export of around $17 billion. India's ready-made garments exports to world were to the tune of $15,491 million.

Another concern is that Indian manufacturers are highly unorganized. Most international players have strict parameters for their suppliers, such as compliances on a regulatory standpoint, laws related to minimum wages, standard working hours, strict deadlines, etc. For instance, when an international buyer works with suppliers, he expects multiple designs and varieties to be shown. While sending a salesman's sample is an international norm that is never

MANUFACTURING HUBS



followed here. In such cases, small timers often fail to compete with more established players in the global space.

In other challenges, competition from other emerging markets cripples the industry. Dependence on overseas customers increases the industry's vulnerability to the global economic conditions, and to fluctuations in currency rates, an industry insider said.

The availability of special fabric is another bottleneck. Some RMG manufacturers import almost everything from fabric to accessories to meet international high quality export standards from China, Taiwan and Hong Kong, which makes it an expensive affair, said Prasanna Kumar, Assistant Manager, Pearl Global Industries Limited. "Losses are involved if a manufacturer imports raw material and sells the products domestically," he dded.

Echoing on similar lines, Chakravarti said, some players face issues in sourcing raw material and imports. While global brands demand for 65-70 per cent of manmade fabric, India hugely lacks in the segment. Only a few looms in Surat produce around one crore meter of manmade fabric, which again being used to make Indian ethnic apparel. In this case, China has better advantage as it uses locally sourced fabrics.

Apart from these, the industry faces issues of state level taxes. In addition to it, government's support for exports is miniscule compared to global players. Therefore, there is a need that the textile industry is given interest rates subvention, re-calibrated product market matrix to include exports to emerging markets, as exports are growing in developed markets from the countries with preferential access.

Shipping woes

India primarily exports fashion garments to the world. With every season, fashion and trends keep changing which puts the manufacturer and exporter under a strict timeline for delivery. At times, even shipping consignments by sea takes months, which makes the exporting a challenging affair.

"In an industry where requirement keeps changing with every season, meeting the shipping deadline is very crucial for any exporter, as delay causes cancellation of consignment as well as financial loss," said an official of Jeena & Company, a freight forwarder in India, adding that any issue with vessel timing and manufacturing, the exporter mostly has no option but send the cargo via air freight.

For instance, delivering consignments to South America, the major importer of Indian garments, within the strict timeframe is often a daunting task. Though it has a long coastline, its distance from India is vast and makes it an expensive proposition. "Thus, the time taken from factory-to-rack of Indian apparels is prolonged, many brands are unwilling to wait that long to get supplies from Indian manufacturers and preferring other countries even if they charge a premium."

Even the alternative air transportation becomes expensive, with excessive fee of ₹5,250 per kg. Due to the nature of Indian fashion garments - with heavy work and its embellishments - weight of garments exceeds causing high transit fee and makes the proposition economically unviable. In India, around 70 per cent of RMG exports are done by sea freight and rest by air.

EXIM destinations

Export: Major exporting regions for India include UAE, GCC, Sweden, Chile, Uruguay, Norway, Hamburg and UK. The RMG sector in India gets around 80 per cent of its revenue from exports.

Import: Major importing markets for India include China, Taiwan and Hongkong. RMG manufacturers import raw material such as fabric, button and accessories.

In addition to it, most of the Indian ports do not have adequate infrastructure to support the growth momentum of RMG exports. Though efficiencies of Indian ports have improved in recent times, they massively lag behind those in China, which accounts for seven of the world's largest ports. Mumbai Port comes in the thirties, with little more than a tenth of shipments of 37 million TEUs (twenty-foot equivalent) from the port in Shanghai, China's commercial capital.

In India, only a few ports handle the RMG shipments. "In South, most of the RMG shipments are going to Tuticorin Port," Santhosh NM, Manager (Ocean Products), South Zone, Ceva Freight (India) Private Limited, told Maritime Gateway. It takes only eight hours from Tuticorin Port to reach the transhipment hub Colombo in Sri Lanka. It gets faster clearance there and shipment reaches over night.

Even customs clearance at Indian ports poses another hurdle for the exporters. As the whole process of custom clearance takes days, an exporter has no option but to plan and move the cargo several days ahead.

"Also, earlier buyers used to give us a window of 120 days, which has been reduced to 60 days with the fast-changing fashion trends in the industry. Today, time is a major constraint," Chakravarti said.

Another concern is the issue of transshipment.

China, being closer to the largest importing market US, has better advantages over India with having major transshipment hubs. While for India, the closer transshipment hub is Colombo, which makes it less competitive.

India's RMG Exports & Growth Potential

Despite all woes, India's RMG sector is expected to accelerate in the coming years. According to estimates, country's apparel exports will grow by 12.6 per cent in 2016-17 to reach at $20.3 billion, in addition to growth in outbound apparel shipments during the period.

According to an industry expert, several factors are responsible for this positive forecast. For instance, India ranks first in global jute production and shares 63 per cent of the global textile and garment market; whereas it is second in global textile manufacturing as well as in silk and cotton production.

On top of it, India has an edge in value-added garmenting, which remains partly insulated due to the lack of readily available similar capabilities in other competing countries. "Bangladesh, which is traditionally known for apparel like t-shirts, shorts and so on, whereas the ornate, embellished and creative designs from India are always sought after," he added. Fabrics like cotton, synthetics, wool, silk and denim are highly popular abroad. With the upsurge in Indian design talent, Indian apparel, too, has found success at fashion hubs of the world.

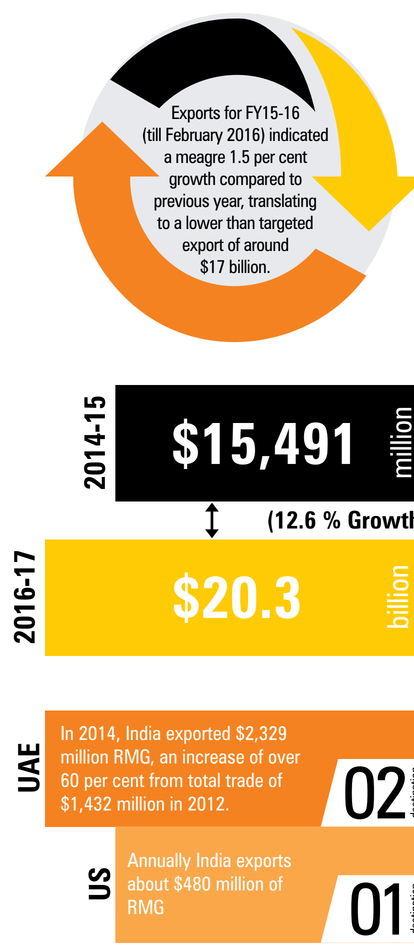
Similarly, knits are a huge success in the export world. India's strength in knitting has grown consistently over the years and has earned global recognition. It offers a variety from yarn to knitwear and world-class solutions in circular knitting, warp knitting, flat knitting and jacquard, along with designer saris and handloom.

India's export manufacturing map is also quite diverse, catering to the markets of Jaipur, Gurgaon, Noida and Faridabad (For embellished, embroidery, heavy prints, handwork and zardozi work), while knitted cottons come from Tirupur and Bengaluru, and while knitted woollens are made in Ludhiana. Both Mumbai and Bengaluru are popular for denim wear. Apart from exports, the domestic apparel industry has a huge growth potential. In the last five years, it has grown at a 10 per cent CAGR.

Government Support

To boost exports in the RMG sector for the year 2016-17, the

INDIAN RMG EXPORTS



Union government has taken several initiatives. The new Merchandise Export from India Scheme (MEIS scheme) introduced in the Foreign Trade Policy of 2015-20, which included exports of products to select markets. And the current Union Budget has cut excise duties for textiles from five per cent to 2.5 per cent. With iImproved duty entitlement, duty free imports of fabric up to one per cent of the Free Over Board (FOB) value of exports for specific fibres during the preceding financial year has been allowed.

According to **Ashok G Rajani, Chairman, AEPC,** further impetus for exports was the continued zero excise on trimmings and embellishments for export garments to the extent of five per cent of FOB. This would provide additional finance to the tune of ₹5,000 crore to garment exporters.

Gaining traction despite challenges

The business community is coming forward to use coastal shipping accruing to its benefits. While the government advocates movement of goods by sea, ship operators point at critical issues such as high port charges, poor hinterland connectivity and lack of legislation governing coastal shipping that demand immediate attention by the government

by Deepika Amirapu

Notwithstanding the operational challenges faced at Indian ports, coastal shipping companies in the country have launched services along the two coasts promoting cargo movement by sea and offer cost advantages to India's trading community.

As many as six coastal players – Shipping Corporation of India, Shreyas Shipping, Sai Shipping, All Cargo Logistics, Sheel Shipping, Simatech India and Pacific International Lines – have begun inter-coastal and intra-coastal movement in India moving goods in containers and in bulk form.

While most firms run container services, All Cargo Logistics is the only player moving bulk cargo along the western and eastern coasts also running a few services to Sri Lanka carrying clinker used for cement. All Cargo has about five bulk carriers of which two are Sri Lanka flagged ships calling many international ports Langkawi and others in South Asia carrying salt, steel plates, coil, pet coke, bauxite and sand. While bigger vessels of 13,000 and 10,000 dwt ply the Sri Lankan coast, smaller vessels of size 7,200 and 6,100 dwt ply the Indian coast. Capt. Sunil Thapar, who takes care of All Cargo's coastal business says, "There is demand for coastal vessels currently despite there being poor last-mile connectivity. The government of India's thrust on coastal shipping is helping as more customers are coming forward to move cargo by sea accruing to the benefits."

All cargo is looking to acquire two more vessels in the next six to eight months as it sees India's GDP rising on account of better industrial productivity. However, he feels it would help the shipping sector greatly if India's industries were located on the coast to minimise road movement of cargo.

Currently, only 6 per cent of cargo moves by sea and 40 per cent moves by rail, with the remaining major share is claimed by the roads sector. To up the share of cargo transported by sea, many coastal players are undertaking marketing efforts by talking to shippers and port operators. Capt. Ashok Srivastava, who heads Sheel Shipping, that undertakes commercial management of vessels for Era Shipping highlights an alarming situation. "Today, ships are not waiting for berths. It is ports that are waiting for ships," dispelling the assumption that coastal vessels have to wait long to be allocated a berth.

While a window is hard to come by at ports such as Nhava Sheva and Mundra, all 13 berths at the Mumbai Port were lying vacant expecting ships to call them. He hopes his vessels will soon call these ports as Sheel Shipping has two ships waiting to operate commercially. While the initial blue print proposed a service between Chennai and Port Blair, Sheel Shipping is revisiting this plan as the Transport Corporation of India already operates vessels along this route. Therefore, as new routes are being chalked, some plywood, veneer and pulses have been shipped from Yangoon taking cement and sugar from India.

Sheel is developing a complete Logistics Project to help the traders understand the scope of coastal shipping. "The trade is considering this option (of moving cargo by sea). But there needs to be a system in place. Unless the trader has exposure to shipping activity, the procedures will not be clear to him," Capt. Srivastava said. Unlike railways and roadways where a Lorry receipt and a Railway Receipt is issues, there are a number of documents a trader has to familiarise himself with if he needs to ship cargo. So, even as Sheel Shipping will manage more vessels in the coming months, it is considering providing land logistics and other ancillary services to the shippers.

If the absence of proper last-mile connectivity as a challenge is pointed by Capt. Shrivastava, KP Unnikrishnan from Simatech Marine says one of the major problems faced by coastal shippers today is the absence of a legislation to govern coastal shipping. With many investors stepping forth to invest in India's coastal landscape, he sees the need for a legislation to address issues faced by the shipping companies. Simatech has two Indian flagged vessels named *Sima Godavari* and *Sima Narmada* which run services along the western coast of India – Mundra, Goa, Mangalore and Kochi. The firm will look at introducing more services along the east coast as well as they believe the country offers more opportunities now than before. He points that traditionally India's west coast from Mundra to Cochin has been a cargo generator. The challenge now is to find return cargo after making one voyage. Simatech now plans to tap rice and cement cargo on the east coast to ensure their voyages are profitable.

Key requirements

- Dedicated coastal shipping berths, bunkering, storage at relevant ports
- Creation of supporting transport infrastructure (e.g., Talcher-Paradip railway line), slurry pipelines etc.
- Last-mile connectivity projects with industrial areas
- Appropriate ship-repairing/ship-building facilities on key ports; currently most of the ship repairs happen outside the country
- Dedicated capacity fleet under shipping companies
- Management of dedicated coastal berths(if any) and their operations

Speaking of the economic environment for operators, he raises a flag about high port charges both at government-owned and private ports. Unnikrishnan points that despite the concession allowed on port charges by the major ports, the tariff still remains high for a coastal operator to move cargo. However, he scores a point while saying that the government has taken a step in the right direction by supporting movement of coastal cargo. "It is time for the industry to remodel its plan and see how it can be made more viable," he says.

Just as other operators, Simatech plans to acquire more vessels as it sees a change in the attitude of the shippers.

The way forward

The Tata Strategic Management Group says in its report that there is need to promote other types of cargo; containerised cargo has been growing at a steady rate both in the Exim as well as domestic. Ro-Ro movements to meet the demands across the country along with other general cargo could provide the increment volumes needed to make coastal movement viable. Change in the merchant shipping rules by permitting cabotage, simplification in the administrative requirements for enabling foreign flag vessels to operate on coastal routes. This would ensure higher availability of ships and more tonnage for coastal movement as against the current 100 plus (apart from tugs, dredgers, OSVs) with a dead weight tonnage of about 0.7 million.

The report says there has to be greater awareness to expanding the cargo profile that today comprises of the domestic cargo is basically dominated by POL, coal and iron ore – constituting 90 per cent of all cargo. There is a need to promote container and general cargo.

Consistency of Service:

To promote greater use of our coastline and inland waterways for freight movement, there is a need to address the concerns of the user community, without whom there can be no growth however much we may develop the infrastructure or amend policies. There is need to have reliability of service, regular frequency, simplification of administrative requirements and most of all development of a complete door to door multimodal solution with coastal linkages. Coastal shipping cannot be a standalone solution. Considering the geographic expanse of the country, there is a need for integrating coastal shipping into the transport network, in ways such that the water ways would supplement the rail and road network and by doing so ease the burden on them.

A three-pronged plan consisting of a workable policy, fiscal incentives and infrastructure would ensure development of the Indian coastal shipping sector and strong growth going ahead with India's economic growth; says, Siddharth Paradkar, Principal, Logistics Practice, Tata Strategic Management Group.

Expanding footprint

Africa is poised to become the second fastest growing region in the world by 2020. India-Africa trade partnership will scale new heights in the future as respective governments are framing favorable trade policies. Thus, expanding footprint in the continent becomes a logical extension for Allcargo

by Ritu Gupta

Shantha Martin, *CEO, NVOCC-ISC, Middle East, Africa and East Mediterranean, Allcargo Logistics Limited*

Q Could you explain strategic importance of expanding into Africa region?

Africa is cited to be the continent that will witness maximum growth and economic development in the years to come. It has always been a key market for Allcargo. Our strength in the African sub-continent will not only help our clients increase their business but will also help boost trade relations with India. Our Chairman, Shashi Kiran Shetty, is keen on expanding our footprint in Africa and further investing in these markets to cater to integrated logistic service offerings. We also recently hosted a trade meet with the stakeholders of Indo-Africa Trade Lane and the event saw participation from over 100 eminent personalities from the industry. The event was also attended by diplomats like Alfred Vilili, counsellor (trade), High Commission of the Republic of Malawi and Witness Ngwenya from the Embassy of Republic of Zimbabwe. Top supporters of the business who had performed exceptionally well at the trade routes were felicitated during the event called ‘Acing Africa’. The objective of the event was to showcase Allcargo’s capabilities in the continent.

Q Do shed some light on Allcargo's African operations.

Africa is poised to become the second fastest growing region in the world by 2020. With growth estimates of 6 per cent for 54 countries within the region, Africa becomes a key region for Allcargo. These estimates are very challenging in terms of the opportunities created by the rapidly increasing commercial and industrial activity. Africa is poised to step out of the image of being a frontier region to becoming an emerging region in the globe. We have our presence in Africa in over 70 locations, spread across 50 countries, 25 direct export lanes and 100 direct import lanes. We also have unparalleled over-border services and direct connections to inland locations from all major hubs, offering LCL, FCL, air freight, handling project cargo and the last-mile connectivity. We have the core capability to take the challenging opportunity of partnering with Africa and propelling the continent's growth story.

Q Some experts aver that though China presents a more dynamic market for Africa’s exports, but with geographical advantage and skilled manpower, India has the potential to overtake China as Africa’s

major trading partner. Do you agree with this?

China with over $200 billion of investment in Africa and being the second largest trade partner has a vital edge compared to India. But, India's trade role in Africa is growing, though at a slower pace, expected to touch $70 billion. In terms of geographical advantage and skilled manpower, India does have an edge over China; however at the moment what hinders India is its current account deficit versus the current account surplus of China, which gives China an economic advantage of taking investment risks in Africa and more so, considering the geopolitical struggle in Africa, it is only prudent for India to tread with a little caution and not get carried away with the rhetoric of a comparative economic race. India shares many similarities with Africa, be it levels of income or quality requirements; historically too we have evolved together, and these help in developing and understanding of each other's market and culture, hence India and Africa become natural trade partners. It is aptly projected that India-Africa trade partnership will scale new heights in the future especially with the government's commitment in imparting favorable trade policies domestically and trade ties at a diplomatic level. Investors and entrepreneurs are buoyed by these developments and are finding Africa as a favorable destination.

Q Which are the key commodities involved in Indo-Africa trade, and which sea routes are most used?

Africa being rich in natural resources mostly exports raw materials into India, oil from Nigeria and diamonds from South Africa being the most exported. While, India mostly exports consumer goods to the continent. However these trends are changing fast, since many companies are now preferring Africa as their manufacturing destination. With fast infrastructural growth, Africa will soon become a destination which will be driven by the manufacturing and service sectors, and hence of late we see a lot of auto and infrastructure cargo moving. Majority of the exports from India into Africa originate in the northern and western parts of the country, hence the major ports for this trade is Nhava Sheva and Mundra.

Q Apart from maritime security and commerce, which other areas need to be addressed for enhancing India-Africa sea trade?

Trade is governed primarily by economic and political stability of a region. While the African economy is on a growth trajectory, its political instability in some regions needs to be addressed. There are other challenges which are typical of a developing economy, like power, infrastructure, access to domestic markets and corruption. I am sure that Africa will evolve out of these as it grows in terms of economic prosperity and continues to get into global partnership; and as an organisation with capabilities to match her needs Allcargo will rise to the challenges of making deeper foray into Africa despite these initial odds. mg

Indo-African ties are becoming stronger by the day

Following a high level summit in October 2015, Africa-India cooperation has snapped into focus as top leaders seek to foster closer relations. During the summit, India's expertise in agriculture, business services and ICT were much vaunted, as was the subcontinent's longstanding trade and migration relationships with Africa, particularly on the eastern and southern coasts. However, maritime security and commerce is another area in which African countries are seeking greater collaboration with India. Securing coastlines from the threat of piracy, safeguarding ecological systems and hampering illegal fishing activities are some of the key 'Blue Economy' areas they wish to address.

Maritime security is the other angle. China's announcement in 2015 that they will build a military base in Djibouti, in the Horn of Africa, is a signal of the country's increasing ability to project power into the Indian Ocean. A military installation located on the strategic Straits of Bab el-Mandab allows China greater control over the entrance to the Red Sea, which connects Indian Ocean trade routes to the Mediterranean and Europe. This is a major factor in India's desire to establish strong relationships with African coastal and island states. The Indian Ocean is the main supply route for India's energy and trade, with 90 percent of the country's energy supply transported through its sea lanes. As India is now the world's third largest energy consumer – behind China and the US – protecting these trade links is vital to the country's energy security.

Maritime commercial development is another key component of Africa's 2050 Integrated Maritime Strategy and the African Union's Agenda 2063. The latter affirms that "Africa's Blue economy, which is three times the size of its landmass, shall be a major contributor to continental transformation and growth". India's navy have long provided military resources to fend off piracy threats and patrol fishing waters, particularly around the Horn of Africa. Indian naval vessels have escorted close to 3000 merchant ships into the Gulf of Aden over the past eight years. Further collaboration with willing partners such as India may help governments in the African region to better manage their fragile and complex ecosystems.

Capt. Vivek Anand, President, MANSA; **Ashwin Shankar,** Partner, The Law Chambers of George A Rebello; **Deepak Shetty,** Director General Shipping; **Binaifer Jehani,** Director, CRISIL Research; **Capt. O P Dhondiyal**, Committee Member, MANSA; **C S Murthy,** Secretary General, MANSA, releasing the MANSA Compendium

Ease of doing Business

MANSA brought together industry leaders to discuss contentious issues relating to policy and regulations to enhance ease of doing business in the maritime sector

MG Bureau

Eminent personalities and industry stalwarts from the maritime and logistics sector deliberated on around 101 issues listed out by MANSA with the sole aim of improving ease of doing business in the Indian maritime sector. Organised on May 6, 2016, in Mumbai by Mumbai and Nhava-Sheva Ship Agents Association, in collaboration with the Ministry of Shipping, the conference deliberated on the existing policy framework and regulations relating to the maritime sector. The aim is to highlight the measures required for creating a credible and transparent environment to improve stakeholders confidence, while bringing out the grass-root level issues that are impediment for the overall growth of the sector.

Capt. Vivek Anand, President, MANSA, detailed on the government's initiatives like Sagar Mala, Jalmarg Vikas Project for promoting the maritime sector, as he delivered the welcome address. He emphasised on various trade facilitation initiatives to ease the way of doing business to attract investments.

Capt. Vivek pointed out that ports and shipping is one of the most important sectors that have marked impact on the overall development of trade and industries. With a natural lengthy coastline it becomes imperative that India uses sea transportation for majority of its trade. But, despite of several measures to improve operational efficiency most of the major and non-major ports are highly inefficient. However, the recent government initiatives on ease of doing business by rationalising and simplifying processes for bringing in more transparency and accountability is commendable. The implementation of port community system will go a long way to ease the way business is carried. It will bring in 60 per cent more efficiency and reduce logistics and transaction cost by 20-30 per cent.

Deepak Shetty, Director General, Shipping, described the theme of the conference as "aptly timed," keeping in line with the Prime Minister's initiative of bringing India into the top 50 ranking of ease of doing business in the next two years. Delivering the keynote address, Deepak Shetty pointed out that the archaic laws have been repealed over the past two years and the proposed Merchant Shipping Bill is expected to be simplified even further. The draft Merchant Shipping Bill is expected to be rationalised from 25 parts to 16 parts and the number of sections will be reduced from 581 to 267. The Director General Shipping is the only department that has done away with 20 per cent archaic rules found to be irrelevant with ease of doing business. As part of digitisation nearly 70-75 per cent of processes of Director General Shipping are online today. Deepak Shetty also released a compendium of MANSA's 101 issues plaguing the Indian maritime sector.

As the event proceeded **Capt. Parmeet Bawa, CEO, United Liners Shipping Services** briefed on the top ten issues raised by MANSA including Cabotage relaxation, container weighing, Custom continuity bond, bunker subsidy, abandoned long staying and auction of cargo/containers, absence of infrastructure status for Indian shipping, lack of clarity in double income tax relief, service tax implications and ship finance.

Capt. Deepak Tewari, Chairman, CSLA & CEO, MSC Agency (India) pvt ltd, highlighted his top five issues including cabotage relaxation, rail logistics, uncleared and abandoned cargo, VTMS charges and VTM.

Towards the conclusion, **C S Murthy, Secretary General, MANSA,** thanked all in the august gathering for attending the conference and making it a grand success.

Emerging trends in shipping & logistics

Experts from the industry in Sri Lanka and the world over commingled to discuss trends and aspects in shipping that were moulding businesses and altering the way they work in the Indian subcontinent

by Deepika Amirapu

WISTA members at the event

Sri Lanka is gearing up to shape and position itself in to a maritime hub in the region and plans to play an important role in rationalising container shipping cargo in the region, speakers at the WISTA-CASA Asia Shipping Conference 2016 held on May 06 at Colombo said. From being a mere short haul transshipment hub, the island nation will now focus on being a longer term, deep sea mainline to mainline transshipment model.

Deputy Minister of Foreign Affairs, Sri Lanka Dr. Harsha de Silva said the country is open for investment in logistics and plans to create a policy to create a logistics hub and maritime economy for all stakeholders in the shipping fraternity to benefit by operating in the country.

The main theme of the conference was to discuss 'Emerging Trends in Shipping & Logistics - Asia Connects' where experts from the industry in Sri Lanka and the world over commingled to discuss trends and aspects in shipping that were moulding businesses and altering the way they work in the Indian subcontinent.

The panels were divided into four sub-groups. The first group addressed the question of "Is Asia the Maritime Game Changer- What can Sri Lanka Do" This theme was discussed by Anil Singh, Senior Vice President, Managing Director of DP World Subcontinent, Julian Bevis, Senior Director of Group Relations at Asia A.P Moller-Maersk Group and H.D.A.S Premachandra, Managing Director of Sri Lanka Ports Authority. Sri Lanka's strengths as a maritime nation were discussed and the panelists brought out a few distinct features of trade in the country.

The second topic was "Maritime Law in Asia Pacific Region & Comparisons Across Regions", featuring Catherine Smith, a Senior Associate at Holman Fenwick Willan and the President of WISTA Hong Kong, Magdalene Chew, the Director of Asia Legal LLC and President of WISTA Singapore, Katherine Wang, Assistant Vice President and Marketing Manager for the Greater China and Northern Asia branch of the American P&I Club and Jeanne M. Grasso, a partner of Blank Rome and a WISTA USA ExCo Board Member. Several aspects of maritime law such as admiralty, jurisdiction and maritime claims were discussed in the background of the International Maritime Organisation asking maritime nations to implement new laws.

The third subject that was brought to the fore was 'Ancillary Services to Shipping – Trends in Crewing, Ship Management and Ship Finance' and the headline presenters were Ivanka Pittelkau, Director of the NSM Group and Katerina Stathopoulu, an Executive Director of Investments and Finance and a WISTA Greece ExCo Board Member, Despina Panayiotou, Managing Director, Tototheo Group of Companies participated in the discussion speaking of crewing, manpower challenges and the ability of ship managers to handle mega vessels that have taken to the seas.

The last and final session of the conference is the "Future of Logistics, the Impact of Technology and Shifts in Demand" and had as its keynote speakers Peter Orange, the Regional Manager of Freight Services for the GAC Group Singapore, Shunichiro Mizukami, Chairman and Managing Director for the NYK Group South Asia and Birgit M. Liodden, a Nor Shipping Director. The speakers agreed that the world of shipping was being confronted by new technologies. This has fuelled new ways of thinking, working together and embracing innovative technologies to up the levels of efficiency. Those that take to the digital revolution shall be seen taking strides; else they might be left behind in the race to make a mark among their peers.

The conference ended on a high note with the organizers throwing a gala dinner for around 200 guests who participated in the event. If the morning was a show of seriousness reflecting major trends in the shipping industry, the evening was a time for every attendee to let their hair down and celebrate the joy of working and growing together.

The conference was organised by WISTA and CASA, the Ceylon Association of Ship Agents. mg

Favoured and Fancied

Steady connections to Colombo has made VOC the port of choice among the EXIM community. With steady growth in traffic this third biggest major port in India has quitely surpassed all the cargo handling targets set.

by Mohamed Shareef MP

Far removed from the bustling noise of a metropolitan city, the humble Tuticorin Port City is calm and composed. You do not get to meet many people out there in the street but when you meet every other person belongs to the shipping business fraternity and has hundreds of words to talk about the VOC Port and much growing shipping business here. There seems to be no leisure time for the shipping fraternity here and work is their leisure here. Tuticorin is no Chennai or Mumbai for its Industrial hubs and much happening hinterlands but over the past couple of years, silently, VOC Port is maintaining a steady growth and boasting to be the third biggest major port in the country in terms of container traffic handled.

Proximity to the major transshipment hub of southasia Colombo is definitely one of the major reasons that make this port a popular choice among the exporters and importers. But visiting the home to one of India's smallest but fastest growing major port, MG Correspondent felt that the various stakeholders of the business always available across the table, complementary to each other is making a big difference for the overall business, along with the geographical advantage.

Growth

For the testimony of the business, one may require numbers and VOCPT has surpassed the Shipping Ministry' target of 36.80 million tonnes, for a margin of 0.14 per cent in the financial year 2015-16. It handled a record cargo volume of 36.85 million tonnes in the last financial year, almost 14 per cent growth compared to the previous years.

The increase in cargo handling was possible due to growth in volume of import cargo like coal, fertiliser, copper concentrate, containerised cargo, lime stone, liquid ammonia and POL products.

Export cargo

On the export front, there was increased handling of construction materials, containerised cargoes, caustic soda lye, machinery and fly ash. Out of the total handling, imports accounted for 27.37 MT, a 14.09 per cent increase over the previous year's 23.99 MT. Exports were 9.48 MT (8.42 MT), an increase of 12.59 per cent.

The port handled 14.80 MT of coal, a growth of 7.25 per cent. In terms of financial performance, the port reported an operating surplus of ₹312.33 crore while the net surplus before tax stood at ₹167.91 crore, according to Traffic Manager, U Rajendran.

Container traffic

In container handling, the port handled a record throughput of 6.12 lakh twenty foot equivalent units (teu) in 2015-16 as against 5.60 lakh teu in the previous year, an increase of 9.29 per cent.

Meanwhile, container terminal operator PSA Sical Terminals Ltd, a joint venture between PSA India and Sical Logistics, achieved its highest ever monthly throughput of 50,225 teu in March 2016.

It was for the first time that the terminal crossed the 50,000-teu monthly milestone, told officials from the operator.

Calm seas

JN Port Mumbai and Chennai Port have handled many times more container cargo than what VOC Port does, they are different. Both the ports are located in two of the biggest metropolitan cities of not just the country, but whole of Asia and it is likely that they do big business. On the other hand, Tuticorin is located

very close to the southernmost tip of mainland India, far away from any metropolis. Despite this, container traffic at VOC Port grew by 9.29 per cent in the financial year 2015-16.

Surprisingly, and too pleasantly, the steady growth in traffic at the port is not due to mechanical infrastructure, but thanks to people associated with it. For, unlike most other ports in the country, labour unrests and strikes are unheard of in Tuticorin. Explaining the reason for the same to Maritime Gateway, K Arjun Shankar, a third-generation entrepreneur in shipping, freight-forwarding and Customs clearance at Tuticorin, says, "A private body called Tuticorin Stevedores Association (TSA) was established by port users in the early 1990s, which used to regulate the pool of labourers engaged in bulk cargo handling here. This is unlike anything you will see at most other ports in the country where labourers are direct employees of the port and hence, are expensive and tend to get engaged in trade unionism. Later, in the year 2000, although the port took over them from TSA, it made them part of a separate wing named Cargo Handling Division, instead of making them direct employees. As a result of such innovative and foresighted steps, there are absolutely no labour issues here."

Background and Infra

VOC Port, formerly called Tuticorin Port, was declared a major port in 1974. However, it saw meaningful traffic only after a new harbour, called Zone A, came into existence, which triggered rapid economic growth in the region and saw the setting up of companies like DCW, Southern Petro Chemicals, Tuticorin Alkali Chemicals, Heavy Water Plant, Sterlite Industries and about seven thermal power plants.

Today, VOC Port has 14 berths, with a cargo-handling capacity of 44.55 MMT. While berths VOC-I and VOC-II have a draft of 9.3 metres and handle break bulk cargo like raw cashew, palm oil, steel plates, granite and timber, VOC-III and VOC-IV have a draft of 10.8 metres and cater to the needs of bulk cargo like industrial coal, rock phosphate, copper concentrates, lime stone and pet coke. Similarly, Additional Berth-I and Additional Berth-II, with drafts of 8.6 metres and 9.3 metres respectively, handle liquid cargo, project cargo and other break bulk cargo and Berth No.9, with a draft of 12.8 metres, is used to handle industrial coal, copper concentrates, rock phosphate, furnace oil, fertiliser, ilmenite sand, sulphuric acid, phosphoric acid and fertiliser raw material.

On the other hand, container terminal Berth No.7, with a quay length of 370 metres and a draft of 10.7 metres, is being operated by PSA-SICAL under BOT basis, while captive berths of TANGENCO, Coal Jetty-I and Coal Jetty-II, also with a draft of 12.8 metres, cater to the coal needs of Tuticorin Thermal Power Station located nearby. VOC Port also has an oil jetty to cater to the oil needs of South Tamil Nadu and captive berth – North Cargo Berth-I – to cater to the coal needs of the 1,000 MW Neyveli Thermal Power Limited. Despite a diverse arsenal the port continues to plan for the future. "Currently, we have 12.8 metre draft inside the basin and are developing another harbour, further from the shore, which will have a 16 metre draft and allow us to handle bigger vessels," U Rajendran, Traffic Manager, VOC Port, tells MG

You will not miss the bus

Steady connections through Colombo is the thrust of Tuticorin and that is what makes the port the Gateway Port to the South, according to David Raja, Vice President, St.Johns CFS/ ICD Division, which is headquartered in the port city and has branches across the country and abroad.

It is just 10 hours sailing time from Tuticorin to Colombo transshipment port and in all the six days of a week feeder vessels of size ranging between 1,000-1,600 teu are plying between the two ports.

"As long as the Colombo Port stays strong in the business, Tutcorin also stays strong. We may not have direct calling of mainline vessels at VOCP but that doesn't make much difference as connectivity to the world is ensured with Colombo," says David Raja.

When asked about the transshipment cost Raja said there could be a cost of $60-70 on transshipment but that is not going to be a burden at all on the exporter as all other charges in doing business from Tuticorin are much on the lower side compared to any other port in the vicinity and more than that through here, cargo reaches to the destination on the 17th day.

Pangaon gets preference

While the Indo-Bangla coastal shipping between Krishnapatnam Port and Chittagong Port started with a lot of applause and fanfare, the Bangladeshi traders prefer Pangaon terminal instead of Chittagong for carrying out coastal trade with India

by Mohamed Shareef MP

With the much talked about Indo-Bangladesh coastal shipping service entangling in technical glitches, traders from Bangladesh are feeling distressed as their smooth EXIM trade with India is yet to get a proper shape. Though the first voyage of a River Sea Vessel (RSV) was done in March from Krishnapatnam to Chittagong, Neepa Paibahan, the vessel operator stopped its service.

The ideal and designated port for the coastal trade in Bangladesh is Pangaon terminal, not Chittagong and the traders are also looking forward to this terminal to start the coastal operation between Indian east coast ports. However coastal shipping from this terminal is yet to commence as the operators involved in the coastal trade is not getting a favourable response from the Main Line Operators (MLOs) in providing the boxes for the trade.

MLOs not responding positively

According to Ahamedul Karim Chowdhury, Terminal Manager, Indian Container Terminal, Pangaon, MLOs fear that it is going to cost lot of money for keeping the empties at Pangaon as there are no private off docks near Pangaon terminal unlike Chittagong for keeping their empties.

Since this has been the case the coastal vessel operators as well as the traders have approached the Pangaon terminal authorities in order to reduce the terminal handling charges and other such terminal related charges and that way they can negotiate with the MLOs in providing empties on a

reasonable rate.

"We have represented the same matter with Finance Ministry Bangladesh, the decision making authority in this regard. We are hoping to get final concurrence from the Ministry in reducing the tariff," says Karim Chowdhury

As of now it would come around $12 for a container as charges from the port and once the Finance Ministry, Bangladesh gives its nod, it would come to a paltry $3 and with that the traders would be able to start using this port for their EXIM requirement with Indian east coast ports.

Why Pangaon?

Pangaon is the preferred terminal for doing coastal trade with India as it has the minimum distance to the textiles hubs of Bangladesh and which is being fed mostly by the raw cotton from India.

According to traders, while the distance from their main textile hubs to Pangaon terminal is only 50 km, Chittagong is almost 350 km away from textile hubs.

"Commencement of coastal vessel operation between Pangaon and Indian ports is very important for us as it would be the most viable and economical logistic option for us," says Mohammed Saiful Islam, a member of Bangladeshi Mills Association.

On an average Bangladesh imports as much as 6 million bales of raw cotton from India annually and almost 50 per cent of it comes via road. "Road logistics is time taking, risky and costly an affair. Apart from customs delays, other procedural delays and tariff, we have to shell out a lot on non-tariff charges at many junctures but once the direct coastal trade starts all of this can be avoided," adds Saiful Islam.

Gap between the bilateral export and import

There is a huge gap between Bangladesh's imports and exports with India. According to traders, Bangladesh's imports from India value around $6 billion while exports are just $460 million.

Bangladesh is pegged to be the largest exporter of garments to the West but as of now it doesn't export much to India. Even when the coastal shipping service was planned, it was predominantly for the cotton import from India and in return it was mostly empties.

Economics of using Pangaon terminal

Handling charges for a container at Pangaon terminal is $12 and once the Finance Ministry in Bangladesh gives its nod, it would reduce to $3 and with that the traders would be able to start using this terminal for their EXIM with Indian east coast ports.

Pangaon is the preferred port for doing coastal trade with India as it has the minimum distance to the textiles hubs of Bangladesh and which is being fed mostly by the raw cotton from India.

According to traders, it is just 50 kilometers of distance via road from Pangaon to the textile hubs and it is almost 350 kilometers via road between Chittagong and the main textiles hubs here.

On an average Bangladesh imports 6 million bales of raw cotton from India annually and almost fifty per cent of it comes via road, which is time taking, risky and costly. Apart from customs delays, other procedural delays and tariff, traders have to shell out a lot on non-tariff charges. But once the coastal trade starts all of this can be avoided.

According to traders, due to better connectivity to India via sea route, there is an untapped potential in exporting garments and other export commodities like rice bran, jute etc.

Marks & Spencer wanted export via coastal shipping

International garments chains like Marks & Spencer wanted to get garments from Bangladesh via coastal shipping for their 50 odd units to be started in India but it didn't shape up as the coastal service between two countries still hasn't formed a shape, a trader laments.

"Marks & Spencer is already getting a small volume of garments from Bangladesh via road but they wanted huge volume as they had some tie up with Reliance and as they wanted to open up many units in India. So they wanted a faster and cost-effective movement of their cargo. Had the coastal service started it would have been a viable alternative for the shipment," Inamul Islam, a Bangladeshi trader reveals.

India has exempted duties on as many as 46 items from Bangladesh which include textiles and other garment related items and in future also there are going to be many such exemption of duties on many other commodities but there needs to be a viable and cost-effective connectivity between two countries and no doubt coastal shipping will be a better option any day, Inamul Islam added.

Rice bran – another non-traditional export commodity

Bangladesh produces as much as 3 billion metric tonnes of rice on an average and rice bran, byproduct of the rice, has huge demand among the edible oil industry across world for its low fat and low cholesterol content. According to exporters from Bangladesh, there is huge demand for the cheap Bangladeshi rice bran in Indian market and once coastal shipping service between two countries comes into existence, there are traders in places like Guntur district of Andhra Pradesh for rice bran import from Bangladesh.

Bilateral exim goods

The main items Bangladesh exports to India include raw jute, jute goods, fish, mineral distillates, fruits, garments, copper/articles, minerals, cotton waste, iron/steel and articles, knitwear, leather, ceramic, etc.

The main items of Bangladesh imports from India include cotton (raw, yarn, fabrics), vehicles and parts, other than rail rolling stock, animal feed/ food waste, boilers, machinery/ mechanical appliances, cereals, iron and steel, organic chemicals, electrical machinery and equipment, vegetables/ roots and tubers, mineral fuels/waxes/ bituminous products, plastics/articles, tanning chemicals, man-made fibers, rubber articles, coffee and tea

Once the coastal shipping commences between the countries, this is going to be the direct short distance trade ever made available between the two neighbouring trade partners, India and Bangladesh. As per the SOP, vessels up to 6000 GT shall be engaged on coastal shipping trade and over a period, the number of ships could be increased as the trade between these two countries increases. Then, all movement of cargo could completely be transferred to coastal shipping. This revolutionary change is what cargo agents, liners and traders look forward to. mg

Redefining container logistics

J. M. Baxi's ICD in Sonepat has set new standards for NCR's logistics industry by providing seamless and efficient services through its self-owned world class infrastructure

by Ritu Gupta

A Logistics revolution which has the potential to usher in a paradigm shift in India's container cargo industry has been slowly brewing in Sonepat. Indeed, with the advent of the Delhi International Cargo Terminal (DICT), an ICD of the of J.M.Baxi Group, the logistics industry of the Northern hinterlands has got a new breath of life. The integrated rail-linked logistics park cum inland container depot, which has been built on a sprawling 85 acres of land, off the National Highway No 1, has been re-defining container logistics since commencing operations in 2014. Within a short span of its operations, it had started acting as a hub and distribution centre for all types of cargo, and is therefore rightly termed as an 'ICT' (International Cargo Terminal) and not just an 'ICD'. It is a complete user facility where all stakeholders/customers have a level playing field and are able to operate as per their requirement and convenience.

Due to its innumerable advantages, DICT has been making news for quite a while, and its volumes have grown to over 30,000 teu in less than a year of being operational, and is currently among the top three ICDs for handling export traffic of NCR. With a continued growth trajectory for over 10 months in a row, DICT recorded a 100 per cent jump in its March 2016 throughput as compared to March 2015. Despite the global slowdown, DICT's import volumes have increased by 60 per cent, and exports recorded a growth of over 100 per cent – a feat achieved by none of the other NCR ICDs.

Undoubtedly, DICT is one of the most important cargo arteries of North India and currently has about 100 commodities in its cargo basket. For export, it handles a range of commodities such as rice, handlooms, yarn, polymer, meat, auto parts, agricultural equipments, engineering goods, garments, tractors, carpets, electrical appliances and chemicals. The import portfolio is equally diversified, ranging from fabric, polymers, rags, white goods, e-rickshaw parts, machinery, chemicals like calcium carbonate, electrical appliances to printing machines. The biggest advantage of DICT for traders is the fact that it is located in a critical position on the outskirts of NCR – an area extremely rich in agricultural produce and also fast developing into an industrial hub. Apart from catering to the NCR region, DICT is also positioned at the mouth of the funnel where all traffic from the North East-North West quadrant converges to gain entry into Delhi. Till the advent of DICT, the cargo generated in this region had to travel to East and South NCR ICDs for evacuation as there was no support infrastructure for its logistics requirement in the production hinterland.

Apart from its location, there are many other reasons for DICT's unparallel success, the most important being its belief in utmost client satisfaction by increasing their bottomline through efficient operations. DICT's patrons are extremely confident about it as its management is proactive and continuously invests in operational, land, rail and IT infrastructure, as well as resource and transport management to ensure a seamless flow of cargo. What truly makes DICT a leader in the ICD segment is its commitment towards delivering beyond its customers' expectations. It works 24x7 and understands the dynamic and diverse logistics and supply chain needs and thereby engineers solutions that are profitable for its customers. DICT's logistics solutions come with the edge of speed, accuracy and scalability that gives it the capacity to handle high volumes of cargo effortlessly, and its customers vouch for this fact. "AT DICT the turnaround of containers is very fast and its facilities and infrastructure are world-class," says Shanti Kothiyal, Manager, Maxicon Shipping Agencies, New Delhi. "This ICD has made life easier for rice exporters based in North India, as it is located in the rice manufacturing hub and has unmatched services rendered through a professional and dedicated staff," says Manoj Kumar, Partner, Oscar Shipping.

Apart from having customer-oriented efficient services as its forte, DICT also has modern infrastructure comprising four reach stackers, two empty handlers, fleet of over 100 trailers, and 10 self-owned trains catering to all the western gateway ports. It is on the verge of ordering four new RTG cranes to boost its handling capacity to over 0.5 million teu a year. Furthermore, six more 90-teu rakes are under manufacturing and will be inducted in 2016. The container yards at the DICT consists of a customs notified area for storage of EXIM containers and also a dedicated and exclusive area for storage of domestic containers. It has a 5,000 square metres of EXIM warehouse to cater to import and export transit consignments. A public bonded warehouse facility is now also available at the sprawling campus of ICD. The newly-built bonded warehouse, spanning an area of a whopping 1,200 square metres, is a high-quality and covered warehousing space with 24-hour patrolling, CCTVs and alarm system that allow customers to store imports with utmost confidence. DICT also offers seamless reefer logistics, which is changing the face of refrigerated cargo movement in the northern hinterland. DICT has got 108 reefer plug points, in-house power back-up of 1500 kVA apart from grid connectivity, over 35 genset-fitted trailers and more than six power packs to support live reefer containers on trains. Another big advantage is that the reefer containers are transported via DICT's own regimented and reliable trains, and it also has an experienced team of reefer technicians and offers a comprehensive pre-trip inspection and reefer maintenance.

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>
> **Manoj Kumar**
> Partner, Oscar Shipping.

IT has played a pivotal role along with other departments in the success of DICT by identifying the right technology and reliable solutions for every operating process. With a foresighted approach right from the commissioning, DICT has never faced any problem with container, fleet and cargo locations, and the inventory

records have been completely accurate. The IT system has also helped in terms of various initiatives for smart energy utilisation systems, thereby reducing operational cost to the minimal, and the ensuing savings have been passed on to the clientele.

DICT has also helped uplift its local community – over 300 people have been employed from the vicinity and roads have been built to provide better access to remote farmlands. In the future too, DICT will continue such endeavours and also strive to improve its cargo portfolio, and further increase its operational efficiency. Presently, the facility has more than 200 employees, spread across in three-shift operations all days of the week, to ensure operational convenience to customers. Also committed towards environmental sustainability, DICT adheres to strict air emission standards and is taking steps towards creating a green belt and conserving water. For truckers also DICT is a boon in many ways. Unlike the case with ICDs located within New Delhi, truckers using DICT do not have to lounge around for the "permissible/right time" to enter the facility. It has a huge dedicated parking and repair area along with pre-gate-in on National Highway 1. This ensures that there is minimal handling time at the ICD, and hence no congestion.

The DICT team avers that it is very upbeat about ushering in more constructive transformation in the logistics industry of India. It aims to ensure that DICT is able to achieve what others could not. Undeniably, the ICD has raised the tempo in the shipping community to have international standards and has turned into a source of prosperity for the entire EXIM fraternity. mg

"We focus on increasing customers' bottomline"

Udit Mittal, *COO, International Cargo Terminals and Rail Infrastructure Pvt Ltd*

Q In terms of handling charges, how competitive is DICT? What advantages does DICT have over other ICDs in NCR?

DICT is favourably positioned on the NH1, and has 24x7 operations. It also benefits from the development of North Indian trade, especially the NCR belt. Our handling charges are much better than any of the competitors. We operate with our own resources rather than outsourcing and this allows us a level of flexibility, unmatched by our competitors.

With the current infrastructure, we handle over 0.5 million teus effectively. Regimented schedules from the Indian Railways and improvising on the kilometre/hour running ensuring faster turnaround of rakes would be a great boost to business.

Q Repositioning of empties is a big problem. How does DICT tackle this?

DICT has never faced problems with availability of empty containers due to meticulous planning. Apart from generating imports, DICT works closely with shipping lines and NVOCC's in positioning containers on various permutations of empty and cabotage to ensure that no customer is denied the availability of containers belonging to their choice of shipping carrier. DICT has a dedicated yard for maintaining a pool of empties to ensure that right equipment are allotted for export consignment dispatches.

Q What are your expansion plans?

We are building DICT to be an integrated logistics parks and thus apart from continued investments towards container handling DICT is developing capabilities to handle bulk, liquid, and temperature controlled consignments. We have recently obtained public bonding warehousing permissions from the customs and this adds a gamut of services in the DICT portfolio.

Q How does DICT abate pollution?

DICT is located in a non-residential zone, 40 kms away from Delhi. We ensure that trucks transporting containers from all corners of north and west India are kept away from the limits of NCR. Moreover, the logistics park is well rail-linked.

DB Schenker opens logistics centre in Mumbai

Schenker India Pvt Ltd, has opened its third Schenker Logistics Centre (SLC) in Bhiwandi, Mumbai. Spread over 200,000 (approx.) sqft, the SLC is one of the largest logistic centers in the area and would be providing integrated logistics solution to businesses involved in baby care, mother care, fire protection, camera & accessories and bathroom fittings.

Strategically located at a distance of 3 kms from NH-3. Mumbai – Nasik Highway, 60 kms from JNPT and 60 kms from NH-8, Mumbai –Ahmedabad Highway, the logistics centre comes with material handling equipments like - Reach trucks, Stacker and Forklifts and features warehouse height (side) -30ft , (centre)-38 ft, Turbo Ventilators and louvers, and three phase electricity connectivity. Proposed dedicated freight corridor is just 0.5 km away from the new warehouse which will start from JNPT port and end at the northern state of Uttar Pradesh covering through the states of through Gujarat, Rajasthan and Haryana.

Commenting on the development, Mr. Oliver Bohm, CEO, Schenker India Pvt. Ltd. said, "The western industrial corridor is one of the busiest in India with a high concentration of existing and upcoming manufacturing units. This creates an immediate demand for effective logistics and warehousing solutions. Our new Schenker Logistics Centre in Bhiwandi, with its strategic location, is well placed to cater to the logistics requirements of customers in the region."

Mixed bag of results

Sical Logistics net profit declines 41.50 per cent

Net profit of Sical Logistics declined 41.50 per cent to ₹9.74 crore in the quarter ended March 2016 as against ₹16.65 crore during the previous quarter ended March 2015. Sales rose 21.46 per cent to ₹160.10 crore in the quarter ended March 2016 as against ₹131.81 crore during the previous quarter ended March 2015.For the full year,net profit declined 32.03 per cent to ₹18.48 crore in the year ended March 2016 as against ₹27.19 crore during the year ended March 2015.

Allcargo Logistics' Q4 net up 22 per cent

Allcargo Logistics reported a 22 per cent rise in standalone net profit at ₹32.43 crore for the quarter ended March 31. The firm had clocked a net profit of ₹26.56 crore in the year-ago. Total standalone income of the company, fell marginally to ₹293.76 crore in January-March quarter of last fiscal from ₹294.37 crore during the same quarter in 2014-15. For the entire 2015-16, Allcargo Logistics' standalone net profit was at ₹124.15 crore against ₹97.49 crore in 2014-15. Total standalone income was at ₹1,205.26 crore from ₹1,137.65 crore during the same period.

Adani Ports Q4 net profit jumps 38 per cent

APSEZ has reported a 38 per cent jump in its net profit to ₹914.06 crore for the March quarter on account for rise in income. The company had clocked a net profit of ₹660.73 crore in the corresponding quarter of the 2014-15 fiscal. Total income from operations rose to ₹1,947.20 crore during the January-March quarter as against ₹1,681.19 crore during the corresponding period a year ago. For the entire year, APSEZ's net profit rose by 24 per cent to ₹2,867.36 crore as against ₹2,314.33 crore in 2014-15. Total income from operations from the year stood at ₹7,255.73 crore as against ₹6,151.98 crore in the previous fiscal.

GE Shipping net profits increase by 38.91 per cent

Great Eastern Shipping Company consolidated net profit fell 57.5 per cent to ₹58.20 crore on 7.26 per cent increase in total income to ₹968.42 crore in Q4 March 2016 over Q4 March 2015. On a consolidated basis, the net profit rose 38.91 per cent to ₹1039.40 crore on 9.82 per cent increase in total income to ₹4078.51 crore in the year ended March 2016 over the year ended March 2015.

Gateway Distriparks reports rise in revenues

GDL Group's revenue from operations increased from ₹1,233 crore in 2014-15 to ₹1,291 crore in 2015-16. EBITDA has gone down from ₹238 crore to ₹183 crore. The group's consolidated net profit decreased from ₹188 crore to ₹110 crore. During the Q4, profit after tax after minority interest was ₹26.5 crore, down from ₹30.9 crore in Q-3. During FY 2015-16, profit after tax after minority interest and capital gains tax of ₹14 crore (CFS) and additional tax provision of ₹17 crore (Rail) was ₹109.6 crore, down from ₹187.8 crore in 2014-15.

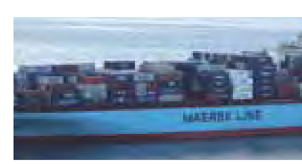
CFS throughput was down 1.4 per cent (Q-o-Q) to 85,367 teu. EBITDA was down 10.7 per cent to ₹22 crore. PBT went down 19.7 per cent to ₹14 crore, while PAT (Before minority interest) was down 18.6 per cent (Q-o-Q) to ₹10.4 crore.

Rail operations throughput was marginally down by 1 per cent to 50,675 teu. EBITDA was down 8.6 per cent to ₹34.9 crore. PBT decreased by 15.9 per cent to ₹20.5 crore while PAT (Before minority interest) was down by 19.4 per cent (Q-o-Q) to ₹13.2 crore.

NOL reports Q1 net loss in Q1

NOL has reported a net loss of $105 million in quarter one of 2016, compared with a $11 million loss a year earlier, due to falling freight rates. APL, The container shipping unit of NOL, reported a decline in first quarter volume by 6 per cent on-year while average freight rates fell 23 per cent, which resulted in the unit's revenue contracting 29 per cent to $1.14 billion. In the first quarter, APL also achieved cost savings of $60 million.

Maersk profit tumbles



A.P. Moller-Maersk reported a plunge in first quarter profit, weighed down by low freight rates and oil prices. Net profit fell 86 per cent to $214 million (€186 million) as revenue declined 19 per cent to $8.54 billion from the same period a year ago. The fall in revenue was predominantly due to a 37 per cent lower oil price and 26 per cent lower average container freight rates. Cost cuts helped Maersk Oil lower its break-even oil price to $40 to $45 per barrel from a previous level of $45 to $55. Stripping out exploration costs, its operating expenses fell 21 per cent. Shipping unit Maersk Line, seen as an international trade bellwether, saw a 95 per cent drop in net operating profit after tax to $37 million.

Left high and dry!

Due to lack of adequate water depth, Modi government's ambitious plans for inland waterways could be a mere paper tiger

by Ritu Gupta

A country like India with a huge network of rivers and interconnecting canals could be an ideal place for an efficient inland waterways system. However, this potential remains untapped in India as despite the tangible advantages, developing the inland waterways sector in India is something that has clearly eluded policymakers, who have continued their focus on the railways and road sectors over the years. The Modi government wants to reverse this trend, and a glaring proof of this intention is the fact that the Rajya Sabha recently passed the National Waterways Bill 2015 unopposed, setting the stage for the adoption of the new law. “National highways are very important. But waterways are most important,” says Nitin Gadkari, the Union Shipping and Surface Transport Minister. He views inland waterways as a game-changer in terms of increasing exports and reducing cost of goods as well as passenger traffic. The Modi government plans to set up 30 inland water ports on Ganga itself to make reality the premise that travelling by water costs much less as compared to road or train travel. Indeed, the government has drawn very ambitious plans for developing the inland waterways.

But experts aver that these plans could be a mere paper tiger if the government fails to ensure the physical viability of water flow in various rivers, and the viability entails that the rivers maintain a particular level of water flow all year round. The flow, however, has drastically gone down over the years due to various reasons, including overuse under intense population pressure and industrial and agricultural requirements. The rivers have also been affected by the construction of dams upstream, and the flow in many places is currently too shallow for large-scale cargo transport, which requires a water depth of at least 3 metres. Most Indian rivers, including large stretches of the Ganga, designated as National Waterway No 1, are about 2 metres deep. “We are unable to carry the full load for fear that the vessel may get damaged while passing through shallow stretches. Recently in Kerala, a barge ferrying sulphur got trapped beneath the Kaniampuzha railway bridge after it rammed into the bridge’s column base. Such accidents can be averted if there are floating markers to identify navigable portion of the waterway. Lights too are required beneath bridges and in turnings,” says a barge operator.

Indeed, flow and depth of the waterways and information about the same is a big issue for the barge operators. Going by the yardstick set up by the New Delhi-based Inland Waterways Authority of India, a minimum, consistent year-long water depth (water draft)of 2 metres has to be maintained along the national waterways to ensure uninterrupted transport. But this is a daunting task given the present status of rivers and lack of policy and planning on judicial use of river water. "In the main waterways, water flow may have decreased over the years because of increased drawing on water arising from habitation and industrial and agricultural needs. Damming may also have brought down the extent of regular flow. To consistently provide a sufficient depth for plying, draft may require maintenance of banks and periodic riverbed dredging, but the associated cost are high. For instance, cost estimates of river training on the Sabarmati are about ₹10–11 crore/km. In rural areas the figure could be lower at say ₹8–9 crore/km," says Narayan Rangaraj, professor, Industrial Engineering and Operations Research, IIT, Mumbai.

Apart from the high cost, dredging poses other problems, aver environmentalists. "Processes like dredging and construction of waterways can be ruinous for the health of rivers," says water conservationist Himanshu Thakkar of the South Asia Network on Dams, Rivers and People. According to him, none of the existing five national waterways are working as planned, so the government should proceed with caution with its future plans. "The IWT vision is dependent on the availability of sufficient water in the canals perennially to maintain a waterway. In drier months, this can be a challenge as it can pressurise the water grid and the entire river system," explains Shashank Shekhar, assistant professor at Delhi University's department of geology. In his opinion, it would be more prudent for the government to carry out the experiment on a smaller scale first to test the feasibility and viability of operations on new or planned waterways. "The big bang development approach is fraught with risks," says Shekhar.

His approach may be prudent considering this year India's crisis pan country. Poor monsoons are not unusual, but the back-to-back shortfalls, linked to the El Niño effect that India has experienced in the past two years have worsened the country's water woes. Ten out of the 29 states have been badly hit, with the worst-affected areas being in the centre of the country. Every day brings news of exhausted rivers and wells, destitute farmers migrating to the cities or even committing suicide, and water trains being dispatched to parched regions. Water levels in major reservoirs of the country are alarmingly low, as per the recently released data by Central Water Commission (CWC). Live storage capacity of these reservoirs is 157.799 billion cubic metres (BCM), which is 62 per cent of the live storage capacity that is estimated to have been created in India. 'Live storage' is the portion of the reservoir that can be utilised for flood control, power production, navigation and downstream releases. As per the latest report of CWC released on April 13, 2016, live storage available in these reservoirs is 35.839 BCM, which is 23 per cent of the total live storage capacity of these reservoirs. The report states that current storage is 67 per cent of the storage of corresponding period of last year and 77 per cent of storage of average of last 10 years.

Depth of waterways on NW-01

From	To	Length (km)	Depth (LAD in mtrs)
Haldia	Tribeni	196	4.0-3.5
Tribeni	Farakka	364	3.4-3.0
Farakka	Bhagalpur	172	2.9-2.6
Bhagalpur	Patna	288	2.5-2.2
Patna	Ghaziapur	230	2.1-1.8
Ghaziapur	Chunari	172	1.8-1.5
Chunari	Allahabad	198	1.4-1.0

Depth of waterways on NW-02

From	To	Depth (LAD in mtrs)
Dhupri	Gauhati	2.5
Gauhati	Silghat	2
Tejpur	Dibrugar	1.5

Considering the water situation and more importantly the river flow, it is not surprising that private sector participation in the development of waterways has been extremely low so far, especially as it requires huge capital investment and returns are realised over longer periods due to low volumes. Among operators, the government owned Central Inland Water Transport Corporation (CIWTC) is the largest owner of vessels and barges. Private operators also have their fleets, but have not been investing in new vessels in the last decade. In fact, there has been scrapping of vessels of late, and all operators may require some help in reviving them and investing in new vessels. By way of example this is the situation being faced by Jindal ITF, which has said to have lost money in transporting coal for state-owned power producer NTPC from the sandheads at the mouth of Ganga in the Bay of Bengal upstream to Farakka. "At the moment, the IWT sector is in its infancy. Once it matures, private players and long-term investors may find the business more lucrative," says Sanjay Sethi, MD and CEO at infrastructure advisory Nestor Consulting. As per an industry estimate, it takes nearly six to seven years to develop an inland waterway and another two to three years for peak utilisation of infrastructure, provided sufficient cargo is available on the route. "If the government really wants inland waterways to grow, it must initiate three key steps," says S K Sahi, chairman of SKS Logistics, one of the country's largest inland vessel operator. "It must ensure long-term financing of 25 years for inland vessels, as is available in the US and other countries. Secondly, the interest rate on such financing should not exceed 5 per cent, as is the international benchmark, And finally, at least, a 3 metre depth should be available in river channels throughout the year," he added.

Apart from the water draft levels, there are other needs for making the waterways operations efficient and viable. This pertains to technological requirements that include developing small jetties, channel markings, night navigational aids as also deployment of GPS and river maps and charts for navigation. Although the Patna-based National Inland Navigation Institute has been entrusted with the task, it is still a long way off. Developing the entire spectrum of inland waterways would also require substantial funding. Provision of an amount of about ₹284.5 crore was made in 2015-16 (revised estimates) budget. This has been increased to ₹350 crore in 2016-17 budget allocation. But despite this the funding still remains to be a major area of concern, and experts aver that the government still has to come out with a more comprehensive financial plan for the inland waterways development. "The government should develop a lucrative PPP framework for other players to participate in inland waterways projects. It has a lot more experience now in engaging private players in roads, ports, railways and airports, which it should leverage for waterways. Otherwise the plans would have to keep reverting to the drawing board," says Sethi. mg

Coastal shipping to drive demand

Dwarfed global growth and a seemingly suppressed Indian market continue to exert pressure on the container leasing industry even half way through 2016, offering hope of betterment only in the later quarters of the year

by Deepika Amirapu

The daily hire rates of containers the world over are down to 50-80 cents a day and has impaired performances of even big lessors such as Textrainer that has reported an over 80 per cent drop in net profit for the first three months of the year and TAL, whose net income during the same period declined 75 per cent. Correspondingly, the cost of manufacturing these boxes has also dropped because of a major 40 per cent dip in steel prices taking the number down to $1,350 for a box; the lowest since 2002's price of $1,850. Equally, second-hand dry container prices declined to $830, below the previous lows, seen in 2009.

"The cost of the containers has fallen to these levels because of a slowdown in Chinese exports, insipid demand from the US and European regions as a result of their timid economies. The absence of strong consumer demand and lowered manufacturing has impacted business of leasing firms as well," said **AM Srikanth, Business Head, Domestic Leasing, VS&B Containers**. Container lines too have been under heavy financial pressure and this has exerted enormous pressure on them to cut back on the number of

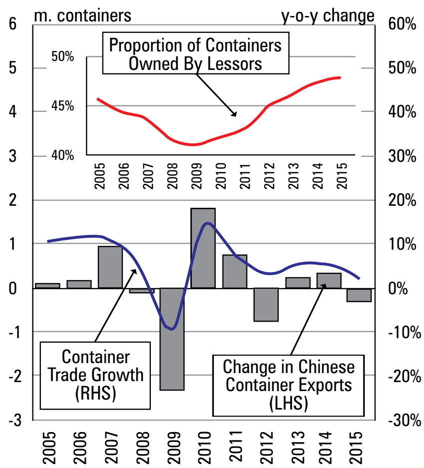
boxes they hire on a long-term contract basis. Typically, about 50 per cent of the boxes on a ship are owned by carriers and the remaining are taken on a lease by vessel operators. Hiring of containers heavily hinges on seasonal cargo and any dip in production will affect the number of boxes hired.

"Currently, there is an overabundance in the market of containers and liners have to be given incentives to soak up boxes for use. Leasing firms are finding it difficult to circulate containers," says **TR Narayanan, Regional Manager, Tristar Container Services (Asia) Private Limited.** About three years ago, Narayanan says, over 60 per cent of the boxes used to be hired by container lines. Now that figure is perhaps an insignificant number.

"We believe that share prices of container leasing operators will remain under pressure in 2016, as we believe all public container lessors are in the same boat. Investors should not expect any improvement in steel prices or interest rates to fundamentally change the situation. As liner companies are key customers for container lessors, expected overcapacity combined with weak freight rates for liner industry will weaken the bargaining power of lessors with respect to lease rates," Drewry said in its research report on container leasing. Container lessors enjoyed a prosperous run soon after the recession in 2008 when most liners were cash strapped and leased out boxes because they were not flush with funds to invest in containers. But the past couple of years have been a dry run for the industry given the demand situation globally.

However, industry experts say the silver lining lies in the domestic market. Most players such as VS&B Containers and Tristar are trying to net project cargo and tap into the coastal movement of vessels. This is because the India's push for promoting coastal movement of cargo has led to domestic shipping lines absorbing containers in the last two and a half years. Come September, the Indian market is set to improve due to an uptick in manufacturing and movement of seasonal cargo. The industry expects a 10 per cent growth in the domestic container leasing market. The rental income in the domestic market is a more sustainable rate at ₹110 per box

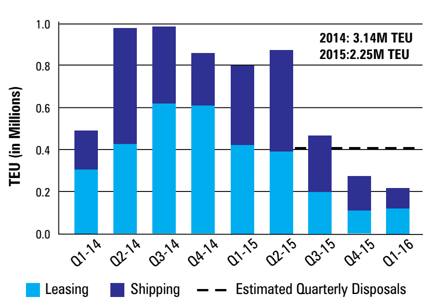
THE CHANGING CONTAINER LANDSCAPE



The grey bars on the main graph indicate the year-on-year change in shipping container exports from China in million units (LHS). The blue line indicates the estimated y-o-y change in container trade (RHS). The inset graph shows the proportion of shipping containers owned by leasing companies ('lessors').

Source: Clarksons Research, customs data, industry sources

NEW DRY CONTAINER PRODUCTION



per day compared to the measly 50 cents globally. Three of India's biggest players include Tristar, VS&B and Balmer Lawrie- owned Transafe.

A brighter outlook for the domestic market has also led many international firms such as Seaco and Blue Sky venture into India seeking to make inroads. They have also stopped to be more competitive and gain a toe hold into a market that is looking to take advantage of any dip in prices. India also happens to be the cheapest parking place for containers as storage costs per day are much lesser than other international port cities such as Dubai, Jebel Ali, Karachi and Singapore.

But the domestic industry is pressing for a more competitive environment to help the trade flourish. "The government should allow concession on the duty structure on the assessable value of the container during the process of domesticating the box," says Srikanth. The current duty is 30 per cent that makes the process of domestication very expensive and defers the breakeven period. Currently, the gestation period for every domesticated container is about seven years until it is able to turn cash positive for the company. The Customs laws in India require containers to be duty-paid for use in the Domestic Tariff Area. This process involves evaluation of the value of the container and payment of Customs duty as per the tariff. Only duty-paid containers may be used for purposes like coastal movement of cargoes, road transport and storage use at factories, movement on railway rakes or any other use of containers in the domestic tariff area.

International containers come into India on a Customs transit bond filled by the party who brings in the containers and with a specific notation stating that these units are not meant for use in the domestic tariff area and with a provision that they will be re-exported out of the country within six months from the date of import.

Given the growing demand in the cold chain logistics, an accelerating Indian economy and improved movement of coastal cargo is set to brighten the prospects of the container leasing industry in India. mg

BUSTLING HARYANA

Haryana government is focused on complete transformation of the state's ecosystem to make it as investor friendly as possible

by Ritu Gupta

Soon after the Jat protests in February 2016, Haryana rolled out the red carpet for investors in the state during the Happening Haryana Investor Summit in Gurgoan, and the roaring success of the event showed that the state is indeed a very happening one for both investors and industrialists. During the event the state managed to get investment commitments of about ₹6 lakh crore from companies as diverse as IKEA and Indiabulls, and while leading industry honchos like Indra Nooyi, Adi Godrej and N R Narayana Murthy did not explicitly announce any fresh investment, their presence did give a boost to the state's industrial community. The event also saw participation from representatives of China, Czech Republic, Japan, Malawi, Mauritius, New Zealand, South Korea, Peru, Poland, Spain, Britain and Tunisia.

The state, indeed, has been witnessing quite a hustle bustle in the recent years. One of its latest biggest investment is coming from Dalian Wanda Group of Wang Jianlin, the richest Asian, who has committed to invest $10 billion (about ₹60,000 crore) in an industrial park at Kharkhoda, near Sonipat. Embassy Industrial Parks, a joint venture between realty firm Embassy and Warburg Pincus, has also signed an MoU with the Haryana government for the development of three industrial parks around Gurgaon with a projected investment of ₹1,910 crore. The proposed warehousing project will span the development of integrated industrial and logistics parks with support facilities and also target industrial light manufacturing clients to set up build to suit manufacturing facility/ready built factories in these parks. The project will be developed in the outskirts of Gurgaon, on NH-8 or within 10-15 km from NH-8.

Such investment plans are not surprising as Haryana is the second largest contributor to the National Pool, and ranks fourth in the country's infrastructure index. It has the highest per capita income amongst the larger states in India and the state GDP is growing at the rate of 7.8 per cent annually. The manufacturing and services sectors contribute about 86 per cent to the state economy. It is the producer of 50 per cent of the passenger vehicles and 60 per cent of motorcycles in India. About 60 per cent of Basmati rice exports happen from here. It also has the highest concentration of BPO workforce in the world in Gurgaon. It has eight major diversified industrial clusters and the entire state covered under at least one major industrial corridor – Delhi-Mumbai Industrial Corridor (DMIC), Amritsar-Delhi-Kolkata Industrial Corridor (AKIC) or Kundli-Manesar-Palwal Expressway (KMPE). It has 1,356 large and medium industries, and is taking all efforts to ensure ease of doing business for these enterprises. "Creation of infrastructure of international standard has our special attention. We are constantly striving to improve connectivity, ensure adequate power and water and create social infrastructure for our industries," says Manohar Lal Khattar, the state's chief minister. Being one of the first nodes on DMIC, Haryana, is at an advanced stage of planning of three large infrastructure projects including mass rapid transit system between Gurgaon and Manesar Bawal industrial region, integrated multimodal logistics hub in southern Haryana and global city with world-class exhibition-cum-convention centre in Gurgaon. The Japan International Cooperation Agency (JICA) has already committed long-term funding of $2.5 billion for its mass rapid transport system project costing $3.5 billion.

The state has recently unveiled a new 'Enterprise Promotion Policy', which is targeting ease of doing business and transparency to attract

AUTOMOBILE PRODUCTION

Passenger vehicles and motorcycles produced in Haryana as percentage of total production in India

more investments into the state. The policy has been designed to attract investments of $20 billion. On ease of doing business, Haryana is working towards being among the top five states in the country. As the state is in the forefront of automobile manufacturing, several companies including Ashok Leyland, TVS as well as Maruti are looking to set up more production facilities in the state, and the new policy has been introduced keeping this in mind. "We have witnessed unprecedented improvement in the ease of doing business in Haryana due to the state's new industrial policy. The progress made in Manesar bears testimony to it," says Keita Muramatsu, president and CEO, Hondo Scooters and Motorcycles, India.

Haryana is also looking at attracting new sectors like aviation and defence. "We have already indicated our interest in creating an aviation hub in Hisar where we have 3,500 acres of land available," Captain Abhimanyu, the state's finance minister was quoted as saying by the media. The state is also keen to attract foreign companies to invest in a number of sectors, defined as "priority sectors," particularly infrastructure and logistics, which the state is keen to expand and upgrade. "Infrastructure and logistics are priority sectors for Haryana, which has a strategic business location in the country," avers Khattar, adding: "We understand that infrastructure projects, particularly the road and railway network, as well as connectivity to ports and airports, would facilitate not only traffic but also the smooth distribution and transshipment of goods that will also have a strong economic impact not only on the domestic market but also on foreign trade." The present infrastructure of the state is one of the best in the country – it has 1,630 kms of rail network and 27,000 kms of roads, including 1,462 kms of national highways. Moreover, It has one domestic airport, and is planning to develop cargo airports in the near future. The Haryana state government also plans to set up an aviation hub in Haryana.

Already, the state's 135km Eastern Peripheral Expressway, equipped with state-of-the-art technological gadgets, is being touted as the country's "first and smartest highway stretch with features of the most intelligent traffic system." Work on another mega-expressway project, the KMPE, has begun. The development of the KMPE is expected to bolster trade and economic interaction not only between states within India but also with major world markets through connectivity with the country's major seaports and airports. "There will be an entire catalogue of economic activities relative to this corridor, making it a growth centre," says Khattar. The KMPE will stretch to a total of 135.65 km and cost the equivalent of between $4 billion and $5 billion. The expressway will help in the smooth and quick transportation of surplus food grains, milk products, fruits and vegetables from Haryana and neighboring states of Punjab, Himachal Pradesh and Kashmir to other parts of the country. The expressway will also be of crucial importance in the Indian government's plans to establish the much-debated Dedicated Freight Corridor (DFC) between Delhi and Mumbai, two of the country's busiest traffic and trading points. "Our goal is to create

INVESTMENT PROMISES

- $2.5 billion by JICA for mass rapid transport system project costing $3.5 billion.
- $10 billion by Dalian Wanda Group in industrial park at Kharkhoda.
- ₹1,910 crore by Embassy Industrial Parks in three industrial parks around Gurgaon
- A new 'Enterprise Promotion Policy' has been framed to attract investments of $20 billion.
- The state government is also planning to develop the largest integrated multi-modal logistics hub in North India in Bawal. It will reduce the transport time from 14 days to 14 hours. The project is to be developed over an area of 1000 acres, with an investment of more than ₹5000 crore.

world-class infrastructure served by multi-modal connectivity for freight movement, logistics hubs, domestic and international air connectivity, reliable power supply, quality and socially sustainable infrastructure and globally competitive environment," the chief minister was quoted as saying by the media. The state government is also planning to develop the largest integrated multi-modal logistics hub in North India in Bawal. It will reduce the transport time from 14 days to 14 hours. The project is to be developed over an area of 1,000 acres, with an investment of more than ₹5,000 crore ($ 1 billion).

The other major infrastructure projects which the state is planning to implement, including modernisation of its existing assets and expansion of roads, railways and other infrastructure. Such projects, the government hopes, will attract foreign companies to Haryana. Haryana is also interested in attracting investments in areas such as food processing, pharmaceuticals, information technology, automotive parts and components, defense production etc, sectors which will need to be flanked by strong logistics support.

In a landmark move to ensure ease of doing business, "a single roof clearance concept" has also been unveiled for investors. With an overarching vision of promoting "Make in India", any proposal under this system shall be approved on E-Biz portal Haryana by representatives of various departments in a time bound manner. Out to support mega investments for theme parks, entertainment, industrial, logistics hubs and wholesale markets, Haryana has also made available large tracts of land with the Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) for development purposes under the MahaNiveshYojana in industrial, tourism and logistics sectors.

The Haryana Government plans to set up a "Virtual Employment Exchange" as the matchmaking platform for industry and skilled manpower. Emphasis will also be laid on the creation of skills for the services sector. This makes Haryana a favorite destination for investments by industries from within the country and abroad. Since the investment in the state has not been equally distributed, investors who would set up business in the remote parts would be given special incentives and projects worth up to ₹10 crore could be sanctioned at the deputy commissioner level, while more than ₹100 crore investment projects would fall under the mega category.

With a view to improving the competitiveness of industries that decide to operate in the state, the Haryana Enterprise Promotion Board plans to provide a higher floor area ratio (FAR) on need basis with maximum FAR of 150 per cent for industrial projects. FAR is the ratio of a building's total floor area to the size of the piece of land upon which it is built. A higher FAR indicates that the developers can build additional space by going vertical. It is especially relevant for property developers and industrial projects. Moreover, for helping in control the utility cost, the government plans to offer power tariff subsidy of ₹2 per unit to micro and small enterprise in C and D category blocks for three years from the date of release of electricity connection. Lack of a grievance redressal mechanism afflicts the investor community at large these days. Having understood this, the Haryana government has put in place an effective grievance redressal mechanism in place. This system will have a three-tier grievance committee wherein district level committees and Haryana Enterprise Promotion Board will hold regular meetings to monitor policy implementation and evolve corrective action plans.

The Haryana government also realizes that strong financial incentive and no enhancement in cost scheme is quintessential for the enterprises to build adequate infrastructure to run their operations. With this end in view, the government has established a Special Infrastructure Fund (SIF) for the provision of last-mile road/ water and power connectivity for projects in aerospace/ defence/ electronics manufacturing and clusters under thrust areas. Additionally, the state government has agreed to develop what it calls "Iconic projects" in manufacturing, tourism and logistics. An economic advisory council would be set up under the chairmanship of the Chief Minister to identify the gaps and strengthen the regulatory reforms for these sectors.

Haryana's industries minister Captain Abhimanyu said that the overall ecosystem in Haryana is changing and government is focused on complete transformation of regulatory framework in Haryana through liberalised and transparent development regime. The state is also ready with its labour reforms, which would be tabled in the Budget session of the state assembly. Keeping that, and the competition among the states for catching investors' fancy, in mind, Haryana would do whatever it takes to make sure that cost remains within the comfort level of the investors, time is not unnecessarily wasted for clearances, and they do not get mentally fatigued to set up shops in the state. Given the promises made by the state government, this is one state that the industry must be keeping tab on while considering any investment plans. mg

COCHIN:
The next refueling station?

Shipping lines that call Colombo, Fujairah or Singapore for refueling might soon be heading to Cochin which is aggressively moving ahead to become the bunkering destination.

by Mohammed Shareef MP

Cochin is slated to become a prominent international bunker hub soon as the port is about to touch four million tonnes of annual bunker sale, competing with international bunker trade hubs like Colombo, Fujairah and Singapore. The conducive ecosystem for bunker trade at Cochin Port makes it a preferred destination for the shipping companies. For the last three years, Cochin has achieved an impressive growth of 47 per cent. As per 2015-16 data, a total 220,000 tonnes of bunker fuel has been sold at Cochin Port.

Cochin sells about 20,000 million tonnes of fuel to vessels in a month and the port could easily touch 4 million tonnes of sales soon, emerging as a prominent international bunker hub, given its infrastructure with a conducive business environment, says Paul Antony, Chairman Cochin Port.

What makes Cochin, the bunkering destination?

Cochin Port is stratigically located in the southern peninsular India in close proximity to the maritime highway connecting Europe and US East Cost to Far East Asia and Australia. Given this advantage, Cochin Port is ideally suited to develop as bunkering destination and serve the traffic passing through this zone. According to Paul Antony, the port has world class facilities and round the clock navigation, ensuring reliable and cost effective supply of bunkers within the harbor as well as at the outer port limits.

"The salient features of the existing bunkering facility at Cochin are high quality bunkers, pipe-line/jetty loading facility for supply of bunkers at the outer sea, competitive rates among South Asian Ports, lowest tax rates for bunkers to foreign vessels and easy access to ancillary maritime facilities," says Paul Antony

Reasons for sudden turnaround

According to traders the easy turnaround for bunker business in Cochin is made possible by the coordination between the port authority, Customs, central excise and the central government oil companies.

"It was the Cochin Port which first allowed Outer Port Limit (OPL) operations for the fuel carrying barges which worked out the best for traders. The traders can reach out to the ships in the international maritime highway passing nearby," says Dinoo John, Business Head, Geostan Marine India, a firm which does bunker service here.

With the support of Customs, Cochin a single window clearance for documentation has been arranged which makes the paper works related to the bunker supply very easy.

"The port permits night bunkering, anchorage supplies and monsoon bunker supplies through MS class barges," says Dinoo John, whose company owns two MS class barges for bunkering with a total capacity of 2,500 million tonnes.

Competitive pricing

Oil companies like, HPCL, BPCL and IOCL also supply bunker fuel to Colombo from their Cochin refineries. With Cochin Port and other intermediary traders putting across a reasonable deal with these companies, Cochin bunker trade could offer a much lower price to the vessels and this is one of the major reasons international shipping companies started diverting to Cochin for bunkering.

For a competitive pricing regime, both HPCL and BPCL introduced daily pricing and IOCL introduced weekly pricing.

The price difference between the major competitor in the region Colombo is almost $30 to $40 less per tonne, while it is almost $80 to $100 compared to Singapore.

"With oil prices crash globally, there is always a fluctuation in the oil price. However so far Cochin has managed to offer competitive pricing to divert business from Colombo and Singapore," says Captain Jacob Thomas, Partner to Unique Bunkers and Marine Service.

Quality Fuel

The oil companies are making sure that the bunker fuel from the Cochin Refineries meets international standards and with constant checks done in the laboratories, bunker products are meeting ISO 8217 Specifications and also BIS specifications.

VAT reduced

With the intervention of port, Customs, central excise and the state government, a conducive atmosphere in terms of duties is created for better business prospective. VAT has reduced to 0.5 per cent for duty-free bunkering for international vessels and 5 per cent for duty-paid coastal vessels.

Barges for a relentless supply

Double hull, double bottom MS class barges, IV barges and RSVs are deployed for a relentless supply for both offshore and onshore bunker supplies. There are as many as three MS class barges which do the offshore bunkering at the outer port limit 24X7, in all-weather condition and another IV barge and a RSV does the offshore bunkering service. With bunkering potential going high, bigger players like Adani are also foraying into the business at Cochin. Boasting to be the biggest market share in the country (40 per cent), Adani is also planning to invest in Cochin. Soon one could see the big presence of Adani at Cochin, told Anish Polson, Senior Bunker Trader, Adani Group.

Measures to be taken

Having talked about the present scenario at Cochin bunker trade, there needs to be a series of measures to be taken in order to stay strong in the business, according to the stakeholders.

According to the traders, the supplier has to make sure the round the year availability of product. During last year many enquiries had to be diverted because of the non-availability of product at Cochin.

"Apart from the relentless supply of the bunker fuel, the infrastructure at the port especially has to develop. The existing facilities will not be sufficient to cater the long-term needs if we have to achieve monthly sales of 50,000 MTS per month," says Manoj Tandon, Head of Marketing, Adani Bunkering.

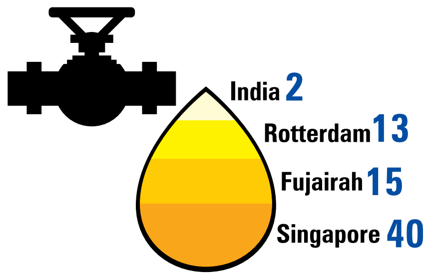
The pumping capacities needed to be brought to international standards with at least 300 to 500 MTS per hour so more owners are encouraged to take product at cochin OPL, Tandon further added.

Prompt and Multiple services should be made available –Repairs, Spares, Technicians and Duty free items available readily. Though Cochin Port has its own shipyard, timely service and other checks for barges which are used for bunkering are always getting delayed, as a result, the barge owners are taking them to Middle East for repairs and there should be some way out for having all services done at the Cochin Port itself, another trader told.

Floating Storages

One of the main attraction for bunkering trade at Singapore, Fujairah and all, the availability of floating storage facilities and in Cochin it is still a dream. According to Reshma Lakhani, IRS, Commissioner, Central Excise, Cochin, there is a restriction order from the Central Excise Board on floating bonded warehouse on a barge or vessel and that is why it is not permitted here. However she said, "I understand, there is a growing demand from the stakeholders to permit floating storages and if the stakeholders submit a check and balance report on the floating vessels, I can deliberate the same with the higher authorities at the centre". However, stakeholders across the board seemed to be happy with the conducive business atmosphere at Cochin and what they are looking forward is to tap the maximum from the growing bunkering business potential of Cochin. mg

INTERNATIONAL BUNKER SALE
(in million tonnes per anum)



BUNKER SALE AT
COCHIN PORT

2015-16: 220,000 tonnes sold

Monthly sale: 20,000 million tonnes

The port could easily touch four million tonnes of annual bunker sales soon

KEY STRENGTHS:

High quality bunkers

Pipe-line/jetty loading facility for supply of bunkers to ships at the outer sea

Most competitive rates among South Asian Ports

Lowest tax rates for bunkers to foreign vessels and easy access to ancillary maritime facilities

The price difference between the major competitor in the region Colombo is almost 30 dollars to 40 dollars less per tonne and while it is almost 80 dollars to 100 dollars compare to Singapore.

DEVELOPMENT REQUIRED:

Round the year availability of product needs to be ensured

Infrastructure at the port especially has to develop.

The pumping capacities needed to be brought to international standards with at least 300 to 500 MTS per hour

Floating storage facilities need to be developed