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MARKET OUTLOOK 2017
STATIC!

FUTURE OF COAL IMPORTS

As India's black gold mining behemoth razes down cliffs of dark gravel to light up homes and power industries, quite some of it is still making its way to India from far off shores. And it will continue to do so. Ports and industries using variants of coal say India's dependence on foreign coal will slacken and not stop.

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Maritime Cranes

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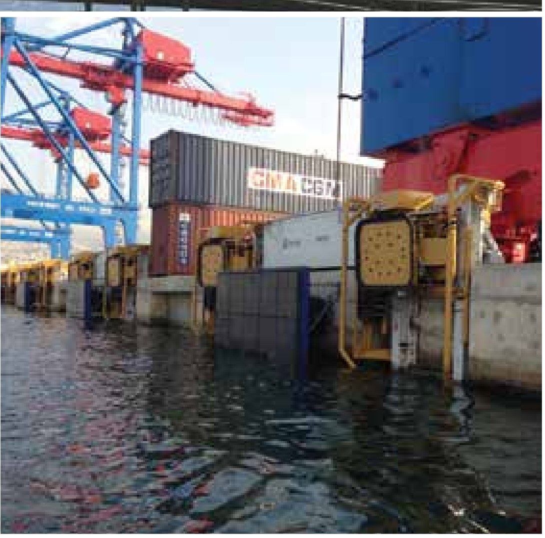
CMA CGM


Year 2017: Fragile, handle with care

2016. First it was hailed as the year of returns. From freight rates to profit margins to growth – all were set to return, albeit to a new normal that everyone had begun adjusting to. The first half came and went by. Yet, there was little to cheer and all said the coming months had something better to offer. True to their word, there was a lot of action. But not the kind that was anticipated by the industry.

Overcapacity, carrier consolidation, price wars, trade doldrums, cheap oil, infrastructure overhaul and depressing freight rates. Consolidation, rationalisation and integration was expected, but not the scale and pace at which deals took place during the year. From Hanjin's loss to NYK, MOL and K Line's merger, the eight deals that took place shocked even the industry's brave hearts. It was shipping's *annus horribilis*. The financial condition of the shipping lines and by extension the entire industry remains severe and fragile and rates remain extremely low and volatile.

For India, the year had quite a number of highs to report, although it was all about policy. The Ministry of Shipping did away with many draconian laws, revised the existing ones and introduced new laws to propel the industry forward. In a way, this could ease ways of doing business in India for Indians and others. Many initiatives taken by the government to increase movement of cargo along the coast and improve connectivity between the ports and hinterland could increase trade prospects for India and have some good news for the lines that call the country's ports. But with shipping lines oscillating between being in the red and black, we are not so sure how they will structure their routes in the coming year.

The cumulative losses and heavy debts make for a difficult future. Further consolidation is expected; but if it leads to greater and sustained profitability for the liner sector, container shipping can still hope for the future. Drewry Research says global freight rates will improve by about 8 per cent and carriers will take steps to contain overcapacity. In India, any development on the Sagar Mala project will improve movement of cargo and connect more cargo hotspots to the main line.

Let's hope this year passeth safely with no more trade casualties. Here are cheers to all of you readers.

Wish you all a Happy New year!

Ramprasad

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“Global freight rates will improve by about 8 per cent and carriers will take steps to contain overcapacity.”

India's premier maritime business magazine

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Feedback

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

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Moving art spaces

You'll soon spot huge shipping containers on the Shri Shivaji Preparatory Military School (SSPMS) grounds at Shivaji Nagar in Pune. Ashwini Pethe and Varsha Chordia of Pune Biennale Foundation have come up with the concept of developing 'moving art spaces' in shipping containers. They will use metal and wooden scrap available with Pune Municipal Corporation and convert it into works of art. Images of 'nameless and insignificant' migrants, and poetry related to the theme "Migration," would be artistically expressed on the exteriors. In addition, artworks made from scrap, curated works of art (photography, film and installations) centred around the idea of migration would support the theme. While 4-5 containers would house international works, one would be entirely dedicated to displaying work by Pune artists.

Naya Raipur to come up as 'servicing hub'

The Naya Raipur Development Authority (NRDA) intends to create a 'servicing hub' that provides skilled workforce for manufacturing sector and equipped workforce for Information Technology and Biotechnology Sector. The Chhattisgarh Government has allotted Sector 5 in Naya Raipur for setting up of non-polluting industrial projects. A mega Multi-Modal Logistic Park (MMLP) is currently also under construction spread in an area of 103 acres with an investment of ₹207 crore in Naya Raipur.

Oman, Nigeria and Lebanon authorise IRClass

IRClass has obtained authorisation to act as 'Recognised Organisation' (RO), to carry out statutory survey, audit and certification on behalf of Nigeria, Oman and Lebanon flag states. With this development, IRClass is now approved as a RO by 29 flag registries across the globe. The Middle East and Africa, among the fastest growing regions in the world, is a key gateway into the region for IRClass.

"To be approved as a RO for Nigeria, Oman and Lebanon, is a significant step towards expanding IRClass' services globally, and this reflects the growing acceptance of IRClass by major maritime administrations worldwide. It is indicative of the progress made by IRClass in its efforts to internationalise and explore new markets," says Vijay Arora, Joint Managing Director of IRClass.

Dhamra to become biggest port

Adani plans to make Dhamra India's biggest port having 35 berths and 315 million tonne capacity. It will also have industrial parks and LNG, LPG terminals. "We have added a massive 15-million-tonne berth, and as a result, our cargo handling increased by an astounding 52 per cent last year. And by March, we are adding another berth, thus adding 50 million tonne in three years," revealed Adani. Parallely, the group is investing ₹5,200 crore for a 5-million-tonne LNG terminal and another ₹2,300 crore for an LPG terminal of 2.5 million tonne.

5 seaports now can receive e-visa holders

The government has included seaports for the first time in the list of designated entry points under the e-visa scheme. The Union Cabinet is allowing foreigners to immigrate with evisas at Mumbai, Chennai, Kochi, Goa and Mangalore ports. These are in addition to the 16 designated airports from where e-visa holders can enter India.

Maersk to acquire Hamburg Sud

The acquisition of Hamburg Sud is set to increase volumes of both Maersk Line and APM Terminals. The transaction is subject to due diligence and nod from various regulatory authorities, and is expected to close late 2017, once the necessary approvals have been obtained.

India plans for hyperloop

Union Minister for Transport Nitin Gadkari has a Letter of Intent to build a hyperloop in India. Once the LoI is signed the transport system could be developed in 38 months. "You are going to spend $12 billion on a bullet train? Put $1 billion in hyperloop and you will never need a bullet train," said Bibop Gresta, Co-founder at Elon Musk-backed Hyperloop Transportation Technologies.

Proposal to break up coal India

Senior Indian government officials tasked by Prime Minister Narendra Modi with reviewing energy security are recommending the breakup of the country's coal monopoly Coal India Ltd within a year. Government officials recommend that Coal India – with a stock market valuation of $28 billion – should be broken up into seven companies, which they say would make it more competitive and efficient. Modi was exploring a breakup of Coal India before taking office, but the government put the idea on the back burner following protests by unions.

Apollo LogiSolutions plans mega investments

Apollo International is targeting a five-fold jump in the turnover of its logistics arm Apollo LogiSolutions to touch ₹4,500 crore by 2022. The company plans to invest around $200 million in the next few years as it gears up to expand through both organic growth and acquisitions for a public listing by 2020. The company is working on plans to set up five mega warehouses in north, south, east, west and central India. The company will be investing $200 million in the next few years which will be a combination of debt and equity.

Capacity addition at major ports in FY2016-17

Government has set a target of 100 MTPA for capacity addition at 12 major ports for the year 2016-17. This will be achieved by completing 29 projects with an investment of ₹4,815 crore. The capacity addition in major ports for the year 2015-16 was 93.84 MTPA against the target of 92.81 MTPA. Total 33 projects are proposed to be awarded during 2016-17 in major ports with an investment of ₹9,845 crore in addition to the above projects.

Riverine port on Mahanadi

A proposal has been received from Odisha Government for development of a riverine port on the river Mahanadi in Jagatsinghpur district of the State. IWAI has received Stage-I Feasibility Study Report on the 425 km stretch of river Mahanadi (National Waterway-64) which it had commissioned separately. After examination of this report, IWAI has awarded preparation of Stage-II DPR for the 98 km stretch on National Waterway-64 from Paradip to Cuttack.

Textile exporters seek better infra

In a bid to push the growth of the textile sector, the Tirupur Exporters' Association has requested the Centre to provide successful textile clusters with better infrastructure like world-class design studio, research and development centre and incubation centre for technical textiles. Tirupur being the knitwear capital of the country holding 46 per cent market share in knitwear exports. The city is also aiming to touch a turnover of ₹1 lakh crore by 2020, from the present ₹35,000 crore.

Dhaka, Delhi to sign deals on port use, construction

Bangladesh and India will sign a number of documents on using Chittagong and Mongla seaports apart from building a multipurpose container terminal at Payra seaport. Officials from both sides are in discussions at shipping secretary-level, on various aspects of separate MoUs. India Port Global and some Indian private companies have shown interest in building a multipurpose container terminal at Payra seaport. A proposed MoU on movement of lighter vessels between the two countries is being discussed and an agreement will be signed on carrying passengers on costal routes.

"Shipowners will try to push VLCC rates close to 100 on the World scale measure if they get a chance but I'm not sure that is going to work either. VLCC rates are probably going to remain firm for cargoes loaded in the first 10 days of January. "

– Ashok Sharma
Managing Director, BRS Baxi Far East.

"We've seen a lot of interest from Asian buyers in 10-15 year old ships, which is partly due to the surge in rates. The sector is approaching a turning point after a long period of depressed rates. "

– Ziad Nakhleh
Managing Director, Teo Shipping Corporation.

"Worst hit will be those countries that depend on exporting commodities to China, such as Australia, Chile and Mongolia. Next will be countries that have deep and broad trading relationships with China, such as South Korea and Taiwan.

– Joseph Lake
Director of Global Forecasting
The Economist Intelligence Unit

"For those who want to invest in the industry, merging and acquiring capacity is the most rational way to do it."

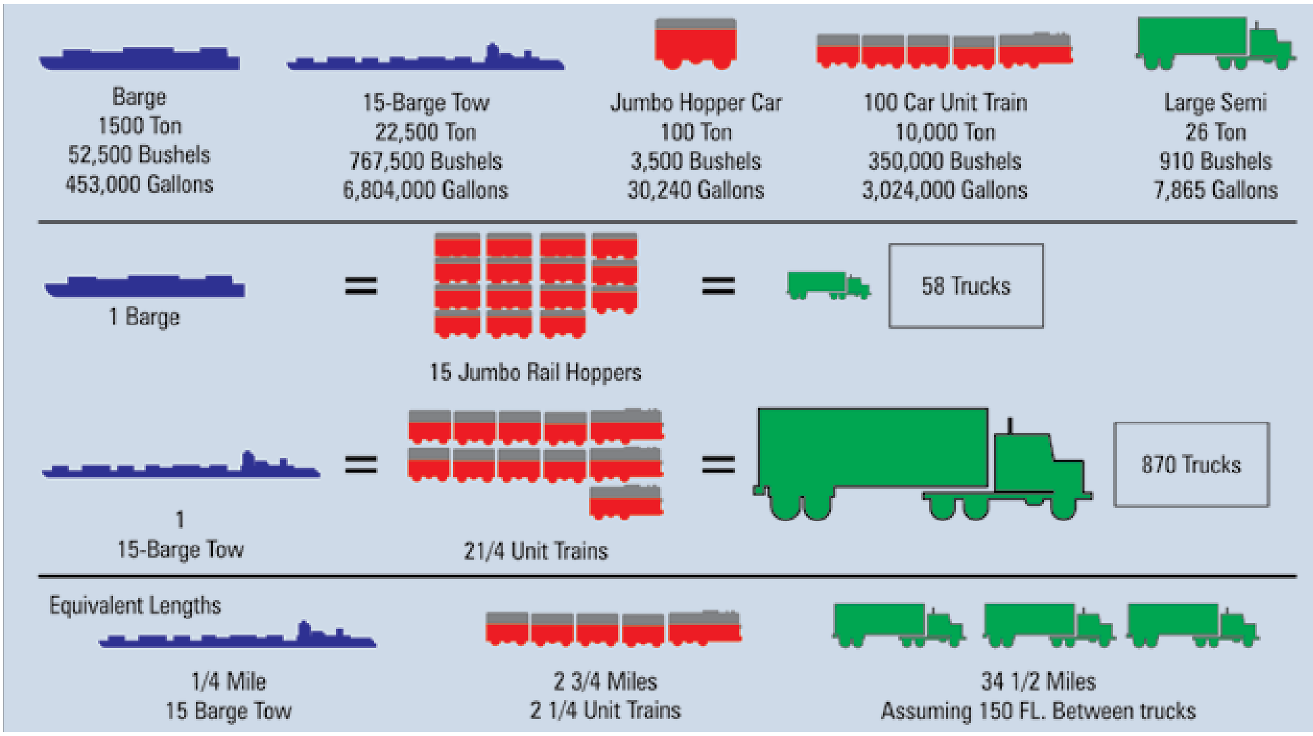
– Soren Skou, Group CEO
A P Møller Mærsk A/S

"There is no way to sugarcoat that Hyundai Merchant Marine has not achieved solid terms to weather the weak market at an alliance level with the 2M Alliance, and likely will soon have to assess its strategy again. "

– Basil Karatzas
CEO, Karatzas Marine Advisors & Co.

NUMBERS & GRAPHS

HOW WATER TRANSPORT IS LESS POLLUTING?

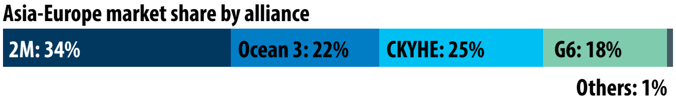


Bushels: A measure of capacity equal to 8 gallons.

HIGH-SEAS CAMARADERIE

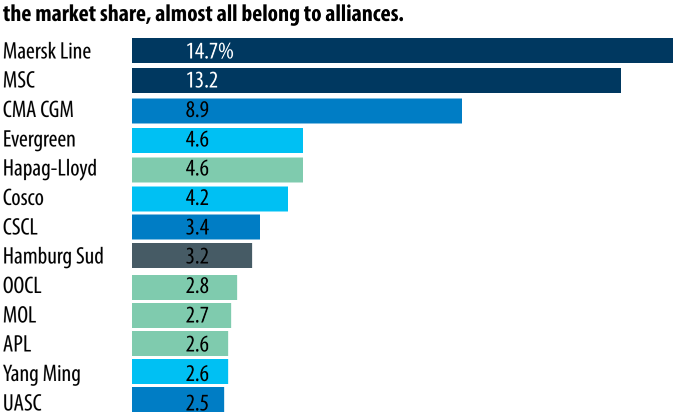
Four corporate alliances dominate the shipping industry...

Asia-Europe market share by alliance



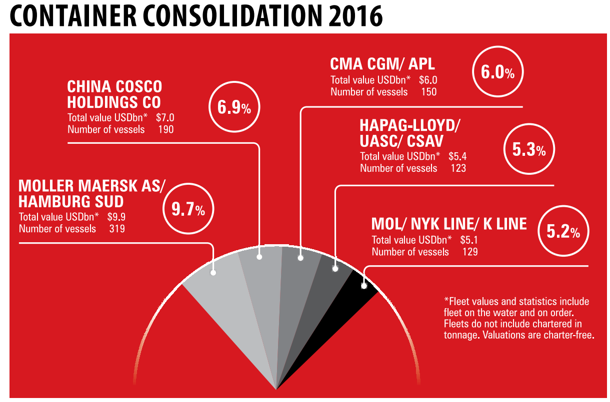
Asia-North America market share

...and the 14 largest companies, which make up 73.1% of the market share, almost all belong to alliances.



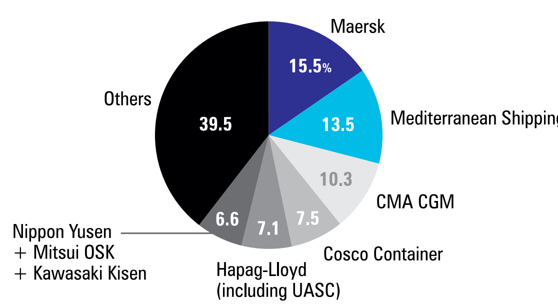
Note: As of Jan. 1, 2016. Source: Alphaliner

CONTAINER CONSOLIDATION 2016



STRENGTH IN UNITY

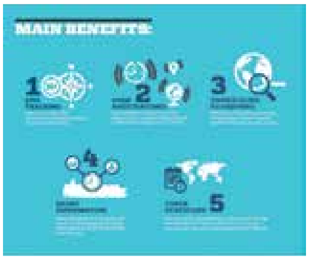
Merged Japanese container line jump to sixth place by capacity



Source: Alphaliner

LOGISTICS

Maersk Line goes digital



Maersk Line launched a mobile app to manage and track cargo on the move. This app will allow users access to comprehensive information on shipments, track cargo in real time, check schedules, changes in destination and documentation. This move is a step towards a paperless and hassle-free shipping industry. The app is compatible with iOS and Android devices and can be downloaded from Play store and App Store.

Key features of this app include: Live Tracking - Keep up-to-date with up-to-the-minute information on all shipments; Enables you to keep track of your cargo on the go; Push notifications: The app will provide instant notifications over phone, sharing live updates on the status of cargo; Unique guide to shipping: The app has a guide which will enable a new entrant to the market understand the systems and processes of Shipping; Share information: Will keep Maersk Line's valued customers in the know by sharing all the latest information on shipments directly from the app. Information will be shared in real time, facilitating simultaneous communication to all the involved parties; Check schedules: With Maersk Line's presence across the globe, the app will provide all the information regarding its services and schedules across the globe.

MMLP development may be put on hold

The AP state government's plans to develop an MMLP in association with the Visakhapatnam Port Trust over around 400 acre of land at Anakapalli is likely to be put on the backburner due to lack of potential. A consultancy firm had been designated to develop a detailed project report for the MMLP at Anakapalli, following which it was found that the project would not be viable. The main reason for the project to be put on hold is lack of sufficient container cargo from the region.

There are already about six CFS coming up in the region and apart from that Concor and Balmer Lawrie are also setting up MMLPs to cater to the existing market requirements. Joint investment by these two companies is around ₹600 crore.

Centre approves mandate of expansion to DMIC

Government has approved the expansion of the mandate of Delhi Mumbai Industrial Corridor Project Implementation Trust Fund and re-designated it as National Industrial Corridor Development & Implementation Trust for integrated development of industrial corridors.

The National Industrial Corridor Development & Implementation Trust (NICDIT) has been accorded permission to utilise financial assistance already sanctioned and an additional amount of ₹1,584 crore has been sanctioned within the extended period up to March 31, 2022.

The decision was taken at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi. "There is an existing approval for expenditure of ₹18,500 crore, out of which the unspent balance yet to be released to DMIC-PITF will be utilised by NICDIT. A further sum of ₹1,584 crore for project development activities of four additional corridors and NICDIT's administrative expenses up to March 31, 2022 has been provided," an official statement said.

Air cargo service with Afghan

India and Afghanistan are planning to set up an air cargo service to help increase trade. The cargo service will aim to improve landlocked Afghanistan's connectivity to key markets abroad and boost the growth prospects of its fruit and carpet industries. Afghan director general for macro fiscal policies Khalid Payenda said the potential for trade with India was far greater than allowed by land and so the two countries had decided to use the air route. He said that a joint venture involving an Afghan and an Indian cargo firm would be set up and that the two governments were working to build the infrastructure at Kabul and Delhi airports.

DHL to invest $74 million

DHL eCommerce is investing €70 million (₹51,184 lakh) to strengthen its operations to meet the fast-growing demand for quality e-commerce logistics services in India. Through its subsidiary Blue Dart Express, this investment will go into the expansion of its air hubs in Delhi and Mumbai which are part of its network of 13 air hubs in India. The latest investment supports the growth of B2C e-commerce in India, and is part of the company's broader plan to aggressively expand across Asia Pacific.

Catering to the increasing shipment volumes by B2C e-commerce consumers in India, the air hubs, measuring 5,761 sqm and 4,274 sqm in Delhi and Mumbai respectively, will be equipped with automation to handle a daily volume of over 500 tonnes.

SCI boosts Andaman service capabilities

The Shipping Corporation of India (SCI) has entered into an agreement to provide technical services for *Andaman*, a 35-tonne bollard pull tug owned by Andaman Lakshadweep Harbour Works. The vessel was delivered in November at Port Blair and will help the growing level of activity in the region's ports.

Amazon enters data shipping market

Amazon has launched its own shipping container for data in the form of Snowmobile, a secure data truck that stores up to 100 petabytes of data. A single petabyte of average MP3-encoded songs requires approximately 2,000 years to play, so to transport such a data-intensive load, Amazon has built a ruggedised, tamper-resistant shipping container.

Snowmobile will transport the 45-feet long, 9.6 feet high, and eight feet wide water-proof, climate-controlled container to a customer's existing data center. Each container includes GPS tracking, with cellular or satellite connectivity back to Amazon Web Services.

FFFAI signs MoU with Kale logistics

Kale Logistics's eVGM platform will be accessible to FFFAI members for filing eVGM to shipping lines. This platform is compliant with the SOLAS Convention. The e-VGM Platform from Kale allows an exporter/shipper, CHA/CB, CFS/ICD, shipping lines/liner agent record, declare and transmit the VGM electronically. It is not just compliant with industry regulations but has many added features like – a dedicated secure DG Shipping approved website, digital signature enabled, EDI connectivity to shipping lines, weighbridge software integration for tamper proof transmission of container weight, automated alerts, dashboard view and mobile application. Additionally, Kale offers a weighbridge software solution which facilitates import and export weighment modules, bill generation module and transfers weight information from the software to online portal in a tamper proof manner.

SHIPPING

S R Kulkarni passes away

Shrikrishna Ramchandra Kulkarni, an astute leader of the port and dock workers for almost six decades, passed away on December 19, 2016. He was one of the stalwarts of the trade union movement. He was the president of Transport and Dock Workers Union as well as All India Port and Dock Workers' Association. In addition, he also served for about 18 other unions. He started his long association with labour issues of port and dock workers in Mumbai Port in 1946. He was also a Trustee, representing workers on the Board of Trustees of the Mumbai Port Trust, for more than 50 years without any interruption. Late Kulkarni was associated with Hind Mazdoor Sabha, National Trade Union Centre and International Transport Federation (ITF) at international level in various capacities. He was instrumental in revision of wages and other service conditions of the port & dock workers right from 1963 onwards. Kulkarni remained a torchbearer for transportation & dock workers at all times

New port policy for Gujarat

The Gujarat Government has appointed Ernst & Young (E&Y) as consultants to draft a new port policy that is expected to replace the two-decade-old policy and double the cargo handing capacity of ports to 1,000 million tonnes. It will take at least four months for E&Y to prepare the draft, so the new policy will be out only close to April 2017. In the meantime, a concept note on the new port policy will be released during the upcoming Vibrant Gujarat Global Summit.

Inland Vessel Bill 2016

Ministry of Shipping has outlined following salient features of the draft Inland Vessels Bill, 2016. It covers the Preamble and has 16 parts. The salient features are:

Part I – enables the Central Government to enact the Bill either in whole or in Part or enact any of its provisions on different dates or in different areas or regions or State Governments or Union Territories by means of a notification to such effect.

Part II – Administrative provisions; prescribes the powers of the Central Government and State Government and prescribes appointment of Competent Authority, Advisory Committee and Department of Local Self Administration.

Part III – deals with Survey of Passenger or Cargo Vessels; Provides for power of Central Government to prescribe standards to classify and categorise the mechanically propelled inland vessels, which will be complied with by the State Governments for implementing the standards so prescribed. The Certificate of Survey would have effect throughout India.

Part IV – deals with registration; provides for new and improvised provisions pertaining to registration of vessels. Provides for a central database of inland vessels.

Maersk, MSC and HMM in agreement

Maersk Line, Mediterranean Shipping Company (MSC) and Hyundai Merchant Marine (HMM) have entered into a new strategic cooperation that is a combination of slot exchanges and slot purchases between the three parties, as well as Maersk Line and MSC taking over a number of charters and operations of vessels currently chartered to HMM.

Although the cooperation is outside the scope of MSC and Maersk Line's 2M vessel sharing agreement, it will provide HMM access to the 2M network. The strategic cooperation will enable the company "to enhance our 2M network and presence in the important Transpacific trade," Søren Toft, Chief Operating Officer, Maersk Line said. The agreement is scheduled to begin in April 2017 subject to regulatory approval. The initial term of the cooperation is three years with option to extend and covers key East-West trades.

ZIM to enhance its Atlantic network

ZIM has announced a significant upgrading of its Atlantic network, offering improved connections between US, Canada and the Mediterranean, starting April 2017, subject to FMC approval.

ZIM Container Service Italy (ZCI) - A new premium string, offering improved service to the Italian and French markets, connecting with Canada and the US East Coast, with faster transit time, additional ports of call in Italy and a direct call in Fos, France. This service will operate five vessels on the following rotation: Salerno – Livorno – La Spezia – Genoa – Fos Sur Mer – Halifax – New York – Norfolk – Savannah – Salerno

ZIM's flagship service, ZIM Container Service Atlantic (ZCA), operating seven vessels, will focus on the East Med and Spain, with a new call in Algeciras, serving the South Spain market and adding new direct calls in two major Turkish ports- Izmir and Mersin. ZCA upgraded rotation: Ashdod – Haifa – Izmir – Piraeus – Barcelona – Tarragona – Valencia – Algeciras –Halifax – New York – Norfolk – Savannah – Valencia – Tarragona – Mersin – Ashdod.

ClassNK releases mobile app for PSC inspection

ClassNK has released Arrival Checklist for PSC, a preparatory checklist mobile app for PSC inspections. Arrival checklist for PSC digitalises the updated contents of ClassNK's port state inspections pocket checklist and is now available for smartphones and tablets. Arrival Checklist for PSC allows users to access the checklist with greater ease and efficiency during preparatory checks of onboard equipment and others prior to arrival into port. The app was developed as a ship management solution to help minimise the risk of PSC detentions and deficiencies.

The app categorises items that are frequently pointed out as deficiencies at PSC inspections by location. Inspection results can be input into the system along with notes and photographs for each corresponding checklist item. As a support feature, users have the option of creating a PDF version of the completed results, which can be forwarded shore side. Through the app, users can also confirm the statistical data and the probability of detainable deficiencies across a number of major PSC areas. Updates are available for the checklist and statistics to ensure the app has the latest PSC data.

"K" Line enhances Asia Chennai Express Service

"K" Line has enhanced containership service of Asia Chennai Express Services (ACE). This service will have new Port coverage of Korea and China to have various choice of direct service to and from Chennai. Competitive transit time linking South East Asia such as Singapore/Port Kelang and Chennai will stay unchanged.

On top of these, "K" Line will deploy a vessel by itself on this service, which enables to offer more stable and higher quality service to customers. "K" Line will keep responding to broad needs of customers and markets including a booming transportation demand to and from India.

Shipping ministry to procure LNG vessels

To promote use of LNG on waterways, the shipping ministry plans to procure LNG fuelled vessels. "Petronet LNG is looking at various locations on the National Waterway-1 where it can have bunkering storage facilities. The bunkering will be at the multi-modal terminals. They are in the process of developing some supply chains and distribution channels. We can only provide them space in our terminals or construction of the bunkering. However, we are seriously considering procurement of LNG vessels. They can be built in India also. This is a World Bank-funded project so there is an international bidding process," said IWAI vice-chairman Pravir Pandey. IWAI and Petronet LNG have been asked to plan and coordinate their work plans in a manner that the LNG barges could commence navigation on the National Waterway-1 by December 2018.

APL regains new momentum

APL improved its performance in the first three months under the ownership of CMA CGM Group in a challenging market. APL's 3Q 2016 volume rose almost 9.9 per cent to 1.3 million teu (vs. 3Q 2015). This organic growth was driven by more than 20 co-operations on new and enhanced services with CMA CGM.

In the Latin America trade, APL now offers its customers direct access to the Caribbean through slot swaps on the Asian Caribbean Express (ACE) service. In the Trans-Pacific where it has a leading position, APL has taken over the management of the USL business, a subsidiary within the CMA CGM Group, and as a result increased its book of business by more than 10 per cent. In Asia-Europe, APL re-entered the direct India–Northern Europe trade through the India Pakistan Europe (IPE) service. In the Trans-Atlantic trade, APL now has access to the West Mediterranean to/from US East Coast market through the West-Med Service (WMS). APL has expanded its global network to better serve its customers, and increased its book of business.

AMTOI bids farewell to Deepak Shetty

AMTOI organised a unique farewell for Deepak Shetty, IRS, Director-General of Shipping at the Yacht Club, Mumbai. He retired on November 30, 2016 after a little more than 36 years of civil services. The erudition, policymaking abilities, humility, and conviction in taking everybody along are some of the many attributes of Deepak Shetty which made him a popular personality in the maritime fraternity. He was with the Directorate-General of Shipping in Mumbai for 5 years and 8 months, initially as Joint DG and then for two years as DG.

The farewell function, compered by Xerxes Master, Honorary Secretary of AMTOI, began with the welcome address by Vivek Kele, President of AMTOI, who pointed out that the well-attended event was a reflection of the affection the fraternity had for Shetty.

Amitabh Kumar, IRS, Joint DG, lauded the consistency of focus, perspective and vision of Deepak Shetty who believed in taking the fraternity along even while framing the smallest of policies. Policies formulated under Shetty have brought about positive changes, he said. The surprise element of the function was the appearance of Medha Lotlikar, a long cherished friend of Deepak Shetty from college days. She gave a personal account of his formative years reminiscent of his skills as a debater in college, his dazzling intellect since a young age and pointed out that he was somebody who knew what he wanted to be very early on. “He practices what he preaches,” she stressed, describing Shetty as a friend, role model and guide. “I have learnt a lot from him and they do not make people like him anymore.”

Mrs & Mr Deepak Shetty later sat down for a brief interview with Anil Devli, CEO, INSA. During which he emphasised that he would look back at his career in the civil services with immense satisfaction. He also touched upon his training and expertise in anti-smuggling and anti-money laundering operations, an area in which he is today known internationally.

Deepak Shetty thanked AMTOI and the fraternity for this "affectionate gesture" and appreciated the opportunities he got to interact with the industry during his fulfilling stint with the Directorate. He called on the maritime fraternity to form a confederation and speak in one voice to be heard in the corridors of power, adding that the industry has the resilience to overcome the current difficult times.

Certificate course on International Maritime Law

Gujarat National Law University has introduced certificate course on international maritime law. This is a unique program offered under the auspices of GNLU-Gujarat Maritime Board Chair in Maritime Law and Practices. The classes will be conducted by resources persons specialised in Maritime Law and having teaching and research expertise in Maritime Law. The course is designed by the experts keeping in mind the importance and applications of Maritime Law in shipping sector.

The course will disseminate the knowledge of Maritime Law, explain the fundamental legislations of Maritime Law, trace the concepts of Maritime Courts and their jurisdictions. It highlights the maritime claims, rights and duties of the maritime entities and discusses the risks and contracts related to maritime activities. It will help describe the maritime disputes and its settlement mechanism under Maritime Law and explore the concept of maritime liability and its limitations.

Shipbreaking takes a hit

Shipowners are being forced to look to alternative locations when it comes to scrapping their older vessels, as the Indian subcontinent’s ship-recycling sector is faced with various challenges. For starters, India counts the cost of the crackdown on black market money and Pakistan remains officially closed after the worst accident recorded. The Bangladeshi market has been left as the only open and not entirely viable recycling destination at present. Shipbroker Intermodal said, “With the cease of cutting operations in Pakistan, the hit in Indian demand following the cash crunch, the relatively subdued appetite from Bangladeshi breakers and those demo prices that are still at lows levels compared to the past years, the only thing literally keeping the market alive has been the determination of certain owners to scrap no matter what.”

PORTS

Port connectivity gets a fillip

Indian Port Rail Corporation (IPRCL) has a portfolio of 25 projects worth ₹10,000 crore focusing on aligning rail with ports for smoother, cleaner and cheaper connectivity. For seven such projects, DPRs are under final stages and bids would be called in the next financial year. The bidding process for the remaining six projects, for which detailed studies have been done, is yet to be finalised.

The company plans to start work on the ₹4,300-crore contract connecting Odisha’s Paradip and Dhamra ports to coalfields at Talcher in the state by March 2017. The heavy haul rail corridor from Talcher to Paradip and Dhamra ports, would be a major breakthrough for rail-port connectivity in the country. The proposed East Coast Dedicated Freight Corridor between Kharagpur and Vijayawada would also benefit from the corridor.

Nepali shippers prefer Haldia to Kolkata Port

Nepali freight forwarders prefer Haldia as the best alternative for shipping goods to Nepal against Kolkata Port as it is facing a number of problems. They have asked the concerned authorities to begin work to simplify frontier formalities, freight charges and timeline to bring Haldia Port into operation because Visakhapatnam port, touted as the new gateway for Nepal's third country trade, is yet to come into full operation.

Currently, importers have been using Haldia Port to import mainly cargos shipped in open containers like coal, cement clinker, rice, fertilizer and animal feed. Other items are imported through Kolkata Port. Shippers have frequently complained about Kolkata Port due to increasing traffic congestion. The port, although located at a shorter distance than other ports, uses a traditional clearance system. Besides, it has enforced a new regulation that has increased shipping costs.

PSA looks back at 2016

PSA Singapore moved a total throughput of 25.57m teu in the first ten months, down 1.7 per cent from 26.01m teu in the previous corresponding period. The joint venture Cosco-PSA Terminal will invest in new container berths in Singapore in order to serve the next generation of mega container vessels. Cosco-PSA Terminal will move from its current two-berth terminal at PSA's Pasir Panjang Terminal Phase 1 to three new mega berths at the terminal's Phase 3 and Phase 4. The new berths are expected to start operations from next year. In June CMA CGM and PSA formed a joint venture company CMA CGM-PSA Lion Terminal to operate and use four mega container berths at Pasir Panjang Terminal Phases 3 and 4 in Singapore.

Six contenders for Haldia multimodal terminal

IWAI has received six bids for the multi-modal terminal at Haldia which is part of the National Waterway-1 on the river Ganga. The ministry of shipping has received bids from Larsen and Toubro Ltd, Reliance Infrastructure Ltd, Simplex Infrastructure Ltd, AFCONS Infrastructure Ltd, ITD Cementation India Ltd and Gammon India Ltd. The multi-modal hub forms an integral part of the Jal Vikas Marg Policy under which India is developing the ₹4,200 crore National Waterway-1 from Haldia to Varanasi for navigation with assistance from the World Bank. The ministry of shipping's standing finance committee had approved a cost of ₹495-crore for the Haldia multi-modal terminal.

KSEZ to be built up as new deep water port

One more port is coming up near the Kakinada Port in East Godavari district in the Thondangi mandal. At present, there are two ports in Kakinada – the old anchorage port which mainly handles agricultural cargoes, especially rice exports, and the new deep water port. The proposed new port by Kakinada SEZ Limited requires roughly 1,800-1,900 acres of land. It is estimated that the project cost may be around ₹2,041 crore. An all-weather, deep water port will be built in the phase I. It will be able to handle 16 million tonnes (mt) of cargo per annum. Dry bulk cargo and multi-purpose cargo will be handled at the port.

JNPT cuts rail charges

TAMP has tentatively approved JNPT's proposal to equalise rail and truck handling rates, driving down the cost of rail and up those for trucking. The effort is to move more freight via intermodal rail from trucks to minimise the land side congestion. With the provisional approval the port will begin charging ₹844 per teu for truck and rail cargo, compared with the previous scale of ₹476 and ₹1,547, respectively. TAMP has said that a final order will be issued after consultation with the stakeholders. The port authorities are aiming to increase the share of rail in cargo movement to 25 per cent.

Electronic connectivity in all 12 major ports

For providing electronic connectivity in ports, the central government has implemented Port Community System. This is intended to integrate the electronic flow of trade related documents, information and functions as a centralised hub for ports of India and other stakeholders like shipping lines, agents, surveyors, stevedores, banks, container freight stations, customs house agents, importers, exporters, railways, CONCOR, government regulatory agencies etc. for exchanging electronic messages in a secure manner.

The main objectives of the PCS are: to develop a centralised web-based application, which acts as single window for the port community members, stakeholders to exchange messages electronically in secure fashion, reduce transaction time and cost in port business, achieve paperless regime in port sector and implement an e-commerce portal for port community. All the 12 major ports and six non-major ports have been integrated online with PCS that cover around 92 per cent of total EXIM trade by volume.

A stumbling block for 'Make in India'

US President-elect Donald Trump warned of imposing a whopping tax of 35 per cent on products made by American companies that either outsource jobs overseas or build a new factory in another country. This could have an impact on plans of several American companies that are planning to establish manufacturing base in India to take advantage of the 'Make in India.'

The US is going to substantially reduce taxes and regulations on businesses, but any business that leaves our country for another country, builds a new factory or plant in the other country, and then thinks it will sell its product back into the US without retribution or consequence, is wrong! Trump said.

Mineral production hit by demonitisation

The demonetisation drive may hit India's mineral production as mine owners and contractors are deferring mining activity due to currency crunch as they need to pay daily workers in cash. India's overall mineral production during the first quarter of the current financial year increased 14 per cent to 138.53 million tonnes (MT) compared with 121.11 MT during the corresponding April-June period last year.

"We have received reports from various parts of the country that mining activity has been impacted as fewer labourers are available. The primary reason being contractors are not able to make daily payments to them. Significant effects have been observed in Jharkhand, Odisha and Chhattisgarh," revealed a senior government official.

EXIM

BPCL to increase naphtha exports

Bharat Petroleum Corp. Ltd. is set to boost its naphtha exports next year with the completion of expansion works at its Kochi refinery to 15 million mt/year from 9.5 million mt/year, scheduled around the first quarter. The expansion is expected to increase BPCL's naphtha production by 10 per cent to 15 per cent – at least 550,000 mt/year, or around 13,500 b/d – which would enable the refiner to restore monthly exports from Kochi on the Indian southwest coast. But the increase in exports from Kochi would only last for around a year, as naphtha would be diverted as feedstock into BPCL's new petrochemical project.

US plans to make fighter jets in India

President Barack Obama's administration is working on a deal to build fighter jets in India, just as President-elect Donald Trump is vowing to keep jobs in America. If the deal goes through, the Indian government would manufacture F-16 Fighting Falcons and F/A-18 Super Hornets to replace its ageing fleet of Russian-made fighters. Both Lockheed Martin and Boeing have made proposals to the Indian government.

Lockheed Martin would move its entire production from Texas to India in the deal, which would make India the only producer of the F-16 in the world. The US military is cutting its own use of the plane for more modern F-35s, but is continuing to make it for sale to other countries. But Lockheed Martin and Boeing said the move would not result in a net loss of American jobs and would also increase employment in India.

Rice exports to China

China has agreed to import non-aromatic basmati rice from 14 companies in India, opening a new vista for the country's rice exports. The companies include LT Foods, maker of the Dawat brand KRBL, maker of the India Gate brand; and Kohinoor Foods. With this clearance, India can look to lower its trade deficit with China that has ballooned from $1.1 billion in 2003-04 to $52.7 billion in 2015-16. "India used to export 4,000-5,000 tonnes of basmati rice to China through Hong Kong. After this clearance, the rice can directly be sold in China," said Rajen Sundaresan, Executive Director, All-India Rice Exporters' Association.

Chennai Customs facilitate auto trade

Chennai-based multinational automobile firms which import components, spare parts and machinery from their mother plants will have seamless movement from the Chennai Port's two container terminals to their manufacturing base in the city with the local Customs Commissioner issuing an order facilitating direct delivery.

The Chief Commissioner of Customs in its order applicable to Chennai Port said that it has been decided that the RMS bills of entry of automobile industry related import consignment will be cleared at the two container terminals of the Chennai Port run by the DP World and PSA Singapore to facilitate direct delivery to the plant from the port.

The order has come into effect about a fortnight back as part of the Customs drive in bringing about ease of doing business at ports. Earlier, containers carrying consignment for automobile units were taken to CFS and after examination by the customs sent to the manufacturing base situated about 30 km from CFS. The decision will save at least 2.5 days on an average in the movement of containers from the Chennai Port to the automobile manufacturing plant according to a steamer agent who regularly handles this consignment.

DEMONITISATION IMPACT: HIGH ON TRANSPORT LOW ON SHIPPING

Government's decision on note ban affected transport sector where 80 per cent of business is cash based, but has little impact on shipping where all transactions are through banks

by Omer Ahmed Siddiqui

The sudden announcement of demonetisation by Prime Minister Narendra Modi has put the common people and industry/ trade practitioners in quandary about its obvious impact on the country's economy. The immediate and long-term economic impact of this unprecedented step is now being assessed by economists and experts with a forward looking notion.

As soon as the note ban was announced, the Ministry of Highways and Roads sprang into action suspending payment of toll fees at toll plazas on all national highways till November 11, but vehicles continued to face problems on state highways and expressways. "A transporter needs between ₹30,000 -40,000 for a long-route trip. It has become extremely difficult for logistics companies to plan long-route journey. Almost 80 per cent of our transporters are sitting at home," complained Chaudhary Vedpal Singh, president of Noida Transporters Association. A major impact is seen in the road transport sector reports the All India Motor Transport Congress, with 70 per cent of the vehicles of their members already off the roads. The sector has taken a beating as 80 per cent of the business is cash-based.

But the government is leaving no stone unturned to restore normalcy. "We are trying to connect all toll plazas with e-governance so that people will not have to stop at toll points for paying cash and can instead do it online," said Nitin Gadkari, Minister for road transport, highways and shipping. "Had the government not suspended toll collection, prices of commodities would have quadrupled due to disruption in their flow," revealed Ramesh Agarwal, Chairman, Agarwal Packers & Movers.

The impact has not been the same across all sectors. Anil Devli, CEO, INSA says there has not been any significant impact on the shipping sector as all transactions are done through banks. Some minor impact has been on the daily wage stevedoring operations for loading/unloading and road transport companies.

As regard to the impact on customs brokerage and freight forwarding business, FFFAI is foreseeing very positive results. "As of now we have not seen any visible and negative impact of demonetisation on customs brokerage/freight forwarding business. Cash flow in any case with the custom brokers or freight forwarders does not impact much except a very few cases. In our trade majorly all charges, statutory or shipping line or airline charges, are paid by NIFT, RTGS, Cheque etc. Various associations also worked out with the airlines and custodians by cheque payment," said S Ramakrishna, Vice Chairman, FFFAI.

Ramakrishna further opined that demonetisation will bring in more transparency and all transactions would be through banking channels, which means lesser direct/indirect taxes. However, a major issue is the payment to unorganised sector. The government should give adequate facilities to have the payment through custodian for labour, packing etc within the port, ICDs and transporter should switch to using petro cards.

The e-commerce industry has welcomed the move even though demonitisation has impacted the cash on delivery business. Note ban will pave the way for digital payments and in transforming the economy. For instance, cash on delivery orders for Shopclues declined by 30 per cent but prepaid orders went up by 15-20 per cent. But looking at the other side of the coin, wholesale trade accounts for 40 per cent of the sales to the consumer firms and depends on cash transactions only. This channel will witness liquidity constraints and supply chain disruption. mg

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

Presenting JSW Jaigarh Port under this feature.

JSW Jaigarh Port

JSW Jaigarh Port (JSWJPL), part of JSW Infrastructure Limited, provides world class services benchmarking Maritime Excellence. JSWJPL has the ability to benchmark the services to international standards.

JSWJPL is a Greenfield, multi commodity, environment conscious port on the western coast of Maharashtra with higher depths and state of art material handling systems. Jaigarh Port was constructed in record 20 months and commenced operations in August 2009. Since then there has been no looking back in terms of operational excellence and infrastructure development.

JSWJPL has successfully handled 36.89 million tonnes of cargo since its inception in 2009. The existing capacity of 15 MTPA is being increased to 80 MTPA by year 2020 by creating enhanced handling capabilities through MHS, planned stockyards, warehouses and connectivity.

JSWJPL has achieved a CAGR of 29.48 per cent on operating revenue and corresponding EBIDTA of 57.26 per cent over previous year. JSWJPL aims at exceeding ₹290.01 Crore EBIDTA in current fiscal by targeting growth of approximately 54.64 per cent. JSWJPL commenced direct berthing of cape vessels in April 2015 and aims for handling next generation vessels i.e. the Vale Max, Q-Max, VLCCs and EEE series.

Projects completed

- Berth 1 for mechanised handling of bulk cargo using 2x2000 TPH ship unloaders through covered conveying system.
- Berth 2 for bulk cargo using 2x1000 TPH mobile harbour cranes
- Berth 6A for loading MBCs and Handymax vessels using mobile ship loader and vessel gears respectively.
- Berth 3A for bulk cargo using 2x1200 TPH mobile harbour cranes
- Liquid Tank farm – 06 Nos. of total 40,000 MT capacity, which is currently used for storage and export of

Molasses. The tanks are constructed at a level difference which facilitates loading of vessel through gravity.

- Covered warehouses – 06 nos. of total 45,400 Sq.M. area for storage of break bulk and agro commodities.
- A landmark facility, covered coal shed of 104m (w) x 440m (l) and 45m (h) with stacker reclaimer and mechanised cargo handling system has been created for storage of 3,50,000 tonnes of coal.
- Dedicated truck terminal with all facilities which can cater to 500 vehicles at any given time.

Projects under Implementation

- 2x3,250 TPH ship unloaders at berth 3A
- 4x1,500 TPH barge/ship loaders at berth 6A
- 2 nos. stacker reclaimers with capacity of 6000 tonne stacking and 3000 tonne reclaiming capacity.
- Conveyor system of 4,035m horizontal length for stacking/reclaiming of cargo. The stockyard capacity is planned for 1 million tonne of cargo comprising of iron ore, coking coal, limestone, etc.
- Construction of berth 3B and 4A for handling Cape, Vale max, Ro-Ro and container vessels.
- Construction of 2x7500 tonne capacity edible oil storage facility.
- Construction of 145m (w) x 300m (l) x 40m (h) covered shed for storage of 500,000 tonnes of iron ore and coking coal.
- A fleet of 8000 DWT mini bulk carriers being inducted for exclusive movement of group cargo from Jaigarh to Dolvi.
- 2 nos. 65T ASD tugs being constructed at Kowa Company Ltd., Japan. 1 no. tug has been delivered and is in voyage.
- Strengthening and widening of state highway SH106 for improved connectivity and hinterland reach.
- Rail connectivity being established by connecting Jaigarh Port to the Konkan Rail network at Dingni.

Planned Infrastructure

- Construction of LNG terminal
- Construction of dedicated rail yard
- Development of POL terminal
- JSWJPL in collaboration with IMU is setting up a world class maritime education centre at Jaigarh.

JSW forays into port operation in UAE

JSW Infrastructure (JSWIL) signed an agreement with Port of Fujairah for management of mechanised bulk cargo handling terminals on November 8, 2016. This is first foreign venture by JSW Infrastructure. Port of Fujairah has selected JSW Infrastructure to establish partnership for its expertise and experience in port operation and management. Capt. Mousa Murad, Director General of Port of Fujairah along with other port officials visited JSW headquarters in Mumbai for signing of this agreement.

Port of Fujairah is one of the largest ports in UAE which handles more than 150 million MT per annum. It handles all types of cargo like dry and liquid bulk, crude, break bulk and containers. The port has minimum 15 meter draft and can handle bigger vessels. Container traffic of this port is managed by DP World and now JSWIL will be responsible for mechanised bulk cargo handling at its bulk terminals.

Port of Fujairah started operation in 1983 and since then developed facilities for handling all types of cargo like dry and liquid bulk, containers, bunkering operations. The port is having second largest bunkering facility in the world. The port is located in east UAE east coast which is nearest to the Indian west coast ports. The port is being used for limestone and aggregate imports by Indian steel and cement producers.

JSWIL have developed Greenfield multicargo port at Jaigarh in Ratnagiri district. It is also operating terminals at Mormugao Port, Goa and Dharamtar Port in Raigarh District in Maharashtra. Total present capacity at all the three port facilities is more than 45 million MT per annum.

Last year JSWIL has won bid for development of iron ore export terminal and coal export terminal at Paradip Port. Total capacity of these terminals will be 40 million MT per annum. It is expected that these terminals will be operational in FY 2018-19. JSWIL plans to develop 200 million MT cargo handling capacity at its port facilities through greenfield and brownfield expansion by 2020. mg

Ever since Capt. Anoop Kumar Sharma took charge as CMD of Shipping Corporation of India, he has been working briskly to put the corporation back on track. In this brief interview he shares his plans

by Deepika Amirapu

Capt. Anoop Kumar Sharma
CMD, Shipping Corporation of India Ltd

Improving Utilisation

Q What were your first thoughts on being chosen to be at the helm of the Shipping Corporation of India?

I would think my biggest responsibility is to add to the top line and bottom of the company, thereby, increase its valuation for all the stakeholders. We would like to ensure everyone in the value chain is benefitted.

Q Given today's economic scenario, what pockets would you identify for the Shipping Corporation of India to excel?

As one is aware, the bulk and container markets aren't in the pink of their health. The tanker segment has been looking up of late. As an organisation, we are now looking to place our eggs in many baskets and we would like to expand and foray into the Atlantic region with out bulk cargo. These would be a defined mix of short, medium and long-term contracts. It is to help us take advantage of business in other markets when the Asian markets aren't doing too well.

Q What top concerns would you look at addressing in the near term?

One of my key priorities is to ensure the fleet utilisation goes up for bulk, container and offshore segments. It is currently between 85-90 per cent and we would like to increase it even further. We just acquired a second-hand offshore vessel and we will be investing in another vessel shortly for operating them in the Indian seas. In addition, we have slated to expend around Rs 900 crore to strengthen our fleet in the offshore and tanker segment.

Q How would you position SCI among the other lines today and what role do you envisage for India's national shipping carrier?

Currently, the national carrier represents 37 per cent of the Indian tonnage and we hope to breach the 6 million dwt mark in the current or next fiscal year, an aspiration that has been eluding us for a year now.

Q What practices from the private sector would you look at incorporating into SCI?

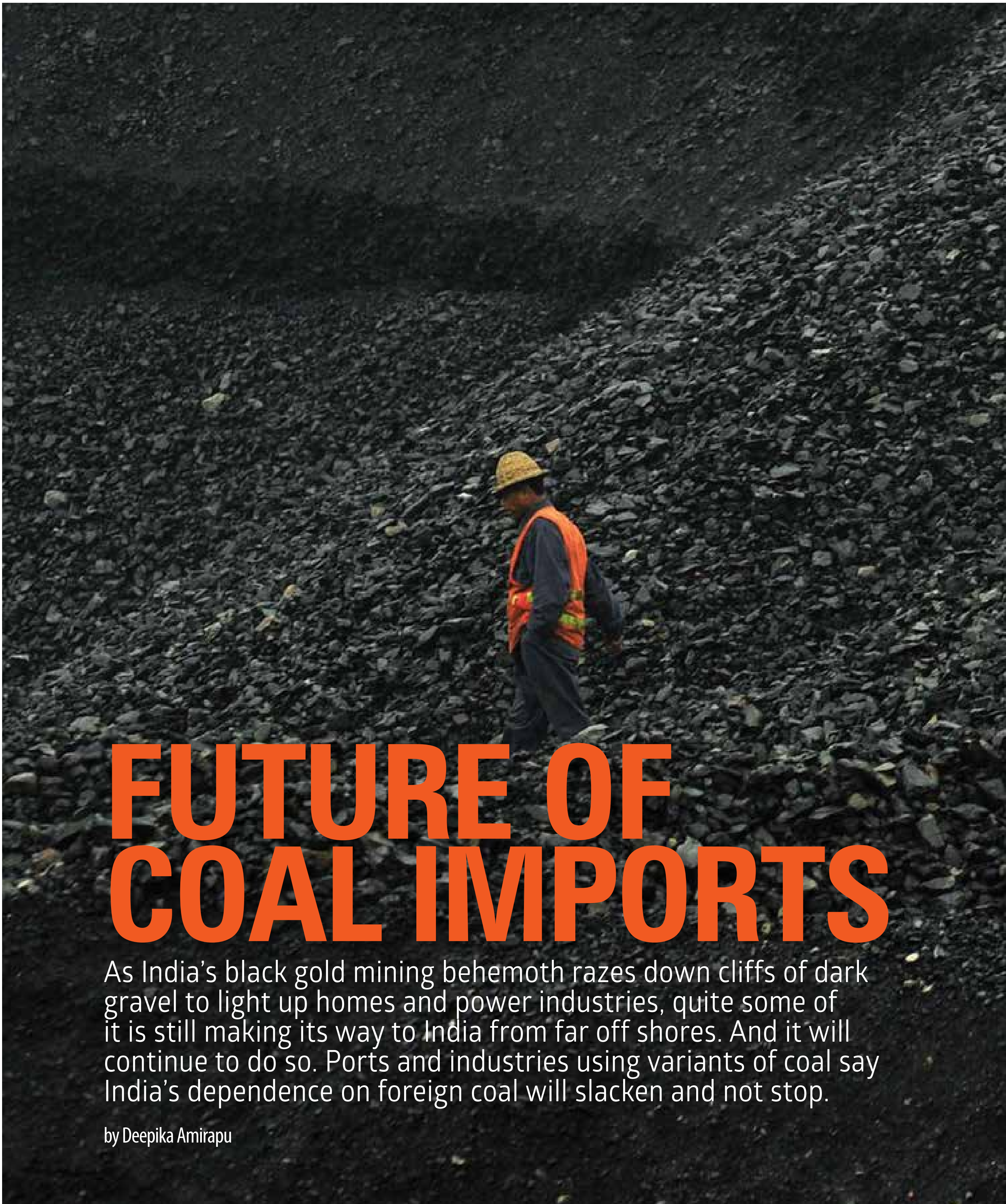
I would like to incorporate a culture of quicker decision making by bringing down the amount of paper work to be done. The best aspect about public sector administration is that everything is system driven. And in the private sector, it is all people driven. I would like to dovetail one into another and ensure the system works efficiently like a well-oiled machinery.

Q SCI embarked on creating a subsidiary for inland and coastal vessels. What opportunity do you see here?

We created a subsidiary in September and began our trial runs this fiscal using charter vessels. Depending on the infrastructure developed and made available for inland waterways, we will draft a business plan and invest in the coastal business.

Q At the policy level, what changes would you like seeing for the benefit of Indian vessels?

Shipping needs to be given an infrastructure status. Also, the duty on bunkers needs to be relaxed for bulk vessels as well. Currently the relaxation applies only for container vessels. There is a lot of crude, bulk, project cargo, coal and iron ore in large quantities waiting to be moved. Any rationalisation in taxes will help us move greater volumes of cargo along the coast. mg



FUTURE OF COAL IMPORTS

As India's black gold mining behemoth razes down cliffs of dark gravel to light up homes and power industries, quite some of it is still making its way to India from far off shores. And it will continue to do so. Ports and industries using variants of coal say India's dependence on foreign coal will slacken and not stop.

by Deepika Amirapu

Sometime ago in April this year, the Indian Minister for Coal and Power, Piyush Goyal made a statement that India will look at cutting down coal imports to zero by 2020 as the country's coal behemoth Coal India Limited will produce enough coal to light up all homes by then. Since this statement was made quite nonchalantly, not many thought it would impact them until coal imports started falling month after month. A look at the figures published by the Ministry of Coal indicated that India's imports fell from 238 million tons (MT) in the year 2014-15 to 227 MT in the year 15-16. This number is expected to further slide down to about 200 MT in the current financial year.

As these numbers made their way in to the public domain, everybody from power producers, to private miners, steel and cement manufacturers and ports that import huge quantities of black gold started to sit up and take notice of what seemed the new normal. Coal imports were falling. Why? And how? Before we answer these questions it is import to understand how Indian consumes coal and the existing power generation capacity. Today, India has a capacity of around 186 GW in operational plants and another 65 GW under construction. Some 41 per cent of this capacity is in the private sector. The next biggest source of electricity, hydropower, comes a poor second with 43 GW.

India has been increasing its coal power capacity from 5.6 GW per year in 2007-08 to 19.5 GW in 2014-15 with a compounded annual growth rate of 11 per cent, according to Greenpeace.

However, it is important to note at this juncture that no new power plant has come to the fore after 2010. It is the old power plants that are getting commissioned over the last few years. This rate of growth, many in the sector say has dropped considerably since the early 2000s where power generation capacity growth was almost growing over 20 per cent a year. "There has been a dramatic change in the way India has consumed power after 2010," says **Mr Narsing Rao, Former Chairman of Coal India Limited** and the current Principal Secretary to the Telengana Chief Minister. Despite most of the rural homes not being powered up, there is an artificial surplus currently and the per capita consumption of power is 900 units per annum. Between April and October this year the Central Electricity Agency (CEA) reports India has commissioned just over 3600 megawatts of coal plant capacity, down almost by half on the year before. While the financial year still has four months to run, the coal sector may well fall short of the 13,000 MW of new plants expected to be commissioned this year. There are other reasons why the coal sector is feeling decidedly unwell. This week the CEA revealed in its draft National Electricity Plan (NEP) that for the five years to 2022 the country does not require any more coal-based capacity addition till 2022 above current levels. the country was facing a coal overcapacity crisis, and a Greenpeace analysis from October that showed that over 90 per cent of the plants currently under construction will remain unutilised by 2022.

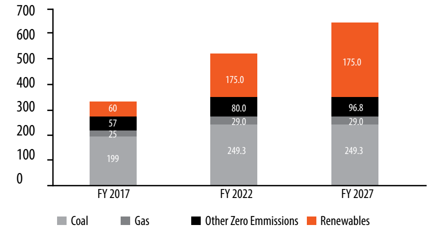
So, this clearly indicates that a drop in demand and insufficient growth is certainly one of the reasons why coal consumption in the country has taken a beating. The second reason attributed to a fall in absorption of indigenous coal is a rise in electricity generation from renewable sources. If we were to compare consumption of this eco-friendly source of energy in India between April and October, generation of wind and solar grew by over 43 per cent compared to the year before, massively outpacing the growth rate for thermal power. While generation from conventional sources – predominantly coal – grew by a larger amount in absolute terms, renewable generation's growth at over six times the rate of conventional sources is none-the-less hugely significant. In all, 28 per cent or over a quarter of all new generation between April and October 2016 came from renewable sources. But be that as it may, India's requirement for energy will increase. But a bulk of it will come from renewable sources of energy. The plan's estimated growth of 187,000 megawatts (MW) in new capacity between 2017 and 2022 is huge. But the critical point is that the

> **INDIA IMPORTS MOST OF ITS COAL FROM INDONESIA, AUSTRALIA, SOUTH AFRICA, COLOMBIA AND RUSSIA. THIS RATIO IS SET TO CHANGE. MOST OF THE CENTRAL AND STATE GOVERNMENT OWNED AND RUN POWER PLANTS HAVE BEGUN USING DOMESTIC COAL BECAUSE THE CALORIFIC CONTENT OR THE USEFUL HEAT VALUE (UHV) FROM MINES IN THE EASTERN COALFIELDS HAS EQUALLED THAT COMING FROM MINES OVERSEAS.**

bulk of this – 115,000MW – consists of renewables. The draft NEP is clear that there is no need for a single additional MW of coal power till 2022. Moreover, considering the over 50,000 MW currently under construction, likely to come on stream in the next few years, there is also no need for additional coal power plants till 2027.

Perhaps these reasons of falling demand for thermal power and increase in renewable sources of energy generation explain the Why bit of the question. Coming now to the How corner. When the announcement of cutting down coal imports were made, Coal India Limited, the leviathan, it was said would increase its production of coal and compensate for any shortfall of coal from other countries. Coal India's current production is about to reach about 560 MT in the current financial year after reporting back to back increases in the last couple of years. Data gathered by MG suggests that CIL had upped its output by 32 MT in 2015, the sharpest rise in 40 years. Assuming that the national excavator of black gold will maintain this rate of production year after year, the minister said CIL would aim to produce 900 MT of coal by 2020. "What led to this sharp rise in coal production is the auctioning of 31 coal mines by the Government of India and allocation of another 42 mines to the state entities in the year 2015," Narsing Rao explained. Most of India's coal is concentrated in the states of Jharkhand, Orissa, Bihar and Chhatisgarh and a majority of the new licences lie in these areas. There is said to be a substantial scope for increasing

INDIAN GENERATION MIX BY CAPACITY (GW) FISCAL YEAR 2017-2027



Source: India's Central Electricity Authority, draft National Electricity Plan, December 2016

production in the Western, Eastern, Northern, Central and South Eastern Coalfields. Coal India has a total of eight subsidiaries and the others are Bharat Coking Coal, Mahanadi Coalfields and North-Eastern Collieries.

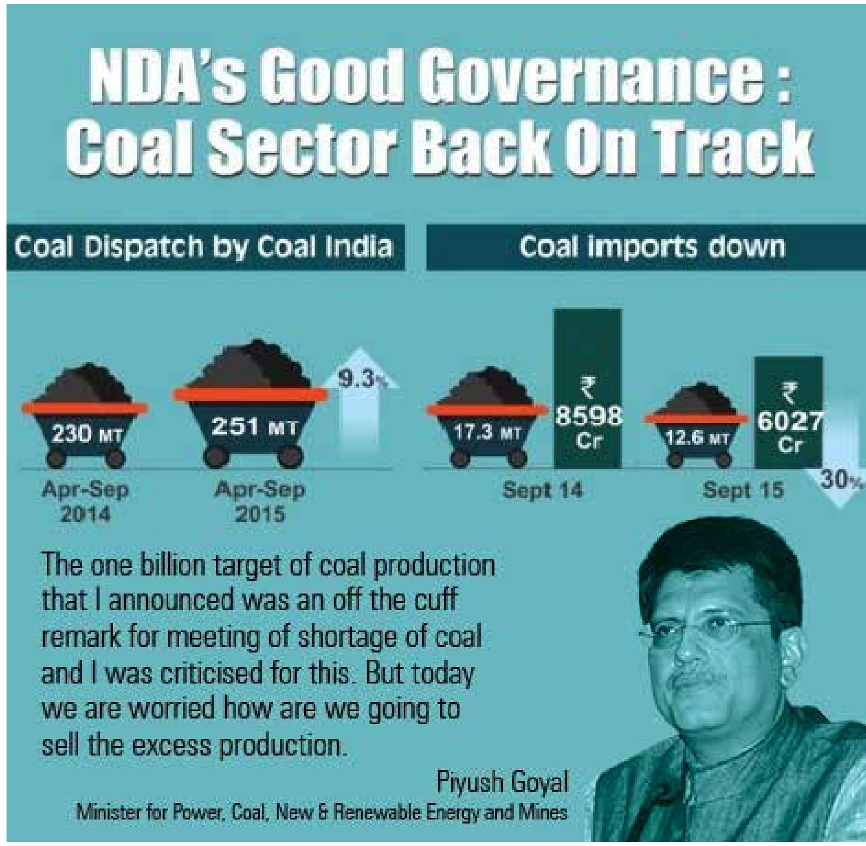
So, does this mean India's imports are set to fall in the next few years as envisaged by the government? This could be partly true if we threw a glance at how the ports are faring. Mostly it is ports on the east coast that import a major chunk of 15 percent of India's requirements. A Paradip Port official said, "The import quantity of coal has sufficiently reduced and vessels are coming partially loaded." With power generators such as National Thermal Power Corporation and private operator GMR Infra reducing their imports, there has been a fall of three lakh tons of coal handled at the eastern port. An Ennore Port official echoed his counterpart's viewing saying the quantum of coal handled at the port could possible come down to 2MT compared to the 4MT it is handling. Ennore shores up almost 80 per cent of its revenues by handling coal and 80 per cent of this coal handled comes from destination overseas while only 20 per cent of it comes from coal fields in India.

India imports most of its coal from Indonesia, Australia, South Africa, Colombia and Russia. "This ratio is set to change," the Ennore Port official said. **The port Chairman, MA Bhaskarachar** said, "Most of the central and state government owned and run power plants have begun using domestic coal because the calorific content or the useful heat value (UHV) from mines in the Eastern Coalfields has equalled that coming from mines overseas." Tamil Nadu Generation and Distribution Company, one of India's largest state-owned power producers says it is also looking at cutting down use of imported coal systematically. For Visakhapatnam Port too, the decision to reduce import of steam coal has hit its revenues with coal handled falling from 7.4 million tonnes in the last fiscal between April and November to around 5.7 million tonnes during the current fiscal. The Haldia Port Chairman had a similar story to tell saying most states have instructed their power generating arms to support CIL. **G Senthilvel of Haldia Dock** says, "The increase in prices of steam coal and coking coal have halted trading of coal in this part of the country. Currently, only captive power plants are importing coal," he said.

If government regulation played a spoilsport in dampening imports, the increase in prices of this commodity is also to be blamed for a dip in imports. "Prices have increased from ₹52 per tonne to ₹82 per tonne in the last one year depending on the grade of coal and the country it is coming from," Senthilvel added. The increase in price has also reflected in falling coking coal prices where the steel industry and cement industry have migrated to pet coke due to subdued prices of this resource. Rakesh Dubey, Editor Coal Insights, a digital magazine dedicated to coal consumption analyses says the prices of coal are likely to remain high in the coming fiscal year as well. "Imports will remain under pressure until next year too as India is a price sensitive market and will respond adversely to any increase in international prices," he says. Also, with the winter months more favourable for mining, Coal India will probably increase its production in the next few months, thus enhancing the reserve stock at the power plants from 19 days to 27 days a month.

With this trend set to continue most ports are bracing for impact. Haldia, Paradip, Vizag and Ennore are all concentrating on other cargo to supplement their revenues. While Haldia is banking on liquid cargo and increase in the number of berths, Visakhapatnam says it will follow suit too envisaging an increase in POL and container cargo. Paradip will handle more of ore, manganese and bauxite to make up for any shortfall in revenues coming from not handling coal. "But it will take more than the time estimated by the government to stop usage of imported coal completely," avers Rakesh Dubey. We will continue to import at least 100 MT of coal if not more he says. Even if most of India's power plants use domestic coal, those based on the coast will find it cheaper to use imported coal because of cheaper logistics cost. If power accounts for 70 per cent of coal consumption, about 10 per cent of coal is consumed by the steel sector and another five per cent by the cement sector. These sectors will continue to require coking coal and pet coke.

Anil Yendluri, Director & CEO, Krishnapatnam Port Company Limited says, "We need to have a balanced approach so that we do not depend totally on imported coal and also we should not exhaust our domestic reserves in a hurry. Especially for power plants located in coastal areas it is anyway cheaper to use imported coal rather than moving domestic coal. Coal per se is not the cost; coal transportation cost is sometimes more than the cost of coal. We need to compare the cost of inland movement vis-à-vis coastal movement vis-à-vis imports. Transportation and logistics cost should be taken into consideration while planning coal supplies to our power plants so that end users get power at the lowest possible cost."



"EVEN IF MOST OF INDIA'S POWER PLANTS USE DOMESTIC COAL, THOSE BASED ON THE COAST WILL FIND IT CHEAPER TO USE IMPORTED COAL BECAUSE OF CHEAPER LOGISTICS COST."

This is an important consideration to bear in mind as only 400 MT of coal moves by rail currently with the rest of it transported either by road or by the coastal route. Although the Ministry of Shipping has been advocating for using the coastal route, this has not been proven as the most cost effective method given the cost of first mile and last mile transportation. "Savings from the coastal route have not resulted to be substantial either in terms of cost or time," says Narsing Rao who was at the helm of Coal India and had considered short sea shipping. The Haldia Port Chairman says that most of the coastal shipping happens to Tamil Nadu and Andhra Pradesh alone from ports in West Bengal and Orissa. Many attempts made to ship coal to AP Genco from other ports had not proved to be viable. Therefore, an efficient railway system is perhaps the best mode of transport till such time the last and first mile connectivity are established. And here is where the problem lies too. "Coal India might ramp up its production many times, but rake availability will choke the transportation system," says Rakesh Dubey.

Transportation by rail is a crucial link in the India's no-imports success story. And CIL is developing three major railways projects in Jharkhad, Odisha and Chhattisgarh. Until such time the connectivity infrastructure is in place, vessels from coal rich countries will continue to call Indian ports. mg

THE YEAR OF CONSOLIDATION

2016 will be remembered as the year of consolidation. The shipping industry is cyclical in nature, but this time the slowdown has been prolonged and the horizon still remains gloomy

by Omer Ahmed Siddiqui

The shipping markets have in the main been pretty icy since the onset of the global economic downturn back in 2008, but 2016 has seen a particular blast of cold air rattle through the shipping industry, with few sectors escaping the frosty grasp of the downturn. Depressed freight rates and excess tonnage prevented the earnings of shipping lines from looking up. Tankers market has been normal and better than the dry bulk market that is seeing a slight upward movement in freight rates, but the container liners have been in distress altogether. Global container port traffic growth was just 1 per cent in 2015 and does not look very optimistic in 2016. There has been a major dip in the offshore side as well due to contracts being renegotiated by Indian companies and supply being low.

Shipping

As the turmoil continued, shipping lines tried to balance stagnant business volumes, over capacity and falling freight rates. While some formed alliances to stay afloat, the less fortunate perished. A major casualty was the collapse of Hanjin Shipping, Koreas largest container line, while another shipping giant Hyundai Merchant Marine failed to become a full-fledged member of global shipping alliance 2M. Korea's shipping industry, which once boasted the world's fifth-largest market share, is still struggling despite efforts from financial firms to salvage it.

CMA CGM acquired Nepture Orient Lines, the parent firm of APL for about $2.4 billion. The combined

capacity of these two lines will sum up to about 2.4 million teu. The Ocean Alliance was formed between CMA CGM, China's COSCO Shipping, Evergreen Line and OOCL to offer 40 services across Asian, European and US markets.

Maersk Line and the Oetker Group finalised their decision to buy Hamburg Sud for $4 billion. NYK Line, K Line and MOL have agreed to form the sixth largest shipping line controlling 7 per cent of the global container market share.

Shipping stocks that excelled

Drewry released The Maritime Honours List 2016, which comprises the best performing maritime equities. The steady performers of recent years have slid a few notches and the outliers have performed. The clear favourites at the start of the year have gone into hiding and the underdogs have bounced back sharply. Overall industry returns have been uninspiring with majority losing money for their investors.

RANK	COMPANY NAME	YTD RETURN	SECTOR
1	GASLOG	93%	LNG SHIPPING
2	STAR BULK CARRIERS	82%	DRY BULK SHIPPING
3	GOLAR LNG	51%	LNG SHIPPING
4	HHLA	22%	PORTS
5	TEEKAY LNG PARTNERS	19%	LNG SHIPPING
6	AP MOLLER MAERSK	18%	CONTAINER SHIPPING
7	WESTPORTS	5%	PORTS
8	ICTSI	4%	PORTS
9	PACIFIC BASIN	3%	DRY BULK SHIPPING
10	STEALTH GAS	2%	LPG SHIPPING

Seaports

While the private ports witnessed a slowdown in shipments, the major ports saw an increase in cargo traffic for the first time in seven years. The major ports handled traffic of 606.37 million tonnes in 2015-16 had an increase of 4.31 per cent over the previous year, in spite of global recession. The growth during 2016-17 till November 2016 has further increased to 6.77 per cent against corresponding period of last year. Key developments on the west coast include JNPT implementing direct port delivery for swift movement of cargo, satellite port at Vadhavan gets a nod to ease traffic at Mumbai Port, second liquid chemical berth is commissioned at Mumbai Port with a capacity to handle 55,000-dwt vessels carrying liquid bulk chemicals and POL products.

On the east coast, a new multipurpose general cargo berth is constructed at Visakhapatnam Port with a capacity of 6 million tonnes, V.O.Chidambaranar Port has become the first Indian port to provide shore power facility to vessels at berth, floating cargo handling facility with a capacity of 2.55 million tonnes a year being developed at Haldia Dock Complex for handling mini bulk carriers and barges. Gopalpur Port recommissions operations targeting mineral-rich hinterland of Odisha, Jharkhand, and Chhattisgarh.

Exim

The collapse of the Chinese economy, which had become increasingly reliant on credit to sustain its rapid expansion, had ripple effects around the world. The silver lining has been the unprecedented growth in the Indian economy forecast to peg at 6.5 per cent in 2016-17. But even India has seen continuous slide in exports because of the prevailing slowdown in both traditional and emerging markets.

On the brighter side trade relations with South Asian neighbours improved. Bangladesh offered transit facility to Nepal for importing petroleum products from third countries and the landlocked nation also obtained access to Vizag Port. An Integrated Check Post was established at Birgunj-Raxaul check point at the Indo-Nepal border. The first laden vessel sailed from Krishnapatnam Port to Chittagong Port marking the debut of coastal shipping. In fact, sensing the business opportunity in coastal shipping many foreign vessels changed to Indian flag. Cabotage rules were amended to promote transshipment through Indian ports and a maiden voyage sailed to Ashuganj Port for transporting goods to Tripura under a transshipment agreement with Bangladesh.

Shipping Corporation of India resumed sailing to Iran after a four-year gap, while Iran ended free shipping of crude oil to India and terminated a three-year old system of getting paid for half of the oil dues in rupees. An MoU was inked with South Korea for cooperation in developing ports.

Logistics

The focus has been to increase the speed of doing business as Indian Railways launched timetabled freight trains to meet its incremental loading target of 50 million tonnes for FY17. Another initiative was the opening of railways parcel business to container train operators to run parcel special trains. India's first rail auto hub is being developed in Walajabad near Chennai, aims at shifting the transportation of cars to rail rather than road.

Regulations

The Union Cabinet approved the proposal of Ministry of Shipping to replace the Major Port Trusts Act, 1963 by the Major Port Authorities Bill, 2016. This will empower the major ports to perform with greater efficiency with full autonomy in decision making. A new model concession agreement for ports has been announced for more equitable allocation of risk, provision to handle unforeseen circumstances and attract more private investments. The 12 major ports have been instructed to finalise capital/maintenance dredging contracts through open competitive bidding and to go for long-term dredging contracts. Six rules under the Merchant Shipping Act have been scrapped to promote ease of doing business. The government announced a 10-year, $600-million package aimed at boosting the shipbuilding and ship repair capabilities. Infrastructure status has been granted to shipyards enabling them get long-term finance at cheap rates. New stevedoring and shore handling policy was announced and all port customers will be notified on the ceiling tariffs set for Stevedoring and Shore Handling activities. The tariff will be mandatorily displayed on the port website. DG Shipping announced guidelines for VGM reporting under SOLAS.

Termed by many as the year of consolidation for shipping lines, 2016 has seen major disruption that will continue into the New Year. A bright spot has been the Indian ports sector that managed to put up a brave face, backed by favourable government policies. mg

Ease and Unease

While the debate for and against 40 per cent DPD by major ports continues, it will be interesting to see the ports gear up to meet the targets and how the CFS realign their business strategies to retain their importance in the logistics chain

by Sisir Pradhan

The recent dictum by Prime Minister's office to major ports to ensure 40 per cent of import containers to be delivered to customers directly has made CFS operators anxious about their existing investment and future role in logistics. In the process to rationalise logistics cost, often the fees involving cargo clearance through CFS were under scrutiny for some time. While the trade in general is optimistic about the development but the decision leaves certain questions unanswered! The December deadline is being seen too hurried, and there is no elaboration about the future role of CFSs, and also the shipping lines, who dictate the tariff, have been kept out of the ambit of the reformation.

Clarifying the stand of CFS operators, Ashutosh Jaiswal, President (Eastern Chapter), National Association of Container Freight Stations, said, "Ports like Kolkata used to handle just 2.6 lakh teu till 2008, however after CFS came into the picture the cargo volume has increased to 5.9 lakh teu. The government has set a target to deliver 25 per cent of cargo through DPD by December 31 and 40 per cent till end of FY2017 for Kolkata. If the government is serious about bringing down logistics cost and improve on 'ease of doing business' then DPD facility should be extended to all instead of only 40 per cent of importers. The reason is major port infrastructure is not capable of delivering 100 per cent DPD. The decision is made in the vested interest of few private terminals who want to do away with CFSs."

Moreover, the government has not done anything about incentives charged by shipping lines, which is the root cause of the problem. The DPD model will particularly affect cargo clearance for ports located inside congested cities like Kolkata and Chennai. Furthermore, a lot of cargo clearance related activities like clearance from Drug Controller and plant quarantine are done at off the dock facilities, said Jaiswal.

J Celestine Villvarayar of Tuticorin-based Vilsons CFS looks at the bigger picture and hopeful that though in the short-term DPD will affect CFSs but in the long term it will increase throughput for ports which will be beneficial for CFSs. "CFSs can reinvent their business and value addition and containerisation of export cargo will increase at CFS. DPD is still at a very nascent stage but as the trade gets aware of its benefits they will adopt it."

However, Villvarayar is doubtful about ports being able to deliver 40 per cent of cargo through DPD by December. He said, "It will take at least a year's time to achieve 25-30 per cent of DPD at Tuticorin. Unlike JNPT, other major ports have to upgrade their infrastructure to make DPD a reality. Customs compliance is a very major element for delivery of cargo directly at port or at CFSs. The infrastructure needs to be in place for assessment of cargo by Customs and other statutory agencies unless which DPD can't be a reality. There are variety of cargo like scrap that needs to be physically examined, and Customs will have to comply to their laws. Hence, the nature of cargo will also determine the percentage of cargo cleared through DPD at a port "

Notably, V.O.C. Port at Tuticorin had issued a trade notice in July to increase the share of DPD consignment to 25 per cent by September but so far DPD volume has not taken off at the port significantly. DPD consignment accounts for less than 1 per cent of total cargo at the port. It is time India should learn from neighboring ports like Colombo which has regulations in place to curtail the way liners operate there. While government looks to bring down unit cost for EXIM cargo but it is not possible until the incentives charged by liners are not hold back. There should be some regulation to bring in transparency in the charges levied by liners to make DPD a success.

MARKET OUTLOOK 2017 STATIC!

Consolidation, costs and capacity highs will again be the buzz words. The Indian industry backed by sectoral reforms is currently doing well in the logistics space but western winds continue to impact Indian businesses as well

2016 was perhaps a year that seafarers and sailors would like to forget in a hurry. It made soldiers of seamen who are usually navigators and merchants. It was an unusual year in history that marked the coming together of many businesses – mostly shipping lines – for reasons of threat of survival than opportunity to grow. It was a year that tested everyone's mettle. From shipowners to custom house agents and every little trader who wanted to sell his wares overseas had to be aware of little expenses as no one wanted to lose sight of even a small leak that would sink their ship.

All this because economic pressures continue to compress revenues and profit margins with a growing, underutilised fleet size for almost all shipping lines. While the worst hit by the economic storm was the container class, the bulk, break bulk and oil ones have their woes to tell too. The tanker market was perhaps the only segment that had better stories to share due to a consistent drop in oil prices. Everybody we know of has held on to their resources dearly not swerving much from the budgeted expenses.

But it was as much as year of consolidation and integration as it was of firms losing to the strong current of an unfavourable business environment. With as many as 10 shipping lines choosing to merge or be taken over by their peers, the order of the top 10 ruling the roost was juggled. The outlook, therefore, for anyone in the industry is cautious. There are a few upsides to be happy about in 2017. Bunker prices are expected to stay low and over time, consolidation is expected to bring down the competitive pricing regime where one cuts rates beyond one can handle. Moody's, the credit rating agency, believes freight rates will remain low due to subdued demand, but that deferred vessel deliveries, cancellations and scrapping will help curb net capacity growth. "After a steep decline this year, freight volumes should stabilize near current levels, with core pricing rising between 2 per cent and 2.5 per cent as a result," Moody's said. The tanker sector will still be the one to cheer next year as well.

So the year 2017 will still be about consolidation, costs and capacity highs. Backed by sectoral reform, the Indian industry is currently doing well in the logistics space but western winds continue to impact Indian businesses as well. Low cost and efficiency are still being sincerely courted by all firms in the shipping spectrum. But since New Year is here, everyone is hoping against hope. Anybody can pilot the ship when the sea is calm, but it takes a lot of nerve and steel for one to steer a tight ship. The worst is over in 2016. Profitability may seem out of sight, but we hope your ship will come too laden with all gifts and bounty. In the while, it would be good to use one hand for yourself and one for the ship. mg

Arun Kumar Gupta
Managing Director, India Ports Global Private Limited

Business in 2016

The business in India has not been very bad compared to the global situation, world economy, taking in view the depression in shipping freight rates. Fuel prices are still around $50 which is some relief and this is the reason why Indian shipowners are able to survive. Tanker market by and large is satisfactory, but container freight and dry bulk I think are still under a lot of pressure.

Due to the push given by the ministry, the things at the ports sector are getting better than the shipping sector. There is a lot of focus on infrastructure development, utilisation of capacity, bringing in efficiency, ease of doing business. A lot of steps are being taken to be customer friendly, to improve the logistics and hinterland connectivity and capacity addition. So I believe the ports sector is doing quite well. All ports are now focusing on ease of doing business; for example, the Goa Port has given the dredging contract and JNPT is leading in reducing dwell time.

Indian initiatives in Bangladesh and Iran

Things are proceeding pretty well with respect to India's interest in Iran, particularly the Chabahar Port. There has been a bit of delay and timelines are floating but that is on the Iranian side. Nevertheless, I believe project Chabahar should be operational in second half of 2018. We have signed the trilateral agreement for transit to Afghanistan and both the things complement each other.

> "I BELIEVE PROJECT CHABAHAR SHOULD BE OPERATIONAL IN SECOND HALF OF 2018. WE HAVE SIGNED THE TRILATERAL AGREEMENT FOR TRANSIT TO AFGHANISTAN AND BOTH THE THINGS COMPLEMENT EACH OTHER."

Business in the near future

Freight rates will continue to be under pressure, nothing dramatic will happen. Some correction might take place, but the struggle will continue. The supply-demand gap is still there and the equilibrium is nowhere near.

Plans for 2017

My only agenda for 2017 is that I am focused on Chabahar Port, chasing targets set by the ministry.

A Janardhana Rao
Managing Director, Indian Ports Association

Business in 2016

The experience during 2016 and till date during 2016-17 has been very positive and encouraging as it has been overall improvement in port operations. Some of the important development which took place during 2016 are as follows:

The major ports handled traffic of 606.37 million tonnes in 2015-16 had an increase of 4.31 per cent over the previous year, inspite of global recession. The growth during 2016-17 till November, 2016 has further increased to 6.77 per cent against corresponding period of last year.

The growth in traffic in non-major ports which used to be around 10 per cent per annum have shown a traffic growth of only around 1per cent in 2015-16. Therefore, the growth in Major Ports is commendable.

Consequentially, the share of Major Ports in total cargo handled has increased from 55 per cent to 56 per cent and the non-major port share has come down from 45 per cent to 44 per cent. Major ports are increasing their share vis-à-vis non-major ports after seven years.

Kandla Port Trust has achieved cargo throughput of 100 million tonnes this year and is the first major port to do so. Mundra is the only other Port in the country with cargo traffic of more than 100 million tonnes.

Operating profit margins improved from 27 per cent in Financial Year 2013-14 to 39 per cent in Financial Year 2015-16. Operating profits increased by nearly ₹670 crore. (₹3,593 crore in 2014-15 to ₹4,268 cr in 2015-16)

The capacity addition in major ports in 2015-16 is around 100 MMT, which a record achievement. The efficiency of the ports improved tremendously as the ship berthday output increased from 12,523 tonnes to 13,584 tonnes, the turnaround time reduced to 2.04 days during 2015-16 against 2.13 days.

Other achievements

A new Special Purpose Vehicle (SPV), namely Indian Port Rail Corporation Ltd., has been set up to undertake last mile connectivity projects in major ports so as to improve their handling capacity and efficiency.

India Ports Global Private Ltd. (IPGL) has been set up as a joint venture company of JNPT and Kandla Port Trust with the mandate to develop ports overseas. IPGL has already signed an MoU with Chabahar Port in Iran.

The National Perspective Plan under "Sagar Mala Project" has been prepared. It was released by Hon'ble Prime Minister during the Maritime India Summit on April, 14, 2016. As part of Sagar Mala, more than 400 projects, at an estimated infrastructure investment of more than ₹7 lakh crore, have been identified across the areas of port modernization & new port development, port connectivity enhancement, port-linked industrialisation and coastal community development.

"The Maritime India Summit, 2016" which saw very enthusiastic participation from more than 40 countries. 141 Business Agreements worth ₹82,905 crore were concluded during the Summit.

The Ministry of Shipping has also initiated developing new ports at Sagar Island, Enayam, Vadhavan in Maharashtra and a satellite port at Paradip. State Governments are developing new ports at Vizhinjam, Cuddalore and also along Andhra coast.

To promote coastal shipping, cabotage relaxation has been given for specialized vessels like Ro-Ro for five years. The government has also given grant to ports to develop exclusive coastal berths to ease loading and unloading of coastal vessels and enable quick movement of cargo on coastal routes.

An international consultant was engaged to prepare a Quantitative Benchmarking Module which covered the operational, financial, human resources and efficiency related parameters for benchmarking of efficiency and productivity of major ports in India against international standards and define Key Performance Indicators for the ports and terminals. A clear roadmap for improvement for each port has been laid out covering changes in the areas of core business processes, equipment, organisation structure, people skills, information technology and infrastructure. A total number of 104 new initiatives for 12 major ports has been identified which would increase the volume of traffic significantly and also avoidance of capital expenditure.

The implementation of above initiatives has lead to improvement in the efficiency parameters of the major ports as the average shipberth dayoutput has increased from 12,509 tonnes in 2013-14 to 13,584 in 2015-16. Similarly the Average turnaround time which was 2.55 days has reduced to 2.04 days during the said period. This explains well the increase in speed of cargo and unloading operations at major ports.

> "DURING THE NEXT FINANCIAL YEAR GIVEN THE INTEREST SHOWN IN THE SECTOR, PROJECTS WITH ANOTHER 100 MMT CAPACITY WILL BE LIKELY TAKEN UP. IN RESPECT TO TRAFFIC, IF THE CURRENT GROWTH RATE OF 6.77 PER CENT CONTINUED, MOST LIKELY THE MAJOR PORTS TRAFFIC WILL BE AGAIN MORE THAN NON-MAJOR PORTS' TRAFFIC."

Business in the near future

The development of the sector is taken place due to concerted efforts put in at all the level. There has been concrete process involving all the stakeholders in the process. The government is closely and regularly monitoring the process and it will continue in the next years to come. However, some of the items to be taken in 2017 are as under:

Two major ports Kamarajar Port and Mormugao Port will achieve 18 metre draft in 2016-17. Both the dredging projects have been awarded this year. This will enable bigger cargo ships arriving at the ports.

With the details mentioned above, it is projected that during the next financial year given the interest shown in the sector, projects with another 100 MMT capacity will be likely taken up.

In respect to traffic, if the current growth rate of 6.77 per cent is continued, the traffic at the major ports will most likely be more than that at non-major ports.

So far as the projects under private sector participation is concerned, 30 projects are in the pipeline, bidding and RFQ stage with a proposed capacity addition of 241 MMT and investment of ₹19,112 crore in the forthcoming years has been planned for further infrastructure development is expected.

On the regulatory front

On the regulatory front two major issues will be taken up during the near future and hopefully get the government nod for implementation. Those are:

The Major Port Trusts Act, 1963 has been revised and after various round of consultations with stakeholders and approval of the Law Ministry & cabinet, it has to be placed before the Parliament. Some of the salient features of the New Major Port Authorities Bill 2016 include: Grant of management level autonomy to 'port authority' of each major port, Limited role of government to core decisions on matters of national interest and national security; PPP operators free to fix tariff and notify ports (this will be applicable only for future projects after new Act is passed); Constitution of Major Ports Adjudicatory Board for dispute resolution between PPP operators and port; to review stressed PPP projects and to suggest remedial measures. The Bill is more compact in comparison to the Major Port Trusts Act, 1963 as the number of sections has been reduced to 65 from 134 by eliminating overlapping and obsolete Sections. The new Bill has proposed a simplified composition of the Board of Port Authority which will comprise of 11 members from the present 17 to 19 Members representing various interests.

A compact Board with professional independent members will strengthen decision making and strategic planning. Provision has been made for inclusion of representative of the State Government in which the major port is situated. Similarly, the Model Concession Agreement (MCA) for PPP port projects has been reviewed and a new MCA will incorporate the recommendations of Kelkar Committee, the exit clause, provision of Review Board etc. The revised MCA also envisages equitable distribution of risk between private investors and the port authorities with a view to promote private investment. The Document is finalised, cabinet note prepared aand is pending for approval. ■

Balaji Arunkumar
Deputy Chairman, Kolkata Port Trust

"THERE IS SUFFICIENT DEMAND TO BE MET IN THE COMING YEARS BUT INFRASTRUCTURE PROBLEMS SLOW US DOWN A TAD. LOCK GATES AT KOLKATA AND HALDIA ARE OLD AND THERE IS A SHORTAGE OF BARGES. AGAINST THE SET TARGET OF 60 MT FOR KOPT, WE WILL PROBABLY DO AROUND 50 MT IN THE 2017 FISCAL AND ABOUT 55 MT BY 2018 MARCH."

P L Haranadh
Deputy Chairman, Visakhapatnam Port Trust

Business in 2016

One of bright spots is the increase in container traffic at the port that saw it rise in the months between April and October to 15 per cent. This is because of the increased movement of goods towards Nepal and Northeast India that saw a 20 to 25 per cent rise in the number of containers moved. On the bulk cargo side we also see an increase in domestic coal movement between Kolkata Port and Vizag Port. However, there has been a drop in pulses, steel, coal and iron ore imports. An increase in duties imposed by the central government on steel has stopped GAIL India Ltd from stepping up imports. Similarly, sanctions imposed by Myanmar within the country on felling trees has accounted for a drop in import of wooden logs as well. Overall, we expect Haldia Port to do better in 2017.

Business in the near future

The prospects for the Indian maritime industry do look bright. There is stiff competition from the private players, but thanks to the support of the Shipping ministry, we have been able to do well. There is sufficient demand to be met in the coming years but infrastructure problems slow us down a tad causing congestion. Lock gates at Kolkata and Haldia are old and there is a shortage of barges for movement of cargo. Against the set target of 60 mt for Kolkata Port Trust, we will probably do around 50 mt in the 2017 fiscal and about 55 mt by 2018 March.

Plans for 2017

We aim to improve operational and business efficiency in all quarters. There is no plan to undertake any new development at the port in the near term. However, at Haldia Port, work is underway to improve handling capacity of ships and to ensure swift movement of cargo. The Outer Terminals I and II are being enhanced for transloading operations with barge cranes and ship cranes. A Floating, Storage and Regasification Unit (FSRU), for which tenders have been invited, will be ready by the year 2019.

On the regulatory front

We expect the Tarrif Authority for Major Ports to be replaced by some other authority whose scope may be different and inline with increasing competitiveness of major ports. We would like to see more autonomy for ourselves to meet competition from private ports.

Which key segments will have a brighter future?

We forecast an increase in container, coal and project cargo. For project cargo, we have a dedicated berth which shall be used as and when demand arises. The drop in dry bulk cargo is on account of pulses getting containerised. There is also a chance of greater movement of construction equipment to Bangladesh and more short-sea shipping emanating from KoPT. ■

Business in 2016

While the global shipping industry has been in turmoil, plagued by over capacity, dwindling cargo volumes and declining freight rates, the year 2016 has been very rewarding for us operationally. We've increased our cargo throughput as suggested by the Boston Consulting Group, which is a significant achievement for us. The target set until March 2017 is 61 MT and we've clocked in 40.6 MT already. On other operating metrics, our cost per tonne (for handling cargo) is down to ₹78 compared to ₹96 last year. The pre-berthing detention hours are down to 1.18 days as against 1.70 days earlier. The little delay is on account of documentation and other non-port factors. We are also requesting vessels to stay away from berthing until they have all the documentation ready and have sufficient ullage. This will help in smooth movement of vessels. Another key number that we are proud to bring to public eye is the fall in average turnaround time from 4.19 to 3.74 days. This has resulted in significant time and cost savings for the business community using our port.

On the cargo front, the port has been able to do well despite economic uncertainty globally. We have seen a drop in coal imports on account of increase in domestic production and higher international coal prices. This, however, has been compensated by an increase in iron ore exports and more coastal movement of cargo. The government is pushing for more coastal movement of cargo and

"WE WILL TRY TO MAXIMIZE COASTAL MOVEMENT OF COAL. TODAY ALMOST 95 PER CENT OF ALL COAL IMPORTED THROUGH INDIA'S EASTERN COASTS MOVES BY RAIL. WE WILL PERHAPS TIE UP WITH SPECIFIC PLAYERS AND TRY TO MAKE SHORT SEA SHIPPING MOST COST EFFECTIVE."

shifting away from road and rail. We are also in the process of identifying new cargo and a team is assessing potential customers, cargo, freight advantage and challenges if any. We reckon that a reduction in handling charges, labour levies on break and dry bulk cargo will help us attract more cargo. We've also allowed a flat 50 per cent rebate on railway terminal charges. We hope to bring back old customers and at the moment our focus is on coal, coke, bauxite and manganese. The only challenge as we see it perhaps is inflexibility in fixing our tariff. If we are allowed more room on this front, there could be a level playing field between us and the private ports.

Business in the near future

The maritime industry will do well in India. However, we foresee a drop in coal handling. But we will try to maximise coastal movement of coal. Today almost 95 per cent of all coal imported through India's eastern coasts moves by rail. We will perhaps tie up with specific players and try to make short sea shipping most cost effective.

Plans for 2017

We aim to be the hub port on the east coast of India with some of the best handling facilities in the country. Our iron ore terminal where construction is underway can unload up to 8,000 tonnes per hour. We also have the deepest container terminal in eastern India with a draft of 16.5 m and we expect this terminal to handle more cargo in 2017. We've also been named the second gateway port in the country for Nepal so we expect more movement towards and from Nepal. The doubling and electrification of the Raigad-Vizag line will draw traffic from North India and will hopefully divert flow of cargo from Mundra and Pipavav to the east coast. We are also developing four general cargo berths where Panamax vessels can call. These measures, coupled with new cargo should see us through 2017.

On the regulatory front

We would like to see the Tariff Authority for Major Ports abolished besides reconstitution of our board to grant us more independence for us to compete with non-major ports.

Which key segments would see a brighter future in 2017?

We would like to place our bets on iron ore and liquid cargo. With Hindustan Petroleum Company Limited commissioning us to construct a liquid cargo berth with a capacity of 8 million tonnes, we will count on this to bring us about 7 mt in crude. This berth can be expanded to 15 mt capacity. Work has begun on the construction of this berth and will be completed by the year 2019. Our other liquid cargo berths are operational with the POL berths being renovated to handle Panamax size vessels. By 2020, we plan to handle a total of 78 million tonnes of bulk, container and liquid cargo. ■

Sandeep Mehta
President – Business Development, Adani Ports &SEZ Ltd

"THE SURPLUS ON THE SUPPLY SIDE WILL CONTINUE IN 2017 AS WELL. BREXIT, DROP IN DOLLAR VALUE AND DEMONITISATION IN INDIA WILL HAVE THEIR IMPACT AND THE FIRST TWO QUARTERS WILL REMAIN SUBDUED AGAIN."

Business in 2016

Business has been challenging for the whole shipping industry. Larger ships have created overcapacity and freight rates could not be brought back to any level of sanity and market share for any company had become the predominant Holy Grail. A lot of consolidation has happened and we will see more in the coming year. Panama Canal has created a huge surplus of some vessels which are now redundant, so they are finding new homes. Big ships and big ports will have a future.

Adani container business in 2016

Adani is geared to handle big customers, big ships with better hinterland connectivity offering end-to-end solution. In response to the market needs Adani is positioned correctly.

Business in the near future

The surplus on the supply side will continue in 2017 as well. BREXIT, drop in dollar value and demonitisation in India will have their impact and the first two quarters will remain subdued again. Once things get stabilised more regional business will develop – Bay of Bengal will develop and our Dhamra container operations will start. On the eastern side I think COSCO China shipping will have to position itself correctly and there will be growth in South Asia which will be better than other places. There is still opportunity in Middle East if oil prices are maintained. So South Asia, Middle East and Bay of Bengal will be the bright spots.

On the regulatory front

Government has taken good initiatives, they are very focused and are putting interfaces so that all operations are handled through technology. 'Ease of doing business' is actually seen implemented at the ground level. Whether it is Customs, scanning of containers and interface with the railways, it is all going to come together. Government is pushing for cashless transactions, reducing the transaction time, GST will be a major milestone for the logistics sector. The whole pattern of distribution and supply chain will become more sophisticated.

Anil Yendluri
Director & CEO, Krishnapatnam Port Company Limited

Business in 2016

There were more challenges than before to the economy that has definitely put stress on everyone. We have seen basic industries such as cement and steel companies struggling. Suddenly there was a glut in electricity production as there were no buyers for electricity. Three years back nobody would have presumed that there would be surplus power and people would be looking to sell power. Many power plants have been shut down or partially closed and power production had to be brought down as there were no takers. This has also effected the ports sector and coupled with this there was also a glut in coal production within the country as there were not many takers. So there was pressure on coal mining companies and this had also put pressure on railways and Indian Railways had also changed their strategy by reducing long distance freight rates. The railways were discouraging RSR and this again was putting pressure on ports and coastal shipping.

"WE ARE EXPLORING THE CHINESE MARKET AS THEY ARE IMPORTING RICE SO WE ARE TALKING TO THE EXIM COMMUNITY SO THAT MORE RICE EXPORTS START FROM INDIA TO CHINA, ESPECIALLY NON-BASMATI RICE. THE PORT IS GROWING AT A HEALTHY PACE AND OUR CONTAINER GROWTH RATE SHOULD BE ABOVE 60 PER CENT THIS YEAR."

Road movement has also increased significantly. Earlier railways used to get all the cargo for destinations as far as 250-500 km; today even up to 1,000 km, people prefer to move by road. Around five years back 75 per cent of the cargo used to go by rail, but now it is 35 per cent or even less. Now top line and bottom line of railways is under pressure. Earlier, railways have blindly depended on coal and had not penetrated into other forms of cargo, but now they are changing their strategy and this is effecting the ports. Handling rates instead of going up are falling because of less cargo, for which ports are also competing.

This is not a good situation for the economy as multiple sectors are under stress. To reverse this scenario the government should start investing on areas where India needs such as roads and rail. Today, we see 90 per cent of rail lines moving and there is no space for cargo as most of the capacity is occupied by passengers. We should have the dedicated freight corridors completed quickly so that longer trains can move cargo quickly and per tonne movement cost is reduced. We cannot afford to have 50 or 60 wagons carrying freight, as in developed countries there are longer trains moving cargo in 200 plus wagons. The trains should be able to move at 100 kmph plus speed so that freight cost is reduced. On the road side we should have bigger trucks or even double decker trucks moving cargo so that freight cost is reduced as this will help our industries become more competitive.

India is still a raw material exporter to the world, but this scenario has to change and we should start exporting finished goods. We should focus on growth with jobs unlike the western countries where they create growth without creating jobs. Sectors such as textiles and tourism are labour intensive so we need to focus on them as well.

Bright spots in 2016

Not much. Demonitisation though started with good intentions has created confusion. So we need to seriously understand the implications of our actions and if required we need to correct so that economy is put back on the track.

Business in the near future

I expect the decision makers, opinion makers and the common man are brought on the same page so that we do not miss the growth opportunities we have today. Right now we are a $2 trillion economy; if we want to become a $7 trillion economy, policies have to be made bottom up rather than being top down driven. We need to understand the needs of the villages, districts and states and do micro planning and this should lead to macro planning.

Plans of KPCL for 2017

We are continuously understanding the needs of our customers and working both backwards and forward so that the performance of our ports improves. We are exploring the Chinese market as they are importing rice so we are talking to the EXIM community so that more rice exports start from India to China, especially non-Basmati rice. The port is growing at a healthy pace and even in such gloomy period our container growth rate should be above 60 per cent this year and bulk cargo movement is also satisfactory.

On regulatory front

There is too much of regulation in the country and a lot of deregulation should happen. Regulations should be present to the extent where our national interest is concerned, but when it comes to state wise or cargo wise interest it should be deregulated.

Keld Pedersen
Managing Director,
APM Terminals Pipavav [Gujarat Pipavav Port Ltd.]

Business in 2016

Global container port traffic growth was just 1 per cent in 2015 and does not look very optimistic in 2016. Terminal operators are facing unique challenges to their profitability and returns. However, the International Monetary Fund has projected that India's GDP will grow by 7.4 per cent for 2016–17.

Our container business witnessed a marginal growth and there has been a steady growth in RoRo business largely driven by exports. With APM Terminals Pipavav successfully completing its capacity expansion project on time, our annual container throughput handling capacity has increased from 850,000 teu to 1.35 million teu.

Business in the near future

The slow global economy and weaker demands are impacting the maritime industry adversely. Oil prices too have impacted the falling freight rates. This has led to collaboration of the liners. The top five ocean carriers (including APL and UASC within their new parent structure) now control approximately 54 per cent of the world's containership fleet.

Terminal operating costs are going up and in order to maintain profit margins, prices would have to rise. However, the loss-making carrier community in turn seeks to reduce the terminal handling prices. So it is quite a challenging situation for port/terminal operators!

> **"TERMINAL OPERATING COSTS ARE GOING UP AND IN ORDER TO MAINTAIN PROFIT MARGINS, PRICES WOULD HAVE TO RISE. HOWEVER, THE LOSS-MAKING CARRIER COMMUNITY IN TURN SEEKS TO REDUCE THE TERMINAL HANDLING PRICES. SO IT IS QUITE A CHALLENGING SITUATION FOR PORT/TERMINAL OPERATORS."**

However, in India, certain major ports have indeed shown positive growth due to coastal trade and picking up in demand from emerging economies. The announcement on fresh incentives for coastal shipping has stirred interest of Indian industry.

To leverage on Make in India and Sagar Mala project, creating the manufacturing hubs around port, making port systems efficient strengthening first and last mile connectivity to the port including seamless connectivity to hinterland are crucial for the Indian maritime industry's growth.

Plans for 2017

We have completed our container handling expansion project this year and are ready to accommodate any surge in this business. Currently we have 1.35 million teu of container handling capacity, 4-5 million MT of dry bulk cargo, 2 million MT of liquid bulk cargo and approximately 250,000 passenger cars per year. We have additional land side and marine side which can be developed further based on the business requirements.

A dedicated container yard and warehousing infrastructure ensures sufficient storage.

On the regulatory front

The initiative of government, in the recent years, to focus on port led development and announcement of various policy measures has made the sector quite attractive. But be that as may, I see some challenges faced by the maritime industry and certain issues that need attention to achieve the global standards. Logistic cost to GDP in India is quite high at 14 per cent compared to other countries where it is less than 10 per cent. High handling costs, procedural delays, and lack of proper infrastructure have resulted in higher-than normal logistics costs for the system. Estimated wastage due to poor logistics is approximately 4 per cent. The logistics network is skewed towards roads (55 per cent), rail (32 per cent), pipelines (7 per cent), and waterways (6 per cent). The cost per tonne-km logistics by various modes are as follows: road - ₹2.3, rail - ₹1.2-1.5, waterways - ₹0.2-0.3 and pipelines - ₹0.1-0.15.

Despite having a 7,500 km of coastline, none among the 200 odd Indian ports figure in the list of global top 20. This clearly indicated that our ports' efficiency and productivity need to be scaled up immediately. In China a container transport from hinterland to vessel takes about 6 days whereas in India it takes around 7 to 17 days which adds to the logistics cost. The Sagar Mala project is a great initiative by the Ministry of Shipping which aims at plugging these lacunae in the Indian maritime industry by investing in new ports and port infrastructure, modernising the existing ports to promote port-led development and to provide infrastructure to transport goods to and from ports quickly, efficiently and cost-effectively.

Which segments would see a brighter future in 2017?

Ours is a multi-product port and we look at all our businesses with similar focus. I see a lot of potential in Gujarat as it is nearest maritime outlet to Middle East, Africa and Europe, while it has vast and fertile hinterland, constituting 35-40 per cent of the total Indian Maritime trade. It also has large seafood belt. India is among the top five automotive markets (in context to sales) in the world. In FY 2015 approximately 31 per cent of small cars sold globally were manufactured in India. In that context, coastal, Ro-Ro facility will be very beneficial for businesses to curtail the logistic cost. With a vast coast line we should utilise our waterways in an effective manner as it is eco-friendly and cost saving. However, since it involves huge initial investment, all the stakeholders need to work together to make this movement successful for the benefit of the industry and for the end user. ■

Anil Devli
CEO, Indian National Shipowners' Association (INSA)

Business performance in 2016

Business wasn't good at all. The entire industry has been impacted. There are several factors at play such as the imbalance due to lower demand and over supply of tonnage. There has been a major dip in the offshore side as well due to contracts being renegotiated by Indian companies and supply being low. However, some new acquisitions took place and companies such as SCI, Varun added some tonnages. Policies have not changed dramatically to make us more competitive and Indian companies have been non-competitive in India itself.

Business in the near future

The basic expectation in the new year is the recognition of the need for a national fleet. This needs to happen on a nationwide basis with support from the policy makers. Home-grown companies should be given the necessary policy support in the form of financing, so that they can acquire extra tonnage.

INSA's agenda for 2017

Our only agenda for the new year is that Indian shipping companies become competitive. Indian ships are not able to compete with foreign ships in India because of duties and taxes. We find it surprising that Indian ships in the domestic market are more costly than foreign ships, whereas Indian ships are able to compete and take away cargoes in foreign trade from their competition. This year we will try hard to figure out how Indian ships can be made more competitive in the domestic market and we can grab a larger share in Indian cargo.

Impact of Cabotage relaxation

I take this opportunity to put across clearly that there is no Cabotage in India because there is no restriction on foreign flag ships working in India. What we have in India is right of first refusal. Which means that if a foreign company says that it can carry cargo for X rupees, then a choice is given to Indian companies to also carry the cargo at X rupees. Now here again we need to remember that Indian flagged ships are not competitive with foreign flagged ships due to the duties and taxes.

Cabotage means restricting foreign flagged vessels from carrying cargo on the Indian coast, but on the contrary, on the Indian coast close to 87 per cent of the cargo is carried by foreign flagged vessels. Because of this no shipper is willing to pay a single rupee extra to Indian ships as the cost of hiring Indian ships is higher.

Having said that we welcome more investment into India. There is 100 per cent FDI available in shipping. We welcome foreign companies to come and invest in India in line with the Prime Minister's 'Make in India' and 'flag in India' initiative.

On the regulatory front

From the regulatory point of view the Ministry of shipping and DG shipping have taken a lot of steps to resolve issues. However, we need reforms on certain fronts such as financing of Indian ships and the support from RBI in buying and selling of our ships. We also look forward to long-term partnerships with oil companies. Oil companies should consider getting into long-term partnership with Indian shipping companies. We are also looking at the coal and power ministries to explore the option of long-term partnerships with Indian flagged vessels. In these issues, ministries other than the ministry of shipping need to step in.

Impact of demonitisation

There has not been any significant impact of demonitisation because as an industry we are under the tonnage tax and secondly all the shipping transactions are done through banking channels. So at the end of the day, the entire trade, export/import takes place through banking channel. Some minor impact has been on the daily wage stevedoring operations for loading/unloading and road transport companies.

> "THE NEED FOR A NATIONAL FLEET SHOULD BE RECOGNISED ON A NATIONWIDE BASIS WITH SUPPORT FROM THE POLICY MAKERS. HOME GROWN COMPANIES SHOULD BE GIVEN THE NECESSARY POLICY SUPPORT IN THE FORM OF FINANCING, SO THAT THEY CAN ACQUIRE EXTRA TONNAGE"

Samir Shah
Chairman, FFFAI

Business in 2016

The year 2016 was very sluggish and challenging for the freight forwarding and logistics business. We have seen continuous slide in exports from India because of the prevailing slowdown in both traditional and emerging markets. Only very recently we have witnessed some recovery as far as exports from India are concerned. The industry scenario was vulnerable mainly because of the downturn in volumes in both export and import. This has resulted in many

SINCE EXIM MARKET IS LIKELY TO BE FLAT IN 2017 AND THERE WILL BE TREMENDOUS PRESSURE ON YIELD AND PROFITABILITY, THE ONGOING CONSOLIDATION PROCESS WILL BE INTENSIFIED FURTHER AMONGST THE SHIPPING LINES, RESULTING IN INCREASE OF TARIFF.

of us in Service Sector taking a hit in terms of finance and otherwise.

Accordingly, the ability to adapt and agility has been administrated clearly by majority of the people in the Service Sector.

Business in the near future

Since Exim market is likely to be flat in 2017 as well and there will be tremendous pressure on yield and profitability, the ongoing consolidation process will be intensified further amongst the shipping lines. This would result in a fast reduction of choices coupled with limited services and increase of tariff.

The biggest challenge would be how to cope up these changes and ensure that the industry survives this changing scenario.

Agenda for 2017

At this juncture, smarter way out would be going beyond traditional methods of doing business, exploring new opportunities that supplement the core business, increasing domain knowledge & skill and adoption of required technology. Further dependence on technology and being lean and agile would be drivers for future survival of the industry. More usage of technology, less human intervention and more trusting approach from the government can be viable antidotes in the years to come. FFFAI would further strengthen all these initiatives keeping in mind that there is an urgent need for collaborative actions within the industry practitioners and jointly with government/its agencies for the larger benefits of the industry and the country. In 2017 FFFAI will go for massive training and skill development initiatives to prepare its members against forthcoming challenges.

On the regulatory front

On the regulatory front there are already some very positive developments pertaining to fast processing and clearance of shipments. However, if the government continues initiating and facilitating dialogues with the freight forwarding/logistics industry with a complete holistic approach, we will achieve much more than what we have set out to achieve. The role of the government should be to facilitate such actions. And, FFFAI is committed to support our export community through our expertise as service providers pertaining to clearances of shipments, transportation and other logistics services.

According to FFFAI, RMS, Ex-bond etc., manual out of charge should be replaced by system out of charge. Custom's 'Paperless' initiative should be with minimum human intervention. The processing procedures have not been changed at the front end. Receiving the paper from the Department should be done away with. It is important that the process is revamped to achieve true facilitation.

Umesh Grover
Secretary General, CFSAI

Business in 2016

The sluggishness and stagnancy in global markets have impacted

THE NEW MERCHANT SHIPPING BILL 2016 APPROVED BY UNION CABINET ONCE GAZETTED AFTER PARLIAMENT NOD WOULD BE A GREAT STEP TOWARDS "EASE OF DOING BUSINESS.

Indian EXIM trade too to the extent that growth has curtailed and export volumes dipped to some extent. The business volumes obviously dipped and so did the balance sheet of majority of players. Major container Lines due to oversupply of tonnage and near stagnant volumes had tough times and some reputed global players like Hanjin had to perish. On Indian scenario, the positive vibes were the government's aggressive initiatives for "ease of doing business." However the disappointment came when the global ranking of India instead of improving dropped further.

Business in the near future

The first half of 2017 would be a big challenge for EXIM trade as several SME industries have been hit by demonetisation in November 2016. Second half of the year is likely to see some in most of the segments. In the E&P Sector there is a hope too as very recently crude oil has advanced to the highest since July 2015 after Saudi Arabia signalled it's ready to cut output more than earlier agreed. Further non-OPEC countries including Russia pledged to pump less next year.

On the regulatory front

The New Merchant Shipping Bill 2016 approved by Union Cabinet once gazetted after Parliament nod would be a great step towards "ease of doing business." Now the revision of exiting outdated Indian Ports Act of 1908 is under revision. Under "ease of doing business" the government is aggressively working towards reduction in transaction/logistics cost to the end user. One such step is "direct port delivery" of import containers which is being encouraged.

Shailesh Garg
Managing Director, Drewry Maritime Services Pvt Ltd

Business in 2016

In terms of business the year was tough and there was lot of pressure on pricing. As we are in the knowledge industry, enquiries levels for advisory services were low coupled with long and delayed decision making process. Both, developers/operators and investors took a very cautious approach, delaying the entire process and even leading to cancellation of certain projects. This leads to higher uncertainty on revenue side, while resulting in higher operating costs.

In terms of achievements, despite the increasing competion, we were preferred partners for leading players in the industry.

> "INCREASING VESSEL SUPPLY WILL HAVE ADVERSE IMPACT ON FREIGHT RATES (DRY AND TANKERS). HOWEVER, RECENT TRENDS INDICATE THAT FREIGHT RATES IN THE CONTAINER SEGMENT MAY IMPROVE IN 2017. THIS WILL BE FURTHER SUPPORTED BY CONSOLIDATION IN THE LINER INDUSTRY."

Business in the near future

Outlook for the industry for 2017 is not very positive. Increasing vessel supply will have adverse impact on freight rates (dry and tankers). However, recent trends indicate that freight rates in the container segment may improve in 2017. This will be further supported by consolidation in the liner industry.

The market outlook for India is in line with global trend. The focus would be to improve efficiency at existing ports. Streamlining of processes and adoption of IT tools for ease of business will be the key for success in the highly competitive market.

Plans for 2017

Our plans in 2017 will be to focus on managing our costs and productivity plus looking for opportunities of expanding our service portfolio in allied and niche sectors. One of the growth areas is supply chain and logistics support services.

On the regulatory front

Definitely we are looking towards implementation of GST and its impact on transport and logistics industry. It is expected to have positive impact on flow of goods and transit times. However, it will be critical to have smooth and time bound implementation to achieve the key objectives of this key tax reform. ■

Unnikrishnan Nair
Managing Director & CEO, LCL Logistix (India) Pvt Ltd

Business in 2016

Although statistically business and economic scenario in India looks lucrative every passing day, but figuratively 2016 was a mixed bag of successes and distresses for us broadly in accordance with the global shipping industry. LCL Logistix's journey was collectively much better than its respective corresponding previous period.

Business in the near future

Globally, the sector is emitting loud and clear bleak outlook, India cannot be an exception. There would be further strain on profitability, if corrective contingency measures are not in place. One has to be "cautiously vigilant" on 2017 certainly in line with the broad economic fundamentals.

The Global Shippers Forum, a trade association for shippers, warns that less competition between lines will increase shipping rates. This could drive up the price of imported goods on shelves and make exports less competitive in the global market for many countries.

A slowing of world GDP growth has resulted in less containerised goods being transported around the globe, causing an oversupply of ships and downward pressure on freight rates.

Ratings agency Fitch is expecting more defaults among shipping lines, with very few assets easily convertible to cash and limited access to bank funding.

Plans for 2017

We are optimising our cost controlling approaches and streamlining operations to make our organisation more lean. The company has sailed the recessionary heat earlier, it will sail this time too. We are confident of meeting our targets set for 2017 and will execute our business plans competently and cautiously in the current challenging business environment.

On the regulatory front

We are also keeping our fingers crossed towards the Goods and service tax (GST), the long awaited major reform of Indian economy, which must deliver what it is aimed for – providing the required torque into the propulsion of Indian economy and commerce. ■

Jayyannt L Lapsiaa
President, All-India Liquid Bulk Importers & Exporters Association

"LESSEN THE INTERFACE WITH REVENUE OFFICIALS AT TIME OF ASSESSMENT. MINOR PORTS VIZ. HAZIRA, PIPAVAV, DAHEJ AND OTHERS SHOULD BE GIVEN FULL POWERS FOR ASSESSMENT AND TAKING DECISIONS WITH REGARDS TO ANY ISSUES THAT MAY ARISE AT THE TIME OF ASSESSMENT."

Business in 2016

The year 2016 was very productive and encouraging for EXIM TRADE. Some of the path breaking regulations introduced by the Government of India through CBEC were really proactive and boosted the Trade Facilitation measures in right earnest. Key was simplification of procedures and introduction of Authorized Economic Operator schemes along with the new Warehousing regulations. Some of the old notifications were revamped and some were scrapped. Response mechanisms from Customs improved by leaps and bounds.

Disappointments: Though the intentions of the government and CBEC were and are honest in implementation of the new legislations, there have been hurdles and obstacles at the ground level. Accountability has not been injected in the officers for compliance of the new regulations and new mind set, which is to bolster Ease of Doing Business. Though response mechanisms have been good, the implementation and addressing of grievances is being unduly delayed.

Business in the near future

The year 2017 promises to open new vistas for maritime industry. Shipping Ministry is going all out to give that much needed fillip and boost to the ports and port related infrastructure to ensure increase in volumes. With technological upgradation and setting up of state-of-the-art machinery, 2017 will see a gradual welcome transformation. 2017 will be the beginning of the new era for the sagging morale of maritime industry.

Plans for 2017

Plans for 2017 are to closely monitor the new policies and regulations being issued from time to time and ensure strict compliance by both the trade and the regulators.

On the regulatory front

We expect more accountability to be imposed on officials for delays and poor assessment. Antiquated policies and procedures, prevalent since the British rule, should be scrapped. Less of interface with revenue officials at time of assessment. Minor ports, viz. Hazira, Pipava, Dahej and others, should be given full powers for assessment and taking decisions with regards to issues arising during assessment. At the moment, each of the minor ports has to report to jurisdictional commissionerate which is located approximately 300-400 km away. Many times, issues with regards to live consignments get unduly delayed since the file has to travel all the way to jurisdictional commissionerate office.

Instead of four-tier assessment pyramid being followed, i.e. from [a] Appraiser i.e. assessing officer to [b] Asst. or Dy. Commissioner to [c] Jt. or Addl. Commissioner to [d] Commissioner or Principal Commissioner and then the reverse flow from [d] to [c] to [b] to [a] This is very time consuming and defies logic. This should to trimmed to only one level of appraisement. ■

Ajit V Pradhan
Country Manager, ClassNK Nippon Kaiji Kyokai

Business in 2016

From the industry point of view the business was very bad. However, there appears to be some light at the end of the tunnel in dry bulk cargo as it has started showing little positive indications with slight upward movement of charter rates of dry bulk cargo. Normally, in the winter season the markets are down, so it will be in February when we can see a clear indication for dry bulk whether the market is really improving or not.

Tankers market has been normal and better than the dry bulk market for the past seven to eight months, even though the last quarter was not so good. Container carriers market has been bad all around, but my information from the US clearly indicates there is a sign of container business improving. Even the gas movement has been not so good several LNG carriers were lying idle waiting for any charters to come up. The crude prices being low, LNG is not picking up as an alternate fuel currently.

For ClassNK the business was alright as we felt the pinch of the slowdown slightly later than the market did. There is a clear indication of slight decline in our business but there are other opportunities coming up to fix the situation. The shipowners are demanding more economical and efficient systems and this is the business we are slightly shifted towards and this has helped our business to perform better than

TANKERS MARKET HAS BEEN NORMAL AND BETTER THAN THE DRY BULK MARKET FOR THE PAST SEVEN TO EIGHT MONTHS, EVEN THOUGH THE LAST QUARTER WAS NOT SO GOOD. CONTAINER CARRIERS MARKET HAS BEEN BAD ALL AROUND. SEVERAL LNG CARRIERS WERE LYING IDLE.

2014 and 2015. But this is not our core operation and we will gradually have to go back to dry bulk business. ClassNK has got more than 30 per cent of the world's market for bulk carriers. We expect in 2018 the market for dry bulk will come up.

The coal ministry is planning to completely stop imports by 2018. How do you see this impact the dry bulk carriers?

Indian coal is high in ash percentage and this is why some of our turbines and boiler systems of power plants require to import the coal. This is also the reason why Indian coal is not suitable for exports. So traditionally India in spite of being a major coal producing country has been an importer of coal as well. Further, burning of coal will increase GHG emissions significantly, so India being a party to the Paris Convention will have to shift to using gas.

Business in the near future

Things will become brighter in 2017 as you see due to demonitisation activities across all sectors have come to a lower level of operation. When things come back to normal there will be an opportunity to fill up the gap that has been created in the past one month due to decline in production resulting from reduced consumption by people.

Plans for 2017

We will focus on improving efficiency and cut out all the unrequired activities. This will include streamlining of operations, ships and machinery to make it more sustainable. As a classification society we have got huge data with us in hard copy format, we want to digitise it and move to the Cloud.

On the regulatory front

In India policies are formulated on paper but ground level implementation is very poor. For instance, in coastal shipping the problems faced by ship operators need to be addressed, just changing policies will not take things to its logical conclusion. In coastal shipping people have invested crores of rupees in vessels and are operating it. Now it is the responsibility of the government to see that it does not stop. There are automobile manufacturers on both sides of the coast and cars are moving north to south and vice versa. ■

Areef Patel
Executive Vice Chairman, Patel Integrated Logistics Ltd (PILL)

Business in 2016

It has been a stable year for Patel Integrated Logistics Ltd (PILL) with some great hits and less misses. PILL was able to keep the momentum of growth with healthy bottom line in all the quarters, mainly by streamlining the operations and adopting technology. Better utilisation of fleets and minimising of the overheads made a positive impact in the books. The year was remarkable for the company as far as its future growth trajectory is concerned. In pursuit of our vision to emerge as the largest integrated logistics player in the country, we took steps to launch our B2C arm DeliverEx with concrete plans for nationwide rollout in the coming years. Another big initiative was the move to tap into the potential of GCC countries through a joint venture with Nationwide Group in Saudi Arabia. Both these steps are expected to contribute considerably to the bottom line in the coming years. Apart from this, we continued to leverage the emerging possibilities in the e-commerce sector. On the flip side, we were not also spared from the adverse developments in the sector like any other logistics player. The Chennai floods, general lull in demand, uncertainty over the GST and of the late, demonetisation inflicted some body blows in the sector. Having said so, I want to reiterate that we were able to revise the strategy according to the situations and stay harmless to a great extent.

LOGISTICS SECTOR IS HIGHLY DEPENDED ON THE CASH TRANSACTIONS. THE DECISION TO REPLACE RS 14.18 LAKH CRORE – WHICH EXISTED IN THE FORM OF 500 AND 1000 CURRENCY BILLS TILL NOVEMBER 8 AND FORMED 86% OF THE TOTAL MONEY IN CIRCULATION — HAS PROVED TO BE A JOLT THAT WE HAVE FACED IN THE RECENT TIMES.

Business in the near future

The sector has immense potential to be the biggest revenue contributor to the entire logistics sector. Country with a coastline of over 7,000 Km has high untapped opportunities, when we take into account the existing issues of connectivity and high logistics cost. With several projects proposed by the government like the Sagar Mala project and the Greenfield ports, the year can prove decisive, if these projects see the light of the day finally. A lot of work has to go into developing the existing ports as they are overcrowded and burdened with heavy traffic. The existing infrastructure has to be redesigned for better utilisation and quick turnaround for vessels. Connectivity outside these ports are one of the major problems for a huge turnaround time which in turn increases the cost of operations.

Plans for 2017

We have had the funding to roll out our B2C business. Our core focus would be to set up these branches across the country. In the next two years we will have around 200 branches for the B2C arm. Also we will be concentrating on our core B2B business. It is indeed going to be a wait and watch game as there is no clear time line for GST implementation. The demonetisation impact may also play spoilsport in the first two quarters. Nevertheless, as I said our prime focus will be to effectively manage the rollout and make sure the targeted revenues are attained.

On the regulatory front

GST is definitely something we are looking forward to get a clear picture to realign our business strategy. There is no point in paying different taxes at different places with high documentation. Ports too face the problem of dual taxation making it less competitive with the road and railways.

Impact of demonitisation

Logistics sector highly depends on the cash transactions. The decision to replace ₹14.18 lakh crore – which existed in the form of 500 and 1000 currency bills till November 8 and formed 86 per cent of the total money in circulation - has proved to be a jolt that we have faced in the recent times. The disruption due to the liquidity crunch has triggered shockwaves across the spectrum, as we are a cash-driven economy and 45 per cent of the GDP is from the informal sector. Among all the sectors, logistics is one of the worst hit, at least in the short-term.

Salient features of Major Port Trust Authorities Bill, 2016

The Bill is more compact in comparison to the Major Port Trusts Act, 1963 as the number of sections has been reduced to 65 from 134 by eliminating overlapping and obsolete Sections.

The new Bill has proposed a simplified composition of the Board of Port Authority which will comprise of 11 members from the present 17 to 19 Members representing various interests. A compact Board with professional independent members will strengthen decision making and strategic planning. Provision has been made for inclusion of representative of the State Government in which the Major Port is situated, Ministry of Railways, Ministry of Defence and Customs, Department of Revenue as Members in the Board apart from a Government Nominee Member and a Member representing the employees of the Major Ports Authority.

The role of Tariff Authority for Major Ports (TAMP) has been redefined. Port Authority has now been given powers to fix tariff which will act as a reference tariff for purposes of bidding for PPP projects. PPP operators will be free to fix tariff based on market conditions. The Board of the Port Authority has been delegated the power to fix the scale of rates for other port services and assets including land.

An independent Review Board has been proposed to be created to carry out the residual function of the erstwhile TAMP for Major Ports, to look into disputes between ports and PPP concessionaires, to review stressed PPP projects and suggest measures to review stressed PPP projects and suggest measures to revive such projects and to look into complaints regarding services rendered by the ports/private operators operating within the ports would be constituted.

The Boards of the Port Authority have been delegated full powers to enter into contracts, planning and development, fixing of tariff except in national interest, security and emergency arising out of inaction and default. In the present MPT Act, 1963 prior approval of the Central Government was required in 22 cases.

Empowers the Board to make its own Master Plan in respect of the area within the port limits with reference to Pipelines, Telephones, Communication towers, electricity supply or transmission equipments. The Board is empowered to lease land for Port related use for upto 40 years and for any purpose other than the purposes specified in section 22 for upto 20 years beyond which the approval of the Central Government is required.

Provisions of CSR & development of infrastructure by Port Authority have been introduced.

Leader in stainless steel production

Shashi Bhushan Upadhyay, Resident Director (Odisha), Jindal Stainless

Jindal Stainless is the largest producer of stainless steel in the country and also one of the biggest suppliers to Europe. Shashi Bhushan Upadhyay, Resident Director (Odisha), Jindal Stainless discusses the company's strategy for maintaining its lead

by Sisir Pradhan

Q What is the logistics requirements for your plant in Odisha, and what are the short-term and long-term strategy towards it?

We are setting up an ICD at Kalinganagar Industrial Complex since the lone operational ICD there doesn't have rail connectivity and a majority of their cargo is generated by our plant. We have roped in Gateway Distiparks to operate an ICD on gross revenue sharing basis but we are planning to get a license to operate the ICD. We are looking forward to commission the ICD in January 2017.

Q What is the volume of containers generated by the Kalinganagar plant?

An average 2,200 containers per month are moved for our plant in Kalinganagar. Earlier we used to import 1,700 boxes through Visakhapatnam and 300 through Paradip followed by Kolkata and Haldia. Maxicon Container Line used to call twice a month at Paradip Port to bring our cargo from Vietnam. We have stopped using Paradip Port since last couple of months because of higher cost and after commissioning of railway siding at our plant it is cheaper to move containers through Visakhapatnam and now majority of import containers come through Visakhapatnam. However, we will start using Paradip Port once the new terminal starts operation at the port. But still 1,50,000 tonne coal is moved by rail from Paradip to Kalinganagar.

Q What are the commodities that you import in containers?

Containerised import commodities largely consist of stainless steel scrap, mild steel scrap, shredded scrap, ferronickel, fluxes, dolomite, and refractory.

Q What is the overall production capacity of the Kalinganagar unit, and what is the existing capacity usage?

Annual stainless steel production capacity of the plant is 0.8 million tonnes and we are looking forward to ramp up production capacity to 1 million tonnes in 2017. Currently, the plant is operating at about 0.75-0.77 million tonnes. We are also one of the largest manufacturer of ferro chrome, and we produce around 18,000 tonnes per month at Kalinganagar which will be increased to 22,000 tonnes per month. Our Hisar plant has an annual stainless production capacity of 0.8 million tonnes, hence we are the largest producer of stainless steel in the country, and we have about 55 per cent of domestic market share.

Q Do you import low ash metcoke?

We import coking coal and produce low ash metcoke to meet the requirement for production of ferro alloy. We import around 50,000 tonnes per month, apart from 1-1.5 lakh tonnes of thermal coal. However, import of thermal coal depends on the pricing of domestic coal price. Currently, domestic coal price is cheaper so we procure it from the domestic market. Thermal coal is used by two thermal power plants of 125 MW each. Thermal coal largely comes from Indonesia. Domestic coal supply has increased. Due to presence of number of power plants in the region though prices of coal has not come down but quality of coal has improved.

Q What is the export volume of containerised cargo from Kalinganagar unit?

We export around 800 TEUs per month and 100 FEUs per month. Hence, roughly we export around 20,000-21,000 tonne of containerized cargo from Kalinganagar. Finished stainless steel in coil, shredded and plate forms are exported from the plant. We are one of the biggest supplier to Europe, and we also export to our plant in Indonesia. We export around 8,000-9,000 tonne of stainless steel in containers to the Europe. Some of the other market are the US, Middle East and Russia. Earlier Russia was a major export market for us and about 200 FEUs used to be exported to the country, however the devaluation of currency has disrupted export to the country.

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Waking up

The Major Port Authorities Bill 2016 comes as a short in the arm for the dozen major ports that are gearing up to set new milestones for themselves.

by Deepika Amirapu

The passing of the Major Port Authorities Bill 2016 was perhaps awaiting just this – the ramping up of efficiency and productivity at the government owned ports before they were conferred more autonomy to impart faster decision making. And since mighty, antiquated pieces of infrastructure have almost closed in on the private ports that had gained the upper hand for a while because of better infrastructure, easy access to finance and faster approvals for big projects, the government had to pass the Bill to make work easy for the dozen major ports.

Since the commissioning of the survey and study by the Boston Consulting Group late last year that visited every port to suggest ways of improving main parameters of port performance, almost all ports have upped the ante and have begun investing heavily in this exercise. Almost 100 projects identified by BCG were taken up by various port authorities to add more capacity, hire or purchase better equipment and hasten road and rail connectivity to improve flow of traffic to and from the port premises.

The capacity addition in major ports for the year 2015-16 was 93.84 MTPA against the target of 92.81 MTPA. A total of 33 projects are proposed to be awarded during 2016-17 in major ports with an investment of ₹9,845 crore in addition to the above projects.

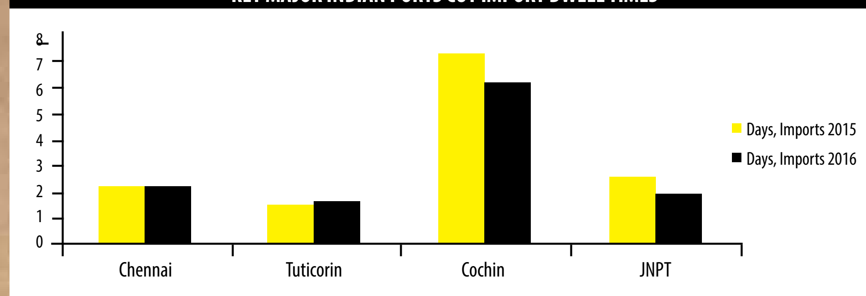
In addition to this, the government has set a target of 100 MTPA for capacity addition at 12 major ports for the year 2016-17. This will be achieved by completing 29 projects with an investment of ₹4,815 crore. The Indian Port Rail Corporation Limited (IPRCL) that was set up as a special purpose vehicle to enhance connectivity between ports and the hinterland has a portfolio of 25 projects with a tag of ₹10,000 crore. It has begun work on eight projects already. The first of them will be to smoothen and decongest rail movement between Odisha's Paradip and Dhamra ports to the coal fields at

Talcher. This, being one of the most busiest routes, always commands a greater number of rakes. At ₹4,300 crore, this will be one of the most expensive railway connectivity projects undertaken ever. Work on this contract will begin in March 2017. Bids for another 11 projects will be invited in 2017 and 2018.

These connectivity projects come on the back of major capacity expansion plans undertaken by major ports in the last two years. Paradip Port, India's second largest in terms of cargo, handled plans to double its capacity from 118 mtpa to 300 mtpa in the next four to five years. Other ports such as Ennore, Visakhapatnam and Mumbai ports have called for bids to increase the number of berths and terminals.

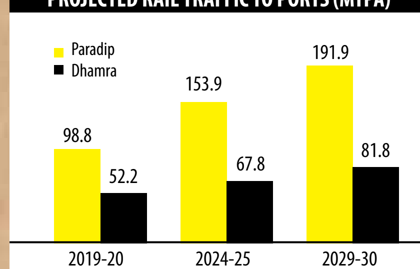
Capacity addition has also been supplemented by upgrading soft infrastructure at these ports. The Ministry of Shipping has begun addressing a long standing issue of introducing a system of using less paper work to process permissions required for cargo and vessels to use facilities. It has implemented the Port Community System to integrate the electronic flow of trade related documents, information and functions as a centralised hub for ports of India and other stakeholders like shipping lines, agents, surveyors, stevedores, banks, container freight stations, customs house agents, importers, exporters, railways, CONCOR, government regulatory agencies and other for exchanging electronic messages in a secure manner. The objectives of providing electronic connectivity at ports is to develop a centralised web-based application, which act as single window for the port community members, stakeholders to exchange messages electronically in secure fashion. It will also help in reducing transaction time and cost in port business, achieving a paperless regime in port sector and finally implementing an e-commerce portal for the port community.

KEY MAJOR INDIAN PORTS CUT IMPORT DWELL TIMES



Source: Indian Ministry of Shipping

PROJECTED RAIL TRAFFIC TO PORTS (MTPA)



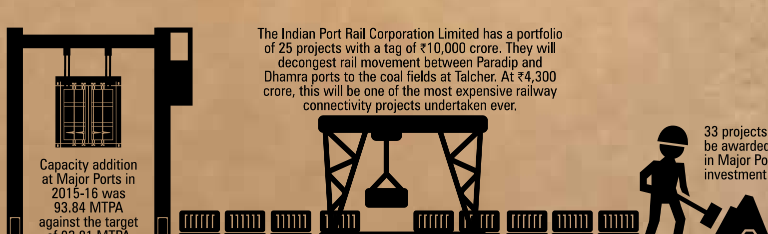
Source: Ministry of Shipping

Staying on the technology front, all major ports have been directed to implement the Radio Frequency Identification (RFID) system to track the movement of men, materials and vehicles within the port premises on real-time basis. Implementation of RFID system will eliminate manual checking of documents at port gate and real-time tracking of movement of vehicles, men and materials. This would reduce congestion and also cost of operations at ports. They have been directed to have the RFID system in place by March 2017.

At least four ports that MG spoke to confirmed an increase in their berth productivity, vessel turnaround time and berth-day output. PL Harnadh, Deputy Chairman, Visakhapatnam Port Trust said, "The target set until March 2017 is 61 MT and we've clocked in 40.6 MT already. On other operating metrics, our cost per tonne (for handling cargo) is down to ₹78 compared to ₹96 last year. The pre-berthing detention hours are down to 1.18 days as against 1.70 days earlier. Another key number that we are proud to bring to public eye is the fall in average turnaround time from 4.19 to 3.74 days."

Ennore has a similar story to tell. Its turnaround time has improved by 55 per cent to 3.3 days from 6.9 days and a 25 per cent improvement in throughput of liquid cargo.

Other ports have been making investments on the land side as well mechanising operations and modernising docks. The Mumbai Port Trust is enhancing the ship repair facilities and improving bunkering operations. Both Hughes Dock and Indira Dock will be readied to provide all major repair and maintenance services to ships. The port also says it expects the bunkering business will grow from 200,000 tonnes to 1.925 million tonnes by 2034. Paradip Port currently deploys almost a dozen harbor mobile cranes to discharge coal and other commodities that has helped it handle record per day output of 55,337 tonnes of coking coal in 20 hours and 49,250 tonnes of steam coal in 19 hours. The introduction of the Major Ports Bill now comes as a shot in the arm for all major ports. With the port authorities being given the powers to fix their tariff, these dozen ports could now be ready to set new milestones for themselves.



NAGPUR: THE FUTURE HUB?

Every major supply chain company is planning to have a base in Nagpur making it the future nerve centre of cargo movement

by Sisir Pradhan

Consumer demand is no more restricted to Tier-I cities, hence it has created the need for warehouse and distribution centers at strategic locations to serve the buyers in a cost-effective and timely manner. Nestled at the heart of India, Nagpur was named as the Zero Mile city during the British era for its even distance to all major commercial hubs in the country. Over a period of time modern age warehouses spearheaded by e-commerce boom at locations like Bhiwandi and Bengaluru hogged the limelight; however as the economy gears up to embrace GST, the limelight is back on Nagpur. Future Supply Chains, the storage and distribution arm of Future Group, has made Nagpur as the hub for import cargo and to serve as the central warehouse and distribution centre for the mega retail chain. A lot has changed in the last couple of months, from a non-starter now almost all major supply chain companies have a presence here or planning to come here. The likes of Patanjali Group has acquired land to set up a manufacturing unit to serve domestic and export market. The city with decent roads and hardly any traffic congestion is building maiden metro rail corridor to get future ready. A walk around the city and one can find cargo carriers bearing license plates from all over the country plying around.

The Mihan factor

Multi-modal International Cargo Hub and Airport at Nagpur, more popular as Mihan, was developed as a multi-product SEZ by Maharashtra Airport Development Company Limited (MADC) to attract investment in the Vidharbha region. However, the SEZ policy played spoil sport for the project. Though the tax benefits prompted export-oriented software and pharmaceutical companies set up shop at Mihan, but slump in export market and growing domestic demand didn't attract big ticket investments in manufacturing space in the initial days. Furthermore, the ambiguity in the timeline for tax benefits to SEZ dented the sentiment of potential investors. Dr. Prakash Khemka, Past President, Nagpur Custom House Agents' Association and EC-Member, FFFAI, said, "Mihan authorities are selling land at ₹1 crore/acre, which is too high for an investor. Now government is taking effort to attract investors."

Being the home town for the Maharashtra state chief minister and Union minister for transport and highways acted as a trigger for Mihan. The project could only be revived in recent times when some land outside the SEZ zone was allocated to industries, including logistic companies for warehousing among which largest land bank of

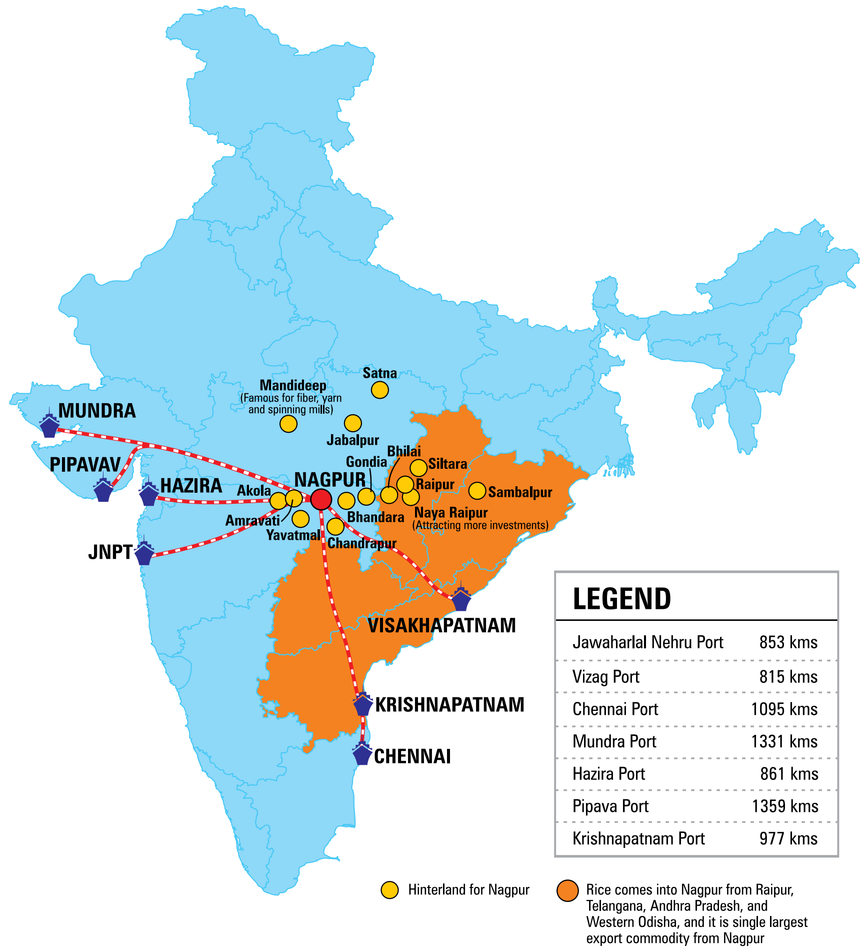
about 214 hectare has been acquired by Sical Logistics. Pramood Dhiran, Director, SSS Sai Shipping Services said, "The development commissioner in the initial days of the project had allocated only three companies, including ours to handle cargo at Mihan. Currently, only Boeing, Lupin and Diet Food are active and an average 100 containers per month are shipped from Mihan."

Hinterland

Nagpur and nearby regions generate a mix of industrial and agro commodities. Due to which even at times of economic downturn for any particular commodity is neutralized by other sector. Though Nagpur is majorly known as the trade center for pulses and agro commodities, it also has a heavy concentration of saw mills. Lakadganj, derived from Hindi word '*lakdi*' is known as the one of major hub for timber where imported and indigenous teak woods are brought for sawing, and then about 90 per cent of it distributed to different parts of the country. However, this trade is not flourishing. Prabhudas Patel, President, The Nagpur Timber Merchants' Association and Vice President, Maharashtra Timber Laghu Udyog Mahasangh clarifies the reasons, "Nagpur was Asia's largest timber market at a point in time, but due to tax rebates Kandla has become a major timber processing hub which has affected Nagpur's trade. Nagpur timber market has 30 per cent import consignments and 70 per cent of timber is sourced from domestic market, of which largest volume is moved from various parts of Madhya Pradesh. The processed timber logs goes to all states except Gujarat. Nagpur timber traders import about 250 containers in a month. Though there is a potential for export, but due to shortage of customs and excise officials, factory de-stuffing is not allowed in Nagpur. Hence, export can only be done from Mumbai which is not convenient.

Another major centre that generates EXIM cargo is Mandideep which is known for fiber, yarn and spinning mills, and home to major exporter-oriented industries like Vardhman Group.

Furthermore, country's one of the single largest rice procurement hub Gondia is located just about

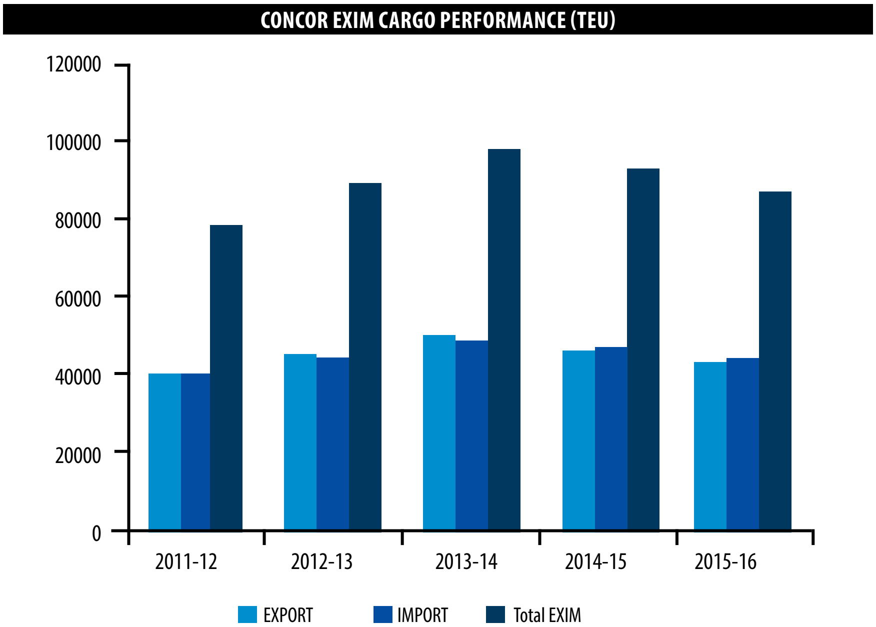


LEGEND	
Jawaharlal Nehru Port	853 kms
Vizag Port	815 kms
Chennai Port	1095 kms
Mundra Port	1331 kms
Hazira Port	861 kms
Pipava Port	1359 kms
Krishnapatnam Port	977 kms

166 km from Nagpur. Rice is also procured from nearby regions like Raipur, Telangana, Andhra Pradesh, and Western Odisha, and it is single largest export commodity from Nagpur. Concor ICD at Nagpur has handled 712 teu of rice in October. Since Concor ICD Nagpur handled majority of EXIM cargo, we would take its cargo volume for the latest available month (October) as a reference to understand other major export commodities from the region which are Whisky (128 teu), yarn (448 teu), transmission parts and galvanised steel structure (157 teu), steel (69 teu). Major import products include scrap (305 teu), teak wood (235 teu), newsprint paper (178 teu), waste paper (134 teu) and furniture (103 teu). Domestic commodities include rice, agricultural products, steel, paper, and white cement.

The districts Chandrapur, Bhandara, Jabalpur, Raipur, Sansur, Yeoatmal, Bhilai, Satna, Akola, Amrawati, Gondia, Siltara and Sambalpur, among others are part of its hinterland. Though containerised rail is mainly used for cargoes destined to JN Port, road transport is increasingly used since last couple of years particularly for the east-bound cargo to be shipped through Visakhapatnam. This is due to several advantages this mode offers: convenience of sending even lower volume of cargo, flexibility in terms of timing and lower freight rate offered by inbound truckers from south Indian cities to Raipur which otherwise would return empty. Though rail has a cost advantage of about 30 per cent as compared to road freight rates from Raipur to Visakhapatnam, it is neutralized due to multiple handling involved in rail movement.

Interestingly, some dal exporters who have shipped some cargo through Krishnapatnam Port, which is located about 976 km from Nagpur, found freight cost is almost half as compared to JN Port. Concor is looking forward to tap the market by starting container



rail service between Nagpur and Krishnapatnam in January but a regular train service is expected to start by June next year. Concor is also in discussion with Dhamra Port to give an alternate port for exporters in Raipur.

Central India is hub to many steel plants but these units move even their west bound cargo by road due to unavailability of rail containers. The reason is steel coils come under Iron & Steel, which is a notified commodity and as per the ruling of Railway Board when a notified commodity is loaded in more than 30 containers (teu) of a rake, haulage charge for such containers will be levied as per Container Class Rate. While the Railway Board has removed 42 items from the list of notified commodities, steel coil still remains in the list. If the Railway Board considers to allow movement of minimum 50-55 containers in a rake, then this cargo can be converted to rail containers. Since these are high value commodities, steel plants don't prefer to transport it by rail wagons. Moving 30 containers in a rake is not financially viable for the rake operators and the steel units.

Export of food grain is also expected to grow from the region in the coming six months. Imported dal and wooden logs have been released at JN Port which would increase cargo movement from the port to the central parts of the country. Furthermore, restriction on import of heavy melting steel has been revoked, hence the cargo movement will grow in Aurangabad, Raipur and Bhopal.

Large capacity warehouses are coming up at Mihan to cater to the demand for large scale storage space in these region in the Post-GST scenario. Chhattisgarh government is also developing its new capital and investment hub at Naya Raipur. Hence, there will be opportunity for private players to use them.

Concor operated ICD handles the major volume of the cargo, but recently it is facing competition from private players. Distribution Logistics Infrastructure (DLI) has set up an integrated logistics park at Borkhedi, about 35 km from Nagpur. DLI started operation only in August but it has been able to gain cargo from Indorama Industries, a major volume exporter from Nagpur. Though the company still ships some cargo from Concor but the competition has heated up between Concor and DLI. Udai Singh, General Manager (Operations), DLI said, "Steel coils by JSW and Uttam Galva are major commodities handled at the terminal. Nagpur doesn't have large-scale industries, hence there will be more movement of domestic cargo than EXIM." Glocal Asia Group is another private operator of an ICD at Butibori Industrial region but it has only road freight movement. Though users of Concor are positive about the facility, but there are some grey areas. Highlighting some key areas for improvements, Haldirams Food International, Head of Exports, Ms. Suvarna, said, "While proximity of our factory to the ICD is an advantage but the transportation cost is higher for shipment to JN Port. While export consignments from Mumbai are moved on board a vessel within 2-3 days, our consignments gets on board the vessel after about 15 days. Though frequency of trains has improved, trains from the ICD run for different terminals of JN Port on different dates, and since loading date for a container is not declared in advance, many times containers get stuck at the terminal. We are one of the few reefer container users in Nagpur, for which I have to bear additional cost to bring empties from Mumbai. There are also uncertainties about the surety of temperature maintained by the transporter." Highlighting some of the shortcomings in logistics in the region, Pramood Dhiran, Director, SSS (Sai Shipping Services) said, "Availability of trailors is an issue as 40" are not available between 15th to 30th of every month." Kirti Shah of Reliable Logistics further adds that a major volume of cargo which consists of rice has shifted to Visakhapatnam, and some agri commodities like cotton and soya are not doing good for the last couple of seasons. It is a major challenge for logistics sector in Nagpur.

Crossing, a local interpretation of cargo aggregation and distribution, also fuels domestic cargo movement at Nagpur. The practice is cargo from various nearby regions are brought to Nagpur, from where it is aggregated and transported to respective destinations. This is a thriving business in logistics space in Nagpur, and a lot of unorganised players control it. Manohar Bhajwani, President, Mihan Industry Association and Director, Nagpur Dal Millers Cluster says, "There is a need to bring in innovation. Nagpur has been the leading hub for pulses trade and processing and the demand is going to grow. About 42 dal millers have developed a common facility in Nagpur. There is a need for modern and bigger warehouses in the region." mg

Anup Kumar Satpathy, IRTS
CGM (Central Region), CONCOR

STIFF COMPETITION

Though on one side cargo is growing CONCOR ICDs of central region has another challenge to face which is battling with road freight

by Sisir Pradhan

Q Please tell us briefly about Concor central region?

The central region consists of ICD Nagpur, ICD Bhusawal, combined rail linked terminal at Maliwada near Daulatabad railway station, Mandideep Container Terminal, and Raipur. Major volume of cargo is handled at Nagpur where an average of two rakes are loaded per day. If EXIM market conditions improve, we can get cargo of about 100 rakes per month at the ICD. A new ICD is being developed near Mihan on the outskirts of Nagpur, and another one is under construction at Naya Raipur, which would double our capacity. Rice is the major commodity shipped from ICD Nagpur and Raipur which used to be exported through JN Port but now majority of it from Raipur is shipped from Visakha Container Terminal. Yarn is the major export commodity from Mandideep, and an average 15 rakes are moved from the ICD, and it is one of the fastest growing ICDs for Concor. Client base is limited at Bhusawal and Jain Irrigation is a major exporter from the region. Aurangabad has good potential but due to its proximity to JN Port, majority of consignments are moved by road. We have also started rail movement of cargo from Aurangabad and Bhusawal, and shipment of food grain for Food Corporation of India has already started from Raipur to Aurangabad. It will help to bring down pilferage.

Our customers prefer JN port. We are working for Mundra as an alternate port.

Q What is the reason for exporters preferring Visakhapatnam over Nhava Sheva?

Transportation cost by road is lower from Raipur to Visakhapatnam, due to which cargo movement from Raipur to JN Port has come down significantly. We have revised our tariff for Raipur to JN Port to gain back some cargo. Rice exporters are shipping their cargo through Visakha Container Terminal due to proximity and lower freight cost by road. Road freight has a distinct advantage over rail at Raipur.

Large base of our customers prefer JN Port. We are actively working for Mundra as an alternate port for EXIM cargo from Bhopal. Some shipping lines have also expressed interest to move cargo from Nagpur to Krishnapatnam Port, and we are hopeful to start a monthly rail service soon.

Q Do you think still there is growth potential at Mihan?

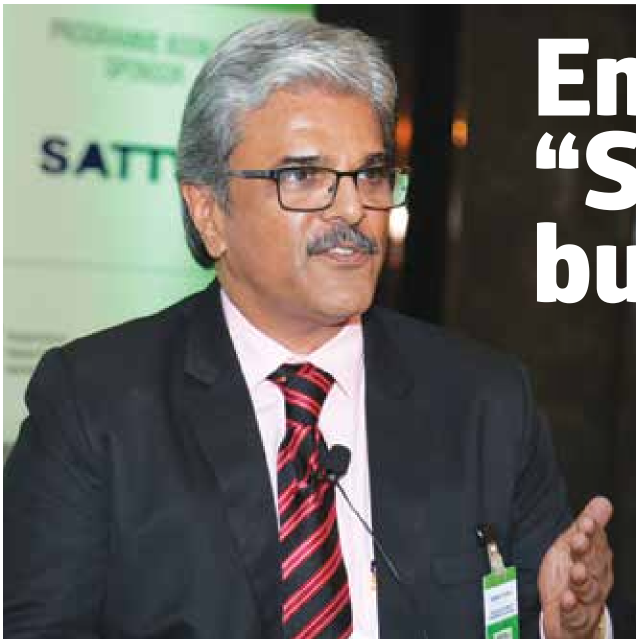
Mihan is a futuristic project and we are developing a new ICD spread over 150 acres there with rail connectivity to handle cargo from Mihan and Butibori.The existing ICD inside the Nagpur city is congested.

Q A lot of import cargo goes to north India but shipping lines suffer loss to bring back empties. Can Concor reposition empties?

We have approached shipping lines for cabotage movement of empty container from northern India. Shipping lines ensure availability of empties for EXIM cargo and Concor avails empties for domestic cargo. Hence, we keep tracking demand for empties at various locations, and accordingly we reallocate containers.

Q How do you counter slowdown in EXIM cargo?

We have changed our focus as domestic movement of cargo has increased. Cement transport from Chandia in Bilaspur division, and white cement transport from Rajasthan to Nagpur and Ranchi has increased. The volume is roughly about 10 rakes per month. Though 90 containers are required to run a rake but as per the demand we offer flexible rake services with about 50-60 containers from Bhopal to JN Port. mg



Ensuring "Speed of doing business"

While the entire industry is passing through turmoil, the 23rd Biennial Convention being organised in Kochi will search for innovative ways on how to sail through difficult times

by Omer Ahmed Siddiqui

Samir Shah, Chairman, FFFAI

What are the key points that will be discussed at the 23rd biennial convention of FFFAI?

The convention will discuss how to adapt with implementation of GST, future of logistics services (going digital and cashless), assuring gender equalisation in logistics, future of Customs clearance, surviving the downturn and innovative ways about how to sail through the difficult times.

What role can FFFAI play to ensure India has a better ranking in ease of doing business across borders?

FFFAI members facilitate ease of doing business with special emphasis on "speed of doing business". As service providers for clearances of shipments, transportation and other logistics operations we play the pivotal role in fast and hassle-free movement/ clearance of a shipment.

What are the issues the government should first focus upon for reducing the dwell time at ports?

The root cause of more dwell time have to be identified and ironed out. The recent notification from the Ministry of Civil Aviation regarding reduction in free dwell time has been very pragmatic. It says the recording the dwell time should be started from the moment the shipment gets registered at Customs ICEGATE. Higher dwell time depends on various factors, especially the cargo handling/ holding procedures at each and every stage of operation for both air and sea cargo. Accordingly, all the stakeholders have to take collective responsibilities to reduce dwell time.

From December 1, 2016 onwards the Central Board of Excise and Customs will go paperless to help exporters and importers. What will be the benefit to the EXIM community in terms of time and cost savings?

Definitely the 'Paperless' initiatives would reduce both transaction cost and time. The CBEC circular says, effective December 1, 2016 importers and exporters will not be required to submit paper documents such as GAR 7 forms / TR 6 Challans, Trans-shipment Permit (TP), Shipping Bill (Exchange Control copy and Export Promotion copy) & Bill of Entry (Exchange Control Copy) to Banks/ DGFT / Customs Ports.

It has also been stated that as 95 per cent of the importers are now paying duty through e-payment and these documents can be viewed on the ICEGATE e-payment Gateway, the need for print-out of GAR 7 Forms / TR6 Challans is not required.

CBEC provides copies of the digitally signed Shipping Bill to DGFT and also the data of Shipping Bill is integrated with the EDPMS (Export Data Processing and Monitoring System) of RBI. Therefore, printing of the Exchange Control copy and Export Promotion copy of the Shipping Bill for manual submission by the exporter is not required.

However, so far, the processing procedures have not been changed at the front end. Receiving the paper from the Department should be done away with. Digital operations and Cashless transactions will be the future model. On the other hand, increasing compliances and safety & security issues will be making the freight forwarding and logistics business very sensitive.

At the recent NCTF meeting you had mentioned about the need for training and certification of logistics personnel. What will be the demand for workforce in the logistics sector in the days to come?

The need of the hour is to create awareness amongst wider section of the common people regarding the Logistic Sector. It is important that we start introducing Logistics to School students through field visit to logistics facilities like SEZ; Air Complexes; Ports; Warehousing Stations; etc.

It is also important for all to learn, how cargo reaches the shelves of retail outlets. Additionally, a study of the HSN for 11th and 12th standard students would be a good beginning.

The government has recognised logistics as a very important sector as well as an employment generator.

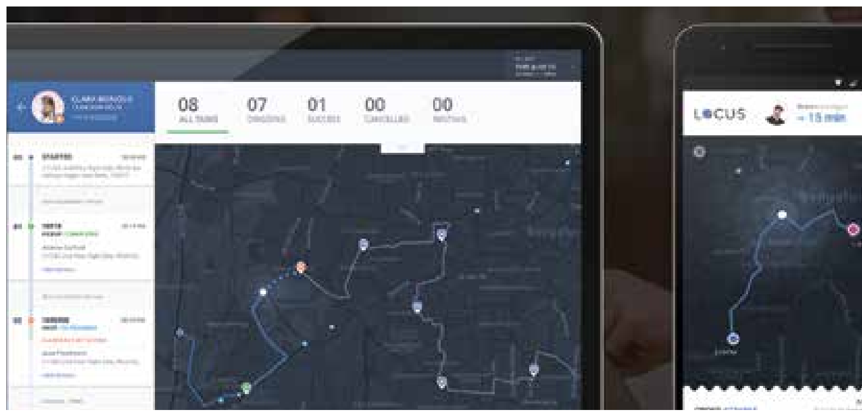
Logistics automation

Logistics management solutions from packing containers to planning optimum route for the logistics fleet

Lococus is a platform for enterprises to manage intra-city logistics for scheduled and on-demand deliveries. It is an intelligent automation platform that helps local companies and enterprises in various verticals like e-commerce, food delivery, FMCG and many others to optimise their logistics. It enables businesses to dispatch, track and manage their on-field workforce. Locus' platform enables enterprises to manage their distributions with the help of various features such as automated smart dispatches, tracking, fleet visualization, proprietary geocoder and proprietary route deviation engine.

India has jumped 19 positions in the Logistics Performance Index (LPI) released recently by the World Bank. The country now stands at the 35th rank among 160 countries, up from the 54th position in 2014. With GST regime and India scaling higher on World Bank's Logistics Performance Index 2016, the sector is expected to be poised for rapid growth. India's focus, clearly, is now on offering a superior delivery experience for consumers, who have, for long, complained against the quality of service provided by the country's majors, bringing into the spotlight the gaps in the supply chain and logistics operations.

It is now imperative for logistics service providers to ensure maximum utilization of their assets with tight control on wastage. This huge demand for hassle free supply chain management can be met by introducing advanced technology, to make their day-to-day operations cost-effective, efficient and easy. All this automation in any enterprise, corresponds to lesser errors in the system. The industry as a whole is moving from being just a service provider to a position where they provide end to end supply chain solutions to their customers.



Smart technology comes into play through predictive analytics which helps optimizing operations. Technology has allowed industry players to come up with products which could help logistics companies to cater to the various operations ranging from first mile to last mile. For example, for problems involving 3D packing of boxes of arbitrary dimensions in a given container it is computationally difficult to obtain optimal solutions, in a reasonable amount of time. For such problems, it is theoretically possible, to try out every possible packing sequence and choose the most optimal one. But practically, it is often not possible to do so since the search space of all the possible packing sequences can be huge. However, Locus uses advanced algorithms that are able to find an optimal solution in linear time.

Some of Locus' major product offers for maritime players are:

3D packing engine:

This engine works through algorithms which give the best packing solution as an output. The inputs required are the measurements of the arbitrary 3D packages and the quantity and measurements of the container that is to carry the packages. With the above inputs the proprietary engine churns out the most effective loading plan and the summary of the packing performance. The engine shows how best to load one container, and/or how many containers would be needed to load a number of items. The engine also takes into consideration the fragility of the products being packed, giving the best suited loading plan with the strongest or the heaviest products at the bottom and the lighter objects on top.

Route planning engine

The route planning engine helps in automagically planning & optimizing the on-demand & scheduled deliveries within their respective time windows and business parameters. The engine generates the most optimized routes within minutes. The platform handles real-life situations like delivery SLA's, vehicle load capacities, live traffic, among others.

Live tracking with intelligence

The dashboard provides visualization of the tasks, the riders and status of the tasks. It also provides smart alerts, through which any exceptions can be managed without any delay. This helps increase overall efficiency and reduces turnaround time for the company as well as for the end-customer. mg

Focus on coastal and inland shipping

Koh Chong Hin, GM, Asia Pacific (Marine), ZF Asia Pacific Pte. Ltd.

by Omer Ahmed Siddiqui

Q How has been your business performance this year? In which of the segments do you see business growing?

Our overall business performance in 2016 has remained steady and we continue to see growth in our Pleasure Craft and Fast Craft segments, even as we face some headwinds in our Commercial Craft segment due to low oil prices. We see growth opportunities in various areas including short sea shipping, inland waterway transportation, ro-ro ferries, tugs and navy and coast guard vessels such as FPVs, OPVs, interceptor boats, and more.

Q As the shipping industry moves towards cleaner fuels like LNG, which technologies will gain demand?

We anticipate an increase in demand for technologies such as hybrid propulsion, lightweight transmissions, advanced status monitoring and efficient propeller designs that improve product efficiencies and lower fuel consumption. These technologies are offered by ZF today.

Q What are the current trends in the offshore oil and gas sector? How is ZF Marine meeting their needs?

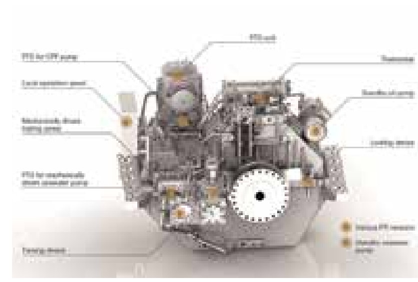
The drop in oil prices has contributed to a significant decline in upstream offshore oil exploration activities. We see oil companies turning towards existing oil fields to raise production levels. This is driving demand for self-propelled jack-up vessels, barges and other vessels that are required for maintenance and modification works on offshore platforms.

Rig builders and field operators are looking at self-propelled jack-up vessels as a cost effective solution. Being self-propelled, they can move from oilfield to oilfield without the need for tug boats. In fact, self-propelled jack-up vessels are used all across the offshore industry, ranging from oil and gas field construction to maintenance, decommissioning and more. The demand for these vessels is also quickly gained traction in Southeast Asia and the Middle East.

ZF supplies the Thruster Systems (including thruster controls) that power self-propelled jack-up vessels. We work closely with designers of these vessels, owners and shipyards to offer suitable thruster combinations to fulfil the vessel mission requirements, and thereafter with the vessel owners or operators to provide aftersales service and support throughout the operational life of the vessels.

Q To which of the Indian shipyards have you been supplying equipment?

We have been supplying our products to almost all the key shipyards in India, including L&T Shipyard, Reliance Defence (formerly Pipavav Shipyard), GRSE, Shalimar Works, Goa Shipyard, Chowgule Shipyard, Bharati Shipyard, Hindustan Shipyard, Cochin Shipyard, Shoft Shipyard, Mandovi Drydocks, A



C Roy & Co, Waterways Shipyard, Dempo Shipyard, Vijai Marine, and SHM Shipyard.

Q Which segments are you targeting in India?

We have a wide range of transmissions which covers all medium size vessels that are propeller-driven and equipped with medium speed engines. Our transmissions cover a power range of up to 12,000 kW and most applications in this category.

In India we focus on the coastal and inland cargo sector. The vessels in this sector have been adapting better designs and increasing in size and capacity over the years. Larger inland vessels would mean more powerful engines and a need for more manoeuvrability to navigate confined waters. Our transmissions and thrusters are well-suited to meet the challenges of these applications. Today, more than 300 vessels in this sector in India alone have been equipped with our products.

Q How has the slowdown in maritime industry impacted your business?

The slowdown in the industry has impacted the Commercial Craft segment, where we are seeing new-build project delays or cancelations, and a slowdown in aftersales as customers defer maintenance. However, we continue to see growth in our Pleasure Craft and Fast Craft segments which has helped keep our business performance steady. mg