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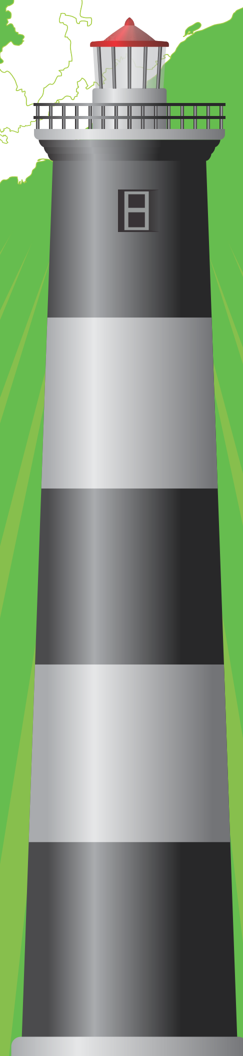
A WILL AND ONE HUNDRED ELEVEN WATERWAYS



EAST COAST

THE FACE OF PROSPERING INDIA

Key indicators of prosperity such as higher GDP, increased industrial activity, seamless connectivity, mega infra projects and growing cargo at ports will keep the sunny side up for the east coast

More Pain than Gain

Even as the global shipping industry is still soaking in news of a turbulent year ahead, their Indian counterparts are on pins and needles because of the new notifications issued by the Ministry of Shipping and Central Board of Excise and Customs. A host of measures introduced ostensibly to make doing business easier is causing more pain than gain.

Take the instance of Direct Port Delivery, or DPD. The government mandated that all major ports should ensure at least 40 per cent of cargo should be claimed directly from the port instead of from the container freight stations. This has jeopardized the business of many an importer from the list of 769 traders shipping their wares through the Jawaharlal Nehru Port Trust. Almost all of the traders operate on credit with CFS players and shipping lines offering a credit period of up to two months. The introduction of DPD puts the importers under duress to pay port charges and customs dues upfront leaving them with little for their operations. Instances of the customs department delaying grant of port clearance leading to delay in vessel berthing has caused much harm to the reputation of trade in the country.

A damaging similar stricture from the Customs and the Ministry issued to the lines through the Director General of Shipping asked for all agreements between the carrier and CFSs are shared for scrutiny has lead to relationships between the trade and government bodies becoming cold. The government is perhaps acting on the advice of consultants that have reported higher transaction time in the import export cycle. While the intent of reducing transaction time is indeed unquestionably noble, such decisions should be enforced after discussions with trade to ensure business does not suffer. While regulation of services is mandatory to make sure all stakeholders stand to benefit from it, moderation is the key word in government policing.

Moves such as making all shipping lines register as cargo operators creates an environment of distrust between the trade and government. Truth be told, shipping lines do not fall under the Custom Cargo Service Provider (CCSP) category to be registering as cargo operators. The Handling of Cargo in Customs Area Regulations 2009 issued by the Customs does not mandate a non-cargo handler to sign up as a CCSP. While the motive of the government may be to protect the interest of all in the trading community, it should refrain from looking at the industry from the lens of suspicion.

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India's premier maritime business magazine

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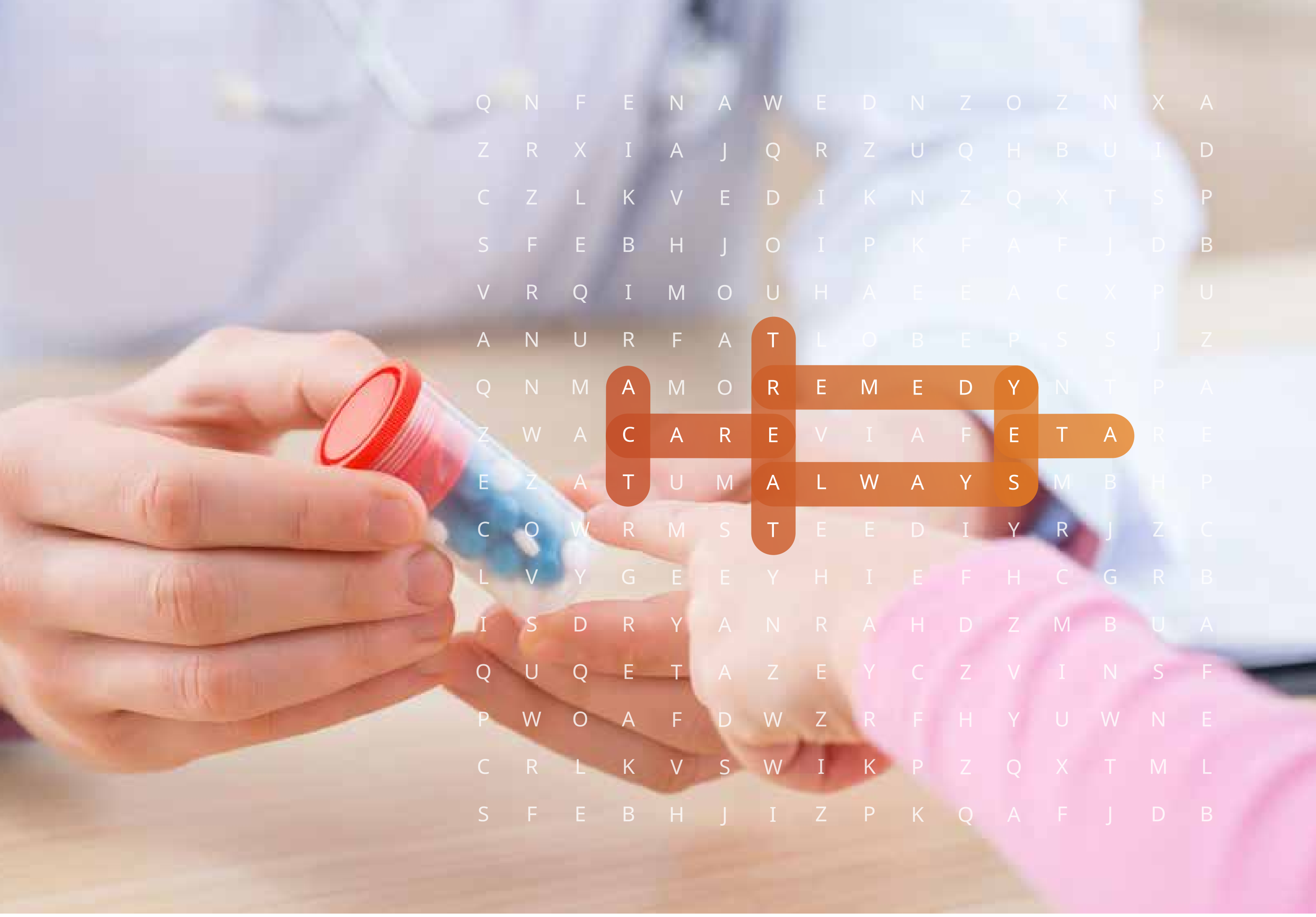

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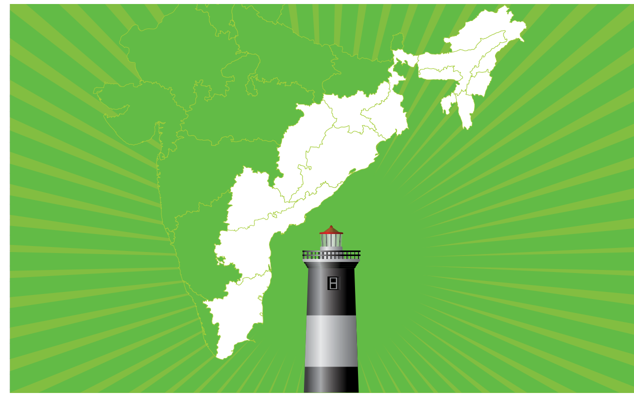
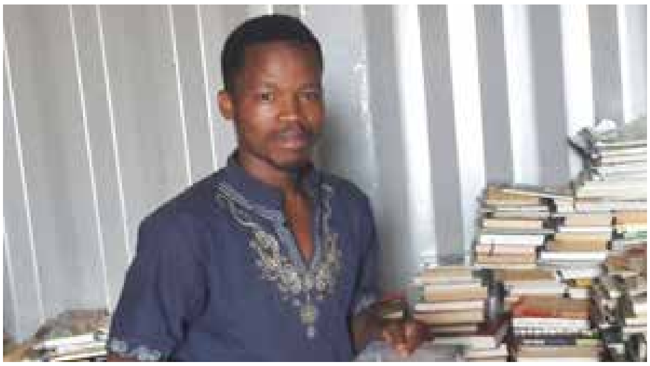


INTERVIEWS

OTHERS

PORT VIEW

Childrens' library in a shipping container

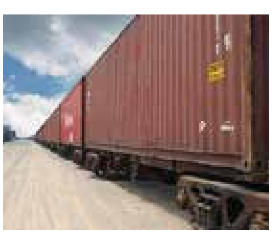


Muzi Nkosi runs a small library for children in Cosmo City near Honeydew, Johannesburg, South Africa. Housed in a red shipping container, the library was established in April 2015 and has collected more than 5,000 books for children. In order to pursue his passion to assist children in the community, Nkosi had to quit his 9-to-5 job as a pharmacist at Helen Joseph Hospital. The piece of land that was provided to Nkosi by the municipality is used as a dump site by the community. "We have also seen a lot of people who are bringing some donations to help the project. Churches and the community have come out in numbers to help out the project. The best way to overcome crime and poverty in life is to give them a proper education, and I think the library is the best thing that has happened in the community," says Nkosi.

Indian vegetable exports resume to EU

The European Union has lifted its three-year ban on import of some vegetables from India including bitter gourd, snake gourd and aubergines. The European Commission after conducting field surveys and audit in its meeting in Brussels in January last year had decided to lift the ban on import of mangoes from India.

45-feu block train flagged off from ICD-Sahnewal



ICD-Sahnewal of Gateway Rail flagged off a block train containing 45 feu of Trident Ltd from Ludhiana to Mundra Port. In an endeavour to provide cost-effective and efficient service to all exporters of Punjab, Gateway Rail took a significant decision in October 2015 by announcing non-levy of export THC for all containers railed through ICD-Sahnewal. This has significantly helped in controlling the transaction cost for exporters and users of the ICD.

Chartered Logistics bags contract from GAIL

Chartered Logistics Ltd has bagged a two-year contract worth ₹36.15 crore from GAIL India for the transportation of polymers from GAIL's petrochemical complex in Pata (Uttar Pradesh) to different parts of the country. GAIL owns and operates a gas-based petrochemical complex at Pata, having capacity of 410,000 tonnes per annum of polymers.

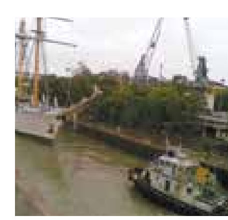
New Far East - Chennai service launched at CITPL

PSA's Chennai International Terminals Pvt Ltd (CITPL) ushered in 2017 by welcoming a new Far East-Chennai service jointly operated by seven consortium partners – CMA CGM, APL, RCL, K LINE, SIMATECH, TS LINES and COSCO. The new service commenced at CITPL on January 2, 2017 with the arrival of *M.V 'Baltimore Bridge,'* a 4,500-teu vessel operated by K Line. CITPL completed discharging/ loading operations on the vessel within 28 hours, handling 3,800 teu at a vessel productivity rate of 103 moves per hour.

India, Russia plan aircraft logistics hub

Russia is trying to rectify the delayed supply of spares for Russian made aircraft in India, primarily the Sukhoi Su-30MKI with a deal that would allow them to be manufactured locally. India and Russia are at an advanced stage of negotiating a long-term contract that includes the manufacturing of a few spares of Russian-made aircraft that are being assembled in India. A logistics hub is being planned at the facilities of Hindustan Aeronautics Ltd in Bengaluru.

Mumbai Port to dredge Indira Dock basin



Mumbai Port Trust (MbPT) has invited e-bids for maintenance dredging in Indira Dock Basin of the port. The online e-bids have been invited under single stage, two-bid system (Technical bid and Price bid) from contractors meeting with the specified eligibility criteria for the work.

Tata Steel inaugurates phase II of its plant in Jamshedpur

Tata Steel has inaugurated the second phase of CRM Bara plant at Jamshedpur. The company has installed the upgradation of facilities in Phase II such as the reversing mill to meet the full hard cold rolled (FHCR) requirement of Tata Blue Scope Ltd at CRM, Bara, which is of 0.25 MTPA capacity. The final product from the plant after augmentation shall now be full hard cold rolled, hot rolled pickled and oiled coils and hot rolled pickled, skin passed oiled coils.

Protest at Hambantota Port

Port workers have been holding protests against the Sri Lankan government's reported move to hand over 80 per cent stake of Hambantota Port to China Merchants Holdings (International) Co. Ltd. Protests were held outside the Sri Lanka Ports Authority office in Colombo, as well as at the ports of Hambantota, Galle and Trincomalee. The workers have demanded that the government retain ownership of Hambantota Port, pointing out that the move to hand over more than 15,000 hectares of land to Chinese companies would turn Hambantota into a Chinese colony.

Stellar Value Chain acquires majority stake in Kelvin Cold Chain

Stellar Value Chain Solutions acquired a majority stake in Kelvin Cold Chain. Ambit Pragma will retain a minority stake in Kelvin. Stellar Value Chain Solutions has an investment of up to $125 million from global private equity firm Warburg Pincus. Kelvin Cold Chain is a portfolio company of Ambit Pragma, a SME private equity fund.

Paradip Port registers record coal discharge

Paradip Port has achieved a record discharge of 62,730 tonnes of coking coal for a conventional berth in a time-frame of 24 hours, overcoming its previous high of 55,337 tonnes. The port had berthed *MV Pacific Energy* at CQ1, carrying 87,551 tonnes of coking coal for Jindal Power and Steel Ltd. According to industry sources, if these sort of discharge rates are maintained, Paradip Port can consolidate its position as the number two major port in the country.

Investments in Andhra Pradesh

GMR Group is developing the Kakinada SEZ spread over 8,500 acres, and an all-weather, multicargo, deep water port with an estimated phase 1 capacity of 16 million tonnes. Indian oil and gas PSU majors are joining together to set up a cracker unit with a proposed investment of ₹40,000 crore in 2,000 acres of the SEZ. An MoU was signed for this investment among GAIL, HPCL and the Government of Andhra Pradesh.

MoUs were also inked by KSEZ with five companies, which include Oil Country Tubular, Kamineni Steel & Power, United Seamless Tubular, Deepak Phenolics and DCM Shriram for setting up manufacturing facilities with a total investment of ₹7,000 crore spread over 550 acres in the SEZ. ADB has approved a $631 million loan for building India's first coastal industrial corridor between Visakhapatnam (Vizag) and Chennai. An MoU worth ₹75,000 crore was signed between NHAI and the Government of Andhra Pradesh, and another MoU worth ₹23,000 crore was signed between NHAI and CRDA for developing a 426 km road in the Amaravati region.

Thirteen companies inked MoUs with Sri City committing total investments of about ₹600 crore to set up units in the industrial hub. The companies are Windar Renewables, Mahabal Metals and Proto D, MCNS, IRMRA, Blue Star, TCI and Snowman Logistics and Manpasand Beverages, Mabalam Iyers, Sri Lakshmi Agro, Shrisym Technologies and Premium Ingredients. The MoUs were inked at the CII partnership Summit held during January 27-28. While Manpasand Beverages invests ₹150 crore, Windar Renewables proposes to invest ₹130 crore.

Ambani expands petrochemical projects in Gujarat

Reliance Industries will complete investment of ₹1.25 lakh crore in refinery and petrochemical expansion projects in Gujarat by March, exceeding commitments made by ₹10,000 crore. Reliance is investing $16 billion in expanding petrochemical production. Of this, $4.6 billion is for a project to convert petcoke produced by its refineries to synthetic gas; $4.5 billion for a refinery off-gas cracker to extract ethane, ethylene, propylene, butanes and propanes; $5 billion to expand polyester production; and $1.5 billion to import ethane from the US to replace costly propane imports and naphtha.

“GST should not become a newer liability on the heads of exporter... we do not want the exporter to suffer twice.”

– Nirmala Sitharaman
Commerce and Industry Minister

“It will be another difficult year. Global shipping companies are preparing for a long battle in the shipping industry through M&As and government support. While we could see some improvements, it’s not easy to predict when there will be any meaningful recovery.”

– Yoo Chang-keun
CEO, Hyundai Merchant Marine

“India has the opportunity to improve its share of global trade, especially in exports, through increased competitiveness and be probably the only country to deliver near double digit growth in container trade this year.

– Franck Dedenis
MD – India, Bangladesh & Sri Lanka Cluster, Maersk

“An independent export promotion body will help the Indian industry to achieve the target of $2 billion by 2019. The government will initially hold the export panel’s hand and later it will be a self-sustaining body.”

– Manohar Parrikar
Defence Minister of India

“Orders will be placed for new ships. If they are not, a number of shipyards will go to the wall. For many, freight rates will continue to struggle to reach the levels required to ensure commercial viability, while consolidation will remain the buzzword in the liner trades.”

– Richard Greiner
Partner - Shipping & Transport, Moore Stephens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PORTS

JNPT to increase share of DPD to 70 per cent

JNPT is looking to double participation in DPD programme and has devised a plan to scale up the share of its DPD traffic to 70 per cent in the next fiscal year. Currently around 6 per cent or 7,600 teu out of more than 120,000 teu imports handled by trucks are in the DPD programme. Average dwell time for containers moved by trucks has been reduced to 2.4 days from 2.6 days and the average dwell time for railed containers has shrunk from 5.2 days to 3.7 days. JNPT has limitation to achieve higher percentages of DPD due to constraints in yard area for segregation into large heaps for each client.

Essar Ports plans greenfield port in Gujarat

Essar Ports Ltd is exploring the option of setting up a greenfield commercial port preferably in Devbhoomi Dwarka district, Gujarat. It will be a commercial multipurpose port with facilities capable of handling bulk, general cargo, liquid including petroleum and oil lubricants, chemicals and LPG. It will have a draft of about 18 metres with a cargo handling capacity of 100 MTPA. Apart from cargo, Essar has also proposed to set up a 5 MMTPA liquefied LNG import and regasification facilities for the proposed project.

The company has recently given a project proposal to the Gujarat Maritime Board for the same. If it materializes, this would be the company's first all commercial port in the country. The company has proposed an investment of ₹10,600 crore for the port project and it plans to employ about 1,000 people.

Chennai Port achieves deep draft at container terminals

Chennai Port has undertaken the task of further deepening the alongside depth at CCTPL. This exercise was to offer a facility at par with global standards. The port increased the permissible draft at CCTPL container terminal to facilitate the handling of vessels with draft requirements up to 15 metres.

On January 7, 2017 Chennai Port achieved yet another landmark by berthing *CMA CGM BELLINI*, having a draft of 14.6 m, at the CCTPL terminal. The accrued benefits to the shipping lines include ability to deploy large vessels, thereby reducing the operating cost and further benefiting Chennai's exim trade.

Iron ore handling increases at major ports

Increased iron ore handling by major ports during the third quarter led to a 7.55 per cent increase in cargo traffic for the nine months ended December 31 as against the same period last year. Major ports handled 481 million tonnes (mt) of cargo during the nine months as against 447 mt in the same period last year.

Mormugao Port led with 62 per cent increase in cargo handling due to iron ore traffic, which increased to 93.48 lakh tonnes from 15 lakh tonnes last year. Similarly, at New Mangalore, iron ore traffic nearly tripled to 15.59 lakh tonnes. Out of the 12 major ports, Kamarajar Port and Kolkata reported a decline in cargo handling during the nine months.

At Kamarajar Port, the decline was mainly due to lower handling of thermal coal. Iron ore volumes had been declining up to the first half of 2016-17 as mining restrictions prevailed during a large part of the year in major states such as Karnataka, Goa and Odisha, and other policy measures such as high export duty. However, with the lifting of bans and further relaxation of export duty on low-grade iron ore in 2016 Budget, mining activities commenced gradually; and further supported by a rise in prices, iron ore exports have picked up in the recent months.

APM Terminals Mumbai embraces DPD

APM Terminals Mumbai has started implementing direct port delivery service and currently handles the highest Direct Port Delivery volumes at JNPT. In the first two quarters of FY 2016-17, the number of Indian importers utilising the DPD service at APM Terminals Mumbai tripled, with half of these being small and medium enterprises with less than 100 teu per month.

"We are committed to support 'ease of doing business' initiative the Government of India has championed. We were among the first terminal operators in India to offer Direct Port Delivery service in 2006 and since then have continued to support the reforms and initiatives of the Indian Ministry of Shipping and JNPT, as well as the Jawaharlal Nehru Customs House," stated APM Terminals Mumbai CEO Kamal Jain.

Other trade-friendly services offered by the terminal include paperless transaction, delivery of import cargo within six hours of vessel discharge, RFID tracking, inter-terminal transfer through virtual gates, integrated rail sidings and improved gate turnaround times.

Wind energy project cargo arrives at Krishnapatnam

The mammoth wind mill energy project cargo and turbine equipment of global wind power major, Gamesa Reneweable, arrived at the Krishnapatnam Port. In its maiden call at the port, the '*Combi Dock I*' vessel carried the project cargo for the Gamesa's Greenfield windmill blade manufacturing unit coming up in the IFFCO Kisan Special Economic Zone located near Nellore city.

With excellent marine connectivity at the east coast, Gamesa can now transport their project cargo to its several units located in Karnataka, Andhra Pradesh and Telangana regions where a lot of activity is taking place in wind farms development.

Krishnapatnam, Kakinada ports to get marine crew baggage scanners

The Customs Department will soon be installing scanners for inspecting the baggage of marine crew at the Krishnapatnam and Kakinada seaports. The move is aimed at eliminating any scope for smuggling gold and cigarettes and Indian currency hidden in the baggage of the crew of Indian and foreign vessels anchoring at the ports. The scanners are also meant to see through the provisions supplied to the ship crews. Customs Commissioner of Andhra Pradesh S K Rahman said that contraband like gold bars and narcotics could be easily smuggled by stuffing them in baggage and it was not possible to open each one to check them physically. The scanners make instant verification possible with little manual intervention. Krishnapatnam Port Customs House would get a container scanning machine by the end of the financial year 2016-17. Installing one such machine at Kakinada Port would take more time.

Kandla Port likely to cross 106 MMT Cargo in FY 2016-17

Kandla Port handled 81 MMT cargo up to December 2016 and is likely to cross the target of 106 MMT till the end of the current financial year. All types of cargo including bulk, liquid and fertilizer, witnessed growth last year at the port.

KPT is also giving a rebate of 25 per cent to vessels owner on containerised cargo to boost its cargo traffic. KPT Chairman assured the trade that the infrastructure required for handling containerized cargo was in place and expected that main shipping line will divert their transshipment cargo in future through Kandla.

Further the berth priority charges will be waived up to 50 per cent by increasing productivity for all bulk cargo and Berth No. 1 is likely to begin handling RoRo vessels in short period. Kandla Container Terminal is expected to start from March 2017 once all the formal requirements and legal processes are completed.

JN Port handles 4.5 million teu in 2016

JNPT handled approximately 4.5 million teu for the calendar year 2016. Among the individual terminals, JNPCT continued its stellar performance from the last calendar year by handling almost 1.53 million teu as against 1.37 million teu, a rise of almost 12 per cent.

APM Terminals Mumbai (GTI) handled approximately 1.78 million teu in 2016. NSICT handled approximately 0.76 million teu in 2016 while NSIGT handled approximately 0.4 million teus.

The port is also undergoing expansion of the fourth container terminal to be implemented in two phases by Bharat Mumbai Container Terminals Pvt. Ltd (an SPV of PSA International). After the completion of this fourth terminal, JN Port will add container handling capacity of 4.8 million teu (2.4 million teu in each phase).

On completion of the entire project, the total length of the berth will be 2,000 metres. The first phase of the terminal should be complete by the end of 2017 or beginning of 2018 while the second phase is expected to be completed by 2022.

DP World Mundra crosses 1.1 million teu milestone

DP World Mundra has produced yet another outstanding performance for the calendar year 2016, achieving annual throughput in excess of 1.1 million teu, which is a 21 per cent increase on the 2015 performance.

The achievement of 1,102,858 teu from 497 vessels (until December 26, 2016) was a huge improvement on the 2015 mark of 909,996 teu from 511 ships, and gave DP World Mundra the distinction of becoming the first and only terminal at Mundra Port to cross the 1.1 million teu mark.

The DP World Mundra team handled 101,228 teu during May 2016, which remains a monthly record for DP World Mundra terminal.

The terminal continued to excel in the areas of efficiency and productivity, achieving a berth productivity rate of 88.62 in 2016. This was accompanied by a 17.56 per cent increase in capacity utilisation. The Gross Crane Rate (GCR), at 31 moves an hour, continued to be on par with international industry standards in 2016.

LOGISTICS

DP World plans logistics centers

DP World will spend part of a planned $1 billion investment in India on new inland logistics centres to help ease problems in transporting goods across the country. Sultan Ahmed Bin Sulayem, Chairman DP World, said poor infrastructure and growing demand had created bottlenecks in getting goods from ports to inland areas where most Indians live.

"More and more of India has a problem of logistics. Cargo doesn't get to certain areas and if it gets it is delayed. India doesn't need more ports, it needs more production facilities and more ease of connecting," he said. Bin Sulayem declined to give a timeline for the $1 billion investment but said it would be split between new and upgraded ports and inland projects.

Nippon Express to offer weekly freight train service in India

Nippon Express will this year begin offering regular freight train service in India in a bid to capitalise on rising shipping volume as the country's economy expands. Nippon will operate one round trip a week between the major cities of Delhi and Bengaluru. Covering the 2,200 km between the cities requires four days by truck, but shipping by rail will shorten that to three days. The service is part of Japan-India economic cooperation. A 40-car freight train will be leased from India's Ministry of Railways and a local company that owns freight trains. It will be able to transport 80 20-foot containers at a time.

Maritime clusters in Gujarat and Tamil Nadu

Gujarat and Tamil Nadu have been identified as the initial locations for maritime clusters as part of the National Perspective Plan of the Sagarmala programme. These proposed clusters will comprise of shipyards, ancillary units for shipbuilding, service providers for shipping industries, marine tourism and marine products such as fisheries and aquaculture.

The proposed CEZs aim at promoting development of port-proximate industrial clusters, encourage port-led development, reduce logistics cost and time for movement of exim and domestic cargo. The industrial clusters are expected to provide an approximate logistics cost saving of ₹5,500-6,500 crore per annum, boost export to approximately ₹7.432 lakh crore and generate employment of 1 crore new jobs.

Single-window customs clearance extended for exporters

After successful implementation of a single-window interface for imports, the Revenue Department recently extended the facility for customs clearance of export consignments with a view to bringing down transaction cost. A pilot project for exporters has been started from January 5 at Chennai, Delhi and Mumbai air cargo complexes for CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) and wildlife items.

Under the pilot, shipping bills filed online on ICEGATE or through the service centre will be referred to the concerned agency online for a no-objection certificate, if any required. Chief Commissioners have been asked to sensitise staff to ensure the smooth implementation.

Everest Spices uses automated warehousing solution

Everest Spices has set up a new manufacturing unit at Umbergaon in Gujarat. The company manufactures a range of 45 products for which it procures 60 types of raw material from different parts of the country. To cope with the storage problem of these perishable commodities, the company has chosen Japan's Daifuku technology for a complete warehousing solution. Everest plans to produce 400 tonnes of spices everyday from the new facility and requires storage of 1,200 tonnes of raw material.

This is going to be the world's biggest factory and it will produce 400 tonnes of spices everyday. The target is to stoke 400 tonnes of spices and a minimum stoke level of three days, which will be facilitated by the technology.

Dedicated corridor for container traffic

JNPT and highway authorities in Mumbai have planned construction of a 43.9 kilometre long dedicated corridor for container traffic moving in and out of the port to get rid of road congestion within a couple of years. The corridor is estimated to cost nearly ₹3,000 crore and is among a host of reforms that the port has proposed for achieving zero congestion for port traffic. A Special Purpose Vehicle involving NHAI and the City and Industrial Development Corporation of Maharashtra Ltd (CIDCO) has been formed for building the corridor. The major port has already secured a $400 million loan at 3 per cent interest rate from the State Bank of India and the Bank of Singapore for the project.

The project involves upgradation of existing four-lane road connectivity to six/eight of NH-4B (Palaspe to JnPT), and SH-54 (Panvel Uran state highway), and the Amra Marg intersection in Navi Mumbai. The widened road stretches will be reserved for signal-free container traffic.

Shippers reluctant to shift from road to rail

The reluctance of shippers in Chennai to switch more cargo from road to rail is another hurdle in government's efforts to speed up road to rail conversion for reducing port congestion and increasing productivity. In spite of time-definite train services and tariff incentives offered by Concor, shippers are showing no inclination to move loads to rail. Chennai's rail share in the first three fiscal quarters through the end of December slipped to 5.6 per cent from 6.1 per cent in the same period in 2015. Chennai's April to December rail volumes totalled 63,371 teu out of total throughput of 1.12 million teu, versus 71,567 teu and 1.16 million teu previously. At the same time the share of truck shipments remained flat at 94 per cent.

At JNPT, despite road-rail tariff equalisation, the major port is struggling to convince shippers for shifting freight from road to intermodal rail. The share of rail traffic in December, the first month after rate equalisation, was flat with the prior month at 14 per cent.

Nepal wants India to roll back duty on Jute

The heavily export-dependent jute mill industry in Nepal wants India to withdraw the recently imposed countervailing duty (CVD) of 12.5 per cent on sacking bags and hessian cloth imports. Both the country's Foreign Trade Association and Nepal Jute Mills Association (NJMA) say the duty goes against the spirit of long-standing understanding that New Delhi will treat the industry of the two countries on equal footing.

The Nepalese industry shrunk over the years to about half a dozen mills has either stopped production or is operating at very low capacity. For smooth functioning of what remains of the industry, Nepal Jute Mills Association wants the revocation of CVD by New Delhi.

SHIPPING

Cochin Shipyard launches double-ended Ro-Ro ferry

The Cochin Shipyard Limited has launched the second "double ended Ro-Ro ferry." The vessel offers a safer and reliable alternative for traditional 'Jangars' across the busy shipping channel between Fort Kochi and Vypeen.

The ship has been designed in-house at the yard and the innovative design will be first of its kind Made in India. It can carry 12 cars and 4 trucks or 18 cars besides 50 passengers with an endurance of about five days. The vessel is equipped with azimuth propulsion systems on both ends for easy manoeuvring, allowing it to be operated without the need for turning around at the jetty during cast-off, thereby considerably reducing trip time. The ferry can attain a speed of up to six knots and will take around three minutes to cross the 600-metre distance between the two stations. The vessel, having an air conditioned wheel house for comfort of the operator, has a number of inbuilt safety features.

Seaways moves sponge iron under Indo-Bangla Coastal Shipping

Seaways Shipping and Logistics Limited ("Seaways") has handled a vessel from Paradip Port under the Indo-Bangladesh coastal shipping. A Bangladesh-flagged vessel, *MV Shamayel* called at Paradip Port carrying 149 empty containers and sailed back with 91 containers loaded with sponge iron. The vessel reached Chittagong safely on January 1, 2017.

The scope of work undertaken by Seaways include inland haulage from ex-works, arranging for the vessel, stevedoring, vessel agency and last mile delivery from Chittagong Port to destination. Coastal shipping has reduced the transit time by more than two weeks and shippers will save on the additional charges charged by the hub ports.

Commerce Ministry wants exports out of GST framework

Commerce and Industry Ministry pressed the GST Council to keep exports out of the GST framework and levy lower taxes on labour-intensive sectors like leather, cement and plantation. In their contention before the GST Council, the Ministry officials argued the need for granting an "ab-initio" exemption from GST for exporters saying that the process of seeking tax refunds erodes their working capital. Moreover, in view of tough global situation it is imperative to encourage exports. Commerce and Industry Minister Nirmala Sitharaman said refund of taxes takes about six to eight months and hence it is necessary to "give an ab-intio exemption." She asked for treating exporters in such a way that they do not have to pay taxes upfront.

Maersk Line first to export Kinnows

Maersk Line has processed its first-ever shipment of Kinnows from Sonepat in Haryana to Novorossiysk in Russia. This opens up a niche cargo category of shipping non-frozen goods using reefers. Through Maersk Line's reefer services, the transportation time between the point of origin and the port will be reduced considerably, facilitating a one-stop solution closer to the place of origin of cargo.

LNG import terminal in Jafarabad

Swan LNG Pvt Ltd has awarded an engineering, procurement and construction contract of $316 million, for constructing the first-of-its-kind LNG terminal at Jafarabad in Gujarat, to National Marine Dredging Company based in UAE.

This state-of-the-art, India's first all-weather floating storage and regasification unit-based LNG import terminal with an initial capacity of 5 million tonnes per annum is expandable up to 20 mtpa. Of the initial 5 mtpa, oil and gas public sector companies, i.e. IOCL, BPCL, ONGC and GSPC, have reserved 4.5 mtpa capacity on use or pay basis for the next 20 years. National Marine & Infrastructure India Pvt Ltd has already begun construction works and targets to complete the project within three years.

FFFAI and JSC RZD Logistics team up

JSC RZD Logistics and FFFAI have signed an agreement to coordinate efforts in development of the North-South ITC (International Transport Corridor). They will work together to expand the number of contacts with Russian and Indian freighters in order to attract the cargos to the North-South ITC.

Union Budget boosts infra and logistics sector

The budget has a provision of ₹2,41,387 crore for transportation sector including rail, roads and shipping. For 2017-18, the total capital and development expenditure of Railways has been pegged at ₹1,31,000 crore. This includes ₹55,000 crore provided by the government. Budget for highways increased to ₹64,900 crore in 2017-18 from ₹57,976 crore in BE 2016-17. Coastal connectivity roads for 2,000 kms have been identified for construction. The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges. A specific programme for development of multi-modal logistics parks, together with multi modal transport facilities, will be drawn up and implemented.

Kakinada anchorage port to get face lift

The age old anchorage port at Kakinada is being given a face lift with development of roads at a cost of Rs 10 crore and construction of a passenger Jetty is in full swing. The deep water port which is under private management is now equipped with another berth the seventh in series. While the anchorage port has handled 15 lakh metric tonnes of cargo, the deep water port handled 89 lakh metric tonnes ushering a new era in sea trade. East Godavari District Collector H. Arun Kumar said that land for the container corporation was allotted for handling container cargo at the deep water port.

Cochin Port enhancing cargo volumes

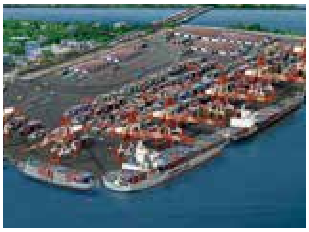
Cochin Port is reportedly offering its cargo handling facilities in the port area to companies for handling their products. Some steel, cement and petroleum firms have already expressed interest.

Willingdon Island is seen as an ideal location to establish units, facilitating more cargo and revenue for the port in the long term.

NileDutch to enhance services in India

NileDutch, the Rotterdam-headquartered carrier has a new agent in India (the Samsara Group's Oasis Shipping Pvt Ltd), and is looking ahead to explore new opportunities and further enhance its services in Indian market. The senior management of NileDutch said, "India is one of the largest trading partners of West Africa. With the investment in ports and logistics infrastructure throughout India, we expect volume to grow exponentially. Hence, the need to have a partner with extensive commercial and operational network to serve our customers better."

537 metres of breakwater completed in Vizhinjam



The construction of 537 metres of the breakwater, 34 per cent of the dredging and reclamation of 13.8 hectares of sea has been completed till date as part of the upcoming Vizhinjam International Multipurpose Deep water seaport. A 160-metre bund had been constructed using granite as part of the jetty (berths) and the works of the breakwater has been rescheduled for the construction of the berths for the seaport, Minister for Ports and Museums, Kadannappally Ramachandran revealed. Granite will be ferried to the project site on the basis of the progress of the construction of the berths. Adani Vizhinjam Port Private Ltd (AVLP) selected to build the superstructure and operate the seaport, has already appointed Ms AFCONS as the agency for the construction of both the berths.

Adani commences bunker supply at Hazira and Dahej

Adani Bunkering PVT Ltd has commenced physical bunker supply of RMG 380 cSt and MGO at Western India's ports of Hazira and Dahej. The fuel is noted to be supplied as per ISO 8217:2005 specifications. This facility would be catering to vessels calling at Hazira, Dahej and other ports of Gulf of Khambhat.

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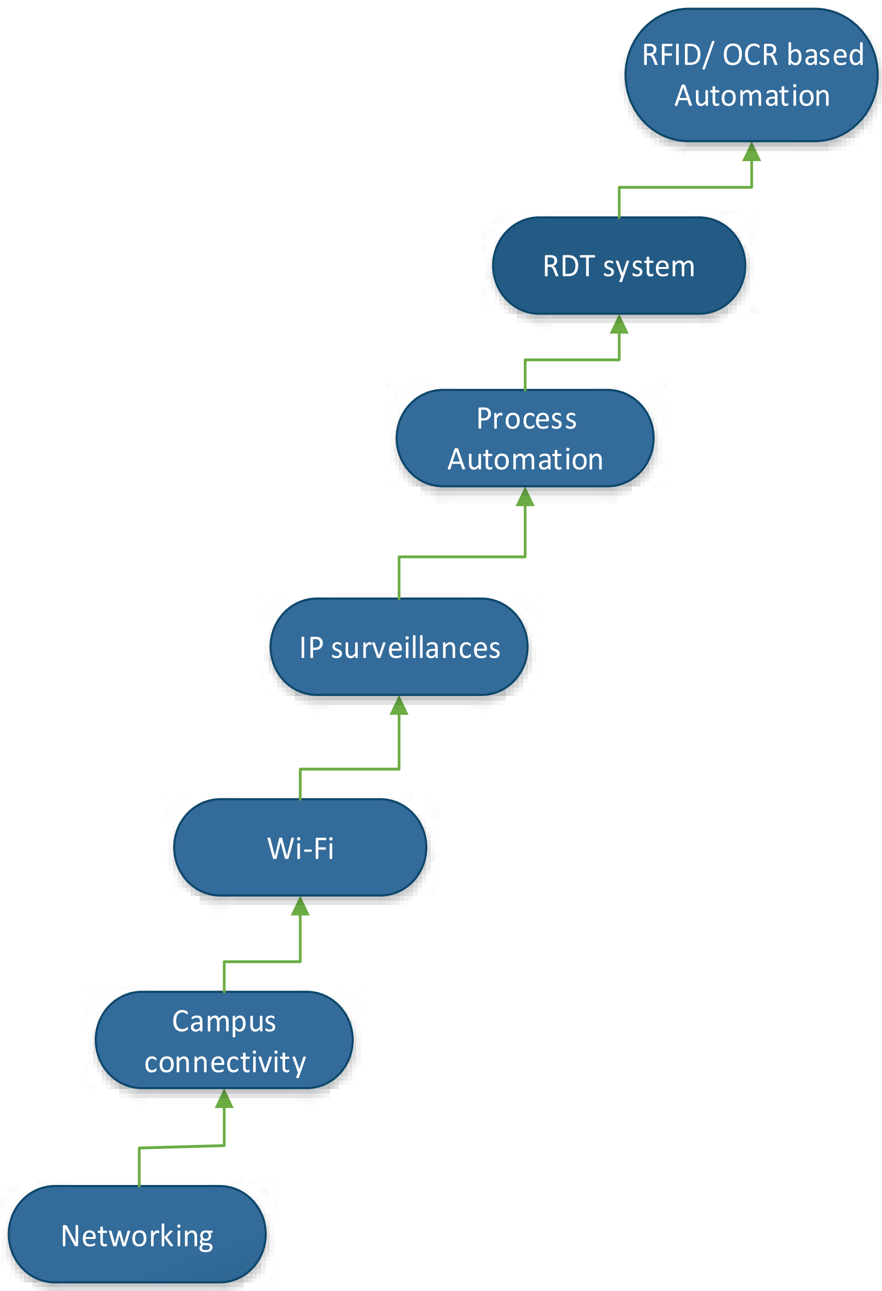

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EAST COAST

THE FACE OF PROSPERING INDIA

Key indicators of prosperity, such as higher GDP, increased industrial activity, seamless connectivity, mega infra projects and growing cargo at ports, will keep the sunny side up for the east coast

by Deepika Amirapu

Riding on increased industrial growth, a steady rise in gross state domestic product and planned addition of infrastructure, the four coastal states of West Bengal, Odisha, Andhra Pradesh and Tamil Nadu demonstrate the rise and dominance of the East Coast of India. Data from the Central Statistical Organisation reflects that by 2020 these states will be among the top ten in India contributing to the Centre's growth because of an spurt in per capita income, higher life expectancy leading to the economic indicators pointing northward.

The gross domestic product (GDP) of states in the hinterland of Visakhapatnam like Andhra Pradesh, Telangana and Odisha is likely to grow at a rate of 9-11 per cent CAGR and the central region of Madhya Pradesh, Chhattisgarh and Bihar is expected to grow at 6-8 per cent CAGR. An increase in industrial activity is expected to boost trade at ports as an extension. In the last year, all the six major ports on the east coast,viz. Kolkata, Paradip, Visakhapatnam, Chennai, Ennore and Tuticorin, have all reported a volume growth between 5-12 per cent. The average growth of India's 12 major ports during the three-month period ended June 30, 2016 stood at 5.28 per cent, while the ports handled a total of 212.78 million tonnes in the quarter, against 202.11 million tonnes seen during the corresponding period in 2015, data from the Indian Ports Association reveals. Among these, Vizag, Paradip and Tuticorin registered higher growth among their peers.

With bulk cargo volumes having picked up with an increase in fertilizer, food grain and iron ore movement, container cargo has seen remarkable surge as well. Kolkata surprised the industry by reporting a 13 per cent increase in box cargo volumes the last financial year. J.M. Baxi-run Visakha Container Terminal too reported a double-digit growth with a spurt in rice, grain, tobacco and cashew handled at the terminal. POL products marked the rise of Paradip this year with the crude oil refinery expanding its handling capacity. The marine product industry contributed to volume additions at both this port and the neighbouring Vizag Port. VO Chidambaranar Port handled a record cargo traffic of 22.68 million tonnes during the current financial year, registering a growth of 4.09 per cent over the corresponding period last year The port handled 3,79,693 teu of containers in the current financial year up to October 31, registering a growth of 6.22 per cent over the corresponding period last year. With coal continuing to be Ennore's main stay, the commodity was responsible for much of the increase in volume at this port.

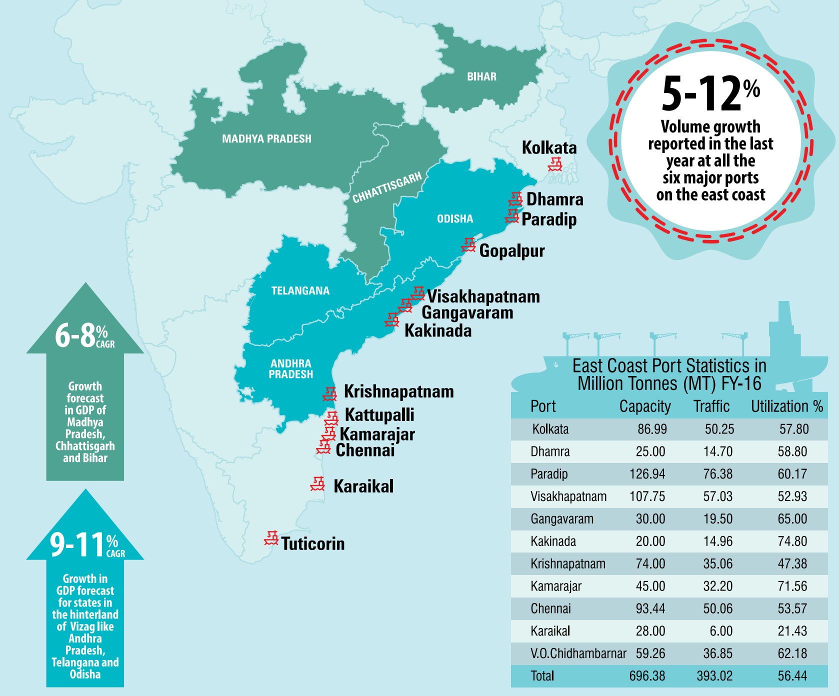
But what offers hope of continued growth in these regions is the intent to improve connectivity within the region. Various projects are being undertaken to ensure smooth movement of goods in the region. From multimodal logistics parks to warehouses and industrial corridors, the region is being dotted by hectic activity in all the states. While Kolkata will be part of the Eastern Dedicated Freight Corridor connecting all the north eastern states to the Kolkata Port, Odisha will be home to new railway lines that will crisscross its geography in connecting the port to the mines in Central India and its own state. But Andhra Pradesh and Tamil Nadu will be the luckiest of them all with the Vizag-Chennai Indsutrial Corridor and the Chennai-Bangalore Industrial corridor running through them. With the Asian Development Bank approving the first tranche of grant to develop the first key 800-km section of a planned 2,500-km-long East Coast Economic Corridor will spur development on India's eastern coast and create seamless trade links with other parts of South and Southeast Asia. The Visakhapatnam-Chennai Industrial Corridor section of the East Coast Economic Corridor, connecting four economic hubs and nine industrial clusters, will mark the first industrial corridor developed along India's coast. The East Coast Economic Corridor will ultimately extend from Kolkata in West Bengal in the northeast of India to Tuticorin in Tamil Nadu near the southern-most point of the country. The new infrastructure will be built in the four main centers along the corridor – Visakhapatnam, Kakinada, Amaravati, and Yerpedu – as well as nearby industrial areas and Srikalahasti. It will include 138 km of state highways and roads, effluent and water treatment plants, 488 km of drinking water pipes, 47 km of storm drains, 10 power substations, and 281 km of power transmission and distribution lines.

The Chennai-Bengaluru Industrial Corridor Project is also an infrastructure project covering three southern sates – Tamil Nadu, Andhra Pradesh and Karnataka. It is expected to boost commerce between South India and East Asia by enabling quicker movement of goods from these places to the Chennai and Ennore ports. The strategy to develop the CBIC is part of the plan to achieve accelerated development and regional industry agglomeration in the states. The department of industrial policy and promotion (DIPP) and the Japan International Cooperation Agency (JICA) are the agencies that would map and guide industrial planning for this project.

With such mega infrastructure projects in tow, the sunny side will be up for the east coast in the coming decade. mg

KOLKATA WILL BE PART OF THE EASTERN DEDICATED FREIGHT CORRIDOR CONNECTING ALL THE NORTH EASTERN STATES TO THE KOLKATA PORT, ODISHA WILL BE HOME TO NEW RAILWAY LINES CONNECTING THE PORT TO THE MINES IN CENTRAL INDIA AND ITS OWN STATE.

EAST COAST ON THE GROWTH CURVE



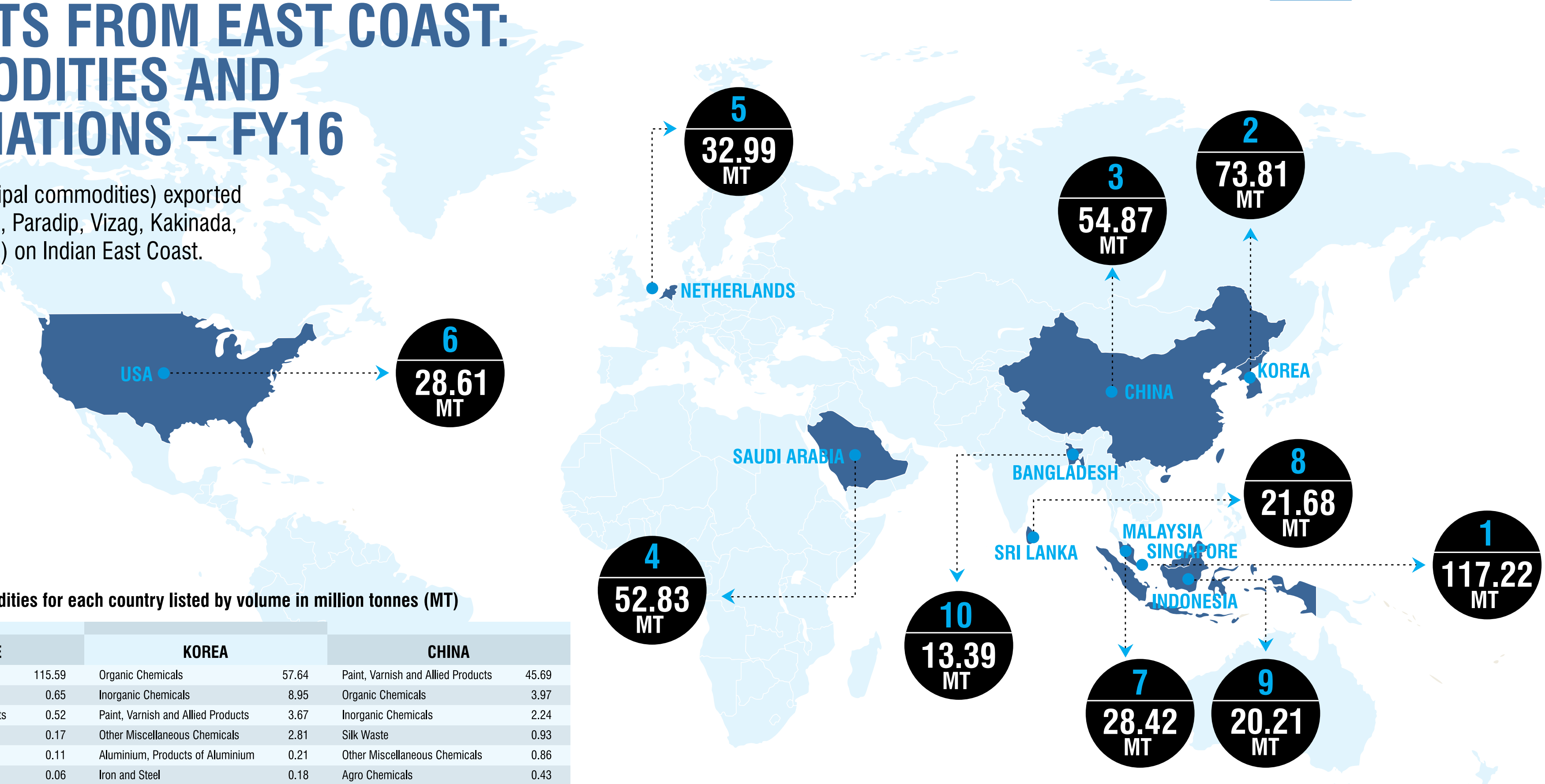
East Coast Port Statistics in Million Tonnes (MT) FY-16

Port	Capacity	Traffic	Utilization %
Kolkata	86.99	50.25	57.80
Dhamra	25.00	14.70	58.80
Paradip	126.94	76.38	60.17
Visakhapatnam	107.75	57.03	52.93
Gangavaram	30.00	19.50	65.00
Kakinada	20.00	14.96	74.80
Krishnapatnam	74.00	35.06	47.38
Kamarajar	45.00	32.20	71.56
Chennai	93.44	50.06	53.57
Karaikal	28.00	6.00	21.43
V.O.Chidhambarnar	59.26	36.85	62.18
Total	696.38	393.02	56.44

by: gateway research | www.gatewayresearch.in

EXPORTS FROM EAST COAST: COMMODITIES AND DESTINATIONS – FY16

Total cargo (principal commodities) exported by ports (Kolkata, Paradip, Vizag, Kakinada, Chennai, Tuticorin) on Indian East Coast.



Top 10 major commodities for each country listed by volume in million tonnes (MT)

SINGAPORE		KOREA		CHINA	
Organic Chemicals	115.59	Organic Chemicals	57.64	Paint, Varnish and Allied Products	45.69
Petroleum Products	0.65	Inorganic Chemicals	8.95	Organic Chemicals	3.97
Paint, Varnish and Allied Products	0.52	Paint, Varnish and Allied Products	3.67	Inorganic Chemicals	2.24
Inorganic Chemicals	0.17	Other Miscellaneous Chemicals	2.81	Silk Waste	0.93
Essential Oils	0.11	Aluminium, Products of Aluminium	0.21	Other Miscellaneous Chemicals	0.86
Other Miscellaneous Chemicals	0.06	Iron and Steel	0.18	Agro Chemicals	0.43
Agro Chemicals	0.06	Petroleum Products	0.17	Cotton Yarn	0.25
Aluminium, Products of Aluminum	0.02	Agro Chemicals	0.13	Iron and Steel	0.15
Copper and Products Made of Copper	0.01	Cotton Yarn	0.02	Petroleum Products	0.12
Spices	0.01	Lead and Products Made of Lead	0.01	Copper and Products Made of Copper	0.08

SAUDI ARABIA		NETHERLAND		U S A	
Organic Chemicals	48.45	Paint, Varnish and Allied Products	18.00	Other Miscellaneous Chemicals	18.81
Inorganic Chemicals	2.96	Inorganic Chemicals	10.57	Agro Chemicals	2.85
Paint, Varnish and Allied Products	0.91	Other Miscellaneous Chemicals	3.59	Organic Chemicals	2.63
Agro Chemicals	0.27	Organic Chemicals	0.52	Inorganic Chemicals	2.54
Other Miscellaneous Chemicals	0.11	Agro Chemicals	0.22	Paint, Varnish and Allied Products	1.64
Petroleum Products	0.08	Iron and Steel	0.05	Aluminium, Products of Aluminium	0.04
Iron and Steel	0.02	Vegetable Oils	0.01	Iron and Steel	0.02
Jute Yarn	0.00*	Pulses	0.01	Essential Oils	0.02
Other Cereals	0.00*	Packaging Materials	0.00*	Plastic Raw Materials	0.01
Essential Oils	0.00*	Essential Oils	0.00*	Mica	0.01

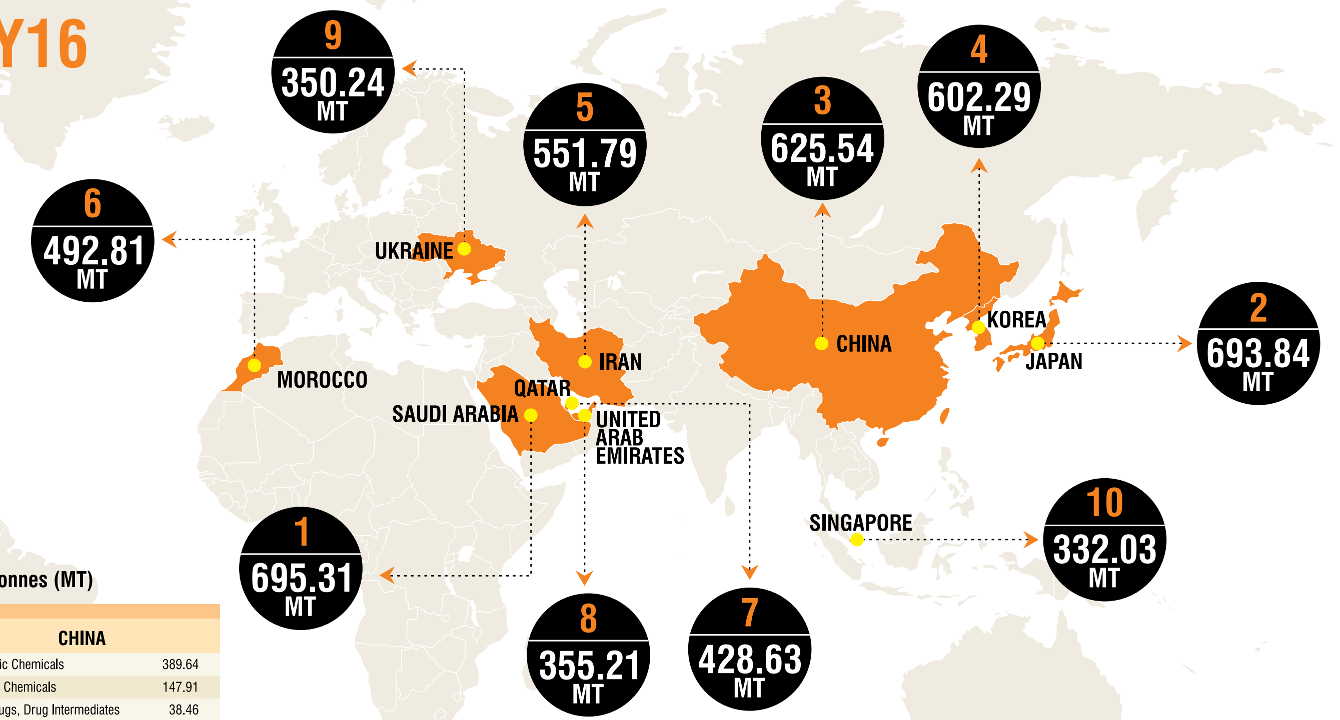
MALAYSIA		SRI LANKA		INDONESIA		BANGLADESH	
Organic Chemicals	15.99	Inorganic Chemicals	14.06	Organic Chemicals	18.38	Inorganic Chemicals	11.36
Other Miscellaneous Chemicals	9.35	Other Miscellaneous Chemicals	3.73	Inorganic Chemicals	0.86	Organic Chemicals	0.69
Inorganic Chemicals	2.53	Paint, Varnish and Allied Products	1.15	Paint, Varnish and Allied Products	0.55	Paint, Varnish and Allied Products	0.45
Petroleum Products	0.19	Cement, Clinker and Asbestos Cement	1.10	Agro Chemicals	0.23	Iron and Steel	0.44
Paint, Varnish and Allied Products	0.12	Agro Chemicals	0.72	Iron And Steel	0.11	Agro Chemicals	0.18
Aluminium, Products of Aluminium	0.09	Organic Chemicals	0.70	Other Miscellaneous Chemicals	0.04	Cement, Clinker and Asbestos Cement	0.14
Agro Chemicals	0.07	Iron and Steel	0.12	Aluminium, Products of Aluminium	0.01	Cotton Yarn	0.04
Iron and Steel	0.02	Essential Oils	0.03	Petroleum Products	0.01	Petroleum Products	0.03
Copper and Products Made of Copper	0.02	Marine Products	0.01	Groundnut	0.01	Other Miscellaneous Chemicals	0.01
Essential Oils	0.01	Petroleum Products	0.01	Mica	0.01	Cotton Raw Incld. Waste	0.01

*Values are less than 0.01 MT

by: gateway research | www.gatewayresearch.in

IMPORTS TO EAST COAST: COMMODITIES AND ORIGIN COUNTRIES – FY16

Total cargo (principal commodities) imported by ports (Kolkata, Paradip, Vizag, Kakinada, Chennai, Tuticorin,) on Indian East Coast.



Top 10 major commodities for each country listed by volume in million tonnes (MT)

SAUDI ARABIA	
Organic Chemicals	370.90
Inorganic Chemicals	204.44
Dye Intermediates	104.48
Petroleum: Crude	7.70
Finished Leather	3.60
Petroleum Products	1.78
Paint, Varnish and Allied Products	1.61
Sulphur, Unroasted Iron Pyrite	0.35
Fertilizers Manufactured	0.24
Plastic Raw Materials	0.15

JAPAN	
Inorganic Chemicals	678.31
Organic Chemicals	8.02
Bulk Drugs, Drug Intermediates	4.35
Paint, Varnish and Allied Products	1.33
Other Miscellaneous Chemicals	0.73
Iron and Steel	0.66
Finished Leather	0.10
Plastic Raw Materials	0.08
Dyes	0.07
Sulphur, Unroasted Iron Pyrite	0.06

CHINA	
Inorganic Chemicals	389.64
Organic Chemicals	147.91
Bulk Drugs, Drug Intermediates	38.46
Other Miscellaneous Chemicals	18.02
Paint, Varnish and Allied Products	13.32
Agro Chemicals	4.17
Silk, Raw	2.71
Fertilizers Manufactured	2.24
Coal, Coke and Briquettes etc	1.39
Milled Products	1.24

KOREA	
Inorganic Chemicals	524.84
Organic Chemicals	64.46
Bulk Drugs, Drug Intermediates	5.58
Paint, Varnish and Allied Products	3.01
Finished Leather	2.18
Iron and Steel	0.70
Dyes	0.38
Other Miscellaneous Chemicals	0.31
Silver	0.29
Plastic Raw Materials	0.15

IRAN	
Inorganic Chemicals	539.89
Dye Intermediates	9.81
Finished Leather	1.20
Organic Chemicals	0.44
Petroleum: Crude	0.26
Fertilizers Manufactured	0.12
Tea	0.05
Petroleum Products	0.01
Fresh Fruits	0.00*
Cement, Clinker and Asbestos Cement	0.00*

MOROCCO	
Inorganic Chemicals	491.51
Fertilizers Crude	1.27
Spices	0.03
Lead and Products Made of Lead	0.00*
Aluminium, Products of Aluminium	0.00*
Essential Oils	0.00*
Auto Components/parts	0.00*
Bulk Minerals and Ores	0.00*
Ceramics and Allied Products	0.00*
Electronics Components	0.00*

QATAR	
Inorganic Chemicals	343.55
Organic Chemicals	82.43
Petroleum Products	1.78
Sulphur, Unroasted Iron Pyrite	0.45
Finished Leather	0.18
Petroleum: Crude	0.13
Fertilizers Manufactured	0.07
Plastic Raw Materials	0.04
Aluminium, Products of Aluminium	0.01
Zinc and Products Made of Zinc	0.00*

UAE	
Inorganic Chemicals	343.87
Petroleum: Crude	2.99
Organic Chemicals	2.50
Petroleum Products	1.72
Marine Products	1.47
Finished Leather	1.40
Paint, Varnish and Allied Products	0.89
Sulphur, Unroasted Iron Pyrite	0.21
Plastic Raw Materials	0.05
Iron and Steel	0.02

UKRAINE	
Inorganic Chemicals	348.79
Vegetable Oils	0.73
Finished Leather	0.24
Spices	0.22
Other Cereals	0.09
Paint, Varnish and Allied Products	0.08
Pulses	0.08
Oil Meals	0.02
Iron and Steel	0.00*
Coal, Coke and Briquettes etc	0.00*

SINGAPORE	
Organic Chemicals	321.50
Bulk Drugs, Drug Intermediates	7.58
Inorganic Chemicals	0.77
Petroleum Products	0.68
Paint, Varnish and Allied Products	0.66
Iron and Steel	0.28
Agro Chemicals	0.18
Plastic Raw Materials	0.10
Other Miscellaneous Chemicals	0.07
Spices	0.06

*Values are less than 0.01 MT

CHANGING CARGO DYNAMICS

After years of Look and Act East policy initiatives, finally Visakhapatnam is on firm ground to grow as a multi-cargo handling port and the positive signs in volume quantify the region's importance as a future hub for EXIM and coastal cargo. This report explains what are the industries and trends that will fuel cargo growth for maritime trade in Visakhapatnam in general and on the East Coast at large!

by Sisir Pradhan

For long ports on the west coast have been spearheading container cargo movement in India, and bulk and break bulk cargo were volume drivers on the east coast. But the trend seems to be changing on the east coast. Ports and terminals on the east coast were in a fix when early last year Coal Ministry abruptly decided to increase procurement from domestic mines. Ports and terminals on the east coast were already under distress after the restriction on iron ore export, and since then coal has been a major principal commodity for them. Amid all these uncertain times, ports and terminals in Visakhapatnam have noticed some positive signs that could lead to cargo volume growth in the region.

Present cargo scenario

The bulk segment commodities like iron ore and pelletes have increased almost twice between April, 2016 and January, 2017. About 81 lakh tonnes of the commodity has been shipped from the port between April, 2016 and January, 2017 as compared to 38 lakh tonnes during the same period of previous year. So what led to the growth of the cargo and will it sustain? Essar Steel has a 6-million-

Growing cargo for Visakhapatnam Port

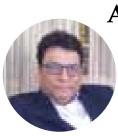
- About 5 million tonnes of POL products will be moved from the oil refinery in Paradip to meet the requirement in Andhra Pradesh and Telangana.
- Expansion of HPCL refinery will lead to a traffic of roughly 15 MTPA of crude import by 2025.
- POL coastal traffic is expected to reach 7.5 MTPA by 2025. LPG imports are also expected to increase to 1.5 MTPA by 2025 from current 1.1 MTPA
- The electrification and doubling of railway line between Raipur and Vijayanagaram will ease faster cargo movement from the hinterland.
- Thermal power plants in Tamil Nadu will fuel growth in coastal shipping from Visakhapatnam and coal demand is going to touch about 3.7 MTPA, 5 MTPA and 5-6 MTPA by year 2020, 2025 and 2035, respectively.

tonne steel plant at Hazira and the company moves about 3 million tonnes of pellets from its plant in Visakhapatnam by coastal shipment.

Visakhapatnam Port has registered an overall growth in coastal cargo, which accounts for about 24 per cent of total cargo handled at the port. Among the coastal cargo, about 5 million tonnes of iron ore and pellets for steel plants in Maharashtra and Gujarat, 2 million tonnes of POL products, and about 3-3.5 million tonnes of coal for thermal power plants in Tamil Nadu were handled at the port.

Essar Berth also has commitment with MMTC and NMDC to supply iron ore to Japan and South Korea. As per the agreement between MMTC with steel plants in Japan and South Korea, high grade iron ore will be exported during the three-year period from April 2015 to March 2018. About 16.5 MMT of high grade iron ore is expected to be supplied to Japan and South Korea till March 2018.

Increase in containerized cargo volume has already been noted at Visakha Container Terminal. Industry insiders say the terminal has registered a volume increase in excess of about 27-29 per cent in recent times. Notably, the J.M. Baxi Group-led container terminal in Visakhapatnam has handled 0.29 million teu in FY2015-16 as compared to 0.24 million teus in FY2014-15. In a recent interview with *Maritime Gateway*,



Anup Kumar Satpathy, Chief General Manager (Central Region), Concor had said that rice is a major export commodity for Concor (Central Region), which has now shifted from JN Port to Visakha Container Terminal largely due to improved road conditions and lower road freight rates from Central India to Visakhapatnam.

Container shipments at the terminal touched 48 lakh tonnes between April, 2016 and January 2017 as compared to 36 lakh tonnes during the corresponding period last fiscal. The port has also extended 50 per cent concession on pilotage and berthing charges for mainline vessels of 50,000 GRT and above. Exporters from Nepal after battling with congestion at Kolkata, are looking at Visakhapatnam as an alternate gateway. About 8,000 teu have been moved from the port to the landlocked country in a trial run in June last year. The port has also signed agreement for cargo movement to Bangladesh. It will boost textile, fertilizer, and food grain volume. It also opens potential to move cargo to landlocked north eastern states of India, through Bangladesh.

Future prospects

Three regions Visakhapatnam, Kakinada and Krishnapatnam have been identified in Andhra Pradesh under the Coastal Economic Zones (CEZ) programme. Visakhapatnam already has the ground for industries like food processing, petrochemicals, cement, and apparel, which have been identified by the ministry for potential growth. Moreover, crude oil refinery at Paradip and marine product industry in Odisha will further compliment cargo growth in Visakhapatnam.

Based on the shipping ministry's Origin Destination study on cargo traffic projections and logistics bottlenecks, in future about 5 million tonnes of POL products will be moved from the oil refinery in Paradip to meet the requirement in Andhra Pradesh and Telangana. Expansion of HPCL refinery in the future will lead to a traffic of roughly 15 MTPA of crude import by 2025. POL coastal traffic is expected to reach 7.5 MTPA by 2025. LPG imports are also expected to increase to 1.5 MTPA by 2025 from current 1.1 MTPA, driven by government's focus on distribution of LPG connections to rural households.

Adani Vizag Coal Terminal had entered into a concession agreement with Vishakhapatnam Port to set up a steam coal handling facility with a capacity of 6.4 million tonnes a year in 2011 and the project was commissioned in December 2013. The facility can handle steam coal volumes of up to 9 million tonnes and aimed at coal imports to feed the local industries and power plants in Andhra Pradesh, Odisha, Chhattisgarh and Maharashtra. But coal ministry's embargo has put the project in a fix. Adani Group requires around 4 MTPA thermal coal for Adani Power Maharashtra located in Gondia. There is need for import of about 9 MTPA of thermal coal through Visakhapatnam, to serve power plants in Gondia and Tiroda in Maharashtra, Andhra Pradesh and Telangana, and steel and other industries in the hinterland. Adani Group following the tussle involving berth operated by group company Adani Vizag Coal Terminal at Visakhapatnam Port, uses Ganagavaram Port to import roughly 2 million tonnes of thermal coal.

Steel plants in the hinterland of Visakhapatnam led by RINL, SAIL Bhilai, Jindal Power and Steel, Tata Steel, Uttam Galva, Bhushan Power and Steel consume about 6 MTPA of coking coal, and as market improves for steel industry, coking coal demand will rise to 8.6 MTPA by 2020, 11-12 MTPA by 2025 and 18-20 MTPA by 2035.

Potential volume drivers will be iron ore and pellets, fertilizer, alumina powder. Coastal shipping will be driven by fertilizer, coal, steel, cement and food grain.

Tapping newer cargo

The port is focusing on attracting newer commodities gaining demand. A dedicated marketing team is reaching out to traders, expanding the port's hinterland

by Sisir Pradhan

M T Krishna Babu, IAS, Chairman, Visakhapatnam Port Trust

Q How would you look at the performance of the port so far in FY2016-17?

At the end of Q3 of FY2016-17 the port has registered a growth in cargo volume of about 8.5 per cent. The rise in cargo volume is largely contributed by iron ore. Containerized cargo volume has also increased at the port. Meanwhile, coking coal and steam coal volume has come down, and POL product volume has remained almost at par with previous year.

Q What will be your strategy to make up for the loss due to restriction on coal import?

There will be not much change in coking coal volume as steel plants are dependent on it and steam coal volume will not be much affected as demand for it by thermal power plants in Tamil Nadu has not come down. Steam coal which is being imported from abroad for thermal power plants has come down. We are focusing on commodities which are growing like bauxite which is being imported by some companies like Vedanta for their plants. There has also been a growth of volume for lime stone, gypsum and manganese. We are also following up with many cement plants in the region.

Q How are the Boston Consulting Group recommendations being implemented?

First time, we have set up a marketing team reaching out to the customers even in Raipur in Chhattisgarh. A lot of food grain, especially rice is being exported from Raipur through Kakinada because Visakhapatnam didn't have a covered storage space. Now we are taking over a storage space built by Food Corporation of India, which will allow us to offer 30,000 tonnes of covered storage area to food grain exporters.

"For the first time, we have set up a marketing team reaching out to the customers."

Q PPP projects are a setback! Once thought to be partners in progress now walking out for various reasons, how does it impact port growth?

Since 2009, the port has undertaken nine port modernisation projects under PPP mode. Many of the PPP projects were stuck because of financial issues. A special purpose vehicle SEW Vizag Coal Terminal was developing a coal handling berths in the inner harbor of the port, however, after completion of 65 per cent of work, the company couldn't finish remaining work due to their financial constraint. The concessionaire is seeking financial assistance from the port to complete the project. Remaining of the PPP projects have been completed.

Q Is there any scope for change in PPP model in the new Port Act?

There is not much scope for existing PPP projects but lot of flexibility and autonomy will be for new projects. In the new Act, the only scope for revision of old PPP agreements is concessionaire can appeal before the arbitration board in cases where an issue arises which was not anticipated at the time of signing of the concession agreement. In such cases, the arbitration board will recommend the government to make necessary corrections.

Q What is the current status of Adani Vizag Coal Terminal?

Following increase of domestic coal production, steam coal import has dried up due to which the concessionaire has completely stopped operation at the berth. We have issued a consultation notice to them.

They have to handle minimum guaranteed volume at the berth. They still have three years time to prove their ability to run the terminal, and currently they have entered into the second year of operation. After the completion of third year if minimum guaranteed volume is not handled at the terminal, the agreement gives the flexibility to the port to take over the terminal and add new commodities to the terminal and put it up for fresh bidding. mg

Phenomenal rise in cargo

Reporting the highest growth in container traffic consecutively for the last four years among its peers, the oldest and the only riverine port of India is upping its efficiency on various counts

by Deepika Amirapu

Kolkata Port has emerged as a dark horse trumping all its peers reporting the highest growth in container traffic consecutively for the last four years. "At any given point there are about six ships waiting to unload cargo," **Balaji Arun Kumar, Deputy Chairman** said. To minimise delay in handling and berthing vessel, the port has adopted the recommendation made by Boston Consulting Group to adopt the waiting berth policy. The vessel that is ready to offload cargo is given a berth adjacent to the berth it will anchor at so to minimise any delay. Given the current inflow of cargo traffic, the five of the port's 12 cargo berths are used for container operations and the remaining are used to handle break bulk cargo and passenger movement. Owing to increased container cargo handling, the port has reported a growth of 18 per cent in the last four years and 13 per cent in the current financial year thus far.

In November 2014, the port changed its container handler and awarded the contract to Port of Singapore Authority India that modernised container handling at the berths. About four harbour mobile cranes were deployed and this, coupled with other changes made at the entry and exit points changed the port's course from being an import dependent port to an export oriented port.

"We ensured that maintenance dredging was done from time to time to avoid any silting. These efforts have led our port cargo mix to tip in favour of containerisation," the deputy chairman said. Currently the port's cargo pie chart boasts of 65 per cent of containerised cargo, 20 per cent of liquid cargo and the balance as break bulk cargo.

Cargo mix

Currently, KoPT handles 5.6 lakh teu of cargo against a total handling capacity of 8 lakh teu. Apart from the increase in steel and aluminium exports and imports, one of the main reasons why container cargo handling has gone up at the port is also due to a fall in vegetable oil cargo handled at the port. The port expects an increase in handling of POL and vegetable oil cargo with IOC, BPCL and HPCL – all the state run oil marketing companies expected to handle more cargo.

Infrastructure addition and efficiency

Several plans are afoot to expand the container yard. "We are attempting to create more space inside the dock system. We are planning to create additional space of 18,000 sqm. This will help us increase our ground slots, improve lighting and ensure more machinery is deployed," Balaji Arun Kumar said. To help increase handling of break bulk cargo, a couple of berths are being repaired alongside improving the storage infrastructure. More sheds are being constructed and unloading and bagging of cargo will be mechanised, the port officials said. The POL jetties too – six of them – will swing in operations after two berths will be completely repaired to handl increase in liquid cargo.

Much of the growth for the port, like in the past years, will come from handling pulses and containers. While a lot of exim cargo movement takes place currently, the port is also gearing itself up to handle coastal container movement. While Kolkata Port will focus on improving its container handling abilities, Haldia Port will invest in upping its ante on break bulk and bulk traffic. The outer harbours at Haldia are being readied for coal movement and transloading of other cargo. They will also invest in mooring facilities to handle liquid cargo. With Exide Industries planning to invest ₹120 crore in a new smelting unit in Haldia, the port expects an increase in this cargo.

With newer consumption centres getting added in West Bengal and increase in movement of cargo to the north eastern regions, Kolkata Port is readying itself to ride high on the wave of greater consumerism, connectivity and efficiency.

ALL SET TO CONQUER THE EAST

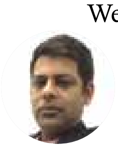
Indian box transporter Container Corporation of India's eastern division is all set to conquer new cargo regions in plains and peaks on its side as it eyes strong cargo growth from jute, rice and steel. Kolkata will shape up to be the logistic hub for all trade and container cargo emanating from Bihar, Jharkhand, West Bengal and the seven north eastern states

by Deepika Amirapu

Indian box transporter Container Corporation of India's eastern division is all set to conquer new cargo regions in plains and peaks on its side as it eyes strong cargo growth from jute, rice and steel. Kolkata will shape up to be the logistic hub for all trade and container cargo emanating from Bihar, Jharkhand, West Bengal and the seven north eastern states.

"In the coming financial year, we expect more domestic movement of steel, sponge iron, pig iron and export cargo to pick up as well. There will be an uptick in the movement to other parts of Bengal from Kolkata and a 20 per cent jump in cargo movement to Tripura." Equally, Concor is trying to coax a lot of road transport patrons on the other side of Kolkata to containerise and move their boxes by rail. Currently, Hindustan Lever, Nestle and few fast moving consumer good firms have their plants along the Indo-Bhutan border. It is this cargo that Concor is looking to move by rail.

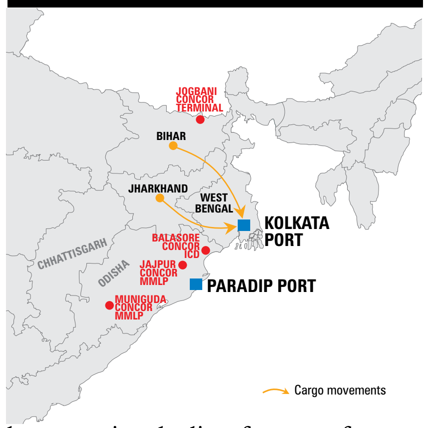
Concor's aim to look east have quite paid off for the transporter as the North Eastern region sees much grain movement with rice, pulses and wheat movement to the otherwise poorly connected regions of India. And as return cargo, most of the produce that comes mainly from Tripura and Assam is jute, beetle nut, bamboo and tea. "Tripura is a huge market and we are in talks with the Indian Railways to see how we can make use of their existing infrastructure to ply our trains and offload the containers. We have requested access to three terminals," **Syed Abdul Rahman, IRTS, Senior General Manager of Concor Eastern region** told MG. Although the Concor manager admits they're a tad late in tapping Tripura's potential, they have not yet missed the bus, he says.



This have given them impetus to move deeper into the hinterland. And so, other regions that have sprung a surprise in offering boxes full of cargo are Bihar and Nepal. Concor expects pulses and food grain movement almost all through the year from Bihar except during the rainy season. From moving just four rakes a month in December, the rail transporter hopes to move up to eight rakes starting February. This would mean about 80 teu of food grain added to its kitty from Bihar. Much of this cargo, their manager says, shall be loaded from its terminal at Khatua.

Coming back to Bengal, with the West Bengal government focusing extensively on industrialisation across the state, many terminals at various locations could be converted to inland container depots or ICDs that boast of a custom inspection facility. Concor's facility at Durgapur is one such where quite a few export boxes have emerged in the last few months prompting Concor to alter its strategy slightly to include regular services to this location. Most container shipping lines have asked for export containers to be shipped from Haldia as the Kolkata Port deals with import cargo mostly. Rice, sugar and steel have of late have been topping the list of exports from Haldia. Concor is also in talks with the Kolkata Port to allow for the vessels to be loaded from within the port. Currently, they get loaded from the Concor terminal close to the port.

UPCOMING CONCOR PROJECTS



A few other terminals in Odisha are getting ready to receive huge inflows of cargo. MMLPs at Jajpur, Muniguda will perhaps commence operations in the coming couple of years and the terminal at Balasore is being readied for customs clearance. In addition to developing multimodal logistics parks at Odisha, warehouses will also be set up in the state. These logistics hubs will ensure cargo from central India and various parts of Odisha are tapped for steel, iron ore, pyg iron being some of the key commodities contributing majorly to Concor's revenue. "Logistics cannot be complete without warehousing. Concor will get in to setting up warehouses with GST coming up. It is going to be a major business. It will be a money spinner. Today at Kolkata Port there is a huge demand for space. Customers do not want warehouses. They just want some space where they can park their goods. With GST, there will be a huge demand for stock yards, automated, RFIDs and state-of-the-art facilities, with cold storage will soon become the norm," Abdul Rahman said.

Cargo rise

With GST kicking in, the coming financial year is expected to be promising for Concor with both domestic and EXIM cargo increasing. Their senior manager says there could be an increase in domestic movement and exports of steel. Other goods moving within the country include iron ore, pyg iron, food grain, pulses and jute. "These will get a fillip as demand for movement will increase as these centres will have their own hubs. With large warehouses becoming possible, they will begin to transport in bulk and the hub and spoke model will be followed where the commodity will be distributed to the local markets. They will also look to serve three to four states. There can be a hub in Kolkata or Bihar and the entire North Eastern region can be catered too," he augurs.

CONCOR'S AIM TO LOOK EAST HAS QUITE PAID OFF AS THE NORTH EASTERN REGION SEES MUCH GRAIN MOVEMENT WITH RICE, PULSES AND WHEAT MOVING TO THE OTHERWISE POORLY CONNECTED REGIONS OF INDIA.

However, Concor's bread and butter will still remain a handful of products namely steel and aluminum. Steel will continue to be the dominant cargo contributing by adding up to 50 per cent of all cargo moved. Jute follows next accounting for 40 per cent and food grains will add up to the rest. This mix could however be altered with the tilt moving in favour of food grains. Cement is another commodity that could get added to the current mix. While the Railways gets a major share of cement moved, cement getting bagged at various ports could be one of Concor's additions in the coming year. Kolkata's proximity to the steel hub of Odisha could ensure greater movement of iron ore as well. To ensure free movement of all cargo, Concor is also trying to ensure railway infrastructure is improved in the eastern region. RITES, the consulting agency for designing and implementing new projects, has been awarded a few projects to better traffic flow within the port on tracks. With these measures in places, Concor hopes to notch up its performance and contribute in larger measure to its parent. In the last financial year, Concor East finished fourth coming close behind the South Central region.

A story of dramatic turnaround

In spite of having the best facilities, the shipyard that has the honour of building independent India's first ship was in the red for the past few years. The shipbuilder has been brought into the black at the able hands of Rear Admiral LV Sarat Babu, NM, IN (Retd), CMD, Hindustan Shipyard Ltd. In a one-to-one with Sisir Pradhan the veteran naval officer gives an account of the dramatic turnaround

by Sisir Pradhan

Q The shipyard has come out of red after you took charge. How did you do it?

I joined Hindustan Shipyard on January 5, 2016, and then the company was making a loss of more than ₹204 crore, and it had a negative net worth of more than ₹1,000 crore. The shipyard has some excellent facilities like lot of water front with deep draft to build and launch a ship. But little bit of effort was required to motivate people to increase productivity to deliver ships on time. We started boosting the morale of the team and motivate them before working on production oriented activities. The shipyard doesn't have any labour unrest issue because of the number of welfare initiatives. I also ensured that the funds are used diligently. The company used to pay ₹45 lakh per month for overtime allowance, which is brought down to less than ₹10 lakh per month.

Q What are the major projects completed in CY2016?

IN CY2016, Hindustan Shipyard has completed construction of six vessels, which includes two 25-tonne tugs for the Indian Navy, one 25-tonne tug for the Andaman and Nicobar naval command, one Inshore Patrol Vessel for the India Coast Guard, and two tugs of 50 tonne each for the Kandla Port Trust. We are targeting to deliver eight vessels in CY2017. In FY2015-16, the company made a net profit of about ₹19 crore. We are hopeful to make an operating profit in FY2016-17.

Rear Admiral LV Sarat Babu, NM, IN (Retd)
Chairman & Managing Director, Hindustan Shipyard Ltd.

Q How do you look at the competition from private players?

Competition is increasing in shipbuilding sector. Unlike PSUs, private companies are not bound by the rule of providing employment or opportunity to a certain section of the society. Moreover, the issue with PSU is that overheads are more, hence I tried to cut them down to become more competitive. We have also cut the manpower to the right size. Government shipbuilding orders are awarded based on competitive bidding. We produce ships in record time, and orders will follow.

New entrants will find it difficult to compete as shipyard requires lot of infrastructure, equipment, construction base, and large water front with adequate depth. Shipyard workforce can't be skilled overnight.

Q What is the current order book size of the company?

As of now I am not satisfied with the order book. We are building few tugs, a fleet support vessel, an IPV and two mini submarines for the Indian Navy. We also have some ship repair works. The shipyard has the capacity to take more projects, and I have approached the ministry in this regard. We should have at least an order book of ₹5,000 crore a year, which can place us in a comfortable position to turnover every year. But currently, we have an order book of ₹1,000 crore.

Q Have you stopped taking civilian vessel work, as the shipyard is now under Ministry of Defence?

No, we still build civilian vessels. Though there are no new orders for civilian vessels but we have to be competitive with foreign shipyards like Sri Lanka and South Korea. They have very high level of automation which helps them to cut down costs. We have signed an MoU with Hyundai Heavy Industries to modernise the shipyard. Following which five fleet support ships for the Navy will be built in 2018. Other future project we look forward to is to build two landing platform docks for the Navy. We are hopeful to get more vessel orders as government is promoting coastal shipping and inland waterways.

Q Is there any scope for private players to partner with Hindustan Shipyard?

Indian companies are more keen on partnership for sharing of work, which is not of much interest to us because this kind of arrangement is possible when we have capacity overload, but now we are an underutilised facility.

State Maritime Board soon

The Andhra Pradesh State Maritime Board will be formed on the lines of the Gujarat Maritime Board and will boost industrial development along the coast

by Deepika Amirapu

The Andhra Pradesh state maritime board shall be functional in the next four months once the state government receives an approval from the Centre on creating a board for facilitating and monitoring coastal projects along its 974 km coastline, a senior functionary from the AP Ports Development Corporation told MG. The Bill, having been cleared by elected members of the state assembly, needs approval from the central government before it is passed as an Act by the state.

The Andhra Pradesh Maritime Board will be set up along the lines of the Gujarat Maritime Board and will ensure there is more coastal industrial activity in the state. Currently, the office of the state port development is looking into 90 projects earmarked under the Sagarmala project. "Thirty of these projects shall be implemented by the Visakhapatnam Port Trust and the remaining 60 are to enhance connectivity to other ports and kick start other tasks flagged to better port development," the official said. Several of these projects include four-laning of roads, providing railway connectivity to ports. Among the new projects planned, the AP Port Development Corporation will also develop a new jetty at Narsapur for which an expression of interest has been released. The multi-cargo jetty at Narsapur is being developed to target cargo from north coastal regions of the state.

The government has envisaged development of a jetty than a port to ensure there is enough cargo availability before it embarks on a capital intensive project as a port. "The state government has also called bids for the Bhavanapadu Port and several parties have responded," the government official said. In addition to the multi-cargo jetty, there is also a proposal for a coastal cargo jetty to be set up at Kakinada. The government has engaged KPMG to validate coastal cargo potential from different regions of the state before the jetty is sanctioned. In addition, Kakinada will also host a logistics university. The university has been listed under the Sagarmala Plan and shall be set up once a Bill is passed in the state assembly about the same.

But what will perhaps kick start costal development in the southern state is the advancement of the two coastal corridor initiatives – the Chennai Bangalore Industrial Corridor and the Vizag Chennai Industrial Corridor. Spanning more than 2,500 kilometres, the Vizag–Chennai Industrial Corridor is part of the country's East Coast Economic Corridor. This initiative is being designed to help unify the large domestic market as well as integrate the Indian economy with the dynamic value chains of Asia and drive India's Act East policy. With the Asian Development Bank approving $631 million loan, the new industrial corridor is expected to spur growth by augmenting existing investment in world-class transport networks, infrastructure, and industrial and urban clusters that are supported by a robust institutional framework and a competitive business environment. As a coastal corridor, VCIC can provide multiple access points to international gateways. Greater connectivity and economic integration between South Asia and the rest of Asia is likely to contribute significantly to develop and foster regional cooperation as well. New infrastructure for this is expected to be built around four cities- Visakhapatnam, Kakinada, Amaravati and Srikalahasti and will include 168 km of state highways, roads, drinking water pipelines, 10 power substations and 281km of power transmission and distribution lines.

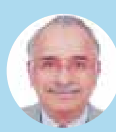
The Chennai-Bangalore Industrial Corridor is expected to receive funding shortly from Japanese International Cooperative Agency to begin work on the corridor after Kochi was added to the point on where the corridor will stretch on its south-western side. The CBIC, which also passes through Nellore is expected to trunk infrastructure and gateway development along the eastern coast to make the region a manufacturing export hub.

Betting big on defence orders

L&T is banking big on defence orders as the Ministry of Defence opens up its production requirement market to private shipyards. Having scored well on meeting domestic delivery schedules, the shipbuilder will now bid for international orders as well

by Deepika Amirapu

Larsen and Toubro Shipbuilding is consolidating all its resources at Kattupalli, Tamil Nadu investing its capital and wherewithal in strengthening India's defence capabilities in the southern coastal town, **B Kannan, Chief Executive Officer and Managing Director of L&T Shipbuilding** told *Maritime Gateway*. With the Ministry of Defence opening up its production requirement market to private shipyards too, the firm sees the prospect of an escalation in defence orders from the government in the next few years.



Construction major L&T's shipbuilding arm has two operational shipyards – one, at Kattupalli, about 40 km from Chennai, and the other, at Hazira in Gujarat offering comprehensive solutions from concept to design for new builds, as well as repair and retrofit for existing ones. Their offerings, till today, spanned both commercial and defence vessels but will henceforth focus only on the defence segment with India looking to invigorate its warship building as a key strategic area. At Kattupalli, the 700-acre shipyard is equipped with a large plate stockyard, a state-of-the-art yard with automatic blasting and priming line, plasma cutting machine and advanced hydraulic press including large assembly workshops with heavy material handling facility – all required to build every class of vessel except the aircraft carrier. The shiplift at Kattupalli has the capability to aid in the construction of a 20,000-dwt ship, considered amongst the heaviest of war vessels.

Currently, Katuppalli is designing and fitting together 54 interceptor boats, seven offshore patrol vessels for the coast guard and a floating dry dock for the Navy. "Of the current order, we have already delivered 28 of the boats and we are geared to handover the OPVs as per schedule too. The OPVs, however, will be inducted after the coast guard conducts sea trials," said the shipyard's Chief. The shipyard's promptness in delivering vessels ordered comes with fusing design engineering aspects, planning, scheduling, production and manpower elements, all at one site that avoid cost and time overruns.

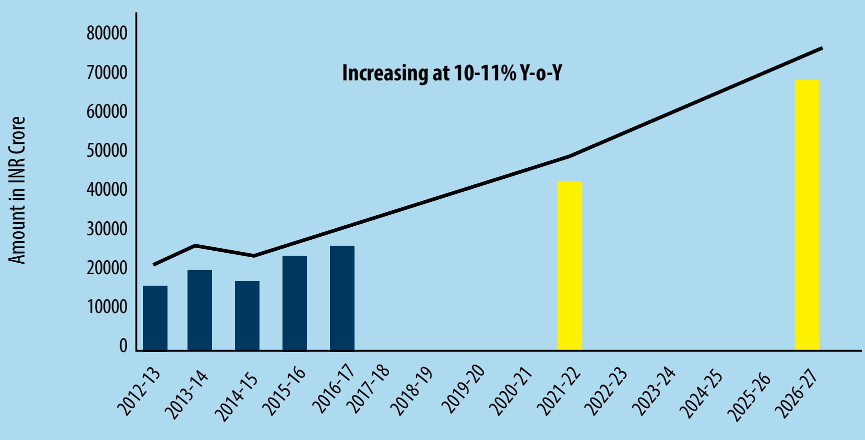
Having scored well on meeting domestic delivery schedules, L&T will now bid for international orders. The

firm had recently won a $100-million order from Vietnam's Border Guard for the design and construction of high speed patrol vessels. In keeping with the Government of India's Make in India policy, complete design and engineering of these vessels are being undertaken at L&T's dedicated Warship Design Centre with the vessels being built at Kattupalli. The firm envisages orders from other South Asian countries, Philippines, Thailand, Bangladesh and those along the African coasts. However, to execute international orders, L&T has to seek the approval of the Indian government even as they assess the ingenuity of the order.

The success of private shipyards in India bagging international orders is perhaps directly linked to the cost subsidy allowed to them which makes operations for Indian firms viable. The halting of the government subsidy in 2007 and the consequent financial downturn dragged the shipyards in to the red forcing them to suspend operations and roll back orders. "The cost saving on account of the subsidy can be as high as 20 per cent. This puts us in the league of international ship builders and makes our bids look competitive," Kannan said. The Government of India has introduced a ₹4,000-crore Shipbuilding Financial Assistance Policy for a period of 10 years from 2016 to encourage domestic shipbuilding. Financial assistance will be granted to Indian shipyards equal to 20 per cent of the lower of "contract price" or the "fair price" of each vessel built by them for a period of at least 10 years commencing 2015-16. Maintaining that Indian shipyards will continue requiring financial assistance the official says that Korean and Chinese yards are better off because of integrating automation, digitisation, skill and technology. The lack of an institutionalised system in training people in shipbuilding skills, high cost of imported machinery coupled with currency fluctuations and the foreign firms having an enhanced asset and manpower productivity on account of computer automation leaves Indian yards wanting on many counts. Therefore, reducing the distance between designer and producer is a crucial factor in the rest of the factory line processes to keep with the schedule. "Working capital requirements will suffer if you do not achieve your milestones on time because at times working capital can equal almost 75 per cent of a year's sales," says Kannan.

And not many private shipyards have gotten the formula right to build defence or commercial ships. What makes it tick for Kattupalli is its balanced sourcing of material from Indian and multinational firms. Almost 70 per cent of all its material- steel, cables and pipes that are required to build the shell of the vessel- are all sourced from various firms within the country. Certain other equipment such as engines, generators, radars and weapon systems are sourced from far off locales. This mix of using most Indian material during the initial stages and importing only crucial equipment helps in populating all the required parts on time as the ship gets built.

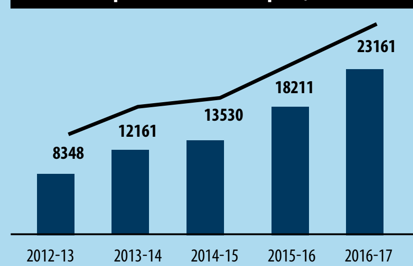
Navy capital budget projections



Source: Union budget and projection by Q-Tech synergy

THE GOVERNMENT OF INDIA HAS INTRODUCED A ₹4,000-CRORE SHIPBUILDING FINANCIAL ASSISTANCE POLICY FOR A PERIOD OF 10 YEARS FROM 2016 TO ENCOURAGE DOMESTIC SHIPBUILDING.

Warship turnover in 12th plan, 2012-17



Source: Planning commission

L&T's ability to execute these orders comes from its efforts to enhance asset and manpower productivity simultaneously bringing in modularity design digitization and production. For a capital intensive and engineering driven business like shipping, a firm would need to focus on knowledge consolidation in engineering and embrace technology and innovation to stay on top of the game. And, luckily, for the shipyard, belonging to a parent like Larsen and Toubro makes such investments customary.

With many other Indian firms such as the Mahindras, Tatas and Reliance coming in to the defence manufacturing fray, L&T Kannan, who has served the Navy for 40 years says the future augurs well for the shipbuilding industry. Private shipyards of the kind mentioned do have similar levels of capability and the industry could fulfill India's requirements with greater cooperation from the establishment.

SURGE IN BOX VOLUME

Kolkata Port is one such port that stands out among all eastern ports with points in favour and against it concurrently in serving the trade. Being nearest gateway port for Indian exports and imports to the Eastern Asia (includes north east land locked countries such as Nepal and Bhutan) with a rich and vast hinterland covering major trade regions in India, there are few impediments namely high siltation, inadequate infrastructure, insufficient road and rail connectivity issues.

In the current FY up to December 31, 2016, Kolkata Port has witnessed a downturn in handled traffic of 36.50 million tonnes (mt) of cargo recorded negative growth of (-)3.17 per cent when compared with last year volume of 37.69 mt in the corresponding period.

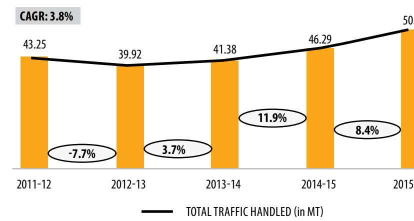
Kolkata dock complex (KDS) of Kolkata Port plunged to (-)8.85 per cent growth in April to December 2016 over the last year's volume in the same period. Haldia Dock Complex (HDC) also registered a negative trend in handling volume year-on-year growth of (-)0.26 per cent in April to December 2016.

Contradicting the negative trend at overall port level, the containers division has shown positive results at both dock complexes, 479,000 teu of containers being handled at KDS in the current FY up to December 31, 2016, registering an upward growth of 13 per cent over the same period last year volume of 424,000 teu. HDC also recorded an astounding growth of 41 per cent in containers volume handled 89,000 teu in April to December 2016 against 63,000 teu.

Coking coal is one of the major cargos that affected Kolkata Port like other ports in the east coast surrounded by the steel plants utilising this commodity. Due to the downturn in the steel sector which impacted KDS and HDC with (-)68 and (-)14 per cent negative growth respectively in April to December 2016 over the last year volume in the same period.

Total cargo volume of fertilizers (finished) and fertilizers (raw materials) at KDS registered negative growth of (-)46 and (-)90 per cent in this fiscal up to December 2016 against last year handled volume. Similarly, HDC also posted dip in fertilizers (finished) and fertilizers (raw materials) volume being (-)47 and (-)20 per cent growth against last year same period volumes.

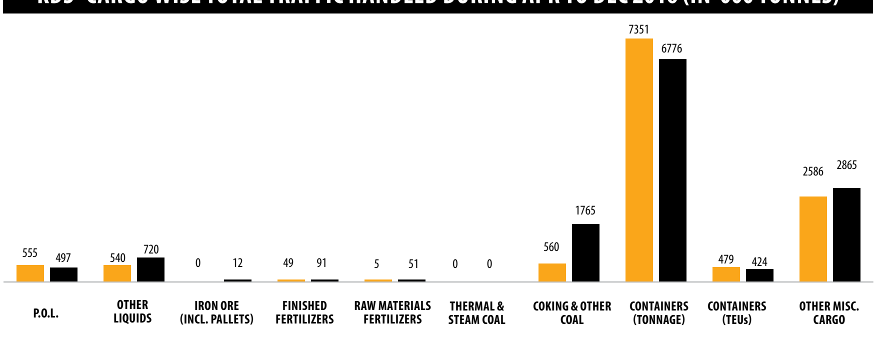
TRAFFIC HANDLED DURING FY 2012-16



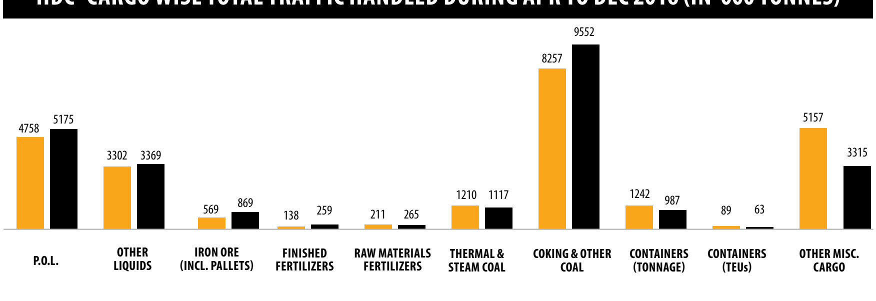
Highlights:

- KoPT ranked 3rd amongst all Major Ports in terms of Container traffic in Apr-Dec'16.
- KoPT ranked first in terms of Coking & Other Coal / Coke handling and Second in Other Liquid Cargo handling amongst Indian Major Ports in Apr-Dec'16.

KDS- CARGO WISE TOTAL TRAFFIC HANDLED DURING APR TO DEC 2016 (IN '000 TONNES)

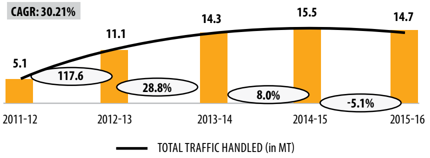


HDC- CARGO WISE TOTAL TRAFFIC HANDLED DURING APR TO DEC 2016 (IN '000 TONNES)



EXPANDING TO COMPETE WITH PEERS

Traffic handled during FY 2012-2016



One of Adani Group's ports on east coast, the Dhamra Port is envisaged to serve the trade with additional new berths and increased handling capacity, while taking support from the government authorities to build industrial parks, and also for setting up ₹5,200 crore worth of a 5-million-tonne LNG terminal and another ₹2,300 crore for an LPG terminal of 2.5 million tonnes.

Dhamra Port is located between the major ports of West Bengal (Kolkata) and Odisha (Paradip). The efficient connectivity of the port with the vast hinterland of the mineral belt of Odisha, Jharkhand and West Bengal eases seamless movement of cargo for the customers. In addition to the rich mineral deposits, the region is also home to the some of the biggest industrial houses. The port's hinterland covers number of large steel plants with a host of new plants in the pipeline.

The port has witnessed an uptick in handled cargo volume of 10.55 million tonne (mt) in this financial year till the end of September. This marks a volume growth of 50 per cent over the corresponding period of 2015-16. Spurt in imports of coking coal and limestone are the key growth drivers for the rise in cargo volumes. In the exports category, an upswing in iron ore cargo surged the total volume of the port.

Highlights:

- Newly added 15-million-tonne berth resulted in an astounding 52 per cent increase in cargo handling capacity last year.
- By March 2017, there will be an addition of berth, thus add further 50 million tonnes in the next three years.
- Adani Group is investing ₹5,200 crore for a 5-million-tonne LNG terminal and ₹2,300 crore for a LPG terminal of 2.5 million tonnes.
- Newly created 2 million tonne coal movement capacity through NW-5 enables seamless movement of coal from Talcher to Dhamra.

Out of the total cargo throughput of 10.55 mt, imports contributed the majority share of 70 per cent at 7.4 mt. The port benefited from an 18 per cent growth in coking coal shipments which increased from 3.86 mt to 4.55 mt in the period. Limestone imports also raised by 23 per cent from 0.45 mt to 0.55 mt in the same period. But, iron ore imports were nil so far compared with 0.1 mt a year ago. Also, steam coal imports were nearly flat at 2.3 mt, indicating the country's policy reforms for increasing the dependence on domestic coal while cutting dependence on imports. In the corresponding period of 2015-16, overall imports by the port were lesser at 6.58 mt.

In this fiscal, the port has staged a major revival mainly due to increase in volumes of iron ore traffic from a zero level in last fiscal. Total cargo (including pellets) registered around 2.8 mt in the April-September period. Total export traffic also increased from 0.41 mt to 3.13 mt.

As the port has stepped in its second phase of expansion which will expand capacity to 100 mt, the cargo growth is only expected to look up with diversification into liquid cargo. Through National Waterway 5 (NW-5), 2 million tonnes of coal can be moved across Brahmani river from Talcher to Dhamra. This would further augment the rise in volumes at the port.

Dhamra Port has now firmed up plans to expand its cargo handling capacity and diversify to liquid cargo and containers to cut down on its dependence on export traffic. Adani Group's port division Adani Ports and SEZ Limited intends to invest ₹10,000 crore on the second phase expansion that will see its cargo throughput capacity expanding four fold to 100 mt per annum. After the expansion, the port will be capable of handling clean cargo, containers, liquid cargo, LNG, containerized cargo and crude oil.

MANAGING HIGHER VOLUMES

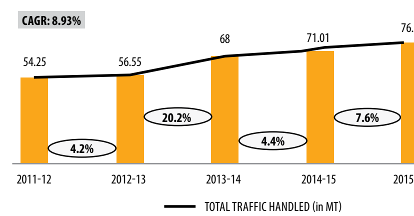
Paradip holds the distinction of being the second largest port in India by volume handled. The port recorded a growth of 17.75 per cent in handling cargo volume of 64.92 million tonnes (mt) during first nine months of FY 2016-17 against 55.13 mt cargo volume handled in the corresponding period in FY 2015-16. The port throughput has grown from 0.067 mt in 1966-67 to 76.39 mt in 2015-16. The port capacity is envisaged to reach 325 mt by the year 2025 from its present capacity of 126.94 mt for which capacity expansion projects along with modernisation of the existing berths are in various stages of progress.

Coal remained the predominant cargo despite a short dip in volumes in the current fiscal up to December 2016. Thermal coal volume at port has reported a slump of (-)13.38 per cent against last year volume in the same period. In contrary, coking coal volume registered uptick of 20.19 per cent and other miscellaneous cargo traffic grew by 31.64 per cent compared with the same period in previous year. The port has registered a cargo throughput of 76.38 mt in FY16 which reflects a 7.56 per cent growth against the last year handled volume. With this, the port retains second position in cargo throughout among all major ports consecutively over the last three years.

Highlights:

- Notched up 2nd position in handled cargo traffic among the Major Ports consecutively for 3 years.
- Envisaged to increase existing capacity from 126.94MMT at present to 325MMT by the year 2025.
- Staggering growth in coking coal and other cargo volume during Apr-Dec 2016 acted inversely to manage negative growth of thermal coal volume to post impressive overall port volume.

TRAFFIC HANDLED DURING FY 2012-16

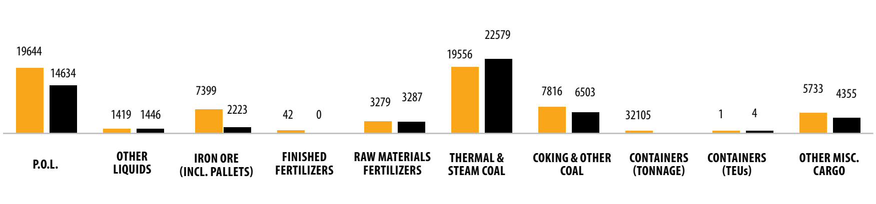


Paradip Port handles various cargoes like crude oil, POL products, iron ore, thermal coal, chrome ore, coking coal, manganese ore, charge chrome, ferro chrome, ferro manganese, limestone, hard coke, ingots, and moulds, billets, finished steel, scrap, fertilizer, fertilizer raw material, clinker, gypsum, project cargo and containers. Ninety per cent of the overall cargo volume handled at port is being moved by rail and pipeline mode of transportation which reduced the congestion, making it a more efficient port. The berth-day-output of the port has achieved 21,139 mt in FY 2015-16 which is 19.18 per cent growth against 17,736 mt in the previous year. By improving port efficiency parameters, the port has handled 1,561 ships during 2015-16 as against 1,476 during previous year, while reducing the berth occupancy of 66 per cent from 77 per cent.

The total income of the port is ₹1170.92 crore during 2015-16 as against ₹1160.46 crore in 2014-15. The net profit after income tax stands at ₹309.37 crore as against ₹275.57 during the previous year.

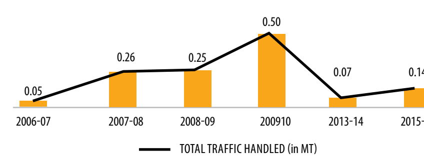
In addition to the existing berths, a multipurpose berth is being built to handle clean cargo and containers on BOT basis with an estimated cost of ₹430.76 crore which would be operational by March, 2019. There is a proposal for capacity augmentation to develop outer harbour at an estimated cost of ₹4,179 crore to handle cape size vessels up to 2 lakh dwt with a draft of 22 metres.

CARGO WISE TOTAL TRAFFIC HANDLED DURING APR TO DEC 2016 (IN '000 TONNES)



REVIVAL WITH BETTER PLANS

Traffic handled during FY 2007-2016



Battered by two tropical cyclones and being hit by an unfavourable economic scenario, Gopalpur Port is staging a comback with several new plans to post a decent cargo volume in the forth coming years. After major halt of two years, the port had recommissioned in December 2015 with full scale operations. The major revamp gave the port a thrust in growth with a significant improvement in cargo volume. The port also enhanced cargo handling capacity to handle vessels up to 50,000 tonnes compared to 15,000 tonnes earlier.

The port is situated in close proximity to bauxite rich areas of Sundargarh, Balangir, Sambalpur, Kalahandi and steel clusters of central Odisha. Its hinterland comprises mineral rich areas of Angul, Dhenkanal, Jharsguda, Sambalpur and Raigarh (Chhattisgarh). The coal fields of IB and Talcher accounts for approximately 25 per cent of India's coal reserves and 100 per cent of Odisha's coal reserves too form part of hinterland for the port.

By fiscal year end of 2015-16, the port handled more than 0.1 million tonnes of cargo during the initial three months of operations after re-commissioning. Cargos like ilmenite, and industrial salt constitute the larger chunk of the cargo volume. The port had handled 3.56 lakh tonnes of cargo traffic till April 2016 since resuming operations. Out of the total cargo handled, export cargo contributed 2 lakh tonnes rest coming from imports.

Highlights:

- As on 2015-16 fiscal year end, the port handled more than 0.1 million tonnes of cargo during the initial three months of operations after re-commissioning.
- Situated halfway between Paradip and Visakhapatnam Ports, Gopalpur is well placed to serve the needs of steel plants in its close proximity.
- Cargoes like ilmenite, and industrial salt constitute the larger chunk of the cargo volume.
- The port is situated in close proximity to bauxite rich areas of Sundargarh, Balangir, Sambalpur, Kalahandi and steel clusters of central Odisha.

Initially, the port was jointly promoted by Orissa Stevedores Limited (OSL), New Delhi-based SIL (Sara International Limited) and Hong Kong-based Noble Group. The consortium won the bid to develop the Gopalpur Port into an all-weather port at an investment of ₹1,200 crore. Later, the Noble Group pulled out of the consortium. Shapoorji Pallonji has agreed to buy a 51 per cent stake in Odisha's Gopalpur Port. Orissa Stevedores Ltd (OSL), will hold the remaining 49 per cent.

The top ten major commodities traded at the port are ilmenite, MOP, iron ore, non-coking coal, B.F Slag, industrial salt, urea, anthracite coal, rice, rock phosphate, among others. Elaborating the exports and imports: major exports are minerals, iron ore, food grains, aluminia, iron & steel, aluminium, POL, granite stones, agricultural and marine products. Imports are coking coal, fertilizers, lime stone, POL, caustic soda, thermal coal and FRM. The port also caters to industries like Indian Rare Earths Ltd (IREL), Jayashree Chemicals and Indian Farmers Fertiliser Cooperative Ltd (Iffco).

The cargo handling capacity is poised to reach to 85,000 tonnes and also the capacity will be improved to greater extent to serve the trade more efficiently. Tata Steel is in talks with foreign companies for investments up to ₹20,000 crore in heavy industries over the next five years at its Special Economic Zone (SEZ) project at Gopalpur in Odisha. If this project comes through, the region would transform into a major potential cargo sourcing cluster for the port to foster further growth. mg

ON EXPANSION DRIVE

In spite of significant growth in the total traffic handled in this fiscal year up to December 2016, Visakhapatnam Port Trust (VPT), the second largest port by volume handled, is geared up to record impressive volumes through improving port efficiency and modernisation.

The port has witnessed a positive growth in handled traffic of 45.97 million tonnes (mt) of cargo in the current FY up to December 31, 2016, recorded second highest growth of 8.8 per cent among east coast major ports when compared with last year volume of 42.25 mt in the corresponding period.

In the containers division, the port has handled 278,000 teu of containers in the current FY up to December 31, 2016, registered a growth of 32 per cent over the same period last year (210,000 teu).

In the current fiscal up to December 2016, due to central government's push for reducing imports, coal traffic has plunged to (-)19.73 per cent against last year volume in the same period. Fertilizers cargo division traffic followed the same negative trend of (-)9.31 per cent compared with the same period previous year. Slowdown in the steel market is one of the key reasons for the slump in coking coal imports. In contrary, iron ore cargo traffic registered staggering growth of 110 per cent.

The port has shown significant improvement in efficiency parameters such as the average pre-berthing detention time improved from 68.09 hours in FY 12 to 35.18 hours in FY 16 and average turnaround time is 3.84 days in FY 16 against 5.68 days in FY12. Achieved average output per ship berth day is 12,802 tonnes in FY16 from 10,701 tonnes in FY12.

There has been a turnaround in port efficiency in 2015-16 as the average turnaround time of vessel has already come down by 30 per cent and the average output per ship has gone up by 20 per cent.

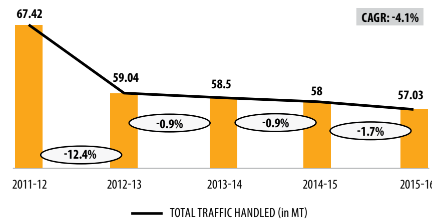
The port has chalked out a planned expansion of ₹3,000 crore. This modernisation plan aim to enhance the port's capacity by nearly 50 per cent. The port is estimated to invest ₹800 crore, a fourth of the planned investment, while seeking private partners to invest the remainder by way of public-private partnerships to addressing bottlenecks related to last-mile road and rail connectivity to the port.

The port has already spent around ₹2,500 crore over the last 3-4 years that helped in augmenting capacity to 93 mt from 60 mt in addition to modernising cargo handling facilities. While encouraging public-private-partnership model in awarding berths at port, there has been a significant increase in efficiency.

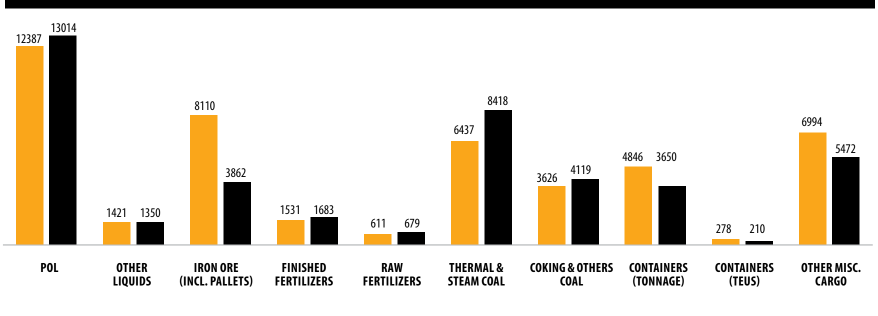
The rich mineral production zone that has nearly a third of India's capacity is located within 600 kilometres from Vizag Port. The upcoming Vizag-Chennai Industrial Corridor, petrochemicals region and Andhra Pradesh's plans on manufacturing hubs are likely to trigger raw materials need many fold.

Vizag Port has taken up many prudent steps which will go a long way in attracting the traffic on the east coast. Despite being a government owned port, the port has now attained flexibilities in terms of costs and policies to help its customers.

TRAFFIC HANDLED DURING FY 2012-16

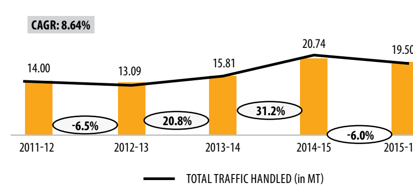


CARGO WISE TOTAL TRAFFIC HANDLED DURING APR TO DEC 2016 (IN '000 TONNES)



SUSTAINED GROWTH

TRAFFIC HANDLED DURING FY 2012-16



It has the deepest draft among all ports on east coast and for being a pure bulk port; the Gangavaram Port has reported stable growth in total traffic handled when compared on a year-on-year basis. However, this port too joins its peers in witnessing a flat rate of growth due to a dip in coal imports. During the year, the port is predominantly dependent upon dry bulk cargo almost coal accounting 65 to 75 per cent of total volumes handled. In the coming years, government policies and reforms on cutting back coal imports are certain to impact the port's overall output. The port has better railway connectivity with its hinterland for the seamless flow of the cargo movement. The port has its own independent "Railway Sidings" with main salient features as follows: R&D yard with seven sidings for receipt and dispatch of rakes (Coal-3; Iron Ore-2; Other bulk-1); Dedicated coal and iron ore sidings for mechanized loading and unloading operations. Railway connectivity has been established, connecting the port to the main broad gauge national network of "Chennai-Visakhapatnam-Howrah" rail corridor. Road connectivity to the port has been provided by a four-lane expressway of 3.8 km connecting the port with the National Highway No.5 (Chennai - Kolkata).

As part of the port's upgradation and modernisation plan, Gangavaram Port has commissioned four new berths to increase its handling capacity to 64 million tonnes. With increased capacity and infrastructure, the port is able to handle fully laden Cape size vessels up to 200,000 dwt. The expansion also includes additional fully mechanised coal terminal, additional rail sidings, ancillary civil work and stock yards. With deep draft berths and efficient operations, the port has become a gateway port for a hinterland spread over eight states across Eastern, Western, Southern and Central India. The port also provides efficient cargo handling services for a variety of bulk and break bulk cargo groups including coal, iron ore, fertilizer, limestone, bauxite, raw sugar, project cargo, alumina, steel products etc.

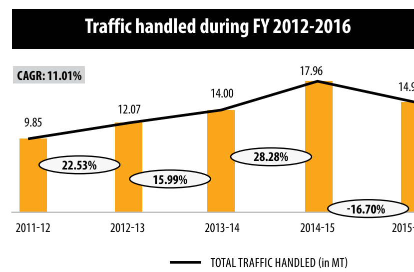
Highlights:

- Gangavaram Port has commissioned four new berths to increase its handling capacity to 64 million tonne. Presently, the port can handle fully laden Cape size vessels up to 200,000 DWT.
- Gangavaram Port handled 19.5 mt of cargo during 2015-16, in spite of unfavourable conditions against coal imports.
- In April, 2016, the port was able to discharge 1,56,339 metric tons of Non-Coking Coal from the vessel M.V. Cape Asia within 24 hours with its efficient cargo handling system.

Gangavaram Port handled 19.5 million tonnes(mt) of cargo during 2015-16. This was almost equivalent to the previous year's traffic 20.74 mt during 2014-15. There has been a significant change in total volume handled year on year in FY 15 against FY 14 with 31 per cent upward growth. Among the highlights, the vessel *M.V. Cape Asia* called at port in the month of April 2016 to discharge 1,56,339 metric tonnes of non-coking Coal. The port was able to discharge this cargo within 24 hours with its efficient cargo handling system. This is one of the best discharge rate ever in India achieved by any other port.

In the port, DVS Raju and family own 58.11 per cent along with American private equity firm Warburg Pincus owning 31.50 per cent. The remaining 11 per cent is owned by Government of Andhra Pradesh. Warburg invested around $40 million in 2008, gained almost $650 million from this potential transaction. This is one of Warburg's heftiest gains from India till now.

FIGHTING IMBALANCE GAINING MOMENTUM



In FY 2016, the port handled lower cargo volumes than anticipated due to a decrease in coal imports and also in export volume due to global headwinds. The ability to sustain the volumes in the face of challenging macro-economic conditions and high competition remain critical for growth in throughput. Nevertheless, the port is poised to maintain a steady growth and witness a gradual ramp up in the forthcoming years. Developments at the port and its hinterland including proposed R-LNG terminals will definitely flourish the port's business in the forthcoming years.

Presently, the port consists 2,500 metres of wharf that handles a diversified product mix and also a standalone facility for off-shore supplies for deep sea exploration. The port handles a mix of bulk, break bulk, liquid and project cargo, in addition to providing port services to offshore supply vessels and other vessels.

On the land side, the port is surrounded by the potential cargo generation centres East and West Godavari, Krishna, Guntur and the entire Telangana region. The port exports majorly engineering goods, agricultural products (rice, sugar, maize etc), seafood (shrimps), iron ore, paper products and other minerals to major trading partners in the Far East, Middle East, China and other parts of the World. The seaport also plays a major role in importing commodities such as POL and related products, machinery, electronic goods, coal, fertilizer, FRM, crude oil and edible oil.

Highlights

- After commencement of container operations in January 2016, the terminal handled its first export by Maersk Line in April 2016.
- On average 3 vessel calls per month to connect SE Asia, Africa, Middle East, Mediterranean and the Red Sea.
- Rice, Sugar and Refrigerated Shrimp comprised as the majority of the cargo movement.
- In December 2016, there were seven vessels docked at terminal, handled import volumes of 2,333 teu.
- 11,934 TEUs handled in CY 2016, including empties, laden and reefers.

As a part of the expansion plans, Kakinada Port has upgraded its infrastructure while adding new facilities according to the change in market dynamics. GMR Group's GMR Holding Pvt Ltd is in the process of setting up an LNG (liquefied natural gas) terminal at port with an investment of ₹471 crore. The project envisages a start-up capacity of 1.75 million tonnes per annum (MTPA) at berth 7 which is used as a captive berth by GMR Energy Limited. of this capacity 0.85 MTPA will be for captive use, with the balance for domestic piped and non-piped users within a radius of 450 km.

Kakinada Container Terminal Private Limited (KCTPL)

After a year of inception, Kakinada Container Terminal Private Limited (KCTPL) has started making strides by sending commodities totalling to 26,000 tonnes a month to the African countries, West Asia and the United States via Colombo. As of now rice is the major commodity being exported from the terminal, while seafood and cashew are in the pipeline. From loading containers to one vessel in January this year, the facility is now stacking the loads to three ships a month. Since then, the exports graph has been surging with more and more small-time rice exporters from the region booking the containers. In the last 11 months, containers have been loaded to 26 ships, including the coastal (domestic) and international ones. Exports are already in tune with the terminal expectations in container division and intensifying the imports trade.

The port expects 2017 to be a year of consolidation and growth. The abundant import potential is still waiting to be tapped; new export cargos will be developed. Due to its close proximity to the EXIM industry, this port expects to reap the benefits of lower overland costs, less congestion than the other ports in the neighbourhood.

FILLIP TO TRADE ON THE EAST COAST

One of the biggest private ports on east coast by capacity, Krishnapatnam Port Company Ltd envisages to serve the trade better with highest cargo handling capacity of 100 million tonnes (mt) by the end of this decade. Currently, the port has a capacity to handle 74 mt cargo per year and has handled a throughput of 35 mt in FY 2015-16, achieved 47 per cent of capacity utilisation. The drop of (-)14 per cent in FY 2015-16 against FY 2014-15 is due to the impact of Tamil Nadu floods and also reduction in coal imports as per new government reforms. However, despite these conditions, the port expects to sail against the wind to achieve progressive growth, projecting around 55 million tonnes in FY 2016-17.

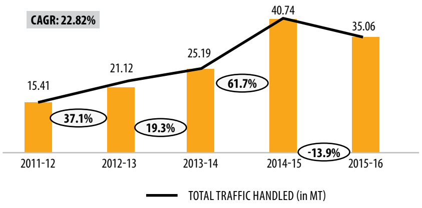
The port has the country's largest waterfront area of 161 sq. km, and a depth of 20.5 metres with a transit storage area of 6,800 acres. Its current draft of 18.5 metres can accommodate full-sized cape vessels of 200,000 dwt.

The port has been handling various types of cargos including coal, edible oil, gypsum, fertilizers, amongst others in the last couple of years. Krishnapatnam Port is planning to develop an industrial smart city adjacent to the port through a Special Purpose Vehicle (SPV) along with the state government and the Japan International Cooperation Agency (JICA) for developing this hub across 6,000 acres. It has also signed an MoU with Petrogas and the Government of AP to construct 5 million tonne per annum (MTPA) capacity regasification and storage plant and related ancillary facilities like floating LNG storage tanks, regasification unit, etc. in phase-I, which is expected to cost $500 million.

Highlights:

- Average time for berthing of vessels is 90 minutes
- Average trailer turnaround time- 50 minutes from entry to exit of the port
- Registered high performance and operational efficiency
- Dedicated Customs staff within the terminal
- Potential Hub port for Bay of Bengal
- Future Global Transshipment Hub
- Logistical advantage, faster turnaround times, and competitive tariffs

TRAFFIC HANDLED DURING FY 2012-16



Krishnapatnam Port Container Terminal

Being one of the fastest growing container terminals on east coast, Krishnapatnam Port Container Terminal (KPCT) recorded exponential growth since its inception in FY 2012. KPCT has witnessed a growth of 29.5 per cent year on year growth in FY 2016 over FY 2015. The terminal has also registered a CAGR of 29.5 per cent during FY 2012- 2016.

There has been significant improvement in land and sea connectivity with new services launched from KPCT. CONCOR has commenced a new rail connection (Two rakes per week) from ICD Bangalore to KPCT to facilitate EXIM trade from Bengaluru. The broad gauge railway line connectivity between Obulavaripalle, Kadapa and Krishnapatnam Port would be completed by December 2017. Completion of the rail and road connectivity between Obulavaripalle and Krishnapatnam Port will intensify the further trade.

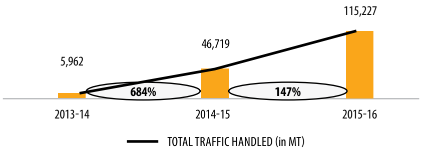
A new direct weekly service from Krishnapatnam to Salalah (Oman) started and the first voyage of *Maersk Bentonville* vessel discharged 551 teu and loaded 770 teu of exports.

These new services will open several trade opportunities for exporters and importers between these countries and gives a fillip to the trade on the East Coast particularly for exports of granites, tobacco, shrimp, cotton yarn, linters, along with imports of automotive parts, furniture, tiles, news print, coffee powder, fruit juices etc.

Krishnapatnam Port will continue to explore and tap new opportunities for the benefit of Lines and the EXIM trade by providing superior services and facilities. mg

LOW VOLUMES HIGH GROWTH

TRAFFIC HANDLED DURING FY 2014-16



Ideally situated 35 km from Chennai, Adani-owned Kattupalli Port serves the EXIM trade of Tamil Nadu and nearby hinterlands with two berths of total length about 710 metres. The berths are designed to handle container, dry bulk and break-bulk cargo. The port has facilities including a container terminal with a capacity to load 1.2 million teu. Adani took over Kattupalli Port's operations from Larsen & Toubro (L&T) in November 2015. The terminal needs to handle at least 50,000 teu every month to reach the breakeven.

Apart from handling containers, the port handles other clean cargo such as automobiles (cars, earth movers, trucks and buses), liquid non-hazardous cargo (edible oil, lube oil etc.) and break bulk cargo (granite, gypsum, barytes, lime stone, timber logs, steel coils, steel plates, steel sheets, TMT rebars, steel pipes, dredging pipes and machinery).

Kattupalli Port posted 220 per cent increase in its container volume during the first six months of 2016-17. From April to September 2016, Kattupalli Port handled 1.80 lakh teu containers against 56,450 teu for the same period last year. The surge in volume was due to introduction of four new vessel services this year namely, Maersk Line's Colombo Salalah Shuttle service which shifted from Chennai Port to Kattupalli completely in April. In addition to this, the other services are the Chennai Colombo Gulf service operated by Evergreen Line and Simatech, MD1 – Singapore Port Klang feeder operated by BTL, Wanhai and OOCL and ACS service operated by HMM Line.

Highlights:

- Kattupalli Port posted 220 per cent increase in its container volume during the first six months of 2016-17. From April to September 2016, the Port handled 1.80 lakh teu.
- Added four new vessel services Last year namely, Maersk Line's Colombo Salalah Shuttle service, Chennai Colombo Gulf service, MD1 – Singapore Port Klang feeder and ACS service.
- Received six weekly vessel calls connecting coastal ports and global transshipment ports thereby acting as an ideal gateway for the domestic and EXIM trade in this region.

The port also fuelled its throughput to more than double in 2015-16 to 1.15 lakh teu against 46,719 teu in the previous year. Dry bulk cargo traffic also raised substantially. Especially, steel volumes posted two-fold growth to 2.45 lakh tonnes when compared with last year's volume of 1.10 lakh tonnes. Total number of vessels called at port also maintained the same pace of more than two-fold rise to 190 in 2015-16, against 94 in the previous year.

The port managed to attract some portion of the cargo from nearby major port Chennai Port, and also cargo volume from the hinterland escalated from Bengaluru and Hyderabad as it is more economical for ships to call at Kattupalli. After Adani took over the port, there has been a surge in existing ship services.

Major automobile manufacturers located in Chennai and Karnataka are a fillip to the Ro-Ro operations at the port. Steel companies such as Tata Steel and Essar Group are now regularly using Kattupalli Port. Terminal handling charge remaining the same at both Kattupalli and Chennai ports, vessels do not hesitate to call the new port. However, vessel-related charge at Kattupalli is nearly 35 per cent lower than Chennai's two private container terminals operated by DP World and Port of Singapore Authority which renders Kattupalli a preferred port of call for many feeders. Thus, the port would attract more cargo in the forthcoming years which may further bolster the total traffic handled at port. mg

FROM BULK TO MULTI CARGO

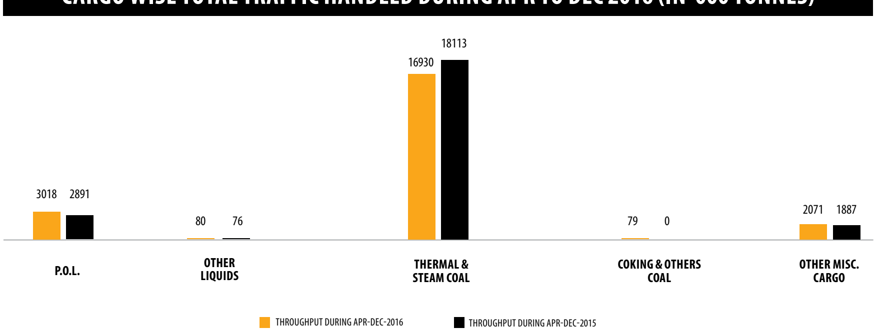
In the last few years Kamarajar Port has undergone significant overhaul and many other enhancements are underway to get rid of the hitherto status of being a bulk handling port. This port is turning fast as a multi-cargo facility, by not only handling coal and liquid cargo but also planning to handle automobiles and containers in the coming years

The port has registered a slight dip in handled cargo volume of 22.18 million tonnes (mt) of cargo in the current FY up to December 31, 2016, recording a negative growth of -3.44 per cent over the corresponding period last year (22.97 mt).

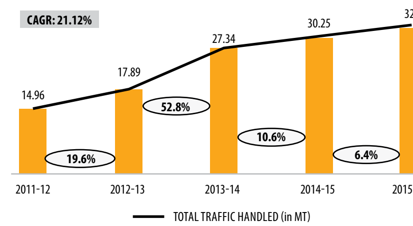
To handle diversified cargo, the port is adding up a container terminal in its cargo handling portfolio which is going to begin operations in early 2017, while offering a new option for cargo near the Port of Chennai. The first phase will have the capacity to handle 800,000 teu annually with a quay length of 400 metres. The terminal's full installed annual capacity will be 1,400,000 teu with a quay length of 730 meters. Investment in the first phase totalled ₹700 crore (US$105m) while the second will be worth an additional ₹570 crore (US$85m).

The Ennore Manali Road Improvement Project (The EMRIP project) is a crucial connectivity project which facilitates seamless movement of containerized cargo to and from CFS's to Ennore Port and vice-versa. Another ambitious project,

CARGO WISE TOTAL TRAFFIC HANDLED DURING APR TO DEC 2016 (IN '000 TONNES)



TRAFFIC HANDLED DURING FY 2012-16



Northern Port Access Road for the connectivity improvement of this port, is all set to take off with the state highways department commencing land acquisition process. The 25 km-long four-lane road will provide the much needed direct connectivity between the port and Thatchur on National Highway-5. The proposed new road will connect the Northern gate of Ennore Port and Thatchur on NH-5 with an additional spur road for connecting to the Thiruvottiyur-Ponneri- Pancheti (TPP) Road. The total length of this road connecting Ennore Port to Thatchur would be about 21.15 km and length of the TPP link road will be 4.35 km. The proposed road would provide easy access to NH 5, which would connect Kolkata via Andhra Pradesh and Odhisha from Ennore Port.

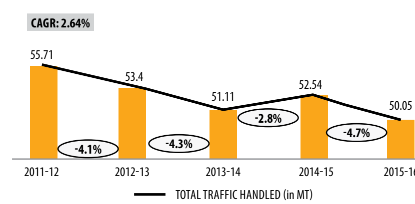
Chennai-based four major car manufacturers Ford, Nissan, BMW and Hyundai, as well as truck makers Daimler and Ashok Leyland are going to avail the services from Kamarajar Port for shipping automobiles. Toyota vehicles manufactured in Bengaluru are also exported via Kamarajar Port.

The port is investing around $1.2 billion in five projects that will add its first container terminal and nearly double the capacity over the coming three years. The five projects are the 1.4 million teu capacity container terminal, two new coal berths, a 2 mt (2.4 mt) multipurpose cargo berth, a 5 mt liquefied natural gas terminal and capital dredging that will allow calls by cape-size vessels.

All these upgradations and modernisation will definitely spur the growth of the port to keep pace with the neighbouring rivals including the ports of Kattupalli, Karaikal, Tuticorin, Chennai and Krishnapatnam Port. mg

CONGESTION IS HISTORY

TRAFFIC HANDLED DURING FY 2012-16



Being one of the largest ports on the east coast, Chennai Port recorded a meagre growth of 1.6 per cent in handling cargo volume to 38 million tonnes (mt) during first nine months of FY 2016-17 against 37.42 mt of traffic handled in the corresponding period during the last FY 2015-16.

In containers division, the Port has handled 1,123,000 teu of Containers in the current FY up to December 31, 2016, registering a sluggish growth of (-)4.02 per cent over the same period during last year 1,170,000 teu of volume being handled.

Among all major ports, Chennai Port is one such port that has a terminal shunting yard running its own railway operations inside the harbour. The port has railway lines running up to 41 Km, and eight sidings to handle a wide range of cargo like granite, food grains, dry bulk, etc. There are separate sidings available to handle containers alone.

The average ship berth-day-output of the port has registered a minuscule growth of 2 per cent in FY 2016 against FY 2015. Average turnaround time of vessels is 1.61 days in FY 2016 which is being improved to 1.2 per cent when compared with last financial year average turnaround time of 1.61 days in the same period. In April to December FY 2016-17, Average ship berth day output of the port is clocked at 15,956 tonnes and average turnaround time of vessels is 1.71 days (port account).

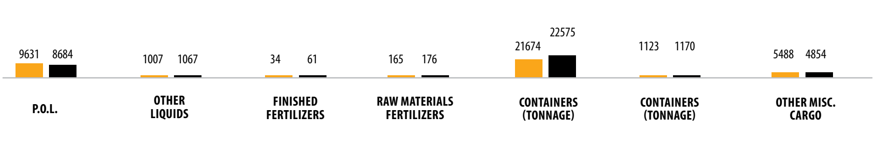
Chennai Port's private terminal, International Container Terminals Pvt Ltd (CITPL) commenced a new container service on January 2, 2017 to the Far East. K Line operated *Baltimore Bridge*, a 4,500-teu container vessel arrived on the commencement of the service. *Baltimore Bridge* is one of the five vessels deployed on the Far East Chennai service with a port rotation of Chennai, Port Klang, Singapore, Manila, Busan, Qingdao, Shanghai, Shekhou, Singapore, Port Klang and Chennai. The service is operated by seven consortium partners - CMA CGM, APL, RCL, K LINE, SIMATECH, TS LINES and COSCO. This terminal has also completed discharging/ loading operations on the vessel within 28 hours by handling 3,800 teu with crane productivity rate of 103 moves per hour. CITPL container volume clocked 22 per cent growth in the year 2016, reflecting Chennai's status as the key container trade centre of South India.

The port has further deepened the draft up to 15 metres of another container terminal operated by DP World, Chennai Container Terminal Pvt Ltd (CCTPL) to serve the bigger vessels. The port achieved another milestone of berthing the container vessel *CMA CGM Bellini* with a draft of 14.6 metres at CCTPL.

Increased berthing facility at the two private container terminals of the port will accommodate ships of draft up to 15 m. The accrued benefits to shipping lines will be to deploy larger vessels, thereby reducing operating cost and further reap benefits to Chennai EXIM Trade.

The port now with three docks, 24 berths and draft ranging 12 m to 16.5 m acts like a hub port for containers, cars and project cargo in the East Coast. mg

CARGO WISE TOTAL TRAFFIC HANDLED DURING APR TO DEC 2016 (IN '000 TONNES)



TURNING AROUND AFTER LONG STRUGGLE

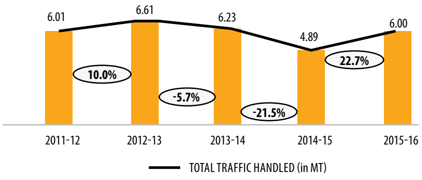
Karaikal Port Private Ltd (KPPL) has witnessed a negative trend in growth starting from FY 2013 to FY 2015, but regained its momentum in FY 2016 with a whopping growth of 22.7 per cent. With addition of berths to improve cargo handling, the port aims to record higher volumes in the next few years. The port is envisaged to have a total of nine berths capable of handling 47 MMTPA by 2018. The port is envisioned to be developed in three phases with the final phase getting operational in 2017. Phase-I of development which was completed in April 2009, comprises two Panamax size general cargo berths. The port hosts various other infrastructure facilities such as covered warehousing, open storage and mobile harbour cranes. The port has excellent evacuation facilities with three railway sidings and National Highways within a kilometer from the gate. An area of around 600 acres is covered by the port boundaries. The nearest railhead is at Nagore(NCR) at a distance of about 3 km. The port connects with the power plants, cement, steel, chemical, aluminium, textile and other major manufacturing industries in Ariyalur, Trichy and Salem districts and upcoming industrial nodes around Mayiladuturai enabling heavy freight movement in the near future.

Highlights:

- The port envisages to have 9 berths capable of handling 47 million tonnes per annum by 2018.
- The port has excellent evacuation facilities with 3 railway sidings and National Highways within a kilometre from the gate. An area of around 600 acres is covered by the port boundaries.
- The port expects to double cargo handling to around 10 million tonnes in 2016-17 aided by coastal movement of clinker from Karikal to Kolkata by Ramco Cements and handling of iron ore by JSW Steel and commissioning of a power plant by IL&FS at Cuddalore in Tamil Nadu.

Road connectivity of the port is well connected by major roads to NH-67 at Nagapattinam which is about 10 km from the port. This link connects the port to central Tamil Nadu at Trichy. NH-45 which passes through Trichy connects Karaikal to northern hinterland right up till Chennai. NH-67 starting from Nagapattinam traverses central Tamil Nadu in a near straight line connecting the major industrial areas such as Thiruchirapalli, Karur and Coimbatore as well as onward linkages to other industrial areas such as Salem, Erode and Mettur.

TRAFFIC HANDLED DURING FY 2012-16



Being a multi-cargo port, it handles all types of dry cargo, in bulk and break bulk form, as well as containers and liquid cargo. The port expects to increase cargo handling to around 10 million tonnes in 2016-17 aided by coastal movement of clinker from Karikal to Kolkata by Ramco Cements and handling of iron ore by JSW Steel and commissioning of a power plant by IL&FS at Cuddalore in Tamil Nadu.

Commodity mix handled at the port includes bulk (coal, fertilizer, sugar, gypsum, agricultural products), break bulk (bagged cements, bagged sugar, iron scrap, timber, granite, steel plates & pipes, project cargo. Liquid bulk includes edible oil, petroleum, oils & lubricants.

The port has increased its capacity due to factors such as the commissioning of a power plant by IL&FS at Parangipettai in Cuddalore, coastal movement of clinker from Karaikal to Kolkata by Ramco Cements and handling of iron ore by JSW. Other major users of the facility are Chettinad Cement, Dalmia Cement, Madras Cements, Devendran Coal International, Gupta Coal and The India Cements which extensively import coal. The port has added new cargos to its portfolio like timber logs. Plans are afoot to put up a LNG terminal. With a number of power plants and lot of hinterland development happening in Tamil Nadu, the port is likely to witness increased cargo handling, in contrast to the slump witnessed during FY 2013 - FY 2015.

EFFECTIVE EVACUATION

Situated in Indian southern coastal tip, V.O. Chidambaranar Port retains the persistent progressive growth year-on-year with its new initiatives, enhancements and upgradation at the port. Added advantage of the port is its ability to transship cargo through the nearby transshipment hub where cargo from other ports converge to sail to the final destinations. The port has witnessed an incremental growth in handled volume of 28.97 million tonnes of cargo in the current FY up to December 31, 2016, recording a growth of 4.17 per cent over the corresponding period last year (27.81 mt).

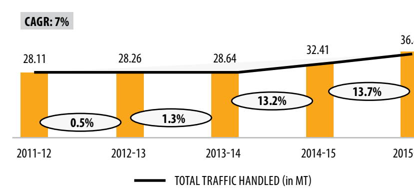
In containers division, the port has handled 471,730 teu of containers in the current FY up to December 31, 2016, registering a growth of 6.08 per cent over the same period last year (444,692 teu).

Commencement of mechanised berth IX, three months ahead of the schedule indicates the port's steadfast nature of implementing aggressive plans for the modernisation and upgradation of the facilities. This is one of the key factors that triggered the speedy evacuation of cargo which resulted in high efficiency and productivity at port. In continuation to this, the port intensified its efficiency with increased turnaround time of the vessels, uptick in berth productivity, drop in pollution levels because of a dip in wastage of cargo. The state-of-the-art mechanisation system consists of four mobile hoppers and a closed conveyor system (conveyor length of 2.85 km). One Inland Container Depot and 13 Container Freight Stations located in the vicinity of the port ensure seamless flow of containers to and from the port.

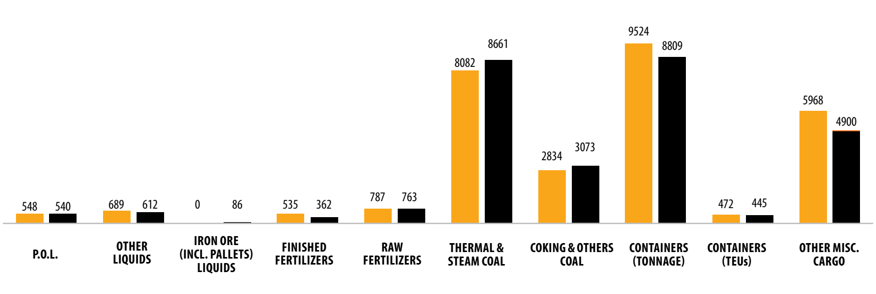
In 2015-16, the port has registered 611,714 teu combined containerised cargo volume of two container terminals with a positive CAGR of 6.41 per cent during FY 2012 – FY 2016. Most of the cargo from this port transships to the nearest transshipment hubs as this port cannot accommodate bigger size vessels due to its low draft of 12.80 metres. Presently, there are two container terminals in V.O. Chidambaranar Port. Berth No.7 with a capacity of 4.5 lakh teu is being operated by PSA SICAL. The Terminal commissioned under BOT basis operates eight services a week, of which six services are operated between Tuticorin and Colombo, one Coastal service and one International cum coastal service connecting Tuticorin – Colombo – Mundra – Jebel Ali – Mundra – Pipavav – Cochin and Tuticorin.

The Berth-8, operated by Dakshin Bharat Gateway Terminals Mumbai, commenced its partial operations from May 2014 and the full fledged operation with the capacity of 6 lakh teu is expected by December 2016 with commissioning of quay cranes. Presently, Dakshin Bharat Gateway Terminal offers two services a week between Tuticorin and Colombo, one coastal service and one International cum coastal service connecting Tuticorin – Colombo – Mundra – Jebel Ali – Mundra – Pipavav – Cochin and Tuticorin. Commodities like cotton yarn, handlooms, machinery, sea food, paper, granite, coir pith etc., are exported though containers to Europe, North America and almost all Asian countries. Cotton, metal scrap, waste paper, cotton fibre, chemicals, metal and rubber products, among others are imported predominantly from Europe and East Asian countries. mg

TRAFFIC HANDLED DURING FY 2012-16



CARGO WISE TOTAL TRAFFIC HANDLED (IN '000 TONNES)



has been tasked to make riverine transportation a reality.

Opportunity beckons

The vision for development of waterways definitely looks humongous due to the sheer size of projects undertaken, which includes five existing waterways, and additionally 106 waterways have been identified by the government for development other than the Jal Marg Vikas project. Hence, it has generated lot of curiosity in the industry about the roadmap for execution of the projects and the timeline.

Amitabh Verma, Chairman, Inland Waterways Authority of India (IWAI) clarified, "There are five waterways that have been declared as national waterways (NW) between 1985 and 2008, out of which three waterways (Ganges-NW-1, Brahmaputra-NW-2 and backwaters of Kerala-NW-3) are operational & development of NW-4 & 5 was taken up only two years ago. Backwaters in Kerala have a relatively developed infrastructure with terminals and it has an assured draft of about 2 metres."

While NW-1 has some basic infrastructure in place, it still requires lot of development. With the multilateral funding from the World Bank, an investment of about ₹5,000 crore is being pumped in to develop the waterways which will include construction of three multi-modal terminals and assured dredging contracts to maintain draft of the channels. Similarly, dredging work has been carried out for NW-2, and a slip way is under construction at Pandu (near Guwahati), an important river terminal on the waterway. at the terminal to extend the facility of ship repair.

In a bid to ensure higher capacity utilization of the Brahmaputra waterway, IWAI has explored the opportunity to extend the reach of the NW-2 to Dhaka under Indo-Bangladesh protocol route but that in two routes where Bangladesh government had not carried out any dredging on the upstream as there is hardly any cargo movement by Bangladesh. However, in the interest of the trade by water routes and to increase connectivity to the North Eastern states, Indian government

has agreed with Bangladesh to fund major portion of the dredging work on an 80:20 basis. The IWAI is hopeful that signing of the agreement will allow to make use of the route by June 2018, and barges can be moved from Varanasi to Guwahati through till Bangladesh protocol route.

A step in the right direction

The rate of population growth in India is going to make the country as one of the most populous country in the world in few years time. And with one of the highest concentration of people in the age group of below 35 years, India needs to look at alternate modes of mobility. Hence, policy makers have little option but to press the Inland waterways into full fledged service. The initial five national waterways will play a key role as alternate modes of transportation for inhabitants, trade and commerce. The 1,620-km long NW-1 consisting of river Ganges, Bhagirathi, Hoogly is one vital waterway that passes through populous states like Uttar Pradesh, Jharkhand, Bihar and West Bengal while serving major cities like Allahabad, Varanasi, Patna and Kolkata. Similarly, NW-2, NW-3, NW-4 and NW-5 will be pivotal to trade and commerce in respective regions.

Modes of project execution

IWAI in the last two years has started dredging and construction of temporary terminal on river Mahanadi in Odisha to make NW-5 operational for cargo movement. A consultancy tender has already been floated for construction of weirs and barrages on the river to maintain water level in the channel. A special-purpose vehicle (SPV) has been formed between

> **"THE 1,620 KM LONG NW 1 CONSISTING OF RIVER GANGES, BHAGIRATHI AND HOOGLY, PASSES THROUGH UTTAR PRADESH, JHARKHAND, BIHAR AND WEST BENGAL"**

Dhamra Port, Paradip Port and the Odisha government to make NW-5 feasible, and cargo handling terminals will be jointly developed at various locations like Pankapal. The project would connect the ports at Dhamra and Paradip with the steel and coal hinterlands at Kalinganagar and Talcher respectively.

TIWAI has partnered with Andhra Pradesh government to form an SPV to develop water channels coming under NW-4. Officials at IWAI are hopeful that the land acquisition for the NW-4 will be completed by the end of FY2017-18. Meanwhile, contracts for dredging in river Krishna has been allocated to maintain draft in the stretch of the river between Muktiyala and the state's new capital Amravati near Vijayawada. The IWAI is hopeful that the waterway will be extensively used to move construction material for the newly developed capital. The NW-4 will revive the canal system, which was part of the erstwhile Buckingham canal, between Kakinada and Puducherry. Though rampant encroachment has taken place at various location of Buckingham canal, IWAI officials are still hopeful that revival of the channel will make operationally and economically more viable than constructing new roads or railways.

Apart from these five national waterways, the remaining 106 waterways have been classified in three categories by IWAI, and based on the studies done on eight rivers in the past, tenders will be floated before June 2017 to develop the routes. While dredging contract for Barak NW-16 has been awarded, tender for Ghagra River NW-40 has already been floated. Tenders for the remaining six waterways including Mandovi

> UNDER NW-4 CONTRACT FOR DREDGING IN RIVER KRISHNA HAS BEEN ALLOCATED TO MAINTAIN DRAFT BETWEEN MUKTIYALA AND AMRAVATI NEAR VIJAYAWADA.

UPCOMING JAL MARG VIKAS PROJECT

- 3 terminals at Kalughat, Ghazipur & Tribeni/ Kalyani
- 24 hours automated navigational aids
- 5 new Ro-Ro jetties
- Bank protection works up to 50 km
- 22 new low draft self propelled vessels including LNG operated vessels

NW-68, Zuari NW-111, Kosi NW-58 and Gandak NW-37 will be floated subsequently as currently the market is not prepared to take up dredging contracts for these many projects. Amitabh Verma, Chairman, IWAI is hopeful that work at all the eight waterways will be started by October 2017.

In the second category of the 106 waterways, a two stage study, which includes feasibility and detailed project report, for 50 rivers have been completed and based on the findings of the feasibility report IWAI has identified 32 rivers where development of waterways for movement of cargo is possible. IWAI will work on the development of 37 waterways, including existing five national waterways, till 2018.

Project finance

IWAI has proposed enhanced budgetary support from the government for the development of the 37 NWs, and initially ₹1,000 crore have been sanctioned under the provisions of additional budgetary borrowing. IWAI is looking forward to raise additional ₹1,000 from the open market, apart from private participation and multilateral funding from various international monetary institutions.

Since waterways will be part of multimodal transportation system, there have been proposals to access financing from the Central Roads Fund for the waterways. Amitabh Verma, Chairman, IWAI believes that about ₹1,000 crore will be spend on projects, including land acquisition in FY2016-17. He is hopeful that there will be a requirement of about ₹15,000-20,000 crore for funding of projects till 2023.

Making waterways economically, operationally viable

For the last few years, there have been doubts about the economical and operational feasibility of waterways in Indian condition. Meanwhile, installation of River Information Service (RIS) system on the Sagar (Haldia)-Farakka stretch of NW-1 is on par to the systems under operation in the Europe, and NTPC has successfully moved cargo through the riverine system as part of an initial trial run and Jindal Group has also sailed 40 barges on the route. Though there are some procedural hiccups that still prevail in the form of statutory clearance and tariff but these trial runs have proved that movement of cargo through water channels are operationally viable. Since there are lot of broader economic and external benefits that are associated with waterways, government has a greater role to play in terms of extending subsidies to vessels and freight rates to absorb the initial cost and make waterway transportation a viable proposition to users in comparison to other modes of transportation.

The parameters of tariff whether it should be market determined or a fixed rate system such as tariff dictated by TAMP in case of major ports has been a constant subject of debate in the Indian maritime scene. In a bid to eliminate an identical situation, IWAI in the initial stages of tendering has clarified it to the prospective terminal operators that they are free to fix the tariff for their respective terminals as IWAI envisions that there has been a benchmarking of rates for various services and if an operator solicits a higher rate it will be loss of cargo for the terminal.

Further more, selection of right form of vessels adaptable to Indian conditions is going to be another key factor. Keeping this in mind, instead of opting for conventional vessels, IWAI has roped in German-based inland waterways shipbuilding company DST for consultancy and design of vessels suited to navigate the 1,620 km stretch of NW 1 in the initial stage. In a bid to tap the automobile sector, the Duisburg firm has been assigned to build low draft vessels that can carry up to 150-200 vehicles. Subsequently flat bottom vessels will be pressed into service in other waterways which can ferry volume to the tune of more than 2,000 tonnes in shallow water with a draft of about 2.5 metres LAD (Least Available Draft). Keeping environmental impact in mind, IWAI is in discussion with Petronet to ensure implementation of an effective distribution system for LNG.

Nevertheless, a consultant appointed by the IWAI has submitted a report about the capacity augmentation and extent of cargo availability enroute NW-1. And based on the cargo projection report, Hamburg Port Consulting is working on market development, for which it is in discussion with the cargo owners, barge operators and other stake holders.

Inland Vessels Act

India's Inland Vessels Act is a century old and since its inception in 1917, India's maritime sector in terms of technological innovation, skill requirement, business practices, and emission laws have gone through tremendous amount of change. Meanwhile, with inputs from various stakeholders a new Bill has been proposed by the government, which is likely to be put before the Parliament during the Budget session in early 2017 to clear the path for a new Inland Vessels Act.

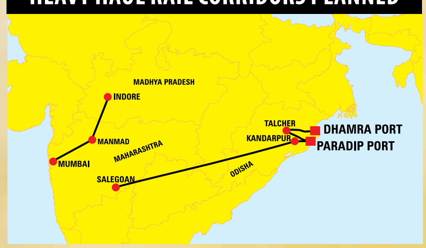
Strengthening port-rail connectivity

IPRCL is dedicated to improve the role of railways in port connectivity and evacuation through its various dedicated freight corridor projects.

by Deepika Amirapu

Indian Port Railway Corporation Limited, the SPV set up by the Ministry of Shipping to link all ports to the railway network, has begun implementing projects across the country. IPRCL is conducting feasibility study for implementation of seven projects connecting various ports. These projects will be implemented by relevant central ministries, state governments, ports and other agencies primarily through the PPP mode. Almost 20 projects were taken up for consideration across eight major ports. Of these, 11 projects totaling to ₹7,636.15 crore are being assessed for feasibility, following which a detailed project report shall be prepared. Another nine projects with total cost of ₹643.77 crore are up for execution. The firm has also completed the pre-feasibility study of a heavy haul rail corridor from Ib Valley-Talcher to Paradip and Dhamra to evacuate coal mines of Mahanadi Coal Ltd for shipping them to the southern states of India through the coastal route. Along the same corridor, the corporation is establishing a third and fourth line from Salegoan to Paradip. Paradip Port will have a majority stake of 51 per cent in this ₹5,850-crore project. Other equity members will be the Mahanadi Coal Fields, Odisha government and Rites. This project will be developed in two phases where the first phase will involve laying the railway line from Salegaon to Kandarpur and later the line will be stretched up to Paradip in the second phase.

HEAVY HAUL RAIL CORRIDORS PLANNED

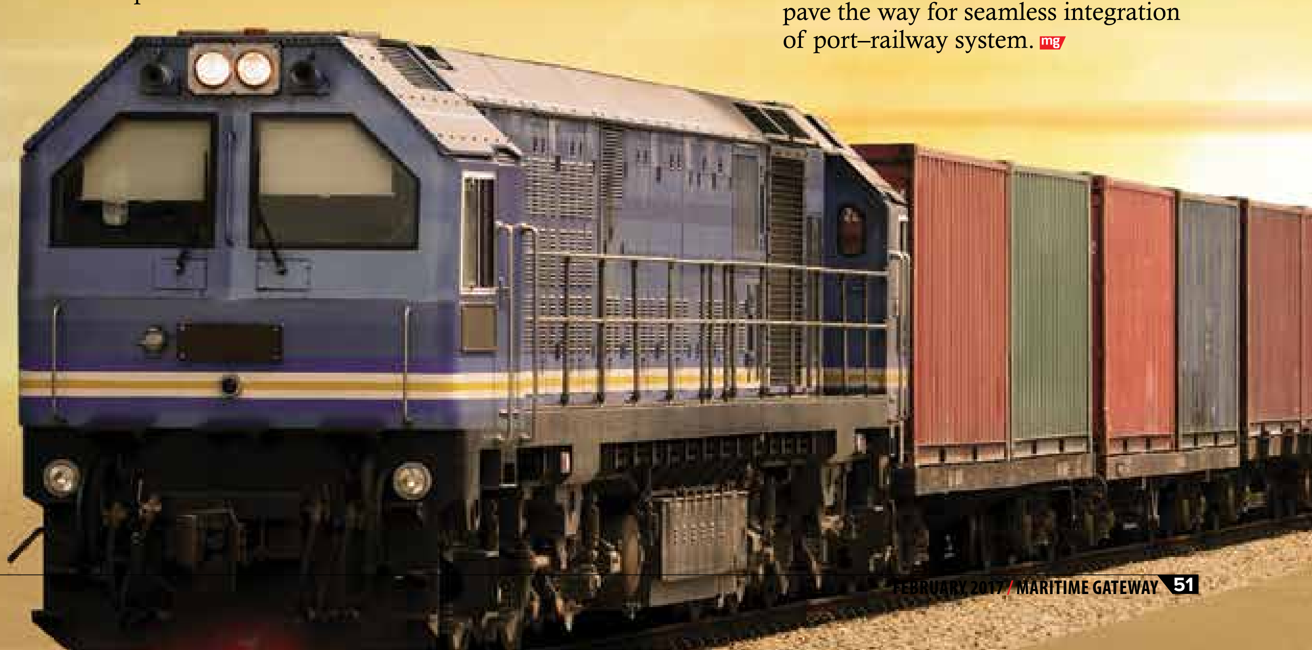


While some routes required fresh lines to be laid, other routes can do with strengthening the railway infrastructure. IPRCL has already begun modernising railway infrastructure at Kolkata, Visakhapatnam, Chennai, Tuticorin and New Mangalore ports. Rail infrastructure expansion and modernisation works are likely to commence from April 2017 in Kandla and JNPT ports and in Haldia Dock Complex.

The projects have been categorised into those to be undertaken within the port boundary and those outside of the port boundary. Those within the port boundary involve tasks like improving the railway signaling system and tracks. Projects outside of the port boundary are those that are connected to the nearest railway link. These are largely projects like building a second or a third railway link parallel to the existing rail link, which are already congested.

Another project to connect central India to the JNPT is in the works. IPCRL is also in talks with the Indian Railways to implement a ₹15,000 crore rail link project to connect Indore and Mumbai, shortening the distance by 200 km from the present 850 km. The existing rail link passes through southern Gujarat, Surat, Vadodara and Ratlam in Madhya Pradesh while the new rail link will bypass Gujarat going through Manmad in Maharashtra.

In the coming years, IPRCL will pave the way for seamless integration of port–railway system. mg



Waterways - Buzzword for investment

Amitabh Verma, IAS, Chairman
Inland Waterways Authority of India (IWAI)

Indian rivers that wear a calm look will soon be buzzing with activity – moving cargo of all types and ferrying passengers. IWAI is going full throttle in reviving the inland waterways. Water channels are being dredged, multimodal terminals are being developed and PPP mode is being explored for barge movement and terminal operation

by Sisir Pradhan

Q What is the response from the market for various projects of Inland Waterways?

Three multimodal terminals at Varanasi, Haldia and Sahibganj and a navigational lock at Farakka have been approved for development among others, and work contracts have also been awarded. Some major private companies have been roped in to develop terminals at various locations. For example, L&T is developing Farakka Lock, and similarly a Thailand-based company is developing the terminal at Haldia. We have also got response from companies like Dredging Corporation of India, Adani Group, and Dharti Dredging and Infrastructure for dredging contracts to develop assured navigational depth.

Indian companies have a very limited capacity for shallow water dredging, however we are creating opportunity for Indian companies to partner with us for these projects and as a result capacity is being created to cater to specific needs of Inland Waterways Authority of India (IWAI). We have also explored PPP mode for barge movement and terminal operation. A tender has been floated with assistance from International Finance Corporation (IFC), to operate Garden Reach jetty for a period of 30 years, and Adani Group, Infrastructure Leasing & Financial Services and a Bangladesh-based company have bided for the project. We are hopeful the private operators will market the terminal to attract cargo.

Q What are the other business opportunities for investors in inland waterways projects?

Dredging is a key component for the success of waterways, hence there is ample scope for investors in manufacturing, sale and maintenance of dredgers for these projects. There is a scarcity of shallow water dredgers in India and Cutter Suction Dredgers are ideal for deepening of water channels. Additionally, Amphibious dredgers are required for smaller channels.

Private players can be associated with us in many ways. We own a fleet of dredgers which we give on lease basis to operators to manage the machines and carry out dredging operation as per our requirements. There is also prospect for companies which have their own fleet of dredgers. Then there are contracts for assured depth dredging where an operator has to maintain required draft and width to a particular level for certain stretch of a stream for a specific period of time as per the contract.

Apart from supply of dredgers, barges and cargo handling equipment, and construction and management of terminals, there is also scope for private players to offer services for hydrographic survey of various water routes. We have proposed the government to allocate the survey work for some major stretches of waterways on a rotation basis to various independent agencies so that the report becomes more unbiased and acceptable for the market. Currently, we carry out hydrographic surveys on fortnightly basis in our own capacity. Since siltation is a continuous phenomenon, constant monitoring of river bed through hydrographic survey will be required for all waterways.

Cruise operation has also started on certain stretches of rivers and this is a good business proposition for companies who have expertise in this segment. There is also opportunity for financial institution to pump in money for various projects. The projects will also require services of consultants at various stages like environmental assessment and preparation of feasibility report.

Q Do you think there is a need for more of capital dredging or maintenance dredging to make waterways navigational throughout the year?

There is a general perception that our river ways require capital dredging. We need to understand that capital dredging is where one interferes with the original depth of a water body. If historically a water way had a depth of 3-5 metres decades ago but over a period the river basin got filled due to siltation, and in such case if we remove the deposit it is not capital dredging. Hence, any dredging carried out in waterways are to maintain the original depth. However, since extraction of deposits from river bed had never been done in last many years, it will require large scale dredging in the first instance but it will require less effort in subsequent operations. The problem with capital dredging is that its meaning is not defined anywhere, and when one refers to capital dredging for any project it leads to many complications and a number of studies and clearance is required. Since we are not interfering with the original draft of a river, it shouldn't be called capital dredging, and Ministry of Environment has agreed with us and the dredging is being referred to as maintenance dredging.

Q What are the cargo handling capacities of the terminals being developed under Jal Vikas Marg?

There will be terminals to handle all varies of cargo including bulk, break bulk, liquid and containers. However, the cargo handling capacity of a terminal varies as per the type of cargo handled there and the availability of cargo in the hinterland. However, the terminals in river Ganga can handle all types of cargo.

AN AMBITIOUS PROJECT FOR DEVELOPMENT OF NW-1 THROUGH WORLD BANK AT AN ESTIMATED COST OF ₹4,200 CRORE, TO BE COMPLETED IN SIX YEARS. THE PROJECT WOULD ENABLE COMMERCIAL NAVIGATION OF 1500-2000 TONNE VESSELS UP TO VARANASI IN PHASE I AND ALLAHABAD IN PHASE II.

THREE MULTIMODAL TERMINALS AT VARANASI, HALDIA AND SAHIBGANJ AND ONE NAVIGATIONAL LOCK AT FARAKKA HAVE ALREADY BEEN APPROVED.

OPERATIONAL WATERWAYS

NW-1
Ganga: Haldia – Allahabad (1620 km)

NW-2
Brahmaputra: Sadiya -Dhubri (891 km)

NW-3
West Cost Canal: Kottapuram- Kollam, Udyog-Mandal & Champakara canal (205 km)

UNDER DEVELOPMENT

NW-4
Godavari, Krishna rivers and Buckingham Canals (1078 km) in A.P., Telangana & Tamilnadu

NW-5
Brahmani & Kharsua river + East Coast Canal (588 km) in Odisha & West Bengal

MORE TALK, LESS ACTION

Despite the government's zeal to boost the coastal shipping, the growth in total volumes handled especially on east coast is still paltry. Coastal shipping is the buzzword everywhere in Indian maritime trade but when it comes to implementation, switching the land transportation users to coastal seems to be a herculean task.

by Rakesh Oruganti

More talk, less action! This is the present scenario of coastal shipping on East Coast. Despite the government's zeal to boost the coastal shipping, the growth in total volumes handled especially on east coast is still paltry. Coastal shipping is the buzzword everywhere in Indian maritime trade but when it comes to implementation, switching the land transportation users to coastal seems to be a herculean task to achieve.

Steel is one of the major commodity produced on east coast, has more potential to ply across Indian coast through coastal shipping. Notably, most of the top steel plants in India, can shift majority share of their rail movements to coastal shipping. India's top steel companies, including SAIL, Tata Steel and JSW, can move the majority share of their cargo movement to coastal shipping. The estimated annual savings of ₹40,000 crore can be achieved while encouraging coastal shipping of key commodities, including coal, cement and steel among others, according to the ambitious Sagarmala programme.

The government urges major ports to give priority berthing to ships that operate on the coastal trade to encourage coastal shipping. The scope of the coastal berth scheme has been expanded and approved by the competent authority on August 2, 2016. The scheme was also integrated into the Sagarmala Programme. Eleven projects have been sanctioned (₹70 cr. released) and 24 proposals are for consideration under the scheme. An Inter-Ministerial Committee (IMC) has also been constituted to develop a strategy and implementation roadmap for the coastal shipping of coal and other commodities.

Coastal container shipping is one of the untapped potential markets on east coast, however designing an apt plan, implementation and execution of coastal services to fulfil the demand is still sceptical. There are few concerns that the shippers are still facing when the coastal shipping is being recommended to use, as very few are aware about the government incentives and discounts. Long voyage time, point to point delivery are among other concerns in using coastal container shipping. There is a wide knowledge gap among shippers, which need to be addressed immediately by all the stake holders of maritime industry and also with a support from the government. Many shippers still pay approximately ₹1 lakh per one container to move the cargo for long distances in India by land transportation when the same cargo can be moved by coastal shipping by spending about ₹30,000- 40,000.

In coastal container shipping segment, there are around 10-15 coir and other manufacturing companies across Alappuzha district in Kerala that have more potential to source raw materials through coastal container shipping from Kolkata. The shippers are not well versed with specific coastal services which are already plying on East Coast and on the flip side, shipping lines are already serving the trade with excess capacity and services. Nevertheless their voyages are unable to reach economies of scale to sustain.

One of the major disadvantage of the coastal container shipping raised by shippers is that they move their cargo through trucks/trailers for end to end transportation, than using multimodal coastal shipping mode which mostly use rail, road and sea mode for the same. Prominent Indian shipping companies which run coastal services on east coast, found it is difficult to achieve economies of scale. Containerized Coastal shipping on east coast handles about 10-20 per cent of Indian total coastal containerized volume. The rest has been captured by west coast. Every new entrant in coastal shipping, would like to join the west coast market than east coast, which makes the west coast market more competitive and unviable for the new players by leaving the untapped east coast market aside. mg

MORE LNG TO FLOW EAST

Ports on the east coast are erecting greenfield infrastructure for receiving, storing and supplying natural gas, as utilities demand for more of it to generate power at their optimum capacity

by Omer Ahmed Siddiqui

The share of natural gas in India's energy mix is expected to increase to 20 per cent in 2025 and beyond as compared to 11 per cent in 2010, but there is huge mismatch in the demand and supply, especially on the east coast. The AP state power utilities have power purchase agreements for around 2,700 MW from gas-based power plants in the state. However, due to shortfall in domestic gas, these plants are not operating at their optimal capacities. The gas-based plants in the state are currently operating at 50-60 per cent of their capacity. Further, an estimated 13,000 MW of gas-based plants are expected to come up in the state in the coming years subject to gas availability.

To quench the gas-thirsty power plants the Kakinada Port is developing a floating storage and regasification unit (FSRU) proposed to be located on the leeside of the breakwater moored to a conventional jetty, at a distance of about 2.5 km from the onshore terminal location.

The parties involved in the project have proposed to operate through two joint ventures – TermCo and TradeCo. TermCo will include APGDC, Engie and Shell. They will develop the terminal comprising of the FSRU along with related infrastructure and facilities. TradeCo will comprise of GAIL, Engie and Shell. It will purchase LNG from suppliers and deliver it to TermCo. It will also sell RLNG purchased from TermCo to downstream customers in India. The project will have a 3.5 MMTPA design capacity and appropriate operational flexibility up to a maximum of 5.25 MMTPA.

An estimated 13,000 MW of gas based plants are expected to come up in Andhra Pradesh

Infrastructure requirements include development of marine facilities for LNG import (island jetty platform), berthing/mooring of FSRU, a high pressure subsea pipeline to transport regasified LNG to coast and an onshore receiving facility for gas metering skid and supply to gas grid.

The terminal will be designed to accommodate LNG vessels between 1.2 lakh metre cube and 2.15 metre cube, but mooring and berth shall be designed to accommodate up to 2.65 lakh metre cube (Qmax class) vessels.

Other LNG terminals coming up on the east coast

Indian Oil Corporation has begun initial works for setting up the ₹5,150-crore LNG terminal at Ennore Port. IOC has inked a MoU with Tamil Nadu government for the project. IOC will hold 45 per cent stake in the project and the remaining 55 per cent will be held by the state government. Contracts have been awarded to Mitsubishi Heavy Industries and Black & Veatch for setting up the refrigeration tankages and regasification facility.

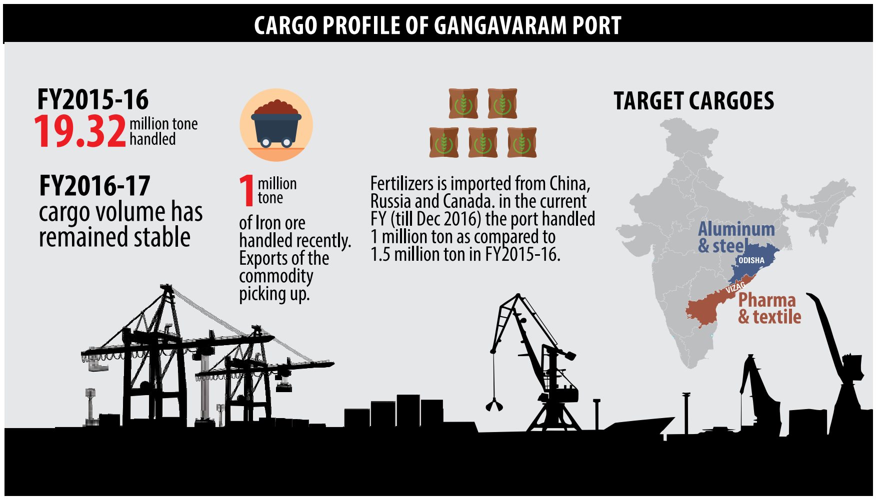
Another LNG terminal at Gangavaram Port is being planned by Petronet LNG Ltd but the project appears to be in a limbo as Petronet has requested the state government's support in three critical areas: Connectivity of the LNG terminal to the three gas pipelines through the state including Kakinada-Srikakulam pipeline of APGDC, Mallavaram-Bhilwara pipeline of GSPL India Transco Ltd and East-West Pipeline of Reliance Gas Transportation Infrastructure Ltd. Petronet has also requested commitment from the power sector to buy at least 1 MMTPA equivalent of gas for a minimum period of 10 years.

The Dhamra Port Company Ltd is developing an LNG terminal costing ₹6,000 crore. Indian Oil and GAIL would have 39 per cent and 11 per cent stake respectively in the project. The rest 50 per cent equity would be held by Adani Enterprises. mg

Attracting diversified cargo

Instead of solely depending on bulk cargo, the port is planning to diversify its cargo kitty to include containerised cargo in view of changing business environment

by Sisir Pradhan



Things are fast changing at Gajuwaka, about 15 km away from Visakhapatnam, which was once a small settlement of people directly or indirectly serving Vizag Steel plant, is now bustling with commercial activity. It all happened in the last couple of years with the rise of Gangavaram Port. In fact, Adani Group, which itself runs a number of ports and terminals in various parts of India uses Ganagavaram Port to import roughly 2 million tonnes of thermal coal to feed its power plants in Maharashtra. Like many ports in the country, coal is a principal cargo for Gangavam and Coal Ministry's embargo on coal import has created challenge for the port but Gangavaram port has put up some alternate cargo to deal with the situation.

Talking about the extent to which port sector has been affected by the Coal Ministry decision, **V. Janardhana Rao, Director (Operations), Gangavaram Port** said, "In FY2015-16, total volume of cargo handled at Gangavaram Port was 19.32 million tonnes, and in FY2016-17, the cargo volume has remained stable but in comparison to previous fiscal there has been a slight drop of about 5 per cent in overall export and import volume till December. Total cargo volume handled at the port from April to December, 2015 was 14.2 million tonnes whereas between the same period of 2016, cargo to the tune of 13.42 million tonnes was handled at the port. However, there has been a huge impact of restriction on coal import by public sector enterprises like NTPC, which are now procuring coal largely from Coal India. NTPC Simhadri is a major client for us and they used to import coal through Gangavaram Port."

In recent times rise in iron ore export has neutralised the coal loss to some extent. Iron ore export was very negligible in FY2015-16 whereas coastal movement and export of the commodity has increased in the current financial year. Export of iron ore from the port had picked up recently, and it has handled roughly 1 million tonnes of the commodity. Steam coal is a major commodity handled at the port and since power and steel sector are going through a rough phase, it has affected the port sector, including Gangavaram, said V. Janardhana Rao, Director (Operations), Gangavaram Port. Apart from coal and iron ore, Gangavaram also handles fertilizer, mineral like bauxite and lime stone, and agro commodities and exports majorly rice. Meanwhile downturn in market condition has affected fertilizer import as well as in the current financial year (till December 2016) the port has handled 1 million tonnes of fertilizer as compared 1.5 million tonnes in FY2016. Meanwhile, officials at RINL, which is one of the biggest volume generators for the port, said that while cost of landing is good at Gangavaram, berthing and other vessel related charges are on the higher side. However, the port boasts of its fast turnaround time, the time taken for cargo discharge and overall lower cost for cargo landing which helps it to retain clients. Some new industries have come up in the region like Hinduja National Power Corporation and Enrock Alumina and Power Plant, which will fuel volume growth for the port. The port has plans to enter into container handling sometime in FY2017-18. Rao said one berth has been designed to handle containers. The ports aims to tap the pharmaceutical and textile industries, aluminum and steel industries in Odisha, and agro commodities like rice and maize, for its foray into container handling. mg

In the expansion mode

Opportunities galore in the sunrise state as industrialisation and manufacturing activities are looking up. Hooking on them is Sravan Shipping, flexing its services with new CFS and FTWZ planned to provide the much needed logistics support.

by Sisir Pradhan

G Sambasiva Rao
MD, Sravan Shipping Services

Q What are the major projects you are looking forward to?

Our group is planning to operate second CFS near Gangavaram Port in the month of February 2017. Moreover, we are also setting up a logistics park and Free Trade Warehouse Zone Project at Visakhapatnam in 2018.

Q How do you see industrialisation and manufacturing growth in Andhra Pradesh taking shape? What is your view on competition from new CFS facilities coming up in the region? What has been the impact of direct port delivery on CFSs?

We are expecting industrialisation and manufacturing growth in this area as Andhra Pradesh government in the Partnership Summit in 2016 mobilized ₹4.70 lakh investment opportunities and in the latest edition of the Partnership Summit this year, we are expecting about ₹8 lakh crore worth of investment in this region. Out of all the investment projections, even if 20 to 25 per cent of the projects can be materialized, the state will be in a better position. Recently the government is giving more attention on food processing sector. By this, not only industrialisation but also manufacturing activity will grow. Competition from other CFSs will be there. In order to achieve results one has to do proper marketing and attract customers from the hinterland like Nepal, Jharkhand, Chhattisgarh, Odisha, Telangana and Andhra Pradesh.

Direct delivery of containers may not impact CFS operators because the same system may be applicable to one or two major ports in western India whereas in this region there will not be any benefit and cost advantage, as about 95 per cent of exporters/ importers are not paying any demurrage or detention fee at Visakhapatnam.

In future, we expect tough competition from Kakinada, Krishnaptanam and some ports in Odisha.

Q What is the prospect of Vizag as a transshipment hub of the future?

Recently transshipment cargo by Maersk Line has moved from Visakhapatnam to Krishnapatnam since the liners see the advantage of their operations and also the benefit and cost saving analysis. But, I feel in the long run, transshipment operations will continue at Visakhapatnam by some other lines as per their convenience. In future, Visakhapatnam will definitely evolve as one of the transshipment hubs as the terminal is planning for development of its third berth and also proper back up area.

Q What is the impact of Kakinada Terminal on Vizag trade?

Due to start of container service at Kakinada terminal, some cargo from East-West Godavari, Krishna and Guntur districts may come to the terminal because of the proximity and logistics advantage, especially cargoes like rice and sea food will have positive impact on Kakinada terminal when compared to Visakhapatnam because of cost advantage.

Q What makes trade from east and central India to prefer Vizag over other ports?

CONCOR is developing a logistics park in 100 acres of land and Visakhapatnam being a railway divisional headquarters and because of the upcoming railway zone, it will have its own advantage. The central government has announced development of Visakhapatnam – Chennai Freight Corridor, due to which container and bulk cargo movement will increase. In addition to the above, a lot of coastal cargo can also move from one port to another port as Visakhapatnam has many private operators who are willing for a competitive rate as per the budget of manufacturers for moving their bulk cargo through coastal shipping at a reduced price.

Q What are the recent trends in coastal movement on the east coast?

RINL and other steel manufacturers are using coastal shipping and coal is also being moved through this mode. Vehicle makers like Ashok Leyland and others move their equipment through coastal vessels, saving a lot of cost. mg

Still a bumpy ride

India has opened more than one gateway ports for moving Nepal's exim cargo, but a number of bottlenecks remain that keep the cost and time of moving boxes high

by Omer Ahmed Siddiqui

Indo-Nepal diplomatic relations date back to 1947 and India is the largest trade partner for the landlocked nation. The bilateral trade balance has been tilting in favour of India for long. Exports from Nepal to India increased from ₹230 crore in 1995-96 to ₹3,187.4 crore ($579.8 million) in 2014-15 and India's exports to Nepal increased from ₹1,525 crore in 1995-96 to ₹22,939.4 crore ($4.17 billion) in 2014-15.

To support trade, Nepal and India have planned to build Integrated Check Posts (ICPs) on their respective sides at ports of entry in Birgunj, Biratnagar, Bhairahwa and Nepalgunj. On December 15, 2016, a Nepal-India senior officials' meeting on ICP that concluded in Kathmandu also decided to complete such ICPs in Biratnagar by December 2018.

In the first phase, ICPs were to be built in Birgunj of Nepal and Raxaul of India, and Biratnagar of Nepal and Jogbani of India. The Indian side has already completed the ICPs in Raxual and Jogbani and the ICP of Raxaul has already come into operation, while it is being operationalised at Jogbani soon. Nepal has urged India to operationalise ICPs at both sides of border - Raxaul and Birgunj - simultaneously.

While most Nepali exports are bound for India, there is potential for Nepal to export much more to India and other South Asian countries. For example, in 2014, Nepal exported nearly as much to Pakistan as it did to Finland and three times as much to Iceland as it did to Myanmar. This suggests that Nepal is not maximising its economic connections with its immediate neighbours. For instance, Nepali off-season vegetables, such as bitter gourd, pointed gourd, sponge gourd and mustard leaf, are preferred by Indian consumers because of their superior quality.

These vegetables could also be sold at higher prices in the Indian market. "But lack of integrated laboratories for quality certification and absence of mutual recognition of accreditation between Nepal and India have left Nepali fresh produce export at the mercy of Indian customs offices," reveals Purushottam Ojha, former commerce secretary. These non-tariff barriers imposed by India are discouraging trade through customs points, giving rise to informal trade.

Nepal uses Kolkata/Haldia and Vizag ports for its third country export/import. Kolkata Port moves about 60,000 teu of containerised cargo for Nepal annually. At Vizag, cargo will be moved through the rail route connecting Visakhapatnam-Jogbani or/and Visakhapatnam-Birgunj. In addition, four road routes have been identified.

Pain points

Poor transportation system, tedious documentation and Customs formalities increase the time and cost of logistics for transit trade, impacting the Nepalese trade performance. Transport of import cargo from Kolkata Port to Kathmandu via Birgunj takes about 17-27 days through rail. For exports from Nepal it takes about 7-8 days by road to reach the port and about 18 days till the cargo is loaded into a vessel.

The time taken for port clearance, the transport time taken by Concor, poor road conditions and old vehicles used for logistics are the main cause of delays, avers **Rajan Sharma, Former President, Nepal Freight Forwarders Association.**

The detention costs due to delays by Concor are also to be borne by the Nepalese traders. The distance by rail from Birgunj to Kolkata is 704 km which takes 3-4 days and sometimes 15 days for transit. This is mainly due to priority given to passenger trains.

Due to congestion at the Kolkata Port, vessels are forced to call at Haldia. This increases the distance and hence the transport cost which has become the cause of disputes between freight forwarders and importers for bearing the extra-cost.

Containers arriving at Kolkata Port are shifted to CFSs in a haphazard manner and it takes months to locate a container. Container to be moved by road or rail are not segregated and often road consignments are moved to rail based CFSs.

The Concor CFS starts forming a rake only after 10 to 12 containers are available and this increases the dwell time at Kolkata Port.

The use of ICD has reduced the cost of transit only for cargos weighing above 20 metric tonnes. The average cost of bringing in a teu load to Birgunj ICD and return of empty costs approximately $1,950 inclusive of terminal handling charge at Birgunj ICD.

There are a number of private CFS operators and the port authorities frame regulations to facilitate their business making it more complicated for Nepal.

Customs operating hours and other administrative procedures in Kolkata/ Haldia ports are not flexible. Customs office is closed after 17:00. In most cases cargo that arrives after this time has to wait until the next day.

Presence of multiple checking agencies at the border extends the total transit time. The extra payment at transit entry point and exit point is another factor that is uneasy to the importers/exporters and their agents. The Asian Development Bank in a recent study indicated that such illicit payment exceeds 10 per cent of the total transport cost along Kolkata/ Haldia- Raxual - Birgunj- Kathmandu corridor.

Truck companies in Kolkata follow the rate of the day system which is a major barrier to predicting the cost. Trucking and other freight charges from the Kolkata Port to Nepal boarders should be fixed at regular intervals. Similarly, it is necessary to have a uniform rate of shipping liners, CHA's and port and CFS charges to enable traders to calculate logistic cost or the guaranteed landing cost.

Regulatory pitfalls

Nepal has not introduced strong provisions for controlling the authenticity of Bill of Lading, be it House Bill of Lading or Master Bill of Lading in Nepal. There is no appropriate control mechanism set forth to monitor trade by land route via Kolkata and Haldia ports.

The warehouse management is very poor in Nepal and more warehouses need to be built in strategic regions. No product should be allowed to be exported without semi-finishing in such warehouse. There is no Warehouse Act in Nepal as yet.

A proper remittance system for freight charges and other port and private agencies related charges needs to be put in place. The Nepal government has no mechanism to cross check the authenticity of such financial transactions.

> **"KOLKATA PORT MOVES ABOUT 60,000 TEU OF CONTAINERISED CARGO FOR NEPAL ANNUALLY. AT VIZAG, CARGO WILL BE MOVED THROUGH THE RAIL ROUTE CONNECTING VISAKHAPATNAM-JOGBANI OR/AND VISAKHAPATNAM-BIRGUNJ."**

A dispute settlement mechanism has to be put in place as stakeholders are not only within the country but beyond borders and both private parties and government of the transit providing country and exporting or importing country is involved.

The BBIN motor Vehicle agreement aims to smoothen logistics but lack of coordination between the ministry of Commerce and ministry of Infrastructure and roads in Nepal is a major roadblock. The private truckers are against the agreement due to high import tax on vehicles.

Issues with shipping lines

The problem with shipping lines is that booking of a cargo is closed two days prior to the ship's arrival at the port. The ship takes two days to discharge and load. The exports' need minimum 4-5 days before it is placed on-board normally but at times it takes up to 7-12 days due to late arrivals of vessel, non-availability of slots, port problems, failure of equipments etc.

The shipping line levy strange charges like the container washing and repair charges which are taken prior to releasing the container from their jurisdiction. The shipping delivery and destination charges vary from liner to liner making it difficult for importers to plan their costing of goods.

Opening up of more gateway ports in India for movement of Nepalese exim cargo is surely a step forward to ensure smooth movement of goods but there are many more issues related to logistics and on the regulatory front that add to the time and cost of moving cargo and seek redressal at the earliest. mg

Big dreams with deep port

The new Bangladesh sea port has potential to change the face of the nation's exim trade as it can now welcome the vessels that require deep draft

by Omer Ahmed Siddiqui

A port can change the fate of a nation and the Bangladesh government expects nothing less from the developing Payra Port. The port is being built on more than 7,000 acres of land on the west bank of Ramnabad Channel in Patuakhali's Kolaparha, at a cost of Tk11.44 billion. Apart from being in close proximity to international shipping lines, the port is reasonably far away from its neighboring ports – Chittagong and Mongla ports are about 154 nautical miles (nm) and 125 nm respectively from the port.

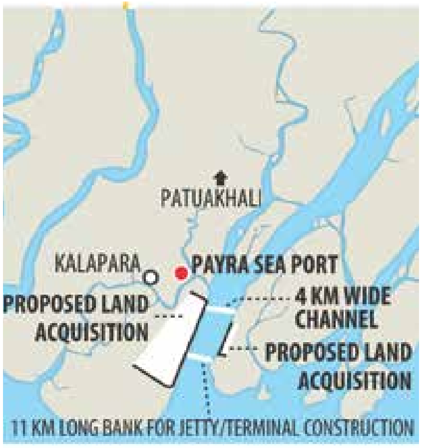
Project implementation plan

Plan I: Limited scale port operations commenced in December 2015 through lighter vessel bringing merchant ship at outer anchorage.

Plan II: Complete major components of port infrastructure with 2.5-km terminal facility including river bank protection, capital dredging and break water by 2018.

Plan III: Complete remaining port facilities by 2023.

So far, the port authorities have completed survey of river routes and channel marking, installed a radio control station, VHF communication, a 1,000-KV substation and a water treatment plant. They have also introduced bank facilities and customs service at the port. Under the mid-term plan, the port would have at least one multipurpose and one bulk terminal, 10-metre depth of the channel and would be connected to Rajapara by 2018. The port will have an outer anchorage of 210 square miles for anchoring vessels with draught of 10-20 meters. The port will



have a 16-metre channel, a 1 km long container terminal, dry and liquid bulk terminals, and an LNG terminal. The Katakhali area would be industrially developed through the establishment of an exclusive economic zone, a 200-MW power station, shipyard and ship repairing units.

Facilities at the port

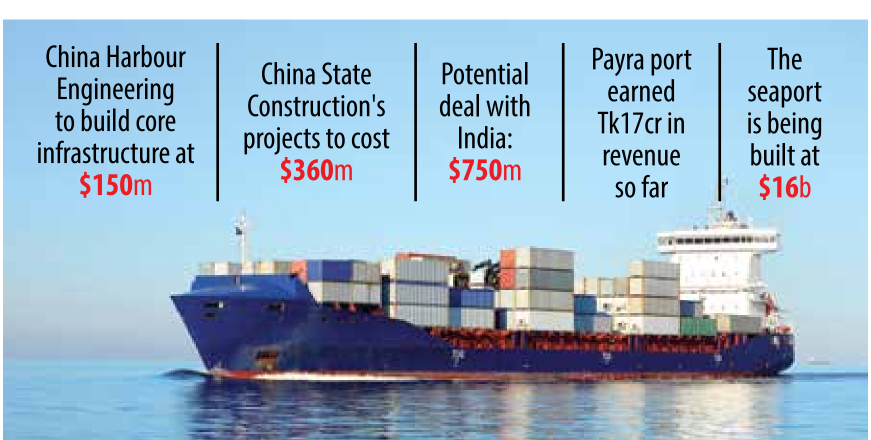
- 12-25 metre deep jetty area for accommodating deep draft big size vessels
- 11 km long jetty/terminal facility
- 4 km wide channel
- Planned navy base and coast guard close to the proposed port area will provide necessary safety

Fully operational Payra port will be able to handle 75,000 containers a year and this capacity is nearly five times more than the existing sea ports. Expected to be fully operational in 2023, Payra Port can be the nerve centre of the proposed Bangladesh-China-India-Myanmar Economic Corridor. It will be connected to a dual-gauge rail line and a four-lane highway within next three and a half years.

Indian interest

The Indian Shipping Ministry has evinced keen interest and India Ports Global has filed the Express of Interest for participating in the project. **Atul C Kulkarni, Advisor, Indian Ports Association** says, "The idea of doing ports on the eastern waterfront in the Bay of Bengal is to further exhibit our commitment to the act east policy. While on land we are promoting trans-national highways and we have also entered into agreements with Bhutan, Nepal, Bangladesh and Myanmar for seamless movement of goods by road so the next step will be to demonstrate your commitment through waterways. So the project will help in providing better logistics to the north eastern states of our country. If you look at Payra hinterland it is primarily north India. It will provide efficient logistics platform not just for India but for neighbouring countries as well that are looking at India for support, be it logistics or energy. Some of our PSUs have huge market in Bangladesh. In the Bay of Bengal the movement of trade is mostly through coastal shipping."

Atul added, "Bangladesh has been transshipping through Singapore, which can otherwise happen through Vizag. Bangladesh exports garments to us and imports fuels from us and this can become a lot cheaper through coastal shipping. For global players as well, dumping goods in India and transporting them to Bangladesh will be a lot easy."



PAYRA PORT COST ESTIMATES

Channel dredging	$2b
Conservancy	$30m
Container Terminal	$300m/per phase
Multi-Purpose Terminal	$200m
Dry Bulk Terminal	$300m/per phase
LNG terminal	$250m
Railway	$7.5b
ICDs at Payra	$50m each

Projects allotted so far

Jan De Nul, a Belgian company, has been roped in by the Payra Port Authority for capital dredging and ongoing maintenance dredging. Not to stay behind, China wants to make the port a part of its so called 'String of Pearls' strategy. Two Chinese firms China Harbour Engineering Company Limited (CHEC) and China State Construction Engineering Corporation Limited (CSCEC) signed a MoU with the Payra Port Authority for developing three of the 19 components of the port.

CHEC will build the main structure of the port (including road and bridge linking the port, the other necessary structures, sewerage line, link roads and rail lines), and CSCEC will construct the protection dam and structures for education and health services. The main structures of the port are expected to complete by 2023.

Bangladesh Railway and British company DP Rail Ltd have signed an MoU for setting up a 240 km rail line between Dhaka and Payra seaport. The rail lines would cost an estimated Tk 60,000 crore, which would be provided by the British company.

A 1,320-MW coal power project of North-West Power Generation Company, located adjacent to Payra Port, will start operation from 2019. Huge amount of coal will be imported using Payra Port facility.

According to Shipping Minister Shajahan Khan, economy of the South and South-East Asian countries can be integrated with Payra seaport emerging as an effective partner of Chittagong and Mongla ports. mg

STRUGGLING TO GAIN BUSINESS

The Pangaon terminal since its inception has fallen short of serving the very purpose of its incorporation due to several shortcomings that kept businesses from using it. An array of measures from increasing the ship service to slashing usage charges are being implemented to make the terminal attractive to the business community

by Omer Ahmed Siddiqui

It has been more than three years since establishment, but the Pangaon terminal still stands desperate for cargo. In 2013, seven ships arrived in the port while 17 came in 2014, 36 in 2015 and 14 in first three months of 2016. The Bangladesh government's strategy of diverting cargo from the saturated Dhaka-Chittagong railway and highway corridors to the waterways just doesn't seem to click. Even though the terminal is said to have a significant hinterland comprising of Dhaka and its peripheral districts that account for 60 per cent of all Bangladeshi imports. This huge cargo could have come to the Pangaon terminal, but there are still some issues that keep the traders from approaching the terminal, which include lack of availability of ships and shipping agents offices at the terminal, high feeder costs and other tariffs, lack of logistics support in and around the terminal. These drawbacks make carrying goods through the waterways to the Pangaon ICT both time-consuming and expensive compared to rail and road.

It costs $204.14 to transport a 20-foot equivalent unit of container from the Pangaon terminal to Chittagong Port for industrial units in Dhaka, Narayanganj, Gazipur and Ashulia. The same container could be transported to Chittagong Port by rail for just $78.88 and by road for $150.

Traders are concerned that the cost of transporting goods between the Chittagong Port and the Pangaon terminal is much higher than transporting goods between the port and the inland container depot in Kamalapur by railway or to industrial units in Dhaka, Narayanganj, Gazipur and Ashulia through the highways. And so the ship calls to the terminal has remained dismal.

Further, traders using the facility have complained about vessels not reaching the terminal on time. Vessels do not come to the terminal from Chittagong Port when there are no containers and feeder tariffs are high on the river route. Mainline operators have pointed out that the terminal lacks adequate number of shallow-draft vessels for Chittagong-Dhaka voyage. "When we're ready, we don't get vessels," said **Captain AS Chowdhury, Country Head of Seacon.**

The nature of the cargoes handled by the country's lone river-container terminal is mostly imports as exporters prefer Chittagong Port, and this impacts the calling of shipping lines. To ensure cargo availability to the terminal, in January 2016 the Bangladesh government made it mandatory for about 20 per cent of cotton and capital machinery imported by businesses in and around Dhaka to be moved through the Pangaon inland container terminal. But still the initiative fell short of driving more cargo to the terminal.

The Pangaon terminal is a boon to Indo-Bangla coastal shipping as well. Moving commodities from Krishnapatnam to Pangaon Inland Container Terminal would cut the delivery time from 25-30 days to 7 days. The cost savings would be approximately $300 per container and it would go up to $1,000 per box with a pickup in the volume.

In 2015, the trade community suggested a roadmap that can be prepared by the government to make the Pangaon Inland Container Terminal cost effective for the importers and exporters so that they become interested to use the port. Key elements of the roadmap would be reduction of container vessel rent and various port charges, frequent and scheduled movement of vessels, incentive package for traders, security of containers at waterways.

The government seems to be coming to terms with the demands of the trade community one by one. To ensure availability of sufficient number of vessels, the shipping ministry had given licences to 32 private firms to purchase vessels for the route. Three vessels – P*angaon Express, Pangaon Success* and *Pangaon Vision* - have already been procured from China at the cost of Tk500 million to operate the terminal. Each vessel can carry 128 containers. The government has further given approval to build 30 vessels for the purpose of carrying goods through the terminal.

Heeding to the trade request, the government last year slashed Pangaon terminal usage charges ranging from 30 per cent to 70 per cent. According to the revised tariffs, the crane charges applied for quay-gantry crane for a 20-foot container have been knocked down by 70 per cent to Tk300. The harbour crane charges for each move

EXPORT

CONTAINER COST PER UNIT*

FROM PANGAON TO CTG PORT	FROM KAMALAPUR ICD TO CTG	FROM DHAKA TO CTG BY ROAD
$204.14	$78.88	$150
Vessel cost, other charges	Rail freight cost, other charges	Cost of covered van

IMPORT

CONTAINER COST PER UNIT

FROM CTG PORT TO PANGAON	FROM CTG TO KAMALAPUR ICD	FROM CTG TO DHAKA BY ROAD
$207.01	$176.61	$300
Vessel cost, other charges	Rail freight cost, other charges	Cost of covered van

*Twenty-foot equivalent unit of container that can carry up to 15 tonnes of goods

now will be halved to Tk240 from Tk480. Charge for empty container handling with cranes will come to Tk180 against Tk240. The loading and discharging of full container load will now cost only Tk450 as against Tk1,500 earlier. The same services for the LCL container will be Tk1,335, following a 70 per cent cut. Charge for the loading and discharging of empty containers at the Pangaon terminal will now stand at Tk225 against Tk750. The charge for stuffing and un-stuffing of cargos from the containers has been cut by 50 per cent to Tk150. Charge for lift-on and lift-off containers, however, will remain unchanged at Tk 600. The storage charges for loaded containers up to seven days now stand at Tk 500. From the eighth day to 20th day, the charges will be Tk1,000. And for each subsequent day it is Tk2,000.

The government has further slashed exporters' costs of carrying raw materials by half. The shipping freight from Chittagong to Pangaon will also be slashed by half. Recently, Bangladesh received $360 million through financing agreement from the World Bank to improve the navigability of 900-km inland waterways. A portion of these funds will also be used to build a new general cargo terminal at Pangaon. The government is doing its part by increasing the ship count operating at the terminal and bringing down the usage charges. Will the terminal be able to gain favour of the trade community remains to be seen.

Colombo ECT in limbo

Construction of the Colombo East Container Terminal is in limbo. Whether SLPA will proceed with the bidding or introduce new conditions in the tendering process, only time will tell

by Omer Ahmed Siddiqui

July 21 was the fateful day last year when the selection process of the private partner for construction of the Colombo East Container Terminal took a new twist. Hopes of the bidders who filed the 'Express of Interest' were shattered when the Cabinet Appointed Negotiating Committee announced that the opening of the bids was postponed indefinitely.

ECT is designed as a deep water container terminal to have a 1,200-m linear quay wall comprising three 400-m berths, an alongside draft of 18-m and a minimum throughput capacity of 2.4 million teu. It is expected to double Colombo's container throughput to more than 10 million teu by 2025.

Industry experts have noted a departure in the Sri Lanka Ports Authority's strategy in choosing the concessionaire for the East Container Terminal (ECT), as compared to the strategy followed for developing the South Asia Gateway Terminal (SAGT) and the Colombo International Container Terminal (CICT). The ports authority had independently managed both the earlier projects (SAGT and CICT), but in the case of ECT the port authority has roped in the Asian Development Bank as an advisor. Other salient aspects highlighted by industry experts include:

A pre-qualification level in the form of EoI has been introduced instead of Request for Proposals being called straight away.

The lower minimum standards in the pre-qualification criterion: The pre-qualification guidelines read that any terminal operator capable of handling an annual throughput of 1.2 million teu is eligible, while the ECT has almost double (2.4 million teu) theoretical capacity. Further, even river port operators are open to bid, but industry experts seriously doubt the capability of a river port operator to handle transshipment.

The bidder has to partner with a leading shipping line capable of bringing in 1 million teu throughput annually. Now if the terminal is being developed as a common user facility, then this criterion will send a wrong signal to the bidders.

The guidelines also do not restrict any transshipment hub ports that are in direct competition with Colombo from competing for the bid. There are speculations that Ports Minister Arjuna Ranatunga is proposing an end to the tendering process, and one of the government committees is also seeking to introduce new conditions to the tender process that would disqualify the bidders who have filed EoI so far. The new conditions disqualify operators already engaged in port of Colombo, firms invested in competing terminals and foreign government entities. Further, they require the main firm of any consortium have experience in terminal operations and the secondary firm have experience in port management.

As per schedule the complete tendering process was to be completed by early 2017. Ceylon Association of Shipping Agents (CASA) has expressed concern that delay in the construction of the Terminal may result in bidders diverting to other regional ports. This will result in container volumes shifting to regional ports along with the consortium.

The five consortia that expressed interest:

- APM Terminals, Maersk Line, John Keells and Concor
- CMA CGM, Evergreen Group, Summit Alliance and China Merchants
- Terminal Link and CMA CGM
- Mistui & Co, Westports, NYK Line, Mistubishi Logistics Corp, Hayleys PLC and Tata Realty and Infrastructure
- Aitken Spence, PSA International, Shapoorji Pallonji and Pacific International Lines

A confluence of minds

The 23rd Biennial convention of FFFAI touched on vital points such as adapting with implementation of GST, the future of logistics services (going digital and cashless), gender equalisation in logistics and innovative ways to survive the downturn

by Sisir Pradhan

Samir J. Shah, Chairman of FFFAI, (fourth from left), **Ashish Pednekar**, Chairman (Elect) of FFFAI, (fourth from right) along with other eminent speakers at the inaugural session of 23rd FFFAI Biennial Convention at Kochi on 19th January 2017

On January 19, the scenic and serene city of Kochi was witness to one of the largest conglomeration of heavy weights from logistics and freight forwarding industry in India. The occasion was 23rd edition of FFFAI Biennial Convention. The year 2016 was very eventful for the industry since many reformations and policy changes took place, and Freight Forwarders Association in India better known as FFFAI was at the forefront of taking initiatives to guide the industry to sail smoothly in the age of changing trade dynamics. In recent times, as part of reformation taken up to make India a more business friendly destination, finding ways to bring down logistics cost is one of the core focus area for the Union government. In this regard the government is pressing for higher level of automation, digitisation and elimination of processes that adds to the logistics cost and time taken for movement of cargo.

The three-day Biennial Convention at Kochi gave an opportunity for a much needed industry gathering of freight forwarders, Customs House agents and people from other verticals of supply chain to brainstorm and take a leap from the past and chalk out the strategy for the future. Hence the focus areas of discussion at the convention was on: 1) The Future of Customs Clearance in India; 2) The essentials of Coastal Transportation and options for Customs Brokers; 3) Future of Logistics Services - a Digital and Cashless Era; 4) GST - the New India – care, concern and changes; 5) Assuring gender equalization - the way forward; and 6) Technology and Skilling - Innovations required for survival.

Moreover, the summit also witnessed first outreach programme of Working Group of Trade Facilitation Committee initiated by FFFAI and Customs to address one of the key concerns of members of logistics fraternity about the preparedness of Customs and other government and non-government agencies at the ground level to facilitate implementation of various industry reformations.

India's freight forwarding and CHA sector for long was largely in the hands of the business houses run by families for generations. Many companies paved the way for younger generation to take control of the business while some still in the hands of tried and tested experienced hands. But these are the industry veterans who in a special session called 'Family business - continuing legacy; professionalism; adapting change' focused on the way forward for family run companies.

One of the major concerns of participating Custom House agents from across the country was that changes in the logistics scene is just not limited to India, on the global front also World Customs Organisation (WCO) is seeking its member countries to align laws to make customs procedures uniform across the globe.

Samir J Shah, Chairman of FFFAI, the apex body of Customs Brokers Associations in India on this occasion said that globalization and rapid economic growth of India has created opportunities and challenges for the freight forwarders and CHAs. Prominent members of FFFAI India and members of logistic fraternity from overseas countries Malaysia, Sri Lanka, GEC, and Singapore among others took part in panel discussions on some burning issues and more importantly find solutions to them. The event also opened opportunity to one-to-one business meetings to participants further expand the horizon of their services.

The convention also focused on how digital and automation of processes could further fuel growth of the industry. The session on 'Assuring gender equalisation - the way forward', was chaired by **Dr. Malini Shankar, D. G. Shipping, GoI** and it highlighted the achievements of woman leaders from the sector who are spearheading their companies to newer levels. The event also had some lighter moments when Samir J Shah encouraged women entrepreneurs to guide their male counterparts on how to bring a balance of work and family life with ease.

J. Krishnan, Partner, S. Natesa Iyer & Co. said that India being a member of WTO, is abide to facilitate implementation of the WCO norms. He said Indian freight forwarders and CHAs should focus on value added services to remain relevant to the trade in the future.

Developed countries have already started implementation of WCO norms. For example, in a bid to attain harmonisation of Customs and security regulations, in countries like the US, air cargo goes through a process of air cargo advance screening which is based on the seven data elements that WCO has established under its safe framework.

Similarly, Authorized Economic Operator (AEO) program being initiated at JN Port and gradually being implemented at other ports is nothing but to accelerate implementation of the WCO SAFE Framework security related provisions. Hence in the era of Direct Port Delivery (DPD), digitisation and electronic data exchange what lies for the freight forwarders and CHAs in the future, a concern raised by many members of participating delegates at FFFAI Biennial Convention.

The event also stressed on the need for image building of shipping and port sector to make it as sought after as airlines sector among the younger generations. **Ashish Pednekar, Chairman (Elect) of FFFAI** sensitized the participating audience on various measures being taken up by the association and members to bring awareness among the society at large about career opportunities in the sector. Various representations made by the association on regular intervals before the state and union governments to protect the interest of the sector were also highlighted at the convention.

While the freight forwarding sector is undergoing an evolution, there is dire need to bridge the skill gap for a sustainable growth. Stressing on this aspect **Dhanasekar B, Head (HR, Standards & Quality Assurance), Logistics Skill Council** explained various training programs initiated by the government. Tej Contractor, President of Indian

Industry leaders from freight forwarding sector, Customs Brokers, policy makers and members from other verticals of supply chain from India and abroad at the 23rd FFFAI Biennial Convention held at Kochi

Samir J. Shah, Chairman, FFFAI delivering welcome address at the 23rd FFFAI Biennial Convention

Institute of Freight Forwarders, the training and skill development wing of FFFAI expressed interest of mutual co-operation between the two organizations to achieve the goal of expanding the reach of training and certification programs.

Rohan Masakorala, CEO, Shippers' Academy Colombo shared a unique point of looking at the downturn in the logistics sector as an opportunity to invest in training of human resources. He explained that training and skill development programs will help the human resource of a company to discover newer business ideas to save cost for the organization and optimize available resource and customer satisfaction. **Arun Ashan, Head (Sales), Softlink Global** and **Amar More, Director, Kale Logistics** stressed on the importance of adapting the change taking place due to technological innovation and automation. More said the concern of the CHAs of losing business due to automation is uncalled for and gave the example of growing banking sector due to technological innovation.

There were panel members like **Neelima Vyas, Director, Sohar Port Freezone; Denis Mazurin, Business Development Director, JSC Russian Railways; and Farhad Karimov of Azerbaijan Railways** who proposed ways to explore newer business territories in their respective countries.

The session on 'The essentials of Coastal Transportation and options for Customs Brokers' delved upon growing opportunity from coastal movement of goods. While **Varadarajan, CEO, Shreyas Relay Systems** elaborated on the frequency of coastal vessels and benefits to users, **Rahul Modi, Coastal Forwarder** and **Johnson Mathew K., CMD, Trans Asian Shipping** touched upon the potential of coastal services and how CHAs can add value to it. V. Vijaykumar, Chairman (Elect), FFFAI moderated an insightful session on the pertinent issue of GST. This session attracted lot of attention from all participants as **Nailesh Gandhi, Director, Express Global Logistics; Joshua Ebenezer, Director, Lakshmi Kumaran & Sridharan attorneys;** and **Vaitheeswaran, Advocate and Tax Consultant** were part of the panel.

At the end of the convention, **Debashish Dutta, Immediate Past Chairman, FFFAI** and FIATA World Congress 2018 – Chairman; Samir Shah, Chairman, FFFAI; and Ashish Pednekar, Chairman (Elect), FFFAI convened a convention consensus and open house. All members pointed out the importance of the sector for the growth of trade and commerce in the country, and its contribution in generating employment and contribution to the country's economy. All participants were explained the role of CHAs cannot be nullified in the future, the role might change but it will be relevant to the logistics sector. Pinarai Vijayan, Chief Minister of Kerala was also present at the event. mg

JSW MODERNISES JAIGARH PORT TO HANDLE LARGER CAPESIZE SHIPS

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

KEY HIGHLIGHTS OF JSW'S JAIGARH PORT:

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

JSW Infrastructure

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