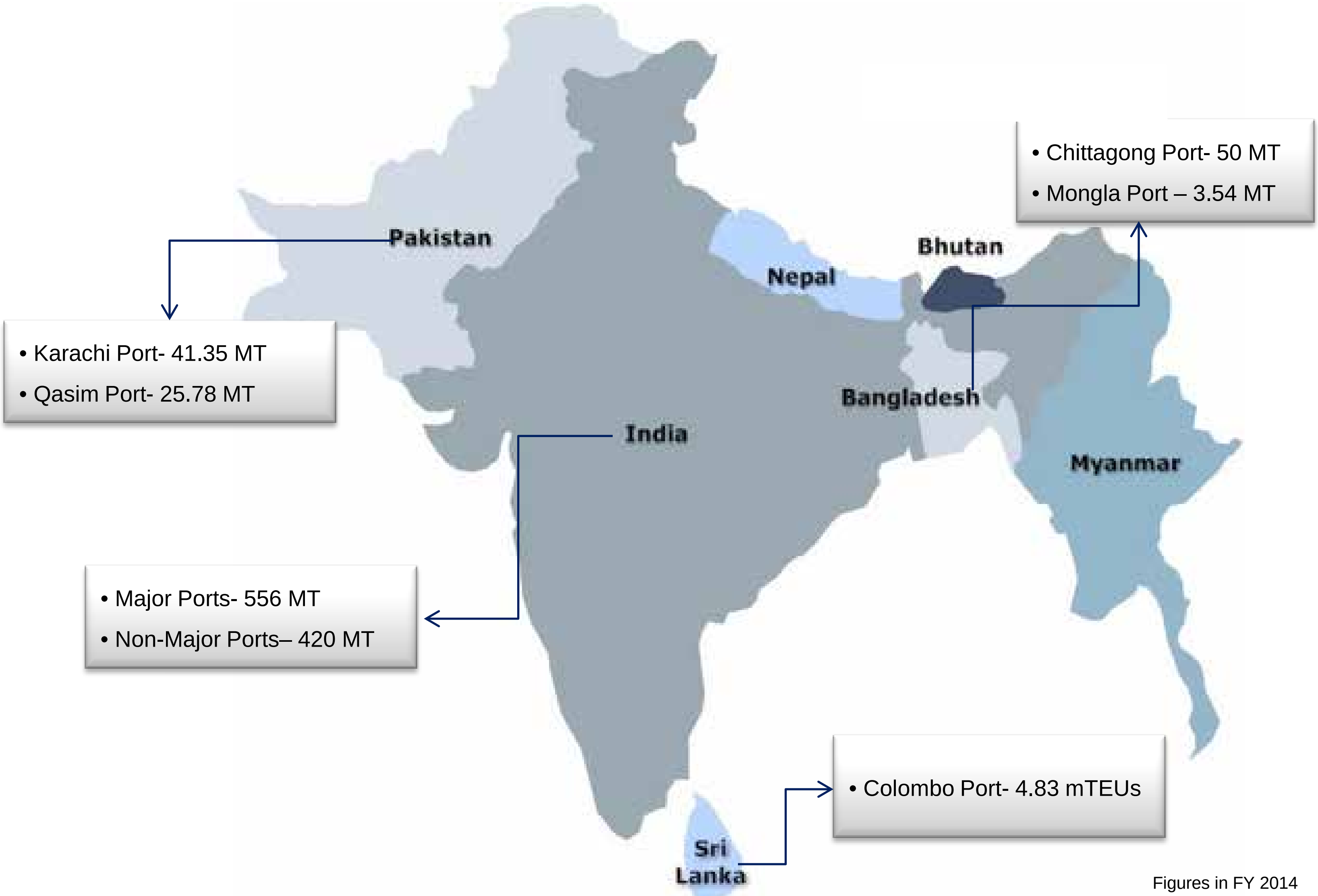
# 10th SOUTHERN ASIA Ports, Logistics & Shipping 2015

# Port Sector Development in Southern Asia and Investment Perspective in Indian Maritime Sector

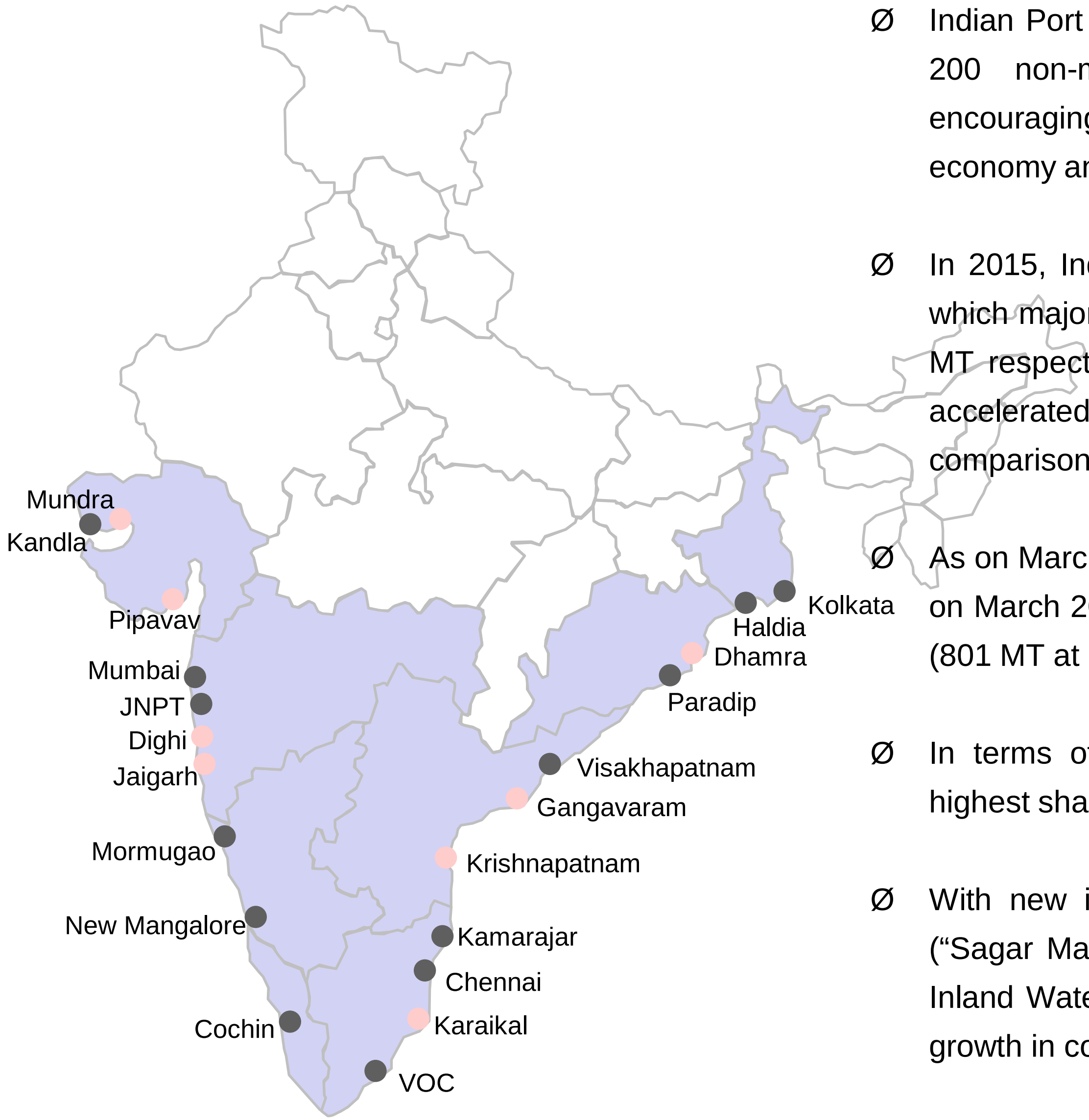
**15th September, 2015**

# Ports in Southern Asia




Figures in FY 2014

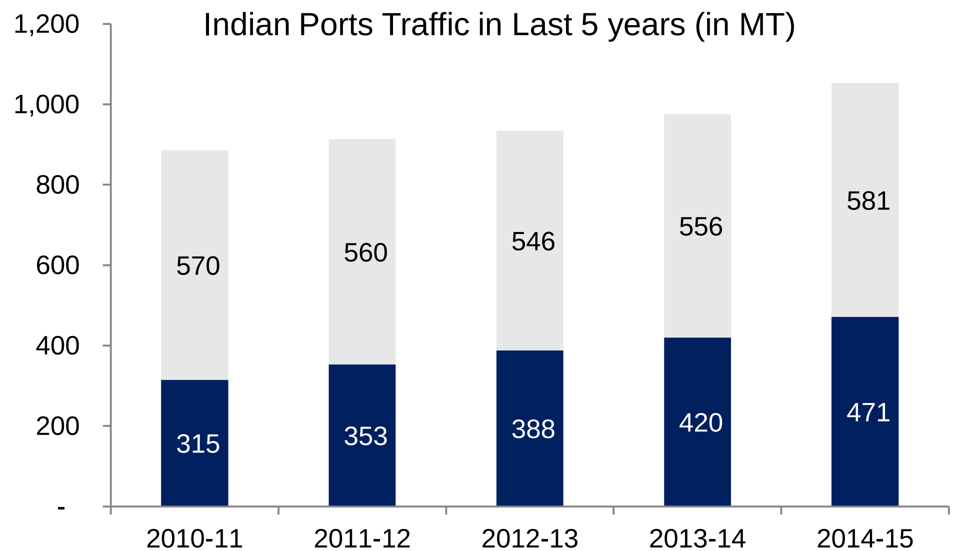
# Indian Port Sector- A Snapshot

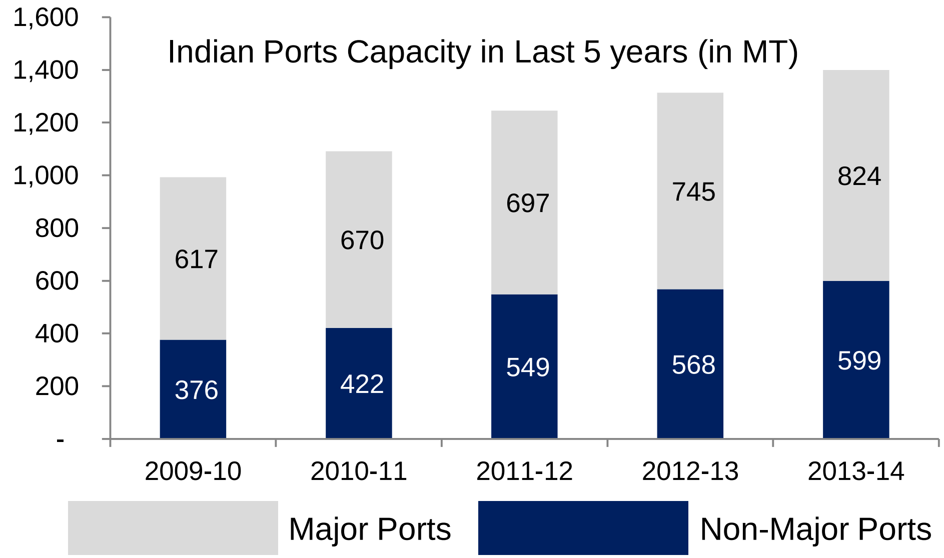



- Indian Port Sector comprises of 13 major ports and about 200 non-major ports. The sector has not made encouraging growth in past few years due to weak world economy and insignificant growth in International trade
- In 2015, Indian ports handled approx. 1052 MT traffic, of which major and non-major ports handled 581 MT and 471 MT respectively. In 2015, growth in traffic at major ports accelerated to 4.65% and non-major ports to 12.18% , in comparison to previous year
- As on March 2015, capacity at major Ports was 871 MT. As on March 2014, capacity at Indian ports stood at 1,400 MT (801 MT at major ports and 599 MT at non-major ports)
- In terms of composition, POL continues to account for highest share of traffic, followed by coal and containers
- With new initiatives like focus on port led development (“Sagar Mala project”), promotion of coastal shipping and Inland Waterways, Indian Port Sector is poised for higher growth in coming years

# Traffic and Capacity at Indian Ports

- Traffic handled at Indian Ports increased from 885 MT in 2011 to 1,053MT in 2015
  - Overall traffic at ports grew @ CAGR of 4.4% from 2011 to 2015
  - Traffic growth being led primarily by non-major ports. CAGR for non-major ports traffic was 10.59 % as compared to miniscule growth at major ports in last 5 years
- In 2014, Capacity at non-major ports increased by a CAGR of 12% as compared to a miniscule 7% increase at major ports
  - Mumbai (133%) and JNPT (95%) are over utilized whereas, Mormugao and Cochin are under-utilized (>50%)
- The share of major ports declined from 64% to 55% in last 5 years whereas, share for non-major ports steadily increased from 36% to 45%
- **Average turnaround time in 2015 in major ports is 4.01 days, from 5.29 days in 2011**
- **Average output per ship-berth day is 14,609 tonnes in major ports in 2015, approx. 12.50% increase year on year basis in last 5 years**

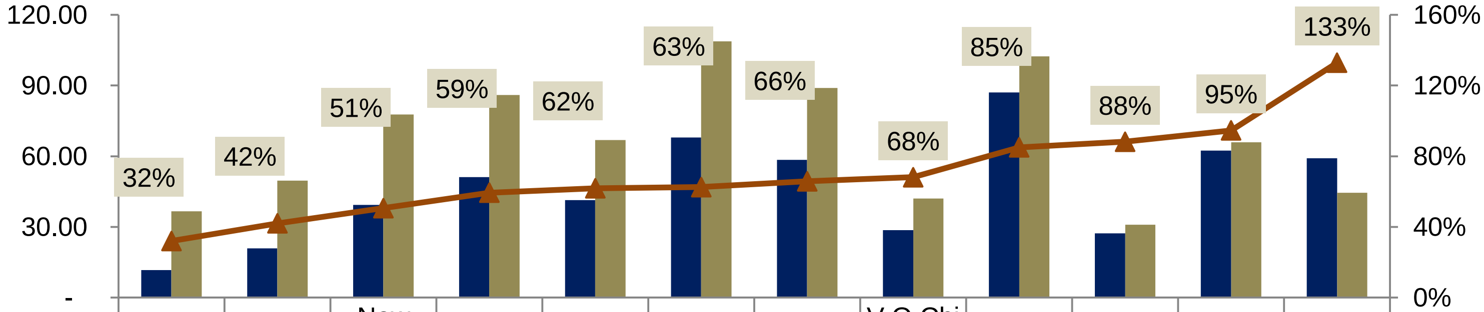



Source: IPA

# Capacity Utilization at Selected Ports

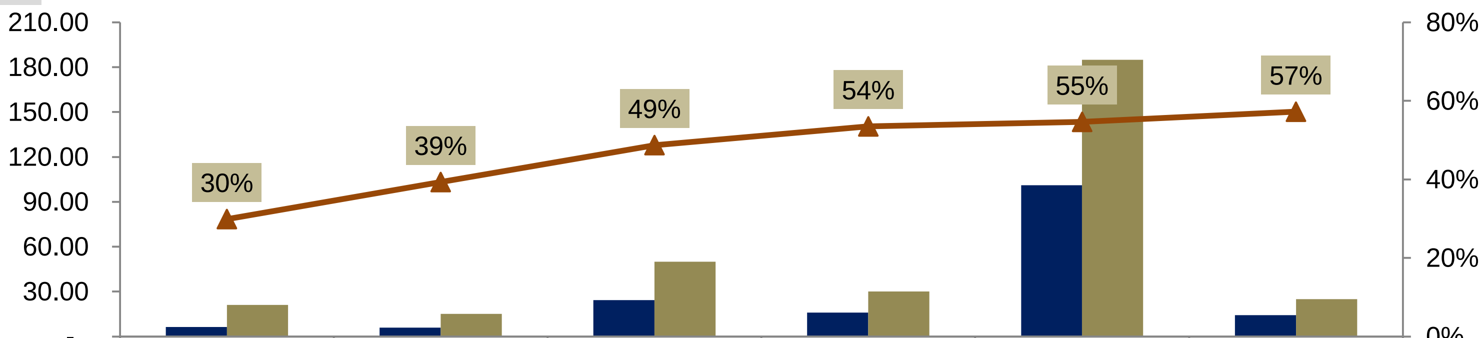
**Major Ports**




| | Mormugao | Cochin | New Mangalore | Chennai | Kolkata | Paradip | Visakhapatnam | V.O.Chidambaranar | Kandla | Kamarajar | JNPT | Mumbai |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Traffic | 11.74 | 20.89 | 39.37 | 51.11 | 41.39 | 68.00 | 58.50 | 28.64 | 87.01 | 27.34 | 62.35 | 59.19 |
| Capacity | 36.65 | 49.66 | 77.77 | 86.04 | 66.89 | 108.80 | 88.92 | 42.06 | 102.32 | 31.00 | 65.88 | 44.53 |
| Capacity Utilization | 32% | 42% | 51% | 59% | 62% | 63% | 66% | 68% | 85% | 88% | 95% | 133% |

Traffic   Capacity   Capacity Utilization

**Non-Major Ports**




| | Karaikal | Jaigarh | Krishnapatnam | Gangavaram | Mundra | Dhamra |
|---|---|---|---|---|---|---|
| Traffic | 6.28 | 5.90 | 24.37 | 16.05 | 101.12 | 14.31 |
| Capacity | 21.00 | 15.00 | 50.00 | 30.00 | 185.00 | 25.00 |
| Capacity Utilization | 30% | 39% | 49% | 54% | 55% | 57% |

Traffic   Capacity   Capacity Utilization

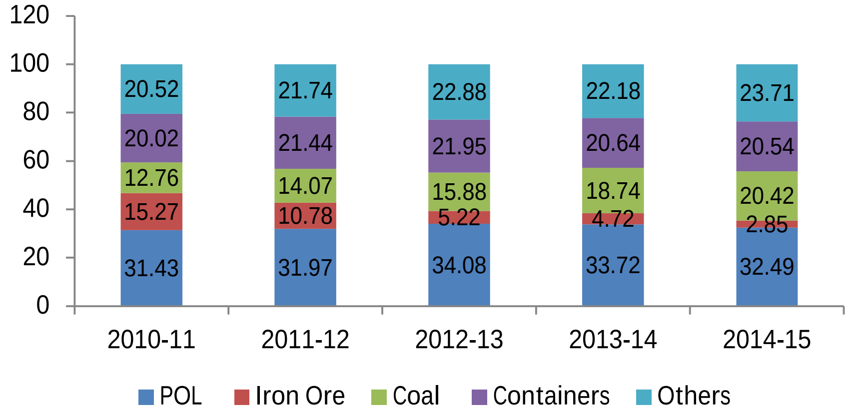
Source: IPA

- Figures in MT
- Traffic in FY 2014
- Capacity as on March 14

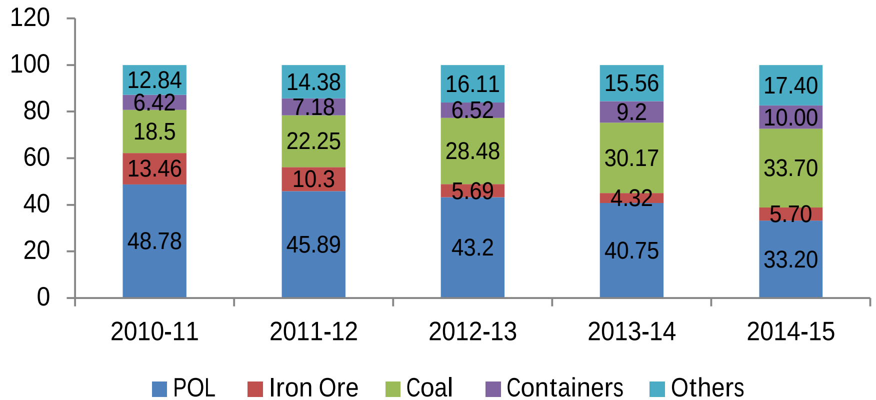
# Commodity Composition at Indian Ports

- In terms of composition, **POL** has highest share of total traffic at major ports and 2nd highest at non-major ports
  - In 2015, major ports share @ 32.49% and non-major ports share @ 33.2%
- **Container** traffic steadily increasing its share of traffic
  - In 2015, it consisted of 20.54% @ major ports and 10.00% @ non-major ports
- **Coal** has also seen an gradual upward trend due to increasing imports by the Power plants
  - In 2015, it consisted of 20.42% @ major ports and 33.70% @ non-major ports
- **Kandla and Paradip ports** comprise of approx. 28% of the cargo handled by major ports
- **Gujarat and Andhra Pradesh**, together, account for over 89% of non-major port traffic

Commodity wise traffic at major ports (%)




Commodity wise traffic at non-major ports (%)




Source: IPA, MoS

# Target and Achievement as per 12th Five Year Plan

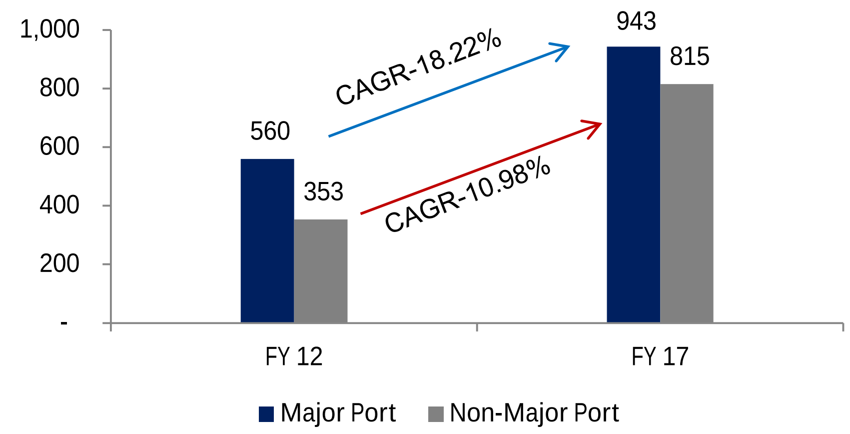
- The Planning Commission has projected traffic at major and non-major ports will reach **1,758 MT** by end of 12th FYP, growing at CAGR of 18% and 11% respectively since FY 12

- Of total traffic, share of major and non-major Ports will be 54% and 46% respectively

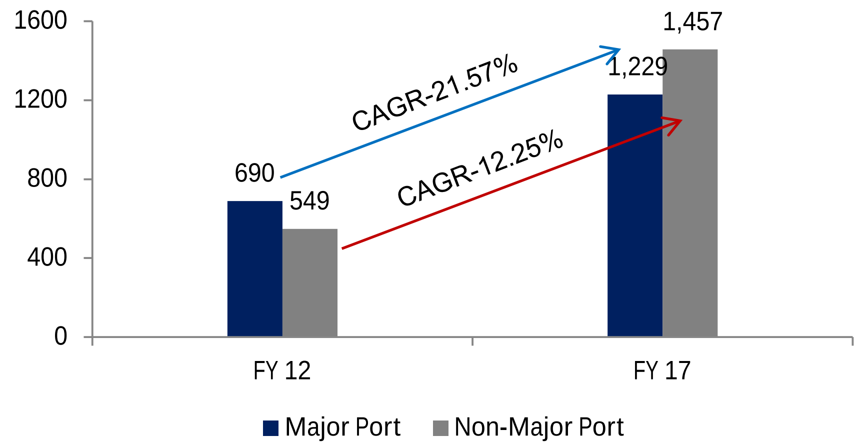
- To meet projected traffic, an overall **capacity requirement of 2,686 MT** is envisaged by terminal year of 12th Five Year Plan (FY 2017)

- **Till FY 15, traffic has increased at 5.1% y-o-y** to reach 1,052 MT compared to projected traffic of 1,247 MT

Projected Traffic at Indian Ports by FY 2016-17 (MT)




Projected Capacity at Indian Ports by FY 2016-17 (MT)

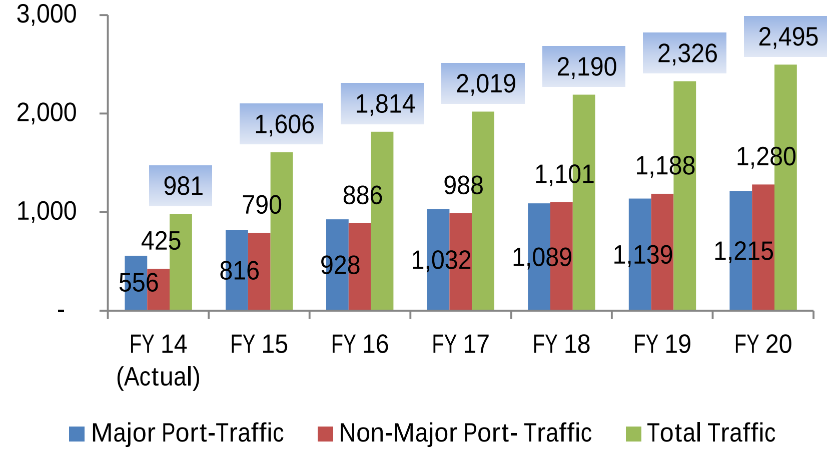



Source: Working Group Report on Ports for 12th FYP

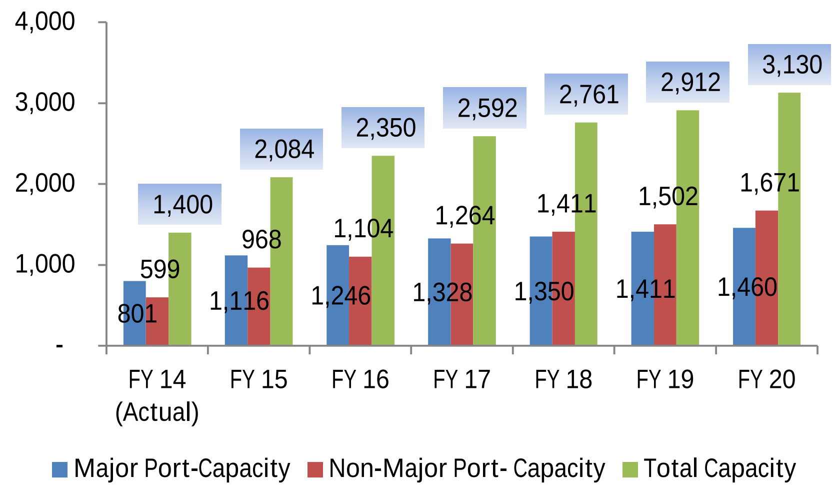
# Projection of Traffic and Capacity- Maritime Agenda 2020

- As per Maritime Agenda, traffic at Indian ports will reach **2,495 MT** from present traffic of 981 MT at CAGR of 16.83%
- Of total traffic, share of major and non-major ports will be 49% and 51% respectively
- To meet projected traffic, an overall **capacity requirement of 3,130 MT** is envisaged by FY 2020
- Capacity at major ports is expected to reach 1,460 MT from 801 MT capacity in 2014. Capacity at non-major ports is expected to reach 1,671 MT from 599 MT in 2014
- Capacity utilization at major ports will be more than 83% by FY 2020 which is currently 69% on average. Similarly, capacity utilization at non-major ports is expected to reach 77% from 71%

Projected Traffic at Indian Ports by FY 2020 (MT)




Projected Capacity at Indian Ports by FY 2020 (MT)




Source: Maritime Agenda, 2020

# Ongoing and upcoming PPP projects at Major Ports

| **Ongoing PPP Projects in Major Ports** | | |
|---|---|---|
| Port | Project | Capacity (MT) |
| Visakhapatnam | Installation of mechanized iron ore handling facilities at WQ-1 in the northern arm of inner harbour for handling dry bulk cargo and modernization of ore handling complex | 23.00 |
| | Installation of mechanized handling facilities for fertilizer handling at EQ-7 berth in inner harbour | 5.21 |
| Paradip | Construction of deep draft coal berth | 14.00 |
| JNPT | Development of standalone container handling facility with quay length of 330 m extension towards north | 0.8 mn. TEUs |
| | Development of 4$^{th}$ container terminal | 4.8 mn. TEUs |
| V.O.Chidambaranar | Development of NCB-III & NCB-IV for handling thermal coal, copper concentrate and rock phosphate | 18.30 |
| **Upcoming PPP Projects in Major Ports** | | |
| Paradip | Mechanization of EQ-1 to EQ-3 berths to handle thermal coal exports | 30.00 |
| Mumbai | Development of offshore multipurpose cargo berth | 4.50 |
| | Development, operation and maintenance of FSRU | 5.00 |
| Kandla | Operation and maintenance of container terminal | 0.8 mn. TEUs |
| | Mega container terminal at Tuna-Tekra | 2.19 mn. TEUs |
| Kamarajar | Development of bulk terminal on captive user basis | 9.00 |

Source: MoS

# Major Initiatives

- **Land Policy Guidelines for Major Ports, 2014:** This guidelines provides the major ports with the authority to license/lease port land on tender cum auction basis
- **Model Tripartite Agreement (MTA) for Port Sector PPP Projects:** For providing take-out financing for PPP projects to benefit developers in terms of longer debt tenure and reduced cost of fund
- **Release of 5/25 Scheme :** RBI introduced 5/25 scheme that allows banks to extend long term loans (20-25years) and refinancing them every 5 – 7 years
- **Policy for Determination of Tariff at Major Port Trusts, 2015:** This policy applies to the services provided by the major ports and does not cover private sector arrangements at the major ports. This provides liberty to the Major Port Trusts to set tariff as per market trends
- **Online Portal for Environment and Forest Clearance** : MoEF initiated an online portal for according clearances related to environment and forests to fast track the process and bring transparency
- **Guidelines on Priority Berthing of Coastal Vessels at Major Ports:** MoS directed Major Port Trusts to accord priority berthing to dry bulk/general cargo coastal vessels for transportation of goods from one port in India to another port in India
- **Inland Water Transportation on National Waterways**:
    - Launch of “Jal Marg Vikas” project to enable navigation of vessels on the Inland waterways (Allahabad-Haldia) throughout the year
    - An integrated National water Transportation has been proposed to develop 4,503 km of National Waterways and establish road/rail/ports connectivity to the river terminals
- **Sagar Mala Project:** Port led development of economy through development of Coastal Economic Region (CER) and promotion of coastal shipping

# Source of Financing in Indian Port Sector

- Debt financing is major source of funding for port projects, specifically for PPP projects. Private Participation increased due to shift from a service model to landlord port model
- External Commercial Borrowings (ECB) can be accessed under automatic approval route for funding port projects
- Equity contribution is coming from sources like central and state govt., Port Trusts, shipping lines, developers and logistics companies. In some cases, state govt. is equity holder through JV with private developers
- Equity contributions also come through PE players and IPOs

Target vs. Achievement in Project Award at Major Ports

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **FDI** | 4.25 | 0.71 | - | - | 0.02 |
| **ECBs** | NA | 59.87 | 135.80 | 29.21 | 24.46 |
| **Bank Credit** | 736 | 926 | 1,144 | 1,313 | 1,574 |
| **Private Equity** | 2.42 | 8.50 | 3.00 | 5.11 | 1.50 |

- Figures in Rs. bn.
- ECB figures for port and shipping combined
- Bank Credit pertains to Port and Road Sector

Source: India Infrastructure Research

# Present Financing Trend in Port Sector

- **Lack of Private Participation:** In many projects, there was hardly any bid or just one or two bids were received. Some big tickets projects failed to attract bidders like Offshore multi cargo berth at Mumbai Port, Container Terminal project at Diamond Harbour, mega container terminal at Tuna Tekra, mega container terminal at Chennai Port etc.

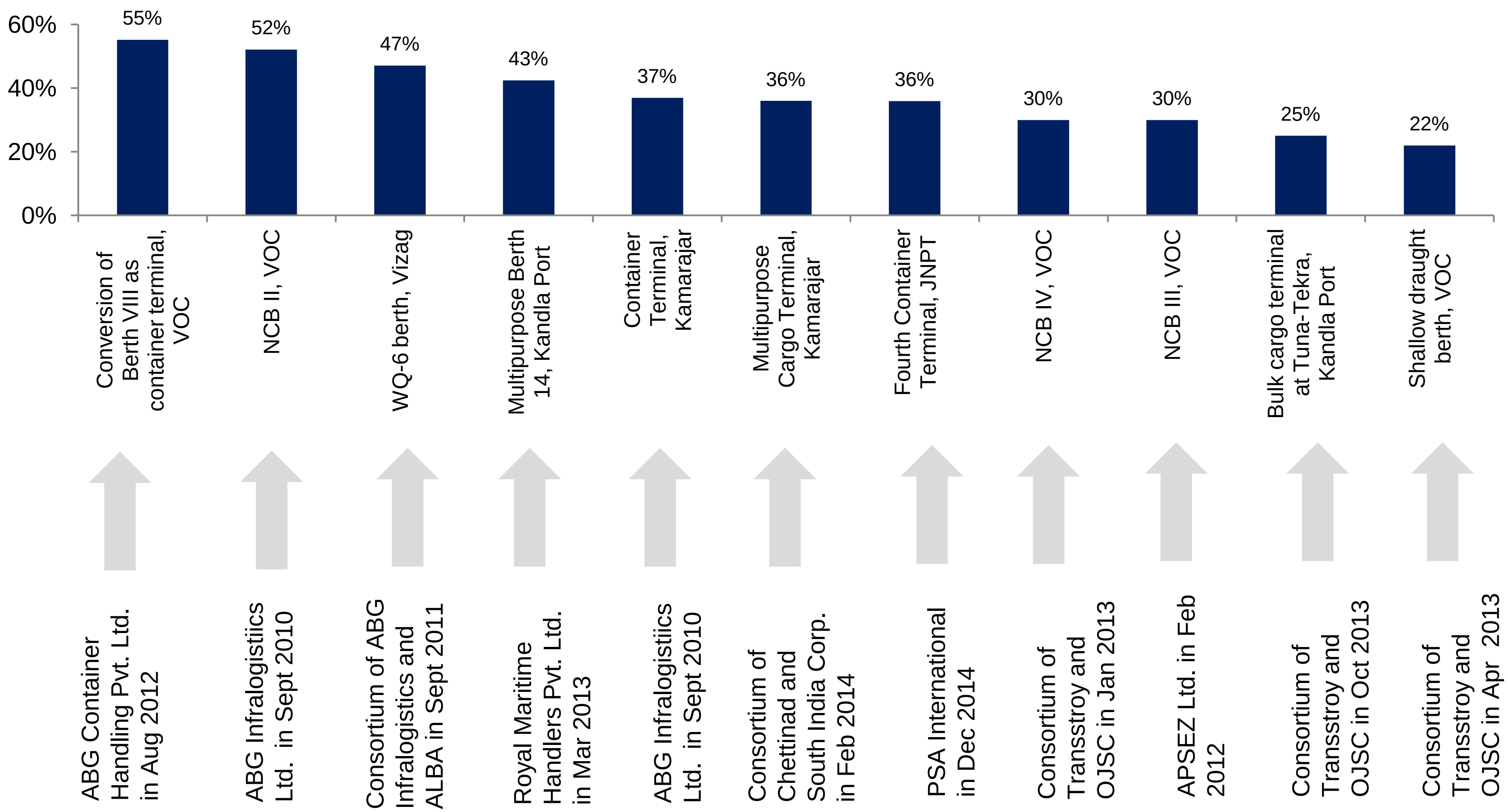
- **Debt Restructuring:** On domestic front, slow pace of project execution along with cost overrun and mismatches between commencement of debt repayment and revenue generation compel lenders to restructure debt conditions to keep the project operational. In addition, global economic slowdown has resulted in rapid decline in traffic volume

- **Slowdown in Financial Activity in Port Sector:** Weakening of Indian currency against US dollar along with Eurozone crisis bring down advantage of raising ECBs over domestic interest rate. Delay in capacity augmentation projects at Indian Ports is another setback

- **Difficulty in achieving Financial Closure**: Financial institutions are stringent in lending to port projects that have been bid at very high premium. In addition to strong promoter background, banks are also considering returns and proposed merit of the project before offering debt

# Revenue Share for PPP Projects in Major Ports

In many PPP Projects at Major Ports, there have been evidence of aggressive bidding like offering high revenue share, which may be potential threat for sustainability of projects




***Dates correspond to signing of CA/Letter of Award

Source: MoS, IMICL Research

# Investment in Port Sector-Target vs. Achieved

- MoS envisaged to award 42 projects worth Rs.145 bn. in 2013 and 30 projects worth Rs. 246 bn. in 2014. In reality, less than 50% of investment target was achieved in 2013. There was shortfall in 2014 in terms of investment as well

- Investment opportunities will also be generated from PPP Projects which are at bidding and planning stage. Projects including **two new Major Ports at Sagar and at Dugarajapatnam** (Estimated Cost- Rs. 175 bn.), expansion projects at Major Ports (Estimated Cost- Rs. 302 bn.) and Greenfield Non-Major Ports (Estimated Cost- Rs. 518 bn.) shall cost approx. Rs.995 bn.

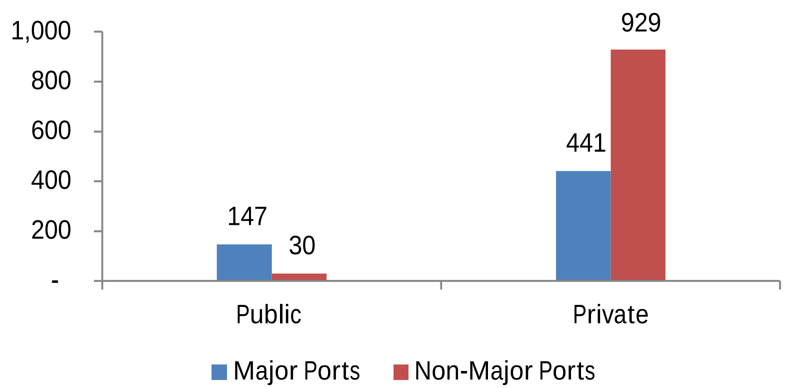
Target vs. Achievement in Project Award at Major Ports

| | 2012-13 | 2013-14 |
|---|---|---|
| **Target** | | |
| No. | 42 | 30 |
| Capacity (MT) | 244.00 | 288.48 |
| Investment (Rs. bn.) | 145.00 | 246.33 |
| **Achievement** | | |
| No. | 32 | 30 |
| Capacity (MT) | 136.75 | 217.57 |
| Investment (Rs. bn.) | 67.66 | 207.10 |

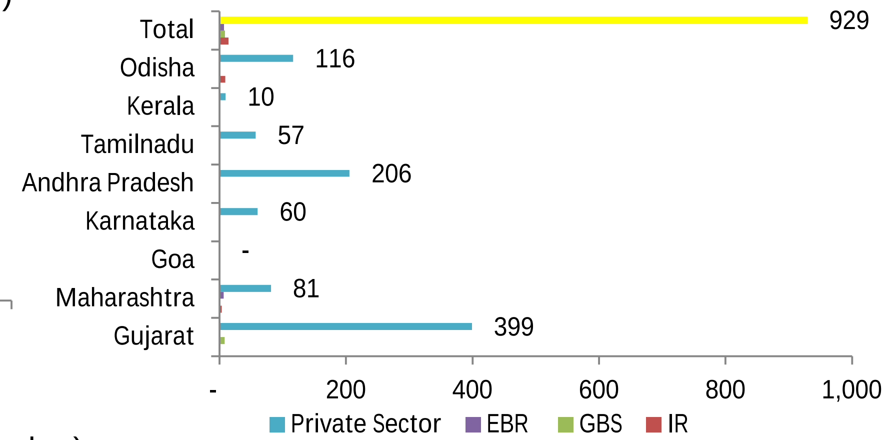
Source: MoS,IPA

# State wise Proposed Investment - Maritime Agenda 2020

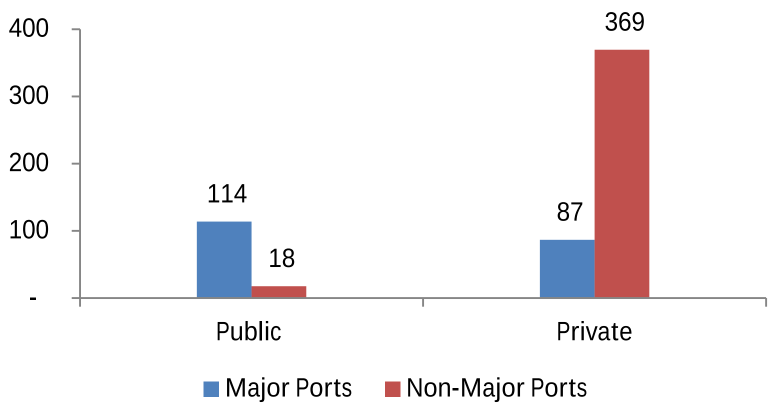
Investment Projection during 12th FYP (Rs. bn.)

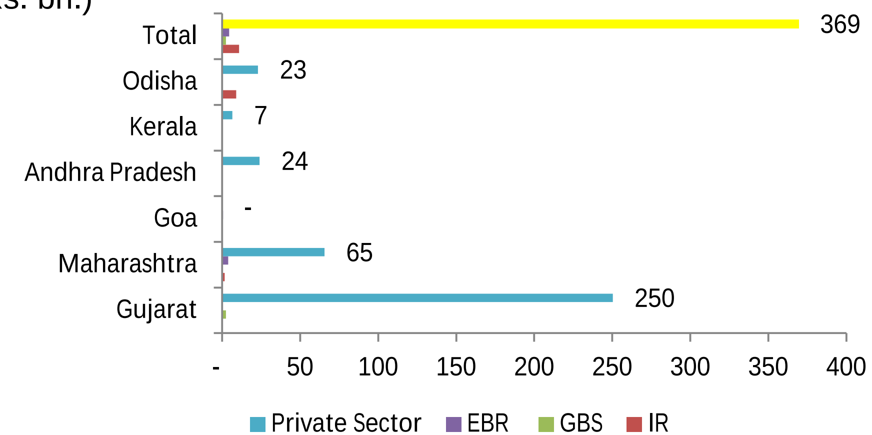



Investment Projection in non-major Ports (Rs. bn.)




Investment Projection during FY 18- FY 20 (Rs. bn.)




- Till FY 17, as projected for private investment in Major Ports, **Kandla** is projected to have most investment (Rs.144 bn.), followed by **JNPT** (Rs. 119 bn.) and **Kolkata** (Rs. 80 bn.)
- During same period, Non-Major Ports in **Gujarat** are proposed to have approx. 43% investment from private sector for capacity increase of approx. 281 MT, followed by ports in **Andhra Pradesh** (22%, capacity- approx. 99 MT.) and **Odisha** (13%, capacity – approx. 134 MT)
- Similar trend is projected during FY 18- FY 20

Source: Maritime Agenda 2020

# Financing Initiatives

- Ø **Flexible Financing Structure:** Banks are permitted to refinance project term loan periodically after commencement of commercial operations. However, only term loan to projects, in which the aggregate exposure of all institutional lenders exceed Rs.5 bn. in infrastructure sector, will qualify for such flexible restructuring and refinancing

- Ø **Foreign Direct Investment:** Govt. allowed 100% private and FDI investment under automatic route in rail infrastructure such as port connectivity projects through public-private partnerships

- Ø **Capital market reform:**
  - To ease tapping of funds from capital market, SEBI expanded eligibility of firms that can come out with shelf prospectus by adding entities making public issue of tax free bonds, i.e. Infrastructure debt fund and NBFCs. Shelf prospectus enables frequent issuers of securities to raise money without having to file separate prospectus for regulatory clearance for every issuance
  - Govt. also modified FDI policy to allow unlisted companies to raise capital abroad without the requirement of prior or subsequent listing in India initially for a period of 2 years

- Ø **IIFCL as sole lender:** IIFCL has been allowed to act as the sole lender for an infrastructure project even after exit of other bankers who are funding the same project. Earlier, IIFCL could lend to infrastructure projects only as part of lenders' consortium

- Ø **3P India**: In Union Budget 2015, Govt. has proposed to set up '3P India', an institution with a corpus of Rs.5 bn. that would provide support to mainstreaming PPPs

# THANK YOU