Container transportation in India - New challenges and Future Outlook

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Mumbai 15th September 2015

APL

Year 2001

Rs.2500-3500/Sq.Ft

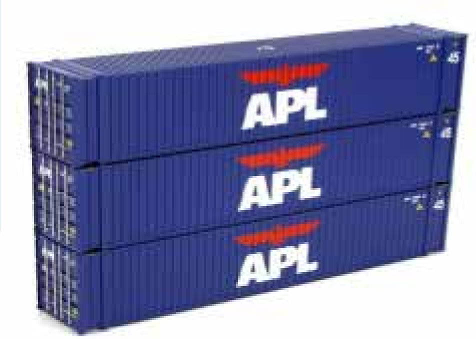
Rs. 500/gram

Asia/Europe
USD. 1500-2500/Feu

Now !

Rs.10000-15,000/Sq.Ft

Rs. 2500/gram



Asia/Europe
USD. 300-400/Feu

APL

Challenges

Global Slowdown & Sustained Overcapacity

Disruptions at terminals & Impact

Capacity constraints

Slow growth at major ports

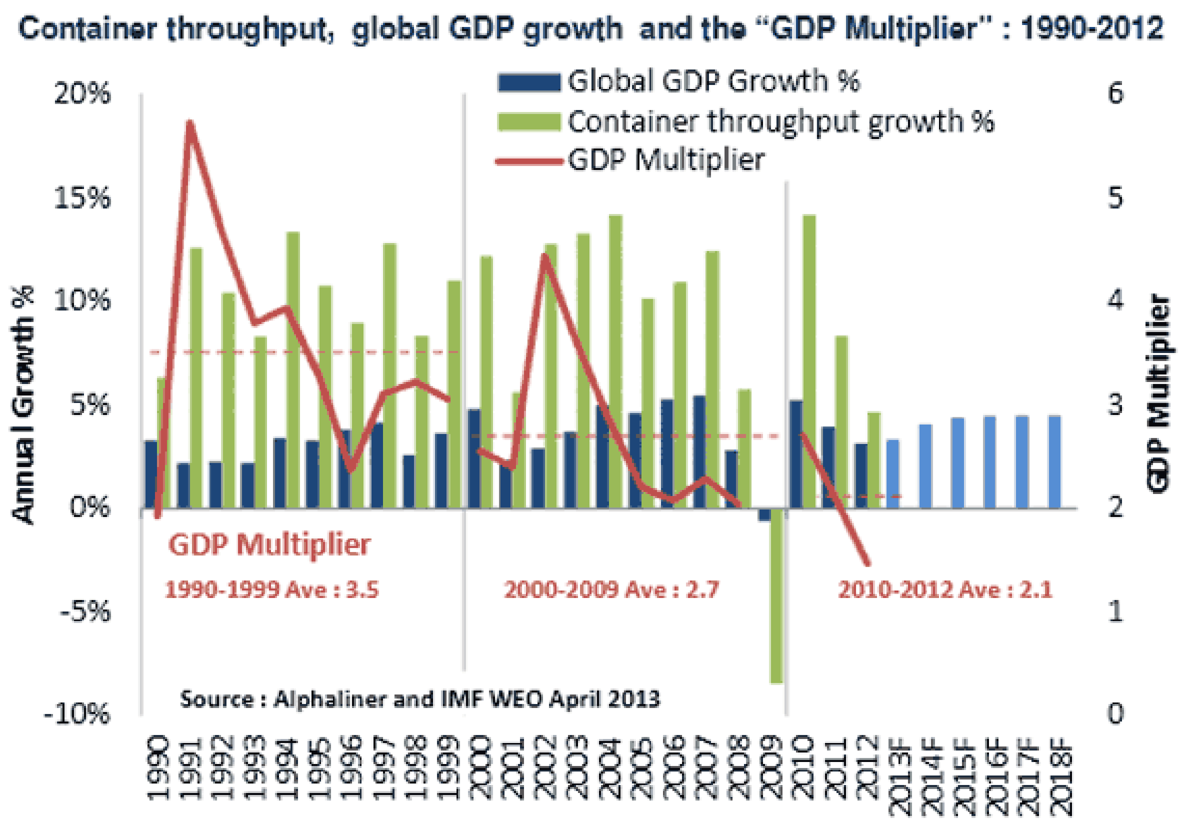
Explosion of ICD’s & CFS’s

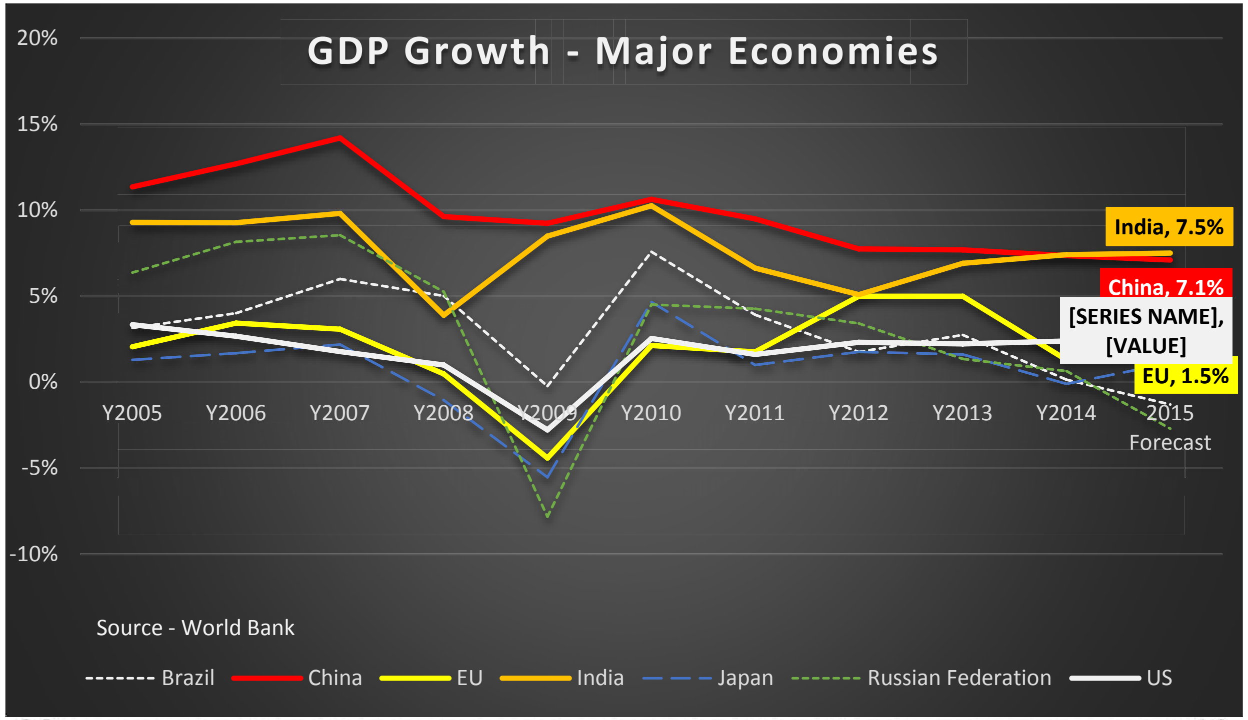
System integration & Ease of doing business

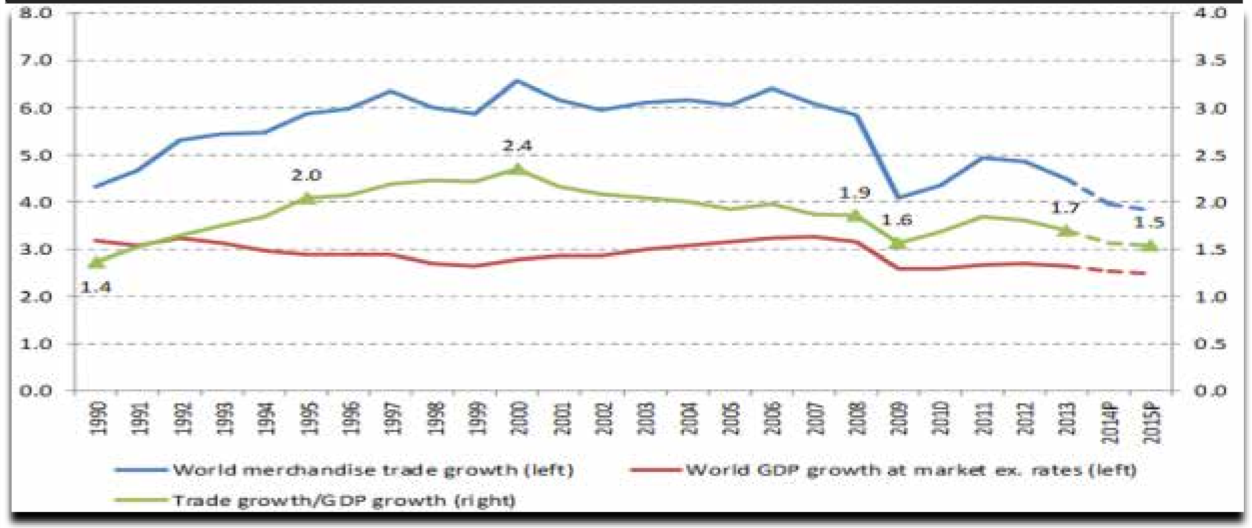
Slow growth of container volumes

Economic growth has slowed down

GDP Multiplier diminishes





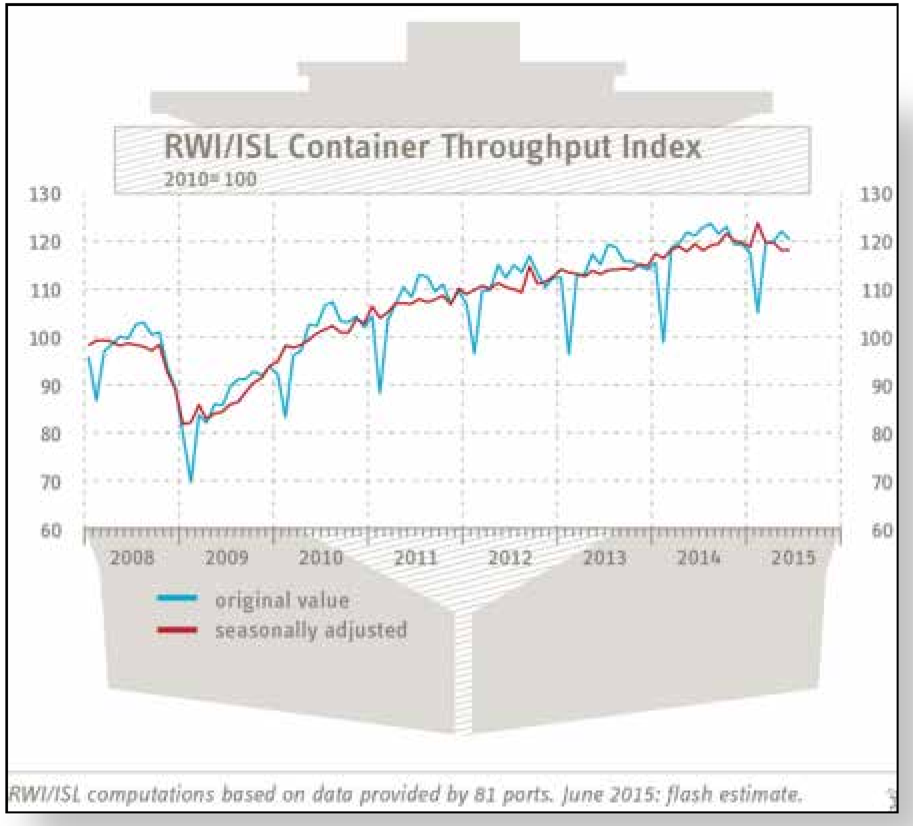


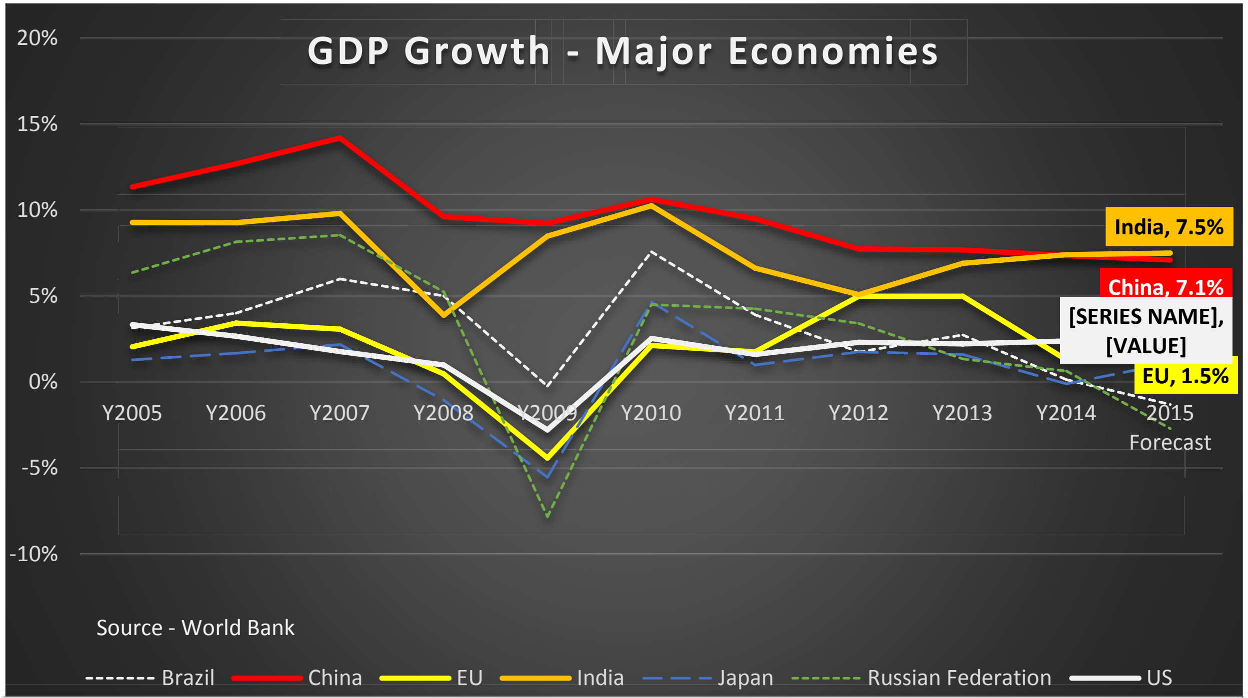
Slow growth of container volumes

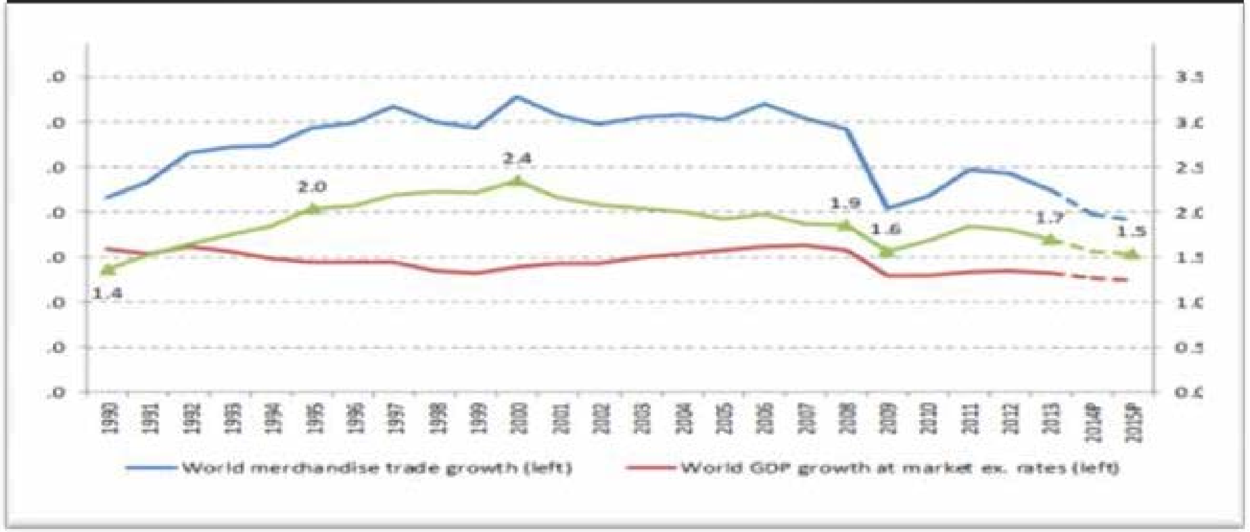
Economic growth has slowed down

GDP Multiplier diminishes

Recent evidence





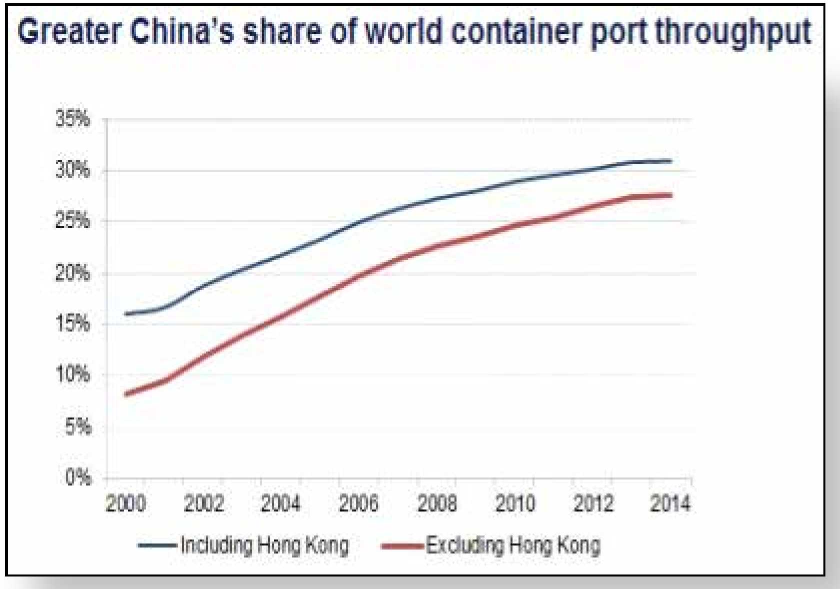


Slow growth of container volumes – China Slowdown

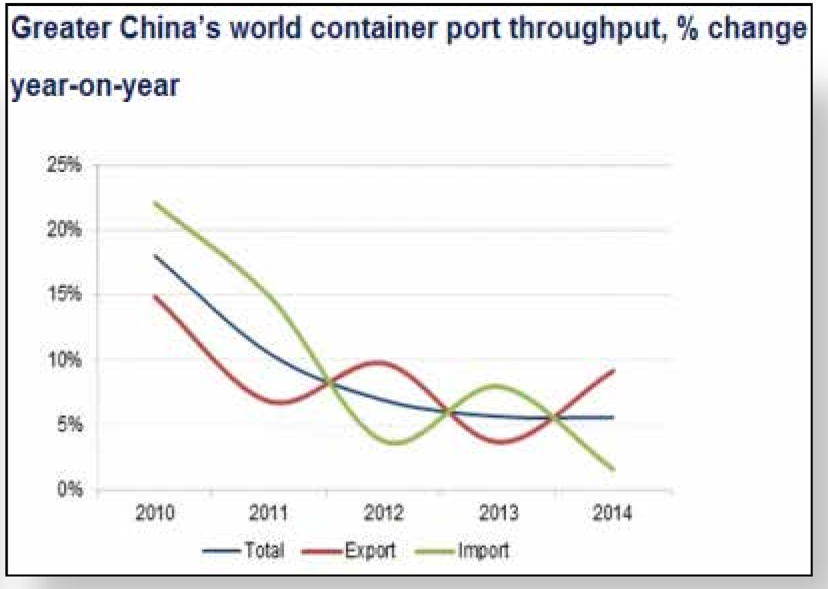
Economic growth has clearly slowed down

GDP Multiplier diminishes

Recent evidence supports



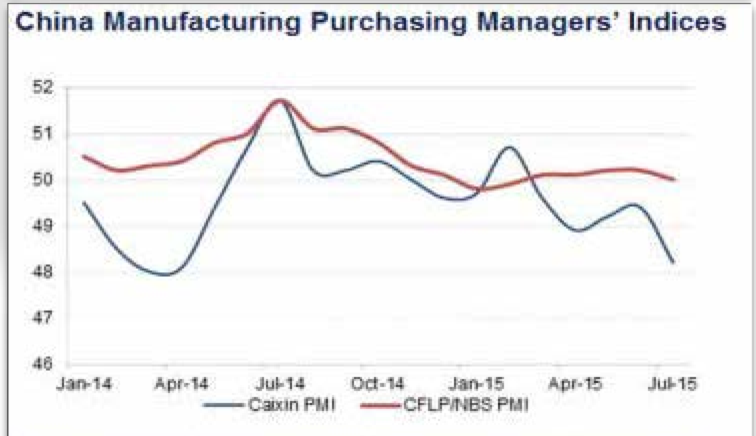
Greater China's share of world container port throughput



Greater China's world container port throughput, % change year-on-year

China Manufacturing at a Glance — July 2015

Index	S. Adj Index	Compared with previous month	Direction
PMI	50.0	Lower	Unchanged
Output	52.4	Lower	Expanding
New Orders	49.9	Lower	Contracting
New Export Orders	47.9	Lower	Contracting
Backlogs of Orders	44.0	Lower	Contracting
Stocks of Finished Goods	47.4	Lower	Contracting
Purchases of Inputs	50.3	Lower	Expanding
Imports	47.8	Lower	Contracting
Input Prices	44.7	Lower	Falling
Stocks of Major Inputs	48.4	Lower	Contracting
Employment	48.0	Lower	Contracting
Suppliers' Delivery Time	50.4	Higher	Quickening
Business Expectation	52.9	Higher	Optimistic



China Manufacturing Purchasing Managers' Indices

Sources: Caixin; China Federation of Logistics & Purchasing (CFLP) and China's National Bureau of Statistics (NBS).

Sustained Overcapacity & slow growth of container volumes

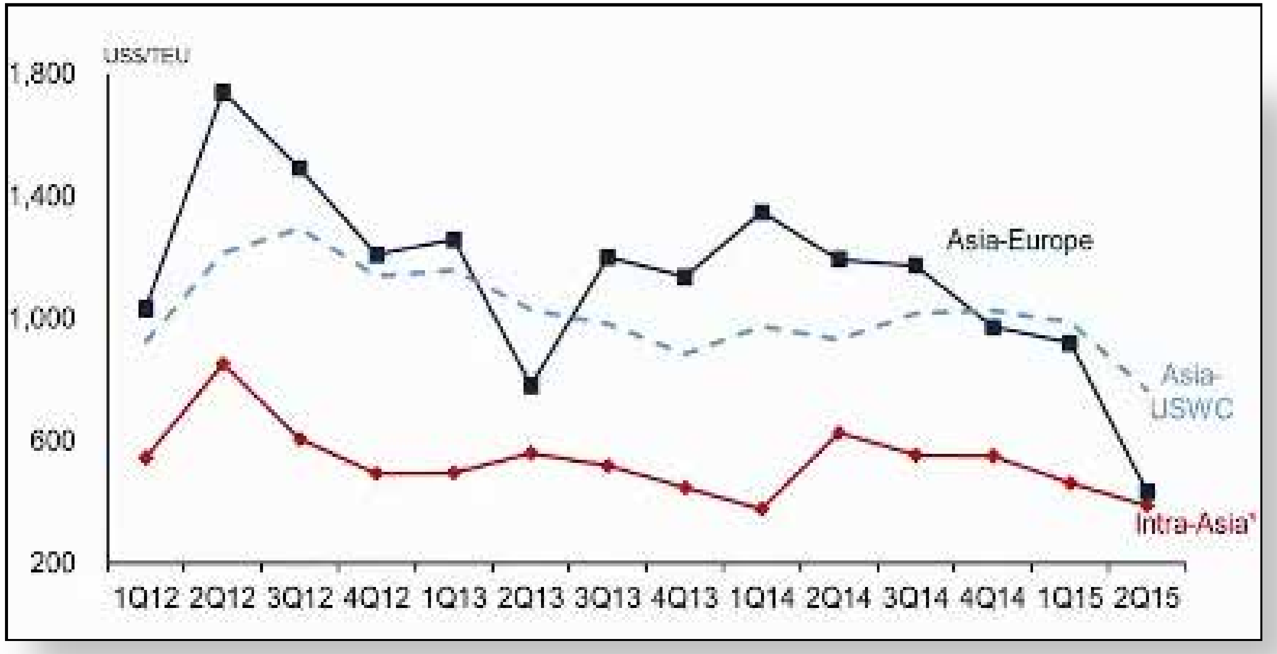
Economic growth has clearly slowed down

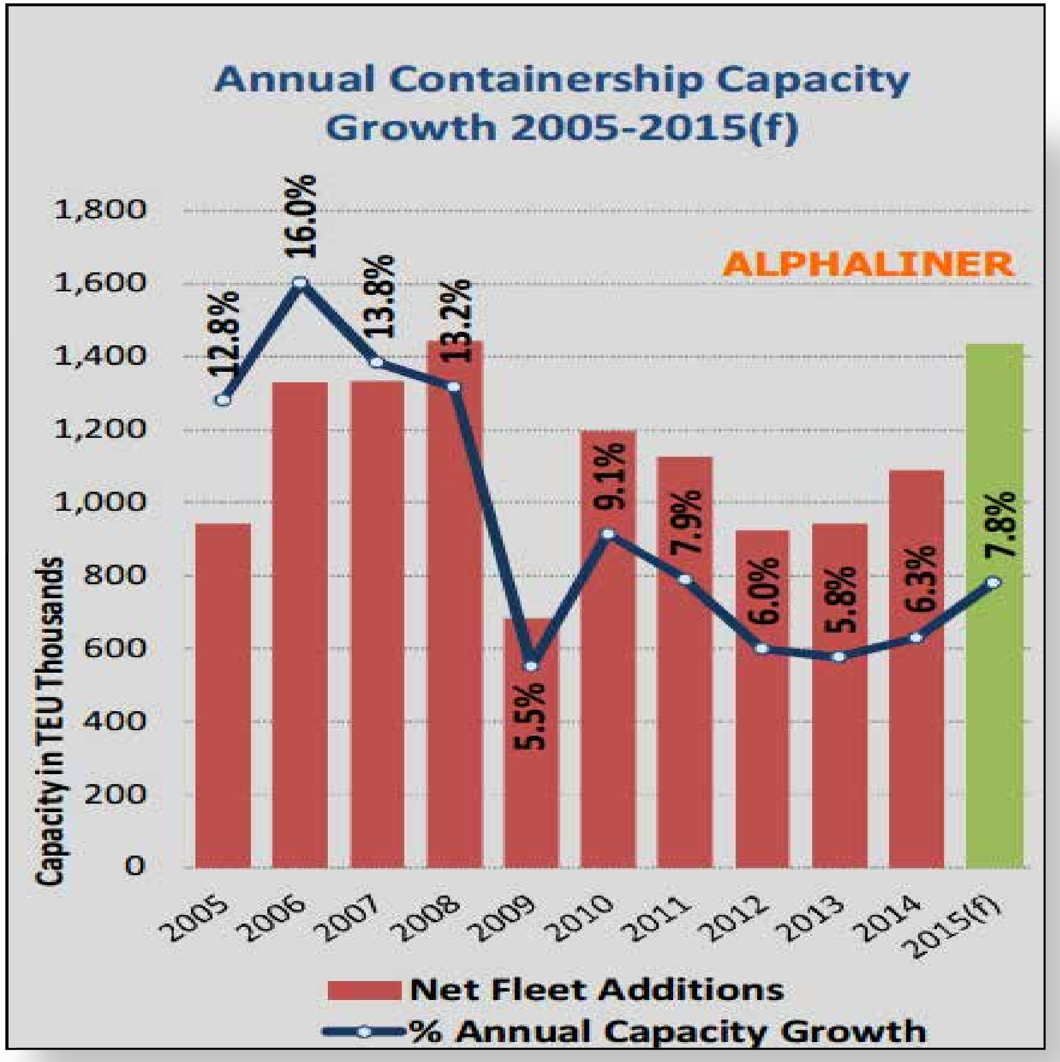
GDP Multiplier diminishes

Recent evidence supports

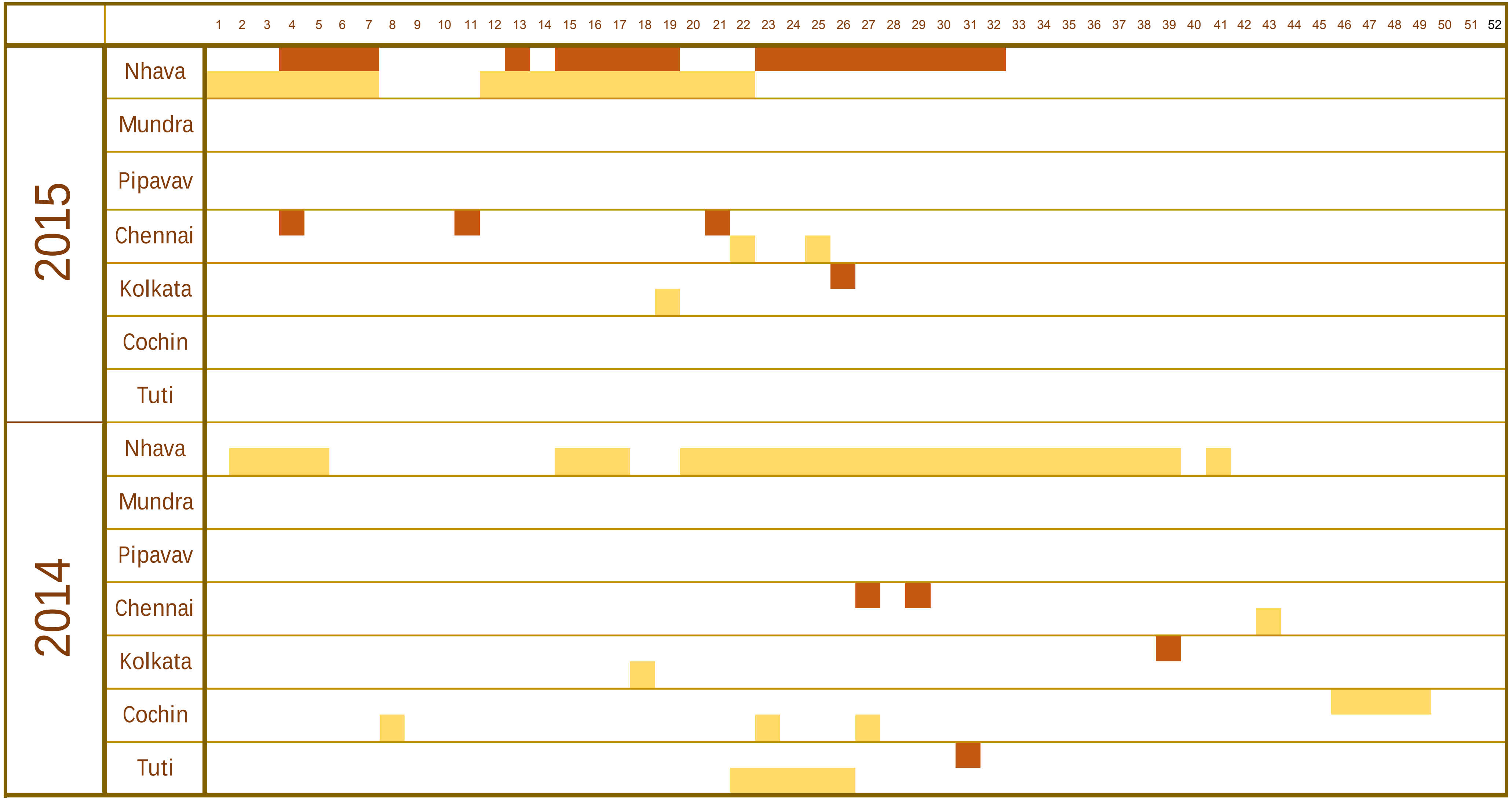
 # Rapid expansion of Net Fleet Additions

 # Consequence – Lower utilizations & lowering freight rates to unsustainable levels





Increased Disruptions in India



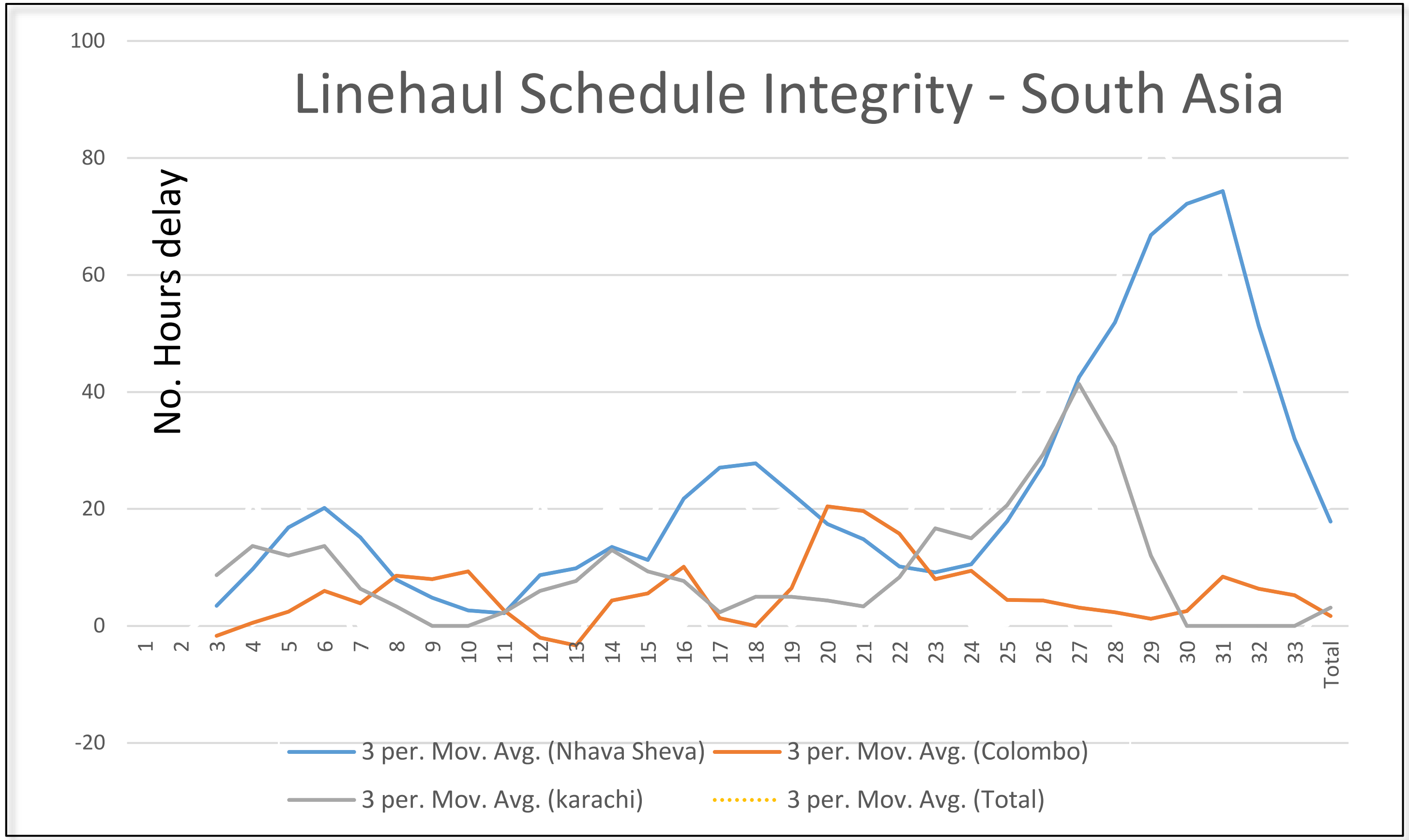
Impacted weeks include ship departures with > 4 hours delay, move count restrictions

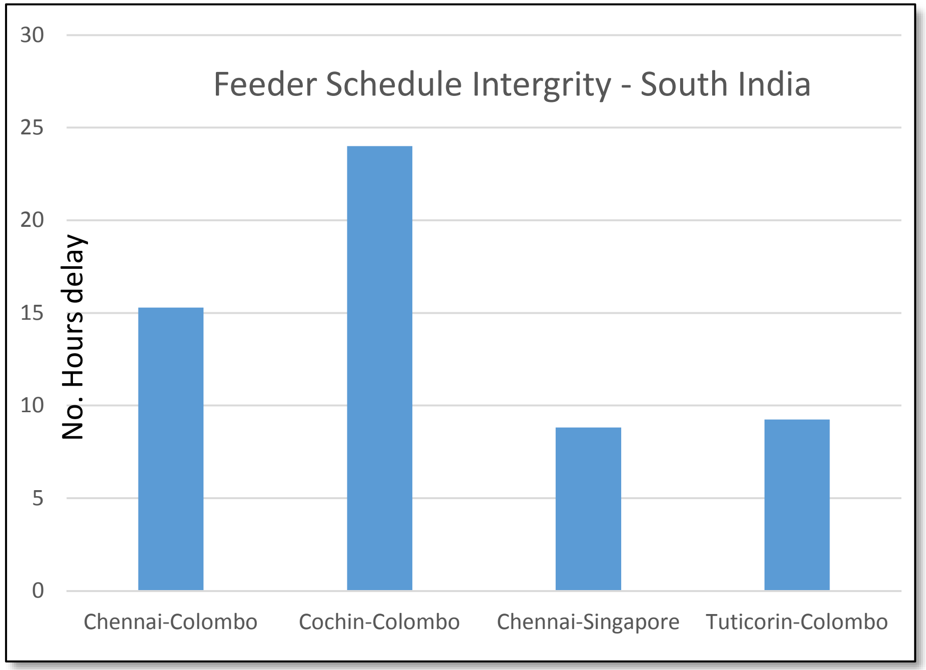
Labour related issues

Any other issues incl dredging, new safety norms, crane replacement

Increased Disruptions - Impact on Schedule Integrity & Cost of Operations

- Ports
  - Strikes & Industrial Actions Increased significantly
  - Other issues leading to disruption – incl infrastructural





Increased Disruptions - Impact on Schedule Integrity & Cost of Operations

Ports

Strikes & Industrial Actions Increased significantly

Other issues leading to disruption – incl infrastructural

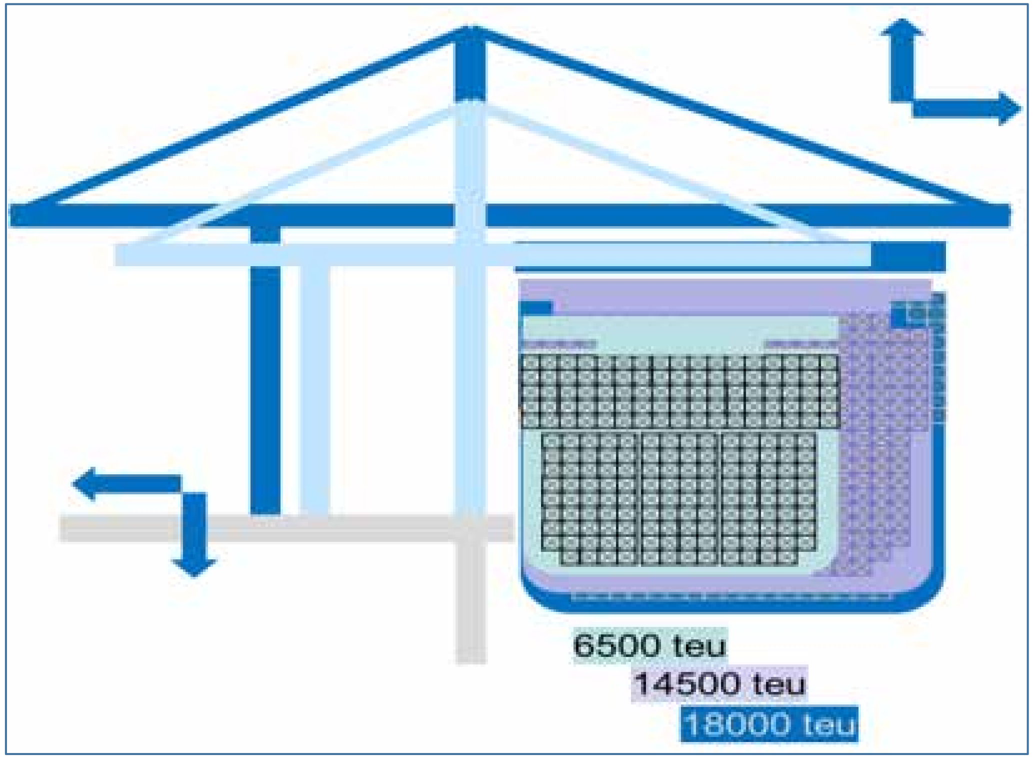
Customer Impact, additional cost & damages
Additional bunker burnt to speed up
Slot Loss
Port call omissions
Additional transshipment costs
Additional Ground Rent, Reefer Plugging
Renomination/SSR costs
Negative perception about port/country

Capacity Limitations – Impact of Cascading

Bigger Vessels
= Larger exchanges
= Higher peak volumes
= Higher gate activity
= Bigger Terminal CY

Berth Length & Draught

Crane up-gradation
Outreach
Air draft



Capacity Limitations – Impact of Cascading

Easy availability of berth

Intermodal Capacity

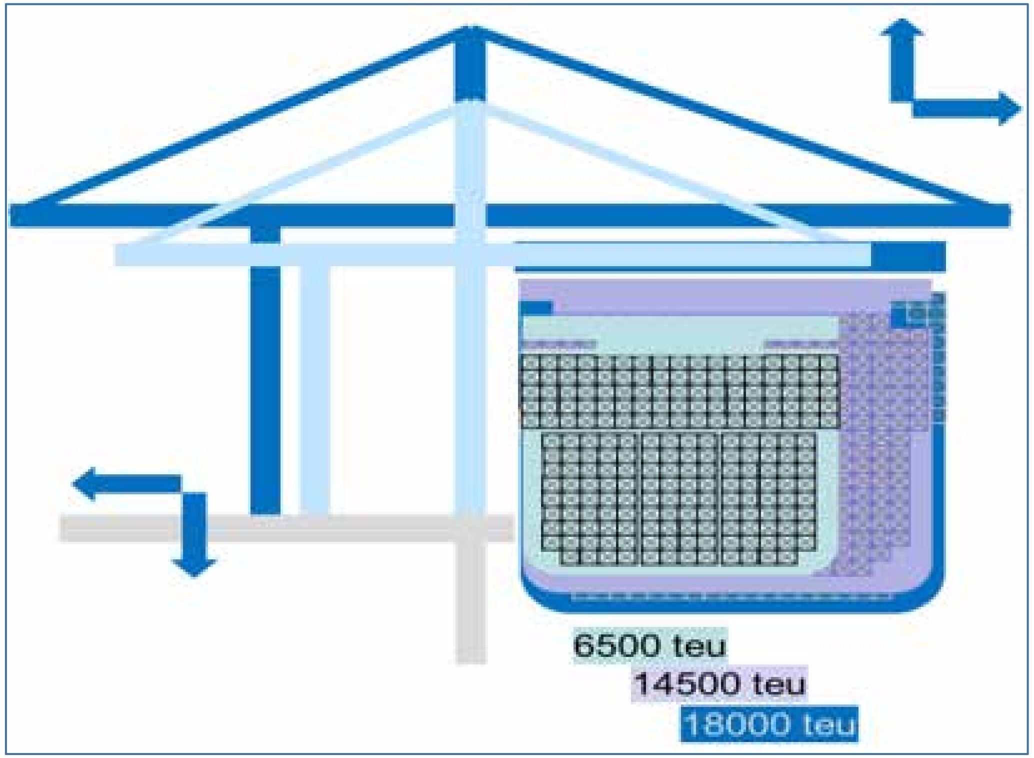
Other Challenges at Ports

Gate congestion emanating outside terminal

ITT & Rail/Terminal movements

Trucker Issues & disruptions

- Driver Shortage
- Facilities at port area

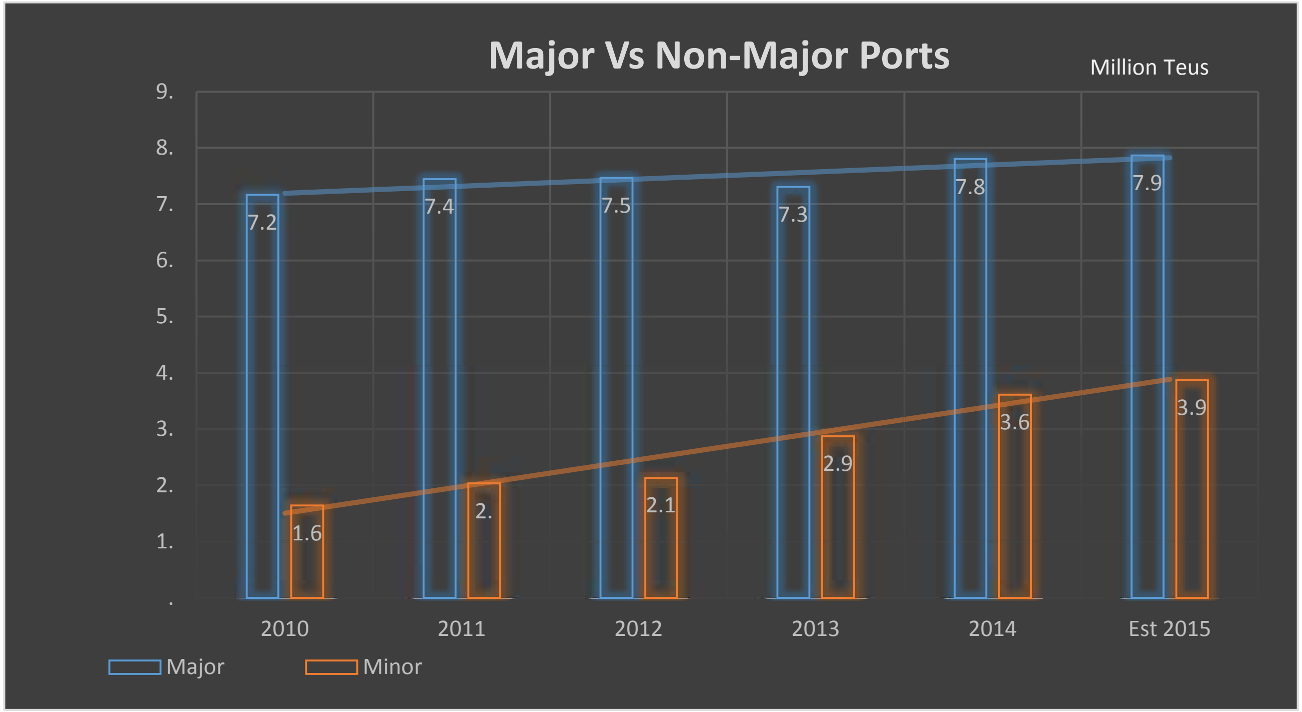


Slow growth in Major Ports

Capacity and regulatory issues hampering growth at major ports

Many new port terminals in the west coast and east coast

- Infrastructural issues including intermodal connectivity
- Impact on product offerings as volumes thin down



Explosion of ICD's & CFS's

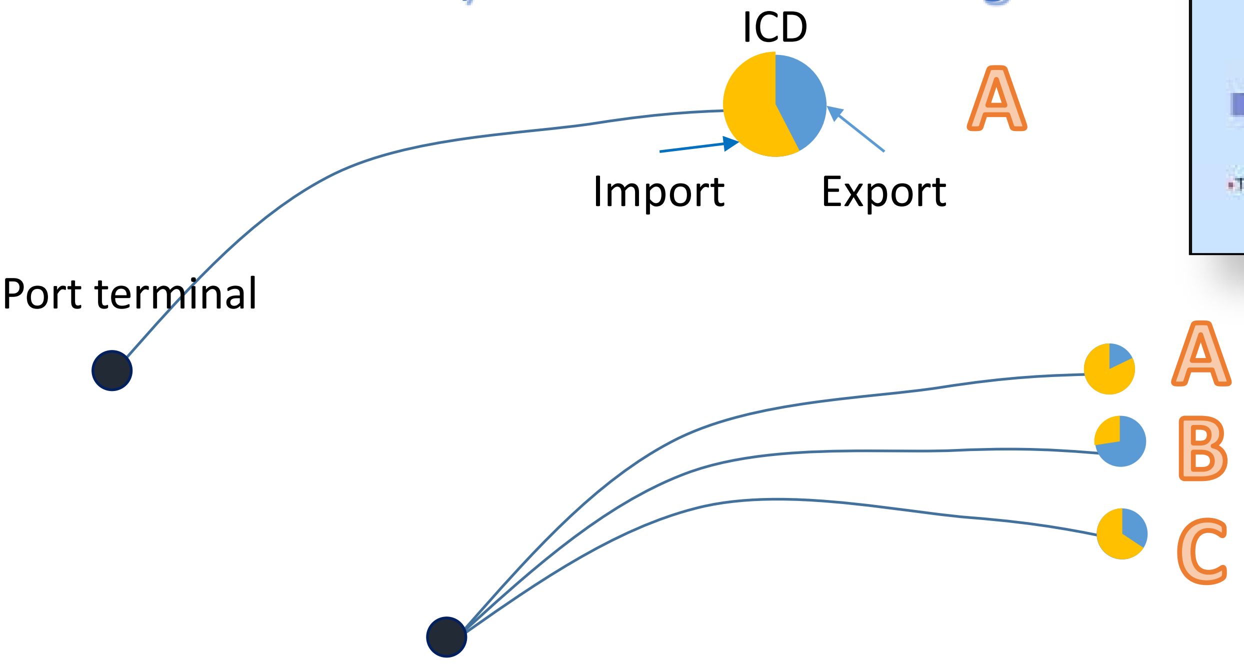
Inland Container Depots & Intermodal

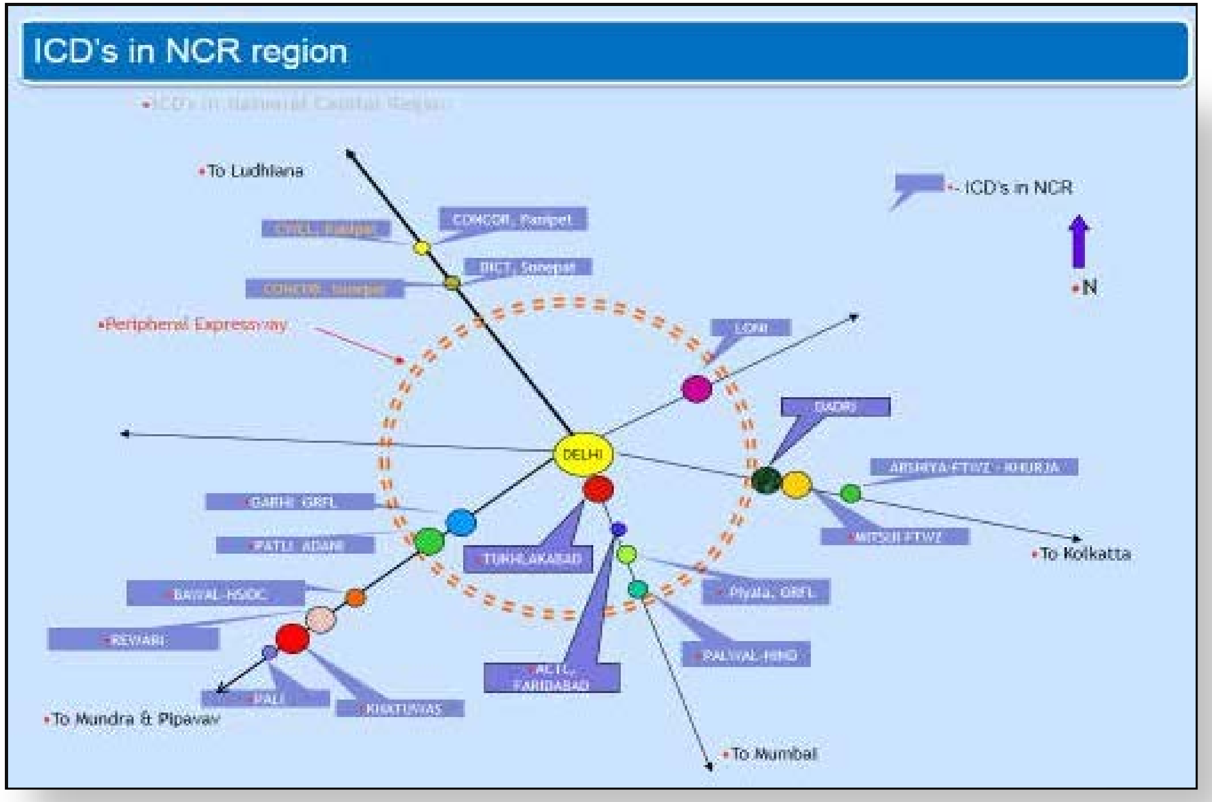
Thinner volumes to individual ICD

a) imbalance

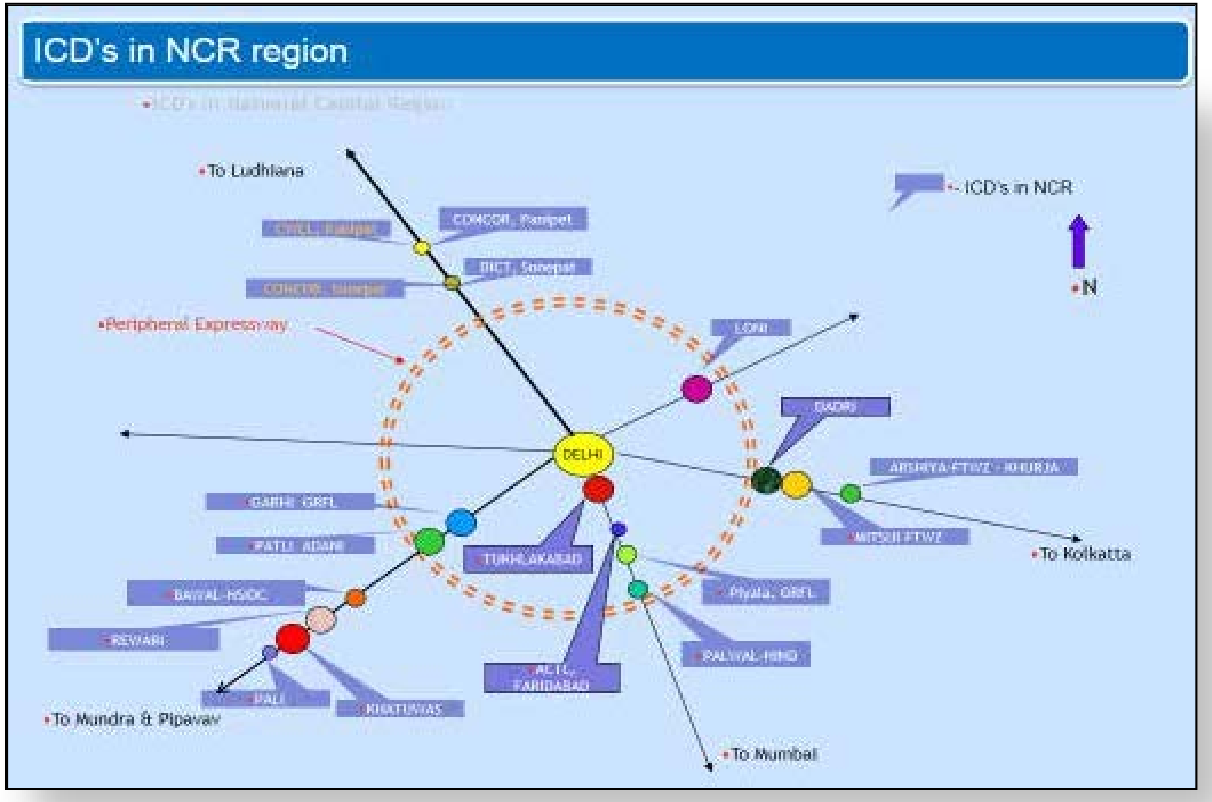
b) less rail frequency

c) less double stacking





Explosion of ICD’s & CFS’s



Inland Container Depots & Intermodal

Thinner volumes to individual ICD

a) imbalance

b) less rail frequency

c) less double stacking

High terminal pendency

a) higher ground rent costs

b) dissatisfied customer

Higher empty container dwell – Higher GR costs

Higher repositioning cost – long-haul & short-haul

Explosion of ICD’s & CFS’s

Implications of multiple CFS’s & customs notifications

- # Managing multiple location sites
  - # Multiple gate activities
  - # Inventory monitoring & IT setup and support
- # Terminal stacking & evacuation
- # Possibility of equipment and cargo loss

Major Ports	No. CFS
Nhava Sheva	27
Mundra	11
Pipavav	3
Chennai	33
Kolkata/ Haldia	9
Tuticorin	14
Cochin	5
Vizag	5

System Integration – Customs, Terminals & Shipping lines

Ease of doing business

Physical shipping bill-Needed?

Electronic posting of Form 13's

Visibility to terminals

Avoid Export Manifest

Terminal appointments

Advance info for import stack planning & ITT

Other Issues

Customs officer shortage

Inadequate process & facilities for cargo auction and destruction

Future Outlook

Sustained Overcapacity & slow growth of container volumes

→ How Industry Adapts

Alliances

Alphaliner - Top 100 : Operated fleets as per 29 August 2015

Rnk	Operator	Total TEU	Total Ships	Owned TEU	Owned Ships	Chartered TEU	Chartered Ships	% Chart	Orderbook TEU	Orderbook Ships	% existing
1	APM-Maersk	3,048,869	604	1,726,378	260	1,322,491	344	43.4%	455,094	36	14.9%
2	Mediterranean Shg Co	2,673,818	505	1,051,089	189	1,622,729	316	60.7%	698,694	54	26.1%
	2M Alliance	5,722,687	1,109	2,777,467	449	2,945,220	660	51.5%	1,153,788	90	20.2%
3	CMA CGM Group	1,806,545	475	601,720	87	1,204,825	388	66.7%	340,242	31	18.8%
7	CSCL	695,948	136	478,272	64	217,676	72	31.3%	108,000	8	15.5%
15	UASC	470,365	56	297,876	32	172,489	24	36.7%	184,431	11	39.2%
	O3 Alliance	2,972,858	667	1,377,868	183	1,594,990	484	53.7%	632,673	50	21.3%
4	Hapag-Lloyd	952,677	179	523,749	71	428,928	108	45.0%	52,500	5	5.5%
10	OOCL	589,650	111	357,082	50	232,568	61	39.4%	135,488	7	23.0%
11	MOL	583,575	104	175,092	26	408,483	78	70.0%	140,920	8	24.1%
12	APL	555,571	89	399,895	51	155,676	38	28.0%			
14	NYK Line	509,496	107	284,516	49	224,980	58	44.2%	140,000	10	27.5%
18	Hyundai M.M.	380,403	57	165,080	22	215,323	35	56.6%	60,000	6	15.8%
	G6 Alliance	3,571,372	647	1,905,414	269	1,665,958	378	46.6%	528,908	36	14.8%
5	Evergreen Line	946,949	200	539,483	105	407,466	95	43.0%	374,508	32	39.5%
6	COSCO Container L.	864,229	165	464,412	85	399,817	80	46.3%	318,386	21	36.8%
9	Hanjin Shipping	622,190	102	278,102	38	344,088	64	55.3%	36,120	4	5.8%
13	Yang Ming Marine Transport Corp.	532,620	102	196,481	42	336,139	60	63.1%	98,560	7	18.5%
16	K Line	398,840	70	80,150	12	318,690	58	79.9%	83,220	6	20.9%
	CKYHE Alliance	3,364,828	639	1,558,628	282	1,806,200	357	53.7%	910,794	70	27.1%

Sustained Overcapacity & slow growth of container volumes

→ How Industry Adapts

Alliances

Continuing slow steaming despite low bunker prices

Dynamic usage of voids

Suspension of services

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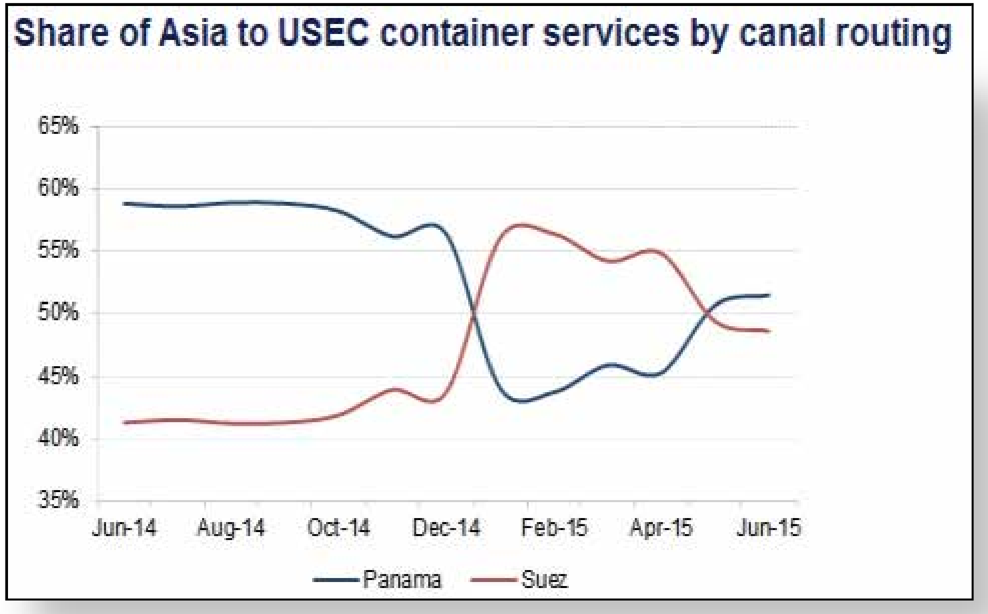
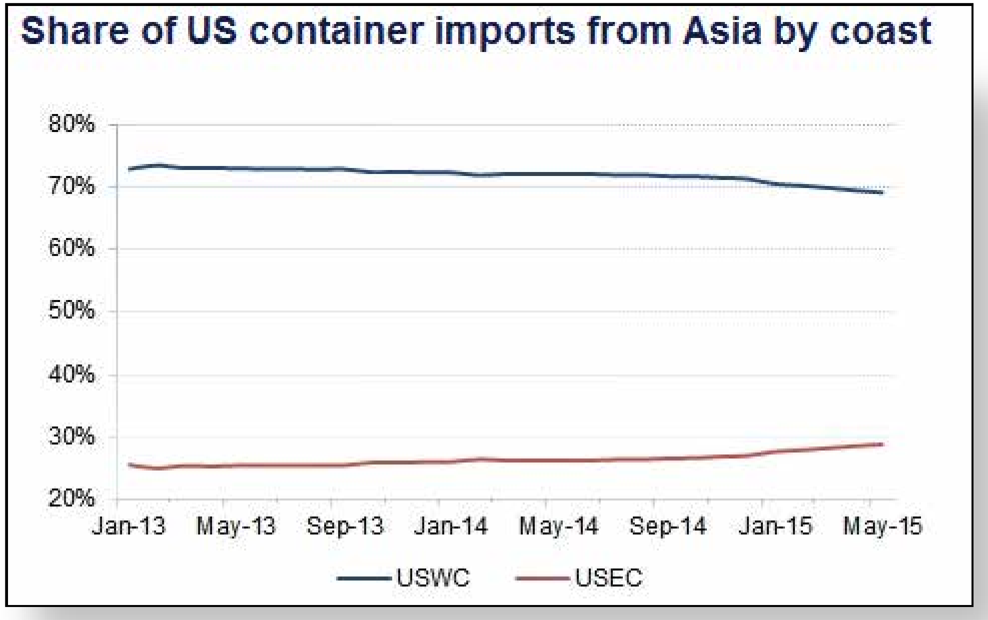
Panama & Suez Canal developments

Capacity increase over Panama

NAM East Coast-Suez capacities reduce?

Impact on South Asia?





Future Outlook

Reliability over fast transit

Simplify Product

- Coast to Coast
- Optimize inland coverage
- Reduce door deliveries & other special services

Centralized planning & standardized processes

Thank You