

# ECMBS BULLETIN

CONFERENCE NEWSLETTER ON EAST COAST MARITIME BUSINESS SUMMIT 2013

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## Second East Coast Summit opens ON HIGH NOTE

MARITIME GATEWAY NEWS BUREAU

The port city of Visakhapatnam once again played host to the 'East Coast Maritime Business Summit on September 19 and 20, 2013.' The second edition of the summit saw 'who is who' in the maritime industry in attendance. Government officials and business leaders indulged in a discussion on the east coast agenda, the problems facing the region and the roadmap ahead.

The mood was upbeat as delegates from India, Singapore, Myanmar and Nepal shared their experience and strategies to tap the growing potential of the east coast. If the response of the second east coast summit is anything to go by, the event is going to be a permanent fixture on the maritime industry calendar in the years to come.

The interest and enthusiasm shown by various stakeholders in promoting and understanding the country's east coast was commendable. While east coast has been traditionally lagging behind west coast, situation is set to change. And, this was evident from the way each speaker made his/her presentation. All were of the opinion that the future is here – on east coast.

The event helped bring together the entire industry on a single platform so that they could deliberate on issues and solutions. Besides, the event witnessed huge participation from government officials, especially, Customs and Central Excise. Considering the problems faced by trade due to various regulations, it was a welcome change to learn that the government is also doing its bit to help the trade and simplify the procedures.

Overall, it was nothing short of a star-studded affair with all the stars from the maritime industry gathering together to offer their support for the rising east coast. ●

# EAST COAST ATTRACTS INVESTORS AND ENTREPRENEURS



Audience in rapt attention

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With the increasing maritime trade on the East Coast and the rapid industrialization, the region offers great potential for investors and entrepreneurs to invest and expand their businesses, Deepa B Dasgupta, Chief Commissioner (Customs and Central Excise), Visakhapatnam Zone, said while addressing the gathering at the inaugural session of the East Coast Maritime Business (ECMB) Summit.

New infrastructure projects announced by the Indian government, including the Dedicated Freight Corridor project which is expected to be completed by the year 2017, will spur the development along the coast and augment the use of port infrastructure.

The east coast of the country is considered to be resource rich zone

saturated with minerals while the west coast has often borne the distinction of being known as consumption zone. With India upping its ante to import more coal, ports on the east coast will play a key role in being the nation's gateway to South Asia.

Historically, west coast dominated in the maritime trade, exports and imports, but the trend has slowly been reversing.

Quoting a recent KPMG report, RPS Kahlon, Chairman, Kolkata Port Trust and Chairman-in-charge, Visakhapatnam Port Trust, said, "The share of west coast in maritime trade has been decreasing over the years. The west coast share has dropped to 66 per cent for the year 2014 from 77 per cent in the year 2010, while during the same period the east coast share has increased to 34 per cent."

Pradeep K Chandra, Principal Secretary (Industry and Commerce), Government of Andhra Pradesh, said, "Maritime industry plays an important role in the overall growth of the country. More than 50 per cent of the world economy is dependent upon the maritime trade, and currently India ranks 20th in maritime countries in the world. Currently, 95 per cent of the country's total trade (by volume) and 70 per cent of the trade by value use the maritime industry."

The second edition of the Summit was kick-started on September 19 at Visakhapatnam taking stalwarts from the ports, shipping and logistics industry. The two-day event, organized by Gateway Media Private Limited, saw participation of more than 500 delegates from the EXIM trade, ports, shipping and logistics industry from India as well as from Singapore, Nepal and Myanmar. ●

# East coast ports should focus on containerisation

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RPS Kahlon, Chairman, Kolkata Port Trust & Chairman In-Charge, Visakhapatnam Port Trust making a presentation at the plenary session while (L-R): Dhruv Kotak, Director, JM Baxi & Co., CP Rao, Commissioner, Customs & Central Excise, Guntur, KK Sinha, CEO & Director, ESSAR Ports and Anil K Gupta, CMD - CONCOR look on.

While economic activity is increasingly shifting towards east coast, ports should focus on increasing containerisation. Ports on east coast are still considered as bulk cargo handlers even though they have good infrastructure to support containers. However, situation is expected to change with new industries coming up on east coast and the country's

'Look East Policy.' Besides, the economy is also showing signs of recovery.

"Slowdown will now ease slowly and we have already experiencing signs of recovery," says Anil K Gupta, Chairman & Managing Director, Container Corporation of India.

According to him, what is

worrying is the imbalance in imports and exports, which is about 25 per cent for containers. As a result, rail share of containers and hinterland evacuation have gone down, leading to multiple handling and increased cost.

Mainstay cargo for most ports on east coast is bulk. Containerisation level in

Kolkata Port is 40.7 per cent in 2012-13 while it is 2.19 per cent in Paradip and 23.19 per cent at Vizag. The only exception is Chennai at 75.2 per cent. In order to reach its true potential the ideal levels of containerisation on east coast should be 45-50 per cent. The ports and industry should look at achieving this.

According to Dhruv Kotak, Director, JM Baxi & Co, in the next 5-10 years, the centre of action will be in the 700 kilometre radius around Visakhapatnam. "There are a number of industries coming up in this region including steel, mining, refractories, sugar and agri-products," he says.

In terms of number of ports, east coast far exceeds west coast. "With intra Asia trade set to surge coupled with the country's 'Look East Policy,' ports on east coast will surely gain. South East Asia will soon replace the US and Europe to become India's major trading partner. During

2006-2011, India's east-bound trade grew at 23 per cent, which was higher than the country's total export-import," says RPS Kahlon, Chairman, Kolkata Port & Chairman In-Charge, Visakhapatnam Port Trust.

However, to tap this potential, connectivity issues need to be addressed and focus should shift to developing a dedicated freight corridor.

KK Sinha, CEO & Director, Essar Ports, touched upon the rising share of private ports in the country's trade. "This is a good sign as competition will bring about high efficiency and cost rationalisation," he said.

According to him, east coast growth will be driven by the high demand for cargo such as iron ore, coal, steel and POL. "Role of the ports should be to promote industry and economy and not just on revenue share. If conceived properly, major ports can bring in private partners and enhance capacity," he said. ●

## CONCOR to set up nine freight terminals connecting east coast

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In order to tap the potential of east coast, the Container Corporation of India (Concor) is planning to set up nine new freight terminals connecting east coast ports. "In the present five-year plan period, we will set up 15 new terminals, of which nine will come up on east coast. Orissa will house four such facilities while Andhra Pradesh will have three new terminals," says Anil K Gupta, Chairman & Managing Director, Concor.

The new facilities will require an investment of ₹9,000 crore, of which ₹6,000 will come from Concor. "We will be partnering with private operators to set up the terminals and we expect to garner funding to the tune of ₹3,000 crore from them," says Gupta. Nine new terminals on east coast will cost about ₹1,150 crore.

The company is also looking at building a logistics park in Visakhapatnam. Besides containers, the new park will cater to the needs of bulk cargo operators as well.

Concor currently operates 63 freight terminals. "We want to be part of the east coast growth story. So, we decided to focus on this region for our expansion," says Gupta. ●

“Kolkata is an expensive port. So we have to strike a balance between how much cargo to handle directly and how much to divert to CFS. We have to increase operational efficiency and reduce terminal cost

RPS Kahlon  
Chairman,  
Kolkata Port  
Trust & Chairman  
In-Charge,  
Visakhapatnam  
Port Trust



“Some PPP projects did not take off because they were not conceived properly. Price control imposed by TAMP is another issue that has worked against private investment at major ports

KK Sinha  
CEO & Director  
Essar Ports



## VIZAG IS THE TRUE TRANSSHIPMENT HUB

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The government has relaxed cabotage norms for Vallarpadam Container Terminal. But Visakhapatnam is the only true transshipment hub in the country.

The port currently handles 150,000 tonnes of transshipment volumes without any cabotage relaxation. If cabotage norms are relaxed for the port, it will help not only Vizag but Kolkata and Chennai also, says Dhruv Kotak, Director, JM Baxi & Co.

About 2.3 million containers are available in Bay of Bengal and if Vizag gets cabotage relaxation, India can look at saving about \$0.5 billion revenues.

Visakhapatnam already handles transshipment traffic to Kolkata-Haldia, Paradip, Chittagong and Yangon.

Vizag also has the deepest natural container harbour in the country and it is situated at a central point of the east coast. ●

# Profitability key to private capital infusion

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L-R: **K Ravichandran**, Senior Vice President and Co-Head, Corporate Ratings, ICRA, **Capt. Pradeep Gaur**, President, Marine, Krishnapatnam Port, **Capt Suresh Amirapu**, MD, Portman Solutions, **Capt. Aroop Banerjee**, ED, PIL and **Jairaj Kumar**, CMD, Ocean Sparkle Ltd. at the second business session on Day One of the Conference.

Moolah, maintenance and management was the predominant theme of the second business session. The panel discussion moderated by Mr Suresh Amirapu skirted around financial and operational issues faced by the sector. Mr K Ravichandran, Senior Vice President, ICRA Ratings, spoke succinctly on the financial condition of the ports sector and said grandiose announcement of port projects are unable to pass muster with the investors because of the mismatch between capital requirement and returns. "Attracting private capital will be a tall order unless the private sector makes meaningful returns. In addition, structural issues persist with respect to PPP projects at pre bid and post bid stages." Once conceived port projects need constant infusion of funds to maintain their competitive edge, said Capt Pradeep Gaur, President, (Marine), Krishnapatnam Port. Despite being the deepest port on the east coast, Capt Gaur spoke of how there ports have to engage in maintenance dredging constantly to effectuate transport of large volumes of cargo through capsized vessels. "However, for container vessels to come, we must have laden imports," said Capt Aroop Banerjee, Executive Director, PIL. Industrial and manufacturing growth has to be promoted to support traffic growth at ports to increase India's share of global exports. Even as port and supporting logistics infrastructure is being created, the panel agreed that environmental concerns should be addressed to ensure approvals for projects are not delayed.

Despite the efforts announced by the government to expedite clearances of infrastructure projects, major projects in the port sector are still in a comatose situation awaiting approvals. The panel concluded the session agreeing that the sector was in urgent need of proper management- from conception to inception to ensure projects do not stumble upon bottlenecks half way through. ●



Several port projects are in a limbo because promoters bid aggressively expecting private investors to pump in money. But the economic situation has impacted implementation of these projects. But the good news is that barring near term uncertainties, long term growth prospects are favourable for the maritime sector. 99

**K Ravichandran**  
Senior Vice President and Co-Head,  
Corporate Ratings, ICRA

## Court Coal and Containers, Ports told

# BLACK IS BOUNTIFUL BOX IS BEAUTIFUL

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Coal, coal anywhere, you're in demand everywhere! It may be dusty, dirty and cost you dearly, but coal is and will be the hot commodity driving growth along the east coast in the next five years.

Here's some data for all the landlubbers who are wondering how black gold will determine revenues of India's 14 ports on the east coast. India's annual coal demand is about 500 million tones and this number is likely to grow every quarter with a planned power plant capacity of one lakh megawatts in the next five years. India's distinction as the second largest importer of coal after China has led Dhamra, Gangavaram, Krishnapatnam and Visakhapatnam ports expand their bulk cargo handling capacities to accommodate the increase in imports. That coal and containerized cargo will be the major drivers of growth was the dominant theme of the first business session. Capt DK Manral, Chief Executive Officer, Vizag General Cargo Berth, Vedanta, made detailed projections of cargo for the future. He spoke of how any policy change in coal and iron ore directly affected port revenues and utilisation rates. With almost all ports capable of handling coal, the key differentiator will be infrastructure and efficiency. "Mechanisation and efficient handling of cargo including a proper drainage system will help ports on the east coast perform better than their western counterparts who currently handle more coal. As new thermal power plants are going to be fired by independent power producers in the eastern hinterland, inland transport and rail connectivity has to be increased," said Mr Arvind

### OPPORTUNITIES FOR INDIAN FIRMS @ THE HIMALAYAN FRONTIER

- Warehouses and distribution services
- Inland Container Depots management
- Develop Nepal as a hub for cargo destined to Bhutan
- Investment in logistics hardware and software

### GROWTH DRIVERS

- Iron Ore Exports
- Exports and coastal movement of iron ore plants
- Import of non-coking coal
- Port based SSEZs, CFSs and ICDs
- Import of coal for thermal power plants

Rathi, Vice president, ABG Commodities. MBG is one of the largest importers of steam coal in India and targets to handle more than 10 million tonnes of coal in the next one year.

The second factor helping ports retain their competitive edge is containerized cargo. Though the quantum of boxed cargo handled at both the coast stands at a dismal 50 percent presently, rapid industrialisation is expected to create a case for increased containerisation of cargo. Three ports on the east coast are coming up with new container terminals to handle huge volumes of cargo in the coming years. "Even as ports develop deeper drafts to handle capesize vessels, they must focus on improving their share of containerized cargo and evolve subsequently as trans-shipment hubs," said Mr Prem Kumar Sinha, Vice President, Operations and Maintenance, Dhamra Port Company Limited.

Modernisation and mechanisation was the mantra chanted by all the stakeholders in this session. The ability of a port to succeed, sustain and survive competition will determine whether a port is a laggard or a leader- Now Here or No Where. ●



**Mr Rajen Sharma**, President, Nepal Freight Forwarders Association highlighted the business areas where Indian private firms could invest in Nepal's logistics infrastructure.



L-R: **PK Sinha**, VP, O&M, DPCL, **Capt DK Manral**, CEO, Vizag General Cargo Berth, Vedanta, **GVL Satya Kumar**, Dy. Chairman, Visakhapatnam Port Trust, **Arvind Rathi**, VP, MBG Commodities and **Rajen Sharma**, President, Nepal Freight Forwarders Association at the first business session on Day One of the Conference..

## 'Address connectivity issues to improve efficiency'

MARITIME GATEWAY NEWS BUREAU



L-R: **Tamal Roy**, VP, TM International Logistics, **Jatin Sarkar**, GM (T&E), RITES Ltd., **Capt DK Mohanty**, Chairman & MD, DCI, **V Kalyana Rama**, ED, CONCOR, **Gurpreet Malhi**, CEO, ALBA Group and **K Shankar**, President, Shipping, India Cements at the third business session on Day Two of the Conference.

Ports in India are unable to realize their true potential due to poor hinterland connectivity. Even though there is enough capacity in terms of ports infrastructure, rail and road connectivity issues hamper the utilization rate at ports. We need to address connectivity issues to improve efficiency, according to Capt D K Mohanty, Chairman & MD, Dredging Corporation of India.

Citing the examples of Pradip Port, Mohanty pointed out that the port, which celebrated its Golden Jubilee recently, could handle only 50 million tonnes of cargo throughput in 50 years. The port suffered due to poor connectivity with hinterland. Similarly, the proposed mega container terminal in Chennai Port will

become viable only if Maduravoyal Elevated Express Corridor project becomes a reality," he says.

In order to ease out the pressure on rail and road, Mohanty said, we should focus on inland waterways and coastal shipping.

Unfortunately, coastal shipping in India accounts for about 5-7 per cent of the total domestic cargo movement. "Private investors will invest Indian shipping and port industry if they get an equally responsive administration, port trusts and service providers. To double the present capacity ports and shipping sectors will need an investment of ₹500 million each," said K Shankar, President (Shipping), India Cements.

He pointed out that the existing high rate of taxes and duties make it difficult for entrepreneurs to make any operational profit in coastal shipping segment. "Challenges in this field include lack of an integrated policy covering the entire gamut of the business, cumbersome custom procedures, lack of quality manpower and high import duty and cabotage policy," says Shankar.

He recommended for the creation of a separate cadre for coastal shipping.

Tamal Roy, Vice-President, TM International Logistics, said inland waterways are the ideal mode of transportation for over dimensional cargo (ODC) and hazardous material. "Inland waterways do not require any costly land acquisition procedures and it is environmental friendly. But the challenge is about converting our 14,500 km of rivers into sustainable inland waterways. There are challenges as most of the rivers are rainfed. As a result, water levels and current will change depending on seasons. There should be bridges that should allow passage of vessels and we need to develop transparent levies and toll system," he said.

Emphasizing on the importance of coastal shipping and inland waterways, Jatin Sarkar, GM (T&E), TITES Ltd, said international investors are interested in inland waterways and railways. "Being a part of the government, these sectors help provide certain comfort level to raise further funding. We need to encourage railways, multimodal logistics hubs and coastal shipping to improve efficiency and reduce congestion on roads," he said.

## KEY POINTS AT A GLANCE

East coast summit in Visakhapatnam provided an opportunity for all stakeholders to come together and mull over the existing scenario and the road ahead. As part of the discussion, experts came out with a number of suggestions and solutions for the existing problems. While everybody agreed upon the need to improve connectivity, it was well acknowledged that in terms of number of ports and capacities, east coast is better compared to west coast. Considering the huge task in hand – to help tap the potential of east coast and be a part of the growth story – we decided to distill out each discussion into a few bullet points. This is an effort to provide an easy to understand condensed version of the points discussed during the two-day event and the suggested action plan.

- Huge untapped opportunities lie on India's east coast
- Hinterland connectivity issues a major challenge to east coast growth
- Poor connectivity leads to increase in logistics cost and make overall trade operations expensive
- Overcoming logistics and supply chain issues is the need of the hour
- Share of private ports in the country's overall trade is growing
- There is scope for public private partnership. But tariff controls deflecting the investments in major ports
- Cargo movement through inland waterways is yet to pick up
- In India, only 0.28 per cent of the Inland Waterways are exploited compared to 42 per cent in Netherland and 15 per cent in France
- Country is facing several challenges to convert its rivers into "Waterways"
- Coastal shipping and inland waterways should be promoted in the country
- There should be an integrated regulatory set up for coastal shipping and inland waterways
- Developing alternate means for last mile port connectivity is the need of the hour
- High duties and taxes is a major deterrent to the flow of private investment to coastal shipping
- Country should have a fast-track single window for all regulatory clearances in the shipping sector
- Government should support entrepreneurs and help acquire land for projects
- Environmental concerns should not come in the way of mining natural resources and industrialisation
- Port operators should focus on developing hinterland and improving efficiency
- Trade will shift to the port that offers better connectivity and low cost of operations
- Customs procedures should be minimized
- Do away with interstate checkposts
- Minimise RTO checking
- Develop computerization and e-governance at checkposts



We are setting up a logistics park on 100 acres of land in Vizag. We have already taken the land on lease and 10 acres will be operational by December this year. The entire park will be completed in 2-3 years. ”

V Kalyana Rama  
ED, Concor

## 'Hinterland growth will decide future of ports'

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Port authorities, governments and the trade should plan hinterlands envisioning a model where the intermodal transport network makes a port the nodal point to where freight distribution is undertaken efficiently involving minimal costs.

The panellists in the session to discuss hinterland growth and future agreed unanimously about the need for planning industrialisation and connectivity in the hinterland to integrate the three components of transport, port and manufacturing.

"The hinterland is a conventional factor linked with the nature and level of port activity. However, with containerization the setting of high capacity corridors and inland terminals has become of fundamental importance in the capture of port traffic as hinterland competition increased. The future of a gateway port is increasingly decided over what takes place over its hinterland," said Anand Sitaraman, Vice President, BLPL, Singapore.

Improper planning of freight distribution only adds to the importer or exporter's costs making shipping products unviable. "It is easier and cheaper to transport our material from China to India than from the west coast," RVS Raju, Director, RHI



L-R: **RVS Raju**, Director, RHI Clasil Ltd., **S Kishore**, IAS, Development Commissioner, Visakhapatnam, APSEZ and **Anand Sitaraman**, VP, BLPL, Singapore at the fourth business session on Day Two of the Conference.



L-R: **B Chenchiah**, Regional Manager, CWC, **G Sambasiva Rao**, MD, Sravan Shipping and **Joseph Sandiav**, Head-APM Terminals, Inland Services, South Asia at fifth business session on Day Two of the Conference.

Clasil, said who imports raw material for refractors. Since three of the seven national manufacturing zones are planned in Andhra Pradesh, Mr Raju said the east coast could be a game changer if issues concerning logistics are addressed.

Since most of the new steel plants and automobile components hubs are coming

up along the east coast, the bottlenecks of congestion and failing information logistics in some parts of the hinterland chains, pollution can be resolved by the development of a highly structured, integrated and controlled hinterland network.

### CFSs and ICDs development should take place hand-in-hand

Highlighting the need for establishing modern warehouses alongside ports, B Chenchiah from the Central Warehousing Corporation, suggested several measures to overcome problems plaguing the sector currently. The need for adopting new technology to build godowns to prevent agricultural produce from rotting was recommended. The CWC is augmenting infrastructure for EXIM trade and will add 2.2 lakh tonnes of planned capacity by the end of this financial year.

Mr Joseph Sandiav, Head, APM Terminals (Inland Services), Asia, spoke of the new trends and opportunities in the CFS division. CFS players should offer end to end value added services including transportation and should establish themselves closer to production and consumption hubs and custom requirements for trade, he said. "With health, safety and environment gaining prominence, cargo specific solution and players will emerge in this sector," he said.

Photo Gallery - DAY ONE



*Photo Gallery* - DAY TWO

