



PORTS

April 2010

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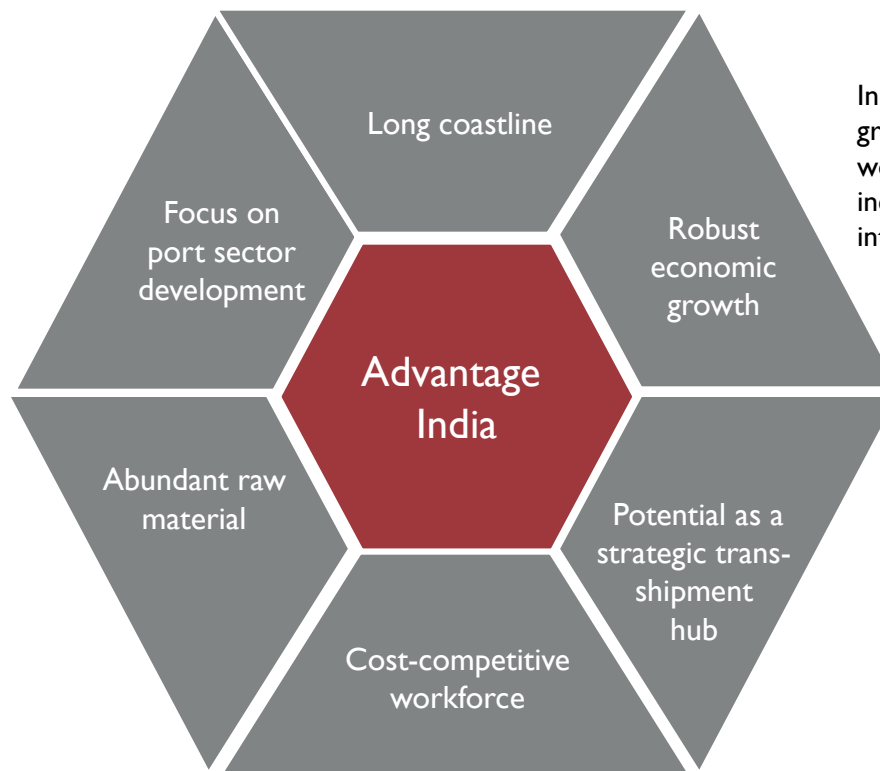
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Advantage India

India has a more than 7,500 km-long coastline, which is being further developed to support trade.

The Government of India (GoI) is focussing on port infrastructure development in the country and is promoting private participation and FDI.

Raw material such as cement, steel and iron are available in abundance. For instance, India is the second-largest producer of cement (2008–09), the fifth-largest producer of steel (2008–09) and the largest producer of direct reduced iron (2008–09) in the world.



India is among the fastest-growing economies in the world and is gradually increasing its share in international trade.

Most of the cargo ships that traverse between East Asia and America, Europe or Africa, pass through Indian territorial waters. As such, India has the potential to develop itself as a transshipment hub.

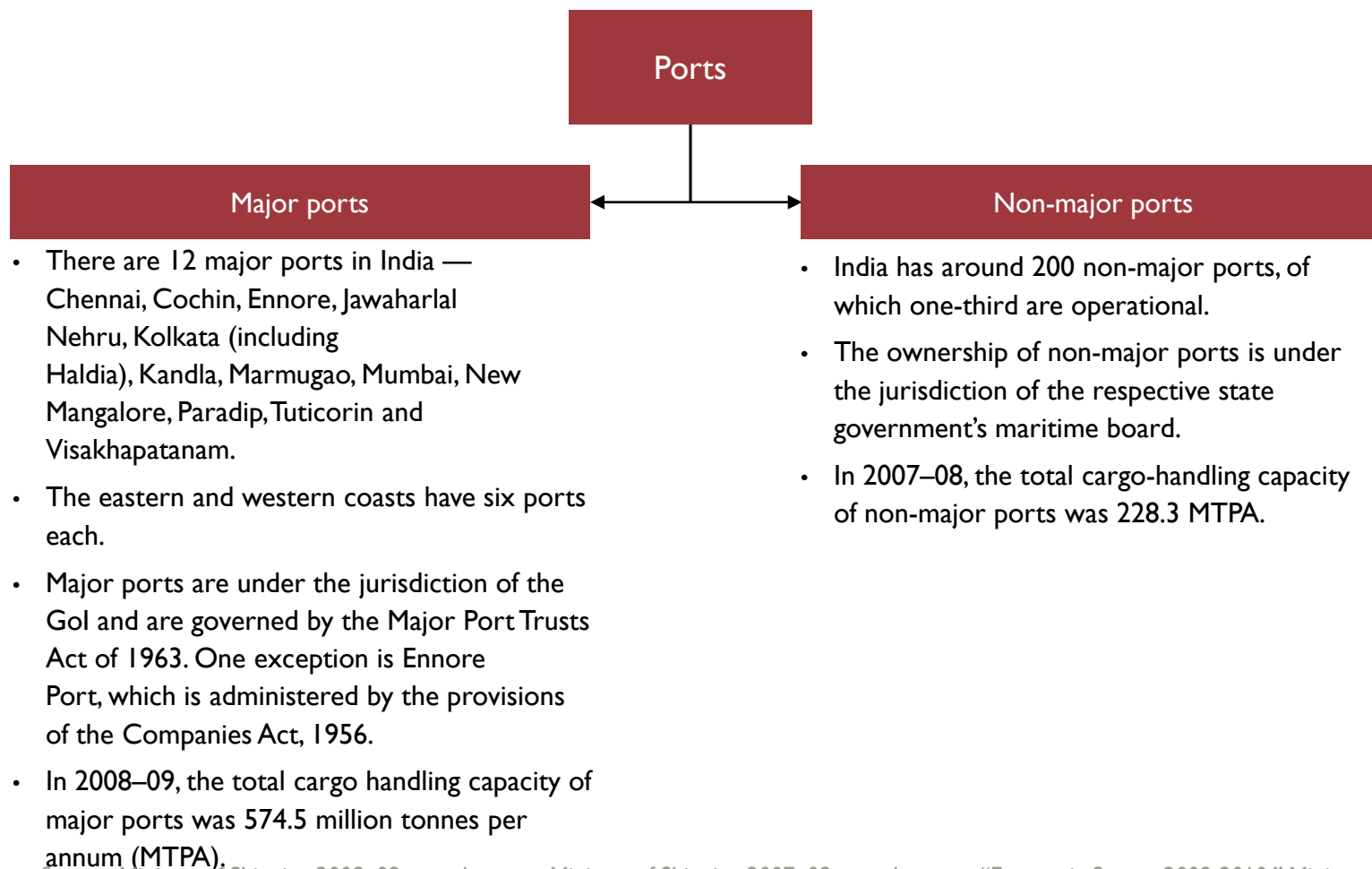
India offers a cost-competitive workforce for the development of port infrastructure.

Sources: "Performance of Select Industries," Department of Industrial Policy and Promotion website, http://dipp.gov.in/industry/content_industries/index.htm, accessed 25 January 2010; Ministry of Steel 2008–09 annual report; Ministry of Shipping 2008–09 annual report.

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Market overview

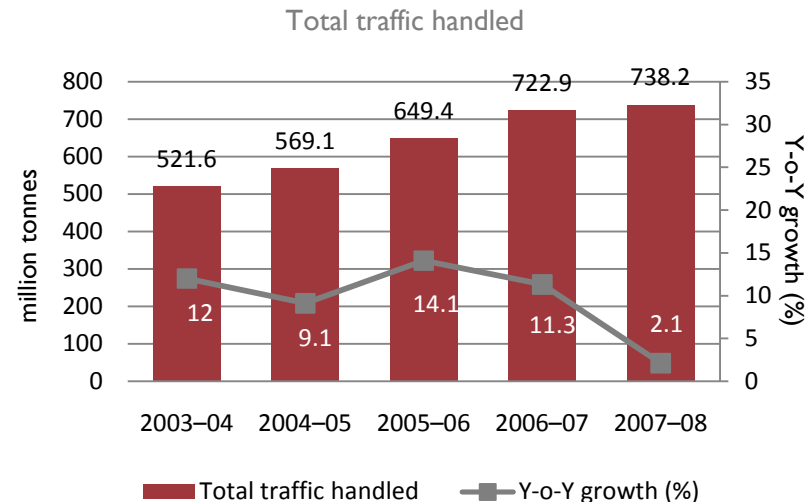


Sources: Ministry of Shipping 2008–09 annual report; Ministry of Shipping 2007–08 annual report; "Economic Survey 2009-2010," Ministry of Finance website, <http://indiabudget.nic.in>, accessed 10 March 2010.

Traffic handled — performance overview

Driven by high growth in international trade, traffic handled by Indian ports has increased substantially.

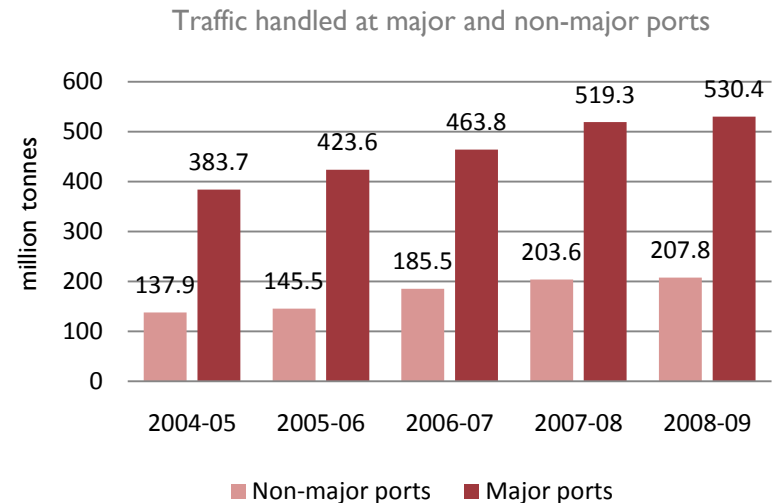
•Cargo traffic at Indian ports has increased at a CAGR of 9.1 per cent between 2004 and 2009 and has grown from 521.6 MTPA to 738.2 MTPA during the period.



Sources: “State Wise Traffic Handled at Ports,” *Indian Ports Association website*, www.ipa.nic.in, accessed 12 January 2010; “Major Ports Statistics,” *Indian Ports Association website*, www.ipa.nic.in, accessed 12 January 2010; Ernst & Young analysis.

Traffic handled — major and non-major ports ... (1/2)

- The country's 12 major ports account for three-fourths of the total cargo traffic. Traffic at these ports has grown at a CAGR of 8.4 per cent from 383.6 MTPA in 2004–05 to 530.4 MTPA in 2008–09.

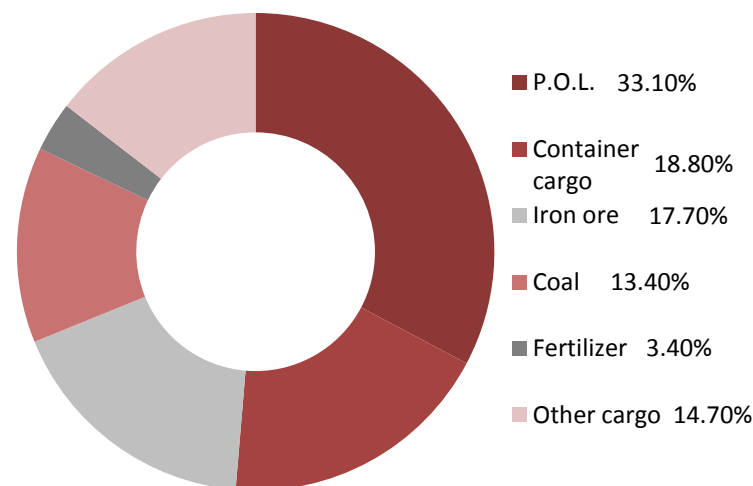


Sources: "State Wise Traffic Handled at Ports," Indian Ports Association website, www.ipa.nic.in, accessed 12 January 2010; "Major Ports Statistics," Indian Ports Association website, www.ipa.nic.in, accessed 12 January 2010; "Ports," Ministry of Shipping website, www.shipping.nic.in/index1.asp?linkid=157&langid=1, accessed 13 January 2010; Ernst & Young analysis.

Traffic handled — major and non-major ports ... (2/2)

- 18.80 per cent of the total traffic handled at major ports in 2008–09 is contributed by containerised cargo and 17.70 per cent by iron ore cargo.
- Petroleum, oil and lubricants (POL) cargo accounts for 33 per cent of the total cargo handled by major ports and has increased at a CAGR of 10.8 per cent in 2008–09.

Commodity-wise traffic handled at major ports (2008–09)



Sources: “State Wise Traffic Handled at Ports,” Indian Ports Association website, www.ipa.nic.in, accessed 12 January 2010; “Major Ports Statistics,” Indian Ports Association website, www.ipa.nic.in, accessed 12 January 2010; “Ports,” Ministry of Shipping website, www.shipping.nic.in/index1.asp?linkid=157&langid=1, accessed 13 January 2010; Ernst & Young analysis.

Growth driver — increasing international trade

Driven by growth in international trade, cargo handled at the ports is projected to grow at 7.7 per cent per annum until 2013–14.

- Indian ports handle more than 90 per cent of the country's total trade in terms of volume and around 70 per cent in terms of value.

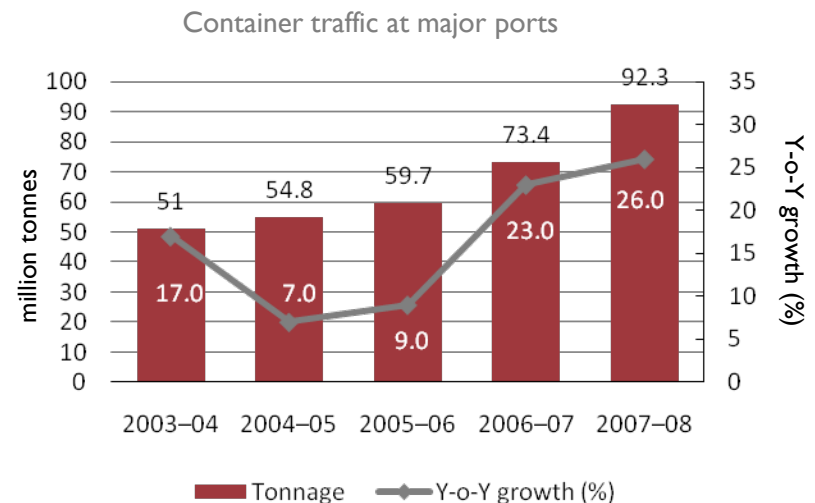
- Exports (including re-exports) grew at a CAGR of 20 per cent between 2004–05 and 2008–09, while imports grew at a CAGR of 27 per cent.



Sources: "Data & Statistics," Ministry of Finance website, <http://indiabudget.nic.in>, accessed 25 January 2010; "Ports," Investment Commission of India website, www.investmentcommission.in/ports.htm, accessed 12 January 2010.

Key trends — rising container traffic at major ports ... (1/2)

- Containerisation and container traffic at major ports grew at a CAGR of 15.9 per cent between 2003–04 and 2007–08, presenting an opportunity for the development of container berths and container-handling facilities in India.



Source: "Major Ports Statistics," Indian Ports Association website, www.ipa.nic.in, accessed 12 January 2010.

Key trends — rising container traffic at major ports ... (2/2)

On the back of government support, the participation of private players in the sector is on the incline. There is a trend towards establishment of power plants near ports and using larger vessels, which is driving the upgrade and maintenance of port infrastructure.

Increasing private sector participation

- Rising international trade and the growth of the Indian economy are leading to an increase in private participation in the development and operation of port infrastructure in the country.
- Major port trusts are now operating on the landlord model, and privatisation involves a long lease of specific berths where developers install handling equipment and operate the berth on a revenue-sharing basis.

Using large vessels

- An increasing share of the sea route in total world trade and the cost advantage associated with using large vessels is leading to the use of larger ships. Therefore, Indian ports need to be well equipped to handle large vessels and provide adequate draughts for handling additional tonnage of such large vessels.

Setting up port-based power plants

- Coal-based power plants are being set up near ports due to the dependence of these plants on imported coal. These plants will provide a consistent stream of revenue for the ports, catering to the development and maintenance of port infrastructure.

Key players

Port trusts are the major players involved in the development of ports. However, private participation in the sector has increased, and various private companies are now also involved in the development of port infrastructure in the country.

Company/group	Major projects
Adani Group	Mundra Port, Dholera Port, Dahej Solid Cargo Terminal
Larsen & Toubro (L&T)	Construction of Ennore Marine Liquid Terminal
Essar Group	Vadinar Port and Terminal Project
Maersk Group	Development of third container terminal at Jawaharlal Nehru Port
P&O Ports	Modernisation of Chennai container terminal
Dubai Ports International	Development of an international container transshipment terminal at Cochin Port
PSA Singapore	Development of second container terminal in Chennai

Source: "Project search," PPP India database: Department of Economic Affairs website, www.pppindiadatabase.com, accessed 13 January 2010.

Note: This is an indicative list.

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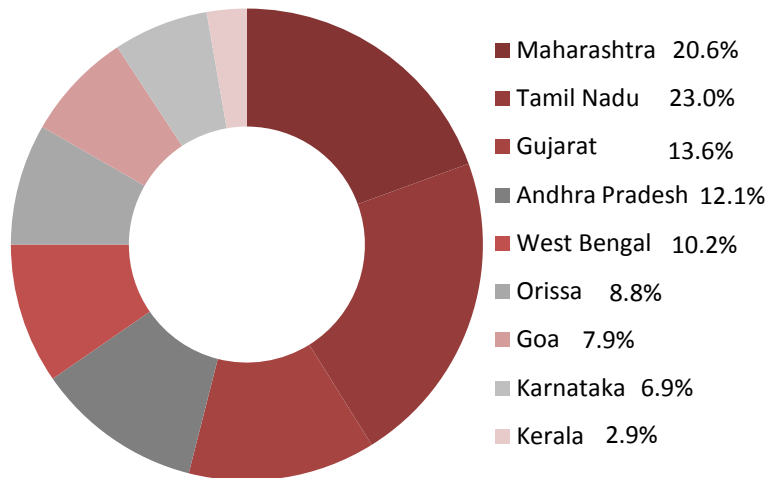
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Industry infrastructure - state-wise distribution ... (1/2)

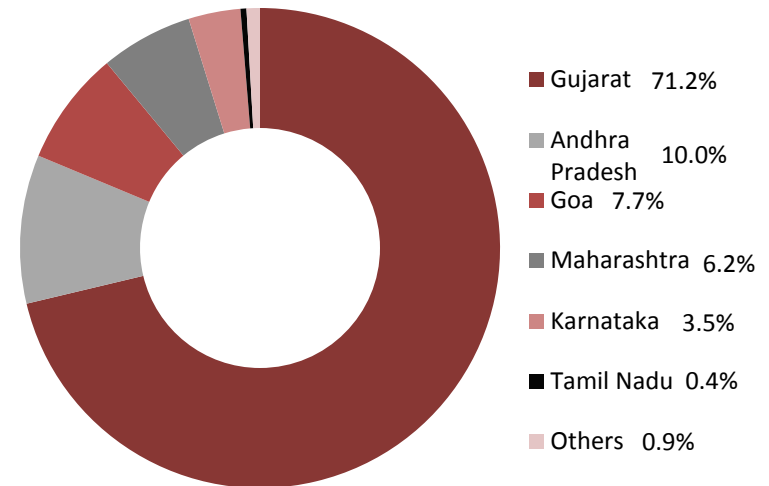
State	Number of non-major ports	Major ports
Maharashtra	48	Mumbai, Nhava Sheva (Jawaharlal Nehru Port Trust)
Gujarat	42	Kandla
Andaman & Nicobar Islands	23	-
Kerala	17	Cochin
Tamil Nadu	15	Tuticorin, Chennai, Ennore
Orissa	13	Paradip
Andhra Pradesh	12	Visakhapatnam
Karnataka	10	New Mangalore
Lakshshwadeep	10	-
Goa	5	Mormugao
Daman & Diu	2	-
Pondicherry	2	-
West Bengal	1	Kolkata (including Haldia)

Industry infrastructure - state-wise distribution ... (2/2)

Share of states in traffic handled at major ports (2008–09)



Share of states in traffic handled at non-major ports (2006–07)



Sources: Ministry of Shipping 2007–08 annual report; “State Wise Traffic Handled at Ports,” Indian Ports Association website, www.ipa.nic.in, accessed 12 January 2010.

Industry infrastructure — capacity and utilisation at major ports

India's major ports are working at an average capacity utilisation of more than 90 per cent.

Year	Capacity (million tonnes)	Cargo handled	Capacity utilisation
2004–05	397.5	383.75	97%
2005–06	456.2	423.57	93%
2006–07	504.75	463.78	92%
2007–08	532.07	519.16	98%
2008–09	574.5	530.4	92%

- The GoI is focussing on enhancing port capacity and increasing investment in the sector. The annual aggregate cargo-handling capacity of India's major ports grew at a CAGR of 9.6 per cent from 397.5 MTPA in 2004–05 to 574.8 MTPA in 2008–09.
- The capacity of major ports is further estimated to increase to 1,000 MTPA by 2011–12.

Sources: Ministry of Shipping 2007–08 and 2008–09 annual reports; Ernst & Young analysis.

Industry infrastructure — capacity at non-major ports

Non-major ports are expected to more than double their capacity by the end of the Eleventh Five Year Plan (2007–2012), to support major ports in handling growing cargo traffic.

State/Union Territory	Capacity (MTPA) in 2007–08	Expected capacity addition during the Eleventh Plan (MTPA)
Andhra Pradesh	18.5	92
Gujarat	182	214
Maharashtra	11.073	104
Tamil Nadu	0.85	49.15
Karnataka	4	46
Orissa	-	55
Goa	11.76	4
Kerala	0.135	28.9
West Bengal	-	7.8
Puducherry	-	10
Total	228.31	610.85

- Non-major ports are expected to increase their capacity to more than 600 MTPA and to handle 30 per cent of the total traffic in 2011–12, as compared to the present contribution of 26 to 28 per cent.

Source: Ministry of Shipping 2007–08 annual report.

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Investments ... (1/4)

Private sector investment

- At the end of 2008–09, 17 private sector projects with an investment of about US\$ 1.1 billion (INR 55 billion) have become operational, while seven projects were still under implementation.
- In the same year, the GoI also identified nine new projects to be awarded under the public-private-partnership (PPP) model.
- Private players are undertaking several greenfield port projects such as Gopalpur Port in Orissa and Dholera Port in Gujarat.

FDI

- Backed by expected high growth and 100 per cent FDI, the sector witnessed FDI of US\$ 490 million between April 2008 and March 2009.

Sources: “Fact Sheet On Foreign Direct Investment (FDI)”, Department Of Industrial Policy And Promotion website, www.dipp.nic.in, accessed 23 January 2009; Ministry of Shipping 2008–09 annual report.

Investments ... (2/4)

Private equity (PE) investment:

- The ports sector attracted significant PE investments worth US\$ 340 million between 2005 and September 2009.
- Some deals in the sector include:

Date	Target	Acquirer	Deal value (US\$ million)	% stake
February 2009	Krishnapatnam Port Co Ltd	3I Group	161.0	–
July 2006	Mundra Port and SEZ (MPSEZ)	3I Group, GIC Real Estate	100.0	–
September 2008	Gangavaram Port Limited (30% stake)	Warburg Pincus	34.0	30.0
April 2005	Gujarat Pipavav Port Limited (Pipavav Port Trust) (15% stake)	IDFC	28.5	15.0
August 2009	Continental Warehousing Nhava Sheva	Aureos India Fund and ePlanet Venture	16.4	–

Source: “Logistics Industry in India,” Ernst & Young, October 2009, via RAD.

Investments ... (3/4)

Government investment

- In order to support the maritime industry, the GoI launched the National Maritime Development Programme (NMDP) in 2005, involving a total investment of US\$ 20.9 billion (INR 1,003 billion) up to 2011–12. Under the programme, 276 projects across 12 major ports have been identified, with an expected investment of US\$ 11.6 billion (INR 558 billion). The projects are aimed at increasing capacity, raising private participation and improving the quality of service and efficiency in the ports sector.
- As of November 2008, 36 projects in the ports sector, with an investment of US\$ 818.8 million (INR 39.3 billion), have been completed, adding a capacity of 53.8 million tonnes. Additionally, 67 projects were under implementation, while 31 received approval for the commencement of work.
- In the Eleventh Plan, the GoI has set aside a budget of US\$ 3.9 billion (INR 185.33 billion) for the development of India's major ports.

Source: Ministry of Shipping 2008–09 annual report.

Investments ... (4/4)

Some of the major projects under progress, as on September 30, 2009, are:

Port	Project type	Estimated cost US\$ million	Capacity (MTPA)	Expected date of completion	Developer
Ennore	Coal berth	83.3 (4.0)	8	August 2010	South India Corporation Ltd
Ennore	Iron ore berth	104.2 (5.0)	12	August 2010	Sical Logistics Ltd
Paradip	Deep draught iron ore berth	123.2 (5.9)	10	December 2012	Consortium lead by Nabal Group Ltd
Mumbai	Container offshore berths	304.3 (14.6)	9.6	June 2011	Jaisu Shipping Co Pvt Ltd
Cochin	LNG/LPG facilities	666.7 (32)	5	2012	Petronet LNG Ltd
New Mangalore	Coal jetty	47.9 (2.3)	3	December 2010	Udupi Power Corporation Ltd (UPCL)
Cochin	International container transshipment terminal	833.3 (40)	21.2	-	India Gateway Terminal Private Ltd (DP World)

Source: "Ports," Ministry of Shipping website, www.shipping.nic.in/index1.asp?linkid=157&langid=1, accessed 13 January 2010.

Note: Figures in parentheses are in INR billion

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Policy and regulatory framework

The GoI is encouraging private investment in the sector, and has undertaken the following policy measures:

- The GoI has allowed FDI of up to 100 per cent under the automatic route for the construction and maintenance of ports and harbours.
- A 10-year tax holiday is offered to enterprises engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports.
- The GoI has allowed non-major ports to determine their own tariffs as opposed to the regulation of tariffs at major ports by Tariff Authority for Major Ports (TAMP).
- The GoI has also formulated the NMDP to facilitate private investment, improve service quality and promote competitiveness in the sector.
- A model concession agreement (MCA) has also been finalised to bring transparency and uniformity to the contractual agreements major ports will enter with the selected bidders of projects under the build, operate and transfer (BOT) model.

Sources: "Ports" Investment Commission of India website, www.investmentcommission.in/ports.htm, accessed 12 January 2010; Ministry of Shipping 2007–08 annual report.

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Opportunities ... (1/2)

Port development through public-private partnership

- The GoI is encouraging private sector participation across major ports in areas such as the development of cargo-handling berths, container terminals, dry-docks and the installation of cargo-handling equipment on a BOT basis.
- During the Eleventh Plan, the GoI expects private sector to invest US\$ 7.7 billion (INR 370 billion) in the development of major ports and US\$ 6 billion (INR 290 billion) in minor ports.

Container berths and handling equipment

- With container traffic increasing at more than 15 per cent, there is a need to develop container terminals and set up container-handling equipments at ports. The GoI is inviting private players to invest in building such infrastructure.

Opportunities ... (2/2)

Transshipment ports

- The GoI is also focussing on building transshipment ports in India, which will help reduce the cost for shippers from India by handling transshipment in the country instead of using transshipment hubs such as Colombo, Dubai and Singapore.

Port connectivity

- The GoI is focussing on improving the connectivity of ports and has approved the report of Committee of Secretaries on the rail and road connectivity of major ports. The report recommends that each major port be connected by a four-lane road and have double-line rail connectivity.

IT infrastructure

- The GoI is also keen to improve the IT capabilities of ports to enable them to further improve their efficiency and reduce turnaround time.

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Industry associations

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Note

Wherever applicable, numbers in the report have been rounded off to the nearest whole number.

Conversion rate used: US\$ 1 = INR 48

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