

Digital push to drive growth for port sector

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Infrastructure investment to drive growth for port industry

The Maritime Sector in India comprises of Ports, Shipping, Shipbuilding, Ship repair and Inland Water Transport Systems. The ports and shipping industry in India plays a vital role in sustaining growth in the country's trade and commerce. Ports provide an interface between the ocean transport and land-based transport. There are 12 major ports in the country, 200 notified minor and intermediate ports. The Major Ports are under the purview of the Centre while the Non-Major Ports are under the purview of the States. The 12 major ports are -- Kolkata Port and Haldia Port (West Bengal), New Mangalore Port (Karnataka), Paradip Port (Odisha), Cochin Port (Kerala), Jawaharlal Nehru Port (Maharashtra), Mumbai Port (Maharashtra), Kamarajar Port (Ennore) (Tamil Nadu), Chennai Port (Tamil Nadu), V.O. Chidambaranar Port (Tamil Nadu), Mormugao Port (Goa), Kandla Port (Gujarat) and Visakhapatnam Port (Andhra Pradesh). The total 200 non-major ports are in the following states -- Maharashtra (48), Gujarat (42), Tamil Nadu (15), Karnataka (10), Kerala (17), Andhra Pradesh (12), Odisha (13), Goa (5), West Bengal (1), Daman and Diu (2), Lakshadweep (10), Pondicherry (2), and Andaman & Nicobar (23).

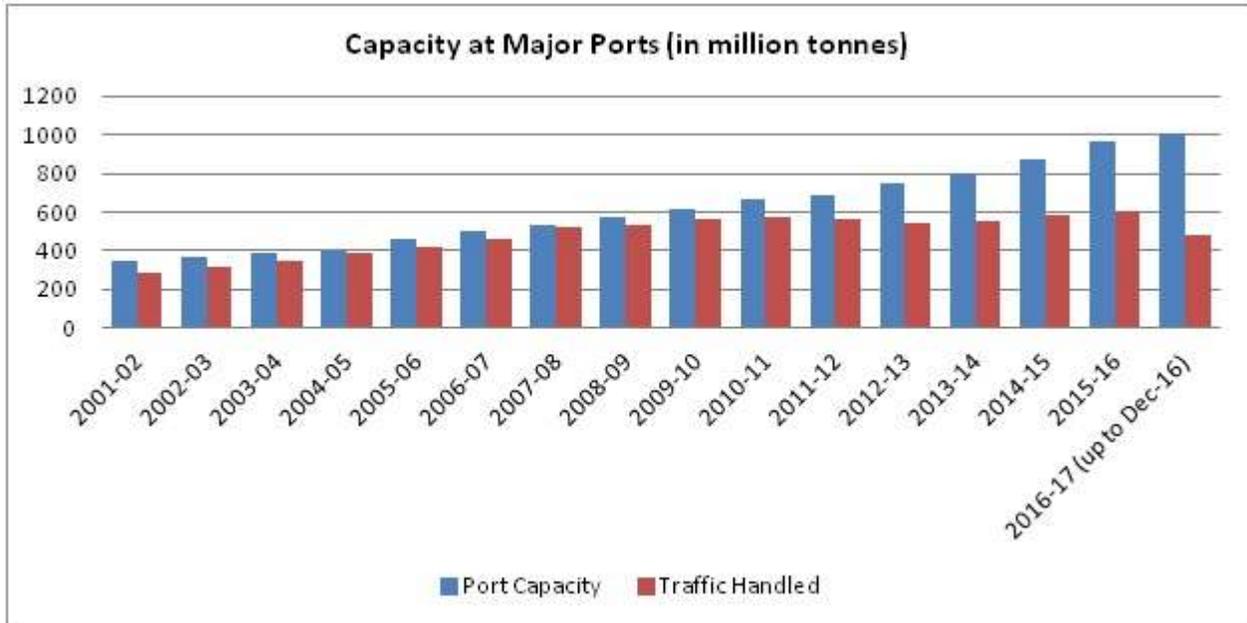
Government of India plans to modernize these ports and has approved a project called Sagarmala. More than 400 projects, at an estimated infrastructure investment of Rs 8 lakh crore, have been identified under Sagarmala. Out of these, 199 focus projects are to be taken up between FY 16-17 & FY 18-19. Maritime Agenda 2010-20 has estimated that investment required in new projects of major ports will be Rs 1,09,449.40 crore of which Rs 72,878.20 crore is expected to come through private sector participation and the balance Rs 36,571.20 crore to be funded through internal and extra budgetary support. The Indian Government has allowed Foreign Direct Investment (FDI) of up to 100% under the automatic route for port and harbour construction and maintenance projects. The efficiency at ports has an important bearing on the transaction cost of the shipping lines. Major ports have improved their efficiency of operation particularly in terms of turnaround time (TRT). The capacity of India's 12 major ports exceeded 1 billion tonne (BT) mark with a record 100.59 million tonne addition during the just-concluded fiscal. The capacity reached 1,065 MTPA in 2016-17 as against 965.36 MTPA in the previous fiscal. The 12 major ports posted a record profit of about Rs 5,000 crore for 2016-17 compared to a profit of Rs 4,000 crore in the previous fiscal. The growth has been faster than the private ports. The growth has been recorded at 6.79% compared to 4% of the private sector.

Capacity Utilization

The cargo handling capacity of major ports has steadily increased in order to cater to the growing volume of internal and external trade. The capacity at major ports grew to 965.36 MMT in FY16, implying a CAGR of 7.5% since FY07. The utilization rates have been gradually coming down post the global economic meltdown in FY08 despite increase in capacity. The utilization rates of major ports in India such as JNPT port, Kandla port, Ennore port, etc., are much above the world's average.

The projected capacity during the terminal year of Twelfth Plan period for the major ports would be 1229.24 MT, nearly, 1.53 times of the existing capacity. The expected demand by the end of

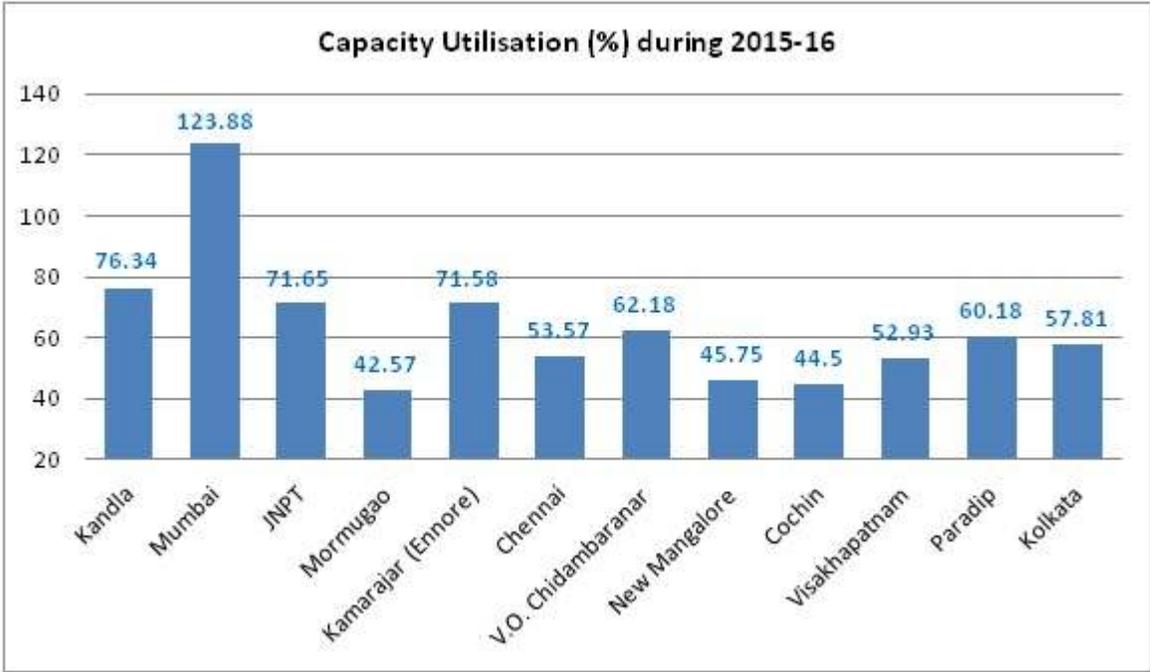
the 12th year plan in terms of cargo handling at major ports as per the plan is 943.06 MT with an estimated annual growth of 10.98%.



Total installed capacity and capacity usage during 2015-16

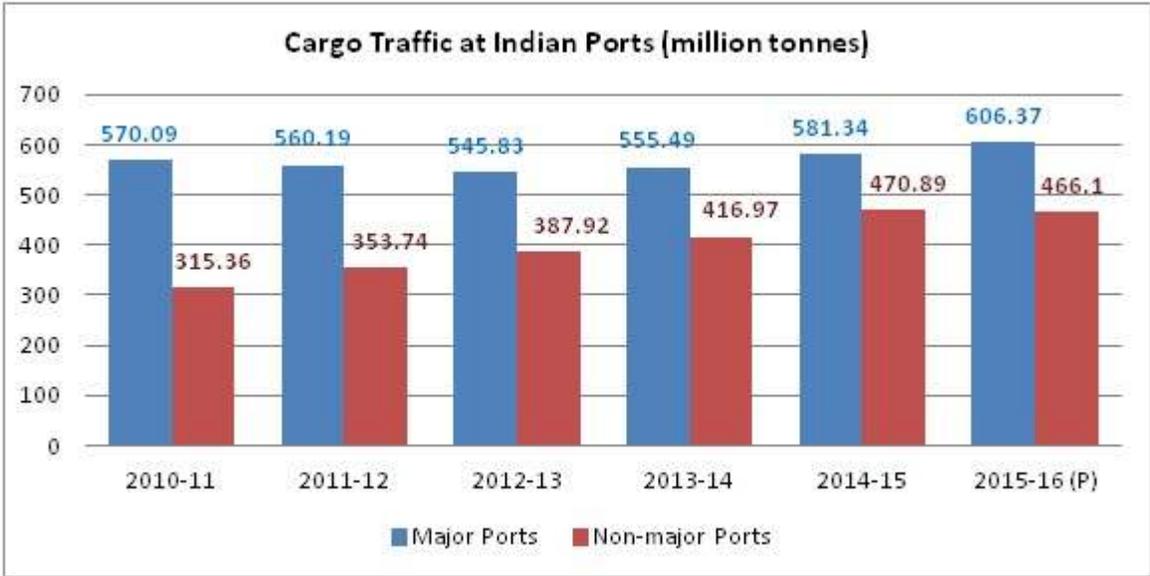
Over the years, cargo handling capacity of major ports has steadily increased to cater to the growing volume of internal and external trade. The capacity of the ports which was 172.59 million tonnes at the end of 1993-94 increased to a level of 965.36 million tonnes at the end of 2015-16. The total capacity of Kandla Port stood at 131.06 MTPA, while it handled traffic of 100.05 MT. The capacity for Mumbai and JNPT stood at 49.33 MTPA and 89.37 MTPA respectively, while it handled traffic of about 61.11 MT and 64.03 MT respectively. The capacity of Kamarajar (Ennore), Chennai and V.O. Chidambaranar Port stood at 45 MTPA, 93.44 MTPA and 59.26 MTPA respectively, while the traffic handled during 2015-16 stood at 32.21 MT, 50.06 MT and 36.85 MT respectively.

Similarly, the total capacity of Mormugao, New Managalore, Cochin, Visakhapatnam, Pradip and Kolkata stood at 48.79 MTPA, 77.77 MTPA, 49.66 MTPA, 107.75 MTPA, 126.94 MTPA and 86.99 MTPA respectively, while the traffic handled stood at 20.77 MT, 35.58 MT, 22.10 MT, 57.03 MT, 76.39 MT and 50.29 MT respectively in the year.



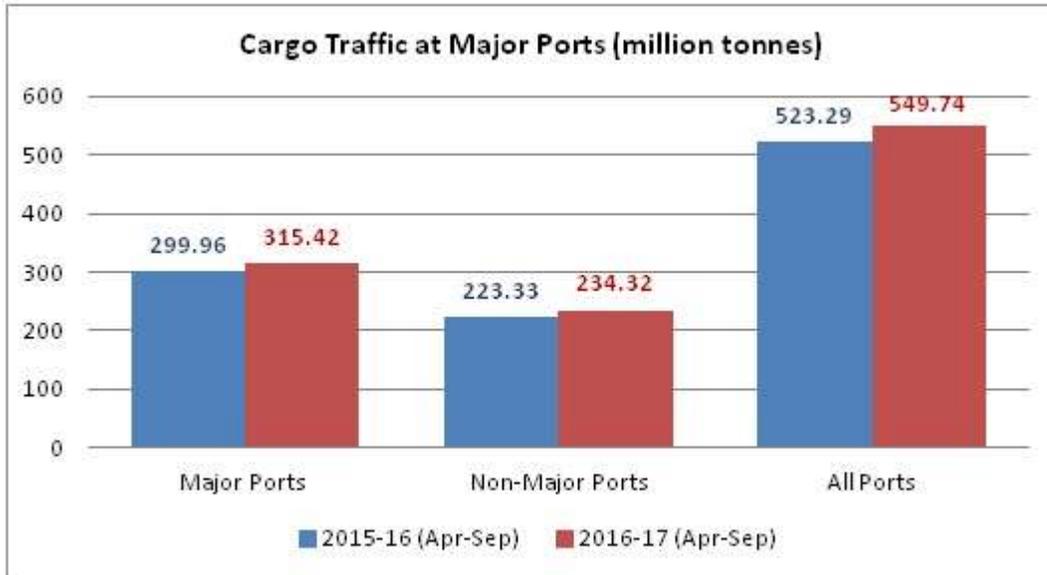
Cargo Traffic at Indian Ports

During first six months (April-September) of 2016-17, major and non-major ports in India have accomplished a total cargo throughput of 549.74 million tonnes (MT) reflecting an increase of 5.1% over the corresponding period of the previous year 2015-16. The growth in cargo handled at major and non-major ports in first six months (April-September) of 2016-17, were 5.2% and 4.9% respectively. The share of major port in the total traffic handled at Indian Port increased from 57.3% in first six months (April-September), 2015-16 to 57.4% in the same six months of 2016-17.

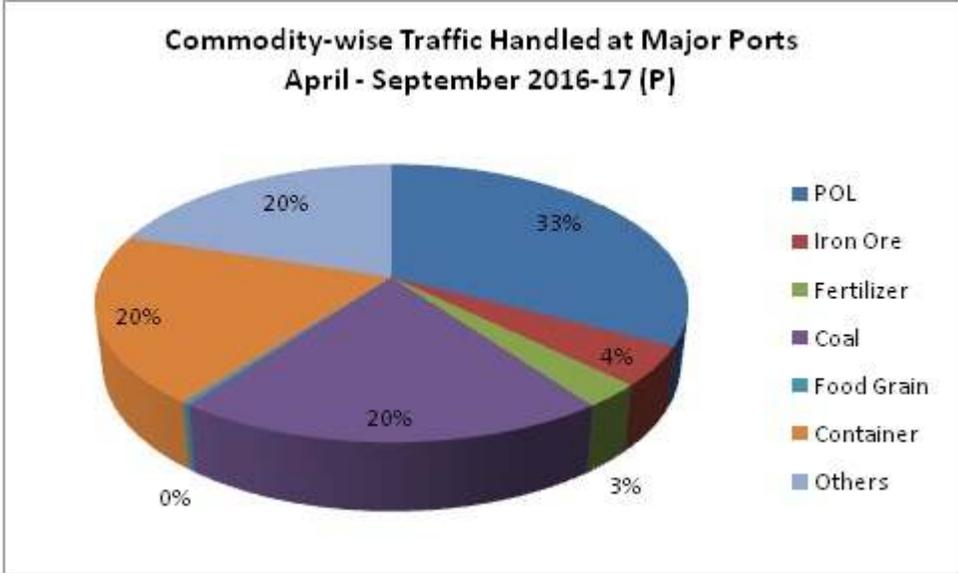


Cargo Traffic at Major Ports

The volume of traffic handled by ports is mainly shaped by the levels and changes in both the global and domestic activity. Cargo traffic at India's major ports during first six months (April-September) of 2016-17 was 315.42 million tonnes achieving growth of 5.2% over the previous year. Amongst the major ports, Kandla Port handled the maximum cargo.



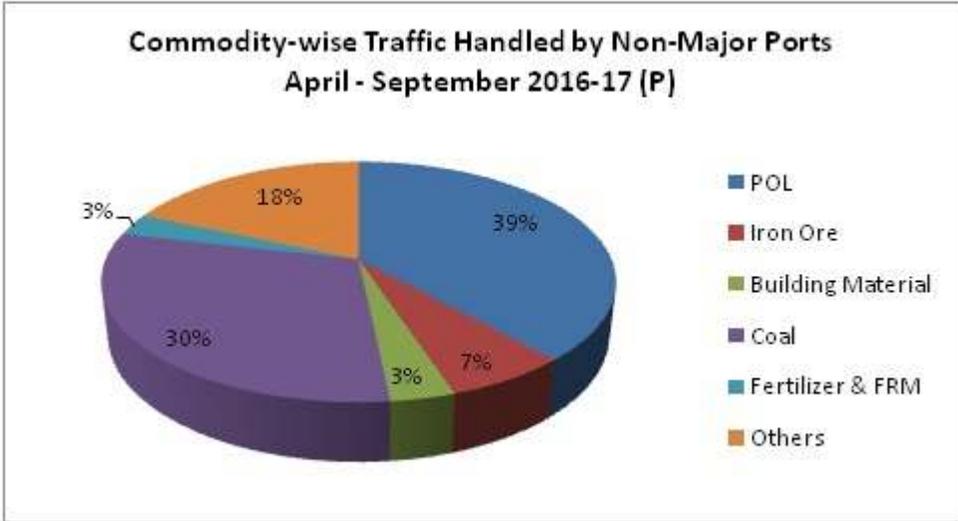
At a broad commodity level, during first six months (April-September) of 2016-17, iron ore posted growth rate of 138% followed by food grains (64.9%). The other commodities such as Petroleum, Oil, and Lubricant (POL), Coking Coal, Container and Other Cargo posted growth of 6.1, 7.9%, 0.7%, and 2.8% respectively. In terms of composition of cargo traffic handled during first six months (April-September) of 2016-17 at major ports, the largest commodity group (with share in percent in total cargo handled) was POL (32.8%), Coal (20.0%), Others cargo (20.0%), Container traffic (19.6%), Iron ore (4.5%) and Fertilizer & FRM (2.7%).



Cargo Traffic at Non-Major Ports

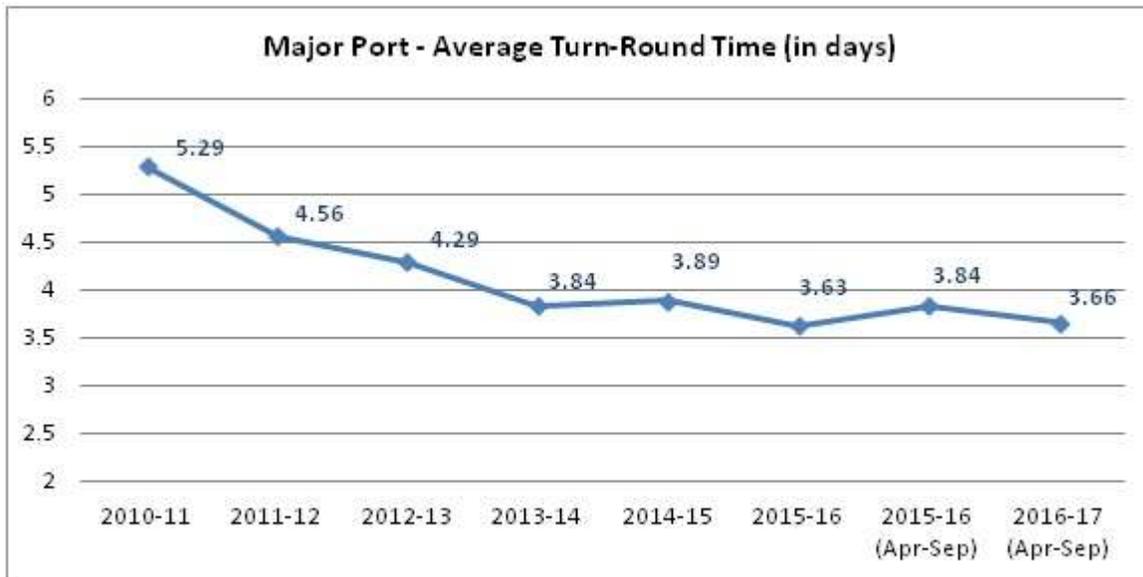
The growth in cargo handled by the non-major ports during first six months (April-September) of 2016-17 was 4.9% compared to -1.0% recorded in the corresponding period of previous year. Gujarat accounted for (72.0%) of the traffic handled by the non-major ports followed by Andhra Pradesh (14.1%) and Maharashtra (6.6%). Three maritime states -- Gujarat, Andhra Pradesh and Maharashtra together accounted for 92.7% of the total cargo traffic handled by the non-major ports in first six months (April-September) of 2016-17.

Two commodities, POL and Coal accounted for more than two-third of the total cargo handled at the non-major ports during April-September, 2016-17.



Average Turn-Round Time (TRT)

Average TRT, the total time spent by a ship since its entry till its departure, for all major ports improved from 8.10 days in 1990-91 to 3.63 days in 2005-06. Thereafter the TRT has increased steadily to 5.29 days in 2010-11. In 2011-12, the average TRT declined to 4.56 days and further to 3.84 days in 2013-14. However, TRT increased to 3.89 during 2014-15. The TRT declined to 3.66 during first six months of 2016-17. Amongst the 12 major ports, improvement in TRT during April-September, 2016 compared to corresponding period of 2015-16 is reflected in all Major Ports except Kolkata, Haldia, Chennai and Mormugao.



Government Initiatives

Government of India plans to invest Rs 70,000 crore (\$10.5 billion) in 12 major ports in the next five years under 'Sagarmala' initiative. The government is planning to set up low-cost non-major ports along coastline under the Sagarmala project and has asked all the 12 major ports to accord priority berthing to such vessels and to encourage quicker movement of cargo. The programme is now moving from the conceptualization and planning to the implementation stage. Projects under Sagarmala will be implemented by relevant Central Ministries, State Governments, Ports and other agencies primarily through the private or PPP mode. The Sagarmala Development Company (SDC) was incorporated on August 31, 2016, after receiving Cabinet approval on July 20, 2016, for providing funding support to project SPVs and residual projects under Sagarmala. 6 new port locations (Vadhavan, Enayam, Sagar Island, Paradip Outer Harbour, Sirkazhi, Belekeri) have been identified and their Techno-Economic Feasibility Reports have been finalized.

The Road Transport Ministry and National Highways Authority of India (NHAI) will together take up 82 projects under the ambitious Bharatmala project, to improve port connectivity. These are part of the broader highway expansion plan the government plans in the coming years for connecting economic hubs to major and minor ports, via road and rail. At present, this connectivity is an issue. Under the Bharatmala project, the ministry is to review the national



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highway network, to improve connectivity to coastal and border areas, religious and tourist places.

Outlook

India has a vast coastline which is more than 7,517 km long, interspersed with more than 200 ports. Most cargo ships that sail between East Asia & America, Europe & Africa pass through Indian territorial waters. The ports handle almost 95% of trade volumes and thus rising trade has contributed significantly to cargo traffic. India's total external trade have grown to \$643 billion in FY16, implying a CAGR of 4% since FY09. The government has taken various initiatives to develop the maritime sector and plans to create port capacity of around 3200 MMT to handle the expected traffic of about 2500 MMT by 2020. It will also be developing 14 CEZs (coastal economic zones) in a phased manner for port-led development in all the 9 maritime states by advancing efforts to develop 1 new port, each on the east & the west coast. The strong growth potential, favourable investment climate & sops provided by state governments too have encouraged domestic & foreign private players to enter the Indian ports sector. This increasing investments and cargo traffic point towards a healthy outlook for the Indian ports sector.

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YEILD %	TTM EPS	TTM PE
Adani Ports and Special Economic Zone Ltd.	81.44	71851.67	346.95	0.37	14.97	23.17
Gujarat Pipavav Port Ltd.	41.77	7205.67	149.05	1.27	5.17	28.83

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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