Economic Times

Title: Minor ports like Adani Ports, Gujarat Pipavav sail ahead on better infrastructure

Author: Megha Mandavia

Location: Mumbai

Article date: 17th May, 2013

India's 12 major ports which handled more than 90% of the cargo until a decade ago are facing stiff challenge from minor ports, led by Adani Ports, Gujarat Pipavav PortBSE -1.33 % and Essar Ports, largely due to better infrastructure.

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Among the minor ports in the country, Adani group-controlled Adani Port and Special Economic Zone, Maersk group promoted APM terminal and Essar group controlled Essar PortsBSE 1.48 % seem to be giving the major ports in the country a run for their money as the three are seen to be controlling more than a half of the share of the minor ports in the country.

Experts have also pointed out that the cargo controlled at these ports is only expected to rise significantly, helping their financials. Minor ports currently account for 39% of the cargo handled in India and industry experts peg the share to grow to 45% in two years as major ports are expected to suffer due to capacity constraints.

While the major ports in the country controlled 561 million tonnes (mt) of cargo in the financial year ended 2012, the minor ports handled nearly 350 mt of cargo during the period, about 39% of the total cargo handled at the ports. Adani Port handled close to 70 mt while Pipavav and Essar Ports handled more than 100 mt together.

Major ports in the country, including Jawaharlal Nehru Port Trust, Mumbai Port and Chennai Port, have been struggling due to capacity constraints and lack of modernisation. Expansion plans at major ports have hit a roadblock due to lack of interest from private port operators and inefficiency by port officials.

According to industry experts and officials, APSEZ continues to benefit from robust capacity in coal and container segment. The coal requirements of Adani Power and Tata Power's UMPP (Ultra Mega Power projects) at Mundra provide assured cargo visibility for the company. In addition, the SEZ at Mundra and commencement of double stacking container services from Mundra to Gurgaon gives the port significant opportunity for cargo growth in future.

"Essar Ports is doing well only due to their captive cargo which contributes to nearly 99% of their cargo. Adani Ports and Gujarat Pipavav Port are the ones to look forward to as they have better infrastructure and efficiency," Anand Sharma, Director, Mantrana Maritime Advisory, told ET. To be sure, during the March 2013 quarter, APSEZ divested its entire holding in Abbott Point Terminal to a promoter company and booked a profit of Rs 420 crore through this divestment. The divestment resulted in reduction in its debt-to-equity ratio from 3.6 to 1.7.

"Adani Ports and Gujarat Pipavav Port continue to have very high operating profits since they charge more than what other ports charge. But they also promise efficiency and brings down the logistic cost for customers drastically," a senior official at a government-controlled port told ET.

The official also added that the major ports continue to perform better and a dip in cargo volumes during last year was only due to a ban on iron ore exports, which affected volumes at major ports. Last year, the major ports in the country reported a decline of more than 2.5% in cargo at the ports.

Essar group's port business, meanwhile, has been helped largely by the take-or-pay contracts with its group companies - Essar Steel and Essar Oil — at its various ports. Last year, the port handled 54 mt of cargo, which was primarily from the group companies in the last year. The port is expected to increase its cargo capacity to 104 mt by the end of this year and eventually to 158 mt by 2015. "Essar Ports is looking to reduce our captive cargo and we would ideally like to maintain a healthy balance between captive cargo and third-party cargo," Rajiv Agarwal, MD of Essar Ports had earlier told ET.