

APM Terminals, one of the world's largest operators of port terminals, has ambitious expansion plans in India. The company, which operates two facilities in the country, saw business grow by more than 50 per cent this year, writes **R. Nagesh.**

SAILING





AHEAD

FOR APM Terminals (APMT), one of the largest container terminal operators in the world with 50 terminals in over 30 countries, its foray into the Indian ports sector has finally started paying off.

The container operator entered the Indian ports sector in 2005, acquiring a 54 per cent stake in Port Pipavav, Gujarat, barely 150 nautical miles north-west of Mumbai. APMT has since invested more than US\$ 150 million in the port.

The company, a subsidiary of Danish shipping and ports giant A P Moller-Maersk, also set up Gateway Terminals India (GTI) in 2007, through a joint venture with state-owned Container Corporation of India (CONCOR), to build and operate a state-of-the-art common user container terminal at Nhava Sheva, Navi Mumbai, for 30 years. It is the third container terminal at the Jawaharlal Nehru Port Trust (JNPT) at Nhava Sheva.

'INDIA WILL RAPIDLY DEVELOP AS ONE OF THE KEY GLOBAL TRADING POWERS'

An interview with **Charles P J Menkhorst**, ceo, APM Terminals, Africa, Middle East & Indian sub-continent:



Charles P J Menkhorst

APM Terminals has been operating in India for about five years. What kind of investments has APMT made in the country since then and what has been your experience of the ports sector here?

APMT has invested more than US\$ 300 million in the development of its terminals at Mumbai and Pipavav over the last five years. So far, APMT is satisfied with the progress it has made in these two terminals.

What are the prospects for private and international port operators in India? Is there good potential for growth? Do you plan to expand your operations significantly in India over the next three to five years? What kind of investments do you hope to make here?

APMT believes that India will rapidly develop as one of the key global trading powers. As a result, APMT is very committed to the Indian market; it will continue to develop and grow its existing terminals and will evaluate opportunities

for new terminals. Future growth and expansion will be driven by the increase in volumes.

Will you be focussing only on the west coast, or are you also considering the east coast of the country?

APMT is satisfied with its current presence in the west with ports at Mumbai and Pipavav. Growth will most likely be in the form of capacity expansion of these existing ports. Although APMT has no concrete plans to start operations on the east coast of India, it is continuously evaluating its options.

Is APMT planning to acquire ports/terminals from other players in India?

We have no concrete plans at this stage to acquire any terminals from other players in India.

What are your plans for backward integration? For instance, do you intend getting into the surface movement of containers by road or rail?

Backward integration is critical for the success of any terminal; in the end, a terminal is a step in an end-to-end supply chain solution. If companies can improve supply chain efficiency, customers and economies will directly benefit from this. This example of value creation is high on APMT's agenda and that is why we have created excellent rail/road connections between our terminals at Mumbai and Pipavav and the Indian hinterland.

Will the construction of freight and industrial corridors, such as the dedicated freight corridor between Delhi and Mumbai and the industrial corridor (to come up along side the freight corridor) boost ports' prospects, including Pipavav?

Due to the excellent multi-modal transport solutions that we have created, APMT is convinced our (potential) customers will strongly benefit from the new freight corridor between Mumbai and Delhi. Our terminals in Mumbai and Pipavav can offer customers seamless multi-modal transport solutions using the Indian freight corridors.





According to the Indian Ports Association, JNPT (with its three container terminals) handled 2.3 million twenty-foot equivalent units (TEUs) during April-October 2009, out of a total of 3.9 million TEUs handled by the dozen major ports of the country.

"India is a very important market for us," remarks Charles P J Menkhorst, ceo, APM Terminals, Africa, Middle East & Indian sub-continent. "India's rapid economic growth will have a massive impact on global trade. We see the country as strategically important."

This year has been exceptionally good for APMT's India operations despite a general slowdown in the ports business in most parts of the world. Menkhorst estimates there has been a 50 to 60

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per cent growth in the volumes handled at Port Pipavav this year – it handled between 35,000 and 40,000 TEUs of containers every month during the period July to October 2009. "We are very happy with the progress witnessed in Pipavav," points out Menkhorst. "With volumes increasingly rapidly, we plan to invest substantial amounts over the next two to three years to expand capacities."

According to the APMT ceo, the remarkable turnaround in the performance of Pipavav has led the company to review its plans for the future. "A

AMBITIOUS EXPANSION PLAN

WITH a coastline of over 7,500 km, India has a dozen major ports and 187 minor ports. The major ports are state owned and are the oldest in the sub-continent. The major ports of India include:

- Kolkata Port Trust
- Paradip Port Trust
- Visakhapatnam Port Trust
- Chennai Port Trust
- Ennore Port Ltd
- Tuticorin Port Trust
- Cochin Port Trust
- New Mangalore Port Trust
- Mormugao Port Trust
- Mumbai Port Trust
- Jawaharlal Nehru Port Trust
- Kandla Port Trust

The Indian government has set a target of doubling the cargo-handling capacity of major ports to 1.5 billion metric tonnes by 2012 at an investment

of US\$ 25 billion through public-private partnerships. According to the Union Ministry of Finance, cargo-handling at major ports is projected to grow at a compound annual growth rate (CAGR) of 7.7 per cent until 2011-12 and container traffic at 15.5 per cent CAGR. A bulk of India's foreign trade (about 95 per cent by volume and 70 per cent by value) is through ports, and with trade expected to grow in the coming years, demand for increased port capacities is also likely to grow alongside.

The government has, in recent years, thrown open all areas of port operation to private participation. It has also allowed international port operators to manage terminals at major ports on a build-operate-transfer (BOT) basis for periods as long as 30 years. The policy has proved beneficial as major

international operators, including APMT, P&O Ports, PSA Singapore and DP, have invested in terminals at several ports such as Nhava Sheva, Chennai, Tuticorin, Visakhapatnam and Kochi.

The government's National Maritime Development Programme (NMDP) has also taken up 276 projects for implementation by 2011-12. The programme envisages a total investment of nearly US\$ 13.5 billion. The private sector is projected to invest about US\$ 7.5 billion in projects such as construction and operation of berths and terminals.

According to Rakesh Srivastav, joint secretary (ports), all 276 projects would be taken up by March 2012. On completion, the projects are expected to add an annual capacity of more than 400 million tonnes per annum capacity to the major ports.



couple of years ago, it was a different scenario and the shareholders were getting nervous and impatient,” explains Menkhorst. “But now, with volumes and growth moving in the right direction and the bottom-line also improving, it is a different situation.”

The APMT board is likely to decide soon on how to raise funds to further investment in Pipavav. There are three options before the company – to raise funds internally, to take loans, or to opt for an initial public offer (IPO). “Our aim is to emerge as a leading port of India,” adds Menkhorst.

Both Pipavav and the GTI terminal at Nhava Sheva handle nearly 2 million TEUs annually. “Our combined volumes at Pipavav and Nhava Sheva make us the number one container operator on India’s west coast,” he points out. The share of the GTI terminal at Nhava Sheva has gone up significantly and it now accounts for 30 per cent of the total containers handled at India’s busiest container port.

GTI at Nhava Sheva was declared ‘Terminal Operator of the Year’ at the

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Igor Zhigora,
regional commercial GM, APM Terminals

annual Lloyd’s List 2009 Middle East and Indian Sub-continent Shipping awards in November 2009. “This award is a great honour within our industry, our region and throughout the world of our dedication to providing world-class service to our clients,” says Igor Zhigora, the

regional commercial general manager, for APM Terminals.

Recently, the terminal turned around a 4,000-TEU container ship within a record 17 hours at Nhava Sheva, ensuring ‘slow-steaming’ (a concept that is rapidly gaining popularity among shipping lines, as it results in lower fuel consumption and operational costs, besides slashing CO₂ emissions).

Headquartered in The Hague, Netherlands, APMT invested US\$ 723 million in new port projects across the globe last year. In South Asia, it has a major presence in Sri Lanka, where it has an over 32 per cent stake in South Asia Gateways Terminal, which ranks among the top-30 container terminals in the world.

It also operates terminals in Bahrain and Salalah in Oman. Both Colombo and Salalah are major ports on Europe-Asia sea-lanes and handle a significant volume of East-West trade, including trade from the Indian sub-continent. Colombo, in fact, is a major transshipment hub for India’s international trade.





While CONCOR is APMT's joint venture partner at GTI, it has also provided connectivity from Port Pipavav to all the major inland container depots (ICDs) in India. Pipavav and Nhava Sheva are the only ports that have dedicated reefer rakes (refrigerated containers transporting perishable commodities on rail) from Dadri near Delhi, ensuring access to international markets for major production hubs in north India.

Both Pipavav and Nhava Sheva are expected to see a huge increase in volumes over the coming years, especially after the ambitious dedicated rail freight corridor between Delhi and Mumbai goes on stream. The Union Cabinet recently gave its approval to a US\$ 3.8 billion conditional loan from Japan for the development of the corridor.

The government plans to develop two dedicated freight corridors – the 1,483-km Delhi-Mumbai western corridor and the 1,806-km Ludhiana-Dankuni eastern corridor linking Punjab to Bihar – as part of a major infrastructure development project. Besides the two dedicated railway lines, the project envisages industrial townships along the corridors generating investments of

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more than US\$ 50 billion.

The western corridor will link the northern hinterland to ports on India's western coast, including Pipavav, Mundra and Kandla in Gujarat, and Mumbai and Nhava Sheva in Maharashtra. These ports would be linked to ICDs at Tughlakabad (CONCOR's flagship ICD in Delhi), Dadri and Dandhari Kalan near Ludhiana in Punjab.

Most of the ports on the western coast are preparing for undertaking major expansion projects. The government's Public-Private Partnership Approval Committee, for instance, recently cleared a proposal for setting up a fourth container terminal at JNPT at an investment of US\$ 1.45 billion.

Not surprising then that APMT, one of the largest container terminal operators in the world, is drawing up ambitious expansion plans, both in Pipavav and Nhava Sheva. Menkhorst says the company – as most other international port operators – is keen on brownfield projects, rather than setting up greenfield ones.

"For a greenfield venture one has to bring at least US\$ 500 million to the table," he points out. "In these days of a global financial crunch, most port operators are not keen on such major projects and would prefer to invest in brownfield ventures."

With many state-owned Indian ports looking for private sector partners for undertaking future expansion projects, global port operators now have several opportunities to tap this growing infrastructure segment in India. 🚢