



PORTS

November 2010

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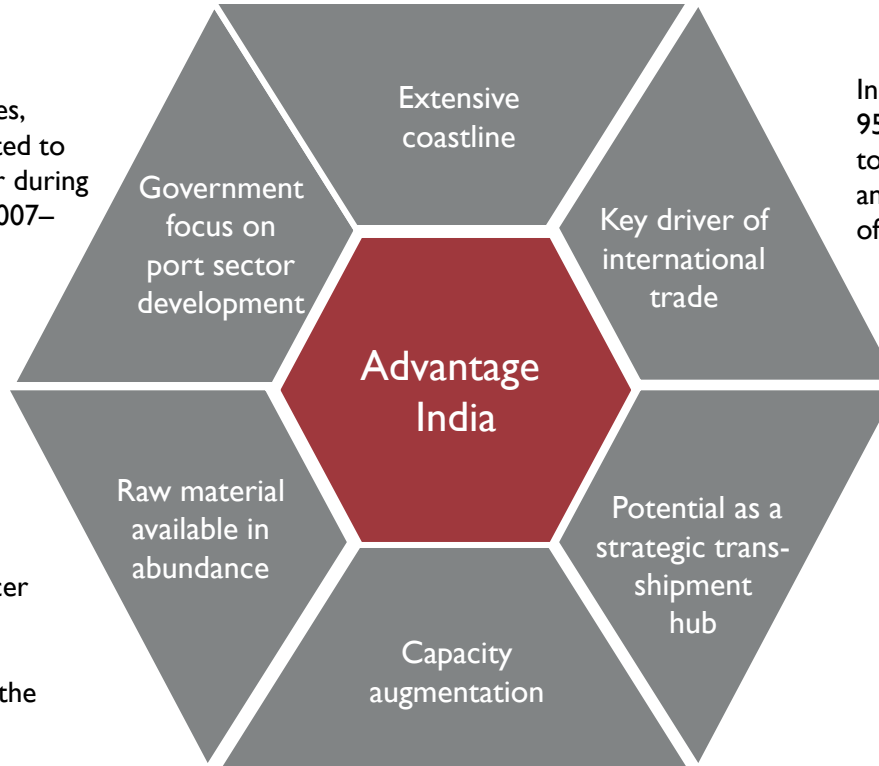
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Advantage India

India has a coastline that is more than 7,500 km long, which is interspersed with about 200 ports.

According to India's Planning Commission's revised estimates, about US\$ 8.5 billion is expected to be invested in the ports sector during the Eleventh Five Year Plan (2007–2012).

- Raw material such as cement, steel and iron are available in abundance.
- India is the second-largest producer of cement (2009–2010), the fifth-largest producer of steel (2009–2010) and the largest producer of direct reduced iron (2009–2010) in the world.



Indian ports handle more than 95 per cent of the country's total trade in terms of volume and about 70 per cent in terms of value.

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

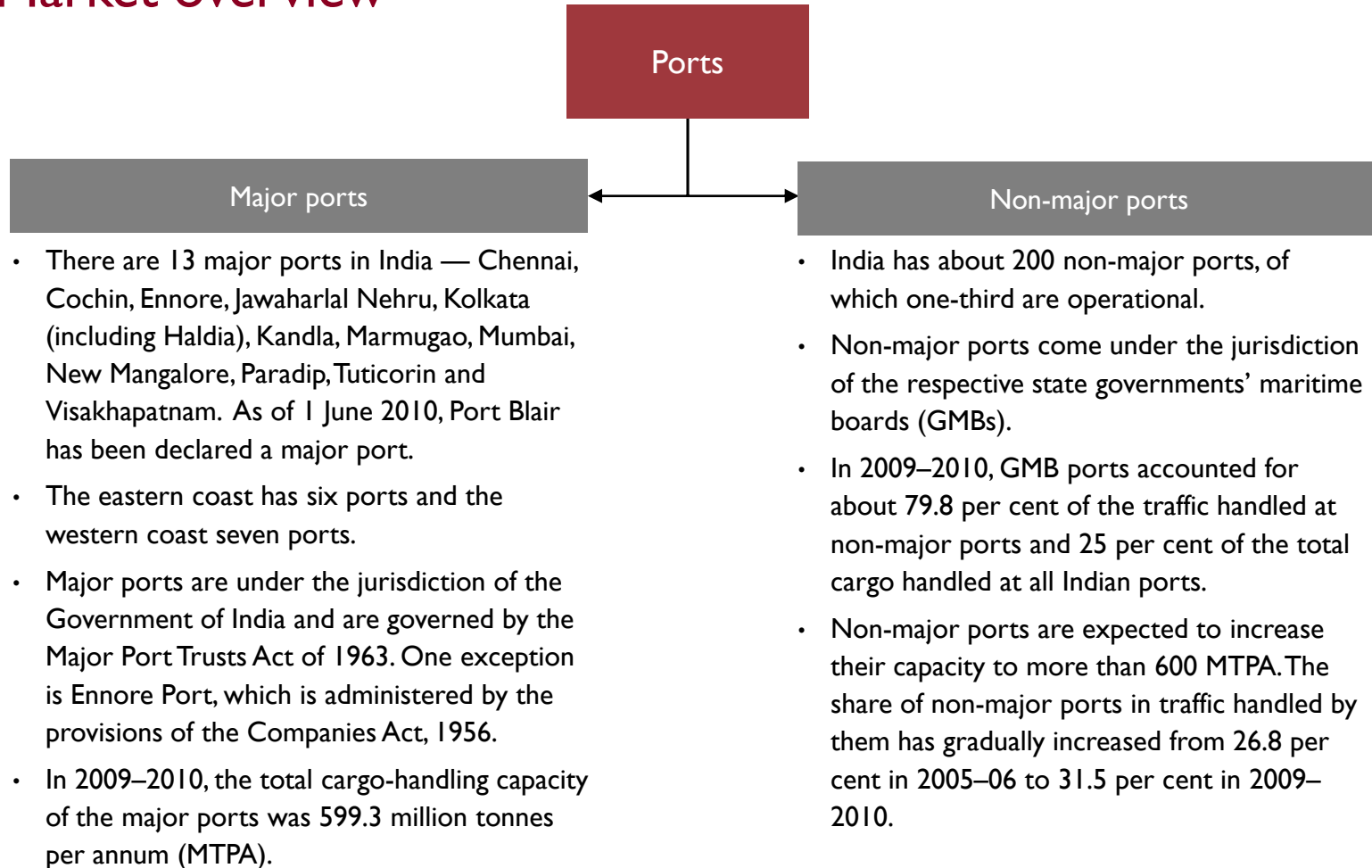
The annual capacity of India's major and non-major ports is expected to increase by up to 1.5 billion tonnes by 2012.

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 and 2009–10 annual report

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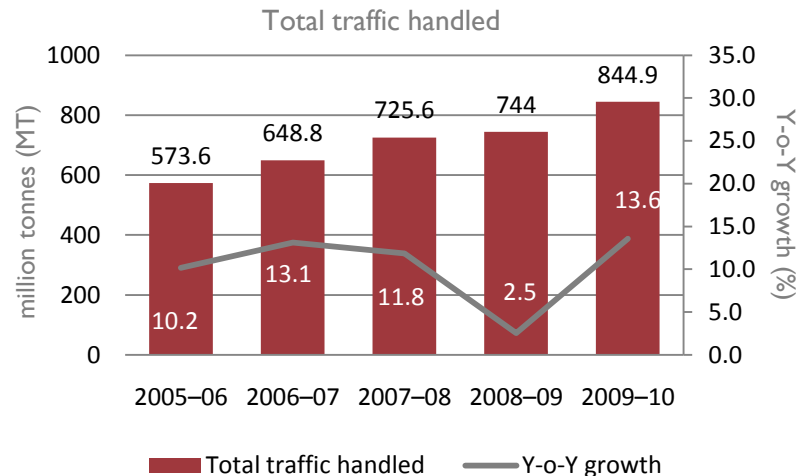
Market overview



Sources: Ministry of Shipping 2009–10 annual report; 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 November 2010

Traffic handled — performance overview

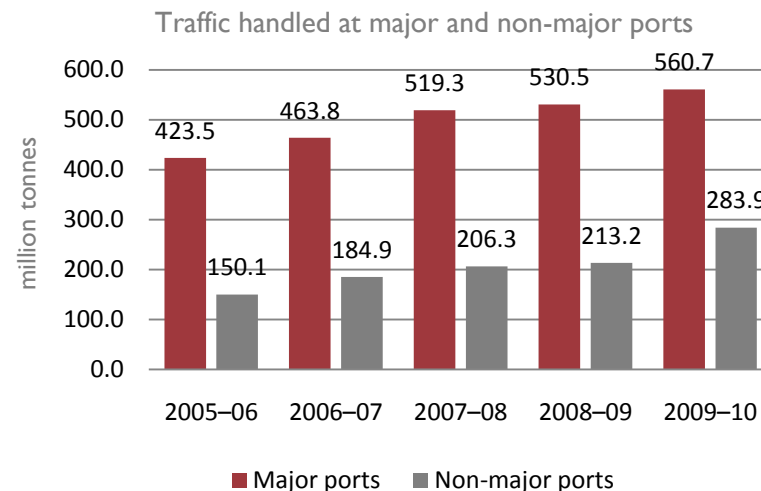
Total cargo traffic at Indian ports (major and non-major) increased at a compound annual growth rate (CAGR) of 9.1 per cent, from 578.7 MTPA in 2005–06 to 844.9 MTPA in 2009–2010, driven by substantial growth in the country’s international trade.



Sources: “State Wise Traffic Handled at Ports,” Indian Ports Association website, www.ipa.nic.in, accessed 16 November 2010; “Major Ports Statistics,” Indian Ports Association website, www.ipa.nic.in, accessed 16 November 2010; Ernst & Young analysis

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

- The country's 12 major ports account for 68.4 per cent of its total cargo traffic. Traffic at these ports has grown at a CAGR of 7.2 per cent from 423.5 MTPA in 2005–06 to 560.7 MTPA in 2009–2010.
- Between April 2010 and October 2010, the traffic handled at major ports stood at 319.9 MTPA.
- Between 2005–06 and 2009–2010, the traffic handled at non-major ports grew at a CAGR of 17.2 per cent.

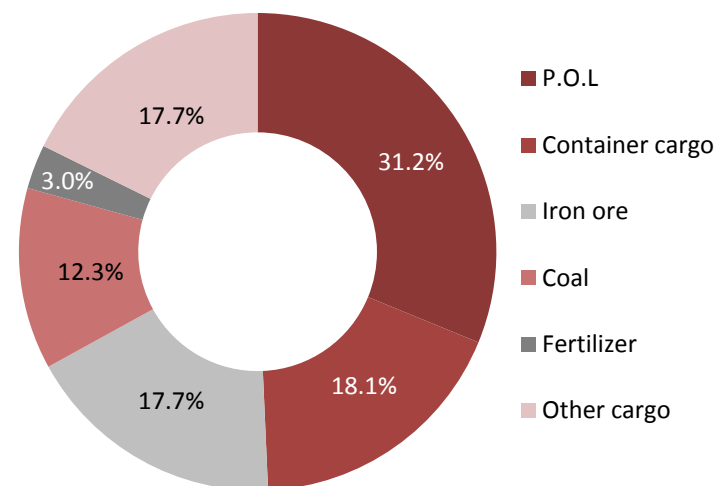


Sources: “State Wise Traffic Handled at Ports,” Indian Ports Association website, www.ipa.nic.in, accessed 12 November 2010; “Major Ports Statistics,” Indian Ports Association website, www.ipa.nic.in, accessed 12 November 2010; “Ports,” Ministry of Shipping website, www.shipping.nic.in/index1.asp?linkid=157&langid=1,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

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

- Petroleum, oil and lubricants (POL) cargo accounts for 31.2 per cent of the total cargo handled by major ports and has increased at a CAGR of 5.2 per cent between 2005–06 and 2009–2010.
- About 18.1 per cent of the total traffic handled at major ports in 2009–2010 is contributed by containerised cargo and 17.7 per cent by iron ore cargo.

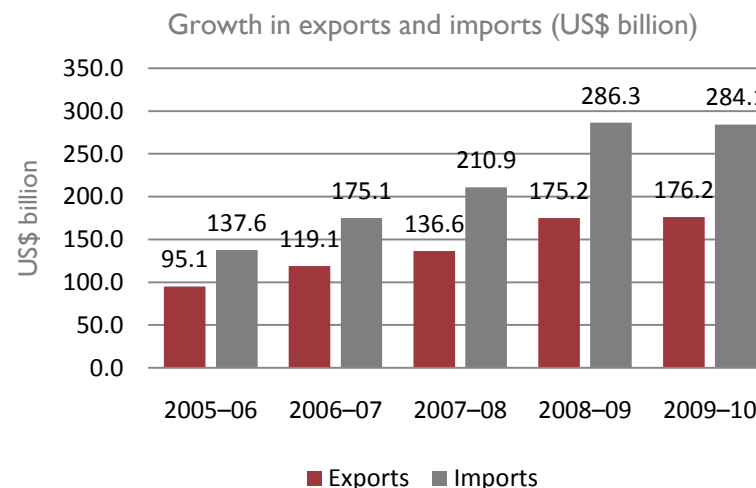
Commodity-wise traffic handled at major ports (2009–2010)



Sources: “State Wise Traffic Handled at Ports,” Indian Ports Association website, www.ipa.nic.in, accessed 10 November 2010; “Major Ports Statistics,” Indian Ports Association website, www.ipa.nic.in, accessed 12 November 2010; “Ports,” Ministry of Shipping website, www.shipping.nic.in/index1.asp?linkid=157&langid=1, accessed 13 November 2010; Ernst & Young analysis

Growth driver — increasing international trade

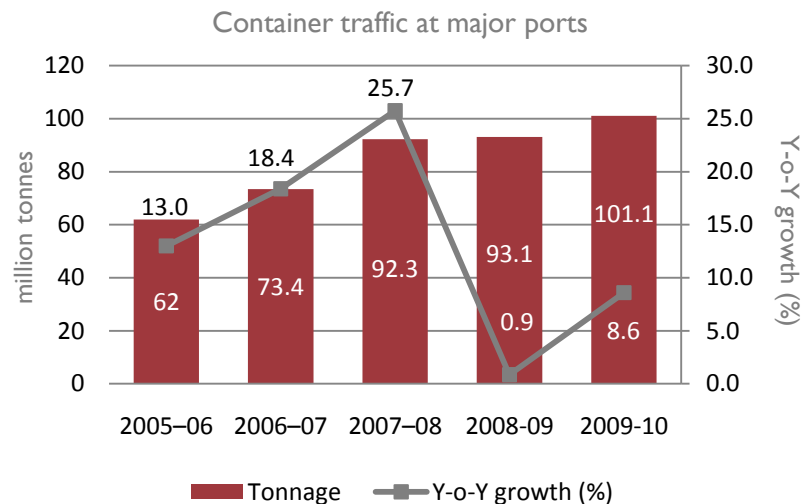
- Driven by the growth in international trade, the cargo handled at Indian ports is projected to grow at 7.7 per cent per annum until 2013–14.
- Indian ports handle more than 95 per cent of the country’s total trade in terms of volume and about 70 per cent in terms of value.
- Exports (including re-exports) grew at a CAGR of 14.7 per cent between 2005–06 and 2009–2010, while imports grew at a CAGR of 17.9 per cent.



Sources: “Data & Statistics,” Ministry of Finance website, <http://finmin.nic.in/>, accessed 10 November 2010; “Ports,” Investment Commission of India website, www.investmentcommission.in/ports.htm, accessed 12 November 2010.; Sector focus: “Ports and shipping,” Indian Infrastructure, August 2010; “Export Import Data Bank,” Ministry of Commerce website, <http://commerce.nic.in/eidb/ergn.asp>, accessed 16 November 2010

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

- Containerisation and container traffic at major ports grew at a CAGR of 13.0 per cent between 2005–06 and 2009–2010, 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 November 2010

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

The participation of private players in the sector is on the rise due to the increasing government support. There is a trend towards the establishment of power plants near ports and the use of large vessels, which is driving the process of upgrading and maintaining 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 berths on a revenue-sharing basis.

Use of 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, which will enable them to handle the additional tonnage of such large vessels.

Setting up of port-based power plants

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

Key players

Port trusts are the major players involved in the development of ports. Private participation in the sector has increased and various private companies are now also involved in developing 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 November 2010

Note: This is an indicative list.

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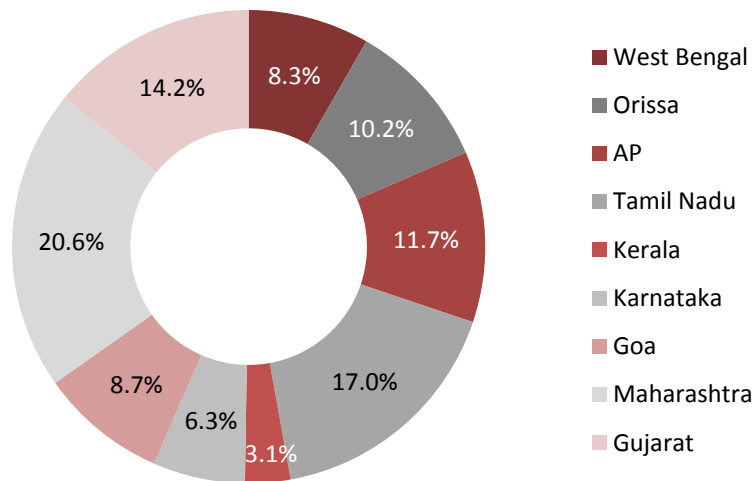
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Industry infrastructure – state-wise distribution ... (1/2)

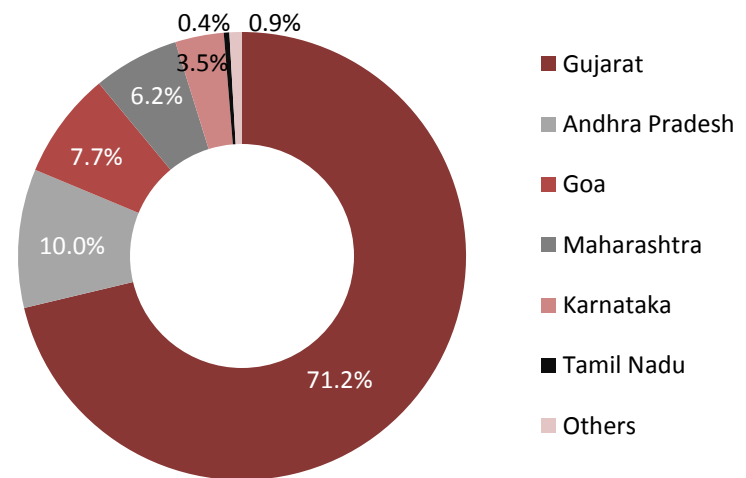
State	Number of non-major ports	Major ports
Maharashtra	48	Mumbai, Nhava Sheva (Jawaharlal Nehru Port Trust)
Gujarat	42	Kandla
Andaman & Nicobar Islands	23	-
Kerala	17	Cochin
Tamil Nadu	15	Tuticorin, Chennai, Ennore
Orissa	13	Paradip
Andhra Pradesh	12	Visakhapatnam
Karnataka	10	New Mangalore
Lakshwadeep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

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

Share of states in traffic handled at major ports (2009–2010)



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



Sources: Ministry of Shipping 2009–10 annual report; “State Wise Traffic Handled at Ports,” Indian Ports Association website, www.ipa.nic.in, accessed 10 November 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 (MT)	Cargo handled	Capacity utilisation
2005–06	456.2	423.5	93%
2006–07	504.7	463.7	92%
2007–08	532.1	519.1	98%
2008–09	574.5	530.4	92%
2009–2010	599.3	560.7	94%

- The Government is focusing on enhancing port capacity and increasing its investment in the sector. The annual aggregate cargo-handling capacity of India's major ports grew at a CAGR of 7.1 per cent from 456.2 MTPA in 2005–06 to 599.3 MTPA in 2009–2010.
- The capacity of the major ports is estimated to increase to 1,000 MTPA by 2011–12.

Sources: Ministry of Shipping 2007–08, 2008–09 and 2009–10 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 their 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	11.0	104
Tamil Nadu	0.8	49.1
Karnataka	4	46
Orissa	-	55
Goa	11.7	4
Kerala	0.1	28.9
West Bengal	-	7.8
Puducherry	-	10
Total	228.3	610.8

Source: Ministry of Shipping 2007–08 annual report

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Investments ... (1/4)

Private sector investment

- As on 1 August 2010, 24 private sector projects were operational in the country (with a capacity of 140.7 MTPA being added), while 16 projects [with an investment of US\$ 2.2 billion (INR 103.7 billion)] are being implemented (capacity expected to be added is 131.1 MTPA).
- The Ministry of Shipping (MoS) plans to launch 24 capacity-expansion projects at major ports, which entail an investment of US\$ 3.4 billion, by 2010–11. This is expected to add 216 MT in capacity.
- India is expected to witness commissioning of 24 greenfield port projects between 2016 and 2025. These projects will be spread across Gujarat, Andhra Pradesh, Kerala, Maharashtra, Orissa and West Bengal, and are expected to enhance the capacity of ports in these states by 835 MT.

FDI

- Backed by the expected high growth and 100 per cent FDI, the sector witnessed FDI of US\$ 1.6 billion between April 2000 and August 2010.

Sources: "Fact Sheet On Foreign Direct Investment (FDI)", Department Of Industrial Policy And Promotion website, www.dipp.nic.in, accessed 16 November 2010; Ministry of Shipping 2008–09 annual report

Investments ... (2/4)

Private equity (PE) investments

- The ports sector attracted PE investments worth US\$ 383 million between January 2005 and July 2010.

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	–
June 2010	Chennai International Terminals	PSA International	NA	27

Source: “Logistics Industry in India,” Ernst & Young, October 2009, via RAD.; Ministry of Shipping 2009–10 annual report

Investments ... (3/4)

Government investment

- The Government launched the National Maritime Development Programme (NMDP), which involved a total investment of US\$ 20.9 billion (INR 1,003 billion) up to 2011–12 in 2005, to support the maritime industry. The programme identifies 276 projects across the country's 12 major ports, and needs an investment of US\$ 11.6 billion (INR 558 billion). The projects are aimed at increasing capacity, raising private participation and improving the quality of services provided (as well as efficiency in the port sector).
- As of 31 May 2010, 52 projects had been completed of the planned 276 projects, with an investment of US\$ 11.6 billion, adding a capacity of 464.7 MTPA. Additionally, 76 projects were being implemented, while 17 had received the approval to commence work, but had not been awarded; 106 projects were still at the approval or preliminary stage and 25 had been cancelled.
- In the Eleventh Plan, the Government has set aside a budget of US\$ 3.9 billion (INR 185.3 billion) to develop India's major ports.

Source: Ministry of Shipping 2008–09 and 2009–10 annual report.; Sector focus: Ports and shipping, Indian Infrastructure, August 2010

Investments ... (4/4)

Some of the major projects in progress as on 1 August 2010:

Port	Project type	Estimated cost US\$ million	Capacity (MTPA)	Expected date of completion	Developer
Ennore	Coal berth	83.3 (4.0)	8	2010	South India Corporation Ltd
Ennore	Iron ore berth	104.2 (5.0)	12	2010	Sical Logistics Ltd
Paradip	Deep draught iron ore berth	123.2 (5.9)	10	December 2012	Consortium lead by Noyal 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 Pvt Ltd DP World

Source: "Ports," Ministry of Shipping website, www.shipping.nic.in/index1.asp?linkid=157&langid=1, accessed 16 November 2010

Note: Figures in parentheses are in INR billion.

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Policy and regulatory framework

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

- The Government has allowed FDI of up to 100 per cent under the automatic route for construction and maintenance of ports and harbours.
- It has offered a 10-year tax holiday to enterprises engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports.
- The Government has allowed non-major ports to determine their own tariffs, as opposed to regulation of tariffs at major ports by the Tariff Authority for Major Ports (TAMP).
- The Government 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 selected bidders for projects under the build, operate and transfer (BOT) model.
- The MoS has passed a regulation to prevent the monopoly of private players. According to the ruling, an existing private operator at a port cannot bid for the next terminal, to handle the same kind of cargo at the same port.

Sources: "Ports" Investment Commission of India website, www.investmentcommission.in/ports.htm, accessed 12 January 2010; Ministry of Shipping 2009–10 annual report; "Ports and shipping," Indian Infrastructure, August 2010

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Opportunities ... (1/2)

Increasing opportunities for private players

- As on 1 August 2010, 24 private sector projects were operational (with a capacity of 140.7 MTPA being added), while 16 projects (with an investment of US\$ 2.2 billion (INR 103.7 billion) were being implemented (capacity expected to be added is 131.1 MTPA).
 - The fourth container terminal at JNPT is the largest project on the anvil. The project, which involved an investment of US\$ 1.4 billion, received Cabinet approval in January 2010.
- During the Eleventh Plan, the Government expects the private sector to invest US\$ 7.7 billion (INR 370 billion) to develop major ports and US\$ 6 billion (INR 290 billion) in minor ports.
 - The Government 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.
- In 2009–2010, the Government has sanctioned 13 PPP projects worth US\$ 562.5 million (with a capacity of 66 MT).

Increased government focus on port sector development

- The Government is focusing on building transshipment ports in India, which will help to reduce the cost for shippers from India by handling transshipment in the country instead of using transshipment hubs such as Colombo, Dubai and Singapore.
- The Government has approved the report of the 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.
- 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 Government is enabling favourable conditions for private players to invest in building such infrastructure.

Sources: Ministry of Shipping 2009–10 annual report.; "Ports" Ministry of Shipping website" <http://shipping.nic.in/>, accessed 16 November 2010; "Ports: Economic Survey 2009–10," Union Budget and economic survey website, www.indiabudget.nic.in, accessed 16 November 2010.; "Eleventh Five-year plan (2007–2012)," Planning commission, Government of India website, <http://planningcommission.nic.in/>, accessed 11 November 2010; "Ports and shipping," Indian Infrastructure, August 2010

Opportunities ... (2/2)

Rising traffic

- The traffic at Indian ports has increased by 15 per cent in 2009–2010, as compared to 2 per cent growth in 2008–09, driven by the recovery of the economy from the global slowdown of 2008–09.
- In the last three years (2007–2010), Kandla Port in Gujarat has handled the bulk of major port traffic in the country.

Increasing scope of non-major ports

- In the last five years (2005–2010), the share of non-major ports in total cargo traffic has increased from 27 per cent to 32 per cent.
- Non-major ports have grown more rapidly than major ports since 2005. In the future, non-major ports are expected to attract a larger share of traffic, given the traffic diversion, attractive tariffs offered by minor ports and capacity constraints at major ports.
- Several greenfield non-major ports are in the pipeline. Around 24 greenfield projects, worth US\$ 12.2 billion, are expected to be commissioned between 2016 and 2025.

Other emerging areas in the port sector

- The Government is granting approval to the port-based special economic zones (SEZ). As of now, seven port based multi product SEZs have received formal approval, of which two have been notified.
- India has significant business potential in ship repairing, for which the major demand is expected to come from foreign ships. At present, three cruise terminals in Cochin, Goa and Mumbai are in the pipeline.
- Container freight stations (CFSs) and inland container depots (ICDs) have been developed to smoothen the process at ports. As on 31 March 2010, 246 CFSs/ICDs were approved and 50 CFSs/ICDs were in the pipeline.

Sources: Ports and shipping,” Indian Infrastructure, August 2010; Ministry of Shipping 2009–10 annual report.; ”Ports” Ministry of Shipping website” <http://shipping.nic.in/>, accessed 16 November 2010

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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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