

Adani Ports in fray to pick up stake in Dredging Corp

Govt is planning to sell 51% stake in the mini-ratna PSU

Sohini Das | Ahmedabad July 14, 2017 Last Updated at 20:11 IST



Adani Ports and Special Economic Zone (APSEZ), largest in this sector among private players, would reportedly enter the fray for acquiring the government stake in Dredging Corporation of India (DCI), a mini-ratna public sector unit.

The government apparently wishes to sell a 51 per cent stake; it has 73.47 per cent in the dredging major, which posted an 82 per cent drop in net profit for 2016-17. APSEZ has a fleet of 19 dredgers and would compete for the stake with other domestic dredging entities.

An APSEZ spokesperson said, "We believe in both organic and inorganic growth strategies and are always focused on identifying opportunities to grow."

DCI shares had touched a 52-week high in the first week of March this year as the news of government divestment had come in. A senior official in the company, who wished to stay anonymous, said they were yet to officially hear from the Centre on the stake sale plan.

He said the market was getting tough for DCI, with heightened competition from private entities. "Now we have to participate in bidding for getting dredging contracts and there is stiff competition. The Indian arms of international players often undercut prices, as they are facing a slowdown in the international markets," he said.

A decade earlier, DCI was dominating the Indian dredging scenario. Now, there is competition from Essar Group, Mercator, Marg and others.

APSEZ has the largest dredging capacity in the country. It primarily employs its dredgers for captive purposes but has begun taking outside work in the past two years, having done work for Tata Power and Gangavaram Port, among others.

DCI's market capitalisation is Rs 1,749 crore and is in the process of acquiring a dredger (for around Rs 900 crore), to be delivered over the next two years. APSEZ already has 12 cutter suction dredgers (CSD) mainly used for capital dredging, one trailing suction hopper dredger (TSHD), and one grab dredger. DCI has 12 TSHDs (for maintaining channel depth) and three CSDs, among others.

Hitesh Avachat, an analyst with CARE Ratings, said many Indian ports now have captive dredging activities. "This makes it difficult for independent dredging players with a fleet of maintenance dredgers. Capital dredging activities are not year-long," he said.

Sources also indicated that dredging being a capital-intensive activity, reducing idle time for a fleet is a crucial factor for improving of profits. DCI had a net profit of Rs 7.4 crore in FY17, with a net profit margin of 1.2 per cent.