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The volume of cargo traffic handled at the Indian ports has witnessed a considerable decline since March'20 on account of the synchronized global economic slowdown and lockdowns brought about by the Covid19 pandemic.

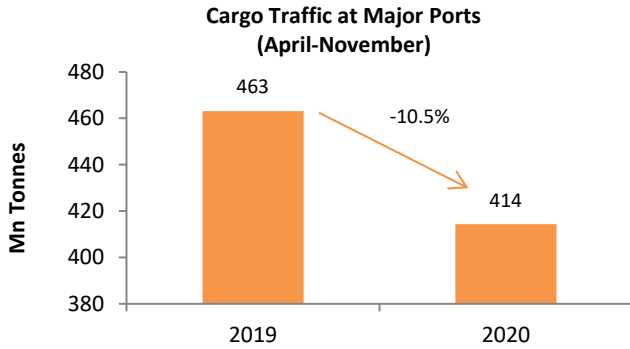
Economic activity and external trade determine the country's port activity given that around 95% of India's trading by volume is done through maritime transport. The shrinkage in the global economy (forecast to contract by 4.4% in 2020 by the IMF) and world trade (estimated to decline by 9.2% by the WTO) has had a direct bearing on the cargo traffic handled at the Indian ports. Also overall volume of foreign trade declined. Exports fell by 19% and imports 36% during the first 7 months of the year.

Prevailing Scenario

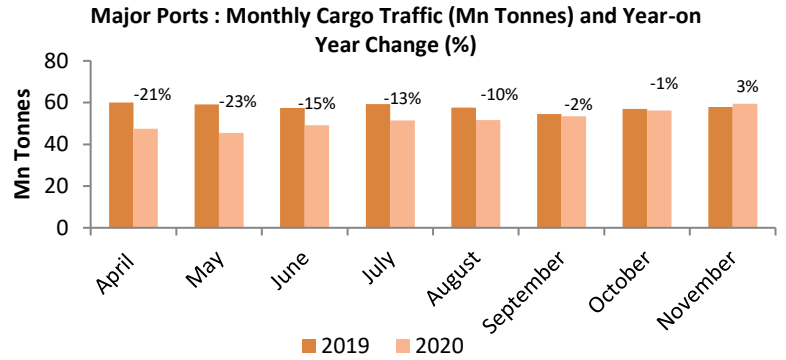
- Cargo traffic at the major and non-major ports has shrunk by over 10% so far in FY 2020-21 from a year ago.
- The traffic handled at the major ports have fallen by 10.5% during April-November'20 (year-on-year), while that at the non-major ports in the seven months to October'20 contracted by 10.8%.
- The deceleration in cargo traffic has eased since June'20. After eight months of contraction, the traffic at the major ports returned to growth in November'20. Traffic at the non-major ports too accelerated towards recovery, registering positive year-on-year growth in September and October'20.
- There has been a sharper decline of coastal cargo traffic compared with overseas cargo traffic at the major as well as non-major ports during the April-October'20 from a year ago.
- Only Mormugao Port saw a higher volume of cargo handled so far in the current financial year than a year ago amongst the major ports.
- Odisha and Goa were the only two states that witnessed growth in traffic handled at the non-major ports during April-October'20 from a year ago.
- Cargo volumes of POL, coal, and containers, has declined while that of fertilizers and iron ores have increased from a year ago.
- Project timelines are likely to have been pushed forward on account of the invocation of the 'force majeure' clause as well as the restrained investments by the private sector.

Gradual Recovery in Cargo Traffic at the Major Ports

Cargo traffic at India’s 12 major ports, which handles a little more than half the country’s maritime transport activity, declined by 10.5% to 414 mn tonnes during April-November’20 compared with last year. Following a sharp contraction from a year ago during April and May, which coincided with the national lockdown, there has been a gradual improvement in traffic at the major ports since June. After a gap of eight months in November traffic at the major ports was higher than last year by 3%. This is suggestive of a pickup in general economic activity and trade both domestically and globally.



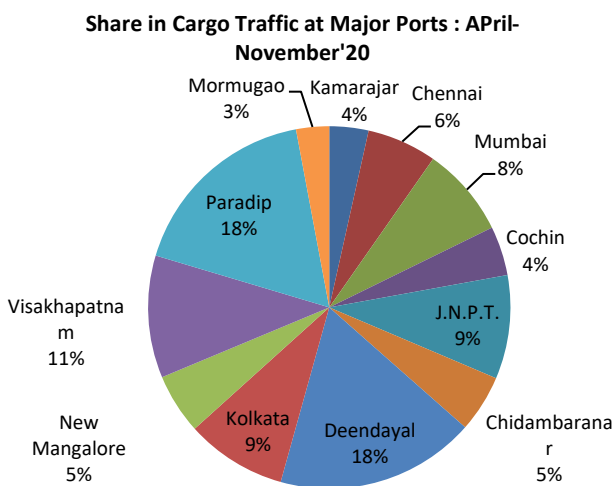
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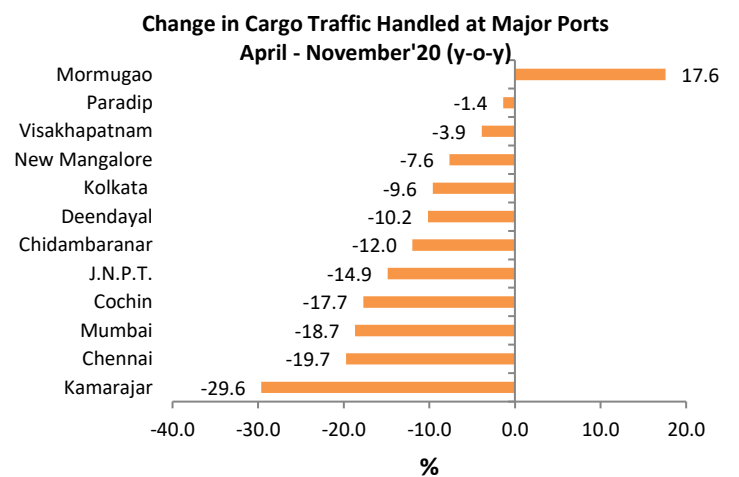
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Amongst the 12 major ports, Deendayal Port (Kandla) continued to handle the highest volume of cargo with a share of 17.8% followed by Paradip Port which accounted for 17.4% of the cargo traffic during April-November’20. The cargo handled at both these ports however was lower than a year ago by 10.2% and 1.4% respectively.

Mormugao Port, which handled 3% of the cargo traffic, was the only port that saw a growth (of 18%) in cargo traffic handled at the Major Ports during April-November’20. The sharpest fall in cargo traffic was at the Kamarajar Port (-30%), followed by the Chennai Port (-20%), Mumbai Port (-19%) and Cochin Port (-18%). Lower petroleum products cargo has led to the decline in cargo traffic at the Mumbai and Cochin ports while fewer containers led to the fall in traffic at the Chennai ports. The lower cargo of coal impacted traffic at Kamarajar port.



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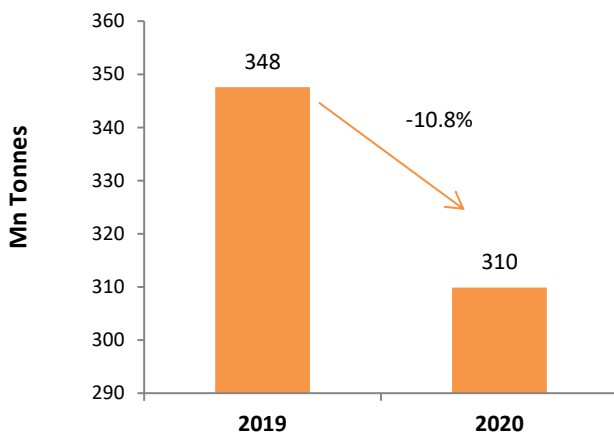


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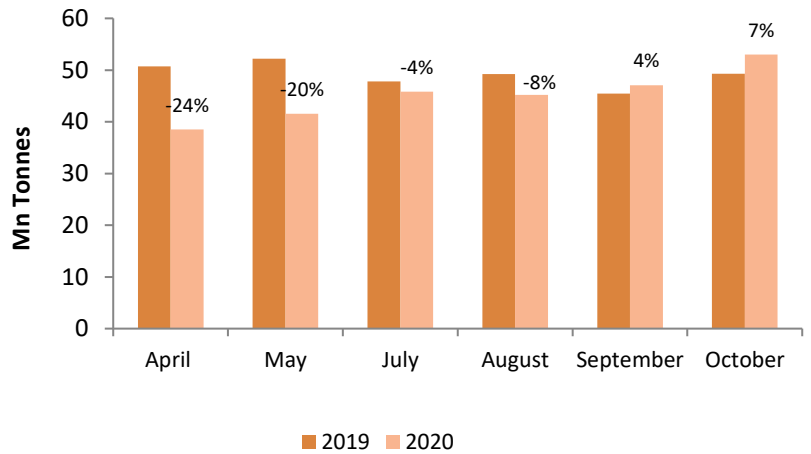
Faster Recovery in Cargo Traffic at the Non- Major Ports

The cargo traffic handled at the non-major ports which number 200, has fallen by 10.8% to 309.9 mn tonnes during April-October'20. There has however been a notable increase in traffic monthly from the sharp decline seen in April-May'20. The pickup in traffic has been faster at the non-major ports compared with the major ports, with the former returning to growth in September (4%) and October (7%), two months before the major ports saw positive year-on-year growth. The non-major ports accounted for 47% of the total cargo traffic handled at the Indian ports in the first seven months of the ongoing financial year.

Cargo Traffic at Non-Major Ports (April-October)



Monthly Cargo at Non-Major Ports (Mn Tonnes) and Year-on-Year Change (%)

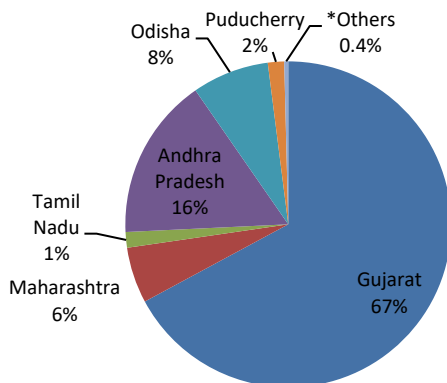


Source: Ministry of Shipping

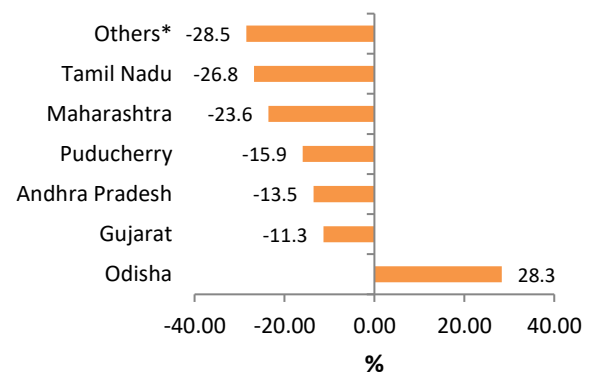
Source: Ministry of Shipping

In terms of cargo traffic at non-major ports, Gujarat has handled the highest volume of cargo traffic at 208 mn tonnes which is 67% of the total cargo traffic at these ports during April-October'20. The cargo handled at the port was nevertheless 11% lower than a year ago. The non-major ports across states saw a decline in cargo traffic for the period April-October'20 from the corresponding months of a year ago except for Odisha and Goa which recorded growth of 28% and 192% respectively.

State-wise cargo traffic handled at non-major ports April-October'20



Change in Cargo Traffic Handled at Non-Major Ports : April-October'20 (y-o-y)



Source: Ministry of Shipping. * includes Goa, Karnataka, Kerala and A&N Island

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Sharper fall in Coastal Cargo than Overseas Cargo

Even though it accounts for a smaller share in total traffic, the fall in coastal cargo traffic has been greater than that of overseas cargo during the April-October'20 from a year ago at the major as well as non-major ports. During April-October'20 coastal cargo traffic at the major ports (22% share in total traffic) declined by 18% from a year ago as against the 11% contraction in case of overseas cargo. Similarly, at the non-major ports, coastal cargo traffic (12% share in total traffic) fell by 27% while the overseas traffic declined by 8%. This decline in coastal cargo traffic could in part be attributed to the lockdown led disruptions, congestion, and delays at the ports which may have led to the preference for other modes of transportation amid the overall lower levels of economic activity.

Reduced volumes of energy products and containers cargo

Cargo volumes of POL, coal, and containers, which together accounted for 71% of the traffic at the major ports have declined while that of fertilizers and iron ores (15% share in cargo traffic) increased from a year ago during April-November'20. The year-on-year contraction has been the highest for coal at 19.4% followed by POL at 18.5%. Container cargo traffic has seen a decline of 11.8% during this period.

A similar trend was observed in the case of the commodity wise cargo traffic handled at the non-major ports. Here too, the cargo volumes of POL, coal, and container cargo declined while that of fertilizers and ores increased from a year ago during April-October'20. Among the other commodities, cargo volumes of Sugar have risen in the current financial year

Sagarmala Programme

The Sagarmala programme of the Union Government (launched in April'16) which aims at reducing the transportation and logistics costs for domestic as well as overseas trade and thereby facilitate a port-led economic development comprises 506 projects spread across states and UTs as of Sept'20(as per reply to Lok Sabha Question). All the projects are expected to be completed by 2035.

As of Sep'20,157 projects under the programme have been completed, while 181 projects are under implementation and 168 projects are under development. Implementation of these projects is being done by the Central Government, State Governments / Maritime Boards, and SPVs through the Public Private Participation (PPP). The estimated infrastructure investment for the projects under the programme is Rs. 3.55 Lakh Crores.

Andhra Pradesh has the highest number of projects at 96 followed by Maharastra which has 90 projects. Tamil Nadu which has a total of 87 projects under the programme has had the highest number of completed projects at 36.

The invocation of the 'force majeure' clause by the Ministry of Shipping at end of March'20 coupled with the lower investment appetite of the private sector amid the sharp economic weakness and uncertainty over recovery is likely to have pushed forward the timelines for the project completion, implementation, and development by at least 1 to 2 years.

Key Policy Announcements

Several policy measures have been announced by the Ministry of Shipping in recent times aimed at improving the ease of doing business in the maritime sector as well as providing relief from the pandemic led disruptions.

- Covid-19 related relief measures:

- Major Ports not to levy any penalties/charges/fees on any Port user for any delay caused due to COVID-19
- Exemptions on penalties, demurrages charges, fees, rentals levied on any Port user for any delay in berthing or loading/ unloading operations or evacuation of cargo caused due to lockdown measures (22 Mar-14 Apr).
- Major Ports permitted to extend the timeline for completion of projects under implementation along with the waiver of penal consequences for existing and operational projects under the PPP mode.
- Invoked Force Majeure clause permitting extension of the period of completion of projects.
- SAROD Ports:
 - Affordable Dispute Redressal Mechanism for disputes pertaining to the maritime sector.
 - Intended to resolve the disputes in a fair and just manner that would result in savings in time and legal expenses.
 - Improves ease of doing business.
 - Would help attract private sector investment.
- Major Ports Authorities Bill 2020
 - Reorientation of the governance model in central ports to landlord model, which enable leasing of port infrastructure to private operators.
 - Aim to bring about independence and professional governance in the operation of major ports.

Outlook

The improvement in the port sector would be dependent on the pace and extent of the economic recovery, domestically as well as globally. While cargo traffic is expected to sustain the monthly improvements, the volumes for the financial year 2020-21 would be lower than the previous financial year by 5 to 7%. The increase in energy consumption with the resumption of economic activity would result in higher cargo traffic of POL and coal in coming months.

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