Ports sector April 2020 update

April 7th, 2020 | Industry Research

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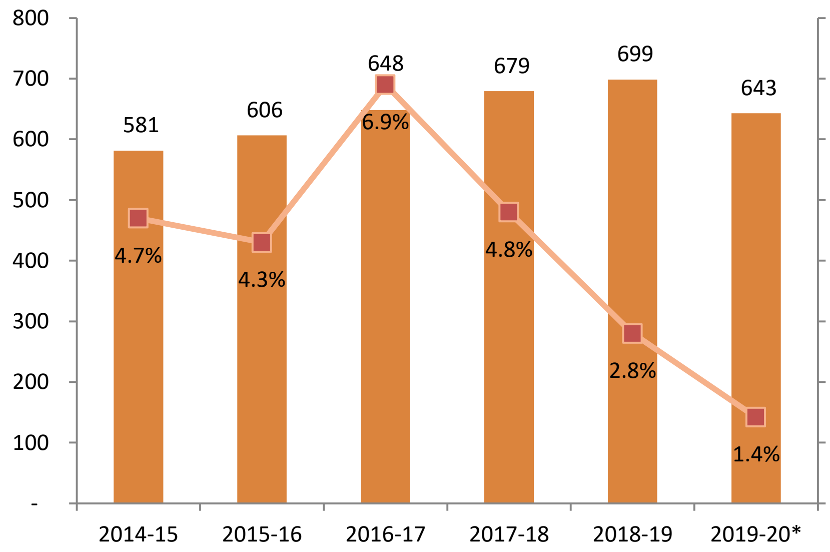
Overview

According to the Ministry of Shipping, around 95% of India's trading by volume and 70% by value is done through maritime transport. India has 12 major (6 on the Eastern coast and 6 on the Western coast) and 205 notified minor and intermediate ports.

In this report we are analysing the statistics pertinent to the 12 major ports.

Chart 1: Traffic Handled by Major Ports (Unit: Million Tonnes)



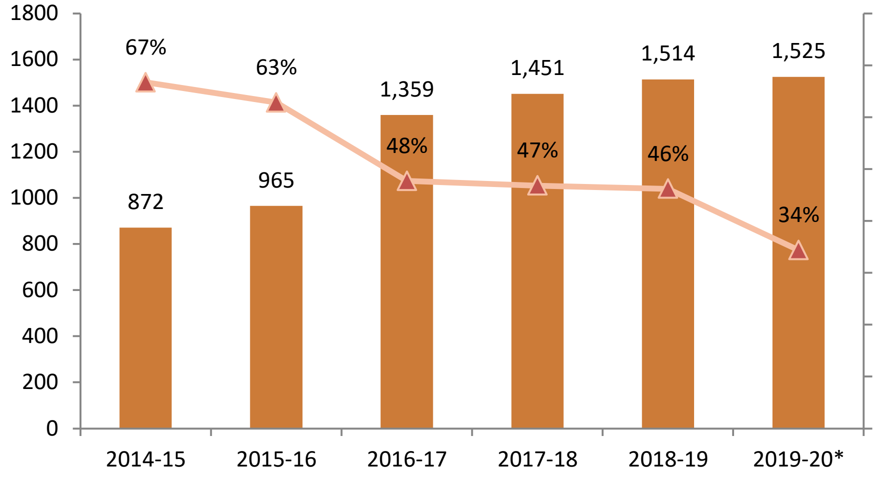
Source: IPA *April-February

Cargo traffic handled by the domestic ports has grown at a CAGR of 4.7% during FY15-19. In FY20 (April-February) period cargo traffic handled by Indian ports has deaccelerated and grown by only a mere 1.4% as compared with the 2.8% growth achieved in the corresponding period in the previous financial year. Escalated tensions and weakness in global trade due to the trade/tariff wars between China and the US and the prevailing slowdown in the Indian economy has led to the subdued trade growth.

Growth achieved during FY20 (April-February) has been supported by an increase in the operations attained in the Haldia Dock Complex (Kolkata), Paradip, Visakhapatnam, V.O.Chidambaranar, Cochin, Mumbai and Deendayal ports.

Capacity of Major Ports

Chart 2: Capacity (Unit: Million Tonnes) and Capacity utilization (Unit: %) of Major Ports



Source: IPA *April-December (annualised)

Capacity addition over the last 5 years has grown at a robust rate of 14.8% CAGR during FY15-19. Increasing trade activities and private participation in building the port infrastructure has supported the increase in capacity. However it has not resulted in a commensurate increase in the utilization rates as it has fallen from a 67% utilization rate during FY15 to 46% during FY19. During FY20 (April-December) capacity utilization rates has fallen even further to 34% due to the weakness in global trade since the start of FY20.

Capacity Expansion of existing Major Ports

For all the 12 major ports, master plans have been finalized. From the port master plans, 92 port capacity expansion projects (cost: Rs. 58,884 crore) have been identified for implementation over next 20 years and it is expected to add 712 MTPA capacity at major ports.

Cargo Profile at Domestic Major Ports

Table 1: Product-wise volumes handled by Indian Ports (Unit: Million Tonnes)

	POL	Iron Ore	F&RM	Coal	Container	Other Cargo	Total
2014-15	189	18	16	118	119	121	581
2015-16	196	15	16	126	123	130	606
2016-17	212	43	14	118	125	137	648
2017-18	227	41	15	121	134	142	679
2018-19	232	34	15	128	145	144	699
2019-20*	244	50	15	134	135	65	643

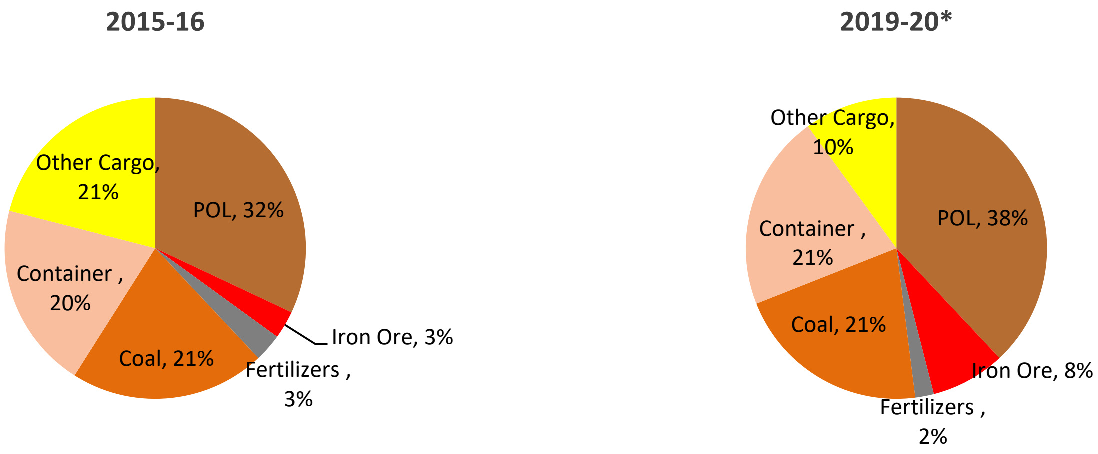
Source: Ministry of Shipping, IPA *April-February

POL products (crude, prod., LPG/LNG), coal (thermal and coking coal) and containers mainly account for ~70% of the cargo handled by the major Indian ports. Iron ore (including pellets), fertilizers (F&RM; finished and raw materials) and other cargo account for the remaining ~30%.

Traffic in terms of cargo handled by major Indian ports has grown at a CAGR of 4.7% during FY15-19 whereas traffic of iron ore, POL, container and coal has grown at 17.4%, 5.3%, 5% and 2% during the same aforementioned period. Fertilizer cargo traffic (finished and raw materials) on the other hand has fallen by 1.7% during FY15-19. Fall in fertilizer cargo traffic can be attributable to increase in domestic production thus shifting the reliance from its imports.

During FY20 (April-February) there has been a sharp increase in cargo traffic of iron ore by 43.1% whereas fertilizer, POL and container cargo traffic has increased by 10.3%, 2.5% and 2.1% respectively. Cargo traffic of coal has fallen by 8.4% mainly due to the fall in demand for thermal coal.

Chart 3: Percentage-wise Commodity-wise Cargo Traffic at Major Ports



Source: Ministry of Shipping, CARE Ratings *April-February

In the last 5 year period there has been a perceptible shift in an increase in POL and iron ore cargo handled by the major ports from it being 32% and 3% (~35%) of the total cargo handled during FY16 to it 38% and 8% (~46%) of the total cargo handled during FY20 (April-February). Percentage share of fertilizers, coal and container traffic has relatively remained stable.

Update on Sagarmala

The Sagarmala Programme is the flagship programme of the Ministry of Shipping to promote port-led development in the country through harnessing India's 7,500 km long coastline, 14,500 km of potentially navigable waterways and strategic location on key international maritime trade routes. The main vision of the Sagarmala Programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment.

Table 2: Summary of projects under Sagarmala

Project Theme	Total		Completed		Under Implementation	
	#	Project Cost (Rs Cr)	#	Project Cost (Rs Cr)	#	Project Cost (Rs Cr)
Port Modernization	206	78,611	81	24,113	59	24,288
Connectivity Enhancement	201	1,28,786	38	9,416	88	91,157
Port Led Industrialization	34	1,42,457	8	45,300	23	96,046
Coastal Community Development	59	5,300	16	1,403	20	954
Total	**500**	**3,55,154**	**143**	**80,233**	**190**	**2,12,445**

Source: Ministry of Shipping; Note: #no of projects

Under the 4 project themes of Sagarmala viz. port modernization, connectivity enhancement, port led industrialization and coastal community development, 500 projects have been identified at an estimated infrastructure investment of Rs. 3.55 Lakh crore. Out of these, 143 projects (worth Rs. 0.88 lakh crore) have been completed, and 190 projects (worth Rs. 2.12 Lakh crore) are already under implementation. These projects are being implemented by relevant Central Ministries, State Governments, Ports and other agencies primarily through the private or PPP mode.

As part of the Sagarmala, 93 projects (worth Rs. 5,533 crore) have been sanctioned by the Ministry of Shipping at a cost of Rs. 1,821 crore and total fund released is Rs. 1102 crore till December 2019.

COVID-19 Impact on the Ports sector

The pandemic has caused disruption to logistics supply chains, leading to delays in clearing of goods from ports which has led to some cargo owners suspending their operations and detaining of containers.

Following the 21-day lockdown announced by the Government of India, the Directorate General of Shipping (DGS) has imposed a14-day quarantine on shipping vessels arriving from any port in China and any nation affected by COVID-19. The vessels arriving after 14 days of departure from a coronavirus-infected country are, however, not required to comply with the additional precautionary measures. Stoppages of a vessel at any port of the affected countries only for refuelling will not be considered for the calculation of 14 days.

Ports which are not able to comply with the specified requirements have been told not to allow berthing for vessels arrived within 14 days from the infected countries. In order to ensure delivery of essential goods and commodities like fuel, medical supplies and food grains shipping services are not suspended.

The Ministry of Home Affairs has also ordered that each major port shall ensure that no penalties, demurrage, charges, fee, rentals are imposed on any port user for delay in berthing, loading or unloading operations, or evacuation or arrival of cargo caused by the reason attributable to lockdown measures from 22nd March to 14th April 2020.

In terms of port construction, the shipping ministry in its order stated that the period for completion of any project under PPP or any other mode can be extended by the ports, while allowing waiver of penal charges for existing and operational PPP projects on a case to case basis.

The ministry also intimated major ports that COVID-19 can be considered as a natural calamity that would entitle ports to invoke the force majeure (a clause absolving companies from meeting their contractual commitments for reasons beyond their control) provisions in various contracts.

Kolkata Port Trust has declared force majeure at its Haldia Dock Complex, becoming the first state-owned major port trust to invoke the clause in the wake of the outbreak of the coronavirus. Most of the private ports and terminals operating in the country too have invoked the force majeure clause as most of them are involved in end to end contracts.

Concluding Remarks and Outlook for FY21

With the spread of the novel coronavirus across the globe, resulting in an increase in cases worldwide, countries are forced to go into lockdown and adopt "social distancing" as means to combat the virus, thus halting economic and manufacturing activities globally. Economies world over are under lockdown and post lockdown also it will be long before countries will resume operations.

Ports are to register a fall in cargo handling traffic by 10-12% during FY21. Cargo handling by major ports had increased by 2.8% during FY19 and 1.4% during FY20 (April-February).

- POL exports and imports (which accounted for 38% of the cargo handled during FY20) will take a hit because of low demand oil as countries across the world have seen global energy demand fall sharply due to the spread of the pandemic in the US, UK and much of mainland Europe and Asia. India's crude oil imports are also expected be to be 5.1% down during FY21.
- India's power sector performance is expected decline significantly during FY21, due to the likely prolonged disruptions caused by the contagion. Electricity demand is expected to contract during the year, largely driven by slippages in commercial and industrial demand thus also affecting imports of coal as well.
- Demand for steel is to be subdued due to temporary halt in building and construction activities and production of automobiles, thus affecting the shipment of iron ore.
- Container traffic is to be limited as well due to port congestion and increase in turnabout time which has resulted in problems in clearing import containers due to factory closures and migration of factory workers. This can potentially dissuade international container companies in order to avoid their carriers to be stuck at the Indian ports.

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