# PRESENTATION ON VIABILITY & PROFITABILITY OF DRY PORTS

BY

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#### INFRASTRUCTURE SECTORS

- Growing Economy BRIC
- Indian GDP growth:

2008-09	6.7%
2009-10	7.4%
2010-11	9.3%
2011-12	6.2%
2012-13	5.0%

- Infrastructure Key to GDP growth
- × Sectors
- Sea Ports & Dry Ports
- Airports
- Railways
- Roads & Expressways
- Telecommunication

#### **INDIAN PORTS**

- × 7,516 km of long coast line
- × 13 Major Ports (74 % Cargo)
  - + Government Ports
  - + Govt. Ports under Public Private Partnership
  - + Private Port
- × 187 Minor & Intermediate Ports (26% Cargo)
- Maritime Transport falls under "Concurrent List" in Federal Constitution
  - + Major Ports Central Government
  - + Minor & Intermediary Ports 9 State Govt.

#### **CARGO HANDLED**

(2009 - 2010)

- Cargo Handled by all Indian Ports 561 million tons
- Increase over Previous Year 5.74 %
- Expected Growth until 2013-14 7.7%
- Containerised Cargo 6.86 million TEUs
- Increase over Previous Year 4.25 %
- Container Traffic handled at Mumbai 60%

#### BASIC FEATURES OF A PORT

- Draft of 12 to 15 metres
- Quay Length of about 600 metres
- Loading Unloading Facility for the Cargo from the Ships
- Customs Clearance
- Cargo Handling for Despatch from and to Hinterland
- Connectivity through Rail and Road
- Integrated Facilities Developed by Upcoming PortsICTT at Vallarpadam, Cochin

#### **CONCEPT OF DRY PORT**

- Often Called Inland Port or Multimodal Logistic Centre
- An Inland Terminal Connected to Sea Port by Rail or Road
- Transhipment Point in Transport of Export & Import of Goods
- Offers Facilities Similar to Seaport Except that It is Not Near a Sea

#### **NEED FOR DRY PORT**

- Employed to Relieve Sea Port of Some Workload and Congestion
- Basically Applicable to Container Cargo
- Facilitates Seemless Movement of Container Cargo
- It Is an Important Link between Hinter Land and Sea Port for Import and Export of Container Cargo

#### **FACILITIES AT DRY PORT**

- Container Yards Stuffing & Destuffing of Container, Palletisation of Cargo
- **×** Customs Clearance
- × Warehouses General Cargo, Bonded Cargo
- Railway Siding
- Cargo Handling Facility
- Road Transportation Facilities for Short Distance Movements

#### **CONTAINER CORPORATION OF INDIA**

- Established in 1988 with Share Capital of Rs. 650 million as Government Company
- Currently 37% Disinvested to Public and 63% Held by Central Government
- Container Cargo Movement Opened to Private Sector during Yr 2006
- About 13 Players are Operating in the Competitive Field
- Extent of Containerisation Yet Low Compared to International Yardstick – likely to Increase from 35% to 70%

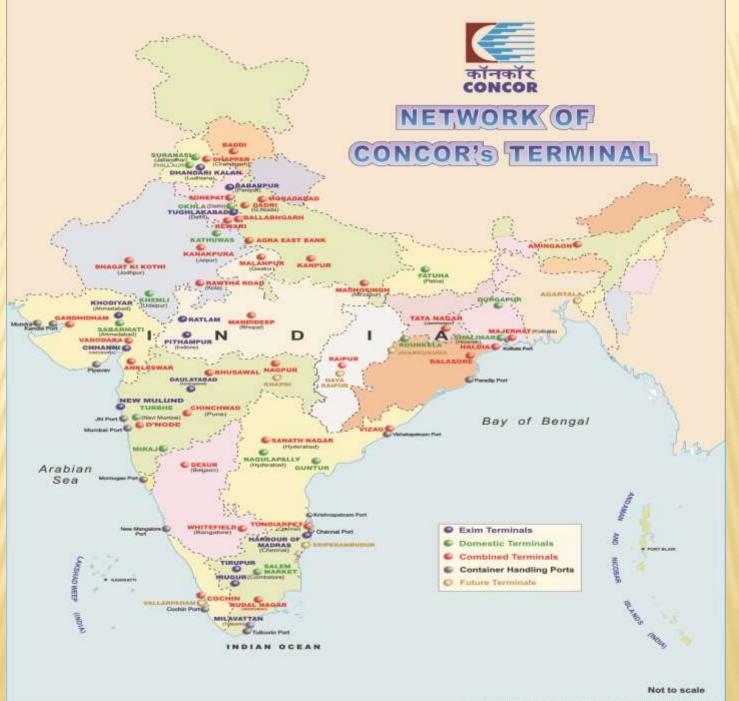
#### **OPERATING PARAMETERS YR. 2012-13**

- Exim Handling: 2,152,034 TEUs (+ 0.75%)
- Tonnage in Exim: 24.49 mt (10.56%)
- Domestic Handling: 433,652 TEUs
- ★ Growth in Domestic: (-) 7.4%
- Market Share: 77%
- Hub & Spoke Policy

#### FINANCIALS OF CONCOR YR. 2012-13

(Figures in Millions of Rs.)

- Equity Capital Rs 1,300 (Debt Nil)
- × Net Worth Rs. 6,281
- Market Capitalisation 124,110
- Annual Turnover Rs. Rs.47,434
- × Net Profit Rs. 9,400
- Earning Per Share 72.32



#### INFRASTRUCTURAL FACILITY

- International and Domestic Cargo
  - + Exim Handling
  - + Domestic Handling
- × 61 ICDs All Over India
- Container Handling Equipments Reach Stackers (Owned & Hired)
- High Speed Wagons
- Containers (Owned & Leased)
- Dedicated Train Services

#### **CONCEPT OF COST CENTRE**

- Each ICD to be a Cost Centre
  - + Analysis of Operating Cost, Earnings & Margin
  - + Principles of Apportionment of Cost
  - + Sharing of Earnings
  - + Profitability of Terminal
- Margin Segment wise
  - + International
  - + Domestic
- Margin Activity Wise
  - + Rail Transportation
  - + Ware Housing
  - + Handling

#### INVESTMENT DECISION

- Capital Investment to be financial Viable
- \* Techniques Used IRR, PVR using DCF Technique
- × New ICD
- New Ventures Air Cargo, Coastal Shipping
- Other Types of Investment
  - + Investments in Rolling Stock
  - + Improvements in Yard Facilities
  - + Warehouses

#### **BUSINESS DEVELOPMENT ENDEAVOURS**

- Business Development through Joint Ventures
- x 13 Container Freight Station Developed in JVs
- CHA (Customs House Agent)
- Role of Shipping Lines
- IT Enablement to Develop Integrated System of Communication
- Automation

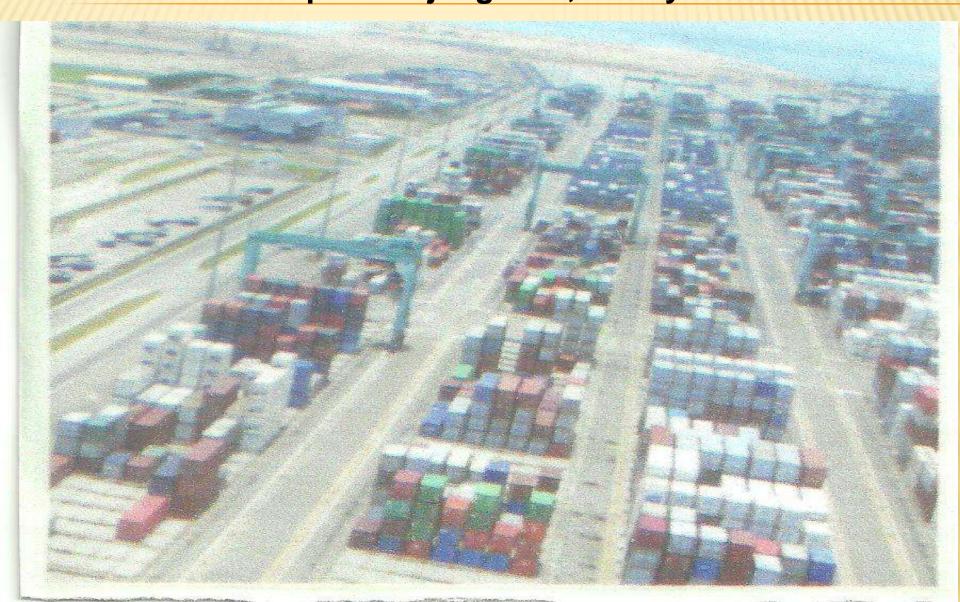
#### ISSUES FOR DEVELOPMENT OF ICD

- Capital Intensive
- Long Gestation Period
- × Land Being Scarce
- Operational Factors
  - Balancing of Export and Import for Running Full Load Trains
  - Availability of Empties
  - + Stabling of Rakes
- Demand & Supply for Consumption for Domestic Traffic

#### PUBLIC PRIVATE PARTNERSHIP IN DRY PORTS

- World Bank Report Indian Logistic Cost is One of Highest due to Imbalance of Demand & Supply
- PPP Major Thrust in Development of Dry Ports State Govt., Concession Agreement by Railways
- Objectives :
  - + Speed
  - + Reliable Door to Door Service
  - + Complete Logistic Solution
  - + Sharing of Resources

### Free Economic Zones Pelepas Tanjung Port, Malaysia.



#### FEATURES OF TANJUNG PORT

- The entire area has been declared "free zone" which provides no Custom formalities
- Seamless documentation via Online system
- \* 40,000 Sq.Mtr. of Warehouse space suitable for distribution, consolidation, warehousing, manufacturing and transhipment activities.
- Govt. incentives for manufacturing, regional distribution centre and international procurement centre.

#### DISTRIPARK

- About 1600 Acres. of land adjoining the port areas has been developed as Distripark with all Govt. incentives for manufacturing, regional distribution and international procurement.
- About 13 Global players have set up their facilities within PTP Distripark which includes Flextronics, CIBA Vision, Cooper Cameron, Maersk Logistics etc.
- Business facility has been provided by exempting from customs duty, excise duty, sales tax and service tax by Govt.

#### **PSA PORT - SINGAPORE**

- Developed as a separate enclosure outside but adjoining the port area to carry out all CFS operations.
- Buildings and other related fixed structure has been developed by PSA and the 50 warehouses have been outsourced/leased to 23 companies for carrying out their respective CFS operations.
- Companies provide their own handling equipments and trailers for carrying their load.
- The common user facilities such as workshop for repairs and maintenance of handling equipments etc however provided by PSA.

#### **GOVT. INITIATIVES**

- Dedicated Freight Corridor
  - + Dedicated Rail Corridors to Haul Freight Traffic to Connect the Ports to ICDs
  - + Rs. 700 Billion Investment Plan to Construct Western and Eastern Corridor
  - + Funded by World Bank, JAICA, and Government of India
- Double Stack Container Trains

#### **DELHI MUMBAI INDUSTRIAL CORRIDOR (DMIC)**

- \* \$ 90 Billion DMIC Project Stretches over about 436,500 Sq KM in 6 States of India
- Encompassing 20 Potential High Growth Economic Zones
- Develop Manufacturing Services & Export Oriented Hub
- Create a Chain of Free Trade Warehousing Zones & Freight Logistic Parks with Rail & Road Connectivity

#### **GOVERNMENT TAX INCENTIVES**

- \* Applicable to New Investments in ICD / CFS
- Earnings for 10 Consecutive Years out of 15 years of Construction exempted from Corporate Tax

## Thanks