



INDIAN LOGISTICS INDUSTRY ANALYSIS

MAY - 2023

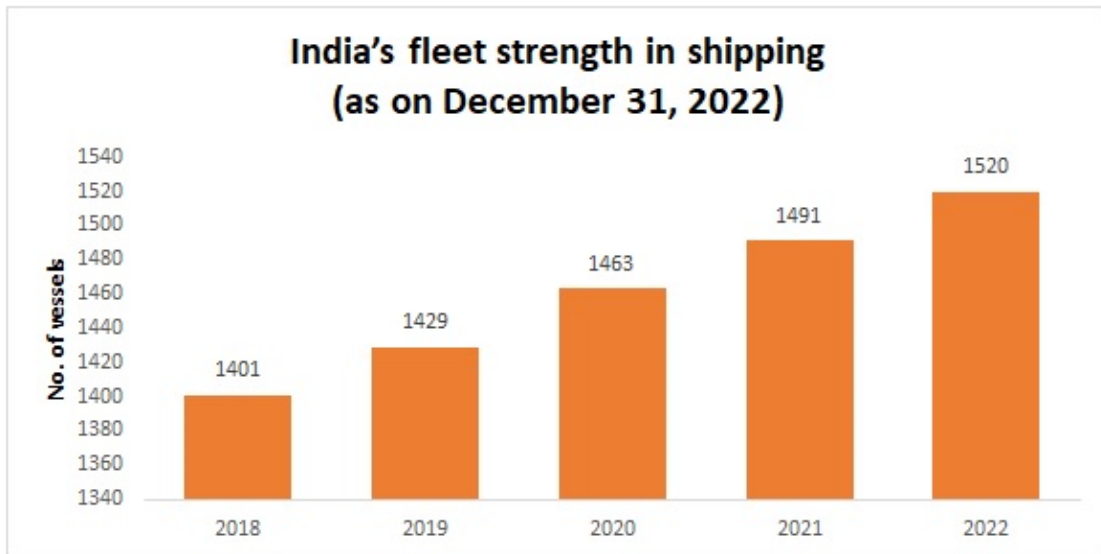


India is considered as a major player in the global logistics industry on account of its significant maritime industry. Maritime transport, which plays a vital role in the development of the country, comprises ports, shipping, shipbuilding and ship repair, and inland water transport systems. India has a sprawling coastline of over 7,500 kilometers with one of the largest exclusive economic zones in the world. Ports provide an interface between the ocean transport and land-based transport. There are 12 Government Owned Major Ports in India out of which 6 are located on the East Coast and 6 on the West Coast. More than 50% of the total cargo is being handled at 12 major ports in India. Major ports are under the jurisdiction of the Government of India and are governed by Major Port Trusts Act 1963, except Ennore port, which is administered under the Companies Act 1956. Non-major ports come under the jurisdiction of the respective state Governments' Maritime Boards (GMB).

Shipping plays an important role in the economic development of the country, especially in India's international trade. The Indian shipping industry also plays an important role in the energy security of the country as energy resources such as coal, crude oil and natural gas are mainly transported by ships. Further, during a crisis situation, Indian shipping contributes to ensure uninterrupted supply of essentials and serves as the second line of defense. Around 95% of the country's trade by volume and 68% by value is moved through Maritime Transport. India is one of the world's top 5 ship recycling countries and holds a 30% share in the global ship recycling market. India ranks 18th in the World's Shipping Tonnage. India has become the fourth country in the world to have its independent Regional Navigation Satellite System.

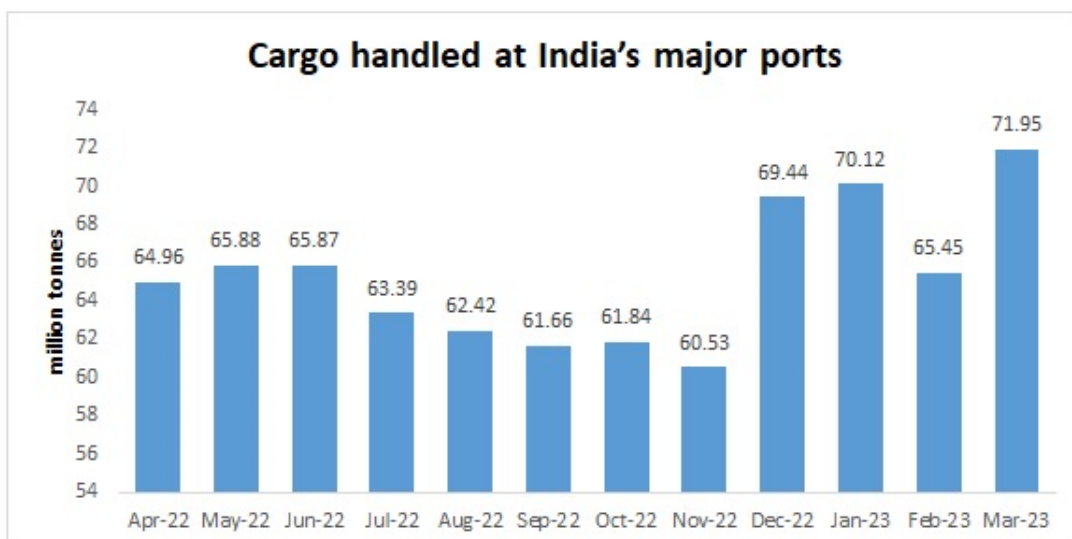
PERFORMANCE OF INDIAN SHIPPING :

India's fleet strength was 1520 vessels as on December 31, 2022 with 13.69 million gross tonnage (GT) as compared to fleet strength of 1491 vessels with 12.99 million GT at the end of December, 2021. This reflects a net addition of 29 vessels with an increase of 0.7 million GT during the calendar year 2022. Out of the 1520 vessels registered as on December 31, 2022, 1034 vessels (68%) with 1.58 million GT were engaged in coastal trade and the remaining 486 vessels (32%) with 12.11 million GT were deployed for overseas trade. Thus, the tonnage deployed for overseas trade was 88% of Indian GT in contrast to 12% of the tonnage deployed for coastal trade.

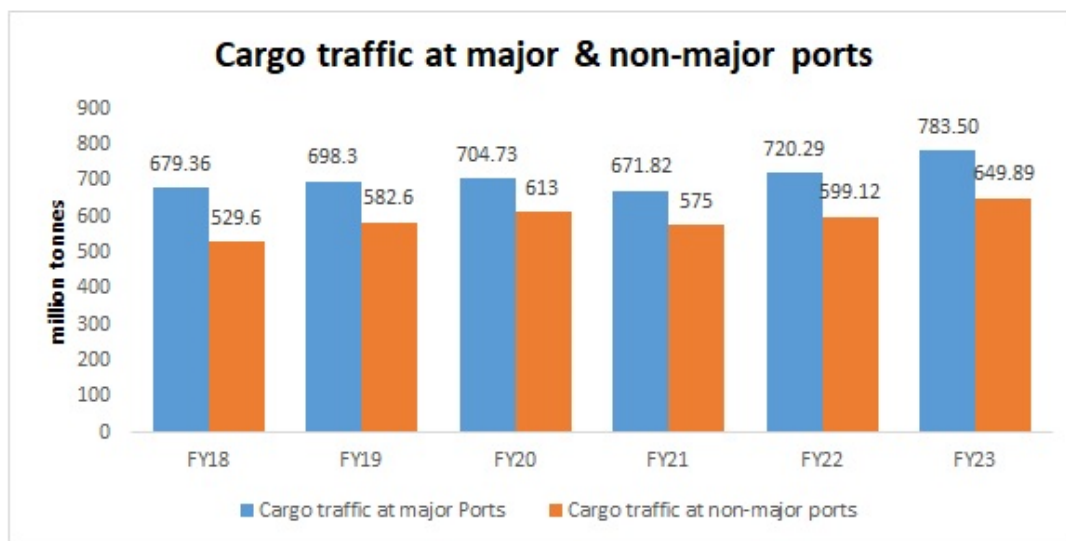


TRAFFIC HANDLED AT PORTS:

Maritime transport activity is driven by developments in world economy, viz, growth in world output and trade. Thus, volume of seaborne cargo traffic handled by ports is mainly shaped by the levels and changes in both the global and domestic activity. Cargo handled at India's 12 major ports during March, 2023 was 71.95 million tonnes showing a increase of 2.6% as compared to the corresponding period of the previous year. The coastal cargo handled at Major Ports during March, 2023 increased by 13.5% to 18.84 million tonnes from 16.59 million tonnes in March, 2022. The overseas cargo handled at Major Ports decreased by 0.8% to 53.12 million tonnes in March, 2023 as compared to 53.56 million tonnes during March, 2022.



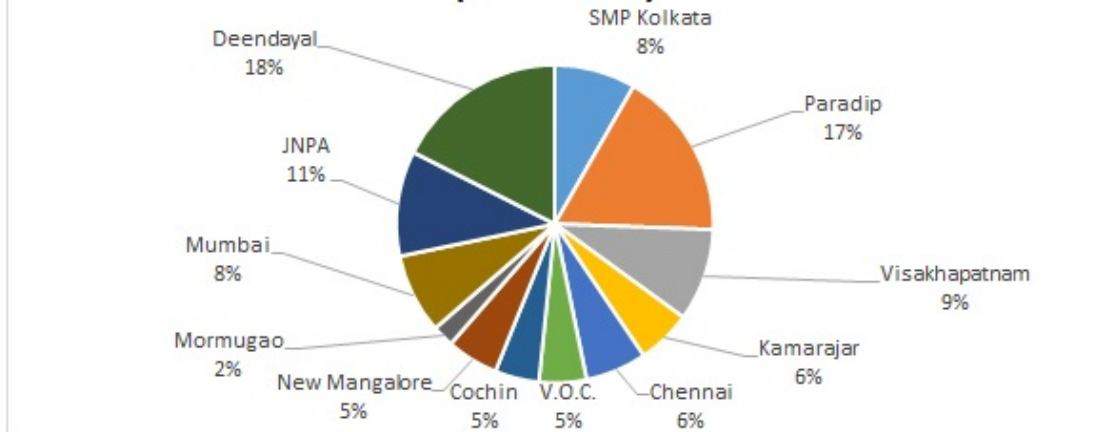
Overall, cargo traffic at India's 12 major ports during April-March, 2022-23, increased by 8.8 to 783.50 million tonnes from 720.29 million tonnes cargo handled during April-March, 2021-22. The Overseas cargo handled at Major Ports increased by 9.1%, while Coastal Cargo rose by 7.8% in April-March 2022-23. On the other hand, cargo traffic at Non-Major Ports during April-March, 2022-23, increased by 8.5% to 649.89 million tonnes from 599.12 million tonnes handled during April-March, 2021-22. The overseas cargo traffic handled at Non-Major Ports during April-March, 2022-23 increased by 4.3%, while coastal cargo traffic increased by 32.1%.



PORT-WISE SHARE OF CARGO HANDLED :

Amongst the Major Ports, Deendayal Port handled the maximum Cargo of 137.56 million tonnes with a share of 17.6% followed by Paradip Port (17.3%), JNPA (10.7%), Visakhapatnam Port (9.4%), Mumbai Port (8.1%), Chennai Port (6.2%), SMP Haldia (6.2%), Kamarajar Port (5.6%), NMPA (5.3%), VOC Port (4.8%), Cochin Port (4.5%), Mormugao Port (2.2%) and SMP Kolkata (2.1%) during April-March, 2022-23. Meanwhile, Deendayal Port Authority has unveiled plans to invest \$745 million (Rs 59.63 billion) to build two mega cargo handling terminals. Both terminals will be built on a build-operate-transfer (BOT) basis with a 30-year concession period under a public-private partnership (PPP) model. The development of a container terminal and multi-purpose cargo berth at Tuna-Tekra is aimed at meeting the future needs of the hinterland as well as supporting the downstream industries across Gujarat and allied states.

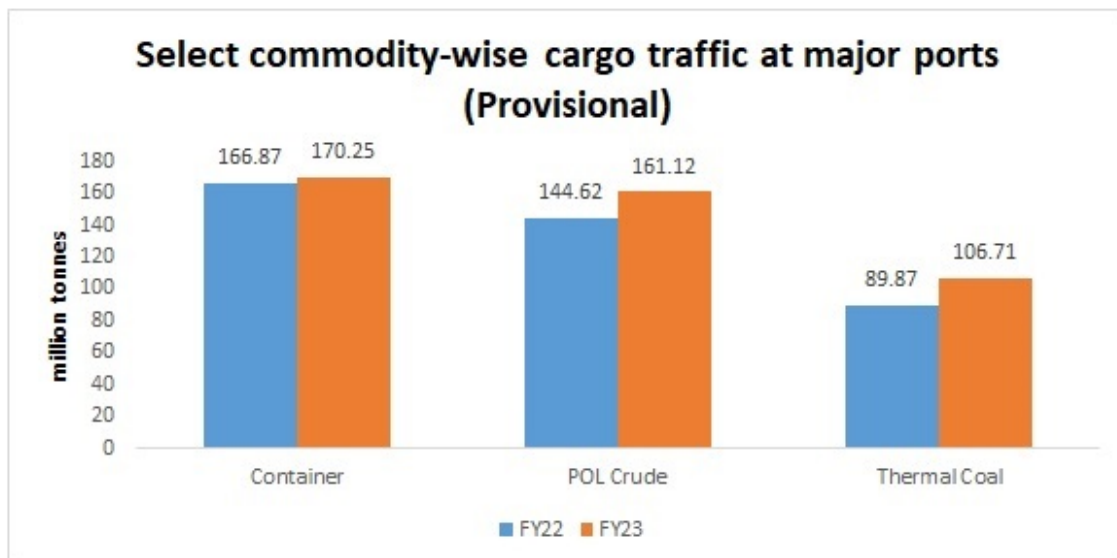
Port-wise share of cargo handled during FY23 (Provisional)



RISE IN SELECT COMMODITY - WISE CARGO TRAFFIC AT MAJOR PORTS SUPPORTS SECTOR :

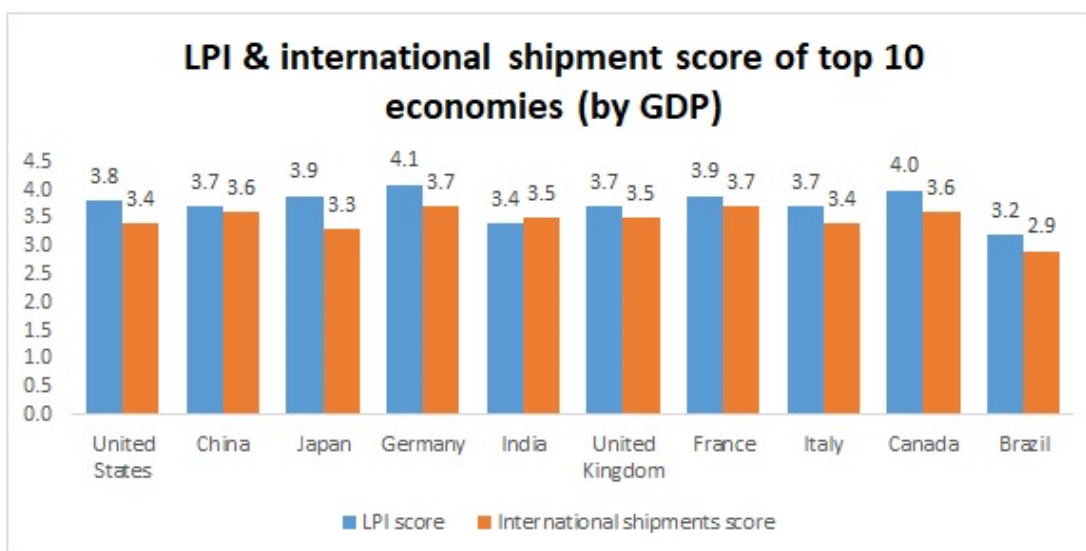
The increase in shipment of some of the commodities like Container, POL (Petroleum, Oils and Lubricants) Crude and Thermal Coal, helped the port & shipping industry to register higher growth in cargo traffic at major ports. Amongst all the commodities, Container handled the maximum cargo of 170.25 million tonnes (with a share of 21.7%) during the FY23, registering a growth of 2.03% as compared to 166.87 million tonnes in the previous year. Container cargo witnessed decent growth in line with good volume of international trade. Whereas POL-Crude (which includes crude, LPG/LNG) with a share of 20.6% handled cargo of 161.12 million tonnes in the reporting year over 144.62 million tonnes in corresponding period of last year, an increase of 11.41%. There was rise in POL-Crude cargo as the country is dependent on the imported crude oil. Besides, cargo movement of Thermal coal (13.6%) showed rise of 18.74% at 106.71 million tonnes over 89.87 million tonnes in FY22.

Select commodity-wise cargo traffic at major ports (Provisional)



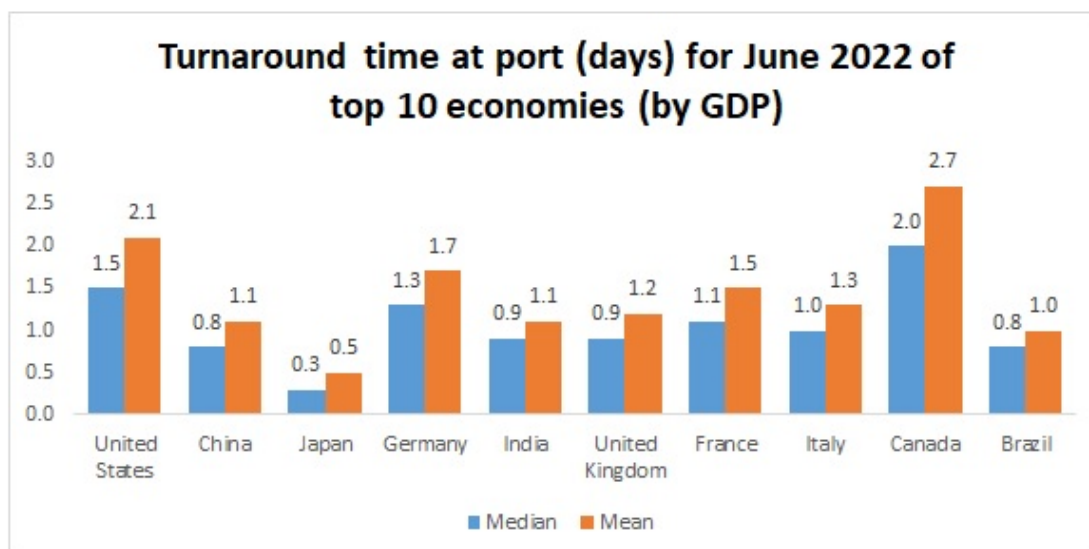
LPI & INTERNATIONAL SHIPMENT SCORE:

India has climbed six places on the World Bank's Logistic Performance Index (LPI) 2023, now ranking 38th in the 139 countries index, as a result of significant investments in both soft and hard infrastructure as well as technology. The country was ranked 44th on the index in 2018. The LPI covers 139 countries, and measures the ease of establishing reliable supply chain connections and the structural factors that make it possible, such as the quality of logistics services, trade and transport-related infrastructure, and border controls. India's performance has drastically improved from 2014, when it was ranked 54th on the LPI. In 2022, the Prime Minister launched the National Logistics Policy (NLP) to ensure quick last-mile delivery, end transport-related challenges, save time and money of the manufacturing sector and ensure desired speed in the logistics sector. According to the report, India's climbed to the 22nd spot for international shipments in 2023 from 44th in 2018.



TURNAROUND TIME:

Turnaround time is time difference between first instance of arrival and last instance of departure for consecutive repeated port visits (if any) calculated for each port call (as defined by United Nations Code for Trade and Transport Locations). Aggregated directly from port call time differences to countries over six months. This indicator excludes waiting time at anchorage. Among the top ten economies (by Gross Domestic Product), United States has turnaround time at port 1.5 days (median) and 2.1 days (mean) for June 2022, whereas the world's 5th largest economy - India has turnaround time at port 0.9 days (median) and 1.2 days (mean) for the same period. Besides, China has 0.8 days (median) and 1.1 days (mean) turnaround time at port during the period under review.



INVESTMENT OPPORTUNITIES IN THE INDIAN SHIPPING INDUSTRY :

India's maritime sector has been streamlined and expanded its scope for investments. Its focus on developing inland waterways, ports, and shipbuilding has raised the country's profile. Under the automatic route, foreign investors can acquire up to 100 percent of the projects related to ports and harbors. Under the Sagarmala Project (2015-2035), over 574 new projects have been identified for implementation by 2035 and an investment to the tune of Rs 6 trillion has been invited, including from the private sector, towards areas of port modernization and new port development, port connectivity enhancement, port-linked industrialization, and coastal community development. Sector priorities also include the use of clean / renewable energy sources, along with augmentation of related infrastructure for trade and tourism. In its Vision India 2030, the government has also laid out a slew of initiatives for the development of the maritime sector. These include setting up of smart ports and a port regulatory authority.

DRAFT 'SAGARMALA INNOVATION AND START-UP POLICY' :

In order to build a strong innovation ecosystem, the government has issued draft on 'Sagarmala Innovation and Start-up Policy'. This draft policy aims at nurturing start-ups and other entities to co-create the future of India's growing maritime sector. This entails intensive collaboration of the organizations to build a strong eco-system facilitating innovation and Startups in the country that will drive sustainable growth and generate large scale employment opportunities. This enhances the cooperation and coordination between academic institutions, public sector, private sector and convergence of different schemes and programs to groom fresh ideas and approaches to resolve the issues and challenges to boost up the efficiency in the areas of operation, maintenance, and infrastructure development.

Draft policy has identified several key areas for the startup to flourish including decarbonization, optimizing processes through data, maritime education, multi-modal transportation, manufacturing, alternate/ advance materials, maritime cybersecurity, smart communication and marine electronics.

DETAILS OF DRAFT 'SAGARMALA INNOVATION AND START-UP POLICY':

- Digital Portal based selection of startups ensuring a transparent process
- Grants to create a minimum viable product/ services (MVP), commercialization of proprietary technology including market entry or scaling up
- Creation of 'Launch pads' at Ports for carrying out trials, facilitating pilot projects, establishing working space and adopting products and solutions
- Annual Start-up Awards in the maritime sector recognizing distinguished efforts of innovation
- Organizing Buyer-Seller Meetings and providing Technical Knowledge Support for VCs
- Guidance to Non Registered Start-ups and Individuals with promising ideas in Maritime Sector including registration of start-up and availing Department for Promotion of Industry and Internal Trade (DPIIT) recognition
- Regulatory support in Tenders and Sub-contracting
- Legal and accountancy back up to start-ups for IP-Patent filing, Company registration, annual filings and closures

The promotion of start-ups shall be through development of Maritime Innovation Hubs (MIH) which shall perform the following functions:

- Develop incubators and accelerators with state of the art facilities to cover all aspects of the startup journey from idea to scaled product.
- Develop centralized repository containing all pertinent information to assist emerging entrepreneurs
- Attract investment for eligible start-up businesses and innovative maritime technology
- Entrepreneur development through 'know-how' sessions about the various aspects of the maritime industry and launching of innovation focused programs
- Collaborate with national & international stakeholders for mentorship, knowledge sharing and facilitate access to global subject matter experts, serial entrepreneurs, business leaders, and investors with the potential to get their entry and scaling in the India

RECENT DEVELOPMENTS AND GOVERNMENT INITIATIVES :

- **111 waterways declared as National Waterways :**

To promote Inland Water Transport in the country through rivers, 111 waterways including the 5 previously notified National Waterways (NWs) have been declared as National Waterways under the National Waterways Act, 2016. On the basis of outcome of techno-economic feasibility study and Detailed Project Report (DPR) of these NWs, action plan has been formulated for 26 NWs which were found viable for cargo and passenger movement. At present, development initiatives have been taken up in the 18 NWs.

- **Govt to develop two ports as hydrogen hubs :**

The government is all set to develop two ports on India's east coast and one port on the west coast as hydrogen hubs as part of the Maritime India Vision 2030. The Paradip Port in Odisha, the Deendayal Port in Gujarat, and the V.O.Chidambaranar Port in Tamil Nadu will be developed for handling, storage, and green hydrogen generation to meet India's hydrogen production goals by 2030. The Ports and Shipping Ministry has already begun steps to develop green ports, which will prioritise reducing greenhouse gas emissions in order to make the Indian maritime sector more sustainable.

- **Maritime India Vision 2030 identified initiatives to develop global standard ports in India :**

To develop global standard ports in India, Maritime India Vision (MIV) 2030 has identified initiatives such as developing world-class Mega Ports, transshipment hubs and infrastructure modernization of ports. It estimates the investments to the tune of Rs 1,00,000-1,25,000 crore for capacity augmentation and development of world-class infrastructure at Indian Ports. The upcoming ports at Vizhinjam (Kerala) and Vadhavan (Maharashtra) have natural drafts in excess of 18 meters that would enable ultra large container and cargo vessels to call on the ports thereby boosting the efforts to make India the world's factory by improving the container and cargo throughput.

- **Govt funds 171 projects worth Rs 10,900 crore across coastal states and UTs :**

Under Sagarmala Scheme, the government has partially funded 171 projects worth Rs 10,900 crore across coastal states and UTs. Out of 171 projects, 48 projects worth Rs 2,900 crore have been completed and 123 projects worth Rs. 8,000 crore are under various stages of implementation and development. In FY 22-23, 37 projects worth Rs 2500 crore have been sanctioned by government under the Sagarmala Scheme. To harness the efficiency from private sector in operations, 52 projects worth Rs. 40,200 Crore have been completed at Major Ports in Public Private Partnership (PPP) mode. Further, 84 projects worth Rs 49,500 crore are under various stages of implementation and development. In addition to above, Sagarmala Development Company has invested Rs 530 crore in 4 projects in Andhra Pradesh, Odisha and West Bengal, which have been completed.

• **National Logistics Portal being developed**

National Logistics Portal (Marine) is being developed as a one stop digital platform where all maritime stakeholders are being integrated for easier and speedier services. Following are the features of the portal:

- Single Platform to perform all core activities of the Importer / Exporter / Customs Broker / Freight Forwarder.
- End-to-end functionality to perform online transaction with custodians.
- Providing a level playing field to relevant stakeholders.
- Complete domestic tracking of the shipment.
- Real time information of the activities.
- Enhanced transparency in Government to Business relations and Ease of doing Business.
- Document Management System to store all the important documents securely.
- Reduced costs and timeframes for execution of trade and logistics operations.
- Paper-less transaction, for all the stakeholders.

GOVT APPROVES DEVELOPMENT OF CONTAINER TERMINAL AT TUNA-TEKRA :

The government has approved development of Container Terminal at Tuna-Tekra, Deendayal Port on Build, Operate & Transfer (BOT) basis under Public-Private-Partnership (PPP) mode. The estimated cost of Rs 4,243.64 crore will be on the part of the Concessionaire and an estimated cost of common user facilities of Rs 296.20 crore will be on the part of the Concessioneing Authority toward development of common user facilities. On commissioning of the Project, it shall cater to the future growth in Container Cargo traffic. From 2025, a net gap of 1.88 Million TEUs shall be available which can be catered by tune Tekra Development of a state-of-the-art container terminal at Tuna-Tekra will give it a strategic advantage as it will be the closed container terminal serving the vast hinterland of northern part of India (Jammu and Kashmir, Uttar Pradesh, Madhya Pradesh and Rajasthan). In addition to increasing the business potential of Kandla, the project will boost the economy and generate employment.

Outlook :

The Indian ports & shipping sector's outlook is likely to remain healthy in coming time taking support from increasing government investments and cargo traffic. Domestic waterways are a cost-effective and environmentally sustainable mode of freight transportation. The government aims to operationalize 23 waterways by 2030. Government of India has been supporting the growth of the industry through various measures. Government has a role to develop Indian port sector, which would contribute to the growth of the Indian shipping. An impetus has been given by the Government under the Sagarmala Program to undertake projects which will result in shift of cargo from land-based transportation to coastal and inland waterways mode which is sustainable and environment friendly.

Consistent focus of the government to develop port infrastructure, robust project pipeline, proposed National Integrated Logistics Policy, draft Maritime India Vision, etc, are expected to keep investors interested in the sector. Additionally, most key government policies such Major Port Authority Bill, Merchant Shipping Bill, the Indian Ports Bill, and other acts and guidelines are already at different stages of scrutiny. The government has also granted 'infrastructure status' to logistics and ports sub-sectors which is leading India to be a global manufacturing and trade hub. The country improved performance in World Bank's LPI 2023 and good score in international shipments are also likely to support the port and shipping industry.



CONTACT INFORMATION



info@sukhanidhi.in



<https://sukhanidhi.in/industry-analysis/>



+91 8310770674



Toll Free: 1800 889 0255

EQUITY HELPLINE!

Have Questions
About Investing in
Stocks(Shares)?

Call Us

1800 889 0255



VINAYAK SAVANUR
FOUNDER & CIO

<https://sukhanidhi.in/>