PORTS

Sector Impact - Negative

Background

- India has 7,517-km long coastline with 12 major ports and about 200 minor/intermediate ports, which handle around 95% of India's total trade in terms of volume and 70% in terms of value.
- About 82% of total volume of major ports traffic handled in April-December 2009 was in the form of dry and liquid bulk and the balance traffic of about 18% consists of general cargo (including containerized cargo).
- In line with the downturn in the industry, the major ports posted only a marginal growth of about 2% with total traffic of 530 million tonnes (MT) in 2008-09 against 519 MT in 2007-2008. However, the cargo traffic grew by about 5% during April-December 2009 to 412 MT compared to 392 MT for the same period during the previous period.
- The key challenges faced by the sector have been the fully utilised capacities at the major ports, draft constraints and inadequate efficiencies. On the other hand, development of new minor ports have been affected by inadequate connectivity with the hinterland, absence of multi-modal connectivity to and from ports and the differential royalties among ports.
- As a result of allowance of the 100% FDI in the port sector, the port privatization has gained momentum. While, in the past, most of the private initiative in ports was restricted to development of container terminals, the past couple of years have witnessed significant investment in the minor ports, dominated by bulk capacities, in Gujarat and the eastern coast, predominantly through PPP projects.

Budget Proposals

1. GoI has planned about Rs.1.73 lakh crore, about 46% of the planned allocation, towards infrastructure development.
2. Increased allocation to road sector from Rs.17,520 crore to Rs.19,894 crore.
3. Emphasis on dedicated freight corridor in the Railway Budget.
4. Disbursements by India Infrastructure Finance Company Ltd (IIFCL) are expected to reach about Rs.20,000 crore by March 2011 and it is expected to refinance over Rs.6,000 crore in 2010-11. The take-out financing scheme announced in the last Budget is expected to initially provide finance for about Rs.25,000 crore in the next three years.
5. Increase in MAT from 15% to 18%.

Budget Impact: Industry

1. The Government's emphasis on the infrastructure development, by way of allocation of Rs.1.73 lakh crore, would facilitate greater investments in ports and ease financing pressures on the port sector. Besides, increased exemption limit by Rs.20,000 for infrastructure investment would provide long-term funding for the port projects.
2. The increase in the planned allocation to the road sector from Rs.17,520 crore to Rs.19,894 crore is likely to speed up the implementation of the road projects. This would lead to better hinterland connectivity, which has been a major bottleneck in the success of the ports.
3. The proposed dedicated freight corridor in the Railway Budget would act as a major booster for the movement of cargo, to and from the ports. The speedy implementation of the same would augur well for the port sector.
4. The expected increase in the refinancing by IIFCL would take away the long-term financing issues of the port project and would make the take-out financing feasible for the new port projects.
5. The increase in MAT from 15% to 18% is expected to have a negative impact on many players.

Budget Impact: Companies

Company	Business Segment	Applicable Proposals	Overall Impact
South West Port Ltd.	Port Operations	1 and 5	▼
Essar Bulk Terminal Ltd.	Port Project	1,4 and 5	▼
JSW Jaigarh Port Ltd.	Port Project	1,4 and 5	▼
Gangavaram Port Ltd.	Port Operations	3 and 5	▼
Dighi Port Ltd.	Port Project	1,2,3 and 5	◀▶
Indira Container Terminal Pvt. Ltd	Port Project	2,3 and 5	◀▶

Legends:

▲▲	Highly Positive	▼	Negative	◀▶	Neutral
▲	Positive	▼▼	Highly Negative	Ø	No Proposals