

10 February 2017

Press Release

FROM KPCL CORPORATE COMMUNICATIONS

East-based non-major ports to lead the sustainable growth path for Indian maritime trade: EY Report

- **Non-major ports like Krishnapatnam on the east coast could play a pivotal role in ports centric industrial development**
- **India can save \$30 bn by moving part of trade closer to ports by 2020**

Visakhapatnam, 10 February, 2017: Ernst & Young (EY) in association with Andhra Pradesh Chambers of Commerce and Industry Federation, on the occasion of the East Coast Maritime Business Summit released a detailed research report on India's maritime sector. Backed with credentials, the report highlights the potential role of non-major ports on the east-coast of the country in leading the sustainable growth path for the country's maritime trade.

With Non-major Ports emerging to constitute a whopping 43% of total traffic in FY16 up from 10% in FY81 reflects a huge shift in trade over a period of 10 years with the latter emerging as better choices compared to major ports on the back of strategic location, modernization, efficiency and better infrastructure while achieving Cost competitiveness through optimisation of network and logistics.

Global trade increased at a CAGR of 6.9% in value terms during 1990 – 2015 and sea borne trade constitutes 80% of the global trade by volume. Whereas in the Indian context, traffic handled at ports has increased at CAGR of 7.4% during 1981-2016 in line with global trade growth. During the same period, trade in value terms increased from USD 24 bn to USD 643 bn. In the past decade, India's trade with countries to its east has been expanding. China has emerged as a dominant partner constituting 7.9% of imports and 1.8% of exports in 2015

With the government having launched a series of measures, most notably the SAGARMALA initiative, which aims to transform existing ports and integrate the development of ports, industrial clusters and hinterland evacuation, it is estimated that India can save up to USD28 billion in infrastructure investment and another USD3.3 billion in transportation cost if 50% of overall trade moves closer to ports by 2020.

With increasing traffic, congestion at major ports is increasing. Some of the major ports have land constraints limiting their ability to expand as well as promote port based industrial zone. On the other hand the study claims that non major ports have much bigger land banks and have better infrastructure. For example, Mundra port and SEZ on the west coast is spread over 23,000 acres whereas Krishnapatnam Port on the east coast has a land bank of approximately 6,800 acres for the primary port area and another 13,000 acres earmarked for industrial development. These ports also have drafts in excess of 18m on par with international standards.

Emergence of industrial clusters near the port, consolidations of distribution centres and warehouses post GST and directional distributional of cargo can address the infrastructural bottlenecks and can reduce the average in-land logistics cost by as much as 68%

To reduce costs arising from infrastructure bottlenecks, several private non major ports such as Krishnapatnam, Mundra, Pipavav, etc. have developed close to demand clusters. They are also implementing new concepts to reduce logistics costs. For example, Krishnapatnam Port has implemented Direct Port Delivery which has subsequently being adopted by major ports..

According to the report, non-major Ports are also to lead on cost optimisation with improved productivity and cutting edge technology ushering Indian ports onto the world stage. Ports like Krishnapatnam and Nhava Sheva (JNPT) are the only Indian ports that feature in the ranking of major ports in the World on the basis of port productivity

Commenting on the occasion Mr. Potluri Bhaskara Rao, General Secretary, AP Chambers of Commerce said "Indian maritime trade has been drawing attention both at home and globally on the back of improved trade and a series of measures launched by the government to transform the port sector while establishing the country as a major manufacturing and trading hub. This research aims to highlight key opportunities and challenges in the ports sector. It attempts to provide a base for discussion amongst industry stakeholders, port developers, operators and government agencies. It also attempts to showcase the vast opportunity present in the ports sector in India, especially on the east coast."

Commenting on the occasion Mr. Kiran Malla, Director Corporate Finance & Strategy, Ernst Young India "If India has to become a global super power by 2030 it has to get ready to make the next big leap in trade. Fortunately, it has a strategic advantage in terms of long coastline which can serve as a backbone for trade. Right strategy would be to create economic epicentres around modern ports with world class infrastructure."

About Andhra Pradesh Chambers of Commerce: (APCCIF) established in 2000 as a chamber of commerce presently representing the whole state of AP. It is strategically located at Vijayawada, the center of the New Andhra state the proposed State capital and hub of the state's economic and political spectrum. The AP Chambers has a three tier membership, representing industry, Trade and service. The AP Chambers has relentlessly pursued the agenda of identifying business opportunities & challenges, addressing critical issues with the single minded focus of sustainable growth in the region. The AP Chambers has been instrumental in influencing policy frameworks and changes. It played an advocacy role on a wide range of matters and acting as impetus to growth and developmental matters. The AP Chambers frequently organized interactive meetings with Ministers, Senior Bureaucrats to express and drive home its views. The AP Chambers provided a platform for interaction to expand business and address issues affecting growth of business in the State. Various state level and district level Associations / Bodies / Chambers are affiliated to the Federation.

About Ernst & Young: At EY, we are committed to building a better working world — with increased trust and confidence in business, sustainable growth, development of talent in all its forms, and greater collaboration. We want to build a better working world through our own actions and by engaging with like-minded organizations and individuals. This is our purpose — and why we exist as an organization.

Running through our organization is a strong sense of obligation to serve a number of different stakeholders who count on us to deliver quality and excellence in everything we do. We want to use our global reach and scale to convene the conversation about the challenges facing economies and the capital markets.

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