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Picking up speed



APM
Sørensen: heavily
investing in
infrastructure

APM Terminals Pipavav has drawn up big plans to play a more meaningful role in Indian port infrastructure with investments aiming to place India even higher on the global trade map

Cutting through the waters in the Gulf of Khambhat, ships laden with goods are making their presence felt. It's been busy for global trade lately. While globalisation is a big driver of trade traffic between Asia, including India, and the rest of the world, post the pandemic and the Russia-Ukraine conflict, most global trade has been seeking alternative sources of goods, trade routes and supply chains.

It's also pushing up the demand and supply for commodities, agriculture products, and liquid cargo. In a sense, the business of containers as well as bulk and liquid cargo traffic has never been better. The expanding trade linkages and the ever-widening supply chain networks provide the proverbial tailwind for port services provider APM Terminals Pipavav (APMTP), also

known as Gujarat Pipavav Port.

For India's trade, this port is ideally located. In fact, APMTP is India's first private sector all-weather port and is located on the southwest coast of Gujarat at a distance of 140 kms from Bhavnagar and around 152 nautical miles north-west of Mumbai. The port lies on a strategic international maritime trade route which connects India with the Far East on one side and the Middle East, Africa, Europe and the US, on the other.

The firm's foreign promoter, AP Moller-Maersk, ensures international traffic to the port. The port handles 1.35 million TEUs of containers while its bulk cargo capacity of 4-5 million MT per annum, and liquid cargo capacity of 2 million MT per annum is very practical for logistic operators. APMTP's

strategic location is a win-win for all.

"We are seeing an increase in volumes of traffic. At the port, we have been adding new lines. With the development of more routes and rail connectivity up north, shipping transportation time for in- and out-bound cargo from APMTP will reduce. It may surprise you – we have seen transit of goods from our port to the north in just 26 hours; this used to take 5-6 days. We have been heavily investing in infrastructure for efficient handling of dry and bulk cargo and our shippers are delighted," says Jakob Friis Sørensen, MD of APMTP. The Denmark-based APM Terminals holds 44.01 per cent of the shareholding of the company. It operates one of the world's most comprehensive port networks, with 75 operating ports and terminals worldwide. With its global network, APM Terminals is no doubt uniquely positioned to drive both shipping line and land-side customers to grow and achieve better supply chain efficiency, flexibility and dependability.

APMT works with its joint venture partners, and local businesses and governments to ensure that the company's geographical footprint is optimised, which can be beneficial to customers, shippers, logistics providers, and the economy. Indeed, the Pipavav port is the only port globally in which APM Terminals holds a major stake, and the foreign promoter is looking to make major investments in the country to develop its network.

So, APMT Pipavav benefits from its relationship with APM Terminals, its parent, including access to modern technology and operational know-how. The AP Moller-Maersk group's association also helps in developing and building new shipping lines. Some of the group's firms operate regular cargo services from APMT, thus leveraging the network and helping to optimise operations. Needless to say, APM Terminals has also committed to increase its investments in the country to develop its port and other logistics infrastructure.

High value proposition

Due to its well-developed port infrastructure, and long channel lengths, the port is well equipped to provide 24x7 service to shipping lines. In fact, APMT Pipavav has four berths for handling bulk and containerised cargo as well as LPG berths. Its mobile-harbour crane handles dry and bulk cargo. The container berth is equipped with large cranes to handle ship to shore operations, and can be used for handling bulk cargo too, which increases their efficiency.

In fact, APMT ranks as India's most efficient port in a recently published



Aggarwal: we will continue to raise the bar higher

Global Container Port Performance Index (CPPI) 2021 ranking developed by the World Bank and S&P Global Market Intelligence. APMT is globally ranked 26th in CPPI 2021. The CPPI is a comparable index tracking global container port performance and is intended to serve as a reference point for key stakeholders of the industry. Indeed, APMT is known for its agility towards customers' needs, simplified EXIM processes, and has demonstrated high level of customer centricity while maintaining a focus on productivity and safe operations. These are a few of APM Terminals Pipavav's unique characteristics that make the port stand out in the business.

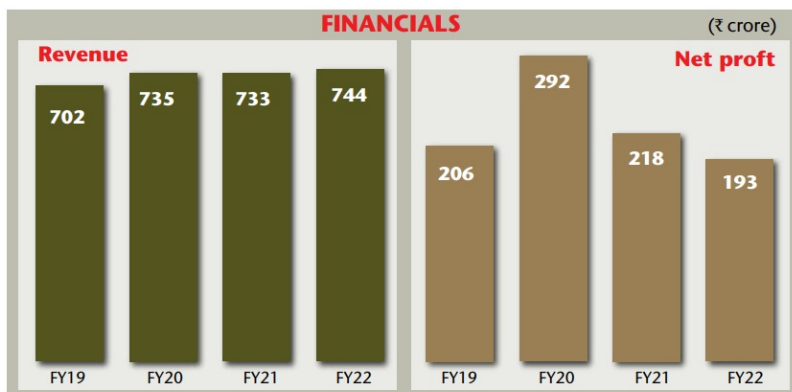
"We have demonstrated the port's service capabilities and infrastructure. At APMT, we have continuously

developed flexible, productive and safe port operations so our customers can have the agility they require in having a robust supply chain and smooth operations. Our endeavour is to help reduce the logistics cost which is an important parameter that will increase India's competitiveness in the global marketplace," adds Sørensen.

For APMT, due to its location on the maritime trade routes, the port serves as a major transit point to and from the landlocked northern and north-western regions of India. There is a huge manufacturing and trade growth happening in these regions. With natural breakwaters, as it is situated between two islands, the port offers seamless and continuous connectivity for cargo, particularly containerised cargo.

The Gujarat Pipavav Port is much closer than the biggest port in western India, JNPT, for cargo traffic coming from the north and northwest, which generates the bulk of India's container cargo. Not only this, given its proximity, APMT provides significant logistics and cost advantage to shipping cargo transit lines that service Mumbai and northwest India.

Then again, the existing road and rail network from APMT to the inland regions of northern and northwest India, including Delhi, is just the kind of network that speeds up shipping. APMT is connected to the Indian Railways through a dedicated railway link.



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High on CSR

Great social programs are started to help sustain the ecosystem and create a habitat of sustainable living, APMTIP is at the forefront of several such social programs to give back to society in line with its vision of 'Uplifting Communities Around Us'. In education, APMTIP started a mobile science and math lab for over 6,800 students, and built smart classrooms in six villages. The firm provides yearly enrolment support to more than 500 students, and it has established a computer lab at Kasturba Balika Vidyalaya, Rajula.

On the health front, APMTIP

provided oxygen concentrators, cylinders and PPE support provided to the district administration during Covid-19, besides a 24x7 advanced life support ambulance and mobile health unit for villagers. The firm provides medical support to more than 2,300 villagers every month through a mobile health unit and port medical centre. The firm also conducts regular health check-ups for the community and has a bimonthly eye check-up camp along with cataract surgery facilities at Sudarshan Netralaya, Amreli.

Under the skill development program, 1,830 young people have been trained while 82

per cent of them have been employed. APMTIP Pipavav has initiated sustainable livelihood through integrated livestock development projects helping over 50,000 cattle and 5,300 owners. It has also initiated 2,000 sanitation units, and planted more than 3 lakh trees in the area. APMTIP has set up more than 100 water conservation structures, and has initiated irrigation and soil conservation support projects in 1,748 acres of land, which includes 5,000 small and marginal farmers, that are affected due to the salinity in water resources. The company has also installed 12 water ATMs in the villages to provide



safe and healthy drinking water to around 20,000 villagers. The firm has also been engaged in various construction activities, renovation works in schools and has put up over 500 solar street-lights in nearby villages.

It runs India's first double-stack container rake service. With the Dedicated Freight Corridor (DFC) now becoming a reality, cargo traffic movement for this port should continue to rise.

Over the past years, the development of the DFC has been going on at a rapid pace and will speed up freight movement across the major cities of the country, due to the surging domestic economy and growing international trade.

"APM Terminals Pipavav port has matched its capabilities to keep pace with the development of DFC. The commissioning of DFC till Palanpur and the accompanying infrastructure developments by Pipavav Railway Corporation Limited has ensured seamless connectivity with the Western DFC. The problems faced with other ports are not encountered with Pipavav which results in the quick turnaround of freight trains powered by electric traction," says Nanduri Srinivas, director of operations and business development, DFC Corporation of India Ltd.

"The predominance of long-haul double stack freight trains with quick evacuation from Pipavav Port has resulted in a higher volume of traffic. With our transit assurances and our credo of faster, heavier, higher and longer movement of cargo, we welcome greater volume of traffic from Pipavav port to boost India's industry, trade and commerce," adds Srinivas.

AMPTIP has already started operating container freight trains to and from Pipavav to a few Inland Container Depots (ICDs) and it plans to gradually expand connectivity to other ICDs. The company has commissioned the electric route and reduced the inland transit time of containers, and gradually a major shift of long-distance cargo from road to railways should take place.

Nevertheless, for the railways, double stack trains are being run on electric against diesel, thus not only reducing transit time, but also improving turnaround times. This also results in better utilisation of the rolling stock, with better utilisation of the rail network. No doubt, some of the efforts will also see a reduction in inland logistics costs, which will make Indian goods cheaper internationally and cut down the carbon footprint in the country.

Connectivity to the DFC is being facilitated via Pipavav Rail Corporation Ltd (PRCL), in which GPPL (AMPT Pipavav) has invested, while the other stakeholder is the Ministry of Railways. GPPL has made this a joint venture project to provide broad gauge rail connectivity to the Port of Pipavav with the main Indian Railway network at Surendranagar in Gujarat. No doubt, with GPPL being one of the major shareholders, and its important connectivity to the main rail network, the traffic from the port for rail movement is a

source of revenue for PRCL.

"The Port of Pipavav has been supporting movement of its import and export traffic by rail, as is evident from the rail coefficient figures, which happen to be the highest among all ports in the country. Similarly, GPPL has been highly supportive of PRCL as a Container Train Operator since September 2021, when the first container train of PRCL was flagged off from the Port of Pipavav to Jodhpur. Subsequently, APMT-Maersk have declared PRCL as their primary rail logistics associate in India. Therefore, PRCL is indeed appreciative and proud of their association with APMT-Maersk," says Sanjiv Garg, MD, PRCL.

Large investments

Over the years, AMPTIP has invested heavily in building up infrastructure in and around the ports. Recently, GPPL has invested in a new shed of 10,000 sq m for fertiliser storage inside the port. There has been an increase in bulk cargo and fertilisers play an important role. As such, AMPTIP provides bagging and other allied services from this storage facility.

Further, GPPL is also incurring capex to upgrade liquid berth infrastructure on the waterfront to be able to handle partially-loaded, very large gas carriers (VLGCs) in a step to strengthen the evacuation capability of LPG cargo. GPPL commissioned a rail siding

inside the port to facilitate rail evacuation of LPG cargo, through which the port will be able to serve the extended hinterland.

"We are aiming to reduce the cost of the shippers and increase the speed of transportation. The rail evacuation of LPG from the port is gaining good traction with customers. We are demonstrating a good effort to provide a stable and quick transportation network from road to rail which provides a strong value proposition for customers. We constantly endeavour to serve our customers better, and we are continuously identifying areas to invest," says Sørensen.

APMTP has also added two new container services – one is a direct connection to the Middle East and the other to China (from May 2021). With this service, the overall Exim volume has improved. Already, customers are delighted with the service levels of APMTP. The port also offers a facility to ship cars out of India, in the RoRo business, which is another important growth segment. Indeed, car exports is seeing a good recovery.

"It's a great association and has continued for a long time. The top-class infrastructure facility, customer orientation and focus, and 24x7 operational service, and customs and tracking, including personal attention to each customer and partnership for cargo delivery are key service factors of APMTP," says GS Rawat, Head EXIM, Honda Cars India Ltd.

The other area APMTP is working on is coastal shipping within the country, taking forward the Government of India's initiative of promoting domestic coastal cargo transportation. The company added two new coastal services last year to move domestic containers through the sea.

Ease of doing operations

While the benefits of the major capital expenditures envisaged by APM Terminals will flow to the Indian economy, it is awaiting an extension of its Concession Agreement from the Gujarat Maritime Board (GMB), the port regulatory authority. APMTP is in dialogue with GMB for an early clarification in the matter as it can pace up the long-term growth and port development plans of the firm.



APMTP ranks as India's most efficient port in CPPI 2021

"We have been continuously investing in the port capabilities, and our endeavour is to provide best-in-class infrastructure and considerably increase investments. India has to make a lot of investments in port and logistics infrastructure to become globally competitive and time is of the essence. We are confident that there will be an early closure to the Concession Agreement," says Sørensen who has been instrumental in developing and advancing GPPL's long-term strategy and creating a new port master plan containing a wide range of new business lines.

However, Sørensen is handing over the baton of MD to Girish Aggarwal, but will continue to be a senior advisor and consultant to APMTP. Aggarwal has led Gateway Terminals India Pvt Ltd as COO since 2019. "The Indian Logistic sector is evolving as integrated, cost-efficient, resilient, and sustainable ecosystem with multitudes of developments like DFC, Gati Shakti and the recently launched New Logistic Policy. It is a privilege for me to continue the momentum set by Jakob. Our customers and partners have tremendous trust in our capabilities and we will continue to raise the bar higher by offering a seamless trade experience," says Aggarwal.

One thing to the advantage of GPPL is that it is debt-free and has a strong balance sheet that can comfortably fund large expansions to the extent of ₹1,000-2,000 crore. Operationally, GPPL is also transitioning to the fast lane. The firm reported a healthy 17 per cent YoY

growth in EBITDA in Q2FY23, and an 11 per cent growth in operating profits. "The outperformance was driven by contained depreciation expense and other higher income. Both volume and value contributed in equal measure to the 17 per cent revenue growth. Within the segments, container volumes grew 18 per cent YoY on improved exim (up 10 per cent YoY) and a boost to transshipment volumes," says a report from Kotak Institutional Equities.

APMT has seen a healthy recovery in revenues during the quarter ending 23 September as all its segments picked up speed. APM's revenues are set to gain momentum as all the segments in which it operates, including container, bulk and liquid cargo, are expected to see a steady growth in the next 3 years due to the pickup in trade traffic in the Asia-Pacific regions. "Its stock reflects the upbeat mode, gaining 25 per cent in the past six months, but is still available at a valuation of 16.5 times the FY23 earnings," point out analysts tracking the stock.

Over the coming years, volumes are expected to rise at a healthy pace of 5-10 per cent in all its segments of bulk, cargo and liquid. It essentially will require India's ports to speed up investments in infrastructure and create more highly efficient capacities to improve India's global ranking and ease of doing business. With its plans in place, APMTP is all set to play a larger and more meaningful role in providing an efficient port in Gujarat. ♦

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