Shipping Corporation of India: Making its Presence Felt on the Global Maritime Map

Mrs. H.K. Joshi, Chairman & Managing Director and Director (Finance), SCI

The Indian maritime sector has come a long way. The last few years have witnessed a major upgradation of ports though current economic conditions have dampened its development efforts, thus, prompting the government to introduce measures to mitigate the economic slowdown.

Mrs. H.K. Joshi, Chairman & Managing Director and Director (Finance), The Shipping Corporation of India Ltd. explains how SCI serves to boost the Indian shipping industry by ensuring optimum utilization of its fleet to cater to India's burgeoning trade.

The economy is in a sluggish state currently. In the light of the present economic slowdown, do you find any opportunity for the Shipping Corporation of India to advance in such circumstances?

The global economy is experiencing a synchronised slowdown and growth continues to be weakened by rising trade barriers and increasing geopolitical tensions. Overall, the trade volume growth in the first half of 2019 has fallen to one per cent, the weakest level since 2012. The Indian economy too is going through a rough patch. As shipping is a derived demand depending upon trade as one of the factors, the shipping industry would also face the challenges of the slowdown in the economy; however, measures being taken by the Government to arrest the slowdown are expected to cushion its impact. Besides, some market indications also point to positive momentum in the dry bulk market and recovery of the tanker market soon.

On the supply side, overcapacity had plagued the shipping industry bringing down the freight rates across all sectors in almost close to a decade except for some sudden spurts which did not sustain; it is however expected that the supply overhang situation would ease a bit considering an increase in dry-dockings for compliance to the IMO 2020 regulations stipulating maximum sulphur content threshold of 0.5 per cent for marine fuels. These factors are likely to stem the downside of the freight rates, which SCI hopes to leverage in these trying times. SCI is well seized of the challenges posed by regulatory changes and compliances as well as the dynamic unpredictable markets which is a constant feature of the Maritime industry alongside the technological innovations. We are adeptly addressing these by gearing up to face them with the required skillsets, expertise and strategic vision.

Apart from the gamut of services including tankers, bulk carriers, offshore terminals, container terminals, coastal and passenger transport services that SCI provides, what are the other services that your organization is aiming at?

SCI, a liner shipping company in 1960, has over the years, diversified its fleet and operations and serves both India's overseas and coastal seaborne trade. It had, in 2017, crossed the six million Dead Weight Tonnage (DWT) mark and after phasing out old vessels presently owns 60 vessels of 5.45 million DWT, comprising 15 bulk carriers, 19 crude oil tankers, 13 product tankers, two container vessels, one LPG carrier and 10 offshore vessels. SCI provides services under three segments, viz., Bulk Carrier & Tankers, Liner & Passenger Services and Technical & Offshore and operates in almost all areas of shipping business, catering to both national and international trades. Also, SCI manages 53 vessels of 0.386 Million DWT tonnes on behalf of JVCs, other PSUs and Government departments. SCI has participated in joint ventures, including setting up JVCs and strategic alliances in its existing lines of business as also in related areas. It jointly owns and operates 3 LNG carriers under long term charters with charterers Petronet LNG Limited, India for transportation of LNG predominantly from Qatar. The fourth jointly owned LNG carrier is under long-term charter to Exxon Mobil LNG Services B.V, Netherlands. SCI also explores opportunities for participation by ownership and in operations of FSRU, small LNG carriers and coastal LNG shipping. SCI and GAIL have executed an MoU for cooperation in the transportation of 5.8 MMTPA LNG sourced by GAIL from US terminals. SCI has built up a pool of trained LNG officers and the experience of independent technical operation of LNG tankers has helped to provide ship management services. SCI continues to explore possibilities on its own and through strategic alliances which will further consolidate its leading position in the maritime world.
The SCI holds the largest share of India’s total fleet strength of 1,405 ships and is planning to include more. On what parameters should the Indian ports upgrade themselves to handle the burgeoning trade through the sea route?

Ports are economic and service provision units of remarkable importance since they act as a place for the interchange of two transport modes, maritime and land, whether by rail or road. Therefore, the essential aspect of ports lies in their intermodal nature. In the latest Economic Survey 2018-19, India’s Shipping Ministry had identified several parameters for simplifying customs procedures and eliminating bureaucratic barriers to lower cargo dwell times, as well as handle rising trade volume at major ports, which include widespread digitisation, customs' reforms such as direct port delivery and direct port entry services, elimination of manual forms, installation of container scanners, e-delivery orders, and radio-frequency identification-based gate automation system. The average turnaround time of ships, average berthing detention and crane productivity are other important parameters that hold the key for increasing port productivity in handling increasing cargo volumes. With progress against these initiatives, importers and exporters should benefit from greater efficiency at ports in India.

The SCI is planning to spend around Rs. 900 crores to enhance fleet utilization in bulk, container and offshore segments. Please elucidate on the same?

SCI had prudently taken a conscious decision to not acquire vessels in FY 2018-19 considering the new IMO regulations which shall soon come into force. However, while a concrete plan has yet to evolve, going ahead, SCI may, give due consideration to various factors including cash flows and project viability but not limited to them, plan to acquire vessels to augment its tonnage.

The SCI represents nearly 37 per cent of the Indian tonnage. How does your company plan to cross that mark?

While SCI is not averse to acquiring tonnage to meet its expansion plans subject to factors, as mentioned above, we are watching the markets to evolve a suitable tonnage acquisition plan, considering the ever-evolving dynamics that the shipping is subjected to.

Two inland waterways terminals have been inaugurated and the third is soon to be completed. Does your company plan to invest in vessels that move cargo along the inland waterway routes?

The SCI had incorporated a full subsidiary, M/s. Inland Coastal & Shipping Ltd. in Kolkata in 2016 for undertaking/providing transportation services through inland waterways, coastal shipping and end-to-end logistics. However, operations could not be commenced due to inadequate infrastructure and lack of enough draft, which rendered inland water transport unviable at that juncture. The SCI is constantly in sync with the Government’s policies of promoting Coastal Shipping & Inland Waterways and has presently focused on the coastal shipping initiatives and has tried to align its activities as per the policy.

Coastal shipping has a lot to offer in terms of cheaper and easy cargo movement. How does the coastal shipping business feature in SCI’s current business plan?

SCI has been carrying agricultural products such as wheat, sugar, rice, cereals, seeds and cotton along with other major commodities including tiles, salt, minerals, soda ash, solar panels etc., from the west coast of India, viz., Mundra, Kandla and Pipavav to the southern ports, viz., Kochi, Tuticorin, Kattupalli, Krishnapatnam, etc. and to the east coast ports, viz., Vishakhapatnam, Kolkata and Haldia. SCI has deployed its two owned vessels, viz., MV SCI Mumbai and MV SCI Chennai, both 4,200 TEU container vessels, the former in SMILE service, which carries about one lakh tonnes of coastal cargo on a monthly basis from the west coast of India to southern ports of Tamil Nadu and Kerala corresponding to about 12 lakh tonnes of coastal cargo on a yearly basis and, the latter, catering to coastal trade between the west coast of India (Gujarat Ports) & east coast ports of India (West Bengal, Andhra Pradesh & Tamil Nadu) in PIX2 Service, which carry about six lakh tonnes of coastal cargo on a yearly basis. Besides, SCI has further deployed three container vessels on India’s East coast connecting various ports on the East with Andaman & Nicobar Islands archipelago. The SCI also operates a container service between Chennai and Port Blair, viz., Chennai Port Blair (CPBS) Service with 10 days frequency between Chennai and Port Blair in addition to providing connectivity for Kolkata with Port Blair through its Kolkata Port Blair Service (KPBS) deploying similar-sized tonnage/cargo carrying capacity.

All the above services have been operated by SCI in its efforts to complement the incumbent Government’s vision for the Indian maritime sector and for achieving the stated objectives enshrined in the Sagarmala initiative of the Government of India. Till date, SCI has been steadfast in its commitment, resolve and efforts to enhance the competitiveness of the Indian coastal trade and to entice more deeper and concerted entrepreneurial initiatives in the coastal sector, promote modal shift away from congested rail/road sector and contribute to developing a safe, environmentally friendly alternative for moving cargoes around the Indian coast.
One of the constraints that Indian major ports face is the absence of last-mile connectivity, thus, explaining the need to set up the Indian Port Rail & Ropeway Corporation Limited (IPRCL). More than six years since its incorporation, the IPRCL has come a long way in cargo evacuation in addition to getting involved in some road connectivity projects too. Shri Anoop Kumar Agrawal, Managing Director, IPRCL explains the relevance, role and increasing importance of IPRCL in the port ecosystem.

**Indian Port Rail & Ropeway Corporation Limited: Executing Last-Mile Connectivity to all Major Ports in India**

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**One of the services provided by the IPRCL is to create rail evacuation systems at ports. What are the bottlenecks faced by your organization while evacuating the cargo through railways?**

The present rail infrastructure in most major ports in India has the exchange yard system, which is antiquated and inefficient. Also, the present internal rail systems at many of these ports suffer from constraints such as inadequate full-length lines, poor maintenance of track and signalling infrastructure in addition to limited/no electrification of the internal railway network.

The rail infrastructure has got inadequate and inefficient last mile connectivity with Indian Railway’s mainlines. The present rail system is not bi-directional in most of the cases and therefore needs “Y” connection for dispatching the trains in both directions; an extra chord line is also required.

However, ports are facing following problems in evacuating cargo through railways.

- Shortage of rakes.
- No dedicated goods stock and uncertainty in getting rakes for ports.
- Change of traction - in many ports Indian Railway rakes come to exchange yard in electric traction and then go inside port through diesel and in the same way rakes return through exchange yard, which is time-consuming. IPRCL is now planning to electrify all internal rail system so that the rakes are not held up in the exchange yard. This is called ‘Engine on load’ system wherein the train will come inside the port directly and get loaded/unloaded. This results in fast turnaround of the rakes.
- Many of the ports are not having a signalling system which results in the delay and unsafety. IPRCL is now doing the work of the signalling system inside the ports.

**Last-mile connectivity is a significant aspect of the port ecosystem that is amiss. Why?**

There is immense scope for improvement of last-mile connectivity in ports. In all the major ports, IPRCL is developing master plans by taking into consideration the cargo forecast until 2040. Wherever there is a need, IPRCL is constructing additional lines along with electrification and signalling works. It is anticipated by 2025 there will not be any issue related to bottlenecks as far as last-mile connectivity is concerned. This process cannot be expedited due to the following reasons.

- The slow and cumbersome process of approval by ports.
- High capital cost.
- Land acquisition, wherever land is not available with the port.
- Obtaining Environmental Clearance from the Ministry of Environment and Forests, etc. because all the port’s land falls under Coastal Regulatory Zone (CRZ) and getting Environmental Clearance is a must.

**Can you please share the current project status of IPRCL? This must include:**

- The number of projects completed by IPRCL - 12 Projects; Cost Rs. 287.71 Cr.
- The number of projects that are still being implemented -23 Projects; Cost Rs. 1360.76 Cr.
- The number of projects that have DPRs completed - 09 (Nine) including non-major and private ports.
- The number of projects where preparation of DPRs are in progress - 09 (Nine) including non-major and private ports.
Is the IPRCL involved in any greenfield port projects currently? Please elucidate on the same

Chhara Port is a greenfield port coming up in the state of Gujarat and IPRCL is doing the rail connectivity for the port. IPRCL has submitted the plans to the Western Railways. However, IPRCL is also doing rail connectivity to dry ports like Wardha and Jalna in the state of Maharashtra, which was planned to reduce dependence on roads for cargo movement, reduce the cost of transportation and facilitate import and export from hinterland without wasting time for export/import formalities at clogged JNPT.

The IPRCL had taken up some road connectivity projects too. What is the status of those projects?

The work of construction of rail overbridges (RoBs) is in progress at JNPT (Cost: Rs 100 crores) and Kandla Port (Cost: Rs 250 crores). Work is in progress for two ROBs under Setu-Bharatam in the state of Andhra Pradesh costing Rs.120 crores. Besides, for four ROBs under Setu-Bharatam, DPRs are under preparation. The DPRs for one flyover at Paradip Port (Rs 100 crores) and one long flyover at Vishakhapatnam (Rs. 300 crores) are in progress and work on them would be taken up during 2020-2021 for execution.

There is a lack of skilled manpower in railway logistics. How do you suggest bridging the gap between the necessary demand and available supply?

As per the Economic Survey 2017-18, the market size of the logistics sector will become $215 billion by 2020. As per the Logistics Skill Council, 20 million jobs will be added to the sector by 2022. The sector struggles with issues of unorganized transport, warehousing and packaging operations. It is also plagued with inadequate organizational skills, weak leadership qualities at the mid-tier and managerial levels. The key reason for inadequate addition of manpower is due to difficult working conditions, relatively lower wages as well as a poor perception of these jobs roles and rapidly evolving profile of the industry. The training curriculum is not always in line with the requirements of the specific job roles.

Recently, the Government of India has established National Rail and Transportation Institute (NRTI), a deemed to be university and the first railway university to create a resource pool of best-in-class professionals for the railway and transportation sector. The NRTI is focused on developing global and national partnerships with top universities and organizations from across the world. Apart from this, there are six centralized training institutions along with 59 zonal training institutions and 236 other training centres at various locations across India for the Indian Railways personnel. Other major training institutions providing various courses on rail logistics are the Institute of Rail Transport (IRT), the Chartered Institute of Logistics & Transport (CILT) - India, the Asian Institute of Transport Development (AITD), etc.

According to the Draft National Logistics Policy, a “Centre for Trade Facilitation and Logistics Excellence (CTFL)” will be created in partnership with the Indian Institute of Foreign Trade (IIFT). The CTFL will bring together key stakeholders (relevant central ministries - Roads, Rail, Shipping, Civil Aviation and Customs, PGAs and relevant state governments), private players, industry associations and academia. To improve the placement of skilled manpower in the logistics sector, PSUs and other relevant government bodies will be encouraged to hire skilled talent for key government logistics needs. The Logistics Wing of Ministry of Commerce, GOI will work with the Ministry of Skill Development & Entrepreneurship to launch awareness campaigns to improve the perception of key job roles in the logistics sector. Further, the Logistics Wing will work with the relevant ministries to encourage skillling institutes to update their curriculum and include specialized skills on technology and automation.

IPRCL has been sending its officers and staff to Railway College IRICEN in Pune and CILT in Delhi for railway-related training. Why doesn't the IPRCL train its people or tie-up with railway training institutions to meet job requirements instead of depending on private sector participation?

The IPRCL is not dependent on private sector participation for railway-related training. Till date, the IPRCL has been sending its officers and staff to Railway College IRICEN located in Pune for railway-related training for upgradation of technical knowledge in the field of civil engineering. Similar training will be given in the field of electrification at IREEN, Nashik and for signalling at IRISET, Secunderabad.

As opposed to the current budgetary allocation, what is the capital expenditure per kilometre in rail connectivity projects?

Capital expenditure per kilometre in rail connectivity depends on the terrain whether it is hilly, coastal or flat and also on the cost of the land, which is required for construction of the project. However, if the land is available and the terrain is flat the cost of construction is Rs. 6 crores per km including trackwork, electrification and signalling.