

Title: Corporatization move to give ports a big boost

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Government-run ports are set to get a new lease of life with Union finance minister Arun Jaitley encouraging the corporatization of these heavily burdened, but poorly-managed businesses in India and, Mumbai's Jawaharlal Nehru Port Trust (JNPT) is said to be the first in line to be corporatized.

Top officials of government ports, also known as Major Ports, rejoiced at the decision because corporatization of 11 major ports will bring them out of the purview of Tariff Authority of Major Ports, which fixes cargo rates lower than market prices offered by private ports such as Adani Ports and Gujarat Pipavav.

"Ports in the public sector need to both attract such investment as well as leverage the huge land resources lying unused with them," said FM in the Budget speech. "To enable us to do so, ports in the public sector will be encouraged to corporatise, and become companies under the Companies Act."

Corporatisation will open up possibilities for fund raising and quicker decision making process, which is currently slow as these ports follow the Trust model under the Major Port Trust Act, 1963. The board of trustees at major ports is more often than not political appointees along with labour and government representatives. Decision-making is slow and attracting new clients and cargo is not always the first priority of the trust. Only Tamil Nadu's Kamarajar Port, earlier known as Ennore Port, is a corporate port among 12 major ports. Its corporate structure and market driven tariffs have enabled it to raise funds faster.

"Once we are corporatized, we will get huge financial freedom. Raising funds will be easy for expansion. We will be out of stamp regulations and our tariffs will be fixed by market forces," JNPT's Deputy Chairman Neeraj Bansal told ET. Former chairman NN Kumar termed the idea as 'long overdue, but excellent' as it will bring in transparency and more autonomy.

JNPT had lost out to Adani Ports on the west coast in terms of adding capacity, while Chennai Port and Paradip Port are losing ground to other private ports on the east coast. AP Moller M198rsk Group, which has a terminal at JNPT, welcomed the announcement. Julian Bevis, Senior Director Group Relations South Asia, said there should be a level-playing field between major and minor ports.

"JNPT is the biggest container port in India and I would not be surprised that if it was corporatized, it would be one of the gems among public sector companies. If it were to get listed, it would get a market cap of at least Rs 30,000 crore on stock markets," said Anand Sharma, director at Mantrana Maritime Advisory. "The question is when it would happen, as unions are the biggest hindrance."

The idea, according to industry sources, is likely to face resistance from unions which fear future disinvestment and job losses. Unions had earlier opposed all ideas related to corporatization of ports.

Ramesh Singhal, CEO at i-Maritime Consultancy, said once corporatization happens, the whole outlook to business and profits will change, bringing in a more disciplined approach to investments.