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Title : Guj Pipavav's Good Show Prompts APM to Step Up India Play
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Co's revenue's grown at 23% in 5 years & it has made Rs.. 323 crore in profits in 3 years
Gujarat Pipavav, the lesser known port of Gujarat, is one of the reasons global shipping giant AP Moller-Maersk (APM) is willing to bet on India.Pipavav port's revenue has grown at a CAGR of 23% in the past five years and it has made ` . 323 crore in profits in three years.

The stock has more than trebled in the past 12 months, and it plans to expand capacity by spending $76 million (nearly . 467 crore) in the coming ` months. But it wasn't always like this. Since the beginning, the port struggled to attract shipping lines. When APM bought majority ownership from serial entrepreneur Nikhil Gandhi in 2005, it did not realise that cleaning up the mess would take so long. Gandhi's focus had been bulk cargo, whereas APM's expertise was on the container side. It came out of its tradition of reporting losses only in 2011 since its inception in 1998.

While APM started building infrastructure to support growing demand, container cargo drifted off to Mundra. And, finally, when the port was rebuilt and ready in 2009, global recession struck. Despite being set up much before Adani Ports' Mundra, it missed the bus to gain from the India story and debt spun out of control.

“Everything was wrong in terms of financing. We had just come out of CDR and banks were sitting at our doorstep asking where's our money,“ recalled MD Prakash Tulsiani, who too took the helm in 2009. “There were times it was difficult to pay bills because you are not generating that income and you had to pay interest.“

Tulsiani put together a new team, with a focus on getting new business, getting the port ready and getting out of debt. It started off with giving deep discounts to shipping lines and tak ing business away from Mumbai's Jawaharlal Nehru Port.

“The time you utilise your assets, you are going to reap benefits. The port has high fixed costs and you can only deal with it by getting business,“ said Tulsiani.Pipavav was successful in attracting cargo coming from China and South-East Asia. Today, 70% of its cargo comes from Asia. It also strengthened its hinterland rail connectivity.

Pipavav sold shares publicly in 2010 and raised ` . 500 crore, helping it pay off its creditors and clean its balance sheet. The port finally started posting profits in 2011, six years after being taken over by APM, and first time since inception. Tulsiani says that pep talks among staff members were common in those days of struggle.

Industry experts credit the turnaround to APM's experience and reach, while also acknowledging that the port could have pushed more aggressively. Mundra's container cargo throughput is still four times that of Pipavav's. “Catching up with Mundra... I wouldn't say that in terms of volumes but in terms of prod uct definitely . They started earlier, they captured the volume and they have their own bulk,“ said Tulsiani. Mundra has Adani's assured captive cargo.

Pipavav's approach is cautious, according to experts and is still not matching up to Gautam Adani's aggressive strategy . Adani, which already has huge container capacity , has tied up with another global giant CMA-CGM to set up a terminal in Mundra. The larger rival is also developing an economic zone, something Pipavav is not keen on.

The focus right now is container port expansion, development of liquid cargo and looking for new business, said Tulsiani.Port's container handling capacity will go up to 1.35 million 20-foot equivalent units (TEUs) from 8,50,000 TEUs. The company has tied up with companies like Aegis and Gulf Petroleum to set up tank farms.

“Mundra has an advantage over Pipavav because it is promoter driven. After APM took over, they didn't push it as much as Mundra did. However, cargo attraction, productivity improved. If it had not been for APM, the company would have gone bankrupt,“ said Anand Sharma, director at Mantrana Maritime Advisory.

Ramesh Singhal, CEO of i-Maritime Consultancy , said even though the management has done exemplary work in turning around the company , it should make some more bold changes to keep up with India's growth story.

Cruising into Safe Waters

Problems

- Inadequate infrastructure before takeover
- High debt of ₹300 cr, poor income
- No container cargo facility
- Recession struck in 2009
- Cargo flowed to Mundra

Remedy

- New mgmt team, office pep talks
- Heavy discounts to shipping lines
- Railways connectivity
- Market grab from JNPT

Reported 2013 profit of ₹191.8 crore

Challenges Ahead

- Rising competition
- Lower water depth than Adani's Mundra
- Weak bulk volumes

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Prakash Tulsiani
MD, Gujarat Pipavav

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