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Videocon Industries in race for container terminal at Kerala port

Videocon has teamed up with Sical Logistics and Gammon Infra to bid for the Rs5,000 cr project

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Mumbai: Consumer electronics and home appliances maker Videocon Industries Ltd is venturing into the business of building and operating ports.

The company has bid for the Rs5,000 crore container transshipment terminal at Vizhinjam Port in Kerala. Videocon has bid for the project along with Gammon Infrastructure Projects Ltd and Sical Logistics Ltd, said a person familiar with the matter.



Port of call: A container being offloaded from a ship at the Jawaharlal Nehru Port in Mumbai. Indian ports need to create capacities to handle 30 million TEUs of container cargo by 2016.

Zoom Developers Pvt. Ltd has also bid for the project, teaming up with Portia Management Services Ltd, a wholly owned subsidiary of Peel Ports Ltd, the second largest port operator in the UK.

For its bid, Hyderabad-based Lanco Infratech Ltd has teamed up with Malaysia's Pembinaan Redzai Sdn Bhd. Pembinaan Redzai has about 40% stake in Westports Holdings Sdn Bhd, the holding company for Westports Malaysia Sdn Bhd that runs one of the two

container terminals at Port Klang, the world's 12th biggest container port.

The list of other bidders includes the Maytas Infra Ltd-Nagarjuna Construction Co. Ltd consortium and DS Constructions Ltd. The process ended on Thursday.

The firm seeking the lowest debt support from the state will win the 30-year contract, said L. Radhakrishnan, secretary, ports, Kerala government.

A transshipment port or terminal, such as the ones located in Colombo, Singapore and Dubai, typically has a depth of more than 16m. This allows big container ships to call at the port and load cargo containers arriving on smaller ships from smaller, regional ports and ship them directly to destinations, or to unload cargo containers arriving from origin ports which are then loaded onto smaller feeder ships and transported to final destinations.

Because of the draft (or depth) restrictions at Indian ports, bigger mainline container ships cannot call directly at many of India's ports that handle cargo shipped in steel containers. A big portion of the container cargo, originating

from or destined for India, are transhipped at ports in Colombo, Singapore or Dubai. This entails extra time and costs for moving the cargo, two key factors that influence India's competitiveness in global trade. And the ports in Colombo, Singapore and Dubai have benefited at the expense of India. For instance, Colombo Port currently handles 3.3 million twenty-foot equivalent units, or TEUs a year, and about 60% of this originates at or are destined for Indian ports. A TEU is the standard size of a container and is a common measure of capacity in the container business.

Singapore, the world's biggest container port, handles 25 million TEUs a year, roughly four times more than that handled at Indian ports every year. But out of this, only 4-5 million TEUs actually originate and terminate at Singapore and some in neighbouring Malaysia. The balance of about 20 million TEUs are actually transshipment cargo containers, originating from and destined for other ports in the region.

The container cargo handled at Indian ports is growing at 15% a year. At this rate, Indian ports need to create capacities to handle 30 million TEUs by 2015-16. This includes 4-5 million TEUs that are diverted from foreign ports to India for transshipment purposes, says G. Raghuram, a professor at the Indian Institute of Management, Ahmedabad, who has tracked the sector closely.

The Vizhinjam project will be developed in two phases. The first phase, expected to cost Rs2,390 crore, involves creating capacity to handle 1.8 million TEUs a year. The second phase, estimated to cost more than Rs2,610 crore, will expand the total container handling capacity to 5.3 million TEUs a year.

About 110 container ships, each with a capacity to load 12,000 TEUs or more, are currently under construction at shipyards around the world. These ships require a depth of 16-17m at the port to dock.

"Vizhinjam Port already has a depth of 20m, allowing bigger container ships to call. It will not require any dredging at all. As a result, Vizhinjam will have one of the lowest transshipment costs in the region, if not the world. Exporters and importers will stand to benefit in terms of lower costs on ocean freight and time. They don't have to send the container cargo to Colombo or Singapore," said Radha-krishnan, who is also the CEO of Kerala government-owned Vizhinjam International Seaport Ltd. Dredging costs account for a major part of port tariffs.