



SICAL LOGISTICS LTD.

SICAL  
COFFEE DAY CO.

Lean. Fast. Agile  
India's Leading Integrated Logistics Solution Provider

Annual Report  
2013-14



P O R T \* R A I L \* R O A D \* C F S \* M I N I N G



To be the most Reliable, Trusted and Preferred logistics partner across Business, providing Cost Effective, Innovative and Best-Fit solutions for customers, ultimately enhancing value for all its Stakeholders.

Inside

Sical overview	
Quick information	01
Business snapshot	02
Business structure	03
End-to-end integrated multimodal delivery	04
Delivery network	06
Products we move	07
Key customers	07
Key financials	08
Volume mix	09
Recognition	10
Directors' report	12
Auditors' report	30
Standalone Financial Statement	33
Consolidated Financial Statement	62
Information on subsidiaries	83
Notice to shareholders	84

Disclaimer: The information and opinions contained in this document do not constitute an offer to buy any of Sical's securities, businesses, products, or services. The document might contain forward looking statements qualified by words such as 'expect', 'plan', 'estimate', 'believe', 'project', 'intends', 'exploit', and 'anticipates', that we believe to be true at the time of the preparation of the document. The actual events may differ from those anticipated in these statements because of risk, and uncertainty of the validity of our assumptions. Sical does not take on any obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

QUICK INFORMATION

Board

R Ram Mohan	Managing Director
Kush Desai	Director
Sunil Sudhakarrao Deshmukh	Director (from 01 July 2014)
HR Srinivasan	Director
AS Sundaresha	Director
H Rathnakar Hegde	Director
SR Ramakrishnan	Director (upto 30 June 2014)

Registered office	Bankers	Auditors
South India House	Bank of Baroda	CNGSN & Associates
73 Armenian Street	Canara Bank	Chartered Accountants
Chennai 600001	IDBI Bank	20 Raja Street T Nagar
Voice +91 44 66157016	IIFCL	Chennai 600017
Fax +91 44 66157017	IndusInd Bank	
Email secl@sical.com	ING Vysya Bank	Company secretary
Web www.sical.in	The Ratnakar Bank	V Radhakrishnan
	UCO Bank	
	United Bank of India	
	YES Bank	

# BUSINESS SNAPSHOT

## Port Operations

Handling of dry and liquid bulk cargo at various ports. Services include customs house agency, shipping agency and stevedoring.

## Container Terminals

Handling of containers at Tuticorin container terminal in association with PSA International Pte Ltd.

## CFS/ICD

Container freight stations at Chennai, Vizag, Tuticorin and ICD at Melpakkam

## Trucking and Warehousing

Bulk (dry and liquid), project, ODC, fertilizer, metals, and packaged goods transported across India.

## Bulk Terminals

Exclusive berth, namely, Jawahar Dock 5 at Chennai port to handle large vessels.

Iron ore terminal at Ennore Port.

Deep draft berth for handling iron ore under implementation at New Mangalore Port.

## Container Trains

Pan India container rail operations

Being operated on pan India basis for the movement of edible oil, glasses, pipes, scraps, cereals, granite, marbles, tiles, and copper concentrates.

## Mining Operations

Surface mining

Bulk handling solutions at mines

## Integrated Logistics

End to end integrated logistics solutions for bulk and containerized cargo

# BUSINESS STRUCTURE

22% | Promoters

53% | Co-promoters

25% | Public



## Sical Logistics

Port operations, Trucking and Warehousing



- › Sical Iron Ore Terminal (Mangalore) | 100%  
Iron ore terminal at Mangalore port
- › Bergen Offshore Logistics | 100%  
Offshore logistics
  - › Norsea Global Offshore | 100%  
Offshore logistics
- › Norsea Offshore India | 100%  
Offshore logistics
- › Sical Adams Offshore | 100%  
Offshore logistics
- › Sical Iron Ore Terminal | 63%  
Iron ore terminal at Ennore
- › Sical Infra Assets | 53.60%  
SPV for asset intensive businesses
  - › Sical Multimodal and Rail Transport | 100%  
Pan India container train operations and CFS/ICD
  - › Sical Sattva Rail Terminals | 50%  
Container terminal operations in JV with Sattva
- › Ennore Automotive Logistics | 40.92%  
Automotive yard logistics in JV with MOL & Toyofuji, Japan
- › PSA Sical | 37.50%  
Container terminal in JV with PSA International Pte. Ltd. at Tuticorin

# END-TO-END INTEGRATED MULTIMODAL DELIVERY

## Container Cargo

Sea



Port/terminal



CONTAINER TERMINAL at Tuticorin in JV with PSA International Pte. Ltd., Singapore.

ICD/CFS



CONTAINER FREIGHT STATIONS at Chennai, Tuticorin, Visakhapatnam. Value added services such as bagging, palletizing, strapping, and shrink packing.

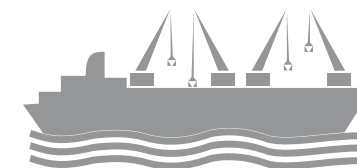
Multimodal  
transportation



Pan India CONTAINER TRAIN operations with multiple rakes carrying exim and domestic cargo on the strategic north south, east north and east west corridors.

customers

## Bulk Cargo



SHIP AGENCY at all major and intermediate ports in India.



STEVEDORING, CUSTOMS CLEARING at Chennai, Tuticorin, Visakhapatnam, Kandla, Haldia, Paradip, Goa, Mangalore.

IRON ORE TERMINALS at Ennore and Mangalore.

COAL TERMINAL at Ennore port.



Pan India TRUCKING FLEET with GSM/GPS systems for real time tracking of high value cargo.



customers

DELIVERY NETWORK



PRODUCTS WE MOVE

Ores	Containers	Dry bulk	Over-dimensional cargo
Iron ore and pellets	20' 40' open top	Coal	Plant and machinery
Manganese	ISO tanks	Coke	Heavy duty handling equipment
Chrome	Packaged goods	Dolomite	Project cargo
Steel	Fertilizer	Limestone	Transformers
HR coils	Cement	Sulfur/rock phosphate	Generators
CR coils	Sugar	Urea	Gases
Slabs	Food	DAP	LPG
Billets	FMCG	MOP	Chlorine
Plates	Consumer electronics	Liquid bulk	Oxygen
Metals	Computers	Diesel	
Copper anode	Tubes	Petrol	
Aluminium ingots		LAB	
		Benzene	
		Ethanol	
		Furnace oil	
		Ammonia	

KEY CUSTOMERS

Andhra Pradesh Paper Mills	Gokul Refoils & Solvent	Precious Carrying Corporation
Adani Enterprises	GTL Infrastructure	Rajshree Cements
Asahi India Glass	Hindustan Copper	Rashtriya Ispat Nigam
Asias Freight Forwarders	Hindalco Industries	Royal Logistics
A to Z Logistics	Hindustan Aeronautics	Saint Gobain Glass India
AM Transport	India Cements	Shell India
Balaji Mines	Indo Arya Central Transport	Seaways Shipping
BEML	Ispat Industries	Shrinivasa Roadways
Bharat Heavy Electricals	JSW Steel	South Eastern Carriers
Bhatia International	Krishak Bharat Co Operative	Steel Authority Of India
Empee Sugars and Chemicals	Mahanadi Coal Field Limited	Sterlite Industries (India)
Engineers India	Manali Petrochemical	Shayam Metaliks
Emami Biotech	Maersk Line India	Tamilnadu News Print & Papers
Ford India	Mother Dairy	Tamilnadu Petroproducts
Grasim Industries	NYK Lines	Tamilnadu Electricity Board
Gupta Coal (India)	Phulchand Exports	Ultra Tech Cements
	Pepsico India	Welspun Maxsteel

The above list is neither complete nor exhaustive; its purpose is merely to showcase Sical's customer engagements.

Customer profile

	FY14	FY13	FY12	FY11
Percentage of revenue from no 1 customers	58%	45%	44%	32%
Percentage of revenue from top 5 customers	79%	69%	70%	69%
Percentage of revenue from top 10 customers	85%	76%	79%	80%
No of customers that account for more than 10% of total revenue	2	2	2	2
No of customers that account for over INR 100 lakhs annual revenue	37	43	47	26
No of customers that account for over INR 500 lakhs annual revenue	13	13	12	16
No of customers that account for over INR 1000 lakhs annual revenue	3	5	7	9

KEY FINANCIALS

(consolidated, in INR lacs)

Year To 31 March	2014	2013	2012
Revenue	88300	77620	79118
EBIDTA	12748	10862	9235
Year To 31 March	2014	2013	2012
Equity share capital	5562	5562	5562
Net worth	41982	43404	41779
Current assets	34999	35196	27223
Cash and bank balance	9991	12317	7772
Net working capital	2688	2189	2400

10-year financials

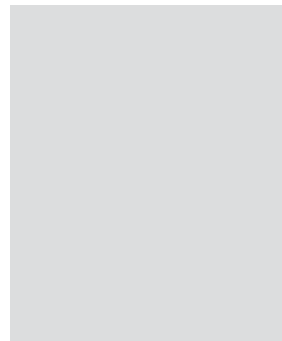
(stand alone, in INR lacs)

Year to 31 March	2014	2013	2012	2011	2010	2009	2008	2007@	2006@	2005@
Sales and other income	60095	51321	50787	57048	53740	47962	57096	101086	96922	122150
EBITDA	8447	6800	5380	2757	4427	4177	4228	6169	11900	9387
Interest	5808	4705	3148	1144	1719	1694	1321	1755	2653	4357
Depreciation	1669	1454	1337	1133	1163	1193	1230	1383	1378	1281
Tax	(55)	(754)	(296)	(822)	(6)	(66)	(402)	860	1358	350
Exceptional items	80	132	137	225	(1086)	810	1,548	1090	-	-
Net profit	1067	1172	1329	1076	2636	546	3626	3262	5369	3113
Equity capital	5562	5562	5562	3954	3954	3954	3954	3019	3019	5155
Net worth	41348	40781	39609	38907	31883	22974	27081	31696	28252	17565

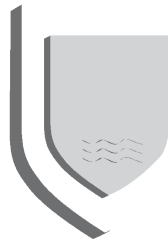
@includes revenue from non logistics operations also

VOLUMES MIX

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Container (20-foot equivalent units TEUs)	649697	628625	585638	587154	592000	570000	570000	429911	379467	327650
Bulk (Million tonnes)	25	21	29	27	26	26	26	22	20	19



## RECOGNITION



Tamil Chamber of Commerce EXIM achievement award “Stevedore of the Year” for consecutive 3 years 2011, 2012 & 2013

Best Transporter for 2013-14” award from Tata Chemicals Limited for Haldia operations by trucking division

“Master Haulier” award for the third consecutive year 2013 by Shell India Markets Limited

South East Conclave award for “Best CFS of the year” 2012

Mahindra Transport Excellence Award 2012 Certificate of Excellence under the Fleet Owner category from Southern Zone.

“Stevedore of the year 2011-2012” award from Ennore Port Limited

Chamber of Commerce EXIM achievement award for Best Stevedore & Best CFS 2011

South East Conclave awards for Best Logistics Company of the year 2010

## DIRECTORS’ REPORT

Your directors are pleased to present this fifty eighth annual report of your company and the audited accounts for the year ended 31 March 2014.

### FINANCIAL REVIEW

The financial results for the year ended 31 March 2014 are summarized below:-

	(Rs In lakhs)	
Year ended 31 March	2014	2013
Sales and other income	<b>60094</b>	51321
Profit before interest, depreciation and tax	<b>8447</b>	6800
Interest	<b>5808</b>	4705
Cash profit	<b>2638</b>	2095
Depreciation	<b>1668</b>	1454
Profit before tax	<b>970</b>	641
Provision for tax	<b>(55)</b>	(754)
Exceptional Items	<b>80</b>	132
Prior period items	<b>(38)</b>	<b>(355)</b>
Net profit	<b>1067</b>	1178
Earnings per share (EPS) in Rs (after exceptional items)	<b>1.92</b>	2.11

### DIVIDEND

The directors have been steering the Company in the path to reach the dividends paying stage. Your Company's new initiatives of Integrated Logistics to move coal for NLC Tamilnadu Power Limited, vide Road-Rail-Sea route after washing the coal from Odisha to Tuticorin, Tamilnadu (expected to commence during the second quarter of the current financial year) and contracts for Surface Mining and transportation of coal for Mahanadhi Coal Fields in its Lajkura and Bharatpur mines at Odisha (already commenced business during the current financial year) coupled with conversion of iron ore terminal at Ennore Port to coal terminal (proposal under the review of the Central Government) will enable your company to reach dividend paying stage.

### DEBENTURES

During the year under review, the Company had raised funds by way of issue of 12.75% secured Non-convertible Debentures for a value of Rs.100 crores with 50% maturity in 2017 and balance 50% in 2018. These debentures are listed with National Stock Exchange Limited. The Company has created the debenture redemption reserve in accordance with the regulations.

### PERFORMANCE

The company's revenues for 2013-14 stood at Rs. 60094 lakhs as against Rs.51320 lakhs in the previous year while profit after tax was Rs.1066 lakhs as against Rs.1171 lakhs in the previous fiscal. Profit before interest, depreciation and tax for the fiscal 2013-14 was Rs.8447 lakhs as against Rs.6800 lakhs in the previous year.

The performance of various divisions of the company during the year under review is summarized below.

#### Port Handling

This division operates in ports like Chennai, Ennore, Tuticorin, Visakhapatnam and Mangalore. Mainly this division performs stevedoring operations for movement of coal for TNEB and for various other private sector customers. Cargoes handled at the various ports vary from Coal, Dolomite, Iron Ore, Steel products and fertilizers. The total volume handled by Sical at the various ports during FY 2013-14 was 26.01 million MT as against 20.76 million MT in FY 2012-13. The increase in volume is attributable to better capacity utilization and increase in power capacity by TNEB requiring higher volume of coal.

#### Customs House Agency

This division acts as an agency for clearing and forwarding goods through customs for imports and exports. This division handled 16.34 million MTs (12.57 million MTs in the previous year) of bulk cargo and 4025 TEUs (4240 TEUs in the previous year) of containerized cargo during the year under review. The cargoes handled vary from Coal, Iron Ore, Project Cargo, Capital Goods, Cement, Pulses, Non Ferrous Alloys and Steel in various forms.

#### Ship Agency

This division facilitates and ensures quick turnaround of the ships at berth at all major ports. During the year under review, the division handled 121 vessels (143 vessels in the previous year) at various ports in the country handling both dry and liquid bulk

## DIRECTORS’ REPORT

### Road Logistics

This division was impacted by the economic instability experienced by the key sectors of the country especially the construction, steel, fertiliser and chemical industries. To overcome this, the division selected high profile customers with consistent operation yielding a reasonable margin.

### Goodwill Travels Division

This division carries out rail and airline ticketing for domestic as well as international and booking of worldwide hotels and tour packages, car rentals, online visas, and travel insurances apart from operating as an authorized dealer for full fledged money changing business. During the year under review the division has operated full fledged packaged tours to Bangkok and far east countries and has plans for operating packaged tours to other destinations.

### New Initiatives

#### Surface Mining and transportation of coal

The Company has bagged prestigious contract for surface mining and transportation of 44.36 million ton of coal from Lajukura and Bharatpur mines of Mahanadhi Coal Fields in Odisha. The operations have commenced during first quarter of 2014-2015.

#### Integrated coal logistics

The prestigious integrated coal logistics contract from NLC Tamilnadu Power Limited is expected to commence in the second quarter of 2014-2015. The Company has received the communication from NLC Tamilnadu Power Limited to commence the project.

#### Port handling

The Company has commenced stevedoring and logistics operations at Kandla Port during the first quarter of 2014-2015.



## DIRECTORS’ REPORT

### SUBSIDIARIES AND JOINT VENTURES

The performance on the Company's key subsidiaries and joint ventures are furnished in the succeeding paragraphs.

#### 1. Sical Infra Assets Limited

Sical Infra Assets Limited is the infrastructure holding company currently having Sical Multimodal and Rail Transport Limited comprising of container rail and container freight station divisions.

Due to non-viability of the Road and Rail Terminal Projects at MIHAN, Nagpur, the company had opted to withdraw from the same and accordingly a settlement was reached with MADC by Nagpur Sical Gupta Road Terminal Limited and Nagpur Sical Gupta Logistics Limited. Subsequent to this, the Company has divested its investment in these entities effective 25th March, 2014.

#### Sical Multimodal and Rail Transport Limited

This Company operates container rail as well as CFS. CFS business is continuing its operations at Chennai and Tuticorin subsequent to the completion of the Strategic Alliance Management Operation with CWC at Vizag. The total volume handled during 2013-14 was 123705 TEUs as against 135879 TEUs in the previous year. The fall in volume handled is due to dip in import traffic as well as cessation of the contract at Vizag.

Container Rail business operates own rakes pan India under category 1, licence. The Company ran 368 trains during the year on multiple sectors. The company also handled export cargo during the year in its pursuit to engage in the EXIM business. The project activities relating to development of its own rail terminals ICD/CFS at Chennai and Bangalore are in progress.

The overall revenue for the company during the financial year was Rs.22384 lakhs and Profit was at Rs.1464 lakhs, as against the profit of Rs. 1020 lakhs in the previous year. The real turnaround for this business will start once the terminals become operational.

#### 2. Sical Iron Ore Terminals Ltd

Sical Iron Ore Terminals Limited has developed a 6 million ton Iron ore terminal at Ennore Port [now known as Kamarajar Port] on BOT basis. As has been stated earlier, the project was completed in all respects and is ready for commercial operation which could not be commenced for want of cargo viz. iron ore on account of the prevailing ban on export of iron ore from out of Karnataka Region and subsequent stoppage of mining activities in the region. Though the mining activities have started in restricted manner, the strong demand of the commodity in the domestic market, coupled with restrictive conditions imposed by Supreme Court of India, would continue to pose challenge for exports. The Company has approached the Kamarajar Port as well Shipping Ministry for obtaining necessary approvals for handling alternate cargoes.

#### 3. Sical Iron Ore Terminal [Mangalore] Limited

Sical Logistics Limited has entered into a Concession Agreement with the New Mangalore Port Trust for the setting up of mechanize Iron Ore handling facilities at the deep draft multipurpose berth of New Mangalore Port on BOT basis. This project is also impacted for the same reasons that affect SIOT, Ennore project, explained above.

#### 4. Norsea Offshore India Limited

Norsea Offshore India Limited, a wholly owned subsidiary of the Company now owns and operates a Cutter Suction Dredger “SICAL Portofino”.

#### 5. Sical Adams Offshore Limited

This company was incorporated in the year 2012 and is exploring the possibility of entering into the offshore segment.

#### 6. PSA Sical Terminals Ltd

PSA SICAL Terminals Limited, a joint venture with Port of Singapore Authority operates a container terminal at Tuticorin. In 2013-14, the company handled container volumes of 507,294 TEUs as against 461,011 TEUs in the previous year. The operation of this joint venture company was affected on account of the mismatch in the royalty being paid to the Port authorities and the tariff charged to customers as per the rules of Tariff Authority for Major Ports. The Company is in the process of resolving the tariff issue.

## DIRECTORS’ REPORT

#### 7. Ennore Automotive Logistics Limited

Ennore Automotive Logistics Limited is a Joint Venture with Mitsui OSK Lines Limited, Japan and Toyofuji Shipping Company Limited, Japan for the operation and maintenance of car yard at Ennore Port [now known as Kamarajar Port] for handling the export cars. This company handled cars for Nissan, Honda and Toyota during the year.

### SUBSIDIARY COMPANIES ACCOUNTS

As per Section 212 of the Companies Act, 1956, we are required to attach Director's report, Balance sheet, Profit and loss account of subsidiaries. The Ministry of Corporate Affairs, Government of India vide its circular no. 2/2011 dated 8 February 2011 has provided an exemption to companies from complying with Section 212, provided such companies publish the audited consolidated financial statements in the Annual Report. Accordingly, the Annual Report for 2013-14 does not contain the financial statements of the subsidiaries. The audited annual accounts and related information of subsidiaries, where applicable, will be made available upon request. These documents will also be available for inspection during business hours at the registered office at Chennai, India.

### AWARDS AND ACCREDITATIONS THE COMPANY RECEIVED

- During the year under review the company received
- Award of the “Master Haulier” status for the third consecutive year by Shell India Markets Limited by trucking division
- “Best Transporter for 2013/14” award from Tata Chemicals Limited
- Award from Tamil Chamber of Commerce for achieving No.1 place in Stevedoring and dry bulk handling as well for CFS

### DIRECTORS

Shri S.R. Ramakrishnan, Director resigned from the Directorship effective close of working hours of 30th June, 2014.

Shri Sunil Sudhakar Rao Deshmukh was appointed additional director effective 01st July, 2014. He can be in office only until the conclusion of the ensuing Annual General Meeting. He seeks election to the Board.

In accordance with the provisions of the new Companies Act, 2013, the appointment of Independent Directors Shri A.S. Sundaresha, Shri H. Rathnakar Hegde and Shri H.R. Srinivasan for a term of 5 years is being placed before the shareholders for their approval at the ensuing Annual General Meeting.

Shri Kush S Desai, Director retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

### AUDITORS

M/s CNGSN & Associates, Chartered Accountants, retire at the conclusion of this annual general meeting and being eligible offer themselves for re-appointment for the current financial year.

### FIXED DEPOSITS

The provisions of Section 58-A of the Companies Act, 1956, relating to the acceptance/renewal of fixed deposits, have been complied with. The Board of Directors at the meeting held on 27th May, 2010 decided not to invite deposits from the public from the year 2010 onwards. Accordingly no fresh deposits were accepted/ renewed by the Company. The value of matured and unclaimed deposits as on 31 March 2014 amounted to Rs 1.06 lakh.

### DEMATERIALISATION OF EQUITY SHARES

5,41,53,413 equity shares representing 97.40% of the paid-up share capital, have been dematerialized upto 31.03.2014. Shareholders who continue to hold shares in physical form are advised to dematerialize their shares. The Company has sent the final reminder to the shareholders to whom new share certificates were sent during the year 1999 arising on account of mergers and the same being returned undelivered.

CORPORATE GOVERNANCE

The company has complied with the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance. A report on corporate governance along with the statutory auditors' certificate and the management discussion and analysis report form part of this annual report.

STATUTORY INFORMATION

1. Under Section 217 [2AA] of the Companies Act, 1956, the board of directors report that:
  - in the preparation of annual accounts, the applicable accounting standards have been followed with no material departures;
  - they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
  - they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions ofthe Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
  - they have prepared the annual accounts on a going concern basis.
2. The particulars required under Section 217 [1] [e] of the Companies Act, 1956, read with the rules framed under it are not applicable since the company is engaged in the business of providing logistics services. However, details of foreign exchange earnings and outgo are furnished in Annexure I to this report.
3. The particulars required under Section 217[2A] of the Companies Act, 1956 and the Companies(Particulars of Employees). Amendment Rules, 2011, are not applicable since none of the employees are in receipt of remuneration in excess of the limits as prescribed in the said Rules.

RELATIONSHIP WITH EMPLOYEES

The directors wish to place on record their sincere appreciation to all the employees for their continued support in the Company's activities.

ACKNOWLEDGEMENT

The directors wish to thank the Port Authorities, Governmental Agencies, company's bankers, financial institutions, customs authorities, foreign collaborators, suppliers, statutory regulators, investors, customers and all stakeholders for their continued support.

For and on behalf of the Board		
Place Bengaluru	<b>R. Ram Mohan</b>	<b>Kush S Desai</b>
Date 11 August 2014	Managing Director	Director

ANNEXURE – I TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES [DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS] RULES, 1988.				
A.	CONSERVATION OF ENERGY	:	NA	
B.	TECHNOLOGY ABSORPTION	:	NA	
C.	FOREIGN EXCHANGE EARNINGS AND OUTGO			
	Total Foreign Exchange Earned	:	Rs. 1210.56 lacs	
	Used	:	Rs. 117.09 lacs	
DISCLOSURE OF PARTICULARS WITH REFERENCE TO CONSERVATION OF ENERGY		:	NIL	

MANAGEMENT DISCUSSION AND ANALYSIS REPORT [2013-14]

Industry overview

Logistics is considered as the backbone of the economy. This industry has become the basis in providing efficient, cost effective flow of goods on which other commercial sectors depend. The logistics industry in India is evolving rapidly and it is the interplay of infrastructure, technology and new types of service providers thereby enabling the service receivers reduce their logistics costs and provide effective services.

Despite weak economic sentiments, though the industry currently continues to remain challenging as the global economy is still limping towards normalcy, the logistics and warehousing industry continued to witness growth largely due to growth in retail, e commerce and manufacturing sectors. With a forward looking attitude of inclusive growth of the logistics sector in the coming years and considered as a promise of growth and improvements, the service oriented logistics industry is all set to expand beyond the horizons in the latter half of this decade utilizing this fiscal year as its launch pad. The growth of logistics sector is directly proportional to overall economic growth of India. Logistics in India will surely grow by around 3 to 4 per cent in coming years consistently as it is pegged to India's GDP growth.

India currently spends around 14 per cent of its GDP on logistics compared with developed countries where this percentage is around 8 – 9 per cent and the industry on the whole is very fragmented and unorganized. However, the freeze of infrastructure projects along with trade woes have led to some consolidation in the sector starting last year. In spite of all the impediments, India has come a long way ahead from the traditional godowns to multimodal transport, container freight stations, inland container depots, cold storage and supply chain management.

With road and rail having its own challenges as medium of transportation, coastal shipping will lead the way as the most timely and efficient medium of transportation within India, but realistically speaking we have a long way to travel before this becomes an impactful reality.

The focus of companies both domestic as well as international is to leverage the cost effectiveness of India, especially in terms of imports, exports as well as manufacturing. Thus cost rationalization across logistics value chain as well as value addition to existing services is what is emerging as a trend. Thus integrated logistics is the new norm of the industry, wherein a single service provider, provides end to end logistics services not only covering India, but also all through international network. This enhances the efficiency and productivity of logistics function as a whole and directly contributes to saving all around. Thus integrated logistics is the new trend in the industry not only in India, but also globally.

Certain segments of the logistics industry which appear to have borne the brunt of the on going slowdown and lack of level playing field for private operators are the container freight stations / inland container depots [CFS/ICD], container train operators and companies catering to specific sectors such as steel etc. CFS/ICD companies typically have high leverage owing to the large borrowings to fund the establishment of the necessary infrastructure; with the slowdown in container volumes from FY13 translating into lower margins, leverage has increased. Over the long term, CFS/ICD operators would benefit from the revival in India's international trade volumes. Margins in the CTO segment would continue to be under pressure in the foreseeable future till the play becomes a bit more balanced towards the private operators, who are still waiting for real opening up of the sector through policy interventions. Survival in this segment would depend on high efficiency operations leading private industry players to persist with load sharing to ensure high utilization.

Logistics an insight

Indian ports have improved in terms of different productivity parameters but the existing levels are a little below those of most of the world's biggest ports. One of the biggest problems facing Indian ports is draft inadequate draft prevents some of the ports from handling bigger ships.

Positive development in this sector has been the increased participation by private players. Expansion in the form of hub ports seems like an ideal solution. Hub ports can be developed along both the coastlines of India with deep drafts that would help to tackle the cargo load significantly.

Despite the slowdown in the global economy after the financial crisis of 2008, India's maritime trade has been growing over the years. The volume of cargo handled at the major port witnessed a year on year decline whereas the cargo volumes at the non major ports increased at a CAGR of 16 per cent during the last five years. Commodity wise a major decline was witnessed in the export of iron ore during the last three years which was due to the restrictions imposed by the Supreme Court on the export of iron ore since 2009 10. The demand for coking coal is expected to witness a significant increase in the near future also due to increase in the demand from the steel industry.

Challenges

The challenges facing the port sector could be divided into four broad categories infrastructure, operational, financial and statutory or mandatory. Infrastructure continues to remain the biggest concern for Indian ports, particularly major ports. Infrastructure challenges can be further divided into three categories dredging, mechanization of berths and connectivity.

One of the major impediment of the Indian Port sector particularly for major ports is the regulation of tariffs by the Tariff Authority for Major Ports [TAMP] that has adversely affected the profitability of major ports vis à vis non major ports. Delays in obtaining mandatory clearances are another major concern for the sector since this increases project risk. Further excessive dependence on the hinterland for cargo affects ports profitability as they are highly susceptible to business cycles. On the financial front, due to limited financing avenues available to port projects, the cost of debt tends to be higher.

The sector also faces issues related to the slow process of development of infrastructure on public private partnership basis. There is a long gap between project conceptualization and award, which causes approval and implementation delays. Unlike private ports, the major ports do not have the flexibility to change the plan or detailed project report.