

# *“The Indian Bunkering Industry”*



## *Opportunities and Challenges*



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# “Indian Coastline”

## Ports and Bunkering Potential



With a natural advantage of a long coastline about 7500 Kms, 12 Major, 4 Intermediate and 183 Minor ports and given the large volumes of trade flow in and out of the various Indian ports there is a huge potential for India to be a major bunkering hub, but still the total volumes are estimated to be about 1.2 million tonnes a year, although no official figures are available.

Traffic handled at Indian ports (both major and non-major) has increased at a CAGR of 9.1% from 578.7 million tonnes in FY06 to 818.7 million tonnes in FY10. In FY10, traffic grew by 10.9% y-o-y, driven largely by the substantial growth of non-major ports.

# Present Bunkering Facilities

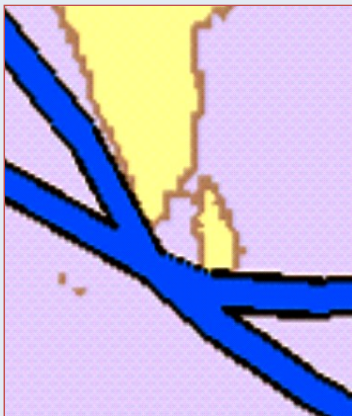
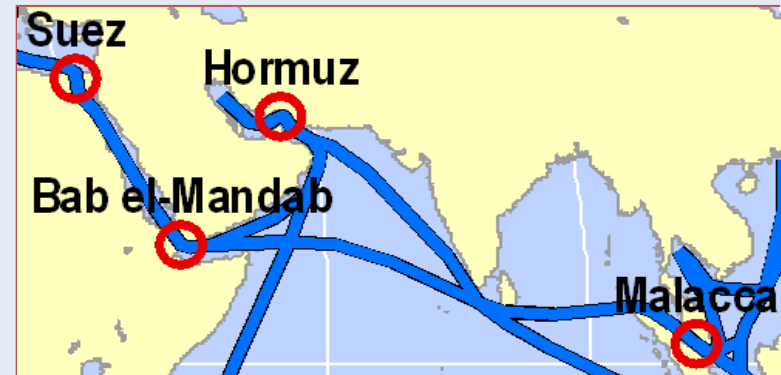
Port	Cargo Volume Handled	No. of Vessel calls	Bunker Products	Supply Mode	Prices
Mundra	80 MMT	2800	IFO380 / IFO180 / MGO ( ISO SPECS )	By Barge	Competitive
Mumbai / JNPT	55 MMT ( Mumbai ) 61 MMT ( JNPT )	1700 (MUMBAI) 3100 (JNPT)	IFO380 / IFO180 / MGO ( ISO / INDIAN SPECS )	By Barge	Competitive
Marmugao	49 MMT	465	Limited Supply ( INDIAN SPECS )	By Barge and Pipeline	High Prices
New Mangalore	35 MMT	1200	Limited Supply ( INDIAN SPECS )	By Trucks	High Prices
Cochin	17 MMT	870	IFO180 / MGO ( INDIAN SPECS )	By Barge	Moderate
Tuticorin	24 MMT	1400	IFO180 / MGO ( INDIAN SPECS )	By Trucks	High Prices
Chennai	61 MMT	2100	IFO380 / IFO180 / MGO ( ISO SPECS )	By Barge	Competitive
Vizag	66 MMT	2400	IFO380 / IFO180 / MGO ( ISO SPECS )	By Trucks & Barge	High Prices
Paradip	57 MMT	1500	Limited Supply ( INDIAN SPECS )	By Trucks	High Prices
Haldia	47 MMT	3650	IFO180 / MGO ( ISO SPECS )	By Barge	High prices

# Present Opportunities – 1/2

- India's trade sector is witnessing a long term and sustainable high growth trend driven by the rapid growth of the Indian GDP.
- International and domestic trade volumes are expanding rapidly and its impact is evident in the burgeoning traffic volumes of the shipping and ports sectors, over the past few years.
- This growth trend is expected to continue over the medium term with India continuing to attract global capital inflows into manufacturing and infrastructure sectors and trade tie-ups with the US, EU and China and SE Asian and South Asian trade blocs get cemented further.
- This growth in trade would, in turn, translate into additional opportunities and pressures on the Indian bunkering sector.

# Present Opportunities – 2/2

- For Ships plying on other international trade routes passing through the Arabian Sea and Indian Ocean, can use Indian ports for bunkering as the Indian coastline is strategically located and easily accessible on these routes.



# Present Challenges - 1/4

- **Infrastructural Challenges :**

- Indian ports are still lagging behind their international counterparts. The sector is facing problems such as inadequate capacity, lack of infrastructure, high costs, labor in-efficiency and obsolete equipment.
- Non-availability of Pipelines for bunkering at cargo Jetties and no dedicated bunkering terminal/jetties.
- Shortage of storage tank capacities in the port.
- Short supply of Bunkering barges along the Indian coast
- Non availability of ISO spec compliant fuels on all ports.

# Present Challenges - 2/4

- **Taxation :**

- The taxation issue is the biggest hurdle in the development of the Bunkering industry in India.
- On the basic price there are tax levied ( VAT, State surcharge, Toll tax, Octroi, CESS) which makes the price in India very uncompetitive compared to other countries.
- The taxation rules are not uniform through out India. The taxes vary from state to state and are under the directive of the State Governments and not the Central Government. The tax rates are different for different states / grades and type of bunkers being supplied.

VAT ( % )

	PORIS	MUMBAI	CHENNAI	VIZAG	COCHIN	GOA	TUTICORIN	KAKINADA	MANGALORE	KOLKAIA	PARADIP	HALDIA
PRODUCTS												
IFO 180 CST	BONDED	0	4	14.5	0.505	1	4	14.5	14	1.2		1.2
	DUTY PAID	12.5	5	14.5	12.63	12.5	5	14.5	14	4	12.5	4
MGO	BONDED	0	4	22.25	22.83	4	4	22.25	18	17		17
	DUTY PAID	26	21.43	22.25	22.83	18	21.43	22.25	18	17	18	17

# Present Challenges - 3/4

## - Procedural Challenges :

- The tedious documentation procedures of the Indian customs authorities and the complicated Bunker duty calculations also contribute more difficulties in streamlining Bunker deliveries.
- Documentation and custom process takes 1-2 days in India, time varies from port to port.

Required Document	Approval authority	Time required
Shipping Bill	Custom	1 working day
ARE1 Form	Custom/ Excise	1 Working day
Others	Custom/ Excise	1 Working day

- In India there are 13 major ports located in different states. Local and Public holidays affect/delay the Custom's Operation.



# Present Challenges 4/4

- **Logistical Challenges :**

- Product in India either are imported or procured from Indian Oil Refineries for the supply by the Bunker Suppliers/Traders. If the product is Imported, it needs a storage facility which is again an issue that needs to be resolved. On the other hand, if product is procured from refinery at the time of supply, on each occasion the Supplier needs to check the avails with the refinery. On other side, refineries has their internal product planning time to time.
- In India Products have been divided in three category: Bonded (Duty Free for foreign Going Vessels), Duty Paid (For coastal vessels) and Duty Paid for Foreign Run. From each parcel refineries decide the ratio of product to be sold in each category. In case Bonded product is not available, the supplier can take the product from Duty Paid stock for foreign going vessel, known as Duty Paid for Foreign Run, which again costs higher.

# Infrastructure Development & Govt. Of India Initiatives – 1/2

- India's goal of emerging as a developed nation by 2020 depends on its ability to sustain growth of over 8.0 % annually over this decade. To achieve this, the Govt. of India has identified the development and modernization of the country's economic infrastructure as a priority step.
- The development and growth of ports and allied infrastructure in particular, is crucial as they play a very vital role in the country's overall economic development; for about 95% by volume and about 70% by value (\$) of India's International trade is done through the maritime route.
- The Govt. Of India in its National Maritime Development Plan (NMDP) has given detailed information regarding the Infrastructural developments being carried out in ports across the nation and their expected impacts on the economic growth.
- This Infrastructural development is welcome by the Bunkering community as this will result in higher volumes of trade in flow and with the infrastructure in place means a better and more viable bunkering arrangement at ports will facilitate more business opportunities.

# Infrastructure Development & Govt. of India Initiatives – 2/2

- With the NMDP giving due importance to the Ship Building industry with the works of revival of HSL and HDPEL, modernization and enhancing capacity of the public sector shipyards, setting up of two international shipyards and strengthening of NSDRC to enhance its design and research capabilities have been envisaged which would make the building of high capacity Bunker barges at lower costs than purchasing them from overseas shipyards.
- The Indian Government is considering further tax exemptions for International tonnages.
- Lower Tax Rates and Bonded bunkers are being made available at Indian Ports by INDIAN PSU's which marks a step forward in this direction.

# Refinery Updates & Initiatives

- The current refining capacity in India is 182 Mil MT/ year.
- Last Year approximately 40,000 vessels called Indian Ports.
- The total Bunkering Volume in India last year has been approximately 1.6 Mil MT.
- MOPS based Bunker Pricing – Refiners in India.
- The Govt. is looking at reducing Taxes for Bunkers in several States.
- More Ports / locations are now committing to supplying ISO Spec Bunkers.
- Plans are being initiated for introducing IFO 500 cst in some selected Ports in India.

# SWOT ANALYSIS



# ANALYSIS OF THE INDIAN BUNKERING SECTOR

- **Strengths**
  - High growth
  - High market share
  - Financial means available
  - Most ports located at strategic locations
  
- **Weaknesses**
  - Old infrastructure
  - Limited water depth
  - Old and inefficient bunker handling systems
  - Rigid institutional framework
  - High port tariffs
  - Non uniform and high tax structure
  - Cumbersome and detailed documentation procedures

# ANALYSIS OF THE INDIAN BUNKERING SECTOR

- **Opportunities**
  - Introduce competition
  - Improve organisation, training,
  - Port reform – more autonomy
  - Invest in infrastructure, lower costs for port users
  
- **Threats**
  - Bureaucracy
  - Time
  - Foreign Ports in competition

# Bibliography, Sources and References

- National Maritime Development Plan (NDMP) – Govt. of INDIA
- Port Development Plan for INDIAN Ports
- The Indian Maritime landscape - KPMG
- Websites – Indian Port Association, Ministry of Shipping, India, DG Shipping
- Private compilations.

# THANK YOU