Development of PPP Dry Ports, Key Features & Challenges

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Presentation Outline

Webinar on Dry Port

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PPP IN DRY PORTS IN INDIA

Existing Infrastructure

Hinterland Connectivity

Logistics Optimization

Level of Privatization in India

Policies and Regulations

Changing Business Models

PPP IN DRY PORTS IN INDIA
Existing Infrastructure

In terms of volume of transactions (Bills of Entry for Imports and Shipping Bills for Exports), the highest volume of trade through ICDs is generally generated in Delhi.

Number of ICDs*	Number of CFSs	Proposed MMLPs
~90	~225	35

Case: ICD/Dry Port Dadri	
0.12 MTEU	Annual Container Handling Capacity
315 sqm	Bonded Warehouse Area for Containers
67,750 sqm	Total Area of ICD Dadri (including open yard)

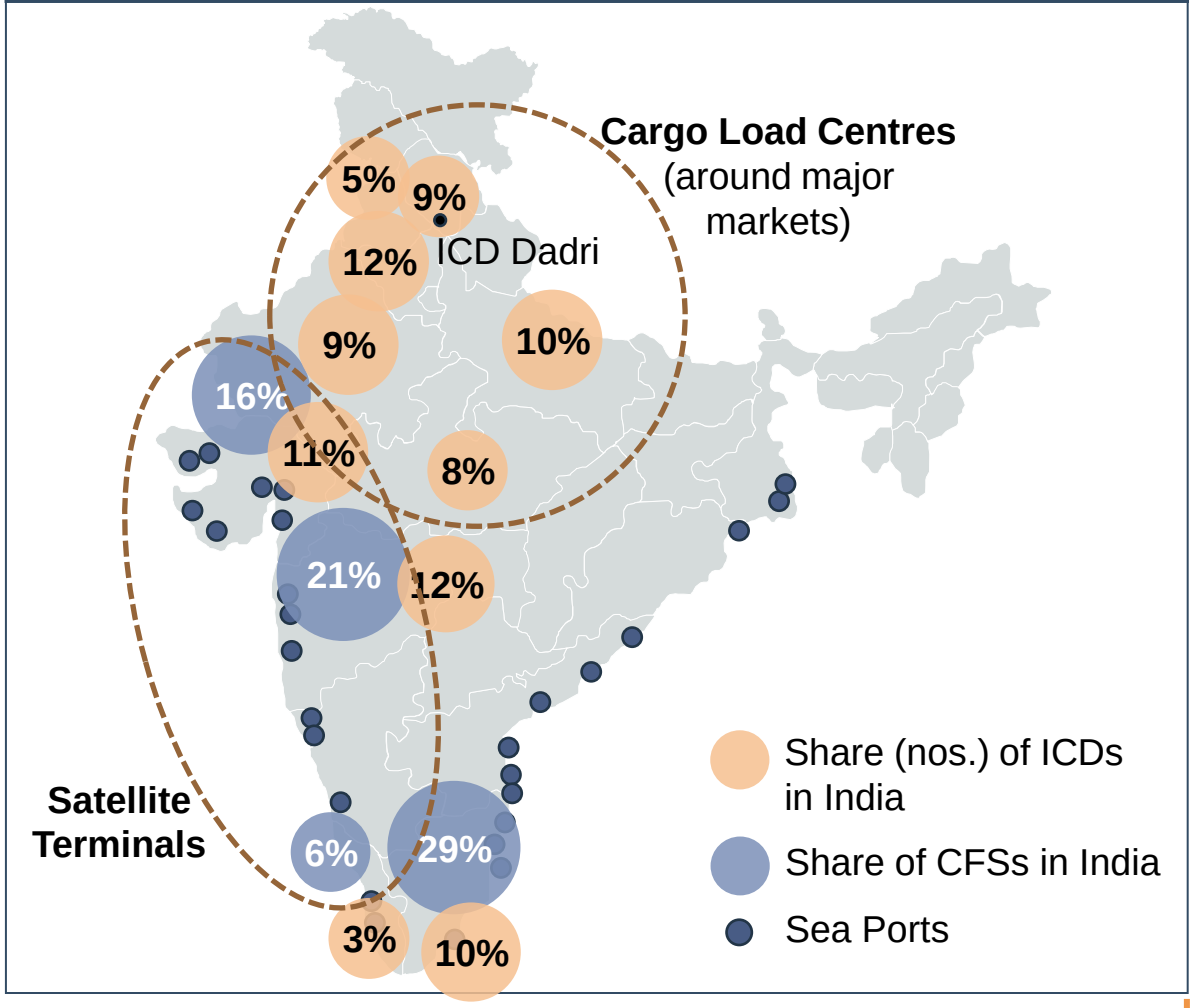
Key success areas

- Cold Storage with Reefer Plugs
- Lower Dwell Time
- Space leased to 4 private operators
- Connected to all major trade corridors

Areas of Concern

- ~55% utilization due to cargo seasonality
- High customs approval duration
- Lack of value-adding services

Dry Ports (ICDs and CFSs) in India



*Source: ASCELA Analysis; Note: * Functional ICDs*

PPP IN DRY PORTS IN INDIA
Hinterland Connectivity

To improve connectivity between the gateway seaports and inland Dry Ports located in the heartland, the Government of India has embarked on various connectivity projects.

Rail Connectivity

Dedicated Freight Corridor

Connects key ICDs in Northern Landlocked states to Ports via dedicated rail infrastructure

Road Connectivity

Delhi Mumbai Expressway

Connects key ICDs in Northern Landlocked states to largest container ports (Mundra and JN Port) in India.

Delhi Mumbai Industrial Corridor

Promotes industrial development along key trade corridor between Delhi and JN Port (Mumbai).

Golden Quadrilateral Road

Promotes holistic logistics development across all geographies in India.

Key Trade Corridors

Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Multimodal Integration

National Waterway 1 or the Ganga-Bhagirathi-Hooghly river system located in India, runs across the Ganges river. It is 1,620 km long, making it the longest waterway in India.

Ongoing Strategies

MMLP Operations on PPP basis

Would optimize logistics operations along Inland Waterway Network and create market competition

Multimodal operations

Entire corridor integrates Highways, Indian Railways, Dedicated Freight Corridors, and Inland Waterways

Key challenges

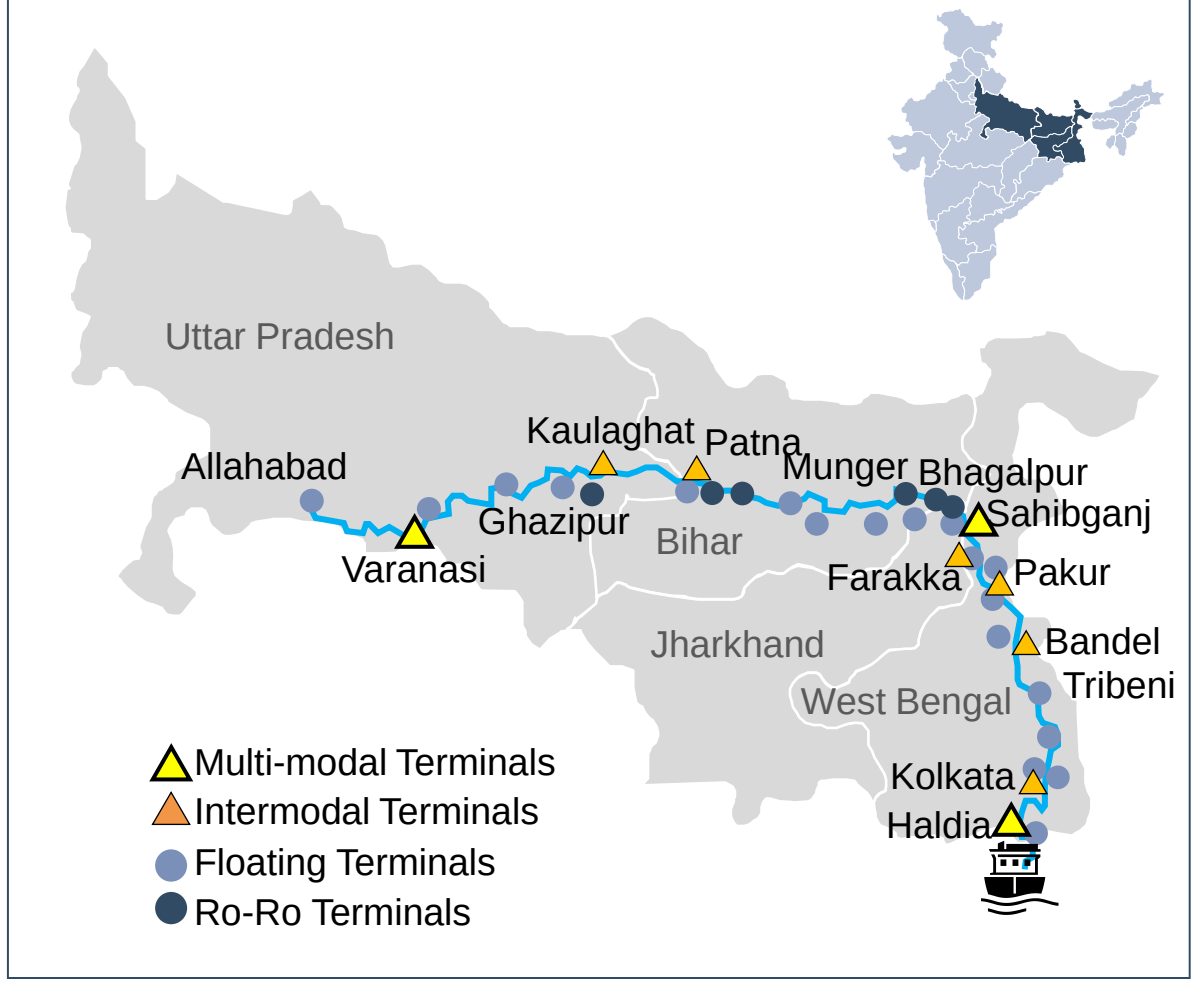
01 Commercial Viability

High operation cost including frequent dredging and high financial risks

02 Technical Limitations

Low LAD and lack of provision of night navigation, which leaves a very small operational window for operators.

Key Ongoing Inland Waterway Project



Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Logistics Optimization

Cargo handling at Dry Port may offer little cost efficiency due to multiple cargo handling, while the time required in the case of Dry Port handling may also be higher.

01

	Factory Stuffing in Delhi	Loading at Factory	Transportation to JN Port (1500 km)	Unloading at JN Port	Customs Clearance at JN Port	Total
Logistics Cost	USD 68-70	USD 12.5	USD 900	USD 12.5	USD 25	**USD 1,020**
Logistics Time	4 hours	1 hour	34 hours	1 hour	96 hours	**136 hours**

02

+5% Cost Efficient

	Loading and Transportation to ICD (~50km)	Stuffing and Handling at ICD Dadri	Customs Clearance at ICD Dadri	Storage and Ground Rent at ICD Dadri	Transportation to JN Port (1500 km)	Unloading at JN Port	Total
Logistics Cost	USD 32	USD 300	USD 25	USD 75	USD 600	INR 10	**USD 967**
Logistics Time	2 hours	30 hours	80 hours	-	36 hours	1 hour	**149 hours**

Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Policies and Regulations

The Government of India is looking at reducing the number of Dry Ports in the country to facilitate Direct Port Delivery (DPD) or Direct Port Entries (DPE).

GST Regulation, 2017

- In the medium term, GST is expected to reduce logistics costs by up to 20% compared to pre-GST

ICD Dadri to Mundra Port	Rail-based Movement	Cost Savings (in TAX)	
Pre GST Logistics Cost (TEU)	~USD 930/ TEU	**~USD 30/ TEU**	**+3%**
Post GST Logistics Cost (TEU)	~USD 900/ TEU		

Guidelines for ICD/ CFS/ AFS Development, 2020

- Considers regional disparities in the concentration of facilities, nation is divided into 3 color zones

Red Zone	Blue Zone	Green Zone
No developments permitted, except exceptional cases	Development on only specific trade generating locations	New developments promoted

National Logistics Policy, 2022

- Expected to reduce the cost of logistics in India to be comparable to global benchmarks by 2030
- Improve Logistics Performance Index ranking - endeavor is to be among the top 25 countries by 2030
- Create data-driven decision support mechanism for an efficient logistics ecosystem

Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Financial Issues and Risks

Indian dry ports in particular are characterized by a dominant public presence.

~55%

Was the average capacity utilization of ICD Dadri in FY-21

~45%

Of the operator's (at ICD Dadri) revenue goes into rent and revenue share to authority

Utilization vs. Rent

~60%

Of total logistics cost goes in transportation. Dry Ports located only along key corridors feasible

High logistics cost

Key concerns of PPP Structure

Viability

Concerns with the viability of the business model. PPP in Dry Ports not much experimented in India

Capability

Will the private sector (individual or in a consortium) be able to achieve Minimum Guarantee Traffic

Capacity

Whether the market have the capacity to achieve what is required quickly enough and with large enough scale

Maturity

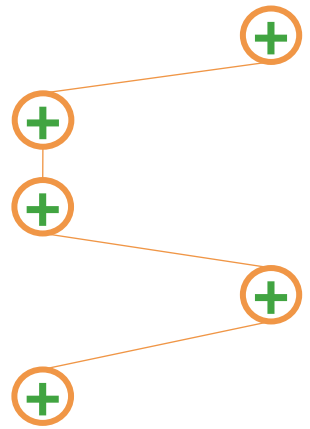
Whether there is an established market for the business

Other key financial concerns in India

Longer stay at yard	**Lack of mechanization, lower revenue**
Reverse logistics cost	**Lack of appropriate infra**
Varying container availability and prices	**Global issue**

Need for Regularization?

	No Tariff Regulation	Tariff Regulation
Controlled operations		
Flexibility		
Market Competition		
Lower Operational Risks		
Market Growth		

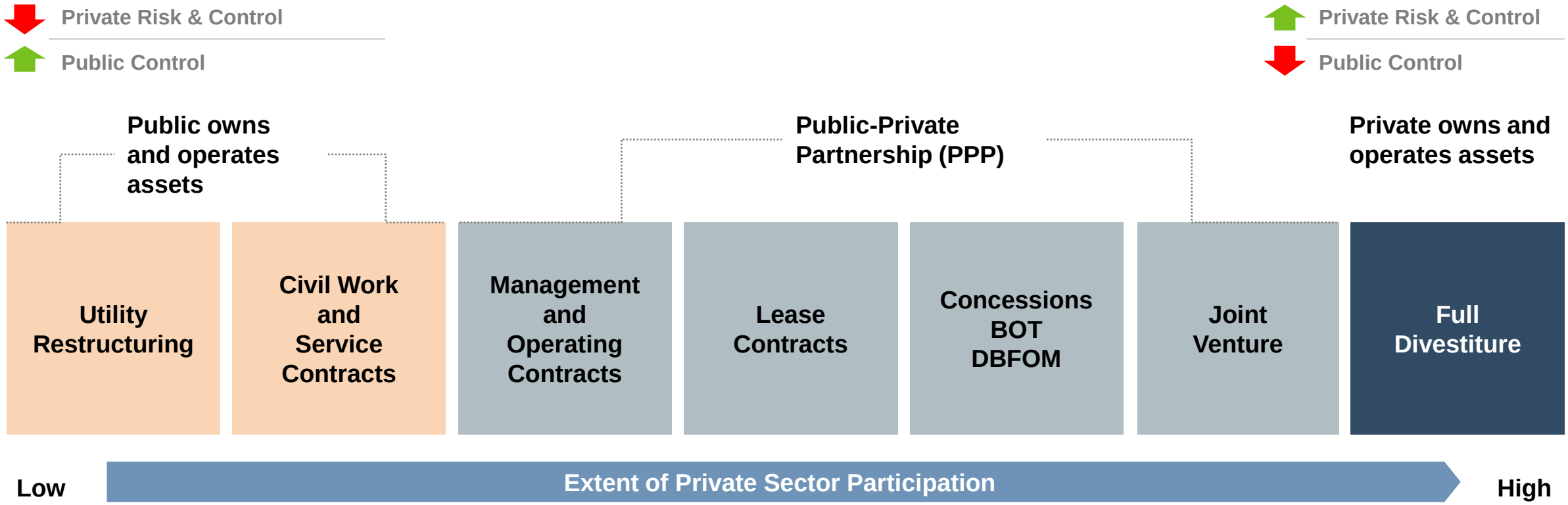


Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Increasing Privatization

Privatization in cargo transportation and handling enables higher operational efficiency and optimization of the cost and time of the supply chain.

Growing privatization in cargo transportation and handling has enabled higher operational efficiency and optimization of cost and time of the supply chain and has also helped in reducing risks and losses.



Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Level of Privatization in India

CONCOR has joined hands with a number of private and other public sector entities in order to develop synergies and strengths, cost reduction, and efficiency enhancements

Assets & Infrastructure	Public owned	Operational Contracts	Lease Contracts	Concessions/ PPP Mode	Joint Venture	Full Divestiture

Low — **Extent of Private Sector Participation in India** — **High**

Dry Ports

ICDs/ CFSs

22% public owned — 5% JV/ PPP — 73% privately owned

Multimodal Operations

Road Movement

Freight forwarders/ Transporters in India have been largely privately operating road-based freight

Rail Movement

CONCOR is the only rail-infrastructure provider

Inland Waterway Movement

No ICD/ CFS in India is currently connected to Inland Waterways

Source: ASCELA Analysis

PPP IN DRY PORTS IN INDIA
Changing Business Models

Indian Dry Port industry is shifting towards optimum and efficient space utilization, reduced cost of logistics operation, automation, real-time tracking, and IoT.

Transformation into Logistics Parks

- Dry Ports are capital-intensive infrastructure projects and adopting a “warehousing” model alone is not sustainable.
- India is becoming a major cargo hub and constructing new airports to cater to the rising demand, where in existing CFSs are being explored to serve as “Air Freight stations”.
- Transformation of capable CFSs as Logistics parks or as FTWZ is also being assessed.

Integration with Shipping Lines

- Shipping Lines and terminal operators are now investing in the development of Dry Ports (ICDs/ CFSs) in the region to improve logistics optimization.
- This is also leading to high market competition

Smart Logistics Infrastructure

- Indian Dry Port industry is shifting towards optimum efficiency, space utilization, and reduction of costs.
- Users are vying for low energy usage for warehousing and transportation.
- Integration with automation, real-time performance tracking, and IoT based inventory management is pacing up.

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