VITAL INDUSTRY UPDATES - 18/08/2015

Tuticorin port registers highest growth rate among major ports

VO Chidambaranar Port here handled traffic of 13.06 million tonnes in the current financial year up to July 31, registering a whopping growth of 27.56% over the corresponding period last year (10.23 million tonnes). This is the highest growth rate achieved among the major ports during this period, according to an official statement from the Port Trust. Major cargoes that contributed to the achievements are coal (43%), containers (32%), fertilizer and fertilizer raw materials (4%), copper concentrate (3%), construction materials (2%), liquid cargoes (4%) and other bulk/ break bulk (12%). It terms of containers, the port has handled 2.06 lakh TEU (twenty-foot equivalent unit) in the current financial year up to July 31, registering a growth of 15.27% over the corresponding period last year (1.78% lakh TEUs).

Mexico set to become the biggest export market for Indian carmakers this fiscal

Mexico, one of the farthest countries from India, is set to become the biggest export market for Indian carmakers this fiscal, with one-fifth of all cars shipped out of the country expected to land in the Central American country some 12,000 nautical miles away. Mexico, despite being a left hand drive market, is expected to overtake South Africa as the topmost overseas market for India-made cars this year, by importing about 1.3 lakh vehicles, industry insiders said. Car exports to Mexico will increase by more than 50% to 1.32 lakh units in 2015-16, as against 82,000 vehicles for the same period last year. Europe's largest carmaker Volkswagen alone is expected to ship more than 55,000 cars from India to Mexico, while General Motors will ship over 45,000 units of Beat small car, which is sold as Spark in that market. Hyundai's i10 Grand and Xcent, Ford's

Figo and Figo Aspire, and Maruti Suzuki's Ciaz are among the other Indian cars headed for Mexico.

Yuan devaluation to weigh on steel prices

The devaluation of the Chinese yuan will put pressure on steel prices and push up imports despite the Government hiking import duty by 2.5 per cent to 7.5 per cent. Seshagiri Rao MVS, Joint Managing Director and CFO, JSW Steel, told *Business Line* that after dumping steel for long China is now exporting its worries to other countries as it dropped a bomb on the entire commodity sector with the devaluation of yuan.

Though China will have competitive advantage in the short run, the impact on emerging markets would get adjusted and there may be pressure on Indian steel companies to revise prices downwards, he said.

Rao said the Chinese companies are losing $40-50 on export of every tonne to India and they can afford to bear it as most of the steel companies there are government-owned. Steel companies in China get bank funding at 0-1 per cent and there is no pressure of repayment schedule.

Imports to touch 15 mt

Of the monthly one million tonne steel imported into India, China shipments account for 30 per cent. Imports are up 50 per cent to 2.54 million tonnes (mt) in the June quarter. Going by the 61 per cent rise in shipments in July, the total imports this fiscal would be 15 mt against 12 mt forecast earlier, he said.

It is really worrying that imports, which would account for 20 per cent of the total annual India demand of 77-80 mt, will decide the pricing of the remaining 80 per cent of steel sold in the country, he said.

On the need for compulsory Bureau of Indian Standard for foreign companies to tap into Indian market, Rao said when the Indian companies are made to register separately with each countries that they are exporting what is harm if the foreign companies take BIS registration to ensure quality.

“A major portion of steel imported here is of secondary defective coils and are dumped at a very low price,” he said.

With the expected fall in steel prices, Rao said customers are cautious and postponing their fresh orders to avoid holding high cost inventory.

Birla Corp to buy Lafarge’s cement units for ₹5,000 cr

Birla Corporation on Monday said it has agreed to buy two cement making units of Lafarge India Private Ltd — with a combined capacity of around 5.15 million tonnes — along with two cement brands for ₹5,000 crore.

The company said in a press release to the stock exchanges that the deal would be financed by its cash reserves and debt.

Shares rise

Birla Corp’s stock shot up following the announcement to close 19 per cent higher at ₹540.25 on the BSE.

Lafarge India’s plant at Sonadih in Chhattisgarh and the Jojobera unit in Jharkhand and the brands Concreto and PSC were up for sale following a verdict from the Competition Commission of India (CCI).

CCI ruling

The Commission had said that the global merger of Lafarge with Holcim would have the effect of creating a monopoly in India’s eastern region because of the scale of the combined capacities of the two entities.

Birla Corp’s deal would be subject to clearance by the CCI and other regulatory authorities, the company said.

“Upon completion of this transition, Birla Corp will consolidate its position in the eastern India cement market, where the demand-supply scenario and outlook continue to remain buoyant,” the company said.

Birla Corp, part of the MP Birla Group, has a current cement capacity of 10 million tonnes a year.

In the eastern region, it has two plants in West Bengal at Durgapur with a capacity of 0.6 mt of Portland Slag Cement and 1 million tonne Portland Pozzolana Cement (PPC).

It has five other plants, two each at Satna (Madhya Pradesh) and Chanderia (Rajasthan), and one at Rae Bareli (Uttar Pradesh). Birla Corp’s existing brands are Birla Cement Samrat, Chetak and Birla Premium Cement.

Captive power plants

The company has a steel foundry unit at Satna, which manufactures castings for cement plants.

It also operates two coal-based captive power plants in Satna (27 MW) and Chanderia (29.8 MW).

Harsh V Lodha, Chairman of the Kolkata-headquartered company, said the transaction was “very important” for the company.

“The acquisition together with the Concreto and PSC brands, perfectly fits into our strategic vision and ambition of enhancing our competitiveness in our chosen markets,” he added.

Aim to complete Vizhinjam port project in 1,000 days: Gautam Adani

The Adani Group has started forming the team that will manage its latest port project at Vizhinjam, Kerala and aims to have the port ready in 1,000 days with construction starting this November, its chairman Gautam Adani said on Monday.

Adani was in Kerala for the signing of the concession agreement between the state government and Adani Ports and Special Economic Zone Ltd.
Adani said the group has appointed Santosh Kumar Mahapatra, director of Adani's Dhamra port project as the CEO of the Vizhinjam project. He added it will employ majority of the workforce from the state and ensure that his group will make it the "world's largest mega transshipment container terminal."

APSEZ in July received the letter of award for the Vizhinjam project, which had been conceived over 25 years ago but failed to take off. Three rounds of prior bidding had got no commitment from any serious project developer.

The total estimated project cost of the port is Rs 4,089 crore, will take four years to set up. The proposed port is located 16 kilometers south of the state capital, Thiruvananthapuram. Vizhinjam, with its strategic access to Middle East - the Suez Canal - coast of East Africa - Bay of Bengal, and the Straits of Malacca thus enjoying an "unmatched locational advantage" to an international shipping route that connects Europe, Persian Gulf and the Far East.

The Adani group has been aggressively scaling up capacity in the past few years. Adani Ports bought Dhamra port owned by L&T and Tata SteelBSE 2.47 % and now wants to expand further on the south-east coast. It now operates eight terminals and ports from just one in 2011 and has advanced its target of handling 200 million tonne of cargo by 2017 from the earlier 2020.

Credit rating agency ICRABSE 1.80 % on Monday said Indian ports handled 1,043 million tons of cargo during the fiscal year ended March 31, a 5.4 per cent increase on year.