

Will ports create the next wave of NPAs?

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Even as the country's banking system is weighed down by stressed assets, the fear that the next round of non-performing assets (NPAs) could emerge from the ports sector is getting real by the day.

Large port capacities, especially in the private sector, are not seeing enough demand, causing a significant under-utilisation of assets.

"I would share that worry," admitted Shipping Secretary Gopal Krishna during a recent interaction with *BusinessLine*.

"We are creating over-capacity. Major ports are safe as they do not have exposure to banks and funding is from internal resources. However, there could be pressure among private ports," he told *BusinessLine* during a recent interaction.

According to data from the India Brand Equity Foundation, only a third of the 187 non-major ports (those with an aggregate capacity of 700 million tonnes) are operational.

Too close for comfort

Worried, the Centre is taking corrective action. Taking a cue from the airline sector, it is mulling a minimum spatial distance between two ports. The lack of such a norm has seen ports come up close to each other, and the competition has hurt their viability.

In Tamil Nadu, within a space of 30 km, there are three ports — Chennai, Kamarajar and Katupalli — all vying for cargo from the same hinterland. About 100 km north of Katupalli is the Krishnapatinam port in Andhra Pradesh, which is also tapping the same catchment area.

Similarly, in Kerala, the ports of Vallapadam and Vizhinjam are close to each other, and the Centre wants a trans-shipment hub at Colachel, bordering Tamil Nadu.

"We will soon initiate talks with maritime States on creating synergies between ports located within a short distance," said Krishna. "For instance, we have discussed synergies between the Chennai and Kamarajar ports, which are 30 km apart. We will have to see how capacity should be created (rather) than investing blindly."

India's 7,500 km coastline has 12 major ports (aggregate capacity 1,100 mt) and over 180 non-Major Ports, which come under the purview of State governments. They include the ports of Sikka, Mundra, Pipavav, Dahej, Hazira, Krishnapatnam, Karaikal, Katupalli, Kakinada and Gangavaram.

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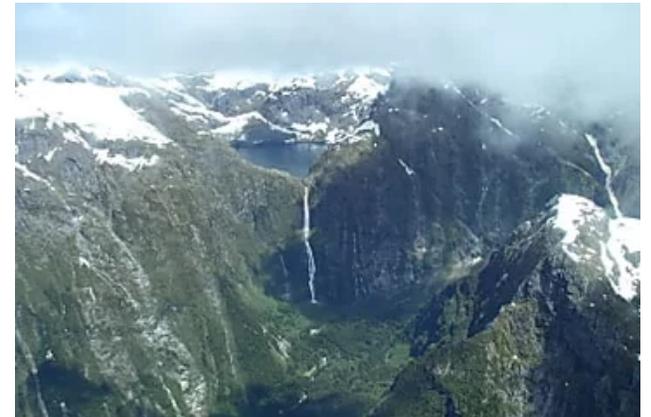
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