CHAPTER-III

REVIEW OF THE LITERATURE

3.1 INTRODUCTION

“A comparative research study on the financial performance of Mundra Port and Kandla Port” from year 2002-03 to year 2008-09 is based on comparative financial performance therefore emphasis is given to its financial comparison tools like liquidity performance, profitability performance and efficiency performance comparison using with different tool kit to make this research study better. It’s better to introduce about the ports which are ground players.

As par as the Government of India has created opportunities for private entrepreneurs, the private sector started showing interest infrastructure projects in general. In addition to privatization, the Government of India and the state Government of Gujarat have accorded to approval to the Adani Group to develop, operate and maintain a Special Economy Zone (SEZ) at Mundra in Gujarat. The project is referred to as Mundra SEZ. The Mundra port is managed by the private organization viz. The Adani Group; it is become public limited port in the year 2007 with issuing their equity share capital. In
the present contents Mundra Port is now on the first positioning in private managed port India having a maximum number of cargos handled in the year with impressive turnover. It is become one of the leading private ports in Gujarat.

The other comparative port is Kandla Port Trust, which is also one of the Major Ports of India and managed by the Central Government of India. It was declared as Special Economic Zone in year 1964-65 and so as it was the first special economic zone in India and in Asia. It is fully facilitated with latest technological equipment to serve best with handling cargos. The project is referred as Kandla Special Economic Zone (KASEZ). It is the biggest multiple product SEZ in India. It is situated at Kandla, Kutch.

Thus the above are the ground player for the research study; both the port having their own advantage of environment. The Kandla Port is managed by central government of India where the Mundra Port is managed by private management that is Adani Group.

3.2 PRIVATIZATION OF PORT SECTOR IN INDIA

Infrastructure plays very crucial role in the development of any country especially in India. The LPG already announced in the year July 1991 only for the higher growth of the country and promotes the industrialization. The basic objective of privatization policy of port
sector in India is to achieve the highest standards with superior quality management in port infrastructure and services with achieve the higher traffic at the ports and enhance industrialization process in state. Presently, the policy holds pivotal positioning in the state’s industrial development. The first autonomous state board established in 1982, namely Gujarat Maritime Board. It is the perhaps only maritime body with an enviable feat both nationally and internationally in cargo handling and ship breaking activity. In Kutch the first opportunity handover to Adani Port to operate and manage port sector to increase quality in management, improvement in number of cargos handling and provide vital services to import and exports. The basic objective is to improve the quality as well as increase in Foreign Direct Investment (FDI). It already has proved in Gujarat, the number of industries is raised as well as the SEZ advantage is also taken by many industries in Gujarat.

### 3.3 PRIVATE PORT PERFORMANCES IN KUTCH

Modernization of port process, bringing out quality satisfaction globally, maximize the number of cargos handling, to promote the Foreign Direct Investment the government of India decided to privatize port sector. Gujarat also has taken participation in privatization of port sectors and only two privately owned fully operational land lord ports namely Mundra Port and Pipavav Port.
Adani Port selected to operate and managing ports at Mundra. Thus, in the year 1998 Adani Group started port project for their international trade operations. Before year 2003, port identified as Adani Port Ltd but it merged in year 2003 and after 1st April, 2003 the port is identified as Gujarat Adani Port Ltd. Gujarat Adani Port Ltd now known as Mundra Port and Special Economic Zone located at Mundra, in Kutch district. It is one of the private port of Gujarat and operated and managed by Adani Group which is first largest private SEZ to be notified by Government of India. It carried out Initial Public Offer in the year 2007 as Mundra Port and Special Economic Zone and so that it’s now identified as MPSEZ. It is surrounded by all natural resources facility with enormous infrastructure. Mundra Port & Special Economic Zone is performing best in India Port Performance either in handling cargos or containers. The following table represent Indian Port Performance for Major, Non Major and Mundra Port from year 2005-06 to 2007-08.

Table-3.3.01

Indian Port Performance 2005-2008

<table>
<thead>
<tr>
<th>Ports</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Major</td>
<td>423.57</td>
<td>463.84</td>
<td>519.23</td>
<td>11.9%</td>
</tr>
<tr>
<td>Non-Major</td>
<td>135.86</td>
<td>165.74</td>
<td>172.3</td>
<td>4%</td>
</tr>
<tr>
<td>Mundra</td>
<td>17.14</td>
<td>19.80</td>
<td>28.8</td>
<td>45.6%</td>
</tr>
</tbody>
</table>

Source: Gujarat Port Performance Report, 2009
With reference to above table which represents Indian Port Performance from year 2005 to 2008 in MT (Metric Ton) for Major, Non Major Ports with compare to Private Port viz Mundra Port.

In year 2005 the over all cargos handled by all Major Ports was 423.57 ton which increased by 463.84 in year 2006 and 519.23 MT in year 2007 the over all growth YoY is 11.9% for handling cargos. Non-Major port performance is 135.86 MT in year 2005, increased to 165.74 MT in year 2006 while 172.3 MT which is 4% compare to year 2006 improvement in performance. Private port sector plays major part in growth.

The performance for handling cargos by private port in Gujarat, particularly Mundra Port & SEZ is 17.14 MT in year 2005 which is increased to 19.80 MT in year 2006 while tremendous growth in year 2007 for 28.8 MT cargos handled which is 45.6% increased YoY compare to year 2006.

Private ports have created its own importance in operating and managing port sector with quality performance. So as all private ports with profit objective, therefore their policy must be different to operate and manage working capital or paying debts. A private port in Gujarat also provides different facilities to customers like huge space, repair and maintenance etc.
3.4 CENTRALIZATION APPROACH OF THE STUDY

The centre of study is to compare private port with public port to measure and interpret as improvement in private sector compare to public sector during the study area from last seven years, as it was the prime intention of the government for the privatization of port sector rather than monopolistic, to improve efficiency, maintain quality and increase the number of imported and exported goods, increase in number of handling cargos. It is also refer to increases in FDI in India with different projects after the privatization of port sectors. The research study is comparative performance finding to judge the impact of privatization of port sector with measuring growth.

The study is going to provide comparative financial information which will open the entire door for occur the variance due to change in management and utilizing of financial resources. Public sectors are service oriented rather than profit, while private sectors objectively profit oriented. This aspect is enough to prepare entire operational strategy for moving step further.

Private sectors not only believe in profits they also well mannered in respect of quality management, active in social responsibilities towards employee as well as nation, strong belief in growth, welfare activities for employees, donations in relief funds etc. Thus the comparative aspect between public port performance and private port performance will not bringing out only the result of
financial figures but also represents the private port management strategies, implementation and efforts. Research study is not presentation of poor performance of Kandla Port in any specific sector, and even it is practically not ethical also only because its public sector which is non profit oriented and only focusing on service management, but Kandla Port is in focus to measure the performance of Private Port Sector to judge its growth, capability and efficiency.

Interpretation and analysis of the study contains mainly financial analysis of Horizontal, Vertical and Trend indicator on the comparative basis. While Ratio Analysis which mainly include liquidity, profitability and efficiency used for performance analysis. Moreover, all the collected ratios are integrated within group and it is again analyzed with statistical tools like mean and standard deviation to find out the relativity of the performance.

3.5 RESEARCH STUDY OVERVIEW

The title “A Comparative Study on Financial Performance of the Mundra Port and the Kandla Port” is a comparative study on public port and private port in Kutch. It is comparison of the financial performance to finding out the progress of private port sector in Kutch with compare to public port sector with using performance positioning from year 2003 to year 2008. The study will work on to analyze their net progress during years with the help of Horizontal Analysis,
centralize growth with using tool kit of Vertical Analysis, private port and public port performance comparison by Trend Analysis. For the detail study perspective like liquidity performance, profitability performance and efficiency performance, various tools used like Ratio Analysis and Statistical tool kit. The analysis between private port and public port is not conducted the performance of Public Port against the growth and improvement of Private Port. However, the public ports are non profit oriented so as the comparison for the profitability can not be possible. But it can use as reference to umpire the performance of Private Ports. This type of analytical research work especially in port sector has never done to finding the brisk progress reasons of private sectors.

Further, for the purpose of detailed analysis, results of all Liquidity ratios comparatively for both the ports is again analyzed by statistical tools like Mean and Standard Deviation to achieve better perfection in results, graphically chart is also given for all standard deviation analysis.

3.6 FUTURE PROSPECTUS OF PORTS IN GUJARAT

With the strong growth of industrialization in Gujarat, government started to motivate private entrepreneurs also to involve and operate port sector activities. Till date INR 20600 Cr has been incurred to develop port infrastructure by private investments. Within
next five years an investment of INR 50000 Cr expected for port development infrastructure and port related activities. This new project will also create new opportunities for local residents in Gujarat with number of positioning in port sectors. Minor ports in Gujarat has contributed 20% of total cargo handling during the year 2007-2008 and rest by Major and Non Major ports. Gujarat Maritime Board which is also controlling and owing cargo traffic handling capacity, is now planning to expanding capacity of ports managed by private sectors like Mundra, Pipavav, Dahej and Hazira. Increase in capacity by the way of operationalizing new private ports in Gujarat which are presently under privatization process, namely Dholera, Kambhhat, Mahuva, Simar, Modava, Maroli and Sutarapada.

Gujarat Maritime Borard, (GMB) which is undertaking of government of India are planning to BOOT policy implementation completely (Build Own Operate Transfer) well private port players establish, operate and develop port on BOOT period which will be for 30 years. GMB has identified 11 different suitable sites for the establishment of new ports. There are known as Greenfield ports.

3.7 PORTS UNDER BOOT POLICY IN GUJARAT

Build Own Operate Transfer policy specially made for Greenfield ports which is either fully owner or partially by private port players, but fully controlled by Gujarat Maritime Board. There are four
fully & partially private port developed under BOOT policy in Gujarat, Mundra Port & Special Economic Zone, (GAPL old identity) fully private managed port, Pipavav Port was joint venture (JV) between Gujarat Pipavav Port Limited (GPPL) and Gujarat Maritime Board (GMB) but presently it operates one handed by GPPL, third private player participation in Gujarat is Dahej Port which focused by Petronet LNG Ltd and GMB, and forth is Hazira Port which is developed by HPPL, Hazira Port Private Limited. It is promoted by Shell Gas B.V, the company engaged with International Oil and Shipping business.

There are number of ports which also in queue under BOOT process and also proposed ports which stated in following table.

Table No. 3.7.01

BOOT PROCESS STATUS

<table>
<thead>
<tr>
<th>Implemented</th>
<th>Under Process</th>
<th>Proposed</th>
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</thead>
<tbody>
<tr>
<td>Mundra Port &amp; SEZ</td>
<td>Positra Port</td>
<td>Modhava Port</td>
</tr>
<tr>
<td>Hazira Port</td>
<td>Vansi- Borsi Port</td>
<td>Mahuva Port</td>
</tr>
<tr>
<td>Dahej Port</td>
<td>Dholera Port</td>
<td>Sutrapada Port</td>
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<tr>
<td>Pipavav Port</td>
<td>Chhara Port</td>
<td>Khabhbat Port</td>
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<tr>
<td></td>
<td>Bedi Port</td>
<td></td>
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<tr>
<td></td>
<td>Mithivirdi Port</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maroli Port</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed from available data
Introduction with BOOT policy by Gujarat Maritime Board has just changed the port infrastructure transportation. As in the above table it is clear that already four ports in Gujarat are growing up while seven are in process pipeline and four ports are proposed for BOOT Policy. It proves the success of BOOT Policy by Gujarat Maritime Board (GMB).

References:

(2) Saji Kumar, “Restructuring of Indian Ports- Reforms and Challenges” ICFAI Publication.
(3) Administrative Report for Kandla Port Trust for the year 2003-04
(4) Gujarat Ports – Progress and activities, introduction phase by Gujarat Ports, July, 2009
(5) Annual Report of Gujarat Maritime Board for the year 2008-09