

India's blossoming NVOs

Emerging market creates opportunities, as well as challenges,
for non-vessel-operating common carriers.

BY CHRIS GILLIS

The rapidly emerging Indian market, chock full of regulatory and infrastructural challenges, has become fertile ground for savvy local non-vessel-operating common carriers to cultivate.

"India offers a huge potential for NVOs," said Vivek Kele, director of Mumbai-based Teamglobal Logistics, in a recent interview. "There is room for professional operators to give quality service and capture higher market share."

The NVO business in India began to take root in the 1990s with the entry of large multinational operators, and indigenous players, such as Allcargo and WSA.



Khosla

Teamglobal, started in August 2005 by Kele and his colleague Nityam Khosla - both instrumental in helping to set up Allcargo in July 1993, is among the top-five Indian consolidators. The company has about 180 employees scattered across seven offices in India's primary port cities, with two additional locations planned.

In 2008, Teamglobal handled more than 6,000 TEUs of export groupage containers and another 4,000 TEUs of import groupage boxes. The NVO also managed the movement of about 15,500 TEUs of full containerloads, both export and import. "Since 2007, we have had a growth of more than 65 percent to 70 percent in exports ex-India, and imports have grown by 20 percent to 25 percent," Khosla said.

According to the Consolidators Association of India, which Khosla heads, there are about 100 pure consolidators operating in the country. Much of this activity is centered in Mundra, Nava Sheva, Tuticorin and Chennai, since these ports are generally able to provide scheduled services with fixed-day arrivals and departures for liner carriers, keeping port-to-port transit times between Europe and the United States fairly consistent, Kele explained.



Vivek Kele
Director,
Teamglobal Logistics

"At Teamglobal we have strong monitoring systems through which we track the turnaround times of containers for movements between the terminals and CFSS (container freight stations) all the way to de-stuffing thereafter," Kele said.

These turnaround times are routinely measured against internal benchmarks and adjustments are made, when necessary, by Teamglobal's operations management, he said.

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India's NVOs have also worked hard to change customs and other domestic regulations to make it easier to provide efficient consolidation services. "India at one time was known for its complicated and cumbersome customs procedures. However, things have been changing positively over the last few years," Khosla said.

In the late 1990s, Indian Customs began allowing the handling of multicity consolidation containers, meaning NVOs could accept cargo at inland container depots, move it to gateway ports where it could be further sorted and repacked into containers for overseas destinations.

Two years ago, the Indian government created an international transshipment hub regulation wherein NVOs may receive less-than-containerload cargoes from various countries at Indian ports, and sort them into containers for the final destination countries. This type of activity has long been prevalent in large transshipment ports, such as Singapore and Dubai.



India's NVOs are also now allowed to file their own manifests with Indian Customs and move inbound containers to their nominated freight stations for de-stuffing.

To operate in India, an NVO is required by the Multimodal Transportation of Goods Act to register with the government's Directorate of Shipping as a multimodal transport operator. The NVO applicant must have a freight turnover of 5 million rupees (about \$95,000), agreements with at least two overseas agents, and insurance. "The procedure is quite simple and there are no great entry barriers," Khosla said.

Another regulatory change to have an impact on India's burgeoning NVO industry will be the Shipping Trade Practices Act. The act has already been approved by the law ministry for presentation to the parliament for approval. It will apply to both individuals and companies performing maritime transportation logistics activities for containerized cargoes.

"This is somewhat in line with the FMC (U.S. Federal Maritime Commission) in that all the charges have to be filed in advance with the competent authority and there are penalties for violations," Khosla said.

"All of this has helped the Indian NVOCCs to operate efficiently and effectively at an international level, and has provided for more control over (cargo) handling which was missing earlier," Khosla said. "Most of these NVOCC issues were pursued with customs, ministries and service providers in the Consolidators Association of India. This body has been very successful in addressing these issues at both the macro and micro levels."

With the exception perhaps of Allcargo, which acquired Antwerp-based Ecu Line in 2005, most Indian NVOs remain domestic in their operations and rely on agency networks to spread their activities globally.

Teamglobal recently joined the WorldWide Alliance, a network of neutral NVOs. Formed in 2007, the alliance allows its members to maintain individual brand identities and operations, but offers them the ability to expand in import and export trade lanes through their partnership with the other alliance members. The alliance now has exclusive representation in more than 30 countries.

In addition to Teamglobal, the alliance's membership includes Shipco Transport (Americas, Europe, and Asia); SSC Consolidation (Belgium and the Netherlands); Saco Shipping (Germany); CFR Freight (South Africa); Allink (Brazil); Combimar Agemar (Italy); Transglory (Spain, Portugal, Tunisia and Algeria); Multimodal (France); Panama Consolidation Services (Panama); Interteam (Mexico); Mahe (Colombia); Mesco (Egypt); SSL Consolidation (Argentina, Turkey, Czech Republic, Hungary, Switzerland and Austria); and Scanway Shipping (Russia). (For more details about the WorldWide Alliance, read the December 2007 *American Shipper*, pages 52-54.)

Unlike more mature NVO markets, merger and acquisition activity among India's NVOs has not been prevalent. "The business is extremely competitive in India, but there's not enough financial muscle yet to acquire smaller companies," Kele said.

"It's a little early for India to experience local consolidation," Khosha added. "There is going to be a lot of organic growth among the larger players. We have a lot to do in India yet." - *Chris Gillis*

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