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Dhamra port: Adanis' big catch on the East Coast

The deep draft Odisha port can handle large vessels carrying bulk cargo

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On Friday, as Narendra Modi's historic win was making news, the Adanis of Gujarat announced the ₹5,500-crore deal acquiring Dhamra Port in Odisha. It could be a coincidence. But if the talks in the port circles are anything to go by, Adanis chose the 'auspicious' occasion to announce the deal for which negotiations had been going on for over a year.

In fact, the Gujarat-based port operator has been acting as the operation and management consultant to Dhamra port, which was promoted jointly by Tata Steel and L&T. Also, there have been media reports over the past few months about Adanis' plan to buy the Odisha port. Dhamra now becomes part of the Adani Port and Special Economic Zone (APSEZ), the group's flagship, a listed entity.

The deal, biggest in the Indian port sector, could be a game-changer for the largest private port operator in the country. Like Mundra on the West Coast, Dhamra has the potential to become an Adani stronghold on the East Coast. APSEZ already runs a coal terminal at Visakhapatnam and it bagged a container terminal at Ennore (near Chennai) earlier this year.

But Dhamra will be the group's first full-fledged port on the eastern seaboard.

On the West Coast, APSEZ runs four ports – three in Gujarat (Mundra, Hazira and Dehaj) and one in Goa.

It is also developing another terminal at Kandla.

"For Adanis, the largest coal importer in the country, Dhamra is a strategic acquisition," said R Kishore, President, Indian Private Ports and Terminals Association. It is one of the few ports in the country with a 17-meter draft capable of handling super capesize vessels (above 1.8 lakh dwt) which carry bulk commodities such as coal and iron ore, he said.

Smart buy A file picture of the Dhamra Port in Odisha. VV KRISHNAN

Dhamra, which began operation in 2011, has two berths with an annual capacity of 24 million tonnes. While one berth handles imported coal, the other is for export of iron ore.

Last fiscal, the port handled 14.3 million tonnes, of which coal accounted for more than 10 million tonnes. The iron ore berth remained largely underutilised because of the restriction on iron ore exports and it not being equipped to handle other cargoes.

Preferential treatment

A positive for Adanis and Tata Steel, one of the original promoters of Dhamra, is that the latter gets a preferential treatment at the port. And, the former will benefit from the long-term agreement the steel major has signed a deal with the new port owners to bring in six million tonnes cargo every year for a specified number of years.

Dhamra has the approval to develop another 12 berths for handling oil, LNG, containers, foodgrains, fertiliser and break-bulk cargo. This second phase of development, which the new owners plan to start in the next three months, will take the port's capacity to more than 100 million tonnes by 2020.

APSEZ has not disclosed details of the deal and how it will be funded, except saying that it will be an all-cash transaction. During a conference call with the media after the announcement of the deal, Sudipta Bhattacharya, Managing Director of APSEZ, said "funding is an internal matter; we will not like to discuss it now."

A port sector analyst said the Dhamra deal follows a spate of good news for the Adani group in the past few weeks – record performance at Mundra Port, getting the environmental nod for operating a mine in Australia, and the positive impact of the change of guard in New Delhi.

"Good days are ahead for Adanis, who have been repeatedly denied security clearance to bid for projects at the government ports under the UPA regime," said the analyst, who did not want to be identified.

On Friday, which was also the first day of trading after the Adani flagship announced a 43 per cent jump in its fourth quarter net profit at ₹530 crore. the APSEZ stock rose from ₹220 to ₹235.40 before settling at ₹224.65.