

PROJECT REPORT

A STUDY ON IMPACT OF COVID – 19 PANDAMIC ON SHIPPING BUSINESS OF MAERSK

Submitted by
AMALKRISHNA P.A.
Reg No:2005304006

In partial fulfilment for the award of the degree Of
MASTER OF BUSINESS ADMINISTRATION
In
PORT AND SHIPPING MANAGEMENT

Under the supervision of
Dr. YOGAMALA H.L.
(HOD, School of Maritime Management)



SCHOOL OF MARITIME MANAGEMENT
INDIAN MARITIME UNIVERSITY, COCHIN CAMPUS, WILLINGDON
ISLAND, KOCHI – 682029

DECLARATION

I hereby declare that the project work entitled *A Study on Impact of Covid-19 Pandemic on Shipping Business of Maersk* is an original work done by me in partial fulfillment for the award of the degree of Master of Business Administration in Port and Shipping Management. The information submitted is true and original to the best of my knowledge.

Place: Kochi

Student's Name: AMALKRISHNA P.A.

Supervised by: DR. YOGAMALA H.L.
Designation: HOD SMM

Signature :

Date :

ACKNOWLEDGEMENT

It will be imperfect unless I proclaim my gratitude to those who helped me to accomplish this mission.

First of all I Thank God Almighty for blessing me to complete this project successfully.

I express my sincere gratitude to Dr. Yogamala H.L., Head of school of Maritime Management, for the encouragement and support and for all the valuable help he has rendered to me in this study.

Also I would like to thank my beloved parents and friends whose love and encouragement has helped us in completing this project.

AMALKRISHNA P.A.

TABLE OF CONTENTS

| CHAPTER NO | NAME | PAGE NO |
|-------------------|---|----------------|
| 1 | INTRODUCTION | |
| 1.2 | GENERAL INTRODUCTION | |
| 1.3 | COMPANY PROFILE | |
| 1.4 | INDUSTRIAL PROFILE | |
| 1.5 | OBJECTIVE OF STUDY | |
| 1.6 | RESEARCHPROBLEM | |
| 1.7 | REVIEW OF LITERATURE | |
| 1.8 | REASEARCH METHODOLOGY | |
| 1.9 | CHAPTERISATION | |
| 2 | IMPACT OF PANDAMIC IN SHIPPING INDUSTRY | |
| 3 | IMPACT OF PANDAMIC IN MAERSK | |
| 4 | EXISTING PROBLEMS | |
| 5 | CONCLUSIONS AND SUGGESTIONS | |

CHAPTER 1
INTRODUCTION

GENERAL INTRODUCTION

The COVID-19 outbreak has been causing a huge impact on people's lives, families and communities. As the international response continues to develop, organisations are operating in uncharted waters. Critical information on the characteristics of this new virus and its impacts on the global business activity are difficult to assess and are changing overnight.

In these unprecedented times, the ability of shipping services to continue undisrupted to transport food, energy and medical supplies across the continents will play a critical role in overcoming this pandemic. Shipping companies will need to become agile and adaptable to this changing situation, and focus on building effective response strategies and plans.

Shipping Operations Face New Challenges in pandemic situation.

On board safety

Crew must prevent at any cost an infection from being transferred on board and should bear in mind that depending on the vessel's location, there may be limited medical support in case of an incident

Crew

Due to travel restrictions, crew is likely to be unable to travel to join a vessel or be repatriated following the completion of their contract.

Supplies

There are difficulties in finding medical and other supplies for the vessel and its crew as well as likely a shortage in mechanical and electronic parts for vessels.

On board inspections

At many ports, specialized staff such as inspectors are restricted from accessing vessels and thus conducting the legally required inspections (safety, environmental, training etc) and other operations may be severely disrupted.

This research project discuss is about the impact caused by the COVID-19 pandemic in shipping industry. When the first COVID-19 broke out all the industry first felt the shock except E Commerce industry which saw an opportunity to take the advantage of the situation. Rest all industries like service based, shipping all industries where affected.

COMPANY PROFILE

MAERSK

A.P. Moller - Maersk AS (APMM) is a provider of transportation and logistics services. It operates shipping containers and ports through subsidiaries and affiliates. The company transports dry cargo, refrigerated cargo, special cargo and conducts used container sales and supports intermodal transport. The company designs, builds and operates port and terminal facilities, and provides cargo inland services for cargo transportation between port facilities and inland locations, and

other associated cargo handling functions. The company also manufactures dry containers and refrigerated containers. APMM serves energy, shipbuilding, retail, logistics and manufacturing industries. The company has a presence in North America, Europe, the Middle East and Africa, and Asia-Pacific. APMM is headquartered in Copenhagen, Denmark

Products and Services

| Products | Services | Brands |
|-------------------------|-----------------|---------------|
| Dry Containers | Transportation | Maersk Line |
| Refrigerated Containers | Ocean Transport | Damco |
| Refrigeration Machines | Inland Services | Safmarine |

Industrial Profile

Special Services Ships: High Speed Crew Boats and Launches

Crew boats are very important to the shipping industry as they provide the connection between a base onshore and offshore installations, such as drilling rigs, or designated anchorages which serve hundreds of ships at a time.

Crew boats are designed with a passenger cabin capable of accommodating between 20 and 30 passengers, with the navigating bridge arranged immediately forward of this cabin.

There is usually a large open deck aft capable of carrying some cargo (2-3 tonnes). They are fast craft with a crew of 4-5, including the master. Some ports allow these crew boats to operate 24 h a day, whereas others only allow operations during daylight hours. The usual range of this craft is 40-50 miles from their shore-based head office

According to the Ministry of Shipping, around 95% of India's trading by volume and 70% by value is done through maritime transport. In November 2020, the Prime Minister, Mr. Narendra Modi renamed the Ministry of Shipping as the Ministry of Ports, Shipping and Waterways.

India has 12 major and 205 notified minor and intermediate ports. Under the National Perspective Plan for Sagarmala, six new mega ports will be developed in the country. The Indian ports and shipping industry play a vital role in sustaining growth in the country's trade and commerce. India is the sixteenth-largest maritime country in the world with a coastline of about 7,517 kms. The Indian Government plays an important role in supporting the ports sector. It has allowed Foreign Direct Investment (FDI) of up to 100% under the automatic route for port and harbour construction and maintenance projects. It has also facilitated a 10-year tax holiday to enterprises that develop, maintain and operate ports, inland waterways and inland ports.

MARKET SIZE

India's key ports had a capacity of 1,561 million tonnes per annum (MTPA) in FY21. In FY22 (until February) 2022, all key ports in India handled 650.52 million tonnes (MT) of cargo traffic. India's merchandise exports in FY22 were at US\$ 417.8 billion, up 40% from the previous year. In October 2021, India's merchandise exports grew 43.05% to reach US\$ 33.65 billion.

The Government has taken several measures to improve operational efficiency through mechanisation, deepening the draft and speedy evacuations.

Objective of the study

To provide information regarding Maersk operation history.

To provide information regarding the impact of covid in the shipping industry.

To provide information regarding the problems faced by the Shipping Industry during the pandemic.

To provide suggestions for existing problems.

Research Problem

- To analyze the step Maersk taken by to survive the pandemic situations.
- To analyze and suggest possible solution for the ongoing problems.

Review of literature

Impact of COVID-19 on the shipping and maritime industry the negative and posted impact by Roshan Sah

The book explains the entire difficulties faced by the shipping industry due to the pandemic situation. And it also explains the or still impact off this situation in shipping and maritime industry. The book explains how is shipping activities affected during the pandemic situation and the book highlights the highly affected areas of the shipping industry.

covid 19 pandemic made the world fall down. And there was an increase in challenges among the society. The pandemic has affected many industries and thereby it also affected the shipping industry. Shipping industry plays a major role in most of the countries and even there are countries which depend upon the shipping industry.

The book explains how the shipping lines the fleet was affected due to less number of containers this was due to list number of people engaging in exporting boat activities these are due to the government restrictions in some countries.

And due to the force to closure business all around the world in the peak period of the situation and the cause of this many business was closed and no important export was taking place in most of the countries during 2020 year. The one and only business that took advantage of the situation is the E Commerce business the E Commerce business when it started there is less chances of this pandemic infection because the person does not have to go to market in order to buy a thing 'cause the E Commerce platform will provide and deliver it to the home.

After a short period of break in the shipping business most of the shipping companies tried to overcome and started to normalize new normal.

So most of the shipping companies started their business slowly because as it is said by the health Department that this pandemic won't go so soon. so most of the companies try to change and overcome and adapt to the situation and government in different countries started to Remove restrictions in export and import activities and even in manufacturing activities so thereby The important export activities started again but in small amount rather than before, because there are many countries still suffering this pandemic situation.

COVID 19 and maritime transport impact and responses by UNCTAD

The Maritime transportation transports about 80 percentage of goods that means 80 percentage of trade volume which has value more than 70 percentage is transported through the maritime transportation. But the pandemic situation has send shockwaves to all companies and shipping sectors thereby Reduction in maritime transport. The book says that it is important to increase the capacity of the country in order to overcome this situation.

The only possible way to recover this is by understanding the pandemic how it affected the sector solutions problems faced all things should be analyzed in order to recover. UNCTAD done a preliminary assessment regarding the challenges faced and problems due to the situations in 2020 this give many companies in the shipping sector to understand the pandemic and react according to it in order to survive in this situation.

In this book the assessment was taken by

The impact caused by the pandemic in the shipping sector the challenges faced by the shipping sector

The measures introduced in order to overcome the pandemic situation

Implications required for the future shipping sector

The chapter one and two in this book provide the report based on the impacts caused by the pandemic during the first half of 2020. The next chapter tell us about the responses and adapting towards the new situation, This includes protection off the workforce from the pandemic situation and how effective the process is to be done.

COVID-19 and its India Impact

As per the official data released by the ministry of statistics and program implementation, the Indian economy contracted by 7.3% in the April-June quarter of this fiscal year. This is the worst decline ever observed since the ministry had started compiling GDP stats quarterly in 1996. In 2020, an estimated 10 million migrant workers returned to their native places after the imposition of the lockdown. But what was surprising was the fact that neither the state government nor the central government had any data regarding the migrant workers who lost their jobs and their lives during the lockdown.

The government extended their help to migrant workers who returned to their native places during the second wave of the corona, apart from just setting up a digital-centralized database system. The second wave of Covid-19 has brutally exposed and worsened existing vulnerabilities in the Indian economy. India's \$2.9 trillion economy remains shuttered during the lockdown period, except for some essential services and activities. As shops, eateries, factories, transport services, business establishments were shuttered, the lockdown had a devastating impact on slowing down the economy. The informal sectors of the economy have been worst hit by the global epidemic. India's GDP contraction during April-June could well be above 8% if the informal sectors are considered. Private consumption and investments are the two biggest engines of India's economic growth. All the major sectors of the economy were badly hit except agriculture. The Indian economy was facing headwinds much before the arrival of the second wave. Coupled with the humanitarian crisis and silent treatment of the government, the covid-19 has exposed and worsened existing inequalities in the Indian economy. The contraction of the economy would continue in the next 4 quarters and a recession is inevitable. Everyone agrees that the Indian economy is heading for its full-year contraction. The surveys conducted by the Centre For Monitoring Indian Economy shows a steep rise in unemployment rates, in the range of 7.9% to 12% during the April-June quarter of 2021. The economy is having a knock-

on effect with MSMEs shutting their businesses. Millions of jobs have been lost permanently and have dampened consumption. The government should be ready to spend billions of dollars to fight the health crisis and fast-track the economic recovery from the covid-19 instigated recession. The most effective way out of this emergency is that the government should inject billions of dollars into the economy.

The GDP growth had crashed 23.9% in response to the centre's no notice lockdown. India's GDP shrank 7.3% in 2020-21. This was the worst performance of the Indian economy in any year since independence. As of now, India's GDP growth rate is likely to be below 10 per cent.

Research Methodology

A research methodology is an outline of how a given piece of research is carried out. It defines the techniques or procedures that are used to identify and analyse information regarding a specific research topic. The research methodology, therefore, has to do with how a researcher designs their study in a way that allows them to obtain valid and reliable results and meet their research objectives.

This was based on a descriptive study. This study helped to understand the process and operation of that organization. This study was especially done by internet and by telephone communication .

Yet in order to prepare the report based on secondary data are used

Secondary data the name itself says that the data collected secondarily that means the data that is collected by someone is taken for the research purpose.

The main sources for this data are from the magazines from the websites issued by the company or the organization by the government.

The problem with the secondary data is with the secondary data is it is collected

by someone for some purpose and it is not sure that these datas are suitable for this study, as it is taken by somebody else during some period of time there's a chance of the outdated of data.

- Website of Maersk
- website of government Organisations
- Brochures
- Magazines
- other printed materials

CHAPTERIZATION

CHAPTER 2 :IMPACT OF PANDEMIC ON SHIPPING INDUSTRY

CHAPTER 3 : IMPACT OF PANDEMIC IN MAERSK

CHAPTER 4 : EXISTING PROBLEMS

CHAPTER 5 : CONCLUSIONS AND SUGGESTIONS

CHAPTER 2

IMPACT OF PANDEMIC ON SHIPPING INDUSTRY

The outbreak of the infectious disease named as the coronavirus disease (*COVID-19*) caused by the newly discovered coronavirus has caused chaos and panic all over the world causing the ceasing of all normal daily activities like going to work, a walk outside or in some countries even stepping a foot outside the house. One of the activities that has also been majorly impacted due to the spread of this disease is the shipping and maritime industry. This epidemic has caused the shipping and maritime industry to face the worst circumstances as the workforce in these sectors has been shut down for the safety and prevention of the escalation of *COVID-19*. This setback has also been caused due to the standstill of all kinds of cargos via water or air during this quarantine period (period of isolation) as the transportation of such cargos in ships or through the air can be possibly carrying with it the virus from one port to another. This widespread pandemic has launched a major brunt for the shipping and maritime industry not only from the ports of China (where the virus is said to originate) but also the ports globally. All the trade chains, including the major import and export trade, is in the face with a downfall. During this adverse time and the urgency of the situation, a ban has also been imposed by various countries on the entry of containers and vessels that are being operated from other ports, especially those that are transported from China. Such impeded operations have hampered with the logistics and operations of these industries. During this adverse time, many workers and staff are being trapped onboard the vessels due to either being in quarantine or for other prescribed safety issues. The ports are also running at a low capacity, and the storage facilities have been highly overcrowded. The maritime transport and shipping industry is plastered with major challenges during these challenging times. Some of these issues faced by the maritime and shipping industry have been outlined below: -

I. Port closures

Ports have been closed due to quarantine periods in effect and in order to ensure the well-being of workers and various conditions have been imposed, for instance, the ban of marine vessels into certain countries which has demanded such vessels to be on the water and not have a destination port to go to. The entry of vessels by certain countries has been restricted or prohibited, thus, causing chaos amongst the marine transportation facilities globally.

II. Less demand for cargos

The competent health authorities of every country are avoiding the risk of spreading of *COVID-19*, which has led to the decline in import and export of products and goods between countries. All such goods that were previously carried conveniently on a ship or any other marine vehicle have to follow a set standard of rules and procedure which has limited the demand for such cargos. The delay in such transportation due to added complications of quarantine periods have led to the further decline of demand for such cargos. Perishable goods are not being able to be transported due to the waiting period of 14 days or the waiting period prescribed by the competent authorities in every country.

III. Disputes between owners and charters

Charters hire the vessels from the owners of the vessels and various kinds of disputes are arising between the owners and charters of such vessels due to loss of time and money. The disputes are arising pertaining to the hire period of such vessels where the charter had been granted such a vessel for a limited period of time; however, such time period being negated due to force majeure.

IV. Disputes in lay time settlement

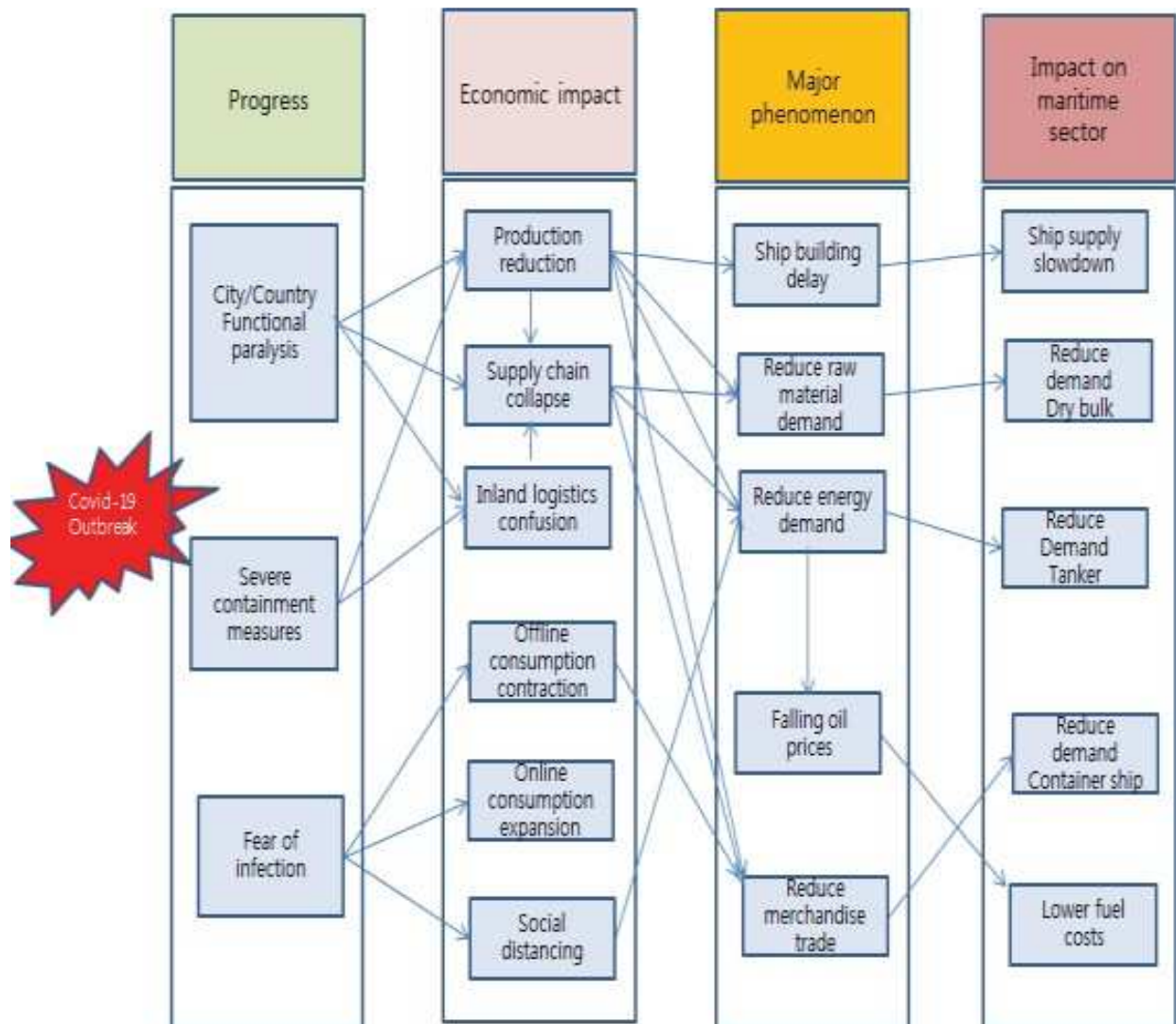
The owners grant the vessels to charters for a definite time period for fixed costs. The overriding of such time period leads to additional costs that have to be paid for surpassing the set time period. *COVID-19* has imposed major difficulties on the settlement of such time period as the vessels are prohibited from entering certain ports forcing them to be on territorial waters for an extended period of time forcing them to be a party to pay additional costs that are under the light of dispute. Due to force majeure, such costs are not being paid, therefore, causing losses to parties.

V. Discussion on clauses

Every owner of a ship or a vessel is to add an infectious disease clause within its directives and guidelines which is causing a dispute between the owners of the vessels and charters hiring such vessels. Both parties would want to add such clauses advantageous to their own situation or clauses that ensure maximum safety which is leading to disagreements on which clauses to be inserted.

VI. Bankruptcy

Many small companies engaged in the maritime and shipping industry have gone bankrupt due to less demand and the inability to handle the finances of the company during this period of less demand of cargos and shipping. This has majorly impacted the small running businesses and even resulted in the shutting down of various companies engaged in this industry.



The major problems faced by the shipping industry due to COVID-19 are the following

- . lesser export and import activities
- . idle vessels
- .Spreading of infections to the seafarers causing health concern

- . The pandemic restrictions there's no manufacturing or production of any products so there is no export and import
- . large number of cargoes trapped inside the port causes damage to the goods Ben kept for longer period of time
- . lesser amount of workforce due to infection
- . call of port is delayed in order to check the pandemic infection within the vessel
- . strengthened security measures takes time
- . Overall delay in the process causes huge expenditure for port
- . This amount of work in shipping companies forces them to close the company
- . The pandemic affected the logistics structure and also the supply chain

Without regional support nothing can be done with the right response the smooth shipping is possible. There is a need for a regional collaboration in order to survive this situation.

The shipping companies are the one among the highest affected during this COVID-19 pandemic. Most of the shipping companies recorded loss during the year 2020 as compared to 2020 the 2021 has slight increase because the government of different countries started to lift the restrictions. Even now the second wave happened in India Has caused again a dip in the profit. Most of the

small shipping companies are facing a lot of problem due to fund allocation but when comparing in case of larger shipping companies they could survive because they have brought many subsidiaries they not only depend on shipping so they could allocate the front and that helped them to survive the countries like India.

When comparing world container index which provides container fright rates off the love and shipping routes that is currently used all around the world here we can see that there is a deep in the volume of container shipping that is 5.1% as we compare the first quarter of both 2020 and 2019 so there is a volume down by two point 2,000,000 TEU. But during this time that is 2021 there is slight increase in the world container index this is due to the resuming operations of port and shipping.

When coming to blank sailing worldwide There was a huge shipping operation cancellation most of the shipping companies cancelled their operations in some of the other route due to the restrictions of the government by that country, so as per the figure a year among those cancellation was there during the year 2020 as we compare in 2021 there is protection in this blank sailing worldwide.

CHAPTER 3

IMPACT OF PANDEMIC IN MAERSK

How Maersk was affected by the pandemic

company that quickly adapted in order to survive in this pandemic situation. The company headquartered in France was responsible for creating guidelines another changes in their process and operation in order to overcome the crisis situation helped the company to get back into their position. Even today most of the companies are struggling to survive this situation but other companies found out many alternatives to survive in this situation. The company survived by accepting many cost cutting initiatives and reacting according to the demand.

The reduction in number of fleet and containers diploid helped to save excess cost. This proves that Shipping Industry was able to rapidly adapt in this pandemic situations.

When the first quarter was hit by the pandemic and the company was struggling but when the second quarter came in 2020 the company made a profit now all the business activities was reduced now reached 7 billion USD Year than the first quarter.

All things have been changing from the second quarter of the year 2020 during this time there was increase in the net income When compared to the second quarter of 2019 there was a increase in second quarter of 2020 about USD 109million.

Even the operating performance was at the peak and it generated cash flow about USD one point 1 billion. also with the help of guaranteed bank loan And there was capital increase.

There by the companies he couldn't position was about USD 2.6 billion at June 30 2020 this allowed the company to set the future safe. With its Financial Policy and structure the company is still trying to strengthen its financial structure this will help them too survive in any difficult conditions by making the future of the company safe.

Major challenges faced by Maersk during pandemic situation

Reduce in customers

Shortage of workers and staffs

Vessels cancellation

cancellation in shipping routes

seafarers health care

shutdown of office due to lockdown and restrictions.

The world wide demand was reduced

High maintenance cost of vessel due to kept idle.

Supply chain effects

Lag of transportation due to restriction

CHAPTER 4
EXISTING PROBLEMS

Existing problems In Shipping Industry

The main existing problem is due to the COVID-19 pandemic itself, most of the developed countries are now safe for business but in case of developing countries and below developing countries are in a grave danger as India is experiencing the 2nd wave of COVID-19 and the situation is very bad and most of the states are introducing lockdown and curfew these are affecting the Shipping Industry .

The work from home solution provided to the employees are not much efficient, the workers are finding it difficult because of the amount of work has been increased.

Most of the people are unaware of the services and office provided by Shipping Industry As compared to the main regional offices in a developing country the other small offices are not working up to the mark, the main regional offices keeps a standard of operation but in other hand the smaller other regional offices have limited infrastructure another facilities.

CHAPTER 5

CONCLUSIONS AND SUGGESTIONS

Conclusion and suggestions

Most of the companies that comes under shipping industry are facing similar problems when compared to the biggest shipping companies like their future is safe but for others it will be depending upon the financial adjustment they have taken during COVID-19 pandemic . the conclusion is that the Shipping Industry had undergone a rapid change in its financial structure Introducing new innovative business continuity pack and cutting off unnecessary expenses And successfully implementing cost control measures helped the Shipping Industry To survivee the covid pandemic. In order to survive in a pandemic situation a company has to introduce both customer oriented and financial oriented plans and this company has succeeded in that and their future are safe.

he suggestions are More effective advertising of customer oriented plans and offers will help to attract more customers towards the company thereby increasing the revenue. More effort must be given to develop small regional offices by giving adequate manpower and technology. Must ensure safe health practices are followed in the office premises. Whatever possible setup home office and enable your employees to work actively from home

Reference Books and Websites

1. Impact of COVID 19 on the shipping and Maritime industry: the negative and positive impact by Roshan sah

2. COVID-19 and maritime transport:

Impact and responses by UNCTAD

1. Second quarter 2020 business activities

<https://www.cmacgm-group.com/en/news-medias/Second-Quarter-2020-Business-Activity-A-strong-operating-performance-with-a-further-improvement>

2. COVID-19 and its India Impact: Issues, Green Shoots and Way Forward

<https://www.mondaq.com/marine-shipping/958770/impact-of-covid-19-on-the-shipping-and-maritime-industry>

3. India's Covid surge rocks global shipping industry

<https://www.ft.com/content/cf40d764-6ab6-4638-bea6-594cc3cd5d53>

About Maersk

4. <https://www.globaldata.com/company-profile/ap-moller-maersk->

as/#:~:text=Moller%20%2D%20Maersk%20AS%20(APMM),sales%20and%20su
ports%20intermodal%20transpor.

