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SUB: LIQUID/DRY COMMODITIES SCENARIO/PORT AND OTHER DEVELOPMENTS –INDIA

We give below our report on the subject for your kind info and record:

A) LIQUID COMMODITIES SCENARIO

1) INDIA MAY RECEIVE 4 BILLION BARRELS OF EXTRA CRUDE OIL FROM SAUDI ARABIA IN NOV

Saudi Arabia, the world's biggest oil exporter, will supply Indian buyers with an additional 4 million barrels of crude oil in November, several sources familiar with the matter said on Wednesday. The extra cargoes indicate a willingness by Saudi Arabia to increase crude supply to make up the shortfall once sanctions by the United States on oil exports from Iran, the third-largest producer in the Organization of the Petroleum Exporting Countries (OPEC), start up on Nov. 4. India is Iran's top oil client after China, though several refiners have indicated they will stop taking Iranian barrels because of the sanctions. Reliance Industries Ltd, Hindustan Petroleum Corp, Bharat Petroleum Corp and Mangalore Refinery Petrochemicals Ltd are seeking an additional 1 million barrels each in November from Saudi Arabia, the sources said. Three of the companies did not immediately reply to an email from Reuters seeking comment. MRPL replied "no comments" when contacted by email. State-owned oil producer Saudi Aramco was not immediately available for comment. Given their dependence on Iranian oil supplies, the Indian refiners are concerned about the loss of Iranian crude once the sanctions start and are seeking exemptions. Refiners in the country have placed orders to buy 9 million barrels from Iran in November. One of the reasons for the additional demand for Saudi oil is that the crude arbitrage from the United States is shut so the Indian buyers have to turn to Middle Eastern barrels, said one of the sources. India, the world's third biggest oil importer, is grappling with a combination of rising oil prices and falling local currency, which makes imports of dollar-denominated oil more expensive. Retail prices for gasoline and diesel fuel in India are at record highs and the government has cut its excise tax on fuel to ease some of the pain for consumers. Indian Oil Minister Dharmendra Pradhan said on Monday that he spoke with Saudi Energy Minister Khalid al-Falih last week and reminded him that OPEC and other major oil producers had promised to raise their output at a meeting in June. India imports an average of 25 million barrels per month from Saudi Arabia. Reuters last week reported that Russia and Saudi Arabia, the world's two biggest oil producers, struck a private deal in September to raise output to cool rising prices and had informed the United States about the decision.

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2) INDIA TO SET UP ITS FIRST BIOFUEL PLANT

Bharat Petroleum Corporation Ltd (BPCL) announced that the commissioning of its second generation ethanol bio refinery will be accomplished by 2020. BPCL will start building the proposed plant from October 10th at Baulsingha (India). “This is the first bio fuel plant in the country where ethanol will be produced from rice straw. The refinery will have a capacity to produce three core litres of fuel grade ethanol per year by utilizing aorund 0.2 million tons of rice straw. Ethanol will be blended with petrol and used as fuel”, stated Sanjib Paul, BPCL,’s Chief General Manager. The construction of this bio fuel plant comes after India decided to set a target of 20% of ethanol blending petrol by 2030 under its National Biofuel Policy 2018. Only 3% or 4% of ethanol blending is available at the moment in the country – which accounts for the lack of biofuel. Official sources expect that this plant will help to create the biomass availability, which currently is set at about 120 to 160 million metric tons per year. BPCL is expecting to have the farmers from nearby areas “selling their agricultural waste to the plant so that they can source the rice straw as raw material from nearby locations”. BPCL is also planning in the short term to set up other two bio fuel plants in the areas of Madhya Pradesh and Maharashtra.

B) DRY COMMODITIES SCENARIO

1) IRON ORE IMPORTS ZOOM 190% TO 6.34 MT IN APR-AUG OVER DOMESTIC PRICE HIKES

Iron ore imports into the country zoomed 190 per cent to 6.34 million tonnes (mt) during April-August, the first five months of this financial year. Data from the Pellet Manufacturers Association of India (PMAI) show a projection of over 12 mt for the full year. In 2017-18, ore import was 8.6 mt, itself 48 per cent higher than in 2016-17.Imports are on an upswing since steel plants on the coast have shown an increasing tendency to import the key ingredient. Importing is the cheaper option for such units compared to buying from the domestic market.A senior executive with a steel company said, "Price hikes (of ore) in the domestic market have been exorbitant in the past three to four months. Importing of ore is viable for operations." Between July and September, prices of iron ore fines in Odisha, the largest producing state, rose by 8.4 per cent to Rs 3,850 a tonne and that of fines by 6.4 per cent to Rs 3,310 a tonne. 80 per cent, while prices of lumps moved up 29 per cent. Government-owned NMDC, the single biggest producer, raised prices twice last month. In the latest instance, it raised the price of lumps The company ascribed this to less production due to the rains and robust demand, with firming up of steel and sponge iron prices. The domestic production of iron ore is also rising.

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1) IRON ORE IMPORTS ZOOM 190% TO 6.34 MT IN APR-AUG OVER DOMESTIC PRICE HIKES (Contd)

The country produced 210 mt in 2017-18. In FY19, the output is tipped to rise by two per cent to five per cent, helped by stable demand from the automobile and infrastructure industries, according to a report by CARE Ratings.Mining companies say supply bottlenecks are escalating the landed cost of iron ore for steel units. "There is an abundance of ore but miners are not getting enough railway rakes, as these are diverted to the coal sector. Due to logistics constraints, the landed cost of ore is shooting up for steel plants on the coast and they are sourcing more from import. Also, there are limitations on the availability of higher grade ore from domestic mines as they get older and the quantity of fines extracted is higher," said a mining industry Usually, steel plants are averse to lifting lower grade fines -- higher grade ore is more suitable for their operations. PMAI says the requirement of higher grade (62-65 Fe) is projected at 236 mt per annum (mtpa) by 2020, climbing to 480 mtpa by 2030, to meet the envisaged steel capacity of 300 mtpa. A thrust on pelletisation and beneficiation of lower grade ore is needed, it says.

C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) VISAKHAPATNAM PORT TRUST TURNS 86, DRAWS UP PLANS TO BECOME MOST PREFERRED IN SOUTH ASIA

As it turned 86 Sunday, the Visakhapatnam Port Trust (VPT), which is acclaimed as the Eastern Gateway of India has drawn up a vision to become the most preferred port in south Asia offering services of global standards and world-class logistics solutions. Massive capacity expansion and modernisation plans are being implemented in a mission-mode in line with Visakhapatnam Port's growing strategic importance to trade with China, Australia, Indonesia, Singapore, Malaysia, South Africa, Nigeria and countries in the Persian Gulf. "Visakhapatnam Port, one of the 12 major ports of the country, has a strategic importance since it serves major economic sectors like steel, power, petroleum, mining and fertilisers. We play a pivotal role in the economic development of the hinterland, catering to major industries. We now aim to further this by becoming the most-preferred port in south Asia that offers world-class logistics solutions at minimal cost to stakeholders," VPT Chairman Movva Tirumala Krishna Babu said.

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2) CARGO TRAFFIC AT MAJOR PORTS RISES 5% IN APRIL-SEPTEMBER

Major ports in the country witnessed 5.12 per cent rise in cargo traffic to 343.26 million tonne (MT) in the April-September period of the ongoing financial year. "The major ports in India have recorded a growth of 5.12 per cent and together handled 343.26 MT of cargo during April-September, 2018 as against 326.54 MT handled during the corresponding period of previous year," the shipping ministry said in a statement Thursday. Nine ports, including Paradip, Visakhapatnam and Kamarajar, registered positive growth in traffic during the reported period, the statement added. The highest growth of 19.66 per cent was registered by Kamarajar Port, followed by Cochin at 11.51 per cent, Paradip at 11.12 per cent, Haldia at 10.07 per cent and Deendayal at 10.03 per cent, it said. During the period under review, Deendayal (Kandla) Port handled the highest volume of traffic at 58.63 MT, followed by Paradip, JNPT and Visakhapatnam, among others.

3) COCHIN PORT TRUST PLANS TO TAKE CRUISE TOURISM TO NEXT LEVEL

To further boost its cruise tourism initiatives, Cochin Port Trust has mooted a proposal with the Southern Railways for operating train services hauled by Heritage Steam Loco from the Harbour Terminus. One service can be started from Willingdon Island to Ernakulam and the other from Vallarpadam Terminal through the longest railway bridge in the country (4.62 km) across the backwaters. “We have made a request to the Railways and the response was positive. Many foreign tourists are still fascinated about the train hauled by steam locomotive and the commencement of such service will definitely put Kochi on the global cruise tourism map, P Goutam Gupta, the port’s Traffic Manager, said. Copter service: The port has also asked tour operators to explore the possibility of starting a helicopter service connecting Munnar, Thekkady, Jatayu Park etc so that tourists can see these exotic places which otherwise are remaining out of reach of the cruise tourists as travel by road takes a lot of time. Incidentally, majority of the ships stay at the port for 10-12 hours.

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E) OTHER DEVELOPMENTS

1) MPT TENDERS FOR DESIGNING AND BUILDING FLOATING JETTIES

Just months after the tripartite memorandum of understanding between the Goa government, Mormugao Port Trust and Inland Waterways Authority of India (IWAI) was quietly inked, MPT has gone ahead to implement the national waterways (NW) project in the state. MPT has floated a tender for the design and commissioning of three concrete floating jetties on Mandovi (NW 68) and one on Chapora (NW 25). The estimated cost of all the four floating jetties is pegged at Rs 13 crore, officials said. Speaking on condition of anonymity, an MPT official said that the project is being implemented on behalf of IWAI. IWAI has also appointed consultants to do a techno-feasibility study of the projects, which are being undertaken under the national waterways project. The four floating jetties include extension of Captain of Ports Jetty at Panaji and Old Goa, the city jetty opposite of Dempo House, and jetty in Chapora river on the west side of the Siolim-Chopdem bridge.

2) DESPITE FINANCIAL DISTRESS, IL&FS BIDS TO BUY DIGHI PORT

Infrastructure Leasing & Financial Services Ltd (IL&FS), in the midst of a financial distress, has filed an expression of interest to buy its associate company Dighi Port Ltd (DPL), which is facing insolvency proceedings under India's new bankruptcy law. IL&FS, through its direct subsidiary IL&FS Maritime Infrastructure Co Ltd, holds a 39.38 per cent stake in Dighi Port Ltd, the entity that runs a greenfield port located on the banks of Rajpuri creek in Maharashtra's Raigad district. Balaji Infra Projects Ltd is the main promoter of Dighi Port. IL&FS Maritime holds another 29.90 per cent stake in Dighi Project Development Co Ltd, also an associate company. The investment of IL&FS Maritime Infrastructure in the equity shares of Dighi Port Ltd is worth 297.458 crore as at March 31, 2018. The carrying value of IL&FS investment in equity shares of Dighi Port is currently pegged at 207.1 crore and in the equity shares of Balaji Infra Projects Ltd (BIPL) is 50 crore.

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G) INTERNATIONAL HIGHLIGHTS

1) CHINA TO RAISE EXPORT TAX REBATES FROM NOVEMBER 1

China will increase export tax rebates from Nov. 1 and quicken export tax rebate payments to support foreign trade, the cabinet said on Monday, as a trade war with the United States escalates. The rise in export tax rebates will "help reduce costs for the real economy, help it cope with the complex international situation and maintain stable foreign trade growth", the cabinet said after a regular meeting. The move conforms to rules of the World Trade Organization (WTO), it said. The tax rebate will be raised to 16 percent for those exports currently getting a rebate of 15 percent or 13 percent, the cabinet said. The rebate will be raised to 10 percent for those exports that currently get a 9 percent rebate, though the rebate will be raised to 13 percent for some, the cabinet said. The rebate will be raised to 6 percent for exports currently getting a 5 percent rebate, though for sone it will be raised to 10 percent.

Thanks and Regards

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