



Date:03 /06/16

ATLANTIC REPORT NO 22/16

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) IOC TO SPEND USD 301 MILLIONS IN EXPANSION OF ITS GUJARAT REFINERY.

Indian Oil Corporation was going to spend USD 301 Millions for brownfield expansion of its refinery. IOC's Gujarat Refinery here has been asked to jump directly from BS IV to the more stringent BS VI norms for petrol and diesel, so that cleaner transport fuels become available sooner to bring down vehicular emissions," the Union Minister of State for Petroleum and Natural Gas said after visiting the refinery. the Gujarat Refinery was expanding capacity to 18 million tonnes per annum (MTPA) from the existing 13.7 MTPA. The expansion is expected to be commissioned in 2020. After the expansion, it will become the refinery with largest capacity for the company.

2) BRENT CRUDE OIL HOLDS ABOVE \$50 AFTER OPEC MEETING

Brent oil prices held around \$50 a barrel on Friday following an OPEC meeting that failed to agree on output targets, but which was seen as supportive as Saudi Arabia pledged not to flood the market with more fuel. The Organization of the Petroleum Exporting Countries (OPEC) failed to agree to a clear oil-output strategy on Thursday as Iran insisted on raising production to regain market share lost during years of sanctions, which were lifted in January. Analysts still took away positives from the meeting in Vienna, as Saudi Arabia showed restraint. As a result, Brent crude futures held above \$50 per barrel on Friday, trading at \$50.19 per barrel at 0647 GMT, up 15 cents from the last settlement and almost double January lows. Despite the failure to agree on a joint policy, analysts said that rivals Iran and Saudi Arabia both got what they wanted from the meeting. Both sides have achieved their underlying aims; Iran's production remains unconstrained and Saudi's policy of allowing the market to rebalance through price is still in place. Non-OPEC supply has fallen and OPEC has gained market share, Strong demand in Asia was also reflected by a jump in refining margins especially for diesel and jet fuel.



B) DRY COMMODITIES SCENARIO

1) DRY BULK RATE RECOVERY SHORT-LIVED

Shipping rates for vessels transporting commodities such as coal, iron ore and grains racked up impressive gains in the first quarter of 2016 after hitting record lows, but the rally could flatten out into the second half as the macroeconomic outlook remains uncertain, the latest forecasts show from IHS Inc. The forecast comes as the Baltic Dry Index (BDI) surges to 555 points, with Cape, Panamax and Supramax indexes all posting increases. Freight rates for large Capesize vessels carrying iron ore along Australia-Far East routes reached USD 2.99 per tonne in Q1, 2016 and are expected to hover at USD 3.30 per tonne for the rest of Q2, 2016 after an increase of over 11 percent quarter-on-quarter, while average rates for the Transatlantic Brazil-Far East routes reached USD 5.8 per tonne in Q1, 2016 and will continue their current upward trend averaging at USD 8.5 in Q2, 2016 as higher earnings are expected in April and going into May and June, data from IHS shows. Panamax vessels along the Australia-India route for coal deliveries saw their average spot rates hit USD 6,100 per day in Q1, 2016 and they are expected to rise to a forecasted USD 8,000 in Q2 2016, an approximate 30 percent increase. The dry bulk market is expected to face a transitional year in 2017, IHS predicts, as demand will finally outpace supply on the back of calmer financial markets that could reinforce a more stable outlook for global growth.

2) STEEL IMPORTS AT THEIR LOWEST

Steel imports in India dropped to the lowest level last month in at least a year after the government imposed curbs to stem a surge in shipments from overseas, including china the largest producer. Purchases fell to 654,000 metric tonnes in April, down from 994,000 tonnes in March. The monthly total is 15.5 per cent lower than in April 2015, and the smallest since at least the same month last year. India's steel output rose 3 per cent to 7.5 million tonnes in April from a year earlier, while consumption climbed 5 per cent to 5.75 million tonnes. Exports declined 27 per cent to 308,000 tonnes.

C) CONTAINER SERVICES- NIL



D) PORT DEVELOPMENTS

1) RECORD HANDLING OF COASTAL SHIP AT MUMBAI PORT

Successful handling of a coastal vessel M.V. Propel Progress carrying 29,407 tonnes of HR coils at Mumbai Port has paved a way for the movement of large parcel size cargo of steel coils from the east coast to west coast. The vessel was loaded at Paradip Port and unloaded at Mumbai Port between April 23, 2016 and April 26, 2016. The vessel was granted priority berthing under the government guidelines and within 64 hours from berthing it completed the discharge operations giving a high productivity of 11,028 tonnes per ship berth day. Hitherto, the HR coils were to be moved by rail from the Odisha factory of Bhushan Steel Ltd to their factory at Khopoli in Maharashtra. The coastal shipping enabled movement of large parcel size in record time, as this very load would have otherwise required 10 rakes from Paradip to Khopoli.

2) CHENNAI PORT GEARED TO HANDLE LARGE VESSELS

Chennai port is now the deepest port among Major Ports to help handle large-size ships said Chairman Chennai Port. Draft at Bharathi Dock is 17.5 m, at Ambedkar 15.5 m; at Jawahar Dock 14 m, at CITPL 15.5 m and DP World 13.4 m. The port will handle container vessels of around 8,000 TEUs (twenty foot equivalent units). This is a major achievement for the port, the dredging works for which was completed last week. The port reported a 4.7 per cent decline in cargo handling to 50.06 million tonnes (MT) in 2015-16 as against 52.54 MT in the previous year. Despite this, the port managed to report an 82 per cent increase in net surplus due to handling of higher revenue generation cargo like project cargo to report higher operating income. In 2015-16, the port's two private container terminals handed a total of 1.56 million TEUs, which was the highest number of containers handled till date thus surpassing 1.55 million TEUs handled in 2011-12. However to decongest the road, the port has opened eight lanes to the 'O' gate complex is widening internal roads, automating gate procedure, and monitoring terminal gate management.



E) OTHER DEVELOPMENTS

1) SERVICE TAX ON IMPORTS' FREIGHT KICKS IN

In a jolt to country's importers, the freight incurred on the import of goods will now come under the jurisdiction of service tax from June 1. In a finance bill enacted by the Centre on May 14, several changes were made in the Service Tax Act, which were to come into effect from June 1. As per the new provisions, importers will now have to pay service tax at the rate of 15 per cent on 30 per cent value of the total freight incurred on import of goods. Flaying the move, importers said this would not only hike the cost of imports, but also increase documentation, which will lead to delays in delivery of goods. This is a very unfortunate decision. Another tax has been imposed on the importers who are already under the burden of rising cost of dollar.

F) WEATHER/STRIKE- NIL

G) INTERNATIONAL HIGHLIGHTS

1) IRAQ OVERTAKES SAUDI IN OIL EXPORT

Iraq overtook Saudi Arabia as the top crude exporter to India in April for the first time since December, as the two biggest OPEC producers fight for market share in Asia's fastest growing oil market. Saudi Arabia also lost its top spot in China, Asia's biggest oil consumer, last month when Russia overtook it due to strong purchases by Chinese independent refineries. Iraq accounted for 22 per cent of Indian imports in April, up from about 15 per cent a year ago, while Saudi Arabia's share dropped to 18 per cent from about 25 per cent a year ago. April oil imports by India rose 6 per cent from March and are up 9.9 per cent in the first four months from a year ago.

Thanks and Regards

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