Date: 04/03/16 **ATLANTIC REPORT NO 09/16**

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) GAIL POSTPONES $ 7-BILLION LNG SHIP TENDER AGAIN

GAIL India Ltd has again postponed its $7-billion tender for hiring nine newly-built ships to ferry liquefied natural gas (LNG) from the US, by one month. Bids for the tender, which was re-floated in September, were to close on February 29, but the last date of bidding has now been postponed to March 31. The postponement has been done at the request of bidders to allow them time to finalise their bids," here are no changes in tender conditions. GAIL is seeking nine LNG ships of cargo capacity of 1,50,000-1,80,000 cubic metres to help transport LNG. It has tied up from Sabine Pass and Cove Point LNG projects in the US, with supplies slated to start from December 2017. Bids were originally to close on December 17, but were postponed to February 29 to allow Indian shipyards to tie up technology for building the specialised vessels. GAIL is seeking quotes in three lots of three ships each. One ship in each lot is to be built at an Indian shipyard. After postponing the deadline thrice, GAIL had in February last year scrapped the tender to hire nine LNG carriers to ferry gas from the US, with a caveat that three of them be made in India. At that point, no foreign shipyard was willing to share LNG ship-building technology.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

2) NATURAL GAS PRICES SINK TO 17-YEAR LOW

U.S. natural gas futures plunged to a new 17-year low for the third straight session on Wednesday, as market participants looked ahead to fresh weekly information on U.S. gas inventories to gauge the strength of demand for the fuel. Natural gas for delivery in April on the New York Mercantile Exchange fell to an intraday low of $1.657 per million British thermal units, a level not seen since 1999, before recovering slightly to trade at $1.691 by 14:40GMT, or 9:40AM ET, down 5.1 cents, or 2.93%. The U.S. Energy Information Administration's storage report slated for release on Thursday is expected to show a withdrawal of just 49 billion cubic feet for the week ending February 26. That compares with draws of 117 billion cubic feet in the prior week, 198 billion cubic feet in the same week last year and a five-year average of around 138 billion. Total U.S. natural gas storage stood at 2.584 trillion cubic feet, 23.8% higher than levels at this time a year ago and 22.4% above the five-year average for this time of year.

B) DRY COMMODITIES SCENARIO

1) INDIA BUYS SIXTY THOUSAND TONNES OF AUSTRALIAN WHEAT

Millers in India have made their first international wheat purchases of the year, taking two Australian shipments in recent deals for arrival in April, trade sources said on Thursday .About 60,000 tonnes of Australian prime wheat was sold to mills in southern India at $230 a tonne, including cost and freight, the three sources said. India last year bought about half a million tonnes of premium Australian wheat, the biggest such volume in more than a decade, after adverse weather damaged its domestic crop. They have started buying, but it is not yet clear how much India will buy this year," said a trader on the sidelines of an industry conference in Singapore. "It will depend on how the crop shapes up in the coming weeks."Farmers in the world's biggest wheat producer after China are expected to harvest 93.82 million tonnes of the grain in 2016, lower than a target of 94.75 million tonnes, the farm ministry forecast last month. But that would still be more than 86.53 million tonnes last year.

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2) FICCI URGES GOVT TO RAISE IMPORT DUTY ON ALL STEEL PRODUCTS TO 25 PC

As demand slows down in China, the world's largest steel producer and consumer, Ficci has urged the government to raise the import duty on all steel products to 25 per cent in the forthcoming Union Budget. The industry body said that as demand is slowing down in China, it is dumping steel products in India at cheaper rates. In the Budget 2016-17, import duty on all steel products should be raised to 25 per cent, Ficci said."As an interim measure, we suggest that the Customs duty on all steel products should be immediately increased to 15 per cent," Ficci pointed out. It said that the tariffs on both long and flat products need to be increased to provide a level playing field to the domestic industry, which has been severely hit due to rising imports. Customs duty on import of long products is 10 per cent and on flat products 12.5 per cent.

C) CONTAINER SERVICES

1) CONTAINER OPERATIONS IN KANDLA SET TO REVIVE AFTER FOUR YEARS

After nearly four years, the container cargo handling at Kandla port is expected to revive with the port trust signing a concession agreement with, the leading shipping and logistics firm, to start operations on berth number 11 and 12. The container terminal operations had run into legal trouble after Kandla Port Trust terminated the license agreement with the then operator ABG Kandla Container Terminal Ltd), a joint venture between ABG Infra Logistics and Singapore's PSA International, due to various defaults and poor performance. Following Gujarat High Court directives, KPT had taken over the physical possession of the container terminal on November 11, 2012.

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D) PORT DEVELOPMENTS

1) NEW PORTS TO BE SET UP ON INDIA'S EAST, WEST COASTS

The Indian govt announced setting up of new ports at eastern and western coasts and said the thrust of the shipping sector would also be on waterways as well as port-led economic development through project Sagarmala. "We are planning to develop new greenfield ports both in the eastern and western coasts of the country. The work on the National Waterways is also being expedited while tabling the Budget in Parliament today. The Sagarmala project has already been rolled out that government has initiated a series of steps to modernise and expand the capacity of its 12 major ports. Under its ambitious Sagarmala project, the government is looking to mobilise at least USD 1500 million investment, in the infrastructure sector.

2) WORK FOR MULTI USER LIQUID TERMINAL AT COCHIN PORT BEGINS

Bhoomi Pooja (foundation stone laying) signalling the commencement of construction activities for Multi User Liquid Terminal (MULT) in Cochin Port was held on Feb 12. Chairman, Cochin Port Trust**,** led the Bhoomi Pooja in the presence of, Executive Director, Indian Oil Corporation Ltd (IOCL) in the project site at Puthuvypeen. The Terminal is mainly aimed to handle LPG for Indian Oil Corporation and also to handle petroleum products for other users like BPCL. Construction of the berth, capable of berthing vessels having a length of 230 mtres and having a draft of 13.5 metre, has been awarded to contractors M/s RKEC projects pvt. Ltd., Visakhapatnam The work is expected to be completed in 24 months. The expected traffic throughput is 4.52 MMT per annum.

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E) OTHER DEVELOPMENTS

1) GOVT PROPOSES 14% SERVICE TAX ON SHIPPING COMPANIES IMPORTING GOODS

In a bid to discourage imports of goods, Finance Ministry in Union Budget for financial 2016-17 (Apr-Mar) has announced imposition of 14% service tax on services provided by domestic shipping companies transporting goods from outside India. “The service tax on services provided by shipping companies by way of transportation of goods by a vessel from outside India up to the customs station in India will be 14% with effect from 1 June, 2016,” said the Budget. However, industry officials are of the view that though the move is directed towards discouraging imports, it will mainly impact the logistics sector and largely the end-user division as shipping companies will be simply passing on this cost. “The move of 14% service tax is negative but will not impact shipping companies directly as it will be passed on to the end-user

F) WEATHER/STRIKE- NIL

G) INTERNATIONAL HIGHLIGHTS

1) OPEC WATCHING IRAN, RUSSIA, UNLIKELY TO CUT OUTPUT IN JUNE

OPEC is very unlikely to cut output at its next meeting in June, even if prices remain extremely low, according to OPEC sources and delegates, as it will be too early to say how fast Iranian output is rising. OPEC countries such as Saudi Arabia also want to test Russia's commitment to freezing output before taking any further steps to stablize prices. More than 18 months after oil prices began a steep slide due to excess supply, Saudi Arabia, Qatar, Venezuela and non-OPEC Russia agreed last month to freeze output at January levels in the first global oil pact in 15 years. a supply cut was not on the cards although adding that the production freeze was only the first step to balance the market after prices fell to their lowest since 2003. January was peak or near-peak production for Russia and Saudi Arabia, the world's two top oil exporters, but Iran - OPEC's No.3 producer - is the key supply uncertainty for 2016 as it is raising output after the lifting of Western sanctions in January, adding barrels to the already saturated market. If Russia respects the output freeze, it would be a major departure from its former policies. The only time Russia agreed to cooperate with OPEC was in 2001 but it never delivered on its pledge and raised exports instead. But in the opinion of OPEC watchers the output freeze deal signals a change of tone for Saudi Arabia, from a view that the market would rebalance itself to one where it might need a push.

2) US OIL ENDS 9 CENTS LOWER, OR 0.26 PCT, AT $34.57 A BARREL

U.S. oil prices settled lower after seesawing throughout Thursday, as ballooning U.S. crude inventories and a lack of new progress to temper supply capped bullish sentiment. Brent futures were up 12 cents to $37.04 a barrel, while U.S. crude futures closed 9 cents lower, or 0.26 percent, at $34.57 a barrel. Natural gas prices hit the lowest level since February, 1999.Crude prices rebounded from early weakness after Russia's largest oil producer Rosneft said one of its pipelines that served as a link for delivering crude to China was damaged by power failure. The pipeline is expected to be fixed in 24 hours, Crude seems to be increasingly discounting bearish news and data including rapidly rising inventory levels. In under two months, Brent and U.S. crude futures have gained about $10, or around 30 percent, a barrel from 12-year lows of between $26 and $27. A Gulf OPEC delegate said Thursday Gulf countries prefer that a meeting of oil producers be held in the first half of April, preferably in Doha, or another Gulf City. More meetings had been expected to take place in March.

IMPORTANT: - Please find attached highlights of Union Budget announced by Government of India for the Financial year 2016-2017.

Thanks and Regards

Ronak Shetty
Managing Director
ATLANTIC SHIPPING PVT. LTD.

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