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**ATLANTIC REPORT NO 23/16**

**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, BPCL CLINCH DEAL WITH RIL, ESSAR TO RESTART DIESEL BUY**

State-owned IOC, BPCL and HPCL have struck a temporary deal with Reliance Industries and Essar Oil to resume buying petrol and diesel from private refiners on revised terms. Short of own production, state refiners Indian Oil Corp (IOC), Hindustan Petroleum Corp (HPCL) and Bharat Petroleum Corp (BPCL) buy about 12 million tonnes of diesel annually from Jamnagar refineries of RIL and the Vadinar unit of Essar. The arrangement, however, broke down earlier this year, with the private refiners seeking a better deal. Sources said private refiners previously paid central sales tax as well as coastal freight for shipping the fuel from their plants in Gujarat to consumption points in southern and eastern India. They wanted this cost to be borne by the buyers- IOC, BPCL and HPCL. As negotiations to work out a final arrangement continued, they resorted to imports as paying both central sales tax and freight would have made the fuel expensive. Now, an ad-hoc deal has been reached wherein the private refiners will pay the central sales tax and state-run marketing firms will bear the cost of coastal shipping. According to the sources, the state-owned firms are buying diesel from the two private refiners.

**2) GOVERNMENT WEIGHS DOUBLING CAPACITY OF LNG IMPORT TERMINAL**

India plans to more than double its liquefied natural gas (LNG) import terminal capacity in six years to cater to the rising natgas demand from refineries, fertilizer and power plants. Plans to set up new terminals and expand existing facilities will push up LNG terminal capacity to 47.5 million metric tonne per annum (mmtpa) by 2022 from the current 21.3 mmtpa, according to an oil ministry document. In 2015-16, the natural gas consumption in the country rose barely 2 per cent to 52 billion cubic meters, of which 40 per cent was imported as LNG. But in the last few months, the consumption has soared, rising 14 per cent in April, banking on cheaper imports that rose 45 per cent.



## **2) GOVERNMENT WEIGHS DOUBLING CAPACITY OF LNG IMPORT TERMINAL (Contd)**

The fertilizer and power sectors have been key consumers of the natural gas in the country, depending mostly on domestic output, while refineries and petrochemicals plants have relied more on imported gas. The imported gas is liquefied at source and carried by ships to LNG import terminals where it is regassified for further supply. With expanding need for imports, Indian also needs to add more LNG terminal capacity. Currently, there are four LNG terminals at Dahej and Hazira in Gujarat, Dabhol in Maharashtra and Kochi in Kerala. The recently-built Kochi terminal is barely functional due to the delay in the construction of pipeline planned to connect the terminal with the consumers. The capacity at Dahej is expected to expand to reach 15 million tonne by the year end from 10 million tonne at present and further to 17.5 million tonne in future

### **B) DRY COMMODITIES SCENARIO**

#### **1) COAL INDIA UP 4% DESPITE MAY PRODUCTION LOWER THAN ESTIMATES**

Coal India climbed 4 percent intraday on Thursday even though its production was lower than estimates in May. The government-run company said that it achieved a production of 42.58 million tonnes in May, lower than the target of 44.64 million tonnes (MT) for the month. However, its production and despatch increased by 4 percent each year-on-year. In April and May it produced 82.93 metric tonnes of coal against the target of 89.12 MT (provisional), Coal India said in a statement to BSE. Coal offtake in May was lower at 45.53 MT than the targetted level of 50.90 MT for the month. In April and May, the coal offtake stood at 88.23 MT as against the target of 102.36 MT. Coal India which accounts for over 80 percent of the domestic coal production has a target of achieving 1 billion tonnes by 2020.



## **2) WEAK HARVEST TO DRIVE INDIAN WHEAT IMPORTS TO 10-YEAR HIGH**

India's wheat imports this season will hit their highest in the decade, thanks to a second successive dryness-depressed harvest – although supplies are not so squeezed as to mean India's government will buy from abroad. India, the world's second-ranked wheat growing country, after China, will import 2.0m tonnes of the grain in 2016-17, on the April-to-March basis, the US Department of Agriculture's New Delhi bureau said. The estimate reflects a harvest which, at 88m tonnes according to the bureau, came in well below the government figure of 94m tonnes, hurt by a second successive year of below-average monsoon rains. Yields in the partially irrigated states of Uttar Pradesh, Madhya Pradesh, Rajasthan and Bihar are 5-10% below normal due to moisture stress conditions during most of the growth stage and rise in the temperature at the time of harvest," the bureau said in a report, acknowledging some trade output estimates as low as 81m tonne. Market talk in India has suggested imports well above 2m tonnes in 2016-17, with some ideas that the country's government, which distributes millions of tonnes of wheat through welfare schemes, will need to step into the market to ensure sufficient supplies. India's government "is unlikely to import wheat in the upcoming marketing year, unless the open market prices increase significantly," However, they will be sufficient to meet the wheat requirement for public distribution and other government welfare scheme – 24.5m tonnes last year – and prescribed minimum ending stocks, at 7.5m tonnes.

### **C) CONTAINER SERVICES- NIL**

### **D) PORT DEVELOPMENTS**

#### **1) SAGAR PORT CONSTRUCTION TO BEGIN FROM DECEMBER**

Construction for Sagar deep sea port in West Bengal is likely to commence from December. A government release today said Union Shipping Minister during a video conference, stated that construction could begin from December this year. The deep sea port is a joint venture project with West Bengal and aimed at reviving the riverine port by facilitating larger vessels into Kolkata Port Trust. The project, however, had been curtailed in size as it could only offer limited commercial viability. stated that development of Chabahar Port, which would be completed within 18 months, would be a "game- changer" for India's economy and the linking of Chabahar and Kandla ports would further the industrial progress of Gujarat and the rest of India, the release said.



## **2) APM TERMINALS PIPAVAV EXPANDS CAPACITY TO 1.35 MN UNITS**

The \$4.24 billion global terminal operator, APM Terminals, on Thursday, announced completion of its capacity expansion at Port Pipavav in Gujarat, increasing its container throughput handling capacity here from 850,000 TEUs to 1.35 million TEUs. Five new berths are likely to be added to the 20-year-old port in the next three years. APM Terminals is a gateway port on the west coast of India for containers, bulk, liquid and Ro/Ro cargoes for the Indian hinterland and north-western markets. Keld Pedersen, Managing director of India's first private sector port set up in the PPP mode, said the expansion was carried out at an investment of USD 6 Millions. It was necessitated by up to 85% utilization of existing capacity since last year. The investment included buying new STS cranes, strengthening the existing berth, dredging, and the improvement of the container yard and internal roads at the port.

## **E) OTHER DEVELOPMENTS**

### **1) GOVT TO REDUCE LOGISTICS COSTS TO 12%**

The Govt wants to bring down the overall logistics cost to 12%. This was revealed by shipping ministry during the unveiling of the 3rd edition of a report titled "Operational Efficiency of Freight Transportation by Road in India", on Tuesday. The report was jointly published by Transport Corporation of India (TCI) and IIM Calcutta. Speaking on the occasion he said if India does not bring down logistics costs, which currently stand at 18 percent, the country will not be able to give a competitive edge to its exporters. He also stressed on the need to develop multimodal transportation solutions in the country. Referring to China he said, "China's logistics cost is around 8 percent, as many of its important manufacturing hubs are close to major ports, that help its exporters to save costs.

### **F) WEATHER/STRIKE- NIL**



## **G) INTERNATIONAL HIGHLIGHTS**

### **1) IRAN TO SET UP A REGULAR SHIPPING TO JAPAN**

Iran plans to establish a regular shipping line to Japan in the coming weeks, according to state-owned Islamic Republic of Iran Shipping Lines (IRISL) managing director said at a ceremony in Tehran that during the sanctions era, there was only one active shipping line from the southern port city of Bandar Abbas to East Asia. Now shipping lines to South Korea, Singapore and China are permanently active, reports Tasnim News Agency. There has been a new wave of interest in developing business ties with Iran after Tehran and the Group 5+1 (Russia, China, the US, Britain, France and Germany) on July 14, 2015 reached a conclusion over the text of a comprehensive 159-page deal on Tehran's nuclear programme and started implementing it on January 16.

### **2) CYPRUS SAYS 'VERY CLOSE' TO REVISING TAX TREATY WITH INDIA**

In a step forward, Cyprus has said it is “very close” to revising the bilateral tax treaty with India as the island nation has accepted “in principle” proposals made by the Indian side on taxing capital gains. Cyprus, a source of significant foreign fund flows into the country, said rising importance of India, both as the “largest emerging economy and a major security player in the new geopolitical chess game, necessitated a serious re-appraisal and upgrading of the bilateral relationship”. As part of larger efforts to curb illicit fund flows, Indian government has been working on revising tax treaties with various countries, including Cyprus and Singapore. Last month, India announced revising taxation agreement with Mauritius — a major source of FDI — that would allow levy of capital gains tax on investments coming from that nation.

### **Thanks and Regards**

**Ronak Shetty**  
**Managing Director**  
**ATLANTIC SHIPPING PVT. LTD.**