Date: 08/01/16 **ATLANTIC REPORT NO 01/16**

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) OILMEAL EXPORTS PLUNGE 86% AS PRICES SURGE

Disparity in prices and continuous high prices in the domestic market has thrown Indian oilmeals almost out of the international market. The latest data compiled by the Solvent Extractors' Association of India (SEA) revealed that export of soyameal has touched a record low at 61,556 tonnes in the first nine months of 2015-16 – down 86 per cent from 4,44,736 tonnes in the same period last year. The soyameal exports had touched a peak of 20,10,788 tonnes in 2013-14. The sharp decline in the exports is attributed to non-competitive price of the domestic oilmeals. The export of soyameal during the month of December 2015 stood at 5,667 tonnes (1,94,012 tonnes) showing a steep fall of 97 per cent over the same period last year. Currently FOB/FAS Indian soyameal is quoted at $490 a tonne against Argentine origin CIF Rotterdam which is at $331. The overall export of oilmeals during April-December 2015 is reduced to nearly half or 48 per cent compared to last year and reported at 963,442 tonnes (1,862,283 tonnes). Rapeseed meal export is also reduced to one-third of last year.

B) DRY COMMODITIES SCENARIO

1) GOVT REMOVES EXPORT DUTY ON IRON ORE PELLETS

The government has allowed duty-free shipments of iron ore pellets by removing the 5 per cent export duty levied in 2014 in order to make the metal more competitive amid subdued demand and weakening prices. The iron ore pellet makers and some miners had requested the government to cut the export duty on the commodity. The Central Board of Excise and Customs (CBEC), in a notification, said that the Centre was satisfied that it was necessary in public interest to remove the export duty on iron ore pellets. Steel and its related raw material market is undergoing a tough time due to fall in demand in China, the world's biggest metal consumer, leading to the dumping of excess steel and other finished products in consuming countries, including India, which impacted the top and bottomline of the mining and steel companies, it is learnt.

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C) CONTAINER SERVICES - NIL

D) PORT DEVELOPMENTS

1) ADANI TURNS MUNDRA PORT INTO TRANSHIPMENT HUB WITH MSC HELP

Adani is turning his flagship port and India's biggest commercial port at Mundra in Gujarat into a regional transhipment hub by partnering with Terminal Investment Ltd S A, the container terminal operating company majority owned by Geneva-based Mediterranean Shipping Co. SA (MSC), the world's second biggest container shipping line. Adani Ports and Special Economic Zone Ltd (APSEZ) said on Wednesday that it was expanding the terminal it runs with Terminal Investment at Mundra from 2013 to load 3.1 million twenty-foot equivalent units (TEUs) a year from 1.5 million TEUs. A TEU is the standard size of a container and a common measure of capacity in the container business. Post-expansion, the terminal will have 15 cranes, capable of handling 18,000 TEU-capacity container vessels. The expansion will create a container transhipment hub for the West Asia, South Asia, Pakistan and Africa region which is currently handled at the terminal

2) KOCHI PORTS WOOS CARGO FROM SOUTH-WEST TN

The Cochin Port Trust has started taking steps to enhance its cargo profile from south-west Tamil Nadu — from trade centres such as Pollachi, Coimbatore and Tirupur — this year. New Managalore Port Trust, is advising the port management on marketing initiatives. The management has decided to spend 1 per cent of the port's revenue on marketing activities in the region, a senior port official said. Tamilvanan, who is based in Coimbatore, has already made some initiatives, including talks with Container Corporation of India Ltd (Concor) to operate special trains between Pollachi and Kochi to cater to the 22,000 Teus per annum business. Despite the tonnage issues on roads, the port official said, the exim trade in Pollachi has evinced interest in the new facilities at the Vallarpadam terminal.

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3) PARADEEP PORT CONSIDERING OUTER HARBOUR FOR LARGE VESSELS

With an aim to ramp up its cargo handling capacity to 175.5 million tonne by 2018, Paradeep Port Trust (PPT) is mulling to develop an outer harbour to handle large Capesize vessels of up to 225,000 dwt (dead weight tonnage). Of the various options of developing the outer harbour layout, IIT Madras has recommended the Southern Side layout. Mckinsey-Aecom are carrying out the techno-economic feasibility study, which is expected to be completed by the end of this month. The port has taken up several projects during this fiscal in pursuit of its capacity augmentation. The draft has been enhanced from 12-12.5 metres to 14-14.5 metres in six berths. Dredging of North Oil Jetty taken up to increase the draft to 16 metres, has been substantially completed. The construction of 10 million tonne per annum South Oil Jetty has been inaugurated in July 2015 and is waiting for dedication to the nation.

4) HAZIRA & MAGDALLA PORT DEVELOPMENTS

Liquid berth is also under construction at EBTL Hazira for liquid products, will also get ready by end of January – 2016. We will keep you updated accordingly. Sir, AHPPL is also preparing Fourth Liquid berth. However, the commencement of this 04th Liquid berth will be in Month of May - 2016. there will be 4th Liquid berth's construction underway by Adani Hazira Port. It may take 2016 second half to be operational. Essar is also preparing their fist Liquid berth. However, the commencement will be nearly in end of 2015 or early in 2016.

E) OTHER DEVELOPMENTS

1) IINDIA FRAMES NEW RULES FOR DREDGING WORK AT STATE-OWNED PORTS

The government has directed all its 12 state-owned ports to finalize capital and maintenance dredging contracts on the basis of open competitive bidding, according to the new guidelines framed by the shipping ministry. Capital dredging is for increasing the depth of navigational channels while maintenance dredging is to maintain depths. The guidelines give details of the pre-dredging and post-dredging surveys to be carried out by these ports to avert disputes and arbitration. The shipping ministry, which controls these 12 ports, has also advised them to opt for long-term maintenance dredging contract of as long as five years instead of the current practice of going for annual contracts. The ministry has also suggested the method to be adopted keeping in view the annual siltation pattern at these ports. Among the major ports, the "depth based dredging contract" may be adopted at Kolkata, Cochin and Kandla.

2) COCHIN SHIPYARD BECOMES FIRST LICENCED INDIAN SHIPYARD TO MAKE LNG VESSELS

Cochin Shipyard Ltd (CSL), a Public Sector Undertaking under the administrative control of Ministry of Shipping, has successfully completed a Mark-III Flex Mock-Up, which has been certified by GTT (Gaztransport et Technigaz), France, thereby completing all requirements to be licenced by GTT to build LNG ships for any client worldwide using their patented membrane containment system known as the Mark-III Technology. This makes CSL, the first Indian shipyard in India to obtain this coveted licence from GTT. LNG procurement in India is set to grow by 4 per cent. There is need to draw up a blueprint for the transport of LNG to the hinterland for it further usage as a clean fuel. Licencing of CSL by GTT marks the beginning of a new era in Indian shipbuilding. LNG vessels are very complex ships and only a few yards world over have the capability to build these ships. The most critical aspect of an LNG ship is its cryogenic containment and handling system as the LNG is carried at a temperature of -163 degrees. This requires fool-proof cryogenic containment and safe handling and transfer system. GTT France has pioneered and patented various technologies for safely carrying LNG in ships. CSL is now authorised to use the membrane type technologies of GTT for any liquid gas carriers, more particularly the LNG carriers. Cochin Shipyard is the first shipyard in India to have obtained this technology. GAIL has contracted substantial LNG from the US to be shipped out for the next 20 years. They are in the process of finalising transportation contracts with reputed LNG shipping companies who are to build vessels as per GAIL's specifications. The contracts would be for a 20-year period and vessels are to be positioned accordingly. The requirement is for up to 9+2 (optional) ships.

F) WEATHER/STRIKE- NIL

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G) INTERNATIONAL HIGHLIGHTS

1) OIL ADVANCES AS SAUDI BREAKS DIPLOMATIC TIES WITH IRAN

Oil rose as Saudi Arabia cut ties with Iran and day after its embassy in Tehran was attacked to protest the execution of a prominent shite cleric. The breakdown of diplomatic relations between Saudi Arabia and Iran which are on opposite sides of West Asian conflicts from Syria to Yemen is preventing oil from following other commodities lower after Chinese stocks slumped 7 per cent, forcing a trading halt. Prices last week capped the biggest two-year loss on record amid speculation a global glut will be prolonged as US crude stockpiles expanded and the organization of Petroleum Exporting countries abandoned output limits.

2) PETRONET TO RENEGOTIATE AUSTRALIA GAS PRICE

After successfully renegotiating the gas price with Qatar, Petronet LNG Ltd (PLL) feels that the rates for purchasing gas under its contract with Exxon's Gorgon project in Australia can be revisited. The Australian contract was signed in 2009, when liquefied natural gas (LNG) sources were limited, resulting in higher prices. But now with the market dynamics changing, PLL will push for renegotiation. The Gorgon gas is expected between end 2016 and early 2017. This contract is with Mobil Australia Resource Company Pty Ltd for assured LNG supply of 1.4 million tonnes annually for 20 years. The buzz for renegotiation had gained momentum when gas rates were at a peak and the contracted fuel was ending up being the most expensive gas country has imported. GAIL (India), one of the public sector promoters of Petronet, has been pushing for the contract price to be reviewed in the context of the changing dynamics of the global LNG industry. Gorgon is the second long-term contract signed by India. The first was with RasGas of Qatar for 25 years starting 2004. After these two contracts, it was only in 2012 that any other Indian company was able to sign another long-term contract — for supplies from Sabine Pass, US.

Thanks and Regards

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