Date: 19/02/16 **ATLANTIC REPORT NO 07/16**

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) BPCL'S KOCHI REFINERY EXPANSION

Bharat Petroleum expects stabilised earnings from the revamped Kochi refinery to reflect in income statements from next January, the company's management told analysts during a conference call on Monday. BPCL's Kochi refinery is currently undergoing capacity expansion from 9.5 million tonnes a year to 15.5 mt. The expansion work is on track for scheduled commissioning in May this year, with about 90 per cent of the work done. The GRMs at these refineries were $12.4 and $11 a barrel, respectively, neck-and-neck with mega private sector refineries like those of Reliance Industries, which reported a GRM of $11.5 for the same quarter. The Koch refinery expansion, of which roughly 70 per cent is debt. The oil marketing company expects to begin capitalising the Kochi's capex costs by Q2FY-17. Preliminary work and capital expenditure on the 30 per cent creeping expansion is expected to start with the FY-17 and is scheduled to be completed in 30 months.

2) REFINERIES INCREASE PRICES OF IMPORTED OILS

Edible oils prices shot up on Friday as local refineries increased their rates for palmolein by ₹15-20 and for soya oil by ₹5/10 kg each tracking weak rupee and bullish overseas futures. On the Bombay Commodity Exchange, imported palmolein and soya oil gained by Rs 17/- and Rs 9/- each. Sunflower, rapeseed and cotton oil increased by Rs 5-10/- each. Groundnut oil eased by Rs 5/-. Vikram global commodities traded Malaysian super palmolein at Rs 547/- Liberty was quoting palmolein at ₹542, soyabean refined oil ₹630. Ruchi's rates: palmolein ₹532, soyabean refined oil ₹625 and sunflower refined oil ₹760.

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B) DRY COMMODITIES SCENARIO

1) SUGAR PRODUCTION UP AT 173 LAKH TONNES SO FAR

Sugar production by 472 mills was higher at 173.37 lakh tonnes in the ongoing 2015-16 marketing year that runs from October-September (till February 15), compared with 167.24 lakh tonnes (lt) produced by 516 sugar mills in the same period last year, the Indian Sugar Mills Association has said. The sugar producers' body also said that the mills had started repaying loans taken last year and said they were facing "difficulties" in paying cane arrears to farmers. However, it said ex-mill sugar prices has started improving from the beginning of the current season but had seen a fall in the past 15 days, by a couple of rupees per kg. With a fall in global prices, the pace of contracts for further exports has slowed down. Overall sugar production this season is up by 6.13 lt compared with the corresponding period last year, ISMA said, adding that of the 511 mills that started crushing in 2015-16 sugar season, 39 had closed their operations.

2) COAL MINING TO REOPEN FOR PRIVATE PLAYERS.

India is getting ready to open up commercial coal mining to private companies for the first time in four decades, with the aim of shifting the world's third-biggest coal importer towards energy self sufficiency. The government has identified mines it plans to auction, and is now finalizing other terms such as eligibility criteria for companies to take part and whether and how to set up revenue sharing.

C) CONTAINER SERVICES -NIL

D) PORT DEVELOPMENTS

1) PARADIP PORT STARTS SERVICING BABY CAPE SIZE VESSELS

Paradip Port after completion of capital dredging of few berths up to 14.5 metres is now geared up to berth baby cape size vessels. Berthing of such vessels will be primarily done at CQ-1/ CQ-2 berth. It will also berth baby cape size vessels of LOA 260 metres, beam of 43 metres and with a draft of 12.5 metres at South Quay berth. Berthing of these vessels will be throughout the year during the favourable weather and suitable climatic condition

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2) CARGO TRAFFIC AT 12 MAJOR PORTS UP 3.36% TO 499 MT

Buoyed by pick up in demand, India's 12 major ports saw cargo traffic increase by 3.36% to 499.23 million tonnes (MT) during the first 10 months of current fiscal. These top ports under the Centre had handled 483.01 MT cargo during the April-January period of the last fiscal. "Our 12 ports recorded higher traffic volumes during April-January period at 499.23 MT which was higher than last year. The volume growth was possible due to increased demand from various sectors. Kandla port handled the highest traffic volume at 82.91 MT during the April-January period of the current fiscal followed by Paradip Port at 61.67 MT, JNPT at 53.54 MT, Mumbai Port at 51.40 MT and Visakhapatnam at 47.11 MT, he said. Chennai port handled 41.52 MT of cargo while Kolkata Port, including Haldia, handled 41.14 MT of cargo.

E) OTHER DEVELOPMENTS

1) INDIA EXPANDS PORT CAPACITY AS PRODUCTIVITY IMPROVES

India will issue tenders in March for a consulting study on the development of a new transshipment port at Colachel on the Malabar coast on the southernmost tip of the subcontinent. The port is one of three new greenfield sites being developed amid fears a lack of capacity could stymie economic growth. The other two will be built at Sagar in West Bengal and Wadhawan at Dahanu in Maharashtra, bringing to 15 the number of the country's major ports as the government works to expand annual cargo volume from 972 million tonnes (1.1 billion tons) presently to 2.5 billion tonnes within 10 years. Colachel will focus on transshipment because of its strategic location and deep draft of 18.5 meters (60.7 feet), according to the Ministry of Shipping. Meanwhile, data released for the first nine months of the 2015 fiscal year show a marked improvement in levels of productivity at the country's 12 major ports.

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F) WEATHER/STRIKE- NIL

G) INTERNATIONAL HIGHLIGHTS

1) SAUDI ARABIA RUSSIA AGREE TO FREEZE OIL OUTPUT

Top oil exporters Russia and Saudi Arabia agreed on Tuesday to freeze output levels but said the deal was contingent on other producers joining in - a major sticking point with Iran absent from the talks and determined to raise production. It could become the first joint OPEC and non-OPEC deal in 15 years, aimed at tackling a growing oversupply of crude and helping prices recover from their lowest in over a decade. OPEC member Iran, Saudi Arabia's regional arch rival, has pledged to steeply increase output in the coming months as it looks to regain market share lost after years of international sanctions, which were lifted in January following a deal with world powers over its nuclear programme. Any dramatic implications of the output freeze by OPEC members on the prices at which Indian refiners buy their crude oil will be seen only in the second half of 2016 when the current supplies start draining out. We (the buyers) were also looking for stability in pricing as the constant fluctuations were making it difficult for us to manage our inventory losses/gains. In the immediate months we do not foresee any drastic impact on prices (of the four producers proposing to freeze their output) as there is sufficient supply in the market.” Though low oil prices have helped India reduce its import bills, there was always an element of uncertainty with the constant fluctuations in the market. The refiners say that when the price regime is stable, it is easier to manage their inventory and plan capital expenditures. However, if OPEC members do not endorse this move, then there is a fear of prices crashing and destabilising the market. The real test will be once all the OPEC members agree to it. However, if all the OPEC members do not come on board, the after effects could be adverse on the prices,

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2) MALAYSIA READY TO HELP INDIAN PALM OIL PRODUCTS

Malaysia is keen to offer marketing assistance to Indian palm oil growers as well as makers of palm-based finished products. "Malaysia is ready to offer assistance in the marketing of Indian products; it is highly possible that we will be ready to extend a helping hand. Talking about MPOC initiative to promote consumption in India, Sundram said, "Currently India imports and consumes almost 9.7 million tonnes of palm oil. As a result, palm oil has become an integral component of the Indian edible oil consumption trends. Despite this level of uptake in the country, we continue to register much misinformation regarding palm especially in relation to its quality, health and nutrition values. MPOC's campaign is partly in response to a rather active anti-palm oil campaign mounted by Western NGOs whose arguments are often based on sheer sentiments rather than facts. Some of our hottest activity sites are in Europe while other countries such as the US, India and China are also part of our efforts to re-educate the consumers about the virtues of palm oil."

Thanks and Regards

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