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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) GULF OIL LINES UP Rs.150 CR TO EXPAND LUBRICANT BIZ

Gulf Oil Corp is expanding its lubricant business in India with an investment of Rs 150 crore in setting up a plant in Chennai, as the Hinduja Group company sees opportunity emerging for value-added products driven by the Indian government's push to cutting down emissions. While it aggressively expands its fuel retail business globally, the company has not yet looked at entering the Indian market for fuel retail. It is amazingly brave and wise of India to accelerate the pace of implementing emission norms. It gives us the possibility to work on products that are more focused on fuel economy. The moment the legislation creates the right play ing ground, the industry immediately plays into it by offering renewable, fuel efficient products. India recently set a 2020 target to implement BS VI emission standards, advancing its previous plan. The company plans to introduce products that will have "measurable benefits. When we talk about the growth rate that Gulf Oil is enjoying in India, it t will be necessary to expand the t production capability as the product portfolio is likely to get more t complex. The investment in Chennai alt lows us to have production infrastructure that would match the upcoming product portfolio for the next 10 years. The company said it has a 7% market share in the Indian automotive lube sector, and is growing at a speed faster than its customer or its own growth rate in other economies. It is now making an international foray into fuel retail business. It signed up with Manchester United to become the English football club's global sponsor and official lubricant-cum-fuel retail partner. We recently entered Russia, Canada, Mexico, and would be entering 1020 countries this year. So we would definitely be interested in the second-largest country (by population) in the world. At the moment, given the regulation, there is a barrier in entering the Indian fuel retail market but the moment the barrier is gone. Indian regulations state that a company which wants to enter the fuel retail business must invest or show propose to invest . 2,000 crore in petroleum ` infrastructure, which acts as a barrier for new entrants.



B) DRY COMMODITIES SCENARIO

1) COAL INDIA CUTS PRICES ON GLOBAL CUES

Coal India has cut prices of top grades of coal by up to 40% on the back of more than adequate coal production as well as about 58 million tonnes of stock pile. The coal behemoth's decision to cut prices of high energy content coal that competes directly with imported coal by 10-40% for both power producers and non-power producers for the first time in three years follows a global price crash of the commodity. Following a rapid fall in international coal prices and a stockpile at pit heads, high energy coal produced mainly from Eastern Coalfields, South Eastern Coalfields and North Eastern Coalfields have been slashed for volumes supplied over 90%. We have been told that the price cut offer will remain valid for the entire financial 2016-17 and it is being introduced on an experimental basis following a large stock pile and a massive fall in global prices. According to fuel supply agreements signed by Coal India with its consumers, the coal company was to charge a 10% premium over its notified price for more than 90% of contracted quantity of coal supplied in a year. If the coal supplied was between 95% and 100% the premium was to be 20%. Any coal supplied over 100% of the contracted volume was to be charged 40% over the base price. We have now decided to waive the premiums charged for supplying additional coal over 90% of contracted supply volume," said the Coal India official quoted earlier. Thus the consumers get a 10% discount for receiving between 90% and 95% of the contracted volume. The discount would be 20% for volumes between 95% and 100% of the contracted volume and 40% for volumes beyond 100%," the official added. Coal India officials said that if the move prompts its consumer to lift more coal, then the company may even consider introducing discounts for cheaper category of coal used by power companies. At present, Coal India has a total stock of 58 mt while another 39 mt of coal is piled up at the power plants.

C) CONTAINER SERVICES

1) CARGO VOLUME GROWTH AT PORTS TO REMAIN SLUGGISH, SAYS ICRA

Cargo volume growth at Indian ports will remain sluggish in the near term on account of uncertainty associated with some of the cargo categories, including coal and container, according to a report by credit-rating firm ICRA. There is uncertainty in imported coal due to ramp up in domestic coal production and persisting delays in execution of Greenfield power projects. Container movement will be affected due to the relatively weak global environment and exim trade. In the first half of 2015-16, total cargo handled at Indian ports registered a 20-per cent increase to 516 million tonnes (MT) over first half of 2014-15. The growth was pegged down by de-growth in volumes by 1 per cent at non-major ports (under the control of State governments), which had registered a 13-per cent y-o-y growth in volumes, to 471 MT in financial year 2015.



The weak performance was on account of 18-per cent drop in iron ore volumes; 11-per cent drop in other cargo and an 8-per cent drop in coal volumes. Major ports (governed by the Central government), on the other hand, registered a relatively better performance in the first half of 2015-16, supported by a growth of 12 per cent, 3 per cent and 11 per cent in coal, POL and other cargo volumes, respectively, even as iron ore volumes dropped by 48 per cent y-o-y. ICRA research said that during 11 months in financial year 2015-16, the major ports reported a 4.2-per cent growth in the overall throughput over the corresponding period in the previous year. The growth was supported by an increase in all cargoes except iron ore. ICRA, said in the report that iron ore volumes have been affected as mining restrictions prevailed during a large part of the year in major states such as Karnataka, Goa and Odisha; other policy measures such as high export duty, which was reduced to nil in the Budget 2016-17, on low grade iron ore; and prevailing slump in international demand and prices. The decline in coal volume growth in the last few months has been on account of increase in the domestic production and subdued demand on account of the slowdown in energy demand and delays in commissioning of new power plants due to several issues bedeviling the domestic power sector. As non-major ports had higher share of coal cargo, their volumes were relatively more impacted during the first half of 2015-16. Over the medium to long term, the outlook for cargo growth continues to be strong, driven by domestic requirements of coal for power (including coastal movements) and other sectors; crude oil, for meeting domestic petroleum requirements; and containers, given the cost and logistical advantages associated with containerisation.

2) CONCOR OFFERS TO MOVE EMPTY BOXES FROM KOCHI PORT TO IRUGUR, FREE OF COST

In a major initiative to benefit the exim trade in Coimbatore, the Container Corporation of India (Concor) has announced a special scheme to transport empty containers from Kochi Port to Irugur ICD free of cost. This will ensure that empty containers required for stacking export cargo from Coimbatore will be mobilised free of freight cost. It will reduce the overall transport cost of containers exported through Kochi as movement of empty from Kochi was one major contributor to the cost. The last quarter of the previous financial year had witnessed over 15 per cent growth in container handling through Vallarpadam terminal. One of the initiatives that resulted in the growth was the commencement of the regular Saturday container rail service from Coimbatore to Kochi. The present scheme announced for the next six months will further help Coimbatore exporters by making empty containers available readily and at much less cost. Concor has already put in place free storage for empty containers for six months. The scheme will be effective from the service leaving Vallarpadam on April 14, the port officials said. Meanwhile Kochi Port has emerged as the most preferred cruise destination among Indian ports with vessels from the Cunard Group such as Queen Mary 2, Queen Elizabeth and Quantum of the Seas regularly visiting the port.



On Wednesday, Queen Elizabeth called at the port from Chennai with 1890 tourists and 1022 crew. To ensure competitiveness in the tariff, the port has decided to offer 50 per cent discounts in the 'port dues' payable by a cruise vessel. As port dues is one of the main components of the vessel related charges, the decision to grant 50 per cent discount for all vessels without conditions will be a major factor in attracting more cruise vessels to Kochi.

D) PORT DEVELOPMENTS

1) ESSAR PORTS COMMISSIONS DRY BULK TERMINAL IN SALAYA

Essar Ports has commissioned its delayed dry bulk terminal in Salaya in Gujarat, which has a capacity of 20 million metric tonnes per annum, or MMTPA. With this Rs 1,500-crore facility, the company's total tonnage handling capacity will increase to 140 MMTPA, its CEO Rajiv Agarwal. The Salaya terminal has been delayed for the past two years or so, because of pending environmental clearances. The other projects still in the works are a 16-MMTPA iron ore berth at Vizag in Andhra Pradesh, an 18-MTPA coal terminal at Paradip in Odisha and a 20-MMTPA general cargo terminal at Hazira in Gujarat. Essar currently has a 58-MMTPA liquid terminal at Vadinar, a 30-MMTPA dry bulk or general cargo terminal at Hazira, a 16-MMTPA dry bulk terminal at Paradip and a 16-MMTPA iron ore berth at Vizag. Completion of the pending projects will take its total tonnage capacity up to 194 MMTPA. Agarwal dismissed speculation over Essar's plans to sell some of its port assets to partly reduce group debt of more than Rs.60,000 crore. Names, including the Adani Group and Gujarat Pipavav, were doing the rounds as potential buyers. There is no such proposal currently. Essar's latest commissioned project is the first deep-draft terminal in the Saurashtra region and is designed to accommodate capsized vessels, Agarwal said. Its stockyard is integrated with nearby power plants that have a cumulative capacity of 1,710 MW capacity. More than 85% of Essar Ports' operations are for captive use. The company has nonetheless commissioned a bulk terminal at a time when global freight rates are at historic lows, because of lower industrial demand and excessive supply. In an interview to ET, Gujarat Pipavav managing director Keld Pedersen said the bulk segment was definitely in a challenging situation.



2) PORT CAPACITY TO BE DOUBLED WITH ₹ 1 LAKH CR INVESTMENT

The Centre has drawn an ambitious plan to double port capacity to 3,000 million tonnes per annum in next ten years, opening up an investment opportunity of ₹1 lakh crore. To start with, five new ports have been identified and among them work has started in three. Capacity is also being enhanced at the existing 12 major ports. Inaugurating the first-ever Maritime India Summit here on Thursday, Prime Minister Narendra Modi said the government wants to promote port-led development and energise coastal economy with an intent to modernise ports and integrate them with special economic zones, port-based smart cities, industrial parks, warehouses, logistic parks, cold storage and transport corridors. Blessed with 7,500 km of coastline, the country offers huge investment opportunities, which includes development of strategic locations to connect with highways and productive hinterland waterways. Listing out the concessions given by the Government to develop ports in last two years, Modi said major ports have added record capacity of 165 million tonne with capacity addition by big ports accounting for 94 million tonne. Despite global slowdown, port traffic registered a healthy growth four per cent in last two years. Last fiscal, the operating income of 12 major ports increased to ₹6.7 billion. Under the Sagar Mala project major ports have awarded 56 new projects involving investment of ₹250 billion. This will create additional port capacity of 317 million tonnes per annum, he said. Our vision is to increase port capacity to 3,000 million tonne from 1,400 million tonne by 2025. We want to mobilise investment of ₹1 lakh crore in the port sector. The proposed increase in port capacity coupled with rise in coal production is expected to enhance coastal transportation of coal by four folds by 2025. India is displaying 250 projects at the Maritime Expo with huge investment opportunity. These projects include infrastructure development opportunity in 12 major ports, projects in eight maritime states and among these 100 projects have been identified under Sagar Mala. All this is being done to empower youth in the coastal community, particularly the fishermen. The developments will create 4 million direct and 6 million indirect job opportunities. To further broaden livelihood opportunity the government is planning to deploy modern and sophisticated fishing vessels. To sum up, Modi said this is the right time to come to India and it is even better time to come through the sea route. Indian ships are well equipped for a long haul. Missing this opportunity means missing a pleasant journey and a great destination. Once you are here, I assure you that I will personally hold your hands to make you feel safe, secured and satisfactory



3) SAGARMALA PROJECT TO BE READY IN 5 YEARS

The Centre will speed up the ambitious Sagarmala project from 10 years to five years. It has been decided to finish Sagarmala project in five years instead of 10 years to create a massive 10 million jobs,” he said at the Maritime India Summit here. A plan prepared under the Sagarmala programme by the Centre could lead to annual logistics cost savings of close to ₹35,000 crore and boost India’s merchandise exports to \$110 billion by 2025. Plan, has been crafted after detailed consultations with key stakeholders in the Central and State governments, public sector companies as well as private players from shipping, ports, shipbuilding, power, cement and steel sectors. It takes forward Sagarmala’s vision of substantially reducing export-import and domestic trade costs with minimal investments. This plan is based on optimising multi-modal transport to reduce the cost of domestic cargo, minimising the time and cost of export-import cargo logistics, lowering costs for bulk industries by locating them closer to the coast and improving export competitiveness by locating manufacturing clusters near ports. The plan had identified specific opportunities for transportation of commodities such as thermal coal, fertilisers, foodgrains, cement and steel by coastal shipping and inland waterways. Sagarmala aims to deliver impact through over 150 projects and initiatives in the modernisation of existing ports and setting of six new ports to augment capacity. It will focus on port connectivity through heavy haul rail corridor, freight friendly expressways, and development of strategic inland waterways.

4) HAZIRA PORT

Please be notified that safe operating draft at Essar Bulk Terminal Ltd is increased to **13.0 meters** w.e.f. **1st April 2016**.

E) OTHER DEVELOPMENTS -NIL

F) WEATHER/STRIKE- NIL



G) INTERNATIONAL HIGHLIGHTS

1) OIL MINISTER SEEKS SOPS FOR INDIAN FIRMS INVESTING IN IRAN

The Minister of State (Independent Charge) for Petroleum and Natural Gas Dharmendra Pradhan visited the Chabahar Free Trade Zone and Port in Iran on Sunday to discuss facilities and incentives that could be offered for Indian companies investing there. Pradhan, who is on a two-day visit to Iran, met with Iranian Petroleum Minister Bijan Namdar Zanganeh, Senior Advisor to the President on Free Trade Zones Akbar Torkan and Governor of Iranian Central Bank Valliollah Seif on April 9. During the meeting, Pradhan informed the Iranian side that Indian companies could invest up to \$20 billion for setting up petrochemical and fertiliser plants in Chabahar SEZ. He requested Iran to allocate appropriate land in the SEZ and also asked for favourable treatment in the pricing of gas. An official statement said Pradhan informed the Iranian leadership that competitive gas pricing was crucial in making the projects attractive for investors and also expressed India's interest in setting up an LNG plant and a gas cracker unit in the Chabahar port. "Both sides agreed to continue examining various means of evacuation of gas, such as LNG, including through the proposed Iran-Pakistan-India pipeline," the statement added. Pradhan also discussed developments regarding the Farzad-B gas fields and expressed confidence on concluding an agreement at the earliest. ONGC Videsh Ltd, the overseas investment arm of ONGC, along with its partners Indian Oil Corporation and Oil India had made the discovery in the Farsi offshore fields in Iran in 2008. The Farzad B block has estimated in-place reserves of 21.68 trillion cubic feet (tcf) of which 12.8 tcf of gas and 212 million barrels of condensate may be recoverable. Pradhan's visit comes nine years after an Indian Minister of Petroleum & Natural Gas visited Iran and is the first after the economic sanctions were lifted in the West Asian country in January.

Thanks and Regards

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