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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) INDIANOIL SIGNS $1.5-B DEAL TO IMPORT 3 MT US CRUDE NEXT FISCAL.

Indian Oil Corporation Limited will import up to 3 million tonnes of crude oil from the United States of America in the next financial year. "Indian Oil has finalised a term contract for import of up to 3 million tonnes of crude oil of US origin grades as a part of its strategy to diversify term crude sources. The contract was finalised on Friday, February 15, 2019," an Indian Oil statement said. "The approximate value of the contract works out to $1.5 billion. This is the first term contract finalised by any Indian PSU oil company for import of US origin crude oil grades," the statement added. The first consignment of US crude to India landed Paradip, Odisha in October 2017. Since then, India's crude oil imports from the US during the April to December 2018 almost tripled to 4.58 million tonne, compared to the 1.16 million tonne imported during the same period in 2017.

2) INDIAN OIL REFINER BPCL BUYS GASOLINE CARGO FOR MARCH IN RARE

India's Bharat Petroleum Corp Ltd has bought a gasoline cargo for first-half March arrival, two trade sources said. BPCL bought late last week 35,000 tonnes of 91.5-octane gasoline at a low single-digit premium to Singapore quotes on a cost-and-freight (C&F) basis, said the sources. Both sources said strong demand and low gasoline prices amid a glut of the fuel likely prompted the refiner to import. BPCL does not typically comment on their tender purchases or sales. Based on Reuters data, BPCL last imported a gasoline cargo for arrival in May last year at Kochi and Haldia.

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3) SAUDI ARAMCO TO INVESTMENT MORE IN INDIA; IN TALKS WITH RIL, OTHERS

Saudi Arabia's National Oil Company, Saudi Aramco, is in discussions with India's private sector refiner Reliance Industries Ltd and others for expanding its business here. Saudi Aramco CEO, Amin Al Nasser, said, "India is an investment priority for Saudi Aramco. There is a lot of growth potential. We are looking at additional investments in India. We are in discussions with other companies as well, including Reliance Industries." He was speaking at the Saudi Arabian General Investment Authority's (SAGIA) Saudi Forum. SAGIA also announced the signing of four investment agreements worth more than $28 million and 11 memoranda of understanding (MoUs) at the Saudi-India Forum. The announcements cover a range of partnerships across strategic growth sectors, including energy and water, technology, arts and entertainment, healthcare, trade and investment. Stating that Saudi Arabia was happy with India's growing energy demand, he pointed out that "800,000 barrels is exported by Saudi Aramco to India. We remain positive on our investment in India and we are working with our partners and they are assuring us that things are going very well". I think if there is any delay, we can catch up. All we hear lately is that things are progressing well and we should be optimistic about it going forward," Nasser added. Saudi Aramco and Abu Dhabi National Oil Company (ADNOC) are partnering for a proposed $44-billion oil refinery in Ratnagiri, Maharashtra. But the project has run into land acquisition hurdles and the Maharashtra government has cancelled the land acquisition process initiated till now. Speaking on the sidelines, B Ashok, CEO of Ratnagiri Refinery, told BusinessLine that the project is on time. "We have an assurance from the Maharashtra government that we will be allotted land on the West Coast when we require it. The project is on time to be commissioned by 2025," he said. Speaking on the sidelines of the forum, Saudi Energy Minister, Khalid Al-Falih said he expects the oil market to be balanced soon. "We hope that by April the oil market will be balanced and then we will consult and we will calibrate our supply plans for the second half of the year. So, April will be an important blind post for the journey of oil market stability," he said.
We think supply and demand is closely aligned to getting inventories the way we want it to be which is around the five-year average inventory levels. In April, we will be into the new agreements, sufficiently long enough to allow us to do a check.

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B) DRY COMMODITIES SCENARIO

1) INDIA'S COAL IMPORT FALLS TO 17.25 MT IN JANUARY

Coal imports saw a decline in January FY 2019 to 17.25 MT from 19.59 MT in the same month of the previous fiscal, according to a report by mjunction services showed. mjunction, a joint venture between Tata Steel and SAIL, is a B2B e-commerce company that also publishes research reports on coal and steel verticals. However, the imports increased by 5.1 per cent to 189.9 million tonnes (MT) in the April-January period, the report said. Coal imports were at 180.61 (MT) in the April-January period of the previous fiscal. "There was modest demand for coking and non-coking coal from Indian buyers during the month. The marginal decline in hot metal production and volatile coking coal prices in January prompted buyers to keep a tab on imports. In non-coking coal, the coal stock scenario at thermal power plants showed a steady improvement and this helped to curb volumes, he added. Of the total imports during January 2019, non-coking coal shipments were 12.35 MT and coking coal at 3.53 MT. Coal Minister Piyush Goyal had earlier urged state-run Coal India to pledge self-sufficiency in production to eliminate import of the dry fuel. The government has set a target of one billion tonne of coal production by 2019-20 for the mining major, but is considering relaxing the timeline.oal India has announced a production target of 652 million tonne in 2018-19.

C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) DEENDAYAL PORT TRUST ACHIEVES 100 MMT THROUGHPUT IN 2018-19 FASTER THAN LAST FISCAL

Deendayal Port Trust (DPT) has achieved another high in cargo handling by crossing the magic figure of 100 million metric tonnes (mmt) in throughput on February 17, 2019 for fiscal 2018-19. It thus beat the 95.8 mmt handled in the corresponding period of the previous fiscal. The said figure for the ongoing financial year comprised 73.59 mmt of imports and 26.58 mmt of exports. The major commodities handled were crude oil, petroleum products, coal, salt, edible oil, fertiliser, timber, oil extractions and containers, informed a communiqué. The port management is hopeful of achieving the new throughput target for the entire 2018-19 by crossing the last fiscal's record of over 110 mmt. DPT has been the No. 1 in cargo handling among Major Ports for 11 years in a row.

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2) CHENNAI PORT SETS RECORD IN CRUDE DISCHARGE

Chennai Port has achieved another landmark by handling 88,000 tonnes of crude oil on February 18, 2019 from the vessel m.v. NORDIC MOON which was carrying 1,46,025 tonnes through the 42" diameter pipeline from Bharathi Dock (BD-III) to CPCL refinery in Manali. The port thus surpassed the previous record of 84,000 tonnes discharged from m.v. GIANNIS at BD-III on February 16. This significant handling of crude oil is an indicator of the port's capability and its confidence among the trade, said a release. Mr P. Raveendran, Chairman of Chennai Port Trust, appreciated Chennai Petroleum Corporation for taking this 42" pipeline project and expressed the hope that handling through the pipeline will cut down cost and time.

E) OTHER DEVELOPMENTS

1) INDIA-BUILT SHIPS TO GET PRIORITY MOVING IMPEX CARGO FOR PSUS

With a Budget-funded financial aid scheme for local shipbuilders not improving their prospects and its flagship initiative of turning India into a manufacturing powerhouse wobbling, the National Democratic Alliance (NDA) government has overhauled a cargo support policy extended to Indian fleet owners by giving first preference to ships that are manufactured in India to carry export-import and coastal cargo for state-run firms. The move has thrown Indian fleet owners into disarray. Currently, local shipping companies get a right to match the lowest rate offered by a foreign flag ship in tenders issued by state-run firms for hiring ships under the chartering guidelines framed by the director general of shipping. If Indian shipping companies decline, the foreign flag ship that had quoted the lowest rate is allowed to carry the cargo.

2) SHIPPING INDUSTRY JITTERY OVER FUEL COST AS DEADLINE FOR NEW EMISSION NORMS NEARS

Fuel costs are set to go up for the shipping industry over the next year, as new IMO (International Maritime Organisation) regulations kick in from January 2020. The increase could be between 25 per cent and 40 per cent over current levels, experts say. The IMO regulations stipulate reduction of sulphur emission from ships, forcing the industry to pay more for cleaner fuels. The regulations demand reduction in the usage of sulphur in fuel onboard ships to 0.50 per cent m/m (mass by mass) from the current limit of 3.50 per cent m/m for ships operating outside designated emission control areas (ECA). There is even stricter limit of 0.10 per cent m/m already in effect in emission control areas. The emerging situation warrants developing a new blend of oil for ships and probably gas oil with very low sulphur content, as it can be blended with heavy fuel to lower sulphur content, experts in the sector said.

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3) MINISTRY REVISES RULES FOR CHARTERING OF SHIPS

To incentivise ship-building activity in the country, the Ministry of Shipping has revised its guidelines for chartering of ships by providing Right of First Refusal (RoFR) to ships built in India. Henceforth, whenever a tendering process is undertaken to charter a vessel, a bidder offering a ship built in India will be given the first priority to match the L1 quote. It is expected that this priority given to ships built in India will raise the demand for such vessels, providing them with additional market access and business support. A policy in this regard will be unveiled by Nitin Gadkari, Minister for Shipping, Road Transport & Highways, Water Resources, River Development and Ganga Rejuvenation in Mumbai on Tuesday, during the inauguration of the two-day Regional Maritime Safety Conference. Prior to the revision of the guidelines, the RoFR was reserved for Indian flag vessels as per the relevant provisions of Merchant Shipping Act, 1958.The existing licensing conditions have been reviewed in consonance with the Government of India's policy of promoting the 'Make In India' initiative and the Public Procurement and Make in India orders dated June 15, 2017 and May 28, 2018 issued by the DIPP. The review is also in line with the need to give a long-term strategic boost to the domestic shipbuilding industry, the need to encourage the domestic shipping industry to support the domestic shipbuilding industry, and the need to develop self- reliance and a strong synergy between these vital industries for the overall long term development and economic growth of the country.

F) WEATHER/STRIKE- NIL

G) INTERNATIONAL HIGHLIGHTS

1) DUBAI'S ENOC PARTNERS WITH IOC

United Arab Emirates' National Oil Company (ENOC) Group said on Wednesday it had formed an alliance with state-run Indian Oil Company (IOC) as part of the Dubai-based firm's global expansion strategy. The partnership will expand ENOC's "presence to over 180 ports in 28 countries to provide its customers with high-end marine lubricants and technical services," the company said in a statement. ENOC is wholly owned by the government of Dubai, an emirate in the UAE.

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2) ADNOC TO FORM LPG JV WITH WANHUA PETROCHEMICAL

ADNOC Logistics & Services (ADNOC L&S) has signed an agreement with China's Wanhua Petrochemical to form a joint venture which would own and operate LPG tankers. The parties said they signed a Memorandum of Understanding to explore the creation of the JV "to pave the way for the transport of greater gas volumes in line with market demand."Wanhua Petrochemical is an existing customer of ADNOC L&S' parent firm, the Abu Dhabi National Oil Company, having signed 10-year LPG purchase contract for 1 million metric tons per annum (mtpa) in November 2018. Additionally, ADNOC revealed its ambitious growth plan to create a more competitive and diverse offering, leverage market expansion and strengthen its role by transforming into a fully integrated marketer and trader of its products. ADNOC L&S plans to acquire its first crude oil tankers, while expanding its gas and dry bulk fleet, by adding more than 25 vessels within the next five years. Furthermore, the company revealed that H.H. Sheikh Theyab, Chairman of the Abu Dhabi Department of Transport, has inaugurated the latest addition to ADNOC L&S's shipping fleet during his visit to Port Khalifa. The acquisition of the 2,850 TEU feeder vessel, Al Reem 1, brings ADNOC L&S's fleet to 123 vessels. ADNOC said that its marine and logistics subsidiary "will play a critical role in supporting the delivery of ADNOC's 2030 smart growth strategy." Through this strategy, ADNOC would increase its oil production capacity to 4 million barrels per day (mmbpd) by the end of 2020 and 5mmbpd by 2030.

Thanks and Regards

Ronak Shetty
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