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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) NAYARA ENERGY CLOSES $750 MILLION PRE-PAY WITH TRAFIGURA, BP

Russian-backed Indian refiner Nayara Energy has completed a long-term pre-payment deal with BP and global commodities trader Trafigura for $750 million, Nayara's chief executive said on Wednesday. The deal, backed by a consortium of international banks, will see the two firms repaid with future gasoline and gasoil over the next four years. Pre-payments are one the financing mechanisms frequently used in the oil industry. The total is half the amount originally targeted but is key for asserting the firm's independence after being previously owned by the debt-laden Essar Group which was wholly dependent on local lenders. "Nayara Energy is continually looking for innovative opportunities to develop a robust financing framework to strengthen its balance sheet," CEO B. Anand said in a statement. "This is truly a benchmark transaction and yet another milestone in our journey towards achieving financial excellence." Trafigura and BP closed two similar deals over shorter periods worth $1.45 billion last year. Nayara, formerly Essar Oil, was taken over by a consortium led by Russian oil major Rosneft in 2017. Rosneft owns 49.13 percent of Nayara, while Russian fund UCP and Geneva-based Trafigura together own a similar share. The consortium acquired a 400,000 barrel-per-day refinery in Vadinar as well as a port, power plant and 3,500 fuel stations for nearly $13 billion. Earlier this year, the refiner said it would invest $850 million to build a new refinery and petrochemical plant.

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2) INDIA EYES GUYANA AS IRAN OIL SUPPLIES END

Faced with US sanctions on one of its top suppliers Iran, India is charting new geographies to meet its energy needs. The world's third-largest oil importer is looking to secure an interest in Guyana's oilfields that are being hailed as one of the world's largest oil finds in recent times. A six-month sanctions waiver for India and seven other countries to continue importing oil from Iran expired on Thursday, effectively shutting out Iranian crude beginning 3 May. There is a growing interest in Guyana after ExxonMobil, one of the world's largest publicly-traded energy firms, announced an estimated reserve of more than five billion oil-equivalent barrels in the offshore Stabroek block in the South American country. The expectations have also swelled because Guyana borders Venezuela, which has one of the world's biggest oil reserves. "We have an opportunity in Guyana. Exxon has recently found a major oilfield there. It is going to turn the tables around and make Guyana one of the major producers," said an Indian government official, requesting anonymity. India's move comes against the backdrop of the need to find alternative sources of energy at a time when it needs to procure a total of about 12 million tonnes of extra crude over the year to urgently bridge a supply gap that will be caused by the exit of Iran from its energy basket. Apart from Iran, the Donald Trump administration has imposed sanctions on Venezuela's state-owned oil firm Petróleos de Venezuela SA. Guyana offers an attractive alternative. While ExxonMobil affiliate Esso Exploration and Production Guyana Ltd is the operator and holds 45% interest in the Stabroek block spread over 26,800sq. km, US-based Hess Corp. and China's largest offshore oil and gas producer CNOOC hold 30% and 25%, respectively. ExxonMobil is also the operator of the Canje and Kaieteur blocks in offshore Guyana and expects to produce up to 120,000 barrels of oil a day from the Liza Phase 1 development in early 2020. Essentially in Guyana, we are looking at whether we can get farm-in opportunities. We are also looking at getting steady supplies and to establish term contracts for our oil companies, among other things," said the government official cited earlier. Under a "farm-in" contract, an energy firm acquires a stake in a discovered or producing field the lease of which is owned by another firm. Typically, "farm-in" contracts are costlier than those inked for non-discovered fields. Queries emailed to spokespeople of India's ministries of external affairs and petroleum and natural gas, and CNOOC on Monday night remained unanswered. A spokesperson for Hess in an emailed response said: "I can confirm that Hess holds 30% working interest in the Stabroek Block and also has a 15% interest in the Kaieteur Block offshore Guyana. For all other questions regarding these blocks, I would direct you to the operator ExxonMobil. Till now, Indian energy firms have invested around $38 billion to buy equity energy stakes in 28 countries, including Australia, Azerbaijan, Bangladesh, Brazil, Canada, Indonesia, Iran, Iraq, Libya, Nigeria and Russia.

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3) PETRONET PLANS FLOATING LNG TERMINAL OFF ANDAMAN ISLANDS

Petronet LNG Ltd plans to set up a floating LNG terminal in Andaman and Nicobar Islands that will be utilised to feed city gas distribution business of selling CNG to automobiles and piped cooking gas to households in the island. Petronet has made an application to sector regulator Petroleum and Natural Gas Regulatory Board for a city gas licence. In its application Petronet said NTPC Vidyut Vyapar Nigam Ltd is looking at setting up a 50 MW gas-based power plant in Hope Town in South Andaman and plans to appoint a gas supplier for the same. "Petronet (has) proposed to set up an Floating Storage Regasification Unit (FSRU) to regasify LNG to supply gas to the power plant. This would (also) be the source for the supply of gas to city gas distribution network at Port Blair," the company said in the application. The company currently operates a 15-million-tonnes-a-year LNG import terminal at Dahej in Gujarat and has another 5 million tonnes a year unit at Kochi in Kerala.

B) DRY COMMODITIES SCENARIO

1) INDIA'S COAL SHIPMENTS UP NEARLY 11% IN 12 MAJOR PORTS IN FY19

India quoted ports' body IPA as saying that coal shipments handled by India's 12 major ports saw a 10.81 percent rise to 161.34 million tonne in the previous financial year. These top ports under the control of the Centre had handled 145.59 million tonne of coal cargo in 2017-18. Shipments of thermal or steam coal and coking coal rose 9 percent and 14.25 percent, respectively, during 2018-19. The Indian Ports Association (IPA) said the major ports handled 103.84 million tonneof thermal or steam coal during the financial year, compared with 95.26 million tonne in the previous fiscal. IPA in its latest report said the major ports handled shipments of 57.50 MT of coking coal during 2018-19, against 50.33 million tonne in the previous fiscal. Thermal coal is the mainstay of the country's energy programme as 70 percent of power generation is dependent on the dry fuel, while coking coal is used mainly for steel-making. India is the third-largest producer of coal after China and the US and has 299 billion tonne of resources and 123 billion tonne of proven reserves, which may last for over 100 years. Overall, these ports recorded 2.90 percent growth in total cargo handling at 699.04 million tonne in the previous financial year.

C) CONTAINER SERVICES-NIL

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D) PORT DEVELOPMENTS

1) INDIA'S PRIVATE PORTS GAIN GROUND ON PUBLIC RIVALS

The pace of growth in cargo movement via India's minor privately owned ports, armed with more modern infrastructure and unregulated tariffs, has been on the upswing in recent months, after signs of a slowing trend in the past year. According to the analysis, cargo tonnage at minor ports surged 10.1 percent year over year in fiscal year 2018-2019, which ended March 31, far outpacing the 2.9 percent growth at major government-owned competitors in the same 12-month period. By volume, throughput at private ports totaled 578.5 million metric tons (637.7 million tons) in fiscal 2018-2019, compared with 699 million metric tons at state-run ports.

2) PORT DEPARTMENT UNDERTAKES MAINTENANCE DREDGING

The Port Department has commenced maintenance dredging of around 60,000 cubic metres of sand at the mouth of the sea to enable fishermen to navigate their vessels in and out of the Thengaithittu fishing harbour. The mouth would be dredged up to a depth of five metres. The work, which began in April, is expected to be completed in three months, a Port Department official said. The Dredging Corporation of India (DCI) had already dredged 3 lakh cubic metres of sand as per the contract. However, fishermen found it difficult to navigate their vessels to the harbour owing to heavy silt accumulation in the mouth of the sea. With the annual ban on fishing in force, the department had awarded the contract to a private player for emergency dredging to make the channel navigable for fishing vessels, he said.

3) GMB NOTIFIES NEW PORT CHARGES AFTER EIGHT YEARS

The Gujarat government's Gujarat Maritime Board (GMB) has revised its schedule of port charges(SoPC) after eight years and has for the first time linked it to the wholesale price index (WPI), to make it market driven. GMB expects to pull in approximately Rs 200 crore more from this year itself with the new SoPC. Mukesh Kumar (IAS), CEO of GMB, said, "The new SoPC 2019 rates have been prescribed after analysing various facets based on various principles, such as increasing tariff revenue without affecting competitiveness, close benchmarking with competing ports, rationalization to support port-led development. Feedback about the difficulties they face and ways to simplify the tariff structure was also invited. The tariffs of ports on the west coast such as DPT, MbPT, JnPT, Mormugao Port and those on the east coast such as Visakhapatnam and Paradip were studied.

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E) OTHER DEVELOPMENTS

1) DIGHI PORT: JNPT UNABLE TO GIVE BANK GUARANTEE

It was only after a prod by the government that the Jawaharlal Nehru Port Trust (JNPT) bid for ailing Dighi Port, where Adani group was one of the top contenders. But curiously for close to two months, the country's largest container port is unable to furnish a bank guarantee of Rs 100 crore as the government dithers on granting clearance. As a result, lenders are still waiting to complete the formalities for JNPT's takeover of the Dighi Port under the Insolvency and Bankruptcy Code (IBC). In fact, the lenders had rejected a higher bid by the Adani group to back JNPT's bid.Bankers said that getting a Rs 100 crore bank guarantee is not a big deal for JNPT, which has a surplus of over Rs 3,500 crore. Apart from Adani Ports and Special Economic Zone, a consortium of Veritas (India), Veritas Infra & Logistics and Veritas Polychem had also submitted their resolution plans for the private port,

2) COCHIN SHIPYARD GAINS 3 PER CENT ON ORDER WINS

Cochin Shipyard has signed a contract for the construction and supply of eight Anti-Submarine Warfare Shallow Water Crafts (ASWSWCs) for Indian Navy. Cochin Shipyard was the successful L1 bidder in the tender floated by the Ministry of Defence for this project. The order is valued at Rs. 6,311.32 crore for eight vessels. The first ship is to be expected to be delivered within 42 months from contract signing date and subsequent balance ships delivery schedule will be two ships per year. The project is given a deadline of 84 months from the date of signing the contract. Cochin Shipyard is the first greenfield shipbuilding and ship repair yard in India. The company caters to clients engaged in India's defence segment and global commercial shipping sector.

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F) WEATHER/STRIKE

1) CYCLONE FANI MAKES LANDFALL IN PURI

The 'eye' of cyclone Fani, which represents the centre circle of the massive storm, has entered Puri coast and neighbourhood in Odisha around 9.30 am on Friday morning. The eye represents a brief lull for the area under its footprint, which in this case extends from Brahmapur, Brahmagiri, Puri, Nayagarh and Bhubaneshwar, across a 30-km diameter. But what could follow the lull are destructive winds associated with the 'eye wall' for a period of a critical three to four hours after landfall of such monster storms. Large areas in the seaside pilgrim town of Puri and other places were submerged with water as heavy rains battered the entire coastal belt of the state. Several trees were uprooted and thatched structures destroyed at some places including Bhubaneswar. “The cyclone has entered the Odisha coast at Puri around 8 am and it will take around three hours for the entire landfall process to be completed,” Director of Regional Meteorological Centre, Bhubaneswar, H R Biswas said. The cyclonic system, whose eye is around 28 km, is moving at around 30 kmph, Biswas said, adding the process of landfall is expected to be complete around 11 am. Satellite pictures at 9.30 am also showed Fani breaking up into two on landfall with the core resting off Puri and a dismembered one to the North straddling Balasore in Odisha and Narayangarh, Digha and Kharagpur in Bengal. Earlier, the extremely severe cyclone Fani started crossing the Odisha coast at around 8 am in an elaborate exercise. The earlier timeline of the landfall was around 3 pm in the afternoon, but the schedule was revised after the extremely severe cyclone regained its speed of movement to 20 km/hr. At around 6.30 am on Friday morning, Fani was located only 73 km to the South-South-West of Puri in Odisha, the likely area of its eventual landfall. The 'eye' was menacingly clear throughout Thursday. Its formation, typically 30- to 65 km across, indicated that a cyclone was becoming more organised and stronger. The India Met Department (IMD) had advanced the landfall of the dangerous cyclone Fani, one of the strongest ever headed to hit the Odisha coast, to the forenoon of Friday. Wind speeds had clocked 185 km/hr to 195 km/hr gusting to 205 km/hr at 4.30 am, with heavy rain lashing Gopalpur (14 cm) and Puri and Kalingapatnam (9 cm each) till then. The extremely severe cyclone was expected to cross the Odisha coast between Gopalpur and Chandbali winds of up to 180 km/hr gusting to 200 km/hr. Fani may gradually weaken later but continue to move North-North-East and emerge into the plains of Bengal as a severe cyclonic storm with wind speeds of of up to 100 km/hr gusting to 115 km/hr tomorrow (Saturday) morning.

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1) CYCLONE FANI MAKES LANDFALL IN PURI (Contd)

It would later move further to the North-North-East and emerge into Bangladesh as a cyclone with wind speeds of up to 70 km/hr and gusting to 80 km/hr. Puri and neighbouring areas are experiencing wind with a speed of 175 kilometres per hour which may go up to 200 kmph. Under the impact of the cyclone, high velocity wind is sweeping across several coastal districts like Ganjam, Puri, Khurda and Gajapati, Special Relief Commissioner (SRC) B P Sethi said. Nearly 11 lakh people have been evacuated from vulnerable and low-lying areas of at least 11 coastal district, he said, adding the evacuees have been accommodated in over 4,000 shelters, including 880 specially designed cyclone centres. No casualty has so far been reported from any part of the state, Sethi said adding the government is fully prepared to deal with any eventuality. After the landfall, the system is passing through Khurda, Cuttack, Jajpur, Bhadrak and Balasore before entering West Bengal, Sethi said, adding the state capital of Bhubaneswar is likely to be hit by high velocity wind of around 140 kmph. A cyclone making a landfall implies that the first arm of the cyclone has reached the land.

G) INTERNATIONAL HIGHLIGHTS

1) BANGLADESH'S 2ND LNG TERMINAL STARTS OPERATIONS

Bangladesh has commissioned its second LNG terminal with the launch of operations of FSRU Summit LNG offshore Moheshkhali Island in the Bay of Bengal. According to Excelerate Energy, the FSRU completed commissioning of the LNG terminal, owned by Summit LNG Terminal, on April 29, 2019. The terminal has a send-out capacity of 500 million standard cubic feet per day (MMscf/d) of natural gas. In August 2017, Summit entered into a 15-year charter agreement with Excelerate for the FSRU. In addition to providing the vessel, Excelerate acted as the owner's Engineer for Summit in regard to the fixed infrastructure components of the terminal, which included a subsea plug, mooring system, and subsea pipeline. "The successful completion of the Summit LNG Terminal represents a significant positive change to Bangladesh's energy supply – helping bolster local industry while benefitting the citizens of the country," Steven Kobos, Excelerate's Managing Director, said.

2) MALAYSIA'S 2019 PALM OIL OUTPUT SEEN AT 20 MT

Malaysia's palm oil output is forecast to rise to 20 million tonnes in 2019, up from as much as 19.5 million tonnes forecast earlier, industry analyst Dorab Mistry said on Monday. Malaysian palm oil output levels for January, February and March have set monthly records, according to Refinitiv Eikon records going back to January 2000. Mistry raised his Malaysian output forecast based on this so-called high-cycle of production that has lasted from about August 2018 until March. After this burst of cultivation, the trees will need to rest, limiting production in the rest of 2019. "Malaysia will be hurt more by production problems in 2019 due to the older age of its plantations," Mistry said, according to a copy of his speech at a conference in Dubai reviewed by Reuters. "Older trees are suffering from stress due to high productivity in 2018," said Mistry, adding that low prices had also caused small growers to cut fertilizer usage from last August. Benchmark palm oil prices on the Bursa Malaysia Derivatives Exchange have traded in a range this year roughly between 2,300 ringgit and 2,000 ringgit per tonne. Mistry maintained his forecasts for Indonesian output at 44 million tonnes in 2019, and that global palm oil production would rise by less than 3 million tonnes this year.

Thanks and Regards

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