Date: 14/12/2018

ATLANTIC REPORT NO 50/18

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) TENDERS AND DEALS

Indian Oil Corp likely bought two LNG cargoes on a delivered ex-ship basis into Gujarat between January 7 and January 14, and from January 21 to January 28 from trader Glencore at close to $ 9 per mmBtu, traders said, though the deal could not immediately be confirmed. Gail India is proposing to swap three LNG cargoes across the first quarter of next year, trade sources said. Gail is offering a cargo a month from Cove Point for loading in the first quarter of next year in exchange for corresponding deliveries to India, one of the traders said. Abu Dhabi National Oil Co (ADNOC), Angola LNG and Nigeria LNG offered cargoes this week, adding to the glut.

2) RIL TO BOOST CAPACITY OF JAMNAGAR REFINERY

Mukesh Ambani-led Reliance Industries Ltd is seeking to expand the installed capacity of its export-oriented oil refinery in the Special Economic Zone (SEZ) at Jamnagar, Gujarat by 8.5 per cent or 5.8 million tonnes (mt). In 1998, Reliance built its first refinery at Jamnagar with an installed capacity of 660,000 bpd or 33 mt. This refinery sells most of its petroleum products in the local market. When the SEZ plant was added in 2008, the Jamnagar complex became the world's largest oil processing hub. Most of the products from the SEZ plant are sold overseas.The SEZ refinery currently has the capacity to process 35.2 mt of crude. The proposal to expand its installed capacity to 41 mt will be discussed by the Ministry of Environment, Forest and Climate Change's Expert Appraisal Committee (EAC) on December 19, according to documents filed with the EAC.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

2) RIL TO BOOST CAPACITY OF JAMNAGAR REFINERY (CONTD..)

The planned expansion will increase the installed capacity of the Jamnagar refinery complex to 74 mt. However, the details of the expansion including the investment involved were not available.The Jamnagar refinery processed 69.8 mt of crude in FY18, exceeding its installed capacity of 68.2 mt. Higher refinery utilisation helped cater to growing demand for transportation fuels.India has emerged as a major refiner, having the fourth largest refining capacity in the world following the US, China and Russia. With 23 refineries having a combined capacity of 247.6 mt, India not only serves its domestic demand of 195.7 mt (2017-18), but also supplies petroleum products to other Asian countries.According to the International Energy Agency (IEA), the demand for petroleum products is expected to more than double to 458 million tonnes by 2040.Indian refiners are adding more capacity to meet the growing demand from India, the world's fastest growing major oil consuming country. These include a planned 60 mt greenfield refinery at Ratnagiri in Maharashtra by a consortium of Saudi Arabian Oil Co (Saudi Aramco), Abu Dhabi National Oil Company (ADNOC), Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation.Russian oil major Rosneft PJSC-backed Nayara Energy Limited, which runs India's second largest single site refinery at Vadinar, Gujarat with a capacity of 20 mt, has applied for environment clearance to boost capacity to 46 mt.Bharat Oman Refineries Ltd (BORL) which runs a 7.8 mt refinery at Bina in Madhya Pradesh, is working on a blue print to double the capacity to 15.5 mt. BORL is an equal joint venture between India's state-run oil refiner Bharat Petroleum Corporation Ltd (BPCL) and Oman Oil Company.State-owned Hindustan Petroleum Corporation is building a 9 mt greenfield refinery at Barmer in Rajasthan.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

B) DRY COMMODITIES SCENARIO

1) AMBUJA CEMENT ANNOUNCES ₹ 960 CRORE PLANS

Ambuja Cement plans to invest ₹960 crore to set up a 1.4 million tonne clinker capacity, grinding facility of 1.8 mt besides a captive power plant and waste heat recovery system at Marwar Mundwa in Rajasthan even as its Managing Director Ajay Kapur resigned after putting in 26 years of service in the company.Kapur has decided to pursue his career outside the cement industry, said the company in a statement on Wednesday.The board accepted his resignation and will relieve him on March 15. The successor to Kapur will be announced in due course, said the company. Kapur joined the company in 1993 as an Executive Assistant to the then Managing Director and Founder, NS Sekhsaria and moved up the ladder to head the company. Prior to joining Ambuja Cements, Kapur worked with Citibank's consumer banking business.In February, the company had announced plans to invest ₹1,390 crore in the first phase of its greenfield clinkerisation project with annual capacity of 1.71 mt at Marwar Mundwa.The fresh investment was approved by the board at its meeting on Wednesday taking the overall investment in Marwar Mundwa to ₹2,350 crore. To be funded through internal accruals, these project will increase the company's cement capacity to 31.5 mt.

2) SUGAR OUTPUT, EXPORTS MAY DROP NEXT YEAR AS DROUGHT CUTS CANE PLANTING

India's sugar production could fall in 2019/20 as farmers are struggling to plant cane because of a drought in two of the country's top producing states, according to multiple industry officials and traders. A drop in production would slash exports from the world's second-biggest sugar producer and support global prices that have fallen 15 percent so far in 2018."Many farmers couldn't plant cane in Maharashtra and Karnataka due to water scarcity. This will reflect in next year's production," said Prakash Naiknavare, managing director of The National Federation of Cooperative Sugar Factories Ltd, a sugar processor trade group. Cane is a perennial crop harvested 10 to 16 months after planting. Maharashtra is the country's second-biggest sugar producer, while Karnataka ranks third. India's production during the 2019/20 marketing year could fall to between 28 million tonnes (mt) and 29 mt from this year's estimated 31.5-32 mt, Naiknavare said. Maharashtra's production could fall 16.7 percent to 7.5 mt in the next season, he said.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

2) SUGAR OUTPUT, EXPORTS MAY DROP NEXT YEAR AS DROUGHT CUTS CANE PLANTING (Contd…)

The sugar marketing year runs from October to September. "We don't have enough water for cane planted last year. Planting on new areas is not possible," says Shrikant Ingale, who was planning to plant cane on seven acres (2.8 hectares) in the village of Mhada, about 350 km south east of Mumbai.Maharashtra received 23 percent less rainfall than normal this year during the June to September monsoon season, while the deficit in Karnataka's cane growing region was 29 percent during the period. Production may fall by half in Maharashtra's central part of Marathwada, where people are struggling to secure drinking water, said B B Thombare, managing director of Natural Sugar & Allied Industries, a sugar mill based in the region. Apart from water scarcity, an infestation of white grubs will curtail production next season. Farmers are uprooting ratoon crop because of the white grub infestation and water scarcity, said Sanjay Khatal, managing director of the Maharashtra Co-operative Sugar Factories Federation.After record production in the 2017/18 year, mills were struggling to export the surplus and sought the government's help for overseas sale and to support local prices. A decline in sugar output could lift local prices and prompt the government to halt export incentives, said a Mumbai-based dealer with a global trading firm.

C) CONTAINER SERVICES

1) CONTINUING VOLUME MOMENTUM PUTS INDIAN PORTS IN A GOOD POSITION

While India's export-import (exim) imbalance may be a cause for concern, the steady improvement in trade activity is brightening the prospects for ports and logistics firms. Overall container volumes related to exim trade grew 9.5% in the September quarter. In the preceding two quarters, they grew by 8% and 11.5%, respectively, shows data compiled by Kotak Institutional Equities. According to Maersk, the world's largest container shipping company, India's growth figures are significantly higher than the estimated global containerized demand growth of 3-4%. The sharp depreciation in the rupee is making Indian products more competitive, helping exports, even as imports continue to rise. "India is emerging as a favorable trade destination due to competitive pricing," Steve Felder, managing director of Maersk Line-South Asia, said in a statement. Local data corroborates this view. Container cargo growth at major ports increased by about 8% in April-November this year, data compiled by JM Financial Institutional Securities Ltd shows.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

1) CONTINUING VOLUME MOMENTUM PUTS INDIAN PORTS IN A GOOD POSITION (Contd)

Apart from the exim container traffic, port operators are also witnessing an increase in trans-shipment volumes. "These (trans-shipment volumes) now account for more than 5% volume share for all-India ports based on October 2018 data, versus a negligible share earlier," analysts at Kotak said in a note. With a dominant portion of these volumes being captured by the Mundra and Hazira ports, the volume resurgence should benefit port operators such as Adani Ports and Special Economic Zone Ltd, which operates the Mundra port. The steadily growing traffic should also benefit container rail operators such as Container Corp. of India Ltd (Concor), which has seen a steady increase in volumes in recent quarters. These stocks are reflecting some of the optimism, though the performance has been mixed till now. Against a 6.6% loss in the BSE 500 index, shares of Concor rose 2.7% in the last three months. Adani Ports, on the other hand, is down 0.5%. That said, much depends on the trade momentum in the global economy. Recently, Moody's downgraded the rating of Maersk, citing increasing risk to global trade in 2019 as one of the reasons. A slow-down in global trade can weigh on container traffic at ports. Also, the recent reduction in diesel prices and hike in haulage charges by Indian Railways can undermine the profitability of the container train operators, warn analysts at Kotak.

D) PORT DEVELOPMENTS

1) THREE VLCCS DEPART LOOP FOR INDIA, SOUTH KOREA

Three VLCCs departed the Louisiana Offshore Oil Port over the week ended December 8, with the crude cargoes on board bound for India and South Korea. LOOP did not release the names of the vessels that were loaded and it was unclear exactly which VLCCs departed the port for export. However, cFlow, Platts' trade flow software, reported that three laden or partially laden VLCCs exited LOOP last week. The Khurais set sail from LOOP on December 5 and is bound for Kochi, India, according to cFlow. It is expected to arrive at the west coast of India on January 12. Another vessel, Lulu, left LOOP on December 7 and is expected to arrive at India's east coast port of Paradip on January 19. The third VLCC, Maharah, was loaded at LOOP and set sail December 2.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

1) THREE VLCCS DEPART LOOP FOR INDIA, SOUTH KOREA (Contd)

It is expected in Daesan, South Korea, on January 23. The three VLCCs were loaded with crude sourced from LOOP's Clovelly Hub, including a light sweet crude grade, most likely either LLS or WTI MEH, according to industry sources. The remaining two cargoes could contain Mars, Poseidon or LOOP Sour crude. The three VLCCs were loaded one after the other, representing a reduced overall load time at the port, according to LOOP. Both sweet and sour grades have made their way to India and South Korea in recent months, including WTI MEH, Mars and Poseidon grades. The month two Dubai and month one WTI swap spread, has widened 41 cents/b to $6.75/b since the start of the fourth quarter. As Dubai's premium over WTI increases, WTI-based grades become more competitive with comparable Dubai-based grades in export markets. On Monday, S&P Global Platts assessed LOOP Sour CFR North Asia at $60.76/b, falling below the comparable values for competing grades Dubai, assessed at $62.33/b, and Basrah Light, at $61.88/b. The assessed WTI MEH CFR North Asia value of $63.93/b, while higher than competing grade Murban at $63.35/b, was still slightly lower than the CFR value of Forties at $64.01/b.US crude oil exports surged to reach a new all-time high of 3.2 million b/d for the week ending November 30, according to data released last Thursday by the Energy Information Administration. The total surpassed the previous record of 3 million b/d, which occurred the week of June 22. The record exports helped create a draw on crude oil inventories, which came after 10 weeks of builds.

2) SCI LAUNCHES COASTAL SERVICE LINKING WEST BENGAL & ANDAMAN PORTS

The Shipping Corporation of India (SCI) has introduced a regular cargo shipping service linking Kolkata and Port Blair with the deployment of MV MCP Salzburg, which will be able to carry containers as well as break-bulk cargo. SCI has already been extending its yeoman service to the people of Andamans by carrying passengers and cargo, in association with the Directorate of Shipping Service, Port Blair. But with the changing business scenario of the sector and with the mounting demand of the trade, SCI has introduced this exclusive Kolkata-Port Blair cargo service which is expected to commence from December 17, 2018. The service will be fortnightly, with duration of 10-12 days for a round trip. It is envisaged that the service will boost the economy of the islands and provide business connectivity to the mainland, said in a press release.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

E) OTHER DEVELOPMENTS

1) VEGOIL IMPORTS DIP 9% IN NOVEMBER AHEAD OF DUTY CUT

Awaiting a decision on import duty reduction from the Centre later this month, India slowed down imports of vegetable oils in November. Latest data shared by the Solvent Extractors' Association of India (SEA) revealed that vegetable oils imports during November 2018 stood at 1,133,893 tonnes as against 1,248,810 tonnes in November 2017 — down by 9 per cent on a year-on-year basis."In anticipation of a likely reduction of import duty by the Centre on palm oil by December 31, 2018, shipment has slowed down for the time-being, which is likely to pick up from January 2019 and onward. Also palm oil prices are at a historical low of last 10 years and the spread between palm and soft oil has increased, which has made palm oil more attractive to import by India," said SEA in a statement issued on Thursday. Currently, under the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA), India has imposed highest import duty on CPO at 44 per cent and RPO 54 per cent applicable since June 14, which is to be brought down by up to 9 per cent by the end of this month. During November 2018, refined oil (RBD Palmolein) imports fell to 108,911 tonnes from 147,362 tonnes in November 2017. Import of crude palm oil decreased to 964,442 tonnes from 1,077,953 tonnes in same period last year. Palm oil imports stood at 691,827 tonnes as against 716,968 tonnes for the same month last year.Import of soft oils including soyabean oil, sunflower oil, rapeseed oils, too, decreased to 381,526 tonnes from 508,347 tonnes in November 2017.SEA noted that the prices of edible oils in the international markets have fallen during the last one year in the range of 15-30 per cent due to rising supplies in the world market.

F) WEATHER / STRIKE

1) TROPICAL DEPRESSION PRE CYCLONE WATCH IN BAY OF BENGAL UPDATE 2-141218

Please find attached update on depression in Bay of Bengal on 14th Dec 2018.

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
Tel.: +91 22 66677300 Fax: +91 22 24965215
www.atlanticshpg.com
Regd. Office: 124-B, Mittal Court, 224, Nariman Point, Mumbai - 400 021. (INDIA)

G) INTERNATIONAL HIGHLIGHTS

1) CHINESE DEMAND TEPID AMID INDUSTRIAL SLOWDOWN

Asian spot prices for liquefied natural gas (LNG) continued their downward spiral this week, falling to a four-month low as demand from top buyers Japan and China failed to materialise amid ample inventory.Spot prices for January delivery in North Asia were estimated at about $9.80 per million British thermal units (mmBtu), down 20 cents from the previous week, while spot prices for cargoes delivered in February were estimated at about $9.70 to 9.80 per mmBtu, according to trade sources. The market structure has flipped into a backwardated one, where prices for cargoes loading in the current month are higher than those loading in the forward months, making storage of the super-chilled fuel uneconomical. Several of the tankers storing LNG off Singapore and Malaysia waters recently appear to be on the move, likely prompted by the change in market structure, traders said.Demand from China, the world's second-largest LNG importer, appears to be tepid with top supplier China National Offshore Oil Corp (CNOOC) offering to sell cargoes for January, traders added. "The three oil majors' storage tanks are very full and so far, north China is not cold," a China-based LNG trader said referring to natural gas storage tanks of CNOOC, Sinopec and CNPC.Industrial gas demand in North China is showing signs of a sharp slowdown as small manufacturers shut their doors or buy less gas, unable to cope with a drop-off in export orders and costs related to Beijing's pollution control and reform measures, *Reuters* reported earlier this month.Natural gas inventory levels in Japan and South Korea are still high, trade sources said."There is lots of LNG in Europe too. I expect prices to fall further," an European trader said. "China and South Korea have taken more cargoes than they expected they would need. Singapore stocks are also full."

Thanks and Regards

Ronak Shetty
Managing Director
ATLANTIC SHIPPING PVT LTD
Offices at all ports in India
ATLANTIC GLOBAL SHIPPING LLC
Offices at all ports in UAE
SUNRICH COMPANIES