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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) NUMALIGARH REFINERY EXPANSION TO 9 MTPA

The Cabinet Committee on Economic Affairs has approved the tripling of Numaligarh Refinery's capacity. An official statement said the capacity will be hiked from 3 million tonnes per annum (mtpa) to 9 mtpa. The Cabinet has also approved setting up of a crude oil pipeline from Paradip to Numaligarh and a product pipeline from Numaligarh to Siliguri. The total project cost is pegged at ₹22,594 crore and it will be financed by a mix of debt, equity and a Viability Gap Fund (VGF). Numaligarh Refinery Ltd (NRL) will raise a debt of ₹15,102 crore and apart from internal accruals of ₹2,307 crore, the promoters (Bharat Petroleum Corporation Ltd and Oil India Ltd) and the Assam government will contribute equity, the statement said. The project will be supported by a VGF of ₹1,020 crore from the Centre. It is expected to be completed within 48 months, after approval and receipt of statutory clearances. "The expansion of the refinery will meet the deficit of petroleum products in the North-East," the statement added. In another decision, the Cabinet has approved regularisation of pay scales of below Board-Level Executives in four hydropower central public sector enterprises (CPSEs) with effect from January 1, 1997. The CPSEs are National Hydroelectric Power Corporation Ltd (NHPC), North East Electric Power Corporation (NEEPCO), THDC India Ltd and Satluj Jal Vidhyut Nigam Ltd (SJVN). "After approval, the pay scales adopted by Hydro CPSEs consequent upon the order of the Ministry of Power dated April 4, 2006 and September 1, 2006 shall be regularised," an official statement said. According to the Centre, about 5,254 executives of Hydro CPSEs enrolled before January 1, 2007 will benefit from this approval. Expenditure of ₹323 crore will be incurred on the regularisation of pay scales. Anomalies have existed in the pay scales of executives of NHPC, NEEPCO, THDCIL and SJVNL since January 1, 1997 due to revision of pay scales of the unionized category of workmen/ non-executives in line with the NTPC/ oil sector within the organisations. The pay scales of workmen and supervisors were higher than the pay scales of executives in the E-1 grade," the official statement said.



2) HPCL UNLIKELY TO PARTNER TOTAL FOR LPG CAVERN IN MANGALORE

The planned LPG cavern in Mangalore will be the second such facility in India, after the HPCL-Total operated one in Vizag, and will cost ₹10 billion. State-run Hindustan Petroleum Corp. Ltd (HPCL) may build its second liquefied petroleum gas (LPG) cavern in Mangalore, Karnataka, said two company officials, requesting anonymity. HPCL is planning to build an underground LPG storage facility and had been in talks with France's national oil company, Total SA, to partner it. Total SA is also HPCL's partner in the first LPG cavern in Visakhapatnam, Andhra Pradesh. "We are working on the plan for the LPG cavern. There is a possibility that we may be building it alone," said a senior official from HPCL. The cavern will be the second such facility in India and will cost ₹10 billion. HPCL already has an LPG import facility in Mangalore. HPCL did not reply to an email query by Mint on Monday. The second HPCL official said that looking at the growing demand for LPG, a new cavern is a commercially viable option. The facility at Mangalore will be exclusively used by HPCL and may have a capacity of over 60,000 ton. "Our board has approved the project. We now need to begin the process of obtaining technical and environmental clearances." HPCL and Total SA, through their joint venture South Asia LPG (SALPG), operate a 60,000 ton underground LPG storage facility in Visakhapatnam, which was commissioned in 2007 at an investment of ₹3.33 billion. On its website, HPCL said that its cavern at Visakhapatnam has been dug in rock to store LPG. The storage facility is made up of two caverns of 19 metres in height, 20 metres base width and 160 metres in length with inter-connections. Besides being safe from natural calamities and hazards such as sabotage and aerial bombings, the caverns are leak- and fire-proof. The second official quoted above added that HPCL may commence the project this calendar year and complete it within the next four years. HPCL is the second largest LPG marketer in India. Last fiscal year, the company had clocked LPG sales growth of 8.5%. It also maintained market leadership in the non-domestic bulk LPG segment with over 48% market share. According to sector analysts, the Pradhan Mantri Ujjwala Yojana (PMUY) has increased demand for LPG in India. Last month, the government expanded the ambit of PMUY to all poor households and has a target of reaching out to 80 million families by 2020.



B) DRY COMMODITIES SCENARIO

1) GOVERNMENT MULLING IMPORT DUTY HIKE ON IRON ORE

The government is considering raising import duty on iron ore, a key raw material used in steel making, with a view to protecting the domestic industry, sources said. “The matter is under discussion among different ministries including steel,” they added. The development assumes significance as recently Karnataka chief minister HD Kumaraswamy wrote to Prime Minister Narendra Modi regarding issues of the sector in the state and sought a hike in the import duty on the mineral. The chief minister had stated that steel companies are importing a huge quantity of iron ore at a time when the country is facing the problem of large trade deficit. Seeking the prime minister’s intervention, Kumaraswamy had requested to suitably raise the import duty on iron ore and pellets. The low import duty of 2.5% encourages steel players to go for import rather than utilising the local ore, he had said.

C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) MAJOR SEA PORTS RECORD 3.77% VOLUME GROWTH IN FIRST 9 MONTHS OF FY19

The major sea ports in India handled 518.6 million tonnes (MT) of cargo during the first nine months of the current year viz. from April to December 2018, marking a growth of 3.77% against 499.7 million tonnes handled during the corresponding year-earlier period. During this period, nine ports — Kolkata (including Haldia), Paradip, Visakhapatnam, Kamarajar, Chennai, Cochin, New Mangalore, JNPT and Deendayal (Kandla) registered positive growth in cargo traffic, Shipping Ministry said in a statement. Deendayal Port topped the list by handling the highest volume of 84.91 MT of cargo, followed by Paradip 80.43 MT, JNPT 52.53 MT, Visakhapatnam 49.28 MT and Kolkata 45.82 MT. Together, these ports handled about 60% of the major port traffic. Container traffic - Kamarajar Port, which is being operated by Adani group, handled 413 containers against one container on trial basis in the previous year.



2) IMPROVED FACILITIES AT NMP ATTRACT MORE INTERNATIONAL TOURISTS

Improved tourist facilities at New Mangalore Port Trust (NMPT), including modern immigration centre and tourist facilitation centre, have been attracting more and more international tourists to the port and in turn to areas in and around Mangaluru. Bahamas-registered cruise vessel Amadea from Germany was the latest to call on the port on Wednesday with 447 tourists and 312 crew during its sojourn of the West Coast. The vessel sailed from Goa to Mangaluru on Wednesday morning. Many of its guests ventured out to visit places of interest in and around Mangaluru. It sailed out of the port on Wednesday evening towards Kochi, its next port of call. As many as 32 cruise vessels are expected to call NMP during the current season ending May 7. AIDAvita was the first vessel that called on the port this season on November 16, 2018 with 650 international tourists.

E) OTHER DEVELOPMENTS

1) MONACO CRUISE LINER TO HAVE STOPOVERS AT VARIOUS PORTS IN INDIA

Monaco based major cruise liner, Silversea Cruises will include various ports in India including the ports in Odisha during its Asian expedition itinerary. The 120-guest Silver Discoverer cruise ship of the Silversea Cruises in its 14 night Asia expedition voyage, will reach Chennai in January. Its voyage will cover visit to the other ports like Vishakpatnam, Paradip, Sundarbans, Mahekhali island, St. Martin Island (Bangladesh), Ngapali beach, Rakhine state, Mawlamyine&Hpa and Port Yazar in Yangoon in Myanmar. The first port of call in Odisha is Paradip on January 26, 2019 . The liner was also keen to include Gopalpur port so that it can show case the guests Asia's largest brackish water Chilika lake, and witness the migratory birds, Irrawaddy dolphins as well as the endangered Olive Ridley turtles in Puri and Ganjam district.



2) ADANI GROUP VENTURES INTO PETROCHEMICALS BUSINESS

In what marks the foray of Adani Group in the petrochemicals sector, the company has signed a memorandum of understanding (MoU) with German chemicals major, BASF SE, to evaluate joint investment in the acrylics value chain. The joint venture is pegged at an approximate investment of euro 2 billion (approx Rs 16,000 crore), in which BASF will hold the majority stake, making it the German player's largest investment in India to date. The proposed site for the facility is at Mundra port in Gujarat and a feasibility study will be completed by the end of 2019. "Our partnership with BASF is a big step forward in enabling our country's 'Make in India' programme, as this partnership will allow us to produce several chemicals in Mundra, along with the C3 chemical value chain that we currently import. Mundra's infrastructure is ideally suited to enable chemicals production, and our ability to deliver renewable power makes this a unique partnership on several fronts," Gautam Adani, Chairman of Adani Group, said in an announcement on the eve of the inauguration of the Vibrant Gujarat Global Summit (VGGS). The potential investment comprises the development, construction and operation of production plants, including propane dehydrogenation (PDH), oxo C4 complex (butanols and 2-ethylhexanol), glacial acrylic acid (GAA), butyl acrylate (BA) and potentially other downstream products. The products are predominantly for the Indian market, to serve a range of local industries, including construction, automotive and coatings, whose growing demand is currently met through imports, thus supporting the 'Make in India' initiative, an Adani statement said. "BASF's intention to invest in a major new site for the acrylics value chain in India clearly demonstrates our strong and long-term commitment to our Indian customers. Together with the Adani Group, we would have the opportunity to provide our customers high-quality chemicals and support them in growing their business. With our production powered by renewable energy, we would be able to minimise our impact on the environment," said Martin Brudermüller, Chairman of the Board of Executive Directors, BASF SE. The chemical site in Mundra would be the company's first CO2-neutral production site.

F) WEATHER/STRIKE- NIL



G) INTERNATIONAL HIGHLIGHTS

1) OIL PRICES SLIP AS US CRUDE OUTPUT RISES

Oil prices fell on Thursday as US crude production neared an unprecedented 12 million barrels per day (bpd) just as worries about weakening demand emerge. US West Texas Intermediate (WTI) crude futures were at \$51.92 per barrel at 0752 GMT, down 39 cents, or 0.8%, from their last settlement. International Brent crude oil futures were down 37 cents, or 0.6%, at \$60.95 per barrel. American crude oil production reached a record 11.9 million bpd in the week ending January 11, the Energy Information Administration (EIA) said on Wednesday, up from 11.7 million bpd last week, which was already the highest national output in the world. US output has soared by 2.4 million bpd since January 2018, stoking fears of a supply glut. The EIA also said gasoline stockpiles climbed 7.5 million barrels last week, far exceeding analyst expectations in a Reuters poll for a 2.8 million-barrel gain. At 255.6 million barrels, gasoline stocks were at their highest weekly level since February, 2017. “While (US crude) inventories fell slightly more than expected, there was a large build in gasoline inventories. This stoked fears of weak demand in the US,” ANZ Bank said in a note. Distillate stockpiles, which include diesel and heating oil, rose by 3.0 million barrels, versus expectations for a 1.6 million-barrel increase, the EIA data showed. US exports surge, OPEC cuts. Along with the surge in US crude output, exports from the United States are also rising, hitting a record 3.2 million bpd by the end of last year. “Crude oil exports from the US have strongly increased during the last few years and the trend is expected to remain positive,” shipping brokerage Banchemo Costa said in a note. Norbert Ruecker, head of commodity research at Swiss Julius Baer, said “the United States is moving forward towards energy independence and is set to become a petroleum net exporter next year thanks to rising shale output”. Soaring US supply comes amid concerns over stuttering demand-growth due to a global economic slowdown, which some analysts believe will turn into a recession. To stem a lurking petroleum glut, the Middle East-dominated Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producer Russia are leading efforts to cut supply. This has prevented crude prices from falling much lower despite softening demand and the surge in US output.



2) MALAYSIAN PALM IN STEEP FALL SLOWER EXPORT GROWTH SEEN

Malaysian palm oil futures saw its sharpest daily decline in six weeks on Monday, reversing earlier gains after the market turned bearish ahead of export data from cargo surveyors. The data, due on Tuesday, is expected to show slowing growth in exports for the January 1-15 period, compared to January 1-10 when it surged by around 50 per cent, said a Kuala Lumpur-based trader. “It (preliminary data) suggests a slowdown in exports,” she said. The benchmark palm oil contract for a March delivery on the Bursa Malaysia Derivatives Exchange closed down 1.6 per cent at 2,136 ringgit (\$521) a tonne, its lowest level since January 2. Trading volumes totalled to 39,215 lots, each of 25 tonnes. Malaysian palm oil exports rose by between 46-52 per cent between January 1-10, according to cargo surveyor data, supported by better demand from Europe. In other related oils, the Chicago March soybean oil contract edged down 0.4 per cent, while the May soybean oil contract on the Dalian Commodity Exchange rose 0.3 per cent. Meanwhile, the Dalian January palm oil contract dropped six per cent.

Thanks and Regards

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