Date: 23/11/2018

ATLANTIC REPORT NO 47/18

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) CRUDE OIL RATES DOWN 30% SINCE OCTOBER; PETROL, DIESEL PRICES DECLINE 10%

A day after crude oil prices fell by more than 6%, petrol and diesel prices were kept unchanged in India today. Since early October, fuel prices have fallen by less than 10% while crude oil rates are down by about 30% internationally during this period. A litre of petrol today costs Rs 76.38 in Delhi, Rs 81.90 in Mumbai, Rs 76.99 in Bengaluru and Rs 78.33 in Chennai. In the beginning of October, the price of petrol varied between Rs 83 and Rs 84 in Delhi before government intervention brought rates down. During this period, crude oil prices had hit a four-year high of $75 a barrel and yesterday's market for US WTI crude futures ended at $53.43 per barrel. At its lowest since December 2017, Brent crude oil futures were trading at around $63 a barrel in morning today. The rupee, which was also hovering above 74 a dollar, has gained and is now below 72. These two factors are the major contributors to retail fuel prices in India, which imports about 80% of its crude oil requirement. A surge in output despite sluggish demand has pushed the oil market towards a bearish stance. The Organisation of the Petroleum Exporting Countries (OPEC) is pushing for a supply cut of 1-1.4 million barrels per day when it meets on December 6. In India, state-run oil companies use a formula comprising the 15-day average price of crude oil imports and the exchange rate of the rupee to calculate the price of petrol and diesel.The current phase of declining petrol and diesel prices began from October 5 when the central government cut excise duty and asked state-run oil retailers to take a Re 1 cut on the selling price of every litre of petrol and diesel. Several state governments also cut the sales tax or VAT on fuel. In certain places, prices were down by as much as Rs 5. Petrol had touched an all-time high of Rs 84 per litre in Delhi and Rs 91.34 in Mumbai while diesel had peaked at Rs 75.45 a litre in Delhi and Rs 80.10 in Mumbai on October 4. Since then petrol and diesel prices are back to where they were in the middle of August when the spate of price hikes began before prices cooled in October.

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) AT 70 MILLION CUBIC METRES, ONGC GAS OUTPUT HITS ALL-TIME HIGH

In a bid to reduce dependence on imports for meeting energy needs, Oil and Natural Gas Corporation (ONGC) has beefed up efforts to raise the domestic output of natural gas production. The company's natural gas production has hit an all-time high of about 70 million standard cubic metres per day, news agency PTI reported, citing sources. In November last year, the state-run firm had produced about 64 million standard cubic metres per day (mmscmd) of gas, after accounting for internal consumption. In current market prices, the output can rise by 24-25 mmscmd in next 1-2 years, which will make about 35 billion cubic metres of recoverable reserves in discoveries in the shallow sea off Andhra Pradesh on the east and off Gujarat and Mumbai on the west coast blocks, economically viable. ONGC has been constrained by the current $3.36 per million British thermal unit price of gas fixed by the government, which is a third of the rate at which India imports gas in its liquid form (LNG), said sources. This price is way below the cost of production for Block GK-28/42 in Gulf of Kutch, off the Gujarat coast, Mumbai offshore Block MB-OSN-2005/1 and Krishna Godavari basin Block KG-OSN-2005/1, which cumulatively can produce about 10 mmscmd. A similar amount of gas can come from onland discoveries and another 5 mmscmd can be added if investment made in redevelopment projects of Mumbai High South, Neelam and B-127 cluster is made economical with the market price, the agency reported. India now imports over 80 per cent of its oil needs. ONGC has stepped up efforts to bring newer fields into production after Prime Minister Narendra Modi set a stiff target of reducing oil import dependence by 10 per cent by 2022, sources said.

3) RELIANCE SAID TO PLAN EXPANDING WORLD'S LARGEST REFINERY COMPLEX

Reliance Industries Ltd is considering a plan to boost its oil-refining capacity by about half, people with knowledge of the matter said. The proposed plant, to come up at the world's biggest refining complex in Jamnagar, will be able to process as much as 30 million tons of crude a year, the people said asking not to be identified because the discussions are private. A Reliance spokesman didn't reply to an email seeking comment. Asia's richest man seeks to cement Reliance's dominance in the world's fastest-growing major oil consuming nation as rivals including Saudi Aramco, Abu Dhabi National Oil Co., and Russia's Rosneft PJSC acquire plants in India. Total SA and Royal Dutch Shell are also expanding into fuel retailing in India. International Energy Agency expects India's energy demand to more than double by 2040, making it the single largest source of global growth. Reliance has begun discussions with global refinery process licencors and equipment vendors for the new refining train at the Jamnagar complex, the people said. The plant of the size planned by the company may cost $10 billion, they said.

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3) RELIANCE SAID TO PLAN EXPANDING WORLD'S LARGEST REFINERY COMPLEX (Contd)

Saudi Aramco and ADNOC signed agreements to invest in a proposed 60-million ton refinery complex on India's west coast while Rosneft and partners acquired the country's second-largest private oil processor. Shell has restarted retailing gasoline and diesel in the country, while Total partnered the Adani Group to set up liquefied natural gas import terminals and fuel retailing business. Last year, BP Plc expanded its partnership with Reliance to retail auto fuels. Demand for fuel in India and the Middle East will make the two regions bigger oil consumers than the European Union by 2030, driven mainly by diesel for trucks and petrochemicals feedstock, according to the IEA. Reliance is looking to process the dirtiest and heaviest crude and may focus on producing feedstock for petrochemicals, the people said. The expansion plan is still under discussion and hasn't been finalized, the people said. A feasibility report is likely to be prepared by the end of next year, once the recently-expanded petrochemicals capacities stabilize, and Reliance is expected to make the final investment decision with an aim to start work in 2020, the people said. The company had considered expanding its refining capacity in the past, and in 2013-14 it sought environment approval for the project. Reliance didn't move ahead with the plan as it focused on increasing downstream chemicals capacities and building the telecom business.

B) DRY COMMODITIES SCENARIO

1) JSW STEEL PLANS TO RAMP UP PRODUCTION CAPACITY TO 45 MILLION TONNES

JSW Steel on Thursday said it has plans to increase its manufacturing capacity to 44-45 million tonnes per annum by 2030 from the present 19 million tonnes. JSW Steel Deputy Managing Director Vinod Nowal said "We have plans for our Vijayanagar works unit, where already work is on to take the capacity from 12 MTPA to 13 million by August 2019 and on our drawing board we are preparing how we can build this unit for 18 MTPA by FY 22. Vijayanagar plant has the potential to grow up to 23-24 MTPA, becoming the largest steel producer at a single location in the world, in the years to come. Likewise JSW Steel has plans to go for 44-45 MTPA by 2030, this is part of expansion plan."There were plans to increase capacity at various other plants like Salem, Dolvi, Chhattisgarh and Odisha, Nowal said adding it had a plan to build a total 5-8 million tonne steel capacity abroad, at its plants in the US and Italy. According to company officials, JSW Steel is the largest producer of steel in India, with a capacity of 19 MTPA. The largest contributor to the company's overall capacity is from its plant at Vijayanagar in Ballari district in Karnataka, which is about 12 MTPA.

C) CONTAINER SERVICES-NIL

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D) PORT DEVELOPMENTS

1) PARADIP PORT AIMS TO TOPPLE DEENDAYAL PORT, EYES TOP SLOT IN CARGO HANDLING

Paradip Port Trust (PPT) has set its target of toppling Deendayal Port Trust — erstwhile Kandla Port Trust — as the largest major port in cargo volumes by 2019-20. PPT is the second biggest port in cargo handling. In the last fiscal year, PPT joined the exclusive club of ports in India — Deendayal Port and Mundra port — by handling in excess of 100 million tonnes (mt) of cargo. PPT had achieved an all-time high traffic throughput of 102.01 million tonne during 2017-18 as against previous year's traffic of 88.95 mt, exhibiting a growth of 15 per cent. "We have already handled 68 mt of cargo and aim to handle 112 million tonnes by March 2019. We will become the number one port in cargo handling in the next financial year," said Rinkesh Roy, chairman, PPT, said during the recently held Make in Odisha conclave. Paradip port has retained the second highest position in terms of cargo handled amongst all the major ports till the end of October this year.

2) VPT ALL SET TO GO AHEAD WITH EXPANSION OF CONTAINER TERMINAL

The Visakhapatnam Port Trust (VPT), which has prepared the blueprint to become a world-class port, is all set to raise the green flag for the expansion of container terminal with an investment of 633 crore, one of its big-ticket projects. With Visakha Container Terminal Private Limited, the BOT operator for the project, achieving the financial closure, the works are expected to commence by the year-end or early next year. After approval from the board, the Letter of Concession will be issued, the VPT officials say. Though the VPT signed the concession agreement with the VCTPL, a joint venture of United Liner Agency (a part of J.M. Baxi Group) and Dubai Ports International, on December 17 in 2015, the grounding of the project took a long time owing to the issues pertaining to road connectivity, prolonged recession among other factors. The VCTPL has committed a gross revenue share of 11.04% to the VPT.

3) FOUR MAJOR PORTS BUYING DREDGING CORPORATION OF INDIA IS NOT GREAT NEWS FOR PORTS

So the Dredging Corporation of India (DCI) is not being privatised, but its sale to four state-owned Major Port Trusts is not much to celebrate. It is merely a move by the Modi government to meet its disinvestment target while allaying the massive opposition it faced while trying to privatise the DCI, less than a year away from the elections. It is also unlikely to do much for the health of these Major Ports, which the government is already trying to privatise. On November 8, the Union Cabinet approved the sale of the central government's 73.47 per cent stake in DCI to a consortium of four cash-rich major port trusts — Visakhapatnam Port Trust, Paradip Port Trust, Jawaharlal Nehru Port Trust (JNPT) and Kandla Port Trust.

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E) OTHER DEVELOPMENTS

1) ONGC ORDERED TO PAY WHARFAGE COMPENSATION TO MUMBAI PORT TRUST

State-run explorer Oil and Natural Gas Corporation (ONGC) has been ordered to pay wharfage compensation to the Mumbai Port Trust (MbPT) as wharfage compensation for the transportation of crude oil through two pipelines the company had laid within the limits of the government-owned port, ONGC said on Thursday. Replying to a clarification sought by the stock exchanges, ONGC said it is internally examining the admissibility of the claim by the Mumbai Port Trust of around Rs 242 crore as wharfage compensation. The explorer said the dispute between it and the MbPT was pending for a long time over payment of wharfage for the supply of crude oil to local refineries in Mumbai through the pipelines and to coastal refineries through tankers loaded from Jawaharlal Nehru Port Trust (JNPT). "ONGC had objected to the payment of Way Leave Fee for pipelines and wharfage compensation on crude oil in various forums.

2) DLDS TO DIGITALLY TRACK BULK CARGO SOON

The Delhi Mumbai Industrial Corridor Development Corporation (DMICDC) Logistics Data Services Ltd. (DLDS) is planning to digitally track bulk cargo after it covers all Indian major ports with digital container tracking solution by December. Launching the digital container tracking solution at New Mangalore Port here on Wednesday, DMICDC managing director and CEO Alkesh Kumar Sharma told reporters that trucks transporting bulk cargo would be affixed with RFID tags for tracking. Tracking cargo, container as well as bulk, is essential to reduce logistics cost from the present 14% of the GDP to international standards of 8% to become competitive in the export market, Mr. Sharma said. While cargo transportation itself takes time, one mode to address it was through good highways and the other through tracking wherein every stakeholder would know the exact arrival timing of the cargo, he noted.

F) WEATHER/STRIKE - NIL

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G) INTERNATIONAL HIGHLIGHTS

1) IRAN'S OIL EXPORTS DROP SHARPLY ON SANCTIONS

Iran's oil exports have dropped by several hundred thousand barrels per day (bpd) this month, a leading tanker-tracking company said on Thursday, suggesting U.S. sanctions that kicked in this month have scared off many buyers. Geneva-based Petro-Logistics, which tracks oil supply from OPEC members and other major exporters, said shipments dropped steeply in early November as customers awaited clarity on whether the U.S. administration would issue waivers. "Iranian crude exports so far in November are down several hundred thousand barrels per day from October levels," Petro-Logistics Chief Executive Daniel Gerber told Reuters. "The low volumes we saw in the beginning of the month were due to buyer reluctance to schedule loadings while awaiting clarity on sanctions waivers." Petro-Logistics did not provide a precise figure on November exports, conceding that shipments have become more opaque since the sanctions took effect this month. Two other companies that also track the exports declined to give November figures. However, a drop of several hundred thousand bpd would bring Iranian crude exports this month closer to 1 million bpd, based on industry estimates of October exports. Iran exported 1.85 million bpd in October according to Kpler, a data intelligence company, and 1.5 million bpd according to another firm that monitors Iranian shipments. Other estimates of exports this month are even lower. According to Refinitiv Eikon data, shipments have plunged to about 100,000 bpd to date in November. Another source estimated 340,000 bpd in the first half of the month. Such figures, however, are probably not counting all the tankers that switch off their AIS signal, an automatic tracking system used on ships, making them effectively "off radar". "It is incredibly opaque and the majority of the trade is hidden," Gerber said. "We believe that volumes have been picking up in the past week. "Exports could start to rise after November due to the U.S. sanctions exemptions granted to eight buyers, allowing them to import at least some oil for another 180 days. Shipments have fallen significantly from at least 2.5 million bpd in April, before U.S. President Donald Trump in May withdrew the United States from a 2015 nuclear deal with Iran and reimposed sanctions.

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

Ashford Centre, 5th Floor, Opposite Peninsula Corporate Park, Shankarrao Naram Marg, Lower Parel, Mumbai - 400 013.
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