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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) INDIA KEEN ON IMPORTING MORE OIL FROM BRAZIL

India on Wednesday expressed interest in raising the import of crude oil from Brazil as the world's third largest oil consumer is looking at diversifying its import basket beyond the highly volatile Middle East region. Oil Minister Dharmendra Pradhan met visiting Brazilian Minister for Mines and Energy Bento Albuqueroque to review cooperation between the two countries. India is diversifying its crude oil supply and our oil companies have expressed interest in sourcing more crude from Brazil if offered favorable commercial terms," Pradhan tweeted after the meeting. India imports 84 per cent of its oil needs and two-thirds of its import come from the Middle East with Iraq and Saudi Arabia being the top suppliers. Pradhan said he also sought intervention for the early monetization of India's existing investments in the Brazilian energy sector. ONGC Videsh Ltd, the overseas arm of state-owned Oil and Natural Gas Corp (ONGC), has two exploration blocks in Brazil - BC-10 and BM Seal-4 and is looking at monetizing discoveries made there. Pradhan said during the meeting the agreements/MoUs to be signed in bioenergy and oil & gas sector during the Summit level meeting with the visiting Brazalian President were also reviewed. Separately, the Union Cabinet, chaired by Prime Minister Narendra Modi, has given its approval for the signing of the Memorandum of Understanding (MoU) with Brazil on cooperation in the field of oil and natural gas. "The MoU will enhance cooperation between the two sides in the oil and natural gas sector. Under the MoU, both sides will work towards establishing cooperation in the exploration and production (E&P) initiatives in Brazil and India, research & development in this sector, explore collaboration in Liquefied Natural Gas projects in Brazil, India and third countries, and also encourage collaboration in oil energy and environmental issues, including energy policies such as energy efficiency, energy research development and expansion of the regional energy infrastructure networks," an official statement said. The MoU will be signed during the visit of Brazalian President. "We further discussed to collaborate our efforts in the field of Biofuels. We are targeting to achieve 20 per cent ethanol blending in petrol & 5 per cent bio-diesel blending capacity by 2030. In this regard expressed India's interest to work with Brazil in the field of Bioenergy," Pradhan tweeted after meeting his Brazalian counterpart. Also discussed was developing cooperation in technologies, particularly in the areas of mining and pelletization, he added.

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2) IOC TO BUY 2 MT RUSSIAN CRUDE OIL

Indian Oil Corp has agreed to an annual deal to buy 2 million tonnes of Russian crude oil, a first for any Indian refiner that would help diversify supply sources and cut India's dependence on conflict-prone Middle East, according to people with knowledge of the matter. The annual oil purchase deal with Rosneft, Russia's staterun oil giant, came after months of negotiations, people said. Two other state-run refiners, Hindustan Petroleum and Bharat Petroleum too are in talks with Rosneft to close annual crude deals for relatively smaller quantities, they said. A deal with Russia follows annual contracts signed last year for US oil, underlining Indian refiners' persistent efforts at building new supply bridges with all important oil rich regions across the globe. Indian refiners are also tapping Canadian oil and were a big customer of Venezuelan oil until the production in the strife-torn country dropped dramatically in recent years. The biggest hurdle in sourcing crude oil from Russia has been high freight rate due to the long sea path to India, a case true of supplies from the US and Canada as well.

B) DRY COMMODITIES SCENARIO

1) THERMAL COAL IMPORTS BY INDIAN POWER PLANTS SURGES BY 21% IN 2019

Central Electricity Authority data showed that Indian utilities' coal imports jumped 21 percent last year, rebounding after a three-year slide mainly due to increased purchases by an Adani Power plant in western India. Imports rose to 69.51 million tonnes, the highest level since 2015, data from the showed. Utilities account for more than 75 percent of India's annual coal demand. Adani's mega power plant in Mundra in Gujarat accounted for a quarter of the imports last year, with its shipments rising 75 percent to 17.35 million tonnes. Federal government-run companies including NTPC Ltd increased imports four-fold to 3.61 million tonnes. Among utilities run by state governments, Tamil Nadu state-run TANGEDCO's coal imports rose the most, with shipments almost doubling to 5.14 million tonnes in 2019. Utilities' overall imports of thermal coal for the 10 months to October rose 12.6 percent to 163.86 million tonnes, coal ministry data showed. Data for thermal coal imports for November and December have not yet been compiled. Analysts expect overall imports of thermal coal from India, one of the world's largest consumers of coal, to rise by more than 13 percent in 2019.

C) CONTAINER SERVICES-NIL

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D) PORT DEVELOPMENTS

1) V.O.C PORT BREAKS ITS OWN RECORD, HANDLES VESSEL WITH HIGHEST PARCEL SIZE

V.O. Chidambaranar Port has surpassed its previous record for handling a vessel with highest parcel size. The Panama flagged vessel 'MV Elettra' with the length of 254.52 metres, beam of 43 metres and draft of 12.23 metres arrived from the Port of Mina Saqr, United Arab Emirates with 93,353 tonnes of limestone consigned for India Cements Limited and Eastern Bulk Trading & Shipping Private Limited. The vessel, berthed at 9th berth, commenced its discharge using three harbour mobile cranes capable of discharging 50,000 tonnes per day. The entire consignment is expected to be completed by 6 p.m. Tuesday (January 21). The shipping agents for the vessel is M/s. Seaport Shipping Private Limited, Thoothukudi and Stevedore is M/s. Seaport Logistics Private Limited, Thoothukudi.

2) VPT SETS BALL ROLLING ON CRUISE TERMINAL, BERTH

More than a year after announcing its plans to set up a berth to handle cruise ships, the port of Visakhapatnam has set the ball rolling on making the berth into a reality by inviting and approving the design of the berth and a cruise terminal, PL Haranadh, deputy chairman of the Visakhapatnam Port Trust said recently. "IIT-Madras has designed the berth while the Mumbai-based Creative Group has designed the terminal for the cruise berth. We are now waiting for the Environmental Assessment Report (EIA), which is being prepared by one of VPT's approved vendors. The EIA report is expected by end-March," Haranadh told over phone. He said VPT will be building the cruise berth in the channel. "We will be rebuilding an existing general cargo berth into the cruise terminal. VPT decided to build a berth for cruise ships based on the potential for cruise ships at all major ports in the county projected by EY, a consulting firm," he said.

E) OTHER DEVELOPMENTS

1) ADANI ARM SET TO BUY GMR GROUP'S GREENFILED PORT / SEZ IN KAKINADA

Adani Ports and Special Economic Zone Ltd (APSEZ) is set to buy an under-construction greenfield commercial port in Kakinada and the adjoining SEZ located at Kona village in Thondangi mandal of East Godavari district, promoted by the Hyderabad-based GMR Group. APSEZ, according to multiple sources, will take over the port and the SEZ fully from the GMR Group. BusinessLine could not independently ascertain the value of the deal, though the port development alone, including break water construction, channel and berths, is estimated to cost upwards of ₹2,500 crore. This could be APSEZ's second big acquisition in the ports sector in Andhra Pradesh on the country's eastern coast after the January 3 announcement of a deal to buy a 75 per cent stake in Krishnapatnam Port Company Ltd, the entity that runs a private deep-water port at Krishnapatnam in Andhra Pradesh's Nellore district, for an enterprise value of ₹13,500 crore. The equity portion of the Krishnapatnam deal (excluding the debt held by the port operating company of about ₹7,500 crore) is valued at about ₹6,000 crore, of which APSEZ paid about ₹4,500 crore, according to people familiar with the deal. The twin acquisitions will help APSEZ expand its presence in Andhra Pradesh where it has limited presence now with only a dry bulk cargo handling terminal at the Central government-owned Visakhapatnam Port Trust. The acquisition of the upcoming Kakinada Port and the SEZ would strengthen APSEZ's portfolio along the eastern coast where it operates ports and terminals — Dhamra in Orissa, Kattupalli and Kamarajar in Tamil Nadu and Krishnapatnam in Andhra Pradesh. Barring its Vizag facility, where the tariffs are regulated by the rate regulator for major port trusts, the remaining facilities have freedom to set rates based on market forces. "The hinterland for Krishnapatnam port is not common with Dhamra and as such, the two ports cater to different parts of the country, and this in part explains APSEZ's strategy of acquiring Krishnapatnam to serve a new and less-served hinterland," a port industry consultant said. The hinterlands of the Kakinada port, the Vizag port, the Chennai port, the Ennore port, the Kattupalli port, the New Manglaore port, JNPT and the Mumbai port overlap with the hinterland of the Krishnapatnam port. "In the relevant hinterland, APSEZ's current facilities in Kamarajar and Kattupalli handle a small share of cargo and are in no way dominating. For example, APSEZ handled around 8 per cent of containers in the region in 2018-19 and even post Krishnapatnam acquisition, the combined market share moves only to 13 per cent," the consultant said. "Competition between ports is more likely to occur in those regions where no single port has a significant cost advantage over other ports.

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1) ADANI ARM SET TO BUY GMR GROUP'S GREENFILED PORT / SEZ IN KAKINADA (Contd)

Further, the tariff offered by the players in the relevant markets is also regulated by the Tariff Authority for Major Ports (TAMP), the rate regulator in the case of major port trusts, and consequently, the prices charged by all competitors (including non-major ports) fall within the same pricing range," he added. APSEZ declined to comment, while GMR officials sought a day's time to respond. Kakinada Gateway Port Ltd, a unit of GMR Infrastructure Ltd-promoted Kakinada SEZ Ltd, was awarded the rights by the Andhra Pradesh government to build and run a greenfield commercial port for a concession period of 30 years, which can be extended by 20 years. The deal is expected to be announced after the two sides work out an arrangement to comply with the share lock-in clauses stipulated by the concession agreement for the original promoter (GMR). The Kakinada SEZ industrial park is strategically located on the Vizag-Chennai Industrial Corridor in East Godavari district and offers approximately 8,521 acres of industrial land, while the commercial port spread will be developed over 1,811 acres.

2) GSPC LNG TERMINAL AT MUNDRA PORT GOES ONSTREAM; 3RD FACILITY IN GUJARAT

The Mundra port on Wednesday berthed its first Liquified Natural Gas (LNG) cargo at its terminal, multiple sources informed. This marks the commissioning of the India's fifth and Gujarat's third LNG terminal, which is jointly developed by Gujarat Government-run companies and Adani Group, through GSPC LNG Limited, an SPV. Neither the government nor the co-promoter Adani's officially made an announcement with regards to the achievement of this major milestone. The sources in the know confirmed that a 140,000-tonne LNG cargo from Qatar Gas arrived on Wednesday morning at Mundra LNG terminal. "The terminal will soon be functional with initial operational capacity of about 1.5-2 MTPA," informed a source privy to the development. The LNG received at the terminal would be supplied to Gujarat State Petronet Ltd's pipeline to feed it into the market. Queries sent to Adani Group remained unanswered till the time of print.

F) WEATHER/STRIKE- NIL

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G) INTERNATIONAL HIGHLIGHTS

1) TORM ORDERS TWO SCRUBBER-FITTED LR2 NEWBUILDINGS

"I am very pleased that TORM has utilized its long-term relationship with Guangzhou Shipyard International to enter into an agreement to purchase two LR2 newbuildings. These newbuildings will be financed through a flexible and attractive sale and leaseback structure including a repurchase option at the end of the lease period," says Executive Director Jacob Meldgaard. TORM has today entered into an agreement to purchase two scrubber-fitted and fuel-efficient LR2 newbuildings from Guangzhou Shipyard International ("GSI") with expected delivery in the fourth quarter of 2021. TORM has utilized its long-term relationship with state-owned GSI to secure the contract. TORM already has 29 GSI vessels in the current fleet and has excellent technical and commercial experience with these vessels. The vessels will be constructed according to TORM's specifications in order to optimize trading and fuel-efficiency, and they will have scrubbers installed. The vessels will be prepared for a potential later dual-fuel installation. TORM expects to have total CAPEX relating to the two vessels of USD 95m including extra costs related to TORM's design requirements and scrubber installations. TORM has secured attractive financing of USD 76m with an international financial institution. The financing will be structured as a ten-year sale and leaseback agreement with purchase options during the lease period and at maturity providing TORM with maximum capital commitment flexibility. TORM has since the publication of the third quarter results on 12 November 2019 entered into an agreement to sell an older Handy vessel, TORM Loire (built in 2004), for a consideration of USD 9m. The vessel was delivered to the new owner in late December 2019, and in connection with the transaction USD 4m of debt was repaid.

Thanks and Regards

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