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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) GOVERNMENT TO RANK OIL AND GAS FIELDS TO BOOST OUTPUT, PROMOTE COMPETITION

The Directorate General of Hydrocarbons (DGH) has begun ranking the country's oil and gas fields in a bid to induce competition among its managers and help boost domestic output stagnant for years now. The ranking is based on a field's performance on 10 key parameters such as output, infusion of new technology, energy efficiency, reduction in flaring, safety standards and financial audit, an official said. Each parameter has been assigned a different weight. DGH is the technical arm of the oil ministry. State firms have already joined the DGH's ranking programme and have begun sharing all data needed for the purpose, the official said, adding that private companies too will likely join the exercise in about a month. "This is just benchmarking. People should know where they stand vis-à-vis others. This would help them improve," the official said. This is to bring in a positive competition, not to show anyone in bad light or act against anyone who is a laggard." The ranking would initially be shared only with producers but once the process stabilises, it could also be made public. Ranking oilfields is just one of the many measures the government has initiated in recent years to raise local output that has contracted this year. A combination of ageing oilfields, inadequate field management and policy issues has ensured a steady decline in crude output since 2011-12, pushing up India's dependence on import to 83.2% of its requirement. DGH has also recently undertaken measures to beef up its manpower. It is filling up positions vacant for some time, and reshuffled responsibilities among its people. Some of its executives, who are mostly drawn from ONGC and Oil India, are being sent back to their parent companies while others are being brought on deputation to fill those places. "Work has expanded at DGH as it has auctioned so many blocks. So, we can't leave positions vacant anymore," an official said, adding that transfers are just routine DGH monitors all exploration and production activity in the country, receiving and analysing data from producers, answering their queries and resolving their issues. Its executives study and approve field development plans of companies and sit in the management committee meetings that approves work programmes and annual budgets for every field.

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2) BPRL BEGINS SUPPLY OF CRUDE TO BPCL KOCHI REFINERY

Bharat Petro Resources Limited (BPRL), a wholly owned subsidiary of BPCL, has started supply of crude oil to BPCL Kochi Refinery. BPRL has been set up with an aim in providing partial supply security of crude and hedging of price risks. The supply of 7 lakh barrels of Das blend crude oil from Das Island operated by Abu Dhabi National Oil Company (Adnoc) marks the first direct sale of BPRLs share of equity oil to its parent company, BPCL BPRL along with ONGC and Indian Oil Corporation Limited acting jointly as the Indian Consortium have been awarded 10% Stake in Lower Zakum Concession, offshore Abu Dhabi. The Concession has a term of 40 years effective from March 9, 2018. During July 2018, approximately 1 million barrels of BPRL's share of equity crude oil from the Lower Zakum Concession was lifted by Bharat Oman Refineries Ltd. Bharat Petro Resources Limited (BPRL) a 100% subsidiary of Bharat Petroleum Corporation Limited and its exploration and production arm, currently has participating interest (PI) in 25 blocks spread across 8 countries along with equity stake in two Russian entities operating four producing assets. The other shareholders in the Lower Zakum concession are JODCO (10%, a wholly owned subsidiary of Japan's INPEX Corporation), China National Petroleum Corporation (10%), Italy's ENI (5%) and France's Total S.A. (5%). The Abu Dhabi National Oil Company (ADNOC) holds a majority 60% stake in the concession.

B) DRY COMMODITIES SCENARIO

1) INDIAN COAL IMPORTS RISE AT THE FASTEST RATE IN 3-1/2 YEARS

India's thermal coal imports rose at the fastest pace in three-and-a-half years in the September quarter, spurred by new demand and domestic infrastructure bottlenecks that are threatening government plans to cut foreign supplies. Imports jumped 35 percent to 42.7 million tonnes during the three months ended Sept. 30, according to data from American Fuels & Natural Resources, a Dubai-based trader of coal from the United States which tracks coal shipments around the region.It was the fourth straight quarterly rise in coal imports and puts the energy-hungry nation on track for a rise in annual imports after two straight years of decline. For the first nine months of 2018, imports of 124.6 million tonnes are up 20 percent from the same period a year earlier. The American Fuels figures for the September quarter were in line with data from consultancy Wood Mackenzie, which estimated imports at 42 million tonnes during the period. The rise in imports is being driven by fresh demand for thermal coal, say industry executives and traders.

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1) INDIAN COAL IMPORTS RISE AT THE FASTEST RATE IN 3-1/2 YEARS (Contd)

We are seeing a surge in demand from the steel industry, and the petcoke consumption and import restrictions have led cement plants and a large number of smaller industries to shift their energy mix to include coal," said Puneet Gupta, founder of online coal marketplace Coal Shastra. India last year put restrictions on the use of petroleum coke, or petcoke, a highly polluting fuel derived from processing fuel oil into fuels at oil refineries. The increase in coal imports adds to the woes of Prime Minister Modi's government, which has been facing criticism for the growing trade deficit and a weakening rupee. The value of India's coal imports jumped 38 percent to 1,385 billion rupees ($18.9 billion) for the year ended March 2018, government data showed. Despite an abundance of local coal, traditional users of Indian coal such as coal-fired power plants are struggling with fuel shortages due to infrastructure issues hampering access to Indian supplies. Of the 123 coal-fired utilities with coal linkage contracts, 68 plants have three or less days of coal stocks left, according to government data dated Oct. 23. Indonesia made up three-fifths of India's thermal coal imports, while South Africa accounted for about a quarter and the United States 7 percent. Adani Enterprises, India's largest coal trader, accounted for about 11 percent of all the imports during the period. The ports of Mundra, Krishnapatnam and Kandla handled about 43 percent of all of the imports, according to American Fuels. Adani did not respond to a request seeking comment. The company said in July it expected a "reasonable rise in imports" until the fiscal year 2021 due to "rail transportation challenges".

C) CONTAINER SERVICES-NIL

D) PORT DEVELOPMENTS

1) ADANI PORTS & SEZ: ON A STRONG GROWTH TRAJECTORY

The benefit of right assets at the right location and presence in essential commodities have led Adani Ports & Special Economic Zone (APSEZ) to reap benefits in an otherwise slowly growing port logistics market. During April to September, traffic at India's major ports grew about 5 percent. Contrary to this, Adani Port's cargo volumes grew 22 percent year-on-year in Q2 and 15 percent in H1 FY19. This is also reflected in its Q2 result. Excluding impact of port SEZ led development revenue, the company recorded an 18.4 percent growth in Q2 revenue. For H1 FY19, revenue grew 17 percent to Rs 5,019 crore. During this period, its flagship port, Mundra, reported a 12 percent growth in volumes. Operating efficiencies - Because of higher volumes, the company was able to sweat its assets and improve assets utilisations, resulting in better profitability.

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2) JNPT MULLS ACQUISITION OF 3 PORTS IN MAHARASHTRA; AIMS AT DOUBLING

Country's largest container port JNPT is mulling to acquire three ports in Maharashtra, as it targets to more than double its profits. The Jawaharlal Nehru Port Trust (JNPT) is also going ahead with its efforts to develop an offshore port at Wadhawan, north of the financial capital. Union Shipping and Ports Minister Nitin Gadkari told PTI that the JNPT, which handles more than half of the overall container traffic, is looking to acquire Vijaydurg, Revas and Dighi ports. It can be noted that of the three, only Dighi is an operational port while the other two are concessions held by corporations with little or no development on the ground. Gadkari said the Revas port, where the concession is held by Reliance Industries , is "in problem" and a solution will have to be found in co-ordination with the Maharashtra government. The minister also said that the port is in talks to acquire Vijay Kalantri-promoted Dighi Port in Raigad district, which is facing financial trouble and has been undergoing resolution in insolvency courts.

E) OTHER DEVELOPMENTS

1) COCHIN SHIPYARD TO LEASE MUMBAI PORT'S DRY DOCK

Cochin Shipyard Ltd (CSL) is set to get the lease for Mumbai Port Trust's (MbPT) Hughes Dry Dock facility as well as four berths at the Indira Dock on Saturday. This will help the Kerala-based shipbuilder to service around 100 more ships every year, apart from spreading its ship repair services beyond South India. The over-a-century-old Hughes Dry Dock facility and the berths at the Indira Dock at the MbPT premises are being given out to CSL for a period of 29 years. The Cochin-based shipbuilder will provide end-to-end ship repair solution to ship owners and use the berths at the Indira dock for deployment of floating dry dock and afloat repairs. “MbPT will receive annual fees of approximately Rs 14.80 crore with an annual escalation of 2.5%. There will also be a profit share of 5% on profit after tax for the initial period of four years and 7.50% thereafter,” said Sanjay Bhatia, chairman, MbPT.

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2) SHIPOWNERS AGAINST MOVE ALLOWING PSU OIL FIRMS TO IMPORT CRUDE ON CIF/CFR BASIS.

The Indian National Shipowners' Association (INSA) has written to the Prime Minister seeking reversal of a recent decision of the Shipping Ministry to allow PSU oil companies to buy 35 per cent of crude imports on CIF/CFR basis. It believes that such a decision will lead to an outflow of $771 million (Rs 5,685 crore) to foreign shipping companies in FY19 and will add further pressure on foreign exchange due to the weakened rupee. CIF (Cost, Insurance and Freight), CFR (Cost and Freight) and FOB (Free on Board) are international shipping terms. When crude oil is bought on a FOB basis, the oil payment is done in dollars but the transportation is handled by an Indian shipping company, which is compensated in rupees. But in CIF or CFR basis, both purchase of oil and its transportation by a foreign shipping company is made in dollars.

F) WEATHER/STRIKE - NIL

G) INTERNATIONAL HIGHLIGHTS

1) MOL TO EQUIP 80 BULKERS WITH ENERGY-SAVING SERVICE

Japanese shipping company Mitsui O.S.K. Lines (MOL) has decided to equip 80 of its operated bulk carriers with an energy-saving operation analysis service. The company said it would install NAPA Fleet Intelligence (NAPA FI) with Noon Report developed by Helsinki-based software company, NAPA Ltd, in an effort to reduce its environmental footprint.MOL explained that the service, which is a part of the company's data-driven initiatives, is expected to optimize propulsion performance and reduce the environmental impact even for vessels on short-term charter contracts. NAPA FI does not require installation of an operational data collection device onboard as it relies on information gained from vessel logs and the Automatic Identification System (AIS), and analyzes propulsion performance using NAPA's engineering knowledge and data analysis.The system verifies the effects of measures to reduce greenhouse gas (GHG) emissions from MOL-operated vessels, such as more effective engine output control, timely measures for hull and propellers maintenance to prevent reduction of propulsion.

Thanks and Regards

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