At 17.80 mt, crude oil imports plunge to 12-month low in Sept

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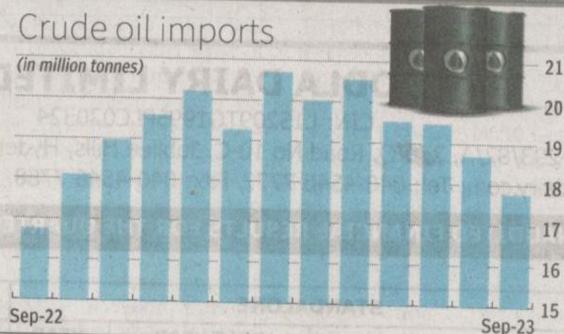
DRIVERS. Refinery maintenance, lower consumption during monsoon tamp down demand

Rishi Ranjan Kala
New Delhi

The import of crude oil by India, the world's third-largest importer, hit a 12-month low of 17.80 million tonnes (mt) in September this year largely on account of lower requirement due to autumn refinery maintenance and lower consumption during monsoon.

According to the Petroleum Planning and Analysis Cell (PPAC), crude oil imports on a provisional basis declined by 5 per cent m-o-m, but were higher by 6 per cent on an annual basis.

Prior to this, the lowest cargoes were received in September 2022 at 16.77 mt.



Source: Petroleum Planning & Analysis Cell (PPAC)

CARGOES OF BASRAH

According to Vortexa, India bought around 4.196 million barrels per day (mb/d) of crude oil, which is the lowest in FY24. The decline was partly compensated by lifting more cargoes of Iraq's Basrah, which is also a medium sour grade similar to Urals and preferred by Indian refiners. Russia accounted for 38 per cent of total imports.

OPEC in its monthly oil market report had said that India's crude imports are expected to be lower in September, as the monsoon season curbs domestic needs, before picking up in October as the start of the festival season improves domestic demand.

Imports were also impacted due to rising prices of medium sour grades Urals (Russia) and Arab Light (Saudi Arabia). Voluntary production cuts by Saudi Arabia and Russia, the world's top two crude oil exporters, forced India to procure more cargoes from Iraq. Besides, discounts on Russian crude have also come down.

As per JM Financial, Russia's share of India's crude imports remained strong at around 38 per cent in August 2023, though slightly lower from around 40 per cent in May-July (but significantly higher vs around 20 per cent in December 2022 and one-two per cent pre-Ukraine invasion).

RUSSIAN CRUDE

However, as per CMIE, discount on Russian crude to India continues to be lower at around \$4-5 per barrel in May-August 2023 vs \$6-10 earlier; this seems to be due to decline in availability of Russian oil in spot markets partly driven by its pledge to cut oil exports by 0.3 mb/d till end-December 2023, it added.

India procures Russian crude oil from spot markets, whereas Middle Eastern crude is largely through term contracts.

Steel mills stall export orders as China further brings down prices

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STIFF COMPETITION. Chinese offers are priced $537 per tonne whereas Indian offers are over $580 per tonne

Abhishek Law
New Delhi

As China drops price of the most traded steel offerings (the benchmarked hot rolled coils) by at least $19 per tonne to just $537 per tonne for export markets, down 3-5 per cent month-on-month, Indian exporters have either stalled offers or continue to hold back trade with Middle East, South East Asian nations and also Europe.

Indian offers are at least at or above $580 per tonne, nearly 8-10 per cent higher than Chinese prices.

It has been nearly one month since Indian mills have slowed down or stopped export offers because of uncompetitive pricing by Chinese mills. Last export orders we're reportedly concluded at $580 per tonne, trade sources said. According to a report by consultancy SteelMint, steel prices continued to show a declining trend globally in October.

TOUGH SITUATION. It has been nearly one month since Indian mills have slowed down or stopped export offers because of uncompetitive pricing by Chinese mills

Trade sources in India say, Chinese offers or prices are so low that "they are uncompetitive" for mills here. China's domestic demand recovery remained slower than expected because of which the export offers remained low.

In order to complete globally, offers from Japan remained stable (mostly flat at m-o-m levels).

Vietnamese steel major Formosa Ha Tinh reduced its HRC prices by $15/t m-o-m for late-November and early-December 2023 shipments. This was a red flag to Chinese mills to lower their offers to Vietnam, SteelMint said in a report.

DOMESTIC DEMAND

Indian mills continued their focus on domestic demand, which grew at 15 per cent-odd for April-September of this fiscal.

According to Jayant Acharya, Joint MD & CEO, JSW Steel - among the largest steel makers in the country - the current "geo-political situation is a matter of concern". While, Asian markets "apart from China" are doing well, and USA remains resilient, the EU is slowing down.

"India remains a bright spot," he said during the post earnings analyst call, while pointing out that in April- September, steel imports or shipments coming into India went up by 23 per cent y-o-y and it "remains an area which needs to be watched out". Exports on the other hand moderated, dropping by 11 per cent y-o-y.

"The difference between import price - where deals were recently concluded at around $580-590 per tonne - and domestic price of steel (in Indian market) looks high primarily because there are some countries which have excess capacities and is using the demand visibility in India to offload those excess stocks at uncompetitive prices. This mostly happens at a trade level and generally not in the mill level. They (the importer/) may not be selling at the same lower price in their respective country. So this is something that we are keeping a watch on," he said.

"Steel prices globally have bottomed out and are expected to improve in the coming quarters.

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Gencos to step up coal imports as supply-consumption gap hits 12 mt

Rishi Ranjan Kala
New Delhi

The Power Ministry has directed all the Gencos to increase coal imports from 4 per cent to 6 per cent of their total usage till March 2024 as the gap between receipt and consumption of domestic stocks hit 12 million tonnes (mt) despite using imported coal.

The Ministry observed that there is a consistent rising trend in the power demand in the country coupled with inadequate supply of domestic coal which has resulted in the rapid depletion of coal stocks at domestic coal-based (DCB) plants across the country.

"The gap between receipt of domestic coal and consumption of coal (domestic + equivalent domestic of imported coal) during September 1 to October 9, 2023 was to the tune of 12 mt," it added.

About 11 per cent y-o-y fall in hydropower generation has been recorded in H1 FY24 due to variable monsoon rainfall. Around 2 gigawatts (GW) of hydro capacity is out because of recent floods in Sikkim.

IMPORTING MANDATES

The reservoir levels in northern, eastern and southern regions are less compared to the previous year as of October 9, which has resulted in lower reservoir energy content at the pan-India level. This has put an additional burden on coal-based thermal generation, the ministry said.

"Therefore, in order to ensure uninterrupted power supply across the country, after careful consideration and in consultation with Central Electricity Authority (CEA) and Grid India, it has been decided that blending of imported coal at 6 per cent (by weight) minimum may be continued till March 2024. The Gencos may continuously review their stock position and opt for blending as per the requirements if the shortfall in domestic coal supply is more than 6 per cent," the Ministry said.

Separately, the Ministry also directed imported coal based (ICB) power plants to continue operations under Section 11 of the Electricity Act till June 2024. In view of the surge in electricity demand, inadequate supply of domestic coal and reduced availability of hydro generation, it is imperative that the availability of power from ICB generating stations is available to meet the demand, it added.

"Therefore, after consultations with the CEA, the government has decided to extend the time period for Section 11 directive to ICB generators, up to June 30, 2024," it said.

COAL STOCKS

As per the CEA, during October 1-22, the domestic coal-based (DCB) power plants consumed 51.41 mt of domestic coal against a receipt of 45.37 mt. Imported coal consumption stood at 2.32 mt and the gap between consumption and receipt, which was met from reserve stocks, stood at 3.72 mt.

Similarly, during April to October 22 in FY24, DCB plants consumed 460.66 mt of domestic stocks against a receipt of 426.98 mt. Imported coal consumption stood at 19.3 mt. The shortfall met through reserve stocks stood at 14.38 mt.

According to the National Power Portal, at the 165 DCB power plants, with an installed capacity of almost 190 gigawatts (GW), domestic coal stocks at power plants stood at 17.57 mt and imported stock at 1.15 mt on October 23.

The percentage of actual stock vis-a-vis normative stock stood at 37 per cent on the same date. The DCB plants with critical stocks stood at 75. On the same day, stocks at ICB plants stood at 1.86 mt. Seven plants designed on imported coal have critical stocks.

Pan-India power consumption rose almost 11 per cent y-o-y to 140.49 billion units (BU) in September this year largely due to rising industrial and personal consumption.

RISING POWER DEMAND

The hot and humid weather also led to more demand for cooling thereby increasing demand.

Thermal power plants (TPPs) ran at a plant load factor (PLF) of 69.25 per cent last month against 60.23 per cent in September 2022.

Higher power demand led to higher coal consumption with domestic plants consuming 71.4 mt coal in September 2023 against 61.7 mt a year-ago.

During April-September FY24, TPPs consumed 422.2 mt against 389.3 mt in the same period last fiscal year.

Centre extends mandates on coal imports

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Imported coal units to mandatorily run till June 2024

SHREYA JAI & AMRITHA PILLAY
New Delhi/Mumbai, 25 October

The Centre has extended two mandates, which are aimed at increasing coal imports into the country.

In two separate notices, the Union power ministry has directed imported coal-based (ICB) units to run till June 2024 and all power generating companies to import coal up to 6 per cent of their requirements till March 2024. The ministry has cited rising power demand and lack of optimum domestic coal supply as the reasons for this.

The ministry has invoked Section 11 of the Electricity Act, 2003, again to direct all the ICBs with a cumulative capacity of 17 Gigawatt (Gw) to operate and generate power to their full capacity.

The ministry had originally issued this mandate in February 2023 and it was extended to June and later to October.

"To ensure availability of electricity to meet the anticipated demand, the generation from ICB power plants needs to be increased. Accordingly, in larger public interest, for ensuring optimum generation from ICB plants, directions are issued under Section 11 of the Electricity Act, 2003, that all ICB power plants will operate and generate power to their full capacity," said the original order.

In the latest order, the power ministry has cited surge in electricity demand, inadequate supply of domestic coal and reduced availability of hydro generation as reasons for extension till June 2024.

- **Allows coal import blending** till March 2024
- **Imported coal** blending at domestic units up from 4% to 6%
- **192 Gw:** Peak power demand on Oct 24
- **7 days:** Coal stock at thermal units as on Oct 24
- **17 Gw:** Imported coal operational capacity
- **Leading operators:** Adani Power, Tata Power, JSW, Essar, IL&FS

In a separate notice, the power ministry has asked all gencos to import coal and blend up to 6 per cent of their coal requirements. Last year, the gencos were mandated to blend 10 per cent of their coal requirement. It was later made voluntary for any genco, which faces a domestic coal shortfall.

In January this year, the mandate was back with 6 per cent blending. On September 1, it was reduced to 4 per cent.

Following a steep reduction in domestic coal availability due to the extended summer in large parts of the country and festival demand, the ministry has again increased the threshold to 6 per cent.

The notice by the Union power ministry stated that there is a consistent rising trend in power demand in the country coupled with inadequate supply of domestic coal. This has resulted in rapid depletion of coal stocks at domestic coal-based plants across the country.

"The gap between receipt of domestic coal and consumption of coal (domestic + equivalent domestic of imported coal) during September 1 to October 9 was 12 million tonnes," it said.

It further said there has been an 11 per cent fall in hydro power generation in H1FY24 compared to the corresponding period of FY23 due to variable rains.

"Approximately, 2 Gw of hydro capacity is out because of the recent floods in Sikkim. The reservoir levels in northern, eastern and southern regions are less compared to the previous year as on October 9. This has resulted in lower reservoir energy content at the pan Indian level. This has put additional burden on coal-based thermal generation," it said.

The mandates to import coal come at a time when the price of imported coal is feared to go up, following the Israel war and the geopolitical tensions impacting global trade. During the last two quarters, the price of Indonesian coal (India's major supplier) had softened compared to the same period last financial year. However, during the last month, it has started inching closer to the rates of last year, said a market analyst.

Asian Markets Securities, in its latest report, cited the last spot price of Indonesian coal on October 6 and said it has increased by 10.28 per cent compared to Q2FY24.

Compared to Q4FY23, the price of coal in Q2FY24 had declined by 24 per cent. Overall, the price of Indonesia's coal has gone up since 2022 as the new royalty rates announced by the country's government kicked in.

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Rallis Q2 net up 14% at ₹82 cr; weak exports impact revenues

Our Bureau
Bengaluru

Rallis India reported a net profit of ₹82 crore for the quarter ended September 2023, an increase of 13.8 per cent over same period last year's ₹72 crore on lower expenses. The company's revenues for the quarter fell 12.5 per cent to ₹832 crore over corresponding last year's ₹951 crore on weak exports and falling prices.

Announcing the results, Sanjiv Lal, MD & CEO, Rallis India, said, "Our revenue has been affected by weak exports demand, falling prices and erratic rainfall in domestic market. Although our revenue for Q2 FY24 was lower at ₹832 crore versus ₹951 crore of Q2 FY23, margins have improved through better product mix and cost optimisation activities across businesses." Our Crop care revenue was Rs ₹737 crore versus Rs 923 crore in the previous year, mainly due to lower exports. The seeds business did well through improved sales and strong performance for our cotton hybrids in particular."

REMAIN CAUTIOUS

"Amidst El Nino conditions, we remain cautious about the domestic and international markets. Global agrochem demand continues to remain soft on the back of inventory overhang and lower prices and revival is expected only after Q3 FY24. The company's long-term strategy remains unchanged, focused on expansion of product portfolio, widening of market reach, increasing manufacturing capacities and digitalisation in operations," Lal said.

Rallis India continues its focus on refreshing its domestic crop care portfolio and launched 8 new products during the quarter.

For the first half of current fiscal, Rallis posted a net profit of ₹145 crore. over same period last year's 139 crore. Revenues for the first half fell to ₹1614 crore from same period last year's ₹1814 crore.