Saigal SeaTrade Research
India's Oil and Gas Tanker Outlook

February 2022

India's February crude imports, product exports rise

- India's crude imports and oil product exports rose as Indian state-controlled refineries operated at maximum or higher capacity.
- India imported 4.5mn b/d of crude and condensate in February, up from January's 4.3mn b/d, preliminary data from oil analytics firm Vortexa showed.
- But there was a 91pc fall in crude imports from Russia to 4,500 b/d from 69,000 b/d in January.
- The largest quantity was imported from Africa with a 34pc increase from January and from the Americas, especially from North America, with a 24pc rise on the month.
- Crude deliveries rose to 640,000 b/d from 476,000 b/d in January from Africa and to 758,000 b/d from 614,000 b/d in January from the Americas.
- As in January, the most popular grade among Indian refiners was Iraqi Basrah Heavy, although imports declined to 542,000 b/d from 551,000 b/d in January. India also took 510,000 b/d of Saudi Arab Light in February, up from 344,000 b/d the previous month, while shipments of Basrah Medium rose to 503,000 b/d from 344,000 b/d, according to Vortexa.

India's February bitumen imports fall

- India's bitumen imports fell in February from year-earlier figures as a result of shipping complications, even as consumption rose at a slower than expected pace.
- The country's imports of 218,000t last month were down by 18pc and 11pc from the same months in the preceding two years, respectively, oil ministry data showed. February was the third consecutive monthly decline against year-earlier figures, although it was unchanged from January.
- The downward trend in India's import volume was underpinned by many Indian importers adopting a more cautious stance towards Middle East origin supplies because Indian port authorities are stepping up scrutiny of such sources. The Middle East is a key supply source for India because of proximity and cost advantages.
- But enquiries from prospective Indian buyers for their usual source of supplies have not subsided despite the fall in purchases, as some participants expect a rebound in purchases when the bureaucratic obstacles are eventually resolved, Middle East traders said.
- The squeeze in imports because of bureaucratic issues has raised concerns among some India-based participants about potential disruption to road building projects because consumption is on track to outpace domestic bitumen output.
- The nation's consumption of bitumen is likely to peak over April-June as contractors rush to complete road projects before the start of the monsoon rainy season which can complicate road paving operations, according to participants.

India refineries run at max on firm demand view, cracks

- India's state-controlled refineries have operated at maximum or higher capacity this month as exports are likely to continue and product cracks are strong, while a pick-up in motor fuel use increased hopes for a robust recovery in demand.
- MRPL's 300,000 b/d Mangalore refinery and BPCL's 310,000 b/d Kochi, 240,000 b/d Mumbai and 156,000 b/d Bina refineries are all at more than 100pc of nameplate capacities, market participants close to the refiners told Argus.
- The country's biggest state-run refiner in terms of capacity, IOC, was running at 99-100pc capacity so far this month. Its 161,000 b/d Haldia refinery, which was undergoing repairs following a fire in December, was also operating at maximum, as were HPCL's 190,000 b/d Mumbai plant and 166,000 b/d Visakhapatnam (Vizag).
- IOC plans to defer a maintenance shutdown at its 300,000 b/d Paradip refinery from the April-May period to a later date, and MRPL will defer all maintenance shutdowns at Mangalore planned for the financial year ending March 2023 into the 2023-24 year, market participants said.
- This is because robust product cracks are encouraging the refiners to export more and pushing them to operate refineries at maximum or higher capacity this month.
- Private-sector Reliance Industries (RIL) has also delayed a planned maintenance shutdown of a crude unit (CDU) at the export-focused part of its Jamnagar refinery in order to capitalise on wide refining margins, market participants said.

India's LNG use to rise by up to 17pc: Crisil

- Demand for LNG in India will bounce back by 15-17pc in the April 2022-March 2023 fiscal year after a 3pc decline in fuel use a year earlier, Mumbai-based ratings agency Crisil said.
- Elevated fuel prices will not deter growth in Indian LNG demand, it added.
- Demand for LNG will increase despite higher gas prices as the city gas and fertilizer industries are insulated from price hikes, Crisil said. Fertilizer producers can pass on higher gas costs to customers, although the government controls consumer prices. But the government offers subsidies to urea makers to cover for any losses. New fertilizer units are shifting to using natural gas as a feedstock.
- City gas and fertilizers are India's demand drivers for LNG. The government allocates domestic supplies to city gas companies at a cheaper rate than imported LNG, which makes up only a portion of their volumes. Only power producers are affected because they cannot afford to pay more than $8/mn Btu for the fuel.
- Three new LNG import terminals with a combined 15mn t/yr of capacity will start operations in the next fiscal year, on top of India's existing capacity of 42.5mn t/yr, Crisil said.
- The new capacities will drag utilisation rates lower from the current average of 63pc. Petronet's 17.5mn t/yr Dahej facility is operating at full capacity and accounts for 75pc of the country's LNG import volumes. India's LNG imports declined to 24.4bn m^3 of pipeline gas equivalent in the April-December period of the current fiscal year from 25bn m^3 a year earlier, according to the oil ministry.

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