ET Infra.com Beta
From The Economic Times

Infra News / Latest Infra News / Ports and Shipping

# BW LPG India eyes investment in LPG import terminals; seeks empanelment as a trader with State-run oil firms

*The aim is to participate in the entire LPG supply chain including selling LPG to hauling the cargo on its Indian-flagged LPG carriers and discharging it at LPG terminals the company plans to invest in, says Chairman Niels Rigault.*

**P Manoj** • ETInfra • Updated: November 21, 2022, 17:04 IST

*BW LPG India*

MUMBAI: BW LPG India Pte Ltd, the largest owner and operator of Indian-flagged Very Large Gas Carriers (VLGCs), is weighing plans to invest in India's LPG infrastructure including marine import terminals and barges to move the cargo along inland waterways and has applied for empanelment as a trader with State-run oil firms as it looks play a bigger role in the world's second top importer of the cleaner-burning fuel, an official said.

LPG imports are booming to meet India's voracious appetite for LPG predominantly for the retail and domestic sector as a cooking fuel, and the "constraints" on the infrastructure side is nudging BW LPG India - one of only two global ship owners to set up shop in India - to explore opportunities beyond traditional LPG shipping, and into LPG infrastructure where it "sees significant upsides as a first mover".

"One of the obstacles to growth in India is the infrastructure on land," Niels Rigault, Chairman at Singapore-based BW LPG India Pte Ltd, told ET Infra during a visit to India last week.

*Chairman of BW LPG India Niels Rigault*

Out of the ten busiest LPG ports in the world, five of them are in India and in terms of LPG ports with the longest waiting times, five of the ten globally are also in India.

LPG ships wait outside ports in Indian waters for days to discharge some 600,000 tons of LPG cargo. “That slows down delivery of LPG into India, is inefficient and also increases costs,” Rigault said.

BW LPG India Pte Ltd started in 2017 as an equal joint venture between BW LPG Ltd - the world’s top owner and operator of LPG vessels - and Global United India Shipping Pvt Ltd, a subsidiary of global ship management company Synergy Group, founded by Captain Rajesh Unni, to tap the Indian LPG shipping market.

Earlier this year, they were joined by Maas Capital Shipping B V, a top global institutional shipping equity investor. The firm now owns and operates eight India-flagged VLGCs, six of which are on long-term charters with State-run oil firms and two on spot contracts.

“We are now five years with the Indian flag, with a 30 percent market share of India’s LPG transportation market. That’s a comfortable level,” Rigault said in a tone that hints at his pride in seeing a bold commercial move see early success, something which he attributes to strong support from customers in India as well as having the right joint-venture partner.

“We thank our valued customers IOCL, BPCL and HPCL for their trust in us. This is something we do not take for granted. We also thank our friends at Synergy Group for being such a supportive business partner,” he added. “One of the keys to success is to get a local company who has the same values and the same strategy which we found with Synergy Group. They taught us on how things work in India, we came with an international background and that combination made it a success story," he said.

"We would like to expand further in India by investing in LPG infrastructure. If we find the right project, we will look at infrastructure such as LPG import terminals, or something to do on the inland waterways, for instance, using barges to move LPG to customers and consumers," Rigault said.

"We are open to both, investing in existing LPG terminals or in green field facilities," added Captain Gaurav Bhatia, Director at Chennai-based BW Global United LPG India Pvt Ltd, which is wholly owned by BW LPG India Pte Ltd.

India's LPG import terminals are located at Kandla, Mundra, Dahej, Pipavav, Mumbai, J N Port, New Mangalore, Visakhapatnam, Ennore, Paradip and Haldia.

Of these, Haldia is a big import facility on the Eastern coast from where the LPG cargo is transported to most of India's heartland. From Haldia, there is interest from some PSUs to transport LPG cargo through inland waterways on small ships or barges to Patna.

Empanelment with public sector oil majors as a trader is another part of BW LPG India's strategy to expand in the country, says Rigault. It allows BW LPG India to participate in the entire LPG supply chain including selling LPG to hauling the cargo on its Indian-flagged LPG carriers and discharging it at LPG terminals the company plans to invest in.

"Hopefully with that kind of system, we would be very competitive in terms of pricing. LPG is a retail market play and retail is very sensitive to prices," Rigault remarked.

Commodity trading houses must be empanelled with State-run firms to become eligible for supply contracts and BW LPG India has started the paperwork for the empanelment.

BW LPG's trading credentials got a big boost in August this year when it acquired the LPG trading operations of Madrid, Spain-based oil and gas trading company Vilma Oil SL to help expand BW LPG's Product Services division.

Recent months have been good for LPG shipping as the Russian invasion of Ukraine, the energy crisis that flared across Europe and the congestion on the Panama Canal - a key artery of global trade - spiking spot freight rates to over $100,000 a day.

The LPG ships of BW LPG India fixed with State-run oil companies on two-year time charters are earning approximately $34,000 a day, while its ships in the spot trade are currently earning upwards of $100,000 a day.

The United States of America is the world's biggest exporter of LPG. Ships loaded with LPG travelling from the US must cross the Panama Canal, which currently takes as much as 20 days due to the huge congestion on the waterway.

With only some 300 VLGC's afloat globally, a few ships stuck somewhere would have a cascading impact on rates.

Recently, VLGCs were chartered for $120,000 a day by PSUs from the international spot market, where millions were spent in foreign exchange in freight costs. Had they been carried on Indian-flagged ships, the freight would have been paid in Indian rupees, saving precious foreign exchange for the country.

Besides with the tax incidence on earnings in Indian rupees by the Indian shipping company, the ecosystem would stand to benefit, underscoring the importance of the Indian flagged fleet for the nation's economy and for strategic reasons.

Foreign fleet owners have generally shied away from opening shops in India despite permission for 100 percent foreign direct investment (FDI) in shipping, citing high operating costs associated with the Indian flag.

That makes BW LPG's entry into India even bolder.

"We talked to our partner Synergy Group if it would make sense to build an Indian owned LPG shipping company. We started very small, but we have since expanded by 400 percent rapidly, which is indicative of our interest and commitment to India," says Rigault.

BW LPG India started operations in 2017 when the country was about to see a surge in LPG consumption following the introduction of the Pradhan Mantri Ujjwala Yojana a year earlier that sought to provide deposit-free LPG connections to below poverty line and low-income households.

It was also the time when India's biggest LPG transporter - Varun Shipping Co Ltd – collapsed under a huge pile of debt, leaving a big void which BW LPG India tapped.

"It was some parts business foresight, and some parts luck and timing, for us to enter the Indian market with Indian flag ships," acknowledges Rigault.

The biggest factors, though, that helped BW LPG India succeed in India have been the so-called right of first refusal (RoFR) available to Indian flag ships for moving state-owned cargo and the subsidy scheme introduced by the government last year for transporting a few specified commodities.

Under the Cabinet approved subsidy scheme, Indian fleet owners get a 5-15 percent extra on charter rates, depending on age slabs, on ships registered in India after February 1, 2021.

The government has budgeted a corpus of Rs1,624 crore to be disbursed as subsidy for moving crude oil, LPG, coal, and fertiliser cargo for state-run firms, over five years, to boost Indian tonnage.

“That’s the most important thing; that’s a signal from the government that they are here to support us,” says Rigault.

Some of the LPG ships of BW LPG India have or are availing the subsidy offered by the government.

With continued government support, Rigault says his firm will consider renewing and expanding the Indian LPG fleet and even look at assets in “other segments” to align with India’s strategy to “change the shipping sector”.

Rigault said that the biggest growth for LPG in India would be its use as a feedstock in the petrochemicals industry and as fuel in the automobile sector.

“If you look at it from the retail side, the LPG penetration is quite high and should continue to grow. But where I see the biggest potential for increased demand is in the petrochemicals market. If you look at China, Korea and Japan, they import a lot of LPG for the petrochemicals industry, which accounts for as much as 40 percent of the total LPG imports of these nations. In India it is only 8 percent. So, I do see increased demand from the petrochemicals sector given India's economic growth," Rigault said.

"Another sector which I think will also grow is the automobile industry. LPG is a cheaper fuel and it's much cleaner than diesel or other fossil fuels. Currently, only three wheelers and trucks are using LPG, with a 2 percent share of the total imports. That can easily go up to 10-15 percent," he noted.

"Our aim is to build a huge and world-class Indian-flag fleet which will trade not only in India but also internationally and is competitive globally", he stated.

Apart from a focus on the core shipping business, BW LPG India has also been actively supporting initiatives to improve the lives of Indian communities. For example, the company has started a programme to sponsor female cadets and their educational costs, as part of a strategy to improve gender diversity in shipping.

BW LPG India selected 50 female cadets this year, mostly from the economically weaker sections, for the sponsorship scheme.

"We would like to have more women on board our ships and offer them career progression opportunities," says Rigault.

BW LPG India employs some 400 Indian seafarers on its ships.

"India has such a long coastline that it could be a big shipping nation by doing the right thing. Shipping is the lifeline of all international trade, and we need to do the right thing and have high quality, high standards and safety. That's why we want to show the rest of the world, Indian flag ships are top notch," Rigault signed off.