



CEPA review: India wants Korea to eliminate tariffs on certain food, yarn, petroleum products

Amiti Sen
New Delhi

India wants South Korea to eliminate tariffs on a number of items, such as varieties of meat, milk, fruits, fish, stones, yarn and petroleum products, which were exempted or protected against steep cuts in the India-Korea Comprehensive Economic Partnership Agreement (CEPA) signed about a decade and a half ago, sources said.

The two countries are preparing to discuss request lists for tariff cuts later this month in the on-going negotiations to upgrade the CEPA, with narrowing of trade deficit with South Korea high on India's agenda.

"Stakeholders in the Indian industry have been provided the draft request list and asked to suggest more items on which tariff

cuts can be sought and even propose deletions if needed," a source tracking the matter told *businessline*.

The next round of India-Korea CEPA upgrade meeting is likely on July 17-19, sources said.

The India-South Korea CEPA, signed in August 2009 and implemented in January 2010, covers trade in goods, investments, services, and bilateral cooperation in areas of common interest. While India offered tariff elimination or concession on 83.8 per cent tariff lines imported from South Korea, the latter offered tariff elimination or concession on 93.2 per cent tariff lines.

TRADE DEFICIT

Bringing down the trade deficit with South Korea is one of the top matters for discussions featuring in India's negotiating agenda. In 2023-24, India's imports

from South Korea was at \$21.13 billion while its exports totalled a mere \$6.41 billion.

The average exports from India to South Korea before the CEPA (2007-09) were valued at \$3.4 billion, while the average imports stood at \$7.3 billion, leading to an average trade deficit of \$4 billion, per an analysis by research body Global Trade and Research Initiative (GTRI). Post-CEPA (2022-24), the average exports increased to \$ 7.1 billion, and imports surged to \$19.9 billion, resulting in a much larger average trade deficit of \$12.8 billion, it said. "This

indicates an increase in the trade deficit by \$ 7.2 billion from the pre-CEPA period to the post-CEPA period, marking a 220 per cent increase," the GTRI report pointed out.



Crude oil prices climb on summer demand outlook



Singapore: Crude oil prices climbed on Monday, supported by forecasts of a supply deficit stemming from peak summer fuel consumption and OPEC+ cuts in the third quarter, although global economic headwinds and rising non-OPEC+ output capped gains. Brent crude futures rose 33 cents, or 0.4 per cent, to \$85.33 a barrel by 0439 GMT. REUTERS

India to get critical mineral access with Australian FTA

MUKESH JAGOTA

New Delhi, July 1

THE UPGRADATION OF trade agreement between India and Australia will enable greater access to the critical minerals and other capabilities to manage transition to green energy, Australian high commissioner to India Philip Green said on Monday.

"We have huge resources in minerals and energy that can support make in India and in particular we have strong reserves of critical minerals with the largest producer of lithium and second largest producer of cobalt," he said at the conference on the roadmap for vehicle electrification organised by India Energy Storage Alliance (IESA).

India and Australia are negotiating to upgrade their Economic Cooperation and Trade Agreement (ECTA) to Comprehensive Economic Partnership Agreement (CEPA). Last year, both countries had reached an agreement on a Critical Minerals Investment Partnership, which identified five target projects (two lithium and three cobalt) on which to undertake detailed due diligence.

Investments under the partnership will seek to build new supply chains underpinned by critical minerals processed in Australia, that will



■ India and Australia are looking at ways to increase cooperation in critical minerals and their processing, besides battery production

■ Australia is the largest producer of lithium and the second largest producer of cobalt in the world

help India's plans to lower emissions from its electricity network and become a global manufacturing hub, including for electric vehicles.

At the conference, commerce secretary Sunil Barthwal said India and Australia are looking at ways to increase cooperation in critical minerals and their processing, besides bat-

tery production.

"We are looking at how we can integrate our (India and Australia) economies in terms of battery production, in terms of mineral production, in terms of mineral processing, in terms of vehicle production," he said. Barthwal added that like Australia, India has signed a trade pact with the four-nation European Free Trade Association (EFTA) and Norway is a key member of that grouping.

"Norway has done extremely well in terms of the renewable energy sector...and we are collaborating with Norway. Similarly, we are collaborating with the European Union.

"We have a technology group where we are looking at different technologies in battery making, in vehicle making, in mineral processing, in critical technologies," he added.

Talking about the EV opportunity in India, Barthwal said that the sale of EVs is increasing at a fast pace in the country and it needs a whole ecosystem, not just manufacturing.

"A whole gamut of activities is going to open up through the energy transition in the country, and there is a lot to do both by the government and the private sector, and therefore great opportunity is coming to investors to invest in this whole value chain," he said.

‘IOC’s FY25 capex forecast at ₹34,000 crore’

Our Bureau
New Delhi

State-run Indian Oil Corporation (IOC) is expected to incur a capex of ₹34,000 crore in the current financial year, ending March 2025, and around ₹37,500 crore in FY26, Fitch Ratings said on Monday.

Besides, the country’s largest oil marketing company’s (OMC) refining capacity is likely to grow to more than 70 million tonnes by March 2026.

“We forecast capex of ₹34,000 crore in FY25—above IOC’s target of ₹30,900-37,500 crore thereafter to account for higher energy-transition spending.

“We expect capex to be spent across a number of segments, including refining, marketing, pipeline, petrochemicals, alternative

energy and city gas distribution,” the ratings agency said.

Fitch also forecast IOC’s refining capacity to reach 87.9 million tonnes (mt) by end-FY26, from 70.3 mt currently, as IOC expands the Barauni, Koyali and Panipat refineries, while petrochemical capacity should reach 7 mt by FY27, from 4.4 mt currently.

“We expect refining capex intensity to wane over the medium term, while energy-transition capex rises. The government has announced ₹15,000 crore of capital support to the three state-owned OMCs in FY25, which could buffer capex, but we do not include this in our base case,” it added.

MARKETING MARGINS

Fitch expects the Maharatna company’s marketing



IOC’s refining capacity is likely to grow to more than 70 million tonnes by March 2026

margins to remain steady.

“We forecast a steady marketing margin for FY25, notwithstanding the March 2024 ₹2 per litre cut in diesel and petrol retail prices, the first price change in around 22 months. We expect the margin to be supported by a decline in the Brent crude oil price to \$77.5 per barrel in FY25, in line with Fitch

estimates, from \$82 in FY24,” it said.

Fitch expects IOC’s FY25 EBITDA to fall from the peak FY24 level, but to remain healthy for its standalone credit profile, driven by a moderating refining margin from the higher than usual levels in FY23-FY24, it said.

The fall is likely to stem from lower product cracks amid weak Chinese demand and curtailed Asian petroleum product exports as well as a reduced benefit from pricing differences between crude varieties, it added.

“We see fuel prices returning to more frequent revisions, aligned with crude oil prices, once industry conditions stabilise. Nonetheless, rising crude prices amid geopolitical uncertainty could present near-term risks,” Fitch said.



NEW DELHI

L&T bags project from ONGC

Larsen & Toubro (L&T) on Monday said it has bagged a 'significant order' from ONGC. The company classifies contracts worth Rs 1,000-2,500 crore as significant orders. The project has been bagged by L&T Energy Hydrocarbon vertical of L&T, the company said in a filing to BSE.

Oil dynamics are shifting in favour of our energy plans

NARAYAN RAMACHANDRAN



is chairman, InKlude Labs. Read Narayan's Mint columns at www.livemint.com/avisiblehand

The global oil market has been roiled over the last several years. The demand shock during the pandemic, gradually evolving demand dynamics due to the electric vehicle (EV) transition, disruption of tanker movements following the Israel-Hamas war and economic sanctions against Russia, in interaction with supply responses to these events, have impacted international oil prices, trade flows and investments. Emerging clean energy technologies and more widespread efficiency policies and techniques are combining to slow down growth in oil demand.

First, a look at oil prices. They had averaged about \$50 a barrel from 2015 to just before the pandemic that began in 2020. They plunged in the wake of global lockdowns to the teens, briefly even turning negative. This paradoxical 'negative price' arose because supply gluts in certain places (like Cushing, Oklahoma, US) were so great that prices reflected an incentive for operators to pick up the oil at those locations and

prevent the commodity from overflowing all available on-land and tanker storage capacity. Oil prices recovered to a more normal \$50-60 going into 2022, when the Ukrainian war and resulting economic sanctions against Russia caused prices to a jump to \$120 a barrel and settle down at an average of about \$80, which is roughly where they are today.

There appears to be a \$15-20 per barrel uncertainty premium baked into the price of oil. The oil price volatility index, which measures the variability of prices, reached an all-time high of 226 during covid and stayed elevated in the 40s till recently (a reading of 30 or below is seen as normal).

The Organization of Petroleum Exporting Countries (Opec) along with Russia, together called the Opec+ countries, have kept supply tight, partly contributing to the high price of oil since 2022. High prices have provided 'windfall' profits to many companies that are in the business of pumping oil. Businesses have followed a strategy of returning some of that money to shareholders through buybacks and dividends, but also are reinvesting a portion in increasing capacity. According to a recent report by the International Energy Agency (IEA) that focuses on the long-term oil

demand-supply balance till 2030: "World oil production capacity, led higher by the United States and other producers in the Americas, is forecast to outstrip demand growth over the 2023-2030 forecast and, barring the covid pandemic period, inflate the world's spare capacity cushion to unprecedented levels."

Total supply capacity is expected to rise by 6 million barrels per day (mb/d) to 113.8 mb/d by 2030, a staggering 8 mb/d above projected global demand of 105.4 mb/d. In product terms, there is a steady shift towards natural gas liquids (NGLs) and condensates. The IEA expects half of the increase in supply to be in NGLs, with most of it coming from the US and Saudi Arabia. Guyana will become the newest petrostate, with oil production going from zero to over 600,000 b/d in a few short years.

Structural demand factors are also changing dramatically in geographical and product terms. The locus of demand growth had already shifted eastwards, a

shift that began with fast-swelling Chinese demand about 20 years ago and now includes India's. As seen after the sanctions against Russia, this shift has important implications for oil trade flows and overall market dynamics.

The IEA forecasts that overall demand will peak this decade. As a market forecaster, Goldman Sachs expects the peak to occur a bit later, in 2034, based on the pace of EV adoption, uncertain growth of China and impact of rising incomes on emerging-market demand. It predicts that "the thirst for oil will be driven by increased demand for petrochemicals and specialized refined products like jet fuel, rather than gasoline."

Oil prices are notoriously difficult to predict. However, long-term structural factors directionally indicate a slowing and eventual peaking of demand. Supply factors will, of course, respond to this long-term path. Taken together with the elimination of the uncertainty premium embedded in today's

oil prices, it seems plausible that average oil prices in the latter half of this decade will drop closer to the \$40-60 per barrel range.

This scenario augurs well for India, which looks likely to have a positive growth rate of oil consumption for another 20 years or more. Today, a \$10 change in the average crude oil price changes India's net oil imports by about \$12-13 billion, which makes up about 0.3% of the annual current account deficit (CAD).

The shift to petrochemicals is also beneficial to India, since it is a net exporter of these products and has established some of the most modern refinery complexes in the world. While the oil bill and the consequent pressure on India's CAD is likely to be lower in the years ahead, it can provide a cushion to accelerate the country's green-energy transition in parallel.

A \$20 average fall in the price of oil for a five-year period starting from 2025 would result in annual savings of about \$25 billion. Over a five-year period, that would amount to well over \$100 billion. This transformation of 'savings on oil' to 'investing in clean energy' will require a clear-headed and far-thinking strategic plan.

P.S: "Plans are useless, but planning is indispensable," said Dwight D. Eisenhower.

Oil prices are projected to fall and grant India the economic space to invest in its transition to clean energy

Petrol and high-speed diesel prices hiked in Pak after Eid

PTI ■ ISLAMABAD

Weeks after slashing the prices of fuel ahead of the Eid ul Adha festival, the cash-strapped Pakistan government on Monday sharply hiked their prices for the next fortnight as it began the new fiscal year.

According to a notification, the prices of petrol and High-Speed Diesel (HSD) were raised by Rs 7.45 and Rs 9.56 per litre respectively on the first day of a tax-laden budget for 2024-25, The Express Tribune newspaper reported.

Last month, the government slashed the prices of petrol and HSD by Pakistani Rs 10.20 and Pakistani Rs 2.33 per litre respectively, ahead of Eid ul Adha. The Ministry of Finance in a late-night announcement said the prices of petroleum products have seen an increasing trend in the international market during the last fortnight, the Dawn newspaper

reported. The increase in petroleum product prices has been made based on the Oil and Gas Regulatory Authority's (Ogra) recommendations and with the prime minister's approval, The Express Tribune said.

The new ex-depot petrol price for July 1 to 15 would be Pakistani Rs 265.61 per litre compared to Rs 258.16 in the previous fortnight, up by 2.9 per cent, the Dawn reported. However, petrol would be available for over Pakistani Rs 266 per litre in the retail market, it said. On the other hand, the new ex-depot price of HSD is Pakistani Rs 277.45 per litre, or 3.6 per cent higher than the Pakistani Rs 267.89 over the past fortnight.

Hours before the price hike announcement, Pakistan's Finance Minister Muhammad Aurangzeb announced on Sunday evening that the petroleum levy would not be increased. Although its ceiling

had been increased to Pakistani Rs 70 per litre in the budget from Pakistani Rs 60 to create "headroom" for the future, the Dawn reported.

Officials said the prices of petrol and HSD had increased in the international market by about USD 4.4 and USD 5.5 per barrel, respectively, in the last fortnight, the report said. Since May 1, the prices of both petrol and HSD have been going down mainly because of a slump in the international market. Petrol prices dropped by nearly Pakistani Rs 35 to about Pakistani Rs 259 per litre on April 30. Likewise, the HSD price came down by about Pakistani Rs 22 to Pakistani Rs 268 per litre in the second fortnight of April. Finance Minister Aurangzeb on Sunday conceded that the people were stressed due to new taxes imposed in the budget after his revenue measures were criticised by almost everyone.

INDIAN REFINERS IMPORT 2.13 MN BPD OF RUSSIAN CRUDE OIL IN JUNE

Russian oil imports surge to 13-month high, Saudi volumes crash to decade-low

SUKALP SHARMA
NEW DELHI, JULY 1

INDIA'S RUSSIAN oil imports rose to a near-peak level in June powered by the highest-ever import volumes of Moscow's key crude grade Urals, as per oil tanker tracking data and industry experts. Additional availability of Russian crude for export markets due to Ukrainian drone strikes on Russian refinery infrastructure and sizable price differential vis-à-vis competing Middle Eastern crude grades have led to higher flows of Russian oil to India in recent months.

The rise in India's import of discounted Russian oil over the past few months has hit flows from Saudi Arabia the most, with June import volumes from Riyadh falling to the lowest monthly level in over a decade, the data shows.

Indian refiners imported a total of 2.13 million barrels per day (bpd) of Russian crude oil in June, the highest since May of last year, when Russian crude imports had hit a record high of 2.15 million bpd, as per provisional ship-tracking data from commodity market analytics firm Kpler. India's Russian oil imports in June were 72 per cent higher sequentially, and accounted for as much



as 45 per cent of India's total oil imports for the month.

Oil imports from Saudi Arabia—India's third-biggest source market for crude—declined over 25 per cent sequentially to 0.41 million bpd, the lowest in over 10 years. The primary reason for the decline is seen as the ample availability of Russian crude and its continued price advantage over Riyadh's oil.

"Confirming that the largest sufferer of higher Russian inflows have been Saudi term volumes, the June imports from Saudi

Arabia came in at... the lowest monthly figure since January 2014," said Viktor Katona, head of crude analysis at Kpler. According to industry watchers, Urals has a price advantage of \$6-7 per barrel over Saudi Arabian medium-sour grades.

Urals, a medium-sour crude, is seen as Russia's flagship crude grade, and is the mainstay of India's Russian oil imports. In June, Indian refiners cumulatively bought 1.61 million bpd of Urals crude, the highest ever. India's Urals import volumes in

June accounted for three-fourths of New Delhi's total oil imports from Moscow. Evidently, the price differential between Urals and competing crude grades from India's traditional West Asian suppliers was significant enough for Indian refiners to prefer the Russian grade.

"Even though 800,000 bpd imports from Iraq (in June) are nowhere near as weak as Saudi Arabian imports, and are the lowest since February 2024. While definitely not a record low, June inflows (of Iraqi oil) to India were nevertheless marked by a much lower interest in Iraq's medium sour grade, Basrah Medium. The heaviest Iraqi grade, Basrah Heavy, has been quite stable in terms of Indian interest. So, what-ever competes with Urals seems to be losing out nowadays," Katona said. Iraq is India's second-biggest source of crude oil.

June also marked a 17-month high in India's oil imports from the United States (US), making Washington New Delhi's fourth-largest source of crude oil in June, up a spot from its usual fifth position. Indian refiners imported a total of 0.37 million bpd of crude from the US in June. The increase in import volumes from the US was evidently on account of light American crude—mainly shale oil—becoming relatively cheaper

than comparable grades from West Asia. India's oil imports from the US mostly are of light sweet grades that are routinely blended with heavier barrels from Russia, Iraq, and Saudi Arabia.

"As India imports increasingly more Russian barrels, refiners need some lighter grades, too, to counterbalance the density of heavier grades. For that, US shale oil has become the answer," Katona said.

Prior to the war in Ukraine, Iraq and Saudi Arabia were the top two suppliers of crude oil to India. But as the West started weaning itself off Russian energy supplies following Moscow's February 2022 invasion of Ukraine, Russia started offering discounts on its crude and Indian refiners started snapping up the discounted barrels.

As the world's third-largest consumer of crude oil with a high import dependency level of over 85 per cent, India is extremely sensitive to oil prices. Although trade sources have indicated that discounts on Russian crude have shrunk considerably over the past months, Indian refiners have evidently remained keen on buying Russian oil as given the high import volumes, even lower discount levels lead to significant savings.



Russian oil imports zoom to 13-month high in June

ARUNIMA BHARADWAJ
New Delhi, July 1

INDIA'S CRUDE OIL imports from Russia zoomed to a 13-month high in June even as the discounts on Russian crude have narrowed, according to an analysis of data provided by intelligence firm Kpler. The significant increase in Russia's share in India's oil imports can also be attributed to the resumption of imports of more grades of the commodity other than Urals, including Sokol, which faced some issues in the beginning of the year.

The country imported 2.13 million barrels of crude oil per day from Russia last month, up 7.2% from the previous month, the data showed. This was the highest since May 2023 when imports from Russia stood at 2.15 million barrels per day. In fact, imports of Urals reached at an all-time high 1.6 million barrels per day in June.

The share of US crude in India oil imports also increased by a steep 75% sequentially to 371,000 barrels per day last month as Indian refiners are seeking some lighter grades too, to counterbalance the density of heavier grades from Russia. India imported more than 370,000 b/d of oil from the US in June, the highest since January 2023, with the overwhelming majority of it being WTI Midland, according to the data.

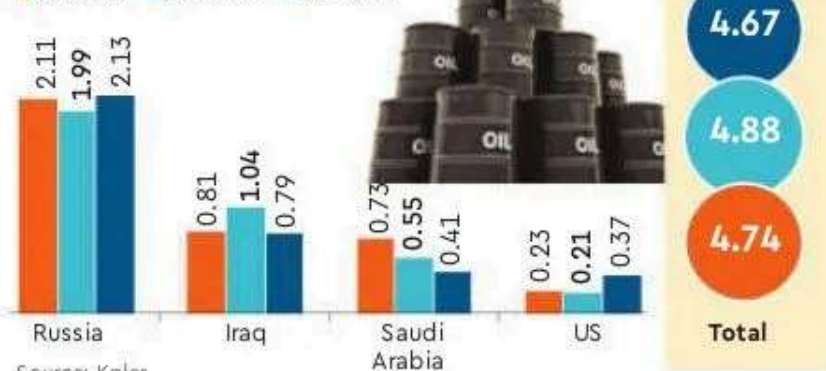
Meanwhile, import volumes from Iraq and Saudi Arabia, the other top suppliers of crude oil to India, declined 24% and 25% on month respectively.

"India's imports of Urals have reached an all-time high, never on record did Indian refiners buy more

INDIA'S CRUDE IMPORTS BY ORIGIN COUNTRY

(million barrels per day)

June '23 June '23 June '23



Source: Kpler

than 1.6 million b/d. India has resumed purchases of Russian grades from the Far East such as ESPO or Sokol, however the quantities thereof are lower than they were on average in 2023," said Viktor Katona, lead crude analyst at Kpler. June imports from Saudi Arabia came in at a mere 430,000 barrels per day, the lowest monthly figure since January 2014. Katona noted that even in Covid times, India imported more and the main consequence thereof has been the cost of purchasing Saudi barrels.

"If Russian Urals cost around at a discount of \$3-4 per barrel to Dubai, medium sour grades from Saudi Arabia would be lifted at a premium of roughly above \$3 per barrel to Dubai. So there's a wide \$6-\$7 per barrel difference between the two, still," he said.

As a consequence, Saudi Arabia's market share in India's crude imports reduced to 9% last month compared to 11% in May. Iraq's crude market share, too, declined to

17% in June from 21% in May.

Cumulatively, the country imported 4.74 million barrels per day of crude oil in June, marginally up from 4.67 million barrels per day imported in June 2023.

Among Indian refiners, Reliance Industries bought the largest volumes of Russian crude oil in June at 542,948 barrels per day followed by the state-owned Indian Oil at 453,851 barrels per day.

Reports have earlier suggested that the country's state-owned refiners are in discussions with Russia to secure a term deal for crude supplies on a fixed discount after the conclusion of a similar deal between Russia and Reliance Industries.

Govt raises windfall tax on petroleum crude

The government has raised the windfall tax on petroleum crude to ₹6,000 per metric tonne from ₹3,250, with effect from July 2, according to a notification issued on Monday, reports Reuters.



Share of Russian oil imports rebounds from January lows

S DINAKAR
New Delhi, 1 July

Despite Western sanctions, which started escalating since last October on Russian ships and insurance companies, the share of Russian crude oil in India's oil import basket has increased.

In June the share went up by around 14 percentage points from a January low.

Russian crude oil supplies to India climbed to around 2.1 million barrels per day in June compared to around 1.99 million barrels per day in May, according to ship-tracking data.

India last imported over 2 million barrels per day in July 2023, with the share of Russian oil in India's import at 44 per cent.

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share of Russian oil in India's import at 44 per cent.

The higher purchase from Russia has come at the cost of West Asia, according to industry sources and the shipping data.

Russian oil constituted 45.4 per cent of India's daily purchase of 4.63 million barrels in June, as against 40.7 per cent in May and 31.7 per cent in January, when Washington unleashed more sanctions.

Russia had a record 45.8 per cent share of the Indian oil import in May last year.

The share of West Asia, led by Iraq and Saudi Arabia, in India's crude oil basket was just 36 per cent last month as against 39 per cent in May and nearly 50 per cent in January.

Iraqi and Saudi supplies dropped in June by more than a fifth to

ON THE RISE Imports from top 4 suppliers in June



	Volumes ('000 bpd)	Share in total imports in June (%)	Share in January (%)
Russia	2,100	45.4	31.7
Iraq	800	17.2	24.7
Saudi Arabia	430	9.2	14.7
USA	372	8	0
Total imports	4,630	NA	4,820

Sources: Kpler, Vortexa

around 800,000 barrels per day and 430,000 barrels per day, respectively, with Saudi shipments dropping to the lowest in a decade, the initial data show.

"It is largely Russian oil that has reduced the share of West Asia crude oil," said R Ramachandran, an oil industry consultant.

Discounts offered by Russia make the crude oil competitive,

he added.

While Russian oil has become cheaper thanks to the discount, prices of West Asian grades have been rising. Saudi Arabia increased prices of crude oil varieties supplied to other Asian countries for the third month in a row in June, said Vandana Hari, a Singapore-based energy expert and founder of Vanda Insights.

is last available.

Saudi shipments averaged around \$91 per barrel in April on a delivered basis, reflecting an \$8 per barrel gulf between the oil sourced from the two nations.

Industry officials said the premiums of Iraq's benchmark export grade Basrah surged last month, with Europe making demands on Iraqi oil and outpricing India. Supplies of sour crude, which are slightly higher sulphur grades, are set to remain tight after key Organisation of Petroleum Exporting Countries-plus (Opec+) nations extended their production cuts until October. This drove demand for Basrah cargo in Europe, where levels were assessed at strong premiums to the official formula price, US market intelligence publication Energy Intelligence said.

Imports of US crude oil climbed

by 75 per cent in June from May as Indian refiners substituted Nigerian and Russian light, sweet oil, or low sulphur grades, with US oil.

Washington has been applying pressure on Russian supplies by first targeting shipping firms like Sun Ship Management and Sovcomflot, key shippers of Russian oil to India.

Last month, the UK sanctioned Russian insurer Ingosstrakh. New Delhi has extended approval until March 2029 to Ingosstrakh to insure Russian supplies shipped to India. Industry officials said India would react only if Washington stepped up sanctions against the insurer.

"Russia always finds a way out to supply us," said an Indian crude oil trader at a Mumbai-based refiner. Another trader added Russian companies switched quickly to non-sanctioned ships and insurers to keep the oil flowing.

Steady increase in procurement by CPSEs from MSEs

46.3% share in purchases during April-May compared to 40% in the year-ago period

PRASANTA SAHU
New Delhi, July 1

THE CENTRAL PUBLIC Sector Enterprises' (CPSEs)' procurement from Micro and Small Enterprises (MSEs) continues to rise steadily with a 46.3% share in their total purchases during April-May of the current financial year compared to 40% in the year-ago period. These purchases are well above the mandatory 25% annual procurement requirement from these small units.

To provide marketing support to MSEs, the government modified the Public Procurement Policy in 2018, making it mandatory for public sector companies to procure 25%, instead of 20% of their total purchases, from MSEs including a special provision of 3% procurement for women entrepreneurs.

As a result, CPSEs' procurement from MSEs rose from ₹26,357 crore (23.1% of the total) in FY18 to ₹53,423 crore (32.48%) in FY22 and ₹61,033 crore (35.6%) in FY23. The procurement ratio further increased to 36.34% in FY24.

Thanks to government intervention, CPSEs procure mostly through the government e-Marketplace (GEM) portal, benefiting the MSEs.

The micro, small and medium enterprises (MSMEs), which are a key focus area for the Modi government, will likely receive increased attention from the Centre given their job creation potential.

The new measures being looked at include giving certain incentives to manufacturers for their domestic procurement from MSMEs under production-linked

CPSEs' PROCUREMENT FROM MSEs (% of total)



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■ To provide marketing support to MSEs, the government modified the Public Procurement Policy in 2018, making it mandatory for public sector companies to procure 25%

incentive (PLI) schemes, which are likely to be revamped soon.

The government will also likely streamline all MSME subsidy and credit-linked schemes to rationalise them by merging some to ensure their maximum reach and claims are hassle-free.

The 64 million-strong MSMEs are the backbone of the Indian economy. MSMEs account for over 110 million jobs or 23% of the country's labour force, making it the second-largest employer in India after agriculture.

They contribute 27% of India's GDP, account for 38.4% of the total manufacturing output and contribute 45% of the country's total exports.



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The complexity of green transition

Inaction on generating new revenue as fossil fuel taxes dry up will harm India's economic prospects

ILLUSTRATION: BINAY SINHA



As climate change plays out and India prepares to transition towards lower carbon emissions and a greener economy, a range of challenges needs to be addressed. One such area is the impact on government revenues. An inordinately high proportion of state and central government revenues, which according to one estimate, account for above 3 per cent of India's gross domestic product (GDP), emanate from fossil fuels. To illustrate, tax and non-tax revenues from fossil fuels are greater than India's entire defence Budget and also exceed what the central government spends on education and health.

But it is not just the quantum but the complexity of change that will be India's biggest challenge. Multiple sources of funds will dry up as we consume less fossil fuel, revenues from public sector enterprises (PSEs) involved in fossil fuels will fall, and those requiring subsidies, such as for renewable energy, will require more. The dependence on revenues also differs from state to state. Some states, such as Odisha, have higher royalty revenues due to coal mining, while others such as Maharashtra rely more on tax revenues.

The problem, therefore, is not merely of generating additional government revenues from non-fossil sources, but also about sharing these revenues in a manner that is satisfactory for the many stakeholders. Take, for instance, the issue of state autonomy over tax generation. One of the key reasons why petroleum products could not be included in the goods and services tax (GST) was that the current value added tax (VAT) regime enables state governments to decide on the level of taxation autonomously. GST, for all its benefits, does not score high on state autonomy considerations. Any movement away from VAT will rightly be a cause for concern to states interested in maintaining some autonomy over their revenues.

There is another challenge related to the high levels of subsidies being given to the electric vehicle

(EV) sector. Policy rightly focuses on steadily reducing the share of petroleum-driven vehicles and increasing that of EVs. However, the challenge is that the EV solution requires significant subsidies, whereas fossil fuel vehicles are revenue generators for the government. Reducing EV subsidies will slow down the transition, but maintaining high subsidy levels will impose a growing burden on government revenues. What makes this challenge more complex is that the EV rollout and fossil fuel reduction have different stakeholders within the government.

Yet another class of issues are related to reducing the damage that transition will cause. Take, for instance, the coal mining jobs that will be eliminated over the next few decades as dependence on coal reduces. There are two categories of jobs that will be lost. The first category includes those who are directly employed in coal mining. These are easier to deal with for two reasons. First, those directly employed in coal mining are fewer in number, and second, their numbers will fall over the next few years due to technological changes in the mining sector and natural attrition. But the key challenge is for those who are indirectly employed due to coal mining — these are the many providers who are servicing mines and miners.

They are far greater in number and typically there are few economic alternatives in the vicinity of coal mines. Another example is related to stranded assets in the thermal power sector, or the capital that will become redundant as India shifts away from thermal power towards renewable energy.

In other words, we can broadly classify the revenue needs of the transition to include those required to (a) cover falling revenues, (b) enable rapid transition, (c) correct the economic destruction that will accompany the transition, and (d) identify appropriate allocation principles that will not disempower the states. Taken individually, each of these is a tough challenge to address, but taken together, they seem insurmountable.

The rational approach in such circumstances

may appear to be delaying efforts at finding the right solutions. The 2070 Net Zero target is some decades away, new technologies are emerging rapidly, and the Indian economy is undergoing a deep structural change. It might, therefore, seem that a wait-and-watch approach is the right path ahead.

And that is precisely what India cannot afford. The transition process has already started and is irreversible. Renewable energy capacity and generation are growing rapidly, and so are EVs. The latter are also part of a (silent) strategy to use the depth of domestic markets to leverage scale economies for tapping into global markets. At the same time, the costs of transition will rise going forward, and the bulk of these will need to be borne by the government. Therefore, doing nothing on the revenue front will lead to a situation where growth in government revenues is steadily curtailed, which will impact the fiscal situation quite significantly over the next decade or two, with obvious adverse implications for growth.

There are some solutions to the problem, but each has different characteristics and India will need to identify what works best for it. Increasing direct tax rates, for instance, is unlikely to work given experience with implementation and leakages. Carbon taxes will hasten the transition and may reduce the immediate revenue challenge but will not solve the long-term fiscal problem. Rationalising GST may work but will require significant negotiation between the Centre and the states. New forms of taxes, such as distance or road use taxes, may be easier to implement but may not address the state autonomy objective. Reducing non-productive expenditure or welfare expenditure is always easier to call for than to implement. Moreover, it would be difficult to reduce welfare expenses in an era where trickle-down effects are operating slowly. Some solutions, such as carbon taxes, may even require constitutional amendments, which are possible but will take time and much coordination.

An important feature of this problem is that most key stakeholders are a part of the government, namely, Central and state governments and PSEs. And here, actions within the government have already shown the path ahead. By allowing fossil fuel PSEs to enter the renewable energy space, the government has to some extent aligned the interests of the fossil fuel PSEs with that of the transition.

An alignment between the central and state governments on transition and associated action on revenue generation may be a more difficult exercise, but it is critical. Many of the costs, whether changing expenditure profiles, stranded assets, or employment impacts, will be borne by the states, which are not ready for them. India, therefore, requires the creation of a formal mechanism that maps state-level transition requirements against revenues, identifies emerging gaps, and explores various alternatives ahead. Most importantly, it will need to identify possible revenue sources where state governments have some autonomy.

The writer heads CSEP Research



LAVEESH BHANDARI

The need for hydrocarbon focus

Countries across the world have realised that the transition from dirty fuels to clean energy is not a neat, linear path but a bumpy journey with plenty of rough patches and sudden diversions. While they invest heavily in new, clean energy capacities, their dependence on older, “dirty” fuels is not going to go away anytime soon.

This is particularly true for India. It is the fastest-growing big economy but it has a long way to go before it can be considered a developed (or more accurately, a high-income country), and its energy needs are growing exponentially. Over the next few decades, as it adds rapidly to its solar and wind capacities, and builds up a clean energy storage ecosystem (<https://mybs.in/2dWXEjg?1719845918>), it will also find its demand for dirty fuels like coal (<https://mybs.in/2cK1pQD?1719846001>) and hydrocarbons (crude and natural gas) increasing at a rapid pace.

In oil, India is already the third-largest importer and consumer in the world, and the International Energy Agency (IEA) projects that India's demand for hydrocarbons (oil and gas) will keep rising rapidly until 2050, though coal demand may come down by then. Given that India imports over 80 per cent of its oil requirements and 50 per cent of its natural gas requirements currently, this leaves the country and its economy particularly vulnerable to any disruptions in the market. What is worse is that oil production in the country is falling because of ageing wells, which are yielding less crude than before. Over the next few years, oil production in India is likely to fall further unless new fields are discovered and production starts from these.

It is not that Indian policymakers are unaware of this vulnerability to external shocks that send oil and gas prices soaring. Apart from the Russia-Ukraine war, India has suffered from each global

oil shock. While India managed to get cheaper Russian oil despite the Russia-Ukraine war, the next disruption caused by another global strife may well work against it.

When global crude and gas prices increase, plans are typically made by Indian policymakers to reduce the Indian economy's vulnerability to such shocks but these plans are also often put into cold storage once the crisis abates.

The United Progressive Alliance-I government had planned to build strategic oil reserves underground to store oil that could be used during emergencies. After the first couple of such facilities were built, however, work practically stopped on building new storage facilities. During Prime Minister Narendra Modi's first term, global crude prices dropped sharply, presenting a great opportunity to build up strategic petroleum reserves, but this opportunity was not utilised.

Over the past few years, Indian policymakers have again voiced the need to reduce India's dependence on hydrocarbon imports and have started some work towards that — though the goals are typically more ambitious than the pace of decision-

making and execution.

The plans to build strategic reserves of crude have been reactivated. The Indian Strategic Petroleum Reserves Ltd (ISPRL), a special-purpose vehicle created by the government in 2004 for building and operating strategic reserves, has recently invited bids for constructing 2.5 million tonnes of underground storage in Padur, Karnataka. ISPRL has some facilities that were built in Phase 1, but it is now constructing more facilities to meet India's current and future needs.

Perhaps more importantly, Mr Modi's second-term had seen a push for exploration to discover new oil fields. In 2015 and 2016, the government

announced the Hydrocarbon Exploration Licensing Policy (Help) and the Open Acreage Licensing Policy (OALP) to replace the New Exploration Licensing Policy (Nelp) of 1997 in the expectation that it would attract more private players, particularly global biggies, into the sector.

Unfortunately, the big global oil companies have shown limited interest in unproven Indian fields, given that there are plenty of proven reserves around the globe that offer less risk. The global oil companies that did show interest in India have largely taken the low-risk approach of either tying up with Indian public sector companies for crude (ONGC, OIL etc) or private sector players (Reliance). The few that chose to bid on their own have relinquished their fields and exited India. Global oil investors have complained in private that the risks are too high compared to potential rewards, even though Help and OLAP are big improvements over the old Nelp. Other complaints have included bureaucratic red tape and uncertain tax measures. The “windfall tax”, for example, while great for Indian government revenues, doesn't enthruse investors who can't see why they need to pay additional tax after taking the risk.

While Indian companies — especially the public sector undertakings — plan to invest big in oil and gas exploration over the next few years, it is unlikely to be enough. India needs to attract more private investment, both domestic and global.

The Indian government under Mr Modi has shown that it can offer special production incentives in sectors it considers strategic to attract investors. Given that oil and gas are of strategic importance to the country, it could explore ways to tweak its policies and incentives to make oil and gas exploration more attractive to private investors. Otherwise, its goal of reducing oil and gas imports sharply will remain only on paper.

The writer is former editor of Business Today and Businessworld, and founder of Prosaic View, an editorial consultancy



PROSAIC VIEW

PROSENJIT DATTA



एलएंडटी को मिला ठेका

नई दिल्ली। लार्सन एंड टुब्रो (एलएंडटी) को आयल एंड नेचुरल गैस कॉरपोरेशन (ओएनजीसी) से एक 'बड़ा ठेका' मिला है। कंपनी 1,000-2,500 करोड़ रुपये के ठेके को 'बड़ा आर्डर' बताती है। एलएंडटी ने बीएसई को दी सूचना में बताया कि ठेका कंपनी की एलएंडटी एनर्जी हाइड्रोकार्बन (एलटीईएच) इकाई को मिला है। कंपनी सूचना के अनुसार लार्सन एंड टुब्रो की इकाई को भारत के पश्चिमी तट पर पाइपलाइन रिप्लेसमेंट प्रोजेक्ट के आठवें चरण के लिए ओएनजीसी से ठेका मिला है। लार्सन एंड टुब्रो 27 अरब अमेरिकी डालर की भारतीय बहुराष्ट्रीय कंपनी है। यह इंजीनियरिंग, खरीद तथा निर्माण (ईपीसी) परियोजनाओं, उन्नत विनिर्माण व सेवाओं के कारोबार में है।(एजेंसी)

कमर्शियल गैस सिलेंडर सस्ता



नई दिल्ली,
(पंजाब
केसरी): आज
महीने की
पहली तारीख
है। इस दिन

पेट्रोल-डीजल और एलपीजी
सिलेंडर बेचने वाली सरकारी
कंपनियां प्राइस रिवीजन करती हैं।
आज इंडियन ऑयल, एचपीसीएल
और बीपीसीएल ने एलपीजी सिलेंडर
की कीमत में कटौती की है। इन
कंपनियों ने 19 किलो वाले गैस
सिलेंडर की कीमतों में 30 रुपये की
कटौती की है। नई दरें आज सुबह
छह बजे से लागू भी हो गई हैं। इंडियन
ऑयल से मिली जानकारी के
अनुसार अब राष्ट्रीय राजधानी
दिल्ली में 19 किलो वाले
कामर्शियल या हलवाई सिलेंडर की
कीमत घट कर 1646 रुपए हो गई
है।

देश में बीते नौ वर्षों में बने 12 करोड़ से अधिक शौचालय : पुरी

नई दिल्ली। केंद्रीय पेट्रोलियम मंत्री हरदीप सिंह पुरी ने कहा कि स्वच्छ भारत मिशन ने



देश का कायाकल्प कर दिया है। बीते नौ वर्षों में ग्रामीण और शहरी भारत में लगभग 12 करोड़ शौचालयों के निर्माण हुआ। वह सोमवार को शास्त्री भवन में मंत्रालय के स्वच्छता पखवाड़ा-2024

कार्यक्रम का शुभारंभ करने पहुंचे थे। इस दौरान उन्होंने मंत्रालय के सभी वरिष्ठ अधिकारियों एवं कर्मचारियों को शपथ भी दिलाई। इस कार्यक्रम में राज्य मंत्री सुरेश गोपी भी शामिल हुए। ब्यूरो

परिसंपत्ति बिक्री से रिलायंस मजबूत

देव चटर्जी और शार्लीन डिसूजा
मुंबई, 1 जुलाई

अमेरिका की वित्तीय सेवा फर्म मॉर्गन स्टैनली की एक रिपोर्ट में कहा गया है कि पिछले तीन दशक में रिलायंस इंडस्ट्रीज (आरआईएल) के शेयरधारकों के लिए परिसंपत्ति बिक्री चक्र से 2-3 गुना वैल्यू सृजित हुई। हरेक दशक में बाजार पूंजीकरण में 60 अरब डॉलर का इजाफा हुआ। फर्म ने कहा है कि जहां आरआईएल की रिटेल व्यवसाय की हिस्सेदारी का मूल्यांकन बढ़कर 119 अरब डॉलर हो गया वहीं उसका अनुमान है कि उसका ईवी/एबिटा मल्टीपल 32 गुना से बढ़कर 33 गुना हो गया होगा।

रिपोर्ट में कहा गया है, 'आरआईएल इस सदी में अपने चौथे बिक्री चक्र में है और हम मूल्य सृजन में 100 अरब डॉलर तक की तेजी की उम्मीद कर रहे हैं, क्योंकि व्यापार चक्र बदल रहा है, नया नकदी प्रवाह मजबूत हो रहा है।' रिपोर्ट में कहा गया है, 'जियोमार्ट के ई-कॉमर्स व्यवसाय के लिए हम 2 गुना ईवी/बिक्री (पहले 1.8 गुना) के मल्टीपल लागू कर रहे हैं, जो वैश्विक प्रतिस्पर्धियों के अनुरूप है। हमारा मानना है कि रिटेल में वृद्धि परिदृश्य मजबूत बना हुआ है क्योंकि आरआईएल के स्टोर विस्तार की वजह से मांग तेजी से बढ़ी है।' ब्रोकरेज ने यह भी कहा है कि कंज्यूमर रिटेल में तेजी देखी जा सकती है, क्योंकि स्टोर विस्तार और ब्रांड अधिग्रहण का ज्यादातर काम पूरा हो चुका है।

आरआईएल का शेयर 3,120 रुपये पर बंद हुआ और सोमवार तक उसका कुल मूल्यांकन 21.11 लाख करोड़ रुपये था। मॉर्गन स्टैनली ने कहा है कि उसने डिजिटल निवेश में आरआईएल की 66.43 प्रतिशत हिस्सेदारी का मूल्यांकन उसके निहित ईवी/एबिटा मल्टीपल पर किया है। उसने कहा, 'हमने ऊंचे प्रतिस्पर्धी मल्टीपल प्रदर्शित करने के लिए टेलीकॉम वर्टिकल के लिए 11 गुना (पहले 9.5 गुना) का मल्टीपल अनुमानित किया है।'

नए ऊर्जा व्यवसाय के बारे में मॉर्गन स्टैनली का कहना है कि उसने ईवी/निवेश की गई पूंजी के



मॉर्गन स्टैनली की रिपोर्ट में कहा गया है कि तीन दशक में रिलायंस इंडस्ट्रीज के शेयरधारकों के लिए परिसंपत्ति बिक्री चक्र से 2-3 गुना वैल्यू सृजित हुई

मल्टीपल का इस्तेमाल कर नए ऊर्जा व्यवसाय का मूल्यांकन निर्धारित किया है क्योंकि उसने 6 गीगावॉट की एकीकृत सोलर सप्लाय चैन और 5 गीगावॉट बैटरी उत्पादन के लिए सरकार से पीएलआई हासिल करते हुए अपना निवेश बढ़ाया है। रिपोर्ट में कहा गया है, 'सबसे अहम बात यह कि कंपनी ने जब भी अपने कारोबार को नए सिरे से परिभाषित किया है, उसने निवेशकों की उम्मीदों से बेहतर प्रदर्शन करने की क्षमता हासिल की है। यह मुद्राकरण 2021-23 में 60 अरब डॉलर के निवेश के बाद हुआ है, जो आरआईएल के लिए 1990 के दशक के बाद सबसे छोटा निवेश चक्र था।'

असंगठित क्षेत्र से बाजार भागीदारी पाने के लिए अक्षय ऊर्जा में निवेश किया गया, रिटेल में विस्तार हुआ और मौजूदा ऊर्जा व्यवसायों को लंबी अवधि में लगातार आय वृद्धि देने में सक्षम बनाने के प्रयास किए गए। उन्हें ऐसा बनाया गया जिससे कि वे 3 साल बाद भी 10 फ्रीसदी से अधिक का आरओसीई (निवेशित पूंजी पर रिटर्न) देते रहें।

रिपोर्ट में कहा गया है कि हाल में दूरसंचार शुल्क वृद्धि, तेल की कीमतों और रिफाइनिंग मार्जिन के कारण उसने 2025 के लिए ईपीएस (प्रति शेयर आय) अनुमानों को आंशिक रूप से बढ़ा दिया है। ईपीएस के लिए आय अनुमान वर्ष 2026 के लिए 7 प्रतिशत और 2027 के लिए 8 प्रतिशत बढ़ाए गए हैं।