

Core sector growth slows to 6.3% in May

Cement, crude oil output shrinks; output of refinery products, steel slows

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India's infrastructure output, which accounts for about two-fifths of the country's industrial production, rose 6.3% year-on-year (y-o-y) in May, decelerating from April's 6.7% expansion, hurt by a contraction in cement and crude oil and a slowdown in refinery products and steel, provisional data from the ministry of commerce and industry released on Friday showed.

During March, the output of eight core industries—coal, crude oil, steel, cement, electricity, fertilisers, refinery products, and natural gas—expanded at 6%.

Core sector output had risen by 5.2% in May 2023. The latest core sector data showed that five of the eight core industries reported a rise in production, while output in crude oil, fertilisers and cement sectors contracted during May.

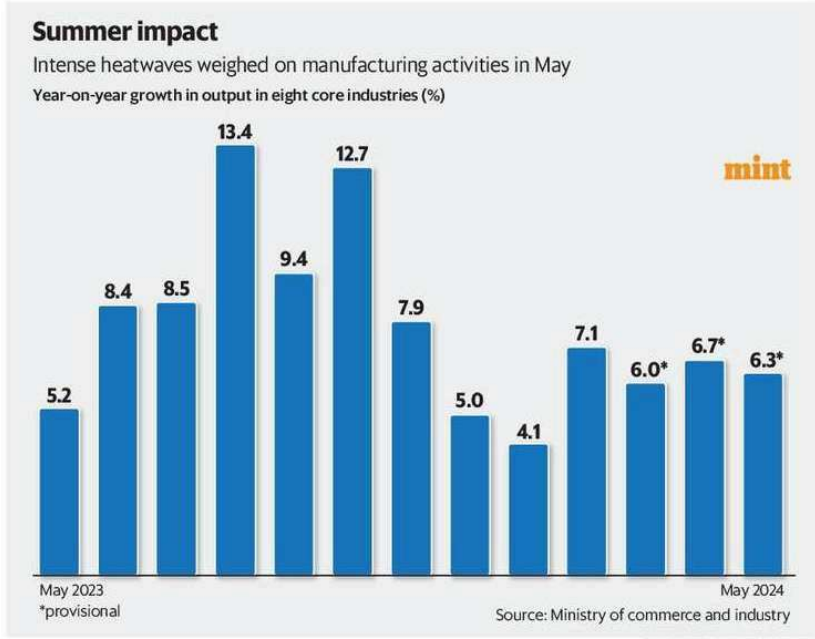
Coal production grew 10.2% while electricity output expanded by 12.8%. Output growth in natural gas and steel decelerated sequentially to 7.5% and 7.6%, respectively, in May.

The output in refinery products, which account for over 28% in the index of the eight core industries, grew by a mere 0.5% in May, slowing sharply from April's 3.9%.

Production of crude oil, fertilizers and cement contracted by 1.1%, 1.7% and 0.8% during the month.

Experts said cement production fell during May due to a high base effect of last year—output in the sector had expanded by 15.9% in May last year—and a slowdown in infrastructure projects during the month due to elections, while refinery products and crude oil witnessed low and negative growth, respectively, mainly due to lower demand for diesel.

"The base effect did provide a prop to



segments, which did well. Power sector growth of 12.8% was mainly due to the heatwave, which led to higher demand," said Madan Sabnavis, chief economist, Bank of Baroda. "Higher power generation also led to higher growth in mining as coal production increased. Steel growth at 7.6% was propped up by government spending and

respectively. Overall manufacturing activities slowed down in May as intense heatwaves resulted in reduced working hours, impacting volumes.

India's manufacturing activity slipped to a three-month low in May, according to a survey by S&P Global released earlier in June. The HSBC final India Manufacturing

Purchasing Managers' Index (PMI), compiled by S&P Global, eased to 57.5 in May from 58.8 in April.

The union government following the precedent set last year had given an additional instalment of tax devolution to the states in June 2024 to

boost capex, India Ratings & Research said in a note. "States are expected to frontload their capex (like last year). This would provide succour to the construction and infrastructure sectors. Factoring in all of the above, Ind-Ra expects core sector growth at around 6% in June 2024," it added.

the auto sector," he added.

Production growth across the eight core industries in FY24 stood at 7.6%, the slowest in three years. However, FY24 outperformed most years of the Modi administration, barring FY22 and FY23, when growth rates were at 10.4% and 7.8%,

CORE OUTPUT

COAL production grew 10.2% while electricity output expanded by 12.8% during the month

NATURAL gas and steel growth slowed to 7.5% and 7.6%; refinery products grew by a mere 0.5%

CRUDE oil, fertilizer, and cement production contracted by 1.1%, 1.7% and 0.8%

DoPT for periodic performance review of PSBs, CPSEs staff

Shishir Sinha

New Delhi

In a move that may cause consternation, public sector undertakings and public sector banks are likely to do the periodic review of their employees and report on a monthly basis. This is based on new instructions issued by Department of Personnel and Training (DoPT) to Central Ministries and Departments.

“The ministries/departments are requested to take immediate action to identify the employees due for review under relevant provisions of fundamental/pension rules and ensure that their cases are expeditiously submitted for consideration before the duly constituted review committee, as per extant instructions. Further, all ministries/departments are also requested to direct the PSUs/banks, autonomous institutions and statutory bodies under their administrative control to undertake the exercise of periodic review of employees under the relevant provisions,” an office memorandum dated June 27 by DoPT said.

“This is to ensure that the employees with doubtful integrity or found to be ineffective

This is to ensure that ‘ineffective’ employees and those with doubtful integrity do not continue in government service

are not allowed to continue in Government,” it said. The OM further urged submission of monthly report on action taken by 15th of every month from July.

PRE-MATURE RETIREMENT

For officers and employees of Central Government, there is a provision for pre-mature retirement (popularly known as compulsory retirement scheme or CRS). While Rule 56 J&I of Fundamental Rules prescribes a mechanism for government servants in Group A, B and C category, Rule 48 of CCS pension rules is meant for other government servants.

Under these rules, the government may, at any time after a Government servant has attained the age of 50/55 years or completed 30 years of service, retire him pre-maturely in public interest. The employees will get three months notice period

or three months of pay and allowance. A review committee will consider cases and suggest names based on various parameters, mainly doubtful integrity and ineffective.

It is not clear from the latest OM whether the mechanism applicable for Central government officers and employees will be the same for officers and employees. *businessline* talked to PSUs and banks to find the present practice. “In PSUs, there is health check-up of the employee once he attains 50 years, but that has nothing to do with his or her continuity in the job. It is just a routine thing,” a senior official of a prominent CPSE said. Further, he added that action against an officer or employee can be initiated anytime.

An HR official of a big PSB said, “There is provision of health check-up of every employee who completes 30 years or after the age of 55, whichever is earlier. But this has nothing to do with his or her retirement.”

If any employee is found involved in suspicious activity, she/he is not given any sensitive posting, he added.

CPSE and PSB officials said they have not received any instruction based on the new DoPT OM yet.

Gujarat Gas proposes ₹1,200-cr capex in FY25

Avinash Nair

Ahmedabad

Gujarat Gas Ltd (GGL) has earmarked ₹1,200 crore as capital expenditure for financial year 2024-25. A large portion of this capex will be used to expand its pipeline network and to provide new piped natural gas connections to over 3.3 lakh households in six states, including Gujarat.

The city gas distribution (CGD) company is also looking to set up 200 CNG stations in at least four states in the next two years. "In the last financial year, we had a capex of ₹900 crore. This year, we will be increasing it by over 33 per cent to ₹1,200 crore," a Gujarat Gas official told *businessline*.

"We also plan to provide new connections to 3.3 lakh households this year. We have 36,000 km of pipeline and the majority of the investment will go into laying

new steel pipelines across six states," the official added. The new connections will come up in Rajasthan, Madhya Pradesh, Punjab, Haryana and Maharashtra (Vasai, Virar, Palghar). Each connection would cost around ₹15,000-25,000 in urban areas, and the CGD companies would take 12-15 years to recover the cost.

GGL is India's largest CGD company, with 27 CGD licences in 44 districts in Gujarat, Maharashtra, Rajasthan, Haryana, Punjab, Madhya Pradesh and the Union Territory of Dadra and Nagar Haveli. GGL is engaged in the marketing and distribution of natural gas (piped and compressed) and currently supplies PNG to industrial, commercial and domestic customers along with CNG to the transportation sector. Gujarat Gas is also looking to set up over 200 CNG stations, which will be fully dealer-owned and dealer-operated (DODO).

Core sector growth slows to 6.3% in May

SHIVA RAJORA

New Delhi, 28 June

Growth in the output of eight key infrastructure industries — known as the core sector — slowed to 6.3 per cent in May from 6.7 per cent in April.

The slowdown was on the back of a sequential deceleration in the output growth of six sectors during the month.

According to the data released by the ministry of commerce and industry on Friday, output decelerated in sectors like natural gas (7.5 per cent), refinery products (0.5 per cent) and steel (7.6 per cent) during May.

Meanwhile, the output of fertilisers (-1.7 per cent), cement (-0.8 per cent) and crude oil (-1.1 per cent) contracted during the month. However, the growth in output of coal (10.2 per cent) and electricity (12.8 per cent) accelerated in May.

In May 2023, the core sector had recorded a growth of 5.2 per cent.

Madan Sabnavis, chief economist, Bank of Baroda, said the power sector



grew mainly due to the heat wave, which led to higher demand and higher power generation led to higher growth in mining as coal production increased.

“Cement production fell due to the strong double-digit base effect of last year. A slowdown in capex in May by the government affected some projects involving cement. Fertiliser production was down due to adequate stocks for sale during the kharif season. On the other hand, crude oil and refinery prod-

EASING PACE

Overall core sector growth



*Provisional

Sector-wise breakup for May 2024 (%Y-o-Y)

Coal	10.2	<div style="width: 100%;"></div>
Crude oil	-1.1	<div style="width: 100%;"></div>
Natural gas	7.5	<div style="width: 100%;"></div>
Refinery products	0.5	<div style="width: 100%;"></div>
Fertilizers	-1.7	<div style="width: 100%;"></div>
Steel	7.6	<div style="width: 100%;"></div>
Cement	-0.8	<div style="width: 100%;"></div>
Electricity	12.8	<div style="width: 100%;"></div>

Source: Ministry of Commerce & Industry

ucts witnessed low and negative growth, mainly due to lower demand for diesel,” he added.

Aditi Nayar, chief economist, ICRA Ratings, said that while core sector growth sustained above 6 per cent for the fourth consecutive month, it eased slightly. It was led by all the constituents except electricity and coal.

“A combination of factors, including the heat wave over parts of the country and the phased parliamentary elec-

tions, could have curtailed activity and execution in some sectors. At the same time, the heat wave boosted demand for power, which translated into growth for coal and electricity,” she added.

For first two months FY25, growth in the output of core industries stood at 6.5 per cent. The eight core industries account for 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). So, they have a significant impact on the index.

BOOST FOR LOW-CARBON ENERGY DEVELOPMENT

WB Lends \$1.5b Push to Power Green H₂ Mkt

Second tranche of financing a leg-up for electrolyser production, scaling up renewables

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New Delhi: The World Bank Friday approved a \$1.5 billion loan to help India accelerate low-carbon energy development by promoting a market for green hydrogen as well as electrolysers and renewable energy penetration.

The green financing will allow the country to scale up renewable energy and encourage finance for low-carbon energy investments, said World Bank India country director Auguste Tano Kouame.

The bank's board of executive directors approved the second tranche of financing to support

Support Structure

Funding to help start 450,000 tonne green H₂ production from FY25/26, mobilise private investment



Our financing is less about directly providing money to projects and more about providing support for advancing introduction of policies...



AUGUSTE TANO KOUAME
Country Director
World Bank India

the country's low-carbon transition on Friday.

The Indian economy is expected to continue to expand at a rapid pace and decoupling this from rising emissions will require scaling up renewable energy, as per the bank.

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Focus on Energy Efficiency

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The goal of the latest programme is to provide financing to support the government's policies and regulations that the government is putting in place to stimulate investment in energy transition, especially in green hydrogen and renewable energy, Kouame said.

"Our financing (operation) is less about directly providing money to the projects and more about providing support for advancing introduction of policies and regulations and technical assistance to the design of these interventions," he said.

The next step is to help the government mobilise more financing in the energy space with a focus on the private sector, he said. Beyond funding, the bank's energy programs will continue to look at renewable energy generation, especially offshore wind and floating solar. It will also look at energy efficiency and work with the government to make systems more efficient, such as green buildings.

The World Bank's programme in renewable energy is also aimed at helping integrate it into the grid, he said. The grid code should be amended to facilitate incorporation of higher proportion of renewable energy, he added.

The latest programme envisaged further green energy penetration through incentivising battery energy storage solutions that are required for round-the-clock clean power.

Core Infra Sectors Grow 6.3% in May

Maintain 6%-plus expansion for fourth straight month

'Core' Performance

% growth, y-o-y, in 8 infra industries



Source: Industry ministry

Our Bureau

New Delhi: Eight core infrastructure industries grew 6.3% in May from a year earlier, slower than the revised rate of 6.7% for April but maintaining a 6%-plus expansion for the fourth straight month, according to government data released on Friday.

The sequential slowdown in May was partly caused by heightened election campaigns and heat waves over vast swathes of the country that likely impacted project executions and input supply, some experts said. While project executions could have improved in June after the elections, an unfavourable base effect could keep core sector growth around the same level as in May, they said. The slowdown, albeit not so sharp, in the core sector performance in May could also weigh in the Index of Industrial Production (IIP), given its 40% weight in the IIP. Industrial production had grown 5% in April. The IIP data for May will be released on July 12.

An impressive 12.8% year-on-year jump in power generation and 10.2% rise in coal output in May amid the heat waves remained unmatched by other infrastructure industries. These industries had grown 10.2% and 7.5%, respectively, in April.

Crude oil, fertiliser and cement production in May contracted from a year before by 1.1%, 1.7% and 0.8%, respectively. The output of steel grew 7.6% against 8.9% in the previous month and that of refinery products rose 0.5%, against 3.9%. Natural gas output expanded 7.5% in May, compared with 8.6% in the previous month.

The growth in core infrastructure industries in the first two months of the fiscal year touched 6.5%, against 4.9% a year before, the data showed.

"A combination of factors including the heat wave over parts of the country and the phased parliamentary elections could have curtailed activity and execution in some sectors (in May)," Icria chief economist Aditi Nayar said. "We expect the IIP growth print at 4-5% in May," she added.

WHAT EXPERTS SAY

Slowdown was partly caused by heightened election campaign and heat waves that may have impacted project execution and input supply



मुंबई में पेट्रोल 65 पैसे डीजल 2.60 रुपये सस्ता

मुंबई। महाराष्ट्र सरकार ने मुंबई महानगर क्षेत्र में ईंधन पर मूल्य वर्धित कर (वैट) में शुक्रवार को कटौती की। इससे पेट्रोल 65 पैसे प्रति लीटर और डीजल 2.60 रुपये प्रति लीटर सस्ता हो जाएगा। यह घोषणा राज्य के उप मुख्यमंत्री एवं वित्त मंत्री अजित पवार ने राज्य का सालाना बजट पेश करते हुए की। उन्होंने कहा कि यह निर्णय केवल मुंबई महानगर क्षेत्र में लागू होगा। इस कदम से राज्य के खजाने पर 200 करोड़ रुपये का बोझ पड़ेगा। घोषणा के बाद संवाददाताओं से बातचीत में मुख्यमंत्री एकनाथ शिंदे ने कहा, ' बजट में वैट में कटौती का प्रस्ताव किया गया है। राज्य विधानसभा और विधान परिषद द्वारा बजट पारित होने के बाद यह निर्णय एक जुलाई से लागू हो जाएगा।'