

US CAUTIONS INDIA INC

'Avoid export of missile-related items to Russia'

Flags risk of suppliers facing Western sanctions

SHREYA NANDI

New Delhi, 19 August

The US government has cautioned Indian manufacturers to ensure that items, including defence equipment, are not exported to Russia. Such exports could support Russia's missile systems and increase the risk of these companies facing Western sanctions.

A senior government official said, "US officials are leading consultation and sensitisation meetings with the industry to raise awareness about avoiding the export of specific products such as chemicals, aeronautical parts, and components that could be used in missile systems."

The official clarified that while the items exported to Russia are of dual use, they are not included on the Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) list. This list covers the export of certain dual-use items, munitions, and nuclear-related materials, including software and technology. Exports of these items are either prohibited or regulated under a licence.

This development follows recent US sanctions imposed on some Indian firms for circumventing efforts to isolate Russia amid ongoing geopolitical tensions. The situation began over two years ago when the conflict between Russia and Ukraine led Western nations to impose sanctions on Moscow in early 2022. India, however, maintained a neutral stance, balancing its interests and relationships with both the West and Russia.

Bilateral trade between India and Russia has grown rapidly, particularly in the past two and a half years, largely due to increased oil imports from Russia following its standoff with Ukraine in February 2022. Despite this, India's export growth to Russia has been modest, leading to a widening trade deficit.

According to data from the commerce department, exports to Russia grew 35 per cent year-on-year (Y-o-Y) to \$4.26 billion during 2023-24. Engineering goods exports to Russia saw



ILLUSTRATION: BINAY SINHA

DUAL-USE GOODS A CONCERN

- US held consultations and sensitisation meetings with the industry to increase awareness about avoiding specific product exports
- Items of concern include chemicals, aeronautical parts, and components used in missile systems
- These items are dual-use but not included on the SCOMET list, which covers certain controlled items and technologies

an 85 per cent Y-o-Y increase to \$1.35 billion, although overall exports of such goods grew only 2 per cent.

A Reuters report last month cited a US Treasury official warning Indian banks that financial institutions engaging with Russia's military-industrial base risk losing access to the US financial system. The warning was communicated to Indian banks and industry associations.

Business Line Dt: 21/08/24

Thermal coal imports shrink to six-month low in July

Rishi Ranjan Kala
New Delhi

India's thermal coal imports declined to a six-month low in July 2024, reflecting the seasonal weakness in power demand as monsoon rains lashed the country, bringing down temperatures.

Growth in hydropower and wind energy segments also aided in lowering electricity demand from thermal power plants (TPPs).

According to energy intelligence firm Kpler, India's seaborne thermal coal imports fell, albeit marginally, by 1 per cent on a monthly basis last month to 13.57 million tonnes (mt).

However, the in-bound shipments were higher by 21 per cent y-o-y reflecting India's growing industrial and commercial base.

Kpler's Lead Major Dry

Rishi Ranjan Kala
New Delhi

India's thermal coal imports

(million tonnes)

	Jan	Feb	Mar	Apr	May	Jun	Aug
2022	7.38	7.74	16.39	12.56	14.68	19.17	18.83
2023	10.55	10.78	13.52	14.73	17.65	13.43	11.18
2024	13.68	14.15	15.12	16.23	16.99	13.62	13.57

Source: Kpler

Bulks Analyst, Alexis Ellender told *businessline*, "Indian thermal coal imports slowed to a six-month low of 13.57 mt in July as a combination of lower-than-usual monsoon season temperatures and firm hydropower and wind generation output lowered energy demand for air conditioning."

ROBUST SITUATION

Nevertheless, July thermal coal imports were still up by 2.39 mt y-o-y, supported by underlying growth as the country's economy expands and industrialises, he added.

Ellender pointed out that

India's domestic thermal coal supply situation remains robust.

"Coal stockpiles at power stations monitored by the Central Electricity Authority (CEA) were still above 45 mt at the end of July, around a third higher y-o-y. At the same time, annual growth in domestic coal production last month went up by 6.36 per cent y-o-y to 74 mt, although lower m-o-m due to monsoon-induced disruption to mining operations," he added.

The rate of annual growth in India's domestic coal production is likely to be lower in

the coming months due to the higher base in 2023, he emphasised.

The country's power demand has also come down in the past couple of months with showers bringing down temperatures.

During July, India's energy consumption rose by around 4 per cent y-o-y to 145.4 billion units (BU). Compared to July, energy consumption rose by 9 per cent on an annual basis to 152.4 BU in June 2024.

Similarly, energy consumption grew 15 per cent y-o-y to 156.31 BU in May, when India's peak demand hit a record 250 gigawatts (GW).

Besides, coal production rose by roughly 7 per cent y-o-y to 74.07 mt in July 2024. Despatches of the critical commodity were higher by around 5 per cent to 79.54 mt during the same month.

Business Line: Dt: 21/08/24

Swiss watch exports ticking as US, Japan offset big China drop

Bloomberg

Swiss watch exports eked out a slight gain in July as strong shipments to the US and Japan outweighed further declines in demand for premium and luxury timepieces in China and Hong Kong.

Shipments rose 1.6 per cent by value to 2.2 billion Swiss francs (\$2.6 billion) in July from a year earlier as the number of watches exported during the month remained

constant at about 1.4 million units, the Federation of the Swiss Watch Industry said Tuesday.

The increases were driven by an 11 per cent jump in exports to the US, the biggest market and a 26 per cent surge to Japan, which overtook China as the second-biggest market for Swiss timepieces. The gains were countered by continued export declines to China and Hong Kong, which fell 33 per cent and 19 per cent respectively as a downturn in real es-

tate values continues to roil consumer sentiment.

The latest numbers show the surprising resilience of the US market, which overtook China as the top destination for Swiss watches in 2021 as well as Japan's ongoing strength as a watch-shopping hub in Asia due to its weak currency.

The figures also underscore the depth and persistence of a China-led slowdown that's tearing through the industry and hurting the top Swiss watch brands.

Business Line. Dt:- 21/08/24

Gem, jewellery exports down 23% in July on global uncertainty

Our Bureau
Mumbai

Gem and jewellery exports continued their downward trend and plunged 23 per cent in July to \$1.66 billion (₹13,922 crore) against \$2.17 billion (₹17,832 crore) logged in the same period last year, amid growing geopolitical concern.

Imports declined 17 per cent to \$1.4 billion (₹11,739 crore) against \$1.68 billion (₹13,832 crore) registered in the same period last year, according to Gems and Jewellery Export Promotion Council data.

Cut and polished diamond exports were down 23 per cent to \$908 million (\$1.17 billion) due to a sharp decline in diamond trade with China, which accounts for 10-15 per cent of exports from India. The import of cut and polished diamonds almost halved to \$82 million (\$166 million).

Imports of rough dia-



LOSING GLITTER. The industry faced muted trade for the past 18 months and the renewed geopolitical tensions in West Asia have only added to the uncertainty

monds dropped 16 per cent to \$4.3 billion on weak demand for value-added products. As the world's largest diamond processing hub, the sector in India is experiencing a sense of gloom.

SLACK DEMAND

Shipments of polished lab grown diamonds also fell 10 per cent to \$95 million in July due to weak demand amid falling natural diamond prices. Gold jewellery exports also dropped 12 per

cent to \$530 million as prices inched up. Export of coloured gemstones was down at \$114 million (\$153 million) on the back of subdued demand.

Colin Shah, MD, Kama Jewelry, said the industry was going through uncertain times with muted trade activity for the past year and a half. The re-emergence of geopolitical tensions in West Asia had again turned the scenario towards uncertainty.

Business Line. Dt: 21/08/24

Oilmeals export down 2.3% in April-July

Our Bureau
Mangaluru

India exported 15.54 lakh tonnes (lt) of oilmeals during April-July of 2023-24 against 15.91 lt in the year-ago period, registering a decline of 2.32 per cent.

BV Mehta, Executive Director of the Solvent Extractors' Association of India (SEA), attributed this decline to the reduction in export of rapeseed meal and castorseed meal.

Added to this, there was no export of de-oiled ricebran since September 2023 due to a ban on its export.

RICEBRAN EXPORTS

Stating the government had decided to extend export prohibition of de-oiled



Reduction in rapeseed and castorseed meal dragged the overall shipments down

ports to Iran and France stood at 1.14 lt and 54,481 tonnes respectively during the period.

India exported 7.58 lt of rapeseed meal during April-July 2023-24 against 8.94 lt in April-July of 2022-23. Bangladesh is one of the major importers of rapeseed meal.

MAJOR IMPORTERS

The current crisis in Bangladesh may affect sale, at least temporarily, halting export of rapeseed meal, mainly exported by road or

rail rakes, he said.

South Korea, Thailand, Vietnam and Bangladesh are the major importers of oilmeals from India. South Korea imported 3.22 lt of oilmeals during the first four months of 2023-24 (3.49 lt in April-July 2022-23). This included 2.49 lt of rapeseed meal, 55,269 tonnes of castorseed meal and 17,159 tonnes of soyabean meal.

India exported 79,945 tonnes (2.42 lt) of oilmeals to Vietnam during April-July 2023-24, while Thailand imported 1.21 lt of oilmeals (2.46 lt) during the first four months of 2023-24.

India exported 2.88 lt (3.28 lt) of oilmeals to Bangladesh during April-July 2023-24. This included 2.49 lt of rapeseed meal and 39,025 tonnes of soyabean meal.

Govt may reduce floor price for basmati exports

GRAIN SHIPMENTS

● Volume (in million tonne)



Source: Dgcis



SANDIP DAS

New Delhi, August 20

THE GOVERNMENT IS considering a proposal to reduce the minimum export price (MEP) of \$950/tonne imposed on shipment of basmati rice last year, as global prices of some varieties of the aromatic grain have fallen below the floor. The prices have declined amid expectations of a good harvest this kharif season and high carry-over stocks.

Sources told *FE* that there have been several rounds of discussions with exporters and a decision on the MEP reduction is expected soon.

Mandi price of early harvested 1509 basmati paddy variety has declined to ₹2,500/quintal from ₹3,000 a year ago. The arrival, which is expected to commence by the end of next month, is likely to pull down the price of premium Pusa 1121 variety of paddy below last year's level of ₹4,000/quintal.

The production of basmati rice is projected to rise 10% this year from 7 million tonne (MT) in the previous year because of a higher cultivation area. Punjab has reported more than 12% increase in the area under basmati cultivation to 0.67 million hectare (MH) this year from 0.59 MH last year. In addition, exporters said that there will be around 0.5 MT of carry forward stock in the next season (2024-25) starting October 1.

The government hiked MEP for basmati rice to \$1,200/tonne in August last year to restrict "illegal shipment of white non-basmati rice", export of which was banned in July last year, but subsequently

reduced it to \$950 tonne in October.

"In the two months last year when the government hiked MEP...we lost the market to Pakistan by more than 0.5 MT," Ranjit Singh Jossan, vice president, Rice Millers and Exporters Association of Punjab, told *FE*. Jossan said a reduction in the MEP to \$700 per tonne would make aromatic rice shipment from India more competitive with Pakistan, which currently imposes an MEP of \$750/tonne on basmati rice.

Exporters said a higher MEP would also be detrimental to domestic prices as lesser exports would bring down prices. Out of the 7 MT of basmati rice last year, only 2 MT was consumed domestically.

"Importing countries have created a huge stock of basmati rice last fiscal and carry forward stocks have been higher because of bumper output in the last kharif season," said Vijay Setia, managing director, Chaman Lal Setia Exports, a leading exporter of aromatic rice.

In FY24, India exported a record 5.24 MT of aromatic rice valued at \$5.83 billion. In April-May of FY25, the country exported 0.96 MT of basmati rice, which was 15% higher year-on-year.

Geographical Indication-tagged basmati rice is grown in 70-odd districts in Punjab, Haryana, western Uttar Pradesh, Jammu & Kashmir and Uttarakhand. The aromatic and long grain rice commands a premium in the global market. India has a share of around 75%- 80% in the world aromatic rice market, while Pakistan holds a share of around 20% in basmati rice exports.

Business Like. Dt: 22/08/24

Natural rubber rates decline on rising imports, domestic arrivals

V Sajeew Kumar
Kochi

After surging to a record high of ₹255 for RSS-4 in the previous weeks, natural rubber prices moved south to reach ₹235. Latex prices also came down to ₹210 from ₹250.

Rubber dealers cited increased domestic arrivals, coupled with the large quantity of imports, as the reason for the prices to drop.

George Vally, president of the Indian Rubber Dealers Federation, said the continuing rain in plantations had

not hindered tapping, thanks to the completion of rain-guarding in a majority of trees. This has ensured more arrivals to the domestic market, coupled with the release of available stocks in the North-East.

Higher arrivals of natural rubber in the domestic market are likely to affect prices further, he said.

MORE IMPORTS?

Quoting Rubber Board figures, he said natural rubber imports in July alone were 60,000 tonnes; besides this, an additional 20,000 tonnes

of rubber compound was imported from ASEAN countries.

Thus, the imported quantity available in the market was 80,000 tonnes, he said, adding that the market is expecting another 1 lakh tonnes of imports in August and September to meet the demand of the consuming industries.

He said the price difference between highly imported block rubber and domestic material, which has limited availability, facilitated the consuming industry to go for more imports.



Tyre companies have limited procurement from domestic market on increased imports

Tyre companies have limited their procurement from the domestic market due to

increased imports. The aggressive tapping in the untapped areas in the recent period because of price rise is expected to mop up domestic production which would improve stock availability in the market, he said.

'UNUSUALLY HIGH'

According to PC Cyriac, former Rubber Board Chairman, the South-West monsoon usually ends in the rubber belt of Kerala by mid-August and the next five months is the peak production season for small rubber growers.

As the supply would be more than the demand, the consuming industry would try to lower their procurement.

But this year, the Bangkok market price of sheet rubber remains unusually high. China is on a buying spree. And the shipping bottleneck continues unabated. So, the domestic price is likely to be firm in the next couple of months, he said.

Growers in Kerala have carried out rain-guarding to tap earnestly and reap some profit after the last 10 years of losses, he said.

Post ECTA, agri exports to Australia increase

Vishwanath Kulkarni

Bengaluru

India's agricultural exports to Australia are up 58 per cent during the first half of 2024 with the first phase of the Australia-India Economic Co-operation and Trade Agreement (ECTA) working well, said Australian High Commissioner to India Philip Green.

He said the growth in India's agri exports post ECTA is mainly due to an increase in the shipments of commodities such as rice, tea, coffee and oilseeds, among others. Australia has a big population of Indian origin.

GRAINS SHIPMENTS UP

Post ECTA, India's agri exports to Australia during H1 2024 stood at nearly A\$250 million (A\$1 equals ₹56.58) compared with the pre-ECTA period (H1 2022).



Philip Green, Australian High Commissioner to India

Green, who is leading a delegation of eight Australian ag-tech companies and universities to places like Delhi, Lucknow and Bengaluru, said the step-up agri engagements like collaboration will strengthen trade between the countries.

Australian companies have a lot of technologies and expertise in areas such as grains, horticulture and dairying, among others, to offer to Indian farmers.

Rice shipments during H1 2024 were up 56 per cent at A\$60 million while the export of butter and dairy spreads were up 63 per cent at A\$7 million.

AVACADO IN DEMAND

Oilseeds export had also picked up during the year to A\$20 million, up 45 per cent over the corresponding period in the previous year. Exports of other items such as vegetable extracts,

sweets and food supplements have witnessed growth this year.

Green said more agritech co-operation can improve yields and improve supply chain technologies, support the interlocking benefit between the Australian and Indian agri trade. A recent breakthrough for Australia in India includes avocados. "Australian avocados have now landed here and are part of the Indian food supply chain. The big trade is in the field of lentils, cotton and almonds, and that will only continue," he said.

During 2023, Indian agri exports to Australia stood at A\$640 million, up 15 per cent from the previous year's A\$550 million.

Australia's agri exports to India also grew by some 60 per cent during 2023 to around A\$1.6 billion, compared with A\$1 billion the previous year.

Business Line Dt: 22/08/24

Centre allows export of 2 lakh tonnes of white rice to Malaysia under G2G route

Our Bureau
New Delhi

The government has permitted the export of 2 lakh tonnes (1t) of non-Basmati white rice to Malaysia under government-to-government (G2G) agreement, taking the total approval to 2.04 lt so far this fiscal.

The latest approval stipulated the shipments to be carried out through the National Cooperative Exports Limited (NCEL).

DOMESTIC PRICES

India had banned the export of non-basmati white and broken rice and imposed 20 per cent duty on shipments of parboiled non-Basmati rice in 2023 to check domestic prices.

However, permits have



BIG DROP. Non-Basmati rice exports dropped to 19,35,045 tonnes in April-May this fiscal from 28,46,216 tonnes a year ago

been granted from time to time to allow the export of white rice through the NCEL based on diplomatic requests of friendly countries to meet their food security needs.

Exports of 2,00,000 tonnes of non-Basmati white rice has been allowed to

Malaysia through NCEL, the Directorate General of Foreign Trade (DGFT) said in a notification on August 19.

SALES OF FCI STOCK

In April, the DGFT had allowed the export of 1,000 tonnes of Kala Namak rice (a GI type grown in Uttar Pra-

desh) by asking the State government to issue the permit.

It also allowed 1,000 tonnes to be exported to Malawi and Zimbabwe in June and to Namibia in July.

Last year, exports of some quantities of white non-Basmati were allowed to countries like Nepal, Cameroon, Cote D' Ivoire, Guinea, Malaysia, the UAE, Philippines and Seychelles.

Recently, the government resumed sale of rice from the stock held by the Food Corporation of India through a weekly e-auction.

However, the offtake is very less at about 5,000 tonnes, sources said.

Exporters said the government should lift the ban on export of white rice and, if required, it could fix a minimum export price (MEP).

iPhones ring in record mobile exports

\$6.49-bn phones shipped from India in April-July

RISHI RAJ

New Delhi, August 21

MOBILE PHONE EXPORTS from India continue to grow at a rapid pace. Led by iPhones, mobile phone exports for the first four months of the current fiscal — April-July — have touched \$6.49 billion, a jump of 39% over the same period last fiscal.

Mobile phone exports also saw an increase of 159% over FY23, showing a steady growth after the announcement of the smartphone PLI scheme.

In FY23, mobile exports for the first four months totalled \$2.5 billion, while in FY24, they reached \$4.67 billion.

RAPID RISE

■ Apr-July mobile phone exports surge **159%** over same period in FY23

■ iPhone exports exceeded

\$1 billion for fourth straight month this fiscal



■ In July, total exports crossed **\$1.6 bn**, a 68% growth over last year

■ Samsung contributed nearly 23%; remaining 7% from other sources

For July, the total exports crossed \$1.6 billion, registering a 68% growth over the same month last year, when

mobile exports clocked in \$951 million for the month.

Apple's iPhone exports exceeded \$1 billion for the fourth month running in the current fiscal. This is the first time since the launch of the PLI scheme that Apple's iPhone exports have continuously crossed the \$1-billion mark each month.

With total iPhone exports from India for the first four months hitting \$4.5 billion, iPhone exports alone constitute close to 70% of the total mobile exports from India during the four-month period.

According to industry figures, Samsung has contributed close to 23% and the remaining 7% is from other sources, including a small fraction from Padget.

Continued on Page 9

India's urea import dependence may decline 10-15% in near-term on new capacity addition, says Crisil

Our Bureau
Bengaluru

The import dependency in India's urea sector is expected to reduce to around 10-15 per cent in the near term from a peak of around 30 per cent in the 2021 fiscal, mainly driven by the commencement and stabilisation of new capacities, a Crisil Ratings study said.

These new plants will see steady regulated returns as utilisation improves. As for the legacy capacities, profits will remain stable this fiscal, in line with raw material prices and policies.

That, and adequate subsidy allocation will keep credit profiles stable. A Crisil Ratings analysis of urea makers, which account for about 70 per cent of the industry capacity, indicates as much. The urea industry, contributes to around 55 per cent of the chemical fertilizer demand and has taken



strong strides towards self-sufficiency. Urea demand growth had outpaced production between fiscals 2007 and 2012 because of which the share of imports rose to 20-25 per cent of consumption, Crisil Ratings said in a statement.

NIP 2012

To boost domestic production, the government notified the New Investment Policy 2012 (NIP 2012) in fiscal 2013. Under this, six plants with a total capacity of about 7.62 million tonnes (around 25 per cent of the

domestic capacity) have been gradually commissioned over the past five fiscals.

Anand Kulkarni, Director, Crisil Ratings, said, "The NIP 2012 has played a crucial role in reducing import dependence structurally. The new plants are expected to operate at about 100 per cent capacity utilisation this fiscal, as against 85-90 per cent in the previous fiscal, as operations stabilise. The likely commissioning of one more plant by next fiscal will further boost domestic production."

The higher capacity utilisation will improve operating efficiency and profitability of the new plants this fiscal.

These plants have healthy profitability due to minimum committed return on equity of 12 per cent under NIP 2012.

For the rest of the industry (about 75 per cent of the capacity), profitability should

hold the line given stable natural gas prices and unchanged policy norms on energy efficiency and fixed-cost reimbursements.

Working capital cycles remain stable, too, backed by government measures. The urea industry relies heavily on government subsidies, which is typically 80-85 per cent of the sales.

Nitin Bansal, Associate Director, Crisil Ratings, said: "The budgetary allocation of ₹1.19 lakh crore for urea will be adequate and hence no major build-up of subsidy receivables is expected this fiscal."

"Additionally, expectation of timely subsidy disbursement by the government, in line with the track record over the past few years, augurs well for credit profiles. With no significant capital expenditure, the net leverage is expected to remain comfortable at around three times this fiscal, in line with fiscal 2024."