

Incentive scheme for services exports to go

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New Delhi, November 9

THE GOVERNMENT HAS decided to do away with incentives to services exporters under the flagship Services Exports from India Scheme (SEIS). The next foreign trade policy (FTP) won't include a scheme replacing the SEIS, official and trade sources told *FE*. The FTP is expected to be unveiled in March 2023 and implemented from the next fiscal.

Given the limited resources, the government may also refrain from providing exporters the SEIS benefits for FY22 and this fiscal, one of the sources said.

"The withdrawal of incentives for services exports is being done on the basis of a cost-benefit analysis. Services exports are doing well even without the incentives. So, support should be extended to those players or sectors that require more help," said the sources.

However, the government may offer greater assistance to services exporters for marketing of select services overseas in the next FTP to help them grab orders, said the sources.

Under SEIS, the government offered domestic exporters duty credit scrips at 3-5% of the net foreign exchange earned in FY20, depending on the nature of services. In FY19, the incentives were higher at 5-7%.

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Last year, the government announced an assistance of ₹10,002 crore to clear all the dues under SEIS until FY21. Trade analysts say the actual outgo under SEIS could be around ₹4,000 crore a year, although latest official data are not available.

Importantly, while the Merchandise Exports from India Scheme (MEIS) has been replaced by a new tax remission scheme RoDTEP from January 2021, no such replacement is being planned for services exporters.

The plan to not extend the incentives comes at a time when exports of services are performing better than those of goods, despite a slowdown in advanced markets.

India's services exports rose 23% year-on-year last fiscal to \$254 billion. Over 60% of the services exports were accounted for by software services, and companies in this space barely need any government support for exports, said an official source.

In the first half of this fiscal, overall services exports jumped 28% to \$150 billion. In contrast, merchandise exports rose 17% to \$232 billion, primarily driven by decent expansion in the first quarter; this growth slowed down to just 4.8% in September.

DGFT notifies export incentives on ₹ receipts

FE BUREAU

New Delhi, November 9

THE COMMERCE MINISTRY on Wednesday notified guidelines that will promote international trade settlement in rupees. It will enable exporters to get stipulated benefits under the foreign trade policy even if the export realisation is in the domestic currency, and not dollar, in select cases, trade analysts said.

The Directorate General of Foreign Trade (DGFT) had already notified its decision to allow invoicing, payment and settlement of external trade in the rupee. The move was required to align the foreign trade policy of the government with the July announcement of the Reserve Bank of India (RBI) and facilitate rupee trade. The RBI had in July notified the new mechanism to settle international trade in rupees to reduce the depreciation of the rupee against the dollar. Earlier, finance minister Nirmala Sitharaman had said many countries had expressed interest for settling bilateral trade with India in the rupee.

The latest notification said that changes have been introduced in the Foreign Trade Policy (FTP) for grant of export benefits, fulfilment of export obligation, and for export realisations in Indian rupees as per the RBI guidelines released in July.

tion of proceeds, along with details

Financial Express dt. 10.11.22

Sugar mills aggressively signing export deals

REUTERS

MUMBAI, November 9

INDIAN SUGAR MILLS are aggressively signing export deals, contracting for about 1 million tonne just four days after New Delhi approved exports, as they get higher prices for their product in global markets, four dealers told Reuters.

The quick shipments from the world's biggest producer of the sweetener and its second biggest exporter, could weigh on global prices, but help Indian mills in liquidating stockpiles quickly.

"The industry was waiting for the government to announce the policy," said a dealer with a global trading house based in Mumbai.

"As soon as the policy was announced, traders and millers started signing export deals," added the dealer, who spoke on condition of anonymity. India's approval came late on Saturday for the export of 6 million tonnes of sugar in the 2022/2023 marketing year that started on Oct. 1. After the announcement, mills have sealed deals to export about 1 million tonnes of sugar, said Rahil Shaikh, the managing director of exporter MEIR Commodities India.

Traders can claim export benefits for ₹ payments

Foreign trade directorate makes key amendments to foreign trade policy

SHREYA NANDI

New Delhi, 9 November

The Centre on Wednesday amended the foreign trade policy (FTP) to enable traders to claim export benefits even if payment is settled in the rupee. So far, export incentives were available only when the trade was settled in a foreign currency.

The amendments by the Directorate General of Foreign Trade (DGFT) came into force with immediate effect.

The development comes against the backdrop of the mechanism to settle international trade transactions in the rupee which was unveiled by the Reserve Bank of India (RBI) in July. Given the government's push towards the internationalisation of the rupee, these policy amendments shall help ease international trade transactions in the domestic currency.

"The Government of India has made suitable amendments in the Foreign Trade Policy and Handbook of Procedures to allow for international trade settlement in Indian rupees (INR) i.e. invoicing, payment, and settlement of exports/imports in Indian rupees," the department of commerce said in a statement.

Currently, benefits under these schemes are available if the payment is received in a foreign currency, except in the case of sanction-hit Iran. These amendments will be applicable for goods imported for export, realisation of export proceeds under Advance Authorisation (AA), Duty-Free Import Authorisation (DFIA) schemes, and realisation of export proceeds under the Export Promotion Capital Goods (EPCG) scheme.

Exporters had earlier said that to do the costing for exports in domestic currency, they need clarity with regard to the applicability of export benefits. Besides, a lot of exporters who had imported under various schemes require clarification regarding the acceptance of export obligations in the rupee against imports made in a free foreign currency.

The RBI in July said that rupee trade was being allowed to promote growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR. According to the mechanism



Jewellery exports may face challenge in H2

After witnessing a cumulative growth of 6 per cent during the first six months of FY23, the second half of the year could be slightly "challenging" for exports of gems and jewellery items from India, amid uncertainties in some of its largest markets such as China, Gem and Jewellery Export Promotion Council Chairman Vipul Shah said. "The sector is cautiously optimistic (in terms of the outlook). We are seeing rising interest rates (in

the global market), and the ongoing Russia-Ukraine war. We don't know what will be the outlook of the Chinese market, with the new five-year tenure of the leadership in that country. All these (factors) need to be looked at," Shah told *Business Standard* in an interview. He said during the first half of the current financial year, the gems and jewellery sector outperformed as compared to other sectors.

SHREYA NANDI

finalised by the RBI, banks of partner countries can approach authorised dealer (AD) banks in India for opening special rupee vostro accounts. The bank will then have to seek approval from the central bank with details of such an arrangement.

While the rupee trade mechanism is yet to pick up in full swing, exporters hope that it will help increase India's exports to countries facing acute foreign exchange shortages or those covered by sanctions. Two domestic lenders — UCO Bank and YES Bank — are in talks with their Russian counterparts to settle international trade between the two nations in the rupee.

"The changes in the Foreign Trade

Policy will facilitate trade in domestic currency and hence boost exports. The decision will help the engineering goods sector in achieving the export target of \$127 billion set by the government for the current fiscal year. During the April-September period of FY23, engineering goods exports stood at \$55.15 billion," Engineering and Export Promotion Council of India (EEPC) Chairman Arun Kumar Garodia said.

India is also in touch with smaller nations, such as Cuba, Sudan, and Luxembourg, to settle international trade in the domestic currency, but nothing has materialised as of now.

Bharat Forge gets ₹1.2K-cr order to export artillery

Order value over 1/10th of India's defence exports in each of last 2 years

AJAI SHUKLA

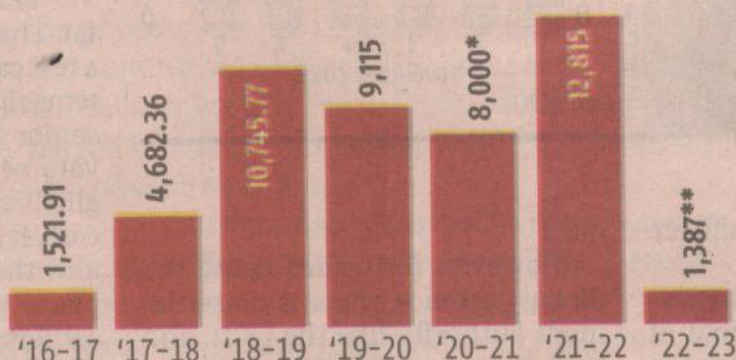
New Delhi, 9 November

In a breakthrough in indigenous weapons systems exports, Pune-based Bharat Forge announced on Wednesday that Kalyani Strategic Systems — a wholly owned subsidiary — “has been awarded an export order for a 155-millimetre (mm) artillery gun platform to be executed over a three-year time frame”.

“The total value of the order is \$155.5 million,” stated a company media release. That amounts to approximately ₹1,265 crore — more than one-tenth the value of India's annual defence exports in each of the last two years. Bharat Forge has neither announced the name of the buyer country nor the type of gun being exported. However, Ministry of Defence (MoD) sources have confirmed that the buyer

STEADY GROWTH

India's total defence exports (₹cr)



Note: *approximate value; **as on June 30, 2022

Source: Analysis based on Budget figures

country is Armenia and the order consists of 155 mm, 39-calibre howitzers mounted on trucks for mobility. Sources in the MoD say the order has been made public only to conform to the Securities and Exchange Board of India regulations that demand the publication of information likely to affect stock prices. Bharat Forge had its board meeting on Wednesday. At the price that Bharat Forge has divulged,

the Armenian order will involve the purchase of four to five regiments of 155 mm mounted gun systems (MGS). Each regiment consists of 18-20 guns.

“This order, to a non-conflict zone, is a great testament to the Government of India's Aatmanirbhar Bharat agenda and its sustained push to promote exports of indigenously designed, developed, and manufactured advanced defence plat-

forms from India,” stated the Bharat Forge press release. Bharat Forge is becoming a big player in artillery gun systems, along with Tata Advanced Systems. Both companies are working with the Defence Research and Development Organisation in developing the indigenous Advanced Towed Artillery Gun System, a 155 mm, 52-calibre howitzer that is significantly heavier, more powerful, and has a longer range than the MGS. This order will have a significant impact on the growth of overall defence exports. The government had stated in the Rajya Sabha on February 10, 2020, that India's defence exports had grown sevenfold in two years - from ₹1,522 crore in 2016-17 to ₹10,746 crore in 2018-19.

According to a target set by MoD in the Defence Production Policy of 2018, the annual defence exports are to grow to \$5 billion by 2023.

Business Line dt.10.11.22

Govt may include steel in export incentive scheme

Reuters

New Delhi

The Commerce Ministry has sought to extend an export promotion scheme to reimburse export duty for domestic steel producers, a senior government official said, as the industry reels from steep fall in shipments.

The Remission of Duties and Taxes on Export Products (RoDTEP) scheme offers refunds against various embedded taxes to exporters across sectors such as automobiles and agriculture, with steel exports presently outside its remit.

Finished steel exports more than halved during the first seven months of the fiscal year.

"The Finance Ministry will take a call on this, as expanding the scheme requires additional budgetary support," the official told *Reuters*. The gov-

ernment will have to set aside nearly \$244 million (₹1,984 crore) annually to offer refunds on such taxes to the steel sector, the source added.

The Commerce and Finance Ministries did not immediately reply to a *Reuters* e-mail requesting comment.

Levies, duties and taxes, which are not subsumed in the goods and services tax, can add 8-12 per cent to costs for the steel industry, said Alok Sahay, Secretary General and Executive Head at Indian Steel Association.

"The steel industry needs RoDTEP to offset these embedded costs of industry for parity with other exporting countries," Sahay said.

However, the Commerce Ministry also had to contend with competing proposals that offer production-linked incentives to domestic manufacturers, which require Central funding support, the official said.

Led by oil, Russia becomes 5th largest exporter to India

ON A HIGH. As discounted oil imports are set to rise further, India wants to step up exports

Amiti Sen
Rishi Ranjan Kala
New Delhi

Crude and petroleum products dominated India's import basket from Russia in the first half of 2022-23, with Moscow becoming the fifth largest source for many items for the country. The Ukraine conflict and the consequent economic sanctions on Russia by the West have improved trade prospects between India and Russia. Imports of coal and coke, and fertilisers also increased.

However, while India's imports from Russia in April-September period surged 410 per cent to \$21.34 billion, its exports declined 18.8 per cent to \$1.3 billion, leaving a trade gap of \$20 billion, per government figures. "Attempts are on to increase exports to Russia as the success of the rupee trade mechanism, which is being implemented by the two countries to bypass Western sanctions, hinges on a better-balanced bilateral trade. With such a large trade deficit, Russia may be left with a huge rupee surplus that it receives for

DEEPENING TIES

- India's imports from Russia in the April-September period spiked 410% to \$21.34 billion
- India's exports to Russia fell 18.8% Y-o-Y in H1 FY23, creating a trade gap of \$20 billion
- To check the growing trade gap, India is now exploring avenues to increase exports to Russia
- During April-September, India's imports from Russia of coal and coke were at \$2.25 billion, petroleum products at \$1.52 billion and fertiliser at \$1.6 billion



its exports," said a source tracking the matter.

With Russia identifying items such as food, pharmaceuticals and engineering goods that it can source from India and also suggesting the names of interested companies, work is apace on this front.

DISCOUNTS ON OIL

Following the economic sanctions imposed on it, Russian discounts on oil during April-June went up to \$35 per barrel, with India getting oil at about \$75/barrel. Consequently, in

the first six months of 2022-23, India sourced crude worth \$14 billion from Russia accounting for 15.62 per cent of its total oil imports up from less than 2 per cent last fiscal.

"This scenario will play out again. With crude projected at \$98-103 a barrel in H1 (calendar 2023), India might be able to secure supplies for \$68-75, depending on how the Russian situation pans out," said sources. Russia jumped to the position of No 3 crude supplier to India (after Iraq and Saudi Arabia) in April-September,

per Commerce Ministry data. While data from energy intelligence firm Vortexa marks Russia as India's top oil supplier in October, it is yet to be corroborated by Delhi.

"It is not always that India, as a top oil consumer, gets preference from suppliers. Our first responsibility is energy security for the 1.35 billion Indians. As Russians are willing to give discounts, Saudi Arabia has also cut prices, and Iraq, too, has offered some discounts on Basrah (crude oil). The tilt right now is with Russia as it seems more accommodative to our requirements," said an official.

"Foreign Minister S Jaishankar said in Moscow that India will continue to source oil from Russia which indicates that Moscow's share in India's import basket may grow," said an official.

G7 PRICE CAP

Moreover, as the G7 price cap and more stringent European sanctions are to kick in next month, Russia may want to come even closer to India for crude cargoes as direct contracts with Europe may stop, an OMC official explained.

Business Line dt.10.11.22

Exporters engaging in rupee trade can benefit from export promotion schemes

Our Bureau
New Delhi

To allow exporters engaging in rupee trade to benefit from existing export promotion schemes, the Centre has introduced changes in the Foreign Trade Policy (FTP) for grant of exports benefits for export realisations in Indian rupees per RBI guidelines issued in July 2022.

The decision will facilitate and ease international trade transactions in Indian rupees, according to a statement issued by the Commerce and Industry Ministry on Wednesday.

“The Centre has made suit-



GOVT PUSH. The new decision will facilitate international trade in Indian rupees ISTOCKPHOTO

Directorate General of Foreign Trade had earlier issued notifications to permit invoicing, payment and settlements exports and imports in INR in sync with RBI's circular on rupee trade issued on July 11 2022.

AS PER RBI

“In continuation to the above notification, changes have been introduced under Para 2.53 of the Foreign Trade Policy, for grant of exports benefits/fulfilment of Export Obligation under the Foreign Trade Policy, for export realisations in Indian rupees as per the RBI guidelines dated 11th July 2022,” the release added.

The updated provisions for

export realisation in Indian rupees will cover imports for exports, export performance for recognition as ‘Status Holders’, realisation of export proceeds under Advance Authorisation (AA) and Duty Free Import Authorisation (DFIA) schemes and realisation of export proceeds under Export Promotion Capital Goods (EPCG) Scheme.

INTEREST IN RUPEE

“Given the rise in interest in internationalisation of Indian rupee, the given policy amendments have been undertaken to facilitate and to bring ease in international trade transactions in Indian rupees,” the statement pointed out.