

Lenders Told to Step Up Vigil on Advance Import Payments, LCs

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Banks to report fraud activities; to soon share inputs with govt and Reserve Bank

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New Delhi: The government has asked banks to step up watch after receiving reports of misuse of advance payments mechanism and letters of credit (LCs) for goods imports.

A government official confirmed that the issue was flagged to lenders in May after several instances of prompt payments immediately after the overseas payment accounts were opened.

"The issue was flagged with the banks, who were asked to keep a watch on suspicious transactions. We have input that some of these advance payments were fraudulent," he said, adding that lenders were to report any such activity to relevant authorities.

Advance payments are a mechanism that allows the importer to pay for goods before they are ship-

ped to give comfort to the exporter.

Under existing regulations, if a bank is satisfied with the track record and bona fides of the importer, it can frame its own internal board-approved guidelines for payments up to \$5 million.

A senior bank executive aware of the matter said lenders will soon share their inputs both with the government and the Reserve Bank of India on measures to control such fraudulent transactions.

"One of the suggested measures is that no large value transaction for advance payment shall be allowed in a newly-opened account for at least 3-4 months," he said, adding that the lenders are yet to finalise such terms and conditions.

**A suggestion:
No big transaction for advance payment be allowed in a newly opened a/c for at least 3-4 months**

Keeping Tabs

Govt received inputs on fraudulent transactions for advance import payments & misuse of LCs



Flags new accounts opened to transfer money immediately

Banks to come out with preventive measures

Another banker said that while the chances of fraud through the issuance of LCs are less, there have been cases where fake or falsified documents have been presented for non-existent cargoes to encash LCs.

"In such cases, banks can only report discrepancies if they are found out," he said. LCs are issued by a bank on behalf of importers to gua-

IBA may come up with suggestions



To share inputs with both RBI & govt

rantee payment to the exporters provided that the terms and conditions are met as per specified document.

In 2018, the RBI scrapped quasi-bank guarantee instruments such as the letter of undertaking and letter of comfort for trade credits for imports into India after their misuse in the alleged ₹14,000 crore PNB-Nirav Modi scam.

Thailand pips India as top rice exporter to Iraq

BUSINESS LINE

DE. 14/6/23

Subramani Ra Mancombu

Chennai

Thailand has become the top exporter of rice to Iraq since last year replacing India but Tehran is reportedly buying Thai rice due to currency problems it is facing.

Iraq imports of rice will likely increase to 2.2 million tonnes (mt) this year, the US Department of Agriculture (USDA) has said. Shipments of rice into Tehran from India was over 27 per cent during January-April this year, but Thailand accounted for 57 per cent of the 8.15 lakh tonnes imported during the period.

BOUNCING BACK

Since 2022, Thailand has become the main supplier to Iraq after losing market share to India and Vietnam since 2014, the USDA said. "Iraq has reduced its purchases of Indian rice due to consumer preference of non-fragrant



LOSING OUT. Data from APEDA show that Basmati exports to Iraq have dropped by over 45% over the last two fiscal years from 6.45 lakh tonnes in 2020-21

white rice from Thailand," it said.

Bangkok Post quoted Ronnarong Phoolpipat, Director-General of the Thai Foreign Trade Department, as saying that Iraq was the largest importer of Thai rice, buying 1.6 mt in 2022, up 458 per cent from 2021.

He said Iraq is the top importer of Thai rice, accounting for 16.4 per cent of the 2.06 mt of the shipments during January-March in 2023.

According to the USDA, Iraq, set to become the fourth largest global rice importer, has faced multiple issues hampering the grain's production, mainly due to water scarcity. "Therefore, imports have risen to help meet domestic demand," the USDA said.

"It is not as if only Thailand is gaining. India's export of Basmati rice to Iraq is also increasing. Probably, Iraq is buying more from Thailand

due to shortage of currency," said Vinod Kaul, Executive Director, All-India Rice Exporters Association (AIREA).

For example, Kaul said, Iraq imported 57,000 tonnes of Basmati rice from India in April compared with 35,000 tonnes a year ago. "Exports to Iraq were lower last fiscal when they dropped to 3.64 lakh tonnes against 4.86 lakh tonnes in 2021-22," he said.

GROUND-LEVEL ISSUES

Data from APEDA show that Basmati exports to Iraq have dropped by over 45 per cent over the last two fiscal years from 6.45 lakh tonnes in 2020-21.

Delhi-based trade analyst S Chandrasekaran said the rise in Thailand's share in Iraq's rice market is increasing due to "ground-level" problems, which could be non-availability of dollars. "Indian rice is far more competitive than Thai rice. But Basmati cannot be compared with other rice," he said.

Seafood exporters brave slowdown as shipments fetch 4% higher value in FY23

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V Sajeed Kumar

Kochi

Buoyed by the 4 per cent value-wise export growth in FY23, marine product exporters are looking to sustain the show in the current year as well, especially with the opening up of new markets in Russia and the European Union. India fetched export revenue of \$7.76 billion in FY22.

The EU has approved 60-odd new units to import shipments from India, while Russia allowed 20 new units, thanks to the efforts by the Commerce Ministry, Export Inspection Agencies etc, says Jagdish Fofandi, National President of Seafood Exporters Association of India. This would open up opportunities for more players from the country to make inroads into these markets.

Speaking on the sidelines



DOWNTICK. Indian shrimp production this year is likely to drop because of less offtake of feeds and seeds by farmers

of an event in Kochi, he said "The 4 per cent growth was a surprise to us especially when there was a drop in aquaculture production, shrinking US markets and recession in Europe and Chinese market uncertainties. We thought there could be a slight drop on account of various factors, instead, we grew by 4 per cent

and were able to maintain the production level as good as last year".

US A CONCERN

The holding average stock with exporters was the highest in the last 10 years and this has given a boost to exports. Being the major market, the US is a concern with regard to import restrictions on aquaculture prawns. Besides, there is a potential threat from emerging shrimp producers, such as Ecuador, Vietnam, Thailand, and Indonesia, where the production cost is much cheaper than India, he said.

Moreover, the Indian shrimp production this year is likely to drop mainly because of less offtake of feeds and seeds by farmers. "It is a worrisome, especially when we are making our presence felt in emerging economies", Fofandi said.

Traders in Nepal Stop Importing Onions, Vegetables from India

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PTI

Kathmandu: Traders in Nepal on Tuesday said they have stopped importing onions, potatoes and other vegetables from India after the government slapped a hefty 13 per cent Value-Added Tax (VAT) on these items last month. Opposition lawmakers have criticised the Nepal government's move, arguing that it would make low-income families vulnerable to food insecurity and increase the agony of people who are already hit hard by skyrocketing inflation.

According to the financial bill introduced in Parliament on May 29, imported onions, potatoes and other vegetables and fruits will now be subjected to a 13 per cent VAT.

Finance Minister Prakash Sharan Mahat has defended the move, asserting that it was intended to protect local farmers and trim imports.

Nepal imports almost all its onions from neighbouring India.

Last year, it imported 173,829 tonnes of onions from India.

Nepal grows potatoes that cater to around 60 per cent of local demand,

while the rest are also imported from India.

Opposition lawmakers have lashed out at the finance minister, saying his argument of protecting local farmers has little merit since Nepal is almost wholly dependent on India for its onions.

"Before the government introduced VAT, Kathmandu Valley would see anywhere between 700 to 1,000 tonnes of onions being imported

from India on a daily basis," Keshav Upreti, a wholesaler at Kalimati Fruits and Vegetable Market, told PTI. "In the last 10 days, onions have stopped coming from India," he said.

Upreti noted that there was a legal hassle as well when importing vegetables from India by paying VAT.

Not surprisingly, this scarcity of these essential vegetables has caused a surge in prices.



FILE PHOTO

Onion prices, which used to cost Rs 50 per kg till last month, have now nearly doubled due to the acute scarcity.

The prices of potatoes have also surged by around 25 per cent, according to local traders in Kathmandu. Prakash Gajurel, General Secretary of the traders association, said the Nepal government currently collects 9 per cent agricultural service tax and 5 per cent advance income tax. "Adding 13 per cent VAT on top of these taxes will make kitchen ingredients very expensive," Gajurel was quoted as saying by The Kathmandu Post newspaper.

Besides onions and potatoes, Nepal also imports brinjals, peas, garlic, beans and spinach from India.

Similarly, it also imports fruits such as avocado, apples, apricot, cherries, raspberries, cranberries, kiwis and mangoes from India.

The year-on-year price inflation touched 7.41 per cent in May, according to Nepal's central bank.

This stubborn and higher-than-expected inflation level, together with the imposition of VAT, has further eroded household's purchasing power and dragged growth in Nepal.

Carbon tax threat to aluminium exports to EU

FINANCIAL EXPRESS dt. 14/6/23

Firms cutting emissions, but coal-based power a hindrance

MUKESH JAGOTA
New Delhi, June 13

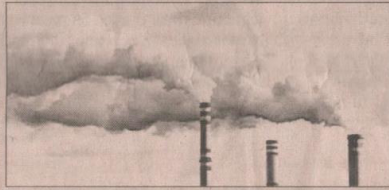
THE CARBON TAX that the European Union (EU) will impose on five bulk commodities will make India's aluminium exports to Europe unviable, according to a report.

The tax that is part of the wider plan of the 27-member bloc, called Carbon Border Adjustment Mechanism (CBAM), to bring down net carbon emissions to zero by 2050 will add an incremental cost of \$1,500-1,600 per tonne of aluminium that will be exported to the EU, the analysis by rating agency Crisil said.

The tax under CBAM has been proposed on iron & steel, cement, aluminium, fertilisers and electricity to start with. While the transition period for the new tax will start from Octo-

CRISIL REPORT

■ The European Union's tax on five bulk commodities will make India's aluminium exports unviable, according to a report by Crisil



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ber 1 of this year, actual collection will begin from January 2026. During the transition period, the EU will collect firm-level data on carbon emission while making the product.

However, Crisil added that during the initial phase of CBAM, exports to the EU will likely remain stable since domestic manufacturers (Vedanta

and Hindalco) have strong greenhouse gas emission reporting standards, which will fulfill the requirement until 2025-end.

On international metal exchanges, aluminium is trading at \$2,227.85 per tonne.

India exported \$8.84 billion worth of aluminium and aluminium

products, of which around 25% or \$2.24 billion went to the EU, in the last financial year, according to commerce ministry data.

"India produces 4.1 million tonne (MT) of primary aluminium annually — amounting to 6% of global production — of which as much as 56%, or 2.3 MT, is exported. It is one of the lowest-cost producers of aluminium globally, owing to integrated operations and low costs of power generation since it uses coal-based captive plants," the Crisil report said.

As India produces aluminium using coal-based captive plants, it sits at the upper end of the spectrum when it comes to emissions, the report said. The average greenhouse gas emission intensity of the domestic aluminium industry is one of the highest globally, at 21-22 tonne of carbon dioxide per tonne of aluminium.

China, which is the largest producer of aluminium with 59% production share, also uses mostly coal; its emissions per tonne of alu-

minium are 17-18 tonne. Europe has one of the lowest greenhouse gas intensities, at 6-7 tonne of carbon dioxide per tonne of aluminium since 93% of the requirement is met through hydropower.

The rate of carbon tax on imports will be calculated on the basis of the difference between how much carbon was emitted during the production of the export product and the limits laid down under the CBAM.

"The current carbon price per tonne is \$100 in the EU. India has no energy trading system in place, so the EU will charge \$100 tonne," Ajay Srivastava, a former commerce ministry official and founder of Global Trade Research Initiative said. "The CBAM tax is estimated to be 20-35% tariff equivalent. This is far higher than the EU's average import tariff of 2.2% for manufactured products," he added.

When the tariffs kick in from 2026, primary aluminium producers exporting to Europe will have to buy EU-ETS certificates for the emissions.

At 2.59 lakh, 2-w exports hit 5-month high in May

BUSINESS LINE dt. 15/6/23

KEY DRIVERS. Moderation in oil prices, stability in overall environment boost numbers

Aroosa Ahmed
Mumbai

In an indication of consumption picking up in parts of the global economy, owing to moderation in oil prices and stability in the overall environment, two-wheeler exports, at 2,59,945 units, hit a five-month high in May.

According to the Society of Indian Automobile Manufacturers (SIAM), a total of 40,687 scooters, 2,19,204 motorcycles and 54 mopeds were exported from India last month.

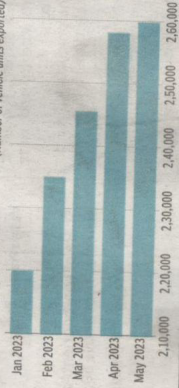
BOUNCING BACK

Exports of two-wheelers had dipped in the second half of 2022 owing to the geopolitical crisis and inflationary pressures in South Asian and African markets over shortage of foreign exchange. Exports were also impacted due to the ban on motorcycle taxis in Nigeria — a key market for Indian two-wheeler OEMs, *businessline* had earlier reported that exports were at a two-



In the fast lane

(Number of vehicle units exported)



Source: SIAM

year low in October 2022 at 2,87,319 vehicle units.

"Columbia, Nigeria, The Philippines, Mexico, Sri Lanka, Bangladesh, Egypt and Nepal are among the major export destinations for two-wheelers from India. The uptick in export de-

mand seen over the last couple of months of fiscal 2024 is backed by a slight recovery and stabilisation of the environment in few of these regions, as well as slight moderation in oil prices. Recovery appears fragile and sustainability of

the same is yet to be established," said Anuj Sethi, Senior Director, Crisil Ratings Ltd.

PRODUCTION UP

Two-wheeler companies have increased production year-on-year — Bajaj Auto manufactured 9,073 units last month compared with 2,507 units in May 2022; Honda Motorcycle & Scooter India made 2,14,271 units (1,76,252) while Hero MotoCorp saw a drop in production at 30,086 units (31,246), according to SIAM data.

Further, a normalcy in exports with the easing of geopolitical scenario was anticipated from March. Overall two-wheeler sales volumes are also expected to rise 8 per cent y-o-y this fiscal to around 20.6 million units, driven by 11 per cent growth in the domestic markets (81 per cent of overall volumes in FY23). Analysts said exports could dampen for the second year in a row if high inflationary trends continue in key markets.

India, China account for 80% of Russia's crude oil exports in May

BUSINESS LINE DE 15/6/23

Rishi Ranjan Kala
New Delhi

India and China, the world's top fossil fuel consumers, collectively account for 80 per cent of Russia's total crude oil imports in May this year, the International Energy Agency (IEA) said on Wednesday.

Heavily discounted Russian crude oil has found new buyers primarily in Asia. India has increased purchases to close to 2 million barrels per day (mb/d), while China has raised liftings by 500,000 b/d to 2.2 mb/d, the agency said.

"In May 2023, India and China accounted for almost

80 per cent of Russian crude oil exports. In turn, Russia made up 45 per cent and 20 per cent of crude imports in India and China, respectively," the IEA added.

In contrast, during February, Russia accounted for 40 per cent of India's and 20 per cent of China's total crude oil imports, respectively. Both countries cumulatively procured more than 70 per cent of Russia's crude oil exports in that month, as per IEA data.

In Q4 2022, Russia's crude oil production stood at 9.34 mb/d, which is expected to grow to 9.47 mb/d in 2023, IEA data show.

According to energy intelligence firm, Vortexa, In-



dia imported 1.96 mb/d of crude oil from Russia in May 2023 (748,000 b/d in May 2022) the Urals grade is priced more attractively than the conventional Middle Eastern or Atlantic Basin grades.

India's crude oil imports from Russia
(Barrels per day)



TRADE DYNAMICS

The IEA said that despite sanctions, Russian crude oil supply has held up remarkably well. Crude and product exports have been redirected to new markets as deep price discounts at-

tract traders willing to risk the barrels.

"Some 2.5 mb/d of Russian crude has been dislodged from long-term buyers in Europe and the US and has been heavily discounted to find new cus-

tomers in Asia. This has created a two-tier market for sour crude grades, which has pressured Asian crude differentials for Middle Eastern grades to compete with heavily discounted Russian supplies," it added.

By contrast, European and US refiners have bid up Atlantic basin sour crude values in order to attract incremental cargoes, the agency pointed out.

The IEA said that there are numerous risks to the forecast, predominantly to the downside. Geopolitical risks remain omnipresent, as China and the West grow apart, with a China/Russia/Middle Eastern axis in the process of developing.

These will affect energy supply, trade flows and outright prices.

Discounted Russian crude has aided India and China in taming inflation. Moody's Analytics on Wednesday said that India has doubled its imports of low-cost Russian oil over the past year, which has helped keep the cost of energy manageable and helped to tame its high inflation.

On the other hand, China's purchases of Russian oil have remained rather constant in volume terms, but the discount on oil from Russia also helps maintain low producer and consumer-price inflation, it added.

Coffee exports likely to decline 10% this fiscal

BUSINESS LINE

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Vishwanath Kulkarni
Bengaluru

India's coffee shipments in volumes may see a dip by a tenth this fiscal amidst slackening demand from recession-hit Germany, the second-largest buyer, even as prices of the beans rule at record highs. Tracking the global trend, the domestic prices of raw coffee have risen by as high as 40 per cent over the past six months for the robusta cherry variety, the widely produced bean in the country.

With Germany slipping into recession recently, Indian exporters are witnessing

changing demand. "Germany is an important market for Arabicas. Buyers across Europe are asking for less Arabica and more Robusta, which is a matter of concern. Definitely, we are seeing some slackening in the market," said Ramesh Rajah, President, Coffee Exporters Association. "The only coffee offtake we are seeing is Robusta cherry, for which there are more inquiries, while the demand for other varieties is muted," he said.

INSTANT COFFEE EXPORTS

"With the slackness in demand, we expect overall volumes to be less than last year. We see a dip in volumes of at least 10 per cent min-

imum," Rajah said. India shipped out 3.98 lakh tonnes of coffee, including the re-exports, during the 2022-23 fiscal, valued at \$1.123 billion

Strong brew

(Raw coffee prices in ₹/50 kg bag)

	Jun 14 2023	Jan 13 2023
Arabica	15,500-	13,600-
Cherry	15,700	13,750
Arabica	7,900-	6,600-
Parchment	8,200	6,850
Robusta	10,450-	8,000-
Cherry	10,800	8,300
Robusta	6,000-	4,125-
Parchment	6,200	4,250

Source: Coffee Board



(about ₹9,013 crore). In the calendar year 2023 till date (Jan 1-June 13), coffee shipments are down marginally at 1.97 lakh tonnes over the

same period last year at 2.01 lakh tonnes. Green bean shipments are down 13 per cent at 88,677 tonnes over the same period last year at 1,01,969 lakh tonnes.

However, the instant coffee shipments including the re-exports are higher by 15 per cent at 64,043 tonnes (55,634 tonne in the same period last year)

However, in value terms, the exports for the period are up marginally at \$583 million (\$561 million in the same period last year) on account of higher prices.

The per-unit value of the shipments this year is higher at over ₹2.43 lakh per tonne (₹2.11 lakh per tonne).

Iron ore exports dip in May

BUSINESS LINE dt. 19/6/23

Abhishek Law

New Delhi

✓
India's iron ore exports slipped on an m-o-m basis by 10 per cent to 3.39 million tonnes (mt) indicating weak global steel demand and lower orders from key buyer markets. Orders from prime buyer, China, also declined.

Trade data showed April iron ore exports were 3.73 mt.

Iron ore is a key steel-making raw material. And China, buys almost 70 per cent of the global sea-borne iron ore and produces 50 per cent of the world's steel.

Data maintained by consultancy firm, SteelMint, showed on an MoM basis that there was a fall in both pellets—down 30 per cent to 0.51 mt; and lump shipments, down 3 per cent to 2.88 mt.

However, on the positive side, there was a 26 per cent rise y-o-y. In May 2022, the



WEAK BUYING. Orders from China also declined

iron ore shipments out of India were 2.70 mt.

"Globally, there are not many buyers at the moment, apart from in China. And, on a y-o-y basis, the numbers are higher because Covid-induced restrictions there last year led to lesser exports," a market source told *businessline*.

FALL IN ORDERS

Sources said China was the only buyer for Indian iron ore exports for the first two

months of the fiscal—April and May. However, orders from China continued to be lower than expected. Construction activities and corresponding steel demand there was yet to pick up. Accordingly, this slow down impacted orders placed from India.

As per a SteelMint report, price of iron ore hit a six-month-low (in May) and the monthly average prices of the key offering (ore with 62 per cent iron content) fell by \$12/tonne m-o-m.

"This had an adverse impact on global iron ore export offers," a trader said.

In case of pellets, export realisations reportedly dropped for May. The drop made international prices lower than domestic offers. The second week of June has not seen much iron-ore pellet trade from India; as compared with week one, when some 55,000 tonnes were exported, a source said.

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FINANCIAL EXPRESS dt. 19/6/23

Mango exports to US double

SANDIP DAS
New Delhi, June 18

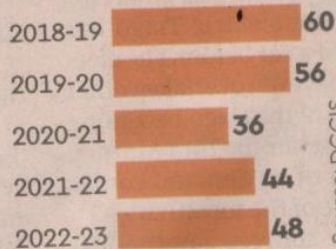
INDIA'S EXPORTS OF Alphonso, Kesar and Banganpalli mangoes to the high-value the United States market has more than doubled in the current season (April-June) compared to the year-ago period, because of a decline in air freight and a new irradiation facility in Ahmedabad.

Sources told *FE* that mango exports to the US have crossed 2,000 tonne in the current season, up from 891 tonne in the 2022-23 season. The exports of Banganpalli and Kesar varieties have commenced this season to South Korea, another high value market. Exports to the United Kingdom is currently being



OUTBOUND SHIPMENTS

(\$/million)



Source: DGCIIS

undertaken. Exporters said that Alphonso and Kesar varieties have been sold in the US market at a premium of \$9/kg and \$7/

a kg respectively. Trade sources said that one of the factors behind the spike in mango exports to the US and the UK this year has been the low cost of air freight rates, which rose sharply in the last few years because of the pandemic, has 'normalised' since then.

"The price gap between an Indian mango and those sourced from South American countries has reduced and because Indian mangoes are sent through air freight, its aroma and freshness is preserved while mangoes from South America is transported through road to the USA," Kaushal Khakhar, ceo, Kay Bee Exports, one of the leading mango exporter from Maharashtra, told *FE*.