BusinessLine dt. 30.11.22

Govt looking at measures to beat export slowdown

WISH LIST. Exporters seek cheaper credit, RoDTEP expansion, higher interest subsidy

Amiti Sen
New Delhi

REASONS FOR DECLINE. The fall in exports was mainly due to the geopolitical crisis, the recessionary trend in major economies and the energy crisis ISTOCKPHOTO

Concerned at the recent downturn in goods exports, the Commerce & Industry Ministry is holding a series of meetings with export promotion councils to identify causes for the decline and discuss measures that could help exporters stay competitive, officials have said.

"The Commerce Secretary is meeting various export promotion councils to find out what is ailing different sectors and how things can improve. He has already met sectors such as textiles, wool, leather and engineering goods and more meetings are scheduled," a source tracking the matter told *businessline*.

India's export growth slowed down since July this year and plummeted 16.5 per cent in October 2022 (year-on-year) to $29.78 billion, the lowest since February 2021.

WTO PREDICTION

The deceleration in exports is in tandem with the World Trade Organisation's latest reading of the Goods Trade Barometer shared on Monday, which projected that trade growth is likely to slow in closing months of 2022 and into 2023. Earlier WTO had predicted that world trade growth will slow down to just 1 per cent in 2023.

"In our meeting with the Commerce Secretary, we pointed out that exports were falling mainly due to the geopolitical crisis which was a result of the Russia-Ukraine conflict, the recessionary trend in major economies and the energy crisis.

"People in Europe are shutting down production due to high cost of power, which in turn is lowering global demand for all kinds of products. But inventories are getting used up now and we do see light at the end of the tunnel," Arun Garodia from the Engineering Export Promotion Council told *businessline*.

Garodia added that exporters were looking for support from the government to help them tide through the crisis through measures such as expansion of the Remission of Duties and Taxes on Export Products (RoDTEP) scheme to include steel and other excluded items, increasing the subsidy rate under the interest equalisation scheme for exporters, providing cheaper finance for MSME exporters and exemption for exporters on GST for ocean freight.

ALL-TIME HIGH

India's exports had reached an all-time high of $421 billion in 2021-22, growing over 40 per cent over exports in 2020-21 and surpassing the government's target by over 5 per cent. However, because of the extreme volatility in global conditions, the Commerce Department has not yet set an export target for the current fiscal.

The Apparel Export Promotion Council (AEPC), which is concerned about the slowdown in demand for garments and textiles, too, has given its wish list to the government which includes early announcement of the second edition of the Production Linked Incentive (PLI) scheme for garments and made-ups.

BusinessLine 30.11.22

Despite curbs, Indian rice continues to be competitive in world market

Subramani Ra Mancombu
Chennai

Indian rice continues to be competitive in the global market despite the Centre curbing shipments and imposing 20 per cent export duty on non-basmati white rice. The Indian cereal's competitiveness is despite prices rising by over $30 a tonne over the past two months.

"Indian rice continues to be highly competitive in the global market. We are facing small hurdles in getting it cleared by Customs authorities," said VR Vidya Sagar, Director, Bulk Logix.

According to Thailand Rice Exporters Association data, India's 5 per cent broken white rice is quoted at $397 against $365 on September 17—a week after India imposed curbs and the duty—while Thailand is offering it at $440 ($444 three months ago), Pakistan at $437 ($413) and Vietnam at $442 ($403).

"We are currently offering 5 per cent broken rice at $375-380 a tonne free-on-board (f.o.b), and 25 per cent broken at $375," said Sagar.

The Thai Rice Exporters Association said India was offering 25 per cent broken at $382 ($358), Thailand at $433 ($433), Vietnam at $422 ($383) and Pakistan at $417 ($383).

Asian rice price trend*

Countries	5% broken		25% broken		Parboiled	
	Sep 17	Nov 29	Sep 17	Nov 29	Sep 17	Nov 29
India	365	397	358	382	378	377
Thailand	444	440	433	433	462	453
Pakistan	413	437	395	417	398	452
Vietnam	403	442	383	422	-	-

Source: Thai Rice Exporters Association; *Price in $/tonne

ISSUES WITH CUSTOMS

"We are quoting parboiled rice at $380 a tonne f.o.b," he said, adding that exporters faced documentation problems with Customs Department which was seeking one or the other document.

Export of parboiled rice, which is allowed duty-free, is quoted at $377 ($378), while Thailand is offering the rice at $453 ($462) and Pakistan at $452 ($398). Vietnam does not produce parboiled rice.

"Though the Centre has curbed exports, availability is not a problem," Sagar said.

"India is still the cheapest source of rice in the global market, especially the parboiled variety. The only problem is there is no clarity over the kharif crop," said an official of a Delhi-based export-import firm.

TIGHT SUPPLIES

"Supply is tight and the situation is not comfortable either in South-East Asia or Pakistan. Besides, rice from countries such as Vietnam and Cambodia are being smuggled into China, whose crop has been hit by a prolonged dry period," said S Chandrasekaran, a trade analyst.

The kharif rice crop might be lower than the Ministry of Agriculture's first advance estimates. According to the estimate, rice production is pegged at 104.99 million tonnes (mt) against 111.76 mt last year.

This year, kharif paddy cultivation was affected by deficient rains in eastern Uttar Pradesh, Bihar, Jharkhand, Odisha and West Bengal. Chandrasekaran said a clear picture of kharif rice production will be available by December-end. The export-import firm official said it will be January to get clarity on the situation.

"The crop may not be as low as feared," he said.

"We are not getting any significant enquiry or orders, particularly to South-East Asia," said M Madan Prakash, President, Agriculture Commodity Exporters Association.

According to Agricultural and Processed Food Exports Development Authority (APEDA), non-basmati rice exports in the first half increased to 8.96 mt against 8.23 mt a year ago with the shipments fetching $3.03 billion against 2.97 billion.

Economic Times dt. 30.11.22

Vendor-base expansion by global cos, rising infra spends in US good for co, but it needs to sustain high profits to bridge valuation gap with peers

Export-focused Uniparts may Suit Investors with High-risk Appetite

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ET Intelligence Group: Uniparts India, a component supplier to global agriculture and construction equipment makers, plans to raise ₹836 crore through an offer for sale. After the initial public offering (IPO), the promoter group's stake will reduce to 65.8% from 75.5%. The company is benefiting from expansion of vendor base by global clients and increasing infrastructure spending in the US. It, however, needs to sustain the double-digit profitability to bridge the valuation difference with peers amid rising recessionary pressure in the western economies. Given these factors, the issue looks more suitable for investors with a high-risk appetite.

Issue Highlights

Dates: Nov30-Dec 2, 2022
Price band: ₹548-577 per share
Bid lot: 25 shares
Size: Up to ₹836 cr
Implied m-cap: Up to ₹ 2,604 cr
Face value: ₹10
Retail portion: 35%

IPO WATCH

BUSINESS

Noida-based Uniparts manufactures three-point linkage systems (3PL) used to attach ploughs and implements to tractors and precision machine parts (PMP). It derives nearly 55% of revenue from sales of 3PL to leading global farm equipment makers and 36% from PMP for various construction and agriculture equipment companies. Exports form around 80% of revenue. Some of its clients include TAFE, Bobcat Company, Yanmar and Claas.

The global 3PL market is worth $350-375 million and Uniparts commands 16.8% share. To diversify business, it is gradually increasing exposure to adjacent products in segments including power take-off (PTO) used in rotary tillers, mowers and hydraulic cylinders.

FINANCIALS

Revenue grew by 18% annually to ₹1,274 crore between FY20 and FY22 while net profit rose by 62% to ₹166 crore. Operating margin before depreciation and amortisation (Ebitda margin) expanded to 22.1% in FY22 compared with 14.1% in FY20 on account of an increase in the share of the high-margin warehousing delivery model in total revenue to 40% from 31% four years ago. Under this model, the company maintains inventory for about two months at a warehouse close to the client's factory, which improves supply assurance.

RISKS

With increasing share of the warehousing model, the company's inventory days are elevated. In the previous three fiscal years, it had inventory days of 131-145. A high client concentration may affect financials if the business momentum from large clients moderates.

VALUATION

The company demands trailing P/E multiple of 15. Based on the June 2022 quarter annualised earnings, the P/E works out to be 13. Some of the export-focused auto ancillary companies such as Bharat Forge, Ramkrishna Forgings and Balkrishna Industries with return on equity (RoE) of 16-20% trade at P/E between 18 and 36. Uniparts had return on capital employed (RoCE) and RoE of 31% and 27%, respectively, in FY22.

Business Line dt. 1.12.22.

India-Australia free trade pact to be effective Dec 29

Our Bureau
New Delhi

The India-Australia free trade agreement will come into effect from December 29, allowing zero-duty access to over 96 per cent of India's exports, including labour-intensive items such as apparels, leather goods, several engineering products and gems & jewellery from the first day itself.

"India and Australia consolidate their long-standing partnership. Economic Cooperation & Trade Agreement (ECTA), realised under the guidance of leaders on both countries, comes into effect from December 29, 2022. It is the dawn of a whole new era for our businesses and people," Commerce & Industry Minister Piyush Goyal tweeted on Wednesday.

The interim-ECTA, expected to increase bilateral trade to an estimated $45-50 billion in five years from existing $31 billion, was approved by Australian Parliament earlier this month.

India will provide zero-duty market access to 85 per cent of Australian goods, such as wool, sheep meat, coal and identified metals, on the first day of implementation increasing it to 91 per cent in 10 years while Australia will provide zero-duty access to 100 per cent of Indian goods in five years.

Negotiations for a comprehensive India-Australia ECTA are now likely to be launched during the Joint Ministerial Commission meeting in January 2023. The comprehensive pact will include areas that had not been fully included or were excluded in the interim deal such as digital trade, government procurement, product specific (rules of origin) and market access for some goods.

Australia has agreed to liberalise its visa regime for Indians in a number of areas as part of ECTA. It has agreed to an annual quota of 1,800 visas for yoga teachers and Indian chefs. It will also allow post study work visa (18 months - 4 years) for Indian students that is likely to benefit more than one lakh Indian students, per government estimates.

Business Line dt. 1.12.22

Exporters hopeful of better business with Russia

GATHERING STEAM. UCO Bank opens Gazprombank's account; Sberbank agrees not to charge 4% premium for settling trade in rupee

Amiti Sen
New Delhi

Exporters are hopeful of greater business with sanction-hit Russia as India's rupee-trade with the country is set to gain momentum with the banking mechanism now falling in place.

"Action is finally taking place on the banking front. UCO Bank, which got RBI approval in October, opened Gazprombank's vostro account just a few days ago and is ready for business.

> "We will now get in touch with engineering goods exporters to discuss how they can start using the banking platform to carry out exports in rupee."
>
> **ARUN GARODIA**
> EEPC Chairman

PROBLEMS SOLVED

"Even after the RBI gives its approval, it takes time for the banks to approach partner banks and get other related approvals. Now that it has finally happened, UCO Bank and Gazprom can start rupee trade full-fledged and exporters from India can start using the platform. Hopefully payments for oil purchased from Russia can be made in rupee now," a source tracking the matter told *businessline*.

While Russia's Sberbank and VTB have already opened accounts with their own branch offices in India, there were teething problems that are being sorted out. "Sberbank has now agreed not to charge a 4 per cent premium for settling trade in rupee," EEPC Chairman Arun Garodia said. Sberbank may also be ready to discount the documents of Indian exporters in rupee.

"We will now get in touch with engineering goods exporters to discuss how they can start using the banking platform to carry out exports in rupee," he said.

> "Now that the banking mechanism is taking shape, India's exports to Russia will surely rise."
>
> **AJAY SAHAI**
> Director General, FIEO

RBI'S NOD TO BANKS

The RBI has also given its approval recently to HDFC Bank and Canara Bank to open vostro accounts of Russian banks and with some time, these would also start operations, pointed out Ajay Sahai, Director General, FIEO. IndusInd Bank has also got approval to open six vostro accounts.

"There is a lot of interest from Russia to import from India and they have been sending us various list of items they want to buy. Now that the banking mechanism is taking shape, India's exports to Russia will surely rise," Sahai said.

Russia was the target of various economic and banking sanctions from the West, including the EU and the US, following its attack on Ukraine in February this year. Russian banks have been banned from using the SWIFT messaging system that effectively stopped them from participating in international trade.

The RBI, in July this year, allowed international trade in rupees creating the possibility of doing business with Russia in rupees and bypass the sanctions imposed by the West. Russia, which is facing a shortage of items due to the West's sanctions including auto parts, buttons, bleaching agents, refrigerator parts and several industrial equipment, is also keen to buy more from India.

India's imports from Russia increased 410 per cent to over $21 billion in the first six months of this fisca due to a sharp increase in imports of crude and fertiliser, which has led to a trade gap of about $20 billion that could be bridged as Indian exports rise.

The rupee trade mechanism will allow India to pay for Russian oil and fertilisers in rupee which can be then used by Russian companies to pay for their imports from India.

BUSINESS STANDARD Dt. 2.12.22.

CAD may shoot up as net exports hit 9-year high

Net exports came in highest since April-June quarter of 2013

ASIT RANJAN MISHRA
New Delhi, 1 December

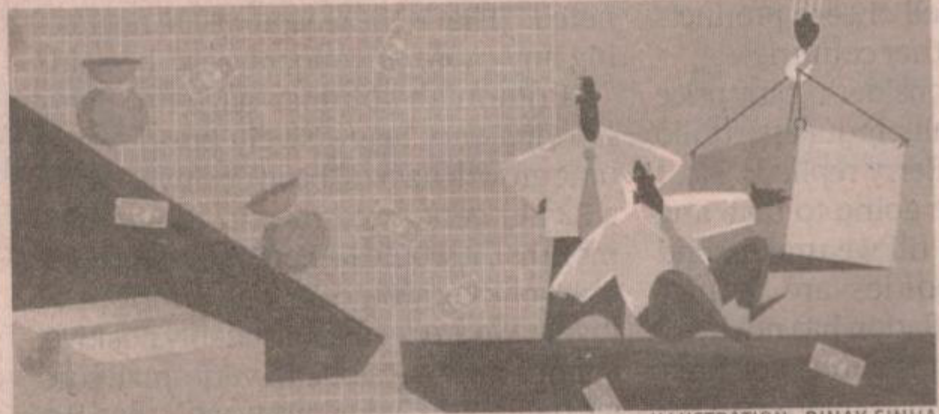


ILLUSTRATION: BINAY SINHA

India's current account deficit (CAD) may shoot up in the July-September quarter (second quarter, or Q2) of 2022-23 (FY23), with the net export ratio touching a fresh nine-year high at 5.89 per cent of gross domestic product (GDP) in Q2.

A part of the GDP figure, the net export data — which is usually negative for India — captures the difference between exports and imports of both goods and services, while the CAD data, released by the Reserve Bank of India (RBI), also factors in private transfer receipts.

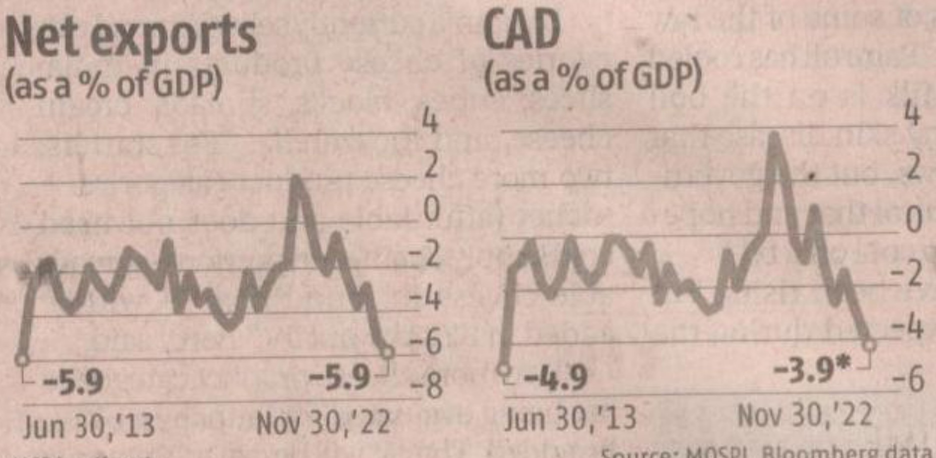
Thus, CAD represents remittances by Indians employed overseas, along with net exports.

Net exports, which are considered a proxy for CAD, came in highest since the April-June quarter (first quarter, or Q1) of 2013, the national account data released on Wednesday for the September quarter showed.

CAD in Q1 of 2013 was 4.9 per cent of GDP, while net exports stood at 5.93 per cent of GDP.

India's CAD stood at 2.8 per cent of GDP in Q1FY23, compared with 1.5 per cent of GDP in the January-March quarter of 2021-22.

TRACKING THE GRAPH



*ICRA estimate

Source: MOSPI, Bloomberg data

Aditi Nayar, chief economist at ICRA, said GDP data for Q2 indicates a further widening in net exports on a sequential basis, which would be partly offset by secondary income inflows.

"Overall, we project CAD for that quarter to deteriorate to $31-35 billion, or 3.9 per cent of GDP," she added.

Madan Sabnavis, chief economist at Bank of Baroda, said higher net exports in Q2 is a result of slowing exports and rising imports already witnessed during the period.

"A lot will depend upon whether or not invisibles are able to counter this effect. Given the relative slowdown in nominal GDP in Q2 relative to Q1 and a higher trade deficit of $81 billion, we expect CAD to be around 3-3.25 per cent for Q2," he added.

Rajani Sinha, chief economist at CARE Ratings, said a sharp weakening of net exports in Q2, compared with the year-ago levels, has also weighed on overall GDP growth. "With fears of global growth slowdown and a weaker currency, the decline in net exports will remain a cause for concern," she added.

Upasna Bhardwaj, chief economist at Kotak Mahindra Bank, said net export is likely to come under further stress, given a looming global slowdown.

"Exports are already reflecting a slowdown, with October's print falling to $29.8 billion — the first sub- $30 billion reading since February 2021," she added.

Goldman Sachs in its India 2023 Outlook Report released last week said in the second half (H2) of 2023, growth is likely to re-accelerate as global growth recovers, drag from net exports diminishes, and investment cycle picks up.

"We expect a lower GDP growth drag of 2.2 percentage points from net exports in H2 of 2023, compared with a drag of 3 percentage points in the first half (H1) of 2023," it added.

Replying to a query in the monetary policy press conference, RBI Deputy Governor Michael D Patra said he expects CAD to widen modestly in H1 of 2023, but narrow in the second half.

"Overall, we expect it (CAD) to be under 3 per cent of GDP," he added.